

# ANNUAL REPORT 2014





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For the Year Ending December 31<sup>st</sup>, 2014





HIS MAJESTY  
**KING ABDULLAH II BIN AL HUSSEIN**



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### **Vision:**

Our vision to become Jordan's leading private financial institution. We strive to achieve this goal through acquiring advanced, secured services, in line with best banking practices.

### **Our Mission:**

Our mission is to provide our corporate, retail, and investment clients with customized high quality competitively priced financial solutions. Through both our ever-increasing and regularly enhanced range of cutting-edge banking solutions and our efficient distribution channels, we are committed to delivering world-class products and services that reward our stakeholders, customers, and our personnel.

### **Our Values:**

- Our employees are our greatest asset.
- Our clients are our first priority.
- Transparency is the foundation of our credibility.
- A sense of responsibility is the guide to our customer service.
- Our commitment is to continuous improvement.
- Our responsibility lies towards society.





**Mr. Michael Faiq Ibrahim Al-Sayegh**

Chairman

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

Vice Chairman

**Mr. Ayman Mahmoud Ahmad Kassab**

Social Security Corporation Representative

**H.E. Dr. "Mohammad Jawad" F. Hadid**

Member

**Mr. "Mohammad Khair" Ababneh**

First Jordan Investment Company Representative

**Mr. Saleh Mohammad Saleh**

Member

**Mr. Sharif T. Alrawashdeh**

Member



## Senior Executive Management

Mr. Abdul Mahdi Al-Allawi	General Manager
Ghada Mohammad Farhan Halloosh	Deputy General Manager for Operations and Support
Rajai Jeryas Dakhal Ullah Al-Qsous	Deputy General Manager for Business Banking
Rami "MOH'D JAWAD" Fu'ad Hadid	Chief Commercial Banking officer
Mohammad Ali Mohammad Al-Quran	Chief Credit officer
Ziad Abdelrazaq Saleem Fatayer	Chief Retail Banking and Branches officer
Ala'a Mohammad Salim Abd Alghani Quhof	Chief Human Resources & Administrative officer
Majdi Mahmoud Ibrahim Banat	Chief Operating officer
Mohammad Tawfiq Abdelrahman Amro	Chief Treasury and Investment officer
Ziad Rafati	Asst. General Manager- Finance
Fadel Jhaish Ayed Al-Dbeis	Asst. General Manager Remedial & Collection
Abdullah Ahmad Mousa Al-Amarat	Head of Internal Audit
Mazen Abd Alsalam Mahmoud Al-Khatib	Head of Risk
Mahmoud Ibrahim Mahmoud Mahmoud	Head of Compliance
Mr. Mahmoud Mahmoud	Compliance & AML Department Manager

## Directors of Departments

Wael Rabyeh	Head of Corporate Banking
Shaden Al-Otaili	Head of IT
Ibrahim Al-Alaween	Operations Development and Organization manager
Ashraf Al-Ajouri	Head of Trade Services
Noura Al-Jitan	Head of Human Resources
Yasser f Al-Qsous	Head of Engineering and Real Estate
Fadi Rabi'e	Head of Retail Banking
Khader Abu Saqri	Head of Central Banking Operations
Mohammad Obaidat	Head of SMEs Banking
Sami Al-Nabulsi	Financial Institutions and Correspondent Banking Manager
Hani Darweesh	Head of Treasury
Zeyad d Al-Ramahi	Head of Strategic Planning
Haitham Shamayleh	Head of credit Follow up
Ma'moun Mubarak	Head of Direct Sales and Bancassurance
Ruba Shehab	Head of Credit Control
Maher Halaseh	Head of Administration
Masoud Tanbour	Head of Legal Affairs

## Board of Directors Consultants

Jamal Hussein Itan Al-Raqad	Board Consultant on Public Relations Affairs
Waleed Zaki	Special Banking Services Consultant

Dear Shareholders,

I am pleased to present to you the 11th annual report of Jordan Commercial Bank (JCB) for the year ended 31 December 2014, outlining its main results.

Despite the unstable economic and political conditions that have continued to influence the world in general and the Arab region and surrounding countries in particular, with adverse local effects, the Jordanian banking sector, and JCB specifically, have managed to achieve good results. This may be attributed to the strength and soundness of the banking sector and the trust of customers, not to mention the prudent policies adopted by the Central Bank of Jordan (CBJ) in exercising control over the banking sector, thus maintaining its strength.



JCB achieved outstanding results in 2014 and witnessed a qualitative leap in operating results, marking the beginning of a new era for the Bank in line with the plans and strategic directions outlined in its five-year plan.

