

Arab Bank Group

Annual Report 2008



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Dear Shareholders,

The year 2008 will go down in history as one of the most exceptionally challenging years that the world has ever witnessed. Undeniably, the magnitude of this global crisis reminds us of the extent to which the world's economies and financial systems are interlinked.

During the course of 2008, the model of financial institutions as we have come to know it, ceased to exist. It is somewhat ironic because that model was perceived to be a sophisticated model, one that encompassed numerous products and services customised and built with the aim of satisfying the ever increasing needs of customers. Unfortunately, in the quest to meet those needs, these products and services became so complicated, that it became difficult to understand what was being offered, let alone the types of risk they entail.

In retrospect, the global financial crisis has adversely affected the credit condition and the economic situation of many nations across the globe, thus creating great uncertainty that has destabilised many banks, both regionally and globally. The crisis also contributed to the possible emergence of a worldwide recession, which may be prolonged and severe. Banks have begun consolidating their financial positions either through mergers and acquisitions or through raising additional capital, and many are reviewing their lending policies, redesigning their credit assessment methods, strengthening their internal capabilities and re-examining the ways they used to measure and manage risk.

Clearly, the entire financial industry is in the midst of a makeover, as valuable lessons are being learned from the global events that continue to unfold. Perhaps one of the most important lessons pertains to the novelty of going back to basics, which is being adopted as we witness the modern-day banking model return to its original roots of taking deposits from and making loans to bankable clients.

A second lesson pertains to the strategic importance of pursuing the realisation of gains through following and implementing conservative banking policies, properly assessing risks, and accepting those that will yield long-term benefits, rather than expend resources in search of short-term gains that are often unsustainable. Proper policies should be in place, always holding shareholders and customers at the centre of operations and decisions made, therefore, always protecting their interest.

Arab Bank was built on these exact and time-tested principles. Since establishment in 1930, we have lived through and survived many turbulent times of political, economical and social tensions and disturbances. While this can be attributed to several factors, undoubtedly understanding the importance of our paramount obligation towards our shareholders and customers, remains the base upon which we conduct our business.

The Bank follows conservative policies, one of which especially emphasises the need to maintain ample levels of liquidity. This has historically served us and our depositors remarkably well across the many countries in which we operate, and enabled us to survive various events such as the wave of nationalisation in the 1960s and 1970s in the MENA region, in addition to the wars and conflicts that the region experienced. Our policies also ensure a consistently robust credit portfolio quality as well as the constant building and accumulation of a strong capital base while properly and adequately managing risk. Needless to say that operating in a region that has undergone, and regrettably, continues to experience political and economical instability, requires us to continuously consider potential risks. Our aim is to always do what is needed to safeguard our shareholders, our customers and our name.

Our obligation towards our shareholders and our customers is at the forefront of our priorities and is a main driver behind why we believe it is important to constantly maintain a higher liquidity ratio than most banks regionally and globally. Despite foregoing some additional profits as a result of maintaining high liquidity, this has been our key saviour and strength, enabling us to build unbreakable loyalty and confidence between us, our customers and shareholders.

Despite the global credit crunch, the year 2008 was a year of continued growth for Arab Bank. We are truly proud to say that our conservative policies, centralised and prudent risk management and thorough due diligence, as well as our ability to correctly interpret and react to early warning signs have enabled us to escape the major direct effects of the global financial crisis.

Arab Bank Group's financial growth strengthened significantly in 2008. Total assets grew by almost 19% to reach USD 45.6 billion, whereas our loans portfolio increased by 15.5% to reach USD 22.5 billion. Our income before tax has exceeded the USD 1 billion bracket, and has reached USD 1.06 billion recording a growth of 10% from prior year.

The 2008 results reflect an improved net interest and commission income and better cost efficiencies. Our results were driven by all our business units generated from our geographically diversified network of branches.

Our already strong liquidity position also grew. Liquid assets make up around 45% of our total assets supported by a stable and loyal customer base whose deposits grew by 27% to reach USD 31.4 billion, representing 69% of the Arab Bank Group's assets. On the other hand, our capitalisation remains strong with total equity increasing by 9.5% to reach USD 7.5 billion as of year-end. Capital adequacy ratio remains high at 16.2%, exceeding the stringent limits set by regulatory authorities and Basel II Committee.

Our solid financial performance of 2008 was recognised by renowned international rating agencies, despite the ramifications of the current financial crisis. Moody's confirmed Arab Bank's financial strength rating of A2 and its long-term foreign currency rating of A3 with a "stable" outlook. Additionally, Fitch and S&P reaffirmed Arab Bank's long-term foreign currency rating of A-, also with a "stable" outlook. These ratings do reflect Arab Bank's leading position within the MENA region, its widespread geographical coverage, conservative policies towards risks and assets distribution as well as efficiency in managing its balance sheet, all of which have contributed to building a safety net that has safeguarded the Bank against the negative repercussions of various crises and world economic and financial fluctuations.

In addition to our financial performance, we have succeeded on numerous other fronts, including the expansion of our operations geographically as well as the enhancement of our products and services.

In February of 2008, we were successful in acquiring 19% of Wahda Bank in Libya, with the option to increase our stake by an additional 32% to reach a total of 51% within three to five years. This re-established the Bank's operations in the Libyan market, after having been nationalised in 1970, when our branches operating under the Arab Bank brand were annexed to what is currently known as Wahda Bank. We see this as an important step for us especially in view of the ongoing economic transformation in the country.

In accordance with the Bank's strategy of further developing its Islamic banking products and services in order to meet the globally increasing demand for this type of lending, we have opened an Islamic Finance Window through one of our branches in Qatar, which will offer services such as Murabaha, current accounts, saving accounts, investment deposits and financing services in accordance with Islamic Shari'a principles. This window is in the process of being replicated in the UAE. Additionally, Arab Bank obtained a licence to establish a fully owned Islamic Banking subsidiary in Sudan, under the name of Arab Sudanese Bank, scheduled to begin full operations during the second quarter of 2009. Once again, this was a step to re-establish our presence in Sudan, where our three branches were nationalised in 1970.

Throughout 2008, Arab Bank received numerous awards from world renowned entities including Euromoney, The Banker, Global Finance and Europe Middle East Africa Finance (EMEA). These awards included "Best Trade Finance Bank" in MENA and in Jordan by Global Finance and "Best Bank in Jordan" from Euromoney, The Banker and Global Finance, to name a few.

The prevailing and expected market conditions will be considered as we adapt, adjust and plan ahead. Looking forward, the year 2009 will be a difficult one for all. Companies and economies all over the world will be affected by the outcomes of changing economic conditions, and Arab Bank is no exception. However, we will continue to manage our business in the best and most efficient way possible while placing the best interest of our customers and shareholders first.

With this said, we shall continue to adhere to our founding mission to be the instigators and promoters of sustainable growth and prosperity in the Arab World, helping the region develop and achieve sustainable economic and social development through our products and our services, providing the right channel for investments flowing to and from the MENA region and the rest of the world.

Banks are the core, the central nervous system, of financial markets, the drivers of economic development, and a safe haven for investors and depositors alike. At Arab Bank, we pledge to continue being your safe haven, not just preserving your capital and trust, but tirelessly growing them as well.

Last, but not least, I would like to thank our valued shareholders and loyal customers for their continued trust and support over the years. I would also like to extend my sincere appreciation and thanks to our employees for their dedication and commitment.

In closing, I assure you that you will remain at the top of our priorities, and that we will continue to yield the best results possible.



Abdel Hamid A. M. Shoman
Chairman of the Board of Directors &
Chief Executive Officer



CORPORATE AND INVESTMENT BANKING GROUP (CIB)

The successful consolidation of the Bank's corporate product and distribution channels at a country level into centres of excellence reporting centrally, has helped fortify the Bank's client relationships, develop additional cross-selling opportunities, improve synergies and enable a more focused response to clients' needs. These centres encompass areas covering corporate finance, investment banking, commercial banking, financial institutions and trade services.

Historically, Arab Bank has always played a leading role in the financing of numerous large-scale projects in a number of key industries across the MENA region.

In the oil, gas and petrochemical industries, Arab Bank was a mandated lead arranger (MLA) for a number of prestigious projects, including the USD 1.88 billion financing of the construction of a petrochemical plant for Saudi Polymers Company in Saudi Arabia, and the USD 235 million financing of a polystyrene plant for Egyptian Styrenics Production Company (E-Styrenics), considered to be one of the most competitive petrochemicals projects in Egypt.

In Qatar, the Bank was an MLA for partially financing a USD 151 million term loan facility for Qatar Airways, supported by a Qatari government guarantee. In the UAE, the Bank took a leading role in partially financing the construction of a USD 1.8 billion aluminum plant in Dubai for Emirates Aluminum Company. In Oman, Arab Bank plc and Oman Arab Bank provided a USD 35 million facility to part finance the acquisition of two multi-purpose vessels.

Additionally, Arab Bank has acted as an MLA in several of the largest independent water and power production (IWPP) projects in the region, including being an MLA for the USD 3.1 billion financing, of which the final take of Arab Bank was USD 50 million, to partially finance the construction of a USD 3.7 billion IWPP project. The Bank was also mandated as a financial advisor for the Ras Azzour IWPP of USD 5 billion public-private partnership project financing in Saudi Arabia.

Arab Bank played a leading role in many other projects in the region, including serving as the advisor for the AMA Steel plant project in Bahrain, and being one of three arranging / structuring banks for the United Gulf Steel in Saudi Arabia for a plant expansion estimated at USD 650 million.

In Jordan, Arab Bank was the MLA for a number of projects, including Abdali Boulevard, where it fully underwrote a USD 155 million facility to partially finance the development of one of the largest projects in the country. The project consists of a 235,000 sqm built-up area composed of pedestrian spine, retail, food and beverage outlets, eight buildings of five-star serviced apartments and four office buildings. Arab Bank was also the MLA of a project to assist Kingdom Electricity Company in partially financing its acquisition of the government's stake in both the Electrical Distribution Company (EDCO) and the Irbid District Electricity Company (IDECO).

Active involvement in the aforementioned deals has maintained the position of Arab Bank as the top regional bank and the prominent player in the project and structured finance business in MENA.

In order to meet the needs of and better manage our corporate relationships across our rapidly expanding global network, the Global and Regional Client Coverage Unit (GRCC) was formed during 2008 as a new strategic business function within global CIB, ensuring that the complete range of sophisticated and evolving financial needs of multi-national and regional corporations are met swiftly, efficiently and with the highest standards of service excellence across the entire network of Arab Bank Group. The increasing role played by GRCC's relationship team throughout our global business in offering clients an integrated multi-product and multi-geographical offering is evidence of the significance which Arab Bank places on its core corporate client network.

RETAIL BANKING GROUP:

Retail Banking continued to be a major contributor to the growth of the Bank alongside other business lines. The Group consists of our Personal Banking (Retail) and Elite (Affluent) customers. Retail Banking Group maintained its leading position across the Bank's main markets in the Levant region, achieving all targets in terms of consumer loans, credit cards, deposits and revenues and overcoming the obstacles and downturns that characterised the banking industry globally during 2008. However, the Bank continues to maintain its conservative lending approach that follows strict criteria, something which has proven to protect it from the global credit crisis. It is worth mentioning that Retail lending makes up 14.9% of our total loan portfolio.

Retail Banking has reinforced its business infrastructure from all angles, with high focus on upgrading its human resources and branch platform, allowing for a wider product offering and improved service levels.

In line with the Retail Banking Group's customer-centric business approach, new products have been launched targeting different segments of customers. In Jordan, Arab Bank Millionaire was modified to integrate with saving accounts, and the new Jeel Al Arabi account was created to serve as a saving account for children and the next generation, enhancing customer loyalty and heading towards family banking.

As part of Arab Bank's strategy to have the most efficient network and exceptional customer reach, expansion plans were successfully implemented in Egypt, Bahrain in addition to Jordan, where seven new branches have commenced operations, and nine more branches have been renovated. Moreover, the Bank has finalised plans to further expand its retail operations in Algeria and Morocco in 2009.



Retail Banking Group continued its strong e-channels offering. A state-of-the-art technology solution of Customer Relationship Management (CRM) has been successfully implemented in Jordan with rollout plans underway for all countries. A complete new offering for internet banking is in its final stages for implementation across ten countries. Retail Banking Group has also enhanced and expanded its SMS Banking services to align with the expansion of this important communication channel used heavily by most customers.

Enhancing efficiencies is an ongoing process which is at the heart of the Retail Business functions, and it involves various projects. One of the important undertakings in 2008 was the start of the implementation of phase two of the "Branch Transformation Project" which unifies policies and procedures, and defines sales and services matrices across functions and channels aiming at minimising flaws and increasing controls, while ensuring optimum productivity.

Retail Banking Group looks forward to continued growth in 2009, having aligned business plans with current market conditions and economies keeping in mind the specificity of each country. A major review of all product programs is underway to ensure that the Bank maintains the quality of its portfolio and competitive edge in each market, in light of the recent market conditions. Retail Banking Group plans to focus on growing its credit card and residential loans in selected markets. Special attention will also be given to growing salary domiciliation as the base of our drive to increase product penetration and improve our cross-sell ratio. However, the Bank will not compromise on its lending criteria and conservative policies, and does not intend to aggressively push its loan growth.

Retail Banking Group continues to make good strides towards reaching optimum levels of service excellence, covering all elements of its business related to channels, products, processes, brand and staff.

PRIVATE BANKING GROUP:

The Private Banking Group completed phase one of its global initiative throughout 2008, focusing on redefining our strategy and enhancing our platform and capabilities through a redesigned global operating model that leverages the strengths of Arab Bank Group's entities

of Arab Bank (Switzerland), Europe Arab Bank, Arab Bank plc, AB Invest and AB Capital, and ensures alignment of all entities to one strategy intended to offer our clients a one-stop solution to all their needs and better access to the various centres.

Our new model provided us with the following benefits: organised coordination between sales teams and cross-selling of various value propositions; creation of centers of expertise for investment management, asset management and brokerage; clear segregation of back-office and front-office duties to ensure adherence to risk management and compliance standards; and establishment of a global strategy and Management Information System (MIS) team to ensure oversight of business performance and continuous improvement of the strategic direction of the business.

As a result of this initiative, the key capabilities of the business have been upgraded by enhancing our human resources, revamping the IT platform, streamlining business processes, and establishing a comprehensive plan to enhance our delivery channels. As such, the impact on Private Banking business performance in 2008 was immediate, demonstrated through a substantial increase in the deposit base of the business and unprecedented cross-selling activity with the Group's entities. This growth is a pure reflection of the solid franchise of Arab Bank and indicates the growth potentials of the Private Banking business in core markets.

TREASURY:

Arab Bank's Global Treasury organisation is responsible for the management of the Bank's liquidity and market risk, in addition to providing advice and execution services to Arab Bank's customers for Treasury products. Despite unprecedented volatility and uncertainty in the world's financial markets, Treasury not only successfully managed and strengthened the liquidity position of Arab Bank, but it also delivered consistently profitable products and quality results both for Arab Bank and its customers.

Arab Bank Treasury's technical expertise, widespread local presence and specialised knowledge of the MENA region's markets have allowed us to continue to meet the needs of our pan-regional customer base, which is growing both in size and sophistication.

Treasury's product offerings have grown in number in 2008, and will continue to grow in 2009 as Arab Bank continues to meet the needs of a growing customer base. The Bank's Treasury products fall into the following broad categories:

- Money market investments
- Spot and forward foreign exchange
- Foreign exchange derivatives

- Interest rate derivatives
- Fixed income securities
- Commodities and precious metals trading services
- Structured products and complex hedging solutions

The control and oversight infrastructure which Treasury operates within remains extremely strong, with clear segregation of duties, and careful management of risk appetite at country, legal entity and Group levels. This helps place Arab Bank in an extremely strong position not only to perform, but also to thrive in 2009.

Arab Bank plc has an extensive network of branches, which, along with its sister and subsidiary companies, covers the Arab region and the most important financial centres of the world.

| Country | Number of Branches | Operating Since | No. of Employees |
|--|--------------------|-----------------|------------------|
| Jordan | 79 | 1934 | 2 974 |
| Algeria | 4 | 2001 | 167 |
| Bahrain | 4 | 1960 | 208 |
| China (Representative Office) | 2 | 1985 | 7 |
| Egypt | 20 | 1947 | 1 073 |
| Kazakhstan (Representative Office) | 1 | 2004 | 1 |
| Lebanon | 13 | 1944 | 289 |
| Morocco | 10 | 1962 | 227 |
| Palestine | 25 | 1930 | 859 |
| Qatar | 3 | 1957 | 147 |
| South Korea (Representative Office) | 1 | 1989 | 3 |
| Singapore | 1 | 1984 | 41 |
| UAE | 8 | 1963 | 529 |
| USA (New York Agency) | 1 | 1982 | 52 |
| Yemen | 10 | 1972 | 322 |
| Total | 182 | | 6 872 |



The Allocation of branches and staff of Arab Bank plc in Jordan according to governorates as of year-end 2008 was as follows:

| Governorate | Number of Branches | No. of Employees |
|--------------|--------------------|------------------|
| Amman | 55 | 2 781 |
| Irbid | 5 | 39 |
| Zarqa | 8 | 62 |
| Aqaba | 2 | 23 |
| Balqa'a | 1 | 8 |
| Karak | 1 | 10 |
| Mafraq | 1 | 9 |
| Madaba | 1 | 9 |
| Jerash | 1 | 9 |
| Maan | 2 | 14 |
| Tafleh | 1 | 6 |
| Ajloun | 1 | 4 |
| Total | 79 | 2 974 |

| Country | Operating Since | No. of Branches |
|------------------------------------|-----------------|-----------------|
| Algeria | 2001 | 4 |
| Bahrain | 1960 | 4 |
| China (Representative Office) | 1985 | 2 |
| Egypt | 1947 | 20 |
| Kazakhstan (Representative Office) | 2004 | 1 |
| Lebanon | 1944 | 13 |
| Morocco | 1962 | 10 |

| Address | | No. of Employees |
|---|--|------------------|
| | | 167 |
| BVD Ben Youcef Ben Khedda – No 46 Sidi Yahia PO Box 537 Algeria – 16000 | Tel. 00213 (21) 480002/3 Fax. 00213 (21) 480001 | |
| | | 208 |
| Building No. 540/542 – Road 1706 PO Box 813 Manama 317 Bahrain | Tel. 00973 17 54 9000 Fax. 00973 17 54 1116 | |
| | | 7 |
| Shanghai Representative Office: Unit 1803, Shanghai Trade Square 188 Si Ping Road – Shanghai 200086 | Tel. 0086 (21) 6507 737/38 Fax. 0086 (21) 6507 2776 | |
| Hong Kong Representative Office: Suite 2711, Citibank Tower 3 Garden Road, Central – Hong Kong | Tel. 00852 2878 7800 Fax. 00852 2878 7821 | |
| | | 1 073 |
| 50 Geziret El Arab St. PO Box 68 El Mohandesseen - Cairo, Egypt | Tel. 0020 (2) 3302 9069/71 Fax. 0020 (2) 3302 9068 | |
| | | 1 |
| 188 Dostyk Ave., 5th Floor – Almaty, 050051 Republic of Kazakhstan | Tel. 007 (3272) 596253 Fax. 007 (3272) 596254 | |
| | | 289 |
| PO Box 11-1015, Riad El Solh Beirut 1107 2070 Banks Street, Beirut | Tel. 00961 (1) 980 153/4 Fax. 00961 (1) 980 803/299 | |
| | | 227 |
| PO Box 13810 174, Mohamed V Boulevard | Tel. 00212 (2) 222 3152 Fax. 00212 (2) 220 0233 | |

| Country | Operating Since | No. of Branches |
|---|-----------------|-----------------|
| Palestine | 1930 | 25 |
| Qatar | 1957 | 3 |
| South Korea (Representative Office) | 1989 | 1 |
| Singapore | 1984 | 1 |
| United Arab Emirates | 1963 | 8 |
| United States of America (New York Agency) | 1986 | 1 |
| Yemen | 1972 | 10 |

| Address | No. of Employees |
|--|------------------|
| | 859 |
| PO Box 1476 Ramallah – Palestine Tel. 00970 (2) 297 8100 Fax. 00970 (2) 298 2400/44 | |
| | 147 |
| PO Box 172 119 Grand Hammed Avenue – Doha, Qatar Tel. 00974 438 7777 Fax. 00974 441 0774 | |
| | 3 |
| 4th Floor, Samwha Building, 21 Sogong-dong, Chung-ku 100- 070, Seoul – PO Box 1331 Tel. 0082 (2) 775 4290 Fax. 0082 (2) 775 4294 | |
| | 41 |
| 80 Raffles Place – No. 32-20 UOB Plaza 2 Singapore 048624 Tel. 0065 6533 0055 Fax. 0065 6532 2150 | |
| | 529 |
| Abu Dhabi: PO Box 875 Sh. Tahnoun Bin Mohammad Building, Naser St. Tel. 00971 (2) 639 2225 Fax. 00971 (2) 621 2370 | |
| Dubai: PO Box 11364 – Al Ittihad St. Tel. 00971 (4) 295 0845 Fax. 00971 (4) 295 5974 | |
| | 25 |
| 520 Madison Avenue New York, NY 10022-4237 Tel. 001 (212) 715 9700 Fax. 001 (212) 593 4632 | |
| | 322 |
| PO Box 475 & 1301 Zubairi Road – Sana'a Tel. 00967 (1) 276 585/93 Fax. 00967 (1) 276 583 | |

| Entity | No. of Employees |
|---------------------------------------|------------------|
| Arab Bank plc | 6 872 |
| Europe Arab Bank | 271 |
| Arab Bank (Switzerland) Limited | 88 |
| Arab Bank Australia Limited | 227 |
| Islamic International Arab Bank | 368 |
| Arab Sudanese Bank | 25 |
| Arab Investment Bank | 4 |
| Al Arabi Investment Group (AB Invest) | 61 |
| Al Arabi Capital Co. (AB Capital) | 26 |
| Arab Tunisian Bank | 802 |
| Arab Bank – Syria | 270 |
| Al Wahda Bank | 3 098 |
| Al Nisr Al Arabi Insurance Company | 136 |
| Arab Company for Shared Services | 93 |
| Arab Gulf Tech for IT Services | 37 |
| Arabella for IT Services | 20 |
| Arab National Leasing Company | 21 |
| Total | 12 419 |

The capital investment of Arab Bank plc amounted to JOD 184.2 million, representing net fixed assets of the Bank as of the end of year 2008 in comparison to JOD 181.7 million as of the end of year 2007



The following is a brief description of the businesses of the banking entities and their results in 2008.

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: private banking, which covers asset and investment management for both private and institutional clients; and trade financing, which is primarily for companies importing from and exporting to Arab countries.

The following table lists the main financial highlights of 2008 compared to 2007:

| In CHF thousand | 2008 | 2007 |
|---|-----------|-----------|
| Capital | 26 700 | 26 700 |
| Total shareholders' equity | 501 772 | 501 592 |
| Total assets | 1 842 064 | 2 072 535 |
| Cash and quasi cash | 1 061 561 | 1 361 358 |
| Direct credit facilities | 704 078 | 639 999 |
| Total external sources of funds (customers' and banks' deposits) | 1 269 715 | 1 519 442 |
| Total revenues | 40 348 | 53 295 |
| Net profit before tax | 12 067 | 28 539 |
| Net profit after tax | 8 948 | 22 261 |



Arab Bank Australia Limited:

Founded in 1994, Arab Bank Australia Limited is a wholly owned subsidiary of Arab Bank plc, which is licensed to carry out banking business in Australia. Through a network of 10 branches, spread in the Australian states of New South Wales and Victoria, the Bank provides all commercial and retail banking products and services to its customers.

The following table lists the main financial highlights of 2008 compared to 2007:

| In AUD thousand | 2008 | 2007 |
|---|-----------|---------|
| Capital | 55 000 | 55 000 |
| Total shareholders' equity | 107 339 | 102 984 |
| Percentage ownership | 100% | 100% |
| Bank share of net income | 4 862 | 3 401 |
| Total assets | 1 342 903 | 875 068 |
| Cash and quasi cash | 437 101 | 113 003 |
| Direct credit facilities | 894 976 | 749 248 |
| Total external sources of funds (customers' and banks' deposits) | 1 194 196 | 763 676 |
| Total revenues | 31 943 | 27 200 |
| Net profit before tax | 6 946 | 2 159 |
| Net profit after tax | 4 862 | 1 377 |



Europe Arab Bank:

Europe Arab Bank is a limited liability company established in 2006 under British law with its headquarters in London. Incorporated in England and Wales, EAB is authorised and regulated by the Financial Services Authority. EAB has a European passport that enables it to open branches anywhere in the European Union. Through a network of 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 2008 compared to 2007:

| In EUR thousand | 2008 | 2007 |
|---|-----------|-----------|
| Capital | 499 998 | 499 998 |
| Total shareholders' equity | 423 612 | 414 020 |
| Percentage ownership | 100% | 100% |
| Bank share of net income | (26 255) | (8 965) |
| Total assets | 5 025 686 | 4 356 667 |
| Cash and quasi cash | 2 815 610 | 2 201 657 |
| Direct credit facilities | 2 051 452 | 2 046 234 |
| Total external sources of funds (customers' and banks' deposits) | 4 324 303 | 3 644 076 |
| Total revenues | 79 487 | 59 647 |
| Net profit before tax | (26 248) | (8 884) |
| Net profit after tax | (26 255) | (8 965) |

Islamic International Arab Bank:

Islamic International Arab Bank plc, a wholly-owned subsidiary of Arab Bank plc, offers a full range of banking products and services which are in accordance with Islamic Sharia rules. Established in Jordan in 1997, the Bank started its operations the following year.

The following table lists the main financial highlights of 2008 compared to 2007:

| In JOD thousand | 2008 | 2007 |
|---|---------|---------|
| Capital | 73 000 | 40 000 |
| Total shareholders' equity | 92 209 | 74 083 |
| Percentage ownership | 100% | 100% |
| Bank share of net income | 6 508 | 10 870 |
| Total assets | 906 312 | 593 987 |
| Cash and quasi cash | 360 696 | 276 718 |
| Direct credit facilities | 290 976 | 305 696 |
| Total external sources of funds (customers' and banks' deposits) | 795 585 | 503 562 |
| Total revenues | 19 529 | 23 688 |
| Net profit before tax | 11 372 | 16 075 |
| Net profit after tax | 6 508 | 10 870 |

Arab Sudanese Bank:

On 13th August 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 is intended to offer a full range of banking products and services that are Islamic Sharia – compliant.

The Bank’s paid up capital is US\$ 50 million and is expected to launch its operational activities by the start of the second quarter of year 2009.

Arab Investment Bank S.A.L.:

Founded in 1998 with a paid-up capital of LBP 15 billion, Arab Investment Bank S.A.L. started its operations in 1999. The Bank is a majority-owned subsidiary of Arab Bank plc and is its investment arm in Lebanon. As an investment bank, it specialises in medium and long-term lending. Its activities also include deposit-taking for terms of six months and longer.

The following table lists the main financial highlights of 2008 compared to 2007:

| In LBP thousand | 2008 | 2007 |
|---|------------|------------|
| Capital | 15 000 000 | 15 000 000 |
| Total shareholders' equity | 20 197 382 | 19 990 255 |
| Percentage ownership | 66.68% | 66.68% |
| Bank share of net income | 702 997 | 770 181 |
| Total assets | 56 615 500 | 59 449 410 |
| Cash and quasi cash | 51 252 487 | 54 287 946 |
| Direct credit facilities | 1 865 366 | 1 930 976 |
| Total external sources of funds (customers' and banks' deposits) | 35 585 716 | 38 605 643 |
| Total revenues | 1 664 538 | 1 772 931 |
| Net profit before tax | 1 139 308 | 1 257 969 |
| Net profit after tax | 1 054 285 | 1 155 041 |



Arab Tunisian Bank:

Arab Tunisian Bank (ATB) was incorporated in Tunisia in 1982, and is a majority-owned subsidiary of Arab Bank plc. Arab Tunisian Bank provides all banking products and services to its customers.

The following table lists the main financial highlights of 2008 compared to 2007:

| In TND thousand | 2008 | 2007 |
|--|-----------|-----------|
| Capital | 80 000 | 60 000 |
| Total shareholders' equity | 292 425 | 197 468 |
| Percentage ownership | 64.24% | 64.24% |
| Bank share of net income | 23 624 | 16 262 |
| Total assets | 3 149 254 | 2 742 828 |
| Cash and quasi cash | 1 508 227 | 1 446 292 |
| Direct credit facilities | 1 515 002 | 1 214 728 |
| Total external sources of funds (customers' and banks' deposits) | 2 770 003 | 2 515 200 |
| Total revenues | 119 485 | 100 316 |
| Net profit before tax | 41 791 | 29 059 |
| Net profit after tax | 36 774 | 25 315 |



Arab Bank – Syria:

Established in 2005, Arab Bank – Syria is licensed to carry out all commercial banking activities. Arab Bank plc owns 49% of its capital and controls technical management of the bank.

The following table lists the main financial highlights of 2008 compared to 2007:

| In SYP thousand | 2008 | 2007 |
|---|------------|------------|
| Capital | 3 000 000 | 1 500 000 |
| Total shareholders' equity | 3 304 616 | 1 622 813 |
| Percentage ownership | 49% | 49% |
| Bank share of net income | 147 522 | 102 197 |
| Total assets | 32 680 168 | 21 267 155 |
| Cash and quasi cash | 18 135 523 | 12 990 818 |
| Direct credit facilities | 12 658 282 | 6 918 885 |
| Total external sources of funds (customers' and banks' deposits) | 28 446 908 | 19 249 255 |
| Total revenues | 833 673 | 562 390 |
| Net profit before tax | 407 892 | 281 101 |
| Net profit after tax | 301 067 | 208 565 |

Al Wahda Bank:

Al Wahda Bank is Libya's fifth largest bank with total assets of USD 4.9 billion and a market share of 20%, with 71 branches across the country. The Bank is licensed to carry out all commercial banking activities. During early 2008, Arab Bank plc acquired 19% of Al Wahda Bank with the right to increase its share to 51% within a period of three to five years. Arab Bank plc has the majority in the Board of Directors and controls the management of Al Wahda Bank, including the appointment of the CEO.

The following table lists the main financial highlights of 2008 compared to 2007:

| In LYD thousand | 2008 | 2007 |
|---|-----------|-----------|
| Capital | 108 000 | 108 000 |
| Total shareholders' equity | 251 919 | 239 371 |
| Percentage ownership | 19% | 0% |
| Bank share of net income | 6 907 | 0 |
| Total assets | 4 909 905 | 3 571 588 |
| Cash and quasi cash | 3 589 557 | 2 466 054 |
| Direct credit facilities | 1 116 606 | 886 624 |
| Total external sources of funds (customers' and banks' deposits) | 4 226 975 | 2 970 290 |
| Total revenues | 137 522 | 113 960 |
| Net profit before tax | 67 658 | 64 783 |
| Net profit after tax | 36 351 | 31 738 |

Al Arabi Investment Group (AB Invest):

AB Invest is a financial company, focusing mainly on investment banking activities. Known earlier as Atlas Investment Group, it has developed into one of the leading investment entities in Jordan providing a wide range of services, including brokerage, asset management, corporate finance and research. It was established in Jordan in 1996, and is wholly owned by Arab Bank plc.

The following table lists the main financial highlights of 2008 compared to 2007:

| In JOD thousand | 2008 | 2007 |
|---|--------|--------|
| Capital | 14 000 | 8 900 |
| Total shareholders' equity | 20 365 | 16 280 |
| Percentage ownership | 100% | 100% |
| Bank share of net income | 4 085 | 4 167 |
| Total assets | 29 235 | 24 047 |
| Cash and quasi cash | 19 423 | 18 625 |
| Direct credit facilities | - | - |
| Total external sources of funds (customers' and banks' deposits) | - | - |
| Total revenues | 7 590 | 7 716 |
| Net profit before tax | 5 385 | 5 417 |
| Net profit after tax | 4 085 | 4 167 |



Al Arabi Capital Limited (AB Capital):

AB Capital was founded in 2006 as an Arab Bank plc Investment Banking arm that offers investment banking, private equity and asset management services throughout the Arabian Gulf and Middle East region.

AB Capital, which is a majority-owned subsidiary of Arab Bank plc, is based in the Dubai International Financial Center (DIFC) and is regulated by the Dubai Financial Services Authority (DFSA).

The following table lists the main financial highlights of 2008 compared to 2007:

| In US Dollar thousand | 2008 | 2007 |
|---|---------|---------|
| Capital | 40 000 | 10 000 |
| Total shareholders' equity | 32 650 | 10 581 |
| Percentage ownership | 80.18% | 60.0% |
| Bank share of net income | (3 280) | (3 835) |
| Total assets | 34 017 | 12 862 |
| Cash and quasi cash | 8 274 | 10 246 |
| Direct credit facilities | - | - |
| Total external sources of funds (customers' and banks' deposits) | - | - |
| Total revenues | 3 284 | 3 683 |
| Net profit before tax | (4 091) | (6 391) |
| Net profit after tax | (4 091) | (6 391) |

Arab National Leasing Company:

Arab National Leasing Co., a wholly-owned non-banking subsidiary of Arab Bank plc, offers financial leasing services that cover a wide range of assets and products. The company was established in 1996 as a limited liability company.

The following table lists the main financial highlights of 2008 compared to 2007:

| In JOD thousand | 2008 | 2007 |
|---|--------|--------|
| Capital | 25 000 | 25 000 |
| Total shareholders' equity | 53 174 | 36 513 |
| Percentage ownership | 100% | 100% |
| Bank share of net income | 7 541 | 10 969 |
| Total assets | 83 330 | 67 959 |
| Cash and quasi cash | 2 654 | (213) |
| Investment in leasing contracts | 78 879 | 63 896 |
| Total external sources of funds (customers' and banks' deposits) | - | - |
| Total revenues | 11 187 | 15 795 |
| Net profit before tax | 10 055 | 14 625 |
| Net profit after tax | 7 541 | 10 969 |

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 and has developed into one of the leading insurance companies in Jordan. In May 2006, and with the launching of its Bancassurance line of business, 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 2008 compared to 2007:

| In JOD thousand | 2008 | 2007 |
|---|--------------|--------------|
| Capital | 10 000 | 10 000 |
| Total shareholders' equity | 17 556 | 17 779 |
| Percentage ownership | 50%+2 shares | 50%+2 shares |
| Bank share of net income | 1 096 | 1 032 |
| Total assets | 30 438 | 28 451 |
| Cash and quasi cash | 11 858 | 9 370 |
| Total Investments | 16 334 | 17 254 |
| Total external sources of funds (customers' and banks' deposits) | - | - |
| Total revenues | 10 214 | 9 933 |
| Net profit before tax | 2 532 | 2 785 |
| Net profit after tax | 2 192 | 2 064 |



First : Jordanian Companies:

| Entity | Type | Address | Type of Activity |
|---------------------------------------|---------------------|---|---|
| Arab National Leasing Co. | Limited Liability | PO Box 940638 Amman 11194 Jordan Tla'a Al Ali – Madina Monawwara St., Bldg. 256 Tel. 00962 6 5531649 Fax. 00962 6 5529891 | Financial leasing |
| Al Arabi Investment Group (AB Invest) | Limited Liability | PO Box 143156 Amman 11814 Jordan Rabia – Abdalla Bin Rowaha St., Bldg. 1 Tel. 00962 6 5522239 Fax. 00962 6 5519064 | Financial and investment banking services |
| Al Nisr Al Arabi Insurance Co. | Public Shareholding | PO Box 9194 Amman 11191 Jordan Abdali – Amman Commercial Complex Tel. 00962 6 5685171 Fax. 00962 6 5685890 | Insurance services |
| Islamic International Arab Bank | Public Shareholding | PO Box 925802 Amman 11190 Jordan Wasfi Tal St. Tel. 00962 6 5694901 Fax. 00962 6 5694914 | Islamic banking |

Second : Arabic & Foreign Companies:

| | | | |
|----------------------|---------------------|--|---|
| Arab Investment Bank | Public Shareholding | Commercial Buildings Co. Bldg. – Riad Al Solh St. –PO Box 11 – 7000 Beirut – Lebanon | Investment & medium and long term deposits acceptance |
| Arab Tunisian Bank | Public Shareholding | 9 Al Hadi Nweira, 1001 Tunisia Tel. 00216 71 351 155 Fax. 00216 71 349 278 | Commercial banking |
| Arab Bank – Syria | Public Shareholding | PO Box 38 Abu Rummana – Mahdi Bin Baraka St. – Damascus – Syria. Tel. 00963 11 334 8130 Fax. 00963 11 334 9844 | Commercial banking |

| Capital | No. of Employees | No. of Branches | Name | Major Shareholders (5% or more of capital) | | | |
|----------------|------------------|-----------------|----------------------------------|--|---------|-----------------------|---------|
| | | | | No. of Shares in 2007 | % | No. of Shares in 2008 | % |
| JOD 25 Million | 21 | 1 | Arab Bank | 25 000 000 | 100.00% | 25 000 000 | 100.00% |
| JOD 14 Million | 61 | 2 | Arab Bank | 8 900 000 | 100.00% | 14 000 000 | 100.00% |
| JOD 10 Million | 136 | 2 | Arab Bank | 5 000 002 | 50.00% | 5 000 002 | 50.00% |
| | | | Allianz Mena Holding | 1 801 264 | 18.00% | 1 801 264 | 18.00% |
| | | | Yacoub Sabella | 605 516 | 6.10% | 605 516 | 6.10% |
| | | | Zaid Sabella | 576 624 | 5.70% | 576 624 | 5.70% |
| | | | Jordan Investment & Finance Bank | 552 808 | 5.50% | 557 326 | 5.70% |
| JOD 73 Million | 368 | 19 | Arab Bank | 40 000 000 | 100.00% | 73 000 000 | 100.00% |
| LBP 15 Billion | 4 | 1 | Arab Bank | 94 955 | 66.68% | 94 955 | 66.68% |
| | | | Al Arabi Finance Co. | 24 990 | 33.32% | 24 990 | 33.32% |
| TND 80 Million | 802 | 88 | Arab Bank | 38 542 525 | 64.24% | 51 390 027 | 64.24% |
| | | | Zarzari Complex | 3 145 752 | 5.24% | 5 053 025 | 6.32% |
| SYP 3 Billion | 270 | 13 | Arab Bank | 1 470 000 | 49.00% | 2 940 000 | 49.00% |
| | | | Basma Talal Zain | 150 000 | 5.00% | 300,000 | 5.00% |
| | | | Alia Talal Zain | 150 000 | 5.00% | 300,000 | 5.00% |
| | | | Samer Salah Danial | 150 000 | 5.00% | 300,000 | 5.00% |
| | | | Moh'd S. Sharabati | 150 000 | 5.00% | 300,000 | 5.00% |

| Entity | Type | Address | Type of Activity |
|---|----------------------|---|---|
| Al Wahda Bank (despite Arab Bank's ownership of 19%, Al Wahda Bank is considered a subsidiary due to Arab Bank's management control). | Public Shareholding | PO Box 452 – Benghazi, Al Baraka – Al Fodhail Bo Omar Square – Libya Tel. 00218 91 222 4256 Fax. 00218 91 222 4122 | Commercial banking |
| Arab Sudanese Bank | Private Shareholding | Khartoum Sharq – Bldg 7, Dar Nizar – Ground Floor, DE1 Sq. – Baladeya St. Tel. 00249 155 119490/1 Fax. 00249 155 119533 | Islamic banking |
| Al Arabi Capital Limited | Limited Liability | PO Box 506582 Dubai, Dubai International Financial Centre – The Gate Village, Building 10, Level 5 – UAE Tel. 00971 4507 1200/34 Fax. 00971 4507 1214 | Financial services |
| Arab Gulf Tech for IT Services | Limited Liability | PO Box 500524 Dubai, UAE Tel. 00971 4362 1288 Fax. 00971 4362 1299 | IT services for Arab Bank branches |
| Arab Company for Shared Services | Limited Liability | PO Box 11364 Dubai Dubai Outsource Zone –UAE Tel. 00971 4295 0845 Fax. 00971 4295 5974 | Financial services for Arab Bank branches |
| Arabella for IT Services Ltd. | Limited Liability | 13-15 moorgate, London EC2R 6AD Tel. 0044 20 7315 8500 Fax. 0044 20 7796 4696 | IT services for Arab Bank branches |
| Arab Bank Australia Ltd. | Public Shareholding | Level 9, 200 George St. Sydney NSW Australia 2000 Tel. 0061 2 9377 8900 Fax. 0061 2 9221 5428 | Commercial banking |
| Europe Arab Bank | Public Shareholding | 13-15 moorgate, London EC2R 6AD Tel. 0044 20 7315 8500 Fax. 0044 20 7600 7620 | Commercial banking |

Third : Sister Companies:

| | | | |
|------------------------------|---------------------|--|--------------------|
| Arab Bank (Switzerland) Ltd. | Public shareholding | Claridenstrasse 26 PO Box 2023 CH-8022 Zurich – Switzerland Tel. 0041 44 265 7111 Fax. 0041 44 265 7330 | Commercial banking |
|------------------------------|---------------------|--|--------------------|

| Capital | No. of Employees | No. of Branches | Name | Major Shareholders (5% or more of capital) | | | |
|------------------|------------------|-----------------|--------------------------------------|---|--|-----------------------|---------|
| | | | | No. of Shares in 2007 | % | No. of Shares in 2008 | % |
| LYD 108 Million | 3 098 | 78 | Central Bank of Libya | 1 501 200 | 14.00% | 0 | 0.00% |
| | | | Economic and Social Development Fund | 7 894 800 | 73.00% | 5 832 000 | 54.00% |
| | | | Arab Bank | 0 | 0.00% | 2 052 000 | 19.00% |
| USD 50 Million | 25 | 1 | Arab Bank | - | - | 4 999 999 | 100.00% |
| USD 40 Million | 26 | 1 | Arab Bank | 6 000 000 | 60.00% | 32 073 000 | 80.18% |
| | | | SAN Investment | 400 000 | 4.00% | 2 000 000 | 5.00% |
| USD 1.5 Million | 37 | 1 | Arab Bank | 5 509 | 100.00% | 5 509 | 100.00% |
| AED 300 000 | 93 | 1 | Arab Bank | 300 000 | 100.00% | 300 000 | 100.00% |
| GBP 2 Million | 20 | 1 | Arab Bank | 2 000 000 | 100.00% | 2 000 000 | 100.00% |
| AUD 55 Million | 132 | 10 | Arab Bank | 55 000 000 | 100.00% | 55 000 000 | 100.00% |
| EUR 500 Million | 271 | 6 | Arab Bank | 49 999 deferred | 99.99% | 49 999 deferred | 99.99% |
| | | | | shares of £ 1 and 499 925 539 ordinary shares of € 1 | shares of £ 1 and 499 925 539 ordinary shares of € 1 | | |
| CHF 26.7 Million | 88 | 2 | - | Shareholders of Arab Bank (Switzerland) Ltd. are the same shareholders of Arab Bank plc, with an identical ownership structure. | | | |





| | |
|--------------------------------|--|
| Name | Mr. Abdel Hamid Abdul Majeed Shoman |
| Title | Chairman and Chief Executive Officer |
| Member Since | 28/9/1976 |
| Date of Birth | 1/1/1947 |
| Academic Qualifications | B.Sc. in Business Administration, American University of Beirut, Lebanon, 1970. |
| Experience | <ul style="list-style-type: none"> - Assumed the position of Deputy Chairman / Chief Executive Officer of Arab Bank plc on 24/5/2001. - 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). - Member of the Board of Directors of the Central Bank of Jordan (2001– 2005). - Member of the Upper House of the Parliament (since November 2005). - Member of the Board of Trustees, King Hussein Institute for Cancer and Biotechnology, Jordan. |
| Memberships | <ul style="list-style-type: none"> • Chairman of the Board of Directors of Arab Bank plc, Jordan (since 9/7/2005). • Chairman of the Board of Directors of Arab Bank (Switzerland) Ltd., Switzerland (since 18/4/2002) • Chairman of the Board of Directors of Europe Arab Bank, UK (since 28/6/2005). • Deputy Chairman of the Board of Directors of Oman Arab Bank, Oman (since 25/6/2001). • Member of the Board of Directors of Arab National Bank, Saudi Arabia (since 25/6/2001). • Chairman of the Board of Directors of Abdul Hamid Shoman Foundation, Jordan (since 26/4/2007). • Chairman of the Board of Directors of AB Capital, UAE (since 2005). • Chairman of the Board of Directors of Al Arabi Investment Group, Jordan (since 2004). |



Name

Mr. Sabih Taher Darwish Al-Masri

Title

Deputy Chairman

Member Since

27/3/1998

Date of Birth

2/12/1937

Academic Qualifications

B.Sc. in Chemical Engineering, University of Texas, Austin, USA, 1963.

Experience

- More than 40 years experience in managing private businesses in various areas of investment, finance, industry and commerce.

