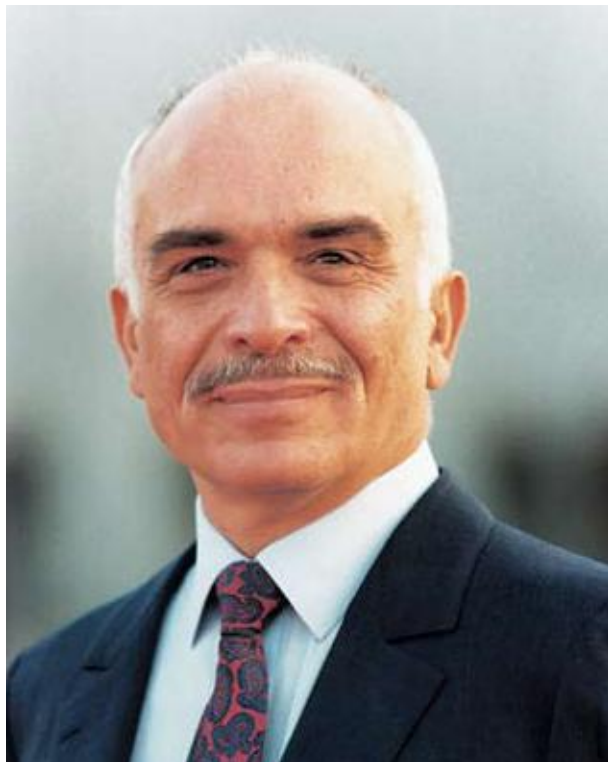


'07

The Twelfth  
Annual Report



His Majesty the Late King Al Hussien Bin Talal





His Majesty King Abdullah II Bin Al Hussien





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Chairman

**Dr. Ziad Mohammed Fariz Fariz**

Vice Chairman

**Dr. Fayeze Mohammed Atawy Soheimat**

## Members

**Mr. Mohammed seif El-Seif**

**Mr. Mansoor Mohammed Fustog**

Representative of Spumante Comercio Internacional LDA

**Mr. Abdel Raouf Waleed Abdel Raouf Al-Bitar**

**Mr. Elia C. Nuqul**

Representative of Investment & Integrated Industries Company

**Mr. Mazen Sameh Taleb Darwazeh**

**Mr. Bassam Wael Roshdy Kanaan**

Representative of Hotaf Investment Company

**Mr Hytham Almajaly**

Representative of Social Security Corporation

**Mr. Kim Foad saad Abu Jaber**

**Mr. Fawzy Jumeen**

Representative of Alkhaleel company for investments

'07

BOARD OF DIRECTORS





## Chairman's Letter

### Distinguished Shareholders,

I am glad to present to you, at my first General Assembly meeting, the enclosed twelfth annual report of the bank's results and various activities for 2007.

I am also pleased to take advantage of this opportunity to extend to you, on behalf of myself and the Board of Directors, our congratulations on the proud successes accomplished by Capital Bank and the steady growth it achieved in all Balance Sheet and Income Statement items and shareholders equity; noting your continued cooperation with Management's efforts, your continued support for the bank as well as your kind understanding which has had the best effect in achieving growth and profitability.

Capital Bank was able to further its sources of operational income and to maintain the performance level of its credit and investments portfolios through enhancing the level of its banking services, diversifying its modern e-products, increasing the efficiency of its human resources and seeking new investment opportunities inside and outside the Kingdom. This has reinforced its financial status as a pioneering bank, broadened its competitive capabilities, and increased its levels of financial solvency and capital adequacy.

Capital Bank assets increased from JD856 million in 2006 to around JD940 million in 2007, an increase of JD84 million (9.7%). Direct credit facilities (net) also increased from JD490 million to JD497 million during the same period. The Bank's investment portfolio increased by 83% from JD89 million to JD163 million, while profit (net of tax) during this year reached JD13.508 compared to JD18.059 last year.

In addition, Gross Client Deposits increased from around JD434 million during last year to JD482 million for this year (i.e. a total increase of JD49 million (11.2%). This provides a strong indicator of the continued broadening of the bank's client base, the increased trust in Capital Bank as well as its enhanced market competitiveness.

Total Shareholders' Equity at Capital Bank has increased from about JD151 million last year to about JD165 million for this year (i.e. an increase of 9.6%). This was due to the increase in Paid-in Capital from JD116 million to JD123 million as well as the increase in various reserves and profits achieved between the two mentioned years.

This is how the bank - which has taken up the new name of Capital Bank since 2006 and set for itself a unique identity and slogan that reflected its vision of itself as a comprehensive bank and dedicated its strategic vision as a provider of integrated financial services, inventive solutions and modern investment tools, was able to achieve all these calculated results whereby capital adequacy this year reached 21.55%. Looking at this positive performance, the international rating institution has granted the bank, for the second consecutive year, a rank of BBB, which has placed Capital Bank among the most highly-rated banks in Jordan and increased the confidence of corresponding banks in it.

During 2007, Bank Capital was keen to develop its corporate governance practices in a manner consistent with the requirements of the Monetary Authority and other regulatory authorities, so as to be in line with best international banking practices in this regard.

Within the framework of the Bank's continuous efforts to increase its share of the credit market, and to attract new clients, specifically in the retails and corporate sectors, and as part of implementing the Bank's strategic plan geared towards the mobilization of additional available financial resources, this year Capital Bank opened three branches in Al-Madinah Al-Munawwarah Street, Sweifieh

## Chairman's Letter

area, and Aqaba city center, bringing the total number of operating branches to eight in addition to the office at the Aqaba Economic Zone. Work is currently underway to open a new branch on Medical City Street and another in Bayader Wadi Al-Seer, introducing modern technology capable of offering modern e-banking services and the creation of high quality sales outlets along with offering a battery of existing products and services.

This expansion plan enabled us to further our presence in the retail market and increase the size of loans extended to individuals to meet their various consumer requirements.

The Bank was keen to maintain the quality of its credit portfolio through balancing between the elements of risks and returns while at the same time maintaining a low percent of non performing loans, which was 3.06% and among the lowest ratios across the Jordanian banking sector.

Among the areas which the bank pays special attention to is the expansion in providing finance to small and medium enterprises and to benefit from the experience of the Bank's strategic partner, the International Finance Corporation (IFC), in this regard.

As for the performance of Capital Invest for investments and financial brokerage, owned by Capital Bank as its investment arm, the positive performance of the Amman Stock Exchange reflected positively its profitability and increased the size of its business and enabled it to expand its capacity to offer new investment services to stock market clients and beyond, including corporate finance services, asset management and financial brokerage services. This allowed it to achieve a net profit of JD2.3 million compared to JD1.6 million during last year.

With regard to the strategic partnership agreement with the National Bank of Iraq (NBI) by which Capital Bank gained ownership of the larger share of subscribed capital for that bank at about 59% and valued at 25 billion Iraqi Dinar. I would also like to note that this bank was able to overcome the losses of 2006, which amounted to JD600 thousand, to achieve this year a profit of around JD1.3 million. This indicates the correctness of our strategic decision in finding a foothold for our bank in the Iraqi market, a market which is full of rewarding investment opportunities.

We paid due care to develop a comprehensive future plan that accounts for expansion across various levels. Advanced work programs are in place aimed at introducing change to the Bank's policies and procedures and diversifying investment and financing activities as well as offering the best and most modern services so as to increase the Bank's market share across the various segments.

I would also like to point out to the wise policy we adopted, as Capital Bank management and shareholders throughout the years, of capitalizing profits and increasing capital through private placements, which led to the expansion of the Bank's capital base. This will enable us to implement the Bank's strategic expansion plan and to benefit from local and regional opportunities, which will reflect positively on the Bank's performance and will increase its returns on investments, including return on assets (ROA) and return on equity (ROE).

After the joining of the International Finance Corporation (IFC) as the Bank's strategic partner and the increase of the Bank's capital to 132.280 million shares and that of shareholders equity to JD186 million as of the beginning of 2008, I would like the General Assembly to approve the Board's recommendation to distribute 58% of net profits as dividends among shareholders which amounts to approximately JD7.5 million, or to 6.1% of capital. Wishing you good luck and wishing our bank more progress and success.

**Dr. Ziad Fariz**  
Chairman





**Board of Directors Report 2007**

### **Introduction:**

For the twelfth consecutive year, Capital Bank has continued its intensive march of growth and progress, recording results that call for more trust in the efforts exerted by the Executive Management and the Bank's staff, and bestowing pride from the support of the shareholders, the bank's clients, the monetary authorities, the Jordan Securities Commission as well as all those whose valuable contributions have had the deepest effect in achieving the best target revenues.

Despite some unforeseen market conditions, Capital Bank registered a net profit of around JD13.508 million, where by net interests and commissions increased by 2.3% to reach JD31.4 million, accounting for 76% of total revenues which increased by 13.3% to reach JD41.4 million in 2007 compared to JD36.5 million in 2006.

Furthermore, the Bank expanded the size of its operations, as indicated by the increase in assets from around JD856 million in 2006 to around JD940 million in 2007, a growth of approximately JD83 million (9.7%).

In parallel, the Bank's total equity increased from approximately JD151 million during last year to around JD165 million this year i.e. a total increase of JD14.5 million (9.6%), which is attributed to the increase of the subscribed and paid in capital from JD116 million to JD123 million, and the increase of various legal and optional reserves.

These promising results were the fruitful outgrowths of diligent efforts exerted by the Bank throughout the year and during which it was able to successfully continue implementation of its endorsed strategic plan. This has reflected positively on furthering the Capital Bank's standing in the banking sector, enhancing its capacity to fulfill its clients' requirements and their varied and increasing needs. It also reinforced the Bank's sources of operating profits, increased its market share, instilled more corporate governance principles, and qualified it to maintain highest rating levels among local banks, where the Capital Intelligence has granted our Bank a BBB rating for the second consecutive year.

As a result, during this year Capital Bank maintained a rate of Return on Assets (ROA) of (1.5%), and return on shareholders equity (ROE) of (8.21%). The Bank also maintained a capital adequacy ratio of (21.55%) which exceeded the level set by the Central Bank of Jordan as well as Basel requirements. Moreover, Capital Bank maintained low levels of non-performing loans to be among the lowest levels recorded in the banking sector in Jordan, where it amounted to around (3.06%).

Thus, the positive outcomes of the Board of Directors efforts and those of the Bank's Executive Management were a result of the practical and tangible implementation of the endorsed plan and developmental programs which the Bank continues to implement in it is also attributed to the policies and procedures that are based on advanced scientific basis; its qualified pool of human resources; modern financial products; increased number of sales outlets; the efficient management of the Bank's financial resources and their deployment, in addition to many factors, all increased the attractiveness of Capital Bank, and attracted more clients from both the retail and corporate sectors.

### **Corporate Services**

Capital Bank maintained its status as one of the most preferred Banks by large corporations and investors wishing to deal with a Bank that possesses experience and knowledge of all products that cater to the corporate sector. During 2007, Capital Bank was able to focus on productive economic

sectors and to further its relations with existing corporate clients as well as to attract new ones. The various efforts resulted in achieving the following:

- Direct facilities extended during the 2007 to old and new customers reached approximately JD145 million.
- Full and partial settlements of direct facilities during 2007 reached around JD131 million.
- Capital Bank was, as usual, among the preferred options for investors and importers whereby the volume of indirect credit, both LC's and transfers reached approximately JD400 million.
- Guarantees volume during 2007 amounted to approximately JD102 million

#### **Retail Services (Consumers Sector)**

In implementation of the Bank's strategic plan to increase the percent of credit extended to individuals of the total credit portfolio, the services of the Retail Department were furthered and the Department was supplied with qualified personnel. In addition, several banking products were launched to meet the varied consumers and individuals needs. The number of one-stop-shop sales points offering timely servicing of clients was increased and the Department also continued to improve and develop appropriate processes and policies to achieve its goals. Furthermore, the Bank launched a multi-tier promotion campaign that contributed to attracting several clients wishing to benefit from the services provided by the Bank in this field.

Accordingly, the retail sector at Capital Bank continued to prosper year after year, especially during the last three years during which the size of consumer and property loans increased from approximately JD79 million in 2005 to approximately JD101 million in 2007 (a growth rate of 27.8%).

During the years witnessing a boom in the real estate market, the Bank signed several agreements to finance the purchasing of housing units within major property projects in different governorates across the kingdom, which contributed later on in the increase of the portfolio of real estate loans extended to individuals. It also offered personal loans to finance the buying of solar energy heaters, scooters, cars, boats and land, with lenient conditions that are most responsive to clients' rapid needs, and that achieve the highest levels of customer confidence and satisfaction, and enhance communication with a public that has received quality service from a bank that keeps its commitments and promises and seeks hard to always provide the latest in the retail services sector.

