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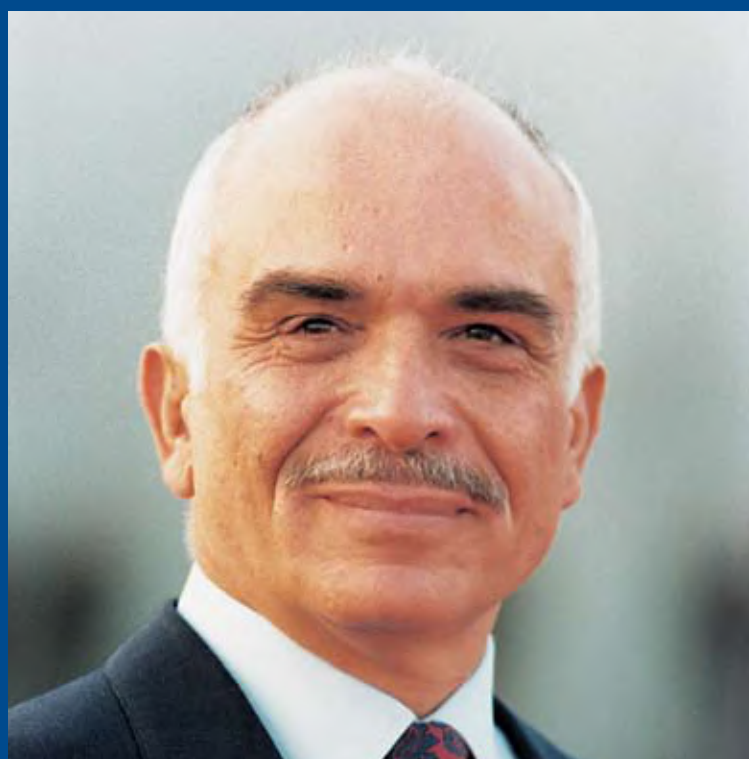
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2006 Annual Report

2006

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Capitalbank
كابيتال بنك



His Majesty the Late King Al Hussien Bin Talal



His Majesty King Abdullah II Bin Al Hussien

✦	Board of Directors	8
✦	Chairman & Chief Executive's statement	11
✦	Board of Directors Report for 2006	15
	✦ Introduction	17
	✦ Corporate banking	18
	✦ Retail Banking	20
	✦ Treasury & Money Markets	22
	✦ Capital Investments	23
	✦ Capital Tower Fund	26
	✦ Risk Management	27
	✦ Corporate Social Responsibility	28
✦	Auditor's Report	30
	✦ Financial Statements 2006	33
	✦ Other Disclosers	88

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Over the years our endeavor has been to
foresee trends and developments, our mandate is to
create change where ever we go,
Capital bank... a new name for a new era of
accomplishments that grow and thrive with each step we take.. ”



Chairman

"Moh'd Ali" K. Al-Husry

Vice Chairman

Fayez M. Soheimat

Members

Mohammed M. El-Seif

Chairman / El-Seif Development Company

Mazen S. Darwazah

Chairman / Hikma Pharmaceuticals

Abdel Raouf W. Al-Bitar

Chairman / Al-Manhal Water Factory Co. Ltd

Dr. Marwan Al Mu'asher

Member of the Jordanian Senate

Investment & Integrated Industries Company

Represented by Chairman / Elia C. Nuqul

Social Security Corporation

Represented by Pension Department Manager / Yehya Abu Ersheid

Bayader Trade & Investment Company

Represented by Chairman / Amer M. Fariz

Spumante Comercio Internacional LDA

Represented by Mansour Fustouq

Al-Khalil Investments

Represented by Fawzi Jumeian

“ Our vision is to grow domestically and regionally while providing our clients with high service quality, innovation and a variety of financial products and services ”



On behalf of our board of directors, I am delighted to present to you the Eleventh Annual Report under our new name Capital Bank of Jordan covering the financial year 2006. The favorable economic conditions in the region over the past few years in addition to our Bank's strong financial standing have allowed us to bring forward positive results, reflecting robust growth in various business areas. Our ability to manage risk and cost was evident in the quality of earnings during the year. Thus, for this year, our net profits reached JD 18.1 million, while earnings per share (EPS) reached JD 0.158. Over the course of the year we managed to achieve some outstanding growth rates, our total assets grew by 22.6% reaching JD 856 million, total credit facilities increased by 26% reaching JD 500 million and total deposits grew by 24% reaching JD 434 million. Noteworthy is that the abovementioned growth rates are among the highest achieved by banks in Jordan for the year 2006. Our positive performance over the year has solidified our credit ratings as Capital Intelligence reiterated the previous financial strength rating of BBB making us one of the top rated banks in Jordan for the second year in a row.

Despite a highly competitive environment, we were able to close the year 2006 with a well diversified and high performing credit portfolio. Our plan for 2006 was to further increase the credit extended to the retail sector, this materialized as the credit extended to the retail sector increased by 45% whilst maintaining a relatively low Non-performing loans ratio of around 2.3%, which is one of the lowest in the industry.

In line with our strategy of providing expanding our retail and branch network we are in the process of opening three new branches in Amman and a second branch in Aqaba. In addition, during the second half of 2007 we will be opening five more branches in Amman bringing up Capital Bank's total number of branches to fifteen by the end of the year.

The Amman Stock Exchange along with the regional stock markets have witnessed vast correction where the ASE index fell by 32.6% closing at 5518.1 points, and ASE Market capitalization decreased by 21% during 2006 reaching JD21.08 billion. In spite of this, the Jordanian economy delivered buoyant performance according to preliminary data GDP growth rate reached 6.4% while inflation increased to 6.25%. Due to the risky nature of capital markets and in order for us to minimize the negative impact of the correction that the local stock market witnessed in 2006, we were very aggressive at bringing down credit facilities extended to clients for investing in shares. As for Capital Bank's own portfolio our sound investment strategy over the years has allowed us to diversify our revenue sources in order to perform well across all market cycles.

During 2006 we unveiled our new corporate name "Capital Bank", brand identity and logo. Our new brand identity better reflected the bank's current & future strategic vision of advancing its services to all sectors of

Our net profit reached
JD 18.1 million

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society. The process of rebranding is a major strategic initiative that demonstrates to our customers, employees, and shareholders how the bank has evolved over the years. This new corporate identity will distinguish our Bank from the competition as a provider of first-class services by a young and modern entity.

The spin-off of the investment banking and capital markets division into a separate wholly owned subsidiary was completed in 2006. The new entity's name is Capital Investments and it is run independently from the bank under the umbrella of Capital Group. Capital Investments offers its clients a wide array of corporate finance, research, asset management and brokerage services, and thus allows us to exploit growth opportunities in areas where we can leverage our competitive strengths. The services that Capital Investments provides will remain an integral part of our business that will ensure our diversification.

As for our strategic partnership agreement with the National Bank of Iraq (NBI), whereby Capital Bank acquired majority share of NBI's paid up capital in addition to management control. Our investment in NBI has proved to be very challenging due to the security condition and the political instability facing Iraq. Despite of this our strategic partnership has allowed us an entry point into the promising Iraqi market with its huge potential for growth. During 2006 we managed to capitalize on our presence in Iraq to promote our trade finance business and increase its volume; which will increase even further as the NBI will open a branch in Iraqi Kurdistan during 2007. This partnership was our first important stride towards our regional expansion; more is to come as we seek to exploit growth opportunities in regional markets while meeting our customers' needs wherever they may be.

As Amman is well-positioned to be the commercial hub for the Levant region, Capital Bank bought a plot of land with an area of 6,433 m² within the prestigious Al-Abdali urban regeneration project area, to be developed into the tallest commercial tower in Amman "Capital Tower". This tower will stand at 220m high and is meant to be an iconic landmark property in the landscape of the new Amman. Capital Properties, which is under establishment, will be owned by Capital Bank and will manage the real estate fund set up to develop the project. Proceeds from the sale of shares in this independent fund will be used to finance the project.

Looking ahead, we will pursue growth by attracting more customers and expanding our relationship with the ones we already have. Our vision is to grow domestically and regionally while providing our clients with high service quality, innovation and a variety of financial products and services.

Over the past couple of years Jordanian banks have been racing against time to increase their paid up capital in anticipation of Central Bank of Jordan's increase of the minimum capital requirements to JD 100 million by 2010. We at Capital Bank have already surpassed the JD100 million mark during 2005, but we still believe that in order for us to capture growth opportunities in the local and regional markets we need to increase our capital base even further in the years to come. Thus, for this year I am pleased to announce the distribution of JD 7 million of stock dividend, bringing up our paid-up capital to JD 123 million. Despite the unfavorable effect that this further increase in capital will have on our ROaA and ROaE in the short term, we believe that this increase in capital will allow us to benefit from growth opportunities available in the market while maintaining our long-standing strategy of balancing risk against return.

On behalf of Capital Bank I would like to take this opportunity to thank our clients and shareholders for their trust. I would also like to thank and give credit to our dedicated employees, our management and the board of directors. Finally, I wish to extend my sincere appreciation to the Central Bank of Jordan for their continuous support and guidance.

Ali K. Al-Husry
Chairman & CEO

“ we still believe that in order for us to capture growth opportunities in the local and regional markets we need to increase our capital base even further in the years to come ”



The Board of Directors takes pleasure in welcoming the general assembly in its eleventh ordinary annual meeting and in presenting the Annual Report of Capital Bank of Jordan for the year 2006, incorporating its activities, results and notes to its financial statements.

During 2006 we managed to bring forward positive results, reflecting robust growth in various business areas. Thus, for this year, our net profits reached JD 18.1 million, while earnings per share (EPS) reached JD 0.158.

The return on average assets reached 2.32% during 2006 while the return on average equity reached 12.33%. The liquidity ratio reached 116.24% compared to the 100% required by the Central Bank of Jordan. In addition, Capital Bank maintained the strength of its capitalization, with a capital adequacy of 23.2% compared to the 12% required by the Central Bank of Jordan and the 8% by Basel. The Bank was able to maintain a relatively low non-performing loans ratio of 2.31%, which is considered to be one of the lowest in the industry. The level of coverage on the non-performing loans reached 69%.

The Amman Stock Exchange along with the regional stock markets have witnessed vast correction where the ASE index fell by 32.6% closing at 5518.1 points. Due to the risky nature of capital markets and in order for us to minimize the negative impact of the correction that the local stock market witnessed in 2006, we were very aggressive at bringing down credit facilities extended to clients for trading in shares. As for Capital Bank's own portfolio our sound investment strategy over the years has allowed us to diversify our revenue sources in order to perform well across all market cycles.

Our strategy of retaining earnings has proved its success over the years. It has provided us with a considerable position of strength to grow domestically and regionally. And in order for us to capture growth opportunities in the local and regional markets we need to increase our capital base even further in the years to come. In line with our long-standing strategy of stock dividends, this year we will propose to the General Assembly the distribution of 7 million stock dividend.

During 2006, Capital Bank's Corporate Banking business focused on the thorough understanding of client's financial needs and solutions that meet their objectives. This service was delivered through highly trained and experienced professionals. The Corporate Banking group adds and creates value for its customer base through providing a wide range of products and services ranging from modest credit lines to complex structures of trade and project finance. Capital Bank has a dedicated team of highly qualified relationship managers specialized in all sectors of the economy, and serving all types and sizes of clients including private and public entities.

To ensure the most satisfying services to corporate clients, the relationship managers coordinate and liaise with other departments at Capital Bank and Capital Investments such as Investment Banking, Corporate Finance, Asset Management, and Trade Finance.

During 2006 two new departments were established within the Corporate Banking division; the Business and Product Development department the objective of this department is to focus on attracting new prime clients and to create innovative corporate products for new and existing clients. The second department is the Credit Quality Assurance; this department's main purpose is to monitor and maintain the quality of the credit portfolio, and keep the NPL ratio at its minimum

In 2007, Capital Bank plans to grow its portfolio through attracting new productive business relationships that generate other ancillary business for the Bank, as well as add value to the National Economy. Net facilities increased by 17.6% over the past year to reach JD 421 million representing approximately 49.2% of total assets.

The table below illustrates how Capital Bank's portfolio is spread out among various economic sectors:

SECTOR	JD MILLION	PERCENT
Manufacturing	69,912,510	16.2%
General Trade	58,270,511	13.5%
Transport Services	17,272,743	4.0%
General Services	31,337,545	7.26%
Real Estate	28,529,819	6.61%
Investment in shares	110,345,280	25.56%
Other	116,093,614	26.89%
Total	431,762,022	100%

Despite the increase in the credit portfolio, through our emphasis on credit quality assurance systems and credit procedures, we were able to maintain a relatively low NPL ratio of 2.31%, which is well below the Banking sector average. We remain comfortable with the quality of our credit portfolio and further reduction of the NPL ratio will remain a major objective and challenge as we go forward.

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Net credit facilities reached
JD 421 million

Over the past year Capital Bank has expanded its Retail Banking business through further development of its existing products and the introduction of a variety of innovative customized products and services. The Bank has managed to increase its retail-lending portfolio by 45% to reach JOD 68.35 Million, despite the fierce competition between banks on the level of retail products and services in 2006.

Retail Banking is a fairly young concept in Jordan; the Bank penetrated this market in early 2003 the Bank has been playing a major role in shaping, defining and developing this market. In the past year, the Retail Banking division was restructured to be able to serve its customers in a more efficient manner. The objective was to decrease transaction time and to provide all the Bank services through one channel, as a one-stop-shop. The Bank has also been able to set numerous trends in the market, and play a major role in the essential process of creating awareness and spreading financial knowledge. Capital Bank has been able to differentiate its products by linking them with a tactical promotion, or by developing innovative products that fulfill un-addressed needs.

On many occasions, Capital Bank has demonstrated its leading and confident attitude and demonstrated its innovative edge, an example was the "Mabrookeh Aalaik" campaign, the first of its kind in the region, whereby a car was given out as a gift with each housing loan. As part of its ongoing initiatives, the Bank signed agreements with prominent real estate developers in order to finance the purchase of units within their projects on pre-mortgage basis. Other banks have followed Capital Bank steps during 2006 by offering similar services.

Capital Bank's high responsiveness and sensitivity to the ever-changing needs of its client base, has been proven by the quick and effective campaign for a line of products (energy saving loans) that have been customized in order to cater for the sudden need for low-energy fuel saving alternatives, resulting from the increase in oil prices. Capital Bank has enhanced the appeal of its housing, car, personal, land, as well as boat & Jet Ski loan programs by adjusting the criteria and adding product benefits.

Moreover, consistency in the level and quality of service plays a major role in maintaining the current customer base. Loyalty is a long-term goal that requires a very high-level quality service in a consistent manner. Capital Bank established a new department to monitor the quality of service at all interaction points; this quality assurance unit handles all customer complaints.

In line with the Bank's strategy of responding to its client's needs, Capital Bank is working on expanding its branch network throughout the Kingdom to reach a total of fifteen branches by the end of 2007.

All branches will be equipped with Automated Teller Machines (ATMs), and will be inline with the Bank's new identity. Currently the Bank's branches are undergoing a re-branding initiative as to measure up to the new brand standards, and provide its clients with a more comfortable and welcoming feel. The Bank also has planned for a network of offsite ATMs that are to be placed in premium locations; in addition to its membership in the network linking many Banks in the kingdom (JONET), which enables Capital Bank card-holders to use any ATM of any other member Bank.

In 2007 the Retail Banking division will further increase its market share, by executing a very aggressive sales and marketing plan that involves establishing a new direct sales unit and a call/web center to handle all queries and applications through the phone or the website, as well as improving indoor sales and cross sales attempts. The larger branch network in 2007 will strengthen the Bank's edge, allow for a wider target market and increase the Capital Bank appeal. The Bank is also planning on widening its target market by developing new specialized products for women and for students, so as to attract new business.

Furthermore, the division will focus on further improving the quality of service so as to maintain the current client base and increase levels of customer satisfaction. Moreover, Capital Bank has taken major steps to promote its credit card services, as well as participating in nationwide Visa and MasterCard campaigns. In 2007, the Bank will concentrate on increasing its volume of business in regards to credit cards in terms of number of cards as well as increased usage. The marketing plan involves introducing new plastic payment products and promotional marketing and advertising campaigns.

Capital Bank branches to reach 15 by the end of 2007

15

TREASURY AND MONEY MARKETS

Throughout 2006, the treasury department dealt efficiently with changes related to the money markets. The department provided the Bank with the optimum financial structure to mitigate market risk volatility in the areas of interest rates and foreign exchange. In addition, the treasury department provided the Bank with the appropriate liquidity by matching the Bank's assets with its liabilities.