Memberships

- Chairman of the Board of Directors of ASTRA Industrial Group, Saudi Arabia (since 2007).
- Chairman of the Board of Directors of ZARA Holding Co., Jordan (since May 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., Saudi Arabia (since 1979).
- Chairman of the Board of Directors of Sikon for Building Materials Co., UAE (since 1968).



| | |
|--------------------------------|--|
| Name | Mr. Samir Farhan Khalil Kawar |
| Title | Member of the Board of Directors |
| Member Since | 29/3/2002 |
| Date of Birth | 29/10/1934 |
| Academic Qualifications | <ul style="list-style-type: none"> - B.Sc. in Agricultural Engineering, University of Arizona, USA, 1959. - M.Sc. in Agricultural Mechanical Engineering, Kansas State University, USA, 1961. |
| Experience | <ul style="list-style-type: none"> - 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. - Member of the Higher Council, The Hashemite Education Society. |
| Memberships | <ul style="list-style-type: none"> ● Chairman of the Board of Directors of Arab Bank Australia Ltd., Australia. ● Chairman of the Board of Directors of the Middle East Insurance Company, Jordan. ● Member of the Board of Directors of Bilmond University, Lebanon. ● Deputy Chairman of the Board of Trustees of the University of Jordan. ● Founding Member of the Jordanian Businessmen Association, Jordan. ● Founding Member of the Salt Construction Establishment, Jordan. ● Member of the Queen Alia Social Development Fund, 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 |
| Member Since | 29/8/1996 |
| Date of Birth | 10/5/1948 |
| Academic Qualifications | University Degree. |
| Experience & Memberships | <ul style="list-style-type: none"> - Member of the Board of Directors of Bank Med, Lebanon (since July 2005). - Member of the Board of Directors of Mediterranean Holding Group, Lebanon (since July 2005). - President of various humanitarian and educational institutions. - Vice President of the Continuous Care Centre, Lebanon. - Member of the Board of Trustees of the Children's Cancer Centre, Lebanon. - Member of Al-Nahda Philanthropic Society for Women, Saudi Arabia. - President of Rafiq Al Hariri Foundation, Lebanon. - Member of the Board of Trustees of the Welfare Association. |



| | |
|--------------------------------|--|
| Name | Ministry of Finance and Economy, Saudi Arabia (Represented by Mr. Saleh Saad A. Al-Muhanna) |
| Title | Member of the Board of Directors |
| Member Since | - Legal Entity: 29/4/1966. - Legal Entity's Representative: 31/3/2006. |
| Date of Birth | 11/1/1959 |
| Academic Qualifications | - B.Sc. in Industrial Management, King Fahd University of Petroleum and Minerals, Saudi Arabia, 1982 - M.Sc. in Economics, Ohio State University, USA, 1993. |
| Experience | - Currently holds the position of Deputy Under Secretary General for General Budget Affairs, Ministry of Finance, Saudi Arabia. - Member of the committee responsible for the sovereign rating of the Kingdom of Saudi Arabia (since 2001) - Member of the team that negotiated the Natural Gas Initiative with international oil companies, Saudi Arabia (2000 – 2004). |
| Memberships | <ul style="list-style-type: none"> ● Member of the Board of Directors of the General Corporation for Technical & Vocational Training, Saudi Arabia (since 2007). ● Member of the Board of Directors of the Saline Water Conversion Corporation, Saudi Arabia (since 2005). ● Member of the Board of Directors of the Saudi Moroccan Developmental Investment Co. (2000 – 2006). |

**Name****Mr. Mohammed Ahmad Mokhtar Al-Hariri****Title****Member of the Board of Directors****Member Since**

6/11/2005

Date of Birth

9/11/1958

Academic Qualifications

B.Sc. in Business Administration, University of Ottawa, Canada, 1979.

Experience

- 28 years experience in the management of Saudi Oger Ltd., Saudi Arabia.

Memberships

- Chairman of the Board of Directors of Saudi Med Investment Co. (since 12/2007).
- Chairman of the Board of Directors of AVEA Illetisim Hizmetleri A.S., Turkey (since 9/2006).
- Chairman of the Board of Directors of Oger Telecommunications Ltd., Dubai (since 8/2005).
- Member of the Board of Directors of Oger Telekomunikasyon A.S., Turkey (since 8/2005).
- Chairman of the Board of Directors of Groupe Méditerranée (Holding), Lebanon, (since 7/2005).
- Chairman of the Board of Directors and General Manager of Banque de la Méditerranée and all of its subsidiaries (since 7/2005).
- Member of the Board of Directors of MedGulf Insurance and Reinsurance (MedGulf Bahrain), Bahrain (since 6/2005).
- Member of the Board of Directors of MedGulf Holding, Lebanon (since 5/2005).
- Chairman of the Board of Directors of Turk Telecom A.S., Turkey (since 11/2005).
- Member of the Board of Directors of Enterprise des Travaux Internationaux (ETI), France (since 6/2003).
- Member of the Board of Directors of Oger International, France (since 5/2003).
- First Deputy Chairman of Saudi Oger Ltd., Saudi Arabia (since 3/2003).
- Member of the Board of Directors of MedGulf Insurance and Reinsurance (MedGulf Saudi Arabia), Saudi Arabia (since 7/1999).
- 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.



| | |
|--------------------------------|--|
| Name | Mr. "Mohammed Thabet" Abdulraouf S. Taher |
| Title | Member of the Board of Directors |
| Date of Membership | 3/3/2004 |
| Member Since | 1928 |
| Academic Qualifications | <ul style="list-style-type: none"> - Diploma in Marketing, International Institute for Marketing at Harvard University, USA, 1966. - Master's degree in Management, Holland, 1963. |
| Experience | <ul style="list-style-type: none"> - General Manager and Member of the Board of Directors of A.H. Shoman Foundation (since 11/2003). - Head of Management Committee for Jordan and Gulf Bank, Jordan (2/2003 – 2/2004). - Chairman of the Board of Directors of National Petroleum Co. (1996 – 1999) & (2002 – 2003). - Member of the Board of Directors of the Central Bank of Jordan (2001 – 2004). - Deputy Chairman of the Jordanian Businessmen Association and Secretary General of the Union of Arab Businessmen (since 1997). - General Manager and Member of the Board of Directors of Jordan Phosphate Mines Co., Jordan (4/1992 – 9/1993). - General Manager of the Jordan Phosphate Mines Co., Jordan (1974 – 1976) & (1992 – 1993). - Minister of Energy & Mineral Resources, Jordan (1989 – 1991). - Deputy Chairman of Arab Potash Co., Jordan (1980 – 1989). - Member of the Boards of Scientific Research in the University of Jordan & Hashemite University. |
| Memberships | <ul style="list-style-type: none"> • Member of the Board of the Jordanian Scientific Research Society (since 1999). • Member of the National Council for Human Resources Development, Jordan (since 1998). • Member of the Board of Trustees of Talal Abu Ghazaleh College for Business Administrations in The German Jordanian University. • Member of the Board of the Arts and Languages College, University of Jordan. |



| | |
|--------------------------------|---|
| Name | Social Security Corporation, Amman, Jordan (Represented by Mr. Ibrahim Yusuf Ibrahim Izziddin) |
| Title | Member of the Board of Directors |
| Member Since | - 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. |
| Experience | <ul style="list-style-type: none"> - President of the Higher Media Council, Jordan (2002 – 2006). - General Manager of the AH Shoman Foundation, Jordan (1997 – 2002). - Member of the Higher House of Senate (for one term in 1989). - Minister of State for Prime Minister Affairs and Minister of Media, Jordan (different times between 1989 –1995). - President of Bureau of Civil Service (1986 – 1989). - Jordanian Ambassador to Switzerland, Germany, UK and USA, in addition to working as a non-resident Ambassador to Austria, Sweden, Norway, Denmark, Luxembourg, and Holland (1975–1985). - Under Secretary General, Ministry of Media, Jordan (1971 – 1975). - Worked in the area of foreign media, Ministry of Media & the Royal Hashemite Court (1965 – 1971). - Worked in the field of Publishing in Beirut (1958 – 1965). - Worked at the Foreign Affairs Department, Ministry of Transportation, Prime Ministry and Printings Department at the Ministry of Foreign Affairs, Jordan (1955–1958). |
| Memberships | <ul style="list-style-type: none"> • 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 Creativity Award, Jordan. • Member 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 Trustees of the Hashemite University, 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 Dr. Tayseer Radwan Saleem Al-Smadi) |
| Title | Member of the Board of Directors |
| Member Since | - Legal Entity: 31/3/2006. - Legal Entity's Representative: 31/3/2006. |
| Date of Birth | 14/4/1966 |
| Academic Qualifications | - B.Sc. in Economics, Yarmouk University, 1988. - M.Sc. in Economics, University of Jordan, 1994. - PhD in Development Economics & Foreign Trade, Utah, USA, 1998. |
| Experience | - Chief Executive Officer of the First Startegieh Consulting, Jordan (since 2006). - Minister of Planning and International Cooperation and Minister of the Development of the Public Sector (2005). - Chairman of the Civil Service Council (2005). - Secretary General, Ministry of Planning and International Cooperation (2004 – 2005). - Deputy Governor and Governor of Jordan at the World Bank (2003 – 2005). - Part Time Lecturer, University of Jordan (2000 – 2002). |
| Memberships | <ul style="list-style-type: none"> ● Chairman of the Board of Directors of Islamic International Arab Bank, Jordan (since 10/2008). ● Member, the Retired Militaries & Old Fighters Foundation, Jordan (2008). ● Member of the Board of Directors of Arab Tunisian Bank, Tunisia (since 2006). ● Member of the Board of Trustees, Jordan Hashemite Fund for Human Development, Jordan (since 2006). ● Member of the Consultative Council for Ajloun Governorate, Jordan (since 2/2006). ● Previous Membership of the Boards of Directors of many Institutions, including the Industrial Development Bank, Investment Promotion Corporation, Export & Trading Centers Development Corporation, Central Electricity Generating Company, Water Authority of Jordan And Jordan Valley Authority). |

**Name****Mr. Riad Burhan Taher Kamal****Title****Member of the Board of Directors****Member Since**

9/7/2005

Date of Birth

6/12/1943

Academic Qualifications

- B.Sc. in Civil Engineering, University of London, 1965.
- M.Sc. in Construction Engineering, University of London, 1966.

Experience

- 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).

Memberships

- Member of the Board of Directors of Arabtec Holding, Dubai.
- Member of the Board of Directors of Depa United Co., Dubai.
- Member of the Board of Directors of Gulf Capital Co., Abu Dhabi.
- Member of the Board of Directors of Turkland Bank, Istanbul, Turkey.
- Member of the Board of Directors of Arab Bank – Syria, Damascus.
- Member of the Board of Directors of Arabia Insurance Co., Beirut, Lebanon.
- Member of the Board of Directors of Satellite Inter-Active Systems, Dubai.
- Member of the Board of Trustees of the American University of Beirut, Lebanon.
- Deputy Chairman, Welfare Association, Geneva.



| | |
|--------------------------------|--|
| Name | Mr. Wahbe A. WahbeTamari |
| Title | Member of the Board of Directors |
| Member Since | 31/3/2006 |
| Date of Birth | 14/5/1963 |
| Academic Qualifications | - BA in Management and Finance, Webster University, Geneva, Switzerland, 1984. |
| Experience | <ul style="list-style-type: none"> - Founder and Chairman of the Board of Directors of Watamar & Partners S.A., Geneva (since 2003). - Executive Director of Sucafina S.A., Geneva (1999 – 2002). - Adviser to the Chairman of the Board of Directors of the Consolidated Contractors International Co., Athens (1991 – 1999). - Chief Trader, Sucafina S.A., Geneva (1983 – 1991). - Trader, Merrill Lynch, London (1982 – 1983). |
| Memberships | <ul style="list-style-type: none"> ● Member of the Board of Directors of Arab Investment Bank, Lebanon (since 5/2007). ● Member of the Board of Directors of Al-Arabi for Finance SAL (Holding), Lebanon (since 5/2007). ● Member of the Board of Directors of Arab Bank (Switzerland) Ltd., Zurich (since 4/2007). ● Chairman of the Board of Directors of Arabia Insurance Co., Lebanon (since 6/2006). ● Member of the Board of Directors of Commercial Building SAL, Lebanon (since 6/2006). ● Member, Welfare Association (since 2006). ● Member, Act For Lebanon (since 2005). ● Member of the Board of Directors of Banque de Crédit National SAL, Lebanon (since 8/2004). ● Chairman of Watamar & Partners S.A., Geneva (since establishment in 1/2003). ● Chairman of the Board of Directors of Immofina Holding S.A.L., Lebanon. ● Chairman of the Board of Directors of Immofina S.A., Geneva (since establishment in 3/2001). ● Member, Young Presidents Organization (YPO) (since 1999). ● Deputy Chairman of Sucafina S.A., Geneva (since 8/1998). ● Member of the Board of Directors of Sucafina S. A., Geneva (since 11/1990). |

Mr. Abdel Hamid Abdul Majeed Shoman
Chairman and Chief Executive Officer

Date of Appointment : 1/10/1972

Date of Birth: 1/1/1947

Academic Qualifications

B.Sc. in Business Administration, American University of Beirut, 1970.

Experience

- Chairman / Chief Executive Officer of Arab Bank plc (since 9/7/2005).
- Assumed the position of Deputy Chairman / Chief Executive Officer of Arab Bank plc on 24/5/2001.
- Regional Executive Manager of the Arab Bank branches in the GCC countries (1972 – 1976).
- Worked for (25) years as the Assistant General Manager of Arab Bank plc, chairing the Higher Credit Committee in addition to several other senior committees of the Bank.
- Member of the Upper House of the Parliament (since November 2005).
- Member of the Board of Directors of the Central Bank of Jordan (2001 – 2005).

Board Memberships

- Chairman of the Board of Directors of Arab Bank (Switzerland) Ltd. – Switzerland, (since 18/4/2002).
- Chairman of the Board of Directors of Europe Arab Bank – UK, (since 28/6/2006).
- Deputy Chairman of the Board of Directors of Oman Arab Bank – Oman, (since 25/6/2001).
- Member of the Board of Directors of Arab National Bank – Saudi Arabia, (since 25/6/2001).
- Chairman of the Board of Directors of A.H. Shoman Foundation – Jordan, (since 26/4/2007).
- Chairman of the Board of Directors of AB Capital – UAE, (since 2005).
- Chairman of the Supervisory Board of AB Invest – Jordan, (since 2004).

Mr. Michel Antoine Nakhla Accad
Assistant Chief Executive Officer

Date of Appointment : 17/9/2006
Date of Birth: 18/12/1953

Academic Qualifications

- B.Sc. in Business Administration, American University of Beirut, 1976.
- MBA, Texas University, Austin – USA, 1978.

Experience

- Middle East & North Africa Division Head, Citigroup (1/1/2004 – 16/9/2006).
- North & West Africa Cluster Head, CCO, Citigroup (1/7/2001 – 1/12/2003).
- Chief Credit Officer (CCO), Citibank, (1/6/1988 – 1/7/2001).
- Corporate Bank Group Head, Citibank, (1/7/1982 – 1/6/1988).
- Corporate Relationship Manager, Citibank (1/7/1979 – 1/6/1982).

Board Memberships

- Chairman of the Board of Directors of Arab Tunisian Bank – Tunisia.
- Member of the Board of Directors of Europe Arab Bank plc – UK.
- Member of the Supervisory Board of AB Invest – Amman.
- Member of the Board of Directors of Arab National Leasing Company – Amman.

Dr. "Mohammad Ghaith" Ali Mohammad Mismar
Legal Counsel / Secretary General of the Board of Directors

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

Academic Qualifications

- B.A. in Law, Jordan University, 1984.
- M.A. in Commercial Law, University of London, UK, 1992.
- Ph.D. in Law, University of London, UK, 1998.

Experience

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

Board Memberships

- Member of the Board of Directors of Arab Tunisian Bank – Tunisia.

Mr. Ghassan Hanna Sulaiman Tarazi
Chief Financial Officer (CFO)

Date of Appointment : 1/8/2003
Date of Birth: 8/1/1964

Academic Qualifications

- B.Sc. in Economics, Acadia University – Canada, 1984.
- MBA, University of Leuven, Belgium, 1986.
- Professional certificates: CBA & CPA from the USA and FAIBF from Australia.

Experience

- Head of Financial Control and Risk Management, Gulf Investment Corporation, Kuwait, (2/2003 – 7/2003).
- Partner, KPMG Certified Accountants & Auditors, Amman, (1994 – 2003).
- Assistant Manager, Jordan National Bank, Amman, (1992 – 1993).
- Senior Auditor, Dajjani & Alaa Eldin & Partners, (1991 – 1992).
- Auditor, Arthur Andersen & Co., (1989 – 1990).

Board Memberships

- Member of the Board of Directors of Arab Tunisian Bank – Tunisia.
- Member of the Board of Directors of Arab National Bank – Saudi Arabia.
- Member of the Board of Directors of Arab Gulf Tech for IT Services, Free Zone, Dubai.
- Member of the Board of Directors of Turkland Bank A.S. – Turkey.
- Member of the Board of Directors of Arabella for IT Services Co. – London.
- Member of the Board of Directors of Arab Company for Shared Services, Free Zone – Dubai.

Mr. "Mohammad Saleem" Mohammad Omar Sheikh
Executive Vice President
Group Chief Credit Officer

Date of Appointment : 1/12/2006
 Date of Birth: 28/2/1956

Academic Qualifications

- Bachelor of Commerce, Government College of Commerce – Karachi.
- Masters in Business Administration, Punjab University.

Experience

- Group Chief Credit Officer, Arab Bank plc – Amman (since 12/2006).
- Regional Managing Director, Barclays Bank plc – Dubai, (2004 – 2006).
- Chief Operating Officer, Africa Corporate & Merchant Banking, Barclays Bank plc – Johannesburg, (2002 – 2003).
- Regional Risk Manager, Citibank South Africa – Johannesburg, (2001 – 2002).
- Deputy Managing Director, Citibank Nigeria – Lagos, (1998 – 2001).
- Regional Head, Global Corporate Banking, Citibank N.A., Lahore – Pakistan, (1996 – 1997).
- Business Manager, Asset Management Group, Citibank N.A., Karachi – Pakistan, (1995).
- Local Corporate Group Head, Citibank N.A., Dubai, (1991 – 1994).
- Country Risk Manager, Citibank N.A., Dubai, (1998 – 1990).
- Marketing / Credit Administration Unit Head, Citibank N.A., Lahore – Pakistan, (1981 – 1989).

Other Qualifications

- Attended many advanced training courses, workshops and seminars in the areas of banking, credit, leadership and management

Mr. Mohammad A. Hamad Ghanameh
 Executive Vice President
 Global Head of Corporate & Investment Banking

Date of Appointment : 1/2/2007
 Date of Birth: 6/1/1953

Academic Qualifications

- B.Sc. in Mathematics, Riyadh University – Saudi Arabia, 1975.
- Diploma in Computer Programming, London School of Technology, London – UK, 1976

Experience

- Executive Vice President / Global Head of Corporate & Investment Banking, Arab Bank plc – Amman (since 2/2007).
- Head of Corporate & Investment Banking, Banque Saudi Fransi, Riyadh – Saudi Arabia, (8/1999 – 1/2007).
- Head of Corporate & Investment Banking, United Saudi Bank / USCB, Riyadh – Saudi Arabia, (9/1995 – 7/1999).
- Assistant General Manager / Head of Corporate / Retail Banking Groups, Cairo Amman Bank – Jordan, (10/1990 – 8/1995).
- Vice president / Head of Saudi Corporate Marketing Unit, Gulf International Bank – Bahrain, (2/1989 – 10/1990).
- Manager, International Corporate / Credit Division, Arab Bank plc – Jordan, (2/1987 – 1/1989).
- Head of Corporate Banking / Central Region, Saudi American Bank / Citibank, Riyadh – Saudi Arabia (10/1976 – 1/1987).

Board Memberships

- Member of the Board of Directors of Arab National Bank – Saudi Arabia.
- Member of the Supervisory Board of AB Invest, Amman – Jordan.
- Member of the Board of Directors of AB Capital Ltd., Dubai – UAE.

Ms. Dina "Mohammad Abdel Hamid" A. M. Shoman
Executive Vice President – Branding

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 2007).
- Executive Vice President / Office of the CEO, Arab Bank plc – Amman (on 1/8/2006).
- Project Intern, State Street Corporation, Boston, MA – USA, (1–5/2006).
- Assistant Treasurer & Financial Analyst, Arab Bank plc, New York – USA, (2/2003 – 6/2004).
- 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).

Board Memberships

- Member of the Board of Directors of Arab Bank Australia Ltd. – Australia.
- Member of the Board of Directors of Al Nisr Al Arabia Insurance Company – Jordan.
- Member, Beta Gamma Sigma, (since 6/2006).

Mr. Marwan Nasha'at R. Riyal
Executive Vice President – Group Head of Human Resources Division

Date of Appointment : 1/6/2005
 Date of Birth: 15/10/1962

Academic Qualifications

- B.A. in Economics and Politics, University of Jordan, 1983.
- M.A. in International Economic Relations, University of Jordan, 1994

Experience

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

Other Qualifications

- Attended many advanced training courses, workshops and seminars in the areas of human resources and management.

Mr. Majaz Ahmad Khan
Executive Vice President
Group Chief Operating Officer

Date of Appointment : 1/9/2007
 Date of Birth: 23/1/1956

Academic Qualifications

- Bachelor Degree in Commerce (BCOM), University of Karachi – Pakistan, 1975.
- MBA with major in Finance, Central Michigan University – USA, 1980.

Experience

- Executive Vice President / Group Chief Operating Officer (COO), Arab Bank plc – Amman (since 9/2007).
- EMEA Regional Control Head – Director, Citibank, London – UK, (1/2005 – 8/2007).
- CEEMEA Regional QA & Control Head – Vice President / Director, Citibank, London – UK, (2003 – 2004).
- Senior Country Operations Officer – Vice President, Citibank South Africa, (7/2000 – 12/2002).
- Senior Country Operations Officer – Vice President, Citibank Nigeria, (2/1995 – 6/2000).
- Audit Manager – Vice President, Saudi American Bank (SAMBA), Riyadh – Saudi Arabia, (9/1991 – 1/1995).
- Audit Manager – Vice President, Citibank N.A., Karachi – Pakistan, (2/1981 – 8/1991)

Board Memberships

- Member of the Board of Directors of Arab Gulf Tech for IT Services, Dubai – UAE.
- Member of the Board of Directors of Arab Company for Shared Services, Dubai – UAE.

| Shareholder's Name | Nationality | As at 31st December 2008 | | As at 31st December 2007 | |
|-----------------------------|-------------|--------------------------|---------|--------------------------|--------|
| | | No. of Shares | % | No. of Shares | % |
| Social Security Corporation | Jordanian | 80 118 615 | 15.003% | 52 931 290 | 14.87% |
| Saudi Oger Ltd. | Saudi | 48 026 490 | 8.993% | 32 017 660 | 8.99% |
| Oger Middle East Holding | Lebanese | 38 283 480 | 7.169% | 24 982 300 | 7.02% |



Since its inception in 1930, Arab Bank has established and built itself as a top, highly competitive regional bank. It earned its untarnished reputation through applying a balanced strategy based on financial capital adequacy and sustainable financial advancement. This strategy paid off, enabling the Bank to expand both regionally and globally, achieve financial growth and strength, and continuously improve the quality of its products and services.

More noteworthy, however, is Arab Bank's time-tested solid performance, which prevailed during both good and difficult economic times. In 2008, Arab Bank Group realised sizeable profits and maintained its distinguished ratings relative to regional banks, despite the widespread financial and banking turmoil that plagued many global and regional banks. To illustrate, in 2008 Arab Bank was named the "Best Bank in Jordan" by all three renowned magazines: Euromoney, The Banker and Global Finance. It was also given "Best Trade Finance" Bank in MENA and Jordan, by Global Finance, while Libyan Wahda Bank was considered as "Best Bank in Libya", just to name a few. Arab Bank persists in ranking high on the lists of best banks. Internationally, Arab Bank ranked 152 among the «Top 1000 Banks List» compiled by the Banker.

Arab Bank continues to achieve high credit ratings by major rating agencies, such as Moody's, which has recently confirmed Arab Bank's financial strength rating of A2 and its long-term foreign currency rating of A3 with a "stable" outlook. The high rating underlines the Bank's strong profitability stemming from its corporate and commercial banking activities aided by business diversification and efficiency in terms of managing costs. Moody's also highlighted the healthy financial ratios that represent sufficient liquidity, high stability of deposits and strong capital adequacy ratio, which at 16.2% exceeds the requirements of both the Central Bank and Basel II.

Meanwhile, the assigned "stable" outlook reflects Arab Bank's continued resilience even during the current troublesome financial climate. The Bank's well-regarded reputation relies on the continued success of its conservative investment strategy along with efficient risk management, high levels of corporate governance, transparency and disclosures. For example, during the recent financial turbulence, Arab Bank was one of the first to disclose the extent of its exposure to the financial crisis, which was limited to USD 20 million corporate bonds issued by Lehman Brothers, and against which adequate reserves were taken immediately.

The same points were also raised by Fitch and Standard & Poor's Ratings, which have re-affirmed Arab Bank's long-term foreign currency rating "A-", also with a "stable" outlook. In particular, the rating reflects Arab Bank's leading position in the MENA region along with its presence in the main financial capitals of the world, in addition to its well geographic diversification.

As a result, the Bank's competitive position continues to be bolstered by its vast network of branches in the MENA region and in the major international financial centers and its wide-ranging portfolio of financial products and services. This, coupled with Arab Bank's robust reputation and history of over 79 years, makes it especially solid in the current fragile financial environment.

Market Shares in Specific Locations

Arab Bank's market shares vary by country, according to the nature of business it conducts. The following table presents estimates of the Bank's market shares:

| Country | Total Assets % | Deposits % | Direct Credit Facilities % |
|-----------|----------------|------------|----------------------------|
| Bahrain | 3.66 | 3.22 | 7.20 |
| Egypt | 2.03 | 2.03 | 2.40 |
| Jordan | 24.07 | 25.83 | 18.10 |
| Lebanon | 1.47 | 1.56 | 1.39 |
| Palestine | 34.13 | 36.71 | 31.97 |
| Qatar | 1.19 | 1.66 | 1.08 |
| UAE | 0.90 | 1.05 | 0.84 |
| Yemen | 16.70 | 18.50 | 11.30 |

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

It is worth mentioning that Arab Bank ranks first among banks operating in both Jordan and Palestine in terms of asset size, deposits and direct credit facilities.

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

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 governmental bodies or international organisations that would have material impact on the business of 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.

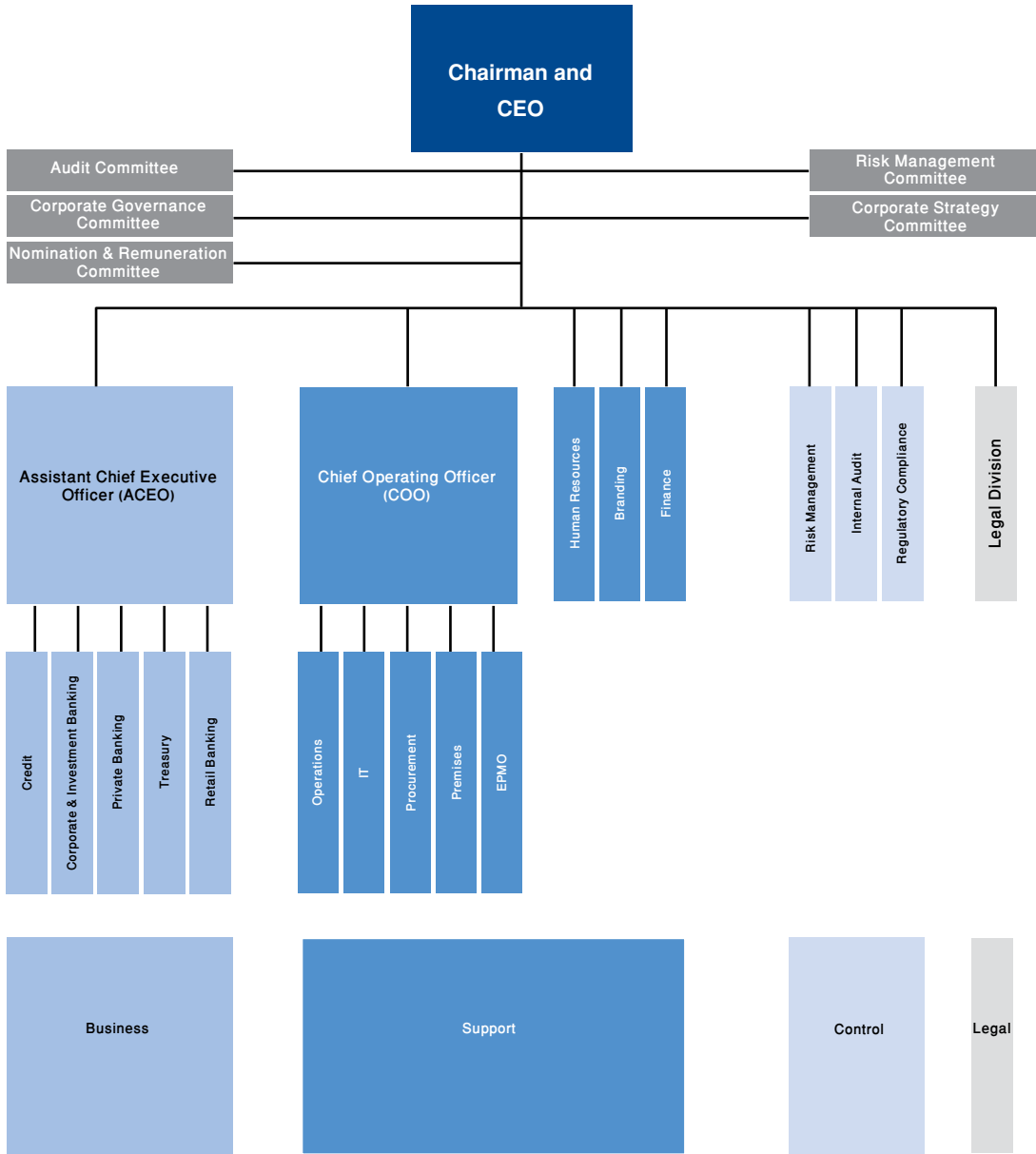
It is worth mentioning that Arab Bank plc has obtained notable ratings by several international rating agencies. Within this context, Moody's confirmed Arab Bank's financial strength rating of A2 and its long-term foreign currency rating of A3 with a "stable" outlook. Additionally, Fitch and Standard & Poor's reaffirmed Arab Bank's long-term foreign currency rating "A-", also with a "stable" outlook.

On the other hand, Arab Bank has received many distinguished awards during 2008, the most important of which are:

- Ranked fourth among Arab banks – Global Finance.
- Ranked 79th among 200 international institutions in terms of total assets – Global Finance.
- "Best Trade Finance Bank" in Jordan and the Middle East – Global Finance.
- "Best Foreign Exchange Provider" in Jordan – Global Finance.
- "Best Bank" in Jordan for 2008 – Euromoney & Global Finance.
- The Islamic International Arab Bank was classified as the "Best Islamic Financial Institution in Jordan & MENA Region, excluding GCC countries" for 2008 – Global Finance.
- "Best Bank" in Yemen" for 2008 – Global Finance.

These distinguished ratings and awards do in fact have significant impact on enhancing Arab Bank's competitiveness and reputation compared to other banks.

ARAB BANK ORGANIZATION CHART / HEAD OFFICE





| Academic Qualifications | Arab Bank | Europe Arab Bank | Arab Bank (Switzerland) Ltd. | Arab Bank Australia | Islamic International Arab Bank | Arab Sudanese Bank | Arab Investment Bank | Al-Arabi Investment Group (AB Invest) |
|-------------------------|--------------|------------------|------------------------------|---------------------|---------------------------------|--------------------|----------------------|---------------------------------------|
| PhD | 12 | 1 | 1 | 0 | 2 | 0 | 1 | 0 |
| Master's degree | 475 | 54 | 14 | 7 | 30 | 9 | 1 | 14 |
| Advanced diplomas | 46 | 17 | 13 | 8 | 1 | 4 | 0 | 3 |
| Bachelor's degree | 3 962 | 75 | 18 | 50 | 224 | 12 | 1 | 36 |
| Junior college | 828 | 37 | 5 | 39 | 61 | 0 | 0 | 4 |
| High school | 900 | 87 | 37 | 123 | 18 | 0 | 1 | 4 |
| Sub high school | 649 | 0 | 0 | 0 | 32 | 0 | 0 | 0 |
| Total Employees | 6 872 | 271 | 88 | 227 | 368 | 25 | 4 | 61 |

| Al-Arabi Capital (AB Capital) | Arab Tunisian Bank | Arab Bank Syria | Al- Wahda Bank | Al Nisr Al Arabi Insurance Company | Arab Company fo Shared Services | Arab Gulf Tech for IT Services | Arabella for IT Services | Arab National Leasing Company | Total |
|--|--------------------------|-----------------------|----------------------|---|--|---|--------------------------------|--|--------|
| 1 | 4 | 1 | 3 | 0 | 0 | 0 | 0 | 1 | 27 |
| 12 | 127 | 10 | 26 | 13 | 3 | 3 | 1 | 2 | 801 |
| 0 | 121 | 8 | 332 | 82 | 1 | 0 | 0 | 0 | 636 |
| 11 | 3 | 55 | 691 | 14 | 61 | 25 | 2 | 14 | 5 254 |
| 0 | 33 | 43 | 598 | 14 | 14 | 5 | 1 | 2 | 1 684 |
| 2 | 514 | 36 | 356 | 13 | 10 | 4 | 16 | 2 | 2 123 |
| 0 | 0 | 117 | 1 092 | 0 | 4 | 0 | 0 | 0 | 1 894 |
| 26 | 802 | 270 | 3 098 | 136 | 93 | 37 | 20 | 21 | 12 419 |



TRAINING COURSES VERSUS TRAINEES MATRIX

| Area | Training Agenda | | Unscheduled Programs | | Middle Management Programs | | External Courses | |
|-----------------------|-----------------|--------------|----------------------|--------------|----------------------------|------------|------------------|--------------|
| | Courses | Trainees | Courses | Trainees | Courses | Trainees | Courses | Trainees |
| Jordan | 76 | 1 185 | 184 | 2 838 | 0 | 0 | 93 | 504 |
| Palestine | 0 | 0 | 19 | 395 | 26 | 318 | 26 | 92 |
| Egypt | 11 | 167 | 9 | 85 | 0 | 0 | 50 | 118 |
| Morocco | 2 | 18 | 13 | 324 | 0 | 0 | 21 | 29 |
| Algeria | 1 | 24 | 11 | 70 | 2 | 4 | 2 | 6 |
| Lebanon | 0 | 0 | 14 | 203 | 0 | 0 | 24 | 60 |
| Yemen | 11 | 179 | 0 | 0 | 8 | 171 | 41 | 121 |
| Bahrain | 14 | 34 | 5 | 48 | 0 | 0 | 14 | 19 |
| UAE | 8 | 121 | 31 | 318 | 1 | 2 | 74 | 255 |
| Qatar | 3 | 67 | 1 | 3 | 3 | 4 | 2 | 3 |
| Total per Item | 126 | 1 795 | 287 | 4 284 | 40 | 499 | 347 | 1 207 |

| Ruwwad Programs | | Courses Attended at Head Office | | English & Computer Courses | | Certification Programs | | Grand Total Per Area | |
|-----------------|----------|---------------------------------|----------|----------------------------|----------|------------------------|----------|----------------------|----------|
| Courses | Trainees | Courses | Trainees | Courses | Trainees | Courses | Trainees | Courses | Trainees |
| 115 | 74 | 0 | 0 | 29 | 132 | - | - | 497 | 4 733 |
| 0 | 0 | 6 | 16 | 1 | 8 | 0 | 0 | 78 | 829 |
| 0 | 0 | 15 | 32 | 6 | 6 | 6 | 7 | 97 | 415 |
| 0 | 0 | 0 | 0 | 15 | 90 | 42 | 57 | 93 | 518 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 16 | 104 |
| 0 | 0 | 10 | 13 | 2 | 5 | 0 | 0 | 50 | 281 |
| 0 | 0 | 0 | 0 | 8 | 52 | 0 | 0 | 68 | 523 |
| 0 | 0 | 7 | 11 | 4 | 4 | 6 | 7 | 50 | 123 |
| 0 | 0 | 5 | 12 | 2 | 4 | 1 | 1 | 122 | 713 |
| 0 | 0 | 2 | 3 | 0 | 0 | 0 | 0 | 11 | 80 |
| 115 | 74 | 45 | 87 | 67 | 301 | 55 | 72 | 1 082 | 8 319 |

OVERVIEW

Arab Bank Group addresses the challenge of banking risks comprehensively under an overall Enterprise Risk Management Framework applying leading practices and supported by a Governance Structure consisting of Board Level, Executive committees and three levels of control as follows:

Committees:

- Audit committee (Board Level).
- Risk Management Committee (Board Level).
- Higher Asset and Liability Management Committee.
- Executive Management Committee.
- Senior Credit Committee.

Three Levels of Control:

- Business Line and Country Control Units.
- Group Risk Management and Group Regulatory Compliance.
- Group Internal Audit.

Through its various committees, the Board of Directors ensures that senior management maintains an effective and efficient system of internal control. As the most senior executive responsible for all of Arab Bank's activities, the Chief Executive Officer is the first in line of responsibility for risk management and related practices. The Group Chief Financial Officer is in charge of defining financial risks, middle office controls, safeguarding the quality of financial data and ensuring that the disclosed financial statements are accurate and reliable.

The heads of strategic business units identify and manage risks within their specific business lines. The Global Treasurer is responsible for liquidity risk and market risk related activities. The head of Group Risk Management supervises all risks. The head of Group Regulatory Compliance ensures that the Bank is in compliance with applicable related laws, rules and regulations, especially those issued by banking regulatory authorities. Depending on the activities of each supporting unit, the concerned head is responsible for risks pertaining to his/her unit, and operate within formally delegated, pre-authorized risk limits.

GROUP RISK MANAGEMENT:

As part of the risk governance structure of the Bank, Group Risk Management is the second level of control, 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 risk;
- Advise and promote awareness on best practice;
- Develop and implement various risk management frameworks;
- Develop appropriate risk measurement tools and models; and
- Assess risk positions against established limits, with timely monitoring and reporting to senior management.

Within Group Risk Management, each department has specific goals in continuing to develop the Bank's risk management based on best practice, international guidelines and regulations of the Central Bank of Jordan.

The Credit Risk Department enhances the centralised reporting of Credit Risk and is responsible for the rollout of the internal corporate risk rating system and the retail credit scoring system by customising and implementing available models. With an improved "probability of default" measurement, these systems will augment the wider implementation of the Bank's risk-adjusted return-on-capital model. As the manager of the Basle II implementation project, this department ensures that all necessary policies, procedures and documentation have been put in place.

The Market and Liquidity Risk Department structures risk limits, monitors positions and is responsible for the value-at-risk (VaR) measurement framework. Other risk management reporting and risk management tools are introduced together with Global Treasury to ensure that risk measurement and reporting are comprehensive.

The Operational Risk Department, which also covers strategic and reputation risk, 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 is implementing a Bank-wide information security framework based on industry best practice. The department has initiated several projects currently under implementation for enhanced monitoring and control, and for promoting good practice throughout the Group.

The Business Continuity Management Department is responsible for an integrated approach to crisis management and business continuity planning. Contingency planning has proved its utility time and again throughout the Bank's history, enabling senior management to manage and operate the Bank during times of serious crises. The Bank uses a centralised database for maintaining and updating over 450 separate Business Contingency plans covering all major departments at Head Office and countries.

The Business Risk Review Department, established in 2007, conducts comprehensive individual, portfolio and business risk reviews. It ensures that the Bank's various portfolios in each country are suited to their economic context, 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. While the review frequency is at least annual, additional reviews are undertaken based on market conditions, the size and sectoral nature of portfolios. In specific instances such reviews are supplemented by targeted stress testing scenarios.

In 2008, the Insurance Division was added to Group Risk Management. Its mandate is to oversee all insurance policies through a centralised 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.

CREDIT RISK:

During the year, Credit Group continued to raise the bar in terms of credit quality. Arab Bank Group's strategy is to "continuously ensure that its credit strategy is designed as per the risk appetite of its Board of Directors and the challenges imposed by the prevailing risk environment". The strategy is based on leading practices, a proactive approach to risk management, developing people skills and operating within defined risk tolerance limits.

Key initiatives and projects implemented during 2008 included:

- An enhanced centralised limit management system allowing further standardization of credit exposures reporting and control across the Bank.
- A new automated global classification and provisioning system in line with Central Bank requirements.
- The rollout of a new risk rating system, which standardizes spreading of financials for the corporate and commercial customer base.
- Appointment of global industry specialists during the year for Construction and Contracting, Real Estate, and Telecommunication.
- Dedicated training with a significant amount of time and resources invested in enhancing credit skills of both our Credit and Corporate and Investment Banking staff. Over 500 people across the globe were trained during the year on credit related seminars and workshops.

During the year, the Group continued with its proactive approach of periodic portfolio reviews. It conducted several portfolio reviews at both geography and industry levels. All global industries portfolios were reviewed and stress tested to assess potential impact of the current global financial turmoil. Rapid portfolio reviews for certain countries along with stress testing were also conducted in light of rising inflationary pressures early in the year and then in the face of the slowdown in global growth and demand that followed. This was in addition to the regular and prescheduled portfolio reviews performed by both the Credit and Business Risk Review teams.

Successful Credit Risk Management is based on the following building blocks:

- Diversification, being one of the primary objectives of the Bank and the Credit Group. In addition to the regulatory constraints that the Bank always fully adheres to, the conservative and prudential approach in managing the credit portfolio emphasises this even more.
- Creditworthiness of Arab Bank's clients who are assessed under a systematic and objective rating methodology that takes into consideration both quantitative and qualitative factors in addition to expert judgment. The credit rating process is being reinforced by introducing a new rating system that is widely used at other regional and global financial institutions.

- Credit Approval and monitoring process, which relies on: Credit committees at country and Head Office levels, clear roles, responsibilities and delegated authorities and the independence of credit risk evaluation from marketing and sales.
- Detailed financial analysis, industry studies, target markets and Risk Asset Acceptance Criteria (RAAC).
- Monitoring and control units, rules and escalation criteria to ensure full adherence to policies and procedures, regulatory frameworks, credit approvals' terms and conditions, complete documentation, perfection of security and collateral.

LIQUIDITY RISK:

Liquidity remains an area of great focus for Arab Bank Group. The Group has a highly diversified funding footprint, and in order to boost liquidity it additionally maintains a large portfolio of highly liquid assets, which act as a contingent funding source. Arab Bank Group's long-standing emphasis on maintaining a broad and stable liquidity base has largely insulated the Group from the effects of the market volatility and funding stress experienced by many other financial institutions during 2008's market crisis.

Arab Bank's liquidity management strategy is determined by the High ALCO, and directed by the Global Treasurer. The operations of the country level Treasury teams are centrally controlled, monitored and coordinated. As such, and in coordination with local asset/liability management committees, the various country Treasury teams across Arab Bank act as a community, mandated to work together to meet local and Group-wide needs. The asset/liability management committees analyse 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.

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, and under all circumstances, and without undue cost.

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 him 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 liquidity limits (Arab Bank's tolerance for liquidity risk), as with other forms of risk, is managed by the CRO and the High ALCO

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. After all, Arab Bank's funding model has shown itself to be extremely resilient during the market crises of 2007 and 2008, and hence remains fundamentally unchanged.

Liquidity risk will continue to have a major influence on how the world's banks operate and interact, but Arab Bank's current and contingent funding structures leave it extremely well placed to face the future.

MARKET RISK:

Market risk is the potential for loss from changes in the value of the Group's portfolios due to movements in: interest rates, foreign exchange, equity, commodity prices and credit spreads. The Group is exposed to market risk in the trading book and banking book.

Market risk is governed by the Global Treasurer, the Head of Group Risk Management and the Group Financial Officer. The High ALCO provides market risk oversight and guidance on risk appetite and policy setting. Also, the High ALCO approves the global limits which are then disseminated to the various entities through 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 subject to market risk. Group Risk Management in coordination with Global Treasury will ensure that the policies and procedures are updated on regular basis and/or when the need arises. Also, the market risk limits are monitored by an independent Middle Office and are reviewed on regular basis by Global Treasury and Group Risk Management and approved by High ALCO depending on the Group's risk appetite and strategy.

The three main activities that expose us to market risk are: Money Markets Trading, Foreign

Exchange trading and capital markets trading. Managing market risk is a key part of our business planning process, and as per our policies, is kept at a minimal level. Our main tools used for measuring and managing market risk are the following:

Basis Point Value

Measurement of interest rate risk is based on the non-statistical basis point value method. It calculates the amount of interest gained or lost in a one basis point parallel shift of market interest rates with no consideration as to the likelihood of the shift. The method does however consider the sensitivity of a position to interest rate movements as it moves along the yield curve. BPV is calculated at the following levels in order to monitor compliance within the specified limits:

- Total BPV at a portfolio level
- BPV per currency
- BPV per broad time band
- BPV per time bucket

All interest rate activities form part of the BPV calculation, meaning that all money market books, all securities books, and all interest rate Trading Books are to be included in the BPV calculation; this includes both on-balance and off-balance sheet products in Trading Book and Banking Book.

Value at Risk

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. 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.

INTEREST RATE RISK:

Interest rate risk in the Group is limited, well managed, continuously supervised and contained. A large proportion of the interest rate exposure is concentrated on the short end, with durations of up to one year. Exposure of more than one year is well contained. In general, the Group has no significant long-term or complex interest rate positions.

The interest rate risk is managed in accordance with the policies and limits established by the High ALCO. The asset/liability management committees at the centers, 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 and for impairing economic value for the sake of enhanced earnings.

CAPITAL MARKETS EXPOSURE:

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 interest rate risk. Most of the debt instruments in the portfolio have floating rate coupons. Risk arising from fixed-rate coupons is usually hedged by derivatives.

FOREIGN EXCHANGE RISK:

Income from foreign exchange is generated mainly from customer transactions. Strict foreign exchange risk limits are set which define volume limits and sensitivity limits for proprietary 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 the transactions are liquidated 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 well contained and strictly managed.