While Capital Bank offered more e-banking services and participated in the marketing campaigns of Visa and Master Card in addition to its own credit cards, it also enhanced its consumer services. This was achieved through the establishment of a direct sales unit and a call center, as well as the development of an internet banking services.

Within the framework of enhancing its competitiveness, furthering its presence, and increasing its share in the banking sector, specifically in the individuals and consumers segment, this year Capital Bank opened three branches in strategic locations in Al-Madinah Al-Munawwarah Street, Sweifieh area, and Aqaba city center. Work is currently underway to open a branch on Medical City Street in Dabouq, and another in Wadi Al-Seer Industrial Area. Meanwhile, the Bank has renovated its main branch to be in line with its new corporate identity. It also has plans to establish six ATM units across different areas.

Credit card services witnessed significant growth whereby the number of cards issued as well as credit extended through both the Visa and Master cards increased. Internet payment was also introduced and free Short Message Service was launched for banking and credit card accounts.

### **Treasury and Capital Markets Activities**

Despite the severe fluctuations witnessed by the main capital markets during 2007 along with heightened risks arising from interest rates fluctuations, the Treasury Department, through the Assets and Liabilities Management Committee was able to maintain the requirements pertinent to adequate solvency, thus enabling the Treasury Department to achieve significant growth in revenues compared to last year. This was the result of adopting an appropriate financing structure and utilizing the best tools suitable for managing market risks.

The Treasury Department continued to offer various and distinct services to all of its clients as well as the clients of the various branches and departments, whether in the field of dealing with foreign currencies and precious metals, or in the field of currency trading and hedges in foreign exchange market. The Treasury Department also provided its capital market services, in both foreign and local currencies, including Gulf currencies, through the Bank's network of correspondents spread throughout different regions of the world.

Moreover, the Treasury Department has activated the hedging mechanism for all of the Bank's clients, where precautionary methods and advice were provided to clients wishing to hedge against currency exchange rates fluctuations. Currency forwards, interest rate swaps and swaps were entered into for clients upon their request.

The Treasury Department continuously promotes, sells and purchases bonds and different commercial papers, in local and foreign currencies, that are issued in Jordan by the Central Bank of Jordan or by other Jordanian companies, to all current and interested clients.

The Treasury Department also handled liquidity management of the Bank through the various investment tools and methods and through issuing different kinds of special certificates of deposits.

As part of its diligent efforts to deal with financial instruments that meet clients' preferences and needs, the Treasury Department has traded local and foreign bonds, for the Bank's own portfolio in addition to clients' portfolios and was active in the local secondary bond market through providing the Bank's clients with the selling and buying prices of these bonds, in addition to information and analysis specific to fixed income products such as government bonds and corporate bonds as well as commercial papers issued by foreign companies. Moreover, the Department offers clients the best financial products at competitive prices and helps clients stay abreast with latest developments and news pertinent to foreign currency markets, including economic reports.

It is worth reiterating that the Treasury Department offers its clients various investment tools including interest rate swap and foreign currency deal contracts for the Bank's clients and margins dealings clients, including spot contracts, forward contracts and currency swap contracts which offer suitable solutions for hedging against foreign currency fluctuation risks.

### **Capital Investments and Brokerage Company**

In the pursuit of achieving a high level of qualitative efficiency, and increasing the effectiveness of its capabilities in the field of specialized investment activities, in 2006 Capital Bank established a company specialized in investment banking and stock markets under the name Capital Invest. Its services include management of investment portfolios, funds, and brokerages services covering local, regional and international markets. Furthermore, it also provides revaluation and consultation services for mergers and acquisition transactions and develops additional suitable products as well as develops the Bank's investment policy pertinent to both monetary and investment markets such that revenues are increased while reducing risk levels.

In the field of financial brokerage and investment funds management, Capital Bank's specialized company was active across three qualitative levels:

**First: Local Brokerage**

While the Brokerage Office of Capital Invest continued to hold a leading position amongst several brokerage firms active in Amman Stock Exchange dealings, a team of qualified brokers continued to offer a battery of specialized services to clients with high efficiency and professionalism, leading to the increase in the company's business volume and profit, achieving customer satisfaction and fulfilling their needs in a timely manner, and providing them with information pertinent to stock movements and news of listed companies.

Capital Invest was able to offer such qualitative services, sturdily enhancing its competitiveness. In 2008, the Electronic Trading System will be launched, allowing local clients to manage their portfolios through the internet, thus enabling them to get real time instant prices of their traded stocks which allows them to continuously reevaluate their portfolios and at appropriate times.

**Second: Regional Brokerage**

Following the expansion of the Regional Brokerage Department's activity into the stock markets of the Gulf, Egypt, Dubai, Lebanon and Palestine, the Department was able to further expand its activity to include the markets of Saudi Arabia and Morocco, thus opening the way for clients to participate in stock subscriptions of promising companies in various markets across the Arab region.

Due to this service which is unique to Capital Invest and performed by a team of qualified personnel that utilizes premium Electronic Trading Systems, the Regional Brokerage Department was able to double the number of its clients in 2007. Moreover, the Department presented reports, announcements, news and information regarding the above-mentioned trade markets, thus helping clients take investment decisions at proper times, and provided them with optimal funds allocation opportunities and helped them choose the best and most suitable investment deployments.

During 2008, the Financial Brokerage Unit at Capital Bank intends to continue its specialized activities and tap into new opportunities in order to expand its client base by attracting new potential clients and expanding its service range to include additional investment opportunities now that the Electronic Trading System has allowed access to different stock markets worldwide.

**Third: International Brokerage**

The International Brokerage service is considered one of the pioneering services offered by the Bank through Capital Invest. Its services are directed towards companies and investors wishing to diversify their investments through direct deployment in international stock markets. In this regard, the International Brokerage Unit provides a wide range of modern investment services, including the services of buying/selling international stocks and their derivatives such as stock options, financial indicators, investment funds and exchange-traded funds (ETFs). A team with extensive technical and practical experience assists clients in making their investment decisions by providing them with investment reports pertinent to markets of interest covering primary and secondary sectors, companies, international economic and technical indicators and news. In addition, they also provide advice, guidance, direction and answers to all clients' questions about the global markets, the various strategies as well as the different financial instruments that can be used to increase revenue and minimize risk.

In aim of developing offered services to International Brokerage clients, and in harmony with our

goals to create innovative investment services, the International Brokerage services were expanded to include new European and East Asian markets. This unit will also initiate a group of new innovative investment services in 2008 including Futures Contract Trading in international markets.

#### **Capital Management**

The Capital Management team at Capital Invest offers investment portfolio services designed specifically to meet clients' demands and honor their desires. These managed portfolios include Capital Guaranteed portfolios, Growth portfolios and Financial Leverage portfolios in addition to many portfolios designed in various currencies.

The distribution of assets in each portfolio depends on the level of revenue and risk specified in the investment policy on the one hand, and on the general outlook of the economic situation on the other. The strategy of the Fund Management Unit aims to increase the volume of managed assets while at the same time maintain a remarkable performance record.

Capital Bank launched the Horizon Fund in March 2005 (an open investment fund with variable capital), aiming to achieve growth in long-term capital for the net value of the fund's assets by maximizing the market value of the various investments in the different local, regional and global sectors. In July of this year the Assets Management Department launched a 3-year compound investment product with guaranteed capital tied to the performance of Arab markets. Assets Management will launch more investment products tied to the local, regional and global markets throughout 2008.

#### **Research**

The Research and Studies Department at Capital Invest is managed by an integrated team specialized in financial and economic analysis relevant to companies, sectors and economic trends, be it on the local, regional or international level. The Department's activities are focused on local markets, where the Department provides its clients with a comprehensive assessment of the performance of the Jordanian capital market, and prepares periodic publications covering studies and forecasts about the economy, stock markets and the developments of sectors and individual companies.

The researches of the Department had a major role in increasing its credibility, and as such its ability to provide consultations to many local, regional and international investment funds interested in the Jordanian capital market and the economic developments in the Kingdom.

#### **Corporate Finance**

The Corporate Finance Department at Capital Invest was able this year to expand the base of deals in the local and regional markets. In addition, it was able to expand the scope of financial and consulting services, such that they are on par with the latest banking and investment services developments in the region.

Following the successes achieved by the Department over the past years, this year it continued to record exceptional performance. Among the major achievements of Capital Invest during 2007 was the signing of an agreement with the Saudi Al-Rajhi Group through which Capital Invest would act, on behalf of two of Al-Rajhi Group companies, as the co-arranger for the financing of US\$850 million per Islamic Sharia rules. Said financing will be used for expanding their investments in the area to include the establishment of new cement factories in Jordan and Syria.

## Board of Directors Report 2007

Being the exclusive financial consultant of the National Al-Faris Company for Investments and Exports (Optimiza), the leading provider of technology solutions and consultancies in Jordan and the region, in 2007 Capital Invest provided financial consultancy services to Optimiza during its acquisition of eight other companies.

During this year, the Corporate Finance Department also financed working capital (short term) requirements for two leading companies in the Jordanian market in order to arrange and issue tradable commercial papers valued at JD25 million for the benefit of Middle East Complex for Engineering, Electronics and Heavy Industries and Arab Real Estate Development Company.

The Department continues to contribute to the development of the Jordanian capital market through the issuance and management of local public offerings and the supervision and coordination of subscription to stock listed at accredited banks. The Corporate Finance team managed several issuances on behalf of distinguished companies including Al-Dulail Industrial Estate Complex and Arab Orient for Financial and Economic Investments.

As part of its commitment to offer the best and latest financial valuation techniques, the Corporate Finance specialized team provided valuation reports for several companies across various sectors to include the sectors of telecommunications, information technical, real estate, construction, tourism and transport.

### **Risk Management**

In harmony with the developments witnessed by the banking sector, specifically those pertinent to the instilment of good corporate governance principles in line with the Central Bank of Jordan requirements in preparation for implementing Basel II resolutions, during the past two year Capital Bank started preparing a set of systems and procedures to control the key risks that face the various activities of the Bank, supervised by an independent department. The responsibility of risks management entails the identification, measurements, and continuous monitoring of financial and non-financial risks that may have an adverse impact on the Bank's performance and reputation. It also entails guaranteeing the effective distribution of capital to achieve optimal returns relative to risks.

The major functions of Risks Management relate to four key areas:

- Maintaining of the Bank's solid financial status.
- Achieving balance between risks and returns.
- Transparency in highlighting risks and ensuring that said risks are clear and understood both internally and externally.
- Ensuring that risks are within the levels endorsed by the Board of Directors.

Risk management at Capital Bank is carried out according to key doctrines and risk governance principles manifested in the availability of risks strategies and policies endorsed by the Board; the various risks committees and the Risk Management Unit.

Among the key Tasks of the Department for 2008 will be to select appropriate financial forms to measure and monitor financial risks that are congruent with the nature and size of the Bank's activity as well as international best practices. The Department will also complete the project of developing business continuity plans and implementing a self-assessment risk system across the various Bank's units, in addition to the implementation of Basel II decisions according to the Central Bank of Jordan requirements.

### **Human Resources**

Stemming from its deep acknowledgement of the importance of qualified personnel as an essential bearing point in the process of self evolution and the accomplishment of desired further distinction and success, Capital Bank has given its valuable human resources utmost attention and care, whether through the introduction of novel competencies by those with the qualifications and practical experiences, or through qualitative training, skills honing, offering training on modern banking principles, and any other aspect that can help keep up with the latest in the world of finance, business and banking.

Indeed during this year, Capital Bank furthered its qualified managerial competencies through the recruitment of new talent. In addition, the Board of Directors and the executive management diligently worked on developing a new organizational structure and job descriptions that responds to the needs of the next phase and fulfill the requirements pertinent to the accurate distribution of responsibilities an allocation of tasks among the Bank's different departments in such a way that furthers internal communication, guarantees streamlined workflow, achieves internal controls, and allows for required decisions to be made in the appropriate time. Furthermore, a new personnel list was developed that includes an accurate description of jobs and tasks assigned to each employee, and an updated salary and benefits scale that would support skills retention and attraction.

### **Corporate Social Responsibility**

Stemming from its social responsibility commitment towards its local community, and realizing the importance of continuous effective interaction with its social surroundings; and to achieve mutual benefit for it and the different societal strata, this year Capital Bank continued to the path of previous years and implemented a number of creative social initiatives. Those include:

- Attending to non-profit organizations and charity associations, and providing support to entities dedicated to helping orphans and the poor, such as the SOS Children's Village Association. In addition, iftar meals, food rations, and children's clothing were provided through the contributions of the Bank's employees
- Providing financial and moral support to institutions and associations concerned with people with special needs, such as the support extended to the King Hussein Cancer Center.
- Contributing to environment protection efforts, an example of which is the Bank's support of the national forestation project, by sponsoring the forestation and reclamation of non-forest lands, the effort which falls under the Agriculture Reform Program being spearheaded by the Ministry of Agriculture.
- Building the main offices of the Orphan Care Charity Association in the city of Al-Mafraq; sponsoring 25 orphans; and buying a bus to serve the association and to facilitate the transport of its beneficiaries.
- Providing education to excelling students from poor and less fortunate classes and areas in the Kingdom.
- Contribution and participation with Injaz in building one of the public schools and providing donation for its restoration and maintenance.

