

EXPORT & FINANCE BANK
Annual Report 2005



BOARD OF DIRECTORS



Chairman
Ali K. Al-Husry

Vice Chairman
Fayez M. Soheimat

Members
Bassem K. Al-Salem
General Manager /
Packaging Industries Company
(Until April, 2005)

Mohammed M. El-Seif
Chairman /
El-Seif Development Company

Mazen S. Darwazah
Chairman /
Hikma Pharmaceuticals

Abdel Raouf W. Al-Bitar
Chairman /
Al-Manhal Water Factory Co. Ltd

**Investment &
Integrated Industries Company**
represented by
Chairman /
Elia C. Nuqul

Social Security Corporation
represented by
Pension Department Manager /
Yehya Abu Ersheid

**Bayader Trade & Investment
Company**
represented by
Chairman /
Amer M. Fariz

Mr. Bassem A. Touqan
Chairman /
Support Services Company Ltd.

Spumante Comercio Internacional LDA
represented by
Mansour Fustouq
(Since March, 2005)
Mohammed Rashad Khoursheed
(Until February, 2005)

Fawzi Jumeian
Al-Khalil Investments
(Since July, 2005)

EXPORT & FINANCE BANK (EFB) aims to be:

The first class provider of comprehensive commercial and investment banking services.

The Bank with the innovative edge in Jordan.

The preferred choice for exporters, corporate clients and talented employees.

A major contributor to the growth and development of Jordan's capital market.

EFB's core values are dedication to clients, maximization of employees' potential and provision of superior services.



EFB'S MISSION STATEMENT

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On behalf of our board of directors, I am delighted to present to you the Tenth Annual Report of the **EXPORT & FINANCE BANK** covering the financial year 2005.

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CHAIRMAN & CHIEF EXECUTIVE'S STATEMENT

The past year was another outstanding year for us as favorable economic conditions enhanced our positive results, achieving robust growth and record profits in various business areas. Our ability to manage risk and cost was evident in the quality of earnings during the year. Thus, for this year, I am proud to announce that our net profits- the highest in the bank's history reached JD 21.3 million recording an increase of %72 over 2004 net profits, while earnings per diluted share (EPS) were JD 0.229. Lending also increased to JD 396.6 million, while total deposits reached JD 391.5 million recording 61% increase from the year before. Total assets now stand at JD 698 million, and our shareholder's equity has grown significantly over the past year reaching JD 135.9 million. This has positively affected our credit ratings during the year as Capital Intelligence upgraded our ranking to BBB making us one of the top rated banks in Jordan.

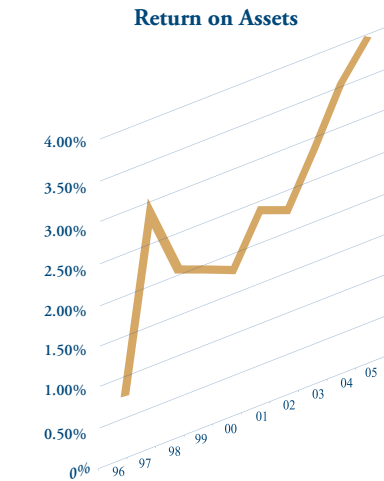
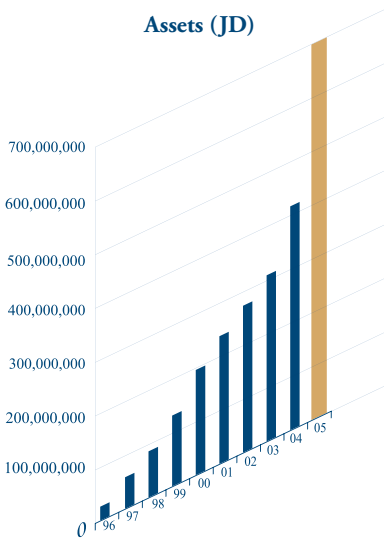
Despite a highly competitive environment, we were able to close the year 2005 with a well diversified and high performing credit portfolio. Our plan to increase the credit extended to the retail sector materialized last year as credit extended to the retail sector increased by 52%. Our Non-performing loans dropped to a record low reaching 1.95%, while bad debt coverage ratio increased to 117%.

During 2005, the Jordanian economy followed suite with the rest of the booming regional economies where Jordan's GDP growth rate reached 7% while inflation reached 3.5%. Furthermore, the Amman Stock Exchange delivered buoyant performance during the past year where the ASE index closed at 8191.5 points, and ASE Market capitalization increased by 104.55% during 2005 reaching JD26.66 billion. The market capitalization represented 300% of the projected GDP for 2005 compared to 159.6% in 2004, pointing to the ASE's growing impact on the national economy. Over the years, our sound investment strategy at Export & Finance Bank has allowed us to benefit from the rising market tide while diversifying our revenue sources in order to perform well across all market cycles.

We have solidified our position in the retail banking sector by expanding our network to better serve our clients. During the past year, we opened three new branches in Wehdat, Irbid, and Zarqa. In addition, preparatory steps are being taken to open three new branches in Amman during 2006 and a branch in downtown Aqaba bringing up the total number of branches to eleven.

Our capital markets and investment banking division witnessed unprecedented expansion in the volume of business and deal flow. In order to better capitalize on this growth, the bank undertook the spin-off of the investment banking and capital markets division into a separate dedicated legal entity focused on exploiting growth opportunities in areas where we can leverage our competitive strengths. During the past year, our investment banking division joined Merrill Lynch International and Citigroup as Co-Lead Manager for the Initial Public Offering (IPO) of Hikma Pharmaceuticals Plc on the London Stock Exchange (LSE). This deal gave our investment banking division greater exposure at a regional and international level as Hikma pharmaceuticals is the first Jordanian founded company to list on the LSE.

As for our strategic partnership agreement with the National Bank of Iraq (NBI), whereby Export & Finance Bank acquired majority share of NBI's paid up capital in addition to management control. It was further solidified in March 2005 by raising NBI's capital to USD 17 million making it one of the best capitalized banks in Iraq today. This strategic partnership will allow us an entry point into the promising Iraqi market with its huge potential for growth.



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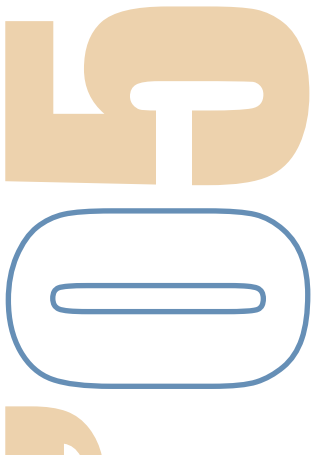
Over the past couple of years Export & Finance Bank has made available to NBI all the resources and technical support needed,

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in addition NBI's employees have been training in different departments of the bank. This will enhance NBI's performance allowing us to better meet the financial needs of our clients in Iraq. Our strategic partnership with NBI was our first important stride towards our regional expansion; more is to come as we seek to exploit growth opportunities in regional markets while meeting our customers' needs wherever they may be.

Our results in 2005 provide strong evidence that we are capable of outperforming ourselves year over year. Looking ahead, we will pursue growth by attracting more customers and expanding our relationship with the ones we already have. Our vision is to grow domestically and regionally while providing our clients with high service quality, innovation and a variety of financial products and services.

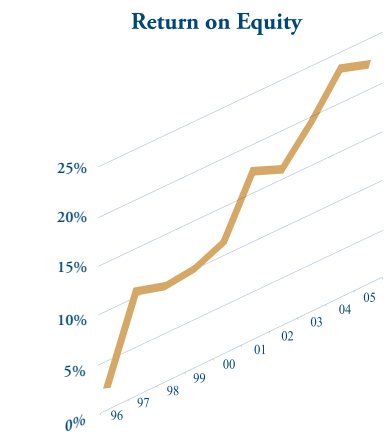
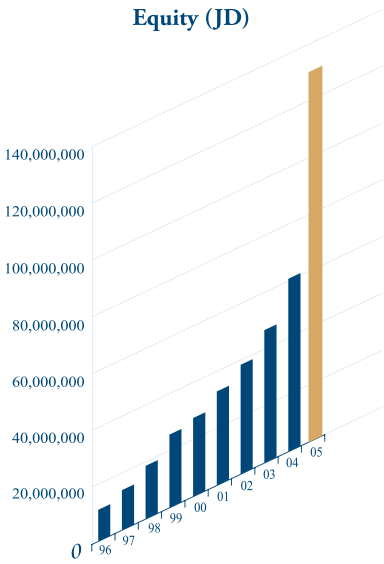
The year 2005 was characterized by the increases in the capital of most Jordanian banks either through bonus shares or private subscription. This was as a result of the much-anticipated Central Bank of Jordan's increase of the minimum capital requirements of banks to JD 100 million by 2010. Our strategy of retaining earnings has proved its success over the years; it has also positioned us well to grow domestically and regionally. During 2005 we have increased our paid-up capital from JD 41.5 million to JD 102 million through JD 50 million private subscriptions, which was carried out over two stages during the year. In addition to the issuance of bonus shares capitalizing JD 10.5 million of the bank's reserves and retained earnings. Thus, for this year I am pleased to announce the distribution of 13.725% stock dividend, bringing up our paid-up capital to JD 116 million.



Despite the unfavorable effect that this further increase in capital will have on our ROaE in the short term, we believe that this increase in capital will allow us to benefit from growth opportunities available in the market while maintaining our long-standing strategy of balancing risk against return.

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

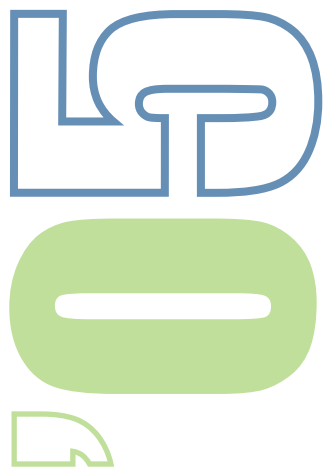
Ali K. Al-Husry
Chairman & CEO



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The Board of Directors takes pleasure in welcoming the general assembly in its tenth ordinary annual meeting and in presenting the Annual Report of the **EXPORT & FINANCE BANK** for the year 2005, incorporating its activities, results and notes to its financial statements.

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BOARD OF DIRECTORS' REPORT

The Bank has witnessed another year of great achievements having posted a net income after tax and provisions, of JD 21 million compared to JD 12 million, representing a growth rate of 72 %. Total assets grew by 68% to reach JD 698 million while earnings per diluted share (EPS) have reached JD 0.229

The return on average assets reached 3.82% during 2005 while the return on average equity reached 22.38%. The liquidity ratio reached 133.22% compared to the 100% required by the Central Bank of Jordan. In addition, EFB maintained the strength of its capitalization, with a capital adequacy of 24.75% compared to the 12% required by the Central Bank of Jordan. Non-performing loans dropped to a record low reaching 1.95%, which is considered to be one of the lowest in the industry. EFB has also continued to pursue an aggressive NPL provisioning policy achieving a coverage ratio of 117%.

Overall, EFB's total operating revenues increased by 66.5% amounting to JD 44.4 million, of which 50% represented net interest & trade finance commission. This is in line with the Bank's standard policy for diversification of its sources of revenue by promoting non-lending activities. On the other hand, total operating expenses (TOE) which include provisions for impairment losses on credit facilities, have increased by 26.3% compared to 66.5% increase in total operating revenues (TOR), thereby resulting in a further improvement in the management efficiency ratio (TOR/TOE) reaching 3.35:1 .

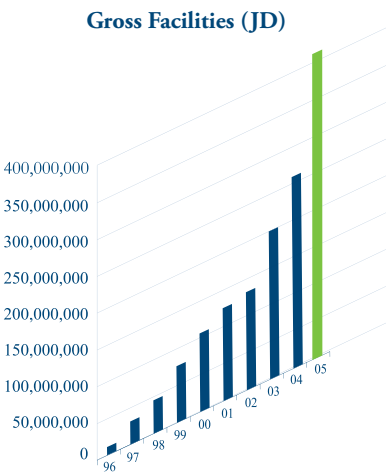
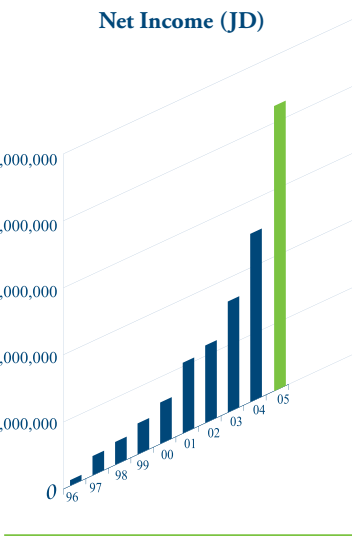
Whilst the growth in revenues has occurred in almost every area of operation, special credit should go to the robust performance of the Amman Stock Exchange (ASE) the rate of return on the Bank's portfolio reached 46% in 2005, representing 21% of operating revenue.

The Bank's Capital Markets and Investment Banking division witnessed unprecedented expansion in the volume of business and deal flow. In order to better capitalize on this growth, the Bank undertook the spin-off of this division into a separate dedicated legal entity focused on exploiting growth opportunities in areas where the Bank can leverage our competitive strengths.