OTHER RISKS:

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

Compliance Risk

Maintaining a strong commitment to ensuring high ethical standards, Arab Bank continues to promote a culture that assures responsible corporate conduct and regulatory compliance across its global network through the ongoing enhancement of its overall compliance program. Further, the Bank readily embraces that maintaining open and transparent communications with regulatory authorities and peer institutions is imperative to mutual compliance success. Through its management of the Bank's compliance responsibilities, overseen by the Board of Directors and with the strong support of executive management, the Bank has earned the reputation of maintaining a leading compliance program within the MENA region.

Strategic direction and program oversight is managed by Group Regulatory Compliance, a centralised division reporting directly to the Bank's Chairman and Chief Executive Officer, working in close collaboration with a network of country compliance officers. Bank compliance includes Anti-Money Laundering and Combating Financing of Terrorism among other regulatory requirements, all of which necessitate effective corporate governance, policies and procedures, risk identification, monitoring and reporting, training, independent monitoring, and testing.

There are no known compliance matters that would expose the Bank to significant financial liability, thereby minimizing the likelihood of material loss or associated adverse publicity.

Strategy 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, as well as 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 as well as commitments of projects to be undertaken is assessed in the context of “Business As Usual” as well as “Stressed Conditions” scenarios. This will ensure the Bank is able to quickly react to developing situations in managing its longer term strategy.

Arab Bank enjoyed numerous accomplishments in 2008, including that of its financial performance, financial strength, projects, and expansion both geographically and from a business point of view.

Financially, Arab Bank's level of net profit for 2008 has been the highest ever achieved since establishment 78 years ago. Arab Bank Group's net profit before tax and after provisions exceeded one billion US Dollars to reach USD 1061.4 million compared with USD 964.1 million realised in 2007, recording a growth of USD 97.3 million; i.e., a percentage growth of 10%. On the other hand, net profit after tax and provisions grew by 8.4% in 2008 to reach USD 839.8 million compared with USD 774.9 million in 2007; i.e., a growth of USD 64.9 million.

The financial statements for 2008 clearly reflect the strength of Arab Bank's capital base and its high liquidity, calculated in accordance with strict requirements of Basel II. Within this context, total customers' deposits grew by 27% in 2008 to reach USD 31.4 billion compared with USD 24.7 billion in 2007. These deposits represented 69% of the total assets of Arab Bank Group.

The growth achieved during 2008 covered various items of the Bank's balance sheet. Total assets of Arab Bank Group grew by 19% in 2008 to reach USD 45.6 billion compared with USD 38.3 billion in 2007. Similarly, Arab Bank Group's loan portfolio grew by 16% in 2008 to reach USD 22.5 billion compared with USD 19.4 billion in 2007. The Bank's loan portfolio represented 49% of its total assets.

Additionally, the total shareholders' equity of Arab Bank Group grew by 9.5% in 2008 to reach USD 7.5 billion compared with USD 6.8 billion in 2007. The Bank has also maintained a Capital Adequacy ratio of 16.2%, exceeding by far the minimum requirements of both the regulatory authorities and those of Basel II. The liquidity ratio has been maintained at 45%, and Return on Equity at 11.2%, while the Efficiency ratio, calculated as the ratio of operating expenses to net revenues, was at 44%.



Arab Bank also successfully expanded, both geographically and in terms of its products and services, as follows:

- The acquisition of 19% of Wahda Bank in Libya in February of 2008, with an option to increase Arab Bank's stake by an additional 32% to become 51% within the next 3 – 5 years.
- Arab Bank has obtained the approval of the Central Bank of Sudan to establish a 100% fully owned Islamic subsidiary in Sudan, under the name Arab Sudanese Bank, scheduled to open early Q2 of 2009.
- Arab Bank has increased its branch network, specifically in Jordan and Egypt.
- Arab Bank has launched Islamic Finance Window offering through one of its branches in Qatar.

A number of projects were completed in 2008, including:

- Implementation of Anti Money Laundering systems for the Levant area.
- Implementation of Moody's Risk Advisor.
- Implementation of a new Retail Lending System (FinnOne) in Jordan.
- Credit Limit Management System.
- Completion of Business Alternate sites across Levant, North Africa and some of the Gulf countries.
- Centralisation of Account Opening for the Gulf.
- Centralisation of SWIFT processing for the Gulf.
- Classification of Account (as per Central Bank of Jordan's requirements).
- Centralisation of processes into ACSS Dubai.
- Implementation of Phase 2 of Basel II.
- Continued to refurbish and modernize branches in Jordan and Egypt.
- Enhancement of Data Quality.

The Board of Directors, together with the executive bodies, within Arab Bank plc and the rest of the Group's subsidiaries, have all worked in 2008 to achieve a group of targets:

- Achieving a rate of Return on Equity of 11.2%.
- Growing both the loan portfolio and customers' deposits in a balanced manner.
- Maintaining high Liquidity ratio, exceeding 40%.
- Achieving an Efficiency ratio of 44%.
- Maintaining the distinguished rating of the Bank.

During 2008, Arab Bank sold its branches in Cyprus, which resulted in non-recurring profit of JD 26 million to the Bank.

Time Series of Major Financial Indicators (2004 – 2008):

| Value in JOD Million for the Bank & in USD Million for the Group | | | | | |
|--|---------|---------|---------|---------|---------|
| | 2008 | 2007 | 2006 | 2005 | 2004 |
| Arab Bank Plc: Net Profit After Tax | 360.2 | 334.7 | 263.3 | 200.1 | 148.2 |
| Arab Bank Group: Net Profit After Tax | 839.8 | 774.9 | 624.6 | 503.2 | 326.9 |
| Arab Bank Plc: Shareholders' Equity | 3 580.0 | 3 548.0 | 3 093.9 | 1 859.6 | 1 640.5 |
| Arab Bank Group: Shareholders' Equity | 7 508.4 | 6 857.3 | 5 884.6 | 3 885.0 | 3 424.3 |
| Distributed Dividends | | | | | |
| Total Dividends (JOD Million) | 133.5 | 106.8 | 89.0 | 53.4 | 35.2 |
| Dividends (%) | 25% | 30% | 25% | 30% | 20% |
| Number of Issued Shares (in thousand) | 534 000 | 356 000 | 356 000 | 176 000 | 17 600 |
| Share Price on Last Working Day (JOD) | 15.2 | 29.3 | 21.4 | 63.3 | 237.8 |

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 2008. 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.

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 ownership as of 31 December 2008

| | |
|-------------------------------------|--------------------|
| Europe Arab Bank plc | 100.00 % |
| Arab Bank Australia Limited | 100.00 % |
| Islamic International Arab Bank plc | 100.00 % |
| Arab National Leasing Company | 100.00 % |
| Al-Arabi Investment Group Co. | 100.00 % |
| Arab Sudanese Bank Limited | 100.00 % |
| AB Capital Limited | 80.18 % |
| Arab Investment Bank S.A.L. | 66.68 % |
| Arab Tunisian Bank | 64.24 % |
| Al Nisr Al Arabi Insurance Company | 50.00 % + 2 Shares |
| Arab Bank-Syria | 49.00 % |
| Wahda Bank | 19.00 % |

Upon the consolidation of the financial statements, transactions between Arab Bank plc, its sister company Arab Bank (Switzerland) and the subsidiaries are eliminated.

ARAB BANK GROUP

Results of operations

Net Income after taxes and provisions of Arab Bank Group reached USD 839.8 million recording an increase of USD 64.9 million or 8.4% over that of the year 2007. Income before taxes amounted to USD 1,061 million, compared to USD 964 million for the year 2007, with an increase of 10.1%.

The Group achieved an increase in net interest and commission income of USD 182.1 million for the year 2008, an increase of 15.3% compared to the year 2007, while the increase in other revenues amounted to USD 55 million.

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

| In USD million | 2008 | 2007 | Variance | % |
|-------------------|-------|-------|----------|------|
| Net revenue | 1 903 | 1 666 | 237 | 14.2 |
| Total expenses | 842 | 702 | 140 | 19.9 |
| Income before tax | 1 061 | 964 | 97 | 10.1 |
| Income tax | 221 | 189 | 32 | 17.1 |
| Income after tax | 839.8 | 774.9 | 64.9 | 8.4 |

Financial position of Arab Bank Group

The Group achieved growth in assets in 2008 to reach USD 45.63 billion, an increase of USD 7.3 billion, or 19% over the year 2007.

The increase resulted from the following components:

| | In USD million |
|--|----------------|
| Increase in customer deposits and cash margin | 6 688 |
| Decrease in deposits from banks and borrowed funds | (308) |
| Increase in other liabilities and provisions | 265 |
| Increase in shareholders' equity | 651 |
| Net increase of funds | 7 296 |

The additional funds were utilized as follows:

| | In USD million |
|--|----------------|
| Cash and due from banks | 3 260 |
| Securities and investments | 207 |
| Direct credit facilities | 3 028 |
| Investment in associates | 290 |
| Fixed and other assets | 511 |
| Net increase in the utilisation of funds | 7 296 |

Customer deposits and cash margin accounted for 68.8% of total assets compared to 64.5% for the year 2007. On the other hand, direct credit facilities reached USD 22.51 billion compared to USD 19.48 billion in the year 2007, an increase of USD 3.03 billion, or 15.5%. As of year end, direct credit facilities accounted for 49% of total assets.

ARAB BANK PLC

Results of operations

Income of Arab Bank plc continued to show growth. Net income after provisions and taxes reached JOD 360.2 million in 2008 compared to JOD 334.7 million, an increase of JOD 25.5 million, or 7.6% over that of the year 2007.

Net interest and commission income amounted to JOD 684.3 million compared to JOD 654.2 million for the year 2007, with net interest income representing 69.4% of net revenues. Total expenses increased slightly by 0.7%.

Financial position

Total assets of Arab Bank plc reached JOD 22.75 billion in 2008 compared to JOD 21.22 billion in the year 2007, an increase of JOD 1.53 billion or 7.2%. Customer deposits and cash margin rose to JOD 15.04 billion, compared to JOD 13.66 billion, an increase of 10.1%, while deposits from banks, financial institutions and borrowed funds, increased by JOD 106 million.

The following table shows the changes in the sources of funds:

| | In JOD million |
|---|----------------|
| Increase in external sources of funds and other liabilities | 1 499 |
| Increase in shareholders' equity | 32 |
| Total | 1 531 |

The funds were utilised as follows:

| | In JOD million |
|--|----------------|
| Decrease in cash and due from banks | (143) |
| Increase in securities and investments | 279 |
| Increase in direct credit facilities | 965 |
| Increase in investments in subsidiaries and associates | 371 |
| Increase in fixed and other assets | 59 |
| Total | 1 531 |

The Bank follows a conservative approach in managing liquidity while working on improving return on assets in order to maintain the capability of facing contingencies and unexpected events. The comparative utilisation of funds for 2008 and 2007 is as follows:

| In USD million | 2008 | 2007 |
|---|---------------|---------------|
| Cash and due from banks | 6 659 | 6 802 |
| Securities and investments | 3 505 | 3 226 |
| Direct credit facilities | 10 840 | 9 875 |
| Investment in subsidiaries and associates | 1 242 | 871 |
| Fixed and other assets | 506 | 446 |
| Total assets | 22 752 | 21 220 |

INCOME APPROPRIATION

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 2008 compared to 30% or JOD 106.8 million for the year 2007.

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

| | In JOD thousand |
|------------------------------------|-----------------|
| Income available for appropriation | 360 174 |
| Statutory reserve | 45 000 |
| Voluntary reserve | 90 000 |
| General reserve | 76 674 |
| General banking risk reserve | 15 000 |
| Proposed dividends | 133 500 |
| Total appropriation | 360 174 |

Arab Bank Group 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 30% of the shares' par value to shareholders.

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

| | In USD thousand |
|---------------------------------------|-----------------|
| Income after tax | 839 814 |
| Retained earnings from previous year | 127 014 |
| Total available for appropriation | 966 828 |
| To statutory reserve | 72 617 |
| To voluntary reserve | 153 143 |
| To general reserve | 121 975 |
| To general banking risk reserve | 21 693 |
| To reserves with associated companies | 271 667 |
| Proposed cash dividends | 213 645 |
| Retained earnings carried forward | 112 088 |
| Total appropriation | 966 828 |

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

| | In CHF thousand |
|--------------------------------------|------------------------|
| Income after tax | 8 948 |
| Retained earnings from previous year | 3 403 |
| Total available for appropriation | 12 351 |
| Proposed dividends | 8 010 |
| General reserve | 668 |
| Other reserves | 1 500 |
| Retained earnings carried forward | 2 173 |
| Total appropriation | 12 351 |

SHAREHOLDERS' EQUITY – ARAB BANK GROUP

The following table shows the comparative figures of shareholders' equity accounts for 2008 and 2007:

| In USD thousand | 2008 | 2007 |
|---|------------------|------------------|
| Capital | 776 027 | 525 047 |
| Issuing premium | 1 226 205 | 1 475 497 |
| Treasury shares | (3 346) | (423) |
| Statutory reserve | 403 305 | 330 688 |
| Voluntary reserve | 882 179 | 729 036 |
| General reserve | 1 811 065 | 1 612 262 |
| General banking risk reserve | 327 039 | 426 942 |
| Reserves with associated companies | 1 357 120 | 1 085 205 |
| Translation adjustments | 107 448 | 173 195 |
| Cumulative change in fair value | (172 862) | 118 016 |
| Retained earnings | 112 088 | 127 014 |
| Proposed dividends | 213 645 | 166 667 |
| Total Shareholders' Equity (Parent Company) | 7 039 913 | 6 769 146 |
| Minority interest | 468 465 | 88 146 |
| Total Shareholders' Equity | 7 508 378 | 6 857 292 |

CAPITAL ADEQUACY

Despite the global financial crisis, Arab Bank Group maintains capital adequacy ratios that exceed the required levels as per Basel Committee, which is 8%, by reaching 16.2 %.

The following table presents a summary of the Group's capital adequacy calculations in accordance with Basel II regulations for 2008 and 2007:

| In USD thousand | 2008 | 2007 |
|---|------------|------------|
| Risk-weighted assets | 28 803 881 | 24 558 941 |
| Core capital | 4 638 468 | 4 577 994 |
| Supplementary capital | 32 532 | 504 631 |
| Regulatory capital | 4 671 000 | 5 082 624 |
| Core capital / risk-weighted assets | 16.1% | 18.6% |
| Regulatory capital / risk-weighted assets | 16.2% | 20.7% |

Financial ratios related to the Arab Bank Group:

| | 2008 | 2007 |
|---|--------|--------|
| Net interest and commission income / assets | 3.02% | 3.12% |
| Net income / assets | 1.84% | 2.02% |
| Total shareholders' equity / assets | 16.46% | 17.89% |
| Direct credit facilities / total deposits | 71.67% | 78.81% |
| Total expenses / total revenues | 44.24% | 42.14% |
| Capital adequacy | 16.22% | 20.7% |
| Return on equity | 11.2% | 11.3% |

Our plans for 2009 and beyond will be developed whilst taking into consideration the prevailing and expected market conditions. The global financial crisis is expected to have an indirect effect on Arab Bank as a result of a number of factors that will affect the world's markets at large. An overall decrease in consumer confidence and an increase in unemployment rates globally will lead to less spending, which in turn will lead to less trade and investment flows, all of which could contribute to a recession.

We have witnessed a tightening of credit markets as a result of the above, noting that a large contributor is the historically low interest rates on foreign currencies, some reaching to almost 0%. Global and regional interest rate movements are likely to affect our expected returns and cost of funds.

Analysts and international organisations expect a high degree of foreign exchange volatility in 2009, due to a combination of factors that include rising unemployment, reduced economic growth and an increase of fiscal deficits as countries try to rejuvenate their economies by following expansionary fiscal policies. While inflationary pressures have subdued in general, prices remain higher than historical trends. We also expect to see drops in asset values, as a continuation of what we have seen in the past year.

These issues are expected to affect the financial world globally, not just Arab Bank. 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 region 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 Basel II, the Central Bank of Jordan, and other regulatory bodies in countries in which 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 2009 focus on further strengthening our financial position in terms of capitalisation and liquidity, improving our customer service and business processes, in addition to further strengthening our credit policies and enhancing our risk management platform. Therefore, our net income in 2009 is most likely to flow from enhanced operational efficiencies in addition to continuing to grow our top line revenue to the extent possible, given the current and forecasted market conditions.

In terms of business growth, we plan to continue growing organically through expanding our branch network and increasing our capabilities in terms of products and services. Specifically, we will continue to carefully grow our Retail business, which is still relatively new and makes up about 30% of our business and has a high potential for growth.

We plan to continue expanding our Islamic Banking proposition through the Islamic Window offerings in a few countries. Arab Bank Group also plans to expand and grow its operations of Islamic International Islamic Arab Bank (IIAB) and our newly formed, fully owned Islamic subsidiary, Arab Sudanese Bank, which is scheduled to begin its operations in the second quarter of 2009.

Within our Corporate and Investment Banking (CIB) business, we are planning to launch a comprehensive cash management solution for our large corporate clients towards the end of 2009. Our SME business is also being revamped to increase our market penetration in a segment we consider to be important to our future growth.

Geographically, our focus remains in the MENA region where we plan to further deepen our presence, as long as it fits our strategy and business model in the respective location.

In terms of mergers and acquisitions, Arab Bank is selective. All options that will be considered should fit with our strategy and make business sense, especially in light of the prevailing and future market conditions. With MENA as our focus, we are open to consider opportunities to further our purpose, should they be available at the right time, and at the right price.

In terms of strategic projects, we are planning to launch and complete a number of them within the next three years. To name a few:

- Launching Islamic Finance window in UAE
- Corporate Cash Management offering
- Customer Relationship Management (CRM) system improvements
- Completing Gulf Regional Processing Centre (GRPC), centralisation GCC and Yemen operations in Dubai

- New Treasury System
- New Corporate and Credit Systems
- Improved IT Security Systems
- E-Training
- Enhanced Internet Banking System

We have recently completed a fully fledged IT Governance Review, whereby we have identified the major technological initiatives that are needed for the next three years. This is expected to improve efficiency and enhance our competitiveness in the market.

Total compensation paid to the external auditors and consultancy agencies in Jordan and outside Jordan for 2007 and 2008 can be detailed in the following table:

| In JOD Thousands | 2008 | 2007 |
|---|--------------|--------------|
| Fees for annual, semi-annual and quarterly audits and reviews | 1 365 | 1 340 |
| Fees for consultancies and advice | 5 240 | 4 717 |
| Total | 6 605 | 6 057 |

| No. | Name | Position | Nationality |
|-----|---|---------------------|---------------------|
| 1 | Mr. Abdel Hamid A.M. Shoman | Chairman and CEO | Jordanian |
| 2 | Mr. Sabih Taher D. Masri | Deputy Chairman | Jordanian |
| 3 | Mr. Samir Farhan Kawar | Member of the Board | Jordanian |
| 4 | Mrs. Nazik Odah Al Hariri | Member of the Board | Saudi |
| 5 | Ministry of Finance & Economy – Saudi Arabia | Member of the Board | Saudi |
| | Represented by: Mr. Saleh Saad A. Al Muhanna | | Saudi |
| 6 | Mr. Mohammed M. Hariri | Member of the Board | Lebanese / Canadian |
| 7 | Mr. "Mohammed Thabet" Abdulraouf S. Taher | Member of the Board | Jordanian |
| 8 | Social Security Corporation | Member of the Board | Jordanian |
| | Represented by: Mr. Ibrahim Yousuf Ibrahim Izziddin | | Jordanian |
| 9 | Abdul Hameed Shoman Foundation | Member of the Board | Jordanian |
| | Represented by: Dr. Tayseer Radwan Saleem Al Smadi | | Jordanian |
| 10 | Mr. Riad Burhan Taher Kamal | Member of the Board | Jordanian |
| 11 | Mr. Wahbe A. Tamari | Member of the Board | Lebanese |

| Number of Shares | | Holdings of Controlled Companies | |
|------------------|------------|--------------------------------------|------------|
| 31.12.2008 | 31.12.2007 | 31.12.2008 | 31.12.2007 |
| 11 663 700 | 9 775 800 | - | - |
| 7 017 120 | 4 678 080 | - | - |
| 183 300 | 122 200 | Middle East Insurance Co. 538 605 | 480 000 |
| 60 120 | 40 080 | - | - |
| 24 000 000 | 16 000 000 | - | - |
| | | - | - |
| 68 700 | 45 800 | - | - |
| 13 005 | 13 000 | - | - |
| 80 118 615 | 52 931 290 | - | - |
| | | - | - |
| 11 652 330 | 7 748 220 | - | - |
| | | - | - |
| 15 000 | 10 000 | Al Gazal Foundation 1 166 310 | 877 540 |
| 15 000 | 10 000 | - | - |

| No. | Name | Position | Nationality |
|-----|--|---|-------------|
| 1 | Mr. Abdel Hamid A.M. Shoman | Chairman and CEO | Jordanian |
| 2 | Mr. Michel A. N. Accad | Assistant Chief Executive Officer | Lebanese |
| 3 | Dr. "Mohammad Ghaith" Ali Mismar | Legal Counsel / Secretary General of the Board of Directors | Jordanian |
| 4 | Mr. Ghassan Hanna Sulaiman Tarazi | Chief Financial Officer | Jordanian |
| 5 | Mr. "Mohammad Saleem" M. O. Sheikh | EVP – Group Chief Credit Officer | Pakistani |
| 6 | Mr. Mohammad A. Hamad Ghanameh | EVP – Global Head of Corporate & Investment Banking | Jordanian |
| 7 | Ms. Dina "Mohammad Abdel Hamid" Shoman | EVP – Branding | Jordanian |
| 8 | Mr. Marwan Nasha'at R. Riyal | EVP – Group Head of Human Resources Division | Jordanian |
| 9 | Mr. Majaz Ahmad Khan | EVP – Group Chief Operating Officer | British |

| Number of Shares | | Holdings of Controlled Companies | |
|------------------|------------|----------------------------------|------------|
| 31.12.2008 | 31.12.2007 | 31.12.2008 | 31.12.2007 |
| 11 663 700 | 9 775 800 | - | - |
| 6 000 | - | - | - |
| 1 995 | 2 000 | - | - |
| - | - | - | - |
| - | - | - | - |
| - | 8 000 | - | - |
| 24 000 | 16 000 | - | - |
| 195 | 130 | - | - |
| - | - | - | - |

| No. | Name | Relationship | Nationality |
|-----|--|--------------|-------------|
| 1 | Mr. Abdel Hamid A.M. Shoman Chairman and CEO | Spouse | Jordanian |
| | | Minors | - |
| 2 | Mr. Sabih Taher D. Masri Deputy Chairman | Spouse | Jordanian |
| | | Minors | - |
| 3 | Mr. Samir Farhan Kwar Member of the Board | Spouse | Jordanian |
| | | Minors | - |
| 4 | Mrs. Nazik Odah Al Hariri Member of the Board | - | - |
| | | Minors | - |
| 5 | Mr. Saleh Saad A. Al Muhanna Member of the Board – Representing Ministry of Finance & Economy – Saudi Arabia | Spouse | - |
| | | Minors | - |
| 6 | Mr. Mohammed M. Hariri Member of the Board | Spouse | - |
| | | Minors | - |
| 7 | Mr. "Mohammed Thabet" Abdulraouf S. Taher Member of the Board | Spouse | - |
| | | Minors | - |
| 8 | Mr. Ibrahim Yousuf Ibrahim Izziddin Member of the Board – Representing Social Security Corporation | Spouse | - |
| | | Minors | - |
| 9 | Dr. Tayseer Radwan Saleem Al Smadi Member of the Board – Representing Abdul Hameed Shoman Foundation | Spouse | - |
| | | Minors | - |
| 10 | Mr. Riad Burhan Taher Kamal Member of the Board | Spouse | - |
| | | Minors | - |
| 11 | Mr. Wahbe A. Tamari Member of the Board | Spouse | - |
| | | Minors | - |

| | | | |
|-----------|-----------|---|---|
| 24 000 | 16 000 | - | - |
| - | - | - | - |
| 3 172 800 | 2 115 200 | - | - |
| - | - | - | - |
| 105 000 | 70 000 | - | - |
| - | - | - | - |
| - | - | - | - |
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| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |

NUMBER OF ARAB BANK SHARES OWNED BY THE RELATIVES OF THE BOARD MEMBERS

| No. | Name | Relationship | Nationality |
|-----|---|--------------|-------------|
| 1 | Mr. Michel A. N. Accad Assistant Chief Executive Officer | Spouse | |
| | | Minors | |
| | | | |
| 2 | Dr. "Mohammad Ghaith" Ali Mismar Legal Counsel / Secretary General of the Board of Directors | Spouse | |
| | | Minors | |
| | | | |
| 3 | Mr. Ghassan Hanna Sulaiman Tarazi Chief Financial Officer | Spouse | Jordanian |
| | | Minors | |
| | | | |
| 4 | Mr. "Mohammad Saleem" M. O. Sheikh EVP – Group Chief Credit Officer | Spouse | |
| | | Minors | |
| | | | |
| 5 | Mr. Mohammad A. Hamad Ghanameh EVP – Global Head of Corporate & Investment Banking | Spouse | |
| | | Minors | |
| | | | |
| 6 | Ms. Dina "Mohammad Abdel Hamid" Shoman EVP – Branding Group | Spouse | |
| | | Minors | |
| | | | |
| 7 | Mr. Marwan Nasha'at R. Riyal EVP – Group Head of Human Resources Division | Spouse | |
| | | Minors | |
| | | | |
| 8 | Mr. Majaz Ahmad Khan EVP – Group Chief Operating Officer | Spouse | |
| | | Minors | |
| | | | |

| Number of Shares | | Holdings of Controlled Companies | |
|------------------|------------|----------------------------------|------------|
| 31.12.2008 | 31.12.2007 | 31.12.2008 | 31.12.2007 |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| 1 005 | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |

NUMBER OF ARAB BANK SHARES OWNED BY THE RELATIVES OF THE SENIOR EXECUTIVES

| No. | Name | Annual Salary | Annual transportation allowance |
|-----|--|---------------|---------------------------------|
| 1 | Mr. Abdel Hamid A.M. Shoman | 321 600 | 18 000 |
| 2 | Mr. Sabih Taher D. Masri | - | 18 000 |
| 3 | Mr. Samir Farhan Kawar | - | 18 000 |
| 4 | Mrs. Nazik Odah Al Hariri | - | 18 000 |
| 5 | Ministry of Finance & Economy – Saudi Arabia Represented by: Mr. Saleh S. A. Al Muhanna | - | 18 000 |
| 6 | Mr. Mohammed M. Hariri | - | 18 000 |
| 7 | Mr. "Mohammed Thabet" Abdulraouf S. Taher | - | 18 000 |
| 8 | Social Security Corporation Represented by: Mr. Ibrahim Y. I. Izziddin | - | 18 000 |
| 9 | Abdul Hameed Shoman Foundation Represented by: Dr. Tayseer R. S. Al Smadi | - | 18 000 |
| 10 | Mr. Riad Burhan Taher Kamal | - | 18 000 |
| 11 | Mr. Wahbe A. Tamari | - | 18 000 |

(In JOD)

| Board remuneration | Annual travel expenses | Total |
|--------------------|------------------------|---------|
| 5 000 | - | 344 600 |
| 5 000 | - | 23 000 |
| 5 000 | - | 23 000 |
| 5 000 | - | 23 000 |
| 5 000 | - | 23 000 |
| 5 000 | - | 23 000 |
| 5 000 | - | 23 000 |
| 5 000 | - | 23 000 |
| 5 000 | - | 23 000 |
| 5 000 | - | 23 000 |
| 5 000 | - | 23 000 |
| 5 000 | - | 23 000 |

The records of the HR Department at Head Office in Amman show the following:

| No. | Name | Annual Salary |
|-----|---|---------------|
| 1 | Mr. Michel A. N. Accad | 227 200 |
| 2 | Dr. "Mohammad Ghaith" Ali Mismar | 141 440 |
| 3 | Mr. Ghassan Hanna Sulaiman Tarazi (from 1/1 – 30/9/2008) | 113 620 |
| 4 | Mr. "Mohammad Saleem" M. O. Sheikh | 188 528 |
| 5 | Mr. Mohammad A. Hamad Ghanameh | 181 328 |
| 6 | Ms. Dina "Mohammad Abdel Hamid" Shoman | 148 024 |
| 7 | Mr. Marwan Nasha'at R. Riyal | 135 920 |
| 8 | Mr. Majaz Ahmad Khan | 193 600 |

The records of the Finance Accountancy Mohassaba S.A. in Geneva show the following:

| No. | Name | Annual Salary |
|-----|---|---------------|
| 1 | Mr. Ghassan Hanna Sulaiman Tarazi (from 1/10 – 31/12/2008) | 75 000 |
| 2 | Dr. Farouk El-Kharouf (from 1/1 – 31/7/2008) | 273 000 |

(In JOD)

| Annual transportation allowance | Annual travel expenses (excl. accommodation & tickets) | Total |
|---------------------------------|---|---------|
| - | - | 227 200 |
| - | - | 141 440 |
| - | - | 113 620 |
| - | - | 188 528 |
| - | - | 181 328 |
| - | - | 148 024 |
| - | - | 135 920 |
| - | - | 193 600 |

(In CHF)

| Annual transportation allowance | Annual travel expenses (excl. accommodation & tickets) | Total |
|---------------------------------|---|---------|
| - | - | 75 000 |
| - | - | 273 000 |

| No. | Project / Entity | JOD |
|--------------|---|-------------------|
| 1 | Support Teachers' Housing Project | 2 000 000 |
| 2 | Jordanian Hashemite Fund for Human Development | 151 945 |
| 3 | Scientific Institutions & Research Councils | 30 000 |
| 4 | Distribution of School Bags in collaboration with the Municipality of Amman | 11 963 |
| 5 | Companies Controller Dept. / Ministry of Industry & Trade | 10 138 |
| 6 | Aqaba Railway Corporation | 1 000 |
| 7 | Abdul Hameed Shoman Foundation | 11 143 740 |
| 8 | Al Hussein Cancer Center | 7 000 |
| 9 | Other Donations | 64 365 |
| Total | | 13 420 151 |

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 '000 | 2008 | 2007 |
|---|-----------|-----------|
| Subsidiaries, Sister Company & Affiliates: | | |
| Dues from Subsidiaries & Sister Company | 2 126 674 | 1 980 557 |
| Dues from Affiliates | 296 092 | 278 277 |
| Deposits from Subsidiaries & Sister Company | 1 190 464 | 854 808 |
| Deposits from Affiliates | 12 951 | 75 993 |
| Interest Income from Subsidiaries & Sister Company | 65 945 | 113 975 |
| Interest Expenses Paid to Subsidiaries & Sister Company | 35 968 | 51 131 |
| Interest Income from Affiliates | 8 636 | 7 443 |
| Interest Expenses Paid to Affiliates | 1 594 | 2 567 |
| Guarantees, Acceptances & Letters of Credit – Subsidiaries & Sister Company | 158 093 | 91 869 |
| Guarantees, Acceptances & Letters of Credit – Affiliates | 4 190 | 3 450 |
| Approved But Not Utilised Credit Facilities – Subsidiaries & Sister Company | - | 920 |

| In JOD '000 | 2008 | 2007 |
|---|---------|---------|
| Major Shareholders & Members of the Board of Directors | | |
| Direct Credit Facilities | 416 931 | 290 338 |
| Letters of Credit | 31 104 | 31 392 |
| Guarantees | 53 611 | 94 370 |

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

The salaries, bonuses and other fringe benefits of senior executives in Jordan and abroad amounted to JOD 17.7 million in 2008, compared to JOD 14.5 million in 2007.

The protection of the environment and participating in initiatives to reduce pollution and increase the standard of living is a subject that Arab Bank is concerned with. Through its broad and specific sectoral lending activities, the Bank is an active participant in the national economic objective of "increased living standards to all". The Bank finances conventional and renewable energy projects that can help avail this critical commodity to future generations. Finally, the Bank actively seeks to reduce environmental imprints through an amalgam of initiatives and measures including those that reduce the overall environmental pollution.

In 2008, the Bank participated in numerous initiatives and endeavours that favourably contribute to this area. An example of these initiatives is the Bank's participation in May 2008, with the assistance of the United Nations Relief and Works Agency (UNRWA), in a cleaning campaign of Baqaa Refugee camp and the surrounding area, clearly reflecting the Bank's concern with the cleanliness of the places in which it operates.

Additionally, Arab Bank has invariably assigned due consideration to environment friendly projects, as is evident from the broad range of projects that Arab Bank has led in raising necessary funding to facilitate their successful implementation in recent years. Amongst these, is the USD 170 million "Samra Wastewater Treatment Plant" that would benefit from "Carbon Credit" under KOYOTO Protocol. This project, which was completed by mid 2008, is the first Build, Operate, and Transfer (BOT) project in Jordan.

Additionally, Arab Bank is currently supporting the Preferred Bidder for the first Wind Farm Power Project in Jordan "Al-Kamsheh" under a Build, Own and Operate (BOO) basis. The USD 100 million project, located 25 km north of Amman, will produce a capacity of 30 – 40 MW from wind power and is expected to be completed by 2012.

Furthermore, Arab Bank has recently signed a cooperation agreement with the French Development Agency "Agence Francaise de Developement (AFD)" for implementing a Green Lending Programme. Under this agreement, AFD will allocate a preliminary facility of EUR 40 million to provide financial incentives encouraging renewable energy and environment preservation projects. The programme, which will be implemented by Arab Bank, will concentrate on energy efficiency, renewable energy, pollution reduction and abatement, in addition to the protection of natural resources.

On the other hand, the Abdul Hameed Shoman Foundation supports the agricultural sector by financing scientific conferences and workshops, dedicated to improvements in agriculture. It also cooperates with the Royal Scientific Society in funding scientific research to combat plant diseases, and sponsors the publication of books related to new developments in agriculture.

Financial performance and increasing shareholder value are both important goals for Arab Bank. However, the Bank strongly believes that it is important to give back to the community through participating in various corporate and social responsibility activities.

Arab Bank has always stood up to shoulder its social responsibility towards its host communities. It continues to actively sponsor educational, cultural and medical institutions through extending financial support to universities, schools, hospitals, youth and cultural centres, as well as NGOs.

Some of the areas that interest the Bank include initiatives aimed at reducing poverty, providing support to renewable energy projects, enhancing public awareness and culture and financing of strategic, development and infrastructure projects.

The Bank positively contributes towards the improvement of social welfare by providing ongoing assistance to various humanitarian organisations. Arab Bank is a generous benefactor to the local communities in which it operates, especially in Jordan.

Arab Bank has been an active supporter and donor for the Royal and government initiatives aimed at alleviating poverty. In 2008, the Bank donated JOD 2 million to partially finance His Majesty King Abdullah's initiative to avail low cost housing for school teachers in Jordan. The Bank has also signed an agreement with the Overseas Private Investment Corporation (OPIC), through which Arab Bank undertakes to provide concessional financing for low-income citizens under the umbrella of His Majesty's initiative to provide affordable housing for the less fortunate members of the Jordanian Society.

In 2008, Arab Bank participated in the sponsoring of numerous initiatives aimed at various subjects. To name a few:

- Economic, Business and Regulatory Support:
 - Middle East Trade & Export Finance Forum
 - Jordan Economic Forum
 - Egypt International Economic Forum
 - GCC Regulatory Summit
 - Electronic Cheque Clearing Conference (Jordan)
 - Union of Arab Banks Strategic Partnership
 - Palestine Investment Conference
 - First Forum on Corporate Finance (Jordan)
 - Jordan Association for Certified Public Accountants
 - American Chamber of Commerce (Egypt)

- Education, Employment and Poverty:
 - Teachers' Housing Project
 - Jordanian Hashemite Fund for Human Development
 - Employees' Children Scholarships in Jordanian universities
 - Various job fairs to assist in availing job opportunities for new graduates
 - Distribution of 3,000 school bags to rural area students in Jordan
 - Souk Ramadan – aimed at providing lower priced goods to Jordanians throughout Ramadan
- Health / Science / Sports:
 - King Hussein Cancer Center season's greetings cards
 - Scientific Institutions and Research Councils
 - Baqaa Camp cleaning campaign
 - Providing support to Salt Youth Center
 - Various contributions to support sports activities
- Environment protection – details can be found in other sections of this report (see page 117).

In addition to such initiatives, Arab Bank also provides employment and training opportunities to nationals of the economies and countries in which it operates. Concerned with the welfare of its employees and their best interests, it also provides financial assistance to the families of the workers who are exposed to work accidents, and sponsors the education of specific qualified employees and their children based on a set of criterion, thus providing them with an opportunity to further advance their education and their career.

Arab Bank's proactive role in social development can be best perceived through the various activities undertaken by the social and cultural arm of Arab Bank, Abdul Hameed Shoman Foundation (AHSF). The Foundation aims at supporting scientific research and creativity through enhancing dialogue and communication between different communities and offering a free platform for pronounced Arab intellectuals. The foundation sponsors several annual prizes, awards, weekly and monthly activities, seminars and programmes that are open to the public. The Foundation is also establishing children's libraries in all governorates of the Kingdom. By conducting periodic workshops, lectures and panels, the Foundation fosters dialogue between scientists, scholars and experts in the Arab world. In addition, it publishes books and other media, and organises cultural events and exhibitions.

The Arab Bank and the A. H. Shoman Foundation have recently designed a new and high-level intellectual symposium that serves as a catalyst to high-caliber and acclaimed Arab scholars and intellectuals through inviting them to present scientific research papers in the areas of economics and finance. The first of such highly specialised activity was held on July 19, 2008 at the Foundation's premises and addressed the timely and strategic topic of "Oil, natural gas

and Arab economies”.

On October 14, 2008, the Shoman Foundation signed a protocol of cooperation with the Bibliotheca Alexandrina. The signed protocol aims at enhancing the bilateral development of scientific and cultural cooperation as well as the publishing of scientific items of mutual interest to the Foundation and the Bibliotheca Alexandrina.

The signed protocol also promotes cooperation between the two parties in library training, indexing, automation and digitisation. It also nurtures scientific exchanges and communications that enrich libraries of the two parties, and bolster the organisation of conferences and symposiums.

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ARAB BANK GROUP

31 December

| (USD '000) | Note | 2008 | 2007 |
|---|------|-------------------|-------------------|
| ASSETS | | | |
| Cash and balances with central banks | 5 | 7 842 134 | 4 437 595 |
| Balances with banks and financial institutions | 6 | 4 405 665 | 4 536 401 |
| Deposits with banks and financial institutions | 7 | 464 494 | 478 437 |
| Financial assets at fair value through P&L - held for trading | 8 | 168 791 | 1 452 499 |
| Financial assets at fair value through P&L - designated | 9 | 231 138 | 234 419 |
| Financial derivatives - positive fair value | 41 | 179 009 | 45 769 |
| Direct credit facilities | 10 | 22 510 875 | 19 483 153 |
| Financial assets - available for sale | 11 | 4 018 816 | 3 064 958 |
| Financial assets - held to maturity | 12 | 2 586 965 | 2 047 257 |
| Investments in associated companies | 13 | 1 748 987 | 1 458 513 |
| Fixed assets | 14 | 540 937 | 451 510 |
| Goodwill | | 238 342 | - |
| Other assets | 15 | 587 270 | 624 663 |
| Deferred tax assets | 16 | 106 176 | 18 130 |
| Total assets | | 45 629 599 | 38 333 304 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Banks' and financial institutions' deposits | 17 | 4 742 306 | 5 085 531 |
| Customer deposits | 18 | 28 580 709 | 22 666 346 |
| Cash margins | 19 | 2 829 885 | 2 055 925 |
| Financial derivatives - negative fair value | 41 | 169 468 | 45 881 |
| Borrowed funds | 20 | 535 250 | 500 000 |
| Other provisions | 21 | 147 615 | 153 505 |
| Provision for income tax | 22 | 251 176 | 200 836 |
| Other liabilities | 23 | 852 390 | 740 604 |
| Deferred tax liabilities | 24 | 12 422 | 27 384 |
| Total liabilities | | 38 121 221 | 31 476 012 |
| Capital | 25 | 776 027 | 525 047 |
| Issuing premium | 25 | 1 226 205 | 1 475 497 |
| Treasury shares | 25 | (3 346) | (423) |
| Statutory reserve | | 403 305 | 330 688 |
| Voluntary reserve | 26 | 882 179 | 729 036 |
| General reserve | | 1 811 065 | 1 612 262 |
| General banking risk reserve | 27 | 327 039 | 426 942 |
| Reserves with associated companies | | 1 357 120 | 1 085 205 |
| Translation adjustments | 28 | 107 448 | 173 195 |
| Cumulative change in fair value | 29 | (172 862) | 118 016 |
| Retained earnings | 30 | 112 088 | 127 014 |
| Proposed dividends | | 213 645 | 166 667 |
| Total shareholders' equity (parent company) | | 7 039 913 | 6 769 146 |
| Minority interest | 31 | 468 465 | 88 146 |
| Total shareholders' equity | | 7 508 378 | 6 857 292 |
| Total liabilities and shareholders' equity | | 45 629 599 | 38 333 304 |

ARAB BANK GROUP

31 December

| (USD '000) | Note | 2008 | 2007 | |
|---|------|------------------|------------------|---------------------|
| Interest income | 32 | 2 277 414 | 2 220 874 | REVENUE |
| Less: interest expense | 33 | 1 186 445 | 1 254 097 | |
| Net interest income | | 1 090 969 | 966 777 | |
| Net commission income | 34 | 285 461 | 227 540 | |
| Net interest and commission income | | 1 376 430 | 1 194 317 | |
| Foreign exchange trading | | 76 257 | 63 251 | |
| (Losses) from financial assets - held for trading | 35 | (11 976) | (2 959) | |
| (Losses) gains from financial assets - designated | 36 | (14 855) | 4 966 | |
| Gains from financial assets - available for sale | 37 | 8 392 | 17 783 | |
| Bank's share of associated companies' profits | | 369 142 | 321 094 | |
| Other revenue | 38 | 100 108 | 67 907 | |
| Net Revenue | | 1 903 498 | 1 666 359 | |
| Employees expenses | 39 | 411 184 | 338 303 | EXPENSES |
| Other expenses | 40 | 296 913 | 288 474 | |
| Depreciation and amortization | 14 | 46 799 | 41 412 | |
| Provision for impairment - direct credit facilities | 10 | 40 424 | 25 228 | |
| Provision for impairment - held-to-maturity investments | 12 | 24 198 | 135 | |
| Other provisions | | 22 578 | 8 669 | |
| Total Expenses | | 842 096 | 702 221 | |
| Income before Tax | | 1 061 402 | 964 138 | Income for the Year |
| Income tax | 22 | 221 588 | 189 175 | |
| Income after Tax | | 839 814 | 774 963 | |
| Attributable to : | | | | |
| - Arab Bank shareholders | | 806 429 | 762 826 | |
| - Minority interests | | 33 385 | 12 137 | |
| Income for the Year | | 839 814 | 774 963 | |
| Income per share (in USD) | 54 | 1.51 | 1.43 | |

ARAB BANK GROUP

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | Capital | Issuing Premium | Treasury shares | Statutory reserve | Voluntary reserve | General reserve | |
|-------------|--------------------------------------|--------------------|--------------------|----------------------|----------------------|--------------------|------------------|
| 2008 | Balance on 1 January 2008 | 525 047 | 1 475 497 | (423) | 330 688 | 729 036 | 1 612 262 |
| | Translation adjustments | - | - | - | - | - | - |
| | Cumulative change in fair value | - | - | - | - | - | - |
| | Income recognized directly in equity | - | - | - | - | - | - |
| | Income after tax | - | - | - | - | - | - |
| | Total recognized income | - | - | - | - | - | - |
| | Treasury shares | - | 1 688 | (2 923) | - | - | - |
| | Capital increase | 250 980 | (250 980) | - | - | - | - |
| | Allocated to general reserve | - | - | - | - | - | 126 900 |
| | Allocated to reserves | - | - | - | 72 617 | 153 143 | 121 975 |
| | Proposed dividends | - | - | - | - | - | - |
| | Investments in subsidiary companies | - | - | - | - | - | (50 072) |
| | Paid dividends | - | - | - | - | - | - |
| | Balance on 31 December 2008 | 776 027 | 1 226 205 | (3 346) | 403 305 | 882 179 | 1 811 065 |
| 2007 | Balance on 1 January 2007 | 525 047 | 1 313 254 | (48 523) | 266 978 | 594 806 | 1 599 483 |
| | Translation adjustments | - | - | - | - | - | - |
| | Cumulative change in fair value | - | - | - | - | - | - |
| | Income recognized directly in equity | - | - | - | - | - | - |
| | Income after tax | - | - | - | - | - | - |
| | Total recognized income | - | - | - | - | - | - |
| | Sale of treasury shares | - | 162 243 | 48 100 | - | - | - |
| | Allocated to reserves | - | - | - | 63 710 | 134 230 | 12 779 |
| | Proposed dividends | - | - | - | - | - | - |
| | Adjustments during the year | - | - | - | - | - | - |
| | Paid dividends | - | - | - | - | - | - |
| | Balance on 31 December 2007 | 525 047 | 1 475 497 | (423) | 330 688 | 729 036 | 1 612 262 |

(USD `000)

| General banking risk reserve | Reserves with associated companies | Translation adjustments | Cumulative change in fair value | Retained earnings | Proposed dividends | Total shareholders' equity (parent company) | Minority interest | Total shareholders' equity |
|------------------------------|------------------------------------|-------------------------|---------------------------------|-------------------|--------------------|---|-------------------|----------------------------|
| 426 942 | 1 085 205 | 173 195 | 118 016 | 127 014 | 166 667 | 6 769 146 | 88 146 | 6 857 292 |
| - | - | (65 747) | - | - | - | (65 747) | - | (65 747) |
| - | - | - | (290 878) | - | - | (290 878) | - | (290 878) |
| - | - | (65 747) | (290 878) | - | - | (356 625) | - | (356 625) |
| - | - | - | - | 839 814 | - | 839 814 | - | 839 814 |
| - | - | (65 747) | (290 878) | 839 814 | - | 483 189 | - | 483 189 |
| - | - | - | - | - | - | (1 235) | - | (1 235) |
| - | - | - | - | - | - | - | - | - |
| (126 900) | - | - | - | - | - | - | - | - |
| 21 693 | 271 667 | - | - | (641 095) | - | - | - | - |
| - | - | - | - | (213 645) | 213 645 | - | - | - |
| 5 304 | 248 | - | - | - | - | (44 520) | 380 319 | 335 799 |
| - | - | - | - | - | (166 667) | (166 667) | - | (166 667) |
| 327 039 | 1 357 120 | 107 448 | (172 862) | 112 088 | 213 645 | 7 039 913 | 468 465 | 7 508 378 |
| 281 607 | 870 870 | 89 742 | 101 139 | 90 421 | 139 442 | 5 824 266 | 60 290 | 5 884 556 |
| - | - | 83 453 | - | - | - | 83 453 | - | 83 453 |
| - | - | - | 16 877 | - | - | 16 877 | - | 16 877 |
| - | - | 83 453 | 16 877 | - | - | 100 330 | - | 100 330 |
| - | - | - | - | 774 963 | - | 774 963 | - | 774 963 |
| - | - | 83 453 | 16 877 | 774 963 | - | 875 293 | - | 875 293 |
| - | - | - | - | - | - | 210 343 | - | 210 343 |
| 146 649 | 214 335 | - | - | (571 703) | - | - | - | - |
| - | - | - | - | (166 667) | 166 667 | - | - | - |
| (1 314) | - | - | - | - | (267) | (1 581) | 27 856 | 26 275 |
| - | - | - | - | - | (139 175) | (139 175) | - | (139 175) |
| 426 942 | 1 085 205 | 173 195 | 118 016 | 127 014 | 166 667 | 6 769 146 | 88 146 | 6 857 292 |

(USD `000)

| | Note | 2008 | 2007 |
|--|-----------|--------------------|--------------------|
| | | | |
| | | 1 061 402 | 964 138 |
| Income before tax | | | |
| Adjustments: | | | |
| - Depreciation and amortization | | 46 799 | 41 412 |
| - Provision for impairment - direct credit facilities | | 40 424 | 25 228 |
| - Bad debts written off | | 183 | 310 |
| - (Proceeds) from sale of fixed assets | | (321) | (795) |
| - Provision for impairment – held-to-maturity investments | | 24 198 | 135 |
| - Losses from revaluation of financial assets - held for trading | | 15 338 | 7 621 |
| - Losses (gains) from revaluation of financial assets - designated | | 14 855 | (4 815) |
| - Other provisions | | 22 578 | 8 669 |
| Total | | 1 225 456 | 1 041 903 |
| (Increase) decrease in assets: | | | |
| Balances with central banks (maturing after 3 months) | | 310 231 | (655 965) |
| Deposits with banks and financial institutions | | 13 943 | 614 478 |
| Direct credit facilities | | (3 068 329) | (5 343 402) |
| Financial assets held for trading | | 1 268 370 | 548 477 |
| Financial assets at fair value through P&L - designated | | (11 574) | (229 604) |
| Other assets | | (422 235) | 433 869 |
| (Decrease) increase in liabilities: | | | |
| Bank and financial institutions deposits (maturing after 3 months) | | 25 911 | (60 961) |
| Customer deposits | | 5 914 363 | 3 015 772 |
| Cash margins | | 773 960 | (59 822) |
| Other liabilities | | 546 745 | (77 547) |
| Net cash from (used in) operations before income tax | | 6 576 841 | (772 802) |
| Income tax paid | | (175 289) | (177 571) |
| Net cash provided from (used in) operations | | 6 401 552 | (950 373) |
| | | | |
| | | (1 259 698) | (869 394) |
| (Purchase) of financial assets - available for sale | | | |
| (Purchase) sale of financial assets - held to maturity | | (563 906) | 5 416 |
| (Purchase) of investments in associated companies | | (290 474) | (411 123) |
| (Purchase) of fixed assets | | (135 905) | (142 628) |
| Net cash (used in) investing activities | | (2 249 983) | (1 417 729) |
| | | | |
| | | 35 250 | 500 000 |
| Increase in borrowed funds | | | |
| Dividends paid to shareholders | | (166 667) | (139 175) |
| (Purchase) sale of treasury shares | | (1 235) | 210 343 |
| Net cash (used in) provided from financing activities | | (132 652) | 571 168 |
| | | | |
| | | (65 747) | 83,453 |
| Translation adjustments | | | |
| Net increase (decrease) in cash and cash equivalent | | 3 953 170 | (1 713 481) |
| Cash and cash equivalent at the beginning of the year | | 3 329 742 | 5 043 223 |
| Cash and cash equivalent at the end of the year | 56 | 7 282 912 | 3 329 742 |

1 - GENERAL

- Arab Bank was established in 1930, and is registered in Jordan as a public shareholding limited company. The head office of the Bank is in Amman, Jordan, and it operates worldwide through its branches, subsidiaries and sister company, Arab Bank (Switzerland).
- Arab Bank shares have a primary listing on Amman Stock Exchange. Arab Bank (Switzerland) shares are stapled to Arab Bank shares and traded together.
- The accompanying financial statements were approved by the Board of Directors at its meeting no. 1/2009 on 29 January 2009.