Some of the quality services offered to customers include: offering currencies and precious metal transactions through numerous types of contracts such as; spot, forwards, interest rate swaps, currency swaps, as well as margin trading; with the purpose of hedging against foreign exchange fluctuations.

The treasury department traded local and international treasury bills and bonds for the Bank's own portfolio in addition to clients' portfolios. Furthermore, the department plays an important role and is an active player in the local secondary bond market through continuously providing clients with bid and ask prices. It also constantly strives to present clients with all related financial news in addition to keeping them up to date with the latest information and analysis on fixed income products such as; government bonds, corporate bonds, and commercial papers issued by local and multinational companies. Moreover, the department works in partnership with other areas in the Bank, so as to provide timely, innovative, and cost-effective solutions to customers

The department's revenue from foreign exchange during 2006 reached JD 1.2 million.

The spin-off of the Investment Banking and capital markets activities into a separate wholly owned subsidiary was completed in 2006. Capital Investments offers its clients a wide array of corporate finance, research, asset management and brokerage services, and thus allows us to exploit growth opportunities in areas where we can leverage our competitive strengths.

Local Brokerage

In 2006 the local brokerage unit closed the year ranking 12th among 64 licensed brokerage houses, with a volume of almost JD 851. A team of qualified brokers follows up on the clients' needs and provides them with all the information available to them with regards to listed companies' and price movements.

During 2007 the local brokerage unit will launch an online trading service. This new service will include many features and will allow clients to trade electronically and view their updated portfolios on-line.

Regional Brokerage

During 2006, the regional brokerage unit significantly expanded its operations to cover GCC Countries, Egypt, Lebanon, and Palestine. Regional brokerage clients doubled in numbers during 2006. This was reflected in the increase in the overall trading volumes mainly the Egyptian and Kuwaiti stock markets.

International Brokerage

The international brokerage unit provides a wide range of investment services to corporate and private investors. We offer our clients' full brokerage services by executing their instructions of buying and selling securities at all major international stock exchanges around the globe. With the wide range of products, the international brokerage team gives our clients the ability to trade International Equity, Exchange Traded Funds (ETF's), options on Equity & Index, Complex spreads, Mutual Funds, and Futures.

To facilitate our client's investment decisions, the international brokerage expert team furnish its clients with overall market fundamental and technical analysis; company specific fundamental and technical analysis; option strategies to meet risk-return structure; as well as, periodic training and educational courses for clients. Moreover, as we managed in 2006 to expand our coverage to include Europe and the Far East, we will launch a variety of new products in the first quarter of 2007. Some of these new products are future contracts on Index, Equity and Commodities, as well as, structured guaranteed issues.

The investment policy is based on active asset allocation, which is believed to be the most important factor in determining portfolio returns and risk levels. The stated investment policy and objective of each portfolio determines its asset allocation, after adjusting for the general economic outlook and equity valuations. The unit's overall strategy is to increase total Assets Under Management (AUM), while ensuring a superior investment performance track record.

Starting March 2005, Capital Bank launched the Horizon Fund, an open-ended mutual fund incorporated in Jordan. The Fund aims at achieving a long-term capital appreciation of the Net Asset Value (NAV) of the Fund through maximizing the market value of its investments in various asset classes on local, regional, and global basis, while minimizing investment risk through diversification. Moreover, new mutual funds and investment products are expected to be launched during 2007.

Research

Capital Investment's research team continued to produce publications and studies on individual public shareholding companies, macroeconomic conditions, financial markets, and various sector analyses. The research department's strong and credible research remains an integral part of the advisory functions to several local, regional and international funds on Jordanian equity and macroeconomic developments. During 2006, the research department and The Jordan Center for Public Policy Research & Dialogue published "The Jordanian Economy into the Third Millennium". The report provides in-depth coverage of the Jordanian economy including an overview of economic performance over the past few years.

Asset Management

The Asset Management team provides tailor-made portfolios to reach a broad range of investors' requirements and preferences. The objective of Asset Management activities is to design a personalized investment program for clients, based on their individual needs. Examples of managed portfolios include capital guaranteed, growth, balanced and leveraged portfolios, in addition to a broad range of specifically tailored portfolios in either JOD or US\$. The unit encompasses High Net Worth (HNW) Individuals, Public Shareholding Companies, Provident Funds and Foundations.

Corporate Finance

In 2006, the Corporate Finance department of Capital Investments played an instrumental role in restructuring the largest publicly listed information technology (IT) and consulting company in Jordan. The department acted as the financial advisor to a conglomerate of investors operating in IT-related businesses, following their acquisition of Al-Faris Company for Export & Investment (CEBC), currently listed on the Amman Stock Exchange. Capital Investments is currently acting as the issue manager for CEBC's capital raise to JOD 25 million and will continue to work side-by-side with CEBC (recently re-branded into Optimiza) to support and facilitate the implementation of the company's aggressive 5-year M&A growth plan.

Capital Investments was appointed as the financial advisor to a consortium of investors for the successful Leveraged Buy-Out (LBO) of a majority stake in publicly listed Real Estate Commercial Investment Company (REIN). The department is currently working closely with REIN's new management team to ensure that a smooth financial and operational restructuring plan is implemented in line with the company's future plans.

During 2006, the Corporate Finance department maintained its commitment to providing alternative short-term working capital needs to prime Jordanian corporations through the successful arrangement and issuance of two separate Commercial Paper programs for Middle East Complex for Engineering, Electronics & Heavy Industries (MECE) and Bindar for Trading & Investments (BIND), which totaled USD 22 million.

Additionally, the department arranged and coordinated the receiving bank activities for numerous local Initial Public Offerings (IPOs). Moreover, the department has been mandated as financial advisor and issue manager for a number of IPOs, which are currently in progress and expected to be completed during 2007.

22

Arrangement and issuance of commercial paper programs totaling \$ 22 million

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CAPITAL TOWER FUND

Capital Bank of Jordan bought a plot of land with an area of 6,433 m² within the prestigious Al-Abdali Urban Regeneration Project area, to be developed into the tallest commercial tower in Amman. Capital Tower will stand at 220m high and will be an iconic landmark property in the landscape of the new Amman. The tower will comprise over 143,000 m² of construction area and a built up area of over 87,000 m². Designed by Foster and Partners, the renowned architectural firm, Capital Tower will encompass state-of-the-art office and retail space.

Capital Properties, which is under establishment and 100% owned subsidiary of Capital Bank will manage the real estate fund set up to develop the project. Capital Tower Fund will be a close-ended real estate investment fund with a 5-year investment horizon. Net proceeds from the sale of shares in the fund will be used to finance the project's development, which will be marketed for sale on a freehold basis. Depending on prevailing market conditions, upon the fund's maturity, a Real Estate Investment Trust (REIT) can be established and listed on a local or regional stock exchange as a potential exit strategy.

The project will cost approximately \$170 - \$200 million and is expected to be completed in 4 years.

In response to the rapid innovations in the banking environment and the need to enhance the corporate governance structure of banks, Capital Bank of Jordan has established an independent Risk Management Department to meet recent regulatory developments and the challenge of implementing the Basel II accord. The Department guarantees the efficient allocation of capital to derive optimal risk and return ratios, while executing the identification, measurement and ongoing control of all financial and non-financial risks that could negatively impact the Bank's performance and reputation.

Risk Management at Capital Bank operates in accordance with accepted bank practices and through a risk governance structure, as represented by the implementation of appropriate risk strategies and policies, which are approved by the Board of Directors and Risk Committees in addition to the Risk Management Department.

The Bank has selected one of the best international consulting companies to adopt an effective Control Risk Self Assessment (CRSA) methodology to identify, assess, and control the Bank's operational risk. This tool will provide an advantage for the Bank to meet the Basel II requirements for calculating the operational risk capital charge under the Advanced Measurement Approach (AMA).

Based on CRSA methodology, in 2006 the Bank developed its operational risk policy to be used to enhance the risk based audit approach. In the same year, the risk profile for the main business units of the Bank was built. In 2007, it is planned that the risk profile for the rest of the units, in addition to the Bank profile, will be completed.

Business Continuity Planning is considered one of the primary techniques for operational risk mitigation. The Bank has selected a company specialized in business continuity planning to build its business continuity program. The projected phases and deliverables are compliant with international standards and the Central Bank of Jordan directives; the project will be completed in 2007.

It is worth mentioning that the Central Bank of Jordan issued directives on the adoption of Basel II standard in 2006. These directives required all banks in Jordan to adhere to the Basel II regulations, effective 1st Jan 2008, in terms of both the Minimum Capital Requirements (MCR) described in Pillar I, and the required Reporting Disclosures defined in Pillar III. According to these directives, as preliminary stage, Jordanian banks are going to adopt the standardized approach for calculating the minimum capital requirement for credit and market risks, and the Basic Indicator Approach (BIA) for operational risk.

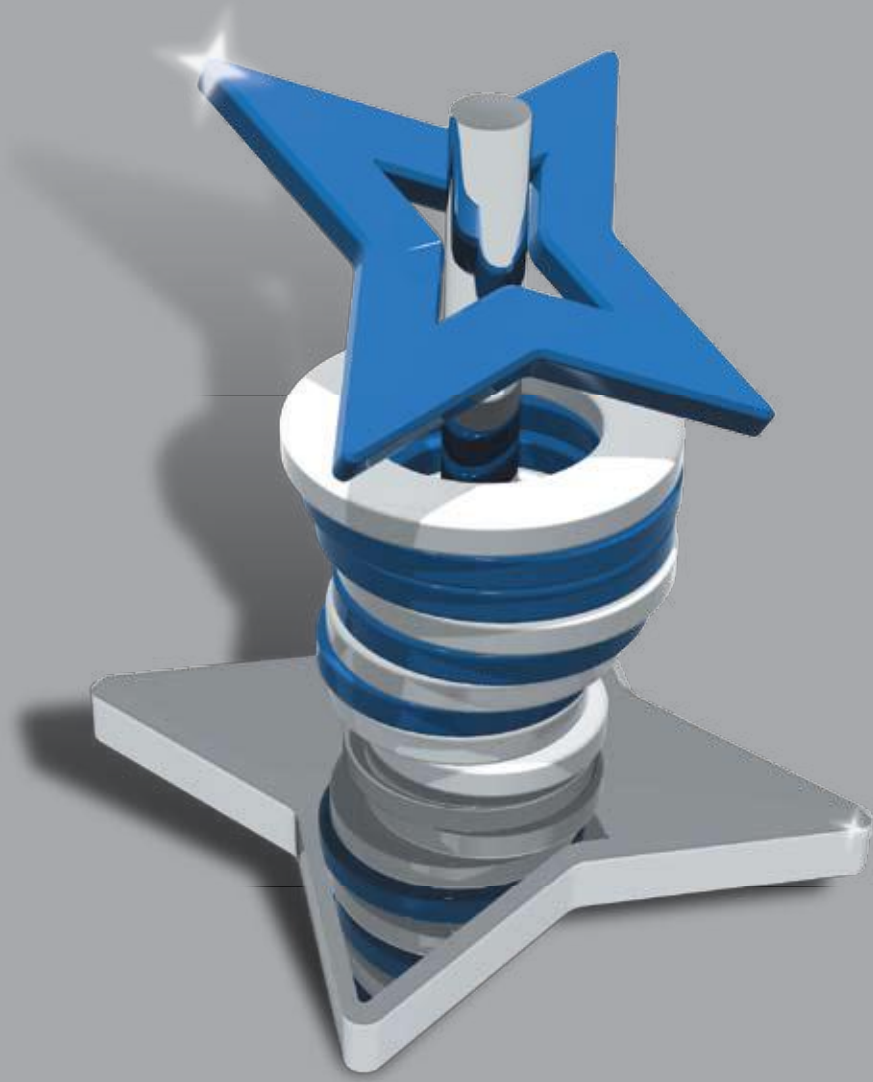
Details of risk definition and risk policies are provided in notes 42-46.

CAPITAL BANK & SOCIAL RESPONSIBILITY

Capital Bank is committed to giving back to the local community through maintaining a relationship with underprivileged groups within the society, and making best use of its resources to the maximum common benefit of both society and the Bank. The most notable of the Bank's efforts include:

- ✦ Supporting charitable organizations involved with orphans and the poor, including sponsoring 2 households at the SOS Children's Village.
- ✦ Building the head office for the Orphan Care Charitable Society, and sponsoring many children on a monthly basis, in addition to purchasing a bus for the association's use.
- ✦ Participating in the national greening project through sponsoring the greening and rehabilitation of unplanted lands.
- ✦ Supporting special needs institutions, including providing financial assistance to Al-Hussein Cancer Center.
- ✦ Helping to reduce the humanitarian crises in the region by providing medications and health-related necessities for Palestinian and Lebanese citizens.

The Bank will continue to support the underprivileged classes of society, with plans to help broaden the knowledge and education of the general public, thus enhancing overall living standards.



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CAPITAL BANK OF JORDAN AMMAN - JORDAN

We have audited the accompanying financial statements of CAPITAL BANK OF JORDAN (a public shareholding company) and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at December 31, 2006 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.

Directors' Responsibility for the Financial Statements

The Directors are 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2006 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Capital Bank of Jordan

Consolidated Balance Sheet as of December 31, 2006
(In Jordanian Dinars)

	Notes	2006	2005
Assets			
Cash and balances with Central Banks	4	80,694,003	83,451,062
Balances at banks and financial institutions	5	150,988,307	117,700,395
Deposits at banks and financial institutions	6	6,381,000	354,500
Trading investments	7	41,962,183	26,141,549
Direct credit facilities, net	8	489,727,259	384,917,089
Available for sale investments	9	35,381,794	31,958,773
Held to maturity investments, net	10	11,910,500	24,173,696
Premises and equipment, net	11	8,934,984	5,144,522
Intangible assets, net	12	4,406,786	4,102,689
Deferred tax assets	20	419,368	-
Other assets	14	25,568,539	20,417,915
Total Assets		856,374,723	698,362,190
Liabilities And Equity			
Liabilities -			
Banks and financial institutions' deposits	15	59,407,850	42,539,437
Customers' deposits	16	433,597,400	348,925,605
Margin accounts	17	56,786,429	55,152,999
Loans and borrowings	18	132,614,564	102,041,751
Sundry provisions	19	289,534	77,028
Income tax liabilities	20	7,558,863	758,747
Deferred tax liabilities	20	95,789	930,311
Other liabilities	21	9,032,524	12,001,588
Total Liabilities		699,382,953	562,427,466
Equity			
Equity attributable to the Bank's shareholders			
Paid in capital	22	116,000,000	101,433,789
Additional paid in capital	22	709,472	-
Statutory reserve	23	11,155,839	8,515,917
General banking risk reserve	23	4,249,380	3,694,171
Foreign currency translation adjustment	24	1,235,542	28,230
Cumulative changes in fair values, net	25	(209,833)	108,088
Retained earnings	26	10,481,141	2,396,530
Proposed issue of bonus shares	27	7,000,000	14,000,000
Total equity attributable to the Bank's shareholders		150,621,541	130,176,725
Minority interests	28	6,370,229	5,757,999
Total Equity		156,991,770	135,934,724
Total Liabilities and Equity		856,374,723	698,362,190

The accompanying notes from 1 to 56 are an integral part of these financial statements

Capital Bank of Jordan

Consolidated Income Statement for the Year Ended December 31, 2006
(In Jordanian Dinars)

	Notes	2006	2005
Interest income	29	56,129,857	32,720,366
Interest expense	30	<u>30,382,805</u>	<u>14,914,809</u>
Net interest income		25,747,052	17,805,557
Net commission	31	<u>4,893,737</u>	<u>4,764,426</u>
Net interest and commission income		<u>30,640,789</u>	<u>22,569,983</u>
Gains less losses arising from dealing in foreign currencies		1,155,020	1,365,053
Gains less losses arising from trading investments	32	(1,058,792)	9,321,817
Gains less losses arising from available for sale investments	33	1,416,732	670,421
Other income	34	<u>4,352,652</u>	<u>10,464,844</u>
Gross profit		<u>36,506,401</u>	<u>44,392,118</u>
Employees' cost	35	5,218,072	5,517,834
Depreciation and amortisation	11 & 12	957,083	640,048
Other expenses	36	6,163,247	4,616,999
(Excess in) provision for credit losses	8	(686,514)	1,727,287
Sundry provisions	19	<u>386,733</u>	<u>741,764</u>
Total expenses		<u>12,038,621</u>	<u>13,243,932</u>
Profit before income tax		24,467,780	31,148,186
Income Tax	20	<u>6,407,875</u>	<u>9,789,197</u>
Profit for the year		<u>18,059,905</u>	<u>21,358,989</u>
Attributable to:			
Bank's shareholders		18,279,742	21,269,819
Minority interests	28	<u>(219,837)</u>	<u>89,170</u>
		<u>18,059,905</u>	<u>21,358,989</u>
Basic earnings per share	37	<u>0.158</u>	<u>0.199</u>

