

Electronic Channels

Accounts

Retail Loans

Cards Services

Corporate Facilities

SMS Banking

Phone Banking

البنك التجاري الأردني
Jordan Commercial Bank

Treasury and Investment Services

Insurance Services

Money Transfer

E-Statement

ATM Network

SMS Banking

Phone Banking

E-Statement

ATM Network

Savings Accounts

Golden Deposit Account

Call Accounts

Deposits

Current Accounts

Salary Advance

Personal Loan

Housing Loan

Car Loan

Education Loan

PC Loan

Vacation Loan

Diesel Loan

Medical Loan

VISA, Master Card 2 in 1

No-interest VISA Card

2 in 1 Corporate Card

Prepaid Card

American Express Card

التجاري
JCBank



ANNUAL REPORT 07

Closer to you



His Majesty King Abdullah II Bin al-Hussain

البنك التجاري الأردني
Jordan Commercial Bank



Annual Report

2007

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Vision

Our vision is for the Jordan Commercial Bank (JCBank) to become Jordan's leading private financial institution. We strive to achieve this goal through acquiring advanced, secured services, in line with best banking practices.

Mission Statement

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

Our Values

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

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Board Members

Board Members

Mr. Michael Faiq Ibrahim Al-Sayegh

Chairman of the Board of Directors

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

Vice Chairman of the Board of Directors

Mr. "Mohammad Samih" A. M. Barakat

Member of the Board of Directors

H.E. Dr. "Moh'd Jawad" Fuad Hadid

Member of the Board of Directors

Social Security Corporation Represented by Mr. Saleh Yacoub Hussein

Member of the Board of Directors

Social Security Corporation Represented by Mr. Marwan Salah Juma

Member of the Board of Directors

Sayegh Bros. Represented by Mr. Faiq Michael Al-Sayegh

Member of the Board of Directors

Dear Shareholders,

Success and growth in 2007 were a continuation of the achievements of the previous four years. Net profits after tax grew for the fourth consecutive year to reach JOD12.4 million, an increase of JOD1.7 million compared to the 2006 figures. Growth in net profits helped us attain a 20.4% average return on capital, relative to 19.2% in 2006. The bank reached a 2.24% average return on average assets, the highest percentage among all banks operating in Jordan, as reported by Capital Intelligence.

The bank upheld its commitment to offer innovative, superior customer services, to implement technological advancement and to build on the progress commenced in 2004.

Economic indicators show mixed performance in 2007. Preliminary figures indicate that Jordan's economy continued to grow, as it did in previous years. However, the forecast real growth was for a lower rate, reaching around 5.8% to 6%. Jordan's economy was challenged by the increase in oil price, a swelling budget deficit and the inflation spiral. As purchasing power decreased, JCB navigated by seeking calculated growth coupled with a sound credit policy. The bank continued to balance

between credit risk, portfolio diversification and credit maturity. All came through at year end, strengthening the bank's performance compared to peers operating within Jordan.

The Central Bank of Jordan (CBJ) exerted efforts to meet monetary challenges and the declining exchange rate of the US Dollar against major currencies in 2007. The CBJ focused on a policy of monetary stability in spite of pegging the Jordanian Dinar to the US Dollar. Monetary stability helped foreign reserves grow by USD862.3 million, or 14.1% compared to 2006. Foreign reserves reached USD6964 million; enough to cover Jordan's imports for five months, a measure indicative of a sound monetary policy.

The stock exchange performed well during 2007. The General Price Index (GPI) edged up and market capitalization increased. The bourse GPI closed at 7519, compared to 5518 at year end 2006, showing a solid 36% annual growth. Market capitalization rose by 39% to reach JOD29.2 billion. The bank gained from a double-digit growth in the bourse market capitalization and reported gains in stock portfolios available both for trading and for sale.

Summary of Business Accomplishments

Balanced growth in 2007 was reached through the systematic implementation of a well-studied, three-fold strategic vision that focused on offering excellent customer service, meeting clients' needs and adopting technological advances, essential to the overall success and growth of the bank. The bank's utilization of advanced technology, a first in the region, created a queuing system at selected branches to monitor and enhance customer care.

The bank set goals to improve overall customer care, branch operations and retail services. Through training and carrier counseling to branch employees, job satisfaction, professionalism and technical expertise improved. Furthermore, a marketing plan was put together to select well-qualified customers seeking direct



and indirect credit facilities. The objective focused on finding a balance between overall risk and profitability for the bank.

To improve risk management and enhance quality of booked credit facilities, Basel II recommendations and Central Bank of Jordan guidelines were adopted. The bank implemented control risk self-assessment measures, in addition to a credit risk rating system. The bank's staff continued to improve the decision-making process regarding credit by developing internal credit and financial analysis techniques.

Summary of Financial Results

In 2007, Capital Intelligence awarded JCB a BB+ rating, based on the bank's financial strength. The financial strength resulted from implementing sound management decisions, a well-studied business plan and maintaining growth rates – the highest in Jordan in the industry. Following are key indicators demonstrating the bank's balanced growth:

1. Total assets reached JOD549.26 million, indicating a growth rate of 7%, compared to JOD513.18 million in 2006.
2. Customer deposits and cash margin balances grew by 4.5% in 2007 to reach JOD396.22 million, compared to JOD379.08 million in 2006.
3. The bank's credit portfolio grew by JOD22.41 million in 2007 or by 8.22%, to stand at JOD294.94 million, compared to JOD272.53 million in 2006.

Board of Directors Recommendation

In light of the bank's financial results in 2007, the Board of Directors recommends distributing stock dividends to all shareholders, representing 15% of the bank's paid-in capital: 5% as cash dividends and 10% to be rolled over to the owners' equity as bonus shares.

On behalf of the Board of Directors, I am pleased to thank all shareholders for their continued support. The Board of Directors also acknowledges the bank's executive management team for their professionalism and continued commitment to work, under the leadership of the chief executive officer. The Board of Directors appreciates leadership of the Central Bank of Jordan and its staff's support and help.

The notable achievements made this year result from Jordan's continued commitment to economic progress, security and modernization under the leadership of His Majesty King Abdullah II.

Sincerely,

Michael F. Sayegh

Chairman of the Board

Executive Management

Executive Management:

Dr. Jawad Hadid	CEO/General Manager
Ms. Ghada Farhan	Deputy General Manager
Mr. Ghazi Adas	Assistant General Manager Credit Facilities
Dr. Mohammed Asadi	Assistant General Manager Retail Banking & Technology
Mr. Andre Al Deek	Head of Treasury & Int. Division
Mr. Ziad Al Rafati	Head of Financial Department
Mr. Shihab Hanayneh	Head of Investment Banking Department
Mr. Tareq Nasser	Head of Technology & Communication Department
Mr. Amer Alawi	Head of Research & Planning Department
Mr. Fadel Dbais	Head of Credit Remedial & Collection Department
Mr. Waleed Zaki	Head of Private Banking
Mr. Yasar Nabulsi	Head of Operations Department
Mr. Amro Mousa	Banking Assistant To CEO
Mr. Tayseer Mansour	Head of The Administration Department
Mr. Jalal Belbesi	Head of Internal Audit Department
Mr. Jamal Al-Raggad	Head of Public Relations Department
Eng. Diana Omet	Head of Engineering & Supplies Department.
Mr. AbdelBaset Qadoumi	Head of Cards Services
Mr. Alaa Kohof	Head of Human Resources Department
Mr. Fadi Rabie	Head of Marketing & Product Development Department
Mr. Mazen Al-Khateeb	Head of Risk Management Department.
Advocate Mohammad Enssour	Legal Advisor / Legal Department Head
Eng. Noufal Barakat	Head of Real Estate Department
Mr. Khader Abu Saqri	Head of Branches and Sales

The background is a solid blue color with several white lines that create a sense of depth and structure. A vertical line on the left side is partially cut off. A horizontal line near the bottom is also partially cut off. There are several diagonal lines that intersect, creating a grid-like pattern of white lines. The overall effect is clean and modern.

Summary of Financial Analysis

Summary of Financial Analysis

At the end of 2007, key profitability indicators were rated as the best compared to the overall performance of the banking industry in Jordan. The bank's operating profits resulted from a wide range of operating activities.

Net profits after tax reached JOD12.42 million, registering a 16% growth compared to 2006. Sources of growth resulted from the increase in total assets, customer deposits, net credit portfolio, shareholders' equity and investment portfolio.

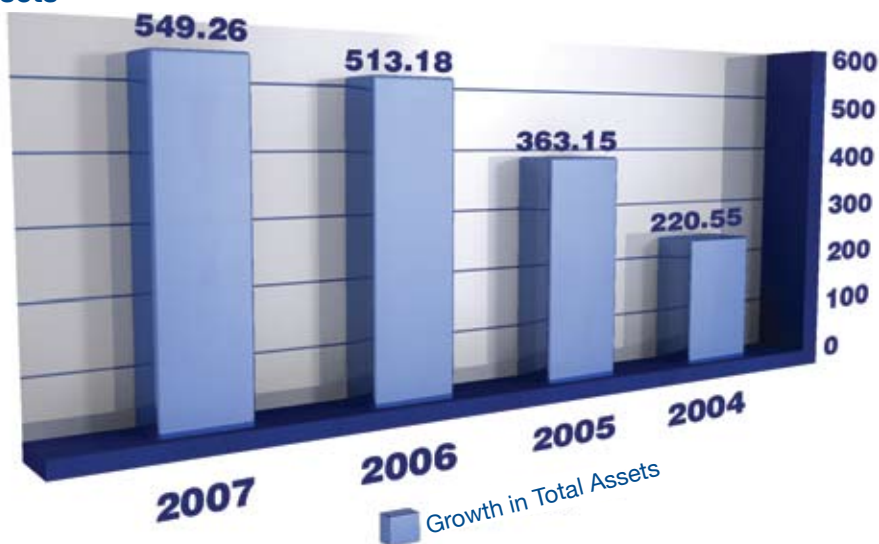
	2004	2005	2006	2007	Growth rate in 2007
Total Assets	220.55	363.15	513.18	549.26	7.00%
Customer Deposits and Cash Margin Accounts	148.32	264.11	379.08	396.23	4.50%
Direct Credit Facilities, Net	89.62	197.73	272.53	294.94	8.22%
Owners' Equity	45.61	66.85	75.51	81.23	7.58%
Investments	27.47	46.01	52.43	71.95	7.57%
Net Profits	3.68	13.02	10.68	12.42	16.29%

Total Assets

Total assets increased by JOD36.08 million at the end of 2007 to reach JOD549.26 million, compared to JOD513.18 million at the end of 2006, registering a 7% growth rate. Growth resulted from an increase in fund sources and mirrored the success in funds employed.

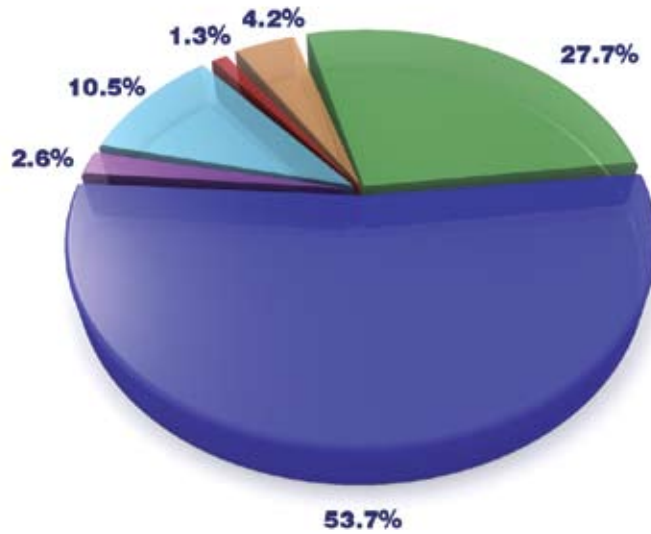
Growth in Total Assets

Amount in million JD



The bank succeeded in balancing total assets and acceptable liquidity without compromising overall profitability.

Assets Structure 2007



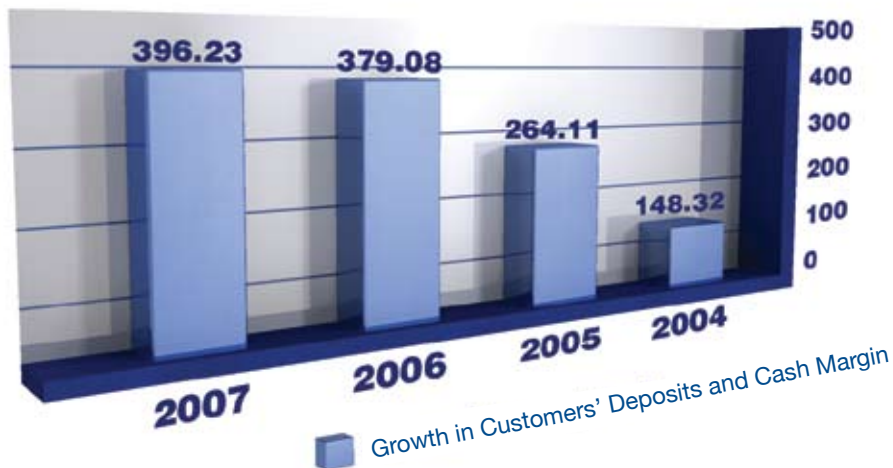
- Cash and Balances at Banks ■
- Net Direct Credit Facilities ■
- Financial Assets ■
- Net Held to Maturity Investments ■
- Net Fixed Assets ■
- Other Assets ■

Customers' Deposits and Cash Margin

The bank focused on expanding customer base deposits to reduce the overall operating risk. During 2007, a set of competitive products were introduced to attract new customers and to capture a bigger market share. The bank launched deposit programs geared at promoting savings and attracting individuals in need of long-term saving tools

The deposit portfolio, including cash margin accounts, reached JOD396.23 million in 2007, an increase of JOD17.15 million, or 4.5%, compared to the 2006 balance.

Amount in million JD

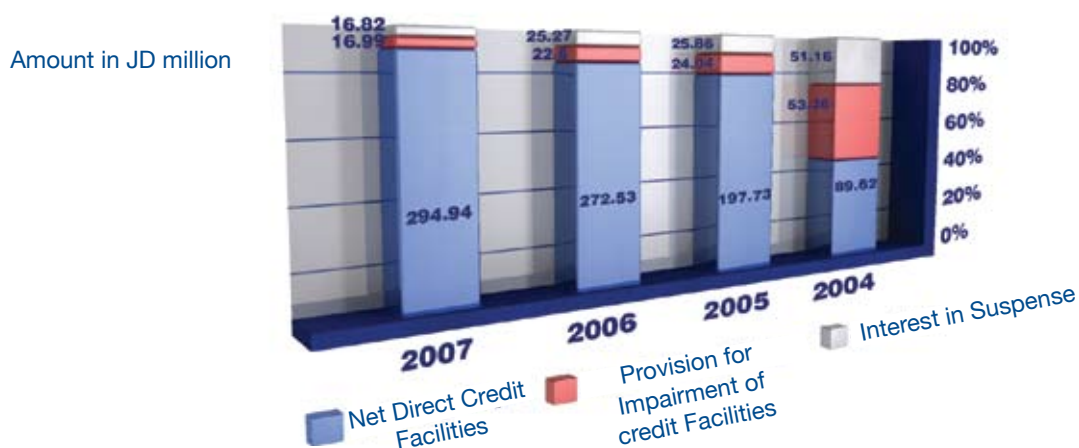


Direct Credit Facilities, Net

The bank continued to play an active role in the national economy by extending credit facilities to individuals, corporations and quasi government-owned companies. In 2007, the bank took the lead in financing direct investment in infrastructure and existing projects operating in the medical services field. The bank's management worked to find a balance between growth and risk tolerance. The credit portfolio increased by JOD22.41 million, or by 8.22%, in 2007 to reach JOD294.94 million, compared to JOD272.53 million in 2006.

