بنك القاهرة عمان
CairoAmmanBank

Annual Report 2007

His Majesty King Abdullah The Second

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Board Of Directors

Mr. Khaled Sabih Al-Masri	Chairman
Mr. Mohammad Kamal Eddin Barakat	Vice Chairman, Representing Banque Du Caire
Mr. Miqdad Hasan Innab	
Mr. Ibrahim Hussein Abu Al-Ragheb	Representing Ishraq Investment Company
Mr. Yasin Khalil Al-Talhouni	Representing Levant Investment Company
Dr. Farouq Ahmad Zuaiter	Representing Palestine Development & Investment Company (PADICO)
Dr. Abdul Malek Ahmad Jaber	Representing Al-Massira Investment Company
Mr. Nashat Taher Al-Masri	
Mr. Yazid Adnan Al-Mufti	Representing Astra Investment Company
Mr. Ghassan Ibrahim Akeel	Representing Arab Supply and Trading Company
Mr. Yazan Mahmoud Samara	Representing Social Security Corporation
Mrs. Suhair Sayed Ibrahim	Representing Banque Misr (from 9/12/2007)
The late Maha Hussein Shawki	Representing Zafer Investment Company (until 9/12/2007)
Ernst & Young **(Member of Ernst & Young Global)**	External Auditors

Chairman's Message

Dear Shareholders,

During 2007, Cairo Amman Bank has taken positive steps towards enhancing and capitalizing on its successes, distinctiveness and competitiveness in the banking sector in both Jordan and Palestine. This was clearly demonstrated by the Bank's accomplishments, and the improvement in the quality of services and the banking solutions offered by the Bank.

The continuous and effective efforts of the Bank's employees have resulted in a visible growth in all venues of the Bank's operations, to that effect, net income after taxes for the year ended 31 December 2007 amounted to JD 20.9 million compared to JD 19.2 million in the previous year. Total assets grew by 11.9% to reach JD 1319 million, of which credit facilities amounted to JD 539.4 million achieving growth rate of 6% , customers' deposits also increased by JD 105.5 million, witnessing a growth rate of 11.9%, to reach JD 994.9 million.

In line with the Bank's vision and ambitious plans for growth and expansion in Jordan and Palestine, Cairo Amman Bank has outstretched its presence to reach a wider range of the society, and has therefore increased its branches network to reach a total of 72 branches by the end of the year, 17 of which are in Palestine. The Bank also signed a cooperation agreement with the Jordan Post Company whereby the Bank's services are offered to customers, including money transfer and ATM services, through the post offices in Jordan which contributed to reaching all stratus of customers in their own locations.

Cairo Amman Bank continued its endeavor to stand out as professional, financial services brand. A new corporate brand identity, which embodies our core values, modern spirit and aspiration was launched at the end of 2007. This was accompanied by our strive in better understanding and fulfilling our customers needs and providing quality financial solutions.

Based on the results of last year, the Board of Directors proposes to increase the paid in capital to JD 80 million through the issuance of bonus shares to the shareholders at 6.67% of paid in capital capitalizing JD 5 million of the retained earnings. The Board also proposes distributing cash dividends of 10% of paid in capital, a distribution of JD 7.5 million.

Our expectations and aspirations for the year 2008 and the coming years exceed optimism to complete faith in the continuation of our excellent performance. We aim to continue offering the best banking solutions that will assist the Bank in achieving its goals and to keep contributing to the economic and social development in the Kingdom.

We would like to extend our sincere thanks for your support, and to our dear customers for their valuable trust in the services of Cairo Amman Bank. Our heartfelt appreciation is also extended to our employees for their commitment and hard work that have led and will lead to great achievements.

Khaled Sabih Al-Masri,
Chairman

World Economy

The US economic expansion slowed in 2007 hit by the collapse of the housing market, which led to enormous write-downs of structured funds in banks and other financial institutions and turmoil in financial markets in the United States and other industrialized countries.

Heightened investor concerns about the credit quality of mortgages, especially sub-prime mortgages with adjustable interest rates, triggered the financial turmoil. However, other factors, including a broader retrenchment in the willingness of investors to bear risk, difficulties in valuing complex or illiquid financial products, uncertainties about the exposures of major financial institutions to credit losses, and concerns about the weaker outlook for the economy, have also roiled the financial markets in recent months.

On the inflation front, a key development over the past year has been the steep run-up in the price of oil. Last year, food prices also increased exceptionally rapidly by recent standards, and the foreign exchange value of the Dollar weakened. All told, over the four quarters of 2007, the price index for personal consumption expenditures (PCE) increased 3.4 percent, up from 1.9 percent during 2006.

To address these developments, the Federal Reserve shifted its inflation oriented policy to a growth oriented policy and started to move in two main areas: TAF and Fed Funds rate. To help relieve the pressures in the inter-bank markets, the Federal Reserve, among other actions, recently introduced a Term Auction Facility (TAF), through which pre-specified amounts of discount window credit can be auctioned to eligible borrowers, In the area of monetary policy, the Federal Open Market Committee (FOMC) has moved aggressively, cutting its target for the federal funds rate by a total of 100 basis points from September to December. However, the FOMC continued cutting rates in January 2008 by another 125 bps.

In Europe, the economy is still positively growing, although hit by the sub-prime as it is expected to achieve 1.8% growth in 2007, compared to 1.3% growth in 2006. On the monetary policy side, the European Central Bank stayed status quo closely monitoring the market developments and kept interest rates unchanged at 4% until the end of the year.

Concerning Japan, the economy is expected to continue along a path of gradual recovery while inflation signs started to appear and Bank of Japan deferred its interest rate hike until 2009 closely monitoring the markets thus keeping interest rates unchanged at 0.5%.

Arab Economies

During 2007, most Arab economies showed signs of improvement in their overall performance compared to the previous year as well as compared to other industrial countries.

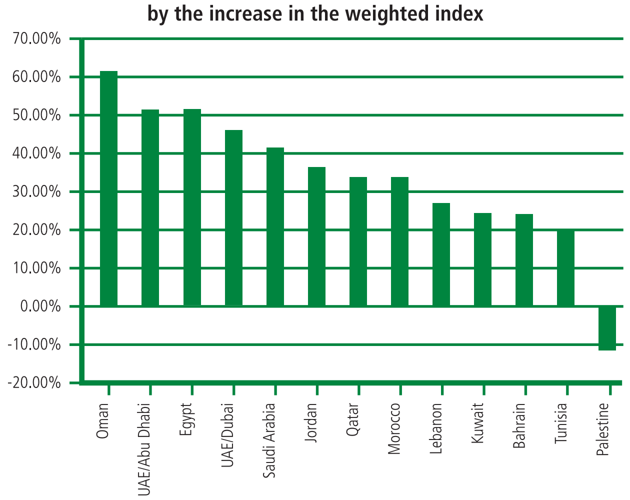
The surge in cash flows due to the huge hike in oil prices helped in promoting economic growth in the GCC helping these countries to post high growth rates especially Qatar, which posted the highest GDP per Capita in 2007. Despite the positive growth in the GCC, these countries suffered from record high inflation spurred by the consistent weakness in the greenback.
However, this imported inflation caused currency revaluation rumors to spread all over the world but most of the GCC countries defended their current exchange regime except for Kuwait who shifted to a managed float system pegging its Dinar to a basket of currencies.

Egypt has also posted a healthy growth of 7% boosted by a package of structural reforms on the economy especially mending the tax law, Syria also posted positive growth of 4%.

Moreover, Lebanon's economic prospects also remain uncertain due to the unfavorable political scene. The Palestinian economy showed signs of deterioration following the political turmoil and its outlook remains uncertain. Moving to North Africa, both Morocco and Tunisia posted satisfactory growth of 3% and 5.5% consecutively.

Arab equity markets posted positive growth in 2007, except for Palestine stock exchange, which retreated by 13% influenced by the unstable political situation, while Muscat stock exchange posted the highest growth increasing by 62%.

Performance of the stock market measured by the increase in the weighted index



The Jordanian Economy

The economy of Jordan continued its robust performance in 2007, as the local economy was able to maintain the positive economic results achieved during the last two years, given the uncertain political situation in the region. The GDP grew at 5.7% in 2007 compared to 6.2% in 2006. The growth in the economy was enticed by the growth achieved in almost all economic sectors except for Agriculture & Mining.

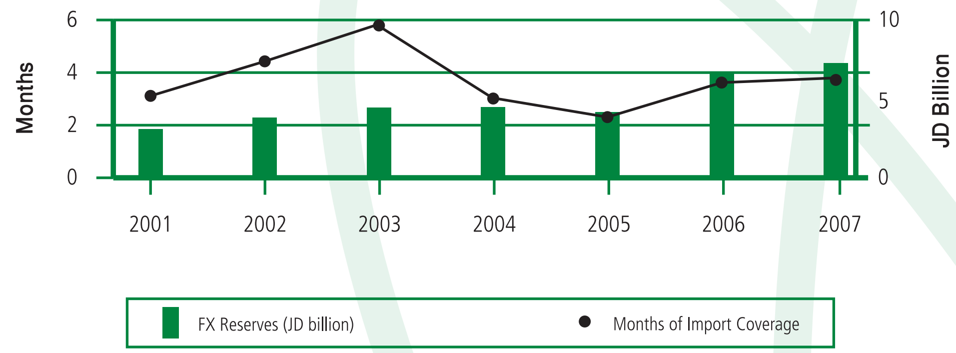
The Monetary Sector

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 increased to USD 7 billion towards the end of 2007, consequently, its import coverage exceeded 6 months of imports.

Furthermore, the Central Bank of Jordan partially shifted to an expansionary monetary policy characterized by limited interest rate cut on JOD Nafitha rate by 50 bps in response to the 1% cut of the Federal Reserve.

Interest rates on Central Bank's CDs went down by 1% in response to the trend on the US interest rates as 3 months CDs went down to 5.75% in December 2007 compared 6.70% in December 2006, while rates on 6 months CDs went down to 5.862% from 6.867% in the same period.

The Kingdom's Foreign Currencies Reserve



Balance of Payment

Jordan's national exports grew by nearly 8.5% in 2007. These exports were concentrated in apparels (exports from QIZ areas to the US market), chemical products, and pharmaceutical products. Our exports headed mainly towards US, Iraq and European Union countries.

Import growth, however, increased by 13.3% in 2007, this increase in imports as a direct result to the increase in oil prices as crude oil topped the country's imports, followed by cars and vehicles then raw and intermediate materials.

Trade Deficit, which represents the difference between exports and imports, witnessed further deterioration as it increased by 23.1% during 2007 as the increase in imports exceeded the growth in exports.

On the services balance front, available estimates for the amounts repatriated by Jordanian expatriates during 2007 show that it exceeded those of 2006. However, the current account balance is expected to post a deficit to GDP of 13.8% in 2007.

Economy Highlights

Government Budget

Early estimates of the performance of the government budget in 2007 indicate that the overall budget deficit (after grants and assistance) reached 5.6% of GDP compared to 4.5% in 2006.

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.

Amman Stock Exchange

Amman Stock Exchange posted positive performance in 2007 as the weighted index closed at 7519 points compared to 5518 points in 2006, increasing by a healthy 36.25%. Thus, ASE was ranked 6th amidst the most growing Arab markets.

Market capitalization increased as well, reaching JD 29.2 bn, or 289% of GDP in 2007, compared to JD 21.2 bn representing 234% of GDP in 2006.

Economic Outlook in 2008

The economy of Jordan is expected to post another year of positive growth as GDP is forecasted to expand by 5.4% in 2008. This growth is expected to be fueled by key sectors such as manufacturing industries, telecommunications, construction, water and electricity in addition to increased Foreign Investments in the Kingdom.

Inflation is expected to surge to 8% - 9% due to several undertaken governmental measures such as floating oil prices, which will spur additional inflationary pressures. On the government budget front, primary estimates indicate that the overall budget deficit might decrease to the level of 4.9% of GDP due to the increase in expected grants accompanied with higher foreign direct investments.

Financial Analysis

Financial Indicators and Ratios

(Amounts in thousands of JDs except earning per share)	2007	2006	Variance
Results at Year End			
Net interest and commission income	58,711	52,855	11,08%
Gross profit	75,017	71,074	5,55%
Net income before income tax	30,596	30,960	-1,18%
Net income after income tax	20,910	19,249	8,63%
Earning per share (JD)	0/279	0/257	8,56%
Major Balance Sheet Item			
Total assets	1,319,245	1,178,850	11,91%
Credit facilities, net	539,390	508,778	6,02%
Customers' deposits	994,859	889,357	11,86%
Total equity	145,044	138,236	4,92%
Financial Ratios			
Return of average assets	1,67%	1,60%	
Return of average equity	14,76%	12,77%	
Interest margin to average assets	3,70%	3,57%	
Capital adequacy ratio	16,99%	15,68%	
Leverage ratio	9,41%	9,70%	
Non-performing loans ratio	6,02%	10,81%	

Financial Indicators For the Year

(Amounts in thousands of JDs except share price)	2003	2004	2005	2006	2007
Net income before tax	4,461	12,405	31,496	19,249	20,910
Dividends paid	-	-	-	4,500	6,750
Bonus shares distributed	-	5,000	15,000	22,500	7,500
Total equity (adjusted)	51,199	86,629	163,341	138,236	145,044
Outstanding shares	20,000	30,000	45,000	67,500	75,000
Market price per share	3,80	7,00	10,41	3,37	3,20

The consolidated financial statements for the Bank and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) and in conformity with the applicable laws and regulations of the Central Bank of Jordan. It includes the following fully owned subsidiaries:

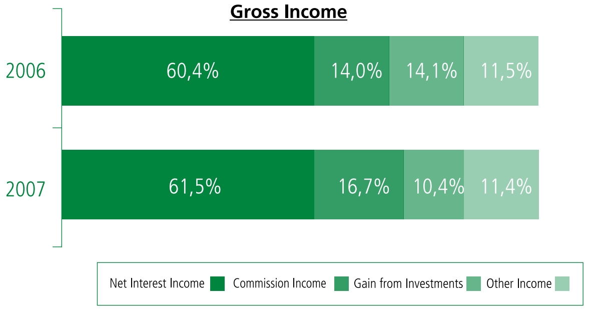
- Awraq Investments – Jordan
- Al-Watanieh Securities Company – Palestine
- Cairo Amman Company – Marshal Islands

Results of Operations

Despite the unfavorable situation affecting the Bank's branches in Palestine, the Bank managed to continue achieving high growth rates in most of its operating activities during 2007. Net income after taxes amounted to JD 20.9 million compared to JD 19.2 million for 2006, while net income before taxes was JD 30.6 million compared to JD 30.9 million in the previous year.

From an operational point of view, the Bank continued to achieve excellent growth rates, net interest income grew by 7.6% to reach JD 46.2 million compared to JD 42.9 million in the previous year. Commission income also grew by 26.2% to reach JD 12.6 million. Net interest income and commission represented 78.2% of gross income compared to 74.4% in 2006. The contribution of non-interest income has declined during the year specially income from investments which amounted to JD 7.8 million compared to 10 million in the previous year.

Gross Income



Employees' costs increased by 22.7% to reach JD 24.3 million as a result of annul increments in salaries and bonuses paid to employees, in addition to the increase in the number of employees to accommodate the growth in the Bank's operations and new branches. Training expenses also increased as a result of the training programs conducted during the year to improve the employees' skills and develop the Bank's human resources.

Other operating expenses also increased specially advertising expenses that resulted from launching the Bank's new corporate identity including redesigning the Bank's logo and remodeling the branches internally and externally.

Information systems expenses also increased as a result of the continuous development undertaken by the Bank in its information technology. In addition, the increase in rent expenses was caused by renting new premises for the new 5 branches in Jordan and Palestine. Moreover, the increase in depreciation and amortization was a result of capitalizing many of the Bank's information technology projects as well as the new head office building project, which all contributed to increasing the Bank's operating expenses during the year.

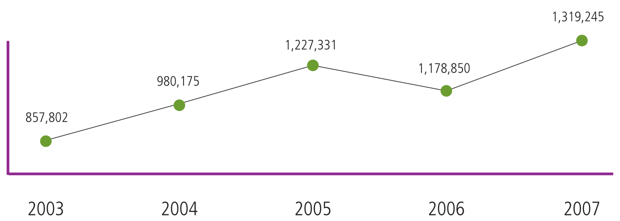
The provisions for loan loss amounted to JD 887 thousand compared to JD 4.9 million for 2006. Previous year provision has resulted from booking a provision for loan loss against the credit facilities granted to the public sector employees in Palestine as a result of suspending their salaries in 2006. However, as salaries started to be paid in 2007, the balance of these facilities decreased significantly and there was no need for additional provision. In addition, the provision for the previous year included provision against subsidiary companies doubtful debts of JD 1.3 million that was booked as a result of applying Central Bank of Jordan Loan Loss Regulation on the brokerage receivable.

As a result, the Bank's earning per share was JD 0.279 compared to JD 0.257 in the previous year.

Financial Position

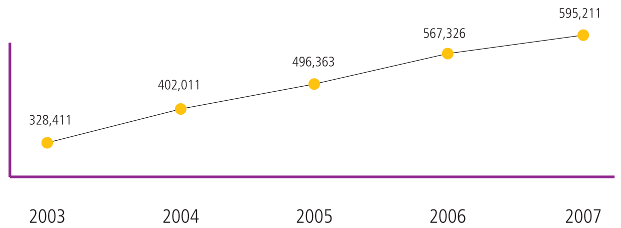
Total assets as of 31 December 2007 amounted to JD 1319.2 million, witnessing an increase of JD 140.4 million as compared to the end of 2006.

Total Assets



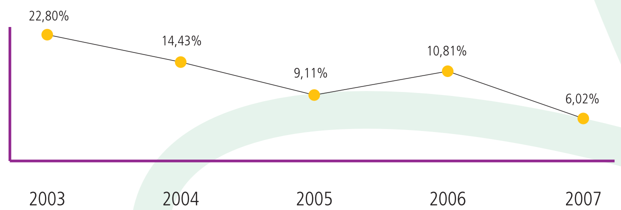
During the year, the Bank continued to strengthen its credit facility portfolio. Gross credit facilities balance grew to JD 595.2 million compared to JD 567.3 million at the end of 2006, achieving growth of 4.9%.

Gross Credit Facilities



The Bank was able to achieve this growth despite the large decrease in the credit portfolio related to Palestine that resulted from the payments that took place on the retail portfolio accompanied by the inability to extend new credit due to the situation in Palestine. It's worth mentioning that during 2006, the Bank classified the retail facilities granted to the public sector in Palestine as non-performing as a result of suspending the salaries, and accordingly booked a provision of JD 9.2 million representing 50% of the balance of these facilities. However, and as payments of salaries resumed during 2007, the Bank did not need to increase the provision and reclassified the balance of Palestine retail credit portfolio to watch list while maintaining a loan loss provision that equal the balance of the facilities. This, in addition to the Bank activities in collecting and settling non-performing loans, has resulted in improving the quality of the Bank's credit portfolio, non-performing loans ratio decreased to 6.02% compared to 10.81% in the previous year. Net credit facility balance reached JD 539.4 million at the end of 2007 compared to JD 508.8 million in the previous year, witnessing an increase of JD 30.6 million or 6%.

NPL Ratio

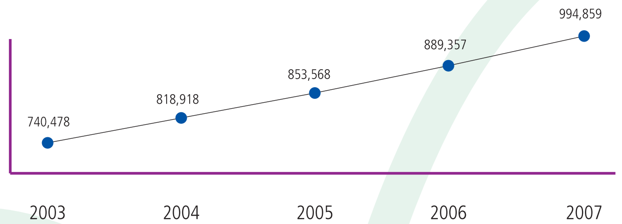


Financial assets available-for-sale amounted to JD 226.4 million compared to JD 191.2 million in the previous year. The increase was a result of the increased activities in investing in bonds and other financial instruments. Investments in bonds grew by 37.4% during the year to reach JD 162.9 million at year end. Investments in shares decline by JD 8.9 million as a result of selling some of the investments realizing income from sale of investments of JD 6.1 million. The following table illustrates the details of the Bank's investments portfolio:

(Million JD)	2007	2006
Shares	63.9	72.6
Bonds	162.9	118.6

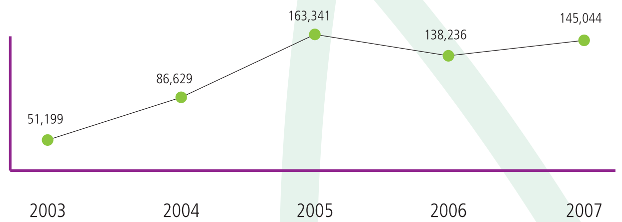
Customers' deposits increased to JD 994.9 million at year end compared to JD 889.4 million at the end of the previous year, achieving an increase of JD 105.5 million, a rate of 11.9%. The Bank also worked on widening its customers' base through developing saving accounts prizes schemes in Jordan and Palestine.

Customers' Deposits



Shareholders' equity amounted to JD 145 million at the end of 2007 compared to JD 138.2 million at the end of 2006 achieving increase of 4.9%.

Shareholders' Equity



During the year, the Bank increased its paid in capital to JD 75 million through capitalizing JD 7.5 million of the retained earnings and distributing bonus shares to shareholders. This increase has contributed to solidifying the capital adequacy ratio whereby it reached 16.99% compared to 12% as the minimum set by the Central Bank of Jordan, core capital ratio and the leverage ratio were 14.75% and 9.4% respectively, which keeps the Bank within the "well capitalized" category.