Capital Bank of Jordan

Consolidated Statement Of Changes In Equity for the Year Ended December 31, 2006
(In Jordanian Dinars)

	Bank's shareholders equity											
	Paid in capital	Additional paid in capital	Reserves			Foreign currency translation adjustment	Cumulative changes in fair values	Retained earnings	Proposed issue of bonus shares	Equity attributable to the bank's shareholders	Minority Interests	Total Equity
			Statutory reserve	Voluntary reserve	General banking risk reserve							
Balance as of January 1, 2005	41,500,000	-	5,279,114	3,570,760	2,266,660	-	146,610	7,109,374	-	59,872,518	-	59,872,518
Minority interest resulting from the acquisition of National Bank of Iraq	-	-	-	-	-	-	-	-	-	-	5,649,376	5,649,376
Total	41,500,000	-	5,279,114	3,570,760	2,266,660	-	146,610	7,109,374	-	59,872,518	5,649,376	65,521,894
Foreign currency translation adjustment	-	-	-	-	-	28,230	-	-	-	28,230	19,453	47,683
Net movement in cumulative changes in fair value	-	-	-	-	-	-	(38,522)	-	-	(38,522)	-	(38,522)
Total income and expenses recognised directly in equity	-	-	-	-	-	28,230	(38,522)	-	-	(10,292)	19,453	9,161
Profit for the year	-	-	-	-	-	-	-	21,269,819	-	21,269,819	89,170	21,358,989
Total income and expenses for the year	-	-	-	-	-	28,230	(38,522)	21,269,819	-	21,259,527	108,623	21,368,150
Increase in paid in capital	59,933,789	-	-	(3,570,760)	-	-	-	(6,929,240)	-	49,433,789	-	49,433,789
Increase in capital fees	-	-	-	-	-	-	-	(389,109)	-	(389,109)	-	(389,109)
Transfers to reserves	-	-	3,236,803	-	1,427,511	-	-	(4,664,314)	-	-	-	-
Proposed issue of bonus shares	-	-	-	-	-	-	-	(14,000,000)	14,000,000	-	-	-
Balance as of December 31, 2005	101,433,789	-	8,515,917	-	3,694,171	28,230	108,088	2,396,530	14,000,000	130,176,725	5,757,999	135,934,724
Foreign currency translation adjustment	-	-	-	-	-	1,207,312	-	-	-	1,207,312	832,067	2,039,379
Net movement in cumulative changes in fair value	-	-	-	-	-	-	(317,921)	-	-	(317,921)	-	(317,921)
Total income and expenses recognised directly in equity	-	-	-	-	-	1,207,312	(317,921)	-	-	889,391	832,067	1,721,458
Profit for the year	-	-	-	-	-	-	-	18,279,742	-	18,279,742	(219,837)	18,059,905
Total income and expenses for the year	-	-	-	-	-	1,207,312	(317,921)	18,279,742	-	19,169,133	612,230	19,781,363
Increase in paid in capital	14,566,211	709,472	-	-	-	-	-	-	(14,000,000)	1,275,683	-	1,275,683
Transfers to reserves	-	-	2,639,922	-	555,209	-	-	(3,195,131)	-	-	-	-
Proposed issue of bonus shares	-	-	-	-	-	-	-	(7,000,000)	7,000,000	-	-	-
Balance of December 31, 2006	116,000,000	709,472	11,155,839	-	4,249,380	1,235,542	(209,833)	10,481,141	7,000,000	150,621,541	6,370,229	156,991,770

The accompanying notes from 1 to 56 are an integral part of these financial statements

Capital Bank of Jordan

Consolidated Cash Flow Statement For the Year Ended December 31, 2006

(In Jordanian Dinars)

	Notes	2006	2005
Cash flows from operating Activities			
Profit before income tax		24,467,780	31,148,186
Adjustments for -			
Depreciation and amortisation	11,12	957,083	640,048
(Excess in)Provision for credit losses	8	(686,514)	1,727,287
Unrealised loss (gains) from trading investments	32	586,627	(2,099,544)
Impairment losses on collaterals acquired by the bank	14	-	98,308
Impairment of available for sale investments	33	22,981	18,189
Sundry provisions	19	386,733	741,764
Effect of exchange rate changes		(782,650)	(1,247,375)
Operating profit before changes in operating assets and liabilities		24,952,040	31,026,863
Changes in assets and liabilities -			
Decrease (increase) in balances with Central Banks that mature after three months		5,000,000	(6,000,000)
Increase in deposits at banks and financial institutions than mature after three months		(6,026,500)	(354,500)
Decrease in restricted balances		1,191,120	1,616,520
Increase in trading investments		(16,293,570)	(3,999,346)
Increase in direct credit facilities		(103,917,248)	(145,692,512)
Increase in other assets		(5,150,624)	(8,383,086)
Increase in banks and financial institutions deposits that mature after three months		7,186,100	8,703,636
Increase in customers' deposits		82,546,065	145,663,444
Increase in margin accounts		1,595,896	591,431
(Decrease) increase in other liabilities		(3,046,029)	8,422,073
Sundry provisions paid		(174,227)	(2,085,463)
Net cash (used in) from operating activities before income tax		(12,136,977)	29,509,060
Income tax paid		(900,578)	(11,826,656)
Net cash (used in) from operating activities		(13,037,555)	17,682,404
Cash Flows from Investing Activities			
Redemption of held to maturity investments		24,178,887	12,300,000
Purchase of held to maturity investments		(11,145,095)	(24,085,622)
Sale of available for sale investments		16,084,841	9,772,123
Purchase of available for sale investments		(19,844,641)	(21,390,212)
Purchase of premises and equipment		(4,390,194)	(2,485,891)
Sale of premises and equipment		1,744	62,341
Purchase of intangible assets		(592,526)	(136,211)
Cash outflow on acquisition net of cash acquired	13	-	(838,589)
Net cash from (used in) investing activities		4,293,016	(26,802,061)
Cash Flows from Financing Activities			
Increase in capital, net		566,211	49,044,680
Additional paid in capital		709,472	-
Proceeds from loans		75,007,774	67,828,387
Repayment of loans		(44,434,961)	(15,666,194)
Minority interests		-	2,298,451
Net cash from financing activities		31,848,496	103,505,324
Net increase in cash and cash equivalents		23,103,957	94,385,667
Effect of exchange rate changes on cash and cash equivalents		782,650	1,247,375
Effect of exchange in cash at National Bank of Iraq		3,153,051	-
Cash acquired from the acquisition of National Bank of Iraq		-	4,037,769
Cash and cash equivalents, beginning of the year	38	159,741,678	60,070,867
Cash and cash equivalents, end of the year	38	186,781,336	159,741,678

Capital Bank of Jordan

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2006
(In Jordanian Dinars)

(1) GENERAL INFORMATION

The Bank is a public shareholding company registered and incorporated in Jordan, on August 30, 1995 in accordance with the companies law no (1) of (1989). Its registered office is at Issam Ajlouni street, Shmaisany, Amman-Jordan.

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

The Bank originally had a paid in capital of JD 20 million. During the years, the Bank increased its capital to reach JD 116 million. The increases in capital were effected through capitalising its distributable reserves and private placements to shareholders.

The financial statements were authorized for issue by the Bank's Board of Directors in their meeting No. 1/2007 held on January 15, 2007. These financial statements require the General Assembly's approval.

(2) SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements are set out below:

Basis of preparation

- ★ The accompanying consolidated financial statements for the Bank and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) and in conformity with the applicable laws and regulations of the Central Bank of Jordan.
- ★ The consolidated financial statements are prepared under the historical cost convention as modified for the measurement at fair value of derivatives and investment securities other than held to maturity investments.
- ★ The financial statements have been presented in Jordanian Dinars "JD" which is the functional currency of the Bank.

Changes in Accounting Policies

The accounting policies are consistent with those used in the previous year.

Main Accounting policies:

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries where the Bank has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank controls another entity.

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

- ★ Capital Investment and Brokerage Company Ltd/Jordan which the Bank owns 100% of its paid in capital amounting to JD 10,000,000 as of December 31, 2006. The company was established on July 12, 2005.
- ★ National Bank of Iraq (NBI)/Iraq which Capital Bank of Jordan owns 59.2% of its paid in capital amounting to IQD 25,000,000,000 (JD 12,078,581) as of December 31, 2006. NBI was acquired effective January 1, 2005.
- ★ The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies.
- ★ All intra-company balances, transactions, income and expenses and profits and losses resulting from intra-company transactions that are recognised in assets, are eliminated in full.
- ★ The purchase method of accounting is used to account for the acquisition of subsidiaries by the Bank. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.
- ★ Minority interests represent the portion of profit or loss and net assets in the subsidiaries, not held by the Bank and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from the Bank's shareholders equity.

Trading investments

- ★ These are initially recognised at fair value of consideration given and subsequently remeasured at fair value. All realised and unrealised gains or losses in addition of the fair value related to translation of non-monetary assets in foreign currencies are taken to the income statement.
- ★ Interest earned is included in interest income and dividends received are included (as dividend income) in gains less losses arising from trading investments.

Direct credit facilities

Credit facilities are carried fair value of consideration given after allowance for credit losses, interest and commission in suspense.

Allowance for credit losses is made to cover impairment for direct credit facilities when there are one or more events that occurred after the initial recognition of the facility that have an impact on the estimated future cash flows of the facilities that can be reliably estimated. The provision for the impairment is recorded in the income statement.

Interest and commission of non-performing facilities are suspended when loans become impaired, such as when overdue by more than 90 days.

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

Available for sale investments

These are initially recognised at fair value of consideration given including directly attributable transaction costs and subsequently remeasured at fair value. Fair value changes are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment the cumulative gain or loss previously reported as "cumulative change in fair value" within the equity, is included in the income statement.

Held to maturity investment

These are initially recognised at cost, being the fair value of consideration given including directly attributable transaction costs.

Investments classified as held to maturity which have fixed or determinable payments and fixed maturity which are intended to be held to maturity. They are carried at amortised cost less provision for impairment.

Fair value

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

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

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

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

In case the fair value of an investment cannot be reliably measured, it is stated at fair value of consideration given or amortised cost and any impairment in the value is recorded in the income statement.

Impairment of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset is impaired. If such evidence exists, any impairment loss, is recognised in the income statement.

Impairment is determined as follows:

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

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

Premises and equipment

Premises and equipment are stated at cost less depreciation. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of other assets, as follows:

	%
Buildings	2.5
Equipment and furniture	2.5 - 25
Vehicles	15
Computers	25
Others	10

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

Provisions

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

Income Tax

- ✦ Current income tax is calculated based on the tax rates and laws that are applicable at the balance sheet date.
- ✦ Deferred income taxation is provided using the liability method on all temporary differences at the balance sheet date. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the balance sheet date.
- ✦ The carrying values of deferred income tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Bank in the balance sheet.

Offsetting

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

Revenue and expense recognition

- ✦ Interest income as well as fees which are considered an integral part of the effective yield of a financial asset, are recognised using the effective yield method, unless collectibility is in doubt. The recognition of interest income is suspended when loans become impaired, such as when overdue by more than 90 days.
- ✦ Income from shares (dividend income) is recorded as an income only when right to receive payment is established.

Trade and settlement date accounting

Purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Bank commits to purchase or sell the asset.

Derivative Financial Instruments held for trading

Derivative financial instruments such as, foreign currencies forward deals, interest rate future deals, swaps, foreign currencies options and others, are initially recorded at cost as other assets / liabilities, and subsequently carried at fair value in the balance sheet.

Repurchase and resale agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) will continue to be recognised in the Bank's financial statements due to the Bank's continuing control over these assets using the same accounting policies. The proceeds of the sale are recorded as a liability. The difference between the sale and the repurchase price is recognised as an interest expense over the agreement term using the effective interest rate method.

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

Collateral pending sale

The Bank occasionally acquires real estate in settlement of certain loans and advances. Such real estate is stated at the lower of the carrying value of the related loans and advances and the current fair value of such assets. Gains or losses on disposal, and revaluation losses, are recognised in the income statement.

A - Goodwill

- ✦ Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.
- ✦ Impairment of goodwill is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying value, an impairment loss is recognised.

B - Intangible assets

- ✦ Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment when there is an indication that the intangible asset may be impaired.
- ✦ Internally generated intangible assets are not capitalised and are expensed in the income statement
- ✦ Intangible assets include computer software and programmes. These intangibles are amortised evenly over their estimated economic useful lives of 4 years.

Foreign currencies

- ★ Translation of foreign currency transactions
Monetary assets and liabilities in foreign currencies are translated into respective functional currencies at rates of exchange prevailing at the balance sheet date as issued by Central Bank of Jordan. Any gains or losses are taken to the income statement.
- ★ Translation gains or losses on non-monetary items carried at fair value are included in equity as part of the fair value adjustment on available-for-sale investments.
- ★ Translation of financial statements of foreign entities:
The assets and liabilities of foreign branches and subsidiaries are not deemed an integral part of the head office's operations and are translated into the functional currency of each entity at rates of exchange prevailing at the balance sheet date. Income and expense items are translated at average exchange rates for the period. Any exchange differences are taken directly to a foreign currency translation adjustment reserve.

Cash and cash equivalents

Represents cash on hand and cash balances with banks and financial institutions that mature within three months, less banks and financial institutions deposits that mature within three months.

(3) USE OF ESTIMATES

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

- ★ a) Provision for credit losses: The Bank reviews its loan portfolios to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

- ✦ b) Impairment losses on collaterals acquired by the Bank are determined based on appraisal reports prepared by certified appraisers. Provisions are recognised when impairment is determined at the financial statements date individually and any impairment is recorded in the income statement. Valuation is performed on a regular basis.
- ✦ c) Income tax is calculated based on the tax rates and laws that are applicable at the balance sheet date.
- ✦ d) A periodic review is performed on assets estimated useful lives and assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

(4) CASH AND BALANCES WITH CENTRAL BANKS

	2006	2005
Cash on hand	4,158,668	7,889,053
Balances at Central Banks-		
Current and demand deposits	13,109,875	7,444,318
Time deposits	13,480,187	18,063,543
Statutory cash reserve	33,945,273	28,954,148
Certificates of deposits	<u>16,000,000</u>	<u>21,100,000</u>
	<u>80,694,003</u>	<u>83,451,062</u>

- ✦ Except for the statutory cash reserve held at Central Banks, there are no restricted cash balances as of December 31, 2006 and 2005.
- ✦ Certificates of Deposit maturing after three months amounted to JD 3,000,000 and JD 8,000,000 as of December 31, 2006 and 2005, respectively.

(5) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	2006	2005	2006	2005	2006	2005
Current and demand deposits	445,186	903,111	17,446,608	27,440,872	17,891,794	28,343,983
Deposits maturing within 3 months	14,969,140	27,505,573	117,772,873	61,850,839	132,742,013	89,356,412
Certificate of deposits	-	-	354,500	-	354,500	-
	<u>15,414,326</u>	<u>28,408,684</u>	<u>135,573,981</u>	<u>89,291,711</u>	<u>150,988,307</u>	<u>117,700,395</u>

- ★ Non interest bearing balances at banks and financial institutions amounted to JD 5,646,863 and JD 4,387,300 as of December 31, 2006 and 2005, respectively.
- ★ Restricted balances, which represent cash collateral deposited against the syndicated loans (Note 18), amounted to JD 382,860 and JD 1,573,979 as of December 31, 2006 and 2005, respectively.

(6) DEPOSITS AT BANKS AND FINANCIAL INSTITUTIONS

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	2006	2005	2006	2005	2006	2005
Deposits maturing from 3 to 6 months	6,381,000	-	-	-	6,381,000	-
Deposits maturing in over a year	-	-	-	354,500	-	354,500
	<u>6,381,000</u>	<u>-</u>	<u>-</u>	<u>354,500</u>	<u>-</u>	<u>354,500</u>

(7) TRADING INVESTMENTS

	2006	2005
Treasury bills	2,954,716	-
Quoted equities	13,865,597	15,319,214
Quoted debt securities	14,907,374	8,702,847
Unquoted debt securities and funds	<u>10,234,496</u>	<u>2,119,488</u>
	<u>41,962,183</u>	<u>26,141,549</u>

★ Investments with a value of JD 2,986,326 have been pledged under various repo agreements as of December 31, 2005.

