

Annual Report 2005



بنك القاهرة عمان
Cairo Amman Bank



His Majesty King Abdullah The Second

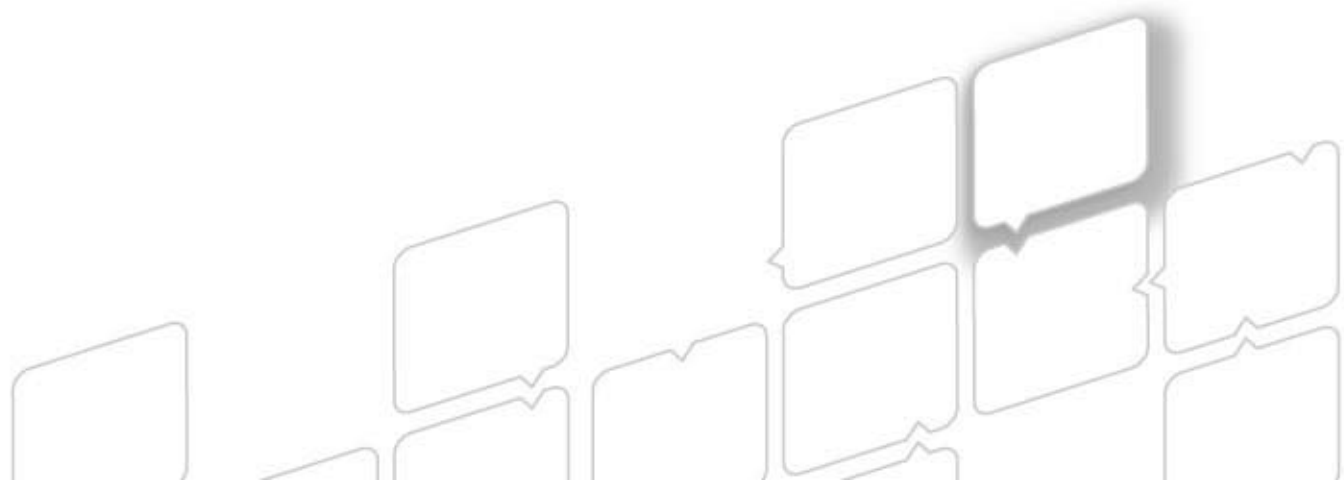
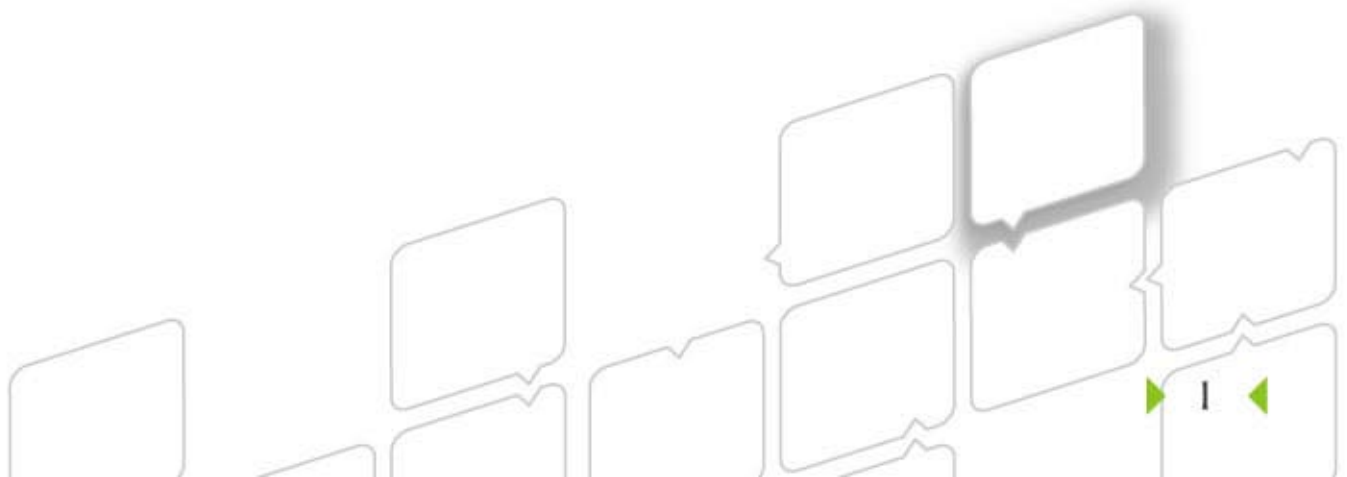


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Board of Directors

Mr. Khalid S. Al-Masri

Chairman

Mr. Mohammad K. Barakat

Vice Chairman, Representing Banque Du Caire (Effective January 5, 2006)

Mr. Ahmad M. Al-Barda'l

Vice Chairman, Representing Banque Du Caire (Until January 5, 2006)

Members

Mr. Miqdad H. Innab

Mr. Ibrahim H. Abu Al-Ragheb

Representing Ishraq Investment Company

Mr. Yasin K. Talhouni

Representing Levant Investment Company

Mr. Farouq A. Zuaiter

Representing Palestine Development & Investment Company (Padico)

Mr. Farid M. El-Chiati

Representing Bank Misr America International

Dr. Abdul Malek A. Jaber

Representing Al-Massira Investment Company

Mr. Ghassan I. Akeel

Representing Astra Investment Company

Mr. Nashat T. Al-Masri

Mr. Yazid A. Al-Mufti

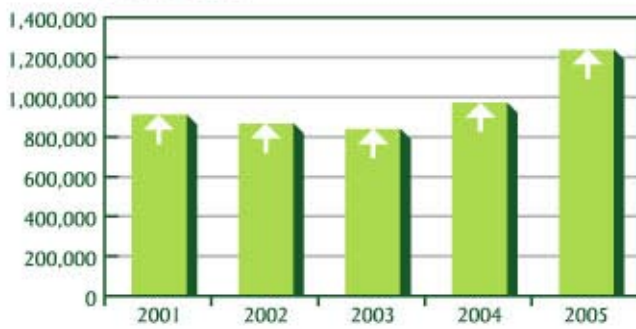
Representing National Development & Supply Company

Auditors

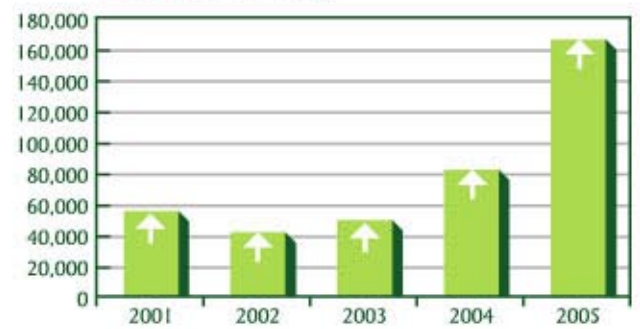
Allied Accountants
(Members of Ernst & Young Global)

Financial Indicators for 2005

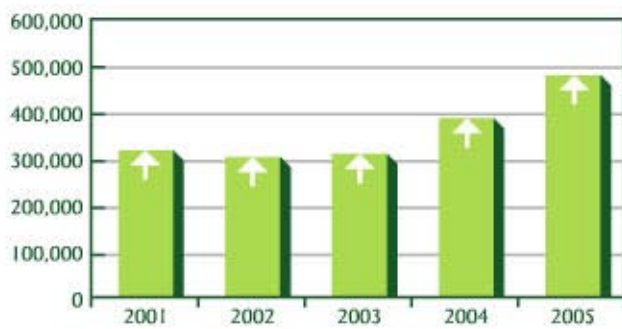
Total Assets



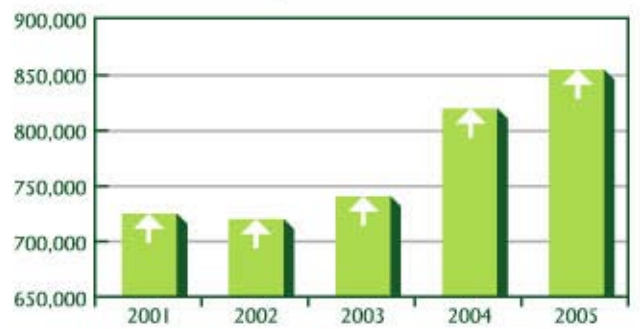
Shareholders Equity



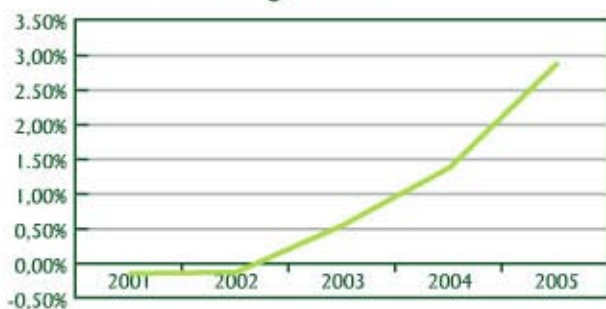
Net Credit Facilities



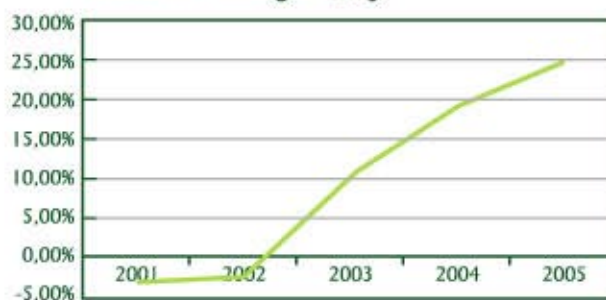
Customers' Deposits



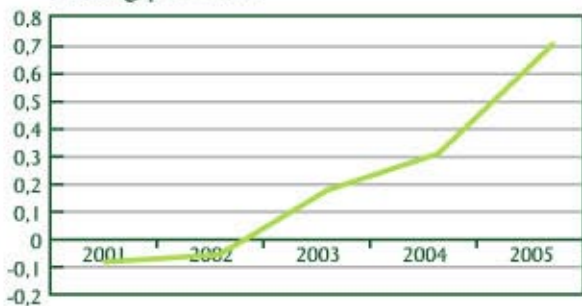
Return on Average Assets



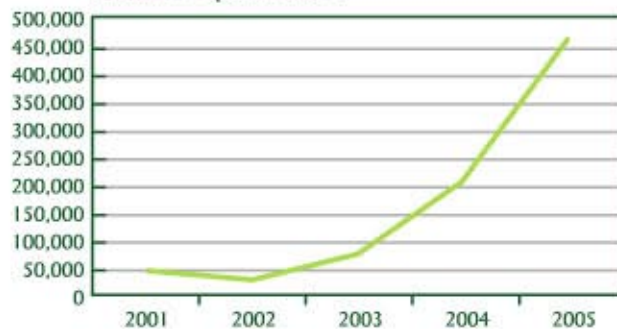
Return on Average Equity



Earning per Share



Market Capitalization





Chairman's Message



Dear Shareholders,

It is with great pleasure that I present to you the forty-sixth annual report of Cairo Amman Bank.

The year 2005 witnessed the highest results to be achieved since the Bank's inception over 45 years ago. The results are a reflection of the continued improvement in the Bank's performance and its dedication towards working in the best interest of its shareholders and customers alike.

During 2005, net income increased by 154% to reach JD31.5 million compared to JD12.4 million in 2004, with evident growth in most of the Bank's operational and financial indicators. The year also witnessed the continuous improvement in the quality of the credit facilities portfolio whereas non-performing loans ratio continued its declining trend to reach 9.11% from 14.43% in the previous year, with a provision coverage ratio of 94.7%.

Furthermore, the Bank was able to reinforce its shareholders equity which amounted to JD163.3 million achieving a growth rate of 89.8% over the previous year, and in order to solidify the Bank capital base, the Board of Directors proposes to increase the paid-up capital to JD67.5 million through the issuance of bonus shares to shareholders at 50% of paid-up capital capitalizing JD22.5 million of the retained earnings. The Board also proposes distributing cash dividends at 10% of paid-up capital. This capital increase will accommodate the Bank's growth plans.

I would like to reiterate to our shareholders, customers and employees our commitment towards improving the Bank's operations and services to stay competitive in the ever-changing banking sector. Our aim in the coming years is to provide the best banking services while continuously improving on the results.

The results of 2005 were not to be achieved without the trust and constant support of our loyal customers, and the dedication and commitments of all employees in their various locations and positions. To them and on behalf of Cairo Amman Bank's family I would like to extend my most sincere appreciation and deepest gratitude.

As we remember the victims of the vicious terrorist attacks that targeted Jordan and its economic establishments while claiming the lives of the innocent, we remember one of the victims the late Mousab Khouma, the Bank's Deputy General Manager, may God rest his soul in eternal peace. Albeit the sorrow, Jordan has proved its ability to overcome such attacks by moving forward with the guidance and wisdom of the Hashemite leadership and resilience of its citizens.

Khalid Sabih Al-Masri,
Chairman and Chief Executive Officer

Board of Directors Report

It gives the Board of Directors great pleasure to present to you the Bank's forty-sixth annual report, which outlines developments in the world economy, Arab economies and in Jordan, together with the Bank's 2005 financial results. The report also presents Jordan's economic outlook and a summary of the Bank's objectives for 2006.

World Economy

The global economy continued to expand at a relatively robust pace, with particularly strong activity in the United States and Asia.

The US economic expansion continued in 2005 on a solid footing and was led by ongoing increases in consumption, residential investment, and business spending on equipment and software. Although the pace of expansion slowed towards the end of the year, as GDP grew by 4.5% for 2005, a reflection in part of reduced fiscal stimulus and the drag on economic activity from higher energy prices. Nevertheless, the economic expansion has been sufficient to gradually absorb slack in labour and product markets. The Federal Reserve continued its tightening cycle, which is expected to reach its peak at the end of 2006, with Fed interest rates at 4.25% by the end of December 2005.

In Europe, the economy is still positively growing, as preliminary estimates show that it achieved 1.3% growth in 2005, compared to 2.1% in 2004.