The 2014 financial results, net profit in particular, are attributed to the high growth rates seen in the various activities of the Bank with a focus on quality. Gross profit amounted to JD 17.7 million while the net profit before tax amounted to JD 13.8 million. Regarding the sources of funds, deposits grew by %9 in 2014 compared to 2013 while cash margins grew by %6 and bank deposits by %25. As for the employment of funds, working assets grew by %21, the direct credit facilities portfolio by %1 (due to restrictions on the granting of facilities) and the securities portfolio by %35. This is due to the Bank's emphasis on ensuring quality investments in funds and making a trade-off between return and risk in light of the limited investment opportunities in the banking market. The Bank also improved the quality of its credit portfolio by considerably reducing the ratio of non-performing loans to the total credit portfolio through debt settlement and collection efforts to reach %6.7 at the end of 2014 compared to %13.8 in 2013. The coverage ratio of non-performing loans amounted to %59, not including tangible collateral. These results reflected positively on the Bank's net profit. Net profit after tax amounted to JD 10 million compared to JD 3.2 million in 2013, a growth of %215. Return on capital reached %10.

In addition to achieving outstanding operating results, the Bank complied with the regulatory indicators specified by the regulatory authorities including liquidity and capital adequacy ratios. In this regard, the Bank managed its investments and sources of funds and improved the quality of its assets in line with these indicators.

Dear Shareholders,

The Bank's outstanding financial results were accompanied by an improvement in the Bank's internal processes as well as in the administrative and marketing areas, boosting the Bank's image amongst customers. The Bank upgraded its IT systems and continued the structuring process, improving several internal processes and procedures. It also developed the accounting function and approved a range of procedures and policies to control processes and activities and ensure compliance with the instructions of the regulatory authorities and the Board of Directors. JCB is one of the first banks in Jordan to comply with the PCI DSS which ensures the protection of customers' rights and property.

In addition to focusing on operational and administrative aspects and financial results, the Bank devoted more attention to customers, placing them at the heart of the banking experience. To that end, it centralized more processes and activities to focus the efforts of branches on customer service, turning them into advanced points of sale. The Bank also introduced a number of banking services and products to the local market and provided faster and better quality banking services. To facilitate the provision of services and create a positive perception among customers, the Bank upgraded a number of branches and ATMs and relocated others to areas more easily accessible to customers.

Moreover, the Bank focused on enhancing the skills of its employees and hiring new highly qualified and experienced employees to support the existing team. It offered training and qualification programs to its employees and motivated them by rewarding outstanding performance.

The Bank also continued to implement social responsibility programs, supporting and sponsoring many cultural and social activities and centers in addition to participating in several banking conferences and forums. The Bank also, in collaboration with other banks, fostered the concept of financial inclusion (the delivery of banking services to all segments of society) by utilizing advanced technology to provide banking services.

On this occasion, I would like to commend the relentless efforts of the members of the Board Directors in promoting the Bank's status and providing support and advice to the executive management, thus contributing significantly to our positive results. I would also like to acknowledge the efforts of the executive management and thank the Bank's employees at all levels for their dedicated teamwork.

Finally, despite the good results achieved by the Bank in 2014, we are keen to continue our development and modernization efforts to increase the Bank's market share and provide better services and more positive results in line with the Bank's goals and strategic directions. We hope that the coming years will carry more progress and prosperity for our Bank and for our beloved Jordan under the leadership of His Majesty King Abdullah II.

Michael Sayegh  
Chairman of the Board of Directors







# FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

**Deloitte.**

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### INDEPENDENT AUDITOR'S REPORT

AM / 8511

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

#### **Audit Scope**

We have audited the accompanying financial statements of Jordan Commercial Bank (Public Limited Shareholding Company), which comprise of the statement of financial position as of December 31, 2014, and the statements of income, comprehensive income, changes in owners' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

#### **Auditor's Responsibility**

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

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

## Deloitte.

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Jordan Commercial Bank (Public Limited Shareholding Company) as of December 31, 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Emphasis of a Matter

Without qualifying our opinion, we draw attention to what is mentioned in Note (12) to the financial statements, whereby the balance of deferred restructuring costs amounted to JD 3,451,666 as of December 31, 2014, which used to be amortized over ten years starting from the year 2004 according to the approved restructuring agreement by the Central Bank of Jordan and the Council of Ministers, and by the General Assembly of the Bank's Shareholders at that time. The International Financial Reporting Standards require to charge the balance of deferred restructuring costs to the shareholders' equity; however, based on the arrangement with the Central Bank of Jordan, the amortization of restructuring costs balance for the years 2011, 2012 and 2013 was deferred, provided that the Bank will continue to amortize the balance effective the beginning of the year 2014; whereby, an amount of JD 1,725,889 has been amortized for the year 2014 according to these arrangements.