(8) DIRECT CREDIT FACILITIES

	2006	2005
Discounted bills and notes *	40,781,262	29,161,174
Overdrafts	56,427,107	53,579,929
Loans and advances **	401,807,502	313,273,443
Credit cards	1,035,806	548,845
Others	<u>56,601</u>	<u>44,103</u>
	500,108,278	396,607,494
Less: Suspended interest	2,430,615	2,666,711
Provision for credit losses	<u>7,950,404</u>	<u>9,023,694</u>
Direct credit facilities, Net	<u>489,727,259</u>	<u>384,917,089</u>

* Net of interest and commissions received in advance of JD 1,724,244 and JD 692,384 as of December 31, 2005 and 2006, respectively.

** Net of interest and commissions received in advance of JD 379,872 and JD 1,691,793 as of December 31, 2005 and 2006, respectively.

The geographical composition of the credit facilities portfolio is as follows:

	Jordan	Middle East	2006	2005
Agriculture	5,844,186	89,980	5,934,166	2,355,921
Manufacturing and mining	68,371,935	1,540,575	69,912,510	54,634,194
Construction	58,285,010	875,289	59,160,299	33,015,562
General trade	57,092,198	1,178,313	58,270,511	69,243,925
Transportation services	17,272,743	-	17,272,743	9,044,678
Tourism, hotels and restaurants	9,489,120	-	9,489,120	219,203
Services and public facilities	29,740,515	1,597,030	31,337,545	18,675,615
Financial Services	5,475,253	-	5,475,253	9,857,429
Investment in shares	110,345,280	-	110,345,280	125,545,491
Real estate	80,198,353	-	80,198,353	35,420,290
Vehicles	32,167,887	-	32,167,887	12,143,993
Consumer goods	8,540,136	-	8,540,136	7,769,807
Others	12,004,475	-	12,004,475	18,681,386
	<u>494,827,091</u>	<u>5,281,187</u>	<u>500,108,278</u>	<u>396,607,494</u>

- ★ At December 31, 2006, non-performing credit facilities amounted to JD 13,913,690 (2005: JD 10,349,121), representing 2.78% (2005: 2.6%) of total facilities granted.
- ★ At December 31, 2006, Non performing credit facilities; net of interest in suspense, amounted to JD 11,483,075 (2005: JD 7,683,410), representing 2.31% (2005: 1.95%) of total facilities granted after excluding the interest in suspense
- ★ The direct facilities granted against collaterals amounted to JD 165,723,978 and JD 90,047,486 as of December 31, 2006 and 2005, respectively.
- ★ The gross fair value of collaterals held against credit facilities amounted to JD 259,141,748 and JD 187,480,186 as of December 31, 2006 and 2005, respectively.

The movements on provision for credit losses were as follows:

	2006	2005
At January 1,	9,023,694	9,131,728
Balance resulting from the acquisition of NBI	-	101,008
(Surplus) charge for the year	(686,514)	1,727,287
Amounts written off	(528,081)	(510,758)
Amounts transferred to sundry provisions (Note 19)	-	(1,428,672)
Foreign exchange differences	<u>141,305</u>	<u>3,101</u>
At December 31,	<u>7,950,404</u>	<u>9,023,694</u>

- ★ Non-performing credit facilities that were settled or collected amounted to JD 3,127,321 and JD 1,585,652 as of December 31, 2006 and 2005, respectively.

The movements on suspended interest were as follows:

	2006	2005
At January 1,	2,666,711	2,240,158
Balance resulting from the acquisition of NBI	-	106,757
Suspended interest during the year	967,170	1,259,746
Amount transferred to income	(1,029,389)	(526,730)
Amounts written off	(198,249)	(413,308)
Foreign exchange differences	<u>24,372</u>	<u>88</u>
At December 31,	<u>2,430,615</u>	<u>2,666,711</u>

(9) AVAILABLE FOR SALE INVESTMENTS

	2006	2005
Quoted Investments		
Treasury bills	433,286	-
Government debt	22,934,089	23,347,539
Other debt securities	1,807,548	2,229,036
Equities	9,013,507	6,067,689
Total quoted investments	<u>34,188,430</u>	<u>31,644,264</u>
Unquoted Investments		
Equities	<u>1,193,364</u>	<u>314,509</u>
Total unquoted investments	<u>1,193,364</u>	<u>314,509</u>
Total investments	<u>35,381,794</u>	<u>31,958,773</u>
Analysis of debt instruments		
Fixed rate	24,465,923	24,867,575
Floating rate	<u>709,000</u>	<u>709,000</u>
Total	<u>25,174,923</u>	<u>25,576,575</u>

- ★ Investments with a value of JD 19,919,669 have been pledged under various repo agreements as of December 31, 2005. There were no pledged agreements in 2006.
- ★ Included in unquoted equities are investments carried at cost with value of JD 1,193,364 and JD 314,509 as of December 31, 2006 and 2005, respectively. The investments were stated at cost since the fair value could not be measured reliably and there is no indication of impairment in the values as of the balance sheet date.

(10) HELD TO MATURITY INVESTMENTS

	2006	2005
Quoted Investments		
Government treasury bills	11,039,247	6,775,082
Other debt securities	741,284	765,405
Corporate debt securities	129,969	11,999,130
Total quoted investments	11,910,500	19,539,617
Unquoted Investments		
Government treasury bills	-	4,634,079
Total unquoted investments	-	4,634,079
Total investments	11,910,500	24,173,696
Analysis of debt instruments		
Fixed rate	11,910,500	24,173,696
Total	11,910,500	24,173,696

- ★ Held to maturity investments mature during the period from July 2007 to March 2008.
- ★ Quoted investments pledged against the loan from Arab Investment Company (Note 18) amounted to JD 5,000,000 as of December 31, 2005. There were no pledged investments in 2006.
- ★ The market value of the quoted investments is equal to the carrying amount.

(11) PREMISES AND EQUIPMENT

	Land	Buildings	Furniture & Fixtures	Vehicles	Computers	Others*	Total
2006-							
Cost							
At January 1,	505,553	1,770,697	1,414,623	176,347	864,787	1,419,676	6,151,683
Foreign exchange differences	17,552	46,954	37,839	6,166	-	-	108,511
Additions	582,009	1,874,063	397,754	21,434	294,205	400,282	3,569,747
Disposals	-	-	(348)	(11,015)	-	-	(11,363)
At December 31,	<u>1,105,114</u>	<u>3,691,714</u>	<u>1,849,868</u>	<u>192,932</u>	<u>1,158,992</u>	<u>1,819,958</u>	<u>9,818,578</u>
Depreciation							
At January 1,	-	(15,483)	(494,750)	(68,087)	(463,637)	(354,318)	(1,396,275)
Provided during the year	-	(89,953)	(222,686)	(30,483)	(173,812)	(151,724)	(668,658)
Foreign exchange differences	-	(7,195)	(26,827)	(1,799)	-	-	(35,821)
Disposals	-	-	87	10,133	-	-	10,220
At December 31,	<u>-</u>	<u>(112,631)</u>	<u>(744,176)</u>	<u>(90,236)</u>	<u>(637,449)</u>	<u>(506,042)</u>	<u>(2,090,534)</u>
Net book value	1,105,114	3,579,083	1,105,692	102,696	521,543	1,313,916	7,728,044
Payments on premises and equipment in progress	631,050	-	33,884	-	412,561	129,445	1,206,940
Net book value at December 31, 2006	<u>1,736,164</u>	<u>3,579,083</u>	<u>1,139,576</u>	<u>102,696</u>	<u>934,104</u>	<u>1,443,361</u>	<u>8,934,984</u>
2005-							
Cost							
At January 1,	-	-	966,392	102,216	544,091	990,434	2,603,133
Balance from the acquisition of NBI	105,553	1,713,381	117,642	21,631	-	-	1,958,207
Additions	400,000	57,316	431,848	52,500	320,696	471,460	1,733,820
Disposals	-	-	(101,259)	-	-	(42,218)	(143,477)
At December 31,	<u>505,553</u>	<u>1,770,697</u>	<u>1,414,623</u>	<u>176,347</u>	<u>864,787</u>	<u>1,419,676</u>	<u>6,151,683</u>
Depreciation							
At January 1,	-	-	(412,613)	(43,419)	(331,301)	(254,063)	(1,041,396)
Provided during the year	-	(15,483)	(146,778)	(24,668)	(132,336)	(116,750)	(436,015)
Disposals	-	-	64,641	-	-	16,495	81,136
At December 31,	<u>-</u>	<u>(15,483)</u>	<u>(494,750)</u>	<u>(68,087)</u>	<u>(463,637)</u>	<u>(354,318)</u>	<u>(1,396,275)</u>
Net book value	505,553	1,755,214	919,873	108,260	401,150	1,065,358	4,755,408
Payments on premises and equipment in progress	-	168,960	-	-	214,931	5,223	389,114
Net book value at December 31, 2005	<u>505,553</u>	<u>1,924,174</u>	<u>919,873</u>	<u>108,260</u>	<u>616,081</u>	<u>1,070,581</u>	<u>5,144,522</u>

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

- ★ The estimated costs to complete the purchase of premises and equipment amounted to JD 692,474
- ★ Fully depreciated premises and equipment amounted to JD 519,221 and 320,631 as of December 31, 2006 and 2005, respectively.

(12) INTANGIBLE ASSETS

2006 -

	Goodwill	Trade Mark	Computer Software	Others	Total
At January 1,	3,187,164	-	837,158	78,367	4,102,689
Additions	-	11,661	156,961	-	168,622
Amortisation during the year	-	(3,351)	(206,527)	(78,367)	(288,425)
Projects under progress	-	-	423,900	-	423,900
At December 31,	3,187,164	8,130	1,211,492	-	4,406,786

2005 -

At January 1,	-	-	553,533	-	553,533
Additions	3,187,164	-	42,209	94,000	3,323,373
Amortisation during the year	-	-	(188,400)	(15,633)	(204,033)
Projects under progress	-	-	429,816	-	429,816
At December 31,	3,187,164	-	837,158	78,367	4,102,689

- ★ The estimated costs to complete the projects under progress to JD 100,592
- ★ Fully depreciated intangible assets amounted to JD 574,022 and 348,441 as of December 31, 2006 and 2005, respectively.

IMPAIRMENT TESTING OF GOODWILL

- ★ Goodwill arising on the acquisition of 59.2% of the National Bank of Iraq.

KEY ASSUMPTIONS USED IN VALUE IN USE CALCULATION

The recoverable amount of NBI has been determined based on the value in use calculation, using five-year cash flow projections approved by senior management based on National bank of Iraq performance assumptions verified against financial economic indicators such as interest rates.

The discount rate used by the Bank is 35%.

The cash flow projections showed that the return in equity is estimated at 20% during the coming five years.

In the opinion of the Bank's management based on the discounted cash flow projections, Goodwill is not impaired.

(13) ACQUISITION OF THE NATIONAL BANK OF IRAQ

Effective 1 January 2006, the Bank completed the acquisition of 59.2% of the National Bank of Iraq. The Bank beneficially holds 10.2% through a share mortgage agreement.

The details of the fair values of the assets and liabilities acquired and goodwill arising on the acquisition are as follows:

	1 January 2005	
	Carrying value	Fair value
Cash on hand and at banks	4,037,769	4,037,769
Direct credit facilities, net	1,717,024	1,717,024
Held to maturity investment, net	158,390	158,390
Premises and equipment, net	444,379	1,958,207
Other assets	223,801	223,801
Customer deposits	(3,535,617)	(3,535,617)
Other liabilities	(1,681,971)	(1,681,971)
Income tax provision	(24,235)	(24,235)
	<u>1,339,540</u>	<u>2,853,368</u>
Less: minority interest (40.8%)		<u>1,164,174</u>
Net assets		<u>1,689,194</u>

	Amount
Goodwill arising on the acquisition is as follows:	
Advance payments made in 2004	2,443,864
Payments made in 2005	2,432,494
Total payments made	<u>4,876,358</u>
Less: Fair value of net assets	<u>1,689,194</u>
Goodwill (Note 12)	3,187,164
Cash outflow on acquisition:	
Payments made for acquisition	(4,876,358)
Cash on hand and at banks from NBI	4,037,769
Net Cash outflow	<u>(838,589)</u>

The National Bank of Iraq has resolved to increase its capital to reach 50 billion Iraqi Dinar "IQD" in accordance with the Central Bank of Iraq regulations. The paid in capital of the NBI was IQD 25 billion as of the date of the financial statements. The Bank's share in the increase of NBI's capital amounted to IQD 13,472 billion, which is equivalent to JD 6,516,229.

There is an additional commitment of IQD 14.8 billion, representing the Bank's share in increasing NBI's capital to IQD 50 billion.

There were no purchases or acquisitions of other businesses in 2006.

(14) OTHER ASSETS

	2006	2005
Accrued interest and revenue	3,213,575	2,191,169
Prepaid expenses	1,830,675	1,102,037
Collateral pending sale	1,704,847	2,254,250
Positive fair value of derivatives (note 39)	180,362	-
Export documents & bills purchased	6,047,896	11,549,761
Brokerage receivables	-	2,645,797
Advance payment on establishing a real estate fund*	10,477,003	-
Others	<u>2,114,181</u>	<u>674,901</u>
	<u>25,568,539</u>	<u>20,417,915</u>

The movements on collateral pending sale are as follow:

	2006			2005
	Real Estate	Others	Total	
At January 1,	2,153,675	101,540	2,255,215	734,296
Additions	382,829	-	382,829	1,618,262
Disposal	(831,657)	(101,540)	(933,197)	-
Revaluation losses	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,308</u>
At December 31,	<u>1,704,847</u>	<u>-</u>	<u>1,704,847</u>	<u>2,254,250</u>

(15) BANKS AND FINANCIAL INSTITUTIONS DEPOSITS

	2006			2005		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
Current accounts and demand deposits	1,002,403	7,834,258	8,836,661	192,332	9,102,395	9,294,727
Deposits -						
Maturing within						
3 months	26,099,648	6,581,805	32,681,453	12,923,317	9,617,757	22,541,074
3 - 6 months	7,799,000	-	7,799,000	-	-	-
6 - 9 months	-	-	-	4,196,935	-	4,196,935
9 - 12 months	5,590,736	-	5,590,736	2,006,701	-	2,006,701
Certificates of deposits -						
Maturing within						
3 - 6 months	4,500,000	-	4,500,000	-	-	-
After a year	-	-	-	4,500,000	-	4,500,000
Total	44,991,787	14,416,063	59,407,850	23,819,285	18,720,152	42,539,437

(16) CUSTOMERS' DEPOSITS

	2006	2005
Current and demand deposits	71,979,820	89,931,582
Saving accounts	1,487,017	1,039,008
Time and notice placements	301,123,531	193,520,018
Certificates of deposits	58,928,046	64,312,511
Others	78,986	122,486
Total	433,597,400	348,925,605

- ★ Governmental institutions' deposits amounted to JD 60,093,683 representing 13.86% of total customers' deposits and JD 57,245,944 representing 16.41% of customers' deposits as of December 31, 2006 and 2005, respectively.
- ★ Non-interest bearing deposits amounted to JD 55,258,682 representing 12.74% of total deposits and JD 72,245,550 representing 20.91% of total deposits as of December 31, 2006 and 2005, respectively.
- ★ Dormant accounts amounted to JD 868,693 and JD 1,241,045 as of December 31, 2006 and 2005, respectively.
- ★ Restricted deposits amounted to JD 15,455 and 27,581 as of December 31, 2006 and December 31, 2005, respectively.