Profits Distribution

The Board of Directors proposes to increase the paid in capital to JD 80 million through the issuance of bonus shares to shareholders at 6.67% of paid in capital capitalizing JD 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.

Launching the New Corporate Identity

During November 2007, Cairo Amman Bank witnessed the birth of a new era when the Bank's new corporate identity was launched to evoke modernism and innovation embodied in the green, flower-shape logo, identifying performance criteria and corporate values to constantly reinforce levels of excellence and distinction.

بنك القاهرة عمّان
CairoAmmanBank

Cairo Amman Bank's new corporate identity is a reflection of the Bank's total understanding of the needs and aspirations of all its customers. It provides the solid base for the development of creative solutions, consistent with its values of creativity, openness, transparency, and ease of communications.

Consistency in achieving harmony amongst the different sections and activities of the Bank is where the importance of the identity really lies.

Clear communication with all stakeholders, customers, and employees is essential to guarantee the effective comprehension of the new identity's spirit. A bilingual booklet was issued and distributed prior to the launch, defining the new corporate identity and explaining its role and importance. The new identity was also explained and thoroughly illustrated through the Bank's periodical newsletter issued internally.

Applications of the new identity extended to include all branches and offices of Cairo Amman Bank which were redesigned internally and externally. A new employee uniform was adopted accordingly.

Providing access to services and accounts around the clock and on a daily basis is a never-ending commitment for Cairo Amman Bank. The Bank's website was re-launched after being renovated to best serve customers, providing access to a different array of the Bank's products and services and information coupled with accuracy, safety and convenience.

The new identity was officially launched on 24 November 2007 during the inauguration ceremony of Cairo Amman Bank's branch in Zara Center in Wadi Saqra Street, attended by economic and banking leaders, in addition to the local and regional media representatives.

Agreement of Jordan Post Company

As part of the Bank's reach strategy, Cairo Amman Bank signed an agreement with Jordan Post Company through which the Bank established selling points in 96 post offices distributed all over the Kingdom as the first phase. This agreement will contribute effectively in providing the Bank's comprehensive services to customers in the municipalities and remote areas which lack strong existence of financial services.

These selling points will also promote Cairo Amman Bank's products and services specially microfinance loans targeting low income customers. The selling points will also provide money transfer and automated money services through ATMs.

Broadening of Retail Banking Services

Cairo Amman Bank continued carrying out its leading role in providing financial services to individuals, which is considered the backbone of the Bank's strategy aiming at expanding its customers' base in Jordan and Palestine, in addition to achieving competitive advantage through diversification of products and offers that cope with the customers' needs. The Bank continued offering its full spectrum of products that were launched in previous years, such as ATM loans, easy installment loan, in addition to the continuous developments to all products offered to the retail sector, such as:

- Launching the microfinance loans.
- Developing housing loans to satisfy the needs and abilities of young customers with medium income level.
- Introducing the largest personal loan in Jordan that provides the longest payback period (up to ten years), and with limit of JD 100,000.
- Activating credit cards programs that provide customers with special discounts in different retail outlets.
- Launching Visa credit cards targeting universities students.

Corporate Credit

Cairo Amman Bank continued its expansion in granting loans to the corporate sectors within the standards set by the Board of Directors that sustain the minimum acceptable credit risks and provide the Bank with acceptable returns, through enhancing our relationship with large and reputable corporations and government and semi-government institutions.

The Bank also concentrated on the Small and Medium Enterprises (SMEs) due to their importance and the role this sector has in the national economy. To this end, the Bank entered into a cooperation agreement with Empretec, one of the United Nations Conference on Trade and Development's programs, to establish and develop professional cooperation relationships between both parties in the field of training and consultations. The Bank also conducted a training program in cooperation with IFC's Business Edge training program to assist and train customers of small and medium loans to effectively manage their businesses.

The Bank also continued its participation in syndicated loans for funding projects that add value to the national economy.

Treasury & Developing Sources of Funds

The Treasury Department emerged to a broader spectrum of products by including options, futures and structured FX products. In addition to a wide variety of yield enhanced (with the option of capital-guaranteed) products, which are customized to suit clients' needs.

In addition, the Treasury Department monitors the local and global financial markets' fiscal and monetary polices to manage asset and liabilities of the Bank efficiently. Funding and gapping requirements are monitored through modern and sophisticated techniques ensuring maximum utilization.

In an effort to better serve its corporate clients, the Treasury provides hedging solutions tailored to cover risks of foreign exchange fluctuations.

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 the saving accounts, in doing so, the Bank increased the amounts and frequency of prizes on the saving accounts.

Investment Services
The Bank offers through its subsidiaries, Awraq Investments in Jordan and Al-Wataneih Securities Company in Palestine local, regional and international brokerage services, as well as consulting services, assets management and managing investments funds.

Branch Network
In pursuit of achieving the largest geographical spread which aligns with the objectives of Bank's new corporate identity, Cairo Amman Bank opened and renovated branches located in key locations around the Kingdom. The move included opening four new branches and the renovation of a number of branches, which were modernized according to the new corporate identity's guidelines. Furthermore, a new branch in Palestine was opened within the new regional management building.

The Bank also increased its ATM network to offer to its customers one of the largest networks that contains 124 machines distributed in different areas in Jordan and Palestine.

Information Technology
As part of the Bank's information technology strategy, the Bank launched the Internet and SMS banking services.

The Bank also upgraded the hardware and systems used in its branches to ensure better services to the customers, enhance the internal control structure and ensure business continuity. In addition, the Bank started utilizing the new VOIP system that covers all of its premises in Jordan and Palestine.

Human Resources
During the year, the Bank continued executing the strategic plan for the Human Resources that is based on investing in the human capital by attracting and hiring competent staff from the Jordanian labor market in addition to training and developing them. In that context, two programs were implemented that are part of the "Future Bankers" Program, which looks at providing the elite of Jordanian youth by training and rehabilitating them in all financial, managerial, behavioral fields in addition to IT training.

The hiring of employees was accompanied by the preparation and execution of training programs inside and outside the Bank for all staff that were hired in addition to preparing a training plan for the Bank's employees, which was set up based on the evaluation of their performances and identifying their current and future training needs. The plan also took into consideration identifying employees' needs of the new systems and the management's directions, particularly as it relates to anti-money laundry and compliance as 675 employees were trained in 65 programs in that field.

In general, 5374 participants were trained through 478 training courses, which adds up to 10043 hours. The training was conducted inside the Bank's training center, and in outside training centers in Jordan such as Arab Academy for Banking and Financial Sciences (AABFS), Institute of Banking Studies and Union of Arab Banks.

Improving employees' skills also included training and preparing many employees for national and international certifications that would provide them with the qualifications required to carry out their jobs at the top and middle management levels. Fifteen employees obtained diplomas in financial analysis, credit and portfolio management from the Institute of Banking Studies. In addition, 25 employees obtained various certificates accredited by AABFS such as Certified Lender Business Banker (CLBB), Certified Global Banker (CGB) and Certified Branch Manager (CBM).

THE BANK'S ACTIVITIES DURING 2007

The training courses are distributed among the following fields:

Subject	Participants	Courses
Information technology	622	54
Trade finance	768	78
Managerial and behavior	729	48
Finance and accounting	109	15
Credit facilities	1131	89
Audit	103	14
Risk and anti-money laundering	675	65
Treasury and investment	337	34
Legal	430	30
Marketing and sales	303	24
English	126	20
Training techniques	18	2
Security	5	2
New employees orientation	18	3
Total	5,374	478

The total number of the Bank's employees at the end of 2007 was 2,048 employee of varying academic qualifications:

	Bank	Awraq	Watanieh
PhD	-	1	-
Masters	76	7	3
Bachelors	1,155	27	10
Diplomas	378	1	2
Tawjihi Certificate	161	-	3
Other (less than Tawjihi)	219	3	2

The Bank and Local Communities
The Bank continued to actively support the local communities and participate in various national and religious activities in Jordan and Palestine.

During 2007, the Bank supported a number of educational organizations, as well as associations and charity funds. The Bank's activities included:

- Launching "One Million Voice" campaign in coordination with the Ministry of Tourism, which aimed at supporting Petra bid to become one of the new wonders of the world.
- Renewing the agreement with the United Nations Relief and Works Agency (UNRWA) in Jordan under which the Bank will be the host of the accounts dedicated by the agency to finance its Microfinance and Micro Enterprise Program (MMP).
- Sponsoring the Academic Day of the Faculty of Law in the University of Jordan.
- Sponsoring the orphans fund through providing education scholarship to 10 orphans.
- Sponsoring Al-Hussein Cancer Foundation summer camp.
- Sponsoring several sport activities.
- Sponsoring various exhibitions and forums.

The Bank's Activities During 2007

During the year, the Bank donated JD 275 thousand, distributed as follows:

	(JD '000)
Charities and societies	141
Universities, research centers, hospitals	113
Clubs and social activities	14
Miscellaneous	7

The Bank's Competitiveness

The Bank strengthened its position as one of the leading banks in Jordan especially in retail banking and small enterprises. The Bank has 72 branches in Jordan and Palestine inter-connected with a well developed network in addition to 124 automated teller machines widely distributed.

The Bank is rated BB+ by Capital Intelligence and has a market share of total deposits and credit facilities in Jordan of 3.6% and 4.39% respectively, 11.48% and 7.28% in Palestine respectively.

Profile of Subsidiary Companies

Al-Watanieh Securities Company

Al-Watanieh Securities Company was established in Ramallah, Palestine in 1995, as a limited liability company. It acts as a broker at the Palestine Stock Exchange. Currently, it has offices in Gaza and Bethlehem. The Bank owns 100% of its paid-up capital totaling JD 1,500,000.

Al-Watanieh for Financial Services Company "Awraq Investment"

Al-Watanieh for Financial Services Company "Awraq Investment" was established in Amman during 1992, as a limited liability company to operate as a broker in Amman Stock Exchange. The Bank owns 100% of its paid-up capital of JD 5 million. The Company's operations include local, regional and international brokerage services, consulting service, assets management and managing investments funds.

The Bank commissioned the Company to manage its investment portfolio in bonds.

Cairo Amman Company - Marshall Island

Established in Marshall Island 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.

Business Plan For 2008

The Bank will continue to implement the strategy, which aims at solidifying its financial position, strengthening shareholder's equity and improving its financial performance through increasing its paid-up capital to JD 80 million. The Bank also looks to continuing its move towards building 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 broaden the providing of credit facilities to distinctive corporations as well as to participate in the appropriate consolidated loans in Jordan.

Following are some of the most important items in the business plan for 2008:

1. Continuing the implementation of Basel II requirements.

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. Expanding the micro-finance growth, and benefiting from the Bank's presence in the post offices to market these loans.

4. Increasing the Bank's activities in trade finance including commissions from such activities.

5. Continuing improving the quality of the Bank's credit portfolio and reducing the ratio of non-performing loans.

6. Continuing to implement the Bank's IT development plan to enhance the Bank's performance, including installing a comprehensive data warehouse, alternative IT center, and expanding e-banking services such as Internet banking, SMS and smart cards.

7. Continuing the centralization of operations process, which aims at increasing the efficiency and transforming the branches to specialized sales outlets.

8. Increasing the Bank branches network through opening 7 new branches in Jordan and 3 branches in Palestine, in addition to renovating some of the branches according to the Bank's new corporate identity as well as expanding the ATM network.

Risk is inherent in the Bank's activities. The Bank manages risk in order to maintain its financial position and profitability through implementing a comprehensive strategy for risk management by addressing the risks and attempting to mitigate them through specialized risk management committees, mainly Risk Management Committee, Assets and Liabilities Committee, Investment Committee, and Procedures Development Committee. Furthermore, all of the Bank's business units are responsible for identifying risk relevant to them and adhering to the related controls to make sure that they are operating effectively.

The risk management process includes the identification, measurement and monitoring of financial and non-financial risks that could negatively affect the Bank's performance, reputation or goals.

The Bank is exposed to credit risk, market risk, liquidity risk, operations risk and compliance risk.

The overall framework for risk management include:

- Risk management is the responsibility of all business units and employees within the Bank
- The Board of Directors approves different risk management policies that cover all of the Bank's operations
- The Bank maintains acceptable risk limits that are reviewed on a regular basis and published to all employees
- Risk Management Committee is responsible for reviewing the strategies, policies and procedures of the Risk Management Department including acceptable risk limits.
- The Bank has an independent Risk Management Department that reports to the Risk Management Committee. This department is responsible for analyzing all risks including credit, market, liquidity and operations risks, and develops methods to measure and monitor each type of the risks.
- Credit Committees and Assets and Liabilities Committee are responsible for planning the optimal employment of the Bank's resources.
- Internal Audit Department examines both the adequacy of the procedures and the Bank's compliance with the procedures and reports its findings and recommendations to the Audit Committee.

The risks facing the Bank include:

Credit Risk

Credit risk is the risk that one party to the 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.

The Board of Directors' approves on an annual basis credit granting budgets that observes the geographical and segmental limits.

Classification of credit is performed internally whereby the customers are classified based on their financial strength and creditworthiness, in addition to the classification in terms of account activity and due settlement of loan principle and interest. The Bank's portfolio is monitored on a periodical 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 taking into consideration that the value of the collateral is not related to the business of the customer. Moreover, the Bank requires insurance policies on certain properties as a means of mitigating risks. The values of the collaterals are monitored on a regular basis, and in the event of decrease in its value, additional collaterals are required.

To enhance the controls over the credit granting process, there is segregation between the credit approval and the execution of the credit whereby the decision is checked against the credit policy, all documentation and contract are reviewed before executing the credit. The Bank also has several credit committees; each has its own authorization limit.

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.

Market Risk

Market risk arises from fluctuations in fair value or cash flows of financial instruments as a result of changes in interest rates, foreign exchange rates and equity prices. Market risks are monitored according to policies and procedures set by the Bank that includes sensitivity analysis in addition to stop loss limits. Market risks include interest rate risk, liquidity risk and equity price 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.

Assets and liability management policies include setting limits on the interest rate gaps for stipulated periods in accordance with the risk management strategy. Assets and Liabilities Committee reviews interest rate gaps on a regular basis, long term financing is obtained in order to match the Bank's long term fixed interest investments, and hedging techniques such as interest rate swaps are used, if needed, to minimize negative effects, if any.

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

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indicies and the value of individual stocks. 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.

Liquidity Risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. In addition, the Bank has liquidity contingency plan.

Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risk, the Bank is able to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Managing operational risk is the responsibility of all employees in the Bank though the proper application of policies and procedures. In addition, the Bank has implemented the following:
- Developing operational risk policy that covers all of the Bank's departments, branches and subsidiaries and include risk appetite and thresholds and limits.
- Defining the framework of risk management including the responsibility of the Board, Risk Committee, Executive Management, Department Managers, Risk Department and Internal Audit Department.
- The Bank implemented the Controls and Risk Self-Assessment (CRSA) system to include all types of operational risks and the related mitigating controls for all respective Bank units.
- The Bank has built an internal loss database that captures all losses incurred or potential losses in order to measure the operational risk exposure.

Compliance Risk

Compliance risk is the risk of non-compliance with law, regulations and standards issued by domestic and international governing bodies.

The Bank has established a designated Compliance Department that monitors issues related to this risk. Moreover, all policies are reviewed on a regular basis to ensure that it reflects any amendment to law or regulations.

The Bank gives a great deal of importance to proper corporate governance practices based on the principles of transparency and responsibility. The Bank follows sound professional practices that are in compliance with Central Bank of Jordan regulations, as well as the regulatory requirements of other countries in which it operates.

The presence of an effective, professional and independent Board of Directors is one of the most important requirements of sound corporate governance practices. The Board's primary role is to protect and enhance the shareholders' long-term value through the establishment of strategic direction and monitoring achieving the goals by the executive management.

The Bank's Board of Directors is composed of twelve members that were elected for a period of four years by the General Assembly during its meeting held on 16 April 2006. The members of the Board have a range of skills and experiences that increases the effectiveness of the Board. All members of the Board except the Chairman are non-executive members.

To assist it in carrying its duties, the Board of Directors have established several specialized committees, each has its own roles and duties:

Corporate Governance Committee

The Corporate Governance Committee is composed of the following members:
Mr. Khaled Al-Masri (Chairman)
Mr. Nashat Al-Masri
Mr. Yazan Samara

The duties of the Committee include directing the preparation, updating and the implementation of the Bank's Corporate Governance Code.

Audit Committee

The Audit Committee is composed of the following non-executive members:
Mr. Ghassan Akeel (Chairman)
Dr. Abdul Malek Jaber
Mr. Nashat Al-Masri
Mr. Yazan Samara

The duties of the Audit Committee include:
- Reviewing the financial statements before being presented to the Board of Directors, in addition to meeting with external auditors and making necessary recommendations.
- Supervising internal audit activities, including reviewing the annual internal audit plan, and the internal audit reports.
- Recommending to the Board of Directors with the accounting policies and practices of the Bank as well as reviewing all accounting issues that have a significant effect on the financial statements.
- Reviewing the Bank's internal controls and its adequacy through the reports of the Internal Audit Department and the external auditors.
- Recommending to the Board of Directors the appointment or the removal, the remuneration and other contractual terms of the external auditors, in addition to assessing the objectivity of the external auditors, including the consideration of any other non-audit work performed by the external auditors.

The Audit Committee meets on a regular basis every three months, and meets with the Head of Internal Audit Department as well as members of senior management as and when required for discussions and deliberations.

Risk Management Committee

The Risk Management Committee is composed of the following members:
Mr. Khaled Al-Masri (Chairman)
Mr. Yazid Al-Mufti
Mrs. Suhair Sayed

The duties of the Risk Management Committee include:
- Reviewing Risk Management strategy before being approved by the Board, and assessing its effectiveness on a continuous basis.
- Ensuring the existence of policies and framework of risk management function, and reviewing it on a regular basis.
- Reviewing and recommending to the Board, in conjunction with executive management, proposed aggregate loss limit targets for various risk categories (e.g. loan losses, market losses, operational losses), paying special attention to capital adequacy and liquidity requirements.
- Submitting regular reports to the Board.
- Overseeing the Head of Risk Management Department and the annual plan of the department activities.
- Ensuring that risk management function has adequate expertise and resources to fulfill its responsibilities.
- Reviewing assumptions used in risk measurement models.
- Overseeing the development of risks database.
- Reviewing stress tests on credit, liquidity, market and operational risks and approving contingency planning.
- Reviewing the reports of the Risk Management Department.
- Monitoring the Bank's preparation and implementation of Basel II with respect to risk management and measurement issues.
- Receiving regular reports from the assets liabilities committee.
- Receiving and acting on compliance and internal audit reports that are relevant to the risk function.
- Ensuring the existence of business continuity plan and testing it on a regular basis.

The Risk Management Committee meets at least four times a year, and submits reports to the Board of Directors on a regular basis. The General Manager, Deputy General Manager for Banking Services, Head of Finance, Head of Risk and the Assistant General Manager Regional Manager of Palestine Branches attend its meetings.

Investment Committee

The Investment Committee is composed of the following members:
Mr. Khaled Al-Masri (Chairman)
Dr. Farouq Zuaiter
Mr. Yazid Al-Mufti

The Committee sets and reviews the Bank's investment policy and looks into new investments opportunities.

Real Estate Committee

The Real Estate Committee is composed of the following members:
Mr. Khaled Al-Masri (Chairman)
Mr. Miqdad Innab
Mr. Ibrahim Abu Al-Ragheb

The Committee reviews and approves management's real estate sales recommendation.