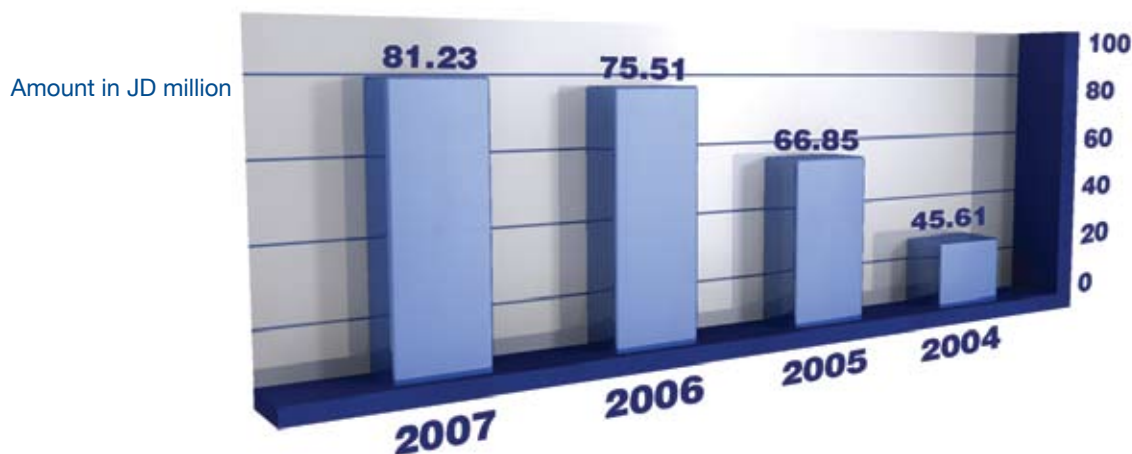
In conjunction with efforts made to excel in extending sound credit, the bank exerted efforts to maintain the existing credit portfolio and continued to implement corrective measures to reduce balance of nonperforming loans. It is noted that balance of nonperforming loans decreased by JOD16.70 million or by 31.1% to reach JOD36.96 million compared with JOD53.66 million in 2006. Such effort paid off, the Bank's reported gains reached JOD1.4 million, which resulted from success in reducing the nonperforming loan portfolio.

Growth In Direct Credit Portfolio

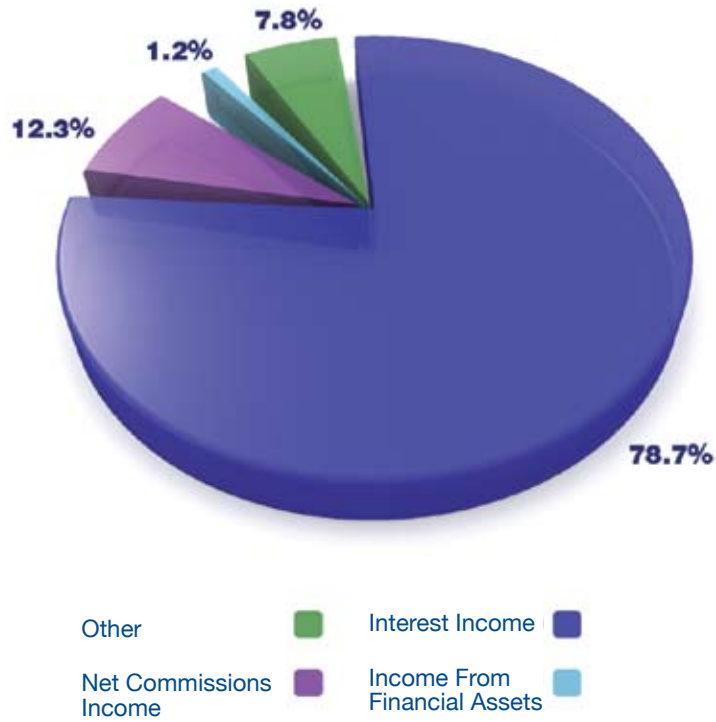


Owners' Equity

The bank continued to increase owners' equity through capitalizing operating earnings and issuing bonus shares. Paid capital increased in 2007 from JOD57.5 million to JOD63.25 million, or by 10%, compared to 2006. Capitalizing operating earnings and issuing bonus shares were used to strengthen the Bank's equity and overall financial position, which resulted in reaching an 18.1% capital adequacy ratio, by far exceeding the Central Bank of Jordan minimum requirement.



Gross Income Structure



Key Indicators

	2007	2006
Earning Assets / Total Assets	88.9%	89.2%
Return On Assets	2.34%	2.44%
Return On Equity	15.8%	15%
Efficiency Ratio	43.9%	47.9%
Adequacy Ratio	18.1%	17.4%
Profitability Per Employee	22061	22349

**FINANCIAL STATEMENT
DECEMBER 2007
AND
INDEPENDENT
AUDITOR'S REPORT**

JORDAN COMMERCIAL BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - JORDAN

DECEMBER 31, 2007

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INDEPENDENT AUDITOR'S REPORT

AM/ 8511

To the General Assembly of Shareholders

Jordan Commercial Bank

Amman - Jordan

Report on the Financial Statements

We have audited the accompanying financial statements of the Jordan Commercial Bank, which comprise of the balance sheet as of December 31, 2007, statement of income, statement of changes in shareholders' equity, statement of cash flows for the year then ended, as well as a summary of significant accounting policies and other explanatory notes.

Management Responsibility for the Financial Statements

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

Auditor 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 well as plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Moreover, we have previously audited the financial statements for the year 2006 and issued our qualified report thereon dated February 5, 2007.

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

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

1. As stated in notes 13, 15, and 23, other assets include the net balance of the bank's restructuring costs of JD 10,355,219 as of December 31, 2007. Restructuring costs are amortized over a period of ten years starting from January 1, 2004 in accordance with the restructuring agreement approved by the Central Bank of Jordan and the Council of Ministers, and adopted by the Bank's General Assembly of Shareholders. Moreover, International Financial Reporting Standards require that the net balance of restructuring costs be deducted from shareholders' equity. Additionally, the Bank's management did not write off this balance as certain benefits stated in the restructuring agreement are available against these costs including unrecorded deferred tax benefits and a non-interest bearing deposit of JD 21 million by the Central

Bank of Jordan. This deposit matures at the end of the year 2008, and is stated at its nominal value instead of its present value as required by International Financial Reporting Standards. Moreover, there are other benefits against the restructuring costs.

2. As stated in Note 20, there are deferred tax assets of approximately JD 9.5 million as of December 31, 2007 which are not booked contrary to IAS 12, which requires booking deferred tax assets utilizable in the future. Had such benefits been recorded, retained earnings and deferred tax assets would have increased by approximately JD 9.5 million as of December 31, 2007.

Opinion

In our opinion, except for the effect of the matters discussed in paragraphs 1 and 2 above, the financial statements present fairly, in all material respects, the financial position of Jordan Commercial Bank as of December 31, 2007, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards. We recommend that the General Assembly of Shareholders approve these financial statements taking into consideration the effect of what is stated in paragraphs 1 and 2 above.

Report on Legal Requirements

The Bank maintains proper accounting records which are in agreement with the accompanying financial statements and financial data presented in the Board of Directors' annual report.

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

Amman – The Hashemite Kingdom of Jordan

February 10, 2008

Deloitte and Touche (M.E.) - Jordan

JORDAN COMMERCIAL BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
BALANCE SHEETS

	Notes	December 31,	
		2007	2006
		JD	JD
Assets			
Cash and balances at central banks	4	82,107,330	66,830,352
Balances at banks and financial institutions	5	70,221,888	87,122,300
Trading financial assets	6	3,423,135	2,819,881
Direct credit facilities	7	294,943,837	272,534,994
Available -for-sale financial assets	8	10,744,115	7,072,900
Held-to-maturity investments - net	9	57,785,356	42,532,937
Mortgaged financial assets	10	15,000	95,000
Fixed assets - net	11	7,293,756	6,385,563
Intangible assets - net	12	491,726	385,603
Other assets	13	22,234,507	27,404,922
Total assets		549,260,650	513,184,452
Liabilities and Shareholders' Equity:			
Liabilities:			
Banks and financial institutions deposits	14	30,220,582	30,391,624
Central Bank of Jordan deposit	15	21,000,000	21,000,000
Customer deposits	16	341,952,722	341,581,111
Cash margins	17	54,280,912	37,496,117
Borrowed funds	18	10,000,000	-
Other provisions	19	1,403,267	1,190,398
Provision for Income Tax	20	1,499,649	758,467
Deferred tax liabilities	20	-	87,400
Other liabilities	21	7,675,536	5,170,867
Total liabilities		468,032,668	437,675,984
Shareholders' Equity :			
Paid-up capital	22	63,250,000	57,500,000
Share capital premium	22	56,698	56,698
Statutory reserve	24	4,797,282	3,441,194
General banking risks reserve	24	3,018,854	2,585,716
Cumulative change in fair value - net	25	(705,089)	245,551
Retained earnings	26	10,810,237	11,679,309
Total shareholders' equity		81,227,982	75,508,468
Total liabilities and Shareholders' equity		549,260,650	513,184,452

The accompanying notes from (1) to (48) constitute an integral part of these statements.

JORDAN COMMERCIAL BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
STATEMENTS OF INCOME

	Notes	For the Year Ended	
		2007	2006
		JD	JD
Interest income	28	36,573,839	29,379,795
Interest expense	29	(19,129,445)	(13,641,093)
Net interest income		17,444,394	15,738,702
Commissions income-net	30	5,695,117	4,612,569
Net interest and commissions income		23,139,511	20,351,271
Foreign currencies income	31	977,539	695,475
Trading financial assets income (loss)	32	135,737	(3,406,302)
Available-for-sale financial assets income	33	432,045	1,064,710
Other income	34	2,642,490	3,042,388
Gross income		27,327,322	21,747,542
Employees expenses	35	5,640,773	4,871,345
Depreciation and amortization	11,12,23	2,966,524	2,658,069
Other expenses	36	5,122,633	4,609,441
Other provisions	19	436,056	22,918
Provision for impairment of direct credit facilities	7	-	321,073
Total expenses		14,165,986	12,482,846
Income before tax		13,161,336	9,264,696
Income Tax (expense) surplus	20	(741,182)	1,418,004
Income for the year		12,420,154	10,682,700
Earnings per share	37	0.196	0.169

The accompanying notes from (1) to (48) constitute an integral part of these statements.

JORDAN COMMERCIAL BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Year Ended December 31, 2007	Paid-up Capital	Share Capital Premium	Statutory Reserve	General Banking Risks Reserve *	Cumulative Change in Fair Value	Retained Earnings**	Total
	JD	JD	JD	JD	JD	JD	JD
Beginning balance	57,500,000	56,698	3,412,667	2,528,619	245,551	11,679,309	75,508,468
Net cumulative change in fair value after tax	—	—	—	—	(950,640)	—	(950,640)
Total revenues and expenses for the year recorded directly in							
Shareholders' equity	-	-	-	-	(950,640)	-	(950,640)
Income for the year	-	-	-	-	-	12,420,154	12,420,154
Total revenues and ex- penses for the year	-	-	-	-	(950,640)	12,420,154	12,420,154
Paid dividends***	—	—	—	—	—	(5,750,000)	(5,750,000)
Capital increase (Note 22)	5,750,000	-	-	-	-	(5,750,000)	-
Transferred to reserves	—	—	1,356,088	433,138	—	(1,789,226)	—
Balance - end of the year	63,250,000	56,698	4,797,282	3,018,854	(705,089)	10,810,237	80,227,982
For the Year Ended De- cember 31, 2006							
Beginning balance	50,000,000	56,698	2,484,324	2,162,501	2,300,371	9,849,674	66,853,568
Net cumulative change in fair value after tax	—	—	—	—	(2,054,820)	—	(2,054,820)
Total revenues and expenses for the year recorded directly in							
Shareholders' equity	—	—	—	—	(2,054,820)	—	(2,054,820)
Income for the year	-	-	-	-	-	10,682,700	10,682,700
Total revenues and ex- penses for the year	-	-	-	-	(2,054,820)	10,682,700	8,627,880
Capital increase	7,500,000	-	-	-	-	(7,500,000)	-
Transferred from provision for impairment of direct credit facilities	-	-	-	27,020	-	-	27,020
Transferred to reserves	—	—	956,870	396,195	—	(1,353,065)	—
Balance - end of the year	57,500,000	56,698	3,441,194	2,585,716	245,551	11,679,309	75,508,468

* According to the instructions of the Central Bank of Jordan, the general banking risks reserve can not be utilized without prior approval from the Central Bank of Jordan.

** According to the instructions of the Securities Commission, an amount of JD 1,181,980 is restricted against the decline in the fair value of available-for-sale financial assets.

*** In their regular meeting held on March 24, 2007, the General Assembly of Shareholders approved the distribution of JD 5,750,000 to shareholders.

The accompanying notes from (1) to (48) constitute an integral part of these statements.

JORDAN COMMERCIAL BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
STATEMENTS OF CASH FLOWS

	Notes	For the Year Ended December 31,	
		2007 JD	2006 JD
Cash Flows From Operating Activities :			
Income before tax		13,161,336	9,264,696
Adjustments for non-monetary items:			
Depreciation and amortization		2,966,524	2,658,069
Provision for impairment of direct credit facilities		-	321,073
Losses (gains) from trading financial assets		365,937	573,921
Surplus provisions		(129,981)	(216,984)
Effect of foreign exchange rate fluctuations		(585,153)	(435,079)
Other provisions		436,056	22,917
Net cash flow from operating activities		16,214,719	12,188,751
Changes in Assets and Liabilities:			
(Increase) in over 3 months maturity deposits at central banks		(2,000,000)	(5,000,000)
Decrease in deposits at banks and financial institutions		-	2,000,000
(Increase) in direct credit facilities		(22,408,843)	(75,102,228)
(Increase) decrease in trading financial assets		(969,191)	8,182,260
Decrease (increase) in other assets		3,540,663	(1,286,768)
Decrease (increase) in restricted balances at banks and central banks		1,546,708	(190,005)
Increase in customer deposits		371,611	100,901,131
Increase in cash margins		16,784,795	14,062,985
(Decrease) in other provisions		(223,187)	(422,040)
Increase (decrease) in other liabilities		2,504,669	(1,102,705)
Net change in assets and liabilities		(852,775)	42,042,492
Net cash flows from operating activities		15,361,944	54,231,243
Cash Flows from Investing Activities:			
Sale of financial assets available for sale		1,989,379	10,167,072
(Purchase) of financial assets available for sale		(6,698,634)	(12,568,163)
(Purchase) of held-to-maturity investments		(25,612,094)	(17,657,791)
Sale/Maturity of held-to-maturity investments		10,359,675	2,004,312
Sale/Maturity of mortgaged financial assets		80,000	-
(Purchase) of intangible assets		(282,540)	(208,936)
Sale of fixed assets		93,405	144,719
(Purchase) of fixed assets		(2,031,972)	(3,005,358)
Net cash flows (used in) investing activities		(22,102,781)	(21,139,765)
Cash Flows from Financing Activities:			
Borrowed funds		10,000,000	-
Dividends paid		(5,750,000)	-
Net cash flows from financing activities		4,250,000	-
Effect of foreign exchange rate fluctuations on cash and cash equivalents		585,153	435,079
Net (decrease) increase in cash and cash equivalents		(1,905,684)	33,526,557
Cash and cash equivalents - beginning of the year	38	113,965,007	80,438,450
Cash and cash equivalents - end of the year	38	112,059,323	113,965,007

The accompanying notes from (1) to (48) constitute an integral part of these statements.

JORDAN COMMERCIAL BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - JORDAN

NOTES TO THE FINANCIAL STATEMENTS

1. General

The Bank was established as a public shareholding company on May 3, 1977 according to the Jordanian Companies Law No. 12 for the year 1964 with its headquarters in Amman.

During the year 1993, Mashrek Bank (Jordan branches) was merged into Jordan Gulf Bank. Consequently, Jordan Gulf Bank replaced Mashrek Bank in terms of its rights and liabilities.

At the beginning of the year 2004, the Bank's capital was restructured after taking the necessary measures specified by the concerned governmental entities.