## Board of Directors Report 2007

- Voluntary work by the Bank's employees some who taught at public schools through Injaz program.
- Collaboration with "Al-Keema" Foundation for Unique Initiatives in supporting education and awareness program on aspects key to the society.
- Taking on the educational expenses of a number of disabled students through the Young Women Moslem Association (YWMA).
- Blood donation campaign by the Bank's employees
- Training male and female university students from various disciplines at the Bank's various departments as part of Injaz program to help improve educational level.
- Distribution of lunch packages through Tkiyet Um Ali to 200 families.
- Providing iftar meals, food rations, Eid clothing and winter supplies to 100 orphans in Mafrq with the moral and financial active participation of the Bank's employees
- Participation in seminars and conferences related to corporate social responsibility (CSR) and enhancing and supporting women's role in CSR.



## **C o n t e n t s**

### **Introduction**

1. What is Corporate Governance
2. Corporate Governance Best Practices
3. Legal Framework of Corporate Governance in Jordan

### **Capital Bank of Jordan policy to Establish the Rules of Corporate Governance in the Bank**

1. Corporate Governance Code as a reference
2. Principles of Corporate Governance

### **Main Elements of the Code**

- First: Compliance with the Code
- Second: The Board of Directors
- Third: The Committees of the Board
- Fourth: The Secretary of the Board

**The Executive Management**  
**Discipline and Internal Control**  
**Relationship with the Shareholders**  
**Transparency and Disclosure**



**Corporate Governance Code  
Capital Bank of Jordan**

## **Introduction:**

Effective corporate governance practices are essential to achieving and maintaining public trust and confidence in the banking system, which are critical to the proper functioning of the banking sector and economy as a whole. There is no doubt that good Corporate Governance provides suitable incentives to the Board of Directors and the executive management to continue achieving their objectives, which go with the interest of both; the institution and its shareholders, facilitate the existence of effective control, and keep the management accountable towards the Board of Directors on one hand, and the Board of Directors accountable towards the shareholders and other stakeholders on the other hand.

### **1. What is Corporate Governance?**

Corporate Governance is defined as "the set of relationships between a company's management, its board, its shareholders, and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined".

Effective Corporate Governance is connected with internal factors that include; effective communication between the management of the bank, the Board of Directors, the shareholders and the management. While the external factors play a role in supporting the availability of good Corporate Governance, such as the following:

- Laws and regulations that protect rights of the shareholders' and other stakeholders such as the depositors.
- The appropriate control environment by the supervisory bodies such as the Government, the Central Bank of Jordan and Amman Stock Exchange.

### **2. Corporate Governance Best Practice**

The Structure of Corporate Governance process as well as the legal and organizational frameworks varies vastly among countries. Yet, the sound Corporate Governance can be achieved regardless of the model adopted by the banking institution as long as there are basic functions operating as required. There are four forms of control that organizational frame of each bank must include to ensure effective control; namely:

- (1) oversight by the Board of Directors.
- (2) oversight by individuals who are not involved in the day to day work
- (3) direct line supervision of different business areas
- (4) Independent Risk management, compliance, and audit functions. It is also important that the key personnel are fit and proper for their jobs.

### **3. Legal Framework of Corporate Governance in Jordan**

The rules and principles of Corporate Governance depend on the following legislations:

- Banks Law No. 28 of 2000 and its amendments
- Companies Law No. 22 of 1997 and its amendments
- Securities Law No. 76 of 2002 and its amendments
- Regulations and Instructions issued based on the above laws

### **Capital Bank of Jordan's policy for Enhancing Corporate Governance principles**

#### **1. Corporate Governance Code as a Reference**

Capital Bank of Jordan is aware of the importance of enhancing Corporate Governance principles in the bank, as they provide sound basis for its development and the improvement of its performance, these principles also increase trust in the bank's activities, which will attract the funds of the depositories, the capital of the shareholders, and give the bank the ability to effectively participate in developing the financial system in Jordan. Based on the foregoing, the Bank has decided to adopt the Corporate Governance code in consistence with the best international practices in this regard, which were issued by Basel International Committee for Banking supervision in February 2006, under the title "Enhancing Corporate Governance for Banking Organization" and the Boards of Directors Guidelines which was issued by the Central Bank of Jordan in 2007.

#### **2. The Four Principles of sound Corporate Governance**

- **Fairness:** minority of shareholders and other stakeholders must be treated fairly and their interests must be taken into consideration.
- **Transparency:** financial and organizational information and the incentives of the executive management must be disclosed to the stakeholders to enable the depositors and shareholders to assess the performance of the organization.
- **Accountability:** The executive management answers any enquiry raised by the Board of Directors in connection with the implementation of plans and application of the prescribed policies with the aim of ensuring the maintenance of the assets and financial position of the Bank. On the other side, the Board of Directors must show preparedness once it is questioned by the shareholders in the General Assembly and any other stakeholders.
- **Responsibility:** Authorities and responsibility must be clearly defined.

#### **Main Elements of the Code**

##### **First: Commitment to Corporate Governance**

- The Bank has formed a committee for Corporate Governance from board members whose duties are stated in the Code.
- The Corporate Governance Committee has prepared this Code, which was then approved by the Board of Directors. The annual report of the Bank is included therein. Furthermore, an updated copy thereof is available on the website of the Bank for whoever needs it.
- The Bank annually declares its extent of compliance with this Code. Wherever necessary, details of how the Bank applies each item in the Code are set forth. In other instances, the Bank states why it followed some procedures that are different from the code content.
- In line with the developments witnessed by the Bank, this Code will be subject to periodic review and development whenever required to meet the needs of the Bank and the expectations that might arise in the surrounding environment.

##### **Second: The Board of Directors**

##### **1. The Responsibilities of the Board of Directors**

###### **A. General Principles**

- The Board assumes its responsibilities related to the operations of the Bank, its financial integrity, the satisfaction of central bank requirements, the interests of the shareholders, depositors, debtors, employees and other stakeholders ensuring that the Bank is managed prudently based on the framework of the applicable laws, instructions, and the bylaws of the Bank.

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- The Bank is strengthening the concept which states that each member in the Board of Directors is obliged towards the Bank and all its shareholders, rather than a certain shareholder.
- The Board defines bank objectives and guides the executive management to draw up a strategy that can achieve such objectives. The executive management draws up work plans that go in line with such strategies through a process that includes the participation of all Bank departments. The Board adopts the strategy, work plans, and ensures that the executive management reviews the performance achievements in accordance with the work plans and takes corrective steps wherever necessary. The process of preparing the estimated budgets should be deemed to be part of the short term planning process and performance measurement.
- The Board ensures that the Bank enjoys high integrity in exercising its operations. This is realized by the availability of policies, rules and procedures that organize the operations with the related parties and the existence of work ethics charter, which includes a definition of conflict of interests and the transactions made by the Bank employees for their personal interest based on internal information about the Bank that was obtained/accessed as a result of the powers vested in them. Such policies and the work ethics charter should be circulated to all the Bank's employees and the members of the Board and their consent to the same should be secured and they should be published to the public.

**b. The responsibilities of the Board of Directors were defined in accordance with the powers vested in them pursuant to the Bank's Articles of Association and to those provided for by the Banks Law, Companies Law and pertinent instructions. They include the following responsibilities:**

- Definition of the objectives and drawing the plans with which the executive management of the Bank should comply.
- Selecting an executive management which is capable of managing the affairs of the Bank efficiently and effectively.
- Approving the different policies of the Bank including the policies of different risks, provided that the Central Bank is supplied with a copy of the policies provided for based on instructions.
- Controlling the implementation of the Bank's policies and ensuring the correctness of the procedures followed for achieving the same.
- Ensuring that no member may make personal benefit at the account of the Bank interest.
- Taking the steps that guarantee the accuracy of the information that is provided to the Central Bank according to the Central Bank's law and in pursuance with the provisions of this law.
- Taking all the procedures that guarantee compliance with the provisions of the Banks Law, and any other legislation related to the operations and activities of the Bank.
- Drawing the Bank's internal regulations and instructions that define the duties and powers of its different departments, which, in turn, guarantee the achievement of administrative and financial control over its operations.

### 2. The Role of the Chairman

- The positions of the Chairman and the General Manager were separated. The Bank observes that no relationship exists between the Chairman and the General Manager below third grade. Responsibilities are decided based on written instructions authorized by the Board and reviewed whenever necessary.
- The position of the Chairman was separated from that of the Chief Executive Officer (CEO) in order to promote an independent element within the Board.

**The role of the Chairman should be as follows:**

1. Representing the Bank in accordance with the provisions of the Companies Law, Banks Law and the regulations issued by virtue thereof, and any other regulations applicable in the Company.
2. Supervising the activities of the executive management and ensuring that they are made in accordance with the recognized financial and banking standards, the applicable laws, and regulations, and the policies adopted by the Board of Directors.
3. Signing the agreements, contracts, and financial transactions that fall within his powers in accordance with the provisions of the Companies Law, and the regulations and resolutions of the Board of Directors issued in this connection.
4. Inviting the Board of Directors to meet and define the subjects that are included in the meeting agenda.
5. Informing the departments with the resolutions of the Board, supervising the follow up of their implementation in cooperation with the management of the Bank, and ensuring that the executive management has taken all the necessary measures to perfectly implement such resolutions.
6. Promoting the relationship between the Board of Directors and the executive management and between the executive and non-executive members of the Board of Directors.
7. Creating a culture in the meetings of the Board of Directors that allow constructive criticism, listening to the various viewpoints and making the necessary voting for taking resolutions.
8. Ensuring that the Board of Directors obtains the necessary and adequate information in time.
9. Ensuring that the shareholders obtain the necessary and adequate information in time.
10. Ensuring the achievement of the highest standards of corporate governance in the Bank.

**3. Standards, Values and Efficiency of the Board of Directors:**

**Standards:**

Each board member must be fit and proper to serve the interests of the Bank and other pertinent parties. Besides the conditions contained in the Banks Law and Companies Law that must be fulfilled in whoever occupies the presidency and membership of the Board of Directors with regard to age, personality, requirements of financial solvency of the managers, the members must fulfill all the following experiences and qualifications:

1. Ability to be independent in judging any matters.
2. Financial knowledge, including knowledge of the financial data, reasonable understanding of the percentages used to measure performance, and the availability of the necessary expertise in the field of the international markets.
3. The availability of skills or experiences that contribute to enriching the Board in the fields of accounting, financing, banks or any other banking experience.
4. Commitment to learn the bank's business, meet the stock ownership requirements; offer to resign from the Board if there is any change in the professional responsibilities, and devoting the necessary efforts and time.
5. The availability of understanding and knowledge of the best international practices in the field of administration and its applications.
6. Leadership, represented in the ability to empower and motivate a high performance management team.
7. Ability to provide strategic orientation, conceptualize emerging trends, and challenge innovations.

**Loyalty and Care Responsibilities:**

Members truthfulness, loyalty and concern about the Bank is deemed to be of utmost importance

to achieve good corporate governance as follows:

1. **Trustfulness:** a member cares that his relationship with the Bank to be a trustful one and should, like any other employee, declare any important information effecting any transaction or commercial dealing with the Bank.
2. **Loyalty:** Should any conflict of interest arise between the member and the Bank, all parties must endeavor that the transaction must be fair to the Bank. This means that the director who is dealing with the Bank would be given the same conditions that would have been given to him if no relationship exists between him and the Bank. For realizing the aspired loyalty, the director should:
  - Exercise his role honestly and put the interest of the Bank always first.
  - Avoid conflict of interests, and avoid exploiting his position or the Bank's information to achieve personal goals.
  - Advise the Board with any potential conflict of interests and abstain from voting to any decisions that are related to this subject.
3. **Care:** A member must be careful to carry out all duties provided for in the laws and regulations applicable in this field, and must endeavor to obtain all the necessary information to ensure that all the decisions taken are in the interest of the Bank.

For realizing the aspired care, a member should:

- Understand the operations of the Bank, the markets and the sectors he is serving.
- Attend the meetings of the Board and prepare well and ahead, especially with regard to the decisions to be made during such meetings.
- Carry out the duties assigned to him honestly, look for precautionary indicators and follow up all important issues with the executive management of the Bank.
- Get objective advice if required.
- Comply with the provisions of the different laws relating to the Board of Directors.