(17) MARGIN ACCOUNTS

	2006	2005
Direct credit facilities	38,461,627	31,785,257
Indirect credit facilities	17,628,996	23,044,165
Deposits against cash margin dealings' facilities - Currencies	54,906	323,577
Others	640,900	-
	<u>56,786,429</u>	<u>55,152,999</u>

(18) LOANS AND BORROWINGS

	Amount	Collaterals	Interest Rate
2006			
Amounts borrowed from Central Bank of Jordan	3,923,883	-	2.5% to 6.51%
Amounts borrowed from local banks and institution	39,966,138	-	4.5% to 8.35%
Amounts borrowed from foreign banks and institution	88,724,543	382,860	5.04% to 5.06%
Total	<u>132,614,564</u>	<u>382,860</u>	
2005			
Amounts borrowed from Central Bank of Jordan	6,411,593	-	2.5% to 6.51%
Amounts borrowed from local banks and institution	25,122,000	5,000,000	4.5% to 7.75%
Amounts borrowed from foreign banks and institution	42,623,726	1,573,979	5.042% to 5.055%
Others	27,884,432	-	5% to 5.5%
Total	<u>102,041,751</u>	<u>6,573,980</u>	

- ★ Amounts borrowed from Central Bank of Jordan are due during the period from 2007 to 2010.
- ★ Included in the borrowings from local financial institutions, amounts due to Real Estate Mortgage Finance Co. of JD 25,522,000.
- ★ At December 31, 2006, fixed-rate loans amounted to JD 56,712,762, while loans with floating-rates amounted to JD 75,901,802.
- ★ Included in the borrowings from foreign banks and institution borrowings from Arab Investment Company amounted to USD 45,000,000 which are subject to contractual covenants, which give the lender the right to claim back the amount(s) if the Bank did not comply with its covenants. The covenants state that total equity and capital adequacy should not fall below JD 57 million and 14% respectively up to the date of financial statements.
- ★ Included in the borrowings from foreign banks and institution borrowings from Citi Bank amounted to USD 60,000,000 which are subject to contractual covenants, which give the lender the right to claim back the amount(s) if the Bank did not comply with its covenants. The covenants state that tangible net worth and capital adequacy should not fall below JD 110 million and 12% respectively up to the date of financial statements, the ratio of loan loss provisions to non-performing loans shall not at any time during the term of the facility be less than the amount set in the instruction for classification of credit facilities and calculation of the decline provision and general bank risk reserve number (30/2006) issued by Central Bank of Jordan. The amount due to banks shall not exceed at any time during the term facility 30 per cent of the total loans and borrowings.

(19) SUNDRY PROVISIONS

	Balance at January 1,	Provided during the period	Transferred from provision for credit facilities*	Utilised during the year	Balance at December 31,
2006 -					
Lawsuit reserve	-	-	-	-	-
Other provisions	<u>77,028</u>	<u>386,733</u>	<u>-</u>	<u>174,227</u>	<u>289,534</u>
	<u>77,028</u>	<u>386,733</u>	<u>-</u>	<u>174,227</u>	<u>289,534</u>
2005 -					
Lawsuit reserve	-	527,393	1,428,672	1,956,065	-
Other provisions	<u>-</u>	<u>214,371</u>	<u>-</u>	<u>137,343</u>	<u>77,028</u>
	<u>-</u>	<u>741,764</u>	<u>1,428,672</u>	<u>2,093,408</u>	<u>77,028</u>

* This provision was included within the provision for credit losses but was directly related to the lawsuit in question.

(20) INCOME TAX

Income Tax liabilities

The movements on the income tax provision were as follows:

	2006	2005
At January 1,	758,747	3,702,341
Balance from the acquisition of NBI	-	24,235
Foreign exchange differences	18,070	-
Income tax paid	(852,979)	(11,826,656)
Provision for income tax for the year	<u>7,635,025</u>	<u>8,858,827</u>
At December 31,	<u>7,558,863</u>	<u>758,747</u>

Income tax appearing in the statement of income represents the following:

	2006	2005
Provision for income tax for the year	7,635,025	8,858,827
Provision for income tax for previous years	47,599	77,163
Deferred tax assets	(419,368)	-
Deferred tax liabilities	(853,207)	853,207
Foreign exchange differences	<u>(2,174)</u>	<u>-</u>
	<u>6,407,875</u>	<u>9,789,197</u>

- ★ The Bank reached a final settlement with the Income Tax Department for the year ended December 31, 2003.
- ★ The Income Tax Department reviewed the Bank's records for 2004.
- ★ The Income Tax Department has not reviewed the accounts of Capital Investment and Brokerage Company for the year ended December 31, 2005.
- ★ The National Bank of Iraq reached a final settlement with the Income Tax Department for the year ended December 31, 2005.
- ★ In the opinion of the Bank's management, income tax provisions as of December 31, 2006 are sufficient.

The relationship between the tax expense and the accounting profit can be explained as follows:

	2006	2005
Accounting profit	24,467,780	31,148,186
Non-taxable income	(6,285,435)	(5,211,938)
Expenses that are not deductible in determining taxable profit	<u>2,095,949</u>	<u>100,470</u>
Taxable profit	<u>20,278,294</u>	<u>26,036,718</u>
Effective rate of income tax	31.2%	28.44%

The statutory tax rate on banks in Jordan is 35% and the statutory tax rate on subsidiaries range between 15% to 25%.

Deferred tax assets liabilities:

Deferred income tax relates to the following:

	2006	2005
Deferred tax assets		
Employees' bonuses	<u>1,198,195</u>	<u>-</u>
	<u>1,198,195</u>	<u>-</u>

Deferred tax liability

	2006	2005
Unrealized gain –trading Investments	-	853,207
Unrealized gain – available for sale investments	<u>95,789</u>	<u>77,104</u>
	<u>95,789</u>	<u>930,311</u>

The movement on the assets/ liabilities account was as follows:

	2006		2005	
	Assets	Liabilities	Assets	Liabilities
At 1 January	-	930,311	-	-
Additions	419,368	100,916	-	930,311
Reductions	<u>-</u>	<u>(935,438)</u>	<u>-</u>	<u>-</u>
At 31 December	<u>419,368</u>	<u>95,789</u>	<u>-</u>	<u>930,311</u>

(21) OTHER LIABILITIES

	2006	2005
Accrued interest expense	4,107,474	2,335,893
Interest and commissions received in advance	22,493	8,991
Accrued expenses	1,459,609	2,645,306
Negative fair value of derivatives (note 39)	-	14,776
Certified checks	1,914,736	2,431,136
Checks payable	497,585	751,016
University fees	252,123	302,808
Scientific research fees	252,123	302,808
Educational, vocational training and technical fund fees	175,137	181,575
Checks under collection	4,328	4,328
Board of directors' remuneration	55,000	55,000
Brokerage payables	-	1,112,485
Transfers payables	-	1,557,106
Others	291,916	298,360
	<u>9,032,524</u>	<u>12,001,588</u>

(22) PAID IN CAPITAL**Paid in capital**

- The authorized and paid in capital amounted to JD 116,000,000 divided to 116,000,000 shares at a par value JD 1 per share (2005: 101,433,789).

Share Premium

The additional paid in capital amounted to JD 709,472 as of 31 December 2006.

(23) RESERVES**Statutory Reserve**

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

General banking risk reserve

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

The use of the following reserves is restricted by law:

Description	Amount	Restriction Law
General banking risk reserve	4,249,380	Central Bank of Jordan
Statutory reserve	11,155,839	Companies Law

(24) FOREIGN CURRENCY TRANSLATION ADJUSTMENT

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

(25) CUMULATIVE CHANGES IN FAIR VALUE

	2006			2005		
	Shares	Bonds	Total	Shares	Bonds	Total
At January 1,	709,122	(601,034)	108,088	-	146,610	146,610
Unrealised gains (losses)	(3,581)	315,687	312,106	786,226	(699,469)	86,757
Deferred tax liabilities	64,183	(82,868)	(18,685)	(77,104)	-	(77,104)
Less: realised (gain) loss	-	-	-	-	-	-
Transferred to income statement	(713,731)	102,389	(611,342)	-	(48,175)	(48,175)
At December 31, *	<u>55,993</u>	<u>(265,826)</u>	<u>(209,833)</u>	<u>709,122</u>	<u>(601,034)</u>	<u>108,088</u>

* The cumulative change in fair value is presented net of deferred tax liabilities of JD 95,789 and JD 77,104 as of 31 December 2006 and 2005 respectively.

(26) RETAINED EARNINGS

	2006	2005
At January 1,	2,396,530	7,109,374
Profit for the year	18,279,742	21,269,819
Transferred to statutory reserve	(2,639,922)	(3,236,803)
Transferred to general banking risk reserve	(555,209)	(1,427,511)
Increase in capital	-	(6,929,240)
Increase in capital fees	-	(389,109)
Proposed issue of bonus shares	<u>(7,000,000)</u>	<u>(14,000,000)</u>
At December 31,	<u>10,481,141</u>	<u>2,396,530</u>

(27) PROPOSED ISSUE OF BONUS SHARES

The Board of Directors will propose the issue of bonus shares to the General Assembly in its meeting to be held during 2007 to increase the Bank's capital by JD 7,000,000 (2005: JD 14,000,000) which is equivalent to 6.03% (2005: 13.73%) of the paid in capital through capitalisation of retained earnings.

(28) MINORITY INTERESTS

Minority interests represent the portion of profit and loss and net assets of subsidiaries not held by the Bank and are presented separately in the income statement and within the consolidated balance sheet separately from the Bank's shareholders' equity.

(29) INTEREST INCOME

	2006	2005
Direct credit facilities -		
Discounted bills	3,616,676	2,580,662
Current accounts	5,755,544	3,356,814
Loans and advances	32,953,750	19,177,703
Credit cards	125,679	51,258
Others	481,846	165,052
Other –		
Balances at the Central Banks	2,054,407	1,464,754
Balances and deposits at banks and financial institutions	5,712,137	3,041,452
Trading investments	1,271,182	601,458
Available for sale investments	1,797,182	1,162,338
Held to maturity Investments	2,361,454	1,118,875
	<u>56,129,857</u>	<u>32,720,366</u>

Suspended interest transferred to income amounted to JD 1,029,389 and JD 526,730 as of December 31, 2006 and 2005, respectively.

(30) INTEREST EXPENSE AND SIMILAR CHARGES

	2006	2005
Banks and financial institution deposits	2,974,159	1,432,563
Customers' deposits -		
Current accounts and deposits	359,424	410,914
Saving accounts	59,177	42,766
Time and notice placements	14,348,941	6,526,350
Certificate of deposits	3,300,946	2,026,617
Margin accounts	2,467,282	1,178,715
Loans and borrowings	6,309,638	2,975,712
Deposit guarantee fees	563,238	321,172
	<u>30,382,805</u>	<u>14,914,809</u>

(31) NET COMMISSION

	2006	2005
Commission income -		
Direct credit facilities	257,888	398,761
Indirect credit facilities	3,874,503	3,517,096
Other commission	1,140,135	1,088,578
Less: commission expense	<u>378,789</u>	<u>240,009</u>
	<u>4,893,737</u>	<u>4,764,426</u>

(32) GAINS LESS LOSSES ARISING FROM TRADING INVESTMENTS

	Realised (loss) gain	Unrealised (loss) gain	Dividend income	Total
2006-				
Treasury bills and debt securities	20,344	133,946	-	154,290
Equities	(1,048,011)	(313,150)	478,682	(882,479)
Others	76,820	(407,423)	-	(330,603)
Total	(950,847)	(586,627)	478,682	(1,058,792)
2005-				
Treasury bills and debt securities	34,219	(114,417)	-	(80,198)
Equities	6,791,398	1,921,299	395,429	9,108,126
Others	1,227	292,662	-	293,889
Total	6,826,844	2,099,544	395,429	9,321,817

(33) GAINS LESS LOSSES ARISING FROM AVAILABLE FOR SALE INVESTMENTS

	2006	2005
Dividend income	6,381	8,754
Gain from sale of available for sale investments	1,433,332	679,856
Less: impairment of available on sale investments	22,981	18,189
Total	1,416,732	670,421

(34) OTHER INCOME

	2006	2005
Commission on customers' funds management	3,346,780	10,204,861
Other income	<u>1,005,872</u>	<u>259,983</u>
	<u>4,352,652</u>	<u>10,464,844</u>

(35) EMPLOYEES' COST

	2006	2005
Salaries and benefits	3,360,763	2,398,847
Employee bonuses	1,139,966	2,519,285
Social security	301,947	212,720
Medical expenses	201,368	178,626
Training and research	36,278	107,407
Per diems	107,755	64,170
Paid vacations	22,076	14,028
Bank's contribution to social activities fund	<u>47,919</u>	<u>22,751</u>
	<u>5,218,072</u>	<u>5,517,834</u>

(36) OTHER EXPENSES

	2006	2005
Rent	723,691	383,778
Loss on disposal of premises and equipment	380	25,652
Impairment losses on collaterals acquired by the bank	-	98,308
Consulting and professional fees	411,613	221,516
Stationary and printing	162,201	148,469
Board of Directors' transportation	113,352	153,747
Reuters' subscription expense	131,088	79,068
Donations	183,337	200,565
Advertisement	1,556,231	1,006,600
Subscriptions, fees and licenses	268,866	261,992
Travel and transportation	168,998	195,406
Computer expenses	223,290	171,941
Post, telephone, telex and swift	436,280	301,010
Subscriptions	162,633	140,974
Jordanian universities fees	252,123	302,808
Scientific research and vocational training fees	252,123	302,808
Technical and vocational education and training support fund fees	175,137	181,575
Board of Directors' remuneration	55,000	55,000
Others	886,904	385,782
	<u>6,163,247</u>	<u>4,616,999</u>

(37) BASIC EARNINGS PER SHARE

	2006	2005
Profit for the year	18,279,742	21,269,819
Weighted average number of shares	115,420,702	106,824,311
Basic and diluted earnings per share	0/158	0/199

Diluted earnings per share equal basic earning per share as the bank has not issued any potentially convertible instruments to shares which would have an impact on earnings per share.

(38) CASH AND CASH EQUIVALENTS

Cash and cash equivalents appearing in the statement of cash flows consist of the following balance sheet items:

	2006	2005
Cash and balances with Central Banks	77,694,003	75,451,062
Add: Balances at banks and financial institutions maturing within 3 months	150,988,307	117,700,395
Less: Banks and financial institutions' deposits maturing within 3 months	(41,518,114)	(31,835,800)
Restricted cash balances	<u>(382,860)</u>	<u>(1,573,979)</u>
Net cash and cash equivalents	<u>186,781,336</u>	<u>159,741,678</u>

(39) DERIVATIVES

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

	Positive Fair Value	Negative Fair Value	Total par Value	Par Value Maturity			
				Within 3 Months	3 - 12 Months	1 - 3 Years	over 3 Years
2006 -							
Derivatives held for trading (selling contracts)	180,362	-	18,825,095	16,034,861	2,790,234	-	-
Derivatives held for trading (buying contracts)	-	-	18,815,861	15,826,016	2,789,845	-	-
2005 -							
Derivatives held for trading (selling contracts)	-	14,776	923,586	923,586	-	-	-
Derivatives held for trading (buying contracts)	-	-	913,121	913,121	-	-	-

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

(40) RELATED PARTY TRANSACTIONS

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

Company name	Ownership	Paid in capital
Capital Investment and Brokerage Company	100%	10,000,000
National Bank of Iraq	59.20%	12,078,581

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

The following transactions have been entered into with related parties:

	2006	2005
Balance sheet items		
Direct credit facilities	5,399,609	6,336,610
Balances at banks	21,651,988	44,149,105
Margin accounts	682,784	672,955
Off balance sheet items		
Indirect credit facilities	22,861,428	368,680
Income statement items		
Interest and commission income	453,895	1,172,730
Interest and commission expense	1,498,858	302,642

Debit interest rates on credit facilities in Jordanian Dinar ranges between 2.9%-15%
Debit interest rates on credit facilities in foreign currency ranges between 4.9%- 13%

Credit interest rates on deposits in Jordanian Dinar ranges between 0.5%-6.6%
Credit interest rates on deposits in foreign currency is 0.75-5,25%

Compensation of the key management personnel is as follows:

	2006	2005
Benefits (Salaries, wages, and bonuses) for senior executive management level	1,247,592	1,275,905

(41) FAIR VALUE OF FINANCIAL INSTRUMENTS

There are no material differences between the carrying values and fair values of the on and off balance sheet financial instruments.

(42) RISK MANAGEMENT

By their nature, the Bank's activities are principally related to the use of financial instruments including derivatives. The Bank's management implements a comprehensive strategy for risk management by addressing the risks and attempting to mitigate them through the involvement of risk management committee, Assets and Liabilities Committee, Investment Committee, and Credit Quality Committee. Furthermore, all the Bank's departments are responsible for defining the risks related to banking operations, setting the appropriate internal controls, and monitoring its continued efficiency in accordance with the risks control system.