On June 28, 2004, procedures relating to changing the Bank's name were completed, and the new bank's name became Jordan Commercial Bank.

The Bank is engaged in commercial banking activities through its headquarters and branches which total 27 branches in Jordan and 3 branches in Palestine.

The Board of Directors approved the accompanying financial statements in its meeting No. 8/M 35/2008, held on February 10, 2008. These financial statements are subject to the approval of the General Assembly of Shareholders.

2. Significant Accounting Policies

Basis of Preparation of the Financial Statements

- The Bank's financial statements have been prepared according to the standards issued by the International Accounting Standards Board, the International Financial Reporting Interpretations Committee ensuing from the International Accounting Standards Board, local prevailing laws, and instructions of the Central Bank of Jordan.
- The financial statements have been prepared according to the historical cost convention except for trading financial assets/liabilities and available-for-sale financial assets shown at fair value at the date of the financial statements.
- The Jordanian Dinar is the reporting currency of the financial statements and represents the Bank's functional currency.
- The financial policies adopted for the year are consistent with those applied in prior years. The details are as follows:

Basis of Combination of the Financial Statements

The accompanying financial statements include the accounts of the bank's branches in Jordan and Palestine after eliminating inter-branch balances and transactions. Year-end inter-branch transactions in transit are shown under "other assets" or "other liabilities" according to their nature in the accompanying balance sheet.

Segment Information

- A business segment is a distinguishable component of an entity engaged in providing an individual product or service or a group of related products or services and subject to risks and returns different from those of other business segments.
- A geographical segment is a distinguishable component of an entity engaged in providing products or services within a particular economic environment and subject to risks and returns different from those of components operating in other economic environments.

Trading Financial Assets

- Trading financial assets represent investments in company shares traded in the active markets. The objective of holding these assets is to generate profits from the short-term fluctuations in market prices or trade profit margins.
- Financial assets held for trading are initially recognized at fair value when purchased (the acquisition cost is recorded in the income statement on the purchase date). They are subsequently re-measured to fair value as of the date of the financial statements, and the resulting change is included in the income statement in the period in which it arises. Moreover, fair value differences resulting from the translation of foreign currency non-monetary assets are taken to the statement of income.
- Dividends and interest are taken to the income statement when earned.

Direct Credit Facilities

- A provision for the impairment in direct credit facilities is recognized when it is obvious that the financial assets of the bank can not be recovered, there is an objective evidence of the existence of an event negatively affecting the future cash flows of the direct credit facilities, and the impairment amount can be estimated. The provision is taken to the statement of income.
- Interest and commission on non-performing credit facilities are suspended in accordance with the instructions of the Central Bank of Jordan.
- Impaired credit facilities, for which specific provisions have been taken, are written off by charging the provision after all efforts have been made to recover the debts. Any surplus in the provisions is taken to the income statement, while debt recoveries are taken to income.

Available-for-Sale Financial Assets

- These represent the financial assets that the Bank does not intend to classify as trading financial assets or held to maturity.
- Available-for-sale financial assets are initially recorded at fair value including acquisition costs. They are subsequently re-measured to fair value as of the date of the financial statements. Moreover, changes in fair value are recorded in a separate account within shareholders' equity. When these assets are fully or partially sold, disposed of, or determined to be impaired, the income or losses are recorded in the income statement, including the related amounts previously recorded within shareholders' equity. The loss resulting from the impaired value of the debt instruments is reversed when it is objectively evident that the increase in their fair value occurred after the losses had been recognized. Impairment losses resulting from the decline in the value of equity securities are reversed through cumulative change in fair value.
- Income and losses resulting from the foreign exchange of (interest-bearing) debt instruments classified as available-for-sale financial assets are included in the income statement. The differences resulting from foreign exchange of equity instruments are included in the cumulative change in fair value within shareholders' equity.
- Financial instruments for which fair value can not be reliably determined are shown at cost. The impairment in value is charged to the income statement.

Held-to-Maturity Investments

- Held-to-maturity financial assets are financial assets with fixed or specified payment, and to which the bank has the intention and ability to hold to maturity.
- Held-to-maturity investments are recorded at cost (fair value) plus acquisition costs. Premiums and discounts are systematically amortized in the income statement according to the “effective interest rate method” and are either credited or debited to interest earned. Provisions associated with irrecoverable impairment in their value are deducted. Any impairment in assets is recorded in the statement of income.

Fair Value

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

- Comparison with the fair value of another financial asset with similar terms and conditions.
- Analysis of the present value of expected future cash flows for similar instruments.
- Adoption of the option pricing models.

The valuation methods aim at providing a fair value reflecting the expectations of the market, expected risks, and expected benefits upon valuing financial instruments.

Financial assets of which fair value can not be reliably measured are stated at cost less any impairment.

Impairment in the Value of Financial Assets

The Bank reviews the values of financial assets on the date of the balance sheet in order to determine if there are any indications of impairment in their value individually or in the form of a portfolio. In case such indications exist, the recoverable value is estimated so as to determine the impairment loss.

The impairment is determined as follows:

- The impairment in financial assets recorded at amortized cost is determined on the basis of the present value of the expected cash flows discounted at the original interest rate.
- The impairment in the financial assets available for sale recorded at fair value represents the difference between the book value and fair value.
- The impairment in the financial assets recorded at cost represents the differences between the book value and the present value of the expected cash flows discounted at the market interest rate of similar instruments.
- The impairment in value is recorded in the income statement. Any surplus in the following period resulting from previous declines in the fair value of financial assets is taken to the income statement except for available-for-sale equity securities, the impairment of which is recovered through the cumulative change in fair value.

Fixed Assets

- Fixed assets are stated at cost net of accumulated depreciation. Fixed assets (except for land) are depreciated, when ready for their intended use, according to the straight-line method over their estimated useful lives using the following rates:

	Percentage
Buildings	2
Equipment	15
Furniture	10
Vehicles	15
Computers	20
Decorations	15

- When the carrying amounts of fixed assets exceed their recoverable values, assets are written down, and impairment losses are recorded in the income statement.
- The useful lives of fixed assets are reviewed at the end of each year. In case the expected useful life is different from what was determined before, the change in estimate is recorded in the following years, being a change in estimate.
- Fixed assets are derecognized when disposed or no future benefits are expected from their use or disposal.

Provisions

- Provisions are recognized when the bank has an obligation on the date of the balance sheet as a result of past events, it is probable to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provision for Employees End-of-Service Indemnities

- Annual indemnity payments to terminated employees are charged to the provision for employees end-of-service indemnity. Furthermore, surplus in indemnity payment over the amount provided for is taken to the statement of income. The required additional provision for end-of-service indemnities for the year is charged to the income statement.

Income Tax

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

Treasury Shares Issue or Purchase Costs

Any costs resulting from issuing or purchasing treasury stocks are recorded in retained earnings (net of the tax effect of these costs, (if any)). If the issue or purchase is incomplete, the costs are charged as expenses to the statement of income.

Accounts Managed on Behalf of Customers

- These represent the accounts managed by the bank on behalf of its customers, but do not represent part of the bank's assets.
- The fees and commissions on managing these accounts are taken to the income statement. A provision is taken against the decline in the value of capital-guaranteed portfolios managed on behalf of customers below capital.

Offsetting

Financial assets and financial liabilities are offset, and the net amount is reflected in the balance sheet only when there are legal rights to offset the recognized amounts, the bank intends to settle them on a net basis, or assets are realized and liabilities settled simultaneously.

Realization of Income and Recognition of Expenses

- Interest income is realized and recognized based on the actual interest rate method except for interest and commission on non-performing loans which are not recognized as revenue but recorded as interest and commission in suspense.
- Expenses are recognized on the accrual basis.
- Commission is recorded as revenue when the related services are provided. Moreover, dividends are recorded when realized (approved by the General Assembly).

Recognition of Financial Assets

- Financial assets and financial liabilities are recognized on the trading date which is the date in which the bank commits itself to purchase or sell the financial assets.

Mortgaged Financial Assets

These represent financial assets mortgaged to other parties while the other party has the right to their disposition (sale or re-mortgage). Evaluation of these assets continues according to the accounting policies adopted for the evaluation of each one of them based on the original classification.

Assets Seized by the Bank

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

Intangible Assets

- Intangible assets obtained through merges are recorded at fair value at the date of acquisition. Intangible assets obtained otherwise are recorded at cost.
- Intangible assets are to be classified on the basis of either a definite or an indefinite useful life. Intangible assets with definite useful economic lives are amortized over their useful lives and amortization is recorded as an expense in the income statement. Intangible assets with indefinite lives are reviewed for impairment as of the date of financial statements, and impairment loss (if any) is treated in the income statement as an expense for the period.

- No capitalization of intangible assets resulting from the bank's operations is made. They are rather recorded as an expense in the income statement for the period.
- Any indications of impairment in the value of intangible assets as of the date of financial statements are reviewed. Furthermore, the estimated useful lives of intangible assets are reassessed, and any adjustments are made in the subsequent periods.
- Intangible assets (computer software) are amortized over their estimated economic useful lives at an annual rate of 20%.

Foreign Currency

- Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the date of the transaction.
- Financial assets and financial liabilities denominated in foreign currencies are translated at the average exchange rates prevailing on the balance sheet date and declared by the Central Bank of Jordan
- Non-monetary assets and liabilities denominated in foreign currencies and recorded at fair value are translated on the date when their fair value is determined.
- Gains or losses resulting from foreign currency translation are recorded in the income statement.
- Translation differences for non-monetary assets and liabilities denominated in foreign currencies (such as equity securities) are recorded as part of the change in fair value.

Cash and Cash Equivalents

Cash and cash balances maturing within three months are considered as cash and cash equivalents. These include cash and cash balances with central banks and balances with banks and financial institutions maturing within three months, less deposits of banks and financial institutions maturing within three months and restricted funds.

3. Accounting Estimates

Through applying the accounting policies, management uses assumptions and estimates with material impacts on the recognition of the balances recorded in the financial statements. Some of these assumptions are as follows:

- A provision for lawsuits raised against the bank is formed based on a legal study prepared by the Bank's legal advisors. Moreover, the study highlights potential risks that the Bank may encounter in the future. Such legal assessments are reviewed frequently.
- A provision for impairment of direct credit facilities is taken on the bases and estimates approved by management in conformity with International Financial Reporting Standards (IFRSs). The outcome of these bases and estimates is compared to the provisions required in accordance with the instructions of the Central Bank of Jordan. The more stringent outcome that conforms with (IFRSs) is used for determining the provision.
- Impairment loss in real estate seized by the Bank (if any) is taken after sufficient and recent evaluations have been conducted by approved surveyors. These evaluations are reviewed periodically.
- Management periodically reassesses the economic useful lives of tangible and intangible assets for the purpose of calculating annual depreciation and amortization based on the general status of these assets and the assessment of their useful economic lives expected in the future. Impairment loss (if any) is taken to the income statement.
- Management frequently reviews financial assets stated at cost to estimate any impairment in their value. Impairment loss (if any) is charged to the statement of income.
- Income tax expense for the year is accounted for in accordance with the prevailing laws, regulations, and accounting standards.
- Deferred tax assets and liabilities and the required provision for income tax are calculated. Moreover, deferred tax liabilities and the provision for income tax are booked.

4. Cash and Balances at Central Banks

This item consists of the following:

	December 31	
	2007	2006
	JD	JD
Cash in vaults	9,727,018	8,734,062
Balances at Central Banks:		
Current accounts and demand deposits	3,856,833	3,970,962
Time and notice deposits	5,295,000	1,750,000
Mandatory cash reserve	21,128,479	12,375,328
Certificates of deposit	<u>42,100,000</u>	<u>40,000,000</u>
Total Balances at Central Banks	<u>72,380,312</u>	<u>58,096,290</u>
Total Cash and Balances at Central Banks	<u>82,107,330</u>	<u>66,830,352</u>

- Restricted balances, excluding the cash reserve, amounted to zero as of December 31, 2007 and 2006.
- Certificates of deposit include an amount of JD 8 million that matures within a period exceeding 3 months as of December 31, 2007 (against JD 6 million as of December 31, 2006).

5. Balances at Banks and Financial Institutions

This item consists of the following:

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	December 31,		December 31,		December 31,	
	2007	2006	2007	2006	2007	2006
	JD	JD	JD	JD	JD	JD
Current accounts and demand deposits	425,457	281,745	6,200,858	3,078,924	6,626,315	3,360,669
Deposits maturing Within 3 months or less	<u>4,738,728</u>	<u>25,491,815</u>	<u>58,856,845</u>	<u>58,269,816</u>	<u>63,595,573</u>	<u>83,761,631</u>
Total	<u>5,164,185</u>	<u>25,773,560</u>	<u>65,057,703</u>	<u>61,348,740</u>	<u>70,221,888</u>	<u>87,122,300</u>

Non-interest bearing balances at banks and financial institutions amounted to JD 425,457 as of December 31, 2007 (JD 281,745 as of December 31, 2006).

Restricted balances as of December 31, 2007 amounted to JD 2,049,313 (JD 3,596,021 as of December 31, 2006).

6. Trading Financial Assets

This item consists of the following:

	December 31,	
	2007	2006
	JD	JD
Listed shares	<u>3,423,135</u>	<u>2,819,881</u>
Total	<u>3,423,135</u>	<u>2,819,881</u>

7. Direct Credit Facilities

This item consists of the following:

	December 31	
	2007	2006
	JD	JD
Individuals (retail):		
Overdraft facilities	1,945,735	2,012,897
Advances and loans*	60,032,245	57,578,709
Credit cards	2,889,776	2,397,781
Other	744,372	647,066
Real estate loans	19,812,407	18,016,938
Companies:		
Large companies		
Overdraft facilities	37,065,498	27,922,695
Advances and loans*	167,530,018	151,231,098
Small and medium companies		
Overdraft facilities	16,682,340	20,198,780
Advances and loans*	18,747,353	38,265,870
Public Sector	<u>2,556,202</u>	<u>2,134,652</u>
Total	328,005,946	320,406,486
Less: Provision for impairment of direct credit facilities	(16,247,005)	(22,601,587)
Less: Interest in suspense	(16,815,104)	(25,269,905)
Net Direct Credit Facilities	<u>294,943,837</u>	<u>272,534,994</u>

* Net of interest and commission received in advance of JD 1,429,035 as of December 31, 2007 (JD 2,120,176 as of December 31, 2006).

- Non-performing credit facilities plus interest in suspense amounted to JD 36,960,188, equivalent to 11.3% of the direct credit facilities balance as of December 31, 2007 (JD 53,661,966, equivalent to 16.7% of the direct facilities balance as of December 31, 2006).
- Non-performing credit facilities net of interest in suspense amounted to JD 20,145,084, equivalent to 6.5% of the direct credit facilities balance net of interest in suspense as of December 31, 2007 (JD 28,392,061, equivalent to 9.6% of the direct credit facilities balance net of interest in suspense as of December 31, 2006).
- There are no credit facilities granted to the Government of Jordan as of December 31, 2007 and 2006.

Provision for the Impairment in Direct Credit Facilities

2007	Individual (Retail Customers)	Corporate Entities				Total
		Property Loans	Large Corporate Customers	SMEs	Public Sector	
	JD	JD	JD	JD	JD	JD
Balance – beginning of the year	11,200,405	196,405	7,692,195	3,479,732	32,850	22,601,587
Debts written off during the year	(100,603)	(17,383)	(134,483)	(93,959)	-	(346,428)
Provision for debts listed in contra accounts *	(2,254,362)	-	(2,922,765)	(927,310)	-	(6,104,437)
Differences on the evaluation of the provision for debts in foreign currencies	52,955	-	30,810	12,518	-	96,283
Balance at December 31,	8,898,395	179,022	4,665,757	2,470,981	32,850	16,247,005

2006	Individual (Retail Customers)	Corporate Entities				Total
		Property Loans	Large Corporate Customers	SMEs	Public Sector	
	JD	JD	JD	JD	JD	JD
Balance – beginning of the year	12,300,328	196,405	7,689,760	3,831,121	28,246	24,045,860
Provision for the year taken from income	321,073	-	-	-	-	321,073
Debts written off during the year	(1,471,621)	-	-	(358,752)	-	(1,830,373)
Transferred to general banking risks reserve	-	-	(27,020)	-	-	(27,020)
Differences on the evaluation of the provision for debts in foreign currencies	50,625	-	29,455	7,363	4,604	92,047
Balance on December 31	11,200,405	196,405	7,692,195	3,479,732	32,850	22,601,587

- Provisions no longer needed due to settlements or debt repayments and transferred to other debts amounted to JD 1,684,388 as of December 31, 2007 (against JD 1,125,552 as of December 31, 2006).