#### **Independence:**

To increase the efficiency of board's control over the executive management and ensure that it doesn't exercise any imprudent measures. The Bank's Board of Directors should maintain an appropriate number of non-executive members in the Board, at least three of them to be independent.

The independent member is defined as the member (whether in his personal capacity or as representing a corporate person) who has no relationship with the Bank other than his membership in the Board of Directors, which makes his judgment unaffected by any considerations or external matters. The minimum requirements that must be available in an independent member include the following:

1. He must not have worked as an employee in the Bank during the last three years preceding his nomination to the Board membership.
2. No relationship should exist between him and any executive management in the Bank below the second grade.
3. He must not receive any salary or financial sum, except what he receives for his membership.
4. He must not be a director or owner of a company with which the Bank deals, except the transactions that arise because of the services and/or the ordinary activities submitted by the Bank to its clients, provided that they are governed with the same conditions of similar transactions with any other party, and without any preferential conditions.
5. He must not be partner to/or employed by the external auditor during the three years preceding his nomination to the Board membership.

6. His shares must not form an interest that affect the capital of the Bank, and must not be an ally to another shareholder.

To ensure independence, a member must comply with the following:

- He (she) must declare in writing, and regularly whether he, his spouse, or any of relatives, up to the third grade, has a personal interest in any transaction or contract to which the Bank is a party, or whether any one of them has an interest affecting a company with which that transaction or contract is related. He must not participate in any meeting in which that transaction or contract is discussed.

Evaluating to which degree his other activities affect his independence as a member in the Board of the Bank.

**Acquaintance and Knowledge:**

- The director of the Board should have understanding and knowledge in the banking operations and the risks that the Bank faces, in addition to the financial data which reflects its financial standing.
- The director of the Board should have knowledge in the laws and instructions with which the Bank is required to comply with, and must follow up the new topics in the financial services sector and any developments thereto.
- The member must attend the meetings of the Board of Directors and the committees resulting therefrom, and review all the subjects raised and reports presented by the executive management, the internal and external auditors, and the other stakeholders.

**4. Organizing the activities of the Board**

- With the aim of ensuring the comprehensiveness of the subjects presented in the board meetings, which must not be less than (6) meetings per year, the executive management should propose the subjects it deems to be important for the agenda of each meeting.
- The Bank should maintain an appropriate number of independent members with the aim of ensuring the availability of objective decisions, and to ensure that the Bank maintains a level of control that ensures the equilibrium of the influences of all parties, including the executive management and the main shareholders, and ensure as well that the decisions taken are in the interest of the Bank.
- The executive management should provide the directors of the Board with adequate information before the meetings of the Board in order to enable them take the appropriate decisions.
- The secretary should provide each member, upon being elected, with a letter which states the rights, responsibilities, and duties of the member in line with the relevant legislations.
- The policies of the Bank include an explanation of all the banking operations that require the approval of the Board of Directors, including their powers with regard to the transactions concluded with the concerned parties, or any other banking operations that fall within the authority of the Board.
- The Board and its committees may have direct contact with the executive management.
- The Board and its committees should have the power to seek assistance from external sources to help them carry out the duties assigned to them satisfactorily.

### 5. Composition of the Board of Directors and Formation of Committees

- The number of the directors is twelve, and that is deemed to be a suitable number as per the best international practices.
- The Board of Directors has delegated some of its powers to committees that are made up of a lesser number of directors with the aim of increasing its efficiency. This is achieved within a charter that puts forth the powers and responsibilities of the committees. Such committees work by meeting independently from the Board and present periodic reports to it.

### Third: The Committees of the Bank's Board of Directors

#### 1. The Executive Committee

##### The Charter of the Executive Committee:

The executive committee should be formed based on a decision by the Board of Directors from among the directors of the Board and should be presided by the Chairman of the Board and include four of its members. The Board should appoint a vice president to the committee and the secretary of the Board should appoint a rapporteur to the committee.

##### Duties and Powers of the executive committee

1. Recommending to the Board the appointment of the general manager
2. Recommending to the Board of appointment of the general manager's deputies and assistants based on a nomination by the general manager
3. Recommending to the Board of Directors the draft regulations and instructions re the Bank business.
4. Granting credit facilities or recommending granting the same in accordance with the ceilings prescribed in the credit policy.
5. Following up and evaluating the granted credit facilities and taking the appropriate measures to correct the delayed.
6. Approving purchasing of supplies or recommending to the Board purchasing the same in accordance with the powers prescribed by the Board in the pertinent regulations and decisions.
7. Following up the balances of expenditure items and comparing them with the estimated budgets and monitoring expenditure control.
8. Recommending to the Board of Directors referring lawsuits to the courts or for arbitration and following up the same.
9. Subscribing in shares and bonds in the new projects in accordance with the ceilings of amounts and conditions prescribed in the investment policy system.
10. Any powers or duties provided for by the regulations and instructions issued by the Board of Directors.
11. Any other powers or duties decided by the Board of Directors.

##### The Meetings of the Executive Committee

1. The committee should meet based on an invitation from its president once every two weeks or whenever required based on a request from the president or based on a request from two members in the committee. The meeting should be legal with the presence of three members. The committee should take its decisions by unanimous voting or with the majority of the number of its members.
2. The committee may invite the general manager and/or any employee in the Bank to attend the meeting if necessary.

## Reports

1. The secretary of the Board/rapporteur of the executive committee should prepare the minutes and decisions of the meeting and get them endorsed by the committee in preparation for presenting the same to the Board of Directors.
2. The secretary of the Board should advise the general management of the decisions of the executive committee and follow up the implementation of the decisions and submit a report to the committee to follow up its decisions.

## 2. Appointment, Nomination and Premiums Committee

### Charter of the Appointment, Nomination and Premiums Committee

The Appointment, Remuneration and Incentives Committee should be formed based on a decision by the Board of Directors and is made up of three non-executive members, two of whom (including the president of the committee) are from the independent members. The Board should nominate the president of the committee and its deputy and the secretary of the Board should appoint the rapporteur of the committee.

### The Duties and Powers of the Appointment, Remuneration and Incentives Committee

- 1- Nominating the names of the members of the Board to the Board of Directors taking into consideration the abilities and qualifications of the nominated persons. In cases of re-nomination, the frequency of their attendance and the kind and efficacy of their participation in the meetings of the Board should be taken into account, observing the content of the Companies Law regarding the renewal of the membership of a director to ensure the fulfillment of all the necessary bases and conditions when forming the committees of the Board of Directors.
- 2- Defining whether a director has the capacity of an independent director.
- 3- The nomination and premiums committee should follow specific bases in assessing the efficiency of the Board in addition to the extent of the participation of the member in the meetings of the Board. The standard of assessing performance must be objective and must include a comparison with the other banks in addition to the standards of the integrity of the financial data of the Bank and the extent of observing the requirements of the control authorities.
- 4- The committee assumes the responsibility of providing information and abstracts about the background of some important topics on the Bank to the directors and ensuring that they continually acquaint themselves with the most up-to-date subjects relevant to banking operations.
- 5- The nomination and premiums committee should recommend premiums (including the monthly pay and other benefits) to the general manager. Moreover, the committee should review the annual increments granted to the other members of the executive management and employees.
- 6- The nomination and premiums committee should assume the responsibility of ensuring the existence of a policy in the Bank which guarantees that the premiums/salaries be sufficient to attract qualified persons to work in the Bank and to retain them in accordance with the premiums/salaries granted by the similar banks in the market. The Bank policy must also include that the salaries be associated, partially, with performance. Programs for incentives must be drawn with the aim of promoting the value of the Bank's shares at the long term and promoting the internal control environment and leading to integrity and soundness of the financial position of the Bank, i.e. not to concentrate on increasing the allocation of the dividends of the Bank's share at the short term.
- 7- Ensuring the declaration of the premiums policy in the annual report of the Bank, specifically

the premiums of the directors, individually, and the highest salaries paid during the year to the executive managers, other than the directors of the Board.

- 8- In coordination with the Chairman, preparing a training program specially for the members of the Board of directors on the banking, financial and accounting operations and the internal control regulations and encouraging the directors of the Board to attend seminars or events which allow them the chances of meeting local and international organizations.
- 9- Annually assessing the performance of the general manager.
- 10- Recommending that the Board of Directors approve succession plans of the directors and the executive managers of the Bank, so as to include the qualifications and requirements that must be fulfilled by those occupying such positions.

#### **The Meetings of the Committee**

The committee should convene based on an invitation from its Chair or Its deputy twice a year at least or whenever required based on a request from the Chair or a request from two members of the committee. The meeting will be legal with the attendance of two of its members. It takes its decisions unanimously or the by majority of two members.

The committee may call any employee in the Bank to attend the meeting, if necessary.

#### **Reports**

1. The secretary/the committee rapporteur should prepare the minutes and decisions of the meeting and get them approved by the committee in preparation for submission to the Board of Directors.
2. The secretary of the Board should inform the general executive management of the decisions of the committee, follow up the implementation of the decisions and submit a report to the committee for following up the decisions.

#### **3. Auditing, Risks Management and Compliance Committee**

##### **Charter of the Auditing, Risks Management and Compliance Committee**

##### **Formation of the Committee**

1. The auditing, risks management and compliance committee should be formed based on a decision from the Board of Directors and is composed of three non-executive members, two of them, at least, are independent.
2. The Board should nominate the president of the committee, provided that he is non-executive and independent.
3. Upon appointing the members, two members, at least, must have academic qualifications and/or expertise in the fields of the financial management.
4. The tenure of the committee should be connected with the tenure of the Board. The committee should submit its reports to the Board.
5. The secretary of the Board should appoint a rapporteur to the committee.

##### **The Objectives of the Committee**

The basic objective of the committee should be to help the Board of Directors assume its responsibilities towards the shareholders and foreign parties through:

1. Reviewing the Financial Statements of the Bank.
2. Reviewing the correctness and adequacy of the internal control system.
3. Reviewing and controlling the risks management in the Bank so as to reflect the real risks surrounding the Bank operation.

4. Controlling the work of the external and internal auditors.
5. Opening communication channels between the external and internal auditors with the Board of Directors and the executive management of the Bank.
6. Controlling the compliance of the Bank with the applicable laws, legislations and instructions and any relevant guidelines and manuals.

**Powers**

1. The committee should be authorized by the Board of Directors to investigate any of the activities and duties assigned to it pursuant to its charter. The committee should have full power to obtain the information it requires. The executive management of the Bank and all employees should cooperate with any such request from the committee.
2. The committee should have the power of requesting legal consultancies or any other consultancies from foreign parties and from experts should it see this necessary.

**First: In the Field of Auditing**

**a) Financial Statements:**

1. Reviewing the financial statements, annual, semi-annual and quarterly budgets and recommending to the Board of Directors approving them before being issued.
2. Reviewing the procedures of the executive management with regard to the recommendations of the external auditors about the annual Financial Statements and the amendments that arise pursuant to the recommendations of the auditors.
3. Further to the above procedures, the committee should carry out the following measures before submitting the Financial Statements to the Board of Directors for approval:
  - Reviewing any amendment to the followed accounting policies.
  - Review financial statements to insure that they were prepared in accordance with the International Financial Reporting Standards.
  - Reviewing the mechanism of making the extraordinary or the relatively high value entries in case there is more than one method for this.
  - Any change that occurs to the accounts of the Company as a result of the auditing operations or as a result of the suggestions of the accounts auditor.
  - That they were prepared in accordance with the requirements of the Central Bank of Jordan or any other controlling or supervisory body with regard to the adequacy of the allocations to meet the doubted debts and the allocations of the investment portfolio and expressing opinion with regard to the inoperative facilities or those proposed to be depreciated, in addition to any other requirements.
  - Reviewing the accounting estimates contained in the financial data.
  - Reviewing and discussing any legal matters that may affect the Bank's Financial Statements.
  - Reviewing the data and information attached with the financial statements in the annual report such as the corporate governance.

**b) Internal Control System:**

1. Reviewing the internal control system with regard to its adequacy and effectiveness and ensuring that the management has paid the internal control system due attention and that the concerned personnel are aware of and comply with this system and that responsibilities are defined.
2. The plans of the internal and external auditors must provide for reviewing the framework of the discipline regulations and internal control once a year at least.

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3. Reviewing the paragraph of the internal control regulations and risks management, which are included in the annual report of the Bank and recommending to the Board to approve the same.
4. Reviewing the policy of reporting for the unsound practices so that the employees may be able to report about such practices and recommending to the Board to approve the same.
5. Reviewing the policy of the Bank with regard to dealing with the concerned parties so as to ensure the non-existence of any conflict of interests that may arise out of the transactions or contracts concluded by the Company or entering into projects with the concerned parties.