2 - BASIS OF CONSOLIDATION

- The accompanying consolidated financial statements of Arab Bank Group, reported in US dollars, include the financial statements of Arab Bank plc, its sister company, Arab Bank (Switzerland), and the following wholly-owned, majority-owned and effectively controlled subsidiaries:

| Percentage ownership as at 31 December 2008 | % |
|---|--------|
| Europe Arab Bank plc | 100.00 |
| Arab Bank Australia Limited | 100.00 |
| Islamic International Arab Bank plc | 100.00 |
| Arab Leasing Company | 100.00 |
| Al-Arabi Investment Group Co. | 100.00 |
| Arab Sudanese Bank Limited | 100.00 |
| AB Capital Limited | 80.18 |
| Arab Investment Bank S.A.L | 66.68 |
| Arab Tunisian Bank | 64.24 |
| Al Nisr Al Arabi Insurance Company | 50.00 |
| Arab Bank-Syria | 49.00 |
| Wehda Bank | 19.00 |

- 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.
- The consolidated financial statements reflect the financial position and results of operations at the level of the single economic ownership of Arab Bank plc and the sister company Arab Bank (Switzerland), which is considered an integral part of Arab Bank Group.
- The results of operations of a subsidiary are included in the consolidated income statement effective from the acquisition date, which is the date of transfer of control over the subsidiary. The results of operations of a divested subsidiary are included in the consolidated income statement up to the date of divestment, which is the date of relinquishing control over the subsidiary.
- Intergroup transactions are eliminated from the consolidated financial statements. Items in transit are reported under other assets or other liabilities, as the case maybe. Minority interest (part not owned by the Bank in subsidiaries) is reported separately within shareholders' equity in the consolidated balance sheet.
- In the separate financial statements of the Bank, investments in subsidiaries are stated at cost.

3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

- The accompanying consolidated financial statements are prepared in accordance with the standards issued by the International Financial Reporting Standards (IFRS), the interpretations issued by the Committee of the IFRS Board, the prevailing rules of the countries where the Group operates, and the instructions of the Central Bank of Jordan.
- The financial statements are prepared under the historical cost convention except for financial assets held for trading through P&L, those available for sale, and financial derivatives which are stated at fair value on the date of the financial statements. Hedged assets and liabilities are also stated at fair value.
- The accounting policies for 2008 are consistent with those used in previous years, except for the changes indicated below.

Amended and new accounting policies

a - Standards and Interpretations effective in the current period

In the current year, the Group has adopted the following Standards issued by the International Accounting Standards Board and Interpretations issued by the International Financial Reporting Interpretations Committee which became effective for the current financial reporting period:

- IFRIC 11 : IFRS 2, Group and Treasury Transactions.
- IFRIC 12 : Service Concession Arrangements .
- IFRIC 14 : IAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

The adoption of these Interpretations has not led to any changes in the Group's accounting policies.

During October 2008, the international accounting standards board issued amendments to IAS (39) and IFRS (7) "reclassification of financial assets." These amendments have permitted reclassification of trading financial assets (other than financial derivatives and assets through P&L) to financial assets off this item as well as reclassification of available-for-sale financial assets to held-to-maturity financial assets, loans, or receivables. These amendments require detailed disclosure if applied as detailed in Note (12) to the consolidated financial statements.

b - Standards and Interpretations in issue not yet adopted

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IAS 1 (revised): Presentation of Financial Statements. Effective for annual periods beginning on or after January 1, 2009.
- IAS 32 (revised) Financial Instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation Effective for annual periods beginning on or after January 1, 2009.
- IAS 23 (revised): Borrowing Costs. Effective for annual periods beginning on or after January 1, 2009.
- IAS 39 (revised): Financial Instruments: Recognition and Measurement – Eligible Hedged Items. Effective for annual periods beginning on or after July 1, 2009.
- IFRS 1 (revised) First time Adoption of IFRS and IAS 27 (revised) Consolidated and Separate Financial Statements – Amendment relating to cost of an investment on first time adoption. Effective for annual periods beginning on or after January 1, 2009.
- IFRS 1 (revised) First time Adoption of IFRS – Restructured version. Effective for annual periods beginning on or after July 1, 2009.
- IFRS 2 (revised) Share-based Payments – Amendments relating to vesting conditions and cancellations. Effective for annual periods beginning on or after January 1, 2009.
- IFRS 3 (revised) Business Combinations – Comprehensive revision on applying the acquisition method and consequential amendments to IAS 27 (revised) Consolidated and Separate Financial Statements, IAS 28 (revised) Investments in Associates and IAS 31 (revised) Interests in Joint Ventures. Effective for annual periods beginning on or after July 1, 2009.
- IFRS 8 Operating segments. Effective for annual periods beginning on or after January 1, 2009.
- IFRIC 13: Customer Loyalty Programmes. Effective for annual periods beginning on or after July 1, 2008.
- IFRIC 15: Agreements for the Construction of Real Estate. Effective for annual periods beginning on or after January 1, 2009.
- IFRIC 16: Hedges of Net Investment in a Foreign Operation. Effective for annual

periods beginning on or after October 1, 2008.

- IFRIC 17: Distribution of Non-cash Assets to Owners. Effective for annual periods beginning on or after July 1, 2009.
- Amendments to IFRS 5, IAS 1, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41 resulting from the May 2008 Annual Improvements to IFRSs. Effective for annual periods beginning on or after January 1, 2009.

Management of the Group anticipates that each of the above Standards and Interpretations will be adopted in the preparation of the Group's financial statements by their effective dates mentioned above, and that the adoption of those Standards and Interpretations will have no material impact on the financial statements of the Group.

Recognition of Financial Assets

Sale and purchase of financial assets are recognized on the trade date, which is the date that the Group commits itself to purchase or sell the financial assets.

Fair Value

Fair value represents the closing market price of financial assets and derivatives on the date of the financial statements. Where the declared market prices do not exist and active trading of some financial assets and derivatives is not available, or the market is inactive, fair value is estimated by one of several methods, such as:

- Taking the fair value of another financial asset with similar terms and conditions;
- Using the present value of expected future cash flows for similar instruments; or
- Adopting option pricing models.

The valuation methods aim at arriving at a fair value that reflects the expectations of the market, expected risks and expected benefits. When the fair value cannot be measured reliably, financial assets are stated at cost / amortized cost.

Financial Assets at Fair Value through Profit and Loss – Held for Trading

- These are financial assets acquired principally for the purpose of selling in the near term, or they might be part of a portfolio of identified financial instruments managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.
- Financial assets held for trading are initially recognized at their fair value when purchased, while transaction costs are expensed in the income statement; and subsequently reported at the prevailing fair value. The resulting change is included in the income statement in the period in which it arises.
- Changes in fair value resulting from changes in foreign exchange rates are recorded in the income statement as gain or loss on foreign exchange.

- Dividends are recognized as a gain from financial assets-held for trading in the income statement, while the realized interest is reported as interest income in the income statement.

Financial Assets at Fair Value through Profit and Loss – Designated

- These are financial assets acquired to eliminate or significantly reduce a measurement or recognition inconsistency (accounting mismatch). If they are part of a group of financial assets or financial liabilities or both, they 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 at fair value through profit or loss and are initially recognized at their fair value when purchased, while transaction costs are expensed in the income statement; and subsequently reported at the prevailing fair value. The resulting change is included in the income statement in the period in which it arises.
- Changes in fair value resulting from changes in foreign exchange rates are recorded in the income statement as gain or loss on foreign exchange.
- Dividends are recognized as a gain from financial assets - designated at fair value through profit or loss in the income statement, while the realized interest is reported as interest income in the income statement.

Direct Credit Facilities

- These are financial assets with fixed or determinable payments not quoted in an active market.
- Direct credit facilities are recorded at cost, and stated in the balance sheet after deducting provisions, interest and commission in suspense.
- A provision for impairment of direct credit facilities is recognized when it is apparent that the financial assets of the Group cannot be recovered, there is objective evidence of an event that negatively affects the future cash flows of the direct credit facilities, and the impairment amount can be estimated. The provision is taken to the income statement.
- Impairment in value is recorded at 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). The impairment is recorded in the income statement.
- Interest and commission on non-performing credit facilities are suspended in accordance with the instructions of the regulatory authorities in the countries where the Group operates (whichever is stricter).

- Impaired direct credit facilities, for which specific provision has been made, are written off by charging the provision after all efforts have been made to recover the assets. Any surplus in the provisions or recoveries is taken to the income statement, while the debt of previously written off recoveries is taken to income.

Financial Assets – Available for Sale

- These are financial assets designated as available for sale or not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit and loss.
- Financial assets available for sale are initially recorded at fair value, including acquisition costs. They are subsequently reported at fair value as prevailing on the date of the financial statements; changes in fair value are recorded in a separate account in shareholders' equity.
- When these assets are fully or partially sold, disposed of, or determined to be impaired, the change in fair value is recorded in the income statement, including the related amounts previously recorded in shareholders' equity.
- The loss resulting from an impaired value of the debt instruments is reversed when it is objectively evident that the increase in their fair value occurred after the losses had been recognized. Impairment losses resulting from a decline in the value of equity securities cannot be reversed.
- Income and losses resulting from foreign exchange translations of interest-bearing debt instruments are included in the income statement. Differences in foreign currency of equity instruments are included in the cumulative change in fair value within shareholders' equity.
- Interest from available-for-sale financial instruments is recorded in the income statement using the effective interest rate method. Impairment in assets is recorded in the income statement when incurred.
- Financial instruments for which fair value cannot reliably be determined are shown at cost.

Financial Assets – Held to Maturity

- These are financial assets with 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 provision for impairment in value. Premiums and discounts are systematically amortized in the income statement using the effective interest rate method.

Impairment in the Value of the Financial Assets

- The Group reviews the values of the financial assets on the date of the balance sheet in order to determine if there are any indications of impairment in their value individually or in the form of a portfolio. In case such indications exist, the recoverable value is estimated so as to determine the impairment loss.
- Impairment is determined as follows:
 - Impairment in financial assets recorded at amortized cost is determined on the basis of 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 present value of the expected cash flows discounted at the market interest rate of similar instruments.
 - Impairment in the available-for-sale financial assets recorded at fair value represents the difference between the book value and the fair value.
- Impairment in value is recorded in the income statement. Any surplus in the subsequent period, resulting from previous declines in the fair value of financial assets, is taken to the income statement, except for available-for-sale equity securities, since it is recovered through the cumulative change in fair value.

Investments in Associated Companies

- Associated companies are those in which the Group has a 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 shown according to the owners' equity method.
- In case separate financial statements are prepared for the Bank as an independent entity, investments in associated companies are stated at cost.
- Transactions and balances between the Bank and the associated companies are eliminated according to the Bank's ownership percentage in the companies.

Realization of Income and Recognition of Expenses

- Realization of income and recognition of expenses are recorded on an accrual basis, except for interest and commission on non-performing direct credit facilities, which are not recognized as revenue but recorded as interest and commission in a suspense account until they are received in cash.
- Commission is recorded as revenue when the related services are provided. Dividends are recorded when realized.

Financial Derivatives

Financial derivatives (e.g. currency forward contracts, forward rate agreements, swaps and option contracts) are recorded at fair value in the balance sheet as a separate item.

Financial Derivatives and Hedge Accounting

For hedge accounting purposes, financial derivatives are stated at fair value. Hedges are classified as follows:

- Fair value hedge: 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, the resulting gain or loss from re-measuring the fair value hedge is recognized in the income statement. When the conditions for an effective portfolio hedge are met, the gain or loss resulting from the revaluation of the hedging instrument at fair value, as well as the change in the fair value of the hedged assets or liabilities portfolio, are recorded in the income statement for the same period.
- Cash flow hedge: hedging for changes in the current and expected cash flows of the Group's assets and liabilities. When the conditions for an effective cash flow hedge are met, the gain or loss of the hedging instruments is recognized in shareholders' equity, and such gain or loss is transferred to the income statement in the period in which the hedge transaction has an impact on the income statement.
- 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 the case of an effective relationship, the effective portion of the loss or profit related to the hedging instrument is recognized in shareholders' equity, while the ineffective portion is recognized in the income statement. The effective portion is recorded in the income statement when the investment in foreign entities is sold.
When the conditions for an effective hedge do not apply, gain or loss resulting from the change in fair value of the hedging instrument is recorded in the income statement of the same period.

Financial Derivatives for Trading

The fair value of financial derivatives for trading, such as forward foreign currency contracts, future interest rate contracts, swap agreements and foreign currency options, is recorded in the balance sheet under other assets or other liabilities, as the case may be. The change in their fair value is recognized in the income statement.

Repurchase and Resale Agreements

- Assets sold with a simultaneous commitment to repurchase at a future date continue to be recognized in the financial statements due to the continued control of those assets. The related risks and benefits are transferred to the Group when incurred. They also continue to be measured in accordance with the adopted accounting policies. Amounts received against these contracts are recorded within liabilities under borrowed funds. The difference between the sale price and the repurchase price is considered an interest expense, and is amortized over the contract period using the effective interest rate method. When the transferee has the right to sell or repledge the collateral, the securities sold subject to repurchase agreements are reclassified in the financial statements as pledged assets.
- Purchased assets with corresponding commitment to sell at a specific future date are not recognized in the financial statements because the Group has no control over such assets, and the related risks and benefits are not transferred to the Group when incurred. Payments related to these contracts are recorded under deposits with banks or under credit facilities, depending on the nature of each case. The difference between the purchase price and resale price is recorded as interest revenue, and is amortized over the period of the contract using the effective interest rate method.

Assets pledged as Collateral

These are assets pledged as collateral with a third party, and where the transferee has the right to sell or re-pledge the collateral. They are classified in the balance sheet as a separate line item, and the accounting policy for such assets will follow its original classification.

Foreclosed Assets

These are assets that have been the subject of foreclosure by the Group, and are shown under other assets at the acquisition value or fair value, whichever is lower. As of the balance sheet date, these assets are revalued individually at fair value. Any decline in their market value is taken to the income statement, whereas an increase is not recognized to the extent it does not exceed the previously recorded impairment.

Intangible Assets

- Goodwill represents the excess of an amount paid to acquire or purchase an investment in an associate or subsidiary on the date of the transaction over the fair value of the net investment in that company. Goodwill resulting from an investment in an affiliated company constitutes part of the investment in that company, and is recorded at cost. The cost of goodwill is subsequently reduced by any impairment in the value of the investment. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.

- Goodwill is distributed over the cash-generating unit(s) for the purpose of testing the impairment of the value.
- The value of goodwill is tested on the date of each financial statement. The goodwill value is reduced when there is evidence that its value has been impaired or that the recoverable value of the cash-generating unit(s) is lower than the book value. The impairment in value is recorded in the income statement as impairment loss.

Foreign Currency

- Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the date of the transaction.
- Non-monetary assets and liabilities denominated in foreign currencies and recorded at fair value are translated on the date when the fair value was determined.
- Gains or losses resulting from foreign currency translation are recorded in the income statement.
- Differences resulting from the translation of non-monetary assets and liabilities denominated in foreign currency, such as securities, are recorded as part of the change in the fair value.
- When consolidating the financial statements, the financial assets and financial liabilities of the branches, associates, and subsidiaries abroad are translated from the local currency to the reporting currency at the average rates prevailing on the balance sheet date. Exchange differences from the valuation of the net investment in the foreign branches is shown in a separate item within shareholders' equity.

Fixed Assets

- Fixed assets are stated at cost, net of accumulated depreciation. Such assets (except for land) are depreciated according to the straight-line method over their estimated useful lives, and in accordance with the prevailing rules and regulations in the countries where the Group operates. When the carrying amounts of any of the fixed assets exceed the recoverable values, the values of the assets are reduced accordingly.
- The useful lives of the fixed assets are reviewed at the end of each year. Where the expected useful life differs from what was previously determined, the change in estimate will be recorded as such in the subsequent year.
- Fixed assets are derecognized when disposed of or no future benefits are expected from their use or disposal.
- When the recoverable value of fixed assets is less than its carrying amount, its value is reduced to the recoverable amount, and the impairment in value is recorded in the income statement.

Provisions

Provisions are recognized when the Group has an obligation on the date of the balance sheet 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

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 required provision for the year for the end-of-service indemnities is recorded in the income statement. Payments to departing employees are taken to the income statement or deducted from the provision amount.

Income Tax

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

Treasury Shares

- Treasury shares appear at cost as a separate item in shareholders' equity, and are deducted from total shareholders' equity.
- Gain or loss from the sale of treasury shares is not included in the income statement, but it is recognized in the issuing premium.

Fiduciary Deposits

- Fiduciary deposits result from the holding or placing of assets on behalf of customers. These assets and the income arising from them are excluded from these financial statements of the Group. The commission and fees for managing these accounts are recognized in the income statement.
- Provision for the decline in fair value is created in case the fair value of guaranteed capital portfolio becomes lower than the guaranteed capital amount.

Offsetting

Financial assets and financial liabilities are offset, and the net amount is reflected in the balance sheet only when there is a legal right to offset the recognized amounts, and the Group intends to either settle on a net basis or to realize the assets and settle the liabilities simultaneously.

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.

Segment Reporting

- A business segment is a group of assets and operations engaged in providing products or services subject to risks and returns different from those of other business segments.
- A geographical segment is engaged in providing products or services within a particular economic environment subject to risks and returns different from those of segments operating in other economic environments.

4 - USING ESTIMATES

Preparation of the accompanying financial statements requires estimations and judgments in applying accounting policies relating to some of the items listed in those statements. 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 productive life of assets and impairment of their value. Management also uses estimation and judgment for some matters that are uncertain on the date of the balance sheet and that may cause risks and may require adjustments to the balances of the assets and liabilities stated in the financial statements of the following year. This includes estimations of the various provisions and contingent liabilities.

| | (USD `000) | |
|--|------------------|------------------|
| | 31 December | |
| 5- CASH AND BALANCES WITH CENTRAL BANKS | 2008 | 2007 |
| Cash | 449 008 | 302 215 |
| Balances with central banks: | | |
| - Current accounts | 1 312 417 | 343 219 |
| - Time and notice | 1 520 938 | 1 028 479 |
| - Mandatory cash reserve | 1 938 878 | 1 181 892 |
| - Certificates of deposit | 2 620 893 | 1 581 790 |
| Total | 7 842 134 | 4 437 595 |

- Balances maturing after three months amounted to USD 485.7 million as at 31 December 2008, and USD 796.0 million as at 31 December 2007.

| | (USD `000) | |
|--|------------------|------------------|
| | 31 December | |
| 6- BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS | 2008 | 2007 |
| Current accounts | 570 026 | 327 284 |
| Time deposits maturing within 3 months | 3 403 784 | 3 817 335 |
| Certificates of deposit | 431 855 | 391 782 |
| Total | 4 405 665 | 4 536 401 |

7- DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

(USD `000)

| | 31 December | |
|--|----------------|----------------|
| | 2008 | 2007 |
| Time deposits maturing after 3 months and before 6 months | 372 057 | 184 455 |
| Time deposits maturing after 6 months and before 9 months | 82 080 | 182 234 |
| Time deposits maturing after 9 months and before 12 months | 635 | 96 718 |
| Time deposits maturing after one year | 9 722 | 15 030 |
| Total | 464 494 | 478 437 |

8- FINANCIAL ASSETS AT FAIR VALUE THROUGH P&L - HELD FOR TRADING

(USD `000)

| | 31 December | |
|--------------------------|----------------|------------------|
| | 2008 | 2007 |
| Treasury bills and bonds | 91 164 | 556 886 |
| Government bonds | - | 15 913 |
| Corporate bonds | 63 049 | 857 965 |
| Shares | 14 578 | 21 735 |
| Total | 168 791 | 1 452 499 |

9- FINANCIAL ASSETS AT FAIR VALUE THROUGH P&L - DESIGNATED

(USD `000)

| | 31 December | |
|------------------|----------------|----------------|
| | 2008 | 2007 |
| Government bonds | 34 999 | 35 699 |
| Corporate bonds | 196 139 | 198 720 |
| Total | 231 138 | 234 419 |

10. DIRECT CREDIT FACILITIES

USD ('000)

| | 31 December | | | | | | 2007 Total |
|--|--|---------------------|-------------------|--|------------------------------------|-------------------|-------------------|
| | 2008 | | | Banks and financial institutions | Government and public sector | Total | |
| | Individuals | Corporates | | | | | |
| | Small & medium size enterprises | Large corporates | | | | | |
| Discounted bills * | 86 659 | 295 004 | 462 068 | 69 156 | 1 303 | 914 190 | 766 995 |
| Overdrafts * | 228 698 | 759 798 | 2 666 903 | 4 858 | 172 082 | 3 832 339 | 3 218 069 |
| Loans and advances* | 2 198 921 | 1 336 731 | 11 312 826 | 1 092 900 | 1 367 446 | 17 308 824 | 15 467 708 |
| Real-estate loans | 903 522 | 398 101 | 2 080 | - | - | 1 303 703 | 584 951 |
| Credit cards | 58 824 | - | - | - | - | 58 824 | 55 366 |
| Total | 3 476 624 | 2 789 634 | 14 443 877 | 1 166 914 | 1 540 831 | 23 417 880 | 20 093 089 |
| Less: Interest and commission in suspense | 57 898 | 147 932 | 53 648 | - | - | 259 478 | 155 706 |
| Provision for impairment - direct credit facilities | 238 469 | 171 711 | 237 347 | - | - | 647 527 | 454 230 |
| Total | 296 367 | 319 643 | 290 995 | - | - | 907 005 | 609 936 |
| Direct credit facilities, net | 3 180 257 | 2 469 991 | 14 152 882 | 1 166 914 | 1 540 831 | 22 510 875 | 19 483 153 |

- * Net, after deducting interest and commission received in advance, which amounted to USD 25.5 million as at 31 December 2008, compared to USD 29.2 million as at 31 December 2007.
- Direct credit facilities granted to government and guaranteed by the government as at 31 December 2008 amounted to USD 1,540.8 million, or 6.6% of total direct credit facilities, compared to USD 1,309.4 million, or 6.5% of total direct credit facilities at the end of 2007.
 - Non-performing direct credit facilities as at 31 December 2008 amounted to USD 960.0 million, or 4.1% of total direct credit facilities, compared to USD 609.5 million, or 3.0% of total direct credit facilities at the end of 2007.
 - Non-performing direct credit facilities, after deducting interest and commission in suspense, as at 31 December 2008 amounted to USD 700.5 million, or 3.1% of total direct credit facilities, compared to USD 453.8 million, or 2.3% of total direct credit facilities at the end of 2007.

| MOVEMENTS IN INTEREST AND COMMISSION IN SUSPENSE: | 31 December | | | | USD ('000) |
|--|---------------|---------------------------------------|---------------------|----------------|----------------|
| | 2008 | | | 2007 | |
| | Individuals | Corporates | | Total | Total |
| | | Small & medium size enterprises | Large corporates | | |
| Balance at the beginning of the | 22 727 | 93 437 | 39 542 | 155 706 | 176 436 |
| Interest in suspense during the | 6 589 | 15 445 | 5 617 | 27 651 | 30 086 |
| Interest in suspense written off | (1 196) | (969) | (6 978) | (9 143) | (37 627) |
| Recoveries | (548) | (1 922) | (5 381) | (7 851) | (15 171) |
| Reclassification | 31 035 | 41 858 | 21 109 | 94 002 | - |
| Translation adjustments | (709) | 83 | (261) | (887) | 1 982 |
| Balance at the end of the year | 57 898 | 147 932 | 53 648 | 259 478 | 155 706 |

| MOVEMENTS IN THE PROVISION FOR IMPAIRMENT IN DIRECT CREDIT FACILITIES: | 31 December | | | | USD ('000) |
|--|----------------|---------------------------------------|---------------------|----------------|----------------|
| | 2008 | | | 2007 | |
| | Individuals | Corporates | | Total | Total |
| | | Small & medium size enterprises | Large corporates | | |
| Balance at the beginning of the | 106 866 | 155 185 | 192 179 | 454 230 | 437 110 |
| Addition: Charged to income | 40 399 | 23 258 | 46 070 | 109 727 | 81 684 |
| Direct credit facilities written off | (116) | (1 086) | (3 562) | (4 764) | (18 405) |
| Recoveries | (24 771) | (19 897) | (24 635) | (69 303) | (56 456) |
| Reclassification | 119 335 | 13 217 | 24 437 | 156 989 | (2 894) |
| Translation adjustments | (3 244) | 1 034 | 2 858 | 648 | 13 191 |
| Balance at the end of the year | 238 469 | 171 711 | 237 347 | 647 527 | 454 230 |

11- FINANCIAL ASSETS - AVAILABLE FOR SALE

(USD '000)

| | 31 December | |
|--------------------------|------------------|------------------|
| | 2008 | 2007 |
| Treasury bills and bonds | 882 282 | 761 211 |
| Government bonds | 1 246 176 | 390 048 |
| Corporate bonds | 1 379 319 | 1 559 186 |
| Shares | 511 039 | 354 513 |
| Total | 4 018 816 | 3 064 958 |

BONDS ACCORDING TO INTEREST:

| | | |
|-------------------------|------------------|------------------|
| Fixed interest bonds | 2 101 617 | 1 078 052 |
| Variable interest bonds | 1 406 160 | 1 632 393 |
| Total | 3 507 777 | 2 710 445 |

FINANCIAL ASSETS ACCORDING TO MARKET QUOTATION:

| | | |
|---|------------------|------------------|
| Financial assets quoted in the market | 1 887 632 | 2 262 351 |
| Financial assets not quoted in the market | 2 131 184 | 802 607 |
| Total | 4 018 816 | 3 064 958 |

12- FINANCIAL ASSETS - HELD TO MATURITY

(USD '000)

| | 31 December | |
|--------------------------------|------------------|------------------|
| | 2008 | 2007 |
| Treasury bills and bonds | 1 110 990 | 1 318 929 |
| Government bonds | 204 999 | 252 952 |
| Corporate bonds | 1 296 840 | 475 376 |
| Less: provision for impairment | 25 864 | - |
| Total | 2 586 965 | 2 047 257 |

BONDS ACCORDING TO INTEREST

| | | |
|-------------------------|------------------|------------------|
| Fixed interest bonds | 1 599 590 | 1 372 262 |
| Variable interest bonds | 987 375 | 674 995 |
| Total | 2 586 965 | 2 047 257 |

FINANCIAL ASSETS ACCORDING TO MARKET QUOTATION:

| | | |
|---|------------------|------------------|
| Financial assets quoted in the market | 605 388 | 529 717 |
| Financial assets not quoted in the market | 1 981 577 | 1 517 540 |
| Total | 2 586 965 | 2 047 257 |

MOVEMENTS IN THE PROVISION FOR IMPAIRMENT IN FINANCIAL ASSETS HELD TO MATURITY WERE AS FOLLOWS:

(USD '000)

| | 31 December | |
|---------------------------------------|---------------|----------|
| | 2008 | 2007 |
| Balance at the beginning of the year | - | 4 358 |
| Addition: charged to income | 24 198 | 135 |
| Written off | - | (4 493) |
| Translation adjustments | 1 666 | - |
| Balance at the end of the year | 25 864 | - |

The financial crisis that hit the world's financial markets was considered as an extraordinary event. In accordance with the revised International Accounting Standard No. (39) and the International Financial Reporting Standard No. (7), it is permitted to reclassify financial assets under certain conditions among which is the financial crisis.

Based on the above, the Group has reclassified part of its investments in debt instruments from trading financial assets to held-to-maturity financial assets that amounted to USD 755 million effective July 2008.

The fair value as of July 1, 2008 was used to determine the book value instead of the fair value on the actual date of reclassification. The negative change in the fair value that amounted to USD 0.71 million was recognized in the statement of income up to the reclassification date (USD 7.5 million at the end of the year 2007.)

Had the above treatment not been applied, an increase in the negative cumulative change in the fair value of USD 12.6 million would have resulted. Also, the interest revenue recognized for those reclassified financial assets in the statement of income amounted to USD 21.1 million.

The Group expects to fully recover the par value of USD 761.7 million for the reclassified financial assets at their maturity dates.

The effective interest rate for these financial assets, at reclassification, was 5.6%.

The book value of the reclassified financial assets is shown below:

| | USD ('000) | | | |
|---|------------------|------------------|------------------|------------------|
| | December 31 | | | |
| | 2008 | | 2007 | |
| | Fair Value | Book Value | Fair Value | Book Value |
| Investments in financial assets as held-to- maturity at acquisition | 1 856 518 | 1 832 139 | 2 057 104 | 2 047 257 |
| Investments in financial assets reclassified to held-to-maturity | 740 441 | 754 826 | - | - |
| Total | 2 596 959 | 2 586 965 | 2 057 104 | 2 047 257 |

13- INVESTMENTS IN ASSOCIATED COMPANIES

USD ('000)

| The Bank's investments in associated companies: | 31 December 2008 | | 31 December 2007 | | Country | Activity |
|--|------------------|--------------------|------------------|--------------------|--------------|-------------|
| | Ownership % | Historical Cost | Ownership % | Historical Cost | | |
| Turkland Bank A.S. | 50.00 | 158 599 | 50.00 | 117 058 | Turkey | Banking |
| Oman Arab Bank S.A.O. | 49.00 | 130 003 | 49.00 | 101 773 | Oman | Banking |
| Arab National Bank | 40.00 | 1 407 027 | 40.00 | 1 178 046 | Saudi Arabia | Banking |
| Arabia Insurance Co. | 36.79 | 36 312 | 36.79 | 36 312 | Lebanon | Insurance |
| Commercial Building Co. | 34.50 | 455 | 33.09 | 316 | Lebanon | Real estate |
| Other | - | 16 591 | - | 25 008 | | |
| Total | | 1 748 987 | | 1 458 513 | | |

MOVEMENTS ON INVESTMENTS IN ASSOCIATED COMPANIES:

(USD '000)

31 December

| | 2008 | 2007 |
|--|------------------|------------------|
| Balance at the beginning of the year | 1 458 513 | 1 047 390 |
| Purchase of investments in associated companies | 54 200 | 198 167 |
| Bank's share of income for the year | 317 952 | 266 136 |
| Bank's share of income tax | (59 940) | (51 190) |
| Dividends received and changes in owners' equity | (21 738) | (1 990) |
| Balance at the end of the year | 1 748 987 | 1 458 513 |

The closing price of the Arab National Bank's share was Saudi Riyal 31.2 as quoted on Saudi Arabia Stock Exchange as of December 31, 2008. However, due to matters relating to the ownership concentrations of the Arab National Bank, the share closing price may not necessarily represent its fair value.

14 - FIXED ASSETS

(USD'000)

31 December 2008

| | Land | Buildings | Furniture, fixtures and equipment | Computer and communication equipment | Motor vehicles | Leasehold improvements | Total |
|---------------------------------------|---------------|----------------|-----------------------------------|--------------------------------------|----------------|------------------------|----------------|
| HISTORICAL COST | | | | | | | |
| Balance at the beginning of the year | 51 096 | 338 453 | 150 440 | 60 885 | 15 326 | 57 876 | 674 076 |
| Additions | 14 881 | 85 330 | 20 270 | 36 150 | 6 255 | 68 057 | 230 943 |
| Disposals | (6 283) | (79 533) | (4 804) | (12 316) | (2 938) | (19 502) | (125 376) |
| Translation adjustments | (22) | 1 860 | (2 271) | (2 053) | (163) | 239 | (2 410) |
| Balance at the End of the Year | 59 672 | 346 110 | 163 635 | 82 666 | 18 480 | 106 670 | 777 233 |

ACCUMULATED DEPRECIATION

| | | | | | | | |
|---------------------------------------|---------------|----------------|---------------|---------------|--------------|---------------|----------------|
| Balance at the beginning of the year | - | 50 895 | 89 560 | 46 179 | 9 379 | 26 553 | 222 566 |
| Depreciation for the year | - | 9 650 | 12 434 | 12 344 | 3 189 | 9 182 | 46 799 |
| Disposals | - | (900) | (3 595) | (7 774) | (2 694) | (18 671) | (33 634) |
| Translation adjustments | - | 2 671 | (1 845) | (1 309) | (85) | 1 133 | 565 |
| Balance at the End of the Year | - | 62 316 | 96 554 | 49 440 | 9 789 | 18 197 | 236 296 |
| Net Book Value | 59 672 | 283 794 | 67 081 | 33 226 | 8 691 | 88 473 | 540 937 |

(USD'000)

31 December 2007

HISTORICAL COST

| | | | | | | | |
|---------------------------------------|---------------|----------------|----------------|---------------|---------------|---------------|----------------|
| Balance at the beginning of the year | 42 281 | 277 615 | 130 218 | 52 681 | 14 228 | 37 849 | 554 872 |
| Additions | 9 581 | 103 548 | 23 954 | 11 867 | 2 340 | 24 823 | 176 113 |
| Disposals | (1 533) | (56 588) | (5 932) | (4 230) | (1 525) | (7 535) | (77 343) |
| Translation adjustments | 767 | 13 878 | 2 200 | 567 | 283 | 2 739 | 20 434 |
| Balance at the End of the Year | 51 096 | 338 453 | 150 440 | 60 885 | 15 326 | 57 876 | 674 076 |

ACCUMULATED DEPRECIATION

| | | | | | | | |
|---------------------------------------|---------------|----------------|---------------|---------------|--------------|---------------|----------------|
| Balance at the beginning of the year | - | 49 566 | 82 531 | 40 891 | 8 512 | 23 873 | 205 373 |
| Depreciation for the year | - | 11 444 | 10 713 | 9 131 | 2 014 | 8 110 | 41 412 |
| Disposals | - | (13 954) | (5 217) | (4 227) | (1 362) | (7 243) | (32 003) |
| Translation adjustments | - | 3 839 | 1 533 | 384 | 215 | 1 813 | 7 784 |
| Balance at the End of the Year | - | 50 895 | 89 560 | 46 179 | 9 379 | 26 553 | 222 566 |
| Net Book Value | 51 096 | 287 558 | 60 880 | 14 706 | 5 947 | 31 323 | 451 510 |

15 - OTHER ASSETS

(USD '000)

31 December

| | 2008 | 2007 |
|-----------------------------|----------------|----------------|
| Accrued interest receivable | 273 087 | 281 817 |
| Expenses paid in advance | 93 618 | 39 816 |
| Foreclosed assets | 43 405 | 47 905 |
| Miscellaneous assets | 177 160 | 255 125 |
| Total | 587 270 | 624 663 |

MOVEMENTS IN FORECLOSED ASSETS:

(USD '000)

| | 2008 | | | 2007 | | |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Land | Buildings | Total | Land | Buildings | Total |
| Balance at the beginning of the year | 15 629 | 32 276 | 47 905 | 16 383 | 22 125 | 38 508 |
| Additions | 17 | 6 340 | 6 357 | 767 | 12 061 | 12 828 |
| Disposals | (4 088) | (5 799) | (9 887) | (489) | (1 288) | (1 777) |
| Impairment loss | (69) | (1 753) | (1 822) | (1 026) | (622) | (1 648) |
| Impairment loss – returned to profit | 1 060 | - | 1 060 | - | - | - |
| Translation adjustments | - | (208) | (208) | (6) | - | (6) |
| Balance at the end of the year | 12 549 | 30 856 | 43 405 | 15 629 | 32 276 | 47 905 |

16- DEFERRED TAX ASSETS

USD ('000)

| Items attributable to deferred tax assets: | 2008 | | | | 2007 | | |
|---|--------------------------------------|-----------------------------|---------------|------------------|--------------------------------|----------------|---------------|
| | Balance at the beginning of the year | Adjustments during the year | Amounts added | Amounts released | Balance at the end of the year | Deferred tax | Deferred tax |
| Provision for impairment - direct credit facilities | 12 095 | 165 950 | 3 574 | 344 | 181 275 | 77 672 | 3 070 |
| End-of-Service indemnity | 30 895 | (2) | 6 475 | 1 193 | 36 175 | 11 090 | 9 958 |
| Interest in suspense | 2 946 | (715) | 2 520 | 338 | 4 413 | 1 127 | 773 |
| Provisions and other | 12 996 | 6 212 | 50 710 | 5 041 | 64 877 | 16 287 | 4 329 |
| Total | 58 932 | 171 445 | 63 279 | 6 916 | 286 740 | 106 176 | 18 130 |

MOVEMENTS IN DEFERRED TAX ASSETS IN 2008 AND 2007

(USD '000)

| | 2008 | 2007 |
|---------------------------------------|----------------|---------------|
| Balance at the beginning of the year | 18 130 | 21 885 |
| Additions during the year | 15 130 | 5 234 |
| Adjustments during the year | 75 116 | - |
| Amortized during the year | (2 200) | (8 989) |
| Balance at the End of the Year | 106 176 | 18 130 |

* Deferred tax results from the time differences of the provisions not deducted for tax purposes in 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 future.

17 - BANKS' AND FINANCIAL INSTITUTIONS' DEPOSITS

| | (USD '000) | |
|---|------------------|------------------|
| | 31 December | |
| | 2008 | 2007 |
| Current and demand | 718 285 | 1 081 223 |
| Time deposits maturing within 3 months | 3 760 867 | 3 767 065 |
| Time deposits maturing after 3 months and before 6 months | 211 938 | 227 552 |
| Time deposits maturing after 6 months and before 9 months | 43 768 | 9 691 |
| Time deposits maturing after 9 months and before one year | 7 448 | - |
| Time deposits maturing after one year | - | - |
| Total | 4 742 306 | 5 085 531 |

18 - CUSTOMER DEPOSITS

| | 31 December | | | | | (USD '000) |
|-------------------------|-------------------|---------------------------------|------------------|------------------------------|-------------------|-------------------|
| | 2008 | | | | | 2007 |
| | Corporates | | | | | |
| | Individuals | Small & medium size enterprises | Large corporates | Government and public sector | Total | Total |
| Current and demand | 4 386 334 | 1 982 761 | 1 432 874 | 1 537 579 | 9 339 548 | 5 517 314 |
| Savings | 1 737 333 | 15 509 | 19 730 | 386 | 1 772 958 | 1 499 077 |
| Time and notice | 8 895 704 | 946 304 | 4 818 715 | 2 354 260 | 17 014 983 | 15 255 413 |
| Certificates of deposit | 250 021 | 12 249 | 50 979 | 139 971 | 453 220 | 394 542 |
| Total | 15 269 392 | 2 956 823 | 6 322 298 | 4 032 196 | 28 580 709 | 22 666 346 |

- Public sector deposits amounted to USD 4,032.2 million, or 14.1% of total customer deposits at the end of December 2008, compared to USD 1785.9 million, or 7.9% of total customer deposits at the end of 2007.
- Non-interest bearing deposits amounted to USD 7,902.3 million, or 27.6% of total customer deposits at the end of December 2008 compared to USD 3,860.5 million, or 17.0% of total customer deposits at the end of 2007.
- Blocked deposits amounted to USD 222.7 million, or 0.78% of total customer deposits at the end of December 2008 compared to USD 162.8 million, or 0.72% of total customer deposits at the end of 2007.
- Dormant deposits amounted to USD 208.5 million, or 0.73% of total customer deposits at the end of December 2008 compared to USD 150.3 million, or 0.66% of total customer deposits at the end of 2007.

19 - CASH MARGIN

| | (USD '000) | |
|-------------------------------------|------------------|------------------|
| | 31 December | |
| | 2008 | 2007 |
| Against direct credit facilities | 2 172 492 | 1 621 848 |
| Against indirect credit facilities | 606 680 | 382 108 |
| Cash margins, financial derivatives | 13 241 | 15 818 |
| Cash margins, other | 37 472 | 36 151 |
| Total | 2 829 885 | 2 055 925 |

20 - BORROWED FUNDS

| | (USD '000) | |
|--|----------------|----------------|
| | 31 December | |
| | 2008 | 2007 |
| From banks and financial institutions * | 500 000 | 500 000 |
| From local banks and financial institutions ** | 35 250 | - |
| Total | 535 250 | 500 000 |

* In 2007, the Bank issued a USD 500 million syndicated term loan with a tenure of five years and paying LIBOR + 25 basis points.

** In 2008, the Bank borrowed USD 35.2 million for one year against mortgaging real estates at an interest rate of 6.1%. The re-lending rate ranges from 8.5% to 9.0%.