Interest in Suspense

The movement on interest in suspense is as follows:

2007	Individual (Retail Customers)	Corporate Entities				Total
		Property Loans	Large Corporate Customers	SMEs	Public Sector	
	JD	JD	JD	JD	JD	JD
Balance – beginning of the year	13,906,376	68,100	8,736,213	2,540,748	18,468	25,269,905
Add: Interest in suspense for the year	1,862,778	51,483	2,102,685	857,452	4,884	4,879,282
Less: Interest transferred to income (Note 34)	(294,076)	(6,457)	-	(196,307)	-	(496,840)
Less: Interest in suspense (written-off)	(346,219)	(9,345)	(777,074)	(58,701)	-	(1,191,339)
Less: Interest in suspense listed in contra accounts *	4,121,166)	-	(5,922,801)	(1,601,937)	-	(11,645,904)
Balance on December 31	<u>11,007,693</u>	<u>103,781</u>	<u>4,139,023</u>	<u>1,541,255</u>	<u>23,352</u>	<u>16,815,104</u>

2006	Individual (Retail Customers)	Corporate Entities				Total
		Property Loans	Large Corporate Customers	SMEs	Public Sector	
	JD	JD	JD	JD	JD	JD
Balance – beginning of the year	12,770,009	38,139	10,546,355	2,489,348	14,009	25,857,860
Add: Interest in suspense for the year	3,511,196	33,566	1,752,826	306,699	4,459	5,608,746
Less: Interest transferred to income (Note 34)	(615,717)	(3,605)	(242,088)	(48,635)	-	(910,045)
Less: Interest in suspense (written-off)	(1,759,112)	-	(3,320,880)	(206,664)	-	(5,286,656)
Balance at December 31,	<u>13,906,376</u>	<u>68,100</u>	<u>8,736,213</u>	<u>2,540,748</u>	<u>18,468</u>	<u>25,269,905</u>

* According to the resolution of the Board of Directors No. 55/M29/2007 dated May 6, 2007, it was agreed more non-performing debts with interest in suspense and provision at an amount of JD 17,750,341 to contra accounts while the Bank maintains its legal right to follow up and claim these debts from the debtors. Consequently, the non-performing debts stated in contra accounts amounted to JD 40,369,913 as of December 31, 2007 (JD 33,151,223 as of December 31, 2006). These debts are fully provided for.

8. Available-for-Sale Financial Assets

This item consists of the following:

	December 31	
	2007	2006
	JD	JD
Financial assets with market prices: Company shares	6,294,716	4,632,795
Investment funds	<u>1,453,077</u>	<u>-</u>
Total financial assets with market prices	<u>7,747,793</u>	<u>4,632,795</u>
Financial assets without market prices: Company shares	2,903,805	2,440,105
Investment Funds	<u>92,517</u>	<u>-</u>
Total financial assets without market prices	<u>2,996,322</u>	<u>2,440,105</u>
Available-for-Sale financial assets - total	<u>10,744,115</u>	<u>7,072,900</u>

- Unlisted financial assets of JD 2,996,322 as of December 31, 2007 are stated at cost (JD 2,440,105 as of December 31, 2006) as their fair value can not be reliably determined.
- There are no mortgaged available-for-sale financial assets as of December 31, 2007 and December 31, 2006.

9. Held-to-Maturity Investments

This item consists of the following:

	December 31	
	2007	2006
	JD	JD
Financial assets without market prices:		
Government treasury bills	14,859,892	10,695,125
Government bonds guaranteed by the government	27,528,720	21,403,307
Company bonds	14,396,300	7,336,000
Other bonds	<u>1,000,444</u>	<u>3,098,505</u>
Total Financial Assets without Market Prices	<u>57,785,356</u>	<u>42,532,937</u>
Total Held-to-Maturity Financial Assets	<u>57,785,356</u>	<u>42,532,937</u>

- Bonds return analysis:

	December 31	
	2007	2006
	JD	JD
Financial assets with a fixed interest rate	<u>57,785,356</u>	<u>42,532,937</u>
Total	<u>57,785,356</u>	<u>42,532,937</u>

- The maturities of held-to-maturity investments extend up to the year 2011 and are due in several installments, the last of which matures on August 18, 2011.

Within Month	From 1 to 3 Months	From 3 to 6 Months	From 6 Months to 1 Year	From 1 to 3 Years	More than 3 Years	Total
JD	JD	JD	JD	JD	JD	JD
-	15,892,212	-	500,000	30,883,893	10,509,251	57,785,256

- An amount of JD 15,000 of government bonds guaranteed by the government as of December 31, 2007 is held as collateral in favor of the Arab Bank against the bank's guarantee of credit facilities granted to a customer by the Arab Bank (against JD 95,000 as of December 31, 2006). These bonds have been reclassified within mortgaged financial assets (Note 10).

10. Mortgaged Financial Assets

This item consists of the following:

	December 31	
	2007	2006
	JD	JD
Government bonds guaranteed by the government	<u>15,000</u>	<u>95,000</u>
Total	<u>15,000</u>	<u>95,000</u>

- An amount of JD 15,000 of government bonds guaranteed by the government as of December 31, 2007 is held as collateral in favor of the Arab Bank against the bank's guarantee of credit facilities granted to a customer by the Arab Bank (against JD 95,000 as of December 31, 2006).

11. Fixed Assets

The details of this item are as follows:

	Land	Buildings	Equipment and Furniture	Vehicles	Computer	Total
2007	JD	JD	JD	JD	JD	JD
Cost:						
Balance at the beginning of the year	1,727,498	1,178,704	5,952,998	393,957	3,498,850	12,752,007
Additions	-	12,960	1,511,835	204,053	303,123	2,031,972
Disposals	-	-	(212,084)	(166,204)	-	(378,288)
Balance at the end of the year	1,727,498	1,191,664	7,252,749	431,806	3,801,973	14,405,690
Accumulated Depreciation:						
Accumulated depreciation - beginning of the year	-	707,044	3,005,378	222,367	2,483,159	6,417,948
Annual depreciation	-	29,520	598,474	44,708	357,672	1,030,374
Disposals	-	-	(203,275)	(81,609)	-	(284,884)
Accumulated depreciation - end of the year	-	736,564	3,400,577	185,466	2,840,831	7,163,438
Payments on account of acquisitions	-	51,504	-	-	-	51,504
Net Book Value as of December 31, 2007	1,727,498	506,604	3,852,175	246,340	961,142	7,293,756
2006						
Cost:						
Balance at the beginning of the year	1,727,498	1,178,704	5,198,841	375,272	3,181,556	11,661,871
Additions	-	-	2,353,940	66,025	585,393	3,005,358
Disposals	-	-	(1,599,783)	(47,340)	(268,099)	(1,915,222)
Balance at the end of the year	1,727,498	1,178,704	5,952,998	393,957	3,498,850	12,752,007
Accumulated Depreciation:						
Accumulated depreciation - beginning of the year	-	677,524	4,144,374	185,957	2,432,708	7,440,563
Annual depreciation	-	29,520	348,952	45,763	310,170	734,405
Disposals	-	-	(1,487,948)	(9,353)	(259,719)	(1,757,020)
Accumulated depreciation - end of the year	-	707,044	3,005,378	222,367	2,483,159	6,417,948
Payments on account of acquisitions	-	51,504	-	-	-	51,504
Net Book Value as of December 31, 2007	1,727,498	523,164	2,947,620	171,590	1,015,691	6,385,563

Fixed assets include fully depreciated assets of JD 4,204,630 as of December 31, 2007 (JD 4,316,726 as of December 31, 2006).

12. Intangible Assets - Net

This item consists of the following:

	Computer Systems and Programs	
	2007	2006
	JD	JD
Balance – beginning of the year	385,603	374,443
Additions	282,540	208,936
Amortization	(176,417)	(197,776)
Balance – end of the year	<u>491,726</u>	<u>385,603</u>

13. Other Assets

This item consists of the following:

	December 31	
	2007	2006
	JD	JD
Accrued interest income	1,463,753	1,302,433
Prepaid expenses	364,817	367,075
Restructuring balance – net (Note 23)	10,355,219	12,081,107
Assets seized by the Bank *	3,584,585	4,268,964
Clearance checks	5,279,026	8,064,592
Refundable deposits	41,550	42,588
Real estate accounts receivable	-	184,235
Inter-branch transactions in transit	82,560	547,639
Accounts receivable and other debit balances - net	1,062,997	546,289
Total	<u>22,234,507</u>	<u>27,404,922</u>

* This item includes buildings and plots of land sold on installments at a cost of JD 1,452,772 as of December 31, 2007 with amounts received of JD 728,333 included in other liabilities (Note 21), against JD 1,457,125 as of December 31, 2006 with amounts received of JD 439,892.

The movement on assets seized by the bank is as follows:

	2007	2006
	JD	JD
Balance – beginning of the year	4,320,482	5,627,557
Additions	523,053	1,741,284
Disposals	(1,186,007)	(3,048,359)
	3,657,528	4,320,482
Impairment losses	(72,943)	(51,518)
Balance – end of the year	<u>3,584,585</u>	<u>4,268,964</u>

- According to the Banks Law, real estate seized by the bank against unsettled debts should be sold within two years from the date of acquisition.

14. Banks and Financial Institutions Deposits

This item consists of the following:

December 31, 2007			December 31, 2006		
Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
JD	JD	JD	JD	JD	JD
376,147	187,392	563,539	9,480	9,206	18,686
<u>14,194,217</u>	<u>15,462,826</u>	<u>29,657,043</u>	<u>14,273,311</u>	<u>16,099,627</u>	<u>30,372,938</u>
<u>14,570,364</u>	<u>15,650,218</u>	<u>30,220,582</u>	<u>14,282,791</u>	<u>16,108,833</u>	<u>30,391,624</u>

15. Central Bank of Jordan Deposit

The Central Bank of Jordan placed a non-interest bearing deposit of JD 21 million as part of the capital restructuring plan. Moreover, the deposit matures on December 31, 2008, and appears at its nominal value.

16. Customer Deposits

This item consists of the following:

	December 31, 2007				
	Individuals	Large Companies	Small and Medium Companies	Government and Public Sector	Total
	JD	JD	JD	JD	JD
Current accounts and demand deposits	34,567,629	6,377,418	31,759,640	8,614,977	81,319,664
Saving deposits	17,419,831	-	504,646	-	17,925,843
Time and notice deposits	<u>148,119,481</u>	<u>3,000,216</u>	<u>68,002,344</u>	<u>23,586,540</u>	<u>242,707,215</u>
Total	<u>200,106,941</u>	<u>9,377,634</u>	<u>100,266,630</u>	<u>32,201,517</u>	<u>341,952,722</u>

	December 31, 2006				
	Individuals	Large Companies	Small and Medium Companies	Government and Public Sector	Total
	JD	JD	JD	JD	JD
Current accounts and demand Deposits	27,787,177	12,418,106	35,618,164	3,906,190	79,729,637
Saving deposits	15,782,444	-	131,416	-	15,913,860
Time and notice deposits	<u>125,310,026</u>	<u>-</u>	<u>85,939,876</u>	<u>34,687,712</u>	<u>245,937,614</u>
Total	<u>168,879,647</u>	<u>12,418,106</u>	<u>121,689,456</u>	<u>38,593,902</u>	<u>341,581,111</u>

- Deposits of the public sector inside Jordan amounted to JD 31,510,871, equivalent to 9.2% of total deposits as of December 31, 2007 (JD 37,964,474, equivalent to 11.1% of total deposits as of December 31, 2006).
- Non-interest bearing deposits amounted to JD 82,452,493, equivalent to 24.1% of total deposits as of December 31, 2007 (JD 87,295,806, equivalent to 25.5% of total deposits as of December 31, 2006).
- Restricted deposits amounted to JD 7,363,689, equivalent to 2.2% of total deposits as of December 31, 2007 (JD 4,865,589, equivalent to 1.4% of total deposits as of December 31, 2006).
- Frozen deposits amounted to JD 6,239,308 as of December 31, 2007 (JD 5,847,348 as of December 31, 2006).

17. Cash Margins

This item consists of the following:

	December 31	
	2007	2006
	JD	JD
Cash margins on direct credit facilities	36,935,071	22,047,072
Cash margins on indirect credit facilities	15,314,054	14,308,581
Margin trading deposits	<u>2,031,787</u>	<u>1,140,464</u>
Total Cash Margin	<u>54,280,912</u>	<u>37,496,117</u>

18. Borrowed Funds

This item consists of the following:

December 31, 2007	Amount JD	Number of Payments	Collaterals	Interest Rate
Jordan Real Estate Mortgage Refinance Company	<u>10,000,000</u>	One payment maturing on June 20 , 2010	Real Estate mortgage to the favor of the Bank against customers housing loans	8.30 %
Total	<u>10,000,000</u>			

On June 20, 2007, the bank obtained a loan of JD 10 million from Jordan Real Estate Mortgage Refinance Company at an annual interest rate of 8.30%, renewable upon the bank's request, and payable in one installment on June 20, 2010.

19. Provisions

This item consists of the following:

Year 2007	Balance – beginning of the year JD	Additions during the year JD	Used during the year JD	Reversed to income JD	Balance – end of the year JD
Staff end-of-service indemnity provision	935,334	436,056	(146,062)	-	1,225,328
Legal provision	208,364	-	(77,125)	-	131,239
Other provisions	<u>46,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,700</u>
	<u>1,190,398</u>	<u>436,056</u>	<u>(223,187)</u>	<u>-</u>	<u>1,403,267</u>

Year 2006					
Staff end-of-service indemnity provision	1,060,655	22,918	(148,239)	-	935,334
Legal provision	699,150	-	(273,802)	(216,984)	208,364
Other provisions	<u>46,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,700</u>
	<u>1,806,505</u>	<u>22,918</u>	<u>(422,041)</u>	<u>(216,984)</u>	<u>1,190,398</u>

20. Income Tax

a. Income Tax Provision

The movement on the income tax provision is as follows:

	2007	2006
	JD	JD
Balance – beginning of the year	758,467	1,120,441
Income tax on available-for-sale financial assets realized gains	-	160,474
Income tax on trading financial assets realized gains	-	330,175
Income tax reversed to income	-	(852,623)
Accrued income tax for the year	<u>741,182</u>	-
Balance – end of the year	<u>1,499,649</u>	<u>758,467</u>

Income tax shown in the income statement represents the following:

	2007	2006
	JD	JD
Income tax for the year	(741,182)	-
Deferred tax liabilities on trading financial assets revaluation	-	565,381
Income tax reversed to income	-	<u>852,623</u>
	<u>(741,182)</u>	<u>1,418,004</u>

- The Income Tax Department in Jordan approved the tax assessment for all years up to the year 2005. Consequently, income tax losses totaling JD 10,577,888 have been carried forward. An amount of JD 6,021,792 of these losses has been used during the year 2006. Moreover, the bank submitted its tax return for the year 2006.
- A final settlement has been reached with the tax authorities for Palestine branches up to the year 2000. Settlement of the taxes for the years 2001, 2002, 2003, 2004, 2005 and 2006 is in progress. In the opinion of the tax advisor of the bank, no tax liabilities shall arise against the bank in excess of the amounts booked in the financial statements.