### c) External Auditing:

1. Discussing the matters relating to the nomination of the external auditor and ensuring that he fulfils the conditions of the Commission and that nothing affects his independence and objectivity and the extent of the influence of any other operations he is carrying out to the account of the Company on such independence.
2. Discussing all matters related to the work of the external auditor including his annual plan, remarks, suggestions and reservations and following up the extent of the responsiveness of the Bank's management to the same and presenting recommendations in this regards to the Board of Directors.
3. Reviewing the remarks contained in the reports of the external auditor and following up the corrective measures taken in this regard.
4. Participating in solving the problems resulting from the difference of view points between the management of the Bank and the external auditors with regard to the technical and financial issues and promoting the independence of such auditors.
5. Discussing the possibility of recommending the regular rotation of the external auditor or requesting regular rotation from the main shareholder who is responsible for the external auditing of the Bank.

### d) Internal Auditing:

1. Reviewing and adopting the organizational chart of the internal auditing department and the activities of the department.
2. The power of appointing or terminating the services of the internal auditing manager and auditors and reviewing their good performance.
3. The committee should review and adopt the performance evaluations of the manager and employees of internal auditing department and authorize their annual promotion and premiums.
4. Reviewing the efficacy of the activity of internal auditing and approving the plans of strategic and annual auditing and the budgets of the department.
5. Watching the observation of the auditing department with the standards of internal auditing that are issued by the Society of Internal Auditors and any subsequent amendments.
6. Approving the charter of the internal auditing department and ensuring that it is coping with the changes.
7. Reviewing the results of the auditing duties and ensuring that there is a satisfactory follow up for these results.
8. Participating in solving the problems resulting from the difference in the view points between the management of the Bank and the internal auditors with regard to the technical and financial issues and promoting the independence and objectivity of such auditors.
9. The committee should be responsible for reviewing the evaluation of external auditors of the performance of the internal auditors and for reviewing the works carried out by the internal

auditors of the matters of conflict of interests and observation of the rules of professional and ethical conduct in the Bank.

**e) Other Duties:**

1. Reviewing the charter of the committee and proposing that the Board make the necessary amendments.
2. Preparing a report to the Board about the duties and powers of the committee and the decisions and recommendations taken by the committee during the period.
3. Getting acquainted with the reports of the external supervisory bodies such as the Central Bank of Jordan and ensuring the implementation of the recommendations contained therein and the execution by the executive department of the measures that guarantee non-repetition of the violations and remarks contained therein.
4. Following up the extent of the observation of the Bank of the Securities Law and the regulations, instructions and decisions issued thereupon.
5. Training new members on the committee and continuous training of the president and committee members.
6. Ensuring coordination between the work of the external auditor and internal auditor.
7. Any other duties that are required by the Board of Directors.

**Second: In the Field of Risks**

1. Reviewing the strategies and policies of risks management before being approved by the Board of Directors and continuously assessing their efficacy and consistency.
2. Reviewing the policies and work frame of risk management, programs and tools necessary for the same annually, as a minimum, to ensure their efficacy and to amend them if necessary.
3. Reviewing the structure of risks management, which is prepared by the executive management and recommending that it is approved by the Board.
4. Reviewing the measures of the executive management for defining, measuring and controlling the potential risks in the Bank, which include:
  - a. Credit risks
  - b. Market risks
  - c. Liquidity risks
  - d. Operational risks
5. Submitting periodic reports to the Board of Directors showing to what extent the existing risks are congruent with the applied policies and the levels of acceptable risks that are contained therein so as to enable the Board to take the proper and necessary decisions.
6. Supervising the development of the database necessary for risks management.
7. Studying the periodic reports that are issued by risks management.
8. Ensuring that the plan of the internal and external auditors is included in the duty of reviewing risks management in the Bank.
9. Ensuring the use of modern data systems for managing risks which guarantee the availability of quality information on the risks faced by the Bank.

**Third: In the Field of Compliance**

1. Recommending to the Board of Directors to adopt compliance controlling policy and to assess the efficiency grade with which the Bank is managing (compliance risks) once a year at least and reviewing the same when making any necessary changes.
2. Controlling and following the application of compliance controlling policy and receipt of

reports on compliance from the compliance directorate and submitting the same to the Board of Directors with the necessary recommendations.

3. The compliance manager should prepare effective methodology to guarantee the compliance of the Bank with all the applicable laws and regulations and any relevant guidelines and manuals and the existence of effective follow up system. The Bank should document the duties, powers and responsibilities of the compliance management and arrange to circulate them inside the Bank.
4. Taking the measures necessary to promote straightforwardness values and sound professional practices inside the Bank in such a way as to make compliance with the applied laws, regulations, instructions, orders and standards a basic objective whose achievement is a must.

#### **The Meetings of the Committee**

1. The committee should convene based on an invitation from its president or its deputy once every three months at least or whenever required, or based on a request from the Chairman of the Board or a request from any of its members, or based on the request of the external auditors or internal auditors if necessary.
2. The head of internal auditing should be invited to attend the meetings of the committee. Periodic meetings are also held with the external auditor, the manager of risks management and the person in charge of compliance.
3. Meeting with the external and internal auditors, the person in charge of compliance and the executive department in separate sessions at least once a year for discussion of any matter the committee or other bodies suggest to be discussed.
4. The committee has the right to invite any employee in the Bank to attend any of its meetings if it deems this necessary.
5. Following coordination with the president and members of the committee, the dates and place of the meeting of the committee should be defined by the raporrteur of the committee based on invitations, provided that the agenda be prepared and distributed to the president and members of the committee and other invitees reasonably ahead of the meeting date.
6. The meeting should be legal with the attendance of two of the members. It takes its decisions unanimously or the by majority of two members.
7. The president of the committee should attend the annual meeting of the general assembly to answer the enquiries of the shareholders with regard to the duties of the committee.

#### **Reports**

The committee raporrteur should prepare the minutes of the committee meeting and distribute them to the president and members of the committee for approval in preparation for submission to the Board of Directors.

#### **4. The Corporate Governance Committee**

##### **The Charter of the Committee:**

The Corporate Governance Committee should be formed based on a decision by the Board of Directors and is made up of three non-executive members, two of whom (including the president of the committee) are from the independent members. The Board should appoint the president of the committee and its deputy and the secretary of the Board should appoint a raporrteur to the committee.

##### **Duties and Powers**

- Ensuring the observation of the content of the Corporate Governance Code. It should undertake

the process of reviewing and updating it.

- The Committee may invite any person in the Bank, at all administrative levels to take counsel with him or to ask him about any matter.

#### **The Meetings of the Committee**

The committee should convene at least once a year based on an invitation from its president.

#### **Reports**

The committee should submit a report to the Board at least once a year, which puts forth its opinion in the extent of observing the items of the Code.

#### **Fourth: Secretary of the Board**

##### **The Duties and Powers of the Secretary of the Board of Directors**

The Board of Directors should appoint a secretary for the Board and define his/her premiums. The secretary should organize its meetings, prepare its agendas and record the minutes of its meetings and decisions in a special register and in successive serially numbered pages, which should be signed by the Chairman and members of the Board who attended the meeting. Each page should be affixed with the Company's stamp.

##### **First: In Connection with the Board of Directors**

- 1- Preparing the agenda of the sessions of the Board in coordination with the Chairman.
- 2- Following up the management to supply the secretary of the Board with the documents, papers and work papers, which are the subject of the agenda.
- 3- Attending the sessions of the Board and recording the minutes of its meetings as well as decisions.
- 4- Preparing and checking the minutes of the meetings of the Board and dispatching the same to the Board of Directors, who, in turn, should read and approve the minutes.
- 5- Following up the measures relating to the signature of the Chairman and members of the Board on all the pages of the minutes of the meeting.
- 6- Supervising the process of the maintenance of the minutes and decisions of the Board meetings in successive serially numbered pages, and ensuring that they are signed by the members of the Board who attended the meeting.
- 7- The secretary of the Board should notify the concerned departments of the decisions that are issued by the Board of Directors for the implementation of the same.
- 8- In coordination with the concerned departments, following up the implementation of the decisions and recommendations that are issued by the Board and preparing a report to the Board of Directors, which includes the measures taken by the Bank directorates to implement the decisions.

##### **Second: In Connection with the Committees of the Board of Directors**

1. Following up the concerned departments to supply the secretary of the Board with the information and preparing the work papers necessary for the work of the committees of the Board.
2. Preparing the agendas of the committees in coordination with the Chairman.
3. Attending the sessions of the committees and recording the minutes of their meetings.
4. Preparing and checking the minutes of the meetings of the committee and dispatching the same to the president of each committee, who, in turn, should read and approve the minutes.
5. The maintenance of the minutes of the sessions of the committees in successive serially numbered

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- pages, and ensuring that they are signed by the members who attended the meeting.
6. Notify the concerned departments of the decisions that are issued by the committees of the Board for the implementation of the same.
7. In coordination with the concerned departments, following up the implementation of the decisions and recommendations that are issued by the committees of the Board.

**Third:** The secretary should follow up the decisions of the Board of Directors, represented by the relationship of the Board with the external bodies such as the Securities Commission and/or the Ministry of Industry and Commerce and/or the Central Bank and/or the Deposition Center and/or any official or non-official party and preparing the necessary books and duly notify the same to such bodies.

**Fourth:** The secretary of the Board of Directors should carry out any additional duties that are assigned to him by the Chairman.

### The Executive Management

#### Duties and Powers of The Executive Management Responsibilities of the General Manager

The general manager is the head of the executive system in the Bank and, in exercising his duties, should be responsible towards the Board of Directors. For this end, he should implement the policies and achieve the objectives and aims that the Board draws up, based on the duties and powers hereinbelow stated:

#### General Description of the Responsibilities:

1. Managing and directing the Bank for achieving the basic objectives depending on profit, the capital added returns and the responsibility for the total process of managing the Bank, which includes planning, organizing and developing inside and outside Jordan. The general manager should also be responsible for the structure of work and the employees and for activating the work plan and budgets as well as developing the quality, method and procedures of the work and implementing the strategic plans and the decisions which are taken by the Board of Directors.
2. The general manager should be the main executor of the policies that are laid down by the Board of Directors.
3. The General manager should be responsible before the Board of Directors for implementing all the decisions that are taken by the Board.

#### Main Duties:

1. Preparing and developing the strategies and policies, arranging to apply them following the approval of the Board of Directors and applying the current and long term objectives and the plans and policies that require the approval of the Board of Directors.
2. Preparing and developing the work procedures in such a way as to guarantee the definition, control of and watching the risks that face the Bank and applying such measures.
3. Planning, coordinating and control of the daily operations of the Bank, drawing up proper disciplinary and internal control policies and applying them following the approval of the Board of Directors.

4. Preparing the financial statements and the final accounts and preparing an annual budget and getting them approved by the Board of Directors.
5. Providing the internal and external control bodies such as the control authorities and internal and external auditing and any other competent parties with the information and statements necessary for such parties to carry out their work.
6. Preparing an organizational chart and ensuring actual observation of the same following its approval by the Board of Directors.
7. Reviewing the operations result of the Bank, comparing them with the planned objectives and taking the steps necessary for adopting the appropriate measures for the correction of the dissatisfactory results.
8. Achieving the effectiveness of the control and internal discipline and submitting an annual report, at least, to the Board of Directors of the application and effectiveness of the regulations.
9. Laying down the measures that guarantee the evaluation of the adequacy of the capital and submitting annual reports to the Board of Directors in this connection.
10. Drafting work ethics charter and getting it approved by the Board of Directors.
11. Developing the professional skills and conduct of the Bank's personnel so as to be consistent with the most up-to-date developments and technologies.
12. Applying the laws, regulations and decisions of the Board of Directors and implementing responsibilities pursuant to the powers vested.

**Powers of the General Manager:**

1. The general manager should exercise his powers and responsibilities in accordance with the Companies Law, Banks Law, the regulations issued according to it and the regulations and instructions that are issued by the Bank.
2. The general manager should be responsible before the Chairman of the Board of Directors for the works and duties assigned to him.
3. The general manager should exercise the following powers and responsibilities:
  - Running the ordinary daily operations of the Bank and drawing up the executive plans and general programs for implementing the applicable policies of the Bank.
  - Exercising internal control over work progress in the Bank and checking its compliance with the applicable laws, regulations and instructions.
  - Overall review of the results of the operations of the Bank to ensure that they are running as per the prescribed plans and schedules.
  - Updating the regulations, instructions and work methods and supervising the review of the draft regulations, instructions, plans and schedules for developing the performance of the Bank.
  - Endeavoring to raise the level of the performance of the employees and motivate them to give the best they have.
  - Updating and developing the systems and equipment necessary to perform the operations of the Bank in such a way as to guarantee the delivery of developed banking services based on the most recent, most efficient, fastest and most accurate bases.
  - Appointing and moving the employees, deciding their promotion and delegation, defining their posts location, granting them leaves and imposing disciplinary penalties in accordance with the provisions of the personnel system in the Bank.
  - Periodically providing the Board of Directors of the Bank with reports about the conditions of the Bank and ensuring that all its operations are running in accordance with the policy laid down by the Board of Directors and recommending any proposals it deems necessary

## Corporate Governance Code

- for developing the work of the Bank.
- Signing the financial transactions issued by the Bank in accordance with the financial system and other regulations.
- Providing the Central Bank with the information and data it demands in accordance with the provisions of this law and the regulations and orders issued according to it.
- Submitting proposals about the financial and banking policies of the Bank to the Board of Directors through the Chairman.
- Undertaking the other financial and administrative powers assigned to him pursuant to the decisions issued by the Board.
- The general manager is entitled to delegate any of his powers to the deputy general manager and/or any of his assistants in accordance with the regulations and policies applicable in the Bank.