Board of Directors as of 31 December 2007

Khaled Sabih Al-Masri
Chairman of the Board
Date of Birth: 1966
Academic Qualifications:
- Masters in Business Administration

Professional Experience:
- Chairman since July 1999
- Chief Executive Officer since October 2004
- Board member since February 1995
- Chairman of Jordan Himmeh Mineral Company
- Board member in several companies including Zara Investment Company, Jordan Hotel and Tourism Company and Royal Jordanian Air Academy

Mohammad Kamal Eddin Barakat
Vice Chairman
Date of Birth: 1952
Academic Qualifications:
- Masters in Finance and Marketing

Professional Experience:
- Chairman of Banque Misr
- Chairman of Banque Misr Liban
- Chairman of Banque Misr-Europe
- Board member of the Central Bank of Egypt, Egyptian Banking Institute and the Arab Academy for Banking and Financial Sciences

Miqdad Hasan Innab
Date of Birth: 1932
Academic Qualifications:
- Bachelors in Science

Professional Experience:
- Various administrative expertise
- Board member of the Real Estate and Investment Portfolio Company

Ibrahim Hussein Abu Al-Ragheb
Date of Birth: 1945
Academic Qualifications:
- Bachelors in Business Administration

Professional Experience:
- Chairman and General Manager of Arab Steel Manufacturing Company
- Chairman of Yarmouk Insurance and Re-Insurance Company

Yasin Khalil Al-Talhouni
Date of Birth: 1972
Academic Qualifications:
- Bachelors from USA

Professional Experience:
- Board member in various companies such as Zara Investment Company, Jordan Hotel and Tourism Company and Jordan Electricity Company

Dr. Farouq Ahmad Zuaiter
Date of Birth: 1936
Academic Qualifications:
- PhD in Accounting, Economics and Statistics

Professional Experience:
- General Manager of Palestine Development and Investment Company (PADICO)
- Deputy CEO of Trust Company
- Deputy General Manager and Projects Manager in Al-Sahel Development and Investment Company (Kuwait)
- Advisor to the Kuwaiti Development Fund
- Worked as the Financial Manager of the International Group in Kuwait and Saudi Arabia
- Financial consultant to the Arab Development Fund

Dr. Abdul Malek Ahmad Jaber
Date of Birth: 1965
Academic Qualifications:
- PhD in Engineering
- Masters in Business Administration

Professional Experience:
- Vice Chairman and CEO of Palestine Telecommunication Company
- Chairman of Al-Mashriq Real Estate Company and Golden Mills Company
- Board member in many companies such as Palestine Tourism Investment Company and Palestine Industrial Estates Development and Management Company (PIEDCO)
- Holder of Sheikh Mohammad Bin Rashid Al-Maktoum Prize for Management

Nashat Taher Al-Masri
Date of Birth: 1971
Academic Qualifications:
- Masters in Public Policy

Professional Experience:
- Partner in Foursan Group
- Worked as Vice President - Investment Banking in J.P. Morgan
- Board member in many companies such as Arab Orient Insurance Company and Isra Investment Company

Executive Management as of 31 December 2007

Khaled Sabih Al-Masri
Chairman of the Board
Date of Birth: 1966
Academic Qualifications:
- Masters in Business Administration

Professional Experience:
- Chairman since July 1999
- Chief Executive Officer since October 2004
- Board member since February 1995
- Chairman of Jordan Himmeh Mineral Company
- Board member in several companies including Zara Investment Company, Jordan Hotel and Tourism Company and Royal Jordanian Air Academy

Kamal Ghareeb Al-Bakri
Deputy General Manager for Operations and Support Services
Date of Birth: 1969
Academic Qualifications:
- Bachelors in Law

Professional Experience:
- Board member in several companies including Zara Investment Company, Jordan Insurance Company, Jordan Tourist Transport Company (JETT) and Jordan Vegetable Oil Industries Company
- Experience in banking sector through his work as the Head of Legal Department and Legal Advisor of Cairo Amman Bank
- Legal Advisor to a number of companies

Effective 1 January 2008, Mr. Kamal Al-Bakri was appointed as the General Manager of Cairo Amman Bank.

Yazid Adnan Al-Mufti
Date of Birth: 1953
Academic Qualifications:
- Bachelors in Business Administration

Professional Experience:
- Board member in many companies such as Zara Investment Company, Palestine Development and Investment Company (PADICO) and Middle East Insurance Company
- Experience in banking through his work as the General Manager of Cairo Amman Bank in addition to working in Citibank.

Ghassan Ibrahim Akeel
Date of Birth: 1968
Academic Qualifications:
- Masters in Business Administration
- Certified Public Accountant (CPA)

Professional Experience:
- Deputy General Manager of Astra Group – Saudi Arabia
- Experience in public accounting through his work as audit manager in big five accounting firm

Yazan Mahmoud Samara
Date of Birth: 1972
Academic Qualifications:
- MBA-General and Strategic Management

Professional Experience:
- Director of Equity Investments in the Social Security Corporation Investment Unit
- Experience in management and strategic consulting

Suhair Sayed Ibrahim
Date of Birth: 1938
Academic Qualifications:
- Masters in Accounting

Professional Experience:
- General Manager and member of the Management Committee of Banque Du Caire
- Experience in banking through working in various departments in Banque Du Caire

Directors' Shareholdings

	2007	2006
Mr. Khaled Al-Masri	3,750	3,375
Relatives shareholdings	-	-
Banque Du Caire represented by Mr. Mohammad Barakat	1,000	7,272,393
Mr. Mohammad Barakat	-	-
Relatives shareholdings	-	-
Mr. Miqdad Innab	3,750	3,375
Relatives shareholdings	-	-
Ishraq Investment Company represented by Mr. Ibrahim Abu Al-Ragheb	66,666	60,000
Mr. Ibrahim Abu Al-Ragheb	335,503	313,965
Relatives shareholdings	1,124	1,012
Levant Investment Company represented by Mr. Yasin Al-Talhouni	3,750	3,375
Mr. Yasin Al-Talhouni	4,540,573	4,086,516
Relatives shareholdings	-	-
Palestine Development & Investment Co. represented by Dr. Farouq Zuaiter	3,330,134	2,882,121
Dr. Farouq Zuaiter	30,000	27,000
Relatives shareholdings	31,000	20,000
Al-Massira Investment Company represented by Dr. Abdul Malek Jaber	8,507,614	7,656,853
Dr. Abdul Malek Jaber	-	-
Relatives shareholdings	-	-
Mr. Nashat Al-Masri	2,083	1,875
Relatives shareholdings	-	-
Astra Investment Company represented by Mr. Yazid Al-Mufti	3,750	3,375
Mr. Yazid Al-Mufti	-	-
Relatives shareholdings	-	-
Arab Investment and Trade Company represented by Mr. Ghassan Akeel	1,529,600	1,376,640
Mr. Ghassan Akeel	30,000	20,000
Relatives shareholdings	28,000	20,000
Social Security Corporation represented by Mr. Yazan Samara	4,517,306	4,091,100
Mr. Yazan Samara	-	-
Relatives shareholdings	-	-
Banque Misr represented by Mrs. Suhair Sayed	8,083,186	-
Mrs. Suhair Sayed	-	-
Relatives shareholdings	-	-

Executives and Informed Employees Shareholdings

	2007	2006
Mr. Kamal Al-Bakri, General Manager (from 1 January 2008)	–	–
Relatives shareholdings	–	–
Mrs. Simona Sabaila, Deputy GM for Banking Services (from 1 January 2008)	–	–
Relatives shareholdings	–	–
Mr. Qasim Tawfeeq, Head of Internal Audit	–	–
Relatives shareholdings	–	–
Mr. Nizar Mohammed, Head of Finance	–	–
Relatives shareholdings	–	–
Miss Mary Hanna, Secretary of the Board of Directors	–	–
Relatives shareholdings	–	–

Shareholders With 5% Or More Ownership

	2007		2006	
	Shares	%	Shares	%
Al-Massira Investment Company	8,507,614	11.34	7,656,853	11.34
Banque Misr	8,083,186	10.78	-	-
Najwa Mohammad Madi	7,837,500	10.45	7,053,750	10.45
Yasin Khalil Al-Talhouni	4,540,573	6.05	4,086,516	6.05
Social Security Corporation	4,517,306	6.02	4,091,100	6.06
Hamzah Khalil Al-Talhouni	4,454,301	5.94	4,008,871	5.94
Sabih Taher Al-Masri	3,907,274	5.21	3,516,547	5.21
Banque Du Caire	1,000	-	7,272,393	10.77

- The ownership of Mr. Sabih Al-Masri Group represents 29.5% of the Bank's paid in capital
- The ownership of Mr. Yasin Al-Talhouni Group represents 17.2% of the Bank's paid in capital

Board of Directors Remunerations During 2007

Name	Transportation	Travel	Bonus
Mr. Khaled Sabih Al-Masri	3,000	-	5,000
Mr. Mohammad Kamal Eddin Barakat	-	5,508	5,000
Mr. Miqdad Hasan Innab	3,000	-	5,000
Mr. Ibrahim Hussein Abu Al-Ragheb	3,000	-	5,000
Mr. Yasin Khalil Al-Talhouni	3,000	-	5,000
Dr. Farouq Ahmad Zuaiter	3,000	-	5,000
Dr. Abdul Malek Ahmad Jaber	-	3,000	5,000
Mr. Ghassan Ibrahim Akeel	-	8,250	5,000
Mr. Nashat Taher Al-Masri	3,000	-	5,000
Mr. Yazid Adnan Al-Mufti	3,000	-	5,000
Mr. Yazan Mahmoud Samara	3,000	-	3,542
Mrs. Suhair Sayed Ibrahim	-	315	-
The Late Maha Hussein Shawki	-	-	4,167
Mr. Fareed Mustafa El-Chaiti	-	3,531	833
Total	24,000	20,604	58,542

Executive Management Remunerations During 2007

Name	Salary & Bonus	Travel	Total
Mr. Khaled Al-Masri	226,752	-	226,752
Mr. Kamal Al-Bakri	209,410	4,560	213,970

- The Bank does not rely on any particular vendors and / or customers that constitute 10% or more of the Bank's purchases and / or revenues.

- The Bank does not enjoy any privilege of governmental protection on any products or activities and did not receive any patents or franchises during 2007

- Government decisions during 2007 did not have any material effect on the Bank's operations.

- All activities and operations performed during 2007 were of a recurring nature and in line with the Bank's main activities. There were not extraordinary activities that had a significant financial effect during the year.

- Capital expenditures during 2007 were JD 13,398,232.

- Audit fees for 2007 were JD 118,190 in addition to sales and value added taxes and distributed as follows:

	JD
Cairo Amman Bank	110,000
Awraq Investment	5,000
Al-Watanieh Securities	3,190
Total	118,190

- Awraq Investment manages the Bank's portfolio in bonds and other instrument for an annual fee. The Bank did not have any other contracts, projects and commitments with subsidiary companies, Chairman and members of the Board of Directors except for regular banking operations that are fully disclosed in note 37 to the financial statement. Those transactions are made in accordance with Central Bank of Jordan regulations.

Statement from the Board of Director

The Board of Directors affirms that according to its knowledge and beliefs there are no significant issues, which would affect the sustainability of the Bank's operations during the next fiscal year of 2008.

The Board of Directors also acknowledges its responsibility for the preparation of the financial statements for the year 2007 noting that the Bank maintains an effective internal control structure.

Chairman
Khaled Sabih Al-Masri

Vice Chairman
Mohammad Kamal Eddin Barakat*

Miqdad Hasan Innab

Ibrahim Hussein Abu Al-Ragheb

Yasin Khalil Al-Talhouni*

Farouq Ahmad Zuaiter

Abdul Malek Ahmad Jaber*

Nashat Taher Al-Masri

Yazid Adnan Al-Mufti

Ghassan Ibrahim Akeel*

Yazan Mahmoud Samara

Suhair Sayed Ibrahim*

* The directors' signatures does not appear in the annual report due to presence outside Jordan during preparing these statements.

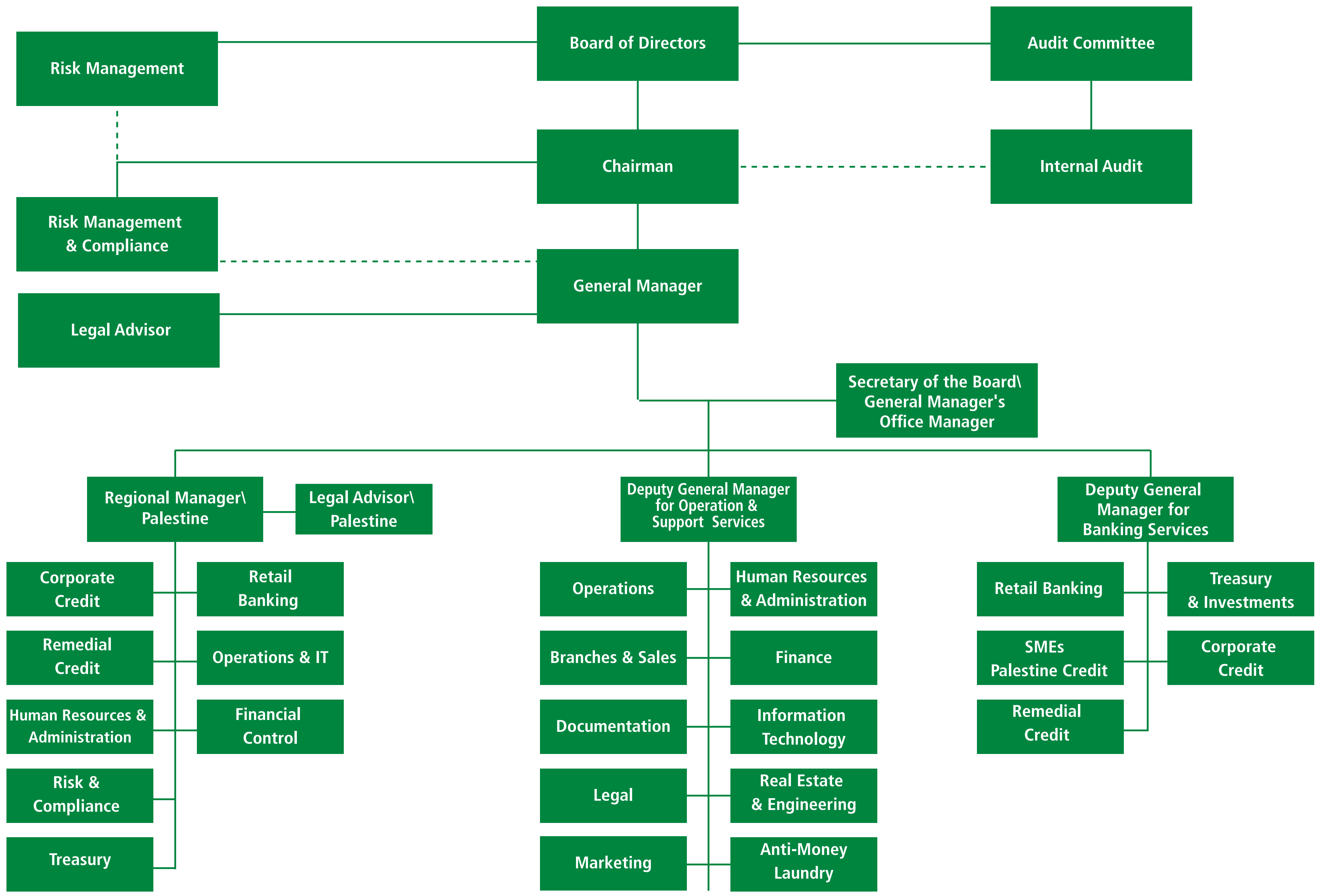
The Chairman, General Manager and the Head of Finance acknowledge the accuracy and completeness of the information and financial data provided in the annual report.

Chairman
Khaled Sabih Al-Masri

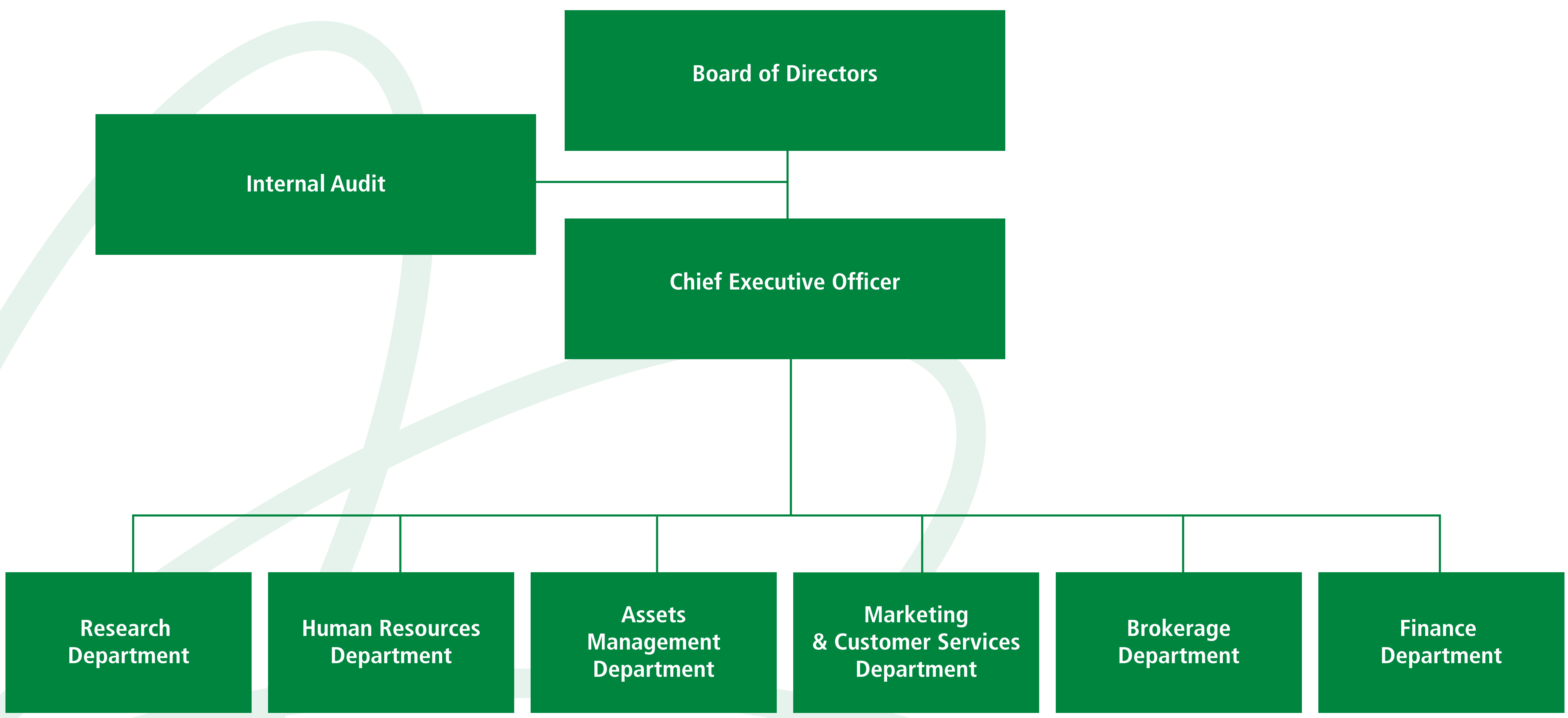
General Manager
Kamal Ghareeb Al-Bakri

Head of Finance
Nizar Tayseer Mohammed

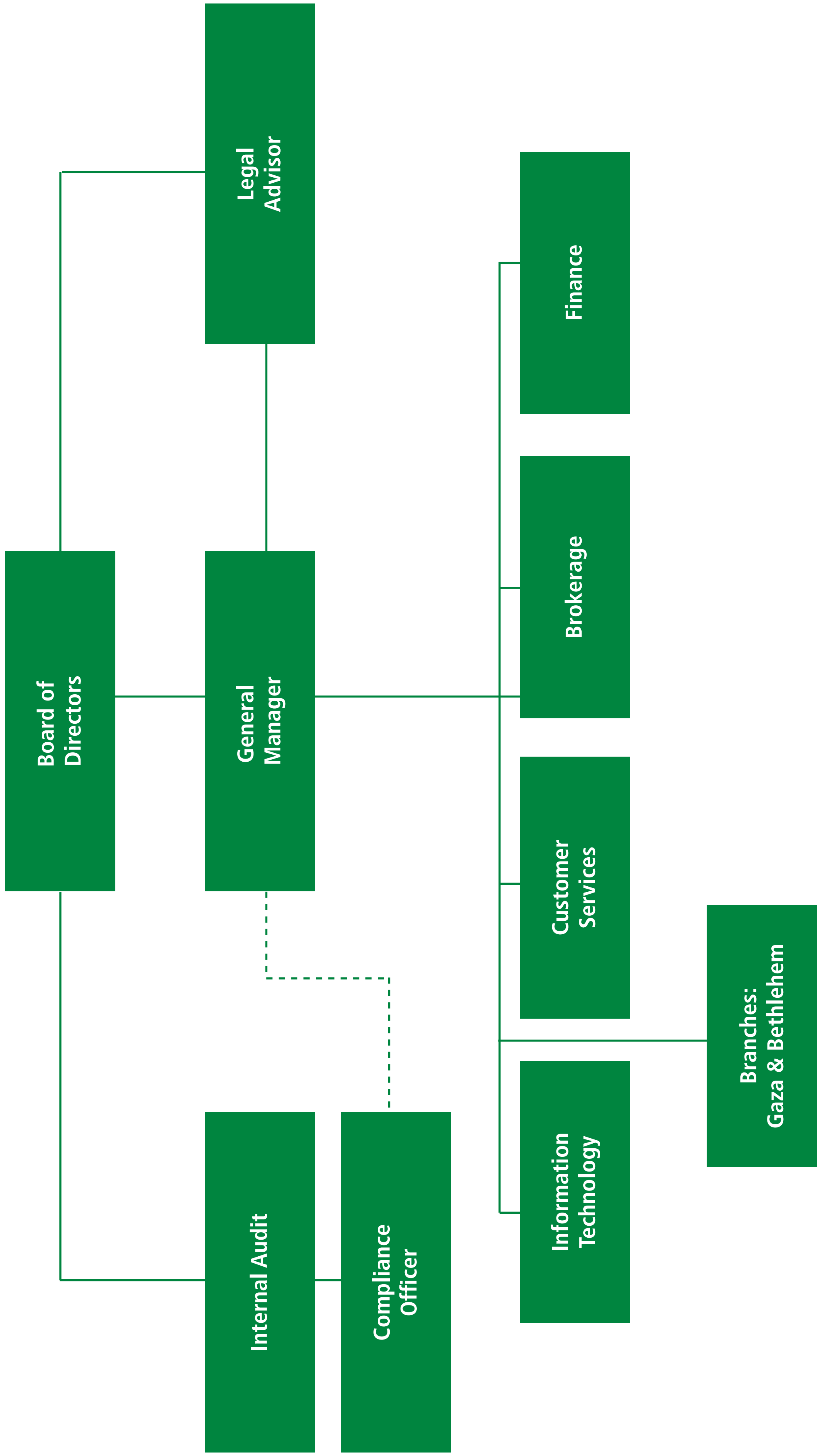
Organizational Structure (As of 1 January 2008)



Al-Watanieh for Financial Services (Awraq Investments)



Al-Watanieh Securities Company



Corporate Governance Code

1. Introduction

Cairo Amman Bank (The Bank) gives a great deal of importance to proper corporate governance practices based on the principles of fairness, transparency, accountability and responsibility in order to enhance the trust of depositors, shareholders and other stakeholders and to ensure continuous monitoring of the Bank's adherence to set policies and limits, and with the Bank's goals. The Bank is also committed to the highest professional standards in all activities that conform to the regulations of the Central Bank of Jordan and of the regulatory authorities in countries where the Bank is present, and comply with best international practices. Accordingly, the Board of Directors (The Board) has adopted this Corporate Governance Code.