Concerning Japan, the economy is expected to continue along the path of gradual recovery while consumer price deflation is abating.

Arab Economies

During 2005, most Arab economies showed signs of improvement in their overall performance compared to the previous year as well as compared to other industrial countries. The surge in oil prices and the more liberal fiscal and monetary policies adopted by these countries helped in promoting economic growth. The GCC posted the highest growth rates among all Arab countries fuelled by the large cash inflows that poured in due to the surge in oil prices. Egypt has posted a growth of 3%, Syria posted the same rate of growth but its outlook remains uncertain with regards to the increased tension with the United States.

Moreover, Lebanon's economic prospects also remain uncertain due to the unstable political scene. The Palestinian economy showed signs of improvement and its outlook remains uncertain after the victory of Hamas in the elections. On the other hand, both Tunisia and Morocco posted a favourable growth of around 5%.

The Jordanian Economy

The economy of Jordan was amongst the best performers within the Arab world in 2005. Jordan was able to maintain the positive economic results achieved during the last two years, given the uncertain political situation in the region. GDP grew by 7.5% in 2005 compared to 7.3% in 2004. The growth in the economy was enticed by the growth achieved in almost all economic sectors especially manufacturing industries, financial services, construction, telecommunications, water and electricity.

The Monetary Sector

The Central Bank of Jordan continued its policy aiming to maintain monetary stability and preserving the Kingdom's foreign currency reserves. Official foreign currency reserves remained stagnant at JD3.5 billion at the end of 2005, although decreased in terms of months of imports to 6 months instead of 7 months. Furthermore, the Central Bank of Jordan continued its tightening streak, increasing its window deposit interest rate eight times during 2004, to reach 4.50% at the end of 2005 compared to 2.25% at the end of 2004.

This tightening cycle was reflected in the market, as yields on Jordanian debt instruments went up by about 2.50% across most maturities.

Balance of Payment

Jordan's national exports grew by 11% in 2005. These exports were concentrated in apparels (exports from QIZ areas to the US market), chemical products, and pharmaceutical products. The main destinations for these exports were the US, Iraq and the European Union countries.

Import growth, however, increased by 31% during 2005, this surge came as a direct result to the substantial increase in oil prices as crude oil topped the country's imports, followed by raw and intermediate materials and automobiles.

On the services balance front, available estimates for the amounts repatriated by Jordanian expatriates during 2005 show that it exceeded those of 2004. However, the current account balance is expected to post a deficit to GDP of 16% in 2005.

Government Budget

Early estimates of the performance of the government budget in the first 11 months in 2005 indicate that the overall budget deficit (after grants and assistance) reached JD372.4 million, which represents around 5% of GDP. At the same time, foreign grants and assistance amounted to JD273.6 million in 2005, posting a decline of 37.2% from 2004.

Noteworthy, however, is that the government of Jordan continued its efforts to curb public expenditure in order to control budget deficit and maintain it within specified levels in the Economic Adjustment Program. Consequently, growth in current expenditures was kept lower than growth in GDP, while capital expenditure was expanded in order to support economic growth.

Economic Outlook in 2006

The economy of Jordan is expected to grow by 6% in 2006. This growth is expected to be fuelled by key sectors such as manufacturing industries, telecommunications, construction, water and electricity. Inflation is also expected to increase fuelled by the government's decision to gradually lift oil subsidies. On the government budget front, primary estimates indicate that the overall budget deficit might increase to the level of 5% of GDP due to the expected increase in global crude oil prices.

The Bank's Performance during 2005

Broadening of Retail Banking Services

Cairo Amman Bank reaffirmed its position as a leading bank in providing retail banking services, whereby the primary pillar of the Bank's strategy is to widen its client base in Jordan and Palestine, in addition to achieving a competitive edge in this area by providing a variety of services and products which meet the various needs of our clients, including Personal Loans, Housing Loans, Car Loans, Credit Cards, and other personal services all of which will provide a high level of satisfaction amongst our customers.

To achieve its retail strategy, the Bank adopted Cross Selling Policy in marketing its retail products through marketing campaigns, granting Pre-Approved Lines to certain customers or group of customers, in addition to providing employees with various bonus schemes to promote cross selling.

As for expanding into new products, the Bank obtained the support of The Consultative Group To Assist The Poor (CGAP) an organization affiliated with World Bank, in developing Micro Finance products. The support includes providing technical assistance and guidelines on the marketing campaign for this product.

Corporate Credit

Cairo Amman Bank continued its participation in syndicated loans for funding projects that add value to the national economy. In addition to expanding its relationship with large and reputable corporations, government and semi-government institutions within the standards set by the Board of Directors that sustain the minimum acceptable credit risks and provide the Bank with acceptable returns.

The Bank also started expanding its activities towards small and medium enterprises. Therefore, a special unit was created within the Corporate Credit Department to focus on this sector.

Risk Management

The Board of Directors, in its awareness of the importance of managing the different risks that face the banking sector, and in line with international standards and best practices continues to manage risk through its independent Risk Management Department. The department objectives are focused on recognizing current and possible risks and recommending measures for dealing with them according to the risk appetite of the Bank. The Bank sets clear policies in several areas, most importantly managing credit risk where a selective credit policy is followed. The policy is based upon diversification in lending to different sectors, in addition to proper provisioning in line with Central Bank of Jordan regulations and best market practices.

As for managing market risk, the Bank's management continuously seeks to limit the risks of foreign exchange and investment risk, by setting policies and limits to exposures in accordance with Central Bank of Jordan regulations. This also applies to interest rate risk and liquidity risk as they are properly reviewed and monitored by Assets and Liabilities Committee (ALCO).

The following steps have been taken in this area:

1. Continuous development of Risk Management Systems to prepare the Bank for the new International Standards and Basel II requirements.
2. Introducing and gradually implementing the concept of Control and Risk Self Assessment (CRSA), to ensure covering most risks in the work procedures.
3. Reviewing and updating the Bank's policies to ensure their compliance with current rules and regulations and general strategies of the Bank.
4. Establishing a Compliance Department that will specifically be monitoring compliance and adherence to rules and regulations.
5. Developing Corporate Governance within the organization and all what it entails in ensuring that relevant and clear procedures exist, that they are based on transparency, accountability and responsibility, to prevent abuse of authority and conflict of interest.

Developing Sources of Funds

The Bank continued its efforts on attracting deposits in order to properly match between sources and usage of funds. During the year, the Bank concentrated on attracting customers' deposits with much focus on saving accounts. In doing so, the Bank increased the amounts and frequency of prizes on the saving accounts.

The Bank aims to solidify its presence and competitive edge in the local market so as to achieve the maximum return by developing banking products through branches with completed and updated networks to meet current needs, turning them into services centers and marketing and investment channels.

In addition, the Bank's management is directly involved in managing assets and liabilities whereby advanced applications for dealing with the continuously changing environment under which banking operations take place will be used.

Information Technology

During 2005, the Bank started implementing a 5 year IT plan that is compatible to its overall strategy. This year, the IT plan focused on the following:

- Upgrading the infrastructure in the Head Office and branches in Jordan and Palestine.
- Business continuity.
- Upgrade and increase the Bank's ATM network.
- New up to date automated workflow processes.
- Implementing new lending system.
- Developing the Bank's electronic channels especially ATMs and credit cards.

Human Resources

Cairo Amman Bank realizes that its human resources are most important to its success and that a strong and professional recruitment and hiring policy is essential in achieving the Bank's strategic goals. The Bank's employment policy is committed to recruiting and hiring the best and most qualified staff. The Bank employs 1488 employees.

Employment Policy

The employment policy depends largely on matching qualifications, experiences, skills and competencies of candidates with the requirements of the vacant positions available at the Bank, in addition to maintaining a specific environment and culture. Thus, this policy ensures the competencies of the Bank's human resources fulfill its strategic and operational needs.

Minimum qualifications for all positions in the Bank have been determined for purposes of recruitment. These qualifications identify all the educational requirements, experiences, skills and competencies a successful candidate must have in order to fill a specific position. Candidates with these minimum requirements are then interviewed, evaluated, selected, and recruited based on their ability to meet such requirements. Thus ensuring the placement of the "right person in the right position". Tools used for evaluation of potential candidates include written examinations, and a number of personal interviews conducted by the Human Resources Department.

Employee Training and Development

The Training Department provides various opportunities to employees to develop and improve their skills and competencies, through a comprehensive training plan implemented throughout the year. This plan includes training employees in various areas including banking operations, investment and finance, computer skills, managerial and leadership skills.

Newly appointed employees participate in a comprehensive orientation program, which aims at providing them with an introduction to the Bank and its operations. In addition, new employees participate in several workshops that address various topics including operations, Bank products, and customer service.

The Training Department links between the employee's performance evaluations and their training needs. Employees are then enrolled in various training programs, which are structured to develop the employees and keep them up to date with the latest information and skills required for their success. The training provided to each employee is also in line with their career path.

During 2005, the Training Department held 310 training programs, 16 of which were outside Jordan, with 1,737 participant. These courses addressed various topics including Risk Management, Anti-Money Laundering, Treasury and Investment, Trade Finance, Finance and Accounting, Credit Facilities, Marketing and Sales, Audit, and computer skills.

The Bank and Local Communities

The Bank continued to actively support the local communities and participate in a variety of national and religious functions in Jordan and Palestine, where the Bank sponsored a number of conferences and events. The Bank also helped a number of organizations, associations and charity funds as means of supporting the development and productivity of local communities as well as supporting the less privileged areas in order to assist in increasing these areas ability to participate in the national social and economic development.

The Bank's Competitiveness

During 2005, the Bank strengthened its position as one of the leading retail banks in Jordan with a large network of branches and offices in Jordan and Palestine that consists of 67 branches/offices inter-connected with a well developed network, in addition to 85 automated teller machines widely distributed.

In addition, the Bank provides comprehensive banking services through three customer service centers in Amman, Irbid and Zarqa that aim to provide financial solutions and services to the customers and to increase the banking awareness among present and potential customers. Furthermore, the Bank offers comprehensive information on real-estate in Jordan through its unique website, Tamallak- www.cabestate.com The Bank's share of total deposits and credit facilities in Jordan was 3.68% and 4.85% respectively, while it was 13.2% and 9.75% respectively in Palestine.

Financial Position and Results of Operations

Financial Indicators and Ratios

(Amounts in thousands of JDs)

Results at Year End	2005	2004	Variance
Net interest and commission income	44,560	34,280	29,99%
Net operating income	73,397	43,694	67,98%
Net income before income tax	44,015	17,708	148,56%
Net income after income tax	31,496	12,405	153,90%
Earning per share (JD)	0,700	0,300	133,33%

(Amounts in thousands of JDs)

Major Balance Sheet Items	2005	2004	Variance
Total assets	1,227,331	980,175	25,21%
Credit facilities, net	440,328	339,147	29,83%
Customers' deposits	853,568	818,918	4,23%
Total equity	163,341	86,629	88,55%

(Amounts in thousands of JDs)

Financial Ratios	2005	2004
Return on average assets	2,85%	1,29%
Return on average equity	25,20%	18,40%
Capital adequacy ratio	15,51%	16,23%
Non-performing loans ratio	9,11%	14,40%
Provision to non-performing loans ratio	94,70%	85,30%

Financial Indicators For the year	2001	2002	2003	2004	2005
Net income	(1,712)	(1,443)	4,461	12,405	31,496
Dividends paid	-	-	-	*	**
Total equity (adjusted)	55,915	43,088	51,199	86,629	163,341
Outstanding shares	20,000	20,000	20,000	30,000	45,000
Market price per share	2,23	1,60	3,80	7,00	10,41

* Share dividends of 25%

** Share dividends of 50%

Analysis of the Results of Operations

During 2005, the Bank witnessed a year of great achievements posting the highest growth rates since its inception, net income after tax was JD31.5 million compared to JD12.4 million in the previous year, posting a growth rate of 154% while earning per share reached JD0.700 compared to JD0.300 in 2004. Total assets grew by JD247 million, achieving a growth rate of 25%, to reach JD1.2 billion.

It is worth mentioning that during 2005, the Bank sold the Islamic Branches in Palestine to Palestine Islamic Bank based on the net assets value of the branches as of June 30, 2005. The Islamic Branches assets as of December 31, 2004 amounted to JD44 million. In addition, the Bank sold its share in Al Mashreq Real Estate Company – Palestine. No material gains or losses were realized as a result of these transactions.

The Bank witnessed an increase in most of its financial indicators, return on average assets reached 2.85% compared to 1.29% in 2004, while the return on average equity increased to 25.2% compared to 18.4% in the previous year. Overall, operating profits increased by 68% to reach JD73.4 million, net interest income amounted JD35 million, an increase of 35% over the previous year, while commission income amounted to JD9.6 million compared to JD8.4 million in the previous year, an increase of JD1.2 million, a rate of 13.8%, in line with the Bank's policy of diversifying sources of income.

Income from the Bank's investment portfolio amounted to JD17 million compared to JD3 million for 2004, the majority of which resulted from selling parts of the investment portfolio that comes in line with the Bank's policy to reduce the size of the portfolio in accordance with the Central Bank of Jordan limits. Other operating income increased by JD5.2 million, at a rate of 113.5%, to reach JD9.8 million and resulted primary from the increased in brokerage fees.

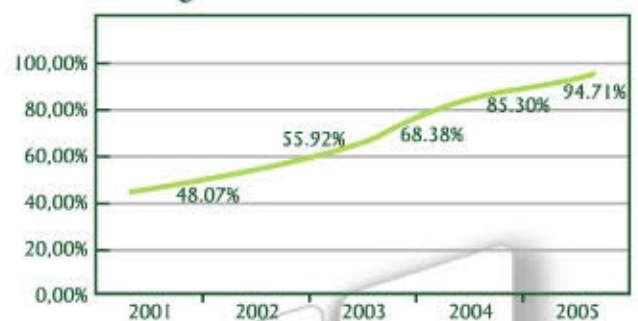
On the other hand, operating expenses increased by JD3.4 million to reach 29.4 million, marking an increase rate of 13%, mainly due to the increase in employee expenses as a result of increasing the employees salaries and granting bonuses during the year. In addition, information system expenses have also increased as a result of the continuous improvements on the Bank's IT structure and network. Overall, management efficiency has improved as evidenced by the decrease in the ratio of operating expenses to operating revenue from 60.1% in 2004 to 41.4% in 2005.