During 2005 the Bank continued providing the Iraqi market with various Banking services including money transfers, Letters of Credit and Letters of Guarantee through its subsidiary "National Bank of Iraq" (NBI). NBI's 2005 stand-alone figures showed positive results and were consolidated with the Bank's Jordan branches and subsidiary financial statements for the first time ever.

This year's outstanding performance was further supported by our recent upgrade in our financial strength rating from BBB- to BBB with a stable outlook by Capital Intelligence (CI), placing us among the top tier banks in Jordan.

Further to the Bank's commitment to promotion from within and in light of the rapid expansion in the operations and businesses in the Bank, Mr. Haytham Kamhiyah was appointed as General Manager of the Bank since May 2005. Mr. Kamhiyah has been with the Bank since inception ten years ago, the last three years as Assistant General Manager for Financial Control. He has been instrumental in institutionalizing business processes and pursuing the expansion of EFB's operations in its three main profit centers; retail, corporate and investment banking.



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We believe that Mr. Kamhiyah’s strategy to grow existing business through developing new products that meet EFB’s clients various needs, will contribute to the further growth of the Bank’s operations.

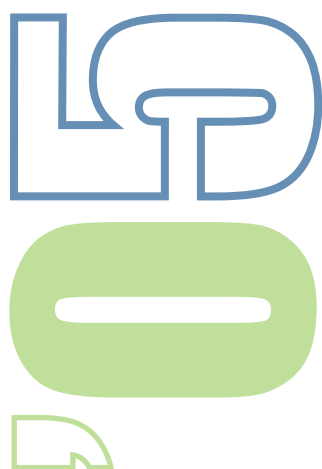
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The Bank’s strategy of retaining earnings has proved its success over the years. It has provided EFB with a considerable position of strength to grow domestically and regionally. During 2005 EFB increased its paid up capital through JD50 million private subscriptions in addition to the issuance of JD10.5 million bonus shares capitalizing the Bank’s reserves and retained earnings reaching JD102 million, which is considered to be among the highest in the banking sector.

The Board of Directors will recommend to the extraordinary general assembly meeting the distribution of 13.73% in bonus shares equivalent to JD14 million, bringing up the Bank’s total paid up capital to JD116 million, while boosting up its shareholders’ equity to JD130 million.

CORPORATE BANKING

During 2005, EFB maintained its focus on building strong relationships with existing and potential corporate clients, small, medium, and large. The key to this has been the client’s relationship. Corporate Banking clients are assigned knowledgeable business bankers to handle all their needs, and to provide them with a complete line of innovative banking services to help grow and expand businesses. EFB continued to provide customers with a wide range of commercial banking services such as working capital finance, trade finance, project finance, fixed assets finance, commercial real estate finance, acquisition finance and many other services tailored to customers’ needs. Total direct facilities grew by 59% over the past year to reach JD397 million representing approximately 55% of total assets.



The table below illustrates how EFB’s portfolio is spread out among various economic sectors:

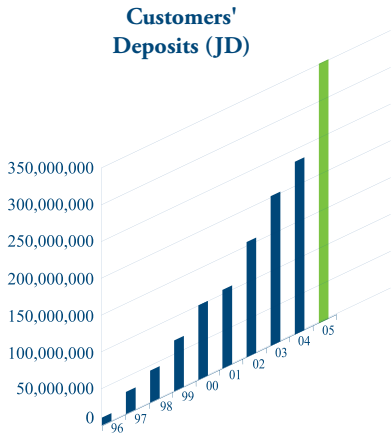
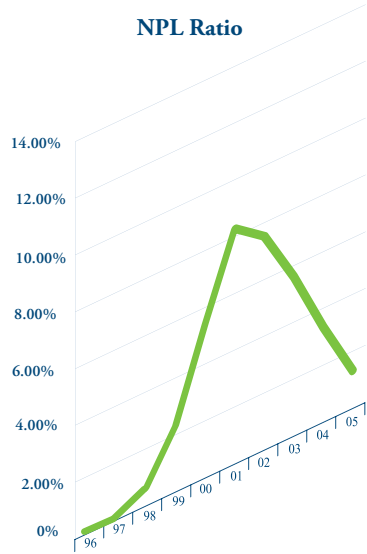
SECTOR	JORDANIAN DINARS	PERCENT
Manufacturing	54,634,194	13.7%
General Trade	69,243,925	17.2%
Transport Services	9,044,678	2.2%
General Services	18,675,615	4.7%
Real Estate	35,420,290	8.9%
Investment in shares	125,545,491	31.6%
Other	84,043,301	21.4%
Total	396,607,494	100%

Net non-performing loans (NPL) net of interest in suspense amounted to JD 7.7 million of which is fully covered by provisions. The ratio of net NPL to total lending portfolio has shown an improvement over the past year. A new emphasis on credit quality assurance systems and credit procedures has resulted in a significant drop in NPL ratio from 5.23% to 1.95% which is well below the banking sector average. We remain comfortable with the quality of our credit portfolio and further reduction of the NPL ratio will remain a major objective and challenge as we go forward.

RETAIL BANKING

Over the past year EFB has expanded its Retail Banking business through further developing its existing products and introducing a variety of innovative customized products and services. The Retail Banking division witnessed unprecedented growth in its loan portfolio due to extensive efforts to improve the quality of service and product characteristics. Credit extended to housing loans reached JD 34.4 million in 2005, while credit extended to other loan programs reached JD 12.8 million.

EFB has enhanced the appeal of its housing, car, and personal loan programs by adjusting the criteria and adding product benefits. Furthermore, the Retail Banking division has launched two new loan programs; Land Loans to accompany the increase in the demand for land in the greater Amman area, and Boat Loans to complement our previously introduced Aqaba Home loans.



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In 2006 our Retail Banking division will further increase its market share, by executing a very aggressive sales & marketing plan that involves preparing targeted and tailored offers to prospective clients from various sectors.

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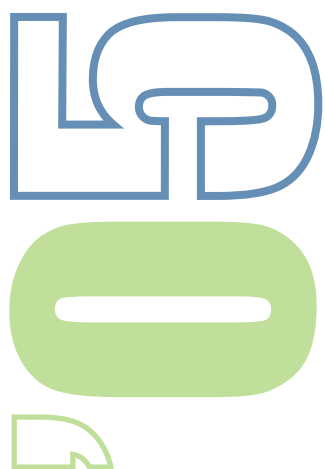
In addition to developing new specialized products as well as improving the quality of service, all to accommodate to the dynamic retail banking market. Moreover, EFB has taken giant steps to promote its credit card services by implementing a marketing and promotional plan that was initiated at the end of 2005 and will continue through 2006.

To further reinforce EFB's position as a Retail Banking provider, and to better serve its clients and fulfill their needs, the Bank has recognized the importance of widening its branch network throughout the Kingdom; in 2005 EFB opened 3 new branches in Zarqa, Irbid, and Wihdat. In 2006 EFB is planning to open 3 more branches in Amman and Aqaba, to reach a total of 11 branches by the end of the year.

INVESTMENTS

Treasury and Money Market Operations

EFB's dealings in foreign exchange and money market activities continued to be managed by the treasury department in an effective and efficient manner. In addition, EFB's treasury and Money Market Operations managed the Bank's funds efficiently in short and medium term instruments. Additionally treasury satisfies clients' necessities in financial services by hedging against interest rate and currency risk related to their normal



trading activities through forward and swap contracts. In 2005, revenues from our foreign currency dealings increased by 57% to reach JD 1.37 million. EFB continued trading in the international bond markets both for the Bank's own portfolio and for customers, and maintained its assertive role as market makers in the local bond market.

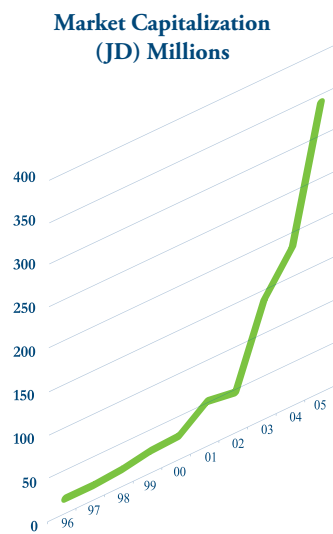
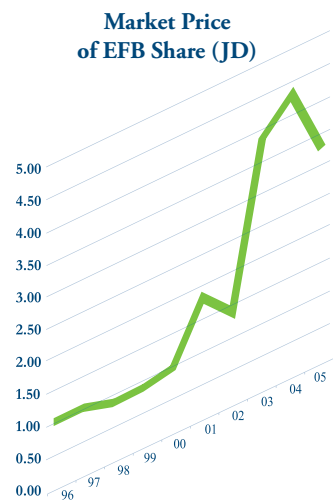
Corporate Finance

Investment Banking services include a wide range of corporate finance activities such as advice on issuing and placing securities whether equity or long-term debt and the subsequent arrangement thereof; financial structuring for new and existing ventures including capital raising, private placement and arrangement of equity or debt syndication; and financial and strategic advice on privatizations and mergers & acquisitions.

Investment Banking highlights in 2005 include the IPO of Hikma Pharmaceuticals on the London Stock Exchange and the arrangement of a syndicated term loan for the refinancing of the acquisition of Jordan Aircraft Maintenance Limited, privatized in 2004, as described in more detail below.

In 2005, EFB's Investment Banking division joined Merrill Lynch International and Citigroup as Co-Lead Manager for the Initial Public Offering (IPO) of Hikma Pharmaceuticals Plc - the multinational pharmaceutical group founded in Jordan, with operations in the USA, MENA region and Europe - on the London Stock Exchange (LSE). The global offer raised around GBP 70 million, comprising approximately 24.1 million New Shares. Hikma's market capitalization at admission to the LSE was approximately GBP 483 million, based on an offer price of 290 pence per Ordinary Share. This offering is the first of its kind for a Jordanian founded company to list on the LSE. EFB will also be acting as ongoing sponsor for Hikma's secondary listing on the newly established Dubai International Financial Exchange (DIFX), which is expected to occur in the first quarter of 2006.

Additionally in 2005, EFB's Corporate Finance Department acted as Arranger and Facility Agent to a USD 30 million 5-Year senior term loan facility to Abraaj Buyout 1 Limited, a holding company managed by Abraaj Capital Limited-UAE. The purpose of the facility was to re-finance the bridge loan and bridge equity extended to the borrower in its leveraged buyout of 80% of Jordan Aircraft Maintenance Limited (JorAMCo).



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The Corporate Finance department continues to be active in Jordan's privatization process, acting as financial advisor to various parties interested in the numerous privatization efforts underway in the country.

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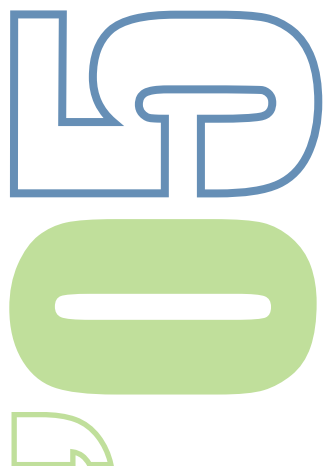
Research

EFB's research team continued to produce publications and studies on individual public shareholding companies, macroeconomic conditions, financial markets, and various sector analyses. The research department's strong and credible research remains an integral part of the advisory functions to several local, regional and international funds on Jordanian equity and macroeconomic developments. During 2005, EFB held research seminars, presenting the Bank's clients with the latest equity research.

Securities Brokerage

In 2005 and in its seventh year of operations EFB's brokerage office closed the year ranking third among 48 licensed brokerage houses, with a volume of JD 2.5 billion representing 7.6% of all transactions on the Amman Stock Exchange. Other revenues, including brokerage commissions, custodian services, and asset management reached JD 9.4 million for the year 2005 representing a 335% growth over the previous year. The Bank's portfolio generated impressive returns during 2005 with a net return of JD 9 million.

EFB's brokerage office remained active in bond trading activities executing 22.2% of all bonds traded on the Amman Stock Exchange, and closing the year ranking second among other brokerage houses.



EFB's brokerage office continued offering investment and trading services in international markets through a specialized unit available to advise and process clients' orders. During 2005, the Bank's brokerage office started offering regional brokerage services to GCC countries as well as Lebanon and Egypt.

Asset Management

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

EFB's investment policy is based on active asset allocation, which is believed to be the most important factor in determining portfolio returns and risk levels. The stated investment policy and objective of each portfolio determines its asset allocation, after adjusting for the general economic outlook and equity valuations. The unit's overall strategy is to increase total Assets Under Management (AUM), while ensuring a superior investment performance track record. AUM have grown 30% during 2005. Moreover, the holding period Rate of Return for portfolios under management at EFB stood at 82% for market risk portfolios and 41% for capital guaranteed portfolios respectively.

Starting March 2005, EFB launched the Horizon Fund. It is an open-ended mutual fund incorporated in Jordan. The Fund aims at achieving a long-term capital appreciation of the Net Asset Value (NAV) of the Fund through maximizing the market value of its investments in various asset classes on local, regional, and global basis, while minimizing investment risk through diversification. The Fund managed to achieve a rate of return of 36.62% since its inception date (i.e. 1/3/2005). Moreover, new mutual funds are expected to be launched during 2006.