### Discipline and Internal Control Environment

#### Disciplinary and Internal Control Regulations

The framework of the discipline and internal control should be reviewed by the internal auditor and external auditor once, at least, per year. The Board should also include in the annual report of the Bank a report about the extent of the adequacy of the discipline and internal control regulations regarding financial reporting.

#### Internal Auditing

- The Bank should make available to the internal audit directorate sufficient numbers of the qualified human resources, who will be properly trained. The auditing directorate should have access to any piece of data and contact any employee inside the Bank. It should also be given all the powers which enable it to perform the duties assigned to it as required. The Bank should document the duties, powers and responsibilities of the directorate of auditing based on the Internal Auditing Charter, which is adopted by the auditing committee and circulated inside the Bank.
- The internal auditing directorate should submit its reports to the Chair of the auditing committee.
- The internal auditing employees may not be charged with any executive responsibilities. The internal auditing directorate should be responsible for proposing the frame and scope of the internal auditing as well as for informing the auditing committee of any potential conflict of interests.
- The internal auditing directorate should exercise its duties and prepare its reports in full without any foreign interference. It may discuss its reports with the audited departments.
- The basic responsibility of the internal auditing directorate, which is based on risks, includes reviewing the following as a minimum:
  1. The operations of financial reporting in the Bank (to ensure accuracy, credibility and proper timing in the main data of the financial and administrative matters and operations).
  2. Compliance with the internal policies of the Bank, the international standards and procedures and the pertinent laws and instructions.

#### External Auditing:

- The Bank observes the regular rotation of the external auditing between the auditing offices, or

## Corporate Governance Code

at least the regular rotation of the main shareholder responsible for the external auditing of the Bank.

- The external auditor should provide the auditing committee with a copy of his report. The external auditor should meet with the auditing committee without the presence of the executive management once a year at least.

### Risks Management Department

- The Bank has a separate department for risks management which submits its reports periodically to the risks management committee. As to the daily operations, its connection is with the general manager.
- The responsibilities of the risks management department in the Bank include the following:
  1. Analyzing all the risks including the credit risks, market risks, liquidity risks and operations risks.
  2. Developing methodology for measuring and controlling of each kind of risks.
  3. Recommending risks ceilings and approvals to the risks management department, submitting reports and registering cases of exceptions from the risks management policy.
  4. Providing the Board and the higher executive management with information on risks measurement and risks profile in the Bank (the Board should regularly review the qualitative and quantitative risks statistics in the Bank in each of the Board's meetings).
  5. Providing information about the risks in the Bank for use for the purposes of declaration and publication to the public.
  6. The Bank's committees, such as the credit committees and the assets and liabilities management committee/the treasury and risks should assist the risks management department in carrying out its duties in accordance with the powers assigned to such committee.
  7. The annual report of the Bank includes information about the risks management department with regards to its structure, nature of its operations and the developments that took place.

### Compliance

- The Bank has a separate directorate that was supported with trained cadres and works as per the instructions of the Central Bank, which are issued in this connection.
- The compliance directorate should prepare an effective methodology to guarantee the compliance of the Bank with all valid laws and legislations and any pertinent guidelines and manuals. The Bank should document the duties, powers and responsibilities of compliance directorate, which will be circulated inside the Bank.
- The Board adopts and controls the compliance policy, whose drafting and application will be the responsibility of the compliance directorate.
- In compliance with the instructions of the Central Bank issued in this regard, the compliance directorate should submit its reports on the results of its activities and its compliance control to the Board or to the compliance committee which stems from it and should dispatch a copy to the executive management.

### Relationship with Shareholders

- The Bank should take steps to encourage the shareholders, especially the minor ones, to attend the annual meeting of the general assembly and to vote either in persona or by a proxy in case they are absent.
- The heads of the auditing, nomination and premiums committees and any other committees stemming from the Board should attend the annual meeting of the general assembly.

## Corporate Governance Code

- Representatives of the external auditors should attend the annual meeting of the general assembly to answer any questions that may be raised.
- Each issue raised during the annual meeting of the general assembly should be voted for separately.
- Pursuant to the content of the Companies Law, the directors should be elected or re-elected during the annual meeting of the general assembly. The external auditor should be elected in the same meeting as well.
- Following the expiry of the annual meeting of the general assembly, a report should be prepared for the information of the shareholders remarks raised therein and the results, including the results of voting and questions raised by the shareholders and the replies of the executive management thereto.

### Transparency and Declaration:

- The Bank should make declarations in accordance with the International Financial Reports Standards and the valid instructions of the Central Bank of Jordan, which are issued according to the valid Banks' Law and pertinent legislations. Furthermore, the Bank is aware of the changes that occur to the international practices for financial reporting and the scope of transparency required from the financial organizations. The Bank should observe full application of all amendments that occur to the International Financial Reports Standards. The executive management should submit to the Board reports on the developments, in addition to submitting recommendations about how to enhance the Bank's practices in the field of declaration so as to go beyond the requirements of the Central Bank of Jordan in this regard.
- The Bank should provide indicative and rich information about its activities to the Central Bank, the shareholders, depositors, other banks and the public in general, concentrating at the same time on the issues that excite the worry of the shareholders, provided that the Bank periodically declare all such information and make it accessible to all.
- The Bank should in its annual report set forth his responsibilities towards the accuracy and adequacy of its financial statements and the information contained in its annual report.
- The Bank should maintain communication lines with the supervisory bodies, the shareholders, depositors, other banks and the public in general. Such lines should be through the following:
  - a. The position of shareholders affairs, which is occupied by qualified cadre that are capable of providing comprehensive, objective and updated information about the Bank, its financial position, performance and activities.
  - b. The annual report which is issued following the end of the fiscal year.
  - c. Quarterly reports that contain quarterly financial data besides the report of the Board about the circulation of the Bank's shares and about its financial position during the year.
  - d. Periodic meetings between the executive management in the Bank, the investors and shareholders.
  - e. Providing a periodic abstract to the shareholders and the analysts in the financial market and the journalists specialized in the financial sector by the higher executive management, especially the general manager and the chief officer.
  - f. Providing the information provided in the annual report of the Bank, in its quarterly reports or in the lectures given by the executive management, through the position of investment affairs on the website of the Bank in such an updated form both in Arabic and English.

## Corporate Governance Code

- The annual report of the Bank and Its quarter reports should include a declaration by the executive management of the Bank, that is called Management Discussion and Analysis, which allows the investors to understand the results of the current and future operations and the financial position of the Bank including the probable effect of the known trends, events and cases of non-certainty. The Bank undertakes to observe that all the clarifications provided for in this declaration are authorized, complete, fair, balanced and understandable and are based on the published financial statements of the Bank.
- 1. As part of observation of transparency and full declaration, the annual report should specifically include the following:
  - a. The Corporate Governance Code of the Bank and the annual details of his observation of its items.
  - b. Information about each director: his qualifications, experience, his/her share in the capital of the Bank, whether he/she is independent, executive, non-executive, his/her membership in the Board's committee, date of his/her appointment in the Board, any memberships in other Boards of Directors, premiums/salaries received from the Bank, loans granted from the Bank and any other operations between the Bank, his companies or the parties related to them.
  - c. A summary of the organizational chart of the Bank.
  - d. A summary of the duties and responsibilities of the committees of the Board and any powers the Board has delegated to such committees.
  - e. The frequency of the meetings of the Board and the committees of the Board
  - f. A summary of the policy premiums and the highest salary paid to the executive management.
  - g. A testimony from the Board as to the adequacy of the discipline regulations and internal control.
  - h. A description of the framework and activities of the risks management.
  - i. The main shareholders in the Bank
  - j. A declaration about pertinent parties.





**Consolidated Financial Statements  
As of December 31st, 2007  
and Auditor's Report**

## **Independent Auditors' Report to the Shareholders of Capital Bank of Jordan Amman - Jordan**

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

### **Directors' Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

### **Opinion**

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

Amman – Jordan  
24 February 2008

**Ernst & Young**

A Member of Ernst & Young Global

**Capital Bank of Jordan**  
**Consolidated Balance Sheet**  
At 31 December 2007  
(In Jordanian Dinars)

	Notes	2007 JD	2006 JD
<b>Assets</b>			
Cash and balances with Central Banks	4	88,048,157	80,694,003
Balances at banks and financial institutions	5	136,908,920	150,988,307
Deposits at banks and financial institutions	6	-	6,381,000
Financial Assets held for trading	7	49,870,961	41,962,183
Direct credit facilities	8	497,411,907	489,727,259
Financial assets available for sale	9	40,035,871	35,381,794
Financial assets held to maturity	10	73,302,108	11,910,500
Property and equipment	11	9,784,686	8,934,984
Goodwill and other intangible assets	12	5,609,568	4,406,786
Deferred tax assets	20	3,346,600	419,368
Other assets	14	35,320,457	25,568,539
<b>Total Assets</b>		<u>939,639,235</u>	<u>856,374,723</u>
<b>Liabilities And Equity</b>			
<b>Liabilities -</b>			
Banks and financial institutions' deposits	15	32,788,278	59,407,850
Customers' deposits	16	482,309,858	433,597,400
Margin accounts	17	61,293,858	56,786,429
Loans and borrowings	18	173,429,653	132,614,564
Sundry provisions	19	3,226,979	289,534
Income tax liabilities	20	7,292,527	7,558,863
Deferred tax liabilities	20	255,942	95,789
Other liabilities	21	6,667,016	9,032,524
<b>Total Liabilities</b>		<u>767,264,111</u>	<u>699,382,953</u>
<b>Equity</b>			
<b>Equity attributable to the Bank's shareholders</b>			
Paid in capital	22	123,000,000	116,000,000
Additional Paid In Capital	22	709,472	709,472
Statutory reserve	23	12,874,420	11,155,839
General banking risk reserve	23	5,119,844	4,249,380
Foreign currency translation adjustment		2,420,483	1,235,542
Cumulative changes in fair value	24	238,739	( 209,833)
Retained earnings	25	13,278,669	10,481,141
Proposed dividends	26	7,500,000	-
Proposed issue of bonus shares	26	-	7,000,000
<b>Total equity attributable to the Bank's shareholders</b>		<u>165,141,627</u>	<u>150,621,541</u>
<b>Minority interests</b>		<u>7,233,497</u>	<u>6,370,229</u>
<b>Total Equity</b>		<u>172,375,124</u>	<u>156,991,770</u>
<b>Total Liabilities and Equity</b>		<u>939,639,235</u>	<u>856,374,723</u>

The Accompanying Note From 1 - 49 are an Integral part of these Financial Statements

**Capital Bank of Jordan**  
**Consolidated Income Statement**  
for the Year Ended 31 December 2007  
(In Jordanian Dinars)

	Notes	2007 JD	2006 JD
Interest income	27	65,184,553	56,129,857
Interest expense and similar charges	28	39,382,109	30,382,805
<b>Net interest income</b>		<u>25,802,444</u>	<u>25,747,052</u>
Net commission	29	5,554,629	4,893,737
<b>Net interest and commission income</b>		<u>31,357,073</u>	<u>30,640,789</u>
<b>Other income-</b>			
Net gain from foreign currencies	30	2,177,683	1,155,020
Net gain (loss) from financial assets held for trading	31	2,623,951	( 1,058,792)
Net gain from financial assets available for sale	32	164,519	1,416,732
Other income	33	5,040,350	4,352,652
<b>Gross profit</b>		<u>41,363,576</u>	<u>36,506,401</u>
Employees' expenses	34	6,882,521	5,218,072
Depreciation and amortization	11 & 12	1,118,349	957,083
Other expenses	35	6,493,673	6,163,247
Impairment losses on direct credit facilities	8	5,924,767	( 686,514)
Sundry provisions	19	2,973,419	386,733
<b>Total expenses</b>		<u>23,392,729</u>	<u>12,038,621</u>
<b>profit before tax</b>		<u>17,970,847</u>	<u>24,467,780</u>
Income tax expense	20	4,462,181	6,407,875
<b>Profit for the year</b>		<u>13,508,666</u>	<u>18,059,905</u>
Attributable to:			
Equity holders of the parent for the year		12,956,462	18,279,742
Minority interest		552,204	( 219,837)
		JD/Fils	JD/Fils
Basic and diluted earnings per share	36	0.110	0.149