During the year, the Bank continued to strengthen its credit facility portfolio. Our total direct credit facilities grew by 23.5% over the previous year to reach JD496.4 million. This growth was achieved within the prudent policy adopted by the Bank in widening the customers' base and providing loans to distinctive individuals and reputable corporations. This policy has a remarkable effect on the quality and diversity of the credit portfolio as well as on the Bank's results, non-performing loans decreased to JD43.9 million representing 9.11% of the credit facilities compared to JD55.8 million at a rate of 14.4% for the previous year. Excess in the provision for loan loss was JD1 million compared to JD280 thousand for 2004. As a result, net credit facilities amounted to JD440.3 million compared to JD339.1 million in 2004, witnessing an increase of JD101.2 million with a growth rate of 29.8%.

Non-Performing Loans Ratio



Coverage Ratio



The investments portfolio has also increased by JD108.4 million at a rate of 97% to reach JD219.8 million as a result of the increase in the fair value of the investments, in addition to increasing the Bank's investments in local and international bonds.

The Bank continued its efforts in attracting deposits, which amounted to JD853.6 million, as increase of JD73.9 million at a rate of 9.5% (after eliminating the effect of the Islamic Branches deposits) over the previous year.

The year's outstanding results are reflected in the shareholders' equity which reached JD163.3 million compared to JD86 million in the previous year, achieving a growth rate of 89.8%. During the year, the Bank increased its paid-up capital by 50% to JD45 million through the capitalization of JD15 million from other reserves and retained earnings and distributing bonus shares to shareholders. This increase has contributed to solidifying the capital adequacy ratio whereby it reached 15.51% compared to 12% as the minimum set by the Central Bank of Jordan in spite of opting to early repay the subordinated bonds of JD7.3 million that originally mature in 2010.

To solidify the Bank capital base, the Board of Directors proposes to increase the paid-up capital to JD67.5 million through the issuance of bonus shares to shareholders at 50% of paid-up capital capitalizing JD22.5 million of the retained earnings. The Board also proposes distributing cash dividends at 10% of paid-up capital. This capital increase will accommodate the Bank's growth plans. The Bank's performance was further supported by the increase in its rating by Capital Intelligence to BB+.

The Bank's Strategy for 2006

The Bank will continue to implement the strategy which aims at solidify its financial position, strengthening shareholder's equity and improving its financial performance. The Bank also looks to continuing its move towards expanding and strengthening its customers' deposits base, improving the quality of the banking services it provides, developing risk management in a comprehensive manner, and to maintain an appropriate rate of liquidity while achieving an acceptable return on the Bank's various investments. In addition, the Bank will continue to assume its advanced position in retail banking and to work on broadening of credit facilities to distinctive corporations as well as to participate in the appropriate consolidated loans in Jordan.

In Palestine, the Bank will continue to reaffirm its existence there and will work towards overcoming the effects of the political and economic situation on the Bank's performance.

Following are some of the most important items in the strategy for 2006:

1. Increasing the paid-up capital to JD67.5 million, while sustaining the growth rate in the return on equity.
2. Maintaining the Bank's position in retail banking through expanding cross-selling, developing new products and increasing the Bank's share in credit cards and Visa Electron.
3. Completing the unit responsible to expand activities towards small and medium size enterprises.
4. Continue to implement the Bank's IT plan to enhance the Bank's performance, including installing a comprehensive data warehouse, alternative IT centre, and expanding E-Banking services such as Internet Banking, SMS and Smart Cards.
5. Increasing the efficiency of the operations through the centralization of operation and transforming the branches into specialized sales outlets.
6. Increasing the Bank branches network through opening new branches, while developing our strong relationship with universities and other institutions in which branches exist, in addition to expanding our ATM network.
7. Moving the Bank's Head Offices to Zara Tower.

Senior Executive Management

Mr. Khalid S. Al-Masri	Chief Executive Officer
Mr. Kamal G. Al-Bakri	Acting Deputy General Manager
Mrs. Simona A. Sabaila	AGM – Risk Management
Miss Alida A. Orfali	AGM – Treasury & Investments
Mr. Qassem M. Tawfik	AGM – Internal Audit
Miss Ghadah M. Nazzal	AGM – Human Resources & Administration
Mrs. Rasheedah A. Obedo	AGM – Retail Banking
Mrs. Iman M. Al-Damen	AGM – Corporate Banking
Mr. Joseph H. Nesnas	AGM – Palestine Regional Manager

Profile of Subsidiary Companies

Al-Watanieh Securities Company

Al-Watanieh Securities was established in Ramalla, Palestine in 1995, as a limited liability company. Its mission is to act as a broker on the Palestine Stock Exchange. It has since opened offices in Gaza and Nablus. The Bank owns 100% of its paid-up capital, totalling JD353 thousand.

Al-Watanieh for Financial Services Company

Al-Watanieh for Financial Services was established in Amman, Jordan in 1992, as a limited liability company. Its mission is to act as a broker on the Amman Bourse. The Bank owns 100% of its paid-up capital, totalling JD500 thousand.

During 2005, the Bank's Board of Directors approved a plan to restructure the company, that included increasing its paid-up capital to JD5,000,000 and expanding its operations to include brokerage services, consulting services, regional and international brokerage, assets management and managing investments funds.

As a result, the Bank commissioned the company to manage its investment portfolio in bonds.

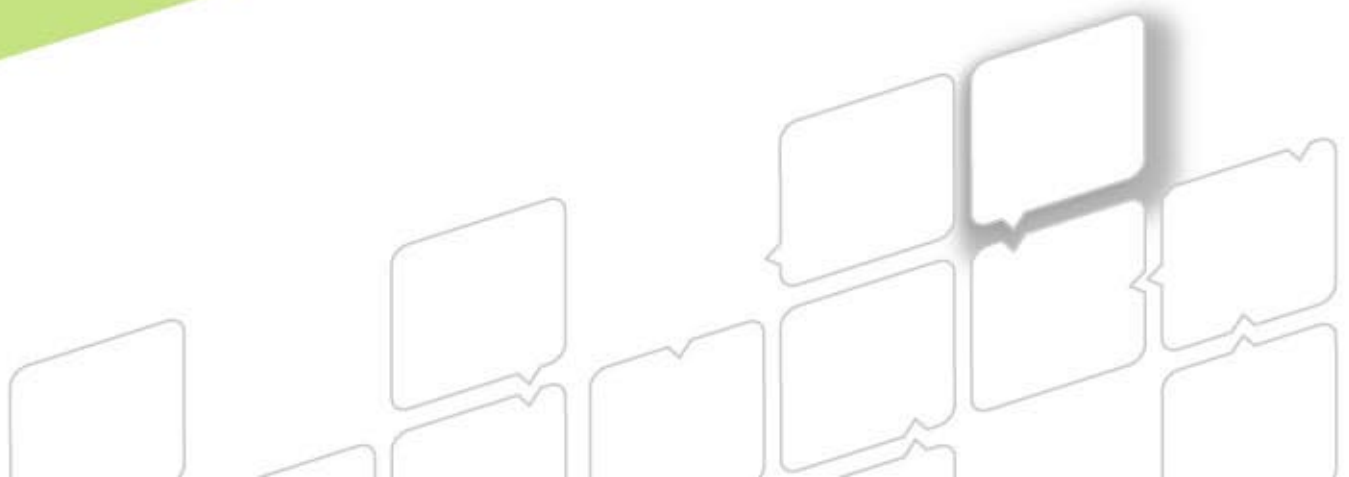
The restructuring of the company is expected to be completed by mid of 2006, whereby it will operate under "Awraq Investment" trade name.

Cairo Amman Company – Marshall Island

Established in Marshall Islands in 1999 as a limited liability company. Its objectives include the ownership and management of investment portfolios. The Bank owns 100% of its paid-up capital. The Bank's Board of Directors took a decision to liquidate the company.



**FINANCIAL
STATEMENTS**



Auditors' Report

To The Shareholders of
Cairo Amman Bank
Amman - Jordan

We have audited the accompanying consolidated balance sheet of Cairo Amman Bank (a public shareholding company) and its subsidiaries ("The Group") as of December 31, 2005 and the related consolidated income statement, changes in equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Bank's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cairo Amman Bank as of December 31, 2005 and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

The Bank maintains proper books of account and the accompanying consolidated financial statements and the financial information in the Board of Directors' report are in agreement therewith.

Amman – Jordan
February 16, 2006

Allied Accountants

Consolidated Balance Sheet

As of December 31, 2005

(In Jordanian Dinars)

Assets	Notes	2005	2004 (Restated)
Cash and balances with Central Banks	4	347,328,963	332,040,427
Balances at banks and financial institutions	5	151,101,575	148,707,959
Deposits at banks and financial institutions	6	2,485,200	1,985,200
Trading investments	7	115,063	90,872
Direct credit facilities, net	8	440,327,883	339,147,125
Available for sale investments	9	219,830,386	111,439,954
Premises and equipment, net	10	20,469,367	17,783,171
Intangible assets, net	11	784,264	427,773
Other assets	12	<u>44,887,886</u>	<u>28,552,781</u>
Total assets		<u>1,227,330,587</u>	<u>980,175,262</u>
Liabilities and equity			
Liabilities -			
Banks and financial institutions' deposits	13	75,645,034	10,492,049
Customers' deposits	14	853,567,610	818,918,367
Margin accounts	15	32,959,391	25,188,615
Loans and borrowings	16	15,713,398	3,502,000
Sundry provisions	17	4,567,731	4,118,243
Income tax liabilities	18	15,766,204	8,317,059
Deferred tax liabilities	18	33,977,210	-
Other liabilities	20	31,792,570	15,755,876
Subordinated bonds		-	<u>7,254,000</u>
Total liabilities		<u>1,063,989,148</u>	<u>893,546,209</u>
Equity			
Equity attributable to the Bank's shareholders			
Paid in capital	21	45,000,000	30,000,000
Statutory reserve	22	15,817,071	11,579,098
Other reserve	22	-	5,284,368
General banking risk reserve	22	3,812,736	2,818,390
Cumulative changes in fair values, net	23	71,519,491	25,993,606
Retained earnings	24	192,141	10,373,495
Proposed issue of bonus shares	25	22,500,000	-
Proposed cash dividends	25	<u>4,500,000</u>	<u>-</u>
Total equity attributable to the Bank's shareholders		163,341,439	86,048,957
Minority interests	26	-	580,096
Total equity		<u>163,341,439</u>	<u>86,629,053</u>
Total liabilities and equity		<u>1,227,330,587</u>	<u>980,175,262</u>

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

Consolidated Income Statement

For the Year Ended December 31, 2005

(In Jordanian Dinars)

	Notes	2005	2004 (Restated)
Interest income	27	48,756,826	35,267,248
Interest expense	28	<u>13,759,166</u>	<u>9,391,980</u>
Net interest income		34,997,660	25,875,268
Net commission	29	<u>9,562,192</u>	<u>8,404,364</u>
Net interest and commission income		<u>44,559,852</u>	<u>34,279,632</u>
Other income -			
Gains less losses arising from dealing in foreign currencies		1,828,142	1,669,711
Gains less losses arising from trading investments	30	251,802	26,359
Gains less losses arising from available for sale investments	31	16,994,833	3,144,800
Other income	32	<u>9,762,616</u>	<u>4,573,135</u>
Gross profit		<u>73,397,245</u>	<u>43,693,637</u>
Expenses -			
Employees' costs	33	18,082,775	15,496,682
Depreciation and amortisation	10&11	1,814,831	1,794,090
Other expenses	34	9,632,554	8,217,895
Excess in the provision for credit losses	8	(1,019,236)	(279,782)
Sundry provisions	17	<u>871,300</u>	<u>757,204</u>
Total expenses		<u>29,382,224</u>	<u>25,986,089</u>
Profit before income tax		44,015,021	17,707,548
Income tax	18	<u>12,540,482</u>	<u>5,337,895</u>
Profit for the year		<u>31,474,539</u>	<u>12,369,653</u>
Attributable to:			
Bank's shareholders		31,496,236	12,405,385
Minority interests	26	<u>(21,697)</u>	<u>(35,732)</u>
Basic earnings per share	35	<u>0,700</u>	<u>0,300</u>
Loss for the period from discontinued operations	2	<u>184,144</u>	<u>113,826</u>

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

Consolidated Statement Of Changes In Equity

For The Year Ended December 31, 2005
(In Jordanian Dinars)