BORROWED FUNDS ACCORDING TO INTEREST

| | (USD '000) | |
|-------------------|----------------|----------------|
| | 31 December | |
| | 2008 | 2007 |
| Variable interest | 500 000 | 500 000 |
| Fixed interest | 35 250 | - |
| Total | 535 250 | 500 000 |

21 - OTHER PROVISIONS

| | USD ('000) | | | | | |
|--------------------------|--------------------------------------|--------------------------|--------------------------|--------------------|-------------------------|--------------------------------|
| | 2008 | | | | | |
| | Balance at the beginning of the year | Addition during the year | Utilized during the year | Returned to income | Translation adjustments | Balance at the end of the year |
| End-of-service indemnity | 107 076 | 8 038 | (23 294) | (4 339) | 721 | 88 202 |
| Self-insurance | 1 569 | - | - | - | 42 | 1 611 |
| Legal cases | 4 678 | 3 379 | (211) | (2 363) | 172 | 5 655 |
| Other | 40 182 | 15 990 | (3 707) | (3 138) | 2 820 | 52 147 |
| Total | 153 505 | 27 407 | (27 212) | (9 840) | 3 755 | 147 615 |

(USD '000)

| | 2007 | | | | | Balance at the end of the year |
|--------------------------|--------------------------------------|--------------------------|--------------------------|--------------------|-------------------------|--------------------------------|
| | Balance at the beginning of the year | Addition during the year | Utilized during the year | Returned to income | Translation adjustments | |
| End-of-service indemnity | 123 627 | 11 034 | (29 181) | (230) | 1 826 | 107 076 |
| Self-insurance | 1 714 | - | (155) | - | 10 | 1 569 |
| Legal cases | 7 184 | - | (1 570) | (963) | 27 | 4 678 |
| Other | 35 904 | 7 953 | (2 956) | (2 651) | 1 932 | 40 182 |
| Total | 168 429 | 18 987 | (33 862) | (3 844) | 3 795 | 153 505 |

22 - PROVISION FOR INCOME TAX

(USD '000)

| | 31 December | |
|---------------------------------------|----------------|----------------|
| | 2008 | 2007 |
| Balance at the beginning of the year | 200 836 | 189 232 |
| Income tax provision for the year | 225 629 | 189 175 |
| Income tax paid | (175 289) | (177 571) |
| Balance at the end of the year | 251 176 | 200 836 |

Provision for income tax in the income statement comprises the following:

| | (USD '000) | |
|-----------------------------------|----------------|----------------|
| | 2008 | 2007 |
| Income tax provision for the year | 225 629 | 180 488 |
| Income tax for previous years | 86 | 5 657 |
| Deferred taxes | (4 127) | 3 030 |
| Total | 221 588 | 189 175 |

23- OTHER LIABILITIES

(USD '000)

| | 31 December | |
|---|----------------|----------------|
| | 2008 | 2007 |
| Accrued interest payable | 154 477 | 164 583 |
| Remittances in transit | 97 327 | 125 199 |
| Interest and commission received in advance | 158 045 | 120 524 |
| Due expenses | 62 885 | 62 494 |
| Items in transit | 60 936 | 11 414 |
| Miscellaneous | 318 720 | 256 390 |
| Total | 852 390 | 740 604 |

24 - DEFERRED TAX LIABILITIES

| Items attributable to deferred tax liabilities: | 2008 | | | | | | (USD '000) |
|---|--------------------------------------|-----------------------------|---------------|------------------|--------------------------------|---------------|---------------|
| | Balance at the beginning of the year | Adjustments during the year | Added amounts | Released amounts | Balance at the end of the year | Deferred tax | 2007 |
| Cumulative change in fair value | 97 862 | (821) | 4 180 | 64 933 | 36 288 | 11 887 | 26 125 |
| Retained earnings | 5 426 | (1) | - | 5 425 | - | - | 818 |
| Other | 2 207 | 18 | 449 | - | 2 674 | 535 | 441 |
| Total | 105 495 | (804) | 4 629 | 70 358 | 38 962 | 12 422 | 27 384 |

| Movements In Deferred Tax Liabilities During The Year: | (USD '000) | |
|--|---------------|---------------|
| | 2008 | 2007 |
| Balance at the beginning of the year | 27 384 | 22 120 |
| Additions during the year | 1 949 | 10 835 |
| Amortized during the year | (16 911) | (5 571) |
| Balance at the End of the Year | 12 422 | 27 384 |

25 - CAPITAL

A. The subscribed and paid-up capital amounted to USD 776.0 million at the end of December 2008 compared to USD 525 million in 2007.

B. The issuing premium amounted to USD 1,226.2 million at the end of December 2008, compared to USD 1,475.5 million at the end of December 2007.

C. The treasury shares amounted to USD 154,020 shares at USD 3.346 million at the end of December 2008, compared to 50,000 shares at USD 423 thousand at the end of December 2007, and were considered treasury shares to be deducted from total shareholders' equity. Treasury shares have no voting power and no dividend rights.

26 - VOLUNTARY RESERVE

The voluntary reserve amounted to USD 882.2 million at the end of December 2008, compared to USD 729.0 million as at 31 December 2007. This reserve is used for purposes determined by the Board of Directors and the General Assembly have the right to distribute it in whole or any part thereof to shareholders.

27 - GENERAL BANKING RISK RESERVE

This reserve is available for use in accordance with certain procedures, including the approval of the banking authorities and the approval of the General Assembly, only when the amount of that reserve exceeds the minimum amount set or required by the instructions of the relevant banking authorities.

During the year 2008, the general banking risk reserve was decreased by USD 127 million while the general reserve was increased by the same amount, within owners' equity upon approval by the Central Bank of Jordan. Moreover, the current balance of the general banking risk reserve exceeds the required amount.

28 - TRANSLATION ADJUSTMENTS

Translation adjustments represent the differences resulting from translating the foreign currencies that constitute the net investment in foreign subsidiaries and branches, when consolidating the financial statements of the Group.

| | (USD '000) | |
|---------------------------------------|----------------|----------------|
| | 2008 | 2007 |
| Balance at the beginning of the year | 173 195 | 89 742 |
| (Deduction) addition during the year | (65 747) | 83 453 |
| Balance at the end of the year | 107 448 | 173 195 |

29 - CUMULATIVE CHANGE IN FAIR VALUE *

| | (USD `000) | | | | |
|--|---------------|------------------|-----------------|------------------|----------------|
| | 2008 | | | | 2007 |
| | Shares | Bonds | Cash flow hedge | Total | Total |
| Balance at the beginning of the year | 110 790 | 7 226 | - | 118 016 | 101 139 |
| Change in fair value during the year | (49 877) | (266 873) | (1 318) | (318 068) | 22 298 |
| Net (gain) loss realized, reported to income statement | (7 679) | 6 813 | - | (866) | (8 330) |
| Decline reported to income statement | 10 427 | 18 145 | - | 28 572 | 2 879 |
| Translation adjustments | - | (516) | - | (516) | 30 |
| Balance at the End of the Year | 63 661 | (235 205) | (1 318) | (172 862) | 118 016 |

* Net, after deducting deferred tax liabilities, which amounted to USD 11.9 million in 2008, compared to USD 26.1 million in the previous year.

30 - RETAINED EARNINGS *

| | (USD '000) | |
|---------------------------------------|----------------|----------------|
| | 31 December | |
| | 2008 | 2007 |
| Balance at the beginning of the year | 127 014 | 90 421 |
| Plus: income for the year | 839 814 | 774 963 |
| Total | 966 828 | 865 384 |
| Less: | | |
| - Allocated to reserves | 641 095 | 571 703 |
| - Proposed dividends | 213 645 | 166 667 |
| Balance at the End of the Year | 112 088 | 127 014 |

* This item includes the amounts resulting from the adoption of certain International Financial Reporting Standards, and therefore it is disposed of in only specific situations. As of 31 December 2008, the amounts that could not be disposed of were USD 7.6 million compared to USD 8.7 million at the end of 2007

31 - MINORITY INTEREST

This item represents the share of the other shareholders in the results and net assets of the subsidiary companies.

32 - INTEREST INCOME

(USD '000)

| | 2008 | 2007 |
|---|------------------|------------------|
| Direct credit facilities * | 1 412 479 | 1 245 308 |
| Central banks | 213 462 | 174 000 |
| Banks and financial institutions | 214 123 | 396 244 |
| Financial assets - held for trading | 103 562 | 199 703 |
| Financial assets at fair value through profit and loss - designated | 16 456 | 13 090 |
| Financial assets - available for sale | 169 210 | 115 857 |
| Financial assets - held to maturity | 148 122 | 76 672 |
| Total | 2 277 414 | 2 220 874 |

* The interest income on the direct credit facilities are as follows:

| | 2008 | | | | | | 2007 |
|------------------|----------------|---|------------------|----------------------------------|------------------------------|------------------|------------------|
| | Individuals | Corporates Small & medium size enterprises | Large corporates | Banks and financial institutions | Government and public sector | Total | Total |
| Discounted bills | 14 119 | 22 515 | 34 564 | 3 487 | - | 74 685 | 71 878 |
| Overdrafts | 15 938 | 48 690 | 198 819 | - | 8 235 | 271 682 | 268 777 |
| Loans | 152 626 | 87 249 | 603 535 | 71 108 | 70 602 | 985 120 | 835 598 |
| Real-Estate | 59 571 | 11 407 | - | - | - | 70 978 | 60 845 |
| Credit cards | 10 014 | - | - | - | - | 10 014 | 8 210 |
| Total | 252 268 | 169 861 | 836 918 | 74 595 | 78 837 | 1 412 479 | 1 245 308 |

33 - INTEREST EXPENSE

(USD '000)

| | 2008 | 2007 |
|----------------------------------|------------------|------------------|
| Banks and financial institutions | 214 351 | 322 723 |
| Customer deposits * | 786 746 | 798 872 |
| Cash margins | 152 059 | 111 483 |
| Borrowed funds | 24 136 | 12 711 |
| Deposit insurance fees | 9 153 | 8 308 |
| Total | 1 186 445 | 1 254 097 |

* The interest income on the customer deposits are as follows:

| | 2008 | | | | | (USD '000) |
|-------------------------|----------------|---------------------------------|------------------|------------------------------|----------------|----------------|
| | Individuals | Corporates | | Government and public sector | Total | 2007 |
| | | Small & medium size enterprises | Large corporates | | | |
| Current and demand | 14 359 | 9 580 | 6 151 | 1 787 | 31 877 | 17 716 |
| Savings | 35 295 | 302 | 618 | 48 | 36 263 | 35 547 |
| Time and notice | 332 158 | 37 705 | 197 393 | 115 187 | 682 443 | 697 573 |
| Certificates of deposit | 18 950 | 1 201 | 3 533 | 12 479 | 36 163 | 48 036 |
| Total | 400 762 | 48 788 | 207 695 | 129 501 | 786 746 | 798 872 |

34 - COMMISSION INCOME, NET

(USD '000)

| | 2008 | 2007 |
|-----------------------------------|----------------|----------------|
| Commission income: | | |
| - From direct credit facilities | 85 203 | 69 285 |
| - From indirect credit facilities | 120 011 | 92 572 |
| - From fiduciary deposits | 18 254 | 7 718 |
| - Other | 78 836 | 72 887 |
| Less: commission expense | 16 843 | 14 922 |
| Commission, net | 285 461 | 227 540 |

35 - (LOSSES) FROM FINANCIAL ASSETS - HELD FOR TRADING

(USD '000)

| | 2008 | | | Total |
|--------------------------|----------------|---------------------|------------|-----------------|
| | Realized gains | Unrealized (losses) | Dividends | |
| Treasury bills and bonds | 2 139 | (8 844) | - | (6 705) |
| Shares | 770 | (6 494) | 453 | (5 271) |
| Total | 2 909 | (15 338) | 453 | (11 976) |

(USD '000)

| | 2007 | | | Total |
|--------------------------|----------------|--------------------------|------------|----------------|
| | Realized gains | Unrealized gain (losses) | Dividends | |
| Treasury bills and bonds | 2 224 | (8 085) | - | (5 861) |
| Shares | 2 290 | 464 | 148 | 2 902 |
| Total | 4 514 | (7 621) | 148 | (2 959) |

36 - (LOSSES) GAINS FROM FINANCIAL ASSETS - DESIGNATED

| | 2008 | | | (USD '000) |
|--------------------------|----------------------------|------------------------|-----------|-----------------|
| | Realized gains (losses) | Unrealized (losses) | Dividends | Total |
| Treasury bills and bonds | - | (14 855) | - | (14 855) |

| | 2007 | | | (USD '000) |
|--------------------------|-------------------|---------------------|-----------|--------------|
| | Realized gains | Unrealized gains | Dividends | Total |
| Treasury bills and bonds | 151 | 4 815 | - | 4 966 |

37 - GAINS FROM FINANCIAL ASSETS - AVAILABLE FOR SALE

| | (USD '000) | |
|---|--------------|---------------|
| | 2008 | 2007 |
| Gain from sale of financial assets | 29 447 | 13 833 |
| Dividends | 7 858 | 6 871 |
| Less: impairment in the value of the securities | (28 913) | (2 921) |
| Total | 8 392 | 17 783 |

38 - OTHER REVENUE

| | (USD '000) | |
|-----------------------|----------------|---------------|
| | 2008 | 2007 |
| Revenue from services | 28 751 | 22 249 |
| Safe box rent | 3 540 | 4 755 |
| Loss from derivatives | (20 565) | (5 375) |
| Miscellaneous revenue | 88 382 | 46 278 |
| Total | 100 108 | 67 907 |

39 - EMPLOYEE EXPENSES

| | (USD '000) | |
|------------------------------------|----------------|----------------|
| | 2008 | 2007 |
| Salaries, benefits, and allowances | 291 977 | 238 014 |
| Social security | 22 749 | 21 300 |
| Savings fund | 7 452 | 4 453 |
| Indemnity compensation | 11 255 | 20 783 |
| Medical | 10 292 | 7 177 |
| Training | 5 098 | 3 134 |
| Allowances | 44 598 | 27 512 |
| Other employee expenses | 17 763 | 15 930 |
| Total | 411 184 | 338 303 |

40 - OTHER EXPENSES

| | (USD '000) | |
|------------------------|----------------|----------------|
| | 2008 | 2007 |
| Occupancy | 57 560 | 47 397 |
| Office | 79 130 | 78 364 |
| Services | 62 180 | 66 292 |
| Fees | 21 745 | 10 763 |
| Information technology | 26 970 | 28 979 |
| Other expenses | 49 328 | 56 679 |
| Total | 296 913 | 288 474 |

41 - FINANCIAL DERIVATIVES

| | (USD '000) | |
|----------------------------|------------------|-------------------|
| | 2008 | 2007 |
| Forward rate agreements | 152 290 | - |
| Interest rate swaps | 3 600 105 | 4 410 406 |
| Currency forward contracts | 6 126 898 | 7 621 994 |
| Total | 9 879 293 | 12 032 400 |

Details of Financial Derivatives:

(USD '000)
31 December 2008

| | Positive fair value | Negative fair value | Total notional amount | Notional amounts by maturity | | | |
|--|---------------------|---------------------|-----------------------|------------------------------|---------------------|------------------------|-------------------|
| | | | | Within 3 months | From 3 to 12 months | From 1 year to 3 years | More than 3 years |
| Forward rate agreements | 163 | 163 | 152 290 | 41 717 | 34 554 | 76 019 | - |
| Interest rate swaps | 131 244 | 123 975 | 2 779 176 | 725 099 | 91 179 | 1 445 849 | 517 049 |
| Currency forward contracts | 43 612 | 24 871 | 4 128 299 | 2 155 570 | 1 947 738 | 24 991 | - |
| Derivatives held for trading | 175 019 | 149 009 | 7 059 765 | 2 922 386 | 2 073 471 | 1 546 859 | 517 049 |
| Interest rate swaps | 139 | 16 159 | 307 347 | 202 672 | 94 254 | 10 421 | - |
| Currency forward contracts | - | - | 158 868 | 126 973 | 31 895 | - | - |
| Derivatives held for fair value hedge | 139 | 16 159 | 466 215 | 329 645 | 126 149 | 10 421 | - |
| Interest rate swaps | 3 851 | 4 300 | 513 582 | 224 853 | 19 233 | 159 621 | 109 875 |
| Currency forward contracts | - | - | 1 839 731 | 1 562 012 | 4 661 | 273 058 | - |
| Derivatives held for cash flow hedge | 3 851 | 4 300 | 2 353 313 | 1 786 865 | 23 894 | 432 679 | 109 875 |
| Total | 179 009 | 169 468 | 9 879 293 | 5 038 896 | 2 223 514 | 1 989 959 | 626 924 |

(USD '000)
31 December 2007

| | Positive fair value | Negative fair value | Total notional amount | Notional amounts by maturity | | | |
|--|---------------------|---------------------|-----------------------|------------------------------|---------------------|------------------------|-------------------|
| | | | | Within 3 months | From 3 to 12 months | From 1 year to 3 years | More than 3 years |
| Interest rate swaps | 30 359 | 30 577 | 4 121 425 | 1 777 338 | 722 280 | 477 004 | 1 144 803 |
| Currency forward contracts | 10 878 | 8 188 | 6 965 030 | 4 193 275 | 2 472 920 | 97 610 | 201 225 |
| Derivatives held for trading | 41 237 | 38,765 | 11 086 455 | 5 970 613 | 3 195 200 | 574 614 | 1 346 028 |
| Interest rate swaps | 4 532 | 7 116 | 288 758 | 26 100 | 42 111 | 73 394 | 147 153 |
| Currency forward contracts | - | - | - | - | - | - | - |
| Derivatives held for fair value hedge | 4 532 | 7 116 | 288 758 | 26 100 | 42 111 | 73 394 | 147 153 |
| Interest rate swaps | - | - | 223 | - | 223 | - | - |
| Currency forward contracts | - | - | 656 964 | 243 068 | 208 122 | 205 774 | - |
| Derivatives held for cash flow hedge | - | - | 657 187 | 243 068 | 208 345 | 205 774 | - |
| Total | 45 769 | 45 881 | 12 032 400 | 6 239 781 | 3 445 656 | 853 782 | 1 493 181 |

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

42 - GEOGRAPHICAL DISTRIBUTION OF ASSETS AND REVENUE

The Group operates worldwide through its branches in Jordan and abroad.

The table below shows the geographical distribution of the assets and revenue

| | (USD '000) | |
|----------------|-------------------|------------------|
| | Assets | Revenue |
| Inside Jordan | 7 156 318 | 215 471 |
| Outside Jordan | 38 473 281 | 1 688 027 |
| Total | 45 629 599 | 1 903 498 |

| | 31 December 2007 | |
|----------------|-------------------|------------------|
| | Assets | Revenue |
| Inside Jordan | 6 526 598 | 270 668 |
| Outside Jordan | 31 806 706 | 1 395 691 |
| Total | 38 333 304 | 1 666 359 |

43 - Business Segments

a) Description of Segment's 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, and related state-of-the-art tools.

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

1. Banking Activities Group

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

2. Treasury Group

This group is considered the main 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 cash liquidity and market risks. Moreover, this group is responsible for the management of the Bank's assets and liabilities within the frameset by the Assets and Liabilities Committee.

This group is considered the main source in determining the internal conversion prices within the Bank'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 derivatives.
- Stocks.

3. Private Banking Group

Wealth management and Private Banking Service aim at achieving the utmost return for customers' medium and long-term investments, while maintaining their initial capital. Moreover, Wealth Management provides two significant services: specialized consultancy services, and in-depth knowledge in different types of investments. This group provides high net worth clients with personal banking services tailored to their needs.

One of this group's main objectives is to create a balance between the future investing needs of customers, and a focus on their everyday needs.

4. Retail Banking Group

This group provides banking services to individuals, and endeavors to meet their financial services needs using the best methods, most effective distributing 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 provide exceptional services to customers.

b) Business lines are segmented as follows:

(USD '000)

| | 31 December 2008 | | | | | | 31 December 2007 |
|---|-------------------|-------------------|------------------|-------------------|------------------|-------------------|-------------------|
| | Corporate banking | Treasury | Private banking | Retail banking | Other | Total | Total |
| Assets | | | | | | | |
| Cash and balances with banks and financial institutions | 8 274 | 12 194 457 | 30 681 | 400 984 | 77 897 | 12 712 293 | 9 452 433 |
| Financial investments | 1 935 516 | 4 738 951 | 790 | - | 2 079 440 | 8 754 697 | 8 257 646 |
| Direct credit facilities | 18 908 206 | - | 476 297 | 3 126 372 | - | 22 510 875 | 19 483 153 |
| Other assets | 242 040 | 680 691 | 7 988 | 14 325 | 706 690 | 1 651 734 | 1 140 072 |
| Total | 21 094 036 | 17 614 099 | 515 756 | 3 541 681 | 2 864 027 | 45 629 599 | 38 333 304 |
| Liabilities & shareholders' equity | | | | | | | |
| Banks' and financial institutions' deposits | - | 4 742 306 | - | - | - | 4 742 306 | 5 085 531 |
| Customer deposits | 12 952 449 | - | 4 779 324 | 10 848 936 | - | 28 580 709 | 22 666 346 |
| Cash margins | 2 545 596 | - | 142 909 | 141 030 | 350 | 2 829 885 | 2 055 925 |
| Other liabilities | 254 417 | 753 650 | 16 209 | 103 665 | 840 380 | 1 968 321 | 1 668 210 |
| Shareholders' equity | - | - | - | - | 7 508 378 | 7 508 378 | 6 857 292 |
| Total | 15 752 462 | 5 495 956 | 4 938 442 | 11 093 631 | 8 349 108 | 45 629 599 | 38 333 304 |
| Revenue | | | | | | | |
| Net interest income | 475 709 | 237 018 | 29 325 | 260 682 | 88 235 | 1 090 969 | 966 777 |
| Commission income, net | 209 272 | (2 215) | 21 226 | 48 166 | 9 012 | 285 461 | 227 540 |
| Other revenue | 4 940 | 73 884 | 10 110 | 10 645 | 427 489 | 527 068 | 472 042 |
| Net revenue | 689 921 | 308 687 | 60 661 | 319 493 | 524 736 | 1 903 498 | 1 666 359 |
| Expenses | | | | | | | |
| Employees expenses | 213 637 | 42 250 | 28 059 | 127 238 | - | 411 184 | 338 303 |
| Provision for impairment - direct credit facilities | 15 628 | 3 361 | 21 435 | - | - | 40 424 | 25 228 |
| Depreciation and amortization | 23 159 | 4 041 | 2 047 | 17 552 | - | 46 799 | 41 412 |
| Other provisions | 10 872 | 29 161 | 19 | 6 724 | - | 46 776 | 8 804 |
| Other expenses | 128 476 | 34 645 | 20 019 | 113 773 | - | 296 913 | 288 474 |
| Total expenses | 391 772 | 113 458 | 71 579 | 265 287 | - | 842 096 | 702 221 |
| Income for the Year | | | | | | | |
| Income before tax | 298 149 | 195 229 | (10 918) | 54 206 | 524 736 | 1 061 402 | 964 138 |
| Income tax | 64 343 | 44 157 | 3 179 | 24 066 | 85 843 | 221 588 | 189 175 |
| Income for the Year | 233 806 | 151 072 | (14 097) | 30 140 | 438 893 | 839 814 | 774 963 |

44 - Banking Risk Management

The Bank 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, Group Risk Management, Group Internal Audit, the Strategic Business Units and other supporting units.

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 adopts 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 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, financial 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 (45-e) shows the details of the geographical distribution of assets.

3. Interest Rate Risk

Interest rate risk arises from potential changes in interest rates. The Bank has several committees, with duties to mitigate these risks to a minimum. Note (47) 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 either the Bank's short-term or long obligations. The Bank has several managerial levels, with duties to review and manage assets, liabilities and liquidity. Note (48) 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 (49) 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.

45 - CREDIT RISK

A. Maximum Exposure To Credit Risk After Provision For Impairment And Before Collateral Held Or Other Credit Risk Mitigation

(USD `000)

| | 31 December | |
|---|-------------------|-------------------|
| | 2008 | 2007 |
| Credit risk exposures relating to on-balance sheet items: | | |
| Balances with central banks | 7 393 126 | 4 135 380 |
| Balances and deposits with banks and financial institutions | 4 870 159 | 5 014 838 |
| Financial assets - held for trading | 154 213 | 1 430 764 |
| Financial assets - designated | 231 138 | 234 419 |
| Direct credit facilities | 22 510 875 | 19 483 153 |
| Financial assets - available for sale | 3 507 777 | 2 710 445 |
| Financial assets - held to maturity | 2 586 965 | 2 047 257 |
| Other assets | 766 279 | 670 432 |
| Credit risk exposures relating to off-balance sheet items: | | |
| Letters of credit | 2 590 921 | 2 030 371 |
| Acceptances | 572 013 | 435 950 |
| Letters of guarantee | 13 633 618 | 9 909 551 |
| Unused credit facilities | 5 131 468 | 4 056 091 |
| Total | 63 948 552 | 52 158 651 |

B. Credit Quality - Direct Credit Facilities

The Group regularly analyses the credit exposures using an internal credit rating system. The table below shows the amount of direct credit facilities for each internal credit grade:

(USD `000)

| | 31 December | | | | | Total | 2007 Total |
|--------------------------------|--|---------------------|-------------------|--|------------------------------------|-------------------|-------------------|
| | 2008 | | | Banks and financial institutions | Government and public sector | | |
| | Individuals | Corporates | | | | | |
| | Small & medium size enterprises | Large corporates | | | | | |
| Low risk | 1 184 621 | 1 315 568 | 2 351 351 | 1 166 914 | 1 540 831 | 7 559 285 | 9 318 278 |
| Acceptable risk | 1 661 508 | 803 281 | 11 611 377 | - | - | 14 076 166 | 9 986 228 |
| Watch list | 320 877 | 265 303 | 236 231 | - | - | 822 411 | 179 112 |
| Non-performing: | 309 618 | 405 482 | 244 918 | - | - | 960 018 | 609 471 |
| - Substandard | 63 684 | 72 327 | 87 603 | - | - | 223 614 | 104 006 |
| - Doubtful | 44 173 | 110 642 | 78 563 | - | - | 233 378 | 245 024 |
| - Problematic | 201 761 | 222 513 | 78 752 | - | - | 503 026 | 260 441 |
| Total | 3 476 624 | 2 789 634 | 14 443 877 | 1 166 914 | 1 540 831 | 23 417 880 | 20 093 089 |
| Less: interest in suspense | 57 898 | 147 932 | 53 648 | - | - | 259 478 | 155 706 |
| Less: provision for impairment | 238 469 | 171 711 | 237 347 | - | - | 647 527 | 454 230 |
| Total | 3 180 257 | 2 469 991 | 14 152 882 | 1 166 914 | 1 540 831 | 22 510 875 | 19 483 153 |

C. Fair Value Of The Guarantees Against Granted Credit Facilities

(USD `000)

31 December 2008

| | Corporates | | | | | Total |
|-----------------------------------|------------------|---------------------------------|-------------------|----------------------------------|------------------------------|-------------------|
| | Individuals | Small & medium size enterprises | Large corporates | Banks and financial institutions | Government and public sector | |
| Guarantees against Facilities of: | | | | | | |
| Low risk | 119 639 | 557 362 | 2 683 271 | 720 707 | 318 619 | 4 399 598 |
| Acceptable risk | 613 020 | 544 011 | 8 614 147 | - | 77 144 | 9 848 322 |
| Past due | 5 485 | 9 207 | 77 113 | - | - | 91 805 |
| Watch list | 11 407 | 46 619 | 113 966 | - | 49 329 | 221 321 |
| Non-performing: | 390 908 | 236 050 | 213 405 | 110 | - | 840 473 |
| - Substandard | 49 555 | 53 999 | 62 128 | - | - | 165 682 |
| - Doubtful | 37 996 | 48 133 | 49 832 | 110 | - | 136 071 |
| - Problematic | 303 357 | 133 918 | 101 446 | - | - | 538 721 |
| Total | 1 140 459 | 1 393 249 | 11 701 902 | 720 817 | 445 092 | 15 401 519 |
| Of which | | | | | | |
| Cash margins | 104 677 | 269 418 | 1 231 177 | 720 817 | 2 721 | 2 328 810 |
| Accepted letters of guarantees | 1 335 | 82 017 | 4 794 568 | - | 59 010 | 4 936 930 |
| Real estate | 274 496 | 454 284 | 3 694 414 | - | 151 145 | 4 574 339 |
| Listed securities | 1 074 | 6 018 | 336 096 | - | 14 017 | 357 205 |
| Vehicles and equipment | 266 904 | 37 125 | 562 969 | - | - | 866 998 |
| Other | 491 973 | 544 387 | 1 082 678 | - | 218 199 | 2 337 237 |
| Total | 1 140 459 | 1 393 249 | 11 701 902 | 720 817 | 445 092 | 15 401 519 |

D. CREDIT QUALITY - DEBT SECURITIES

The table below analyses the credit exposure of the debt securities using the external credit ratings.

(USD `000)
31 December 2008

| External rating | Financial assets - held for trading | Financial assets - designated | Financial assets - available for sale | Financial assets - held to maturity | Total |
|-------------------------------|-------------------------------------|-------------------------------|---------------------------------------|-------------------------------------|------------------|
| Private sector: | | | | | |
| - AAA to A- | 77 212 | 48 644 | 1 078 616 | 1 010 915 | 2 215 387 |
| - BBB+ to B- | - | 32 119 | 208 822 | 44 977 | 285 918 |
| - Below B- | - | - | - | - | - |
| - Unrated | 415 | 115 376 | 81 696 | 275 219 | 472 706 |
| Governments and public sector | 91 164 | 34 999 | 2 138 643 | 1 255 854 | 3 520 660 |
| Total | 168 791 | 231 138 | 3 507 777 | 2 586 965 | 6 494 671 |

31 December 2007

| | | | | | |
|-------------------------------|------------------|----------------|------------------|------------------|------------------|
| Private sector: | | | | | |
| - AAA to A- | 857 550 | 142 780 | 1 266 986 | 397 561 | 2 664 877 |
| - BBB+ to B- | - | 35 718 | 219 359 | 25 342 | 280 419 |
| - Below B- | - | - | - | - | - |
| - Unrated | 415 | 20 222 | 72 841 | 52 473 | 145 951 |
| Governments and public sector | 572 799 | 35 699 | 1 151 259 | 1 571 881 | 3 331 638 |
| Total | 1 430 764 | 234 419 | 2 710 445 | 2 047 257 | 6 422 885 |

E. CREDIT EXPOSURE CATEGORIZED BY GEOGRAPHICAL REGION

(USD `000)
31 December 2008

| | Jordan | Other Arab countries | Asia * | Europe | America | Rest of the world | Total |
|---|------------------|----------------------|------------------|------------------|----------------|-------------------|-------------------|
| Balances with central banks | 1 942 393 | 5 064 748 | 399 | 304 054 | - | 81 532 | 7 393 126 |
| Balances and deposits with banks and financial institutions | 437 951 | 2 333 425 | 6 872 | 2 060 619 | 2 906 | 28 386 | 4 870 159 |
| Financial assets - held for trading | 415 | 91 162 | - | 62 636 | - | - | 154 213 |
| Financial assets - designated | - | - | 153 605 | 77 533 | - | - | 231 138 |
| Direct credit facilities | 3 975 281 | 13 998 592 | 379 599 | 3 539 795 | - | 617 608 | 22 510 875 |
| Financial assets - available for sale | 611 002 | 2 268 585 | 113 116 | 110 184 | 404 890 | - | 3 507 777 |
| Financial assets - held to maturity | 818 368 | 546 500 | 4 169 | 1 009 274 | 208 654 | - | 2 586 965 |
| Other assets | 100 984 | 475 760 | 8 333 | 175 401 | 2 830 | 2 971 | 766 279 |
| Total as at 31 December 2008 | 7 886 394 | 24 778 772 | 666 093 | 7 339 496 | 619 280 | 730 497 | 42 020 532 |
| Total as at 31 December 2007 | 5 740 315 | 18 797 507 | 1 642 910 | 9 065 693 | 479 064 | 1 202 | 35 726 691 |

* Excluding Arab countries

F. CREDIT EXPOSURE CATEGORIZED BY ECONOMIC SECTOR

(USD `000)

| | Corporates | | | | |
|---------------------------------------|------------------|-------------------|------------------|------------------|------------------|
| | Individuals | Industry & mining | Constructions | Real estate | Trade |
| Financial assets - held for trading | - | 2 078 | - | 1 280 | - |
| Financial assets - designated | - | - | - | 41 663 | 15 757 |
| Direct credit facilities | 3 180 257 | 3 777 096 | 2 863 783 | 1 409 165 | 2 826 357 |
| Financial assets - available for sale | - | 76 447 | 1 094 | 78 334 | 75 604 |
| Financial assets - held to maturity | - | 4 449 | - | 82 683 | 23 774 |
| Total as at 31 December 2008 | 3 180 257 | 3 860 070 | 2 864 877 | 1 613 125 | 2 941 492 |

(USD `000)

31 December 2008

| | Corporates | | | | | | Total |
|---------------------------------------|---------------|------------------|----------------|------------------|----------------------------------|------------------------------|-------------------|
| | Agriculture | Tourism & hotels | Transportation | General services | Banks and financial institutions | Government and public sector | |
| Financial assets - held for trading | - | 59 | 318 | 1 453 | 57 861 | 91 164 | 154 213 |
| Financial assets - designated | - | 77 532 | - | 29 500 | 31 687 | 34 999 | 231 138 |
| Direct credit facilities | 86 802 | 647 122 | 645 868 | 4 366 680 | 1 166 914 | 1 540 831 | 22 510 875 |
| Financial assets - available for sale | - | 5 273 | 68 856 | 220 972 | 842 554 | 2 138 643 | 3 507 777 |
| Financial assets - held to maturity | - | - | 35 406 | 135 285 | 1 049 514 | 1 255 854 | 2 586 965 |
| Total as at 31 December 2008 | 86 802 | 729 986 | 750 448 | 4 753 890 | 3 148 530 | 5 061 491 | 28 990 968 |

46- MARKET RISK

Assuming market prices as at 31 December 2008 and 2007 change by 5%, the impact on income statement and equity will be as follows:

(USD `000)

| | 31 December 2008 | | | 31 December 2007 | | |
|-----------------------|------------------|----------------------|----------------|------------------|----------------------|---------------|
| | Income statement | Shareholders' equity | Total | Income statement | Shareholders' equity | Total |
| Interest rate | 63 465 | 1 650 | 65 115 | 33 770 | 5 899 | 39 669 |
| Foreign exchange rate | 6 779 | 55 545 | 62 324 | 3 705 | 21 581 | 25 286 |
| Share prices | 367 | 7 365 | 7 732 | 869 | 14 181 | 15 050 |
| Total | 70 611 | 64 560 | 135 171 | 38 344 | 41 661 | 80 005 |

47 - INTEREST RATE RISK

A. EXPOSURE TO INTEREST RATE VOLATILITY AT 31 DECEMBER 2008

(Classification is based on interest rate repricing or maturity date, whichever occurs first).

| ASSETS | Within 3 months | After 3 months and before 6 months | After 6 months and before 12 months |
|---|--------------------|------------------------------------|-------------------------------------|
| Cash | - | - | - |
| Mandatory cash reserve with central banks | - | - | - |
| Balances with central banks | 3 656 096 | 178 904 | 1 988 |
| Balances and deposits with banks and financial institutions | 3 835 639 | 372 057 | 82 715 |
| Financial assets - held for trading | 144 276 | 9 522 | - |
| Financial assets - designated | 128 387 | 76 268 | 17 624 |
| Direct credit facilities | 10 263 099 | 2 917 725 | 3 343 141 |
| Financial assets - available for sale | 1 584 207 | 298 748 | 896 095 |
| Financial assets - held to maturity | 1 412 804 | 503 624 | 242 617 |
| Investment in associated companies | - | - | - |
| Fixed assets | - | - | - |
| Other assets | - | - | - |
| Deferred tax assets | - | - | - |
| Total assets | 21 024 508 | 4 356 848 | 4 584 180 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Banks' and financial institutions' deposits | 3 811 932 | 120 400 | 79 839 |
| Customer deposits | 17 481 058 | 1 886 792 | 747 604 |
| Cash margins | 1 272 075 | 408 752 | 384 349 |
| Borrowed funds | 500 000 | - | - |
| Other provisions | - | - | - |
| Provision for income tax | - | - | - |
| Other liabilities | - | - | - |
| Deferred tax liabilities | - | - | - |
| Shareholders' equity | - | - | - |
| Total liabilities and shareholders' equity | 23 065 065 | 2 415 944 | 1 211 792 |
| Gap | (2 040 557) | 1 940 904 | 3 372 388 |
| Accumulated gap | (2 040 557) | (99 653) | 3 272 735 |

(USD `000)

| After 12 months and before 36 months | After 36 months | Not tied to interest rate risk | Total |
|--|------------------|-----------------------------------|-------------------|
| - | - | 449 008 | 449 008 |
| - | - | 1 938 878 | 1 938 878 |
| 47 574 | 257 269 | 1 312 417 | 5 454 248 |
| 9 722 | - | 570 026 | 4 870 159 |
| 415 | - | 14 578 | 168 791 |
| 8 859 | - | - | 231 138 |
| 2 079 416 | 3 907 494 | - | 22 510 875 |
| 291 451 | 437 276 | 511 039 | 4 018 816 |
| 360 657 | 67 263 | - | 2 586 965 |
| - | - | 1 748 987 | 1 748 987 |
| - | - | 540 937 | 540 937 |
| - | - | 1 004 621 | 1 004 621 |
| - | - | 106 176 | 106 176 |
| 2 798 094 | 4 669 302 | 8 196 667 | 45 629 599 |
| 11 850 | - | 718 285 | 4 742 306 |
| 488 442 | 74 484 | 7 902 329 | 28 580 709 |
| 135 786 | 350 917 | 278 006 | 2 829 885 |
| - | - | 35 250 | 535 250 |
| - | - | 147 615 | 147 615 |
| - | - | 251 176 | 251 176 |
| - | - | 1 021 858 | 1 021 858 |
| - | - | 12 422 | 12 422 |
| - | - | 7 508 378 | 7 508 378 |
| 636 078 | 425 401 | 17 875 319 | 45 629 599 |
| 2 162 016 | 4 243 901 | (9 678 652) | - |
| 5 434 751 | 9 678 652 | - | - |

B. EXPOSURE TO INTEREST RATE VOLATILITY AT 31 DECEMBER 2007

(Classification is based on interest rate repricing or maturity date, whichever occurs first).

| ASSETS | Within 3 months | After 3 months and before 6 months | After 6 months and before 12 months |
|---|--------------------|------------------------------------|-------------------------------------|
| Cash | - | - | - |
| Mandatory cash reserve with central banks | - | - | - |
| Balances with central banks | 1 814 303 | 398 450 | 267 515 |
| Balances and deposits with banks and financial institutions | 4 209 117 | 184 455 | 278 952 |
| Financial assets - held for trading | 546 449 | 510 880 | 373 435 |
| Financial assets - designated | 79 920 | 113 599 | 25 576 |
| Direct credit facilities | 9 067 479 | 3 190 133 | 3 194 753 |
| Financial assets - available for sale | 1 714 536 | 230 193 | 127 719 |
| Financial assets - held to maturity | 1 038 516 | 122 903 | 245 540 |
| Investment in associated companies | - | - | - |
| Fixed assets | - | - | - |
| Other assets | - | - | - |
| Deferred tax assets | - | - | - |
| Total assets | 18 470 320 | 4 750 613 | 4 513 490 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Banks' and financial institutions' deposits | 3 767 065 | 227 552 | 9 691 |
| Customer deposits | 16 857 272 | 909 254 | 641 333 |
| Cash margins | 956 830 | 336 633 | 337 121 |
| Borrowed funds | 500 000 | - | - |
| Other provisions | - | - | - |
| Provision for income tax | - | - | - |
| Other liabilities | - | - | - |
| Deferred tax liabilities | - | - | - |
| Shareholders' equity | - | - | - |
| Total liabilities and shareholders' equity | 22 081 167 | 1 473 439 | 988 145 |
| Gap | (3 610 847) | 3 277 174 | 3 525 345 |
| Accumulated gap | (3 610 847) | (333 673) | 3 191 672 |

| (USD `000) | | | |
|--|------------------|-----------------------------------|-------------------|
| After 12 months and before 36 months | After 36 months | Not tied to interest rate risk | Total |
| - | - | 302 215 | 302 215 |
| - | - | 1 181 892 | 1 181 892 |
| 30 001 | 100 000 | 343 219 | 2 953 488 |
| 15 030 | - | 327 284 | 5 014 838 |
| - | - | 21 735 | 1 452 499 |
| 15 324 | - | - | 234 419 |
| 1 043 271 | 2 987 517 | - | 19 483 153 |
| 416 097 | 221 900 | 354 513 | 3 064 958 |
| 452 320 | 187 978 | - | 2 047 257 |
| - | - | 1 458 513 | 1 458 513 |
| - | - | 451 510 | 451 510 |
| - | - | 670 432 | 670 432 |
| - | - | 18 130 | 18 130 |
| 1 972 043 | 3 497 395 | 5 129 443 | 38 333 304 |
| - | - | 1 081 223 | 5 085 531 |
| 331 085 | 66 909 | 3 860 493 | 22 666 346 |
| 110 089 | 315 252 | - | 2 055 925 |
| - | - | - | 500 000 |
| - | - | 153 505 | 153 505 |
| - | - | 200 836 | 200 836 |
| - | - | 786 485 | 786 485 |
| - | - | 27 384 | 27 384 |
| - | - | 6 857 292 | 6 857 292 |
| 441 174 | 382,161 | 12 967 218 | 38 333 304 |
| 1 530 869 | 3 115 234 | (7 837 775) | - |
| 4 722 541 | 7 837 775 | - | - |

48 - LIQUIDITY RISK

A. MATURITY OF ASSETS AND LIABILITIES AT 31 DECEMBER 2008

| ASSETS | Within 1 month | After 1 month and before 3 months | After 3 month and before 6 months |
|---|--------------------|-----------------------------------|-----------------------------------|
| Cash | - | - | - |
| Mandatory cash reserve with central banks | - | - | - |
| Balances with central banks | 1 610 680 | 2 045 416 | 178 904 |
| Balances and deposits with banks and financial institutions | 2 169 566 | 1 666 073 | 372 057 |
| Financial assets - held for trading | 2 734 | 81 640 | 9 522 |
| Financial assets - designated | - | 5 008 | 10 464 |
| Direct credit facilities | 6 419 229 | 3 843 870 | 2 917 725 |
| Financial assets - available for sale | 545 055 | 330 790 | 232 334 |
| Financial assets - held to maturity | 287 238 | 296 088 | 475 633 |
| Investment in associated companies | - | - | - |
| Fixed assets | - | - | - |
| Other assets | 52 342 | 104 684 | 116 061 |
| Deferred tax assets | - | - | - |
| Total assets | 11 086 844 | 8 373 569 | 4 312 700 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Banks' and financial institutions' deposits | 2 631 568 | 1 129 299 | 211 938 |
| Customer deposits | 11 712 600 | 4 085 482 | 1 886 792 |
| Cash margins | 781 394 | 490 681 | 408 752 |
| Borrowed funds | - | 35 250 | - |
| Other provisions | - | - | - |
| Provision for income tax | - | - | - |
| Other liabilities | 28 887 | 57 774 | 67 816 |
| Deferred tax liabilities | - | - | - |
| Shareholders' equity | - | - | - |
| Total liabilities and shareholders' equity | 15 154 449 | 5 798 486 | 2 575 298 |
| Gap | (4 067 605) | 2 575 083 | 1 737 402 |
| Accumulated gap | (4 067 605) | (1 492 522) | 244 880 |

| (USD `000) | | | | | |
|------------|---|--|--------------------|----------------------------------|-------------------|
| | After 6 months and before 12 months | After 12 months and before 36 months | After 36 months | Not tied to specific maturity | Total |
| | - | - | - | 449 008 | 449 008 |
| | - | - | - | 1 938 878 | 1 938 878 |
| | 1 988 | 47 574 | 257 269 | 1 312 417 | 5 454 248 |
| | 82 715 | 9 722 | - | 570 026 | 4 870 159 |
| | - | 60 317 | - | 14 578 | 168 791 |
| | - | 109 099 | 106 567 | - | 231 138 |
| | 3 343 141 | 2 079 416 | 3 907 494 | - | 22 510 875 |
| | 244 800 | 1 280 911 | 873 887 | 511 039 | 4 018 816 |
| | 252 617 | 879 897 | 395 492 | - | 2 586 965 |
| | - | - | - | 1 748 987 | 1 748 987 |
| | - | - | - | 540 937 | 540 937 |
| | - | - | - | 731 534 | 1 004 621 |
| | - | - | - | 106 176 | 106 176 |
| | 3 925 261 | 4 466 936 | 5 540 709 | 7 923 580 | 45 629 599 |
| | 43 768 | 7 448 | - | 718 285 | 4 742 306 |
| | 747 604 | 488 442 | 74 484 | 9 585 305 | 28 580 709 |
| | 384 349 | 135 786 | 350 917 | 278 006 | 2 829 885 |
| | - | - | 500 000 | - | 535 250 |
| | - | - | - | 147 615 | 147 615 |
| | - | - | - | 251 176 | 251 176 |
| | - | - | - | 867 381 | 1 021 858 |
| | - | - | - | 12 422 | 12 422 |
| | - | - | - | 7 508 378 | 7 508 378 |
| | 1 175 721 | 631 676 | 925 401 | 19 368 568 | 45 629 599 |
| | 2 749 540 | 3 835 260 | 4 615 308 | (11 444 988) | - |
| | 2 994 420 | 6 829 680 | 11 444 988 | - | - |

B. MATURITY OF ASSETS AND LIABILITIES AT 31 DECEMBER 2007

| ASSETS | Within 1 month | After 1 month and before 3 months | After 3 month and before 6 months |
|---|--------------------|-----------------------------------|-----------------------------------|
| Cash | - | - | - |
| Mandatory cash reserve with central banks | - | - | - |
| Balances with central banks | 1 261 635 | 552 668 | 398 450 |
| Balances and deposits with banks and financial institutions | 2 866 040 | 1 343 077 | 184 455 |
| Financial assets - held for trading | 184 972 | 361 477 | 510 880 |
| Financial assets - designated | 50 477 | 29 443 | 113 599 |
| Direct credit facilities | 4 799 527 | 4 267 952 | 3 190 133 |
| Financial assets - available for sale | 543 564 | 1 170 972 | 230 193 |
| Financial assets - held to maturity | 790 563 | 247 953 | 122 903 |
| Investment in associated companies | - | - | - |
| Fixed assets | - | - | - |
| Other assets | 46 970 | 93 940 | 140 910 |
| Deferred tax assets | - | - | - |
| Total assets | 10 543 748 | 8 067 482 | 4 891 523 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Banks' and financial institutions' deposits | 3 008 416 | 758 649 | 227 552 |
| Customer deposits | 9 798 578 | 3 902 796 | 909 254 |
| Cash margins | 506 462 | 450 368 | 336 633 |
| Borrowed funds | - | - | - |
| Other provisions | - | - | - |
| Provision for income tax | - | - | - |
| Other liabilities | 27 431 | 54 862 | 82 293 |
| Deferred tax liabilities | - | - | - |
| Shareholders' equity | - | - | - |
| Total liabilities and shareholders' equity | 13 340 887 | 5 166 675 | 1 555 732 |
| Gap | (2 797 139) | 2 900 807 | 3 335 791 |
| Accumulated gap | (2 797 139) | 103 668 | 3 439 459 |

| (USD `000) | | | | |
|---|--|--------------------|----------------------------------|-------------------|
| After 6 months and before 12 months | After 12 months and before 36 months | After 36 months | Not tied to specific maturity | Total |
| - | - | - | 302 215 | 302 215 |
| - | - | - | 1 181 892 | 1 181 892 |
| 267 515 | 30 001 | 100 000 | 343 219 | 2 953 488 |
| 278 952 | 15 030 | - | 327 284 | 5 014 838 |
| 373 435 | - | - | 21 735 | 1 452 499 |
| 25 576 | 15 324 | - | - | 234 419 |
| 3 194 753 | 1 043 271 | 2 987 517 | - | 19 483 153 |
| 127 719 | 416 097 | 221 900 | 354 513 | 3 064 958 |
| 245 540 | 452 320 | 187 978 | - | 2 047 257 |
| - | - | - | 1 458 513 | 1 458 513 |
| - | - | - | 451 510 | 451 510 |
| - | - | - | 388 612 | 670 432 |
| - | - | - | 18 130 | 18 130 |
| 4 513 490 | 1 972 043 | 3 497 395 | 4 847 623 | 38 333 304 |
| 9 691 | - | - | 1 081 223 | 5 085 531 |
| 641 333 | 331 085 | 66 909 | 7 016 391 | 22 666 346 |
| 337 121 | 110 089 | 315 252 | - | 2 055 925 |
| - | - | 500 000 | - | 500 000 |
| - | - | - | 153 505 | 153 505 |
| - | - | - | 200 836 | 200 836 |
| - | - | - | 621 899 | 786 485 |
| - | - | - | 27 384 | 27 384 |
| - | - | - | 6 857 292 | 6 857 292 |
| 988 145 | 441 174 | 882 161 | 15 958 530 | 38 333 304 |
| 3 525 345 | 1 530 869 | 2 615 234 | (11 110 907) | - |
| 6 964 804 | 8 495 673 | 11 110 907 | - | - |

49- NET FOREIGN CURRENCY POSITIONS

| | 31 December 2008 | | 31 December 2007 | |
|--------------------|------------------|--------------------------|------------------|--------------------------|
| | Amount | Equivalent (USD '000) | Amount | Equivalent (USD '000) |
| USD | (14 958) | (14 958) | (66 322) | (66 322) |
| GBP | 9 124 | 13 174 | 655 | 1 308 |
| EUR | 24 098 | 33 928 | 23 492 | 34 587 |
| JPY | 4 002 162 | 44 326 | 1 144 392 | 10 221 |
| Other currencies * | - | 169 917 | - | 46 506 |
| Total | | 246 387 | | 26 300 |

* Various foreign currencies translated to US dollars.