The Accompanying Note From 1 - 49 are an Integral part of these Financial Statments

**Capital Bank of Jordan**  
**Consolidated Statement Of Changes In Equity**  
for the Year Ended 31 December 2007  
(In Jordanian Dinars)

	Bank's shareholders equity																								
	Paid in Capital		Additional paid in capital		Statutory reserve		General banking risk reserve		Foreign currency translation adjustment		Cumulative changes in fair values		Retained earnings		Proposed issue of bonus shares		Proposed Dividends		Equity attributable to equity holders		Minority Interests		Total Equity		
	JD		JD		JD		JD		JD		JD		JD		JD		JD		JD		JD		JD		JD
Balance as of 1 January 2007	116,000,000		709,472		11,155,839		4,249,380		1,235,542		( 209,833)		10,481,141		7,000,000		-		150,621,541		6,370,229		156,991,770		
Foreign currency translation adjustment	-		-		-		-		1,184,941		-		-		-		-		1,184,941		311,064		1,496,005		
Increase in capital fees	-		-		-		-		-		-		( 69,889)		-		-		( 69,889)		-		( 69,889)		
Net movement in cumulative changes in fair value after tax	-		-		-		-		-		448,572		-		-		-		448,572		-		448,572		
Total income and expenses for the year recognised directly in equity	-		-		-		-		1,184,941		448,572		( 69,889)		-		-		1,563,624		311,064		1,874,688		
Profit for the year	-		-		-		-		-		-		12,956,462		-		-		12,956,462		552,204		13,508,666		
Total income and expenses for the year	-		-		-		-		1,184,941		448,572		12,886,573		-		-		14,520,086		863,268		15,383,354		
Increase in Capital	7,000,000		-		-		-		-		-		-		(7,000,000)		-		-		-		-		
Transfers to reserves	-		-		1,718,581		870,464		-		-		(2,589,045)		-		-		-		-		-		
Proposed dividends	-		-		-		-		-		-		(7,500,000)		-		7,500,000		-		-		-		
Balance as of 31 December 2007	<u>123,000,000</u>		<u>709,472</u>		<u>12,874,420</u>		<u>5,119,844</u>		<u>2,420,483</u>		<u>238,739</u>		<u>13,278,669</u>		<u>-</u>		<u>7,500,000</u>		<u>165,141,627</u>		<u>7,233,497</u>		<u>172,375,124</u>		
Balance as of 1 January , 2006	101,433,789		-		8,515,917		3,694,171		28,230		108,088		2,396,530		14,000,000		-		130,176,725		5,757,999		135,934,724		
Foreign currency translation adjustment	-		-		-		-		1,207,312		-		-		-		-		1,207,312		832,067		2,039,379		
Net movement in cumulative changes in fair value after tax	-		-		-		-		-		( 317,921)		-		-		-		( 317,921)		-		( 317,921)		
Total income and expenses for the year recognised directly in equity	-		-		-		-		1,207,312		( 317,921)		-		-		-		889,391		832,067		1,721,458		
Profit for the year	-		-		-		-		-		-		18,279,742		-		-		18,279,742		( 219,837)		18,059,905		
Total income and expenses for the year	-		-		-		-		1,207,312		( 317,921)		18,279,742		-		-		19,169,133		612,230		19,781,363		
Increase in Capital	14,566,211		709,472		-		-		-		-		-		(14,000,000)		-		1,275,683		-		1,275,683		
Transfers to reserves	-		-		2,639,922		555,209		-		-		(3,195,131)		-		-		-		-		-		
Proposed issue of bonus shares	-		-		-		-		-		-		(7,000,000)		7,000,000		-		-		-		-		
Balance at 31 December, 2006	<u>116,000,000</u>		<u>709,472</u>		<u>11,155,839</u>		<u>4,249,380</u>		<u>1,235,542</u>		<u>( 209,833)</u>		<u>10,481,141</u>		<u>7,000,000</u>		<u>-</u>		<u>150,621,541</u>		<u>6,370,229</u>		<u>156,991,770</u>		

\* Included in the Retained earnings balance an amount of JD 3,346,600 representing deferred tax assets, in addition to JD 426,740 unrealized gains from financial assets held for trading as of December 31, 2007, (2006: JD 419,368 representing deferred tax assets) and according to the Central Bank of Jordan's regulations, these balances are not available for distribution.

The Accompanying Note From 1 - 49 are an Integral part of these Financial Statements

**Capital Bank of Jordan**  
**Consolidated Cash Flow Statement**  
for the Year Ended 31 December 2007  
(In Jordanian Dinars)

	Notes	2007 JD	2006 JD
<b>Cash Flow from operating Activities</b>			
Profit before income tax		17,970,847	24,467,780
Adjustments for -			
Depreciation and amortization		1,118,349	957,083
Impairment loss (reversal) on direct credit facilities		5,924,767	( 686,514)
Unrealized (gain) loss from financial assets held for trading		( 234,433)	586,627
Impairment of available for sale investments		-	22,981
Sundry provisions		2,973,419	386,733
Effect of exchange rate changes		( 2,299,004)	( 985,634)
<b>Operating Profit before changes in operating assets and liabilities</b>		<b>25,453,945</b>	<b>24,749,056</b>
<b>Changes in Assets and Liabilities -</b>			
(Increase) decrease in balances with Central Banks maturing after more than three months		( 4,000,000)	5,000,000
Decrease (increase) in deposits at banks and financial institutions maturing after more than three months		6,381,000	( 6,026,500)
(Increase) decrease in restricted balances		( 19,859)	1,191,120
Increase in financial assets held for trading		( 7,644,352)	( 16,293,570)
Increase in direct credit facilities		( 13,432,163)	( 103,917,248)
Increase in other operating assets		( 9,733,447)	( 5,150,624)
(Decrease) increase in banks and financial institution deposits maturing after more than three months		( 10,646,766)	7,186,100
Increase in customers' deposits		48,338,206	82,546,065
Increase in margin accounts		4,495,674	1,595,896
Decrease in other liabilities		(2,365,508)	(3,046,029)
Sundry provision paid		( 35,974)	( 174,227)
<b>Net cash from (used in) operating activities before income tax</b>		<b>36,790,756</b>	<b>( 12,339,961)</b>
Income tax paid		( 7,543,007)	( 900,578)
<b>Net cash from (used in) operating activities</b>		<b>29,247,749</b>	<b>( 13,240,539)</b>
<b>Cash Flows from Investing Activities</b>			
Redemption of financial assets held to maturity		11,169,216	24,178,887
Purchase of financial assets held to maturity		( 72,560,824)	( 11,145,095)
Proceeds from financial assets available for sale		11,170,965	16,084,841
Purchase of financial assets available for sale		( 15,319,017)	( 19,844,641)
Purchase of property and equipment		( 1,904,557)	( 4,390,194)
Proceeds from sale of property and equipment		201,347	1,744
Purchase of intangible assets		( 708,351)	( 592,526)
<b>Net cash (used in) from investing activities</b>		<b>(67,951,221)</b>	<b>4,293,016</b>
<b>Cash Flows from Financing Activities</b>			
Increase in capital		-	566,211
Capital Increase fees		( 69,889)	-
Additional paid in capital		-	709,472
Proceeds from loans and borrowings		55,322,266	75,007,774
Repayment of loans and borrowings		( 14,507,177)	( 44,434,961)
<b>Net cash from financing activities</b>		<b>40,745,200</b>	<b>31,848,496</b>
Net increase in cash and cash equivalents		2,041,728	22,900,973
Effect of exchange rate changes on cash and cash equivalents		2,299,004	985,634
Effect of exchange rate changes on cash at the National Bank of Iraq		886,982	3,153,051
Cash and cash equivalents, beginning of the year	37	186,781,336	159,741,678
<b>Cash and cash equivalents, end of the year</b>	37	<b>192,009,050</b>	<b>186,781,336</b>

The Accompanying Note From 1 - 49 are an Integral part of these Financial Statments

**Capital Bank of Jordan**  
**Notes to the Consolidated Financial Statements**  
31 December 2007  
(In Jordanian Dinars)

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## 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 in Amman.

The Bank provides its banking services through its main branch located in Amman, and through its eight Branches in Jordan and its subsidiaries: Capital Investments and Brokerage Company in Jordan, National Bank of Iraq in Iraq, and Capital Investment Fund company in Bahrain.

The Bank originally had a paid in capital of JD 20 million. During the years, the Bank increased its capital to reach JD 123 million. The increases in capital were effected through capitalizing its distributable reserves and private placements to shareholders.

All Capital Bank of Jordan shares are listed at Amman Stock Exchange.

The financial statements were authorized for issue by the Bank's Board of Directors in their meeting Number 2/2008 held on 24 February 2008. These financial statements require the General Assembly's approval.

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## SIGNIFICANT ACCOUNTING POLICIES

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

### Basis of preparation

- The accompanying consolidated financial statements of the Bank and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations (IFRICs), and in conformity with the applicable laws and regulations of the Central Bank of Jordan.
- The consolidated financial statements are prepared on a historical cost basis, except for financial assets held for Trading and available for sale, which have been measured at fair value.
- The financial statements have been presented in Jordanian Dinars (JD) which is the functional currency of the Bank.

### Changes in accounting policies:

Except as noted below the Bank's accounting policies are consistent with those used in the previous year. As of 1 January, 2007 the Bank applied the following new IFRSs which had no effect on the Bank's financial position or performance, but resulted in additional disclosures:

#### IAS 1 – Presentation of Financial Statements (revised 2005)

The standard requires the presentation of additional disclosures to enable users of the financial statements to evaluate the entity's objectives, policies and processes for managing capital.

#### **IFRS 7 – Financial Instruments: Disclosure**

The standard requires disclosures that enable users of the financial statements to evaluate the significance of the entity's financial instruments and the nature and extent of risks arising from those financial instruments.

#### **IFRIC 8 – Scope of IFRS 2**

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

#### **IFRIC 9 – Reassessment of Embedded Derivatives**

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

#### **IFRIC 10 – Interim Financial Reporting and Impairment**

This interpretation concludes that an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. The entity did not have any previous interim impairments losses that would otherwise have been reversed.

### **Summary of significant 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 policies of an entity so as to obtain benefits from its activities

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

All intra-company balances, transactions, income and expenses and profits and losses resulting from intra-company transactions that are recognized in assets or liabilities, between the Bank and the following subsidiaries are eliminated in full:

- Capital Investments and Brokerage Company Ltd/Jordan; of which the Bank owns 100% of its paid in capital amounting to JD 10,000,000 as of 31 December 2007. the company was established on 12 July 2005.
- National Bank of Iraq (NBI) /Iraq; of which the Bank owns 59.2% of its paid in capital amounting to IQD 25,000,000,000 (JD 11,392,587) as of 31 December, 2007. This was acquired effective January 1, 2005.
- Capital Investment Fund Company/Bahrain; of which the Bank owns 100% of its paid in capital amounting to BHD 1,000 (JD 1,888) as of 31 December 2007. It will hold mutual funds, but has

## Notes to the Consolidated Financial Statements 31 December 2007

not started operations yet.

Subsidiaries' financial statement are prepared using same accounting policies and reporting period as the Bank.

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.

Minority interests represent the portion equity and profit or loss not owned by the Bank

### Segmental reporting

- Business segments represent distinguishable components of the Bank that are engaged in providing products or services which are subject to risks and rewards that are different from those of other segments.
- Geographical segments are associated to products and services provided within a particular economic environment, which are subject to risks and rewards that are different from those of other economic environments.

### Financial assets held for trading

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

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

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

### Direct credit facilities

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

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

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

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

### **Financial assets available for sale**

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

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

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

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

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

Financial assets available for sale which can not be reliably measured at fair value are recorded at cost. Impairment on such assets is recognised in the income statement.

### **Financial assets held to maturity**

Held-to-maturity financial investments are those which carry fixed or determinable payments and have fixed maturities and which the Bank has the positive intention and ability to hold to maturity.

Held-to-maturity investments are initially recognised at cost, being the fair value of consideration given including directly attributable transaction costs. After initial measurement, held-to-maturity financial investments are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest method.

### **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.
- Option pricing models.

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

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

### **Impairment of financial assets**

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

Impairment is determined as follows:

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

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

### **Property and equipment**

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

	%
Buildings	2
Equipment and furniture	2.5 - 25
Vehicles	15
Computers	25
Others	10

- The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount, and the impairment is recorded in the income statement.
- An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

### **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 reliably measured.

### **Employee's Bonus:**

Annual Bonus is divided into two categories:

Board of directors approves the bonus amount based on actual net income compared to budget.