	Bank's shareholders equity					Cumulative Changes in Fair Values	Retained Earnings	Proposed Cash Dividends	Proposed Issue of Bonus Shares	Equity Attributable to the Banks Shareholders	Minority Interests	Total Equity
	Paid in Capital	Statutory	Other	Foreign Branches	General Banking Risk							
Balance as of												
January 1, 2004	20,000,000	9,804,620	-	10,284,368	-	(7,640,276)	15,634,515	-	-	48,083,227	620,716	48,703,943
Adjustment arising from the application of IAS 39 (revised)	-	-	-	-	2,495,299	15,568,836	(15,568,836)	-	-	2,495,299	-	2,495,299
Balance as of												
January 1, 2004 (Restated)	20,000,000	9,804,620	-	10,284,368	2,495,299	7,928,560	65,679	-	-	50,578,526	620,719	51,199,242
Net movement in												
cumulative changes in fair value	-	-	-	-	-	18,065,046	-	-	-	18,065,046	(4,888)	18,060,158
Profit for the year	-	-	-	-	-	-	12,405,385	-	-	12,405,385	(35,732)	12,369,653
Total income and expenses												
for the year	-	-	-	-	-	18,065,046	12,405,385	-	-	30,470,431	(40,620)	30,429,811
Transfers to/from reserve	-	1,774,478	10,284,368	(10,284,368)	323,091	-	(2,097,569)	-	-	-	-	-
Increase in paid in capital	10,000,000	-	(5,000,000)	-	-	-	-	-	-	5,000,000	-	5,000,000
Balance as of												
December 31, 2004	30,000,000	11,579,098	5,284,368	-	2,818,390	25,993,606	10,373,495	-	-	86,048,957	580,096	86,629,811
Net movement in												
cumulative changes in fair value	-	-	-	-	-	45,525,885	-	-	-	45,525,885	-	45,525,885
Profit for the year	-	-	-	-	-	-	31,496,236	-	-	31,496,236	(21,697)	31,474,539
Total income and expenses												
for the year	-	-	-	-	-	45,525,885	31,496,236	-	-	77,022,121	(21,697)	77,000,424
Increase in paid in capital	15,000,000	-	(5,284,368)	-	-	-	(9,715,632)	-	-	-	-	-
Transfers to reserve	-	4,237,973	-	-	994,346	-	(5,232,319)	-	-	-	-	-
Proposed cash dividends	-	-	-	-	-	-	(4,500,000)	4,500,000	-	-	-	-
Proposed issue of bonus shares	-	-	-	-	-	-	(22,200,000)	22,500,000	-	-	-	-
Gain from sale of treasury stock	-	-	-	-	-	-	270,361	-	-	270,361	-	270,361
Sale of subsidiary	-	-	-	-	-	-	-	-	-	-	(558,399)	(558,399)
Balance as of												
December 31, 2005	45,000,000	15,817,071	-	-	3,812,736	71,519,491	192,141	4,500,000	22,500,000	163,341,439	-	163,341,439

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

Consolidated Cash Flow Statement

For the Year Ended December 31, 2005

(In Jordanian Dinars)

Cash Flows from Operating Activities	Notes	2005	2004
Profit before income tax		44,015,021	17,707,548
Adjustments -			
Depreciation and amortisation		1,814,831	1,794,090
Excess in provision for credit losses		(1,019,236)	(279,782)
Sundry provisions		871,300	757,204
Gain from sale of available investments		(15,857,745)	(1,937,854)
Loss from impairment of available for sale investments		268,371	-
Unrealised (gain) loss from trading investments		(33,250)	1.67
Loss (gain) on sale of premises and equipment		1,871	(30,589)
Provision for doubtful debts		250,000	49,106
Loss on sale of collateral pending sale		-	144,402
Gain from sale of collateral pending sale		(2,251,620)	(817,394)
Excess in sundry provisions		-	(1,298,959)
Effect of exchange rate changes		(1,450,348)	(1,208,131)
Operating profit before changes in operating assets and liabilities		26,609,195	14,881,313
Changes in assets and liabilities -			
Increase in restricted balances with Central Banks		-	(3,545,000)
Decrease (increase) in balances with Central Banks that mature after three months		25,079,285	(13,100,030)
Decrease in deposits at banks and financial institutions that mature after three months		(500,000)	(1,985,200)
Decrease in trading investments		9,059	34,472
Increase in direct credit facilities		(99,816,384)	(74,600,675)
Decrease in other assets		(14,333,485)	(3,283,453)
(Decrease) increase in banks and financial institutions Deposits that mature after three months		(992,600)	(992,600)
Increase in customers' deposits		34,649,243	79,006,888
Increase (decrease) in margin accounts		7,770,776	(5,329)
Sundry provisions paid		(766,950)	(292,203)
Increase on other liabilities		12,707,446	12,707,446
Net cash (used in) from operating activities before income tax		(9,584,415)	(1,378,424)
Income tax paid		(5,091,337)	(2,580,957)
Net cash (used in) operating activities		(14,675,752)	(10378,424)
Cash flows from investing activities			
Purchase of available for sale investments		(63,355,617)	(37,741,296)
Sale of premises and equipment		50,057,654	9,677,576
Purchase of premises and equipment & project in progress		(4,620,668)	(1,951,230)
Purchase of intangible assets		(538,353)	(176,216)
Proceeds from disposal of subsidiaries		2,770,789	-
Net cash used in investing activities		(15,386,563)	(30,074,304)
Cash flows from financing activities			
Increase in paid in capital		-	5,000,000
Repayment of subordinated bonds		(7,254,000)	(3,545,000)
Proceeds from loans and borrowings		15,146,802	-
Repayment of loans and borrowings		(2,953,404)	(531,750)
Gain from sale of treasury stock		270,361	-
Net cash from financing activities		5,227,759	923,250
Effect of exchange rate changes on cash and cash equivalents		1,450,348	1,208,131
Net decrease in cash and cash equivalents		(23,384,148)	(29,321,347)
Cash and cash equivalents, beginning of the year	36	400,054,305	429,375,652
Cash and cash equivalents, end of the year	36	376,670,157	400,054,305

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

Notes to the Consolidated Financial Statements

(1) General

Cairo Amman Bank was established as a public shareholding company during 1960 in accordance with the Jordanian laws and regulations. Its registered office is at Suleiman Arrar Street, Wadi Saqra, Amman-Jordan.

The Bank provides its banking services through 51 branches and offices located in Jordan and 16 branches in Palestine, and its subsidiary companies located in Jordan and Palestine.

The financial statements were authorized for issue by the Bank's Board of Directors in their meeting No. (1/2006) held on February 16, 2006. 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 the 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, with the exception of the following policies which have been revised due to the application of standards becoming mandatory for financial years beginning on or after January 1, 2005.

In accordance with the revised International Accounting Standards (IAS) 39 and as per the requirement of IAS 30 and the Central Bank of Jordan, changes in policies are as follows:

General banking risk reserve is computed and considered as an appropriation of retained earnings instead of computing a general provision and recording it as a deduction from profit. Retained earnings as of January 1, 2004 and profit and loss accounts for the year ended December 31, 2004 were adjusted for the effect of the general provision.

Also IAS 39 (revised) requires that the remaining balance resulting from first time adoption in 2001 to be transferred to the cumulative changes in fair values.

The effect of the adjustments and the reclassifications on the Bank's consolidated financials for the year 2004 is illustrated in note 51 and note 24.

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 continues to be consolidated until the date that such control ceases:

- National Financial Services Company – Jordan: Established during 1992; the Bank owned 100% of paid-up capital amounted to JD500,000 as of December 31, 2005. The Company's main activity is investment brokerage.

- National Financial Securities Company – Palestine: Established during 1995; the Bank owned 100% of paid-up capital amounted to JD352,500 as of December 31, 2005. The Company's main activity is investment brokerage.

- Cairo Amman Company - Marshall Islands: Established during 1999; the Bank owned 100% of paid-up capital amounted to JD5,000 as of December 31, 2005. The Company's main activity is the investment in securities. The Bank is in the process of completing legal procedures to liquidate the Company.

On June 30, 2005 the Bank sold its investment in Al Mashreq Real Estate Company – Palestine, based on the net book value of the Company's assets except for the loan granted to the employees. The net assets of the Al Mashreq Real Estate Company amounted to JD500,000 as of June 30, 2005. The results of operations of Al Mashreq Real Estate Company have been included up to the date of disposal and are presented below:

	2005	2004
Revenues		
Interest income	27,599	-
Losses arising from available for sale investments	(126,297)	-
Other income	14,614	61,766
Total revenue	(84,084)	61,766
Expenses		
Interest expense	18,939	12,410
Employees' cost	14,224	10,702
Depreciation and amortization	308	1,232
Other expenses	8,832	175,786
End of service indemnity	27,599	49,106
Total expenses	69,902	249,236
Loss for the period from discontinued operations	(153,986)	(187,470)
Attributable to:		
Bank's shareholders	(132,289)	(151,738)
Minority interests	(21,697)	(35,732)

The major classes of assets and liabilities of Al Mashreq Real Estate Company are as follows:

	2005	2004
Cash and Bank balances	58,532	302,311
Available for sale investments	83,584	83,584
Premises and equipment, net	0	4,516
Other assets	3,194,378	3,305,860
Total assets	3,336,494	3,696,271
Sundry provisions	741	8,114
Other liabilities	298,191	211,848
Total liabilities	298,932	219,962
Net assets	3,037,562	3,476,309
Bank's share percentage	86%	
The Bank's share	2,609,562	
Less: Loan granted to the employees (not sold)	2,109,562	
Net cash inflow	500,000	

On May 13, 2005 the Bank sold to Palestine Islamic Bank, the Islamic Division at the net book value of the assets, excluding the value of the investment in Palestine Telecom as of June 30, 2005. Further it was agreed that Cairo Amman Bank bears the accrued income tax and value-added tax up to the date of execution of the sale. The net assets of the Islamic branches amounted to USD3,202,800 (JD2,270,786) as of June 30, 2005, whereas the losses for the six months ending June 30, 2005 that appear in the statement of income amounted to JD30,158.

The results of Islamic Division up to the date of disposal are as follows:

	2005	2004
Interest income	532,917	889,313
Interest expense	(130,098)	(186,247)
Net interest income	402,819	703,066
Net commission	58,467	113,066
Net interest and commission income	461,286	816,132
Other income	101,396	105,690
Gross profit	562,682	921,822
Employees' cost	258,756	407,276
Depreciation and amortization	44,322	94,365
Provision for credit losses	2,499	(112,387)
End of service indemnity	39,068	41,100
Other expenses	179,633	379,231
Total expenses	524,278	809,585
Profit before income tax	38,404	112,237
Income tax	68,562	38,593
(Loss) Profit for the period from discontinued operations	(30,158)	73,644

The major classes of assets and liabilities of Islamic Division are as follows:

	2005	2004
Cash and balances with Central Banks	22,429,077	24,307,068
Balances at banks and financial institutions	12,514,682	13,553,987
Available for sale investments	3,926,448	6,162,336
Direct credit facilities, net	2,001,209	2,086,266
Premises and equipment, net	232,048	271,109
Other assets	126,247	94,639
Total assets	41,229,711	46,475,405
Banks and financial institutions' deposits	-	3,905,665
Customers' deposits	38,119,645	39,263,015
Margin accounts	379,433	329,952
Sundry provisions	224,181	185,113
Other liabilities	235,663	172,677
Total liabilities	38,958,922	43,856,422
Net assets	2,270,789	2,618,983

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 cost 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 at amortised cost 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 is one or more events that occurred after the initial recognition of the facility that has 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 cost, being the 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 derecognizing or impairment the cumulative gain or loss previously reported as "cumulative change in fair value" within the equity, is included in the income statement.

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 cost 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 cost and fair value.
- For assets carried at cost, 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
Equipment and furniture	9 - 15
Vehicles	15
Computers	20

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.

End of Service Indemnity

Provision for end of service indemnity is established by the Bank to face any legal or contractual obligations at the end of employees' services and is calculated based on the service terms as of the financial statements date.

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 utilized.

Offsetting

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

Revenue and Expense Recognition

Interest income as well as fees which are considered an integral part of the effective yield of a financial asset, are recognized 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 when right to receive payment is established.

Trade and Settlement Date Accounting

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

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 recognized in the income statement.

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 capitalized and are expensed in the income statement.

Intangible assets include computer software and programmes. These intangibles are amortised evenly over their estimated useful economic of 5 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 the 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 judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a 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 recognized when impairment is determined at the financial statements date individually and any impairment is recorded in the income statement. Valuation is performed on a regular basis.

(4) Cash And Balances with Central Banks

	2005	2004
Cash on hand	27,113,239	26,689,133
Balances at Central Banks -		
Current accounts	12,810,294	10,408,701
Term and notice deposits	14,319,656	43,443,089
Statutory cash reserve	72,846,455	79,395,135
Certificates of deposit	<u>220,239,319</u>	<u>172,104,369</u>
	<u>347,328,963</u>	<u>332,040,427</u>

Except for statutory cash reserve held at the Central Banks the restricted cash balances amounted to JD7,090,000 as of December 31, 2005 and 2004.

Certificates of Deposit maturing after three months amounted to JD39,025,347 and JD64,104,632 as of December 31, 2005 and 2004, respectively.

(5) Balances at Banks and Financial Institutions

	Local banks and financial institutions		Foreign banks and financial institutions		Total	
	2005	2004	2005	2004	2005	2004
Current and demand deposits	4,191	-	17,867,994	3,117,428	17,872,185	3,117,428
Deposits maturing in three months or less	<u>7,090,000</u>	<u>354,500</u>	<u>126,139,390</u>	<u>145,236,031</u>	<u>133,229,390</u>	<u>145,590,531</u>
	<u>7,094,191</u>	<u>354,500</u>	<u>144,007,384</u>	<u>148,353,459</u>	<u>151,101,575</u>	<u>148,707,959</u>

Non-interest bearing balances at banks and financial institutions amounted to 24,050,635 and JD2,571,441 as of December 31, 2005 and 2004, respectively.

(6) Deposits at Banks and Financial Institutions

	Local banks and financial institutions		Foreign banks and financial institutions		Total	
	2005	2004	2005	2004	2005	2004
Term deposits maturing in six to nine months	-	-	1,985,200	1,985,200	1,985,200	1,985,200
Term deposits maturing in three to six months	500,000	-	-	-	500,000	-
Total	500,000	-	1,985,200	1,985,200	2,485,200	1,985,200

(7) Trading Investments

	2005	2004
Quoted equities	115,063	90,567
Quoted government bonds	-	305
Total	115,063	90,872

(8) Direct Credit Facilities

	2005	2004
Discounted bills and notes*	2,380,106	2,361,596
Overdrafts	118,453,247	82,062,807
Loans and advances**	371,145,272	314,184,048
Credit cards	4,384,618	863,580
Others	-	2,539,119
	496,363,243	402,011,150
Less: Suspended interest	14,442,650	15,246,161
Provision for credit losses	41,592,710	47,617,864
Direct credit facilities, Net	440,327,883	339,147,125

* Net of interest and commission received in advance of JD46,454 and JD13,680 as of December 31, 2005 and 2004, respectively.

** Net of interest and commission received in advance of JD14,626,033 and JD17,300,905 as of December 31, 2005 and 2004, respectively.