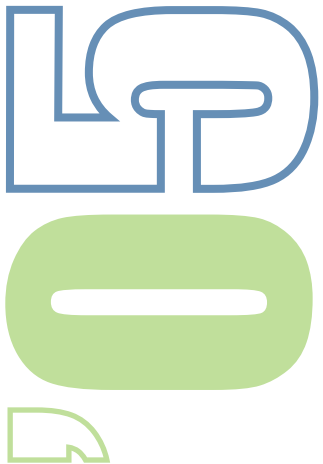
EFB is committed to giving back to the community through different charitable programs.



EFB & SOCIAL RESPONSIBILITY

EFB is committed to giving back to the community through different charitable programs. Most notable of the Bank's efforts is the sponsoring of 3 households in the SOS Children's Village. Each household consists of a nanny and 9 children; EFB employees take on an active role in those charitable programs as they visit the children regularly specially during religious holidays and offer them gifts and provide them with home appliances. In addition, some of the youth at SOS Children's Village are trained at the Bank to better acquaint them with the business community.

During 2005, EFB made contributions to build a head office in Mafraq to the Orphan Care Charitable Society in additions to sponsoring twenty children. Other contributions were made to several charitable local organizations such as; Rayaheen Al-Janna Society for the Mentally Challenged and the Young Muslim Women's Association Center for Special Education. In addition, and as part of the Bank's environmental initiative, EFB is collaborating with the Ministry of Agriculture in planting 100,000 m² in Salt, west of Amman. Total donations for the year 2005 reached JD 201 thousand.



OUTLOOK

In the domestic market the overriding task for the Bank is to expand its customer base beyond enterprises and to further penetrate retail banking. Thus adding value for retail clients through new, innovative products and superior service continues to be a high priority. In terms of geographical expansion, the Bank opened three new branches in Wehdat, Irbid, and Zarqa. In addition, preparatory steps are being taken to open three new branches in Amman during 2006 and a branch in downtown Aqaba bringing up the total number of branches to eleven.

During 2005 EFB launched EBanking services that offered clients with a quick and easy way to view and manage their accounts. Some of the services that the system offers include; money transfer services, overseas remittances, credit card payments, bill payments, and account inquiry. As the share of customers using Ebanking services is increasing, we will develop the usage and enhance personalized functions of our online banking during 2006.

Overall, EFB growth strategy for the future is directed towards ensuring the diversity of income streams; maintaining excellent track record of return on equity, earning per share, while retaining a prudent risk philosophy. Thus during the coming year we will expand our retail, corporate, and investment banking business by offering customers more tailor made products while delivering superior service.

At a regional level the strategic partnership that our Bank has with the National Bank of Iraq will allow EFB to tap into the vast pool of opportunities in Iraq. The Bank is making available to its new subsidiary the services and resources it needs as well as the technical and technological support needed. The Bank intends to undertake further regional expansions in 2006. This strategy of selective expansion will allow us to respond quickly and efficiently to clients' needs wherever they may be.

We believe that in order to maintain both local and international confidence in our policies and future strategies, we have to maintain our policy of capital consolidation in order to be stronger as we go forward. This in turn will be in the long-term interest of the bank's shareholders and will remain a primary core objective. The outlook for the Bank remains positive as it expands its product range and client base.

CONSOLIDATED FINANCIAL STATEMENTS

As Of DECEMBER 31, 2005

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AUDITORS' REPORT

**TO THE SHAREHOLDERS OF
EXPORT AND FINANCE BANK
AMMAN - JORDAN**

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

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

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

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

2 February 2006

Amman – Jordan



CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2005 *(In Jordanian Dinars)*

	Notes	2005	2004 Restated
ASSETS			
Cash and balances with Central Banks	4	83,451,062	30,893,728
Balances at banks and financial institutions	5	117,700,395	80,516,194
Deposits at banks and financial institutions	6	354,500	-
Trading investments	7	26,141,549	20,042,659
Direct credit facilities, net	8	384,917,089	237,806,168
Available for sale investments	9	31,958,773	20,397,395
Held to maturity investments, net	10	24,173,696	12,229,684
Premises and equipment, net	11	5,574,339	1,628,598
Intangible assets, net	12	3,672,872	553,532
Other assets	14	20,417,915	11,889,050
Total Assets		698,362,190	415,957,008
LIABILITIES AND EQUITY			
LIABILITIES			
Banks and financial institutions' deposits	15	42,539,437	42,952,992
Customers' deposits	16	348,925,605	199,726,546
Margin accounts	17	55,152,999	54,561,568
Loans and borrowings	18	102,041,751	49,879,558
Sundry provisions	19	77,028	-
Income tax liabilities	20	758,747	3,702,341
Deferred tax liabilities	20	930,311	-
Other liabilities	21	12,001,588	5,261,485
Total Liabilities		562,427,466	356,084,490
EQUITY			
Equity attributable to the Bank's shareholders			
Paid in capital	22	101,433,789	41,500,000
Statutory reserve	23	8,515,917	5,279,114
Voluntary reserve	23	-	3,570,760
General banking risk reserve	23	3,694,171	2,266,660
Foreign currency translation adjustment	24	28,230	-
Cumulative changes in fair values, net	25	108,088	146,610
Retained earnings	26	2,396,530	7,109,374
Proposed issue of bonus shares	27	14,000,000	-
Total equity attributable to the Bank's shareholders		130,176,725	59,872,518
Minority interests	28	5,757,999	-
Total Equity		135,934,724	59,872,518
Total Liabilities and Equity		698,362,190	415,957,008

The accompanying notes from 1 to 55 are an integral part of these financial statements

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2005 *(In Jordanian Dinars)*

	Notes	2005	2004 Restated
Interest income	29	32,720,366	18,420,971
Interest expense	30	14,914,809	7,337,676
Net interest income		17,805,557	11,083,295
Net commission	31	4,764,426	4,518,878
Net interest and commission income		22,569,983	15,602,173
Other income –			
Gains less losses arising from dealing in foreign currencies		1,365,053	865,794
Gains less losses arising from trading investments	32	9,321,817	7,506,100
Gains less losses arising from available for sale investments	33	670,421	240,476
Other income	34	10,464,844	2,446,908
Gross profit		44,392,118	26,661,451
Employees' cost	35	5,517,834	3,609,090
Depreciation and amortisation	11,12	640,048	423,010
Other expenses	36	4,616,999	2,979,341
Provision for credit losses	8	1,727,287	3,322,111
Sundry provisions	19	741,764	151,150
Total expenses		13,243,932	10,484,702
Profit before income tax		31,148,186	16,176,749
Income Tax	20	9,789,197	3,830,395
Profit for the year		21,358,989	12,346,354
Attributable to:			
Bank's shareholders		21,269,819	12,346,354
Minority interests	28	89,170	-
Basic earnings per share	37	0.229	0.136

The accompanying notes from 1 to 55 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2005 *(In Jordanian Dinars)*

	Bank's shareholders equity										
	Reserves					Cumulative changes in fair values	Retained earnings	Proposed issue of bonus shares	Equity attributable to the bank's shareholders	Minority Interests	Total Equity
	Paid in capital	Statutory reserve	Voluntary reserve	General banking risk reserve	Foreign currency translation adjustment						
Balance as of January 1, 2004	34,500,000	3,646,826	2,381,563	-	-	290,482	4,960,605	-	45,779,476	-	45,779,476
Adjustment arising from the application of IAS 39 (revised)	-	-	-	1,926,543	-	35,983	(35,983)	-	1,926,543	-	1,926,543
Balance as of January 1, 2004 (Restated)	34,500,000	3,646,826	2,381,563	1,926,543	-	326,465	4,924,622	-	47,706,019	-	47,706,019
Net movement in cumulative changes in fair value	-	-	-	-	-	(179,855)	-	-	(179,855)	-	(179,855)
Profit for the year	-	-	-	-	-	-	12,346,354	-	12,346,354	-	12,346,354
Total	34,500,000	3,646,826	2,381,563	1,926,543	-	146,610	17,270,976	-	59,872,518	-	59,872,518
Increase in paid in capital	7,000,000	-	(2,075,378)	-	-	-	(4,924,622)	-	-	-	-
Transfers to reserves	-	1,632,288	3,264,575	340,117	-	-	(5,236,980)	-	-	-	-
Balance as of December 31, 2004	41,500,000	5,279,114	3,570,760	2,266,660	-	146,610	7,109,374	-	59,872,518	-	59,872,518
Minority interest resulting from the acquisition of National Bank of Iraq	-	-	-	-	-	-	-	-	-	5,649,376	5,649,376
Total	41,500,500	5,279,114	3,570,760	2,266,660	-	146,610	7,109,374	-	59,872,518	5,649,376	65,521,89
Foreign currency translation adjustment	-	-	-	-	28,230	-	-	-	28,230	19,453	47,683
Total income and expenses for the year recognized directly in equity	-	-	-	-	28,230	-	-	-	28,230	19,453	47,683
Profit for the year	-	-	-	-	-	-	21,269,819	-	21,269,819	89,170	21,358,989
Total income and expenses for the year	-	-	-	-	28,230	-	21,269,819	-	21,298,049	108,623	21,406,672
Net movement in cumulative changes in fair value	-	-	-	-	-	(38,522)	-	-	(38,522)	-	(38,522)
Total	41,500,000	5,279,114	3,570,760	2,266,660	28,230	108,088	28,379,193	-	81,132,045	5,757,999	86,890,044
Increase in paid in capital	59,933,789	-	(3,570,760)	-	-	-	(6,929,240)	-	49,433,789	-	49,433,789
Increase in capital fees	-	-	-	-	-	-	(389,109)	-	(389,109)	-	(389,109)
Transfers to reserves	-	3,236,803	-	1,427,511	-	-	(4,664,314)	-	-	-	-
Proposed issue of bonus shares	-	-	-	-	-	-	(14,000,000)	14,000,000	-	-	-
Balance as of December 31, 2005	101,433,789	8,515,917	-	3,694,171	28,230	108,088	2,396,530	14,000,000	130,176,725	5,757,999	135,934,724

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2005 (In Jordanian Dinars)

	Notes	2005	2004 Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		31,148,186	16,176,749
Adjustments for -			
Depreciation and amortisation	11,12	640,048	423,010
Provision for credit losses	8	1,727,287	3,322,111
Unrealised gains from trading investments	3	(2,099,544)	(3,878,530)
Effect of exchange rate changes		(1,247,375)	(676,133)
Impairment losses on collaterals acquired by the bank	14	98,308	-
Impairment of available for sale investments	33	18,189	-
Sundry provisions	18	741,764	151,150
Operating profit before changes in operating assets and liabilities		31,026,863	15,518,357
Changes in assets and liabilities -			
Increase in balances with Central Banks that mature after three months		(6,000,000)	(2,000,000)
Increase in deposits at banks and financial institutions than mature after three months		(354,500)	-
Decrease (increase) in restricted balances		1,616,520	(5,983,411)
(Increase) decrease in trading investments		(3,999,346)	5,792,595
Increase in direct credit facilities		(145,692,512)	(66,508,880)
Increase in other assets		(8,383,086)	(5,291,424)
Increase in banks and financial institutions deposits that mature after three months		8,703,636	2,000,000
Increase in customers' deposits		145,663,444	26,648,807
Increase in margin accounts		591,431	7,227,939
Increase in other liabilities		8,422,073	2,445,915
Sundry provisions paid		(2,085,463)	-
Net cash from (used in) operating activities before income tax		29,509,060	(20,150,102)
Income tax paid		(11,826,656)	(2,054,996)
Net cash from (used in) operating activities		17,682,404	(22,205,098)
CASH FLOWS FROM INVESTING ACTIVITIES			
Redemption of held to maturity investments		12,300,000	7,994,641
Purchase of held to maturity investments		(24,085,622)	-
Sale of available for sale investments		9,772,123	3,170,662
Purchase of available for sale investments		(21,390,212)	-
Purchase of premises and equipment		(2,485,891)	(644,267)
Sale of premises and equipment		62,341	15,196
Purchase of intangible assets		(136,211)	(530,978)
Cash outflow on acquisition net of cash acquired	13	(838,589)	-
Net cash from investing activities		(26,802,061)	10,005,254
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in capital, net		49,044,680	-
Proceeds from loans		67,828,387	36,001,045
Repayment of loans		(15,666,194)	(12,278,618)
Minority interests		2,298,451	-
Net cash from financing activities		103,505,324	23,722,427
Net increase in cash and cash equivalents		94,385,667	11,522,583
Effect of exchange rate changes on cash and cash equivalents		1,247,375	676,133
Cash acquired from the acquisition of National Bank of Iraq		4,037,769	-
Cash and cash equivalents, beginning of the year	38	60,070,867	47,872,151
Cash and cash equivalents, end of the year	38	159,741,678	60,070,867

The accompanying notes from 1 to 55 are an integral part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2005 *(In Jordanian Dinars)*

(1) GENERAL INFORMATION

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

The Bank provides its banking services through its main branch located in Amman, and through its six offices in Jordan and its subsidiaries "Export Company For Brokerage and Financial Investments", and "National Bank of Iraq", in Iraq.

The Bank originally had a paid in capital of JD 20 million. During the years, the Bank increased its capital to reach JD 101,433,789. The increases in capital were effected through capitalizing its distributable reserves and private placements to shareholders.