Notes from (43) to (49) disclose the major banking risks to which the Bank is exposed and the method(s) for managing each of them.

(43) CREDIT RISKS AND CONCENTRATION OF ASSETS AND LIABILITIES

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank manages credit risk by setting limits for individual borrowers, and groups of borrowers and for geographical and industry segments. The Bank also monitors credit exposures, and continually assesses the credit-worthiness of counterparties. In addition, the Bank obtains security where appropriate, enters into master netting agreements and collateral arrangements with counterparties, and limits the duration of exposures.

The Bank Risk Management Policy includes the following:

- 1- Defining the credits concentration and limits.
- 2- The customer credits classification.

Classification of credit is performed internally whereby the customers are classified based on financial strength and creditworthiness, in addition to the classification in terms of account activity and due settlement of loan principal and interest

- 3- Limit the risks of assets and liabilities concentration.
- 4- Credit granting, monitoring and follow up.

The Bank has developed the necessary policies and procedures for defining the method of studying the credits, maintaining the neutrality and integrity of the process of taking decisions. Moreover, the credit quality department is used to maintain the quality of facilities portfolio.

5- Other risk mitigation procedures.

The Bank follows different procedures to mitigate the risks, including determining the acceptable types of collaterals and their conditions, whereby good collaterals that can be liquidated at a reasonable time and value are accepted by the Bank. Moreover, the Bank adopts the committees system in granting facilities that relies on the customer's portfolio, maturity and the degree of the customer's risk in-addition.

The risk management department has an overall responsibility for credit risk policies and procedures; control and risk-related regulatory compliance; In addition, the Department establishes systems necessary to implement effective controls and coordinates all technology development related to credit risk management also it provides Senior Management with information on risk exposures.

In order to guarantee quality and neutrality the Bank has segregated the granting decision from the execution process as a means of maintaining control over the granting process, so that all the conditions must first comply with the credit policy in terms of credit limits and collaterals, and any other restrictions, in addition to auditing all the necessary documents and agreements prior to granting. The credit policies also set a detailed hierarchy of authorities depending on the credit limit and the related collaterals.

Moreover, there are specific procedures for following up the performing facilities accounts in order to maintain them active, and the non-performing facilities accounts in order to handle them

The details of the portfolio of credit facilities are disclosed in note (8), and the contingent liabilities on the Bank that are subject to credit risks are disclosed in note (52).

Credit risk in respect of derivative financial instruments is limited to those with positive fair values, which are included under other assets. As a result the maximum credit risk, without taking into account the fair value of any collateral and netting agreements, is limited to the amounts on the balance sheet plus commitments to customers disclosed in note 39.

The Bank limits the concentration of assets and liabilities risks through distribution of its activities over different segments and different geographical areas inside and outside Jordan.

The distribution of assets, liabilities, and off-balance sheet items by geographic region and industry sector was as follows:

	2006			2005		
	Assets	Liabilities and equity	Off Balance Sheet Items	Assets	Liabilities and equity	Off Balance Sheet Items
By Geographical area -						
Inside Jordan	663,629,410	780,806,937	89,878,295	541,519,071	592,238,034	63,120,678
Other Arab countries	58,168,973	63,790,741	31,358,982	82,297,823	97,643,184	29,177,915
Asia *	5,016,095	-	18,664,833	2,074,958	105,736	11,688,800
Europe	120,732,857	4,613,078	30,909,365	50,827,366	6,097,242	22,183,005
Africa	-	-	-	-	-	443,415
America	8,747,771	7,163,967	4,240,077	21,526,805	2,273,189	7,204,017
Others	79,617	-	8,355,651	116,167	4,805	8,781,956
Total	856,374,723	856,374,723	183,407,203	698,362,190	698,362,190	142,599,786

	2006			2005		
	Assets	Liabilities and equity	Off Balance Sheet Items	Assets	Liabilities and equity	Off Balance Sheet Items
By segment -						
Governmental sector	146,141,282	91,095,951	17,677,734	96,222,696	64,427,520	13,539,615
Private sector						
Corporate accounts	629,131,465	313,264,180	87,287,014	387,018,426	268,244,844	68,980,039
Individual accounts	81,101,976	295,022,822	78,442,455	215,121,068	229,755,102	60,080,132
Equity	-	156,991,770	-	-	135,934,724	-
Total	856,374,723	856,374,723	183,407,203	698,362,190	698,362,190	142,599,786

* Excluding Arab Countries.

(44) MARKET RISK

Market risk arises from fluctuations in interest rates, foreign exchange rates and equity prices. The Board has set limits on the value of risk that may be accepted. This is monitored on a weekly basis by the Asset and Liability Committee.

(45) INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches of interest rate repricing of assets and liabilities. The Bank has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods in accordance with the risk management strategy.

The bank's interest sensitivity position based on contractual repricing arrangements or maturity at December 31, 2006 and 2005 has been shown in the following table:

Sensitivity of interest rates as of December 31, 2006

	Less than one month	1 - 3 Months	3 - 6 Months	6 Months to 12 Months	1 - 3 Years	Over 3 years	Zero-interest Elements	Total	Average interest rate %
Assets -									
Cash and balances with Central Banks	16,313,501	11,000,000	3,000,000	-	-	-	50,380,502	80,694,003	6,70
Balances at Banks and financial institutions	145,341,444	-	-	-	-	-	5,646,863	150,988,307	5,30
Deposits at Banks and financial institutions	-	-	-	-	-	-	6,381,000	6,381,000	6,38
Trading investments	-	7,978,034	4,654,716	14,083,858	-	-	15,245,575	41,962,183	6,18
Direct credit facilities, net	65,442,949	101,657,225	58,839,882	71,616,726	159,848,004	32,322,473	-	489,727,259	9,77
Available for sale investments	709,000	-	-	988,200	14,365,294	9,112,429	10,206,871	35,381,794	6,51
Held to maturity investments, net	7,218,306	-	129,969	3,820,941	741,284	-	-	11,910,500	7,21
Premises and equipment, net	-	-	-	-	-	-	8,934,984	8,934,984	
Intangible assets	-	-	-	-	-	-	4,406,786	4,406,786	
Deferred tax assets	-	-	-	-	-	-	419,368	419,368	
Other assets	4,303,542	97,526	1,024,189	330,061	292,578	-	19,520,643	25,568,539	
Total Assets	239,328,742	120,732,785	67,648,756	90,839,786	175,247,160	41,434,902	121,142,592	856,374,723	
Liabilities And Equity									
Liabilities -									
Banks and financial institutions' deposits	28,668,676	5,645,000	12,299,000	5,590,736	-	-	7,204,438	59,407,850	5,30
Customers' deposits	255,210,181	58,618,153	33,205,984	24,791,794	5,450,010	1,062,596	55,258,682	433,597,400	4,68
Margin accounts	21,446,094	8,229,385	4,764,175	5,822,447	13,026,191	2,635,454	862,683	56,786,429	3,77
Loans and borrowings	35,765,452	48,207,022	12,216,837	13,438,984	6,258,996	16,727,273	-	132,614,564	5,61
Sundry provisions	-	-	-	-	-	-	289,534	289,534	
Income tax liabilities	-	-	-	-	-	-	7,558,863	7,558,863	
Deferred tax	-	-	-	-	-	-	95,789	95,789	
Other liabilities	-	-	-	-	-	-	9,032,524	9,032,524	
Total Liabilities	341,090,403	120,699,560	62,485,996	49,643,961	24,735,197	20,425,323	80,302,513	699,382,953	
Equity									
	-	-	-	-	-	-	156,991,770	156,991,770	
Total Liabilities and Equity	341,090,403	120,699,560	62,485,996	49,643,961	24,735,197	20,425,323	237,294,283	856,374,723	
Interest rate sensitivity gap	(101,761,661)	33,225	5,162,760	41,195,825	150,511,963	21,009,579	(116,151,691)	-	
Cumulative interest rate sensitivity gap	-	(101,728,436)	(96,565,676)	(55,369,851)	95,142,112	116,151,691	-	-	

Sensitivity of interest rates as of December 31, 2005

	Less than one month	1 - 3 Months	3 - 6 Months	6 Months to 12 Months	1 - 3 Years	Over 3 years	Zero-interest Elements	Total	Average interest rate %
Assets -									
Cash and balances with Central Banks	23,180,062	9,100,000	6,000,000	2,000,000	-	-	43,171,000	83,451,062	6,20
Balances at Banks and financial institutions	113,313,095	-	-	-	-	-	4,387,300	117,700,395	4,37
Deposits at Banks and financial institutions	-	-	-	-	354,500	-	-	354,500	6,38
Trading investments	-	-	481,588	8,221,259	-	-	17,438,702	26,141,549	4,34
Direct credit facilities, net	24,322,649	30,450,455	66,294,625	47,965,732	156,067,978	59,815,650	-	384,917,089	8,41
Available for sale investments	709,000	-	-	9,173,136	10,839,079	4,855,360	6,382,198	31,958,773	4,51
Held to maturity investments, net	3,200,761	5,389,000	11,999,130	2,819,400	765,405	-	-	24,173,696	4,08
Premises and equipment, net	-	-	-	-	-	-	5,574,339	5,574,339	
Intangible assets	-	-	-	-	-	-	3,672,872	3,672,872	
Other assets	399,160	10,038,623	1,111,979	-	-	-	8,868,153	20,417,915	3,00
Total Assets	165,124,727	54,978,078	85,887,322	70,179,527	168,026,962	64,671,010	89,494,564	698,362,190	
Liabilities And Equity									
Liabilities -									
Banks and financial institutions' deposits	6,349,881	25,353,281	4,500,000	6,203,636	-	-	132,639	42,539,437	5,04
Customers' deposits	178,916,601	57,058,584	14,820,307	9,590,696	14,589,867	1,000,000	72,949,550	348,925,605	4,44
Margin accounts	24,827,089	2,509,691	5,550,351	4,009,826	13,065,898	4,964,429	225,715	55,152,999	3,40
Loans and borrowings	49,025,399	21,635,085	3,346,890	2,599,391	8,719,313	16,715,673	-	102,041,751	3,89
Sundry provisions	-	-	-	-	-	-	77,028	77,028	
Income tax liabilities	-	-	-	-	-	-	758,747	758,747	
Deferred tax	-	-	-	-	-	-	930,311	930,311	
Other liabilities	-	-	-	-	-	-	12,001,588	12,001,588	
Total Liabilities	259,118,970	106,556,641	28,217,548	22,403,549	36,375,078	22,680,102	87,075,578	562,427,466	
Equity	-	-	-	-	-	-	135,934,724	135,934,724	
Total Liabilities and Equity	259,118,970	106,556,641	28,217,548	22,403,549	36,375,078	22,680,102	223,010,302	698,362,190	
Interest rate sensitivity gap	(93,994,243)	(51,578,563)	57,669,774	47,775,978	131,651,884	41,990,908	(133,515,738)	-	
Cumulative interest rate sensitivity gap	(93,994,243)	(145,572,806)	(87,903,032)	(40,127,054)	91,524,830	133,515,738	-	-	

(46) LIQUIDITY RISK

Liquidity risk is the risk that the bank will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis and maintains sufficient amount of cash and cash equivalents and trading investments. Following are some of the main procedures in use:

- ✦ Diversification with finance Resources.
- ✦ Analyzing and monitoring the assets and liabilities maturity dates.
- ✦ Geographical and sector diversification of assets and liabilities.
- ✦ Statutory cash at central banks:
- ✦ The Bank has a reserve in the amount of JD 33,945,273 deposited in the central banks as of December 31, 2006.

The maturity profile of the assets and liabilities at December 31, 2006 is as follows:

	Less than one month	1 - 3 Months	3 - 6 Months	6 Months to 12 Months	1 - 3 Years	Over 3 years	Zero-interest Elements	Total
Assets -								
Cash and balances with Central Banks	33,466,816	11,000,000	3,000,000	-	-	-	33,227,187	80,694,003
Balances at Banks and financial institutions	147,509,938	3,095,509	-	-	-	-	382,860	150,988,307
Deposits at Banks and financial institutions	-	-	6,381,000	-	-	-	-	6,381,000
Trading investments	-	41,962,183	-	-	-	-	-	41,962,183
Direct credit facilities, net	65,442,953	37,735,862	66,226,908	71,616,725	159,848,004	88,856,807	-	489,727,259
Available for sale investments	-	10,206,871	-	988,200	15,074,294	9,112,429	-	35,381,794
Held to maturity investments, net	7,218,306	-	129,969	3,820,941	741,284	-	-	11,910,500
Premises and equipment, net	-	-	-	-	-	-	8,934,984	8,934,984
Intangible assets	-	-	-	-	-	-	4,406,786	4,406,786
Deferred tax assets	-	-	-	-	-	-	419,368	419,368
Other assets	5,465,536	10,808,625	1,575,777	647,064	2,866,101	562,141	3,643,295	25,568,539
Total Assets	259,103,549	114,809,050	77,313,654	77,072,930	178,529,683	98,531,377	51,014,480	856,374,723
Liabilities And Equity								
Liabilities -								
Banks and financial institutions' deposits	35,873,114	5,645,000	12,299,000	5,590,736	-	-	-	59,407,850
Customers' deposits	264,033,375	92,639,416	40,654,519	29,757,484	5,450,010	1,062,596	-	433,597,400
Margin accounts	21,533,158	3,073,033	5,368,236	5,902,411	13,026,191	7,242,500	640,900	56,786,429
Loans and borrowings	3,860,452	5,667,022	12,216,837	13,438,984	80,703,996	16,727,273	-	132,614,564
Sundry provisions	-	-	-	289,534	-	-	-	289,534
Income tax liabilities	7,346,025	-	-	15,856	-	-	196,982	7,558,863
Deferred tax	-	-	-	-	-	-	95,789	95,789
Other liabilities	5,201,514	1,049,296	1,847,080	533,201	52,661	10,267	338,505	9,032,524
Total Liabilities	337,847,638	108,073,767	72,385,672	55,528,206	99,232,858	25,042,636	1,272,176	699,382,953
Equity attributable to the Bank's shareholders	-	-	-	-	-	-	150,621,541	150,621,541
Minority interests	-	-	-	-	-	-	6,730,229	6,730,229
Total Liabilities and Equity	337,847,638	108,073,767	72,385,672	55,528,206	99,232,858	25,042,636	158,263,946	856,374,723
Net liquidity gap	(78,744,089)	6,735,283	4,927,982	21,544,724	79,296,825	73,488,741	(107,249,466)	-
Cumulative liquidity gap	(78,744,089)	(72,008,806)	(67,080,824)	(45,536,100)	33,760,725	107,249,466	-	-

The maturity profile of the assets and liabilities at December 31, 2005 is as follows:

	Less than one month	1 - 3 Months	3 - 6 Months	6 Months to 12 Months	1 - 3 Years	Over 3 years	Zero-interest Elements	Total
Assets -								
Cash and balances with Central Banks	19,902,727	28,995,715	6,000,000	2,000,000	-	-	26,552,620	83,451,062
Balances at Banks and financial institutions	114,336,666	1,789,750	-	-	-	-	1,573,979	117,700,395
Deposits at Banks and financial institutions	-	-	-	-	354,500	-	-	354,500
Trading investments	-	26,141,549	-	-	-	-	-	26,141,549
Direct credit facilities, net	24,322,649	30,450,456	66,294,625	47,965,732	156,426,016	59,457,611	-	384,917,089
Available for sale investments	-	6,342,234	-	9,173,136	10,879,043	5,564,360	-	31,958,773
Held to maturity investments, net	3,200,761	5,389,000	11,999,130	2,819,400	765,405	-	-	24,173,696
Premises and equipment, net	-	-	-	-	-	-	5,144,522	5,144,522
Intangible assets	-	-	-	-	-	-	4,102,689	4,102,689
Other assets	3,366,910	10,214,006	1,488,709	272,822	2,034,265	337,772	2,703,431	20,417,915
Total Assets	165,129,713	109,322,710	85,782,464	62,231,090	170,459,229	65,359,743	40,077,241	698,362,190
Liabilities And Equity								
Liabilities -								
Banks and financial institutions' deposits	6,482,520	25,353,281	-	6,203,636	4,500,000	-	-	42,539,437
Customers' deposits	229,357,065	69,284,846	23,990,003	15,703,827	9,589,864	1,000,000	-	348,925,605
Margin accounts	26,189,883	2,667,537	4,522,994	4,875,841	10,859,124	6,037,620	-	55,152,999
Loans and borrowings	17,120,399	21,635,085	3,346,890	2,599,391	40,624,313	16,715,673	-	102,041,751
Sundry provisions	77,028	-	-	-	-	-	-	77,028
Income tax liabilities	-	650,080	-	108,667	-	-	-	758,747
Deferred tax	-	-	-	915,267	-	15,044	-	930,311
Other liabilities	6,211,560	469,518	2,803,991	409,227	64,987	6,777	2,035,528	12,001,588
Total Liabilities	285,438,455	120,060,347	34,663,878	30,815,856	65,638,288	23,775,114	2,035,528	562,427,466
Equity attributable to the Bank's shareholders	-	-	-	-	-	-	130,176,725	130,176,725
Minority interests	-	-	-	-	-	-	5,757,999	5,757,999
Total Liabilities and Equity	285,438,455	120,060,347	34,663,878	30,815,856	65,638,288	23,775,114	137,970,252	698,362,190
Net liquidity gap	(120,308,742)	(10,737,637)	51,118,586	31,415,234	104,820,941	41,584,629	(97,893,011)	-
Cumulative liquidity gap	(120,308,742)	(131,046,379)	(79,927,793)	(48,512,559)	56,308,382	97,893,011	-	-

(47) FOREIGN CURRENCY RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank's functional currency is the Jordanian Dinar. The Board has set limits on positions by currency. Positions are monitored on a daily basis to ensure positions are maintained within established limits.