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

	Jordan	Middle East	2005	2004
Agriculture	3,067,256	-	3,067,256	3,101,515
Manufacturing and mining	15,394,779	5,989,752	21,384,531	21,668,193
Construction	3,678,312	5,539,499	9,217,811	10,791,739
General trade	46,507,494	29,390,307	75,897,801	77,808,860
Transportation services	2,821,765	958,545	3,780,310	4,078,848
Tourism, hotels and restaurants	2,672,542	2,863,326	5,535,868	7,398,751
Services and public facilities	70,546,201	4,032,895	74,579,096	53,956,144
Financial services	891,046	425,899	1,316,945	4,348,405
Investment in shares	1,965,704	-	1,965,704	1,251,081
Real estate	78,482,466	-	78,482,466	64,282,345
Vehicles	4,841,896	-	4,841,896	3,948,173
Consumer goods	182,122	1,445,423	1,627,545	1,918,465
Individual loans	128,133,382	23,898,566	152,031,948	112,812,435
Others	14,435,372	48,198,694	62,634,066	34,646,196
Total	373,620,337	122,742,906	496,363,243	402,011,150

At December 31, 2005, non-performing credit facilities amounted to JD56,825,231 (2004: JD70,006,145), representing 11.45% (2004: 17.41%) of total facilities granted.

At December 31, 2005, non-performing credit facilities net of interest in suspense, amounted to JD43,914,092 (2004: JD55,825,325), representing 9.11% (2004: 14.43%) of total facilities granted after excluding the interest in suspense.

At December 31, 2005, total credit facilities granted to or guaranteed by the Jordanian government, amounted to JD46,034,002 (2004: JD45,783,791), representing 9.27% (2004: 11.39%) of total facilities granted.

At December 31, 2005, total credit facilities granted to or guaranteed by the Palestinian public sector, amounted to JD34,018,694 (2004: JD20,995,282), representing 6.85% (2004: 5.22%) of total facilities granted.

The direct real estate facilities granted against collateral which amounted to JD111,774,634 and JD85,833,640 as of December 31, 2005 and 2004, respectively.

The gross fair value of collaterals held against credit facilities amounted to JD265,790,943 and JD218,577,722 as of December 31, 2005 and 2004 respectively.

The movements on provision for credit losses were as follows:

	2005	2004
At January 1	47,617,864	48,834,054
Excess transferred to income during the year	(1,019,236)	(279,782)
Transferred to litigation provision (Note 17)	(345,138)	-
Amounts written off	(4,660,780)	(936,408)
At December 31	41,592,710	47,617,864

Non-performing credit facilities that were settled or collected amounted to JD6,201,560 and JD8,503,631 as of December 31, 2005 and 2004, respectively.

The movement of suspended interest were as follows:

	2005	2004
At January 1	15,246,161	15,171,589
Add: Suspended interest during the year	1,955,650	2,187,638
Less: Amount transferred to income (Note 32)	(998,917)	(624,484)
Amount written of	(1,760,244)	(1,488,582)
At December 31	<u>14,442,650</u>	<u>15,246,161</u>

(9) Available for Sale Investments

	2005	2004
Quoted investments		
Guaranteed government debt securities	1,364,543	3,545,000
Corporate debt securities	33,317,549	8,867,580
Other debt securities	6,396,131	12,557,786
Equity	<u>129,662,614</u>	<u>53,383,788</u>
Total quoted investments	<u>170,740,837</u>	<u>78,354,154</u>
Unquoted investments		
Treasury bills	17,005,860	14,026,425
Guaranteed government debt securities	1,618,074	3,816,382
Corporate debt securities	26,808,397	10,701,652
Other debt securities	208,347	-
Equity	3,442,040	3,562,634
Others	<u>6,831</u>	<u>978,707</u>
Total unquoted investments	<u>49,089,549</u>	<u>33,085,800</u>
Total investments	<u>219,830,386</u>	<u>111,439,954</u>

Analysis of debt instruments and treasury bills

	2005	2004
Fixed rate	40,921,170	34,062,829
Floating rate	<u>45,790,050</u>	<u>19,451,996</u>
Total	<u>86,711,220</u>	<u>53,514,825</u>

Included in unquoted equities are investments carried at cost amounting to JD3,448,871 and JD4,541,341 as of December 31, 2005 and 2004, respectively. The investments were stated at cost since the fair values could not be measured reliably and there is no indication of impairment in the values as of the balance sheet date.

(10) Premises and Equipment, Net

At December 31, 2005	Land	Buildings	Equipment Furniture and fixtures	Vehicles	Computers	Total
Cost						
At January 1,	550,760	12,221,353	16,940,528	1,071,980	9,189,520	39,974,141
Additions	717,120	1,128,443	432,389	140,388	883,200	3,301,540
Disposals	-	-	(1,968,295)	(152,249)	(452,535)	(2,573,079)
At December 31,	1,267,880	13,349,796	15,404,622	1,060,119	9,620,185	40,702,602
Accumulated depreciation -						
At January 1,	-	780,879	13,488,656	745,628	7,175,807	22,190,970
Provided during the year	-	167,472	653,914	95,597	715,986	1,632,969
Disposals	-	-	(1,704,184)	(152,245)	(414,817)	(2,271,246)
At December 31,	-	948,351	12,438,386	688,980	7,476,976	21,552,693
Net book value	1,267,880	12,401,445	2,966,236	371,139	2,143,209	19,149,909
Payments on fixed						
Assets in progress	-	-	-	-	796,430	796,430
Project under construction	-	-	523,028	-	-	523,028
Net book value at						
December 31, 2005	1,267,880	12,401,445	3,489,264	371,139	2,939,639	20,469,367
December 31, 2004						
Cost -						
At January 1,	550,760	12,213,103	16,423,646	1,177,553	8,301,439	38,666,501
Additions	-	-	301,274	109,638	1,275,312	1,686,224
Disposals	-	-	(41,150)	(215,211)	(387,231)	(643,592)
At December 31,	550,760	12,213,103	16,683,770	1,071,980	9,189,520	39,709,133
Accumulated depreciation -						
At January 1,	-	712,931	12,729,222	850,334	6,827,687	21,120,174
Provided during the year	-	67,948	871,445	84,270	604,452	1,628,115
Disposals	-	-	(112,011)	(188,976)	(256,332)	(557,319)
At December 31,	-	780,879	13,488,656	745,628	7,175,807	22,190,970
Net book value	550,760	11,432,224	3,195,114	326,352	2,013,713	17,518,163
Projects under construction	-	8,250	256,758	-	-	265,008
Net book value at						
December 31, 2005	550,760	11,440,474	3,451,872	326,352	2,013,713	17,783,171

The cost of fully depreciated premises and equipment that are still in use is JD15,771,609 and JD15,258,099 as of December 31, 2005 and 2004, respectively.

The estimated costs to complete the purchase of assets and project under construction amounts JD560,204.

(11) Intangible Assets

	2005		2004	
	Software	Others	Software	Others
At January 1	407,610	20,163	406,474	36,292
Additions	538,353	-	176,216	-
Amortised during the year	(163,594)	(18,268)	(149,846)	(16,129)
Impairment during the year	-	-	(25,234)	-
At December 31	<u>782,369</u>	<u>1,895</u>	<u>407,610</u>	<u>20,163</u>

- At December 31, 2005, fully depreciated intangible assets amounted to JD1,735,498.

(12) Other Assets

	2005	2004
Accrued interest and revenue	3,873,549	1,848,399
Prepaid expenses	3,106,535	1,686,526
Investment property, Net	-	2,700,741
Collateral pending sale	9,251,666	11,363,282
Accounts receivable	12,996,682	2,678,875
Clearing checks	13,693,376	6,186,913
Refundable deposits	59,842	30,793
International visa deposits	613,285	613,285
Others	<u>1,292,951</u>	<u>1,443,967</u>
	<u>44,887,886</u>	<u>28,552,781</u>

The movements on collateral pending sale were as follows:

	2005			2004
	Real Estate	Others	Total	
At January 1,	11,363,282	-	11,363,282	11,768,683
Additions	2,964,528	23,000	2,987,528	2,984,310
Disposals	<u>(5,099,144)</u>	<u>-</u>	<u>(5,099,144)</u>	<u>(3,389,711)</u>
At December 31,	<u>9,228,666</u>	<u>23,000</u>	<u>9,251,666</u>	<u>11,363,282</u>

(13) Banks and Financial Institutions Deposits

	2005			2004		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
Current accounts and demand deposits	1,242,464	40,723,942	41,966,406	1,390,010	3,890,889	5,280,899
Deposits -						
Maturing within 3 months	32,376,159	1,302,469	33,678,628	1,772,500	2,446,050	4,218,550
Maturing within 6 - 9 months	-	-	-	-	992,600	992,600
	<u>33,618,623</u>	<u>42,026,411</u>	<u>75,645,034</u>	<u>3,162,510</u>	<u>7,329,539</u>	<u>10,492,049</u>

(14) Customers' Deposits

	2005	2004
Current and demand deposits	245,962,619	226,607,799
Saving deposits	182,866,287	195,576,397
Time and notice deposits	424,738,704	396,734,171
	<u>853,567,610</u>	<u>818,918,367</u>

Governmental institutions' deposits amounted to JD127,513,911 representing 14.94% of total deposits and JD133,171,259 representing 16.26% of total deposits as of December 31, 2005 and 2004, respectively.

Non-interest bearing deposits amounted to JD226,769,164 representing 26.57% of total deposits and JD192,402,301 representing 23.49% of total deposits as of December 31, 2005 and 2004, respectively.

Dormant accounts amounted to JD29,498,156 and JD31,831,688 as of December 31, 2005 and 2004, respectively.

(15) Margin Accounts

	2005	2004
Direct credit facilities	15,371,519	17,250,800
Indirect credit facilities	13,038,543	4,350,036
Deposits against cash margin dealings facilities	3,194,440	2,256,869
Visa deposits	1,354,889	1,330,910
	<u>32,959,391</u>	<u>25,188,615</u>

(16) Loans and Borrowings

	Amount	Collaterals	Interest Rate
2005			
Amounts borrowed from local institution*	15,000,000	-	9.57%
Amounts borrowed from foreign institution**	<u>713,398</u>	<u>-</u>	5.5%
Total	<u>15,713,398</u>	<u>-</u>	
2004			
Amounts borrowed from Central Bank of Jordan	177,250	-	3.20%
Amounts borrowed from local institution	2,758,154	-	10.25%
Amounts borrowed from foreign institution	<u>566,596</u>	<u>-</u>	5.5%
Total	<u>3,502,000</u>	<u>-</u>	

* Represents amounts borrowed from Real Estate Mortgage Finance Co. and mature on November 10, 2010.

** Represents amounts borrowed from Real Estate Mortgage – Palestine Co.

(17) Sundry Provisions

	Balance at January 1	Provided during the Period	Transferred from Provision for Credit Facilities*	Used during the Period	Written Back to Revenue	Balance at December 31
2005						
Provision for legal and Other obligations	919,772	16,944	345,138	(333,300)	-	948,554
Provision for end of service indemnity	3,127,928	713,467	-	(426,150)	-	3,415,245
Other provisions	<u>70,543</u>	<u>140,889</u>	<u>-</u>	<u>(7,500)</u>	<u>-</u>	<u>203,932</u>
	<u>4,118,243</u>	<u>871,300</u>	<u>345,138</u>	<u>(766,950)</u>	<u>-</u>	<u>4,567,731</u>
2004						
Provision for legal and Other obligations	1,897,947	250	-	(92,166)	(886,259)	919,772
Provision for end of Service indemnity	2,572,511	755,454	-	(200,037)	-	3,127,928
Other provisions	<u>481,743</u>	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>(412,700)</u>	<u>70,543</u>
	<u>4,952,201</u>	<u>757,204</u>	<u>-</u>	<u>(292,203)</u>	<u>(1,298,959)</u>	<u>4,118,243</u>

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

(18) Income Tax

Income Tax Liabilities

The movements on the income tax provision were as follows:

	2005	2004
At January 1,	8,317,059	5,560,121
Income tax paid	(5,091,337)	(2,580,957)
Provision for income tax for the year	<u>12,540,482</u>	<u>5,337,895</u>
At December 31,	<u>15,766,204</u>	<u>8,317,059</u>

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

	2005	2004
Provision for income tax for the year	12,402,385	5,337,895
Prior years' income tax	138,097	-
	<u>12,540,482</u>	<u>5,337,895</u>

The Bank settled its income tax for Jordan branches up to December 31, 2002. The Bank is contesting the tax assessment for the year 2003. The Income Tax Department did not review the Bank's records for 2004.

The Income Tax Department has reviewed the accounts of National Financial Services Company and reached a final settlement for the years ended December 31, 2002 except for year 1995 and 1996, which are at the Court of Appeal. The Income Tax Department has not reviewed the accounts of National Financial Services Company for the years 2003 and 2004.

The Income Tax Department has not reviewed the accounts of Cairo for Real Estate Investments for the years from 1997 to 2004.

No final assessment has been received for Palestine branches from the Income Tax Department for the years 2003 and 2004.

The Income Tax Department has reviewed the accounts of National Financial Securities Company – Palestine and reached a final settlement for the year ended December 31, 2004.

No Income Tax was due on Cairo Amman Company-Marshall Islands as of December 31, 2004.

In the opinion of the Bank's management, Income Tax provisions as of December 31, 2005 are sufficient.

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

	2005	2004
Accounting profit	44,015,021	17,707,548
Non- taxable income	(12,018,812)	(7,416,682)
Expenses that are not deductible in determining taxable profit	5,564,268	4,664,623
Taxable profit	<u>37,560,477</u>	<u>14,955,489</u>
Effective rate of Income Tax	<u>33%</u>	<u>36%</u>

The statutory tax rate on banks in Jordan is 35% and the statutory tax rate on subsidiaries and branches range between 15% to 34%.