The financial statements were authorized for issue by the Bank's Board of Directors in their meeting No. 1/2006 held on February 2, 2006. These financial statements require the General Assembly's approval.

(2) SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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

The consolidated financial statements are prepared under the historical cost convention as modified for the measurement at fair value of derivatives and investment securities other than held to maturity investments.

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

Changes in Accounting Policies

The accounting policies are consistent with those used in the previous year, with the exception of the following policies which have been revised due to the application of standards becoming mandatory for financial years beginning on or after 1 January 2005.

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

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

The effect of the adjustments and the reclassifications on the Bank's consolidated financials for the year 2004 is illustrated in note 55.

Main Accounting policies:

Basis of consolidation

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

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

- Export Company For Brokerage and Financial Investments Ltd/Jordan which the Bank owns 100% of its paid in capital amounting to JD 10,000,000 as of December 31, 2005. The company was established on July 12, 2005.
- National Bank of Iraq (NBI)/Iraq which Export and Finance Bank owns 59.2% of its paid in capital amounting to IQD 25,000,000,000 (JD 12,078,581) as of December 31, 2005. NBI was acquired effective January 1, 2005.

The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies.

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Bank. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

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

Trading investments

These are initially recognized at cost and subsequently re-measured at fair value. All related realized and unrealized gains or losses in addition of the fair value related to translation of non-monetary assets in foreign currencies are taken to the income statement.

Interest earned is included in interest income and dividends received are included as dividend income in gains less losses arising from trading investments.

Direct credit facilities

Credit facilities are carried at amortized cost after allowance for credit losses, interest and commission in suspense.

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

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

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

Available for sale investments

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

Held to maturity investment

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

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

Fair value

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

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

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

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

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

Impairment of financial assets

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

Impairment is determined as follows:

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

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

Premises and equipment

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

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

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

Provisions

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

Income Tax

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

Fiduciary assets

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

Offsetting

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

Revenue and expense recognition

Interest income as well as fees which are considered an integral part of the effective yield of a financial asset, are recognised using the effective yield method, unless collectibility is in doubt. The recognition of interest income is suspended when loans become impaired, such as when overdue by more than 90 days.

Income from shares (dividend income) is recorded as an income only when right to receive payment is established.

Trade and settlement date accounting

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

Derivative Financial Instruments held for trading

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

Repurchase and resale agreements

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

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

Collateral pending sale

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

Goodwill

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

Intangible assets

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

Foreign currencies

Translation of foreign currency transactions:

Monetary assets and liabilities in foreign currencies are translated into JD at rates of exchange prevailing at the balance sheet date as issued by Central Bank of Jordan. Any gains or losses are taken to the income statement.

Translation gains or losses on non-monetary items carried at fair value are included in equity as part of the fair value adjustment on available-for-sale investments, unless it forms part of an effective hedging strategy.

Translation of financial statements of foreign entities:

The assets and liabilities of foreign branches and subsidiaries are not deemed an integral part of the head office's operations and are translated into the functional currency of each entity at rates of exchange prevailing at the balance sheet date . Income and expense items are translated at average exchange rates for the period. Any exchange differences are taken directly to a foreign currency translation adjustment reserve.

Cash and cash equivalents

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

(3) USE OF ESTIMATES

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

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

b) Impairment losses on collaterals acquired by the Bank are determined based on appraisal reports prepared by certified appraiser. : Provisions are recognized when impairment is determined upon valuation at the financial statements date individually and any impairment is recorded in the income statement. Valuation is performed on a regular basis.

c) Income tax is calculated based on the tax rates and laws that are applicable at the balance sheet date.

d) A periodic review is performed on assets estimated useful lives and assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

(4) CASH AND BALANCES WITH CENTRAL BANKS

	2005	2004
Cash on hand	7,889,053	2,119,388
Balances at Central Banks		
Current and demand deposits	7,444,318	6,321,968
Time deposits	18,063,543	-
Statutory cash reserve	28,954,148	13,452,372
Certificates of deposits	21,100,000	9,000,000
	<u>83,451,062</u>	<u>30,893,728</u>

Except for the statutory cash reserve held at Central Banks, there are no restricted cash balances as of December 31, 2005 and 2004.

Certificates of Deposit maturing after three months amounted to JD 8,000,000 and JD 2,000,000 as of December 31, 2005 and 2004, respectively.

(5) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	2005	2004	2005	2004	2005	2004
Current and demand deposits	903,111	559,975	27,440,872	19,926,613	28,343,983	20,486,588
Deposits maturing within 3 months	27,505,573	2,236,121	61,850,839	57,793,485	89,356,412	60,029,606
	<u>28,408,684</u>	<u>2,796,096</u>	<u>89,291,711</u>	<u>77,720,098</u>	<u>117,700,395</u>	<u>80,516,194</u>

Non interest bearing balances at banks and financial institutions amounted to JD 4,387,300 and JD 7,160,508 as of December 31, 2005 and 2004, respectively.

Restricted balances, which represent cash collateral deposited against the loan obtained from Arab Investment Company (Note 18) amounted to JD 1,573,980 and JD 3,190,500 as of December 31, 2005 and 2004, respectively.

Deposits at banks and other financial institutions as of December 31, 2004 included an amount of JD 5,195,563 deposited in the Central Bank of Iraq for the purchase of shares in the National Bank of Iraq "NBI" per the agreement dated January 4, 2004.

(6) DEPOSITS AT BANKS AND FINANCIAL INSTITUTIONS

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	2005	2004	2005	2004	2005	2004
Deposits maturing in over a year	-	-	354,500	-	354,500	-
	-	-	354,500	-	354,500	-

(7) TRADING INVESTMENTS

	2005	2004
Quoted equities	16,685,987	12,352,195
Quoted debt securities	8,702,847	7,618,224
Quoted funds	752,715	-
Unquoted equities	-	72,240
	26,141,549	20,042,659

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

(8) DIRECT CREDIT FACILITIES

	2005	2004
Discounted bills and notes *	29,161,174	35,319,481
Overdrafts	53,037,956	29,047,978
Loans and advances **	313,815,416	184,661,538
Credit cards	548,845	149,057
Others	44,103	-
	396,607,494	249,178,054
Less: suspended interest	2,666,711	2,240,158
Provision for credit losses	9,023,694	9,131,728
Direct credit facilities, Net	384,917,089	237,806,168

* Net of interest and commissions received in advance of JD 692,384 and JD 603,892 as of December 31, 2005 and 2004, respectively.

** Net of interest and commissions received in advance of JD 1,691,793 and JD 1,799,742 as of December 31, 2005 and 2004, respectively.

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

	Jordan	Middle East	Africa*	2005	2004
Agriculture	2,246,912	109,009	-	2,355,921	1,363,626
Manufacturing and mining	54,548,639	85,555	-	54,634,194	65,664,431
Construction	33,015,562	-	-	33,015,562	6,136,864
General trade	1,343,091	65,791,628	2,109,206	69,243,925	58,869,810
Transportation services	9,044,678	-	-	9,044,678	9,151,529
Tourism, hotels & restaurants	219,203	-	-	219,203	942,949
Services & public facilities	18,134,816	540,799	-	18,675,615	3,656,732
Financial Services	9,857,429	-	-	9,857,429	1,220,309
Investment in shares	120,345,491	5,200,000	-	125,545,491	63,165,654
Real estate	35,420,290	-	-	35,420,290	22,623,267
Vehicles	12,143,993	-	-	12,143,993	9,495,297
Consumer goods	7,769,807	-	-	7,769,807	4,329,496
Others	18,681,386	-	-	18,681,386	2,558,090
	<u>322,771,297</u>	<u>71,726,991</u>	<u>2,109,206</u>	<u>396,607,494</u>	<u>249,178,054</u>

* Excluding Middle East countries

At December 31, 2005, non-performing credit facilities amounted to JD 10,349,121 (2004: JD 15,148,178), representing 2.63% (2004: 6.13%) of total facilities granted.

At December 31, 2005, Non performing credit facilities; net of interest in suspense, amounted to JD 7,683,410 (2004: JD 12,908,020), representing 1.95% (2004: 5.23%) of total facilities granted after excluding the interest in suspense

The direct facilities granted against collaterals amounted to JD 90,047,486 and JD 64,770,190 as of December 31, 2005 and 2004, respectively.

The gross fair value of collaterals held against credit facilities amounted to JD 187,480,186 and JD 218,271,518 as of December 31, 2005 and 2004, respectively.

The movements on provision for credit losses were as follows:

	2005	2004
At January 1,	9,131,728	8,814,105
Balance resulting from the acquisition of NBI	101,008	-
Charge for the year	1,727,287	3,322,111
Amounts written off	(510,758)	(3,004,488)
Amounts transferred to other provisions (Note 19)	(1,428,672)	-
Foreign exchange differences	3,101	-
At December 31,	9,023,694	9,131,728

Non-performing credit facilities that were settled or collected amounted to JD 2,053,441 and JD 1,212,737 as of December 31, 2005 and 2004, respectively.

The movements on suspended interest were as follows:

	2005	2004
At January 1,	2,240,158	2,046,010
Balance resulting from the acquisition of NBI	106,757	-
Suspended interest during the year	1,259,746	1,464,025
Amount transferred to income	(526,730)	(502,204)
Amounts written off	(413,308)	(767,673)
Foreign exchange differences	88	-
At December 31,	2,666,711	2,240,158

(9) AVAILABLE FOR SALE INVESTMENTS

	2005	2004
Quoted Investments		
Government debt	23,347,539	16,708,763
Other debt securities	2,229,036	3,274,123
Equities	6,067,689	-
Total quoted investments	31,644,264	19,982,886
Unquoted Investments		
Equities	314,509	414,509
Total unquoted investments	314,509	414,509
Total investments	31,958,773	20,397,395
Analysis of debt instruments		
Fixed rate	24,867,575	19,273,886
Floating rate	709,000	709,000
Total	25,576,575	19,982,886

Investments with a value of JD 19,919,669 and JD 14,398,879 have been pledged under various repo agreement as of December 31, 2005 and 2004, respectively.

Included in unquoted equities are investments carried at cost with value of JD 314,509. The investments were stated at cost since the fair value could not be measured reliably that there is no indication of impairment in the values as of the balance sheet date.

(10) HELD TO MATURITY INVESTMENTS

	2005	2004
Quoted Investments		
Government treasury bills	6,775,082	7,229,684
Other debt securities	765,405	-
Corporate debt securities	11,999,130	5,000,000
Total quoted investments	19,539,617	12,229,684
Unquoted Investments		
Government treasury bills	4,634,079	-
Total unquoted investments	4,634,079	-
Total investments	24,173,696	12,229,684
Analysis of debt instruments		
Fixed rate	24,173,696	12,229,684
Total	24,173,696	12,229,684

Held to maturity investments mature during the period from July 2006 to August 2011.

Quoted investments pledged against the loan from Arab Investment Company (Note 18) amounted to JD 5,000,000 and JD 950,000 as of December 31, 2005 and 2004, respectively.

Investments with a value of JD 4,978,437 and JD 3,292,344 have been pledged under various repo agreements as of December 31, 2004 and 2005, respectively.

The market value of the quoted investments is equal to the carrying amount.

(11) PREMISES AND EQUIPMENT

	Land	Buildings	Furniture & Fixtures	Vehicles	Computers	Others*	Total
2005- Cost							
At January 1,	-	-	966,392	102,216	544,091	990,434	2,603,133
Balance from the acquisition of NBI	105,553	1,713,381	117,642	21,631	-	-	1,958,207
Additions	400,000	57,316	431,848	52,500	320,696	471,460	1,733,820
Disposals	-	-	(101,259)	-	-	(42,218)	(143,477)
At December 31,	505,553	1,770,697	1,414,623	176,347	864,787	1,419,676	6,151,683
Depreciation							
At January 1,	-	-	(412,613)	(43,419)	(331,301)	(254,063)	(1,041,396)
Provided during the year	-	(15,483)	(146,778)	(24,668)	(132,336)	(116,750)	(436,015)
Disposals	-	-	64,641	-	-	16,495	81,136
At December 31,	-	(15,483)	(494,750)	(68,087)	(463,637)	(354,318)	(1,396,275)
Net book value	505,553	1,755,214	919,873	108,260	401,150	1,065,358	4,755,408
Payments on fixed assets in progress	-	168,960	-	-	644,748	5,223	818,931
Net book value at December 31, 2005	505,553	1,924,174	919,873	108,260	1,045,898	1,070,581	5,574,339
2004- Cost							
At January 1,	-	-	741,083	99,593	414,086	457,354	1,712,116
Additions	-	-	240,675	2,623	181,722	534,110	959,130
Disposals	-	-	(15,366)	-	(51,716)	(1,030)	(68,112)
At December 31,	-	-	966,392	102,216	544,092	990,434	2,603,134
Depreciation							
At January 1,	-	-	(318,542)	(27,882)	(292,373)	(193,259)	(832,056)
Provided during the year	-	-	(107,459)	(15,537)	(77,022)	(61,834)	(261,852)
Disposals	-	-	13,388	-	38,094	1,030	52,512
At December 31,	-	-	(412,613)	(43,419)	(331,301)	(254,063)	(1,041,396)
Net book value	-	-	553,779	58,797	212,791	736,371	1,561,738
Payments on fixed assets in progress	20,000	-	-	-	46,860	-	66,860
Net book value at December 31, 2004	20,000	-	553,779	58,797	259,651	736,371	1,628,598

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

- The estimated costs to complete the purchase of real-estate amounted to JD 2,081,040
- The estimated cost to complete acquisition of the new computer system amounted to JD 88,594 .
- At December 31, 2005, fully depreciated premises and equipment amounted to JD 320,631.
- Included in the balances from the acquisition of the National Bank of Iraq its buildings which were recorded at fair value.