B. Deferred Tax Assets/Liabilities:

This item consists of the following:

1. Deferred Tax Assets:	2007					2006
	Balance - Beginning of the Year	Released Amount	Added Amount	Balance - End of the Year	Deferred Tax	Deferred Tax
Included Accounts	JD	JD	JD	JD	JD	JD
Provision for doubtful debts	24,769,591	5,102,213	95,662	19,763,040	6,360,980	8,119,294
Interest in suspense	5,881,489	113,766	1,198,876	6,966,599	1,966,906	1,685,870
Real-estate and other seized assets impairment losses	51,517	-	21,426	72,943	25,530	18,031
Provision for restricted lawsuit accounts	2,026,539	1,575,751	-	450,788	157,776	709,289
Provision for restricted lawsuit fees	1,610,102	243,674	83,782	1,450,210	499,505	551,513
Provision for employees end of service indemnity	935,334	146,062	436,056	1,225,328	415,474	316,940
Provision for lawsuits	208,364	77,125	-	131,239	45,934	72,927
Other provisions	46,700	-	-	46,700	16,345	16,345
Accumulated tax losses up to the end of the year 2006	4,556,096	4,556,096	-	-	-	1,594,634
Total	40,085,732	11,814,687	1,835,802	30,106,847	9,498,450	13,084,843

Deferred tax benefits have not been included in the bank's records. In case they are recorded in retained earnings, they can not be disposed of,

according to the requirements of the Central Bank of Jordan, except for the equivalent of what is realized from those deferred tax benefits.

2. Deferred Tax Liabilities:						
Included Accounts						
Cumulative change in the fair value of available-for- sale investments	332,951	332,951	-	-	-	87,400
	332,951	332,951	-	-	-	87,400
There are no deferred tax liabilities as of December 31, 2007 (against JD 87,400 for the year 2006) resulting from gains on the revaluation of available-for-sale financial assets shown within the cumulative change in fair value in shareholders' equity.						
		2007	2006			
The movement on deferred tax liabilities is as follows:		JD	JD			
Balance - beginning of the year		87,400	1,874,805			
Added during the year		-	36,538			
Amortized during the year		(87,400)	(1,823,943)			
Balance - end of the year		-	87,400			

c. The summary of the reconciliation of the accounting profit with the taxable profit is as follows:

	2007	2006
	JD	JD
Accounting profit before tax	13,161,336	9,264,696
Tax-exempt revenue *	(8,328,559)	(6,081,836)
Tax-unacceptable expenses	<u>2,660,508</u>	<u>2,838,932</u>
Taxable income before tax acceptable losses	7,493,285	6,021,792
Less: tax deductible losses	<u>(4,556,096)</u>	<u>(6,021,792)</u>
Taxable profit	<u>2,937,189</u>	-
Bank branches - Jordan	<u>35%</u>	<u>35%</u>
Bank branches - Palestine	<u>20%</u>	<u>20%</u>

* This includes a provision for debts established before the year 2000. Tax was paid on these debts upon their formation. Moreover, they relate to accounts written off or recovered during the year.

21. Other Liabilities

This item consists of the following:

	December 31	
	2007	2006
	JD	JD
Accepted cheques	2,144,716	1,691,549
Accrued interest	1,781,584	754,002
Various deposits	876,135	377,125
Safe box deposits	36,212	43,642
Dividends payable	18,588	16,105
Social security withholdings	48,865	43,514
Income tax withholdings	12,854	15,879
Accrued expenses	636,192	463,742
Incoming transfers	40,183	18,934
Provision for scientific research and university fees	128,113	114,040
Additional Jordanian university fees	128,113	94,901
Vocational and Technical Education and Training Support Fund fees	108,324	79,201
Board of Directors remuneration	35,000	35,000
Amounts received on account of the sale of real estate and land	728,333	439,892
Other credit balances	<u>952,324</u>	<u>983,341</u>
Total	<u>7,675,536</u>	<u>5,170,867</u>

22. Paid-up Capital and Share Premium

- Paid-up capital amounted to JD 63/250 million, represented by 63/250 million shares with a par value of JD one each as of December 31, 2007 (against JD 57/5 million as of December 31, 2006).

- According to the General Assembly's extraordinary meeting held on March 24, 2007, and the resolution of the Securities Commission on May 16, 2007, it was agreed to increase subscribed (paid-up) capital to JD 5,750,000 through capitalizing part of retained earnings and distributing stock dividends to shareholders registered in the bank's records as of May 30, 2007, i.e. on the 15th day from the date of approval to register the securities so that the bank's authorized and paid-up capital would become JD 63,250,000.

- Share premium amounted to JD 56, 698 as of December 31, 2007.

23. Restructuring Plan

- In its extraordinary meeting held on February 16, 2004, the bank's General Assembly ratified its restructuring plan approved by the Central Bank of Jordan. The plan includes the following:

- To offset the share capital discount of JD 5 million against accumulated losses
 - To decrease accumulated losses by the balance of the exceptional credit facilities granted by the Central Bank of Jordan after payment of the present value of these credit facilities amounting to JD 9 million
 - To decrease accumulated losses by JD 30 million through reducing capital
 - To decrease accumulated losses by offsetting the balance of the voluntary reserve and the special reserve for external branches
 - To capitalize JD 17 million of accumulated losses within the Restructuring Balance. This balance is to be amortized over ten years starting from the year 2004
 - To increase the Bank's capital by JD 30 million
 - To receive a deposit of JD 21 million from the Central Bank of Jordan without interest up to the year 2008
 - To repay the exceptional credit facilities granted by the Central Bank of Jordan at their present value of JD 9 million
- c. The debit balance of restructuring costs amounted to JD 17,258,765 as of February 16, 2004. It is to be amortized, based on the Board of Directors' resolution, over ten years starting from the year 2004.

The Restructuring Balance, shown within other assets, amounted to JD 10,355,219 net of amortization as of December 31, 2007.

The details of the restructuring balance of JD 17,258,765 are as follows:

	JD
Accumulated losses in the consolidated financial statements of the bank as of December 31, 2002	74,308,932
Losses for the first half of the year 2003 (consolidated financial statements)	1,698,957
Total accumulated losses up to June 30, 2003	76,007,889
Share capital discount amortization	5,000,000
Total amortized losses	81,007,889
Less: Redeemed accumulated losses by:	
Transfer from paid-up capital	30,000,000
Difference of repayment of exceptional credit facilities granted by the Central Bank of Jordan *	31,275,412
Transfer from voluntary reserve	1,179,594
Transfer from special reserve for external branches	1,294,118
Total Redeemed assets	63,749,124
Restructuring Balance	<u>17,258,765</u>

* The exceptional credit facilities of the Central Bank of Jordan of JD 40,275,412 have been settled at their present value of JD 9,000,000.

24. Reserves

- Statutory Reserve:

The amounts accumulated in this account represent what has been transferred from the annual profits before tax at a rate of 10% during the year and prior years according to the Banks Law. These amounts cannot be distributed to shareholders.

- General Banking Risks Reserve:

This reserve represents the general banking risks reserve according to the instructions of the Central Bank of Jordan.

The details of the restricted reserves are as follows:

Reserve	2007	Nature of Restriction
	JD	
Statutory reserve	4,797,282	Legal requirements
General banking risks reserve	3,018,854	Regulatory authorities Requirements

25. Cumulative Change in Fair Value - Net

The details are as follows:

	2007			2006
	Available-for-Sale Financial Assets			Available-for-Sale Financial Assets
	Shares	Investment Funds	Total	Shares
	JD	JD	JD	JD
Balance - beginning of the year	245,551	-	245,551	2,300,371
Unrealized gains (losses)	(929,180)	38,969	(890,211)	(2,174,863)
Deferred tax liabilities	87,400	-	87,400	731,375
(Gains) realized and transferred to the statement of income	<u>(147,829)</u>	<u>-</u>	<u>(147,829)</u>	<u>(611,332)</u>
Balance – end of the year *	<u>(744,058)</u>	<u>38,969</u>	<u>(705,089)</u>	<u>245,551</u>

* There are no deferred tax liabilities for the year 2007 (against deferred tax liabilities of JD 87,400 deducted from the cumulative change in fair value for the year 2006).

26. Retained Earnings

This account consists of the following:

	2007	2006
	JD	JD
Balance – beginning of the year	11,679,309	9,849,674
Transferred to increase capital	(5,750,000)	(7,500,000)
Paid dividends	(5,750,000)	-
Profit for the year	12,420,154	10,682,700
Transferred to statutory reserve	(1,356,088)	(956,870)
Transferred to general banking risks reserve	<u>(433,138)</u>	<u>(396,195)</u>
Balance – end of the year	<u>10,810,237</u>	<u>11,679,309</u>

Based on the instructions of the Securities Commission, an amount of JD 1,181,980 is restricted against the decline in the fair value of available-for-sale financial assets.

27. Proposed Dividends

The Board of Directors recommended that 10% of capital be distributed as stock dividends for the current year; i.e. equivalent to JD 6/325 million, in addition to 5% cash which is equivalent to JD 3/163 million subject to the approval of the General Assembly of Shareholders. Last year, stock dividends at a rate of 10% and cash at 10% of capital were distributed.

28. Interest Income

This item consists of interest from the following sources:

	2007	2006
	JD	JD
Direct credit facilities:		
Individuals (retail):		
Current accounts – overdraft	78,395	76,175
Loans and advances	4,492,510	3,533,718
Credit cards	369,707	322,678
Real estate loans	1,906,542	761,468
Companies:		
Large companies		
Current accounts – overdraft	4,983,252	2,779,296
Loans and advances	10,202,085	7,774,035
Small and medium companies:		
Current accounts – overdraft	1,876,704	1,842,119
Loans and advances	2,339,154	4,263,330
Public Sector	1,047,423	1,023,035
Balances at central banks	2,433,292	2,139,432
Balances and deposits at banks and financial institutions	3,662,090	2,529,077
Held-to-maturity financial assets	<u>3,182,685</u>	<u>2,335,432</u>
Total	<u>36,573,839</u>	<u>29,379,795</u>

29. Interest Expense

This item consists of the following:

	2007	2006
	JD	JD
Banks and financial institutions deposits:	1,679,690	861,321
Customer deposits:		
Current accounts	392,538	477,446
Saving accounts	324,932	378,655
Time and notice deposits	14,281,576	10,767,799
Cash margins	1,357,633	740,792
Borrowed funds	449,583	-
Deposit guarantee fees	<u>643,493</u>	<u>415,080</u>
Total	<u>19,129,445</u>	<u>13,641,093</u>

30. Commissions Income - Net

This item consists of the following:

	2007	2006
	JD	JD
Commission Income:		
Direct credit facilities	3,070,192	2,277,649
Indirect credit facilities	<u>2,624,925</u>	<u>2,334,920</u>
Total	<u>5,695,117</u>	<u>4,612,569</u>

31. Foreign Currencies Profit

This item consists of the following:

	2007	2006
	JD	JD
Resulting from:		
Trade	392,386	260,396
Evaluation	<u>585,153</u>	<u>435,079</u>
Total	<u>977,539</u>	<u>695,475</u>

32. Trading Financial Assets Income (Loss)

This item consists of the following:

	Realized Gains (Losses)	Unrealized (Losses)	Dividends	Total
2007	JD	JD	JD	JD
Company shares	<u>482,918</u>	<u>(365,937)</u>	<u>18,756</u>	<u>135,737</u>
Total	<u>482,918</u>	<u>(365,937)</u>	<u>18,756</u>	<u>135,737</u>
2006				
Company shares	(2,367,322)	(573,921)	188,523	(2,752,720)
Financial portfolios managed by others	(653,582)	-	-	(653,582)
Total	<u>(3,020,904)</u>	<u>(573,921)</u>	<u>188,523</u>	<u>(3,406,302)</u>

33. Available-for-Sale Financial Assets Income

This item consists of the following:

	2007	2006
	JD	JD
Dividends	90,919	28,512
Gains from the sale of financial assets available for sale	<u>341,126</u>	<u>1,036,198</u>
Total	<u>432,045</u>	<u>1,064,710</u>

34. Other Income

This item consists of the following:

	2007	2006
	JD	JD
Credit cards income	329,309	246,653
Safe boxes rent	13,941	12,931
Excess in cash	3,911	4,452
Document copying income	4,397	990
Collection service income	7,681	5,138
Immediate statement of account issuance Income	4,073	4,491
Telephone, post and swift	93,412	99,466
Interest in suspense returned to income (Note 7)	496,840	910,045
Prior years income	759,321	338,100
Miscellaneous revenues	185,333	95,216
Gains from sale of real estate seized by the Bank	482,752	1,082,397
Gains (losses) from sale of fixed assets	30,443	(35,799)
Real estate revenue	20,525	5,897
Returned from the provision for lawsuits	-	216,984
Returned from other provisions	129,981	-
Other commissions	<u>80,571</u>	<u>55,427</u>
Total	<u>2,642,490</u>	<u>3,042,388</u>

35. Employees Expenses

This item consists of the following:

	2007	2006
	JD	JD
Salaries, bonuses and employees benefits	4,608,091	3,851,433
Bank's share in social security	392,548	385,385
Bank's share in provident fund	193,052	193,542
Employees end-of-service indemnity paid	29,021	21,914
Health expenses	316,932	325,687
Staff training expenses	11,418	355
Travel per diem	60,055	67,723
Life insurance	19,243	18,708
Clothes	<u>10,413</u>	<u>6,598</u>
Total	<u>5,640,773</u>	<u>4,871,345</u>

36. Other Expenses

This item consists of the following:

	2007	2006
	JD	JD
Rent	550,277	537,676
Printing and stationery	289,440	211,924
Water, electricity, telephone, swift and postage	539,664	569,912
Lawyers fees and litigations	207,379	123,875
Repairs, maintenance and car expenses	275,661	240,486
Insurance expenses	205,851	192,026
Programs and computer maintenance	358,299	283,825
Transportation and attendance allowance of the Board of Directors	123,312	73,463
Fees, licenses and taxes	224,711	282,537
Advertising and subscriptions	772,204	717,583
Prior years expenses	2,689	34,998
Professional fees	113,553	89,766
Collection incentives	313,333	337,842
Donations and bonuses	189,553	151,165
Cleaning and services	131,875	134,183
Credit card expenses	89,452	75,511
Entertainment	100,753	67,585
Increase of capital expenses	34,527	45,001
Additional Jordanian university fees	128,113	94,901
Scientific research and university fees	128,113	94,901
Vocational and Technical Education and Training Support Fund fees	108,324	79,201
Board of Directors remuneration	35,000	35,000
Impairment provision for assets seized by the bank	21,426	-
Miscellaneous	179,124	136,080
Total	<u>5,122,633</u>	<u>4,609,441</u>

37. Earnings Per Share

Earnings per share are computed by dividing net income for the year by the weighted average number of shares as of the end of the year.

	2007	2006
	JD	JD
Net income for the year	12,420,154	10,682,700
Weighted average number of shares	<u>63,250,000</u>	<u>63,250,000</u>
Net income per share for the year	<u>0.196</u>	<u>0.169</u>

Earnings per share for the prior year have been adjusted by the number of stock dividends distributed during the year 2007 in accordance with International Financial Reporting Standards.

38. Cash and Cash Equivalents

This item consists of the following:

	2007	2006
	JD	JD
Cash and balances at central banks maturing within 3 months	74,107,330	60,830,352
Add: Balances at banks and other financial institutions maturing within 3 months	70,221,888	87,122,300
Less: Banks and financial institutions deposits maturing within 3 months	(30,220,582)	(30,391,624)
Less: Restricted balances	(2,049,313)	(3,596,021)
Total	112,059,323	113,965,007

39. Transactions with Related Parties

The bank was involved in transactions with major shareholders, members of the Board of Directors, executive management, and subsidiary companies, within its regular activities using the prevailing interest and commission rates. All credit facilities granted to related parties are classified as performing and were not provided for.