Deferred tax liabilities:

Deferred Income Tax liability at December 31, 2005 relates to the following:

	2005	2004
Deferred tax liability		
Unrealized gain – available for sale investments	<u>33,977,210</u>	-
	<u>33,977,210</u>	-

(19) Other Liabilities

	2005	2004
Accrued interest expenses	932,768	701,319
Interest received in advance	162,015	104,880
Commissions received in advance	8,681,026	1,393,820
Accrued expenses	3,226,676	1,629,546
Temporary deposits	11,463,825	3,438,254
Checks and withdrawals	3,440,169	5,073,874
Employees' saving fund	2,491,529	2,494,842
Others	1,394,562	919,341
	<u>31,792,570</u>	<u>15,755,876</u>

(20) Subordinated Bonds

The subordinated bonds were repaid in full during 2005.

(21) Paid in Capital

The paid in capital amounts to JD45,000,000 divided to 45,000,000 shares at JD1 per share (2004: 30,000,000).

The General Assembly approved in its extraordinary meeting held during 2005 to increase the Bank's capital by JD15,000,000 through capitalization of distributable reserves.

(22) 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. This reserve is not available for distribution to shareholders.

The use of the following reserves is restricted by law:

Description	Amount	Applicable Law
General banking risk reserve	3,812,736	Central Bank of Jordan
Statutory reserve	15,817,071	Companies Law

(23) Cumulative Changes In Fair Value

	2005			2004		
	Shares	Bonds	Total	Shares	Bonds	Total
At January 1,	26,035,928	(42,322)	25,993,606	(7,703,505)	63,229	(7,640,276)
Adjustment arising from application of IAS 39 (revised)	-	-	-	15,568,836	-	15,568,836
Unrealized gains (losses)	87,878,668	(10,842)	87,867,826	18,813,888	6,080	18,819,968
Deferred tax liabilities	(33,977,210)	-	(33,977,210)	-	-	-
Realized (gain) loss transferred to income statement	(8,527,440)	45,533	(8,481,907)	(643,291)	(111,631)	(754,922)
Impairment in fair value	117,176	-	117,176	-	-	-
At December 31,	<u>71,527,122</u>	<u>(7,631)</u>	<u>71,519,491</u>	<u>26,035,928</u>	<u>(42,322)</u>	<u>25,993,606</u>

The cumulative change in fair value is net of deferred tax liability, which amounted to JD33,977,210 as of December 31, 2005.

(24) Retained Earnings

	2005	2004
At January 1,	10,373,495	15,634,515
Adjustment arising from the application of IAS 39 (revised)	-	(15,568,836)*
Adjusted balance at 1 January	10,373,495	65,679
Profit for the year 31,	31,496,236	12,405,385
Transferred to statutory reserve	(4,237,973)	(1,774,478)
Transferred to general banking risk reserve	(994,346)	(323,091)
Transferred to increase in capital	(9,715,632)	-
Income from sale of treasury stock	270,361	-
Proposed issue of bonus shares	(22,500,000)	-
Proposed cash dividends	(4,500,000)	-
At December 31,	<u>192,141</u>	<u>10,373,495</u>

* This represents the remaining balance resulting from the adoption of IAS 39 in 2001. IAS 39 (revised) requires this balance to be transferred to cumulative changes in fair value.

(25) Proposed Issue of Bonus Shares

The Board of Directors will propose this issue of bonus shares to the General Assembly in its meeting to be held during 2006 to increase the Bank's capital by JD22,500,000 (2004: JD15,000,000) which is equivalent to 50% (2004: 50%) of the paid in capital through capitalization of retained earnings.

The Board of Directors will propose the distribution of cash dividends at 10% of the paid in capital to the General Assembly in its meeting to be held during 2006.

(26) 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.

(27) Interest Income

	2005	2004
Direct credit facilities -		
Discounted bills and notes	109,860	147,097
Overdrafts	6,196,220	3,585,111
Loans and advances	24,781,206	22,075,148
Credit cards	455,099	20,914
Islamic Banking income	101,690	264,876
Other –		
Balances at the Central Banks	8,879,216	4,834,840
Balance and deposits at banks and financial institutions	5,644,175	3,497,845
Available for sale investments	2,589,305	841,339
Trading investments	55	78
	<u>48,756,826</u>	<u>35,267,248</u>

(28) Interest Expense and Similar Charges

	2005	2004
Banks and financial institutions deposits	434,577	195,140
Customers' deposits -		
Current accounts and demand deposits	491,576	373,537
Saving deposits	981,422	948,659
Time and notice deposits	10,096,837	6,194,363
Cash margins	373,899	266,679
Loans and advances	444,136	296,235
Subordinated bonds	181,406	521,529
Deposits Guarantee Corporation fees	755,313	595,838
	<u>13,759,166</u>	<u>9,391,980</u>

(29) Commission Income

	2005	2004
Direct credit facilities	4,736,701	3,689,979
Indirect credit facilities	661,928	722,048
Other commissions	4,163,563	3,992,337
	<u>9,562,192</u>	<u>8,404,364</u>

(30) Gains Less Losses Arising from Trading Investments

	Realised Gain	Unrealised Gain (loss)	Total
2005			
Treasury bills and debt securities	1,622	-	1,622
Equities	216,930	33,250	250,180
Total	<u>218,552</u>	<u>33,250</u>	<u>251,802</u>
2004			
Treasury bills and debt securities	-	(1,632)	(1,632)
Equities	28,031	(40)	27,991
Total	<u>28,031</u>	<u>(1,672)</u>	<u>26,359</u>

(31) Gains Less Losses Arising from Available for Sale Investments

	2005	2004
Dividend income	1,405,459	1,206,946
Gains from selling available for sale investments	15,857,745	1,937,854
Less: impairment of available for sale investments	(268,371)	-
	<u>16,994,833</u>	<u>3,144,800</u>

(32) Other Income

	2005	2004
Suspended interest transferred to revenue	998,917	624,484
Safety deposit box rental income	40,872	39,263
Revenues from selling check books	31,671	32,238
Collections of debts previously written off	378,923	256,208
Visa card income	741,583	527,529
Gain from sale of premises and equipment	-	30,589
Gain from sale of collateral pending sale	2,251,620	817,394
Rent revenue	11,813	19,127
Excess in the provision for lawsuits	-	886,259
Excess in the provision for operations losses	-	412,700
Gain from sale of real estate	-	61,766
Brokerage commission	5,257,473	811,395
Others	49,744	54,183
	<u>9,762,616</u>	<u>4,573,135</u>

(33) Employees' Expenses

	2005	2004
Salaries and benefits	15,081,639	12,381,182
Social security contribution	863,077	739,543
Bank's contribution to saving fund	172,219	171,147
End of service awards	242,947	670,984
Medical expenses	813,563	694,527
Training expenses	100,929	92,431
Value-added tax	777,402	720,676
Others	30,999	26,192
	<u>18,082,775</u>	<u>15,496,682</u>

(34) Other Expenses

	2005	2004
Rent	1,095,551	1,016,997
Cleaning and maintenance	483,424	438,987
Water, heat and electricity	487,653	443,574
Licenses and governmental fees	396,763	264,727
Postage	126,471	114,589
Printings and stationery	305,835	277,091
Donations	97,280	50,859
Insurance fees and expenses	547,442	541,197
Subscriptions	419,032	357,997
Telephone and telegraph	482,479	444,014
Legal fees	50,815	210,160
Professional fees	289,625	314,475
Money transfer expenses	356,847	502,985
Advertising expenses	1,178,734	775,043
Loans guarantee expenses	144,889	126,477
Hospitality	93,564	90,330
Visa expenses	136,244	86,591
Board of Directors' expenses	52,587	88,900
Information systems expenses	1,095,508	905,285
Security expenses	54,446	59,118
Consulting fees	58,964	20,956
Vehicles expenses	91,163	71,015
Travel and transportation expenses	242,931	229,769
Jordanian universities fees	304,229	154,358
Scientific research and vocational training fees	304,229	154,358
Technical and vocational education and training support fund fees	215,632	91,911
Board of Directors' remuneration	55,000	55,000
Provision for doubtful debts	250,000	49,106
Impairment losses on collaterals acquired by the Bank	-	144,402
Operations losses	-	66,213
Other expenses	215,217	71,411
	<u>9,632,554</u>	<u>8,217,895</u>

(35) Basic Earnings per Share

	2005	2004
Profit for the year 31,	31,496,236	12,405,385
Weighted average number of shares	45,000,000	41,250,000
Basic earnings per share	<u>0,700</u>	<u>0,300</u>

No figure for diluted earnings per share has been presented as the Bank has not issued any instruments which would have no impact on earnings per share when exercised.

(36) Cash and Cash Equivalents

Cash and cash equivalent balances in the statement of cash flows consist of the following balance sheet items:

	2005	2004
Cash and balances with Central Banks	347,328,963	332,040,427
Add: Balances at banks and financial institutions maturing within 3 months	151,101,575	148,707,959
Less: Banks and financial institutions' deposits maturing within 3 months	75,645,034	9,499,449
Certificate of deposit maturing after 3 months	39,025,347	64,104,632
Restricted cash balances	<u>7,090,000</u>	<u>7,090,000</u>
Net cash and cash equivalents	<u>376,670,157</u>	<u>400,054,305</u>

(37) Related Party Transactions

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.

	Major Shareholders	Directors and Senior Management	Total	
			2005	2004
Balance sheet items:				
Direct credit facilities	2,486,517	2,486,620	4,973,137	6,176,720
Deposits at the Bank	1,329,374	85236	1,414,610	2,832,109
Margin accounts	633,718	-	633,718	324,844
Deposits with related parties	-	164,125	164,125	110,203
Off- balance sheet items:				
Indirect credit facilities	2,311,059		2,311,059	3,559,994
Income statement items:				
Interest and commission income	139,437	12,156	151,593	290,710
Interest and commission expense	5950	18,545	24,495	15,022

Debit interest rates on credit facilities in Jordanian Dinar range between 4%-8.6%

Debit interest rates on credit facilities in foreign currency range between 6%- 6.5%

Credit interest rates on deposits in Jordanian Dinar range between 0%-1.35%

Credit interest rates on deposits in foreign currency range between 0% and 0.65%.

Compensation of the key management personnel is as follows:

	2005	2004
Benefits (Salaries, wages, and bonus) for senior executive management level	846,878	635,697

(38) 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. Included in unquoted equities are investments carried at cost amounting to JD3,448,871 and JD4,541,341 as of December 31, 2005 and 2004, respectively. The investments were stated at cost since the fair values could not be measured reliably and there is no indication of impairment in the values as of the balance sheet date.

(39) Risk Management

By their nature, the Bank's activities are principally related to the use of financial instruments. The Bank's management implements a comprehensive strategy for risk management by addressing the risks and attempting to mitigate them through specialized risk management committees, mainly comprising the Assets and Liabilities Committee, Investment Committee, Credit Facilities Committees, and Manual Procedures Committees. Those committees address and evaluate all types of risks.

During the fourth quarter of 2005, the Bank implemented the Controls and Risk Self-Assessment (CRSA) system, based on which a new Risk Profile will be created, which includes all types of operational risks and the related mitigating controls for all respective Bank units.

A Compliance Department has been established by the Bank in order to manage the risks that might develop as a result of the departure from prevalent laws and regulations.

Notes from (40) to (45) disclose the major risks to which the Bank is exposed and the method(s) for managing each of them.

(40) 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's management manages credit risk and the concentration of assets and liabilities through the decisions taken by the Board of Directors on an annual basis in respect of the Bank's credit policies, in terms of setting credit limits and other conditions. Such policies set forth certain clear ratios for the maximum credit limit allowed to a customer or a group of customers, in addition to the distribution of credit according to the geographical area and the different industry segments.

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. The Bank's portfolio is monitored on a periodic basis.

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. The value of the collateral is unrelated to the activity of the customer. Moreover, the Bank requires insurance policies on certain properties as means of mitigating risk.

The Bank has several departments for monitoring credit facilities and reporting any warning signs in advance in order to ensure proper monitoring and follow up.

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 (48).

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

- By Geographical area -	2005			2004		
	Assets	Liabilities and Equity	Off Balance Sheet Items	Assets	Liabilities and Equity	Off Balance Sheet Items
Inside Jordan	738,435,448	686,682,665	86,268,803	560,002,383	512,231,291	35,215,213
Other Arab countries	269,446,469	539,998,628	13,569,582	255,230,968	445,375,222	12,924,977
Europe	140,049,639	649,294	1,110,809	112,573,027	2,373,774	5,299,558
Asia *	6,966,128	-	-	15,486,420	-	-
America	8,823,866	-	-	10,719,069	-	-
Others	63,609,037	-	-	26,163,395	20,194,975	-
Total	1,227,330,587	1,227,330,587	100,949,194	980,175,262	980,175,262	53,439,748
- By segment -						
Governmental sector	78,491,461	127,513,911	-	60,161,426	133,171,259	-
Private sector						
Corporate accounts	822,750,759	443,286,483	97,778,915	611,619,083	304,926,263	49,777,833
Individual accounts	268,469,831	493,188,754	3,170,279	242,853,284	455,448,687	3,661,915
Others	57,618,536	-	-	65,541,469	-	-
Equity	-	163,341,439	-	-	86,629,053	-
Total	1,227,330,587	1,227,330,587	100,949,194	980,175,262	980,175,262	53,439,748

* Excluding Arab countries.

(41) 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.