2. Board of Directors

2.1 Duties and responsibilities of the Board

The Board of Directors is responsible for supervising and monitoring all of the Bank's activities and the executive management, in addition to ensuring that all activities comply with the Central Bank of Jordan regulations and other regulatory authorities, for the interest of the shareholders, depositors and all relevant parties.

The main responsibilities of the Board of Directors include the following:

a. Setting the Bank strategic goals and overseeing the implementation thereof, in addition to directing the executive management to design plans for the implementation of these goals.

b. Ensuring and certifying that internal control systems are effective.

c. Reviewing all risks that face the Bank, and ensuring that they are managed properly by the executive management.

d. Ensuring that the Bank complies with all related laws and regulations.

e. Appointing a General Manager with integrity, technical competence and experience in banking and monitoring his/her performance as well as approving the appointment of certain members of the executive management and ensuring they have the required expertise.

2.2 Composition of the Board

a. The Board of Directors is composed of twelve members elected by the General Assembly for a period of four years. The members of the Board have a range of skills and experiences that increases the effectiveness of the Board.

b. Among the Board's non-executive directors, there are at least three Independent Directors. An "Independent Director" should meet the following requirements:

- Has not been employed by the Bank for the preceding three years.
- Is not a relative (up to the second degree) of a member of the Bank's management.
- Is not receiving a salary or compensation from the Bank except for the Board membership.
- Is not a director or owner of a company with which the Bank does business, other than business relationship made in the ordinary course of the Bank's business and on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated parties.
- Is not, nor has been in the past three years, affiliated with or employed by a present or former external auditor of the Bank.
- Is neither a shareholder with effective interest in the capital of the Bank nor affiliated with one.

c. The Board of Directors may include executive members that occupy position in the Bank, but should not exceed three members.

2.3 The Chairman of the Board

a. The Chairman of the Board (The Chairman) may have executive authorities.

b. If the Chairman is an executive, the Bank will consider appointing an independent member of the Board as Deputy Chairman.

c. The position of the Chairman is separated from that of the General Manager. The division in responsibilities is set in writing and subject to review and revision from time to time as necessary and is approved by the Board.

d. There should be no family connection between the Chairman and the General Manager up to the third degree.

e. The Chairman promotes a constructive relationship between the Board and the executive management, and between the executive directors and the non-executive directors within the Board.

f. The Chairman ensures that both directors and shareholders receive adequate information on a timely basis.

3. Board Practices

a. The Board holds no less than six meetings every year, with no more than two months between each two meetings, to discuss matters proposed by the executive management and all other matters the Board deems necessary.

b. The executive management provides board members with adequate information sufficiently in advance of the meetings to enable them to reach informed decisions.
c. Each Board member is provided with a formal appointment letter upon his/her election, in which he/she is advised about his/her rights, responsibilities and duties including activities that require the Board's authorization limit.
d. A permanent written record of the Board's discussions and votes is kept by the Board Secretary who is also responsible to ensure that Board procedures are followed, and that information is conveyed between members of the Board, the members of the Board Committees and the executive management.
e. The Board reaches its decisions based on the absolute majority of members' vote, in the case of an even vote, the decision that the Chairman voted for is approved.
f. Board members and any of the Board's Committees have access to executive management. In addition, members of the executive management may, upon the request of the Chairman, attend Board meetings and present information related to their area of responsibility.
g. Board members and any of the Board's Committees are entitled to use external sources to enable them to adequately fulfill their duties.

4. Board Committees

The Board of Directors has several specialized committees, each has its own duties and responsibilities according to its charter and they work integrally with the Board to achieve the Bank's goals and enhance its efficiency. The Bank utilizes formal and transparent process for appointments to the Board Committees:

4.1 Corporate Governance Committee

The Corporate Governance Committee is comprised of the Chairman of the Board and two non-executive directors.

The duties of the Corporate Governance Committee include directing the preparation of the Bank's Corporate Governance Code and supervising its implementation. In addition to constantly reviewing the Code and recommending changes or additions to it, in order to improve the Code and the efficiency of the Board.

4.2 Audit Committee

The Audit Committee comprises of at least three non-executive members, at least two of them are independent directors. The Bank's policy is that at least two members of the audit committee should have relevant financial management qualifications and/or expertise.

The duties of the Audit Committee include:
- Reviewing the financial statements before being presented to the Board of Directors, in addition to meeting with external auditors and making necessary recommendations.
- Supervising internal audit activities, including reviewing the annual internal audit plan, and the internal audit reports.
- Recommending to the Board of Directors the accounting policies and practices of the Bank as well as reviewing all accounting issues that have a significant effect on the financial statements.
- Reviewing the Bank's internal controls and its adequacy through the reports of the Internal Audit Department and the external auditors.
- Recommending to the Board of Directors the appointment or the removal, the remuneration and other contractual terms of the external auditors, in addition to assessing the objectivity of the external auditors, including the consideration of any other non-audit work performed by the external auditors.

The Audit Committee meets on a regular basis every three months, the Head of Internal Audit Department attends its meetings. The Audit Committee has the ability to obtain any information from executive management, and the ability to call any executive or director to attend its meetings.

The Audit Committee meets each of the Bank's external auditors, its internal auditors and its compliance officers, without executive management being present, at least once a year.

The Bank recognizes that the Audit Committee does not substitute for the responsibilities of the Board of Directors or the Bank's executive management for the supervision and adequacy of the Bank's internal control structure.

4.3 The Nominations and Remuneration Committee

The Nominations and Remuneration Committee is comprised of three non-executive directors, the majority of which, including the committee chairman, are independent.

The committee's duties include:
- Setting the method to assess the effectiveness of the Board and its Committees.
- Making the determination of whether a director is Independent considering the minimum standards for independence set out in this code.
- Nominating board appointments to the General Assembly.
- Providing background briefing material for Directors as requested, as well as ensuring that they are kept up to date on relevant banking topics.
- Recommending to the Board the remuneration, including monthly salary and other benefits, of the General Manager. The Nominations and Remuneration Committee also reviews the bonuses and other remuneration of other executive management.
- The Nomination and Remuneration Committee ensures that the Bank has a remuneration policy sufficient to attract and retain qualified individuals and is in line with the Bank's peers in the market.

The committee meets on a regular basis, and members of the executive management are invited to attend its meetings, if necessary.

4.4 Risk Management Committee

The Risk Management Committee is comprised of the Chairman of the Board and two non-executive directors.
The duties of the Risk Management Committee include:
- Reviewing Risk Management strategy before being approved by the Board, and assessing its effectiveness on a continuous basis.
- Ensuring the existence of policies and framework of risk management function, and reviewing them on a regular basis.
- Overseeing the Head of Risk Management and the annual plan of the department activities.
- Ensuring that risk management function has adequate expertise and resources to fulfill its responsibilities.
- Reviewing assumptions used in risk measurement models.
- Overseeing the development of risks database.
- Reviewing stress tests on credit, liquidity, market and operational risks and approving contingency planning.
- Reviewing the reports of the Risk Management Department.
- Monitoring the Bank's preparation and implementation of Basel II with respect to risk management and measurement issues.
- Receiving regular reports from the assets liabilities committee.
- Receiving and acting on compliance and internal audit reports that are relevant to the risk function.
- Ensuring the existence of business continuity plan and testing it on a regular basis.

The Risk Management Committee meets at least four times a year, and submits reports to the Board of Directors on a regular basis. The General Manager, Deputy General Manager for Banking Services, Head of Finance, Head of Risk and the Assistant General Manager / Regional Manager of Palestine Branches attend its meetings.

4.5 Investments Committee

The Investment Committee is comprised of the Chairman of the Board and two non-executive directors.

The Committee sets and reviews the Bank's investment policy and looks into new investments opportunities.
The Committee meets on a regular basis, and members of the executive management may be invited to attend its meetings, if necessary.

5. Self Assessment

a. The Board assesses its own performance and the performance of its committees on an annual basis. The Nominations and Remuneration Committee is responsible for receiving the assessment from the Directors, reviewing them and providing the Board with a report summarizing the self-assessment. The Board discusses this report in order to enhance its performance if needed.
b. The Nominations and Remuneration Committee in coordination with the Chairman formally evaluate the performance of the General Manager and submits its evaluation to the Board.
c. The Board approves executive management succession plans, which set out the required qualifications and requirements of the positions.

6. Related Party Transactions

a. Related party transactions between the Bank and its employees or directors or their companies or other related parties, including lending and share trading transactions, are done according to rules and procedures that comply with Central Bank of Jordan regulation.
b. Credit extended to directors and their companies are made in accordance with the Bank's related parties credit policies and are reported to the Board of Directors for review.
c. Credit extended to directors and their companies are made at market rates and not on preferential terms.

d. Directors involved in any credit transaction do not participate in discussions nor do they vote on it.
e. All related party transactions are disclosed in the Bank's annual report as well as all interim financial statements.
f. The Bank's internal controls ensure that all related party transactions are handled in accordance with the set policies.

7. Internal Controls

a. The Board ensures that the Bank maintains a high degree of integrity in its operations. Formal policies, including a Code of Conduct, and definitions and controls on conflicts of interest and insider dealing, have been established and are published to all employees.
b. The Bank has written policies covering all banking operations. Such policies are regularly reviewed to ensure that they conform to any changes in laws and regulations, the economic environment and other circumstances affecting the Bank.
c. The Bank as part of its lending and credit approval process assesses the quality of corporate governance in its corporate borrowers, especially public shareholding companies, and includes the strength or weakness of their corporate governance practice in the borrower's risk assessment.
d. Executive management is responsible for implementing the risk management strategies that have been approved by the Board, and for developing the policies and procedures for managing the various types of risk.
e. The structure and development of a coherent and comprehensive Risk Management Department within the Bank is proposed by the executive management, reviewed by the Risk Management Committee, and approved by the Board.
f. The Bank adopted "Whistle Blowing Policy", whereby employees can confidentially raise concerns about possible irregularities, and that allow for such concerns to be independently investigated and followed up.
g. The Bank's management is responsible for establishing and maintaining adequate internal control structure over financial reporting for the Bank.
h. The Bank's internal control structure is reviewed at least once a year by internal and external auditors.
i. The Bank requires the regular rotation of the external audit between audit firms. Should this no longer be practical, then the Bank will at a minimum require the regular rotation of the principal partner in charge of the external audit.

8. Internal Audit

a. The Bank provides the Internal Audit Department with staff adequately resourced, trained and remunerated.
b. The Internal Audit Department has full access to the Bank's records and employees, and is given sufficient standing and authority within the Bank to adequately carry out its tasks. The functions, duties and responsibilities of the Internal Audit Department are documented within the Internal Audit Charter which is approved by the Board and published within the Bank.
c. The Internal Audit Department reports primarily to the Chairman of the Audit Committee.
d. The Internal Audit employees do not have any operational responsibilities. Internal Audit is responsible for proposing the structure and scope of the audit schedule, and any potential conflicts of interest are reported to the Audit Committee.
e. The Internal Audit reports may be discussed with the departments and operational units being audited, but the Internal Audit Department is allowed to operate and make a full and honest report without outside influence or interference.
f. The Internal Audit Department reviews the Bank's financial reporting as well as compliance with internal policies, international standards, procedures and applicable laws and regulations.

9. Risk Management

a. Risk management is the responsibility of all departments and operational units within the Bank.
b. The Risk Management Department reports to the Risk Management Committee and on a day-to-day operational basis it reports to the General Manager.
c. The functions of the Risk Management Department are assisted by a network of properly constituted, authorized and documented committees such as Assets and Liabilities Committee, Investment Committee and Credit Committees.
d. The responsibilities of the Risk Management Department include:
- Analyzing all risks including credit risk, market risk, liquidity risk and operational risk.
- Developing methodologies for measuring and controlling each risk.
- Recommending limits to Risk Management Committee and the approval, reporting and recording of exceptions to the risk policy.
- Providing the Board and the executive management with information on risk metrics and on the Bank risk profile.
- Providing information about risks to be used in the Bank's published statements and reports.

Corporate Governance Code

10. Compliance

a. The Bank has an independent compliance function which is adequately resources, trained and remunerated.b. The Compliance Department establishes effective mechanisms to ensure that the Bank complies with all applicable laws and regulations. The department's functions, duties and responsibilities are documented and published within the Bank.
c. The Compliance Department is responsible for developing the compliance policy of the Bank and ensuring its implementation throughout the Bank. The Board is responsible for approving the compliance policy and overseeing its implementation.
d. The Compliance Department reports to the Risk Management Committee, with copies of its reports sent to the General Manager.

11. Relationship with Shareholders

a. The Bank takes active steps to encourage shareholders, in particular minority shareholders, to participate in the annual General Assembly, and also to vote either in person or in their absence by proxy.
b. The Bank's policy is that the Chairmen of all Board Committees should be present at the annual General Assembly.
c. Representatives from the external auditors attend the annual General Assembly to answer questions about the audit and their auditors' report. External auditors are elected by the shareholders at the General Assembly.
d. Voting is done on each separate issue that is raised at the General Assembly.
e. Notes, minutes and a report of the proceedings of the annual General Assembly, including the results of voting, and the questions from shareholders and executive management's responses, are prepared and made available to shareholders after the annual General Assembly.

12. Transparency and Disclosures

a. The Bank disclosures are made in accordance with the International Financial Reporting Standards (IFRS), the regulations issued pursuant to the Banking Law and to other related legislations.
b. The Bank provides meaningful information on its activities to shareholders, depositors, financial market counterparties, regulators and the public in general. The Bank also discloses significant issues in accordance with Jordan Securities Commission’s regulations.
c. The Bank follows the Disclosure Regulation issued by Jordan Securities Commission and the regulation of the Central Bank of Jordan for information that should be disclosed in the Bank annual report.
d. The Bank's annual report includes information about the structure and operation of the Risk Management Department, in addition to a detailed description of the Bank's risks and the methods for managing them.
e. The annual report includes a statement from the Board of Directors acknowledging their responsibility for the preparation of the financial statements and the contents of the annual report, and their accuracy and completeness noting that the Bank maintains an effective internal control structure.
f. The Bank prepares quarterly reports that include quarterly financial statement, as well as preparing analysis of the Bank's results of operations which allow investors to understand current and future operating results and the financial condition of the Bank.
g. The Head of Finance Department is handling the function of investor relations through providing comprehensive, objective and up to date information on the Bank, its financial condition and performance and its activities.
h. The Bank discloses in its annual report its corporate governance code and details of its compliance.
i. The Bank discloses in its annual report summary organization chart.
j. The Bank discloses in its annual report summaries of the duties and responsibilities of Board Committees including the members of these committees.
k. The Bank discloses in its annual report a summary of the remuneration policy, including the amounts paid to the members of the executive management.

Consolidated Balance Sheet

Independent Auditors' Report to the Shareholders of
Cairo Amman Bank
Amman - Jordan

We have audited the accompanying financial statements of **Cairo Amman Bank** (a public shareholding company) and its subsidiaries (the Bank), which comprise the consolidated balance sheet as of 31 December 2007 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2007 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

February 17, 2008
Amman – Jordan

Ernst & Young

Consolidated Balance Sheet

at 31 December 2007
(In Jordanian Dinars)

	Notes	2007	2006
Assets			
Cash and balances with Central Banks	4	291,657,073	251,657,832
Balances at banks and financial institutions	5	198,686,651	168,597,436
Deposits at banks and financial institutions	6	177,250	500,000
Financial assets held for trading	7	329,405	199,582
Direct credit facilities	8	539,389,673	508,778,353
Financial assets available for sale	9	226,441,329	191,197,981
Property and equipment	10	30,981,739	22,913,127
Intangible assets	11	3,425,747	1,541,754
Other assets	12	28,156,363	33,463,451
Total assets		1,319,245,230	1,178,849,516
Liabilities and Equity			
Liabilities			
Banks and financial institutions' deposits	13	52,468,652	53,902,373
Customers' deposits	14	994,859,431	889,356,617
Margin accounts	15	36,971,000	25,146,342
Loans and borrowings	16	23,449,475	15,493,582
Sundry provisions	17	8,193,998	6,228,767
Income tax liabilities	18	21,030,969	18,585,457
Deferred tax liabilities	18	12,373,360	14,462,701
Other liabilities	19	24,854,673	17,437,680
Total liabilities		1,174,201,558	1,040,613,519
Equity			
Paid in capital	20	75,000,000	67,500,000
Statutory reserve	21	21,683,537	18,727,903
Voluntary reserve	21	1,321,613	1,321,613
General banking risk reserve	21	5,387,932	4,687,932
Cumulative changes in fair value	22	24,313,275	31,665,414
Retained earnings (losses)	24	4,837,315	83,135
Proposed issue of dividends	23	5,000,000	7,500,000
Proposed issue of bonus shares	23	7,500,000	6,750,000
Total equity		145,043,672	138,235,997
Total liabilities and equity		1,319,245,230	1,178,849,516

The accompanying notes from 1 to 47 are an integral part of these financial statements.

Consolidated Income Statement

For the Year Ended 31 December 2007
(In Jordanian Dinars)

	Notes	2007	2006
Interest income	25	77,649,144	65,468,548
Interest expense and similar charges	26	31,490,248	22,562,660
Net interest income		46,158,896	42,905,888
Net commission	27	12,552,386	9,949,474
Net interest and commission income		58,711,282	52,855,362
Other income –			
Net gain from foreign currencies	28	2,585,118	2,444,809
Net gain (loss) from financial assets held for trading	29	172,213	(162,967)
Net gain from financial assets available for sale	30	7,602,226	10,191,888
Other income	31	5,945,776	5,744,619
Gross profit		75,016,615	71,073,711
Employees' expenses	32	24,287,157	19,788,097
Depreciation and amortisation	10-11	3,068,601	2,056,831
Other expenses	33	13,940,815	11,393,775
Impairment loss on direct credit facilities	8	886,623	4,862,868
Sundry provisions	17	2,237,441	2,012,514
Total expenses		44,420,637	40,114,085
Profit before tax		30,595,978	30,959,626
Income tax expense	18	9,686,164	11,710,991
Profit for the year		20,909,814	19,248,635
Earnings per share for the year		JD/FILS	JD/FILS
Basic and diluted earnings per share	34	0/279	0/257

The accompanying notes from 1 to 47 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2007
(In Jordanian Dinars)

	Paid in capital	RESERVES			Cumulative changes in fair values	Retained earnings	Proposed issue of dividends	Proposed issue of bonus shares	Total equity
		Statutory	Voluntary	General banking risk					
Balance at 1 January 2007	67,500,000	18,727,903	1,321,613	4,687,932	31,665,414	83,135	6,750,000	7,500,000	138,235,997
Net movement in cumulative changes in fair value after tax	-	-	-	-	(7,352,139)	-	-	-	(7,352,139)
Total income and expenses for the year recognised directly in equity	-	-	-	-	(7,352,139)	-	-	-	(7,352,139)
Profit for the year	-	-	-	-	-	20,909,814	-	-	20,909,814
Total income and expenses for the year	-	-	-	-	(7,352,139)	20,909,814	-	-	13,557,675
Increase in capital	7,500,000	-	-	-	-	-	-	(7,500,000)	-
Transferred to reserves	-	2,955,634	-	700,000	-	(3,655,634)	-	-	-
Distributed profit	-	-	-	-	-	-	(6,750,000)	-	(6,750,000)
Proposed dividends	-	-	-	-	-	(12,500,000)	7,500,000	5,000,000	-
Balance at 31 December 2007	75,000,000	21,683,537	1,321,613	5,387,932	24,313,275	4,837,315	7,500,000	5,000,000	145,043,672
Balance at 1 January 2006	45,000,000	15,817,071	-	3,812,736	71,519,491	192,141	4,500,000	22,500,000	163,341,439
Net movement in cumulative changes in fair value after tax	-	-	-	-	(39,854,077)	-	-	-	(39,854,077)
Total income and expenses for the year recognised directly in equity	-	-	-	-	(39,854,077)	-	-	-	(39,854,077)
Profit for the year	-	-	-	-	-	19,248,635	-	-	19,248,635
Total income and expenses for the year	-	-	-	-	(39,854,077)	19,248,635	-	-	(20,605,442)
Increase in capital	22,500,000	-	-	-	-	-	-	(22,500,000)	-
Transferred to reserves	-	2,910,832	1,321,613	875,196	-	(5,107,641)	-	-	-
Distributed profit	-	-	-	-	-	(4,500,000)	-	-	(4,500,000)
Proposed dividends	-	-	-	-	-	(14,250,000)	6,750,000	7,500,000	-
Balance at 31 December 2006	67,500,000	18,727,903	1,321,613	4,687,932	31,665,414	83,135	6,750,000	7,500,000	138,235,997