The details of transactions with related parties at the end of the year are as follows:

	Board of Directors	Board of Directors Joint Members	December 31,	
			2007	2006
Balance sheet items:	JD	JD	JD	JD
Deposits	3,282,145	1,439,381	4,721,526	8,435,364
Credit facilities	1,777,724	1,021,111	2,798,835	8,574,487
Accounts receivable	250,000	-	250,000	250,000
Cash margins	13	930,493	930,506	58,326
Off-balance sheet items				
Letters of guarantee	-	1,834,181	1,834,181	331,754
Outgoing letters of credit	-	47,558	47,558	403,236
Acceptances	226,800	4,945,469	5,172,269	1,307,884
			Total	
			For the year end December 31	
			2007	2006
Income statement items:			JD	JD
Interest and commission income	159,737	1,201,324	1,361,061	637,007
Interest and commission expense	312,197	59,329	371,526	214,481

The Lowest and Highest Interest Rate		
Credit	6%	5.85%
Debit	8.25%	8%

Executive Management Salaries and Bonuses

Executive management salaries and bonuses amounted to JD 824,716 for the year 2007 (JD 686,922 for the year 2006).

40. Fair Value of Financial Assets and Financial Liabilities not Shown at Fair Value in the Financial Statements

On-balance sheet financial instruments:

These financial instruments include cash balances and deposits at banks and central banks, direct credit facilities, other financial assets, customer deposits, bank deposits, and other financial liabilities.

There are no significant differences between the book value and fair value of the financial assets and liabilities not shown at fair value in the financial statements.

41. Risk Management

While conducting its activities and operations, the bank encounters a set of various risks such as credit risk, market risk, operational risk, and liquidity risk. Moreover, the bank endeavors to manage these risks in a bid to cater for the growth in shareholder equity and safeguard the bank's financial position.

Furthermore, the bank has an independent department for the management of risks, managed by qualified and experienced staff. The Risks Management Department has a credit risk section, market risk section, operational risk section, and compliance section. The first task of this department is to find an effective framework for the management of risks. Through this framework, the various departments of the bank will be able to determine the acceptable risk levels relating to their work as well as at the level of the whole bank. The Bank's strategy for managing risks has been based on a clear concept of the various risks, conducting precise evaluation of those risks and continuous measurement and monitoring.

Jordan Commercial Bank risk management policies are designed to identify, analyze, and monitor risks and set appropriate risk limits and proper control tools. The risk management policies and procedures are constantly and, where necessary, modified and enhanced as needed reviewed.

The Bank has formed a Risk Management Committee headed by the Vice Chairman of the Board. The committee is responsible for approving the organizational chart, policies, instructions, procedures, and reporting system of the Risk Management Department. It also oversees the bank's various levels of acceptable risks, identifies the risks encountered by the bank, determines the efficiency of the related control tools and evaluation and measurement methods of these risks, and reviews all reports issued by the risk department and the procedures to mitigate risks and identify the employees' degree of awareness in connection with all risks to which the bank is exposed.

Credit Risk

First: Descriptive Disclosure

Credit risk is the risk that financial loss arises from the failure of customers or counterparty to meet its obligations under a contract. These risks arise mainly from the bank's lending and funding activities. Moreover, the bank manages credit risk through setting up limits for the amounts of credit (individuals or corporations), sectors and geographic area. Additionally, the bank monitors credit standing and obtains proper guarantees from its customers. The bank also has comprehensive policies and procedures to control and monitor all such risks.

Credit Risk Mitigation

- Credit risks are monitored, controlled, and managed prior, during, and after the granting of credit through following up on the status of customers and evaluating their conditions, obtaining additional guarantees when necessary, and constantly monitoring the performance of those customers.
- Credit is granted through committees with specified limits and authorities. These committees are approved before hand by the bank's Board of Directors.

- According to Basel (2) Standard on the Measurement of Credit Risk, credit risk mitigation methods are used for calculating the amount weighed by risk weights for credit risk exposure for capital adequacy purposes. The Central Bank of Jordan issued instructions to all banks in Jordan to use the standardized approach for mitigating credit risk so that the overall exposure to credit risk can be reduced effectively by the amount of the collaterals. Moreover, the Central Bank of Jordan sets and determines the qualified collateral guarantees to reduce credit risks.
- Credit risk is controlled, monitored, and managed through dealing with creditworthy customers, comprehensive evaluation of credit, obtaining collaterals in addition to the original ones, securing the proper and required percentage of coverage, and constantly monitoring the performance of those customers. Added to all of this, the bank sets up the credit limits for the borrower or group of borrowers, assesses the borrower, and analyzes the credit portfolio, limits, and concentrations. The bank distributes the credit portfolio over the economic sectors and geographic areas to diversify and avoid concentrations. All these represent some of the tools used by the Bank to effectively manage credit risks. The loan agreements signed with the bank include the compensation arrangements legally applied in connection with the loans and deposits to enable the bank to sum up the customer's various accounts and transfer the credit balances to cover the due debts or freeze the customer's balances until the customer settles his obligations towards the bank.
- The credit, procedures, and policies emphasize on the necessity of the complete segregation of duties and responsibilities, the number of parties authorized to approve credit facilities, and also specify periodic reviews by the internal and external auditors. All of the above provide assurance as to the availability of an accurate environment with precise control tools and credit risk examination inside the bank.
- The bank has an internal grading process for credit facilities that is designed to highlight exposures requiring greater management attention based on a higher probability of default, potential loss and credit concentrations under the current grading framework for analyzing credit risks that is used to assign credit facilities to one of ten risk ratings. There are seven grading for performing loans and three grading for non-performing loans. Each customer is classified based on the internally developed credit rating system. The risk rating methodology focuses on factors such as key financial performance measures and ratios, the quality of information available, structure and style of borrower's management team, the structure of the facilities and the quality of the collateral coverage. Customer ratings are reviewed annually or during a shorter period as needed. Moreover, the early warning system adopted by the bank and the daily reports play an effective and important role in identifying problems that may impact the credit portfolio, and subsequently, lead to augmenting credit risk. The main purpose of the early warning system is to identify any potential problems that may affect the credit portfolio initially, directly, and at a very early stage so that many alternatives can be made available on time to deal with the situation before the credit becomes bad debt. The early detection of bad debt is part of the credit culture prevalent in the bank and one of the control tools for mitigating credit risk.

The bank has an independent credit risk control unit that belongs to risks management. The unit's responsibility is to monitor the extent of adherence to credit policy, the credit approval authorities, and the instructions of the Central Bank of Jordan. Furthermore, it monitors compliance with the credit approval terms, ensures the adequacy of the required documents, identifies customers and their related parties' concentrations, submits the necessary related reports to the concerned parties, follows up on customer commitments to payments and classified of customer accounts, and suspends interest according to Central Bank of Jordan regulations.

Moreover, bad debts of customers and expected losses are hedged through provisions. Credit risks are monitored through stress testing of the credit portfolio and the determination of the extent of its exposure to loss according to market events and their influence over the credit portfolio customers and their business sectors. Information on the circumstances should be evaluated according to certain scenarios, taking into consideration the worst case possible scenarios.

Second: Quantitative Disclosures

41.a. Credit Risks

Credit risk exposures (after the impairment provision and interest in suspense, but before collaterals and other risks mitigating factors).

	December 31,	
	2007	2006
On-Balance Sheet Items	JD	JD
Cash and balances at Central Bank	72,380,312	58,096,290
Balances at banks and financial institutions	70,221,888	87,122,300
Direct credit facilities:		
Individuals	45,706,040	37,529,672
Real estate loans	19,529,604	17,752,433
Companies:		
Large companies	195,790,736	162,725,386
SMEs	31,417,457	52,444,170
Public sector	2,500,000	2,083,333
Held-to-maturity investments	57,785,356	42,532,937
Off-Balance Sheet Items		
Guarantees	73,332,262	55,919,542
Letters of credit	95,631,991	59,048,979
Acceptances	13,145,403	14,005,316
Utilized credit facilities ceilings	19,150,984	19,761,562
Total	696,592,033	609,021,920

Credit exposures according to the degree of risk are categorized in the following table:

December 31, 2007	Individuals	Companies					Total
		Property Loans	Large Companies	SMEs	Public Sector	Banks and Other Financial Institutions	
		JD	JD	JD	JD	JD	
Low risk	-	-	21,660,343	-	-	-	21,660,343
Acceptable risk	41,609,378	18,284,168	163,990,311	29,179,703	2,500,000	142,602,200	398,165,760
Of which is due: *							
Within 30 days	519,765	89,145	25,979,828	6,601,968	-	-	33,190,706
From 31 to 60 days	283,902	34,700	4,094,522	1,126,090	-	-	5,539,214
Under watch	389,552	-	10,769,416	2,662,887	-	-	13,821,855
Non-performing:							
Below level	2,465,423	107,698	-	697,614	-	-	3,270,735
Allowance provided	375,720	1,028,069	-	326,021	-	-	1,729,810
Bad debts	20,772,055	392,472	8,175,446	2,563,468	56,202	-	31,959,643
Total	65,612,128	19,812,407	204,595,516	35,429,693	2,556,202	142,602,200	470,608,146
Less: Interest in suspense	(11,007,693)	(103,781)	(4,139,023)	(1,541,255)	(23,352)	-	(16,815,104)
Less: Impairment provision	(8,898,395)	(179,022)	(4,665,757)	(2,470,981)	(32,850)	-	(16,247,005)
Net	45,706,040	19,529,604	195,790,736	31,417,457	2,500,000	142,602,200	437,546,037
December 31, 2006	Individuals	Companies					Total
		Property Loans	Large Companies	SMEs	Public Sector	Banks and Other Financial Institutions	
		JD	JD	JD	JD	JD	
Low risk	-	-	2,911,833	-	-	-	2,911,833
Acceptable risk	33,589,324	17,470,667	125,995,650	50,286,922	2,083,333	145,218,590	374,644,486
Of which is due: *							
Within 30 days	441,539	58,701	13,426,587	4,349,042	-	-	18,275,869
From 31 to 60 days	124,191	11,772	1,842,505	1,075,703	-	-	3,054,171
Under watch	208,714	15,675	30,503,000	3,679,402	-	-	34,406,791
Non-performing:							
Below level	278,903	138,256	250,604	56,950	-	-	724,713
Allowance provided	786,479	46,831	3,268,255	188,721	-	-	4,290,286
Bad debts	27,773,033	345,509	16,224,451	4,252,655	51,319	-	48,646,967
Total	62,636,453	18,016,938	179,153,793	58,464,650	2,134,652	145,218,590	465,625,076
Less: Interest in suspense	(13,906,376)	(68,100)	(8,736,213)	(2,540,748)	(18,468)	-	(25,269,905)
Less: Impairment provision	(11,200,405)	(196,405)	(7,692,195)	(3,479,732)	(32,850)	-	(22,601,587)
Net	37,529,672	17,752,433	162,925,385	52,444,170	2,083,333	145,218,590	417,753,584

Credit exposures according to the degree of risk are categorized according to the following table:

December 31, 2007	Companies					
	Individuals	Property Loans	Large Companies	Small and Medium Companies	Public Sector	Total
	JD	JD	JD	JD	JD	JD
Low risk	-	-	21,660,343	-	-	21,660,343
Acceptable risks	39,217,058	18,545,763	150,577,157	29,727,239	-	238,067,217
Under watch	389,552	-	10,769,416	2,662,887	-	13,821,855
Non-performing:						
Below level	531,110	78,031	-	404,800	-	1,013,941
Allowance provided	455,698	1,002,012	-	245,736	-	1,703,446
Bad debts	5,095,275	448,177	7,009,935	2,093,137	-	14,646,524
Total	45,688,693	20,073,983	190,016,851	35,133,799	-	290,913,326
Of it:						
Cash margins	60,214	-	26,867,313	750,390	-	27,677,917
Accepted letters of guarantee	-	-	1,324,366	-	-	1,324,366
Real estate	38,784,278	20,073,983	123,043,838	33,932,589	-	215,834,688
Trading stocks	147,797	-	33,073,884	-	-	33,221,681
Vehicles and equipment	6,696,404	-	744,450	450,820	-	7,891,674
Other	-	-	4,963,000	-	-	4,963,000
December 31, 2006	Companies					
	Individuals	Property Loans	Large Companies	Small and Medium Companies	Public Sector	Total
	JD	JD	JD	JD	JD	JD
Low risk	-	-	2,911,833	-	-	2,911,833
Acceptable risks	35,534,432	14,350,207	72,746,512	50,875,254	-	173,506,405
Under watch	210,518	-	30,503,000	3,903,791	-	34,617,309
Non-performing:						
Below level	818	37,584	250,604	158,351	-	447,357
Allowance provided	87,611	30,594	453,750	885,361	-	1,457,316
Bad debts	8,733,382	374,949	6,031,995	2,818,484	-	17,958,810
Total	44,566,761	14,793,334	112,897,694	58,641,241	-	230,899,030
Of it:						
Cash margins	150,112	-	9,972,828	294,645	-	10,417,585
Accepted letters of guarantee	-	-	819,098	-	-	819,098
Real estate	36,814,301	14,793,334	64,036,888	58,033,297	-	173,677,820
Trading stocks	147,792	-	32,365,755	-	-	32,513,547
Vehicles and equipment	7,454,556	-	740,118	313,299	-	8,507,973
Other	-	-	4,963,007	-	-	4,963,007

4. Exposure to Credit Risk According to Geographical Distribution:

Geographic Area	Inside Kingdom	Middle East Countries	Europe	Asia *	Africa	America	Total
Item	JD	JD	JD	JD	JD	JD	JD
Cash and balances at central banks	64,634,239	7,746,073	-	-	-	-	72,380,312
Balances at banks and financial institutions	44,862	10,334,188	41,047,130	6,407,471	10,840	12,377,397	70,221,888
Credit facilities:							
Individuals	56,638,425	8,973,703	-	-	-	-	65,612,128
Property loans	16,427,398	3,385,009	-	-	-	-	19,812,407
For companies:							
Large companies	198,699,713	5,895,803	-	-	-	-	204,595,516
Small and medium companies	32,398,269	3,031,424	-	-	-	-	35,429,693
Public sector	2,500,000	56,202	-	-	-	-	2,556,202
Held-to-maturity investments	57,785,356	-	-	-	-	-	57,785,356
Mortgaged financial assets	15,000	-	-	-	-	-	15,000
Total / Year 2007	<u>429,143,262</u>	<u>39,422,402</u>	<u>41,047,130</u>	<u>6,407,471</u>	<u>10,840</u>	<u>12,377,397</u>	<u>528,408,502</u>
Total / Year 2006	<u>393,964,528</u>	<u>27,150,323</u>	<u>44,736,785</u>	<u>10,772,923</u>	<u>13,629</u>	<u>7,141,225</u>	<u>483,779,813</u>

* Excluding Middle Eastern countries.

5. The table below shows concentrations of exposure to credit risks according to economic sectors:

	Financial	Industrial	Trade	Real Estate	Agricultural	Shares	Transportation	Tourism, Hotels and Restaurants	Services and Public Utilities	Individuals	Government and Public Sector	Other	Total
Cash and balances at central banks	JD 72,380,312	-	-	-	-	-	-	-	-	-	-	-	72,380,312
Balances at banks and financial institutions	70,221,888	-	-	-	-	-	-	-	-	-	-	-	70,221,888
Credit facilities	30,980,921	48,064,580	83,159,847	43,392,380	11,098,278	7,431,521	2,795,493	4,474,878	12,522,319	57,245,883	2,556,202	24,283,644	328,005,946
Held-to-maturity investments	11,000,000	1,496,300	500,000	-	-	-	-	1,400,000	-	-	42,346,246	1,042,810	57,785,356
Mortgaged financial assets	-	-	-	-	-	-	-	-	-	-	15,000	-	15,000
Total December 31, 2007	<u>184,583,121</u>	<u>49,560,880</u>	<u>83,659,847</u>	<u>43,392,380</u>	<u>11,098,278</u>	<u>7,431,521</u>	<u>2,795,493</u>	<u>5,874,878</u>	<u>12,522,319</u>	<u>57,245,883</u>	<u>44,917,448</u>	<u>25,326,454</u>	<u>528,408,502</u>
Total December 31, 2006	<u>146,648,015</u>	<u>48,060,102</u>	<u>84,246,841</u>	<u>35,122,184</u>	<u>9,490,369</u>	<u>40,697,996</u>	<u>3,404,267</u>	<u>5,694,314</u>	<u>14,496,445</u>	<u>47,858,343</u>	<u>39,553,589</u>	<u>20,927,401</u>	<u>496,199,766</u>

- Scheduled Debts

Scheduled debts are debts previously classified as non-performing credit facilities removed from the framework of non-performing credit facilities according to proper scheduling. They have been classified as debts under control (watch listed), and amounted to JD 7,497,294 as of December 31, 2007 (against JD 13,293,000 as of December 31, 2006).