(42) 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, 2005 and 2004 shown in the following table:

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	61,579,151	142,204,442	37,021,557	2,003,790	-	-	104,520,023	347,328,963	5,5
Balances at banks and financial institutions	127,050,940	-	-	-	-	-	24,050,635	151,101,575	4,9
Deposits at banks and financial institutions	-	-	500,000	1,985,200	-	-	-	2,485,200	4,7
Trading investments	-	-	-	-	-	-	115,063	115,063	
Direct credit facilities, net	28,126,890	48,269,293	41,412,207	54,512,436	155,650,545	112,356,512	-	440,327,883	7,8
Available for sale investments	70,900	42,764,499	7,231,238	5,249,898	3,915,598	27,601,233	132,997,020	219,830,386	5,9
Premises and equipment, net	-	-	-	-	-	-	20,469,367	20,469,367	
Intangible assets	-	-	-	-	-	-	784,264	784,264	
Other assets	-	-	-	-	-	-	44,887,886	44,887,886	
Total assets	216,827,881	233,238,234	86,165,002	63,751,324	159,566,143	139,957,745	327,824,258	1,227,330,587	
Liabilities And Equity									
Liabilities -									
Banks and financial institutions' deposits	23,882,161	24,878,628	-	-	-	-	26,884,245	75,645,034	2,9
Customers' deposits	449,485,471	115,035,307	33,681,111	28,502,325	94,232	-	226,769,164	853,567,610	1,7
Margin accounts	2,165,905	2,032,163	3,101,852	2,110,367	12,418,655	880,282	10,250,167	32,959,391	2,4
Loans and borrowings	392,368	142,680	107,010	71,340	-	15,000,000	-	15,713,398	9,1
Sundry provisions	-	-	-	-	-	-	4,567,731	4,567,731	
Income tax liabilities	-	-	-	-	-	-	15,766,204	15,766,204	
Deferred tax	-	-	-	-	-	-	33,977,210	33,977,210	
Other liabilities	-	-	-	-	-	-	31,792,570	31,792,570	
Total liabilities	475,925,905	142,088,778	36,889,973	30,684,032	12,512,887	15,880,282	350,007,291	1,063,989,148	
Equity	-	-	-	-	-	-	163,341,439	163,341,439	
Total liabilities and equity	475,925,905	142,088,778	36,889,973	30,684,032	12,512,887	15,880,282	513,348,730	1,227,330,587	
Interest rate sensitivity gap	(259,098,024)	91,149,456	49,275,029	33,067,292	147,053,256	124,077,463	(185,524,472)	-	
Cumulative interest rate sensitivity gap	(259,098,024)	(167,948,568)	(118,673,539)	(85,606,247)	61,447,009	185,524,472	-	-	

Sensitivity of interest rates as of December 31, 2004

	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	80,436,497	96,505,961	64,104,632	-	-	-	90,993,337	332,040,427	2,7
Balances at banks and financial institutions	145,782,018	354,500	-	-	-	-	2,571,441	148,707,959	3
Deposits at banks and financial institutions	-	-	-	1,985,200	-	-	-	1,985,200	2,2
Trading investments	-	-	305	-	-	-	90,567	90,872	2,2
Direct credit facilities, net	28,855,996	34,158,996	32,341,125	41,420,543	131,913,286	70,457,179	-	339,147,125	7,3
Available for sale investments	-	11,742,790	22,780,941	8,087,332	4,500,635	7,349,986	56,978,270	111,439,954	3,7
Premises and equipment, net	-	-	-	-	-	-	17,783,171	17,783,171	
Intangible assets	-	-	-	-	-	-	427,773	427,773	
Other assets	-	-	-	-	-	-	28,552,781	28,552,781	
Total assets	255,074,511	142,762,247	119,227,003	51,493,075	136,413,921	77,807,165	197,397,340	980,175,262	
Liabilities And Equity									
Liabilities -									
Banks and financial institutions' deposits	7,277,906	-	-	992,600	-	-	2,221,543	10,492,049	2,3
Customers' deposits	390,758,565	143,613,369	45,715,969	40,101,835	6,326,328	-	192,402,301	818,918,367	1,2
Margin accounts	3,002,148	2,404,140	3,756,897	1,954,373	3,502,340	1,783,770	8,784,947	25,188,615	1,2
Loans and borrowings	566,596	-	177,250	2,758,154	-	-	-	3,502,000	10
Sundry provisions	-	-	-	-	-	-	4,118,243	4,118,243	
Income tax liabilities	-	-	-	-	-	-	8,317,059	8,317,059	
Other liabilities	-	-	-	-	-	-	15,755,876	15,755,876	
Subordinated bonds	-	-	-	-	-	7,254,000	-	7,254,000	5,6
Total liabilities	401,605,215	146,017,509	49,650,116	45,806,962	9,828,668	9,037,770	231,599,969	893,546,209	
Equity	-	-	-	-	-	-	86,648,957	86,048,957	
Minority interests	-	-	-	-	-	-	580,096	580,096	
Total liabilities and equity	401,605,215	146,017,509	49,650,116	45,806,962	9,828,668	9,037,770	318,229,022	980,175,262	
Interest rate sensitivity gap	(146,530,704)	(3,255,262)	69,576,887	5,686,113	126,585,253	68,769,395	(120,831,682)	-	
Cumulative interest rate sensitivity gap	(146,530,704)	(149,785,966)	(80,209,079)	(74,522,966)	52,062,287	120,831,682	-	-	

(43) 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 JD72,846,445 deposited in the Central Banks as of December 31, 2005.

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

	Till One Month	1 - 3 Months	3 - 6 Months	6 Months to 12 Months	1 - 3 Years	Over 3 Years	No Specific Maturity	Total
Assets -								
Cash and balances with Central Banks	166,099,174	142,204,442	37,021,557	2,003,790	-	-	-	347,328,963
Balances at banks and financial institutions	17,872,185	133,229,390	-	-	-	-	-	151,101,575
Deposits at banks and financial institutions	-	-	500,000	1,985,200	-	-	-	2,485,200
Trading investments	-	-	-	-	-	-	115,063	115,063
Direct credit facilities, net	27,142,168	35,718,671	40,455,700	55,798,726	135,317,829	145,894,789	-	440,327,883
Available for sale investments	70,900	1,981,720	2,317,868	5,249,898	8,118,408	69,094,572	132,997,020	219,830,386
Premises and equipment, net	-	-	-	-	-	-	20,469,367	20,469,367
Intangible assets	-	-	-	-	-	-	784,264	784,264
Other assets	13,805,459	3,944,667	4,518,403	5,222,283	13,762,488	3,634,586	-	44,887,886
Total assets	224,989,886	317,078,890	84,813,528	70,259,897	157,198,725	218,623,947	154,365,714	1,227,330,587
Liabilities and Equity								
Liabilities -								
Banks and financial institutions' deposits	41,966,406	33,678,628	-	-	-	-	-	75,645,034
Customers' deposits	574,208,511	160,389,140	67,696,486	51,179,241	94,232	-	-	853,567,610
Margin accounts	3,366,674	3,371,744	4,754,540	4,086,000	16,500,151	880,282	-	32,959,391
Loans and borrowings	392,368	142,680	107,010	71,340	-	15,000,000	-	15,713,398
Sundry provisions	-	10,000	50,000	353,432	1,463,383	2,690,916	-	4,567,731
Income Tax liabilities	3,500,000	3,000,000	3,000,000	670,516	5,595,688	-	-	15,766,204
Deferred tax	-	-	-	-	-	-	33,977,210	33,977,210
Other liabilities	11,598,070	2,854,660	3,641,746	222,919	9,476,006	3,999,169	-	31,792,570
Total liabilities	635,032,029	203,446,852	79,249,782	56,583,448	33,129,460	22,570,367	33,977,210	1,063,989,148
Equity attributable to the Bank's shareholders	-	-	-	-	-	-	163,341,439	163,341,439
Minority interests	-	-	-	-	-	-	-	-
Total liabilities and equity	635,032,029	203,446,852	79,249,782	56,583,448	33,129,460	22,570,367	197,318,649	1,227,330,587
Net liquidity gap	(410,042,143)	113,632,038	5,563,746	13,676,449	124,069,265	196,053,580	(42,952,935)	-
Cumulative liquidity gap	(410,042,143)	(296,410,105)	(290,846,359)	(277,169,910)	(153,100,645)	42,952,935	-	-

The maturity profile of the assets and liabilities at December 31, 2004 was as follows:

	Till One Month	1 - 3 Months	3 - 6 Months	6 Months to 12 Months	1 - 3 Years	Over 3 Years	No Specific Maturity	Total
Assets -								
Cash and balances with Central Banks	171,429,834	96,505,961	64,104,632	-	-	-	-	-332,040,427
Balances at banks and financial institutions	148,353,459	354,500	-	-	-	-	-	-148,707,959
Deposits at banks and financial institutions	-	-	-	1,985,200	-	-	-	1,985,200
Trading investments	-	-	-	305	-	-	90,567	90,872
Direct credit facilities, net	28,855,996	24,195,618	32,716,225	42,431,832	107,753,722	103,193,732	-	-339,147,125
Available for sale investments	-	3,672,771	14,260,080	9,058,189	6,627,635	20,843,009	56,978,270	111,439,954
Premises and equipment, net	-	-	-	-	-	-	17,783,171	17,783,171
Intangible assets	-	-	-	-	-	-	427,773	427,773
Other assets	7,585,771	1,760,489	2,968,717	7,106,522	8,419,091	712,191	-	28,552,781
Total assets	356,225,060	126,489,339	114,049,654	60,582,048	122,800,448	124,748,932	75,279,781	980,175,262
Liabilities and Equity								
Liabilities -								
Banks and financial institutions' deposits	9,499,449	-	-	992,600	-	-	-	-10,492,049
Customers' deposits	497,420,353	181,720,265	74,296,139	59,155,282	6,326,328	-	-	-818,918,367
Margin accounts	4,288,474	3,259,343	4,828,290	4,462,170	6,566,568	1,783,770	-	-25,188,615
Loans and borrowings	566,596	-	177,250	2,758,154	-	-	-	-3,502,000
Sundry provisions	-	-	65,000	90,000	662,711	3,300,532	-	-4,118,243
Income Tax liabilities	2,865,102	500,000	600,000	1,775,535	2,576,422	-	-	-8,317,059
Subordinated bonds	-	-	-	-	-	7,254,000	-	-7,254,000
Other liabilities	2,829,825	1,514,586	3,526,528	2,026,476	4,016,079	1,842,382	-	-15,755,876
Total liabilities	517,469,799	186,994,194	83,493,207	71,260,217	20,148,108	14,180,684	-	-893,546,209
Equity attributable to the Bank's shareholders	-	-	-	-	-	-	86,048,957	86,048,957
Minority interests	-	-	-	-	-	-	580,096	580,096
Total liabilities and equity	517,469,799	186,994,194	83,493,207	71,260,217	20,148,108	14,180,684	86,629,053	980,175,262
Net liquidity gap	(161,244,739)	(60,504,855)	30,556,447	(10,678,169)	102,652,340	110,568,248	(11,349,272)	-
Cumulative liquidity gap	(161,244,739)	(221,749,594)	(191,193,147)	(201,871,316)	(99,218,976)	11,349,272	-	-

(44) Foreign Currency Risks

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 that positions are maintained within established limits.

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

	2005 JD equivalent	2004 JD equivalent
US Dollar	10,657,046	13,218,582
Sterling Pound	(1,229,909)	(1,108,714)
Euro	(23,753)	(7,735,337)
Swiss Franc	22,838	3,410
Japanese Yen	(3,416,438)	(3,908,836)
Others	4,970,921	271,620

(45) 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 the Amman Stock Exchange and the Palestine Securities Exchange.

(46) Segmental Information

Primary segment information

For management purposes the Bank is organized into three 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.

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.

2005	Retail Banking	Corporate Bank	Treasury	Other	Total
Gross income	26,889,342	13,638,168	36,208,584	10,420,317	87,156,411
Provision for credit losses	(561,822)	1,581,058	-	-	1,019,236
Segment result	23,384,807	12,049,124	28,562,232	10,420,318	74,416,481
Unallocated costs	-	-	-	-	30,401,460
Profit before tax	-	-	-	-	44,015,021
Income Tax	-	-	-	-	12,540,482
Profit for the year	-	-	-	-	31,474,539
Other information					
Segment assets	226,690,290	213,637,593	720,854,584	66,148,120	1,227,330,587
Segment liabilities	204,756,649	204,705,625	602,160,551	52,366,323	1,063,989,148
Capital expenditure	-	-	-	-	5,159,351
Depreciation	-	-	-	-	1,814,831

2004	Retail Banking	Corporate Bank	Treasury	Other	Total
Gross income	22.666.233	9.893.218	14.053.200	6.472.966	53.085.617
Provision for credit losses	410.769	(130.987)	-	-	279.782
Segment result	21.139.599	7.441.953	8.918.901	6.472.966	43.973.419
Unallocated costs	-	-	-	-	26.265.871
Profit before tax	-	-	-	-	17.707.548
Income Tax	-	-	-	-	5.337.895
Profit for the year	-	-	-	-	12.369.653
Other information					
Segment assets	170.236.500	168.910.625	594.264.412	46.763.725	980.175.262
Segment liabilities	177.104.627	208.675.661	479.679.623	28.086.298	893.546.209
Capital expenditure	-	-	-	-	2.127.446
Depreciation	-	-	-	-	1.794.090

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	
	2005	2004	2005	2004	2005	2004
Gross income	52,544,463	38,014,757	34,611,948	15,070,860	87,156,411	53,085,617
Total assets	738,435,448	560,002,383	488,895,139	420,172,879	1,227,330,587	980,175,262
Capital expenditure	4,820,969	1,449,446	338,382	678,000	5,159,351	2,127,446

(47) Capital Adequacy

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

	2005		2004	
	Amount in JD	% To Assets Weighted by Risks	Amount in JD	% To Assets Weighted by Risks
Regulatory capital	119,502,719	15,51	81,038,735	16,23
Core (primary) capital	83,509,212	10,84	57,797,304	11,58

(48) Commitments And Contingent Liabilities

Credit-related commitments include commitments to extend credit, standby letters of credit, guarantees and acceptances which are designed to meet the requirements of the Bank's customers.

Letters of credit, guarantees (including standby letter of credit) and acceptances commit the Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract.

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiration dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

The Bank has the following credit related commitments:

	2005 JD Equivalent	2004 JD Equivalent
Letters of credit	67,632,243	17,375,614
Acceptances	354,459	239,751
Letters of guarantee:		
Payments	2,876,983	6,466,999
Performance	6,433,983	7,946,270
Others	9,742,182	6,300,567
Irrevocable commitments to extend credit	13,483,944	14,330,647
	100,523,794	52,659,848

At December 31, 2005, the Bank had capital commitments in respect non-cancellable operating leases amounting to JD1,095,551 thousand (2004: JD1,016,997) relating to the Bank's main building and the branches all contacts renewed annually.