50- FAIR VALUE OF FINANCIAL INSTRUMENTS

| | (USD '000) | | | |
|---|------------------|------------|------------------|------------|
| | 31 December 2008 | | 31 December 2007 | |
| | Book value | Fair value | Book value | Fair value |
| ASSETS | | | | |
| Cash and balances with central banks | 7 842 134 | 7 868 913 | 4 437 595 | 4 474 653 |
| Balances and deposits with banks and financial institutions | 4 870 159 | 4 885 882 | 5 014 838 | 5 041 350 |
| Financial assets - held to maturity | 2 586 965 | 2 596 959 | 2 047 257 | 2 057 104 |
| Direct credit facilities | 22 510 875 | 22 573 693 | 19 483 153 | 19 543 453 |
| LIABILITIES | | | | |
| Banks' and financial institutions' deposits | 4 742 306 | 4 751 698 | 5 085 531 | 5 092 866 |
| Customer deposits | 28 580 709 | 28 646 075 | 22 666 346 | 22 727 045 |
| Cash margins | 2 829 885 | 2 837 716 | 2 055 925 | 2 066 879 |
| Borrowed funds | 535 250 | 535 872 | 500 000 | 500 151 |

51- CONTRACTUAL MATURITY OF THE CONTINGENT ACCOUNTS

(USD `000)

| 31 December 2008 | | | | |
|----------------------------------|-------------------|---------------------------------|------------------|-------------------|
| | Within 1 year | After 1 year and before 5 years | After 5 years | Total |
| Letters of credit | 2 362 577 | 215 149 | 13 195 | 2 590 921 |
| Acceptances | 564 596 | 7 341 | 76 | 572 013 |
| Letters of guarantee: | | | | |
| - Payment guarantees | 1 263 323 | 498 183 | 124 295 | 1 885 801 |
| - Performance guarantees | 2 002 944 | 1 637 545 | 295 502 | 3 935 991 |
| - Other guarantees | 4 097 710 | 2 912 497 | 801 619 | 7 811 826 |
| Unutilized credit facilities | 3 347 391 | 1 485 894 | 298 183 | 5 131 468 |
| Total | 13 638 541 | 6 756 609 | 1 532 870 | 21 928 020 |
| Constructions projects contracts | 32 177 | - | - | 32 177 |
| Procurement contracts | 6 532 | 1 416 | 2 153 | 10 101 |
| Rent contracts | 2 040 | 5 769 | 1 084 | 8 893 |
| Total | 40 749 | 7 185 | 3 237 | 51 171 |

| 31 December 2007 | | | | |
|------------------------------|-------------------|------------------|------------------|-------------------|
| Letters of credit | 1 994 471 | 30 924 | 4 976 | 2 030 371 |
| Acceptances | 431 614 | 4 336 | - | 435 950 |
| Letters of guarantee: | | | | |
| - Payment guarantees | 428 434 | 214 144 | 168 791 | 811 369 |
| - Performance guarantees | 820 871 | 1 845 726 | 484 398 | 3 150 995 |
| - Other guarantees | 4 857 944 | 774 835 | 314 408 | 5 947 187 |
| Unutilized credit facilities | 2 527 403 | 980 249 | 548 439 | 4 056 091 |
| Total | 11 060 737 | 3 850 214 | 1 521 012 | 16 431 963 |

52- CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders. The composition of the regulatory capital in 2008 and 2007, as defined by the Basel Committee, was as follows:

| | (USD `000) | |
|---|------------------|------------------|
| | 31 December | |
| | 2008 | 2007 |
| A- CORE CAPITAL | | |
| Paid-up share capital | 776 027 | 525 047 |
| Statutory reserve | 403 305 | 330 688 |
| Voluntary reserve | 882 179 | 729 036 |
| Share premium | 1 226 205 | 1 475 497 |
| General reserve | 1 811 065 | 1 612 262 |
| Retained earnings | (1 888) | 103 784 |
| Treasury shares | (3 346) | (423) |
| Goodwill | (238 342) | - |
| Total core capital | 4 855 205 | 4 775 891 |
| B- SUPPLEMENTARY CAPITAL | | |
| Undisclosed reserves | - | 157 483 |
| Translation adjustments | 107 448 | 173 195 |
| Revaluation reserves | (172 862) | 64 863 |
| General banking risk reserve | 314 684 | 306 987 |
| Total supplementary capital | 249 270 | 702 528 |
| C- INVESTMENTS IN BANKS AND FINANCIAL INSTITUTIONS | 433 475 | 395 795 |
| Regulatory capital (A+B-C) | 4 671 000 | 5 082 624 |
| Risk-weighted assets (RWA) | 28 803 881 | 24 558 941 |
| Regulatory capital / risk-weighted assets | 16.2% | 20.7% |
| Core capital / risk-weighted assets | 16.1% | 18.6% |

- The Board of Directors reviews the equity of the Group . The cash dividends and capitalization of income policies are decided on the basis of several factors, including cost of equity and risk.

- The minimum level of the capital adequacy ratio (regulatory capital divided by risk weighted assets) as defined by the Basel Committee is 8%. The capital adequacy ratio of the Bank as at 31 December 2008 was 16.1% compared to 18.6 % as at 31 December 2007.

53- TRANSACTIONS WITH RELATED PARTIES

| | (USD `000) | |
|--|-------------|---------|
| | 31 December | |
| | 2008 | 2007 |
| ASSOCIATED COMPANIES: | | |
| Dues from associated companies | 448 002 | 408 987 |
| Deposits from associated companies | 76 593 | 200 502 |
| Interest income from associated companies | 12 177 | 11 533 |
| Interest expense paid to associated companies | 2 248 | 5 667 |
| Guarantees, acceptances and letters of credit - associated companies | 5 908 | 7 276 |
| MAJOR SHAREHOLDERS AND MEMBERS OF THE BOARD OF DIRECTORS: | | |
| | 2008 | 2007 |
| Direct credit facilities | 587 873 | 509 377 |
| Letters of Credit | 43 857 | 44 263 |
| Guarantees | 75 592 | 133 062 |

- 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 senior executives in Jordan and abroad amounted to USD 25.0 million in 2008, compared to USD 20.5 million in 2007.

54- INCOME PER SHARE

| | 31 December | |
|--|-------------|---------|
| | 2008 | 2007 |
| Income after tax attributed to the shareholders of the parent company (USD `000) | 806 429 | 762 826 |
| Average number of shares (thousand shares) | 533 966 | 532 547 |
| Income per share (USD) | 1.51 | 1.43 |

55- FIDUCIARY DEPOSITS

- Fiduciary deposits as at 31 December 2008 amounted to USD 2,801.9 million, compared to USD 2,499.0 million as at 31 December 2007. These deposits are not included in the Group financial statements.

56- CASH AND CASH EQUIVALENT

| | (USD `000) | |
|---|------------------|------------------|
| | 31 December | |
| | 2008 | 2007 |
| Cash and balances with central banks maturing within 3 months | 7 356 399 | 3 641 629 |
| Plus: balances with banks and financial institutions maturing within 3 months | 4 405 665 | 4 536 401 |
| Less: banks and financial institutions deposits maturing within 3 months | 4 479 152 | 4 848 288 |
| Total | 7 282 912 | 3 329 742 |

57- LEGAL CASES

Lawsuits filed against the Bank

a. Lawsuits have been filed against Arab Bank in which it was alleged that Arab Bank has, through its New York branch, channeled funds to persons and entities described as “terrorists” and “terrorist organizations in Palestine” respectively. Based on such alleged acts, the Bank, it was claimed, has aided and abetted acts of terrorism which led to the death or the injury of the family members of the claimants. Consequently, 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. No substantial new developments have occurred in 2008.

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 the countries in which it operates.

b. 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.

c. There are other lawsuits filed against the Bank in relation to transactions carried out in the normal course of business totaling USD 26.7 million as of December 31, 2008 in comparison to USD 29.0 million as of December 31, 2007. In management’s opinion, the Bank will not be held liable for any amount in excess of the provision for lawsuits of USD 5.7 million as of December 31, 2008 in comparison with USD 4.7 as of December 31, 2007.

58- COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to correspond with the current year presentation.

INDEPENDENT AUDITOR'S REPORT

**To the Shareholders
Arab Bank
Amman – Jordan**

We have audited the accompanying consolidated financial statements of Arab Bank Group, which comprise of the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 financial statements are free from material misstatements.

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.

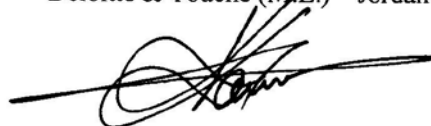
Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Arab Bank Group as of December 31, 2008, 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 financial statements.

Amman – Jordan
January 29, 2009

**Deloitte & Touche (M.E.)
Public Accountants**

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



Karim Nabulsi
License No. (611)

ARAB BANK GROUP

| In USD Million | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| ASSETS | | | | | |
| Cash and banks | 12 712.3 | 9 452.4 | 9 546.0 | 8 295.0 | 8 486.9 |
| Securities and investments | 8 754.7 | 8 257.6 | 7 282.2 | 6 509.7 | 6 666.9 |
| Direct credit facilities | 22 510.9 | 19 483.2 | 14 165.3 | 11 725.1 | 11 447.1 |
| Fixed and other assets | 1 651.7 | 1 140.1 | 1 471.9 | 954.6 | 734.9 |
| Total | 45 629.6 | 38 333.3 | 32 465.4 | 27 484.4 | 27 335.8 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Customer deposits | 31 410.6 | 24 722.3 | 21 766.3 | 19 290.5 | 19 548.3 |
| Bank deposits | 5 277.5 | 5 585.5 | 3 568.0 | 3 241.4 | 3 389.8 |
| Other liabilities | 1 433.1 | 1 168.2 | 1 246.5 | 1 067.5 | 1 148.8 |
| Shareholders' equity | 7 508.4 | 6 857.3 | 5 884.6 | 3 885.0 | 3 248.9 |
| Total | 45 629.6 | 38 333.3 | 32 465.4 | 27 484.4 | 27 335.8 |
| Contingent accounts | 21 979.2 | 16 432.0 | 14 169.1 | 9 678.1 | 9 189.7 |
| Income Statement | | | | | |
| Net interest income | 1 026.3 | 941.1 | 756.4 | 578.0 | 431.3 |
| Non-interest income | 812.5 | 699.6 | 622.4 | 602.1 | 452.9 |
| Total | 1 838.8 | 1 641.0 | 1 378.8 | 1 180.1 | 884.2 |
| Operating expenses | 777.4 | 676.8 | 588.8 | 543.6 | 458.4 |
| Income before tax | 1 061.4 | 964.2 | 790.0 | 636.5 | 425.8 |
| Income tax | 221.6 | 189.2 | 165.4 | 133.3 | 106.4 |
| Income after tax | 839.8 | 775.0 | 624.6 | 503.2 | 319.4 |

Balance sheet

Income statement

ARAB BANK PLC

(JOD'000)

31 December

BALANCE SHEET

| | Note | 2008 | 2007 | |
|---|---|-------------------|-------------------|-------------------|
| ASSETS | Cash and balances with central banks | 5 | 3 026 127 | 2 894 720 |
| | Balances with banks and financial institutions | 6 | 3 263 567 | 3 507 125 |
| | Deposits with banks and financial institutions | 7 | 369 429 | 400 043 |
| | Financial assets at fair value through P&L - held for trading | 8 | 71 779 | 419 648 |
| | Financial assets at fair value through P&L - designated | 9 | 108 940 | 112 929 |
| | Financial derivatives - positive fair value | 42 | 48 558 | 24 026 |
| | Direct credit facilities | 10 | 10 839 672 | 9 875 128 |
| | Financial assets - available for sale | 11 | 2 384 205 | 1 612 595 |
| | Financial assets - held to maturity | 12 | 939 893 | 1 081 057 |
| | Investments in subsidiaries & associated companies | 13 | 1 241 646 | 870 422 |
| | Fixed assets | 14 | 184 221 | 181 748 |
| | Other assets | 15 | 253 940 | 229 585 |
| | Deferred tax assets | 16 | 19 025 | 11 005 |
| Total Assets | | 22 751 002 | 21 220 031 | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | Banks' and financial institutions' deposits | 17 | 3 211 174 | 3 130 172 |
| | Customer deposits | 18 | 13 252 243 | 12 247 957 |
| | Cash margins | 19 | 1 786 917 | 1 410 081 |
| | Financial derivatives - negative fair value | 42 | 59 045 | 30 922 |
| | Borrowed funds | 20 | 379 610 | 354 610 |
| | Other provisions | 21 | 67 200 | 85 572 |
| | Provision for income tax | 22 | 102 916 | 94 088 |
| | Other liabilities | 23 | 303 385 | 300 075 |
| | Deferred tax liabilities | 24 | 8 558 | 18 560 |
| | Total Liabilities | | 19 171 048 | 17 672 037 |
| | Capital | 25 | 534 000 | 356 000 |
| | Issuing premium | 25 | 859 951 | 1 036 754 |
| | Treasury shares | 25 | (2 373) | (300) |
| | Statutory reserve | | 253 000 | 208 000 |
| | Voluntary reserve | 26 | 550 000 | 460 000 |
| | General reserve | | 1 066 674 | 900 000 |
| | General banking risk reserve | 27 | 175 347 | 249 980 |
| | Translation adjustments | 28 | 104 681 | 148 481 |
| | Cumulative change in fair value | 29 | (113 466) | 62 672 |
| | Retained earnings | 30 | 18 640 | 19 607 |
| Proposed dividends | 31 | 133 500 | 106 800 | |
| Total Shareholders' Equity | | 3 579 954 | 3 547 994 | |
| Total Liabilities and Shareholders' Equity | | 22 751 002 | 21 220 031 | |

For the Year Ending
31 December

| | Note | 2008 | 2007 | |
|----------------------------|---|------|----------------|----------------|
| REVENUE | Interest income | 32 | 1 128 629 | 1 183 122 |
| | Less: interest expense | 33 | 576 012 | 640 236 |
| | Net interest income | | 552 617 | 542 886 |
| | Commission income, net | 34 | 131 729 | 111 353 |
| | Net interest and commission income | | 684 346 | 654 239 |
| | Foreign exchange trading | | 45 205 | 34 269 |
| | (Losses) gains from financial assets - held for trading | 35 | (3 438) | 3 291 |
| | (Losses) gains from financial assets - designated | 36 | (3 601) | 1 196 |
| | (Losses) gains from financial assets - available for sale | 37 | (6 393) | 8 843 |
| | Dividends from subsidiaries and associates | 38 | 32 373 | 38 977 |
| | Other revenue | 39 | 47 888 | 20 022 |
| | Net Revenue | | 796 380 | 760 837 |
| EXPENSES | Employees expenses | 40 | 176 499 | 157 380 |
| | Other expenses | 41 | 149 362 | 155 737 |
| | Depreciation and amortization | 14 | 20 955 | 19 661 |
| | Provision for impairment - direct credit facilities | 10 | (3 449) | 5 639 |
| | Other provisions | | 3 171 | 5 702 |
| | Total Expenses | | 346 538 | 344 119 |
| Income for the Year | Income before Tax | | 449 842 | 416 718 |
| | Less: Income tax | 22 | 89 668 | 82 062 |
| | Income for the Year | | 360 174 | 334 656 |

ARAB BANK PLC

| For the Year Ended 31 December 2008 | | Capital | Issuing Premium | Treasury Shares | Statutory Reserve |
|-------------------------------------|--------------------------------------|------------------|-----------------|-----------------|-------------------|
| 2008 | Balance on 1 January 2008 | 356 000 | 1 036 754 | (300) | 208 000 |
| | Translation adjustments | - | - | - | - |
| | Cumulative change in fair value | - | - | - | - |
| | Income Recognized Directly in Equity | - | - | - | - |
| | Income after tax | - | - | - | - |
| | Total Recognized Income | - | - | - | - |
| | Capital increase | 178 000 | (178 000) | - | - |
| | Treasury shares | - | 1 197 | (2 073) | - |
| | Allocated to general reserve | - | - | - | - |
| | Allocated to reserves | - | - | - | 45 000 |
| | Proposed dividends | - | - | - | - |
| | Adjustments during the year | - | - | - | - |
| | Paid dividends | - | - | - | - |
| | Balance on 31 December 2008 | 534 000 | 859 951 | (2 373) | 253 000 |
| 2007 | Balance on 1 January 2007 | 356 000 | 921 688 | (34 414) | 166 000 |
| | Translation adjustments | - | - | - | - |
| | Cumulative change in fair value | - | - | - | - |
| | Income Recognized Directly in Equity | - | - | - | - |
| | Income after tax | - | - | - | - |
| | Total Recognized Income | - | - | - | - |
| | Treasury shares | - | 115 066 | 34 114 | - |
| | Allocated to reserves | - | - | - | 42 000 |
| | Proposed dividends | - | - | - | - |
| | Adjustments during the year | - | - | - | - |
| | Paid dividends | - | - | - | - |
| Balance on 31 December 2007 | 356 000 | 1 036 754 | (300) | 208 000 | |

The reserves and retained earnings include deferred tax assets of JOD 19 million at treasury shares cost of JOD 2.4 million and cumulative change in fair value of JOD (113.5) million as of December 31, 2008.

(JOD '000)

| Voluntary Reserve | General Reserve | General Banking Risk Reserve | Translation Adjustments | Cumulative Change in Fair Value | Retained Earnings | Proposed Dividends | Total shareholders' Equity |
|-------------------|------------------|------------------------------|-------------------------|---------------------------------|-------------------|--------------------|----------------------------|
| 460 000 | 900 000 | 249 980 | 148 481 | 62 672 | 19 607 | 106 800 | 3 547 994 |
| - | - | - | (43 800) | - | - | - | (43 800) |
| - | - | - | - | (176 138) | - | - | (176 138) |
| - | - | - | (43 800) | (176 138) | - | - | (219 938) |
| - | - | - | - | - | 360 174 | - | 360 174 |
| - | - | - | (43 800) | (176 138) | 360 174 | - | 140 236 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | (876) |
| - | 90 000 | (90 000) | - | - | - | - | - |
| 90 000 | 76 674 | 15 000 | - | - | (226 674) | - | - |
| - | - | - | - | - | (133 500) | 133 500 | - |
| - | - | 367 | - | - | (967) | - | (600) |
| - | - | - | - | - | - | (106 800) | (106 800) |
| 550 000 | 1 066 674 | 175 347 | 104 681 | (113 466) | 18 640 | 133 500 | 3 579 954 |
| 378 000 | 900 000 | 145 988 | 89 665 | 65 922 | 16 099 | 89,000 | 3,093,948 |
| - | - | - | 58 816 | - | - | - | 58,816 |
| - | - | - | - | (3 250) | - | - | (3,250) |
| - | - | - | 58 816 | (3 250) | - | - | 55,566 |
| - | - | - | - | - | 334 656 | - | 334,656 |
| - | - | - | 58 816 | (3 250) | 334 656 | - | 390,222 |
| - | - | - | - | - | - | - | 149,180 |
| 82 000 | - | 103 856 | - | - | (227 856) | - | - |
| - | - | - | - | - | (106 800) | 106,800 | - |
| - | - | 136 | - | - | 3 508 | (184) | 3,460 |
| - | - | - | - | - | - | (88,816) | (88,816) |
| 460 000 | 900 000 | 249 980 | 148 481 | 62 672 | 19 607 | 106,800 | 3,547,994 |

For the Year Ending
31 December

CASH FLOW STATEMENT

| | Note | 2008 | 2007 |
|---|-----------|--------------------|------------------|
| OPERATING ACTIVITIES | | | |
| Income before tax | | 449 842 | 416 718 |
| Adjustments: | | | |
| - Depreciation and amortization | | 20 955 | 19 661 |
| - Provision for impairment - direct credit facilities | | (3 449) | 5 639 |
| - Bad debts written off | | 130 | 220 |
| - (Proceeds) from sale of fixed assets | | (228) | (564) |
| - Loss (gain) from revaluation of financial assets - held for trading | | 5 823 | (553) |
| - Loss (gain) from revaluation of financial assets - designated | | 3 601 | (1 089) |
| - Other provisions | | 3 171 | 5 702 |
| Total | | 479 845 | 445 734 |
| Decrease (Increase) in Assets: | | | |
| Balances with central banks (maturing after 3 months) | | 316 411 | (471 608) |
| Deposits with banks and financial institutions | | 30 614 | (47 892) |
| Direct credit facilities | | (961 225) | (1 971 181) |
| Financial assets at fair value through P&L - held for trading | | 342 046 | 216 664 |
| Financial assets at fair value through P&L - designated | | 388 | (111 840) |
| Other assets | | (55 074) | 101 996 |
| (Decrease) Increase in Liabilities | | | |
| Bank and financial institutions deposits (maturing after 3 months) | | (51 358) | (13 391) |
| Customer deposits | | 1 004 286 | 1 491 197 |
| Cash margins | | 376 836 | (60 816) |
| Other liabilities | | 8 773 | 26 729 |
| Net Cash from (used in) Operations before Income Tax | | 1 491 542 | (394 408) |
| Income tax paid | | (82 673) | (76 020) |
| Net Cash Provided from (used in) Operations | | 1 408 869 | (470 428) |
| INVESTING ACTIVITIES | | | |
| (Purchase) of financial assets - available for sale | | (957 232) | (263 464) |
| Sale (purchase) of financial assets - held to maturity | | 141 164 | (199 322) |
| (Purchase) of investments in subsidiaries and associates | | (371 224) | (356 681) |
| (Purchase) of fixed assets | | (23 200) | (32 406) |
| Net Cash (used in) Investing Activities | | (1 210 492) | (851 873) |
| FINANCING ACTIVITIES | | | |
| Increase in borrowed funds | | 25 000 | 354 610 |
| Dividends paid to shareholders | | (106 800) | (88 816) |
| (Purchase) sale of treasury shares | | (876) | 149 180 |
| Net Cash (used in) from Financing Activities | | (82 676) | 414 974 |
| Translation adjustments | | (43 800) | 58 816 |
| Net Increase (Decrease) in Cash and Cash Equivalent | | 71 901 | (848 511) |
| Cash and cash equivalent at the beginning of the year | | 2 840 800 | 3 689 311 |
| Cash and Cash Equivalent at the End of the Year | 54 | 2 912 701 | 2 840 800 |

1- GENERAL

- Arab Bank plc was established in 1930, and is registered in Jordan as a public shareholding limited company. The Bank has its head office in Amman, Jordan, and operates worldwide through its 79 branches in Jordan and 86 abroad.
- Arab Bank shares have a primary listing on Amman Stock Exchange.
- The accompanying financial statements were approved by the Board of Directors at its meeting no. 1/2009 on 29 January 2009.

2 - BASIS OF CONSOLIDATION

- The accompanying financial statements include the financial statements of the Bank's branches both in Jordan and abroad, but exclude inter-branch balances. Transactions in transit at year-end are shown under other assets or other liabilities, as the case may be. Financial statements in foreign currencies of the Bank's branches outside Jordan are translated into Jordanian Dinars at the exchange rates as at year-end.
- The Bank also issues consolidated financial statements for the Bank and its subsidiaries, including the financial statements of its sister company, Arab Bank (Switzerland), to reflect the consolidated economic ownership of the Group.

3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

- The accompanying financial statements are prepared in accordance with the standards issued by the International Financial Reporting Standards (IFRS), the interpretations issued by the Committee of the IFRS Board, the prevailing rules of the countries where the Bank operates, and the instructions of the Central Bank of Jordan.
- The financial statements are prepared under the historical cost convention except for financial assets held for trading through profit and loss, those available for sale, and financial derivatives which are stated at fair value on the date of the financial statements. Hedged assets and liabilities are also stated at fair value.
- The accounting policies for the year are consistent with those used in previous years, except for the changes indicated below.

Amended and New Accounting Policies

a. Standards and Interpretations effective in the current period

In the current year, the Bank has adopted the following Standards issued by the International Accounting Standards Board and Interpretations issued by the International Financial Reporting Interpretations Committee which became effective for the current financial reporting period:

- IAS 39 (revised): Financial Instruments: Recognition and Measurement and IFRS 7 (revised) Financial Instruments: Disclosure – Reclassification of Financial Assets.
- IFRIC 11 : IFRS 2, Group and Treasury Transactions.
- IFRIC 12 : Service Concession Arrangements .
- IFRIC 14 : IAS 19, the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

The adoption of these Interpretations has not led to any changes in the Bank's accounting policies.

b. Standards and Interpretations in issue not yet adopted

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IAS 1 (revised): Presentation of Financial Statements. Effective for annual periods beginning on or after January 1, 2009.
- IAS 32 (revised) Financial Instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation. Effective for annual periods beginning on or after January 1, 2009.
- IAS 23 (revised): Borrowing Costs. Effective for annual periods beginning on or after January 1, 2009.
- IAS 39 (revised): Financial Instruments: Recognition and Measurement – Eligible Hedged Items. Effective for annual periods beginning on or after July 1, 2009.
- IFRS 1 (revised) First time Adoption of IFRS and IAS 27 (revised) Consolidated and Separate Financial Statements – Amendment relating to cost of an investment on first time adoption. Effective for annual periods beginning on or after January 1, 2009.
- IAS 27: Consolidated and separate financial statements relating to the cost of investing in the first-time application of the International Financial Reporting Standards. Effective for annual periods beginning on or after January 1, 2009
- IFRS 1 (revised) First time Adoption of IFRS – Restructured version. Effective for annual periods beginning on or after July 1, 2009.
- IFRS 2 (revised) Share-based Payments – Amendments relating to vesting conditions and cancellations. Effective for annual periods beginning on or after January 1, 2009.
- IFRS 3 (revised) Business Combinations – Comprehensive revision on applying the acquisition method and consequential amendments to IAS 27 (revised) Consolidated and Separate Financial Statements, IAS 28 (revised) Investments in Associates and IAS 31 (revised) Interests in Joint Ventures. Effective for annual periods beginning on or after July 1, 2009.
- IAS 28: Investment in Associate Companies and IAS 31: Interests in Joint Ventures Effective for annual periods beginning on or after July 1, 2009
- IFRS 8 Operating segments. Effective for annual periods beginning on or after January 1, 2009.
- IFRIC 13: Customer Loyalty Programmes. Effective for annual periods beginning on or after July 1, 2008.
- IFRIC 15: Agreements for the Construction of Real Estate. Effective for annual periods beginning on or after January 1, 2009.

- IFRIC 16: Hedges of Net Investment in a Foreign Operation. Effective for annual periods beginning on or after October 1, 2008.
- IFRIC 17: Distribution of Non-cash Assets to Owners. Effective for annual periods beginning on or after July 1, 2009.
- Amendments to IFRS 5, IAS 1, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41 resulting from the May 2008 Annual Improvements to IFRSs. Effective for annual periods beginning on or after January 1, 2009.

Management of the Bank anticipates that each of the above Standards and Interpretations will be adopted in the preparation of the Bank's financial statements by their effective dates mentioned above, and that the adoption of those Standards and Interpretations will have no material impact on the financial statements of the Bank.

Recognition of Financial Assets

Sale and purchase of financial assets are recognized on the trade date, which is the date the Bank commits itself to purchase or sell the financial assets.

Fair Value

- Fair value represents the closing market price of financial assets and derivatives on the date of the financial statements. Where the declared market prices do not exist and active trading of some financial assets and derivatives is not available, or the market is inactive, fair value is estimated by one of several methods, such as:
 - Taking the fair value of another financial asset with similar terms and conditions;
 - Using the present value of expected future cash flows for similar instruments; or
 - Adopting option pricing models.
- The valuation methods aim at arriving at a fair value that reflects the expectations of the market, expected risks and expected benefits. When the fair value cannot be measured reliably, financial assets are stated at cost / amortized cost.

Financial Assets at Fair Value through Profit and Loss – Held for Trading

- These are financial assets acquired principally for the purpose of selling in the near term, or they might be part of a portfolio of identified financial instruments managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.
- Financial assets held for trading are initially recognized at their fair value when purchased, while transaction costs are expensed in the income statement and subsequently reported at the prevailing fair value. The resulting change is included in the income statement in the period in which it arises. Changes in fair value resulting from changes in foreign exchange rates are recorded in the income statement as gain or loss on foreign exchange.

- Dividends are recognized as a gain from financial assets-held for trading in the income statement, while the realized interest is reported as interest income in the income statement.

Financial Assets at Fair Value through Profit and Loss – Designated

- These are financial assets acquired to eliminate or significantly reduce a measurement or recognition inconsistency (accounting mismatch). If they are part of a group of financial assets or financial liabilities or both, they 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 at fair value through profit or loss and are initially recognized at their fair value when purchased, while transaction costs are expensed in the income statement, and subsequently reported at the prevailing fair value. The resulting change is included in the income statement in the period in which it arises. Changes in fair value resulting from changes in foreign exchange rates are recorded in the income statement as gain or loss on foreign exchange.
- Dividends are recognized as a gain from financial assets - designated at fair value through profit or loss in the income statement, while the realized interest is reported as interest income in the income statement.

Direct Credit Facilities

- These are financial assets with fixed or determinable payments not quoted in an active market.
- Direct credit facilities are recorded at cost, and stated in the balance sheet after deducting provisions, interest and commission in suspense.
- A provision for impairment of direct credit facilities is recognized when it is apparent that the financial assets of the Bank cannot be recovered, there is objective evidence of an event that negatively affects the future cash flows of the direct credit facilities, and the impairment amount can be estimated. The provision is taken to the income statement.
- Impairment in value is recorded at the present value of the future cash flows discounted at the original interest rate or according to the instructions of the Central Bank of Jordan or regulatory authorities in the Countries where the Bank operates (whichever is higher). The impairment is recorded in the income statement.
- Interest and commission on non-performing credit facilities are suspended in accordance with the instructions of the Central Bank of Jordan or the regulatory authorities in the countries where the Bank operates (whichever is stricter).
- Impaired direct credit facilities, for which specific provision has been made, are written off by charging the provision after all efforts have been made to recover the assets. Any surplus in the provisions or recoveries is taken to the income statement, while the debt of previously written off recoveries is taken to income.

Financial Assets – Available for Sale

- These are financial assets designated as available for sale or not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit and loss.
- Financial assets available for sale are initially recorded at fair value, including acquisition costs. They are subsequently reported at fair value as prevailing on the date of the financial statements; changes in fair value are recorded in a separate account in shareholders' equity.
- When these assets are fully or partially sold, disposed of, or determined to be impaired, the change in fair value is recorded in the income statement, including the related amounts previously recorded in shareholders' equity.
- Impairment losses resulting from a decline in the value of equity securities cannot be reversed. The loss resulting from an impaired value of the debt instruments is reversed when it is objectively evident that the increase in their fair value occurred after the losses had been recognized.
- Income and losses resulting from foreign exchange translations of interest-bearing debt instruments are included in the income statement. Differences in foreign currency of equity instruments are included in the cumulative change in fair value within shareholders' equity.
- Interest from available-for-sale financial instruments is recorded in the income statement using the effective interest rate method. Impairment in assets is recorded in the income statement when incurred.
- Financial instruments for which fair value cannot reliably be determined are shown at cost.

Financial Assets – Held to Maturity

- These are financial assets with 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 provision for impairment in value. Premiums and discounts are systematically amortized in the income statement using the effective interest rate method.

Impairment in the Value of the Financial Assets

- The Bank reviews the values of the financial assets on the date of the balance sheet in order to determine if there are any indications of impairment in their value individually or in the form of a portfolio. In case such indications exist, the recoverable value is estimated so as to determine the impairment loss.
- Impairment is determined as follows:
 - Impairment in financial assets recorded at amortized cost is determined on the basis of 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 present value of the expected cash flows discounted at the market interest rate of similar instruments.
- Impairment in the available-for-sale financial assets recorded at fair value represents the difference between the book value and the fair value.
- Impairment in value is recorded in the income statement. Any surplus in the subsequent period, resulting from previous declines in the fair value of financial assets, is taken to the income statement, except for available-for-sale equity securities, since it is recovered through the cumulative change in fair value.

Investments in Associated Companies

- Associated companies are those in which the Bank has a 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 stated at cost.

Realization of Income and Recognition of Expenses

- Realization of income and recognition of expenses are recorded on an accrual basis, except for interest and commission on non-performing direct credit facilities, which are not recognized as revenue but recorded as interest and commission in a suspense account until they are received in cash.
- Commission is recorded as revenue when the related services are provided. Dividends are recorded when realized.

Financial Derivatives

Financial derivatives (e.g. currency forward contracts, forward rate agreements, swaps and option contracts) are recorded at fair value in the balance sheet as a separate item.

Financial Derivatives and Hedge Accounting

For hedge accounting purposes, financial derivatives are stated at fair value.

Hedges are classified as follows:

- Fair value hedge: 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, the resulting gain or loss from re-measuring the fair value hedging is recognized in the income statement. When the conditions for an effective portfolio hedge are met, the gain or loss resulting from the revaluation of the hedging instrument at fair value, as well as the change in the fair value of the hedged assets or liabilities portfolio, are recorded in the income statement for the same period.

- Cash flow hedge: hedging for exposure changes in the current and expected cash flows of the Bank's assets and liabilities. When the conditions for an effective cash flow hedge are met, the gain or loss of the hedging instruments is recognized in shareholders' equity, and such gain or loss is transferred to the income statement in the period in which the hedge transaction has an impact on the income statement.
- 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 the case of an effective relationship, the effective portion of the loss or profit related to the hedging instrument is recognized in shareholders' equity, while the ineffective portion is recognized in the income statement. The effective portion is recorded in the income statement when the investment in foreign entities is sold.
When the conditions for an effective hedge do not apply, gain or loss resulting from the change in fair value of the hedging instrument is recorded in the income statement of the same period.

Financial Derivatives for Trading

The fair value of financial derivatives for trading, such as forward foreign currency contracts, future interest rate contracts, swap agreements and foreign currency options, is recorded in the balance sheet under other assets or other liabilities, as the case may be. The change in their fair value is recognized in the income statement.

Repurchase and Resale Agreements

- Assets sold with a simultaneous commitment to repurchase at a future date continue to be recognized in the financial statements due to the continued control of those assets. The related risks and benefits are transferred to the Bank when incurred.
They also continue to be measured in accordance with the adopted accounting policies. Amounts received against these contracts are recorded within liabilities under borrowed funds. The difference between the sale price and the repurchase price is considered an interest expense, and is amortized over the contract period using the effective interest rate method. When the transferee has the right to sell or repledge the collateral, the securities sold subject to repurchase agreements are reclassified in the financial statements as pledged assets.
- Purchased assets with corresponding commitment to sell at a specific future date are not recognized in the financial statements because the Bank has no control over such assets, and the related risks and benefits are not transferred to the Bank when incurred. Payments related to these contracts are recorded under deposits with banks or under credit facilities, depending on the nature of each case. The difference between the purchase price and resale price is recorded as interest revenue, and is amortized over the period of the contract using the effective interest rate method.

Assets Pledged as Collateral

These are assets pledged as collateral with a third party, and where the transferee has the right to sell or re-pledge the collateral. They are classified in the balance sheet as a separate line item, and the accounting policy for such assets will follow its original classification.

Foreclosed Assets

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

Intangible Assets

- Goodwill represents the excess of an amount paid to acquire or purchase an investment in a subsidiary on the date of the transaction over the fair value of the net investment in that company. Goodwill resulting from an investment in an affiliated company constitutes part of the investment in that company, and is recorded at cost. The cost of goodwill is subsequently reduced by any impairment in the value of the investment. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.
- Goodwill is distributed over the cash-generating unit(s) for the purpose of testing the impairment in value.
- The value of goodwill is tested on the date of each financial statement. The goodwill value is reduced when there is evidence that its value has been impaired or that the recoverable value of the cash-generating unit(s) is lower than the book value. The impairment in value is recorded in the income statement as impairment loss.

Foreign Currency

- Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the date of the transaction.
- Non-monetary assets and liabilities denominated in foreign currencies and recorded at fair value are translated on the date fair value is determined.
- Gains or losses resulting from foreign currency translation are recorded in the income statement.
- Differences resulting from the translation of non-monetary assets and liabilities denominated in foreign currency, such as securities, are recorded as part of the change in the fair value.

- When consolidating the financial statements, the exchange differences from the evaluation of the net investment in the foreign branches is shown in a separate item within shareholders' equity. Financial assets and financial liabilities of the external branches are translated from the local currency to the Jordanian Dinar at the average rates prevailing on the balance sheet date.

Fixed Assets

- Fixed assets are stated at cost, net of accumulated depreciation. Such assets (except for land) are depreciated according to the straight-line method over their estimated useful lives, and in accordance with the prevailing rules and regulations in the countries where the Bank operates. When the carrying amounts of any of the fixed assets exceed the recoverable values, the values of the assets are reduced accordingly.
- The useful lives of the fixed assets are reviewed at the end of each year. Where the expected useful life differs from what was previously determined, the change in estimate will be recorded as such in the subsequent year.
- Fixed assets are derecognized when disposed of or no future benefits are expected from their use or disposal. When the recoverable value of a fixed asset is less than its carrying amount, its value is reduced to the recoverable amount. And the impairment in value is recorded in the income statement.

Provisions

Provisions are recognized when the Bank has an obligation on the date of the balance sheet 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

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 required provision for the year for the end-of-service indemnities is recorded in the income statement. Payments to departing employees are taken to the income statement or deducted from the provision amount.

Income Tax

- Income tax expenses represent both accrued and deferred taxes.
- Income tax expenses are accounted for on the basis of taxable income. Income subject to tax differs from income declared in the financial statements, because the latter includes non-taxable revenue, tax expenses not deductible in the current year but deductible in subsequent years, accumulated losses accepted by the tax authorities, and items not accepted for tax purposes or subject to tax.
- Taxes are calculated on the basis of the tax rates applicable according to the prevailing laws, regulations and instructions of the countries where the Bank operates.

- Deferred taxes are taxes expected to be paid or recovered as a result of temporary timing differences between the value of the assets and liabilities in the financial statements and the value of the taxable amount.
- Deferred taxes are calculated on the basis of the liability method in the balance sheet, and according to the rates expected to be applied 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 balance sheet, and reduced if it is expected that no benefit will arise from the deferred tax, partially or totally.

Treasury Shares

- Treasury shares appear at cost as a separate item in shareholders' equity, and are deducted from total shareholders' equity.
- Gain or loss from the sale of treasury shares is not included in the income statement, but it is recognized in the issuing premium.

Fiduciary Deposits

- Fiduciary deposits result from the holding or placing of assets on behalf of customers. These assets and the income arising from them are excluded from these financial statements of the Bank. The commission and fees for managing these accounts are recognized in the income statement.
- Provision for the decline in fair value is created in case the guaranteed capital portfolio becomes lower than the guaranteed capital.

Offsetting

Financial assets and financial liabilities are offset, and the net amount is reflected in the balance sheet only when there is a legal right to offset the recognized amounts, and the Bank intends to either settle on a net basis or to realize the assets and settle the liabilities simultaneously.

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.

Segment Reporting

- A business segment is a group of assets and operations engaged in providing products or services subject to risks and returns different from those of other business segments.
- A geographical segment is engaged in providing products or services within a particular economic environment subject to risks and returns different from those of segments operating in other economic environments.

4 - USING ESTIMATES

Preparation of the accompanying financial statements requires estimations and judgments in applying accounting policies relating to some of the items listed in those statements. 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 productive life of assets and impairment of their value. Management also uses estimation and judgment for some matters that are uncertain on the date of the balance sheet and that may cause significant risks and may require material adjustments to the balances of the assets and liabilities stated in the financial statements of the following year. This includes estimations of the various provisions and contingent liabilities.

| | (JOD'000) | |
|--|------------------|------------------|
| | 31 December | |
| | 2008 | 2007 |
| 5- CASH AND BALANCES WITH CENTRAL BANKS | | |
| Cash | 206 121 | 181 806 |
| Balances with central banks: | | |
| - Current accounts | 218 202 | 110 817 |
| - Time and notice | 1 070 560 | 661 755 |
| - Mandatory cash reserve | 819 931 | 818 505 |
| - Certificates of deposit | 711 313 | 1 121 837 |
| Total | 3 026 127 | 2 894 720 |

Balances maturing after three months amounted to JOD 243.9 million as at 31 December 2008, compared to JOD 560.3 million as at 31 December 2007.

| | (JOD'000) | |
|---|------------------|------------------|
| | 31 December | |
| | 2008 | 2007 |
| 6 - BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS | | |
| Current accounts | 468 723 | 318 638 |
| Time deposits maturing within 3 months | 2 787 122 | 3 148 684 |
| Certificates of deposit | 7 722 | 39 803 |
| Total | 3 263 567 | 3 507 125 |

| | (JOD'000) | |
|--|----------------|----------------|
| | 31 December | |
| | 2008 | 2007 |
| 7 - DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS | | |
| Time deposits maturing after 3 months and before 6 months | 303 670 | 191 303 |
| Time deposits maturing after 6 months and before 9 months | 62 987 | 67 548 |
| Time deposits maturing after 9 months and before 12 months | 2 631 | 141 192 |
| Time deposits maturing after one year | 141 | - |
| Total | 369 429 | 400 043 |

| | (JOD'000) | |
|--|---------------|----------------|
| | 31 December | |
| | 2008 | 2007 |
| 8 - FINANCIAL ASSETS AT FAIR VALUE THROUGH P&L - HELD FOR TRADING | | |
| Treasury bills and bonds | 64 654 | 394 955 |
| Government bonds | - | 11 286 |
| Corporate bonds | 3 298 | 7 607 |
| Shares | 3 827 | 5 800 |
| Total | 71 779 | 419 648 |

9 - FINANCIAL ASSETS AT FAIR VALUE THROUGH P&L - DESIGNATED

| | (JOD '000) | |
|------------------|----------------|----------------|
| | 31 December | |
| | 2008 | 2007 |
| Government bonds | 25 682 | 25 318 |
| Corporate bonds | 83 258 | 87 611 |
| Total | 108 940 | 112 929 |

10 - DIRECT CREDIT FACILITIES

| | (JOD '000) | | | | | | |
|--|------------------|---------------------------------------|---------------------|--|------------------------------------|-------------------|-------------------|
| | 31 December | | | | | | |
| | | | | | | | 2008 |
| | Individuals | Corporates | | Banks and financial institutions | Government and public sector | Total | Total |
| | | Small & medium size enterprises | Large corporates | | | | |
| Discounted bills * | 59 858 | 143 858 | 225 781 | 33 733 | 832 | 464 062 | 386 496 |
| Overdrafts * | 35 504 | 393 615 | 1 747 029 | - | 79 413 | 2 255 561 | 2 017 166 |
| Loans and advances * | 711 854 | 294 700 | 5 499 147 | 764 367 | 665 227 | 7 935 295 | 7 343 259 |
| Real-estate loans | 446 016 | - | - | - | - | 446 016 | 414 859 |
| Credit cards | 41 539 | - | - | - | - | 41 539 | 39 186 |
| Total | 1 294 771 | 832 173 | 7 471 957 | 798 100 | 745 472 | 11 142 473 | 10 200 966 |
| Less: Interest and commission in suspense | 1 861 | 63 542 | 20 129 | - | - | 85 532 | 91 647 |
| Provision for impairment - direct credit facilities | 37 489 | 75 918 | 103 862 | - | - | 217 269 | 234 191 |
| Total | 39 350 | 139 460 | 123 991 | - | - | 302 801 | 325 838 |
| Direct credit facilities, net | 1 255 421 | 692 713 | 7 347 966 | 798 100 | 745 472 | 10 839 672 | 9 875 128 |

* Net, after deducting interest and commission received in advance, which amounted to JOD 18.1 million in 2008, compared to JOD 20.7 million in 2007.