- Restructured Debts

Restructuring means rearranging credit facilities as to installment adjustments, prolongation of credit facilities, postponement of some installments, extension of the grace period, etc... These debts have been classified as under control (watch listed). Moreover, there are no restructured debts as of December 31, 2007

(against JD 4,220,000 as of December 31, 2006).

3. Bonds, Bills, and Debentures

The following table shows the classification of bonds, bills, and debentures according to external rating organizations:

	December 31, 2007		
	Within Mortgaged Financial Assets	Within Held-to-Maturity Investments	Total
	JD	JD	JD
Un-classified	-	15,396,744	15,396,744
Governmental	15,000	42,388,612	42,403,612
Total	15,000	57,785,356	57,800,356

38.b. Market Risk

Market risk is the risk that movement in market rates (including changes in interest rates, exchange rates, bonds prices, and commodity prices) will reduce the bank's income or the value of its portfolios.

Market risk is controlled according to the instructions of executive management and the decisions issued by the Assets and Liabilities Committee (ALCO).

Interest rate risk is managed by the Assets and Liabilities Committee (ALCO) with the participation of the Treasury Department. As such, the impact of the interest rate overall changes on the bank's financial position. To manage this type of risk and limit its effects, the bank matches the maturities of assets with the maturities of liabilities. Moreover, the bank endeavors to transact through hedging in order to cover counter financial positions so that the end result of the deals and related risks are acceptable to the bank. Exchange rates are controlled through setting up limits for the daily deals, and for one night.

Daily positions are closed daily, and limits to stop dealers' losses are effected by the Treasury Department. The daily transactions of the Treasury Department are monitored through daily work reports. Besides, adherence to the bank's investment policy is verified to ensure that the pertinent instructions of the Central Bank of Jordan are not violated.

The Bank adopts financial policies to manage the various risks within a specified strategy. Moreover, the bank has an Assets and Liabilities Committee (ALCO) that monitors and controls risks and optimally allocates the assets and liabilities on and off balance sheet.

These risks include the following:

1. Interest rate risk that may arise due to the probable fluctuations in the value of financial instruments due to changes in market interest rates
2. Exchange rate risk that may arise from changes in the prices of foreign currencies
3. Market risk that may arise from changes in the prices of shares and bonds

1. Currency Risks:

2007			JD
Currency	Change in Exchange Rate%	Impact on Profit and Loss	Impact on Equity
US Dollar	-	-	-
Euro	11.9	18,333	-
Pound Sterling	1.9	(517)	-
Japanese Yen	-	-	-
Other Currencies	12.8	62,907	-

2006			JD
Currency	Change in Exchange Rate%	Impact on Profit and Loss	Impact on Equity
US Dollar	-	-	-
Euro	10.9	(185)	-
Australian Dollar	13.5	(4,996)	-
Japanese Yen	-	-	-
Other Currencies	5.5	6,759	-

2. Risks of Changes in the Prices of Shares:

2007			JD
Indicator	Change in Indicator%	Impact on Profit and Loss	Impact on Equity
Amman Stock Exchange and Palestine Stock Exchange	19.84	692,000	1,332,000

2006			JD
Indicator	Change in Indicator%	Impact on Profit and Loss	Impact on Equity
Amman Stock Exchange and Palestine Stock Exchange	(31.38)	(887,000)	(1,479,000)

Interest Repricing Gap

Classification is based on interest repricing periods or maturities, whichever are nearer.

The sensitivity of interest rates as of December 31, 2007 is as follows:

2007	Less than One Month	More than 1 Month Up to 3 Months	More than 3 months up to 6 months	More than 6 months up to 1 year	More than 1 year up to 3 years	More than 3 years	Non-interest bearing	Total
Assets:	JD	JD	JD	JD	JD	JD	JD	JD
Cash and balances at central bank	14,395,000	25,000,000	8,000,000	-	-	-	34,712,330	82,107,330
Balances at banks and financial institutions	69,796,431	-	-	-	-	-	425,457	70,221,888
Deposits at banks and financial institutions	-	-	-	-	-	-	-	-
Trading financial assets	-	-	-	-	-	-	3,423,135	3,423,135
Direct credit facilities	25,949,576	39,470,030	38,049,357	53,883,028	132,079,510	1,614,257	3,898,079	294,943,837
Available-for-sale financial assets	-	-	-	-	-	-	10,744,115	10,744,115
Held-to-maturity financial assets	-	-	56,742,546	1,042,810	-	-	-	57,785,356
Mortgaged assets	-	-	15,000	-	-	-	-	15,000
Fixed assets	-	-	-	-	-	-	7,293,756	7,293,756
Intangible assets	-	-	-	-	-	-	491,726	491,726
Other assets	-	-	-	-	-	-	22,234,507	22,234,507
Total Assets	110,141,007	64,470,030	102,806,903	54,925,838	132,079,510	1,614,257	83,223,105	549,260,650
Liabilities								
Deposits at banks and financial institutions	30,220,582	-	-	-	-	-	-	30,220,582
Deposits at Central Bank	-	-	-	-	-	-	21,000,000	21,000,000
Customer deposits	183,332,694	45,957,768	18,792,363	11,417,404	-	-	82,452,493	341,952,722
Cash margins	1,846,754	3,693,507	5,540,261	7,387,014	18,467,535	-	17,345,841	54,280,912
Borrowed funds	-	-	-	10,000,000	-	-	-	10,000,000
Other provisions	-	-	-	-	-	-	1,403,267	1,403,267
Provision for income tax	-	-	-	-	-	-	1,499,649	1,499,649
Other liabilities	-	-	-	-	-	-	7,675,536	7,675,536
Total liabilities	215,400,030	49,651,275	24,332,624	28,804,418	18,467,535	-	131,376,786	468,032,668
Interest repricing gap	(105,259,023)	14,818,755	78,474,279	26,121,420	113,611,975	1,614,257	(48,153,681)	81,227,982

The sensitivity of repricing interest as of December 31, 2006 is as follows:

2006	Interest Rate Sensitivity							Total
	Less than one month	More than 1 month up to 3 months	More than 3 months up to 6 months	More than 6 months up to 1 year	More than 1 year up to 3 years	More than 3 years	Non-interest bearing	
Assets:	JD	JD	JD	JD	JD	JD	JD	JD
Cash and balances at central banks	12,000,000	23,750,000	6,000,000	-	-	-	25,080,352	66,830,352
Balances at banks and financial institutions	86,840,555	-	-	-	-	-	281,745	87,122,300
Trading financial assets	-	-	-	-	-	-	2,819,881	2,819,881
Direct credit facilities	17,681,851	33,476,742	38,413,961	51,178,641	121,674,907	4,318,418	5,790,474	272,534,994
Available-for-sale financial assets	-	-	-	-	-	-	7,072,900	7,072,900
Held-to-maturity financial assets	-	-	42,627,937	-	-	-	-	42,532,937
Mortgaged financial assets	-	-	80,000	-	15,000	-	-	95,000
Fixed assets	-	-	-	-	-	-	6,369,942	6,369,942
Intangible assets	-	-	-	-	-	-	401,224	401,224
Other assets	-	-	-	-	-	-	27,404,922	27,404,922
Total assets	116,522,406	57,226,742	87,026,898	51,178,641	121,689,907	4,318,418	75,221,440	513,184,452
Liabilities:								
Deposits at banks and financial institutions	30,391,624	-	-	-	-	-	-	30,391,624
Deposits at Central Bank	-	-	-	-	-	-	21,000,000	21,000,000
Customer deposits	162,431,224	44,478,974	28,154,296	15,946,659	1,964,491	1,309,661	87,295,806	341,581,111
Cash margins	1,822,479	3,644,958	5,467,436	7,289,915	3,822,284	-	15,449,045	37,496,117
Other provisions	-	-	-	-	-	-	1,190,398	1,190,398
Provision for income tax	-	-	-	-	-	-	758,467	758,467
Deferred tax liabilities	-	-	-	-	-	-	87,400	87,400
Other liabilities	-	-	-	-	-	-	5,170,867	5,170,867
Total liabilities	194,645,327	48,123,932	33,621,732	23,236,574	5,786,775	1,309,661	130,951,983	437,675,984
Interest repricing gap	(78,122,921)	9,102,810	53,405,166	27,942,067	115,903,132	3,008,757	(55,730,543)	75,508,468

Concentration in Foreign Currencies Risk

For the Year 2007	US Dollar	Euro	Sterling Pound	Shiekkel	Other	JD Total
Assets:						
Cash and balances at central banks	8,508,888	64,909	-	1,526,691	38,116	10,138,604
Balances at banks and financial institutions	55,965,928	5,075,769	302,366	8,934,996	284,570	70,563,629
Direct credit facilities	15,678,308	-	-	1,296,016	-	16,974,324
Available-for-sale financial assets	1,545,594	-	1,169,810	-	-	2,715,404
Held-to-maturity financial assets	496,300	1,042,810	-	-	-	1,539,110
Other assets	<u>1,230,687</u>	<u>-</u>	<u>-</u>	<u>347,751</u>	<u>-</u>	<u>1,578,438</u>
Total Assets	<u>83,425,705</u>	<u>6,183,488</u>	<u>1,472,176</u>	<u>12,105,454</u>	<u>322,686</u>	<u>103,509,509</u>
Liabilities:						
Deposits at banks and financial institutions	15,402,150	-	-	3,758,403	-	19,160,553
Customers' deposits	58,515,937	4,062,648	366,916	7,990,115	15,139	70,950,755
Cash margins	11,445,273	1,022,071	5,126	464,620	-	12,937,090
Other assets	1,800,305	-	-	(401,270)	-	1,399,035
Stockholders' equity	<u>2,287,284</u>	<u>-</u>	<u>-</u>	<u>158,705</u>	<u>-</u>	<u>2,445,989</u>
Total Liabilities	<u>89,450,949</u>	<u>5,084,719</u>	<u>372,042</u>	<u>11,970,573</u>	<u>15,139</u>	<u>106,893,422</u>
Net Concentration on-Balance Sheet	<u>(6,025,244)</u>	<u>1,098,769</u>	<u>1,100,134</u>	<u>134,881</u>	<u>307,547</u>	<u>(3,383,913)</u>
Accrued Liabilities off-Balance Sheet	<u>59,605,368</u>	<u>21,344,859</u>	<u>34,899</u>	<u>86,716</u>	<u>-</u>	<u>81,071,842</u>
For the Year 2006						
Total Assets	<u>81,031,557</u>	<u>6,200,261</u>	<u>1,538,078</u>	<u>7,269,039</u>	<u>320,197</u>	<u>96,359,132</u>
Total Liabilities	<u>85,500,694</u>	<u>4,773,073</u>	<u>361,072</u>	<u>7,197,361</u>	<u>9,102</u>	<u>97,841,302</u>
Net Concentration on-Balance Sheet	<u>(4,469,137)</u>	<u>1,427,188</u>	<u>1,177,006</u>	<u>71,678</u>	<u>311,095</u>	<u>(1,482,170)</u>
Accrued Liabilities off-Balance Sheet	<u>24,357,711</u>	<u>14,539,376</u>	<u>23,797</u>	<u>143,836</u>	<u>-</u>	<u>39,064,720</u>

Liquidity Risk

Liquidity risk is the bank's inability to make available the necessary funds to meet obligations on their maturity dates. In order to protect the bank against this risk, the bank's management diversifies its funding resources and manages the assets and liabilities and matches their maturities according to the maturities scale. Moreover, the Assets and Liabilities Committee analyzes and controls the maturities of assets and liabilities monthly, in addition to monitoring the daily and weekly liquidity and maintaining an adequate balance of cash and cash equivalents and marketable securities.

Liquidity risk represents the bank's failure to fulfill its obligations on their maturity dates due to its inability to obtain the necessary funding or due to its inability to liquidate its assets at the proper time and price.

The Treasury Department manages the bank's liquidity and funding to ensure the availability of adequate funds to meet the bank's cash funding requirements and any other unexpected need. Moreover, the bank always keeps liquidity levels, as it deems appropriate, to meet any deposits, withdrawals, loan repayments, and financing, as well as encounter any possible difficulties that may arise from the local or regional markets or geographical events.

The liquidity risk control process includes financial analysis of the bank's balance sheet items, measurement of the present and expected cash flow gap, making available cash resources, controlling the concentration of individual depositors, and maintaining a diversified funding base for deposits. Moreover, liquidity risk is mitigated through ensuring adherence to the pertinent instructions of the Central Bank of Jordan, particularly the maturities scale difference limit for time periods and compliance with the instructions on keeping the minimum of liquid assets 100% of total weighted assets.

The following are the bank's policies on managing these risks:

Liquidity risk is managed by the bank through controlling the following ratios stated within the assets and liabilities management policy approved by the Board of Directors:

- Legal liquidity ratio
- Ratio of liquid assets to assets liquid investments
- Ratio of investments to liquid investments to customer deposits
- Ratio of net credit to customer deposits
- Ratio of net credit to equity

The gap between the maturities of assets and liabilities is monitored through the following indicators that state maximums and minimums thereon:

- During 90 days
- During a period from 91 days to 365 days
- Cumulative gap to equity
- Cumulative gap to assets

41. c. Liquidity Risk

First:

The following table summarizes the distribution of (undiscounted) liabilities based on the remaining period of the contractual maturity as of December 31, 2007:

	Less than One Month	More than 1 month up to 3 Months	More than 3 months up to 6 Months	More than 6 months up to 1 Year	More than 1 year up to 3 Years	More than 3 Years	Without maturity Date	Total
Liabilities:	JD	JD	JD	JD	JD	JD	JD	JD
Deposits at banks and financial institutions	29,220,582	1,000,000	-	-	-	-	-	30,220,582
Deposit at Central Bank	-	-	-	21,000,000	-	-	-	21,000,000
Customer deposits	258,421,498	45,957,768	18,792,363	11,417,404	-	-	7,363,689	341,952,722
Cash margins	2,714,045	5,428,091	8,142,138	10,856,182	27,140,456	-	-	54,280,912
Borrowed funds	-	-	-	-	10,000,000	-	-	10,000,000
Other provisions	-	-	-	-	131,239	1,272,028	-	1,403,267
Provision for income tax	-	741,182	-	758,467	-	-	-	1,499,649
Other liabilities	5,311,888	446,380	-	110,648	-	-	1,806,620	7,675,536
Total liabilities	<u>295,668,013</u>	<u>53,573,421</u>	<u>26,934,501</u>	<u>44,142,701</u>	<u>37,271,695</u>	<u>1,272,028</u>	<u>9,170,309</u>	<u>468,032,668</u>
Total Assets (According to Expected Maturity)	<u>129,400,362</u>	<u>81,785,113</u>	<u>46,241,420</u>	<u>54,733,998</u>	<u>167,599,826</u>	<u>10,509,251</u>	<u>58,990,680</u>	<u>549,260,650</u>

The following table summarizes the distribution of (undiscounted) liabilities based on the remaining period of the contractual maturity as of December 31, 2006:

	Less than one month	More than 1 month up to 3 months	More than 3 months up to 6 months	More than 6 months up to 1 year	More than 1 year up to 3 years	More than 3 years	Without maturity date	Total
Liabilities:	JD	JD	JD	JD	JD	JD	JD	JD
Deposits at banks and financial institutions	30,391,624	-	-	-	-	-	-	30,391,624
Deposit at Central Bank	-	-	-	-	21,000,000	-	-	21,000,000
Customer deposits	260,323,275	47,871,208	16,940,005	11,581,034	-	-	4,865,589	341,581,111
Cash margins	1,822,479	3,644,958	5,467,436	8,336,457	18,224,787	-	-	37,496,117
Other provisions	-	-	-	-	208,364	982,034	-	1,190,398
Provision for income tax	758,467	-	-	-	-	-	-	758,467
Deferred tax liabilities	-	-	-	-	-	-	87,400	87,400
Other liabilities	2,766,828	417,908	-	-	-	-	1,986,131	5,170,867
Total liabilities	296,062,673	51,934,074	22,407,441	19,917,491	39,433,151	982,034	6,939,120	437,675,984
Total assets (according to expected maturity)	138,124,729	59,490,035	46,462,193	58,664,469	142,159,303	15,957,723	49,326,000	513,184,452

Operational risk

Operational risk is the risk of loss arising through fraud, unauthorized activities, error, omission, inefficiency, system failure and external events. The bank manages operational risk through a control environment integrated with detailed control tools and a set of procedures, policies, authorities, delegation processes, and segregation of duties. This is in addition to the availability of an operational risk policy that sets the general framework of risks and the pertinent mitigation and control methods plus acceptable risks and roles assigned to the bank's units. Operational risk facing the bank's units and relating to their daily operations are assessed and determined by the personnel in charge of these units in coordination with the Risk Department, and controls thereon are established.