The accompanying notes from 1 to 47 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For The Year Ended 31 December 2007
(In Jordanian Dinars)

	Notes	2007	2006
Cash flows from operating Activities			
Profit before income tax		30,595,978	30,959,626
Adjustments for -			
Depreciation and amortisation		3,068,601	2,056,831
Impairment loss on direct credit facilities		886,623	4,862,868
Sundry provisions		2,237,441	2,012,514
Gain from sale of financial assets available for sale		(6,125,056)	(8,225,312)
Impairment losses on financial assets available for sale		579,262	10,985
Unrealized (gains) losses from financial assets held for trading		(59,883)	119,680
Gain from sale of property and equipment		(15,317)	(21,227)
Impairment of properties held for resale		-	312,005
Gain from sale of properties held for resale		(1,856,989)	(1,257,296)
Effect of exchange rate changes on cash and cash equivalents		(2,215,201)	(2,060,472)
Operating profit before changes in operating assets and liabilities		27,095,459	28,770,202
Changes in assets and liabilities -			
Decrease (increase) in balances with Central Banks maturing after more than three months		11,005,318	(8,979,971)
Decrease in deposits at banks and financial institutions maturing after more than three months		322,750	1,985,200
(Increase) in financial assets held for trading		(69,940)	(204,199)
(Increase) in direct credit facilities		(31,497,943)	(70,630,806)
Decrease in other operating assets		7,164,077	9,687,194
Increase in banks and financial institution deposits maturing after more than three months		2,000,000	-
Increase in customers' deposits		105,502,814	35,789,007
Increase (decrease) in margin accounts		11,824,658	(7,813,049)
Decrease in Sundry provision		(272,210)	(351,478)
Increase (decrease) in other liabilities		7,416,993	(14,354,890)
Net cash from (used in) operating activities before income tax		140,491,976	(26,102,790)
Income tax paid		(7,240,652)	(8,891,738)
Net cash from (used in) operating activities		133,251,324	(34,994,528)
Cash Flows from Investing Activities			
Proceeds from sale of financial assets available for sale		66,270,431	64,395,810
Purchase of financial assets available for sale		(105,409,465)	(86,917,662)
Proceeds from sale of property and equipment		392,343	59,344
Purchase of property and equipment		(10,935,520)	(4,253,184)
Purchase of intangible assets		(2,462,712)	(1,043,016)
Net cash used in investing activities		(52,144,923)	(27,758,708)
Cash Flows from Financing Activities			
Dividends paid		(6,750,000)	(4,500,000)
Proceeds from loans and borrowings		8,000,000	-
Repayment of loans and borrowings		(44,107)	(219,816)
Net cash from (used in) financing activities		1,205,893	(4,719,816)
Effect of exchange rate changes on cash and cash equivalents		2,215,201	2,060,472
Net increase (decrease) in cash and cash equivalents		84,527,495	(65,412,580)
Cash and cash equivalents, beginning of the year	35	311,257,577	376,670,157
Cash and cash equivalents, end of the year	35	395,785,072	311,257,577

The accompanying notes from 1 to 47 are an integral part of these financial statements.

Notes to the Consolidated Financial Statement

31 December 2007

(1) General Information

The Bank is a public shareholding company registered and incorporated in Jordan during 1960, in accordance with the Companies Law act. no. (12) of 1964. Its registered office is in Amman, Jordan.

The Bank provides its banking services through its main branch located in Amman and through its 55 branches in Jordan, 17 branch in Palestine, and its subsidiaries.

The Bank is listed on the Amman Stock Exchange.

The financial statements were authorized for issuance by the Bank's Board of Directors in their meeting No. 1/2008 held on the 17th February 2008. 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 of the Bank and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations (IFRICs), and in conformity with the applicable laws and regulations of the Central Bank of Jordan.

The consolidated financial statements are prepared on a historical cost basis, except for financial assets available-for-sale, financial assets held for trading, derivative financial instruments and financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value.

The financial statements have been presented in Jordanian Dinars (JD), which is the functional currency of the Bank.

Changes in Accounting Policies

Except as noted below, the Bank's accounting policies are consistent with those used in the previous year. As of 31 December 2007, the Bank applied the following new IFRSs which had no effect on the Bank's financial position or performance, but resulted in additional disclosures:

IAS 1 – Presentation of Financial Statements (revised 2005)
The standard requires the presentation of additional disclosures to enable users of the financial statements to evaluate the entity's objectives, policies and processes for managing capital.

IFRS 7 – Financial Instruments: Disclosure
The standard requires disclosures that enable users of the financial statements to evaluate the significance of the entity's financial instruments and the nature and extent of risks arising from those financial instruments.

IFRIC 8 – Scope of IFRS 2
This interpretation requires IFRS 2 – Share-based payment to be applied to any arrangements where equity instruments are issued for consideration, which appears to be less than fair value.

IFRIC 9 – Reassessment of Embedded Derivatives
This interpretation establishes that the date to assess the existence of an embedded derivative is the date an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows.

31 December 2007

IFRIC 10 – Interim Financial Reporting and Impairment
This interpretation concludes that an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries:

- Al-Watanieh for Financial Services Company – Jordan: Owned 100% by the Bank, with a paid-up capital of JD 5,000,000 as of 31 December 2007. The Company's main operations are investment brokerage.

- Al-Watanieh Securities Company – Palestine: Owned 100% by the Bank, with a paid-up capital of JD 1,500,000 as of 31 December 2007. The Company's main operations are investment brokerage.

- Cairo Amman Company - Marshal Island: Owned 100% by the Bank, with a paid-up capital of JD 5,000 as of 31 December 2007. The Company's main operations are the investment in securities. The Bank is in the process of completing legal procedures to liquidate the Company.

- No consolidation has been made of the financial statements of Cairo Real Estate Company – Jordan, of which the Bank owns 100% of the paid-up capital of JD 50,000 as of 31 December 2007, due to the fact that on 31 July 2002 all assets and liabilities of the Company were transferred to the Bank. The Bank is in the process of completing legal procedures to liquidate the Company.

The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies. If different accounting policies were applied by the subsidiaries, adjustments shall be made on their financial statements in order to comply with those of the Bank.

All intra-company balances, transactions, income and expenses and profits and losses resulting from intra-company transactions that are recognised in assets or liabilities, are eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal, as appropriate.

If separate financial statements as described in IAS 27 are prepared for the Bank, the investments in subsidiaries will be shown at cost or fair value in the balance sheet.

Segmental Reporting

Business segments represent distinguishable components of the Bank that are engaged in providing products or services which are subject to risks and rewards that are different from those of other segments.

Geographical segments are associated to products and services provided within a particular economic environment, which are subject to risks and rewards that are different from those of other economic environments.

31 December 2007

Financial Assets Held for Trading

Financial assets held for trading are those purchased with the intent to be resold in the near future to generate gains as a result of changes in market prices of such investments.

They are initially recognised at the fair value of consideration given and subsequently remeasured at fair value. All realised and unrealised gains or losses are transferred to the income statement including any gains or losses resulting from the translation of such assets held in foreign currencies to the functional currency.

Interest earned is included in interest income and dividends received are included in gains (losses) from financial assets and liabilities held for trading.

Direct Credit Facilities

Credit facilities are initially recognised at the fair value of consideration given and subsequently measured at amortised cost after allowance for credit losses and interest and commission in suspense.

Impairment of direct credit facilities is recognised in the allowance for credit losses when events occur after the initial recognition of the facility that have an impact on the estimated future cash flows of the facilities that can be reliably estimated. The impairment is recorded in the income statement.

Interest and commission arising on non-performing facilities is suspended when loans become impaired according to the Central Bank of Jordan's regulations.

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

Financial Assets Available-for-Sale

Available-for-sale financial investments are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity or loans and advances.

After initial measurement, available-for-sale financial investments are measured at fair value. Unrealised gains and losses are recognised directly in equity as 'cumulative change in fair value reserve'. When the security is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the income statement.

The losses arising from impairment of such investments are recognised in the income statement and removed from the cumulative change in fair value reserve. Reversal of impairment on equity instruments is reflected in the cumulative change in fair value, while reversal of impairment on debt instruments is transferred to the income statement.

Gains or losses on debt instruments resulting from foreign exchange rate changes are transferred to the income statement. On equity instruments, such gains and losses are transferred to the cumulative change in fair value.

Interest earned on available-for-sale financial investments is reported as interest income using the effective interest method.

Financial assets available for sale which cannot be reliably measured at fair value are recorded at cost. Impairment on such assets is recognised 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.

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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.
- Option pricing models.
- Recent market transactions.

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

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

Impairment of Financial Assets

The Bank assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. If such evidence exists, the recoverable amount is estimated in order to determine the amount of impairment loss to be recognised in the income statement.

Impairment is determined as follows:

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

Impairment is recognised in the income statement. If, in a 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 for which the reversal is recognised in the statement of equity.

Property and Equipment

Property and equipment is measured at cost less accumulated depreciation and accumulated impairment in value. Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. Depreciation rates used are as follows:

	%
Buildings	2
Equipment and furniture	9-15
Vehicles	15
Computers	20

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that 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.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

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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.

Employee 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

Tax expense comprises current tax and deferred taxes.

Current tax is based on taxable profits, which may differ from accounting profits published in the income statement. Accounting profits may include non-taxable profits or tax-deductible expenses, which may be exempted in the current or subsequent financial years.

Tax is calculated based on tax rates and laws that are applicable in the country of operation.

Deferred tax is provided on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on laws that have been enacted or substantially enacted at the balance sheet date.

The carrying values of deferred income tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Fiduciary Assets

Assets held in a fiduciary capacity are not recognised as assets of the Bank. Fees and commissions received for administering such assets are recognised in the income statement.

Offsetting

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

Revenue and Expense Recognition

Interest income is recorded using the effective interest method except for fees and interest on non-performing facilities, on which interest is transferred to the interest in suspense account and not recognised in the income statement.

Expenses are recognised on an accrual basis.

Commission income is recognised upon the rendering of services. Dividend income is recognised when the right to receive payment is established.

Trade and Settlement Date Accounting

Sale or purchase of financial assets is recognised at the trade date, i.e. the date that the Bank commits to purchase or sell the asset.

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Fair Value Hedges

A fair value hedge is a hedge of the exposure to changes in the fair value of the Bank's recognised assets or liabilities that is attributable to a particular risk.

For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognised in the income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as adjustment to the carrying value of the hedged item and is also recognised in the income statement.

Cash Flow Hedges

A cash flow hedge is a hedge of the exposure to variability in the Bank's actual and expected cash flows which is attributable to a particular risk associated with a recognised asset or liability.

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in equity, and is subsequently transferred to the income statement in the period in which the hedged cash flows affect income, or at such time as the hedge becomes ineffective. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the income statement.

Hedge Of Net Investments in Foreign Operations

Hedges of net investments in a foreign operation are accounted for by measuring the fair value of the hedging instrument. The effective portion of the gain or loss on the hedging instrument is initially recognised directly in equity, while the ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to the income statement.

For hedges which become ineffective, gains or losses resulting from the change in fair value of the hedge instrument is recognised directly in the income statement.

Assets Obtained by the Bank

Assets obtained by the Bank through calling upon collateral are shown in the balance sheet under "Other Assets" at the lower of their carrying value or fair value. Assets are revalued at the balance sheet date on an individual basis and losses from impairment are transferred directly to the income statement, while revaluation gains are not recognised as income. Reversal of previous impairment losses shall not result in a carrying value that exceeds the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Intangible Assets

Intangible assets acquired through business combination are recorded at their fair value on that date. Other intangible assets are measured on initial recognition at cost.

Intangible assets with finite lives are amortised over the useful economic life, while intangible assets with indefinite useful lives are assessed for impairment at each reporting date or when there is an indication that the intangible asset may be impaired.

Internally generated intangible assets are not capitalised and are expensed in the income statement.

Indications of impairment of intangible assets are reviewed for and their useful economic lives are reassessed at each reporting date. Adjustments are reflected in the current and subsequent periods.

Intangible assets include computer software and programs. These intangibles are amortised evenly over their estimated useful economic life of 5 years.

Foreign Currencies

Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction.

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.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date, the assets and liabilities of foreign subsidiaries and overseas branches are translated into the Bank's presentation currency at the rate of exchange ruling at the balance sheet date, and their income statements are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity. On disposal of an entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is transferred to the income statement.

Cash and Cash Equivalents

Cash and cash equivalents comprises 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 and restricted balances.

(3) Use of estimates

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

- Provision for credit losses: The Bank reviews its loan portfolios according to the Central Bank of Jordan regulations and these of other countries where the Bank operates.
- Implement losses on the valuation of dependant collateral are determined based on appraisal reports prepared by certified appraisers and reviewed periodically.
- The income tax provision is calculated based on the application of the laws.
- Management periodically re-evaluates the tangible and intangible assets in order to assess the amortisation and depreciation for the year based on the useful life and future economic benefits. Any impairment is taken to the income statement.
- A periodic review is performed on the estimated useful lives of assets. Moreover, assets subject to amortization are viewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Losses are recognised in the income statement.
- Legal provisions are provided for lawsuits raised against the Bank based on the Bank's legal advisors' opinion.

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(4) CASH AND BALANCES WITH CENTRAL BANKS

	2007	2006
	JD	JD
Cash on hand	33,402,849	19,704,741
Balances at Central Banks		
Current and demand deposits	35,401,421	18,967,960
Time deposits	20,030,629	14,675,820
Statutory cash reserve	70,522,300	62,304,845
Certificates of deposits	132,299,874	136,004,466
	291,657,073	251,657,832

In addition to the statutory cash reserve held at Central Banks, restricted balances amounted to JD 7,090,000 as of 31 December 2007 (2006: JD 7,090,000).

Certificates of deposits include balances maturing after three months amounting to JD 37,000,000 as of 31 December 2007 (2006: JD 48,005,318).

(5) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	2007	2006	2007	2006	2007	2006
	JD	JD	JD	JD	JD	JD
Current and demand deposits	38,272	17,035	7,411,004	26,227,775	7,449,276	26,244,810
Deposits maturing within 3 months	4,500,000	11,000,000	186,737,375	131,352,626	191,237,375	142,352,626
	4,538,272	11,017,035	194,148,379	157,580,401	198,686,651	168,597,436

Non-interest bearing balances at banks and financial institutions amounted to JD 6,620,992 as of 31 December 2007 (2006: JD 4,153,924).

There are no restricted balances as of 31 December 2007 and 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

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(6) DEPOSITS AT BANKS AND FINANCIAL INSTITUTIONS

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	2007	2006	2007	2006	2007	2006
	JD	JD	JD	JD	JD	JD
Deposits	-	-	177,250	-	177,250	-
Certificates of deposit maturing within 3 to 6 months	-	500,000	-	-	-	500,000
	-	500,000	177,250	-	177,250	500,000

There are no restricted balances as of 31 December 2007 and 2006.

(7) FINANCIAL ASSETS HELD FOR TRADING

	2007	2006
	JD	JD
Quoted equities	329,405	199,582
	329,405	199,582

(8) DIRECT CREDIT FACILITIES

	2007	2006
	JD	JD
Consumer lending		
Overdrafts	14,598,977	15,225,163
Loans and bills *	227,761,864	210,964,636
Credit cards	7,891,113	6,990,543
Others	8,175,209	6,987,270
Residential mortgages	95,625,033	94,114,737
Corporate lending		
Overdrafts	26,279,658	30,580,426
Loans and bills *	58,250,081	40,691,907
Small and Medium Enterprises lending "SMEs"		
Overdrafts	21,136,890	12,885,569
Loans and bills *	21,798,718	18,388,593
Lending to governmental sectors	113,693,447	130,496,868
Total	595,210,990	567,325,712
Less: Suspended interest	13,391,972	14,062,472
Less: Allowance for impairment losses	42,429,345	44,484,887
Direct credit facilities-net	539,389,673	508,778,353

* Net of interest and commissions received in advance of JD 12,789,200 as of 31 December 2007 (2006: JD 12,890,682).

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At 31 December 2007, non-performing credit facilities amounted to JD 46,150,378 (2006: JD 72,605,909), representing 7.75% (2006: 12.80%) of gross facilities granted.

At 31 December 2007, non-performing credit facilities; net of suspended interest, amounted to JD 35,175,307 (2006: JD 59,960,157), representing 6.02% (2006: 10.81%) of gross facilities granted after excluding the suspended interest.

At 31 December 2007, credit facilities granted to the Government of Jordan amounted to JD 47,638,624 (2006: JD 55,168,310), representing 8% (2006: 9.72%) of gross facilities granted.

At 31 December 2007, credit facilities granted to the public sector in Palestine amounted to JD 30,359,374 (2006: JD 46,397,524), representing 5.1% (2006: 8.18%) of gross facilities granted.

A reconciliation of the allowance for impairment losses for direct credit facilities by class is as follows:

	Consumer	Residential mortgages	Corporate	SMEs	Total
2007	JD	JD	JD	JD	
At 1 January 2007	24,748,154	409,881	15,375,079	3,951,773	44,484,887
Charge (surplus) for the year	2,442,393	(89,831)	(768,917)	(697,022)	886,623
Amounts written off	(1,555,904)	(3,102)	(629,879)	(753,280)	(2,942,165)
At 31 December 2007	25,634,643	316,949	13,976,283	2,501,471	42,429,345
2006					
At 1 January 2006	15,110,475	116,492	21,918,284	4,711,459	41,856,710
Charge (surplus) for the year	10,144,531	293,389	(5,751,377)	176,325	4,862,868
Amounts written off	(506,852)	-	(791,828)	(936,011)	(2,234,691)
At 31 December 2006	24,748,154	409,881	15,375,079	3,951,773	44,484,887

Individual impairment amounted to JD 32,125,934 as of 31 December 2007 (2006: JD 42,547,350). Collective impairment amounted to JD 10,303,411 as of 31 December 2007 (2006: JD 1,937,629)

Allowance for impairement loss related to non-performing credit facilities that were settled or collected amounted to JD 2,816,924 during the year ended 31 December 2007 (2006: JD 1,948,629).

31 December 2007

A reconciliation of suspended interest on direct credit facilities by class is as follows:

	Consumer	Residential mortgages	Corporate	SMEs	Total
2007-	JD	JD	JD	JD	JD
At 1 January 2007	5,058,785	87,830	7,587,021	1,328,836	14,062,472
Add: Suspended interest during the year	1,941,285	-	503,932	106,037	2,551,254
Less: Amount transferred to income on recovery	(562,070)	(42,923)	(289,803)	(102,205)	(997,001)
Less: Amounts written off	(899,115)	(347)	(1,043,675)	(281,616)	(2,224,753)
At 31 December 2007	5,538,885	44,560	6,757,475	1,051,052	13,391,972
2006-					
At 1 January 2006	4,617,767	81,648	8,302,310	1,440,925	14,442,650
Add: Suspended interest during the year	941,536	6,182	711,097	75,892	1,734,707
Less: Amount transferred to income on recovery	(157,529)	-	(452,023)	(70,617)	(680,169)
Less: Amounts written off	(342,989)	-	(974,363)	(117,364)	(1,434,716)
At 31 December 2006	5,058,785	87,830	7,587,021	1,328,836	14,062,472

(9) Financial Assets Available for Sale

	2007	2006
	JD	JD
Quoted Investments		
Corporate debt securities	42,025,555	33,269,154
Other debt securities	6,771,163	-
Funds	8,880,225	8,405,507
Equities	62,131,119	69,900,053
Total quoted investments	119,808,062	111,574,714
Unquoted Investments		
Treasury bills	77,030,786	47,693,036
Government debt securities	4,139,224	4,139,055
Corporate debt securities	23,948,150	24,948,643
Other debt securities	104,566	113,480
Equities	1,410,541	2,729,053
Total unquoted investments	106,633,267	79,623,267
Total	226,441,329	191,197,981

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Analysis of debt instruments	2007 JD	2006 JD
Fixed rate	107,152,979	76,599,078
Floating rate	48,036,315	34,867,035
Total	155,189,294	111,466,113

Included in equities are investments carried at cost with value of JD 1,410,541 as of 31 December 2007 (2006: JD 2,729,053). The investments were stated at cost since the fair value could not be measured reliably. There is no indication of impairment in the values as of the balance sheet date. There were no available-for-sale investments pledged as collaterals as of 31 December 2006 and 2007.