(12) INTANGIBLE ASSETS

	2005			2004		
	Goodwill	Computer Software	Others	Goodwill	Computer Software	Others
At January 1,	-	553,532	-	-	183,712	-
Additions	3,187,164	42,209	94,000	-	530,978	-
Amortization during the year	-	(188,400)	(15,633)	-	(161,158)	-
At December 31,	3,187,164	407,341	78,367	-	553,532	-

- At December 31, 2005, fully depreciated intangible assets amounted to JD 348,441.

(13) ACQUISITION OF THE NATIONAL BANK OF IRAQ

Effective 1 January 2005, the Bank completed the acquisition of 59.2% of the National Bank of Iraq. The Bank beneficially holds 10.2% through a share mortgage agreement.

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

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

Goodwill arising on the acquisition is as follows:

	Amount
Advance payments made in 2004 (Note 14)	2,443,864
Payments made in 2005	2,432,494
Total payments made	4,876,358
Less: Fair value of net assets	1,689,194
Goodwill	3,187,164

Cash outflow on acquisition:

Payments made for acquisition	(4,876,358)
Cash on hand and at banks from NBI	4,037,769
Net Cash outflow	(838,589)

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

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

The goodwill is only related to NBI which is listed on the Iraqi Stock Exchange. Based on NBI’s share price as of the financial statement date, the recoverable amount (market value less costs to sell) is higher than the carrying amount.

There were no purchases or acquisitions of other businesses in 2004.

14) OTHER ASSETS

	2005	2004
Accrued interest and revenue	2,191,169	1,193,190
Prepaid expenses	1,102,037	656,483
Collateral pending sale	2,254,250	734,296
Positive fair value of derivatives (note 39)	-	410,389
Export documents & bills purchased	11,549,761	6,090,851
Brokerage receivables	2,645,797	-
Advance payments on purchase of investment in Iraq	-	2,443,864
Others	674,901	359,977
	<u>20,417,915</u>	<u>11,889,050</u>

The movements on Collateral pending sale are as follow:

	2005			2004
	Real Estate	Others	Total	
At January 1,	534,448	199,848	734,296	-
Additions	1,618,262	-	1,618,262	734,296
Revaluation losses	-	98,308	98,308	-
At December 31,	<u>2,152,710</u>	<u>101,540</u>	<u>2,254,250</u>	<u>734,296</u>

(15) BANKS AND FINANCIAL INSTITUTIONS DEPOSITS

2005			2004		
Inside	Outside		Inside	Outside	
Jordan	Jordan	Total	Jordan	Jordan	Total

Current accounts and

demand deposits	192,332	9,102,395	9,294,727	96,452	6,764,017	6,860,469
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Deposits -

Maturing within 3 months	12,923,317	9,617,757	22,541,074	20,582,757	11,382,766	31,965,523
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Maturing within

6 - 9 months	4,196,935	-	4,196,935	-	-	-
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Maturing within

9 - 12 months	2,006,701	-	2,006,701	-	-	-
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Maturing after a year	-	-	-	2,000,000	-	2,000,000
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Certificates of deposits -

Maturing within 3 months	-	-	-	2,127,000	-	2,127,000
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Maturing after a year	4,500,000	-	4,500,000	-	-	-
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Total	23,819,285	18,720,152	42,539,437	24,806,209	18,146,783	42,952,992
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(16) CUSTOMERS' DEPOSITS

	2005	2004
Current and demand deposits	89,931,582	56,636,391
Saving accounts	1,039,008	81,043
Time and notice placements	193,520,018	96,754,749
Certificates of deposits	64,312,511	46,254,363
Others	122,486	-
	348,925,605	199,726,546

- Governmental institutions' deposits amounted to JD 64,596,443 representing 18.75% of total customers' deposits and JD 38,596,859 representing 19.32% of customers' deposits as of December 31, 2005 and 2004, respectively.

- Non-interest bearing deposits amounted to JD 72,949,550 representing 22.41% of total deposits and JD 31,032,532 representing 15.54% of total deposits as of December 31, 2005 and 2004, respectively.

- Dormant accounts amounted to JD 1,241,045 and JD 444,128 as of December 31, 2005 and 2004, respectively.

- At December 31, 2005, restricted deposits amounted to JD 27,581.

(17) MARGIN ACCOUNTS

	2005	2004
Direct credit facilities	31,785,257	32,575,798
Indirect credit facilities	23,044,165	20,915,555
Deposits against cash margin dealings' facilities - Currencies	323,577	1,070,215
	55,152,999	54,561,568

(18) LOANS AND BORROWINGS

2005	Amount	Collaterals	Interest Rate
Amounts borrowed from			
Central Bank of Jordan	6,411,593	-	2.5% to 6.51%
Amounts borrowed from			
local banks and institution	25,122,000	5,000,000	4.5% to 7.75%
Amounts borrowed from			
foreign banks and institution	42,623,726	1,573,980	5.042% to 5.055%
Others *	27,884,432	-	5% to 5.5%
Total	102,041,751	6,573,980	

2004

Amounts borrowed from			
Central Bank of Jordan	6,550,637	-	2.5% to 6.51%
Amounts borrowed from			
llocal banks and institution	12,547,000	950,000	4.5% to 6.25%
Amounts borrowed from			
foreign banks and institution	13,090,698	3,190,500	2.8% to 3.31%
Others	17,691,223	-	2.7% to 2.85%
Total	49,879,558	4,140,500	

* Other borrowings represent repurchase agreements entered into with the Social Security Corporation "SSC" whereby, the Bank has an agreement with SSC to sell bonds to SSC with a commitment to repurchase. These repurchase agreements will be due during the period from January to February 2006.

Amounts borrowed from Central Bank of Jordan are due during the period from 2006 to 2010.

Included in the borrowings from local financial institutions, amounts due to Real Estate Mortgage Finance Co. of JD 25,122,000.

At December 31, 2005, fixed-rate loans amounted to JD 67,784,199, while loans with floating-rates amounted to JD 34,257,552.

Included in the borrowings from foreign banks and institution borrowings from Arab Investment Company which are subject to contractual covenants, which give the lender the right to claim back the amount(s) if the Bank did not comply with its covenants. The covenants state that total equity and capital adequacy should not fall below JD 57 million and 14% respectively up to the date of financial statements.

(19) SUNDRY PROVISIONS

	Balance at January 1,	Provided during the period	Transferred from provision for credit facilities*	Utilized during the year	Balance at December 31,
2005 -					
Lawsuit reserve	-	527,393	1,428,672	1,956,065	-
Other provisions	-	214,371	-	137,343	77,028
	-	741,764	1,428,672	2,093,408	77,028
2004 -					
Other provisions	-	151,150	-	151,150	-
	-	151,150	-	151,150	-

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

(20) INCOME TAX**Income Tax liabilities**

The movements on the income tax provision were as follows:

	2005	2004
At January 1,	3,702,341	1,926,942
Balance from the acquisition of NBI	24,235	-
Prior years' income tax paid	(3,800,000)	(2,054,996)
Current year income tax paid	(8,026,656)	-
Provision for income tax for the year	8,858,827	3,702,341
Prior years' provision	-	128,054
At December 31,	758,747	3,702,341
Income tax appearing in the statement of income represents the following:		
Provision for income tax for the year	8,858,827	3,702,341
Provision for income tax for previous years	77,163	128,054
Deferred tax expense	853,207	-
	9,789,197	3,830,395

The Bank reached a final settlement with the Income Tax Department for the year ended December 31, 2003.

The Income Tax Department did not review the Bank's records for 2004.

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

	2005	2004
Accounting profit	31,148,186	16,176,749
Non-taxable income	(5,211,938)	(5,873,492)
Expenses that are not deductible in determining taxable profit	100,470	923,909
Taxable profit	26,036,718	11,227,166
Effective rate of income tax	28.44%	22.89%

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

Deferred Tax Liabilities:

Deferred income tax at December 31, 2005 relates to the following:

	2005	2004
Deferred tax liability		
Unrealized gain – trading Investments	853,207	-
Unrealized gain – available for sale investments	77,104	-
	930,311	-

(21) OTHER LIABILITIES

	2005	2004
Accrued interest expense	2,335,893	833,416
Interest and commissions received in advance	8,991	-
Accrued expenses	2,645,306	1,774,280
Negative fair value of derivatives (note 39)	14,776	-
Certified checks	2,431,136	114,222
Checks payable	751,016	455,209
University fees	302,808	163,229
Scientific research fees	302,808	163,407
Educational, vocational training and technical fund fees	181,575	104,787
Checks under collection	4,328	265,564
Board of directors' remuneration	55,000	55,000
Brokerage payables	1,112,485	1,203,661
Transfers payables	1,557,106	-
Others	298,360	128,710
	12,001,588	5,261,485

(22) PAID IN CAPITAL

The authorized capital amounts to JD 102,000,000 and paid in capital amounts to JD 101,433,789 divided to 101,433,789 shares at a par value JD 1 per share (2004: 41,500,000).

The General Assembly approved in its extraordinary meeting held during 2005 to increase the Bank's capital by JD 10,500,000 through capitalization of distributable reserves. Also there were two private placements to shareholders during the year raising a total amount of JD 49,433,789 and the issue price was JD 1.

(23) RESERVES**Statutory Reserve**

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

Voluntary Reserve

Voluntary reserve represents the amounts transferred from net income before tax and fee; up to a maximum of 20% of the profit before tax and fees. This reserve can be fully or partially utilized upon the approval of the Board of Directors, and is distributable to shareholders.

General banking risk reserve

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

The use of the following reserves is restricted by law:

Description	Amount	Restriction Law
General banking risk reserve	3,694,171	Central Bank of Jordan
Statutory reserve	8,515,917	Companies Law

(24) FOREIGN CURRENCY TRANSLATION ADJUSTMENT

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

(25) CUMULATIVE CHANGES IN FAIR VALUE

	2005			2004		
	Shares	Bonds	Total	Shares	Bonds	Total
At January 1,	-	146,610	146,610	(116)	290,598	290,482
Adjustment arising from application of IAS 39 (revised)	-	-	-	-	35,983	35,983
Unrealised gains (losses)	786,226	(699,469)	86,757	-	(70,852)	(70,852)
Deferred tax liabilities	(77,104)	-	(77,104)	-	-	-
Less: realised (gain) loss	-	-	-	-	-	-
Transferred to income statement	-	(48,175)	(48,175)	116	(109,119)	(109,003)
At December 31, *	709,122	(601,034)	108,088	-	146,610	146,610

* The cumulative change in fair value is presented net of deferred tax liabilities of JD 77,104.

(26) RETAINED EARNINGS

	2005	2004
At January 1,	7,109,374	4,960,605
Adjustment arising from the application of IAS 39 (revised)	-	(35,983)*
Adjusted balance at 1 January	7,109,374	4,924,622
Profit for the year	21,269,819	12,346,354
Transferred to statutory reserve	(3,236,803)	(1,632,288)
Transferred to voluntary reserve	-	(3,264,575)
Transferred to general banking risk reserve	(1,427,511)	(340,117)
Increase in capital	(6,929,240)	(4,924,622)
Increase in capital fees	(389,109)	-
Proposed issue of bonus shares	(14,000,000)	-
At December 31,	2,396,530	7,109,374

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

(27) PROPOSED ISSUE OF BONUS SHARES

The Board of Director will propose the issue of bonus shares to the General Assembly in its meeting to be held during 2006 to increase the Bank's capital by JD 14,000,000 which is represent to 13.73% of paid in capital through capitalization of retained earnings.

(28) MINORITY INTERESTS

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

(29) INTEREST INCOME

	2005	2004
Direct credit facilities -		
Discounted bills	2,580,662	2,407,116
Current accounts	3,356,814	2,477,476
Loans and advances	19,342,147	10,709,337
Credit cards	51,258	8,561
Others	608	-
Other -		
Balances at the Central Banks	1,464,754	292,231
Balances and deposits at banks and financial institutions	3,041,452	772,102
Trading investments	601,458	352,095
Available for sale investments	1,162,338	836,104
Held to maturity Investments	1,118,875	565,949
	32,720,366	18,420,971

- Suspended interest transferred to income amounted to JD 526,730 and JD 502,204 as of December 31, 2005 and 2004, respectively.