### Report on Other Legal and Regulatory Requirements

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

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

Amman – Jordan  
May 19, 2015

  
Deloitte & Touche (M.E.) – Jordan

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

# STATEMENT OF FINANCIAL POSITION



ASSETS	December 31	
	2014	2013
	JD	JD
Cash and balances at central banks	101,320,285	123,785,204
Balances at banks and financial institutions	79,197,861	61,300,837
Direct credit facilities - net	523,866,661	517,278,113
Financial assets at fair value through profit or loss	4,815,485	5,440,483
Financial assets at fair value through comprehensive income	12,315,426	9,638,731
Financial assets at amortized cost	348,262,176	257,322,849
Property and equipment - net	24,995,740	24,367,275
Intangible assets - net	1,235,239	722,991
Other assets	72,706,077	55,124,044
<b>TOTAL ASSETS</b>	<b><u>1,168,714,950</u></b>	<b><u>1,054,980,527</u></b>
<b>LIABILITIES AND OWNERS' EQUITY</b>		
<b>LIABILITIES:</b>		
Banks and financial institutions deposits	140,332,699	112,175,777
Customers deposits	810,255,595	743,003,938
Cash margins	69,424,845	65,354,747
Borrowed funds	3,920,572	2,000,000
Provision for income tax	3,852,086	2,331,748
Other provisions	676,734	800,252
Other liabilities	16,388,943	15,263,377
<b>TOTAL LIABILITIES</b>	<b><u>1,044,851,474</u></b>	<b><u>940,929,839</u></b>
<b>OWNERS EQUITY:</b>		
<b>BANK SHAREHOLDERS' EQUITY:</b>		
Authorized and paid-up capital		
Statutory reserve	9,833,632	8,449,542
General banking risks reserve	5,395,871	5,140,276
Cyclicality reserve	1,317,633	897,196
Fair value reserve	(4,116,463)	(3,851,899)
Retained earnings	11,432,803	3,415,573
<b>Total Bank Shareholders' Equity</b>	<b><u>123,863,476</u></b>	<b><u>114,050,688</u></b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>	<b><u>1,168,714,950</u></b>	<b><u>1,054,980,527</u></b>

# STATEMENT OF INCOME



	For the Year Ended December 31,	
	2014	2013
	JD	JD
Interest income	67,614,111	57,049,342
Less: Interest expense	<u>(37,738,256)</u>	<u>(32,435,934)</u>
Net Interest Income	29,875,855	24,613,408
Net commission income	<u>5,632,466</u>	<u>4,914,855</u>
Net Interest and Commission	35,508,321	29,528,263
Foreign exchange income	1,831,116	916,530
(Loss) gain from financial assets at fair value through profit or loss	(613,255)	54,940
Cash dividends from financial assets at fair value through statement of comprehensive income	352,217	108,460
Other income	<u>8,558,000</u>	<u>4,958,021</u>
<b>Gross Income</b>	<u>45,636,399</u>	<u>35,566,214</u>
Employees expenses	11,402,439	9,737,020
Depreciation and amortization	2,571,108	2,328,383
Amortization of restructuring cost balance	1,725,889	-
Provision for impairment in direct credit facilities	5,211,295	10,365,470
Other provisions	244,778	195,394
Other expenses	<u>10,639,998</u>	<u>8,790,691</u>
<b>Total Expenses</b>	<u>31,795,507</u>	<u>31,416,958</u>
Income for the Year before Income Tax	13,840,892	4,149,256
Less: Income tax for the year	<u>(3,838,761)</u>	<u>(950,000)</u>
<b>Income for the Year</b>	<u>10,002,131</u>	<u>3,199,256</u>
Earnings per Share for the Year attributable to the Bank's Shareholders		
<b>Basic and Diluted</b>	<u>- /100</u>	<u>- /032</u>

	2014	2013
<b>Liquidity</b>		
Credit Portfolio-Net/ Customers' Deposits	64.7%	69.6%
Credit Portfolio-Net/ Total Assets	44.8%	49.0%
Liquid Assets/ Total Assets	45.0%	40.0%
Legal Liquidity Ratio	116.1%	108.6%
<b>Asset Quality</b>		
Net Non-Performing Loans (not covered by provisions)/ Credit Portfolio-Net	1.9%	3.6%
Coverage ratio	59%	66%
<b>Profitability Indicators</b>		
Return on Average Assets	0.9%	0.3%
Return on Average Equity	8.4%	2.9%
Efficiency Ratio	58%	60%
<b>Financial Soundness Indicators</b>		
Shareholders' Equity/ Total Assets	10.6%	10.8%
Capital Adequacy	13.13%	12.4%