(10) Property And Equipment

	Land	Buildings	Furniture & Fixtures	Vehicles	Computers	Total
2007	JD	JD	JD	JD	JD	JD
Cost						
At 1 January 2007	1,267,880	13,349,796	17,763,461	1,096,277	11,888,398	45,366,352
Additions	7,000	-	4,038,399	52,736	3,271,641	7,369,776
Disposals	-	-	(522,486)	(108,792)	(133,103)	(764,381)
At 31 December 2007	1,274,880	13,349,796	21,279,374	1,040,221	15,027,476	51,971,747
Depreciation and impairment:						
At 1 January 2007	-	1,215,347	12,658,030	696,121	7,883,727	22,453,225
Depreciation charge during the year	-	266,996	858,167	109,255	1,255,464	2,489,882
Disposals	-	-	(261,699)	(106,330)	(19,326)	(387,355)
At 31 December 2007	-	1,482,343	13,254,498	699,046	9,119,865	24,555,752
Net book value of property and equipment	1,274,880	11,867,453	8,024,876	341,175	5,907,611	27,415,995
Projects under construction	-	-	2,026,956	-	1,538,788	3,565,744
Net book value of property and equipment at 31 December 2007	1,274,880	11,867,453	10,051,832	341,175	7,446,399	30,981,739
2006						
Cost						
At January 2006	1,267,880	13,349,796	15,838,209	1,060,118	10,506,056	42,022,059
Additions	-	-	1,055,799	166,493	1,545,030	2,767,322
Disposals	-	-	(326,813)	(130,334)	(451,744)	(908,891)
At 31 December 2006	1,267,880	13,349,796	16,567,195	1,096,277	11,599,342	43,880,490
Depreciation and impairment:						
At 1 January 2006	-	948,351	12,373,649	688,979	7,541,714	21,552,693
Depreciation charge during the year	-	266,996	600,389	124,566	779,354	1,771,305
Disposals	-	-	(316,008)	(117,424)	(437,341)	(870,773)
At 31 December 2006	-	1,215,347	12,658,030	696,121	7,883,727	22,453,225
Net book value of property and equipment	1,267,880	12,134,449	3,909,165	400,156	3,715,615	21,427,265
Projects under construction	-	-	1,196,266	-	289,596	1,485,862
Net book value of property and equipment at 31 December 2006	1,267,880	12,134,449	5,105,431	400,156	4,005,211	22,913,127

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Fully depreciated property and equipment amounted to JD 18,403,164 as of 31 December 2007 (2006: JD 16,329,966).

The estimated cost to complete the purchase of assets and project under construction amounts to JD 3,628,634 as of 31 December 2007 (2006: JD 2,030,920)

(11) Intangible Assets

	2007	2006		
	Computer Software	Computer Software	Others	Total
Cost:	JD	JD	JD	JD
At 1 January	1,541,754	782,369	1,895	784,264
Additions	2,462,712	1,043,016	-	1,043,016
Amortisation during the year	(578,719)	(283,631)	(1,895)	(285,526)
At 31 December	3,425,747	1,541,754	-	1,541,754

(12) Other Assets

	2007 JD	2006 JD
Accrued interest and revenue	5,114,989	4,470,529
Prepaid expenses	4,575,323	4,371,102
Assets obtained by the Bank by calling on collateral	8,620,374	9,728,590
Accounts receivable-net	619,499	1,243,838
Clearing checks	7,584,443	11,728,475
Refundable deposits	70,352	58,269
Deposit at Visa International	613,285	613,285
Others	909,674	1,049,045
	28,156,363	33,463,451

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A reconciliation of assets obtained by the Bank by calling on collateral during the year is as follows:

	2007			2006
	Real estate	Shares	Total	Total
	JD	JD	JD	JD
At 1 January	9,728,590	-	9,728,590	9,251,666
Additions	851,723	142,099	993,822	3,376,723
Retirements	(2,102,038)	-	(2,102,038)	(2,587,794)
Impairment loss	-	-	-	(312,005)
At 31 December	8,478,275	142,099	8,620,374	9,728,590

(13) Banks And Financial Institutions Deposits

	2007			2006		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
	JD	JD	JD	JD	JD	JD
Current and demand deposits	2,328,314	14,234,807	16,563,121	1,098,457	15,995,622	17,094,079
Time deposits	31,390,708	4,514,823	35,905,531	22,083,561	14,724,733	36,808,294
At 31 December	33,719,022	18,749,630	52,468,652	23,182,018	30,720,355	53,902,373

(14) Customers' Deposits

	2007				
	Consumer	Corporate	SMEs	Governmental sectors	Total
	JD	JD	JD	JD	JD
Current and demand deposits	200,115,005	28,246,837	24,239,671	14,943,076	267,544,589
Saving accounts	203,787,078	554,460	2,893,671	927,829	208,163,038
Time and notice deposits	234,099,859	91,323,199	18,008,097	175,720,649	519,151,804
Total	638,001,942	120,124,496	45,141,439	191,591,554	994,859,431

	2006				
	Consumer	Corporate	SMEs	Governmental sectors	Total
	JD	JD	JD	JD	JD
Current and demand deposits	177,001,941	17,464,912	25,796,330	22,197,420	242,460,603
Saving accounts	186,849,104	543,829	3,177,595	383,583	190,954,111
Time and notice deposits	199,782,501	59,507,061	14,516,446	182,135,895	455,941,903
Total	563,633,546	77,515,802	43,490,371	204,716,898	889,356,617

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- Governmental institutions' deposits amounted to JD 168,988,381 as of 31 December 2007 (2006: JD 180,913,570) representing 16.98% (2006: 20.34%) of total customers' deposits.

- Non-interest bearing deposits amounted to JD 243,632,276 as of 31 December 2007 (2006: 230,268,726) representing 24.49% (2006: 25.89%) of total deposits.

- There are no restricted deposits as of 31 December 2007 and 2006.

- Dormant accounts amounted to JD 36,714,885 as of 31 December 2007 (2006: 33,486,877).

(15) Margin Accounts

	2007	2006
	JD	JD
Margins on direct credit facilities	17,045,091	15,338,820
Margins on indirect credit facilities	16,674,336	5,511,506
Deposits against cash margin dealings' facilities	1,263,487	2,760,664
Others	1,988,086	1,535,352
Total	36,971,000	25,146,342

(16) Loans and Borrowings

	Amount	Number of payments		Payable every	Collaterals	Interest rate
2007	JD	Total	Outstanding			
Amounts borrowed from local institutions*	23,000,000	3	3	At maturity	None	8,5%-9,57%
Amounts borrowed from foreign institutions**	449,475			Monthly	None	5,5%
Total	23,449,475					
2006						
Amounts borrowed from local institutions*	15,000,000	1	1	At maturity	None	9,57%
Amounts borrowed from foreign institutions**	493,582			Monthly	None	5,5%
Total	15,493,582					

* Represents fixed interest loans borrowed from Jordan Mortgage Refinancing Company and is due on the maturity date of each loan (2010-2012)

** Represents amounts borrowed from Mortgage Refinancing Company – Palestine, baring fixed interest of 5.5% and repayable in monthly installments.

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(17) Sundry Provisions

	Balance at January 1	Provided during the period	Utilised during the year	Transferred to income	Balance at December 31
	JD	JD	JD	JD	JD
2007					
Provision for lawsuits against the bank	1,988,713	1,000,000	(54,501)	-	2,934,212
Provision for end of service indemnity	4,089,554	1,324,898	(217,709)	-	5,196,743
Other contingent liabilities	150,500	-	-	(87,457)	63,043
Total	6,228,767	2,324,898	(272,210)	(87,457)	8,193,998
2006					
Provision for lawsuits against the bank	948,554	1,139,254	(99,095)	-	1,988,713
Provision for end of service indemnity	3,415,245	873,260	(198,951)	-	4,089,554
Other contingent liabilities	203,932	-	(53,432)	-	150,500
Total	4,567,731	2,012,514	(351,478)	-	6,228,767

(18) Income Tax

Income Tax liabilities

The movements on the income tax liability were as follows:

	2007	2006
	JD	JD
At January 1	18,585,457	15,766,204
Income tax paid	(7,240,652)	(8,891,738)
Income tax charge for the year	9,686,164	11,710,991
At December 31	21,030,969	18,585,457

Income tax appearing in the income statement represents the following:

	2007	2006
	JD	JD
Provision for income tax for the year	9,637,026	11,645,130
Provision for income tax of previous years	49,138	65,861
	9,686,164	11,710,991

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The Bank reached a final settlement with the Income Tax Department for the year ended 31 December 2003. The Bank appealed the Income Tax Department assessment for the years 2004 and 2005, while 2006 was not yet reviewed by the Income Tax Department.

A final settlement has been reached for Palestine branches from the Income Tax Departments for the year 2005, while no final settlement has been reached for 2006.

Al-Watanieh Financial Services Company has reached a final settlement with the Income Tax Department for the years ended 31 December 2005 except for the year 1996 which is at court. The Income Tax Department did not review 2006 records.

Al-Watanieh Securities Company – Palestine has reached a final settlement for the year 2006.

The Income Tax Department has not reviewed the accounts of Cairo Real Estate Company for the years from 1997 to 2007.

No income tax was due on Cairo Amman Company – Marshall Islands as of 31 December 2007.

In the opinion of the Bank's management, income tax provisions as of 31 December 2007 are sufficient.

Deferred Tax Liabilities

The movement on temporary differences giving use to deferred tax liabilities are:

	2007					2006
	Balance at January 1	Released during the year	Additions during the year	Balance at December 31	Deferred Tax	
	JD	JD	JD	JD	JD	JD
Unrealized gain –						
Available for sale investments	46,128,115	11,098,019	1,656,539	36,686,635	12,373,360	14,462,701
	46,128,115	11,098,019	1,656,539	36,686,635	12,373,360	14,462,701

Included in deferred tax liabilities are amounts of JD 12,373,360 (2006: JD 14,462,701) resulting from gains from the revaluation of financial assets available for sale which are included in the cumulative change in fair value in equity.

The movement on deferred tax liabilities account is as follows:

	2007	2006
	JD	JD
At 1 January	14,462,701	33,977,210
Additions	263,770	763,257
Released	(2,353,111)	(20,277,766)
At 31 December	12,373,360	14,462,701

A reconciliation between tax expense and the accounting profit is as follows:

	2007	2006
	JD	JD
Accounting profit	30,595,978	30,959,626
Non-taxable profit	(8,306,699)	(10,665,483)
Expenses not deductible in determining taxable profit	6,398,665	15,066,950
Taxable profit	28,687,944	35,361,093
Effective rate of income tax	31.66 %	37.83 %

The statutory tax rate on banks in Jordan is 35% and the statutory tax rates on foreign branches and subsidiaries range between 15% and 31%.

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(19) Other Liabilities

	2007	2006
	JD	JD
Accrued interest expense	1,723,264	1,413,806
Interest and commissions received in advance	347,909	167,587
Accounts payable	2,454,888	2,118,457
Accrued expenses	4,720,571	2,695,973
Temporary deposits	5,416,713	3,607,357
Checks and withdrawals	5,238,510	3,164,443
Employees saving fund	3,175,813	2,809,998
Others	1,777,005	1,460,059
	24,854,673	17,437,680

(20) Paid In Capital

The authorized and paid in capital amounted to JD 75,000,000 divided in to 75,000,000 shares at a par value of JD 1 per share (2006: JD 67,500,000).

(21) Reserves

Statutory Reserve

As required by the law, 10% of the profit before tax 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.

Voluntary Reserve

The balance represents 20% of the profit before tax transferred to the voluntary reserve during current and previous years. The reserve shall be used at the discretion of the Board of Directors, and it is distributable to shareholders in part or in full.

General Banking Risk Reserve

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

The use of the following reserves is restricted by law:

Description	Amount	Restriction Law
	JD	
General banking risk reserve	5,387,932	Central Bank of Jordan
Statutory reserve	21,683,537	Companies Law

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(22) Cumulative Change In Fair Value

	2007 Financial assets available-for-sale			2006 Financial assets available-for-sale		
	Stocks	Bonds	Total	Stocks	Bonds	Total
	JD	JD	JD	JD	JD	JD
Balance at 1 January	31,595,859	69,555	31,665,414	71,527,122	(7,631)	71,519,491
Net unrealised gains (losses)	(470,324)	(3,251,834)	(3,722,158)	(47,747,935)	107,008	(47,640,927)
Deferred tax liabilities	2,051,888	37,453	2,089,341	19,551,962	(37,453)	19,514,509
(Profit) loss transferred to income statement	(6,100,866)	(63,400)	(6,164,266)	(11,735,290)	7,631	(11,727,659)
Impairment loss transferred to income statement	444,944	-	444,944	-	-	-
Balance at 31 December	27,521,501	(3,208,226)	24,313,275	31,595,859	69,555	31,665,414

The cumulative change in fair value is presented net of deferred tax liabilities of JD 12,373,360 as of 31 December 2007 (2006: JD 14,462,701).

(23) Proposed Dividends

The Board of Directors will propose the issue of dividends to its shareholders of JD 7,500,000 (2006: JD 6,750,000), equivalent to 10% (2006: 10%) of paid in capital.

The Board of Directors will propose the issue of bonus shares to the General Assembly in its meeting to be held during 2008 to increase the Bank's capital by JD 5,000,000 (2006: JD 7,500,000) which is equivalent to 6.67% (2006: 11.11%) of paid in capital.

(24) Retained Earnings

	2007	2006
	JD	JD
Balance at 1 January	83,135	192,141
Profit for the year	20,909,814	19,248,635
Transferred to statutory reserve	(2,955,634)	(2,910,832)
Transferred to voluntary reserve	-	(1,321,613)
Transferred to general banking risk reserve	(700,000)	(875,196)
Proposed issue of bonus shares	(5,000,000)	(7,500,000)
Proposed cash dividends	(7,500,000)	(6,750,000)
	4,837,315	83,135

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(25) Interest Income

	2007 JD	2006 JD
Consumer lending		
Overdrafts	758,134	1,200,229
Loans and bills	20,361,108	17,528,487
Credit cards	1,388,118	749,138
Others	392,652	-
Residential mortgages	7,292,670	6,278,710
Corporate lending		
Overdrafts	1,925,285	1,897,196
Loans and bills	3,833,860	2,309,513
Small and medium enterprises lending		
Overdrafts	1,408,213	1,253,670
Loans and bills	989,671	421,564
Public and governmental sectors	10,501,784	9,382,872
Balances at Central Banks	11,023,511	11,228,296
Balances at banks and financial institutions	8,689,682	6,036,872
Financial assets available for sale	9,084,456	7,182,001
Total	77,649,144	65,468,548

(26) Interest Expense and Similar Charges

	2007 JD	2006 JD
Banks and financial institution deposits	1,483,458	1,468,669
Customers' deposits -		
Current accounts and deposits	746,674	458,320
Saving accounts	1,946,043	1,365,665
Time and notice placements	23,788,352	16,280,829
Margin accounts	767,943	622,431
Loans and borrowings	1,816,272	1,515,452
Deposit guarantee fees	941,506	851,294
	31,490,248	22,562,660

(27) Net Commission

	2007 JD	2006 JD
Commission income -		
Direct credit facilities	5,492,831	4,780,538
Indirect credit facilities	1,054,419	723,826
Other commission	6,010,343	4,445,110
Less: commission expense	(5,207)	-
	12,552,386	9,949,474

(28) Net Gain From Foreign Currencies

	2007 JD	2006 JD
Resulting from -		
Trading in foreign currencies	369,917	384,337
Revaluation of foreign currencies	2,215,201	2,060,472
	2,585,118	2,444,809

Notes to the Consolidated Financial Statement

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(29) Net Gain (Loss) From Financial Assets Held For Trading

	Realised gain (loss) JD	Unrealised gain (loss) JD	Total JD
2007			
Equities	112,330	59,883	172,213
	112,330	59,883	172,213
2006			
Equities	(43,287)	(119,680)	(162,967)
	(43,287)	(119,680)	(162,967)

(30) Net Gain From Financial Assets Available-For-Sale

	2007 JD	2006 JD
Dividend income	2,056,432	1,977,561
Gain from sale of financial assets available for sale	6,125,056	8,225,312
Less: impairment losses on investments	(579,262)	(10,985)
	7,602,226	10,191,888

(31) Other Income

	2007 JD	2006 JD
Suspended interest transferred to revenue	997,001	680,169
Safety deposit box rental income	48,298	43,376
Revenues from selling check books	14,880	9,119
Collections of debts previously written off	304,976	227,292
Credit cards income	1,129,588	1,113,273
Gain from sale of property and equipment	15,317	21,227
Gain from sale of collateral acquired by the Bank	1,856,989	1,257,296
Rent revenue	11,429	9,074
Brokerage commission	1,399,881	2,271,824
Commission on investment products	86,402	-
Others	81,015	111,969
	5,945,776	5,744,619

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(32) Employees' Expenses

	2007	2006
	JD	JD
Salaries and benefits	20,454,524	16,131,009
Bank's contribution to social security	1,187,765	1,007,094
Bank's contribution to savings fund	204,282	190,748
End of service indemnity	376,748	418,261
Medical expenses	913,112	896,816
Training and research	271,217	324,341
Value added tax	840,333	774,558
Others	39,176	45,270
	24,287,157	19,788,097

(33) Other Expenses

	2007	2006
	JD	JD
Rent	1,758,939	1,523,052
Cleaning and maintenance	574,460	493,276
Water, heat and electricity	686,760	558,194
License and governmental fees	360,626	317,808
Postage	244,474	175,866
Printings and stationery	379,569	373,890
Donations	275,169	195,210
Insurance fees and expenses	516,186	565,680
Subscriptions	459,338	488,927
Telephone and telex	623,904	541,839
Legal fees	26,208	36,438
Professional fees	515,546	406,489
Money transfer expenses	272,628	360,407
Advertising expenses	3,276,823	1,858,749
Loans guarantee expenses	151,426	152,288
Hospitality	129,242	96,065
Credit cards expenses	107,655	84,447
Board of Directors expenses	55,405	49,763
Information system expenses	1,997,120	1,353,213
Security expenses	54,662	50,403
Consulting fees	27,467	52,189
Vehicles expenses	190,147	134,626
Travel and transportation	400,658	278,953
Jordanian universities fees	201,285	264,323
Scientific research and vocational training fees	201,285	264,323
Technical and vocational education and training support fund fee	123,224	165,318
Board of Directors remuneration	60,000	58,542
Impairment losses on collaterals acquired by the Bank	-	312,005
Post office project expenses	100,051	-
Other expenses	170,558	181,492
	13,940,815	11,393,775

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

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(34) Earnings Per Share

	2007	2006
	JD	JD
Profit for the year attributable to ordinary equity holders	20,909,814	19,248,635
weighted average number of shares for basic earnings per share	75,000,000	75,000,000
Basic and diluted earnings per share	0.279	0.257

(35) Cash And Cash Equivalents

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

	2007	2006
	JD	JD
Cash and balances with Central Banks	291,657,073	251,657,832
Add: Balances at banks and financial institutions maturing within 3 months	198,686,651	168,597,436
Less: Banks and financial institutions' deposits maturing within 3 months	50,468,652	53,902,373
Certificate of deposit maturing after 3 months	37,000,000	48,005,318
Restricted cash balances	7,090,000	7,090,000
Cash and cash equivalents	395,785,072	311,257,577

(36) Derivative Financial Instruments

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

				Par value maturity			
2007	Positive fair value	Negative fair value	Total notional amount	Within 3 months	3 – 12 months	1 – 3 years	More than 3 years
	JD	JD	JD	JD	JD	JD	JD
Derivatives held as fair value hedges:	45,090	43,444	1,418,000	-	-	-	1,418,000
- Interest rate swap	45,090	43,444	1,418,000	-	-	-	1,418,000
2006							
	-	-	-	-	-	-	-

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

(37) Related Party Transactions

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

Company name	Ownership	Paid in capital 2007	Paid in capital 2006
	JD	JD	JD
Al-Watanieh Financial Services Co.	100%	5,000,000	5,000,000
Al-Watanieh Securities Company	100%	1,500,000	710,000
Cairo Amman Company	100%	5,000	5,000

The Bank entered 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.

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The following related party transactions took place during the year:

	Subsidiary company	Board of Directors and Management	Total	
			2007	2006
			JD	JD
Balance sheet items:				
Direct credit facilities	384,034	6,083,286	6,467,320	5,225,369
Deposits at the Bank	3,602,598	6,996,535	10,599,133	5,843,779
Margin accounts	-	1,838,036	1,838,036	256,647
Deposits with Banque Du Caire	-	12,950	12,950	94,092
Off balance sheet items:				
Indirect credit facilities	26,000	7,353,974	7,379,974	4,122,314
Income statement items:				
Interest and commission income	63,420	415,039	478,459	419,044
Interest and commission expense	69,677	175,423	245,100	86,332
Portfolio management fees	334,735	-	334,735	625,882

Debt interest rates on credit facilities in Jordanian Dinar range between 4% - 9.25%
Debt interest rates on credit facilities in foreign currency range between 7.4% - 8.4%
Credit interest rates on deposits in Jordanian Dinar range between 0% - 6.5%
Credit interest rates on deposits in foreign currency range between 0% - 0.85%

Compensation of the key management personnel is as follows:

	2007	2006
	JD	JD
Benefits (salaries, wages, and bonuses) of senior management	436,162	498,089

(38) Fair Value of Financial Instruments

Financial instruments include cash balances, deposits at central banks and financial institutions, direct credit facilities, other assets, customers' deposits, Banks' deposits and other liabilities.

As explained in note (9) to the financial statements, included in unquoted equities are investments carried at cost amounting to JD 1,410,541 as of 31 December 2007 (2006: JD 2,729,053) 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.

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

(39) Risk Management

Risk is inherent in the Bank's activities. The Bank manages risk in order to maintain its financial position and profitability through implementing a comprehensive strategy for risk management by addressing the risks and attempting to mitigate them through specialized risk management committees, mainly Risk Management Committee, Assets and Liabilities Committee, Investment Committee, and Procedures Development Committee. Furthermore, all of the Bank's business units are responsible for identifying risk relevant to them and adhering to the related controls to make sure that they are operating effectively.