- Direct credit facilities granted to government and guaranteed by the government as at 31 December 2008 amounted to JOD 745.5 million, or 6.7% of total direct credit facilities, compared to JOD 561.9 million, or 5.5% of total direct credit facilities at the end of 2007.

- Non-performing direct credit facilities as at 31 December 2008 amounted to JOD 288.9 million, or 2.6% of total direct credit facilities, compared to JOD 305.3 million, or 3.0% of total direct credit facilities at the end of 2007.

- Non-performing direct credit facilities, after deducting interest and commission in suspense, as at 31 December 2008 amounted to JOD 203.4 million, or 1.8% of total direct credit facilities, compared to JOD 213.6 million, or 2.1% of total direct credit facilities at the end of 2007.

- MOVEMENT IN INTEREST AND COMMISSION IN SUSPENSE:(JOD '000)
31 December
2008 2007

| | Individuals | Corporates | | Banks and financial institutions | Government and public sector | Total | Total |
|---|--------------|---------------------------------|------------------|----------------------------------|------------------------------|---------------|---------------|
| | | Small & medium size enterprises | Large corporates | | | | |
| Balance at the beginning of the year | 831 | 63 678 | 27 138 | - | - | 91 647 | 110 259 |
| Interest and commission in suspense during the year | 2 480 | 8 586 | 1 751 | - | - | 12 817 | 18 119 |
| Interest and commission in suspense written off | (833) | (651) | (4 949) | - | - | (6 433) | (26 647) |
| Recoveries | (295) | (1 329) | (3 817) | - | - | (5 441) | (10 685) |
| Adjustments during the year | - | (7 058) | - | - | - | (7 058) | - |
| Translation adjustments | (322) | 316 | 6 | - | - | - | 601 |
| Balance at the end of the year | 1 861 | 63 542 | 20 129 | - | - | 85 532 | 91 647 |

- MOVEMENTS IN THE PROVISION FOR IMPAIRMENT IN DIRECT CREDIT FACILITIES:(JOD '000)
31 December
2008 2007

| | Individuals | Corporates | | Banks and financial institutions | Government and public sector | Total | Total |
|---------------------------------------|---------------|---------------------------------|------------------|----------------------------------|------------------------------|----------------|----------------|
| | | Small & medium size enterprises | Large corporates | | | | |
| Balance at the beginning of the year | 30 897 | 88 083 | 115 212 | - | - | 234 192 | 235 275 |
| Addition: Charged to income | 26 182 | 12 833 | 5 963 | - | - | 44 978 | 45 579 |
| Direct credit facilities written off | (82) | (770) | (2 519) | - | - | (3 371) | (12 431) |
| Recoveries | (17 568) | (14 087) | (16 772) | - | - | (48 427) | (39 940) |
| Adjustments during the year | - | (12 680) | - | - | - | (12 680) | - |
| Translation adjustments | (1 940) | 2 539 | 1 978 | - | - | 2 577 | 5 708 |
| Balance at the end of the year | 37 489 | 75 918 | 103 862 | - | - | 217 269 | 234 191 |

11 - FINANCIAL ASSETS - AVAILABLE FOR SALE

(JOD '000)

| | 31 December | |
|--------------------------|------------------|------------------|
| | 2008 | 2007 |
| Treasury bills and bonds | 617 622 | 188 041 |
| Government bonds | 657 474 | 276 630 |
| Corporate bonds | 886 682 | 939 774 |
| Shares | 222 427 | 208 150 |
| Total | 2 384 205 | 1 612 595 |

BONDS ACCORDING TO INTEREST

(JOD '000)

| | 31 December | |
|-------------------------|------------------|------------------|
| | 2008 | 2007 |
| Fixed interest bonds | 1 221 508 | 412 751 |
| Variable interest bonds | 940 270 | 991 694 |
| Total | 2 161 778 | 1 404 445 |

FINANCIAL ASSETS ACCORDING TO MARKET QUOTATION

(JOD '000)

| | 31 December | |
|---|------------------|------------------|
| | 2008 | 2007 |
| Financial assets quoted in the market | 1 315 906 | 1 427 183 |
| Financial assets not quoted in the market | 1 068 299 | 185 412 |
| Total | 2 384 205 | 1 612 595 |

12 - FINANCIAL ASSETS - HELD TO MATURITY

(JOD '000)

| | 31 December | |
|--------------------------|----------------|------------------|
| | 2008 | 2007 |
| Treasury bills and bonds | 559 970 | 924 861 |
| Government bonds | 330 707 | 129 111 |
| Corporate bonds | 49 216 | 27 085 |
| Total | 939 893 | 1 081 057 |

BONDS ACCORDING TO INTEREST

(JOD '000)

| | 31 December | |
|-------------------------|----------------|------------------|
| | 2008 | 2007 |
| Fixed interest bonds | 838 499 | 962 686 |
| Variable interest bonds | 101 394 | 118 371 |
| Total | 939 893 | 1 081 057 |

FINANCIAL ASSETS ACCORDING TO MARKET QUOTATION

(JOD '000)

| | 31 December | |
|---|----------------|------------------|
| | 2008 | 2007 |
| Financial assets quoted in the market | 147 519 | 162 989 |
| Financial assets not quoted in the market | 792 374 | 918 068 |
| Total | 939 893 | 1 081 057 |

13 - INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

(JOD'000)

| | 31 December 2008 | | 31 December 2007 | | Country | Activity |
|---|------------------|------------------|------------------|-----------------|-----------|--------------------|
| | Ownership % | Historical Cost | Ownership % | Historical Cost | | |
| INVESTMENTS IN SUBSIDIARIES COMPANIES: | | | | | | |
| Europe Arab Bank plc | 100.00 | 499 243 | 100.00 | 470 439 | U.K. | Banking |
| Arab Bank Australia Limited | 100.00 | 26 956 | 100.00 | 34 282 | Australia | Banking |
| Islamic International Arab Bank plc | 100.00 | 55 000 | 100.00 | 40 000 | Jordan | Banking |
| Arab Leasing Company | 100.00 | 25 000 | 100.00 | 25 000 | Jordan | Lease finance |
| Al-Arabi Investment Group Co. | 100.00 | 8 900 | 100.00 | 8 900 | Jordan | Financial services |
| Arab Sudanese Bank Limited | 100.00 | 35 450 | - | - | Sudan | Banking |
| Arab Investment Bank S.A.L | 66.68 | 5 129 | 66.68 | 5 129 | Lebanon | Banking |
| Arab Tunisian Bank | 64.24 | 55 835 | 64.24 | 40 435 | Tunisia | Banking |
| AB Capital Limited | 80.18 | 31 248 | 60.00 | 12 762 | U.A.E. | Financial services |
| Arab Palestinian Investment Bank | - | - | 55.00 | 5 849 | Palestine | Banking |
| Al-Nisr Al Arabi | 50.00 | 11 250 | 50.00 | 11 250 | Jordan | Insurance |
| Arab Bank – Syria | 49.00 | 22 237 | 49.00 | 10 421 | Syria | Banking |
| Wehda Bank | 19.00 | 221 478 | - | - | Libya | Banking |
| Other | | 9 718 | | 10 185 | | |
| Total | | 1 007 444 | | 674 652 | | |

INVESTMENTS IN ASSOCIATED COMPANIES

| | | | | | | |
|-------------------------|-------|------------------|-------|----------------|--------------|-----------------------|
| Turkland Bank A.S | 50.00 | 103 861 | 50.00 | 71 838 | Turkey | Banking |
| Oman Arab Bank S.A.O. | 49.00 | 27 072 | 49.00 | 20 755 | Oman | Banking |
| Arab National Bank | 40.00 | 102 870 | 40.00 | 102 870 | Saudi Arabia | Banking |
| Arabia Insurance Co. | 36.79 | 75 | 36.79 | 75 | Lebanon | Insurance |
| Commercial Building Co. | 34.50 | 324 | 33.09 | 224 | Lebanon | Real estate / leasing |
| Other | | - | | 8 | | |
| Total | | 234 202 | | 195 770 | | |
| Grand Total | | 1 241 646 | | 870 422 | | |

14 - FIXED ASSETS

(JOD '000)

31 December 2008

| | Land | Buildings | Furniture, Fixtures and Equipment | Computer and Communication Equipment | Motor Vehicles | Leasehold Improvements | Total |
|---------------------------------------|---------------|----------------|--|--|-------------------|---------------------------|----------------|
| HISTORICAL COST | | | | | | | |
| Balance at the beginning of the year | 29 046 | 131 307 | 72 184 | 42 240 | 8 213 | 26 307 | 309 297 |
| Additions | 3 281 | 10 304 | 6 731 | 4 815 | 662 | 17 452 | 43 245 |
| Disposals | (4 456) | (11 998) | (3 085) | (6 490) | (1 177) | (13 648) | (40 854) |
| Translation adjustments | (81) | (426) | (96) | (177) | (15) | (4) | (799) |
| Balance at the End of the Year | 27 790 | 129 187 | 75 734 | 40 388 | 7 683 | 30 107 | 310 889 |
| ACCUMULATED DEPRECIATION | | | | | | | |
| Balance at the beginning of the year | - | 30 786 | 44 751 | 32 751 | 5 397 | 13 864 | 127 549 |
| Depreciation for the year | - | 4 582 | 5 772 | 3 880 | 1 246 | 5 475 | 20 955 |
| Disposals | - | (638) | (2 349) | (4 200) | (1 082) | (13 242) | (21 511) |
| Translation adjustments | - | (139) | (48) | (126) | (8) | (4) | (325) |
| Balance at the End of the Year | - | 34 591 | 48 126 | 32 305 | 5 553 | 6 093 | 126 668 |
| Net Book Value | 27 790 | 94 596 | 27 608 | 8 083 | 2 130 | 24 014 | 184 221 |

31 December 2007

| | | | | | | | |
|---------------------------------------|---------------|----------------|---------------|---------------|--------------|---------------|----------------|
| HISTORICAL COST | | | | | | | |
| Balance at the beginning of the year | 27 091 | 127 260 | 62 776 | 37 363 | 7 965 | 21 092 | 283 547 |
| Additions | 2 529 | 11 146 | 10 740 | 5 083 | 1 019 | 10 475 | 40 992 |
| Disposals | (1 087) | (8 798) | (1 641) | (608) | (827) | (5 344) | (18 305) |
| Translation adjustments | 513 | 1 699 | 309 | 402 | 56 | 84 | 3 063 |
| Balance at the End of the Year | 29 046 | 131 307 | 72 184 | 42 240 | 8 213 | 26 307 | 309 297 |
| ACCUMULATED DEPRECIATION | | | | | | | |
| Balance at the beginning of the year | - | 25 341 | 40 794 | 29 000 | 4 989 | 14 984 | 115 108 |
| Depreciation for the year | - | 5 214 | 5 223 | 4 084 | 1 174 | 3 966 | 19 661 |
| Disposals | - | - | (1 449) | (605) | (824) | (5 119) | (7 997) |
| Translation adjustments | - | 231 | 183 | 272 | 58 | 33 | 777 |
| Balance at the End of the Year | - | 30 786 | 44 751 | 32 751 | 5 397 | 13 864 | 127 549 |
| Net Book Value | 29 046 | 100 521 | 27 433 | 9 489 | 2 816 | 12 443 | 181 748 |

15 - OTHER ASSETS

| | 31 December | |
|-----------------------------|----------------|----------------|
| | 2008 | 2007 |
| Accrued interest receivable | 130 527 | 126 006 |
| Expenses paid in advance | 50 972 | 19 760 |
| Foreclosed assets | 28 096 | 33 975 |
| Items in transit | 2 307 | - |
| Miscellaneous assets | 42 038 | 49 844 |
| Total | 253 940 | 229 585 |

(JOD'000)

| | 2008 | | | 2007 | | |
|---------------------------------------|--------------|---------------|---------------|---------------|---------------|---------------|
| | Land | Buildings | Total | Land | Buildings | Total |
| Balance at the beginning of the year | 11 084 | 22 891 | 33 975 | 11 619 | 15 518 | 27 137 |
| Additions | 12 | 1 308 | 1 320 | 544 | 8 554 | 9 098 |
| Disposals | (2 899) | (4 113) | (7 012) | (347) | (740) | (1 087) |
| Impairment loss | (49) | (888) | (937) | (728) | (441) | (1 169) |
| Impairment loss – returned to profits | 752 | - | 752 | - | - | - |
| Translation adjustments | - | (2) | (2) | (4) | - | (4) |
| Balance at the End of the Year | 8 900 | 19 196 | 28 096 | 11 084 | 22 891 | 33 975 |

16 - DEFERRED TAX ASSETS

| Items Attributable to Deferred Tax Assets: | 2008 | | | 2007 | | |
|---|--------------------------------------|---------------|------------------|--------------------------------|---------------|---------------|
| | Balance at the beginning of the year | Added amounts | Released amounts | Balance at the end of the year | Deferred tax | Deferred tax |
| Provision for impairment - direct credit facilities | 3 987 | 1 999 | (174) | 5 812 | 1 162 | 797 |
| End-of-Service indemnity | 21 040 | 4 451 | (772) | 24 719 | 7 537 | 6 758 |
| Interest in suspense | 1 582 | 1 787 | (240) | 3 129 | 799 | 380 |
| Provisions and other | 9 217 | 33 272 | (3 575) | 38 914 | 9 527 | 3 070 |
| Total | 35 826 | 41 509 | (4 761) | 72 574 | 19 025 | 11 005 |

| MOVEMENTS IN DEFERRED TAX ASSETS | (JOD'000) | |
|---|---------------|---------------|
| | 2008 | 2007 |
| Balance at the beginning of the year | 11 005 | 14 343 |
| Additions during the year | 9 530 | 3 547 |
| Deductions during the year | (1 510) | (6 885) |
| Balance at the End of the Year | 19 025 | 11 005 |

Deferred tax results from the time differences of the provisions not deducted for tax purposes in previous years. This is calculated according to the regulations of the countries where the Bank operates. The Bank will benefit from these amounts in the future.

17 - BANKS' AND FINANCIAL INSTITUTIONS' DEPOSITS

(JOD '000)

| | 31 December | |
|---|------------------|------------------|
| | 2008 | 2007 |
| Current and demand | 461 719 | 811 039 |
| Time deposits maturing within 3 months | 2 671 425 | 2 189 745 |
| Time deposits maturing after 3 months and before 6 months | 64 073 | 124 169 |
| Time deposits maturing after 6 months and before 9 months | 3 473 | 4 184 |
| Time deposits maturing after 9 months and before one year | 10 484 | 1 035 |
| Time deposits maturing after one year | - | - |
| Total | 3 211 174 | 3 130 172 |

18 - CUSTOMER DEPOSITS

(JOD '000)

| | 31 December | | | | | 2007 Total |
|-------------------------|------------------|---|---------------------|------------------------------------|-------------------|-------------------|
| | 2008 | | 2007 | | | |
| | Individuals | Corporates Small & medium size enterprises | Large corporates | Government and public sector | Total | Total |
| Current and demand | 1 691 359 | 759 661 | 701 458 | 226 858 | 3 379 336 | 3 003 370 |
| Savings | 948 055 | 10 735 | 4 119 | 274 | 963 183 | 877 038 |
| Time and notice | 4 490 715 | 498 385 | 2 479 501 | 1 136 264 | 8 604 865 | 8 088 603 |
| Certificates of deposit | 177 320 | 8 687 | 19 582 | 99 270 | 304 859 | 278 946 |
| Total | 7 307 449 | 1 277 468 | 3 204 660 | 1 462 666 | 13 252 243 | 12 247 957 |

- Public sector deposits amounted to JOD 1,462.7 million, or 11% of total customer deposits at the end of 2008, compared to JOD 1,239.1 million, or 10.1% of total customer deposits at the end of 2007.
- Non-interest bearing deposits amounted to JOD 2,738.9 million, or 20.7% of total customer deposits at the end of 2008 compared to JOD 2,495.3 million, or 20.4% of total customer deposits at the end of 2007.
- Blocked deposits amounted to JOD 10.5 million, or 0.08% of total customer deposits at the end of 2008 compared to JOD 18.1 million, or 0.1% of total customer deposits at the end of 2007.
- Dormant deposits amounted to JOD 63.3 million, or 0.5% of total customer deposits at the end of 2008 compared to JOD 51.1 million, or 0.4% of total customer deposits at the end of 2007.

19 - CASH MARGINS

(JOD '000)

| | 31 December | |
|-------------------------------------|------------------|------------------|
| | 2008 | 2007 |
| Against direct credit facilities | 1 514 135 | 1 137 682 |
| Against indirect credit facilities | 262 198 | 260 274 |
| Cash margins, financial derivatives | 9 391 | 11 218 |
| Cash margins, other | 1 193 | 907 |
| Total | 1 786 917 | 1 410 081 |

20- BORROWED FUNDS

(JOD '000)

| | 31 December | |
|--|----------------|----------------|
| | 2008 | 2007 |
| From banks and financial institutions * | 354 610 | 354 610 |
| From local banks and financial institutions ** | 25 000 | - |
| Total | 379 610 | 354 610 |

* In 2007, the Bank issued a USD 500 Million syndicated term loan with a tenure of five years and paying LIBOR + 25 basis points.

** In 2008, the Bank borrowed JOD 25 Million for one year against mortgaging real estates at an interest rate of 6.1%. The re-lending rate ranges from 8.5% to 9.0%.

(JOD '000)

| BORROWED FUNDS ACCORDING TO INTEREST | 31 December | |
|--------------------------------------|----------------|----------------|
| | 2008 | 2007 |
| Variable interest | 354 610 | 354 610 |
| Fixed interest | 25 000 | - |
| Total | 379 610 | 354 610 |

21 - OTHER PROVISIONS

(JOD '000)

| | 2008 | | | | | |
|--------------------------|--------------------------------------|--------------------------|--------------------------|--------------------|-------------------------|--------------------------------|
| | Balance at the beginning of the year | Addition during the year | Utilized during the year | Returned to income | Translation adjustments | Balance at the end of the year |
| End-of-service indemnity | 73 926 | 5 419 | (16 306) | (3 077) | 605 | 60 567 |
| Self-insurance | 1 113 | - | - | - | - | 1 113 |
| Legal cases | 3 134 | 634 | - | (1 676) | - | 2 092 |
| Other | 7 399 | 533 | (2 261) | (2 217) | (26) | 3 428 |
| Total | 85 572 | 6 586 | (18 567) | (6 970) | 579 | 67 200 |

| | 2007 | | | | | |
|--------------------------|--------------------------------------|--------------------------|--------------------------|--------------------|-------------------------|--------------------------------|
| | Balance at the beginning of the year | Addition during the year | Utilized during the year | Returned to income | Translation adjustments | Balance at the end of the year |
| End-of-service indemnity | 84 615 | 7 603 | (19 176) | (163) | 1 047 | 73 926 |
| Self-insurance | 1 217 | - | (110) | - | 6 | 1 113 |
| Legal cases | 5 095 | - | (1 297) | (683) | 19 | 3 134 |
| Other | 7 351 | 4 167 | (2 269) | (1 880) | 30 | 7 399 |
| Total | 98 278 | 11 770 | (22 852) | (2 726) | 1 102 | 85 572 |

22- PROVISION FOR INCOME TAX

(JOD '000)

| | 31 December | |
|---------------------------------------|----------------|---------------|
| | 2008 | 2007 |
| Balance at the beginning of the year | 94 088 | 88 046 |
| Income tax provision for the year | 91 501 | 82 062 |
| Income tax paid | (82 673) | (76 020) |
| Balance at the end of the year | 102 916 | 94 088 |

(JOD '000)

| | 31 December | |
|---|---------------|---------------|
| | 2008 | 2007 |
| Provision for income tax in the income statement comprises the following: | | |
| Income tax provision for the year | 91 501 | 75 901 |
| Income tax for previous years | 130 | 4 012 |
| Deferred taxes | (1 963) | 2 149 |
| Total | 89 668 | 82 062 |

23 - OTHER LIABILITIES

(JOD '000)

| | 31 December | |
|---|----------------|----------------|
| | 2008 | 2007 |
| Accrued interest payable | 68 245 | 64 054 |
| Remittances in transit | 68 888 | 83 949 |
| Interest and commission received in advance | 69 626 | 40 391 |
| Due expenses | 21 752 | 17 228 |
| Items in transit | - | 7 743 |
| Miscellaneous | 74 874 | 86 710 |
| Total | 303 385 | 300 075 |

24 - DEFERRED TAX LIABILITIES

(JOD '000)

Items attributable to deferred tax liabilities:

| | 2008 | | | | 2007 | |
|---------------------------------|--------------------------------------|---------------|------------------|--------------------------------|--------------|---------------|
| | Balance at the beginning of the year | Added amounts | Released amounts | Balance at the end of the year | Deferred tax | Deferred tax |
| Cumulative change in fair value | 66 393 | 2 932 | (38 817) | 30 508 | 8 183 | 17 667 |
| Retained earnings | 3 848 | - | (3 848) | - | - | 580 |
| Other | 1 565 | 316 | - | 1 881 | 375 | 313 |
| Total | 71 806 | 3 248 | (42 665) | 32 389 | 8 558 | 18 560 |

(JOD '000)

| Movements On Deferred Tax Liabilities During The Year: | 2008 | 2007 |
|--|--------------|---------------|
| Balance at the beginning of the year | 18 560 | 15 598 |
| Additions during the year | 1 380 | 6 913 |
| Amortized during the year | (11 382) | (3 951) |
| Balance at the end of the year | 8 558 | 18 560 |

25 - CAPITAL

- A. The subscribed and paid-up capital amounted to JOD 534 million as at 31 December 2008 compared to JOD 356 million as at 31 December 2007, divided into 534 million shares, each at a nominal value of JOD 1.0.
- B. The issuing premium amounted to JOD 859.9 million as at 31 December 2008, compared to JOD 1,036.8 million as at 31 December 2007.
- C. The unsubscribed shares amounted to 154020 shares at JOD 2,373 million as at 31 December 2008, compared to 50,000 shares at JOD 300 thousand as at 31 December 2007, and were considered treasury shares to be deducted from total shareholders' equity. Treasury shares give no voting power and no dividend rights.

26 - VOLUNTARY RESERVE

The voluntary reserve amounted to JOD 550 million as at 31 December 2008, compared to JOD 460 million as at 31 December 2007. This reserve is used for purposes determined by the Board of Directors and the General Assembly have the right to distribute it in whole or any part thereof to shareholders.

27 - GENERAL BANKING RISK RESERVE

This reserve is available for use in accordance with certain procedures, including the approval of the banking authorities and the approval of the General Assembly, only when the amount of that reserve exceeds the minimum amount set or required by the instructions of the relevant banking authorities.

During the year 2008, the general banking risk reserve was decreased by JD 90 Million while the general reserve was increased by the same amount, within owners' equity upon approval by the Central Bank of Jordan. Moreover, the current balance of the general banking risk reserve exceeds the required amount.

28 - TRANSLATION ADJUSTMENTS

Translation adjustments represent the differences resulting from translating the foreign currencies that constitute the net investment in foreign subsidiaries and branches, when consolidating the financial statements of the Bank.

| | (JOD '000) | |
|---------------------------------------|----------------|----------------|
| | 2008 | 2007 |
| Balance at the beginning of the year | 148 481 | 89 665 |
| (Deduction) addition during the year | (43 800) | 58 816 |
| Balance at the end of the year | 104 681 | 148 481 |

29- CUMULATIVE CHANGE IN FAIR VALUE

(JOD '000)

| | 2008 | | | |
|--|---------------|------------------|-----------------|------------------|
| | Shares | Bonds | Cash flow hedge | Total |
| Balance at the beginning of the year | 77 095 | (14 423) | - | 62 672 |
| Change in fair value during the year | (26 988) | (161 566) | - | (188 554) |
| Net (gain) loss realized, reported to income statement | (5 446) | 1 447 | - | (3 999) |
| Impairment loss taken to income statement | 3 546 | 12 869 | - | 16 415 |
| Translation adjustments | - | - | - | - |
| Balance at the end of the year * | 48 207 | (161 673) | - | (113 466) |

| | 2007 | | | |
|--|---------------|-----------------|-----------------|---------------|
| | Shares | Bonds | Cash flow hedge | Total |
| Balance at the beginning of the year | 81 173 | (15 251) | - | 65 922 |
| Change in fair value during the year | (1 861) | 2 503 | - | 642 |
| Net (Gain) loss realized, reported to income statement | (4 307) | (1 675) | - | (5 982) |
| Impairment loss taken to income statement | 2 042 | - | - | 2 042 |
| Translation adjustments | 48 | - | - | 48 |
| Balance at the end of the year * | 77 095 | (14 423) | - | 62 672 |

* Net, after deducting deferred tax liabilities, which amounted to JOD 8.2 million in 2008, compared to JOD 17.7 million in the previous year.

30- RETAINED EARNINGS

(JOD '000)

| | 2008 | 2007 |
|---|---------------|---------------|
| Balance at the beginning of the year | 19 607 | 16 099 |
| Change during the year | (967) | 3 508 |
| Balance at the end of the year * | 18 640 | 19 607 |

* This item includes the amounts resulting from the adoption of certain International Financial Reporting Standards, and therefore, it is disposed of in only specific situations. As at 31 December 2008, the amounts that could not be disposed of amounted to JOD 5.4 million compared to JOD 3.1 million as at 31 December 2007.

31 - PROPOSED DIVIDENDS

The rate of the proposed dividends to shareholders for 2008 is 25% of the nominal value, amounted JOD 133.500 million, subject to the approval of the General Assembly, while the rate of dividends to shareholders for the year 2007 was 30% of the nominal value, or JOD 106.8 million.

32- INTEREST INCOME

(JOD '000)

| | 2008 | 2007 |
|---|------------------|------------------|
| Direct credit facilities * | 675 392 | 659 648 |
| Central banks | 128 795 | 119 176 |
| Banks and financial institutions | 125 773 | 216 942 |
| Financial assets - held for trading | 17 376 | 66 369 |
| Financial assets at fair value through profit and loss - designated | 6 994 | 8 064 |
| Financial assets - available for sale | 93 305 | 73 108 |
| Financial assets - held to maturity | 80 994 | 39 815 |
| Total | 1 128 629 | 1 183 122 |

* The interest income on the direct credit facilities are as follows:

| | 2008 | | | | | 2007 | |
|------------------|----------------|---------------------------------|------------------|----------------------------------|------------------------------|----------------|----------------|
| | Individuals | Corporates | | Banks and financial institutions | Government and public sector | Total | Total |
| | | Small & medium size enterprises | Large corporates | | | | |
| Discounted bills | 6 645 | 10 969 | 12 868 | 1 773 | - | 32 255 | 30 399 |
| Overdrafts | 4 952 | 27 930 | 128 483 | - | 5 042 | 166 407 | 171 093 |
| Loans | 60 652 | 27 263 | 289 911 | 34 139 | 22 885 | 434 850 | 432 198 |
| Real – estate | 34 778 | - | - | - | - | 34 778 | 20 135 |
| Credit cards | 7 102 | - | - | - | - | 7 102 | 5 823 |
| Total | 114 129 | 66 162 | 431 262 | 35 912 | 27 927 | 675 392 | 659 648 |

33- INTEREST EXPENSE

(JOD '000)

| | 2008 | 2007 |
|----------------------------------|----------------|----------------|
| Banks and financial institutions | 119 254 | 147 539 |
| Customer deposits * | 376 067 | 417 934 |
| Cash margins | 61 690 | 59 864 |
| Borrowed funds | 12 515 | 9 015 |
| Deposit insurance fees | 6 486 | 5 884 |
| Total | 576 012 | 640 236 |

* The details of customer deposits interest expense are as follows:

(JOD '000)

| | 2008 | | | | Total | 2007 Total |
|-------------------------|----------------|--|------------------|------------------------------|----------------|----------------|
| | Individuals | Corporates Small & medium size enterprises | Large corporates | Government and public sector | | |
| Current and demand | 1 770 | 1 517 | 3,930 | 690 | 7,907 | 8 867 |
| Savings | 16 598 | 198 | 121 | 34 | 16 951 | 18 386 |
| Time and notice | 149 741 | 17 515 | 93 238 | 65 440 | 325 934 | 366 203 |
| Certificates of deposit | 13 440 | 852 | 2 133 | 8 850 | 25 275 | 24 478 |
| Total | 181 549 | 20 082 | 99 422 | 75 014 | 376 067 | 417 934 |

34- COMMISSION INCOME, NET

(JOD '000)

| | 2008 | 2007 |
|-----------------------------------|----------------|----------------|
| Commission income: | | |
| - From direct credit facilities | 36 990 | 32 429 |
| - From indirect credit facilities | 61 975 | 50 576 |
| - Other | 39 928 | 34 976 |
| Less: commission expense | 7 164 | 6 628 |
| Commission, net | 131 729 | 111 353 |

35 - (LOSSES) GAINS FROM FINANCIAL ASSETS - HELD FOR TRADING

| | 2008 | | | (JOD '000) |
|--------------------------|----------------|------------------------------|------------|----------------|
| | Realized gains | Unrealized gains (losses) | Dividends | Total |
| Treasury bills and bonds | 1 517 | (1 217) | - | 300 |
| Shares | 547 | (4 606) | 321 | (3 738) |
| Total | 2 064 | (5 823) | 321 | (3 438) |

| | 2007 | | | (JOD '000) |
|--------------------------|----------------|------------------------------|------------|--------------|
| | Realized gains | Unrealized gains (losses) | Dividends | Total |
| Treasury bills and bonds | 1 577 | 224 | - | 1 801 |
| Shares | 1 056 | 329 | 105 | 1 490 |
| Total | 2 633 | 553 | 105 | 3 291 |

36 - (LOSSES) GAINS FROM FINANCIAL ASSETS - DESIGNATED

| | 2008 | | | (JOD '000) |
|---------------------------------|----------------|----------------------|-----------|----------------|
| | Realized gains | Unrealized losses | Dividends | Total |
| Treasury bills and bonds | - | (3 601) | - | (3 601) |

| | 2007 | | | (JOD '000) |
|---------------------------------|----------------|---------------------|-----------|--------------|
| | Realized gains | Unrealized gains | Dividends | Total |
| Treasury bills and bonds | 107 | 1 089 | - | 1 196 |

37 - (LOSSES) GAINS FROM FINANCIAL ASSETS - AVAILABLE FOR SALE

| | (JOD '000) | |
|---|----------------|--------------|
| | 2008 | 2007 |
| Gain from sale of financial assets | 5 519 | 6 110 |
| Dividends | 4 912 | 4 775 |
| Less: impairment in the value of the securities | (16 824) | (2 042) |
| Total | (6 393) | 8 843 |

38 - DIVIDENDS FROM SUBSIDIARIES AND ASSOCIATES

(JOD '000)

| DIVIDENDS FROM SUBSIDIARIES: | 2008 | 2007 |
|-------------------------------------|---------------|---------------|
| Arab Leasing Company | - | 5 500 |
| Al-Arabi Investment Group Co. | - | 5 300 |
| Arab Investment Bank S.A.L. | 421 | 481 |
| Arab Tunisian Bank | 3 910 | 3 765 |
| Arab Bank Syria | 706 | - |
| Al-Nisr Al Arabi Insurance Company | 750 | 750 |
| Wehda Bank | 2 349 | - |
| Other | 198 | 182 |
| Total | 8 334 | 15 978 |
| DIVIDENDS FROM ASSOCIATES: | | |
| Oman Arab Bank S.A.O. | 8 663 | 6 858 |
| Arab National Bank | 13 107 | 13 877 |
| Arabia Insurance Co. | 2 084 | 2 084 |
| Commercial Building Co. | 185 | 180 |
| Total | 24 039 | 22 999 |
| Grand Total | 32 373 | 38 977 |

39 - OTHER REVENUE

(JOD '000)

| | 2008 | 2007 |
|---------------------------|---------------|---------------|
| Revenue from services | 7 467 | 7 069 |
| Safe box rent | 1 826 | 2 937 |
| (Losses) from derivatives | (10 593) | (4 383) |
| Miscellaneous revenue | 49 188 | 14 399 |
| Total | 47 888 | 20 022 |

40 - EMPLOYEE EXPENSES

(JOD '000)

| | 2008 | 2007 |
|------------------------|----------------|----------------|
| Salaries and benefits | 126 052 | 105 669 |
| Social security | 5 926 | 5 326 |
| Savings fund | 1 644 | 1 822 |
| Indemnity compensation | 7 982 | 11 428 |
| Medical | 3 985 | 3 798 |
| Training | 1 593 | 1 164 |
| Allowances | 24 116 | 19 164 |
| Other | 5 201 | 9 009 |
| Total | 176 499 | 157 380 |

41 - OTHER EXPENSES

(JOD '000)

| | 2008 | 2007 |
|------------------------|----------------|----------------|
| Occupancy | 27 047 | 22 617 |
| Office | 35 178 | 40 280 |
| Services | 38 635 | 35 659 |
| Fees | 7 531 | 6 625 |
| Information technology | 13 148 | 16 561 |
| Other expenses | 27 823 | 33 995 |
| Total | 149 362 | 155 737 |

42 - FINANCIAL DERIVATIVES

(JOD '000)

| | 31 December | |
|----------------------------|------------------|------------------|
| | 2008 | 2007 |
| Interest rate swaps | 511 588 | 1 120 159 |
| Currency forward contracts | 3 467 964 | 2 848 197 |
| Total | 3 979 552 | 3 968 356 |

DETAILS OF FINANCIAL DERIVATIVES:

(JOD '000)

| | 31 December 2008 | | | | | | |
|--|---------------------|---------------------|-----------------------|------------------------------|---------------------|------------------------|-------------------|
| | Positive fair value | Negative fair value | Total notional amount | Notional amounts by maturity | | | |
| | | | | Within 3 months | From 3 to 12 months | From 1 year to 3 years | More than 3 years |
| Interest rate swaps | 44 630 | 44 622 | 176 636 | - | 36 091 | 81 509 | 59 036 |
| Currency forward contracts | 3 830 | 2 965 | 2 163 190 | 863 468 | 1 299 722 | - | - |
| Derivatives held for trading | 48 460 | 47 587 | 2 339 826 | 863 468 | 1 335 813 | 81 509 | 59 036 |
| Interest rate swaps | 98 | 11 458 | 217 977 | 143 739 | 66 847 | 7 391 | - |
| Currency forward contracts | - | - | - | - | - | - | - |
| Derivatives held for fair value hedge | 98 | 11 458 | 217 977 | 143 739 | 66 847 | 7 391 | - |
| Interest rate swaps | - | - | 116 975 | - | - | 81 521 | 35 454 |
| Currency forward contracts | - | - | 1 304 774 | 1 107 810 | 3 306 | 193 658 | - |
| Derivatives held for cash flow hedge | - | - | 1 421 749 | 1 107 810 | 3 306 | 275 179 | 35 454 |
| Total | 48 558 | 59 045 | 3 979 552 | 2 115 017 | 1 405 966 | 364 079 | 94 490 |

(JOD'000)

31 December 2007

| | Positive fair value | Negative fair value | Total notional amount | Notional amounts by maturity | | | |
|--|------------------------|------------------------|-----------------------------|------------------------------|------------------------|---------------------------|-------------------------|
| | | | | Within 3 months | From 3 to 12 months | From 1 year to 3 years | More than 3 years |
| Interest rate swaps | 19 101 | 21 686 | 988 913 | 372 514 | 467 309 | 115 858 | 33 232 |
| Currency forward contracts | 2 485 | 4 350 | 2 382 265 | 536 841 | 1 648 722 | 69 227 | 127 475 |
| Derivatives held for trading | 21 586 | 26 036 | 3 371 178 | 909 355 | 2 116 031 | 185 085 | 160 707 |
| Interest rate swaps | 2 440 | 4 886 | 131 088 | 15 603 | 5 596 | 31 697 | 78 192 |
| Currency forward contracts | - | - | - | - | - | - | - |
| Derivatives held for fair value hedge | 2 440 | 4 886 | 131 088 | 15 603 | 5 596 | 31 697 | 78 192 |
| Interest rate swaps | - | - | 158 | - | 158 | - | - |
| Currency forward contracts | - | - | 465 932 | 172 389 | 147 604 | 145 939 | - |
| Derivatives held for cash flow hedge | - | - | 466 090 | 172 389 | 147 762 | 145 939 | - |
| Total | 24 026 | 30 922 | 3 968 356 | 1 097 347 | 2 269 389 | 362 721 | 238 899 |

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

43- GEOGRAPHICAL DISTRIBUTION OF ASSETS AND REVENUE

The Bank operates worldwide through its branches in Jordan and abroad. The table below shows the geographical distribution of the assets and revenue: (JOD '000)

| | | 31 December | |
|--------|----------------|-------------------|-------------------|
| | | 2008 | 2007 |
| Assets | Inside Jordan | 5 075 403 | 4 076 530 |
| | Outside Jordan | 17 675 599 | 17 143 501 |
| | Total | 22 751 002 | 21 220 031 |

| | | (JOD '000) | |
|---------|----------------|----------------|----------------|
| | | 31 December | |
| | | 2008 | 2007 |
| Revenue | Inside Jordan | 152 816 | 142 677 |
| | Outside Jordan | 643 564 | 618 160 |
| | Total | 796 380 | 760 837 |

44 - Business Segments

a) Description of Segment's 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, and related state-of-the-art tools.

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

1. Banking Activities Group

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

2. Treasury Group

This group is considered the main 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 cash liquidity and market risks.

Moreover, this group is responsible of the management of the Bank's assets and liabilities within the frameset by the Assets and Liabilities Committee.

This group is considered the main source in determining the internal conversion prices within the Bank'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 derivatives.
- Stocks.

3. Private Banking Group

Wealth management and Private Banking Service aim at achieving the utmost return for customers' medium and long-term investments, while maintaining their initial capital. Moreover, Wealth Management provides two significant services: specialized consultancy services, and in-depth knowledge in different types of investments. This group provides high net worth clients with personal banking services tailored to their needs.

One of this group's main objectives is to create a balance between the future investing needs of customers, and a focus on their every day needs.

4. Retail Banking Group

This group provides banking services to individuals, and endeavors to meet their financial services needs using the best methods, most effective distributing 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 provide exceptional services to customers.

B - Business lines are segmented as follows:

| | | 31 December 2008 | | | | | 31 December 2007 | |
|---|---|-------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|
| | | Corporate banking | Treasury | Private banking | Retail banking | Other | Total | Total |
| Assets | Cash and balances with banks and financial institutions | - | 6 468 387 | - | 190 736 | - | 6 659 123 | 6 801 888 |
| | Financial investments | 860 441 | 2 486 040 | - | - | 1 448 540 | 4 795 021 | 4 096 651 |
| | Direct credit facilities | 9 760 509 | - | 9 828 | 1 069 335 | - | 10 839 672 | 9 875 128 |
| | Other assets | 80 568 | 372 338 | 4 | 4 276 | - | 457 186 | 446 364 |
| | Total | 10 701 518 | 9 326 765 | 9 832 | 1 264 347 | 1 448 540 | 22 751 002 | 21 220 031 |
| Liabilities & shareholders' equity | Banks' and financial institutions' deposits | - | 3 211 174 | - | - | - | 3 211 174 | 3 484 782 |
| | Customer deposits | 5 974 028 | - | 1 946 218 | 5 331 997 | - | 13 252 243 | 12 247 957 |
| | Cash margins | 1 586 691 | - | 101 354 | 98 872 | - | 1 786 917 | 1 410 081 |
| | Other liabilities | 121 137 | 451 352 | 3 104 | 64 458 | 280 663 | 920 714 | 529 217 |
| | Shareholders' equity | - | - | - | - | 3 579 954 | 3 579 954 | 3 547 994 |
| | Total | 7 681 856 | 3 662 526 | 2 050 676 | 5 495 327 | 3 860 617 | 22 751 002 | 21 220 031 |

| | | 31 December 2008 | | | | | (JOD '000) 31 December 2007 | |
|----------------------------|---|-------------------|----------------|-----------------|----------------|----------------|--------------------------------|----------------|
| | | Corporate banking | Treasury | Private banking | Retail banking | Other | Total | Total |
| Revenue | Net interest income | 248 875 | 107 241 | 10 996 | 140 827 | 44 678 | 552 617 | 542 886 |
| | Commission income, net | 100 657 | (1 386) | 494 | 25 682 | 6 282 | 131 729 | 111 353 |
| | Other revenue | (11 860) | 44 067 | 62 | 5 573 | 74 192 | 112 034 | 106 598 |
| | Net revenue | 337 672 | 149 922 | 11 552 | 172 082 | 125 152 | 796 380 | 760 837 |
| Expenses | Employees expenses | 88 820 | 16 924 | 5 972 | 64 783 | - | 176 499 | 157 380 |
| | Provision for impairment - direct credit facilities | (12 063) | - | 78 | 8 536 | - | (3,449) | 5 639 |
| | Depreciation and amortization | 9 518 | 2 289 | 692 | 8 456 | - | 20 955 | 19 661 |
| | Other provisions | - | 3 171 | - | - | - | 3 171 | 5 702 |
| | Other expenses | 60 497 | 16 484 | 4 989 | 67 392 | - | 149 362 | 155 737 |
| | Total expenses | 146 772 | 38 868 | 11 731 | 149 167 | - | 346 538 | 344 119 |
| Income for the year | Income before tax | 190,900 | 111,054 | (179) | 22,915 | 125,152 | 449,842 | 416,718 |
| | Income tax | 37,311 | 28,053 | 294 | 8,173 | 15,837 | 89,668 | 82,062 |
| | Income for the Year | 153,589 | 83,001 | (473) | 14,742 | 109,315 | 360,174 | 334,656 |

45 - Banking Risk Management

The Bank 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, Group Risk Management, Group Internal Audit, the Strategic Business Units and other supporting units.

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 cares to always 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, financial 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 (46-e) shows the details of the geographical distribution of assets.

3. Interest Rate Risk

Interest rate risk arises from potential changes in interest rates. The Bank has several committees, with duties to mitigate these risks to a minimum. Note (47) 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 obligations. The Bank has several managerial levels, with duties to review and manage assets, liabilities and liquidity. Note (48) 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 (50) shows the net positions of foreign currencies.

6. Market Risk

Market risk is defined as the potential loss in the value of financial instruments and the average return of the market. 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.