(30) INTEREST EXPENSE AND SIMILAR CHARGES

	2005	2004
Banks and financial institution deposits	1,432,563	514,539
Customers' deposits -		
Current accounts and deposits	410,914	280,831
Saving accounts	42,766	448
Time and notice placements	6,526,350	3,652,041
Certificate of deposits	2,026,617	730,398
Margin accounts	1,178,715	864,649
Loans and borrowings	2,975,712	980,295
Deposit guarantee fees	321,172	314,475
	14,914,809	7,337,676

(31) NET COMMISSION

	2005	2004
Commission income -		
Direct credit facilities	398,761	159,398
Indirect credit facilities	3,517,096	3,382,558
Other commission	1,088,578	1,058,997
Less: commission expense	240,009	82,075
	4,764,426	4,518,878

(32) GAINS LESS LOSSES ARISING FROM TRADING INVESTMENTS

	Realised gain	Unrealised gain (loss)	Dividend Income	Total
2005-				
Treasury bills and debt securities	34,219	(114,417)	-	(80,198)
Equities	6,792,625	2,213,961	395,429	9,402,015
Total	6,826,844	2,099,544	395,429	9,321,817

2004-

Treasury bills and debt securities	112,399	1,657	-	114,056
Equities	3,238,049	3,876,875	277,120	7,392,044
Total	3,350,448	3,878,532	277,120	7,506,100

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

	2005	2004
Dividend income	8,754	7,177
Gain from sale of available for sale investments	679,856	233,299
Less: impairment of available on sale investments	18,189	-
	670,421	240,476

(34) OTHER INCOME

	2005	2004
Commission on customers' funds management	10,204,861	2,446,908
Other income	259,983	-
	10,464,844	2,446,908

(35) EMPLOYEES' COST

	2005	2004
Salaries and benefits	2,398,847	1,564,821
Employee bonuses	2,519,285	1,700,000
Social security	212,720	135,610
Medical expenses	178,626	113,285
Training and research	107,407	62,700
Per diems	64,170	-
Paid vacations	14,028	928
Bank's contribution to social activities fund	22,751	31,746
	5,517,834	3,609,090

(36) OTHER EXPENSES

	2005	2004
Rent	383,778	279,515
Loss on disposal of premises and equipment	25,652	-
Impairment losses on collaterals acquired by the bank	98,308	-
Consulting and professional fees	221,516	58,290
Stationary and printing	148,469	95,566
Board of Directors' transportation	153,747	80,178
Reuters' subscription expense	79,068	98,543
Donations	200,565	120,315
Advertisement	1,006,600	815,682
Subscriptions, fees and licenses	261,992	174,531
Hospitality	69,584	52,647
Travel and transportation	195,406	106,123
Computer expenses	171,941	132,733
Post, telephone, telex and swift	301,010	206,961
Brinks	24,276	24,839
Internet	18,850	19,748
Maintenance	67,232	21,482
Insurance	63,592	57,071
Subscriptions	140,974	95,325
Jordanian universities fees	302,808	163,229
Scientific research and vocational training fees	302,808	163,229
Technical and vocational education and training support fund fees	181,575	104,787
Board of Directors' remuneration	55,000	55,000
Others	142,248	53,547
	4,616,999	2,979,341

(37) BASIC EARNINGS PER SHARE

	2005	2004
Net income	21,269,819	12,346,354
Weighted average number of shares	92,949,621	90,469,450
Basic earnings per share	0.229	0.136

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

(38) CASH AND CASH EQUIVALENTS

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

	2005	2004
Cash and balances with Central Banks	75,451,063	28,893,728
Add: Balances at banks and financial institutions maturing within 3 months	117,700,395	80,516,194
Less: Banks and financial institutions' deposits maturing within 3 months	31,835,800	40,952,992
Restricted cash balances	1,573,980	8,386,063
Net cash and cash equivalents	159,741,678	60,070,867

(39) DERIVATIVES

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

	Positive Fair Value	Negative Fair Value	Total par Value	Par Value Maturity			
				Within 3 Months	3 - 12 Months	1 - 3 Years	over 3 Years
2005 -							
Derivatives held for trading							
(selling contracts)	-	14,776	923,586	923,586	-	-	-
Derivatives held for trading							
(buying contracts)	-	-	913,121	913,121	-	-	-
2004 -							
Derivatives held for trading							
(selling contracts)	410,389	-	33,123,447	32,641,185	482,262	-	-
Derivatives held for trading							
(buying contracts)	-	-	33,263,990	32,792,321	471,669	-	-

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

(40) RELATED PARTY TRANSACTIONS

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

<u>Company name</u>	<u>Ownership</u>	<u>Paid in capital</u>
Export Company for Brokerage & Financial Investments	100%	10,000,000
National Bank of Iraq	59.20%	12,078,581

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

The following transactions have been entered into with related parties:

	2005	2004
Balance sheet items		
Direct credit facilities	6,336,610	7,862,675
Balances at banks	32,917,580	24,089,394
Margin accounts	672,955	242,993
Off balance sheet items		
Indirect credit facilities		3,550,800
Income statement items		
Interest and commission income	1,172,730	110,721
Interest and commission expense	156,004	860,719

Debit interest rates on credit facilities in Jordanian Dinar ranges between 10%-10.25%.

Debit interest rates on credit facilities in foreign currency ranges between 7.35%- 9.5%.

Credit interest rates on deposit in Jordanian Dinar ranges between 3%-5.05%.

Credit interest rates on deposit in foreign currency is 3.5%.

Compensation of the key management personnel is as follows:

	2005	2004
Benefits (Salaries, wages, and bonuses) for senior executive management level	1,275,905	889,245

(41) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

(42) RISK MANAGEMENT

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

Notes from (43) to (48) disclose the major banking risks to which the Bank is exposed and the method(s) for managing each of them.

(43) CREDIT RISKS AND CONCENTRATION OF ASSETS AND LIABILITIES

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

The Bank Risk Management Policy includes the following:

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

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

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

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

5- Other risk mitigation procedures

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

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

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

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

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

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

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

- By Geographical area -

	2005			2004		
	Assets	Liabilities & equity	Off Balance Sheet Items	Assets	Liabilities & equity	off Balance Sheet Items
Inside Jordan	541,519,071	592,238,034	63,120,678	337,915,116	384,719,526	122,845,602
Other Arab countries	82,297,823	97,643,184	29,177,915	20,350,622	24,139,098	4,080,184
Asia *	2,074,958	105,736	11,688,800	3,962,152	-	3,862,129
Europe	50,827,366	6,097,242	22,183,005	47,756,648	1,933,599	8,040,597
Africa	-	-	443,415	-	7,755	-
America	21,526,805	2,273,189	7,204,017	5,952,997	5,157,030	3,411,773
Others	116,167	4,805	8,781,956	19,473	-	2,457,376
Total	698,362,190	698,362,190	142,599,786	415,957,008	415,957,008	144,697,661

- By segment -

	2005			2004		
	Assets	Liabilities & equity	Off Balance Sheet Items	Assets	Liabilities & equity	off Balance Sheet Items
Governmental sector	96,222,696	64,427,520	13,539,615	74,633,132	39,950,390	13,946,708
Private sector						
Corporate accounts	387,018,426	404,179,568	68,980,039	245,875,671	197,971,654	68,864,399
Individual accounts	215,121,068	229,755,102	60,080,132	95,448,205	178,034,964	61,886,554
Equity	-	135,934,724	-	-	59,872,518	-
Total	698,362,190	698,362,190	142,599,786	415,957,008	415,957,008	144,697,661

* Excluding Arab Countries.

(44) MARKET RISK

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

(45) INTEREST RATE RISK

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

The bank's interest sensitivity position based on contractual repricing arrangements or maturity at December 31, 2005 and 2004 has been shown in the following table:

Sensitivity of interest rates as of December 31, 2005

	Less than one month	1 - 3 Months	3 - 6 Months	6 Months to 12 Months	1 - 3 Years	Over 3 years	Zero-interest Elements	Total	Average interest rate
Assets -									
									%
Cash and balances with Central Banks	23,180,062	9,100,000	6,000,000	2,000,000	-	-	43,171,000	83,451,062	6,20
Balances at Banks and financial institutions	116,112,602	-	-	-	-	-	1,587,793	117,700,395	4,37
Deposits at Banks and financial institutions	-	-	-	-	354,500	-	-	354,500	6,38
Trading investments	-	-	481,588	775,040	1,097,648	6,348,571	17,438,702	26,141,549	4,34
Direct credit facilities, net	24,322,649	30,450,455	66,294,625	47,965,732	156,067,978	59,815,650	-	384,917,089	8,41
Available for sale investments	709,000	-	-	9,173,136	10,839,079	4,855,360	6,382,198	31,958,773	4,51
Held to maturity investments, net	3,200,761	5,389,000	11,999,130	2,819,400	765,405	-	-	24,173,696	4,08
Premises and equipment, net	-	-	-	-	-	-	5,574,339	5,574,339	
Intangible assets	-	-	-	-	-	-	3,672,872	3,672,872	
Other assets	399,160	10,038,623	1,111,979	-	-	-	8,868,153	20,417,915	3,00
Total Assets	167,924,234	54,978,078	85,887,322	62,733,308	169,124,610	71,019,581	86,695,057	698,362,190	
LIABILITIES AND EQUITY									
Liabilities -									
Banks and financial institutions' deposits	6,349,881	25,353,281	4,500,000	6,203,636	-	-	132,639	42,539,437	5,04
Customers' deposits	178,916,601	57,058,584	14,820,307	9,590,696	14,589,867	1,000,000	72,949,550	348,925,605	4,44
Margin accounts	22,818,450	21,974,334	-	-	10,134,500	-	225,715	55,152,999	3,40
Loans and borrowings	49,025,399	21,635,085	3,346,890	2,599,391	8,719,313	16,715,673	-	102,041,751	3,89
Sundry provisions	-	-	-	-	-	-	77,028	77,028	
Income tax liabilities	-	-	-	-	-	-	758,747	758,747	
Deferred tax	-	-	-	-	-	-	930,311	930,311	
Other liabilities	-	-	-	-	-	-	12,001,588	12,001,588	
Total Liabilities	257,110,331	126,021,284	22,667,197	18,393,723	33,443,680	17,715,673	87,075,578	562,427,466	
Equity	-	-	-	-	-	-	135,934,724	135,934,724	
Total Liabilities and Equity	257,110,331	126,021,284	22,667,197	18,393,723	33,443,680	17,715,673	223,010,302	698,362,190	
Interest rate sensitivity gap	(89,186,097)	(71,043,206)	63,220,125	44,339,585	135,680,930	53,303,908	(136,315,245)	-	
Cumulative interest rate sensitivity gap	-	(160,229,303)	(97,009,178)	(52,669,593)	83,011,337	136,315,245	-	-	

Sensitivity of interest rates as of December 31, 2004

	Less than one month	1 - 3 Months	3 - 6 Months	6 Months to 12 Months	1 - 3 Years	Over 3 years	Zero-interest Elements	Total	Average interest rate %
Assets -									
Cash and balances with Central Banks	3,000,000	4,000,000	2,000,000	-	-	-	21,893,728	30,893,728	2,68
Balances at Banks and financial institutions	73,355,686	-	-	-	-	-	7,160,508	80,516,194	1,98
Trading investments	-	1,417,080	282,084	4,018,600	1,599,080	301,380	12,424,435	20,042,659	5,46
Direct credit facilities, net	49,523,836	60,797,201	20,327,489	26,599,871	72,345,438	8,212,333	-	237,806,168	8,32
Available for sale investments	-	7,004	1,547,400	2,579	12,378,143	6,047,760	414,509	20,379,395	3,88
Held to maturity investments, net	-	3,292,124	8,937,560	-	-	-	-	12,229,684	2,18
Premises and equipment, net	-	-	-	-	-	-	1,628,598	1,628,598	
Intangible assets	-	-	-	-	-	-	553,532	553,532	
Other assets	2,631,699	2,253,818	1,205,506	-	-	-	5,798,027	11,889,050	
Total Assets	128,511,221	71,767,227	34,300,039	30,621,050	86,322,661	14,561,473	49,873,337	415,957,008	
LIABILITIES AND EQUITY									
Liabilities -									
Banks and financial institutions' deposits	39,500,059	-	-	-	2,000,000	-	1,452,933	42,952,992	2,52
Customers' deposits	99,838,315	31,141,248	13,876,693	15,629,000	5,573,758	2,635,000	31,032,532	199,726,546	3,39
Margin accounts	20,915,555	33,646,013	-	-	-	-	-	54,561,568	2,66
Loans and borrowings	7,390,652	13,393,947	9,857,214	1,916,036	10,940,725	6,380,984	-	49,879,558	3,74
Income tax liabilities	-	-	-	-	-	-	3,702,341	3,702,341	
Other liabilities	-	-	-	-	-	-	5,261,485	5,261,485	
Total Liabilities	167,644,581	78,181,208	23,733,907	17,545,036	18,514,483	9,015,984	41,449,291	356,084,490	
Equity	-	-	-	-	-	-	59,872,518	59,872,518	
Total Liabilities and Equity	167,644,581	78,181,208	23,733,907	17,545,036	18,514,483	9,015,984	101,321,809	415,957,008	
Interest rate sensitivity gap	(39,133,360)	(6,413,981)	10,566,132	13,076,014	67,808,178	5,545,489	(51,448,472)	-	
Cumulative interest rate sensitivity gap	-	(45,547,341)	(34,981,209)	(21,905,195)	45,902,983	51,448,472	-	-	

(46) LIQUIDITY RISK

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

- Diversification with finance Resources.
- Analyzing and monitoring the assets and liabilities maturity dates.
- Geographical and sector diversification of assets and liabilities.
- Statutory cash at central banks:

The Bank has a reserve in the amount of JD 28,954,148 deposited in the central banks as of December 31, 2005.