(49) Litigation

In the normal course of business, the Bank appears as a defendant in a number of lawsuits amounting to approximately JD27,563,712 and JD22,834,476 as of December 31, 2005 and 2004, respectively.

Provision for possible legal obligations amounted to JD948,554 and JD919,772 as of December 31, 2005 and 2004, respectively.

An amount of JD10,989,500 out of the total amount in the lawsuits represents cases filed against the Bank by the customers of Wadi Al-Tuffah branch.

In the opinion of the Bank's management and its legal counsellor, the Bank will not be liable for those lawsuits except for those already provided for in the financial statements.

(50) New Issued International Financial Reporting Standards

The International Accounting Standards Board has issued new International Financial Reporting Standards in addition to amendments to the existing International Accounting Standards and International Financial Reporting Standards interpretations disclosed hereunder and effective from January 1, 2007:

- International Financial Reporting Standard No. 7 (Financial Instruments – Disclosure).
- International Accounting Standard No. 32-revised (Financial Instruments – Presentation).
- International Accounting Standard No. 1-revised (Presentation of financial statements).

(51) Reclassifications

In accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, the financial statements of 2004 have been restated to comply with the new IFRS and amended IAS, which became effective starting January 1, 2005.

	2004		
	After Restatement	Before Restatement	Amount of Change
Changes in assets	980,175,262	994,671,457	(14,496,195)
Changes in liabilities	893,546,209	910,860,795	(17,314,586)
Changes in shareholders' equity	86,629,053	83,810,662	2,818,391
Net profit	12,405,385	12,082,294	323,091

The change in equity has resulted from recording the general loan loss provisions as a charge to income statement to a general banking risk reserve as an appropriation of profit and the changes in assets and liabilities are mainly due to netting of the unearned interest from direct credit facilities.



Other
Disclosures



Director Shareholdings

Director	2005	2004
Mr. Khalid Sabih Al-Masri	2.250	1.500
Banque Du Caire	4.848.262	3.600.000
Mr. Miqdad Innab	2.250	1.500
Ishraq Investment Company	37.795	142.575
Levant Investment Company	2.250	1.500
Palestine Development & Investment Ltd.	1.730.575	1.501.500
Bank Misr America International	2.250	1.500
Al Massira Investment Company	5.104.569	3.403.046
Astra Investment Company	2.250	1.500
Mr. Nashat Taher Al-Masri	1.250	1.500
National Development & Supply Company	211.815	141.201

Shareholders with 5% or More Ownership

Name	2005	2004
Banque Du Caire	4.848.262	3.600.000
Al-Massira Investment Compnay	5.104.569	3.403.046
Najwa Madi	4.702.500	3.135.000
Yasin Khalil Talhouni	2.724.344	1.799.599
Hamzeh Khalid Talhouni	2.672.881	1.772.090
Nafeth Odeh	2.475.000	1.650.000
Palestine Development & Investment Co. Ltd. (Padico)	1.730.575	1.501.500
Sabih Taher-Masri	2.344.365	1.562.910
Social Security Corporation	2.678.185	1.337.041

Statement of Going Concern

The Board of Directors declares that to the best of its knowledge, the financial statements have been prepared on a going concern basis, and there are no material transactions that would affect the Bank's ability to continue operating during 2006. The Board of Directors is responsible for the preparation of the financial statements, and for maintaining an effective internal control structure.

Cairo Amman Bank Branches/ Amman

Branch	Telephone	Fax	P.O.Box
Wadi Saqra	4616910	4625901	P.O.Box:940533Amman, 11194Jordan
Amman	4639321	4639328	P.O.Box:715Amman, 11118Jordan
Al-Wehdat	4771171/4771172	4753388	P.O.Box:715Amman, 11118Jordan
Al-Queismeh	4766061	4770524	P.O.Box:38971 Queismeh, 11593Jordan
Mahata	4651325/4651326/4650398	4651991	P.O.Box:6180Amman, 11118Jordan
Jabal Al-Hussein	4658137/4640605/4611892	4617160	P.O.Box:8272Amman, 11121Jordan
Gardens	5683472/5683471	5683473	P.O.Box:1301Tla'a Al-Ali, 11953Jordan
University of Jordan	5336772/5342225	5333278	P.O.Box:13146 University of Jordan , 11942Jordan
C Town Office	5861724	5816145	P.O.Box:715Amman, 11118Jordan
Jabal Amman	4625228/4654310 4623194/4613705	4618504	P.O.Box:2018Amman, 11181Jordan
Al-Weibideh	4637404/4637428	4637438	P.O.Box:715Amman, 11118Jordan
Al-Bayader	5859504/5814934	5814933	P.O.Box:140285Amman, 11814Jordan
Sweifieh	5865805/5853430	5863140	P.O.Box:715Amman, 11118Jordan
Swieleh	5335210/5335451/5358465	5353688/5335159	P.O.Box:715Amman, 11910Jordan
Al-Fuheis	4720539/4729303	4729731	P.O.Box:180Amman, 19152Jordan
Al-Baq'a Office	4726810/4728190 4726811/4728191	4726810	P.O.Box:1400Swieleh, 19381Jordan
Mecca Street	5522850/5522851	5522850	P.O.Box:1172Amman, 11821Jordan
Aswaq Al-Salam	5859045/6	5857631	P.O.Box:140285Amman, 11814Jordan
Marriott Hotel	5660149	5623161	P.O.Box:715Amman, 11118Jordan
Qasr Al-Adel	5677286/7	5677287	P.O.Box:950661Amman, 11195Jordan
Al-Abdali	5650753/5650853	5602420	P.O.Box:9285071Amman, 11190Jordan
University of Jordan Hospital Office	5353666 D 2721		P.O.Box:13146Amman, 11942Jordan
Ras Al-Ein Office	4781079	4778762	P.O.Box:38971Quiesmeh, 11593Jordan
Abu Alanda Office	4162857	4164801	P.O.Box:153Abu Alanda, 11592Jordan
Safeway Office	5621991/5685074	5687721	P.O.Box:962297Amman, 11196Jordan
Marj Al-Hamam	5712383	5711895	P.O.Box:30Marj AlHamam, 11732Jordan
Marqa Office	4896044	4896042	P.O.Box:715Amman, 11118Jordan
Jordan InterContinental	4657311	4642534	P.O.Box:715Amman, 11118Jordan

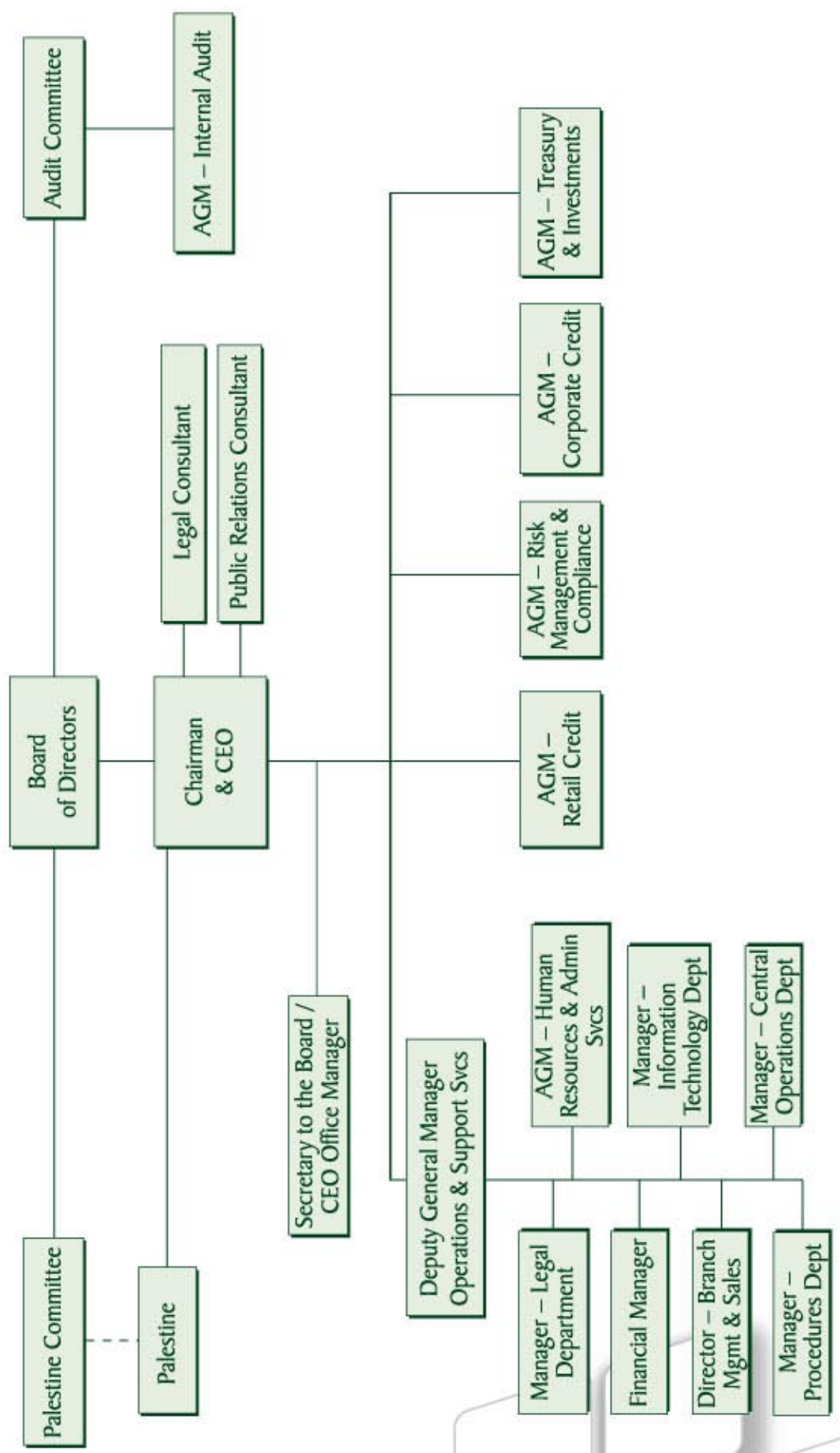
Cairo Amman Bank Branches / Jordan

Branch	Telephone	Fax	P.O.Box
Salt	053550636/053556713	053556715	P.O.Box: 1101 Salt
Ma'adi Office	03570030/053571738	053571904	P.O.Box:27Ma'adi, 18261
Rusaifeh	053741106/053751822	053742275	P.O.Box:41Rusaifeh, 13710
Zarqa	053982729/053981424	053961224	P.O.Box:39Zarqa, 13110
New Zarqa	053864117/8/053864118	053864120	P.O.Box: 12292Zarqa, 12112
Zarqa/Army Street	053968032	053968033	P.O.Box:39Zarqa, 31110
Jerash	026354010/1	026354012	P.O.Box:96Jerash
Yarmouk University	027271296	027270182	P.O.Box:336Irbid, 21110
University of Science & Tech.	027095713 D22731	027095168	P.O.Box:336Irbid, 21110
Hakama Office	027401736	027412545	P.O.Box:336Irbid, 21110
Irbid	027273390/027257532	027279207/7257527	P.O.Box:336Irbid, 21110
Irbid/Midan	027240071/4/8	027240069	P.O.Box:2066Irbid, 21110
King Abdullah Hospital	027095723	27095725	P.O.Box:2066Irbid, 21110
Ramtha Office	027384126/7	027384128	P.O.Box:526Ramtha
Mafraq	026235516	026235518	P.O.Box: 1308Mafraq, 25110
Al-Beit University	026297000 D4606	026234655	P.O.Box: 130066Mafraq, 25113
Philadelphia University	026374604	026374605	P.O.Box: 1Jerash, 12392
Karak Office	032355721/2	032355724	P.O.Box: 110Karak
Aqaba	032013355/032016633	032015550/032030973	P.O.Box: 1166Aqaba, 7710
Arab Bridge Office	032013170	Inside Port	
Aqaba Port Office	032019117	Inside Port	
Mu'ta University	03370182	032370181	P.O.Box:7 Mu'ta

Cairo Amman Bank / Western Bank

Regional Head Office: P.O.Box: 1870 Ramallah, Palestine, Tel: 970 (2) 2983500 – Fax: 970 (2) 295 2764

Branch	Telephone	Fax	P.O.Box
Nablus	09-2381301/6	09-2381590	P.O.Box:50Nabulus, Palestine
Ramallah	02-2986690	02-2952764	P.O.Box: 1870Ramallah, Palestine
Hebron/Shalaleh	02-2227702	02-2229327	P.O.Box:662Hebron, Palestine
Jenin	04-2503111	02-2503110	P.O.Box:66Jenin, Palestine
Tulkarem	09-2672774	09-2672773	P.O.Box: 110Tulkarem, Palestine
Bethlehem	02-2777755	02-2744974	P.O.Box:909Bethlehem, Palestine
Qalqilah	09-2941118	02-2941119	P.O.Box:43Qalqilah, Palestine
Hebron/Wadi Tufah Street	02-2290920	02-2225358	P.O.Box:662Hebron, Palestine
Gazza/Khan Younis	08-2054084	08-2054084	P.O.Box: 167Gaza, Palestine
Gazza/Rafah	08-2136251	08-2136250	P.O.Box: 167Gaza, Palestine
Gazza/Rimal	08-2826097	08-2821088	P.O.Box: 167Gaza, Palestine
Gazza/Al-Saraya	08-2824952	08-2824830	P.O.Box: 167Gaza, Palestine
Gazza/Dair Albalah	08-2531220	08-2531221	P.O.Box: 167Gaza, Palestine
Nablus/Faisal Street Office	09-2383255	09-2383256	P.O.Box: 1559, Palestine
Ramallah/Jerusalem Street Office	02-2963467	02-2951433	P.O.Box: 1870, Palestine
Jericho Office	02-2321091	02-2321982	P.O.Box:55, Palestine



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