46 - CREDIT RISK

A - MAXIMUM EXPOSURE TO CREDIT RISK AFTER PROVISION FOR IMPAIRMENT AND BEFORE COLLATERAL HELD OR OTHER CREDIT RISK MITIGATION

| | (JOD '000) | |
|---|-------------------|-------------------|
| | 31 December | |
| | 2008 | 2007 |
| Credit risk exposures relating to on-balance sheet items: | | |
| Balances with central banks | 2 820 006 | 2 712 914 |
| Balances and deposits with banks and financial institutions | 3 632 996 | 3 907 168 |
| Financial assets - held for trading | 67 952 | 413 848 |
| Financial assets - designated | 108 940 | 112 929 |
| Direct credit facilities | 10 839 672 | 9 875 128 |
| Financial assets - available for sale | 2 161 778 | 1 404 445 |
| Financial assets - held to maturity | 939 893 | 1 081 057 |
| Other assets | 302 498 | 253 611 |
| Credit risk exposures relating to off-balance sheet items: | | |
| Letters of credit | 1 090 463 | 1 132 039 |
| Acceptances | 280 112 | 261 518 |
| Letters of guarantee | 7 302 546 | 4 785 432 |
| Unused credit facilities | 1 989 272 | 2 153 785 |
| Total | 31 536 128 | 28 093 874 |

B. CREDIT QUALITY - DIRECT CREDIT FACILITIES

The Bank regularly analyses the credit exposures using an internal credit rating system. The table below shows the amount of direct credit facilities for each internal credit grade.

| | 31 December 2008 | | | | | | (JOD'000) 2007 |
|--------------------------------|------------------|---------------------------------|------------------|----------------------------------|------------------------------|-------------------|-------------------|
| | Individuals | Corporates | | Banks and financial institutions | Government and public sector | Total | Total |
| | | Small & medium size enterprises | Large corporates | | | | |
| Low risk | 277 377 | 161 978 | 1 052 562 | 798 100 | 745 472 | 3 035 489 | 5 799 960 |
| Acceptable risk | 963 255 | 464 310 | 6 302 686 | - | - | 7 730 251 | 4 051 909 |
| Watch list | 9 046 | 19 491 | 59 328 | - | - | 87 865 | 43 807 |
| Non-performing: | 45 093 | 186 394 | 57 381 | - | - | 288 868 | 305 290 |
| - Substandard debts | 16 335 | 15 707 | 26 547 | - | - | 58 589 | 70 494 |
| - Doubtful debts | 7 721 | 55 500 | 5 486 | - | - | 68 707 | 164 302 |
| - Problematic debts | 21 037 | 115 187 | 25 348 | - | - | 161 572 | 70 494 |
| Total | 1 294 771 | 832 173 | 7 471 957 | 798 100 | 745 472 | 11 142 473 | 10 200 966 |
| Less: interest in suspense | 1 861 | 63 542 | 20 129 | - | - | 85 532 | 91 647 |
| Less: provision for impairment | 37 489 | 75 918 | 103 862 | - | - | 217 269 | 234 191 |
| Total | 1 255 421 | 692 713 | 7 347 966 | 798 100 | 745 472 | 10 839 672 | 9 875 128 |

C. FAIR VALUE OF GUARANTEES AGAINST GRANTED CREDIT FACILITIES

(JOD'000)

| | 2008 | | | | | |
|-----------------------------------|----------------|---------------------------------|------------------|----------------------------------|------------------------------|------------------|
| | Individuals | Corporates | | Banks and financial institutions | Government and public sector | Total |
| | | Small & medium size enterprises | Large corporates | | | |
| Guarantees against facilities of: | | | | | | |
| Low risk | 43 873 | 191 211 | 1 314 428 | 511 140 | 133 058 | 2 193 710 |
| Acceptable risk | 378 804 | 378 679 | 4 920 105 | - | 51 098 | 5 728 686 |
| Watch list | 6 533 | 11 555 | 38 671 | - | - | 56 759 |
| Non-performing: | 20 584 | 86 950 | 24 073 | 78 | - | 131 685 |
| - Substandard debts | 7 627 | 15 880 | 10 608 | - | - | 34 115 |
| - Doubtful debts | 7 601 | 22 284 | 2 891 | 78 | - | 32 854 |
| - Problematic debts | 5 356 | 48 786 | 10 574 | - | - | 64 716 |
| Total | 449 794 | 668 395 | 6 297 277 | 511 218 | 184 156 | 8 110 840 |
| Of which | | | | | | |
| Cash margins | 43 940 | 183 119 | 786 478 | 511 218 | 1 930 | 1 526 685 |
| Accepted letters of guarantees | 71 | 17 611 | 3 033 641 | - | 17 534 | 3 068 857 |
| Real estate | 35 867 | 273 255 | 1 601 513 | - | - | 1 910 635 |
| Listed securities | 762 | 4 268 | 230 155 | - | 9 941 | 245 126 |
| Vehicles and equipment | 64 305 | 22 268 | 145 213 | - | - | 231 786 |
| Other | 304 849 | 167 874 | 500 277 | - | 154 751 | 1 127 751 |
| Total | 449 794 | 668 395 | 6 297 277 | 511 218 | 184 156 | 8 110 840 |

D. CREDIT QUALITY - DEBT SECURITIES

The table below analyses the credit exposure of the debt securities using the external credit ratings.

JOD ('000)

31 December 2008

| External rating | Financial assets - held for trading | Financial assets - designated | Financial assets - available for sale | Financial assets - held to maturity | Total |
|-------------------------------|-------------------------------------|-------------------------------|---------------------------------------|-------------------------------------|------------------|
| Private sector: | | | | | |
| - AAA to A- | 3 004 | 46 776 | 634 511 | 7 091 | 691 382 |
| - BBB+ to B- | - | 22 779 | 214 848 | - | 237 627 |
| - Below B- | - | - | - | - | - |
| - Unrated | 294 | 13 703 | 37 323 | 42 125 | 93 445 |
| Governments and public sector | 64 654 | 25 682 | 1 275 096 | 890 677 | 2 256 109 |
| Total | 67 952 | 108 940 | 2 161 778 | 939 893 | 3 278 563 |

Private sector:

31 December 2007

| | | | | | |
|-------------------------------|----------------|----------------|------------------|------------------|------------------|
| - AAA to A- | 7 313 | 47 937 | 759 894 | 10 637 | 825 781 |
| - BBB+ to B- | - | 25 332 | 143 863 | 2 059 | 171 254 |
| - Below B- | - | - | - | - | - |
| - Unrated | 294 | 14 342 | 36 017 | 14 389 | 65 042 |
| Governments and public sector | 406 241 | 25 318 | 464 671 | 1 053 972 | 1 950 202 |
| Total | 413 848 | 112 929 | 1 404 445 | 1 081 057 | 3 012 279 |

E. CREDIT EXPOSURE CATEGORIZED BY GEOGRAPHICAL REGION

JOD ('000)

| | Jordan | Other Arab countries | Asia * | Europe | America | Rest of the world | Total |
|---|------------------|----------------------|----------------|------------------|----------------|-------------------|-------------------|
| Balances with central banks | 1 340 727 | 1 478 996 | 283 | - | - | - | 2 820 006 |
| Balances and deposits with banks and financial institutions | 16 918 | 2 927 424 | 4 874 | 681 719 | 2 061 | - | 3 632 996 |
| Financial assets - held for trading | 294 | 64 654 | - | 3 004 | - | - | 67 952 |
| Financial assets - designated | - | - | 108 940 | - | - | - | 108 940 |
| Direct credit facilities | 2 278 800 | 8 137 127 | 269 219 | 154 526 | - | - | 10 839 672 |
| Financial assets - available for sale | 421 588 | 1 285 691 | 80 224 | 17 755 | 356 520 | - | 2 161 778 |
| Financial assets - held to maturity | 563 542 | 373 394 | 2 957 | - | - | - | 939 893 |
| Other assets | 69 980 | 164 394 | 5 910 | 60 207 | 2 007 | - | 302 498 |
| Total as at 31 December 2008 | 4 691 849 | 14 431 680 | 472 407 | 917 211 | 360 588 | - | 20 873 735 |
| Total as at 31 December 2007 | 3 664 648 | 12 553 682 | 631 555 | 2 570 601 | 339 762 | 852 | 19 761 100 |

* Excluding Arab countries.

F. CREDIT EXPOSURE CATEGORIZED BY ECONOMIC SECTOR

JOD ('000)

| | Corporates | | | | | |
|---------------------------------------|------------------|-------------------|------------------|----------------|------------------|---------------|
| | Individuals | Industry & mining | Constructions | Real -estate | Trade | Agriculture |
| Financial assets - held for trading | - | - | - | 294 | - | - |
| Financial assets - designated | - | - | - | 29 548 | 11 175 | - |
| Direct credit facilities | 1 255 421 | 1 925 262 | 1 788 554 | 665 815 | 1 210 263 | 46 310 |
| Financial assets - available for sale | - | 53 658 | 776 | 55 556 | 40 737 | - |
| Financial assets - held to maturity | - | 3 155 | - | 32 091 | - | - |
| Total as at 31 December 2008 | 1 255 421 | 1 982 075 | 1 789 330 | 783 304 | 1 262 175 | 46 310 |

JOD ('000)

31 December 2008

| | Corporates | | | | | Total |
|---------------------------------------|------------------|----------------|------------------|----------------------------------|------------------------------|-------------------|
| | Tourism & hotels | Transportation | General Services | Banks and financial institutions | Government and public sector | |
| Financial assets - held for trading | - | - | - | 3 004 | 64 654 | 67 952 |
| Financial assets - designated | - | - | 20 922 | 21 613 | 25 682 | 108 940 |
| Direct credit facilities | 244 614 | 206 659 | 1 953 202 | 798 100 | 745 472 | 10 839 672 |
| Financial assets - available for sale | 3 740 | 40 100 | 110 101 | 582 014 | 1 275 096 | 2 161 778 |
| Financial assets - held to maturity | - | - | 500 | 13 471 | 890 677 | 939 894 |
| Total as at 31 December 2008 | 248 354 | 246 759 | 2 084 725 | 1 418 202 | 3 001 581 | 14 118 236 |

G - MARKET RISK

Assuming market prices as at 31 December 2008 and 2007 change by 5%, the impact on income statement and equity will be as follows:

JOD ('000)

| | 31 December 2008 | | | 31 December 2007 | | |
|-----------------------|------------------|----------------------|---------------|------------------|----------------------|---------------|
| | Income statement | Shareholders' equity | Total | Income statement | Shareholders' equity | Total |
| Interest rate | 984 | 121 | 1 105 | 18 965 | 2 269 | 21 234 |
| Foreign exchange rate | 9 295 | 38 947 | 48 242 | 1 847 | 29 974 | 31 821 |
| Share prices | 260 | 4 777 | 5 037 | 189 | 8 326 | 8 515 |
| Total | 10 539 | 43 845 | 54 384 | 21 001 | 40 569 | 61 570 |

47 - INTEREST RATE RISK**A. EXPOSURE TO INTEREST RATE VOLATILITY AT 31 DECEMBER 2008**

(Classification is based on interest rate repricing or maturity date, whichever occurs first).

| ASSETS | Within 3 months | After 3 months and before 6 months | After 6 months and before 12 months |
|---|--------------------|------------------------------------|-------------------------------------|
| Cash | - | - | - |
| Mandatory cash reserve with central banks | - | - | - |
| Balances with central banks | 1 538 024 | 119 736 | - |
| Balances and deposits with banks and financial institutions | 2 787 122 | 303 670 | 65 618 |
| Financial assets - held for trading | 60 905 | 6 753 | - |
| Financial assets - designated | 36 067 | 54 091 | 12 499 |
| Direct credit facilities | 5 461 990 | 1 736 436 | 1 589 806 |
| Financial assets - available for sale | 1 059 180 | 211 878 | 629 401 |
| Financial assets - held to maturity | 298 873 | 320 199 | 137 388 |
| Investment in subsidiaries and associated companies | - | - | - |
| Fixed assets | - | - | - |
| Other assets | - | - | - |
| Deferred tax assets | - | - | - |
| Total assets | 11 242 161 | 2 752 763 | 2 434 712 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Banks' and financial institutions' deposits | 2 671 425 | 64 073 | 13 957 |
| Customer deposits | 9 267 566 | 653 518 | 337 693 |
| Cash margins | 900 408 | 286 251 | 262 079 |
| Borrowed funds | 354 610 | - | - |
| Other provisions | - | - | - |
| Provision for income tax | - | - | - |
| Other liabilities | - | - | - |
| Deferred tax liabilities | - | - | - |
| Shareholders' equity | - | - | - |
| Total liabilities and shareholders' equity | 13 194 009 | 1 003 842 | 613 729 |
| Gap | (1 951 848) | 1 748 921 | 1 820 983 |
| Accumulated gap | (1 951 848) | (202 927) | 1 618 056 |

| (JOD `000) | | | |
|--|------------------|-----------------------------------|-------------------|
| After 12 months and before 36 months | After 36 months | Not tied to interest rate risk | Total |
| - | - | 206 121 | 206 121 |
| - | - | 819 931 | 819 931 |
| 21 276 | 102 837 | 218 202 | 2 000 075 |
| 7 722 | 141 | 468 723 | 3 632 996 |
| 294 | - | 3 827 | 71 779 |
| 6 283 | - | - | 108 940 |
| 541 716 | 1 509 724 | - | 10 839 672 |
| 166 219 | 95 100 | 222 427 | 2 384 205 |
| 165 728 | 17 705 | - | 939 893 |
| - | - | 1 241 646 | 1 241 646 |
| - | - | 184 221 | 184 221 |
| - | - | 302 498 | 302 498 |
| - | - | 19 025 | 19 025 |
| 909 238 | 1 725 507 | 3 686 621 | 22 751 002 |
| - | - | 461 719 | 3 211 174 |
| 211 963 | 42 562 | 2 738 941 | 13 252 243 |
| 89 302 | 248 877 | - | 1 786 917 |
| - | - | 25 000 | 379 610 |
| - | - | 67 200 | 67 200 |
| - | - | 102 916 | 102 916 |
| - | - | 362 430 | 362 430 |
| - | - | 8 558 | 8 558 |
| - | - | 3 579 954 | 3 579 954 |
| 301 265 | 291 439 | 7 346 718 | 22 751 002 |
| 607 973 | 1 434 068 | (3 660 097) | - |
| 2 226 029 | 3 660 097 | - | - |

B. EXPOSURE TO INTEREST RATE VOLATILITY AT 31 DECEMBER 2007

(Classification is based on interest rate repricing or maturity date, whichever occurs first).

| ASSETS | Within 3 months | After 3 months and before 6 months | After 6 months and before 12 months |
|---|--------------------|------------------------------------|-------------------------------------|
| Cash | - | - | - |
| Mandatory cash reserve with central banks | - | - | - |
| Balances with central banks | 1 223 333 | 278 335 | 189 727 |
| Balances and deposits with banks and financial institutions | 3 191 034 | 191 303 | 208 740 |
| Financial assets - held for trading | 158 060 | 147 772 | 108 016 |
| Financial assets - designated | 38 501 | 54 725 | 12 321 |
| Direct credit facilities | 4 595 895 | 1 616 934 | 1 619 275 |
| Financial assets - available for sale | 888 404 | 119 277 | 66 179 |
| Financial assets - held to maturity | 548 390 | 64 899 | 129 658 |
| Investment in subsidiaries and associated companies | - | - | - |
| Fixed assets | - | - | - |
| Other assets | - | - | - |
| Deferred tax assets | - | - | - |
| Total assets | 10 643 617 | 2 473 245 | 2 333 916 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Banks' and financial institutions' deposits | 2 609 971 | 124 169 | 5 219 |
| Customer deposits | 8 710 782 | 486 150 | 342 901 |
| Cash margins | 656 253 | 230 884 | 231 218 |
| Borrowed funds | 354 610 | - | - |
| Other provisions | - | - | - |
| Provision for income tax | - | - | - |
| Other liabilities | - | - | - |
| Deferred tax liabilities | - | - | - |
| Shareholders' equity | - | - | - |
| Total liabilities and shareholders' equity | 12 331 616 | 841 203 | 579 338 |
| Gap | (1 687 999) | 1 632 042 | 1 754 578 |
| Accumulated gap | (1 687 999) | (55 957) | 1 698 621 |

| | | | | (JOD `000) |
|--|------------------|-----------------------------------|-------------------|------------|
| After 12 months and before 36 months | After 36 months | Not tied to interest rate risk | Total | |
| - | - | 181 806 | 181 806 | |
| - | - | 818 505 | 818 505 | |
| 21 277 | 70 922 | 110 815 | 1 894 409 | |
| - | - | 316 091 | 3 907 168 | |
| - | - | 5 800 | 419 648 | |
| 7 382 | - | - | 112 929 | |
| 528 787 | 1 514 237 | - | 9 875 128 | |
| 215 605 | 114 980 | 208 150 | 1 612 595 | |
| 238 848 | 99 262 | - | 1 081 057 | |
| - | - | 870 422 | 870 422 | |
| - | - | 181 748 | 181 748 | |
| - | - | 253 611 | 253 611 | |
| - | - | 11 005 | 11 005 | |
| 1 011 899 | 1 799 401 | 2 957 953 | 21 220 031 | |
| - | - | 390 813 | 3 130 172 | |
| 177 021 | 35 774 | 2 495 329 | 12 247 957 | |
| 75 506 | 216 220 | - | 1 410 081 | |
| - | - | - | 354 610 | |
| - | - | 85 572 | 85 572 | |
| - | - | 94 088 | 94 088 | |
| - | - | 330 997 | 330 997 | |
| - | - | 18 560 | 18 560 | |
| - | - | 3 547 994 | 3 547 994 | |
| 252 527 | 251 994 | 6 963 353 | 21 220 031 | |
| 759 372 | 1 547 407 | (4 005 400) | - | |
| 2 457 993 | 4 005 400 | - | - | |

48 - LIQUIDITY RISK**A. MATURITY OF ASSETS AND LIABILITIES AT 31 DECEMBER 2008**

| ASSETS | Within 1 month | After 1 month and before 3 months | After 3 months and before 6 months |
|---|--------------------|-----------------------------------|------------------------------------|
| Cash | - | - | - |
| Mandatory cash reserve with central banks | - | - | - |
| Balances with central banks | 1 236 757 | 301 267 | 119 736 |
| Balances and deposits with banks and financial institutions | 2 060 776 | 734 068 | 303 670 |
| Financial assets - held for trading | - | 57 901 | 6 753 |
| Financial assets - designated | - | 3 552 | 7 421 |
| Direct credit facilities | 3 350 973 | 2 111 017 | 1 736 436 |
| Financial assets - available for sale | 386 564 | 227 238 | 164 776 |
| Financial assets - held to maturity | 139 490 | 134 569 | 243 565 |
| Investment in subsidiaries and associated companies | - | - | - |
| Fixed assets | - | - | - |
| Other assets | 21 750 | 43 514 | 65 263 |
| Deferred tax assets | - | - | - |
| Total assets | 7 196 310 | 3 613 126 | 2 647 620 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Banks' and financial institutions' deposits | 2 378 225 | 383 733 | 64 073 |
| Customer deposits | 6 156 114 | 1 507 875 | 653 518 |
| Cash margins | 552 407 | 348 001 | 286 251 |
| Borrowed funds | - | 25 000 | - |
| Other provisions | - | - | - |
| Provision for income tax | - | - | - |
| Other liabilities | 11 375 | 22 749 | 34 121 |
| Deferred tax liabilities | - | - | - |
| Shareholders' equity | - | - | - |
| Total liabilities and shareholders' equity | 9 098 121 | 2 287 358 | 1 037 963 |
| Gap | (1 901 811) | 1 325 768 | 1 609 657 |
| Accumulated gap | (1 901 811) | (576 043) | 1 033 614 |

| | | | | | (JOD `000) |
|--|---|--|--------------------|------------------------------------|-------------------|
| | After 6 months and before 12 months | After 12 months and before 36 months | After 36 months | Not tied to a specific maturity | Total |
| | - | - | - | 206 121 | 206 121 |
| | - | - | - | 819 931 | 819 931 |
| | - | 21 276 | 102 837 | 218 202 | 2 000 075 |
| | 65 618 | - | 141 | 468 723 | 3 632 996 |
| | - | 3 298 | - | 3 827 | 71 779 |
| | - | 77 375 | 20 592 | - | 108 940 |
| | 1 589 806 | 541 716 | 1 509 724 | - | 10 839 672 |
| | 123 219 | 867 963 | 392 018 | 222 427 | 2 384 205 |
| | 144 480 | 252 407 | 25 382 | - | 939 893 |
| | - | - | - | 1 241 646 | 1 241 646 |
| | - | - | - | 184 221 | 184 221 |
| | - | - | - | 171 971 | 302 498 |
| | - | - | - | 19 025 | 19 025 |
| | 1 923 123 | 1 764 035 | 2 050 694 | 3 556 094 | 22 751 002 |
| | 13 957 | - | - | 371 186 | 3 211 174 |
| | 337 693 | 211 963 | 42 562 | 4 342 518 | 13 252 243 |
| | 262 079 | 89 302 | 248 877 | - | 1 786 917 |
| | - | - | 354 610 | - | 379 610 |
| | - | - | - | 67 200 | 67 200 |
| | - | - | - | 102 916 | 102 916 |
| | - | - | - | 294 185 | 362 430 |
| | - | - | - | 8 558 | 8 558 |
| | - | - | - | 3 579 954 | 3 579 954 |
| | 613 729 | 301 265 | 646 049 | 8 766 517 | 22 751 002 |
| | 1 309 394 | 1 462 770 | 1 404 645 | (5 210 423) | - |
| | 2 343 008 | 3 805 778 | 5 210 423 | - | - |

B. MATURITY OF ASSETS AND LIABILITIES AT 31 DECEMBER 2007

| ASSETS | Within 1 month | After 1 month and before 3 months | After 3 months and before 6 months |
|---|--------------------|-----------------------------------|------------------------------------|
| Cash | - | - | - |
| Mandatory cash reserve with central banks | - | - | - |
| Balances with central banks | 873 642 | 349 691 | 278 335 |
| Balances and deposits with banks and financial institutions | 2 172 815 | 1 018 219 | 191 303 |
| Financial assets - held for trading | 53 503 | 104 557 | 147 772 |
| Financial assets - designated | 24 317 | 14 184 | 54 725 |
| Direct credit facilities | 2 432 663 | 2 163 232 | 1 616 934 |
| Financial assets - available for sale | 281 653 | 606 751 | 119 277 |
| Financial assets - held to maturity | 417 458 | 130 932 | 64 899 |
| Investment in subsidiaries and associated companies | - | - | - |
| Fixed assets | - | - | - |
| Other assets | 21 001 | 42 002 | 63 003 |
| Deferred tax assets | - | - | - |
| Total assets | 6 277 052 | 4 429 568 | 2 536 248 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Banks' and financial institutions' deposits | 2 084 349 | 525 622 | 124 169 |
| Customer deposits | 5 238 998 | 2 086 705 | 486 150 |
| Cash margins | 347 363 | 308 890 | 230 884 |
| Borrowed funds | - | - | - |
| Other provisions | - | - | - |
| Provision for income tax | - | - | - |
| Other liabilities | 10 676 | 21 351 | 32 027 |
| Deferred tax liabilities | - | - | - |
| Shareholders' equity | - | - | - |
| Total liabilities and shareholders' equity | 7 681 386 | 2 942 568 | 873 230 |
| Gap | (1 404 334) | 1 487 000 | 1 663 018 |
| Accumulated gap | (1 404 334) | 82 666 | 1 745 684 |

| (JOD `000) | | | | |
|---|--|--------------------|------------------------------------|-------------------|
| After 6 months and before 12 months | After 12 months and before 36 months | After 36 months | Not tied to a specific maturity | Total |
| - | - | - | 181 806 | 181 806 |
| - | - | - | 818 505 | 818 505 |
| 189 727 | 21 277 | 70 922 | 110 815 | 1 894 409 |
| 208 740 | - | - | 316 091 | 3 907 168 |
| 108 016 | - | - | 5 800 | 419 648 |
| 12 321 | 7 382 | - | - | 112 929 |
| 1 619 275 | 528 787 | 1 514 237 | - | 9 875 128 |
| 66 179 | 215 605 | 114 980 | 208 150 | 1 612 595 |
| 129 658 | 238 848 | 99 262 | - | 1 081 057 |
| - | - | - | 870 422 | 870 422 |
| - | - | - | 181 748 | 181 748 |
| - | - | - | 127 605 | 253 611 |
| - | - | - | 11 005 | 11 005 |
| 2 333 916 | 1 011 899 | 1 799 401 | 2 831 947 | 21 220 031 |
| 5 219 | - | - | 390 813 | 3 130 172 |
| 342 901 | 177 021 | 35 774 | 3 880 408 | 12 247 957 |
| 231 218 | 75 506 | 216 220 | - | 1 410 081 |
| - | - | 354 610 | - | 354 610 |
| - | - | - | 85 572 | 85 572 |
| - | - | - | 94 088 | 94 088 |
| - | - | - | 266 943 | 330 997 |
| - | - | - | 18 560 | 18 560 |
| - | - | - | 3 547 994 | 3 547 994 |
| 579 338 | 252 527 | 606 604 | 8 284 378 | 21 220 031 |
| 1 754 578 | 759 372 | 1 192 797 | (5 452 431) | - |
| 3 500 262 | 4 259 634 | 5 452 431 | - | - |

49- CONTRACTUAL MATURITY OF THE CONTINGENT ACCOUNTS

(JOD `000)

| | 31 December 2008 | | | |
|---------------------------------|------------------|---------------------------------|----------------|-------------------|
| | Within 1 year | After 1 year and before 5 years | After 5 years | Total |
| Letters of credit | 1 026 199 | 54 905 | 9 359 | 1 090 463 |
| Acceptances | 278 484 | 1 574 | 54 | 280 112 |
| Letters of guarantee: | | | | |
| - Payment guarantees | 518 207 | 23 824 | 7 | 542 038 |
| - Performance guarantees | 1 168 636 | 595 667 | 41 080 | 1 805 383 |
| - Other guarantees | 2 523 096 | 2 012 720 | 419 309 | 4 955 125 |
| Unutilized of credit facilities | 1 446 638 | 331 155 | 211 479 | 1 989 272 |
| Total | 6 961 260 | 3 019 845 | 681 288 | 10 662 393 |

| | 31 December 2007 | | | |
|---------------------------------|------------------|---------------------------------|----------------|------------------|
| | Within 1 year | After 1 year and before 5 years | After 5 years | Total |
| Letters of credit | 1 118 967 | 13 072 | - | 1 132 039 |
| Acceptances | 258 443 | 3 075 | - | 261 518 |
| Letters of guarantee: | | | | |
| - Payment guarantees | 291 878 | 148 277 | 118 902 | 559 057 |
| - Performance guarantees | 350 770 | 804 287 | 143 572 | 1 298 629 |
| - Other guarantees | 2 773 724 | 154 007 | 15 | 2 927 746 |
| Unutilized of credit facilities | 1 464 423 | 300 398 | 388 964 | 2 153 785 |
| Total | 6 258 205 | 1 423 116 | 651 453 | 8 332 774 |

(JOD `000)

| | 31 December 2008 | | | |
|----------------------------------|------------------|---------------------------------|---------------|---------------|
| | Within 1 year | After 1 year and before 5 years | After 5 years | Total |
| Constructions projects contracts | 22 820 | - | - | 22 820 |
| Procurement contracts | 4 633 | 1 004 | 1 527 | 7 164 |
| Rent contracts | - | 674 | - | 674 |
| Total | 27 453 | 1 678 | 1 527 | 30 658 |

50- NET FOREIGN CURRENCY POSITIONS

| | 31 December 2008 | | 31 December 2007 | |
|--------------------|------------------|----------------------------|------------------|----------------------------|
| | Amount | Equivalent in (JOD'000) | Amount | Equivalent in (JOD'000) |
| USD | (9 911) | (7 029) | (44 500) | (31 551) |
| GBP | 6 158 | 6 306 | 525 | 743 |
| EUR | 8 659 | 8 646 | 15 832 | 16 551 |
| JPY | 3 992 591 | 31 362 | 1 181 030 | 7 479 |
| Other currencies * | - | 139 934 | - | 21 390 |
| Total | | 179 219 | | 14 612 |

* Various foreign currencies translated to Jordanian dinars.

51- FAIR VALUE OF FINANCIAL INSTRUMENTS

| | (JOD `000) | | | |
|---|------------------|------------|------------------|------------|
| | 31 December 2008 | | 31 December 2007 | |
| | Book value | Fair value | Book value | Fair value |
| ASSETS | | | | |
| Cash and balances with central banks | 3 026 127 | 3 045 119 | 2 894 720 | 2 921 002 |
| Balances and deposits with banks and financial institutions | 3 632 996 | 3 644 147 | 3 907 168 | 3 925 971 |
| Financial assets - held to maturity | 939 893 | 946 981 | 1 081 057 | 1 088 041 |
| Direct credit facilities | 10 839 672 | 10 884 224 | 9 875 128 | 9 917 894 |
| LIABILITIES | | | | |
| Banks' and financial institutions' deposits | 3 211 174 | 3 217 835 | 3 130 172 | 3 135 374 |
| Customer deposits | 13 252 243 | 13 298 602 | 12 247 957 | 12 291 006 |
| Cash margins | 1 786 917 | 1 792 471 | 1 410 081 | 1 417 850 |
| Borrowed funds | 379 610 | 380 051 | 354 610 | 354 717 |

52- CAPITAL MANAGEMENT

The Bank manages its capital to ensure that entities of the Bank will be able 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:

(JOD `000)

| | 31 December | |
|---|------------------|------------------|
| | 2008 | 2007 |
| A- CORE CAPITAL | | |
| Paid-up share capital | 534 000 | 356 000 |
| Share premium | 859 951 | 1 036 754 |
| Statutory reserve | 253 000 | 208 000 |
| Voluntary reserve | 550 000 | 460 000 |
| General reserve | 1 066 674 | 900 000 |
| Retained earnings | (385) | 3 132 |
| Treasury shares | (2 373) | (300) |
| Total core capital | 3 260 867 | 2 963 586 |
| B- SUPPLEMENTARY CAPITAL | | |
| Undisclosed reserves | - | 103 252 |
| Translation adjustments | 104 681 | 148 481 |
| Revaluation reserves | (113 466) | 36 153 |
| General banking risk reserve | 145 905 | 155 240 |
| Total supplementary capital | 137 120 | 443 126 |
| C- INVESTMENTS IN BANKS AND FINANCIAL INSTITUTIONS | 1 434 177 | 886 370 |
| Regulatory capital (A+B-C) | 1 963 810 | 2 520 342 |
| Risk-weighted assets (RWA) | 13 763 261 | 12 419 236 |
| Regulatory capital / risk-weighted assets | 14.27% | 20.29% |
| Core capital / risk-weighted assets | 14.27% | 20.29% |

- The Board of Directors reviews the equity of the Bank. The cash dividends and capitalization of income policies are decided on the basis of several factors, including cost of equity and risk.

- The minimum level of the capital adequacy ratio (regulatory capital divided by risk weighted assets) as defined by the Basel Committee is 8%. The capital adequacy ratio of the Bank as at 31 December 2008 was 14.27% compared to 20.29% as at 31 December 2007.

53- TRANSACTIONS WITH RELATED PARTIES

| | (JOD `000) | |
|--|-------------|-----------|
| | 31 December | |
| | 2008 | 2007 |
| SISTER, SUBSIDIARY AND ASSOCIATED COMPANIES: | | |
| Dues from sister and subsidiary companies | 2 126 674 | 1 980 557 |
| Due from associated companies | 296 092 | 278 277 |
| Deposits from sister and subsidiary companies | 1 190 464 | 854 808 |
| Deposits from associated companies | 12 951 | 75 993 |
| Interest income from sister and subsidiary companies | 65 945 | 113 975 |
| Interest expense paid to sister and subsidiary companies | 35 968 | 51 131 |
| Interest income from associated companies | 8 636 | 7 443 |
| Interest expenses paid to associated companies | 1 594 | 2 567 |
| Guarantees and letters of credit - sister and subsidiary companies | 158 093 | 91 869 |
| Guarantees, acceptances and letters of credit - associated companies | 4 190 | 3 450 |
| Unused credit facilities - sister and subsidiary companies | - | 920 |

| | 31 December | |
|--|-------------|---------|
| | 2008 | 2007 |
| MAJOR SHAREHOLDERS AND MEMBERS OF THE BOARD OF DIRECTORS: | | |
| Direct credit facilities | 416 931 | 290 338 |
| Letters of Credit | 31 104 | 31 392 |
| Guarantees | 53 611 | 94 370 |

- 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 senior executives in Jordan and abroad amounted to JOD 17.7 Million in 2008, compared to JOD 14.5 Million in 2007.

54- CASH AND CASH EQUIVALENT

| | (JOD `000) | |
|---|------------------|------------------|
| | 31 December | |
| | 2008 | 2007 |
| MAJOR SHAREHOLDERS AND MEMBERS OF THE BOARD OF DIRECTORS: | | |
| Cash and balances with central banks maturing within 3 months | 2 782 278 | 2 334 459 |
| Plus: balances with banks and financial institutions maturing within 3 months | 3 263 567 | 3 507 125 |
| Less: banks and financial institutions deposits maturing within 3 months | 3 133 144 | 3 000 784 |
| Total | 2 912 701 | 2 840 800 |

55- LEGAL CASES

Lawsuits filed against the Bank

- a. Lawsuits have been filed against Arab Bank in which it was alleged that Arab Bank has, through its New York branch, channeled funds to persons and entities described as "terrorists" and "terrorist organizations in Palestine" respectively. Based on such alleged acts, the Bank, it was claimed, has had aided and abetted acts of terrorism which led to the death or the injury of the family members of the claimants. Consequently, 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. No substantial new developments have occurred in 2008.

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 the countries in which it operates.

- b. The Bank 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 assets in the amount of USD 420 Million.
- c. There are other lawsuits filed against the Bank in relation to transactions carried out in the normal course of business totaling JOD 16.2 Million as of December 31, 2008 in comparison to JOD 16.9 Million as of December 31, 2007. In management's opinion, the Bank will not be held liable for any amount in excess of the provision for lawsuits of JOD 2.1 Million in comparison to JOD 3.1 Million in 2007.

56- COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to correspond with the current year presentation.

INDEPENDENT AUDITOR'S REPORT

**To the Shareholders
Arab Bank
Amman – Jordan**

We have audited the accompanying financial statements of Arab Bank PLC (a Public Shareholding Company), which comprise of the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

Amman – Jordan
January 29, 2009

Deloitte & Touche (M.E.) – Jordan



Karim Nabulsi
License No. (611)

The Board of Directors confirms that there are no significant issues that may affect the continued operations of the bank during the financial year 2009.

Sabih Taher D. Masri
Deputy Chairman

Abdel Hamid A. M. Shoman
Chairman and Chief Executive Officer

Saleh Saad A. Al-Muhanna
Representing The Ministry of Finance and
Economy, Saudi Arabia

Nazik Odah Al Hariri

Samir Farhan Kawar

Ibrahim Youssouf Ibrahim Izziddin
Representing The Social Security
Corporation, Jordan

"Mohammed Thabet" Abdulraouf Taher

Mohammed Hariri

Wahbe A. Tamari

Riad Burhan Taher Kamal

Dr. Tayseer Radwan Saleem Al-Samadi
Representing Abdul Hameed Shoman
Foundation, Jordan

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.

Sabih Taher D. Masri
Deputy Chairman

Abdel Hamid A. M. Shoman
Chairman and Chief Executive Officer

Saleh Saad A. Al-Muhanna
Representing The Ministry of Finance and
Economy, Saudi Arabia

Nazik Odah Al Hariri

Samir Farhan Kawar

Ibrahim Youssouf Ibrahim Izziddin
Representing The Social Security
Corporation, Jordan

"Mohammed Thabet" Abdulraouf Taher

Mohammed Hariri

Wahbe A. Tamari

Riad Burhan Taher Kamal

Dr. Tayseer Radwan Saleem Al-Samadi
Representing Abdul Hameed Shoman
Foundation, Jordan

The Chairman & Chief Executive Officer and 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 2008

Abdel Hamid A. M. Shoman
Chairman and Chief Executive Officer

Ghassan Hanna S. Tarazi
Group Chief Financial Officer

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Introduction

Arab Bank attaches considerable importance to 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 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 recognises 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 maximise 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.
- iii) 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 independency. 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 administrator 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.
- iii) The topics at each meeting shall be discussed comprehensively.
- iv) The Bank's policy is that the Board should include an 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 meeting.
- vii) The responsibilities of the Board is 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:
 - a) The authority of the Board to approve loans larger than a set of amount.
 - b) 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 organisational 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:
 - a) The existence of a regulation for occupational levels and grading and another for salary and benefit based on classification and evaluation methodology.
 - b) The existence of career path plans, succession plan, performance management plan, and succession plans for executive managers, which list requirements and competences.
 - c) 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.
 - d) 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 comprising 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 recognises 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.
- iii) 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, authorised, 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 recognises 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 organisation 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.

Clarification concerning the Corporate Governance Guide:

Arab Bank confirms its commitment to apply all stipulations and provisions of the Corporate Governance Guide approved by the Board of Directors on 30 December 2007. However, and with respect to Article 2/2/B of the Guide, the Bank would like to clarify that it has elected to have an executive Chairman (Chief Executive Officer) based on the Chairman being a major player in the formulation, specification and implementation of the Bank's strategic policy, in addition to his absolute dedication and commitment to sound rules and principles of the banking business which the Bank has employed since its inception eighty seven years ago, especially rules and principles pertaining to liquidity ratios, risk management and credit extension which enabled the Bank to safely circumvent the repercussions of the global financial crisis, unlike many other international financial institutions that have suffered huge losses due to the crisis.

On the other hand, the centralization of the decision making process within the Bank, that has been reinforced by Mr. Shoman's assumption of both the Chairman and Chief Executive Officer's positions, has enhanced the Bank's flexibility and speed of response to new developments and changes in the banking arena. In addition, Mr. Shoman represents the founders of the bank and is considered as a key figure in forming and executing Arab Bank's strategic direction; many international rating agencies have testified to that including Moody's report for the financial year 2008.

Moreover, and although the Chairman occupies an executive post at the Bank (Chief Executive Officer), he has been, nevertheless, very adamant on creating rules that would ensure the existence of an effective supervisory system to oversee and control higher management activities. Many Board committees have been formed to monitor the execution of Board resolutions and the performance of higher management individuals. It is worth mentioning that the Chairman is not member of the Nomination and Remuneration Committee, and that the Deputy Chairman – Mr. Sabih Masri – is an independent member of the Board, as defined by the Corporate Governance Guide.

Additionally, the bank has recently introduced the new post of "Assistant Chief Executive Officer", whose main scope of work extends to directly supervising five different department and lines of business within the Bank, while the Bank's Chief Operating Officer supervises four support departments.

Arab Bank Plc**JORDAN**

Telephone country code: 962

General Management

P.O. Box 950544, 950545,
941579

Shmeisani, Amman 11195

Tel. (6) 5600000, 5660140

Fax. (6) 5606793, 5606830

Main Branches**Amman, King Faisal St.**

P.O. Box 8 & 68

Amman 11118

Tel. (6) 4638161-9

Fax. (6) 4637082

Amman, Shmeisani

P.O. Box 950546

Amman 11195

Tel. (6) 5607231, 5607115

Fax. (6) 5670564

ALGERIA

Telephone country code: 213

Algiers

P.O. Box 537 Algeria

Algiers 16036

Tel. (21) 480002/3

Fax. (21) 480001

BAHRAIN

Telephone country code: 973

(No area code required)

Manama, Offshore Banking**Unit**

P.O. Box 813

Building No. 540/542

Manama

P.O. Box 395

Building No. 540/542

Road 1706, Manama 317

Tel. 17549000

Fax. 17540292

EGYPT

Telephone country code: 20

Cairo

Country Management – Cairo

P.O. Box 68 Al Mohandeseen

Tel. (2) 33029069-71

Fax. (2) 33029068

LEBANON

Telephone country code: 961

Beirut

P.O. Box 11-1015

Riad El-Solh Sq. – Banks Str.

Beirut 11072070

Tel. (1) 980153-4, 980246-9

Fax. (1) 980803, 980299

MOROCCO

Telephone country code: 212

Casablanca

P.O. Box 13810

174, Blvd. Mohammed V

Tel. (2) 2223152

Fax. (2) 2200233

PALESTINE

Telephone country code: 970, 972

Ramallah – Al-Balad

P.O. Box 1476, Ramallah

Tel. (2) 2978100

Fax. (2) 2982444

Gaza

P.O. Box 91

Omar Al-Mukhtar St., Gaza

Tel. (8) 2866288

Fax. (8) 2820704

QATAR

Telephone country code: 974

(No area code required)

Doha

P.O. Box 172

119 Grand Hammed Ave.

Tel. 4387777

Fax. 4410774

SINGAPORE

Telephone country code: 65

(No area code required)

Singapore

80 Raffles Place

32 – 20 UOB Plaza 2

Singapore 048624

Tel. 65330055

Fax. 65322150

UNITED ARAB EMIRATES

Telephone country code: 971

Abu Dhabi

P.O. Box 875

Sh. Tahnoun Bin Mohammad

Building, Naser St.

Tel. (2) 6392225

Fax. (2) 6212370

Dubai

P.O. Box 11364

Al-Ittihad St.

Tel. (4) 2950845

Fax. (4) 2955974, 2940847

UNITED STATES OF AMERICA

Telephone country code: 1

New York (Federal Agency)

520 Madison Avenue
New York, NY 10022-4237
Tel. (212) 7159700
Fax. (212) 5934632 (Credit
Department,
Fax. (212) 2233175
(Operations)

YEMEN REPUBLIC

Telephone country code: 967

Sana'a

P.O. Box 475 & 1301
Zubairi Road
Tel. (1) 276585-93
Fax. (1) 276583

REPRESENTATIVE OFFICES**CHINA**

Telephone country code: 86

Shanghai

Unit 1803, Shanghai Trade Sq.
188 Si Ping Road
Shanghai 200086
Tel. (21) 65077737/8
Fax. (21) 65072776

HONG KONG

Telephone country code: 852

Hong Kong

Suite 2711, Citibank Tower
3 Garden Road
Central Hong Kong
Tel. 28787800/2
Fax. 28787821

KAZAKHSTAN

Telephone country code: 7

Almaty

188 Dostyk Ave.
Almaty 050051
Tel. (3272) 596253
Fax. (3272) 596254

KOREA

Telephone country code: 82

Seoul

C.P.O. Box 1331
Daewoo Center Bldg.
14th Floor
541, 5-ka, Namdaemoon-ro,
Joong-gu, 100714 Seoul
Tel. (2) 7754290-3
Fax. (2) 7754294

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ASSOCIATED COMPANIES**

ARAB BANK (SWITZERLAND)
Telephone country code: 41

Zurich

P.O. Box 2023
Claridenstrasse 26
CH – 8022 Zurich
Tel. (44) 2657111
Fax. (44) 2657330

Geneva

P.O. Box 1096
CH – 1211 Geneva 3
Tel. (22) 7151211
Fax. (22) 7151311

ARAB BANK AUSTRALIA LTD

Telephone country code: 61

Sydney

P.O. Box N645
Grosvenor Place NSW 1220
Level 9 – 200 George Street
Sydney NSW 2000
Tel. (2) 93778900
(2) 92323844 (Dealing Room)
Fax. (2) 92215428

EUROPE ARAB BANK PLC

GENERAL MANAGEMENT
AND BRANCH

UNITED KINGDOM

Telephone country code: 44

13-15 Moorgate
London EC2R 6 AD
Tel. (20) 73158500
Fax. (20) 76007620

BRANCHES:**AUSTRIA**

Telephone country code: 43
P.O. Box 100
Seilerstatte 11 A, 1015 Vienna
Tel. (1) 5134240
Fax. (1) 51342409

FRANCE

Telephone country code: 33

P.O. Box 319
75365 Paris Cedex 08
26 Avenue des Champs Elysees
75008 Paris
Tel. (1) 45616000
Fax. (1) 42890978

GERMANY

Telephone country code: 49

Bockenheimer Land Str. 24
60323 Frankfurt am Main
P.O. Box 100127
Tel. (69) 242590
Fax. (69) 235471

ITALY

Telephone country code: 39

P.O. Box 150

Via Vincenzo Bellini, 24

00198 Rome (Parioli)

Tel. (06) 85455204

Fax. (06) 85355481

SPAIN

Telephone country code: 34

Paseo de la Castellana, 31-5

28046 Madrid

Tel. (91) 3084290

Fax. (91) 3086482

ARAB INVESTMENT**BANK S.A.L.**

Telephone country code: 961

Beirut

P.O. Box 11 – 7000

Riad El Solh Sq. – Banks St.

Beirut 11072070

Tel. (1) 985111, 985222

Fax. (1) 987333

FINANCE ACCOUNTANCY**MOHASSABA SA**

Telephone country code: 41

Geneva

Rue Neuve-du-Molard 24

P.O. Box 3155

CH – 1211 Geneva 3

Tel. (22) 9083000

Fax. (22) 7387229

ISLAMIC INTERNATIONAL**ARAB BANK PLC**

Telephone country code: 962

Amman

P.O. Box 925802

Wasfi Al-Tal Street

Amman 11110

Tel. (6) 5694901

Fax. (6) 5694914

AL-ARABI INVESTMENT**GROUP CO.**

Telephone country code: 962

Amman

P.O. Box 143156

Amman 11814

Tel. (6) 5522239

Fax. (6) 5519064

ARAB TUNISIAN BANK

Telephone country code: 962

Tunis

P.O. Box 520

9 rue Hadi Noura

Tunis 1001

Tel. (71) 351155

Fax. (71) 331383

OMAN ARAB BANK S.A.O.

Telephone country code: 968

(No area code required)

Ruwi

P.O. Box 2010

MBD Area, 112 Ruwi

Tel. 24706265

Fax. 24797736

ARAB BANK – SYRIA

Telephone country code: 963

Damascus

Al Mahdi Bin Baraka Street

Abo Romaneh

P.O. Box 38 Damascus

Tel. (11) 3348130/4

Fax. (11) 3349844

ARAB NATIONAL BANK

Telephone country code: 966

Riyadh

P.O. Box 56921

King Faisal Street

North Murabba–Riyadh 11564

Tel. (1) 4029000

Fax. (1) 4027747

ARABIA INSURANCE CO.

Telephone country code: 961

Beirut

P.O. Box 11-2172

Beirut

Tel. (1) 363610

Fax. (1) 365139

TURKLAND BANK A.S.

Telephone country code: 90

Istanbul

19 Mayis Mah. 19 Mayis Cad.

Caddesi Sisli Plaza A Blok 7

Sisli 34360 Istanbul

Tel. (212) 3683434

Fax. (212) 3683535

AB CAPITAL LIMITED

Telephone country code: 968

Dubai

P.O. Box 506582

Dubai Int'l Financial Centre

Bldg 5 – Level 5 – Dubai

Tel. (4) 5071200

Fax. (4) 5071214

**AL NISR AL-ARABI
INSURANCE CO.**

Telephone country code: 962

Amman

P.O. Box 9194

Amman 11191

Tel. (6) 5685171

Fax. (6) 5685890

Al Wahda Bank

Telephone country code: 218

Benghazi

P.O. Box 452 Benghazi

Libya

Tel. (61) 2224256

Fax. (61) 2224122

Arab Sudanese Bank

Telephone country code: 249

Khartoum

Khartoum East

Bldg. 7 – Dar Nizar, DE1 Sq.

Baladeya Street

Tel. (15) 5119490/1

Fax. (15) 5119533





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