The Bank's investment policy states that it is possible to have net exposures denominated in foreign currencies and this should not exceed 5% of the total equity for each currency except for U S Dollars and net exposures of all currencies should not exceed 15% of the total equity.

However net exposure in Japanese Yen was 10.6% of the total equity which exceeded the bank investment policy by 5.4% as of December 31, 2006.

The Bank had the following net exposures denominated in foreign currencies as of December 31:

	2006	2005
Currency		
U.S. Dollars	(39,950,053)	(12,599,538)
Sterling Pound	768,228	898,344
Euro	(60,255)	59,799
Canadian Dollar	45,106	63,405
Swiss Franc	(40,883)	11,860
Danish Kronor	49,963	52,006
Japanese Yen	16,418,456	210,287
Sweden Kronor	6,899	35,901
AED	222,236	513,646
Others	1,019,771	189,741

(48) EQUITY PRICE RISK

Equity price risk arises from the change in fair values of equity investments. The Bank manages this risk through diversification of investments in terms of geographical distribution and industry concentration. The majority of the Bank's investments are quoted on Amman Stock Exchange, Palestine Securities Exchange, Cairo Stock Exchange, Dubai Financial Market, Abu Dhabi Securities Market, and some international markets such as the London Stock Exchange.

(49) OPERATIONAL RISK

Operational risk is the risk of loss, resulting from inadequate or failed internal processes, people and systems, or from external events, these losses also include strategic risk and reputational risk.

According to Basel Committee recommendations for managing operational risk, the bank has adopted the Risk and Control Self Assessments methodology for identifying, assessing and controlling operational risk, also the bank has a robust policy for managing operational risk.

The Risk Management Department has an overall responsibility for credit risk policies and procedures; control and risk-related regulatory compliance; and the provision of analytical resources to Senior Management. In addition, the Department establishes systems necessary to implement effective controls and coordinates all technology development related to risk management also it provides Senior Management with information on risk.

(50) SEGMENTAL INFORMATION

1. Primary segment information

For management purposes the Bank is organised into four major business segments:

- ★ **Retail banking** - Principally handling individual customers' deposits, and providing consumer type loans, overdrafts, credit cards facilities and funds transfer facilities;
- ★ **Corporate banking** - Principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers;
- ★ **Corporate finance** - Principally arranging structured financing, and providing services relating to privatisations, IPO's and mergers and acquisitions;
- ★ **Treasury** - Principally providing money market, trading and treasury services, as well as the management of the Bank's funding operations by use of treasury bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking.

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

December 31, 2006

	Retail Banking	Corporate Banking	Corporate Finance	Treasury	Other	Total 2006
Gross income	6,846,922	38,446,900	746,026	19,848,476	1,000,882	66,889,206
Provision for credit losses	137,303	549,212	-	-	-	686,515
Segment result	(2,725,727)	21,720,677	746,026	16,064,324	1,000,882	36,806,182
Unallocated costs	-	-	-	-	-	(12,338,402)
Profit before tax	-	-	-	-	-	24,467,780
Income tax expenses	-	-	-	-	-	(6,407,875)
Profit for the year	-	-	-	-	-	18,059,905
Other information						
Segment assets	68,349,256	421,378,003	-	333,365,683	33,281,781	856,374,723
Segment liabilities	200,552,989	289,830,840	-	192,311,948	16,687,176	699,382,953
Capital expenditure	-	-	-	-	-	(4,982,720)
Depreciation	-	-	-	-	-	(957,083)

December 31, 2005

	Retail Banking	Corporate Banking	Corporate Finance	Treasury	Other	Total 2005
Gross income	3,477,756	18,156,039	1,833,168	35,668,405	171,559	59,306,927
Provision for credit losses	(761,683)	(965,604)	-	-	-	(1,727,287)
Segment result	(1,640,967)	8,381,092	370,736	34,640,647	171,559	41,923,067
Unallocated costs	-	-	-	-	-	(10,774,881)
Profit before tax	-	-	-	-	-	31,148,186
Income tax expenses	-	-	-	-	-	(9,789,197)
Profit for the year	-	-	-	-	-	21,358,989
Other information						
Segment assets	47,248,974	358,173,480	-	285,653,983	7,285,753	698,362,190
Segment liabilities	160,819,125	238,692,046	-	151,679,371	11,236,924	562,427,466
Capital expenditure	-	-	-	-	-	(2,622,102)
Depreciation	-	-	-	-	-	(640,048)

2. Geographical Information

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

	Jordan		Outside Jordan		Total	
	2006	2005	2006	2005	2006	2005
Gross income	60,982,782	52,829,100	5,906,424	6,477,827	66,889,206	59,306,927
Total assets	663,629,410	541,519,071	192,745,313	156,843,119	856,374,723	698,362,190
Capital expenditure	(4,979,413)	(2,622,102)	(3,307)	-	(4,982,720)	(2,622,102)

(51) CAPITAL ADEQUACY

The capital adequacy ratio is computed in accordance with the Central Bank of Jordan regulations derived from Basel Committee resolutions.

	2006		2005	
	Amount in JD	% to assets weighted by risks	Amount in JD	% to assets weighted by risks
Regulatory capital	141,419,000	23.20	131,366,000	24.75
Core (primary) capital	136,144,000	22.33	127,595,000	24.04

(52) FIDUCIARY ASSETS

- The Bank provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involve the Bank making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. At the balance sheet date, the Bank had investment custody accounts amounting to approximately JD 9,194,944 and JD 10,089,759 as of December 31, 2005 and 2006, respectively. The asset management fees and commission are recorded in the income statement.

- In the normal course of business, the Bank performs investment management services for its clients. Investments and other assets held by the Company in fiduciary capacity amounting to JD 5,672,080 at December 31, 2006 are segregated from the Bank's assets and are not included in the financial statements.

(53) OFF BALANCE SHEET ITEMS

	2006	2005
Letters of credit	60,759,462	40,043,138
Acceptances	9,721,187	14,675,477
Letters of guarantee -		
Payments	23,576,238	14,095,949
Performance	11,466,448	13,809,773
Other	36,039,533	42,413,558
Forward deals in foreign currencies (Note 39)	18,615,861	923,586
Irrevocable commitments to extend credit	23,228,474	16,638,305
	<u>183,407,203</u>	<u>142,599,786</u>

- ★ As of the date of financial statements, the Bank has a commitment with respect to a bank guarantee of USD 1,367,000 to the order of Al-Abdali For Investment and Development Company to purchase a plot of land.
- ★ Annual rent of the Bank's main building and the branches amounted to JD 380,618 and JD 205,770 as of December 31, 2006 and 2005, respectively.
- ★ Included in the fiduciary assets capital guaranteed investment amount in to JD 8,574,076 as of December 31, 2006, mature during the coming three years.
- ★ There is an additional commitment of IQD 14.8 billion (equivalent to JD 7,123,693), representing the Bank's share in increasing NBI's capital to IQD 50 billion.

(54) LAWSUITS

In the normal course of business the Bank appears as a defendant in a number of lawsuits amounting to approximately JD 1,815,504 as of December 31, 2006.

According to the Bank's lawyer opinion, the outcome of the lawsuits will be favourable and the Bank's management believes that there is no need to provide for these lawsuits.

(55) NEW ISSUED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The following standards and interpretations have been issued but are not yet effective.

- ★ **IFRS 7 Financial Instruments: Disclosures and consequent amendments to IAS 1 – Capital Disclosures**
- ★ **IFRS 8 Operating Segments**

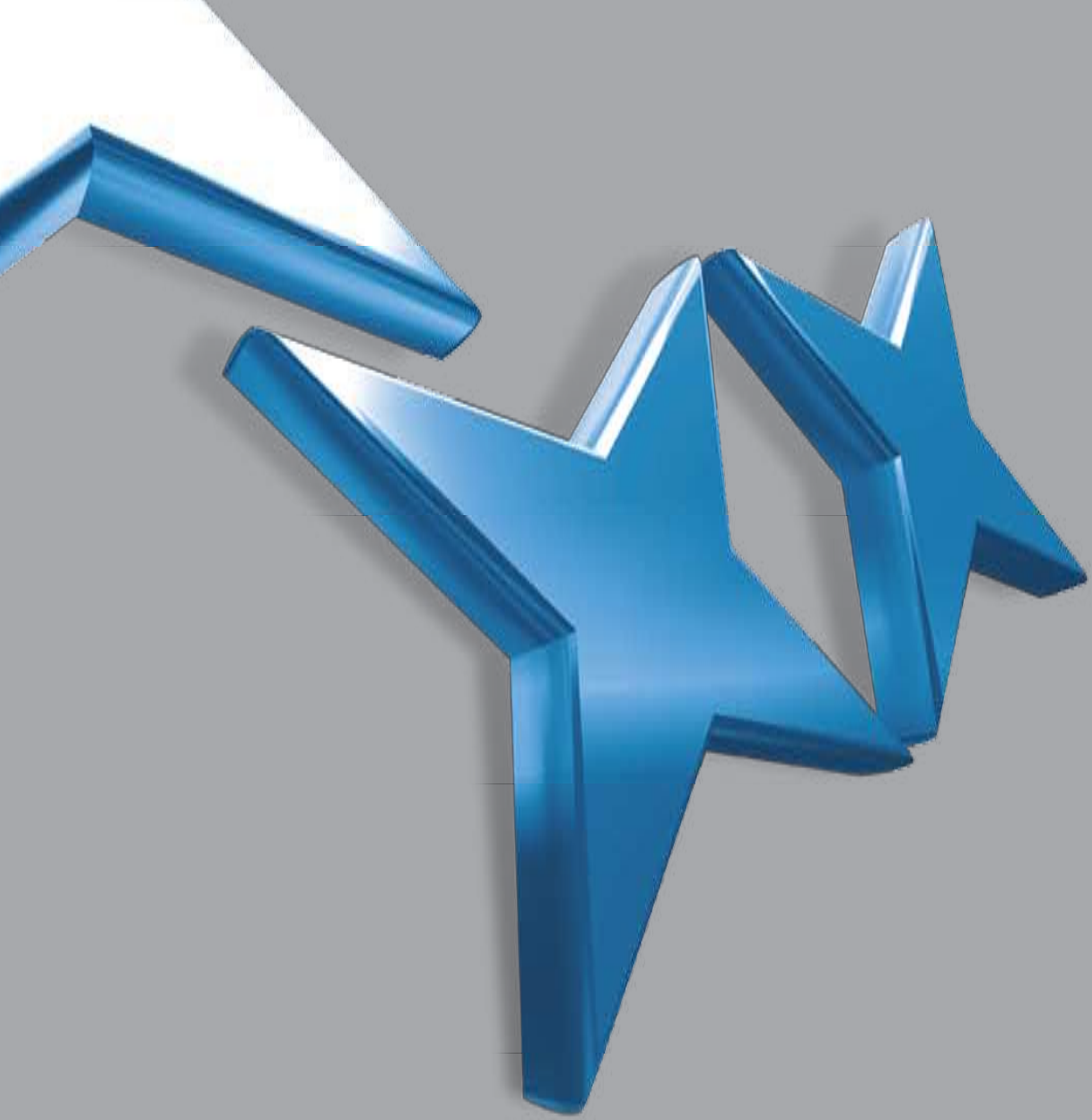
The above amendments only impact disclosures and will be effective for 2007 and 2009 respectively.

- ★ **IFRIC Interpretation 8 Scope of IFRS 2**
- ★ **IFRIC Interpretation 9 Reassessment of Embedded Derivatives**
- ★ **IFRIC Interpretation 11 IFRS 2 – Group and Treasury Share Transactions**

Management do not expect these interpretations to have a significant impact on the Bank's financial statements when implemented in 2007.

(56) COMPARATIVE FIGURES:

Some of 2005 balances were reclassified to correspond with the 2006 presentation. The reclassification has no effect on the profit for the year and equity.



Disclosures required by the Jordan Securities Commission

a- Chairman's statements

b- BOD's report

1- Major Activities Description

As mentioned in the board of directors' report

Geographical Locations:

Capital expenditures amounted JOD 4,982,720 as of 31/12/2006 and the bank employees number reached 290 distributed by branch as follows:

Branch	Employee Number
Head Office	262
Shmeisani	11
Al Aqaba	3
Irbid	5
Al Zarqa	4
Al Wehdat	5

2- Subsidiary Companies disclosure

As in disclosure number 2 in the basics of financial statements consolidation

3- Board of Directors and Top Management:

The Board of Directors:

★ **Ali K. Al –Husry (Chairman)**

Holds a B.Sc. in Mechanical Engineering from the University of Southern California, and an MBA from INSEAD, France. Mr. Al Husry is a member of the board of directors for Hikma Pharmaceuticals – London. Member of the Boards of the Association of Banks in Jordan, Al-Hussein Fund for Excellence and Jordan Insurance Commission.

★ **Dr Fayez M. Soheimat (Vice Chairman)**

Holds a PhD in Engineering. And has a long experience working in many upper management posts such as the General Manager of the National Oil Company and the General Manager of Industrial Estates Corporation. He is a board member on a number of public corporations.

★ **Mohammed Al-Seif**

Holds a B.Sc. in Industrial & Systems Engineering from the University of Southern California. Currently chairman of a number of companies such as Al-Seif for Development Company and (UME) Holding Company. Has a long banking and finance experience.

★ **Mazen S. Darwazah**

Holds a B.A. in Business Administration from Lebanese American University, Lebanon, a Diploma from the International Marketing Institute Program from Boston University, USA, and an Advanced Management Program from INSEAD, France. Has a long experience in the pharmaceutical industry. Currently holds the positions of Group Vice Chairman for Hikma Pharma, Jersey, and Chairman of Hikma Pharmaceuticals.

★ **Abdel Raouf W.Al-Bitar**

Holds a B.Sc. in Civil Engineering from Syracuse University, USA. Has a long experience in the industrial business. Currently, Chief Executive Officer at Al Manhal Water factory Co Ltd. And is a Board member of many companies.

★ **Elia C. Nuqul (Investment & Integrated Industries Company)**

Holds a B.A. in Accounting & Business Law from The School of Accountancy, Glasgow. Chairman of Nuqul & Bro. Group and a board member of several other companies. And is a Holder of Al-Hussein Medal of Excellence of the First Order.

★ **Yehya Abu Ersheid (Social Security Corporation)**

Holds a B.A. in Economics from the University of Jordan and a Higher Diploma in Management from France. Has a Long experience in the Central Bank of Jordan, and as board member in many corporations. Currently, Assistant General Manager for Management and Inspection in the Social Security Corporation.

★ **Amer M. Fariz (Bayader Trade & Investment Company)**

Holds a B.A. in Business Administration from the University of Jordan. Has a long experience in banking and finance. Starting in the Arab Banking Corporation, and is a board member of several companies. Currently, Chairman of Bayader Trade & Investments Company

★ **Fawzi Jumeian (Al-Khalil Investments)**

Holds a B.A. in Management from Yale University and an MBA from Stanford University. Currently, Executive Director of the Star Point Group (Investment Company).

★ **Mansoor Fustooq (Spumante Comercio International LDA)**

Holds a B.Sc. in Civil Engineering from the University of Manchester, England. Currently, Managing Director of Al-Hadaf Trading Establishment and is the chairman of the board of several other companies.