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The risk management process includes the identification, measurement and monitoring of financial and non-financial risks that could negatively affect the Bank's performance, reputation or goals.

The Bank is exposed to credit risk, market risk, liquidity risk, operations risk and compliance risk.

The overall framework for risk management include:

- Risk management is the responsibility of all business units and employees within the Bank
- The Board of Directors approves different risk management policies that cover all of the Bank's operations
- The Bank maintains acceptable risk limits that are reviewed on a regular basis and published to all employees
- Risk Management Committee is responsible for reviewing the strategies, policies and procedures of the risk management department including acceptable risk limits.
- The Bank has an independent risk management department that reports to the Risk Management Committee. This department is responsible for analyzing all risks including credit, market, liquidity and operations risks, and develops methods to measure and monitor each type of the risks.
- Credit committees and assets and liabilities committee are responsible for planning the optimal employment of the Bank's resources.
- Internal audit department examines both the adequacy of the procedures and the Bank's compliance with the procedures and reports its findings and recommendations to the audit committee.

Credit Risks –
Credit risk is the risk that one party to the financial instrument will fail to discharge an obligation causing 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 industrial segments. The Bank also monitors credit exposures, and continually assesses the credit worthiness of counterparties.

The Board of Directors' approves on an annual basis credit granting budgets that observes the geographical and segmental limits.

Classification of credit is performed internally whereby the customers are classified based on their financial strength and creditworthiness, in addition to the classification in terms of account activity and due settlement of loan principle 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 taking into consideration that the value of the collateral is not related to the business of the customer. Moreover, the Bank requires insurance policies on certain properties as a means of mitigating risks. The values of the collaterals are monitored on a regular basis and in the event of decrease in its value, additional collaterals are required.

To enhance the controls over the credit granting process, there is a segregation between the credit approval and the execution of the credit whereby the decision is checked against the credit policy, all documentation and contract are reviewed before executing the credit. The Bank also has several credit committees, each has its own authorization limit.

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 table below shows the maximum exposure to credit risk for the components of the balance sheet, including derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

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	2007	2006
	JD	JD
Balance Sheet Items:		
Cash and balances at Central Banks	258,254,224	231,953,091
Balances at banks and financial institutions	198,686,651	168,597,436
Deposits at banks and financial institutions	177,250	500,000
Direct credit facilities		
Consumer lending	227,253,635	210,360,673
Residential mortgages	95,263,525	93,617,026
Corporate lending:		
Large corporations	63,795,981	48,310,233
Small and medium enterprises	39,383,085	25,993,553
Lending to governmental sectors	113,693,447	130,496,868
Bonds and treasury bills within financial assets available for sale	155,189,294	111,466,113
Other assets	13,980,640	18,256,445
Total balance sheet items	1,165,677,732	1,039,551,438
Off Balance Sheet Items		
Letters of guarantee	25,910,141	19,868,020
Letters of credit	56,840,620	50,125,543
Acceptances	1,303,451	4,424,613
Irrevocable commitments to extend credit	57,564,521	28,205,870
Total off balance sheet items	141,618,733	102,624,046
Total	1,307,296,465	1,142,175,484

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1) Ageing analysis of past due but not impaired loans by class of financial assets

	Consumer	Residential mortgages	Corporate	SMEs	Governmental sectors	Financial Institutions	Total
2007	JD	JD	JD	JD	JD	JD	JD
Low risk	775,386	-	2,298,643	6,613,283	128,808,634	195,179,484	333,675,430
Acceptable risk	228,716,861	92,835,072	68,145,179	28,054,806	66,817,336	335,410,976	819,980,230
Maturing (*):							
Up to 30 days	911,996	52,595	9,172	83,145	-	-	1,056,908
From 31 to 60 days	1,580,988	1,378,282	11,360	13,616	-	-	2,984,246
Watch list	13,557,876	1,928,966	3,460,898	2,745,272	-	-	21,693,012
Non performing:							
Substandard	1,572,810	193,052	-	195,003	-	-	1,960,865
Doubtful	1,578,912	239,830	259,426	165,169	-	-	2,243,337
Loss	14,147,190	620,626	19,046,245	8,132,114	-	-	41,946,175
Total	260,349,035	95,817,546	93,210,391	45,905,647	195,625,970	530,590,460	1,221,499,049
Less: Suspended interest	5,538,885	44,560	6,757,475	1,051,052	-	-	13,391,972
Less: provision for impairment losses	25,634,643	316,948	13,976,283	2,501,471	-	-	42,429,345
Net	229,175,507	95,456,038	72,476,633	42,353,124	195,625,970	530,590,460	1,165,677,732
2006							
Low risk	1,642,975	113,867	3,104,812	3,699,218	107,000,401	175,495,134	291,056,407
Acceptable risk	200,939,466	91,344,127	60,620,092	21,202,358	75,902,986	279,872,798	729,881,827
Maturing (*):							
Up to 30 days	1,117,851	-	13,141	100,101	-	-	1,231,093
From 31 to 60 days	2,397,140	3,015,376	16,340	557,718	-	-	5,986,574
Watch list	2,025,408	1,196,286	526,492	806,468	-	-	4,554,654
Non performing:							
Substandard	2,642,003	404,273	-	20,415	-	-	3,066,691
Doubtful	19,460,789	539,973	1,573,314	77,438	-	-	21,651,514
Loss	17,171,472	661,238	20,141,091	9,913,903	-	-	47,887,704
Total	243,882,113	94,259,764	85,965,801	35,719,800	182,309,387	455,367,932	1,098,098,797
Less: Suspended interest	5,058,785	87,830	7,587,021	1,328,836	-	-	14,062,472
Less: provision for impairment losses	24,748,154	409,881	15,375,079	3,951,773	-	-	44,484,887
Net	214,075,174	93,762,053	63,003,701	30,439,191	182,903,387	455,367,932	1,039,551,438

* The entire balance of credit is deemed matured if one of its payments or interest were due. Overdrafts are deemed matured if their limits exceeded the ceiling.

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2) Distribution of collaterals measured at fair value against credit facilities

	Consumer	Residential mortgages	Corporate	SMEs	Governmental sectors	Total
2007	JD	JD	JD	JD	JD	JD
Collaterals						
Low risk	775,386	-	2,298,643	6,613,283	-	9,687,312
Acceptable risk	16,909,677	89,249,261	28,534,157	20,162,968	-	154,856,063
Watch list	462,263	1,928,966	3,164,343	842,001	-	6,397,573
Non performing:						
Substandard	-	193,052	-	169,604	-	362,656
Doubtful	4,514,984	239,830	235,538	165,169	-	5,155,521
Loss	105,627	620,626	9,182,994	6,729,847	-	16,639,094
Total	22,767,937	92,231,735	43,415,675	34,682,872	-	193,098,219
Comprising of:						
Cash margin	4,109,061	-	2,298,643	9,331,508	-	15,739,212
Letters of guarantee	-	-	726,796	864,774	-	1,591,570
Real estate	12,230,700	92,231,735	30,400,419	21,295,072	-	156,157,926
Traded equities	2,489,840	-	9,802,617	2,842,311	-	15,134,768
Vehicles and machinery	3,938,336	-	187,200	349,207	-	4,474,743
2006						
Collaterals						
Low risk	1,642,975	113,867	3,104,812	3,699,218	-	8,560,872
Acceptable risk	19,664,148	86,565,739	21,881,307	13,820,153	10,312,728	152,244,075
Watch list	236,165	1,196,286	-	-	-	1,432,451
Non performing:						
Substandard	1,053	400,871	-	15,764	-	417,688
Doubtful	-	539,973	588,048	56,031	-	1,184,052
Loss	6,735,245	661,238	12,459,202	7,344,300	-	27,199,985
Total	28,279,586	89,477,974	38,033,369	24,935,466	10,312,728	191,039,123
Comprising of:						
Cash margin	5,010,522	113,867	1,956,259	5,486,741	-	12,567,389
Letters of guarantee	-	-	726,796	-	-	726,796
Real estate	14,203,772	89,364,107	25,235,553	15,435,577	-	144,239,009
Traded equities	4,928,407	-	10,114,761	4,012,748	10,312,728	29,368,644
Vehicles and machinery	4,136,885	-	-	400	-	4,137,285

- The fair value of the collaterals shown in the above tables does not exceed the balance of the facility granted to the individual customers.

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3) Bonds and treasury bills:

The table below shows the classifications of bonds and treasury bills and their gradings according to external rating agenci

Risk Rating Class	External rating agency	Included in financial assets available-for- sale
		JD
AAA	S&P	3,690,855
Aaa	Moody's	6,563,922
Aa1	Moody's	2,993,753
Aa2	Moody's	8,426,860
Aa3	Moody's	6,265,526
A+	S&P	6,771,163
A1	Moody's	354,500
A2	Moody's	3,516,817
A3	Moody's	6,729,616
BBB+	S&P	3,483,706
Non-rated		25,222,566
Governmental		81,170,010
Total		155,189,294

4) The Bank's financial assets, before taking into account any collateral held or other credit enhancements can be analysed by the following geographical regions:

	Inside Jordan	Other Middle Eastern countries	Europe	Asia *	Americas	Other	Total
	JD	JD	JD	JD	JD	JD	JD
Cash and balances at Central Banks	195,179,484	63,074,740	-	-	-	-	258,254,224
Balances at banks and financial institutions	4,538,272	101,682,952	90,735,992	165,323	1,501,728	62,384	198,686,651
Deposits at banks and financial institutions	-	-	177,250	-	-	-	177,250
Direct credit facilities:							
Consumer lending	214,493,662	12,759,973	-	-	-	-	227,253,635
Residential mortgages	91,870,227	3,393,298	-	-	-	-	95,263,525
Corporate lending							
Large corporations	57,377,378	6,418,603	-	-	-	-	63,795,981
Small and medium enterprises	28,499,103	10,883,982	-	-	-	-	39,383,085
Lending to governmental sectors	83,334,073	30,359,374	-	-	-	-	113,693,447
Bonds and treasury bills within: financial assets available for sale	105,118,160	21,716,221	21,180,352	3,483,706	3,690,855	-	155,189,294
Other assets	7,029,902	5,625,795	1,313,300	1,399	9,716	528	13,980,640
Total 2007	787,440,261	255,914,938	113,406,894	3,650,428	5,202,299	62,912	1,165,677,732
Total 2006	684,095,088	232,611,718	112,336,275	117,862	10,331,690	58,805	1,039,551,438

* Excluding Middle Eastern countries

5) An industry sector analysis of the Bank's financial assets, before and after taking into account collateral held or other credit enhancements, is as follows:

	Financial	Industrial	Commercial	Real estate	Agriculture	Equities	Consumer	Public and governmental	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cash and balances at Central Banks	-	-	-	-	-	-	-	258,254,224	258,254,224
Balances at banks and financial institutions	198,686,651	-	-	-	-	-	-	-	198,686,651
Deposits at banks and financial institutions	177,250	-	-	-	-	-	-	-	177,250
Direct credit facilities	860,024	7,248,634	66,831,151	115,702,754	2,836,255	11,594,708	220,622,700	113,693,447	539,389,673
Bonds and treasury bills within:									
financial assets available for sale	69,834,709	248,150	2,766,575	1,169,850	-	-	-	81,170,010	155,189,294
Other assets	3,637,626	-	7,466,116	192,513	-	-	1,921,872	762,513	13,980,640
Total 2007	273,196,260	7,496,784	77,063,842	117,065,117	2,836,255	11,594,708	222,544,572	453,880,194	1,165,677,732
Total 2006	293,846,181	13,889,497	62,334,515	94,919,771	3,019,710	8,520,296	205,197,375	357,824,093	1,039,551,438

Market Risk –

Market risk arises from fluctuations in fair value or cash flows of financial instruments as a result of changes in interest rates, foreign exchange rates and equity prices. Market risks are monitored according to policies and procedures set by the Bank that includes sensitivity analysis in addition to stop loss limits. Market risks include interest rate risk, liquidity risk and equity price risk.

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.

Assets and liability management policies include setting limits on the interest rate gaps for stipulated periods in accordance with the risk management strategy. Assets and liabilities committee reviews interest rate gaps on a regular basis, long term financing is obtained in order to match the Bank's long term fixed interest investments, and hedging techniques such as interest rate swaps are used, if needed, to minimize negative effects, if any.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Bank's income statement. The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2007 and 2006, including the effect of hedging instruments.

	2007			
	Increase in interest rate	Sensitivity of net interest income	Decrease in interest rate	Sensitivity of net interest income
Currency	Point basis	JD	Point basis	JD
US Dollar	100	25,700	100	(25,700)
EURO	100	445,084	100	(445,084)
GB Pound	100	40,561	100	(40,561)
Japanese YEN	100	24,757	100	(24,757)
Other currencies	100	318,531	100	(318,531)
	2006			
	Increase in interest rate	Sensitivity of net interest income	Decrease in interest rate	Sensitivity of net interest income
Currency	Point basis	JD	Point basis	JD
US Dollar	100	71,880	100	(71,880)
EURO	100	153,460	100	(153,460)
GB Pound	100	(3,512)	100	3,512
Japanese YEN	100	29,132	100	(29,132)
Other currencies	100	321,735	100	(321,735)

Sensitivity of interest rates as of 31 December 2007:

	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 3 years	3 or more years	Non-interest bearing	Total
2007	JD	JD	JD	JD	JD	JD	JD	JD
Assets								
Cash and balances at Central Banks	44,392,170	70,938,332	37,000,000	-	-	-	139,326,571	291,657,073
Balances at banks and financial institutions	161,983,708	30,081,951	-	-	-	-	6,620,992	198,686,651
Deposits at banks and financial institutions	-	-	177,250	-	-	-	-	177,250
Financial assets held for trading	-	-	-	-	-	-	329,405	329,405
Direct credit facilities	362,191,975	49,168,117	29,458,507	24,531,068	60,651,086	10,339,541	3,049,379	539,389,673
Financial assets available for sale	6,105,004	79,513,937	32,150,095	11,299,034	17,901,816	8,219,408	71,252,035	226,441,329
Property and equipment	-	-	-	-	-	-	30,981,739	30,981,739
Intangible assets	-	-	-	-	-	-	3,425,747	3,425,747
Other assets	-	-	-	-	-	-	28,156,363	28,156,363
Total assets	574,672,857	229,702,337	98,785,852	35,830,102	78,552,902	18,558,949	283,142,231	1,319,245,230
Liabilities								
Banks and financial institution deposits	46,613,360	1,400,000	2,000,000	-	-	-	2,455,292	52,468,652
Customers' deposits	523,143,563	145,653,510	45,722,454	36,574,327	133,301	-	243,632,276	994,859,431
Margin accounts	5,908,320	1,960,692	2,780,647	4,392,950	10,967,412	1,131,967	9,829,012	36,971,000
Loans and borrowings	247,211	89,895	67,421	44,948	15,000,000	8,000,000	-	23,449,475
Sundry provisions	-	-	-	-	-	-	8,193,998	8,193,998
Income tax liabilities	-	-	-	-	-	-	21,030,969	21,030,969
Deferred tax	-	-	-	-	-	-	12,373,360	12,373,360
Other liabilities	-	-	-	-	-	-	24,854,673	24,854,673
Total liabilities	575,912,454	149,104,097	50,570,522	41,012,225	26,100,713	9,131,967	322,369,580	1,174,201,558
Interest rate sensitivity gap	(1,239,597)	80,598,240	48,215,330	(5,182,123)	52,452,189	9,426,982	(39,227,349)	145,043,672
2006								
Total assets	535,145,300	152,046,110	76,889,611	44,890,408	81,291,005	47,265,594	241,321,488	1,178,849,516
Total liabilities	526,638,539	113,115,808	37,524,188	35,759,660	12,180,331	16,069,195	299,325,798	1,040,613,519
Interest rate sensitivity gap	8,506,761	38,930,302	39,365,423	9,130,748	69,110,674	31,196,399	(58,004,310)	138,235,997

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Currency Risk

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

The table below indicated the currencies to which the Bank had significant exposure at 31 December 2007. The analysis calculates the effect of a reasonably possible movement of the currency rate against the JD, with all other variables held constant on the income statement and equity:

	2007			2006		
	Increase in exchange rate	Effect on profit before tax	Sensitivity of equity	Increase in exchange rate	Effect on profit before tax	Sensitivity of equity
Currencies	%	JD	%	JD	%	JD
EURO	+1	105,166	(17,370)	+1	125,059	697
GB Pound	+1	564	-	+1	16,786	-
Japanese YEN	+1	31,368	-	+1	29,503	-
Other currencies	+1	25,734	441	+1	8,877	-

Concentration in currency risk:

	US Dollar	British Pound	Japanese Yen	Euro	Other	Total
2007	JD	JD	JD	JD	JD	JD
Assets						
Cash and balances at Central Banks	52,864,104	47,634	386	1,297,803	23,033,386	77,243,313
Balances at banks and financial institutions	137,794,221	5,966,133	719,511	22,335,719	23,822,385	190,637,969
Deposits at banks and financial institutions	177,250	-	-	-	-	177,250
Direct credit facilities	44,289,377	-	1,753,697	248,672	42,121,227	88,412,973
Financial assets available-for-sale	53,874,764	-	-	8,723,115	185,843	62,783,722
Property and equipment	42,719	-	-	-	-	42,719
Other assets	1,645,505	(495,989)	867,243	425,999	4,315,519	6,758,277
Total assets	290,687,940	5,517,778	3,340,837	33,031,308	93,478,360	426,056,223
Liabilities						
Banks and financial institution deposits	19,200,837	150,878	393	290,578	39,743	19,682,429
Customers' deposits	265,462,976	4,806,771	203,008	23,312,217	87,724,407	381,509,379
Margin accounts	19,641,697	126,091	2	439,344	502,022	20,709,156
Loans and borrowings	449,475	-	-	-	-	449,475
Other liabilities	3,862,789	377,645	664	209,526	2,594,589	7,045,213
Total liabilities	308,617,774	5,461,385	204,067	24,251,665	90,860,761	429,395,652
Fair value reserve	34,173	-	-	(1,736,966)	44,086	(1,658,707)
Total liabilities and fair value reserve	308,651,947	5,461,385	204,067	22,514,699	90,904,847	427,736,945
Net concentration in the balance sheet	(17,964,007)	56,393	3,136,770	10,516,609	2,573,513	(1,680,722)
Future contracts	54,179,683	75,962	362,934	26,699,712	4,513,405	85,831,696
2006						
Total assets	276,415,346	3,159,757	2,993,780	33,646,473	77,063,598	393,278,954
Total liabilities and fair value reserve	305,215,003	2,660,747	43,527	21,140,534	76,175,942	405,235,753
Net concentration in the balance sheet	(28,799,657)	499,010	2,950,253	12,505,939	887,656	(11,956,799)
Future contracts	53,256,552	543,582	4,187,486	6,632,384	3,980,802	68,600,806

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Equity Price Risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indicies and the value of individual stocks. The Bank manages this risk trough 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.

The effect on income statement and equity due to a reasonably possible change in prices, with all other variables held constant, is as follows:

	2007			2006		
	Change in equity price	Effect on profit before tax	Effect On equity	Change in equity price	Effect on profit before tax	Effect On equity
Market Indicies	%	JD	JD	%	JD	JD
Amman Stock Exchange	+5	4,679	1,030,329	+5	13,697	998,807
Palestine Securities Exchange	+5	2,565	1,155,895	+5	2,970	1,978,415
Oman Stock Exchange	+5	4,127	2,642	-	-	-
Kuwait Stock Exchange	+5	1,320	-	-	-	-
Casablanca Stock Exchange	+5	3,780	-	-	-	-

Liquidity Risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. In addition, the Bank has liquidity contingency plan.

The Bank maintains statutory deposits with the central banks equal to JD 70,522,300.