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

Assets -	Till one month	1 - 3 Months	3 - 6 Months	6 Months to 12 Months	1 - 3 Years	Over 3 years	No specific Maturity	Total
Cash and balances with Central Banks	19,902,727	28,995,715	6,000,000	2,000,000	-	-	26,552,620	83,451,062
Balances at Banks and financial institutions	114,336,666	1,789,750	-	-	-	-	1,573,979	117,700,395
Deposits at Banks and financial institutions	-	-	-	-	354,500	-	-	354,500
Trading investments	-	-	-	775,040	1,097,648	6,830,159	17,438,702	26,141,549
Direct credit facilities, net	24,322,649	30,450,456	66,294,625	47,965,732	156,426,016	59,457,611	-	384,917,089
Available for sale investments	-	-	-	9,173,136	10,879,043	5,564,360	6,342,234	31,958,773
Held to maturity investments, net	3,200,761	5,389,000	11,999,130	2,819,400	765,405	-	-	24,173,696
Premises and equipment, net	-	-	-	-	-	-	5,574,339	5,574,339
Intangible assets	-	-	-	-	-	-	3,672,872	3,672,872
Other assets	3,366,910	10,214,006	1,488,709	272,822	2,034,265	337,772	2,703,431	20,417,915
Total Assets	165,129,713	76,838,927	85,782,464	63,006,130	171,556,877	72,189,902	63,858,177	698,362,190
LIABILITIES AND EQUITY								
Liabilities -								
Banks and financial institutions' deposits	6,482,520	25,353,281	-	6,203,636	4,500,000	-	-	42,539,437
Customers' deposits	229,357,065	69,284,846	23,990,003	15,703,827	9,589,864	1,000,000	-	348,925,605
Margin accounts	22,822,919	22,123,983	49,567	22,030	-	10,134,500	-	55,152,999
Loans and borrowings	17,120,399	21,635,085	3,346,890	2,599,391	40,624,313	16,715,673	-	102,041,751
Sundry provisions	77,028	-	-	-	-	-	-	77,028
Income tax liabilities	-	650,080	-	108,667	-	-	-	758,747
Deferred tax	-	-	-	-	-	930,311	-	930,311
Other liabilities	7,778,042	469,518	2,804,753	409,227	64,984	6,777	468,287	12,001,588
Total Liabilities	283,637,973	139,516,793	30,191,213	25,046,778	54,779,161	28,787,261	468,287	562,427,466
Equity attributable to the Bank's shareholders	-	-	-	-	-	-	130,176,725	130,176,725
Minority interests	-	-	-	-	-	-	5,757,999	5,757,999
Total Liabilities and Equity	283,637,973	139,516,793	30,191,213	25,046,778	54,779,161	28,787,261	136,403,011	698,362,190
Net liquidity gap	(118,508,260)	(62,667,886)	55,591,251	37,959,352	116,777,716	43,402,641	(72,544,834)	-
Cumulative liquidity gap	-	(181,186,126)	(125,594,875)	(87,635,523)	29,142,193	72,544,834	-	-

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

Assets -	Till one month	1 - 3 Months	3 - 6 Months	6 Months to 12 Months	1 - 3 Years	Over 3 years	No specific Maturity	Total
Cash and balances with Central Banks	16,452,372	4,000,000	2,000,000	-	-	-	8,441,356	30,893,728
Balances at Banks and financial institutions	72,130,131	-	-	-	-	-	8,386,063	80,516,194
Trading investments	-	1,417,080	282,084	4,018,600	1,599,080	301,380	12,424,435	20,042,659
Direct credit facilities, net	49,158,964	62,449,272	20,122,001	26,330,977	71,532,619	8,212,335	-	237,806,168
Available for sale investments	-	7,004	1,547,400	2,579	12,378,143	6,047,760	414,509	20,397,395
Held to maturity investments, net	-	3,292,124	8,937,560	-	-	-	-	12,229,684
Premises and equipment, net	-	-	-	-	-	-	1,628,598	1,628,598
Intangible assets	-	-	-	-	-	-	553,532	553,532
Other assets	3,588,476	2,573,773	1,306,532	132,199	1,056,098	-	3,231,972	11,889,050
Total Assets	141,329,943	73,739,253	34,195,577	30,484,355	86,565,940	14,561,475	35,080,465	415,957,008
LIABILITIES AND EQUITY								
Liabilities -								
Banks and financial institutions' deposits	31,973,277	2,127,000	-	-	2,000,000	-	6,852,715	42,952,992
Customers' deposits	116,906,208	37,347,754	18,531,573	18,732,253	5,573,758	2,635,000	-	199,726,546
Margin accounts	20,915,555	33,646,013	-	-	-	-	-	54,561,568
Loans and borrowings	7,390,652	13,393,947	9,857,214	1,916,036	10,940,725	6,380,984	-	49,879,558
Income tax liabilities	3,702,341	-	-	-	-	-	-	3,702,341
Other liabilities	2,900,504	155,844	1,906,608	241,395	23,258	10,995	22,881	5,261,485
Total Liabilities	183,788,537	86,670,558	30,295,395	20,889,684	18,537,741	9,026,979	6,875,596	356,084,490
Equity attributable to the Bank's shareholders	-	-	-	-	-	-	59,872,518	59,872,518
Total Liabilities and Equity	183,788,537	86,670,558	30,295,395	20,889,684	18,537,741	9,026,979	66,748,114	415,957,008
Net liquidity gap	(42,458,594)	(12,931,305)	3,900,182	9,594,671	68,028,199	5,534,496	(31,667,649)	-
Cumulative liquidity gap	-	(55,389,899)	(51,489,717)	(41,895,046)	26,133,153	31,667,649	-	-

(47) FOREIGN CURRENCY RISK

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

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

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

Currency	2005	2004
U.S. Dollars	(12,599,538)	(3,462,653)
Sterling Pound	898,344	11,148
Euro	59,799	(2,416,127)
Canadian Dollar	63,405	17,842
Swiss Franc	11,860	164,417
Danish Kronor	52,006	7,560
Japanese Yen	210,287	2,952,468
Sweden Kronor	35,901	21,330
Others	703,387	564,925

(48) EQUITY PRICE RISK

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

(49) SEGMENTAL INFORMATION

Primary segment information

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

Retail banking - Principally handling individual customers' deposits, and providing consumer type loans, overdrafts, credit cards facilities and funds transfer facilities;

Corporate banking - Principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers;

Corporate finance - Principally arranging structured financing, and providing services relating to privatisations, IPO's and mergers and acquisitions;

Treasury - Principally providing money market, trading and treasury services, as well as the management of the Bank's funding operations by use of treasury bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking.

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

December 31, 2005:

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

December 31, 2004:

	Retail Banking	Corporate Bank	Corporate Finance	Treasury	Other	Total
Gross income	2,357,242	13,456,301	301,215	17,894,557	(10,188)	33,999,127
Provision for credit losses	(95,007)	(3,227,104)	-	-	-	(3,322,111)
Segment result	18,812	5,498,334	301,215	17,380,017	(10,188)	23,188,190
Unallocated costs	-	-	-	-	-	(7,011,441)
Profit before tax	-	-	-	-	-	16,176,749
Income tax expenses	-	-	-	-	-	(3,830,395)
Profit for the year	-	-	-	-	-	12,346,354

Other information

Segment assets	27,252,284	210,402,735	2,443,864	164,079,660	11,778,465	415,957,008
Segment liabilities	101,292,322	165,542,792	-	81,489,210	7,760,166	356,084,490
Capital expenditure	-	-	-	-	-	1,175,245
Depreciation	-	-	-	-	-	423,010

2. Geographical Information

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

	Jordan		Outside Jordan		Total	
	2005	2004	2005	2004	2005	2004
Gross income	52,829,100	33,174,842	6,477,827	824,285	59,306,927	33,999,127
Total assets	681,361,300	415,637,938	17,000,890	319,070	698,362,190	415,957,008
Capital expenditure	2,622,102	1,175,245	-	-	2,622,102	1,175,245

(50) CAPITAL ADEQUACY

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

	2005		2004	
	Amount in JD	% to assets weighted by risks	Amount in JD	% to assets weighted by risks
Regulatory capital	131,366,000	24,75	58,351,812	18,16
Core (primary) capital	127,595,000	24,04	54,706,379	17,04

(51) FIDUCIARY ASSETS

- The Bank provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involve the Bank making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. At the balance sheet date, the Bank had investment custody accounts amounting to approximately JD 10,089,759 and JD 6,223,901 as of December 31, 2005 and 2004, respectively. The asset management fees and commission are recorded in the income statement.
- In the normal course of business, the Bank performs investment management services for its clients. Investments and other assets held by the Company in fiduciary capacity amounting to JD 9,909,000 at December 31, 2005 are segregated from the Bank's assets and are not included in the financial statements.

(52) Off BALANCE SHEET ITEMS

	2005	2004
Letters of credit	40,043,138	24,372,220
Acceptances	14,675,477	15,105,492
Letters of guarantee -		
Payments	14,095,949	6,574,545
Performance	13,809,773	12,348,003
Other	42,413,558	37,735,858
Forward deals in foreign currencies (Note 39)	923,586	33,123,447
Irrevocable commitments to extend credit	16,638,305	15,438,096
	142,599,786	144,697,661

As of the date of financial statements, the Bank is contingently liable with respect to a bank guarantee of USD 445,000 to the order of Al-Abdali For Investment and Development Company to purchase a plot of land.

Annual rent of the Bank's main building and the branches amounted to JD 205,770.

There is an additional commitment of IQD 14.8 billion (equivalent to JD 7,123,693), representing the Bank's share in increasing NBI's capital to IQD 50 billion.

(53) LAWSUITS

In the normal course of business the National Bank of Iraq appears as a defendant in a lawsuits amounting to approximately IQD 59 million (equivalent to JD 28,632) where preliminary court decision was issued in favour of National Bank of Iraq as of May 31, 2005.

(54) NEW ISSUED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

- International Financial Reporting Standard No. 7 (Financial Instruments – Disclosure).
- International Accounting Standard No. 32 (Financial Instruments – Presentation).

(55) RECLASSIFICATIONS

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

	2004		
	After	Before	
	Restatement	Restatement	Amount of Change
Changes in assets	415,957,008	416,094,152	(137,144)
Changes in liabilities	356,084,490	358,488,295	(2,403,805)
Changes in equity	59,872,518	57,605,858	2,266,660
Profit for the year	12,346,354	12,006,237	340,117

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



Other Disclosures

DISCLOSURES REQUIRED BY THE JORDAN SECURITIES COMMISSION

A- Chairman's Statement.

B- Board of Directors' Report.

1- Major Activities Description:

As mentioned in the Board of Directors' Report.

Geographical Locations:

Capital expenditures amounted to JOD 2,622,102 as at 31/12/2005, and the Bank's employees reached 237, distributed by branch as follows:

Branch	Employee Number
Head Office	210
Shmeisani	6
Al Aqaba	3
Irbid	5
Al Zarqa	5
Al Wehdat	5
Sahab	3

2- Subsidiary Companies disclosure:

As mentioned in note no. 2 of the "Notes to the Consolidated Financial Statements" under "Basis of Consolidation".

3- Board of Directors and Top Management:

The Board of Directors:

Ali K. Al -Husry (Chairman)

Holds a B.Sc. in Mechanical Engineering from the University of Southern California, and an MBA from INSEAD, France.

Member of the board of Hikma Pharmaceuticals – London. Member of the Boards of The Association of Banks in Jordan, Al-Hussein Fund for Excellence and Jordan Insurance Commission.

Dr Fayez M. Soheimat (Vice Chairman)

Holds a Ph.D. in Engineering. Has a long professional experience, and a board member in a number of public corporations. Held the positions of General Manager of the National Oil Company and General Manager of Industrial Estates Corporation.

Mohammed Al-Seif

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

Mazen S. Darwazah

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

Abdel Raouf W.Al-Bitar

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

Elia C. Nuqul (Investment & Integrated Industries Company)

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

Yehya Abu Ersheid (Social Security Corporation)

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

Amer M. Fariz (Bayader Trade & Investment Company)

Holds a B.A. in Business Administration from the University of Jordan. Experienced in banking and finance. Started his professional life in the Arab Banking Corporation, and is a board member of several companies. Currently, Chairman of Bayader Trade & Investments Company

Fawzi Jumeian (Al-Khalil Investments)

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

Mansoor Fustog (Spumante Comercio International LDA)

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

Top Management:

Haytham Kamhiyah (General Manager)

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

Mohammad Fayyad (Assistant General Manager / Treasury and Investments)

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

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

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

Rami Hadeed (Assistant General Manager / Corporate Banking)

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

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

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

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

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

Mr. Marwan H. Shehadeh (Assistant General Manager / Chief Internal Auditor)

- Masters Degree in Accounting, University of Jordan.
- Holder of the following professional certifications: CPA, CPM, CFE, CRP, CRA, CBM.
- Long experience in the fields of internal audit, financial control, credit, re-engineering and professional training.