The bank's operational risk are controlled and mitigated through several control tools such as:

- Control risk self-assessment
- Risk-based audit
- Loss data registration
- Risk transfer
- Business continuity plan

According to Basel (2) relating to the measurement of risk, the basic indicator approach is used to calculate the capital adequacy ratio according to the instructions of the Central Bank of Jordan. Moreover, the capital required to meet operational risk is calculated based on summing up the average total gross income for the last three years multiplied by a fixed percentage (alpha) set by the Central Bank of Jordan at 15%.

- Reputational Risk

This risk results from failure to properly operate the bank according to the pertinent laws and regulations. Moreover, the activities performed by the bank depend on its good reputation in front of depositors and customers. The bank studies matters that detract from its reputation, and all instructions, regulations, policies, and procedures that limit its exposure to reputation risk. It is the responsibility of all of its employees to safeguard its reputation. They should adhere to the code of professional ethics.

- Legal Risk

Legal risk relates to contractual, legislative, and litigation risks encountered by the bank. The responsibility for legal risk falls squarely on the shoulders of the bank's Legal Department which defines, determines, assesses and evaluates the legal risks to which it is exposed. It prepares the related necessary reports and submits them to the Chief Executive Officer and/or General Manager. Moreover, the Legal Department constantly and effectively consults the bank's legal adviser concerning all lawsuits and claims to which the Bank is a party.

Second: Off-Balance Sheet Items

December 31, 2007	Up to One Year	From One Year up to 5 Years	More than 5 Years	Total
	JD	JD	JD	JD
Letters of credit and Acceptances	104,898,379	3,879,015	-	108,777,394
Unutilized credits	19,150,984	-	-	19,150,984
Guarantees	73,093,583	133,878	104,801	73,332,262
Operating lease contract liabilities	521,369	-	-	521,369
Total	<u>197,664,315</u>	<u>4,012,893</u>	<u>104,801</u>	<u>201,782,009</u>

December 31, 2006	Up to One Year	From One Year up to 5 Years	More than 5 Years	Total
	JD	JD	JD	JD
Letters of credit and acceptances	73,054,295	-	-	73,054,295
Unutilized credits	19,761,562	-	-	19,761,562
Guarantees	55,776,200	54,941	88,401	55,919,542
Operating lease contract liabilities	463,574	-	-	463,574
Total	<u>149,055,631</u>	<u>54,941</u>	<u>88,401</u>	<u>149,198,973</u>

42. Sector Analysis

a. Information on the bank's business sectors:

For management purposes, the bank is organized into the following major business sectors:

- Individual accounts
- Corporation accounts
- Treasury accounts

The following is information on the bank's business sectors distributed according to activity:

	Individuals	Corporations	Treasury	Other	Total	
					2007	2006
	JD	JD	JD	JD	JD	JD
Total revenues	5,982,531	26,669,500	10,823,388	2,981,348	46,456,767	35,388,635
Provision for impairment in credit facilities	-	-	-	-	-	(321,073)
Sector's results of operations	5,982,531	26,669,500	10,823,388	2,981,348	46,456,767	35,067,562
Undistributed expenses	(4,289,475)	(19,122,032)	(7,760,369)	(2,123,555)	(33,295,431)	(25,804,866)
Income before tax	1,693,056	7,547,468	3,063,019	857,793	13,161,336	9,264,696
Income tax	-	-	-	(741,182)	(741,182)	1,418,004
Profit for the year	<u>1,693,056</u>	<u>7,547,468</u>	<u>3,063,019</u>	<u>116,611</u>	<u>12,420,154</u>	<u>10,682,700</u>
Other liabilities:						
Sector assets	45,706,040	249,237,797	223,609,586	30,707,227	549,260,650	513,184,452
Sector liabilities	200,106,941	163,925,176	92,734,861	11,265,690	468,032,668	437,675,984
Capital expenditures	-	-	-	2,314,512	2,314,512	3,214,294
Depreciation and amortization	-	-	-	2,966,524	2,966,524	2,658,069

b. In managing capital, the bank aims at developing its various business activities to achieve the maximum return possible for its shareholders.

c. The Bank's management reviews the periodic financial analysis studies and takes the appropriate decisions, such as:

1. Comparing the bank's actual results with budget figures
2. Comparing the present year's financial ratios with those of prior years and explaining variances
3. Comparing the bank's performance with the performance of other similar banks

d. Reasons for and sources of the changes in the bank's regulatory capital during the year.

The changes in the bank's regulatory capital during the year represent an increase in capital, statutory reserve, general banking risk reserve, and retained earnings. The table below (item e) on capital adequacy shows the increase.

e. The following table shows the amount considered as capital by the bank and the capital adequacy ratio:

	December 31	
	2007	2006
a. Core capital items:	JD	JD
Subscribed capital (paid)	63,250,000	57,500,000
Statutory reserve	4,797,282	3,441,194
Share premium	56,698	56,698
Retained earnings	6,465,756	5,929,309
Less:		
Bank's restructuring balance	(10,355,219)	(12,081,107)
Investments in the capitals of other banks and financial institutions	(396,369)	(1,472,235)
Total Core Capital (a)	63,818,148	53,373,859
b. Supplementary Capital:		
Net of offsetting the effect of applying IAS (39) and the cumulative change in the fair value of available-for-sale assets	(705,089)	110,498
General banking risk reserve	3,018,854	2,585,716
Subordinated debts	4,200,000	8,400,000
Total supplementary capital (b)	6,513,765	11,096,214
Total core capital and supplementary Capital	70,728,282	65,942,308
Less:		
Investments in the capitals of banks and financial institutions	(396,369)	(1,472,235)
Total risk-weighted assets	70,331,913	64,470,073
	388,859,985	370,541,756
Percentage of capital adequacy ratio	<u>18/09%</u>	<u>17/40%</u>
Percentage of core capital ratio	<u>16/41%</u>	<u>14/40%</u>

44. Analysis of the Assets and Liabilities Maturities

The following table illustrates the analysis of assets and liabilities according to the remaining period of their recovery or settlement:

December 31, 2007	Up to One Year	More than One Year	Total
Assets:	JD	JD	JD
Cash and balances at central banks	73,812,746	8,294,584	82,107,330
Balances at banks and financial institutions	68,228,135	1,993,753	70,221,888
Trading financial assets	3,423,135	-	3,423,135
Direct credit facilities	158,227,903	136,715,934	294,943,837
Available-for-sale financial assets	-	10,744,115	10,744,115
Held-to-maturity financial assets	16,392,212	41,393,144	57,785,356
Mortgaged financial assets	15,000	-	15,000
Fixed assets	-	7,293,756	7,293,756
Intangible assets	-	491,726	491,726
Other assets	9,957,541	12,276,966	22,234,507
Total assets	<u>330,056,672</u>	<u>219,203,978</u>	<u>549,260,650</u>
Deposits at banks and financial institutions	30,220,582	-	30,220,582
Deposit at central bank	21,000,000	-	21,000,000
Customer deposits	335,232,860	6,719,862	341,952,722
Cash margins	27,140,456	27,140,456	54,280,912
Borrowed funds	-	10,000,000	10,000,000
Other provisions	-	1,403,267	1,403,267
Provision for income tax	1,499,649	-	1,499,649
Other liabilities	<u>5,868,916</u>	<u>1,806,620</u>	<u>7,675,536</u>
Total liabilities	<u>420,962,463</u>	<u>47,070,205</u>	<u>468,032,668</u>
Net	<u>(90,905,791)</u>	<u>172,133,773</u>	<u>81,227,982</u>

December 31, 2006	Up to One Year	More than One Year	Total
Assets:	JD	JD	JD
Cash and balances at Central Bank	65,206,659	1,623,693	66,830,352
Balances at banks and financial institutions	83,581,839	3,540,461	87,122,300
Trading financial assets	-	2,819,881	2,819,881
Direct credit facilities	142,567,267	129,967,727	272,534,994
Available-for-sale financial assets	-	7,072,900	7,072,900
Held-to-maturity financial assets	14,418,638	28,114,299	42,532,937
Mortgaged financial assets	80,000	15,000	95,000
Fixed assets	-	6,369,942	6,369,942
Intangible assets	-	401,224	401,224
Other assets	12,691,469	14,713,453	27,404,922
Total assets	<u>318,545,872</u>	<u>194,638,580</u>	<u>513,184,452</u>
Deposits at banks and financial institutions	30,391,624	-	30,391,624
Deposit at Central Bank	-	21,000,000	21,000,000
Customer deposits	336,937,134	4,643,977	341,581,111
Cash margins	18,748,058	18,748,059	37,496,117
Provision for income tax	758,467	-	758,467
Other provisions	-	1,190,398	1,190,398
Deferred tax liabilities	87,400	-	87,400
Other liabilities	<u>3,243,158</u>	<u>1,927,709</u>	<u>5,170,867</u>
Total liabilities	<u>390,165,841</u>	<u>47,510,143</u>	<u>437,675,984</u>
Net	<u>(71,619,969)</u>	<u>147,128,437</u>	<u>75,508,468</u>

45. Commitments and Contingent Liabilities

a. Commitments and contingent liabilities:

	2007	2006
	JD	JD
Letters of credit	95,631,991	59,048,979
Acceptances	13,145,403	14,005,316
Letters of guarantees:		
Payments	21,997,027	14,449,620
Performance bonds	13,759,109	12,188,934
Other	37,576,126	29,280,988
Unutilized credit facilities	19,150,984	19,761,562
Total	<u>201,260,640</u>	<u>148,735,399</u>

b. Operating lease contracts of JD 521,369 represent the annual contracts of leasing the bank's branches as of December 31, 2007 (JD 463,574 as of December 31, 2006).

c. There are no unsettled amounts relating to the bank's participation in the capitals of companies as of December 31, 2007 and 2006.

46. Lawsuits against the Bank

The bank is a defendant in lawsuits demanding cancellation of its claims against others, lifting of real estate mortgages, compensation for damages, and non-cashing of checks. These lawsuits amounted to JD 842,366 as of December 31, 2007 (JD 693,535 as of December 31, 2006). According to the bank's management and the legal counsel, no liabilities shall arise against the Bank exceeding the existing provision.

47. New and Revised International Financial Reporting Standards

a. The International Accounting Standards Board issued amendments to International Accounting Standards and new International Financial Reporting Standards which have become effective starting from January 1, 2007. The details are as follows:

1. International Financial Reporting Standard No. 7 - Financial Instruments (Disclosure). This standard requires additional disclosures about financial instruments and their impact on the financial position and performance as well as information on the extent of exposure to risks arising from financial instruments.
2. Amendments to the International Accounting Standard No. 1 – Presentation of Financial Statements. The application of International Financial Reporting Standard No. 7 and the amendments to International Accounting Standard No. 1 led to the expansion of disclosures and clarifications on the consolidated financial

statements and related financial instruments and capital management. Moreover, the International Financial Reporting Interpretations Committee issued interpretations, which came into force during the year 2007:

- Interpretation No. 7: Application of Restatement Approach according to International Accounting Standard No. 29 Financial Reporting in Hyperinflationary Economies.
- Interpretation No. 8: Scope of International Financial Reporting Standard No. 2.
- Interpretation No. 9: Reassessment of Embedded Derivatives.

Interpretation No. 10: Interim Financial Reports and Consolidated Financial Reports of the Bank.

The application of these interpretations has not resulted in any material changes to the accounting policies used by the bank.

The following International Financial Reporting Standards and interpretations were still not in effect at the time of preparation of the financial statements of the bank. The details are as follows:

- International Financial Reporting Standard No. 8 - Operating Segments *
- International Financial Reporting Standard No. 3 – Business Combinations *
- International Accounting Standard No. 1: Amendments to the Presentation of Financial Statements *
- International Accounting Standard No. 23: Amendments to the Accounting Treatment of Borrowing Costs *
- International Accounting Standard No. 27: Consolidated and Separate Financial Statements *
- Interpretation No. 12: Service Concession Arrangements **
- Interpretation No. 13: Non-cash Contributions of Joint Venturers ***
- Interpretation No. 14: International Accounting Standard No. 19: Staff Benefits

* Effective as of January 1, 2009

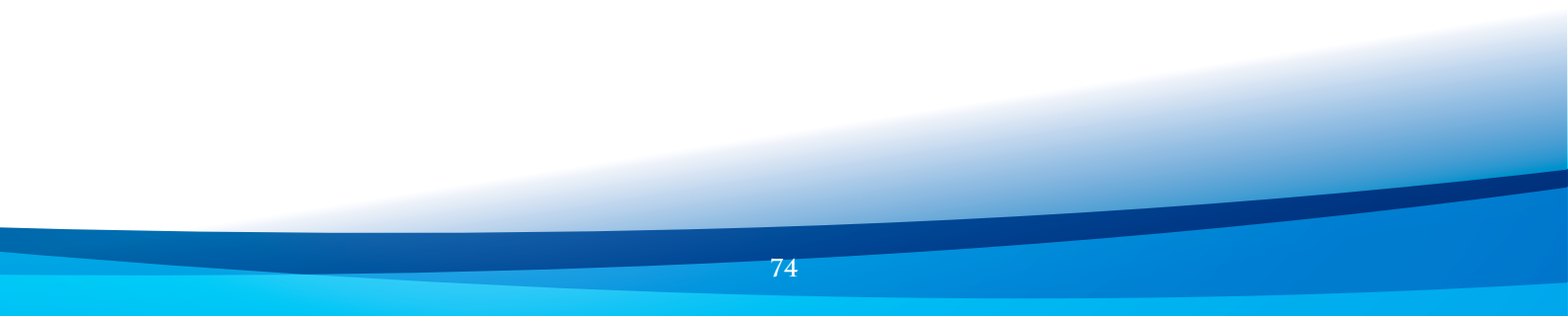
** Effective as of January 1, 2008

*** Effective as of July 1, 2008

The bank's management expects to apply the above International Financial Reporting Standards and interpretations to its financial statements on the effective date of each.

48. Comparative Figures

Some of the comparative figures for the year 2006 have been reclassified to correspond with those of the year 2007.



Branch Network

Branch	Telephone Number
Head office	06-5203000
Main branch	06-5203141
Commercial complex	06-5683637
Jabal Amman	06-5203194
Jabal Hussien	06-5203192
Abdali	06-5650771
Mecca Street	06-5866003
Bayader	06-5857954
Swefyeh	06-5203190
Amman	06-5203196
Wihdat	06-4777953
Queismeh	06-5203079
Marka	06-4886234
Hitteen	05-3610665
Sweileh	06-5356891
Fuheis	06-4720969
Wasfi Tel Street	06-5519716
Abu Nseir	06-5233338
Salt	05-3550895
Ma'adi	05-3539391
Zarka	05-5203183
Madaba	05-3246934
Aqaba	03-2014167
Aqaba – ASEZA office	03-2019568
Karak	03-2386963
Irbid	02-7240052
Ramtha	02-7380656
Irbid – Eidoon Street	02-7251783
Palestine	
Regional Office	+9702/2989231
Nablus	+9709/2382191
Tool Karim	+9709/2676583
Ramallah	+9702/2987680

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