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The table below summarises the maturity profile of the Bank's financial liabilities at 31 December based on contractual undiscounted repayment obligations:

	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 3 years	3 or more years	Non-interest bearing	Total
2007	JD	JD	JD	JD	JD	JD	JD	JD
Liabilities								
Banks and financial institution deposits	49,207,715	1,412,530	2,035,800	-	-	-	-	52,656,045
Customers' deposits	656,720,450	196,081,936	83,034,313	62,091,984	146,231	-	-	998,074,913
Margin accounts	15,752,250	1,975,544	2,822,774	4,526,056	11,632,037	1,269,162	-	37,977,824
Loans and borrowings	248,344	91,131	1,129,025	1,107,170	19,239,000	9,197,000	-	31,011,670
Sundry provisions	-	-	50,000	339,965	459,966	7,344,067	-	8,193,998
Income tax liabilities	5,000,000	-	14,029,681	2,001,288	-	-	-	21,030,969
Deferred tax	-	-	-	-	-	-	12,373,359	12,373,359
Other liabilities	7,654,647	2,115,145	5,899,920	1,878,826	924,671	6,381,464	-	24,854,673
Total liabilities	734,583,406	201,676,286	109,001,513	71,945,289	32,401,905	24,191,693	12,373,359	1,186,173,451
Total assets	386,155,365	165,927,252	102,694,845	73,157,723	218,039,146	274,992,348	98,278,551	1,319,245,230
2006								
Liabilities								
Banks and financial institution deposits	52,637,943	1,413,265	-	-	-	-	-	54,051,208
Customers' deposits	608,238,360	158,035,735	71,414,995	54,751,701	7,174	-	-	892,447,965
Margin accounts	5,695,062	574,870	960,783	4,810,506	12,777,507	1,175,261	-	25,993,989
Loans and borrowings	272,714	100,074	793,823	769,823	2,871,000	16,435,500	-	21,242,934
Sundry provisions	-	63,054	-	603,400	2,821,813	2,740,500	-	6,228,767
Income tax liabilities	4,990,000	3,550,347	650,000	1,350,000	7,545,110	500,000	-	18,585,457
Deferred tax	-	-	-	-	-	-	14,462,701	14,462,701
Other liabilities	3,246,603	4,507,355	1,754,440	417,846	459,149	7,052,287	-	17,437,680
Total liabilities	675,080,682	168,244,700	75,574,041	62,703,276	26,481,753	27,903,548	14,462,701	1,050,450,701
Total assets	341,222,110	107,715,854	83,378,403	82,086,769	201,356,617	258,716,195	104,373,568	1,178,849,516

The table below summarises the maturities of financial derivatives as of the date of the financial statements:

- Financial assets/liabilities that are settled net:

2007	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 3 years	3 or more years	Total
	JD	JD	JD	JD	JD	JD	JD
Derivatives held for hedging							
Interest rate swap	-	-	-	-	-	1,418,000	1,418,000
	-	-	-	-	-	1,418,000	1,418,000
2006	-	-	-	-	-	-	-

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Off-balance Sheet Items	Less than 1 year	1 – 5 years	5 years or more	Total
	JD	JD	JD	JD
2007				
Acceptances and letters of credit	57,432,191	711,880	-	58,144,071
Irrevocable commitments to extend credit	57,564,521	-	-	57,564,521
Letters of guarantee	25,022,144	887,997	-	25,910,141
Total	140,018,856	1,599,877	-	141,618,733
2006				
Acceptances and letters of credit	54,550,156	-	-	54,550,156
Irrevocable commitments to extend credit	28,205,870	-	-	28,205,870
Letters of guarantee	19,221,027	646,993	-	19,868,020
Total	101,977,053	646,993	-	102,624,046

Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risk, the Bank is able to mange the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Managing operational risk is the responsibility of all employees in the Bank though the proper application of policies and procedures. In addition, the Bank has implemented the following:
- Developing operational risk policy that covers all of the Bank's departments, branches and subsidiaries and include risk appetite and thresholds and limits.
- Defining the framework of risk management including the responsibility of the Board, Risk Management Committee, Executive Management, Department Managers, Risk Department and Internal Audit Department
- The Bank implemented the Controls and Risk Self-Assessment (CRSA) system to include all types of operational risks and the related mitigating controls for all respective Bank units
- The Bank has built an internal loss database that captures all losses incurred or potential losses in order to measure the operational risk exposure.

Compliance Risk

Compliance risk is the risk of non-compliance with law, regulations and standards issued by domestic and international governing bodies.

The Bank has established a designated Compliance Department that monitors issues related to this risk. Moreover, all policies are reviewed on a regular basis to ensure that it reflects any amendment to law or regulations.

(40) Segment Information

Primary Segment Information

For management purposes the Bank is organised 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;

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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.

	Retail banking	Corporate banking	Treasury	Other	Total	
					2007	2006
	JD	JD	JD	JD	JD	JD
Total profits	42,124,000	21,861,744	39,103,932	3,417,187	106,506,863	93,636,371
Impairment loss on credit facilities	(1,487,000)	600,377	-	-	(886,623)	(4,862,868)
Segmental results					74,129,992	66,210,843
Unallocated expenses	21,355,432	11,736,899	37,620,474	3,417,187	43,534,014	35,251,217
Profit before tax					30,595,978	30,959,626
Income tax					9,686,164	11,710,991
Net profit					20,909,814	19,248,635
Other information						
Segmental assets	322,517,160	216,872,513	717,291,708	62,563,849	1,319,245,230	1,178,849,516
Segmental liabilities	662,714,904	392,565,002	64,842,012	54,079,640	1,174,201,558	1,040,613,519
Capital expenditure					13,398,232	5,296,200
Depreciation and amortisation					3,068,601	2,056,831

2. Geographical Information

The following table shows the distribution of the Bank's profits, assets and capital expenditure by geographical segment:

	Jordan		Outside Jordan		Total	
	2007	2006	2007	2006	2007	2006
	JD	JD	JD	JD	JD	JD
Total profits	74,545,295	61,082,252	31,961,568	32,554,119	106,506,863	93,636,371
Total assets	856,105,192	741,100,883	463,140,038	437,748,633	1,319,245,230	1,178,849,516
Capital expenditure	10,257,343	3,508,133	3,140,889	1,788,067	13,398,232	5,296,200

(41) Capital Management

The Bank maintains an actively managed capital base to cover risks inherent in the Business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basil Committee on Banking Supervision ("BIS rules/ratios") and adopted by the Central Bank of Jordan.

According to Central Bank of Jordan regulation (17/2003), the minimum paid in capital of Jordanian banks should be JD 40 million before the end of 2007. In addition, the regulation require a minimum leverage ratio of 6%.

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The Bank, since its inception, has always maintained an adequate capital adequacy ratio that exceeds the minimum required by the Central Bank of Jordan of 12% (8% as per BIS rules/ratios).

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. No changes were made in the objectives, policies and processes form previous years.

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, reserves, retained earnings including current year profit, less accrued dividends. Certain adjustments are made to IFRS-based results and reserves, as prescribed by the Central Bank of Jordan. The other component of regulatory capital is Tier 2 capital, which includes subordinated long term debt, preference shares and revaluation reserves.

Capital adequacy ratio is calculated according to Central Bank of Jordan regulation that is compliant with BIS rules as follows:

	2007	2006
	JD	JD
Primary capital		
Paid in capital	75,000,000	67,500,000
Statutory reserve	21,683,537	18,727,903
Voluntary reserve	1,321,613	1,321,613
Retained earnings	9,837,315	7,583,135
Additional capital		
Cumulative changes in fair value	10,940,974	14,249,436
General banking risk reserve	5,387,932	4,687,932
Less:		
Investment in banks and financial institutions	3,000	3,000
Total regulatory capital	124,168,371	114,067,019
Total risk weighted assets	731,004,118	727,519,018
Capital adequacy (%)	16,99	15,68
Primary capital (%)	14,75	13,08

(42) Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled:

	Within1 year	More than 1 year	Total
2007	JD	JD	JD
Assets			
Cash and balances at Central Banks	291,657,073	-	291,657,073
Balances at banks and financial institutions	198,686,651	-	198,686,651
Deposits at banks and financial institutions	177,250	-	177,250
Financial assets held for trading	329,405	-	329,405
Direct credit facilities	140,018,365	399,371,308	539,389,673
Financial assets available for sale	86,354,703	140,086,626	226,441,329
Property and equipment	4,372,800	26,608,939	30,981,739
Intangible assets	1,093,200	2,332,547	3,425,747
Other assets	18,436,144	9,720,219	28,156,363
Total assets	741,125,591	578,119,639	1,319,245,230
Liabilities			
Banks and financial institution deposits	52,468,652	-	52,468,652
Customers' deposits	994,726,130	133,301	994,859,431
Margin accounts	22,980,339	13,990,661	36,971,000
Loans and borrowings	449,475	23,000,000	23,449,475
Sundry provisions	389,965	7,804,033	8,193,998
Income tax liabilities	21,030,969	-	21,030,969
Deferred tax liabilities	2,272,155	10,101,205	12,373,360
Other liabilities	17,550,037	7,304,636	24,854,673
Total liabilities	1,111,867,722	62,333,836	1,174,201,558
Net assets	(370,742,131)	515,785,803	145,043,672
2006			
Assets			
Cash and balances at Central Banks	251,657,832	-	251,657,832
Balances at banks and financial institutions	168,597,436	-	168,597,436
Deposits at banks and financial institutions	500,000	-	500,000
Financial assets held for trading	199,582	-	199,582
Direct credit facilities	140,714,230	368,064,123	508,778,353
Financial assets available for sale	36,974,570	154,223,411	191,197,981
Property and equipment	2,489,882	20,423,245	22,913,127
Intangible assets	578,719	963,035	1,541,754
Other assets	23,049,070	10,414,381	33,463,451
Total assets	624,761,321	554,088,195	1,178,849,516
Liabilities			
Banks and financial institution deposits	53,902,373	-	53,902,373
Customers' deposits	889,349,978	6,639	889,356,617
Margin accounts	11,903,454	13,242,888	25,146,342
Loans and borrowings	493,582	15,000,000	15,493,582
Sundry provisions	666,454	5,562,313	6,228,767
Income tax liabilities	10,540,347	8,045,110	18,585,457
Deferred tax liabilities	2,353,111	12,109,590	14,462,701
Other liabilities	9,926,244	7,511,436	17,437,680
Total liabilities	979,135,543	61,477,976	1,040,613,519
Net assets	(354,374,222)	492,610,219	138,235,997

(43) Fiduciary Accounts

Fiduciary accounts amounted to JD 15,575,285 as of 31 December 2007 (2006: JD 50,810,473). Such assets or liabilities are not included in the Bank's balance sheet.

(44) Contingent Liabilities and Commitments

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the balance sheet, they do contain credit risk and are therefore part of the overall risk of the Bank.

a) The total outstanding commitments and contingent liabilities are as follows:

	2007	2006
	JD	JD
Letters of credit -		
Issued	56,840,620	50,125,543
Received	35,021,578	4,541,267
Acceptances	1,303,451	4,424,613
Letters of guarantee -		
Payments	6,888,876	2,140,406
Performance	8,552,506	5,683,516
Other	10,468,759	12,044,098
Irrevocable commitments to extend credit	57,564,521	28,205,870
	176,640,311	107,165,313
b) The contractual commitments of the Bank are as follows:		
Contracts to purchase property and equipment	3,628,634	2,030,920
	3,628,634	2,030,920

Annual rent of the Bank's main building and the branches amounted to JD 1,758,939 as of 31 December 2007 (2006: JD 1,523,052).

(45) Lawsuits

In the normal course of business, the Bank appears as a defendant in a number of lawsuits amounting to approximately JD 28,840,018 as of 31 December 2007 (2006: JD 28,450,848).

Provision for possible legal obligations amounted to JD 2,934,212 as of 31 December 2007 (2006: JD 1,988,713).

An amount of JD 18,929,232 out of the total lawsuits represents cases filed against the Bank by the customers of Wadi Al-Tuffah Branch.

In the opinion of the Bank's management and legal counsel, the Bank maintains adequate provisions against the lawsuits.

31 December 2007

(46) New Issued International Financial Reporting Standards

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

IFRS 8 – Operating Segments

The standard requires amendments on the disclosures for operating segments. The standard is effective for years commencing on or after 1 January 2009.

IAS 23 – Borrowing Costs

IFRIC 11 – Scope of IFRS 2: Group and Treasury Share Transactions

IFRIC 12 – Service Concession Arrangements

IFRIC 13 – Customer Loyalty Programs

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

(47) Comparative Figures:

Some of 2006 balances were reclassified to correspond with those of 2007 presentation. The reclassification has no effect on the profit for the year and equity.

Bank's Branches & Offices in Jordan & Palestine

Our Branches

Head Office
Arar Street, Wadi Saqra
Telephone: 500 6000, Fax: 500 7100
P.O. Box 950661, Amman 11195, Jordan

Jordan Branches and Offices

Wadi Saqra Branch
Tel 06 461 6910, Fax 06 462 5901
P.O. Box 940533, Amman 11194
Jordan

Amman Branch
Tel 06 463 9321, Fax 06 463 9328
P.O. Box 715, Amman 11118,
Jordan

Jabal Amman Branch
Tel 06 462 5228, Fax 06 461 8504
P.O. Box 2018, Amman 11181,
Jordan

Al Zarqa Branch
Tel 05 398 2729, Fax 05 396 1224
P.O. Box 39, Zarqa13110,
Jordan

Jordan InterContinental Branch
Tel 06 465 7311, Fax 06 464 2534
P.O. Box 715, Amman 11118,
Jordan

Al Weibdeh Branch
Tel 06 463 7404, Fax 06 463 7438
P.O. Box 715, Amman 11118,
Jordan

Al Mahata Branch
Tel 06 465 1325, Fax 06 465 1991
P.O. Box 6180, Amman 11118,
Jordan

Jordan University Branch
Tel 06 534 2225, Fax 06 533 3278
P.O. Box 13146, Amman 11942,
Jordan

Irbid/ Al Hashimi Street Branch
Tel 02 637 4604, Fax 02 727 9207
P.O. Box 236, Irbid 21110,
Jordan

Al Wehdat Branch
Tel 06 477 1171, Fax 06 475 3388
P.O. Box 715, Amman 11118,
Jordan

Al Queismeh Branch
Tel 06 476 6061, Fax 06 477 0524
P.O. Box 38971, Amman 11593,
Jordan

Yarmouk University Branch
Tel 02 727 1296, Fax 02 727 0182
P.O. Box 336, Irbid 21110,
Jordan

Jordan University Hospital Branch
Tel 06 535 3666, Fax 06 533 3248
P.O. Box 13146, Amman 11942,
Jordan

Ma'adi Branch
Tel 05 357 0030, Fax 05 357 1904
P.O. Box 27, Ma'adi 18261,
Jordan

Al Bayader Branch
Tel 06 585 9504, Fax 06 581 4933
P.O. Box 140285, Amman 11814,
Jordan

C-Town Branch
Tel 06 586 1724, Fax 06 581 6145
P.O. Box 715, Amman 11118,
Jordan

Marriott Hotel Branch
Tel 06 566 0149, Fax 06 562 3161
P.O. Box 715, Amman 11118,
Jordan

Marj Al Hamam Branch
Tel 06 571 2383, Fax 06 571 1895
P.O. Box 30, Marj Al Hamam 11732,
Jordan

Al Rusaifeh Branch
Tel 05 374 1106, Fax 05 374 2275
P.O. Box 41, Rusaifeh 13710,
Jordan

Al Fuheis Branch
Tel 06 472 0539, Fax 06 472 9731
P.O. Box 180, Fuheis 19152
Jordan

Mu'ta University Branch
Tel 03 237 0182, Fax 03 237 0181
P.O. Box 7, Mu'ta,
Jordan

Science & Tech. University Branch
Tel 02 720 1000, Fax 02 709 5168
P.O. Box 336, Irbid 21110,
Jordan

Al Aqaba Branch
Tel 03 201 3355, Fax 03 201 5550
P.O. Box 1166, Aqaba 7710,
Jordan

Abu Alanda Branch
Tel 06 416 2857, Fax 06 416 4801
P.O. Box 153, Amman 11592,
Jordan

Al Salt Branch
Tel 05 355 0636, Fax 05 355 6715
P.O. Box 1101, Salt,
Jordan

Gardens Branch
Tel 06 568 3471, Fax 06 568 3473
P.O. Box 1301, Amman 11953,
Jordan

Jabal Al Hussein Branch
Tel 06 464 0605, Fax 06 461 7160
P.O. Box 8272, Amman 11121,
Jordan

Safeway Branch
Tel 06 568 5074, Fax 06 568 7721
P.O. Box 962297, Amman 11196,
Jordan

Our Branches

Al Yasmeen Branch
Tel 06 470 0747, Fax 06 420 1459
P.O. Box 38971, Amman 11593,
Jordan

Hakama Branch
Tel 02 740 1736, Fax 02 741 2545
P.O. Box 336, Irbid 21110,
Jordan

Al Sweifieh Branch
Tel 06 586 5805, Fax 06 586 3140
P.O. Box 715, Amman 11118,
Jordan

Sweileh Branch
Tel 06 533 5210, Fax 06 533 5159
P.O. Box 1400, Amman 11910,
Jordan

Al Beit University Branch
Tel 02 629 7000, Fax 02 623 4655
P.O. Box 130066, Al Mafraq 25113,
Jordan

Mecca Street Branch
Tel 06 552 2851, Fax 06 552 2850
P.O. Box 1172, Amman 11821,
Jordan

Al Baq'a Branch
Tel 06 472 8190, Fax 06 472 6810
P.O. Box 1400, Sweileh 19381,
Jordan

Jerash Branch
Tel 02 635 4010, Fax 02 635 4012
P.O. Box 96, Jerash,
Jordan

New Zarqa Office
Tel 05 386 4117, Fax 05 386 4120
P.O. Box 12292, Zarqa 13112,
Jordan

Marka Branch
Tel 06 489 6044, Fax 06 489 6042
P.O. Box 715, Amman 11118,
Jordan

Qasr Al Adel Branch
Tel 06 567 7286, Fax 06 567 7287
P.O. Box 950661, Amman 11195,
Jordan

Al Karak Branch
Tel 03 235 5721, Fax 03 235 5724
P.O. Box 110, Karak,
Jordan

Ramtha Office
Tel 02 738 4126, Fax 02 738 4128
P.O. Box 526, Ramtha,
Jordan

Al Abdali Branch
Tel 06 565 0753, Fax 06 560 2420
P.O. Box 928507, Amman 11190,
Jordan

Al Mafraq Branch
Tel 02 623 5516, Fax 02 623 5518
P.O. Box 1308, Al Mafraq 25110,
Jordan

Aswaq Al Salam Branch
Tel 06 585 9045, Fax 06 585 7631
P.O. Box 140285, Amman 11814,
Jordan

Army Street Branch / Zarqa
Tel 05 396 8031, Fax 05 396 8033
P.O. Box 39, Zarqa 13110,
Jordan

King Abdullah Hospital Office
Tel 02 709 5723, Fax 02 709 5725
P.O. Box 2066, Irbid 21110,
Jordan

Philidelphia University Branch
Tel 02 637 4604, Fax 02 637 4605
P.O. Box 1, Jerash,12392,
Jordan

King Abdullah Square Branch
Tel 02 724 0071, Fax 02 724 0069
P.O. Box 2066, Irbid 21110,
Jordan

Prince Hamzah Hospital Office
Tel 06 505 5226, Fax 06 505 5204
Amman, Jordan

Madaba Branch
Tel 05 325 3471, Fax 05 325 3465
Madaba, Jordan

City Mall Branch
Tel 06 582 0028, Fax 06 586 4726
Amman, Jordan

Zara Mall Branch
Tel 06 500 6220, Fax 06 520 1762
Amman, Jordan

Student Office / Yarmouk University
Tel 02 724 6053, Fax 02 724 1983
Irbid, Jordan

Ports Corporation Office
Tel 03 201 9117
Aqaba, Jordan

Arab Bridge Office
Tel 03 201 3170
Aqaba, Jordan

Our Branches

Consulting Centers

Consulting Center – Amman
Tel 06 465 3317, Fax 06 464 2890
P.O. Box 940533, Amman 11194, Jordan

Consulting Center – Irbid
Tel 02 725 7527, Fax 02 725 7530
P.O. Box 2066, Irbid, 21110, Jordan

Consulting Center - Zarqa
Tel 05 397 5201, Fax 05 393 1424
P.O. Box 39, Zarqa, 13110, Jordan

Palestine Branches and Offices

Regional Management
Telephone 9702 298 3500,
Fax 9702 295 2764
P.O. Box 1870, Ramallah, Palestine

Nablus Branch
Tel 09 238 1301, Fax 09 238 1590
P.O. Box 50, Nablus,Palestine

Ramallah Branch
Tel 02 298 3500, Fax 02 295 2764
P.O. Box 1870, Ramallah, Palestine

Al Shalalah Branch
Tel 02 222 9803, Fax 02 222 9327
P.O. Box 662, Al Khalil, Palestine

Jenin Branch
Tel 04 250 5124, Fax 04 250 3110
P.O. Box 66, Jenin, Palestine

Jerusalem Street Branch
Tel 02 298 6006, Fax 02 295 1433
P.O. Box 1870, Ramallah, Palestine

Tulkarem Branch
Tel 09 267 2770, Fax 09 267 2773
P.O. Box 110, TulKarem, Palestine

Bethlehem Branch
Tel 02 274 4971, Fax 02 274 4974
P.O. Box 709 Bethlehem, Palestine

Qalqiliah Branch
Tel 09 294 1115, Fax 09 294 1119
P.O. Box 43, Qalqiliah, Palestine

Jericho Branch
Tel 02 232 3627, Fax 02 232 1982
P.O. Box 55, Jericho, Palestine

Wadi Tufah Branch
Tel 02 222 5353, Fax 02 222 5358
P.O. Box 662, Al Khalil, Palestine

Faisal Street Branch
Tel 09 238 3250, Fax 09 238 3256
P.O. Box 1559, Nablus, Palestine

Khan Younis Branch
Tel 08 286 5775, Fax 08 282 1088
P.O. Box 167, Gaza, Palestine

Al Saraya Branch
Tel 08 282 4950, Fax 08 282 4830
P.O. Box 167, Gaza, Palestine

Dair Al Balah Branch
Tel 08 253 1220, Fax 08 253 1221
P.O. Box167, Gaza, Palestine

Rafah Branch
Tel 08 213 6251, Fax 08 213 6250
P.O. Box 1095, Gaza, Palestine

Al Rimal Branch
Tel 08 282 6097 Fax 08 282 1088
P.O. Box 5350, Gaza, Palestine

Al Masyon Branch
Tel 02 282 6097, Fax 02 282 1088
P.O. Box 1870, Ramallah, Palestine