4- Major shareholders who own more than 5% of the Banks' capital:

Shareholder	Nationality	No. of Stock as of 31/12/2005	%	No. of Stock as of 31/12/2004	%
Investment & Integrtd Industries Company	Jordanian	5,524,825	5.42%	2,247,846	5.42%
Mr. Basem Al Salem	Jordanian	5,290,133	5.19%	2,679,307	6.46%
Mr. Ali K. Al-Husry	Jordanian	6,543,717	6.42%	2,748,854	6.62%
Social Security Corporation	Jordanian	9,827,275	9.63%	4,577,806	11.03%
Mr. Mohammed El-Seif	Saudi	6,140,000	6.02%	3,130,000	7.54%
Mr. Abdel Raouf Al-Bitar	Jordanian	9,302,227	9.12%	4,011,776	9.67%
Spumante Comercio Internacional Lda	Portuguese	6,783,291	6.65%	2,427,161	5.85%

5- Competitive position and market share:

As mentioned in the Board of Directors' Report.

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

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

7- Description of any governmental protection or privileges:

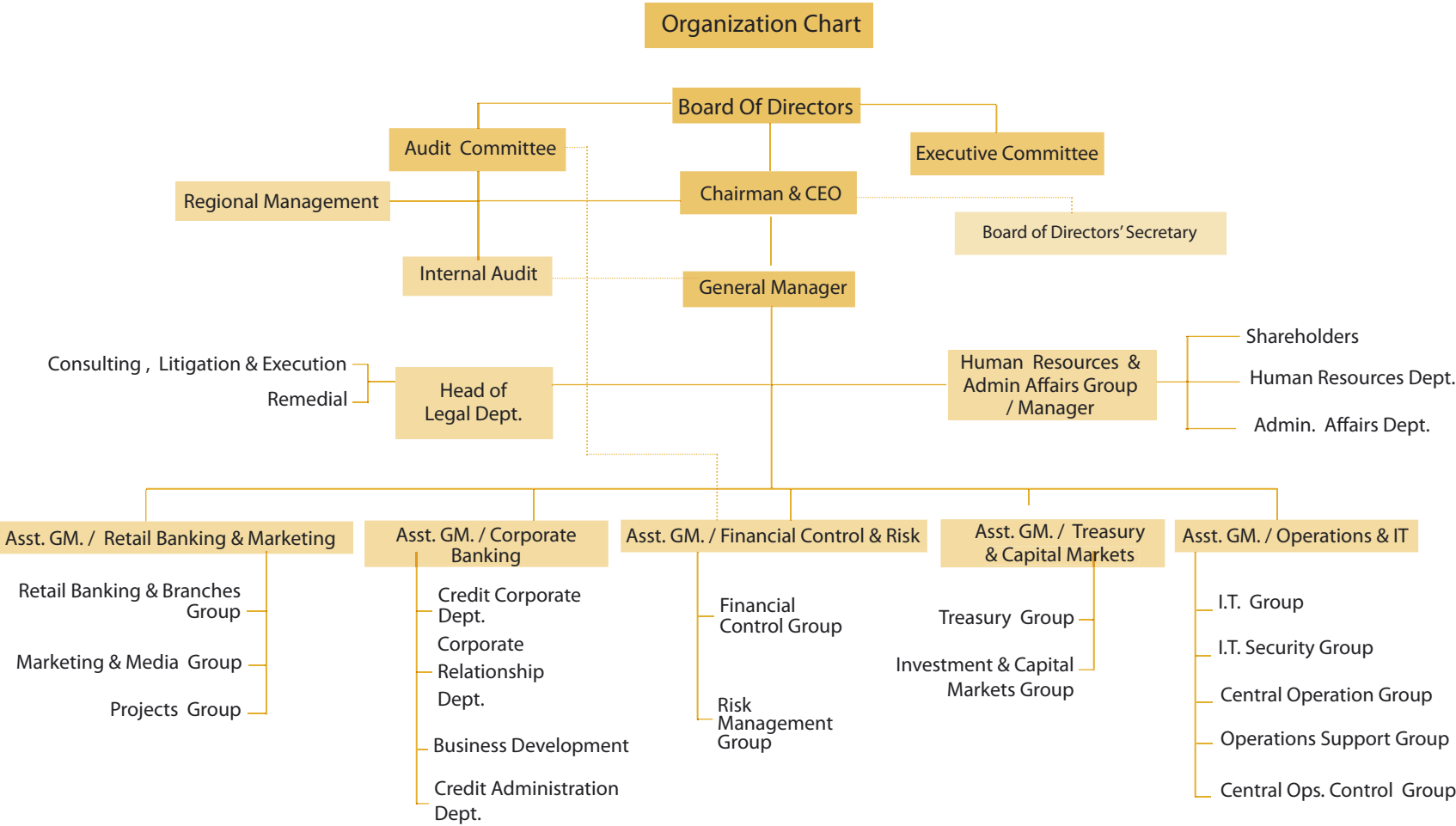
There are no governmental protection or privileges to the Bank or any of its products.

The Bank had no patents of invention or copyrights during 2005.

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

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

9- **Orgaization Chart, Number of Employees and Qualifications:**



Qualification	No.
PhD	1
Master	17
High Diploma	2
B.A /B.S	179
Diploma	25
Secondary school	10
Lower than secondary school	3
Total	237

Employees Training	
Local Courses	298
Foreign Courses	33
Total	331

10- Description of Risks:

As stated in the Notes to the Financial Statements (43 to 48).

11- Achievements for the year 2005:

As mentioned in the Board of Directors' report.

12- The financial effect for extraordinary operations:

There are no extraordinary operations in 2005, which have a material effect on the Bank's operations.

13- Time Chain for realized profit and loss. Dividends, and net shareholders equity (2001-2005)

Year	Equity	Net Income	Dividends		Closing Price
			cash Div.	Stock Div.	
2001	32,106,664	5,056,890		3.3 Million	1.84
2002	37,590,373	5,568,252		4.7 Million	1.38
2003	45,779,476	8,061,827		4.5 Million	3.93
2004	59,872,518	12,346,354		7 Million	4.41
2005	135,934,724	21,358,989		10.5 Million	3.32

2001	Stock Dividend of 15%
2002	Stock Dividend of 18.58%
2003	Stock Dividend of 15%
2004	Stock Dividend of 20.29%
2005	Private subscription of 48.20%
2005	Stock Dividend of 17.08%
2005	Private subscription of 41.66%

14- Analysis of the Bank's Financial Position:

As mentioned in the Board of Directors' report .

15- Future outlook:

As in the board of directors report

16- External Auditor's fees :

External auditor' fees, Allied Accountants , for the Bank and the Brokerage Company amounted to JD22,000.

17- Financial Securities issued by the Bank and owned by the Board of Directors, top management and their relatives:

Members of The Board of Directors:

Member	Representitive	Nationality	As of 31/12/2005		No. of Stocks owned by rep.	No. of Stocks owned by relative
			No. of Stock	%		
Social Security Corporation	Mr Yehya Abu Ershaid	Jordanian	9,827,275	9.63%		
Mr. Abdel Raouf Al-Bitar	-	Jordanian	9,302,227	9.12%		
Spumante Comercio Internacional Lda	Mansoor Fustok	Portuguese	6,783,291	6.65%		
Mr. Ali K. Al-Husry	-	Jordanian	6,543,717	6.42%		4,024
Mr. Mohammed El-Seif	-	Saudi	6,140,000	6.02%		
Investment & Integrtd Industries Company	Mr Elia Nuqul	Jordanian	5,524,825	5.42%		
Mr. Mazen Darwazeh	-	Jordanian	911,187	0.89%		205,590
Bayader Trade & Investment Company	Mr Amer Fariz	Jordanian	910,779	0.89%	459	
Dr. Fayez Soheimat	-	Jordanian	580,649	0.57%		14,098
Mr Basem Touqan	-	Jordanian	73,910	0.07%		
Al Khalil Financial Investments	Mr Fawzi Jumeen	Jordanian	35,416	0.03%		

Member	Representitive	Nationality	As of 31/12/2004		No. of Stocks owned by rep.	No. of Stocks owned by relative
			No. of Stocks	%		
Social Security Corporation	Mr Yehya Abu Ershaid	Jordanian	4,577,806	11.03%		
Mr. Abdel Raouf Al-Bitar	-	Jordanian	4,011,776	9.67%		
Mr. Mohammed El-Seif	-	Saudi	3,130,000	7.54%		
Mr. Ali K. Al-Husry	-	Jordanian	2,748,854	6.62%		1,638
Mr. Basem Al Salem	-	Jordanian	2,679,307	6.46%		
Spumante Comercio Internacional Lda	Mr. Rashad Khorsheed	Portuguese	2,427,161	5.85%		
Investment & Integrtd Industries Company	Mr Elia Nuqul	Jordanian	2,247,846	5.42%		
Bayader Trade & Investment Company	Mr Amer Fariz	Jordanian	370,563	0.89%	187	
Mr. Mazen Darwazeh	-	Jordanian	346,569	0.84%		81,000
Dr. Fayez Soheimat	-	Jordanian	236,245	0.57%		
Mr Basem Touqan	-	Jordanian	30,072	0.07%		

Top Management:

Member	Position	Nationality	No. of Stock as of 31/12/2005	No. of Stock as of 31/12/2004
Mrs. Nermine Al-Nabulsi	AGM / Operations & IT	Jordanian	-	6,514
Mr. George Sofia	AGM Retail banking Branches & Marketing	Jordanian	1,335	-

* There are no shares owned by the top management relatives

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

Board Members:

Member	Salaries & Remuneration	Remuneration of 2005	Transportation 2005	Other Benefits	Total
Mr. Ali K. Al-Husry	629,000	5,000	19,000	9,851	662,851
Mr. Mazen Darwazeh		5,000	14,300		19,300
Investment & Integrated Industries Company (Rep. Mr Elia Nuqul)		5,000	9,700		14,700
Mr. Basem Al Salem		5,000	6,400		11,400
Bayader Trade & Investment Company (Rep. Mr. Amer Fariz)		5,000	18,100		23,100
Spumante Comercio Internacional Lda (Rep. Mr. Rashad Khorsheed)		5,000	2,090		7,090
Spumante Comercio Internacional Lda (Rep. Mr. Mansoor Fustok)			6,866		6,866
Dr. Fayez Soheimat		5,000	18,700		23,700
Social Security Corporation (Rep. Mr. Yehya Abu Ershaid)		5,000	17,500		22,500
Mr. Abdel Raouf Al-Bitar		5,000	10,740		15,740
Mr. Mohammed El-Seif		5,000	16,552		21,552
Mr Basem Touqan		3,750	6,800		10,550
Al Khalil Financial Investments (Rep. Mr. Fawzi Jumeen)			7,000		7,000
Jordan Phosphate Mines Company (Rep. Mr. Marwan Irshaidat)		1,250			1,250
	629,000	55,000	153,748	9,851	847,599

Member	Position	Salaries & Remuneration
Mr. Haytham Kamhyah	General Manager	146,930
Mr. Mohammad Fayyad	AGM Treasury & Investments	134,447
Mrs. Narmeen Nabulsi	AGM Operations & IT	127,100
Mr. Rami Hadid	AGM Corporate Banking	34,700
Mrs. Amani Al-Hindawi	AGM Retail Banking, Branches & Marketing till 8/2005	66,820
Mr. George Sofia	AGM Retail banking, Branches & Marketing since 10/2005	8,750
Mr. Ayman Abu Al-Haija	AGM Financial Control & Risk	28,418
Mr. Adnan Al-Araj	AGM Regional Management	80,140
Mr. Hagob Banyan	Bank Counsellor	117,825
Mr. Marwan Shehada	AGM / Chief Internal Auditor	46,256
Mr. Mohammed Mu'az	Legal Counsellor / Legal Department Manager	60,729

19- Donations and Gifts:

Institution	Amount
SOS Children's Village Association of Jordan	46,296
Young Muslim Women Association	33,000
Orphan Care	23,399
Islamic Center Association	20,166
Prince Ali Bin Al-Hussein Club	10,533
Association of work disability – ministry of labor	10,000
Al karak Hashimite Charitable Association	10,000
The Hashimite Fund for Human Development	6,000
Princess Muna Scholarship Fund for Nursing	5,000
Rayaheen Al Janna Society	4,223
The National Program For Awareness & Development	3,500
Jordan River Foundation	2,000
Other Charitable & Social Foundations)	26,448
Total	200,565

20- Description of projects and contracts:

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

21- Bank's contribution to environment protection and support to the local community:

Mentioned in the donations disclosure.

C- Annual Financial Statements:

Stated in the annual report.

D- External Auditor's Report:

Stated in the Annual Report as an introduction to the financial statements.

E- Acknowledgment:

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

- The Board of Directors of Export & Finance Bank acknowledges that there are no essential issues that could affect the continuity of work during 2006.
- The Board of Directors of Export & Finance Bank is responsible for the preparation and the fair presentation of the financial information contained in this annual report.
- The Board of Directors of Export & Finance Bank, the General Manager and the Financial Manager acknowledge that all information and data contained in this report are correct, accurate and complete.

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