★ **Dr. Marwan Muasher:**

Holds a B.Sc. in Computer Engineering from Purdue University. A member of the Senate. Held numerous positions in the Jordanian government, the latest of which was deputy prime minister and the official spokesperson.

Members of Top Management

★ **Haytham Kamhiyah (General Manager)**

- B.A. in Accounting, Jordan University.
- Diploma in Advanced Management Program (AMP) from INSEAD University /France.
- Holds the following certificates: CRA, CPA, CMA
- Long Experience in the field of external Audit with Arthur Anderson, Amman .
- Joind EFB in 1996.
- Latest position was Assistant General Manager for Finance & Risk.
- Became General Manager in May 2005.

★ **Mohammad Fayyad (Assistant General Manager / Treasury and Investments)**

- MBA in Business Administration, Jordan University.
- Holder of Chartered Financial Analyst -CFA.
- Long experience in the field of investments and financial markets.
- Worked at the Central Bank of Jordan for nine years. last position there, was Assistant Manager for Foreign Investment Unit (CBJ).
- Worked at Jordan Trust Investment Company for two years as Financial Markets Department Manager.

★ **Narmeen Nabulsi (Assistant General Manager / Operations and Information Technology)**

- B.A. in Law.
- Advanced Diploma In Law.
- Worked as a lawyer and a Law Consultant at many establishments.
- Joined the banking sector as the in-house legal consultant at Bank of Jordan and Cairo Amman Bank.
- last position in Cairo Amman Bank was Manager for Inspection, Credit Control & Credit Risk.

★ **Rami Hadeed (Assistant General Manager / Corporate Banking)**

- Masters Degree in Accounting, USA.
- Holds the CPA professional certificate.
- Experienced in the field of external audit and banking.
- Worked at Ernst and Young, Amman, and at many banks (ABC- NY, BNP- Praibas, Bahrain,) in corporate credit.
- Participated in the establishment of Commercial Branch in the Housing bank, Bahrain.

★ **George Sofia (Assistant General Manager / Retail Banking, Branches & Marketing)**

- B.A. in Business Administration, UK.
- Long history in branches and retail credit.
- Worked at HSBC. last position there was Amman Branches Manager.
- Worked at Societe' Generale, Jordan, as Retail Bank Manager.

★ **Mr. Mohammed Mu'az (Legal Department Manager / Legal Counsellor)**

- Masters Degree in Commercial law, UK.
- Member of the Jordanian Law Syndicate, since 1997.
- Member of the International Law Association, since 1998.
- Worked at "Dajani and Associates/ Law Office".
- Worked at Arab Nank /Legal Department - International Division.

4- Major shareholder who own more than 5% of the banks' capital

Shareholder	Nationality	No. of Stock as of 31/12/2006	%	No. of Stock as of 31/12/2005	%
Investment & Integrated Industries Company	Jordanian	6,283,134	5.42%	5,524,825	5.42%
Mr. Basem Al Salem	Jordanian	6,016,229	5.19%	5,290,133	5.19%
Mr. Ali K. Al-Husry	Jordanian	7,441,874	6.42%	6,543,717	6.42%
Social Security Corporation	Jordanian	11,339,404	9.78%	9,827,275	9.63%
Mr. Mohammed El-Seif	K.S.A	6,982,745	6.02%	6,140,000	6.02%
Mr. Abdel Raouf Al-Bitar	Jordanian	11,223,446	9.68%	9,302,227	9.12%
SPUMANTE COMERCIO INTERNACIONAL LDA	Portuguese	7,714,330	6.65%	6,783,291	6.65%

5- Competitive position and market share

As in board of directors report

6- Reliability degree on certain vendors and or key customers in the case it is more than 10%

There are no vendors or customers with operations equal or more than 10% of the banks operations

7- Description of any governmental protection or privileges

There are no governmental protection or privileges to the bank or any of its products. The bank has no patent of invention or copyrights during 2006.

8- Description of any decision issued by the government or international organizations

There are no decisions issued by the government or any international organization that have material effect on the bank's work, products or competitive capability

9- Organization charts, Number of employees, and their qualifications

Scientific Degree	Number
PhD	1
Master	25
High Diploma	30
B.A /B.S	201
Diploma	8
Secondary school	12
Lower than secondary school	13
Total	290

Employees Training

	Number
Local Courses	493
Foreign Courses	70
Total	563

10- Description of Risks

As stated in the financial statements disclosure 43 to 49

11- Achievement of the company for the year 2006

As stated in the board of directors report

12- The financial effect for extraordinary operations

There are no extraordinary operations in 2006, which have a material effect on the bank's operations

13- Time Chain for realized profit and loss. Dividends, and net shareholders equity (2002-2006)

Year	Equity	Net Income	Cash Div.	Dividends Stock Div.	Closing Price
2002	37,590,373	5,568,252		4.7 Million	1.38
2003	45,779,476	8,061,827		4.5 Million	3.93
2004	59,872,518	12,346,354		7 Million	4.41
2005	135,934,724	21,358,989		10.5 Million	3.32
2006	156,991,770	18,059,905		14 Million	1.93
2002	Stock Dividend of 18.58%				
2003	Stock Dividend of 15%				
2004	Stock Dividend of 20.29%				
2005	Private subscription of 48.20%				
2005	Stock Dividend of 17.08%				
2005	Private subscription of 41.66%				
2006	Stock Dividend of 13.73%				

14- Analysis of the Bank's Financial Position

As in the board of directors report

15- Future outlooks

As in the board of directors report

16- External auditor's fees

External auditors fees Messrs Allied Accountants amounted JD117,172 For the Bank and the Brokerage Company.

17- Status for Number of Financial Securities issued by the bank and owned by the board of directors, top management, executive authority and their relatives.

Members of The Board of Directors

As of 31/12/2006

Member	Representative	Nationality	No. of Stock	%	No. of Rep. Stocks
Social Security Corporation	Mr. Yehya Abu Ershaid	Jordanian	11,339,404	9.78%	
Mr. Abdel Raouf Al-Bitar	-	Jordanian	11,223,446	9.68%	
SPUMANTE COMERCIO INTERNACIONAL LDA	Mr. Mansoor Fustok	Portuguese	7,714,330	6.65%	
Mr. Ali K. Al-Husry	-	Jordanian	7,441,874	6.42%	
Mr. Mohammed El-Seif	-	K.S.A	6,982,745	6.02%	
Investment & Integrated Industries Company	Mr. Elia Nuqul	Jordanian	6,283,134	5.42%	
Mr. Mazen Darwazeh	-	Jordanian	1,452,022	1.25%	
Bayader Trade & Investment Company	Mr. Amer Fariz	Jordanian	524,023	0.45%	522
Dr. Fayez Soheimat	-	Jordanian	660,345	0.57%	
Al Khalil Financial Investments	Mr. Fawzi Jumean	Jordanian	40,277	0.03%	
Dr. Marwan al m'asher		Jordanian	218,024	0.19%	
Total			53,879,624		522

Member's relatives

	Member	Relation	No. of Stock
Waleed Mazen Darwazeh	Mazen Darwazeh	Son	102,810
Rola Sameer Nasr	Mazen Darwazeh	Wife	109,670
Leen Fouad Faraj	Marwan Al M'asher	Wife	13,554
Omar Marwan Al M'asher	Marwan Al M'asher	Son	20,170
Hana Marwan Al M'asher	Marwan Al M'asher	Daughter	20,170
Total			266,374

As of 31/12/2005

Member	Representative	Nationality	No. of Stock	%	No. of Rep. Stocks
Social Security Corporation	Mr. Yehya Abu Ershaid	Jordanian	9,827,275	9.63%	
Mr. Abdel Raouf Al-Bitar	-	Jordanian	9,302,227	9.12%	
Spumante Comercio Internacional Lda	Mansoor Fustok	Portuguese	6,783,291	6.65%	
Mr. Ali K. Al-Husry	-	Jordanian	6,543,717	6.42%	
Mr. Mohammed El-Seif	-	Saudi	6,140,000	6.02%	
Investment & Integrated Industries Company	Mr. Elia Nuqul	Jordanian	5,524,825	5.42%	
Mr. Mazen Darwazeh	-	Jordanian	911,187	0.89%	
Bayader Trade & Investment Company	Mr. Amer Fariz	Jordanian	910,779	0.89%	459
Dr. Fayez Soheimat	-	Jordanian	580,649	0.57%	
Mr. Basem Touqan	-	Jordanian	73,910	0.07%	
Al Khalil Financial Investments	Mr Fawzi Jumean	Jordanian	35,416	0.03%	

Member's relatives

	Member	Relation	No. of Stock
Tala Ali AL-Husry	Ali K. Al-Husry	Daughter	4,024
Waleed Mazen Darwazeh	Mazen Darwazeh	Son	82,523
Rola Sameer Nasr	Mazen Darwazeh	Wife	3,676
			90,223

Members of Top Management

Member	Position	Nationality	No. of Stock as of 31/12/2006	No. of Stock as of 31/12/2005
Mr. George Sofia	AGM Retail banking, Branches & Marketing	Jordanian	1,518	1,335

* There are no shares owned by the top management relatives

18- Board of directors, top management, and executive authority's remuneration and other benefits

Member	Salaries	Remuneration*	Remuneration of 2005	Transportation 2006	Other Benefits	Total
Mr. Ali K. Al-Husry	119,000	337,500	5,000	14,500	13,225	489,225
Mr. Mazen Darwazeh			5,000	9,800		14,800
Investment & Integrated Industries Company (Rep. Mr. Elia Nuqul)			5,000	5,600		10,600
Bayader Trade & Investment Company (Rep. Mr. Amer Fariz)			5,000	12,700		17,700
Spumante Comercio Internacional Lda (Rep. Mr. Rashad Khorsheed) - Till February 2005			833			833
Spumante Comercio Internacional Lda (Rep. Mr. Mansoor Fustok) - Since March 2005			4,167	4,600		8,767
Dr. Fayez Soheimat			5,000	15,100		20,100
Social Security Corporation Rep. Mr. Yehya Abu Ershaid)			5,000	12,700		17,700
Mr. Abdel Raouf Al-Bitar			5,000	6,930		11,930
Mr. Mohammed El-Seif			5,000	9,023		14,023
Mr. Basem Touqan			5,000	300		5,300
Al Khalil Financial Investments Rep. Mr. Fawzi Jumean)			2,375	12,200		14,575
Mr. Basem Al Salem			2,625			2,625
Dr. Marwan AL M'ASHER				9,900		9,900
	119,000	337,500	55,000	113,353	13,225	638,078

* Represents 2005 remuneration paid during 2006

Top Management

Member	Position	Salaries	Remuneration *
Mr. Haytham Kamhyah	General Manager	84,460	92,500
Mr. Mohammad Fayyad	AGM Treasury & Investment	64,580	60,000
Mrs. Narmeen Nabulsi	AGM Operations & IT	57,510	45,000
Mr. Rami Hadid	AGM Corporate Banking	50,510	33,000
Mr. George Sofia	AGM Retail banking, Branches & Marketing	46,000	7,500
Mr. Emad Al Zubi	AGM Financial Control till November 2006	25,719	
Mr. Marwan Shehada	AGM Chief Internal Auditor till December 2006	37,362	22,000
Mr. Mohammed Mu'az	Legal Counsellor / Legal Department	35,438	24,000
Total		401,579	284,000

* Represents 2005 remuneration paid during 2006

19- Donations and Gifts

Institution	Amount
Hikma Pharmaceuticals medicines to lebanon	9,939
Hikma Pharmaceuticals medicines to Palestine	28,486
SOS Children's Village Association of Jordan	3,036
Young Muslim Women Association	18,000
Orphan Care	21,750
Islamic Center Association	3,816
The Hashimite Fund for Human Development	6,000
AL Ferdouse society	3,812
Fulbright	12,000
Other Charitable & Social Foundations)	68,498
National studies institution	5,000
AL Aoun Jordanian Society	3,000
Total	183,337

20- Description of projects and contracts

There are no projects and contracts between the Bank and the related parties

21- Bank's contribution in environment protection and support to local society

As in donations disclosure

c- Annual financial statements

As in the annual report

d- External Auditor Report

As in the annual report before the financial statements

Acknowledgment

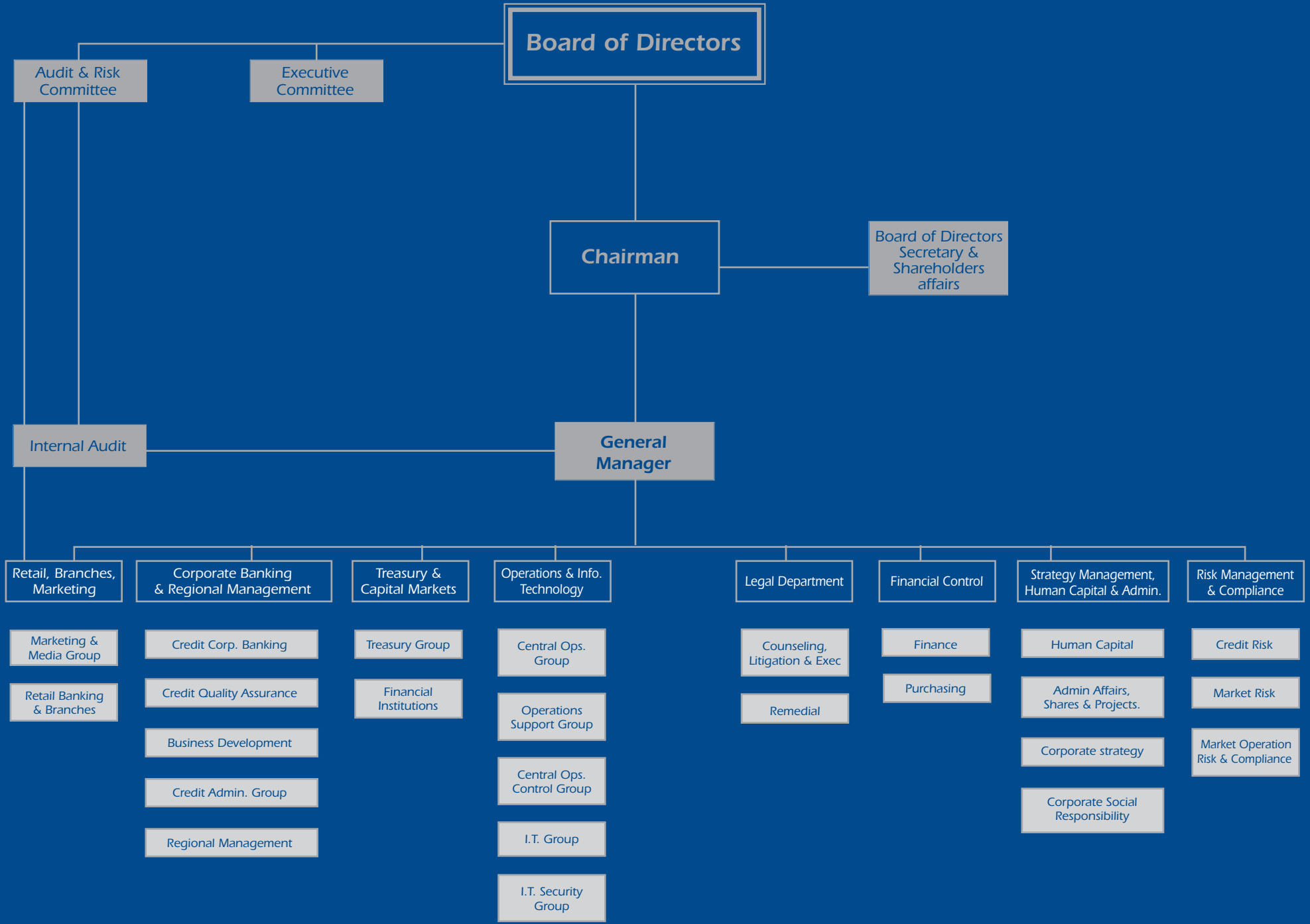
According to Paragraph (E) article 4 of International Financial Reporting Standards

The board of Capital Bank acknowledge to his own knowledge and belief is no any essential issue that could affect the work of the work continuity during 2006

Also the board of directors is responsible for the preparation and the fair presentation of the financial information contained in this annual report.

Also the board of directors, general manager and the financial manager acknowledge all information and data in this report are correct, accurate and complete.

* The above-mentioned acknowledgments are signed and delivered to Jordan Securities Commission.



Capitalbank

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