## SUMMARY OF FINANCIAL STATEMENTS



	2014	2013	2012	2011	2010
Net interest income	29.88	24.61	22.86	21.93	21.34
Other operating revenues	12.23	9.36	7.95	7.11	5.66
Operating expenses	24.44	20.45	17.86	16.34	16.78
Net operating profit	17.66	13.52	12.95	12.70	10.22
Other revenues	3.53	1.59	0.74	4.38	0.77
Other provisions and expenses	7.35	10.97	10.65	18.07	3.82
Net profit after tax	10.00	3.20	2.06	(1.33 )	4.38
Total assets	1168.7	1055.0	844.3	801.4	762.8
Shareholders' equity	123.9	114.1	103.5	91.8	94.2
Credit portfolio-net	523.9	517.3	440.5	420.3	390.5
Securities portfolio	365.4	272.4	174.7	201.0	185.3
Cash and balances at banks	180.5	185.1	172.0	140.1	157.6
Customers' deposits	810.3	743.0	618.5	609.8	551.6
Cash margins	69.4	65.4	57.3	39.2	45.6
Bank deposits	140.3	112.2	38.9	44.4	47.7
Share price by the end of the year/JOD	1.16	1.04	1.00	1.10	1.64
Earnings (loss) per share/JOD	0.100	0.032	0.022	( 0.016 )	0.053

In JD Million

Jordan Branches			
Branch Name	Branch Location	Fax Number	Branch Number
Head Office	Al Bayader - King Abdullah II St.	5664110	06-5203000
Main Branch	Al Bayader - King Abdullah II St.	5203086	06-5203085
Shmeisani	Shmeisani - Isam Alajlouni St.	5203142	06-5203149
Jabal Amman	Jabal Amman Princess Mohammad St.	5621968	06-5203043
Commercial Complex	Queen Noor St.	5683657	06-5683716
Jabal Al Hussein	Jabal Al Hussein - Khaled bin Alwaleed St.	5203193	06-5203057
Abdali	Abdali - King Hussein St.	5661484	06-5656496
Mecca Street	Umm AlSummaq - Mecca St.	5821811	06-5203147
Amman	Down Town- King Hussein St.	5203197	06-5203046
Yarmouk	Wehdat - Al Yarmouk St.	4778685	06-4777953
Al Qweismeh	Amman - Madaba St.	4784692	06-5203049
Marka	Marka - King Abdullah I St.	4883665	06-5203045
Abu Nseir	Abu Nseir - Main St.	5233379	06-5238828
Sweileh	Sweileh - Yajouz St.	5356890	06-5348736
Fuhais	Fuhais - Shaker Ta'emah Circle	4720520	06-4720969
Wasfi Al-Tal Street	Wasfi Al-Tal St	5525676	06-5203137
Sweifiah	Galleria Mall- Abd Alraheem Haj Mohammad St.	4017608	06-5203047
Al Hashmi Al Shamali	Al Batahaa St.	5203177	
Al Zarqa	Zarqa - AL Sa'adah St.	05 3993290	05-5203048
Madaba	Madaba - King Abdullah II St.	05 3246931	05-5203191
AL karak	AL Karak - Main St. - Al Thinyah	03 2386967	03-5203044
Aqaba	West Wehdat - Ibn Roshd St.	03 2014166	03-5203076
Salt Branch	Salt - AL Baladyah St.	05 3551561	05-3550895



Jordan Branches			
Branch Name	Branch Location	Fax Number	Branch Number
Muadi	Dair Alla - Main St.	05 53571761	05-3571761
Iribd	Iribd - Baghdad St. - Intersection of Al Qirawan circle	02 7243036	02-5203148
Aydoun Street	Iribd -Aydoun St.	02 7251785	02-7251783
Irbid Office	Iribd - Al balad - Cinema St.	02 7247087	02-7240051
Ramtha	Ramtha - Al Baladyah Building - Arab Unity St.	02 7381857	02-7380656
Mafraq	Mafraq - Eastern neighborhood- Khaled Abu Summaqah St.	02 6236679	02-5203136
Yajouz	Northern Mountain Area-King Abdullah II St.	05 3751677	05-5203135
Palestine Branches			
Regional Management	Ramallah - Berlin St.	97022987682	00970-2-2989231
Ramallah Branch	Ramallah - Berlin St.	97022987682	00970-2-2989231
Ramallah Office	AL Manarah Field - City Center Building	97022963723	00970-2-2989231
Beit Lehem	Beit Lehem - Al Mahed St.	97022963723	00970-2-2987680
Nablus Branch	Nablus - The circle - Nablus Municipality Complex	97092381953	00970-9-2382191
Tolkarem Branch	Tolkarem - Samarah and Al A'araj Building	92676591	00970-9-2676583





Tejari Mubasher: 06-5209000

 Jordan Commercial Bank

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