The approved amount will be divided into two categories:

**A. Cash Bonus:** Paid immediately after the general assembly.

**B. Shares Bonus:** which will be vest to employees on the following basis:

- 25% of granted shares after one year.
- 25 % at the end of second year
- 50% at the end of third year.

### **Income Tax**

Tax expense comprises current tax and deferred taxes.

- Current tax is based on taxable profits, which may differ from accounting profits published in the income statement. Accounting profits may include non-taxable profits or tax deductible expenses which may be exempted in the current or subsequent financial years.
- Tax is calculated based on tax rates and laws that are applicable in the country of operation.
- Deferred tax is provided on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on laws that have been enacted or substantially enacted at the balance sheet date.
- The carrying values of deferred income tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

### **Fiduciary assets**

Assets held in a fiduciary capacity are not recognised as assets of the Bank. Fees and commissions received for administering such assets are recognised in the income statement. A provision is recognised for decreases in the fair value of guaranteed fiduciary assets below their original principal amount.

### **Offsetting**

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

### **Revenue and expense recognition**

Interest income is recorded using the effective interest method except for fees and interest on non-

performing facilities, on which interest is transferred to the interest in suspense account and not recognised in the income statement.

Expenses are recognised on an accrual basis.

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

### **Trade date accounting**

Purchases and sales of financial assets are recognised on the trade date (that being the date at which the sale or purchase takes place).

### **Derivative financial instruments held for trading**

Derivative financial instruments such as foreign currency forward and future deals, interest rate forward and future deals, swaps, foreign currency options and others, are initially recorded at cost as other assets / liabilities, and subsequently carried at fair value in the balance sheet. Fair value is determined by reference to current market prices. In case such prices were not available, the method of valuation is stated. Changes in fair value are transferred to the income statement.

### **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 exposure to the risks and rewards of these assets using the same accounting policies.

The proceeds of the sale are recorded under loans and borrowings. The difference between the sale and the repurchase price is recognised as an interest expense over the agreement term using the effective interest method.

Assets purchased with a corresponding commitment to resell 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 direct credit facilities as applicable, and the difference between purchase and resale price is recognised in the income statement over the agreement term using the effective interest method.

### **Assets Seized by the Bank**

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

### **Intangible assets**

#### **a) Goodwill**

- Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill arising from the investment in subsidiaries will be separately shown under intangible assets, while that arising from the

## Notes to the Consolidated Financial Statements 31 December 2007

investment in associates will be shown as part of investment in associates and subsequently adjusted for any impairment losses.

- For the purpose of impairment testing, goodwill acquired in a business combination is from the date of acquisition allocated to each of the Bank's cash-generating units, or groups of cash-generating units. Where the recoverable amount of the cash-generating unit is less than the carrying value, an impairment loss is recognised.
- 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 estimated recoverable amount of a cash-generating unit or group of cash-generating units is less than their carrying amount. Impairment losses are transferred to the income statement.

### b) Other Intangible assets

- Intangible assets acquired through business combination are recorded at their fair value on that date. Other intangible assets are measured on initial recognition at cost.
- Intangible assets with finite lives are amortised over the useful economic life, while intangible assets with indefinite useful lives are assessed for impairment at each reporting date or when there is an indication that the intangible asset may be impaired.
- Internally generated intangible assets are not capitalised and are expensed in the income statement.
- Indications of impairment of intangible assets are reviewed for and their useful economic lives are reassessed at each reporting date. Adjustments are reflected in the current and subsequent periods.
- Intangible assets include trademarks, computer software and programs Management estimates the useful lives for each item. Amortization is calculated using straight-line method at 25%.

### Foreign currencies

- Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction.
- Monetary assets and liabilities in foreign currencies are translated into respective functional currencies at rates of exchange prevailing at the balance sheet date as issued by Central Bank of Jordan. Any gains or losses are taken to the income statement.
- Translation gains or losses on non-monetary items carried at fair value (such as stocks) through equity are included in equity as part of the cumulative changes in fair value. For non-monetary items carried at fair value through profit and loss, such gains and losses are taken to the income statement.
- As at the reporting date, the assets and liabilities of foreign subsidiaries and overseas branches are translated into the Bank's presentation currency at the rate of exchange ruling at the balance sheet date, and their income statements are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity. On disposal of an entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is transferred to the income statement.

### **Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand and cash balances with banks and financial institutions that mature within three months, less banks and financial institutions deposits that mature within three months and restricted balances.

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### **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 change in such provision.

- 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 Bank, or national or local economic conditions that correlate with defaults on assets in the Bank.
- b) Impairment losses on collaterals acquired by the Bank are determined based on appraisal reports prepared by certified appraisers. Provisions are recognised when impairment is determined at the financial statements date individually and any impairment is recorded in the income statement. Valuation is performed on a regular basis.
- c) Income tax is calculated based on the tax rates and laws that are applicable at the balance sheet date.
- d) A periodic review is performed on assets estimated useful lives and assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.
- e) Legal provision is calculated for facing any legal liabilities according to the lawyer's opinion.

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## CASH AND BALANCES WITH CENTRAL BANKS

	2007 JD	2006 JD
Cash on hand	5,576,545	4,158,668
<b>Balances at Central Banks:</b>		
Current and demand deposits	450,154	13,109,875
Time deposits	16,135,183	13,480,187
Statutory cash reserve	35,886,275	33,945,273
Certificates of deposits	30,000,000	16,000,000
<b>Total</b>	<u>88,048,157</u>	<u>80,694,003</u>

- Except for the statutory cash reserve held at Central Banks, there are no restricted cash balances as of 31 December 2007 and 2006.
- Certificates of deposit maturing after three months amounting to JD 7,000,000 as of 31 December 2007 (2006: JD 3,000,000).

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## BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	2007 JD	2006 JD	2007 JD	2006 JD	2007 JD	2006 JD
Current and demand deposits	130,575	445,186	22,633,571	17,446,608	22,764,146	17,891,794
Deposits maturing within 3 months	30,475,637	14,969,140	83,669,137	117,772,873	114,144,774	132,742,013
Certificates of deposit	-	-	-	354,500	-	354,500
<b>Total</b>	<u>30,606,212</u>	<u>15,414,326</u>	<u>106,302,708</u>	<u>135,573,981</u>	<u>136,908,920</u>	<u>150,988,307</u>

- Non interest bearing balances at banks and financial institutions amounted to JD10, 586,934 as of 31 December 2007 (2006: JD 5,646,863).
- Restricted balances amounted to JD 402,719 as of 31 December 2007 (2006: JD 382,860) see note 18.

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## DEPOSITS AT BANKS AND FINANCIAL INSTITUTIONS

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	2007 JD	2006 JD	2007 JD	2006 JD	2007 JD	2006 JD
Deposits maturing from 3 to 6 months	-	6,381,000	-	-	-	6,381,000
<b>Total</b>	<u>-</u>	<u>6,381,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,381,000</u>

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## FINANCIAL ASSETS HELD FOR TRADING

	2007 JD	2006 JD
Local treasury bills	3,765,420	2,954,716
Quoted equities	12,058,297	13,865,597
Quoted debt securities	18,147,834	14,907,374
Funds	2,605,160	1,380,191
Commercial Paper	13,294,250	8,854,305
<b>Total</b>	<b>49,870,961</b>	<b>41,962,183</b>

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## DIRECT CREDIT FACILITIES

	2007 JD	2006 JD
<b>Consumer lending</b>		
Overdrafts	642,485	956,170
Loans and bills *	31,059,187	24,416,337
Credit cards	1,113,577	1,035,806
<b>Residential mortgages</b>	67,904,314	52,414,208
<b>Corporate lending</b>		
Overdrafts	45,715,905	51,597,408
Loans and bills *	359,596,224	359,370,985
<b>Small and medium enterprises lending "SMEs"</b>		
Overdrafts	3,256,319	3,930,130
Loans and bills *	5,439,312	6,387,234
<b>Total</b>	<b>514,727,323</b>	<b>500,108,278</b>
Less: Suspended interest	3,406,942	2,430,615
Less: Allowance for impairment losses	13,908,474	7,950,404
<b>Direct credit facilities, net</b>	<b>497,411,907</b>	<b>489,727,259</b>

\* Net of interest and commissions received in advance of JD 3,265,661 as of 31 December 2007 (2006: JD 2,104,116).

- At 31 December 2007, non-performing credit facilities amounted to JD 19,032,364 (2006: JD 13,913,690), representing 3.70% (2006: 2.78 %) of gross facilities granted.
- At 31 December 2007, non-performing credit facilities, net of suspended interest, amounted to JD 15,625,422 (2006: JD 11,483,075), representing 3.06% (2006: 2.31 %) of gross facilities granted after excluding the suspended interest.

## Notes to the Consolidated Financial Statements

### 31 December 2007

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

	Consumer JD	Residential mortgages JD	Corporate JD	SMEs JD	Total JD
<b>2007</b>					
At 1 January 2007	1,072,163	5,732	6,674,214	198,295	7,950,404
Charge (surplus) for the year	347,651	156,933	5,514,842	( 94,659)	5,924,767
Amounts written off	( 3,112)	-	-	( 22,379)	( 25,491)
Foreign Exchange Differences	12,935	-	45,859	-	58,794
<b>At 31 December 2007</b>	<u>1,429,637</u>	<u>162,665</u>	<u>12,234,915</u>	<u>81,257</u>	<u>13,908,474</u>
Individual impairment	920,065	162,665	10,884,499	63,238	12,030,467
Collective impairment	509,572	-	1,350,416	18,019	1,878,007
<b>At 31 December 2007</b>	<u>1,429,637</u>	<u>162,665</u>	<u>12,234,915</u>	<u>81,257</u>	<u>13,908,474</u>
<b>2006</b>					
At 1 January 2006	609,678	-	8,118,274	295,742	9,023,694
Charge (surplus) for the year	431,416	5,732	(1,287,947)	164,285	( 686,514)
Amounts written off	( 18)	-	( 266,331)	( 261,732)	( 528,081)
Foreign Exchange Differences	31,087	-	110,218	-	141,305
<b>At 31 December 2006</b>	<u>1,072,163</u>	<u>5,732</u>	<u>6,674,214</u>	<u>198,295</u>	<u>7,950,404</u>
Individual impairment	692,396	5,732	4,944,168	147,978	5,790,274
Collective impairment	379,767	-	1,730,046	50,317	2,160,130
<b>At 31 December 2006</b>	<u>1,072,163</u>	<u>5,732</u>	<u>6,674,214</u>	<u>198,295</u>	<u>7,950,404</u>

Non-performing credit facilities that were settled or collected amounted to JD 2,690,220 during 31 December 2007 (2006: JD 3,127,321).

## Notes to the Consolidated Financial Statements

### 31 December 2007

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

	Consumer JD	Residential mortgages JD	Corporate JD	SMEs JD	Total JD
<b>2007</b>					
At 1 January 2007	109,090	1,325	2,209,918	110,282	2,430,615
Add: Suspended interest during the year	129,147	30,108	1,203,328	-	1,362,583
Less: Amount transferred to income on recovery	( 15,470)	-	( 186,757)	-	( 202,227)
Less: Amounts written off	( 1,775)	-	( 81,717)	(110,282)	( 193,774)
Foreign Exchange Differences	2,144	-	7,601	-	9,745
<b>At 31 December 2007</b>	<u>223,136</u>	<u>31,433</u>	<u>3,152,373</u>	<u>-</u>	<u>3,406,942</u>
<b>2006</b>					
At 1 January 2006	41,786	-	2,213,606	411,319	2,666,711
Add: Suspended interest during the year	66,967	1,325	898,878	-	967,170
Less: Amount transferred to income on recovery	( 5,005)	-	( 832,453)	(191,931)	( 1,029,389)
Less: Amounts written off	( 20)	-	( 89,123)	(109,106)	( 198,249)
Foreign Exchange Differences	5,362	-	19,010	-	24,372
<b>At 31 December 2006</b>	<u>109,090</u>	<u>1,325</u>	<u>2,209,918</u>	<u>110,282</u>	<u>2,430,615</u>

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## FINANCIAL ASSETS AVAILABLE FOR SALE

	2007 JD	2006 JD
<b>Quoted Investments</b>		
Treasury bills	3,621,525	433,286
Government debt securities	33,092,017	22,934,089
Corporate debt securities	1,250,895	1,807,548
Equities	1,518,525	9,013,507
<b>Total quoted investments</b>	<u>39,482,962</u>	<u>34,188,430</u>
<b>Unquoted Investments</b>		
Equities*	552,909	1,193,364
<b>Total unquoted investments</b>	<u>552,909</u>	<u>1,193,364</u>
<b>Total financial assets available for sale</b>	<u>40,035,871</u>	<u>35,381,794</u>
<b>Analysis of debt instruments</b>		
Fixed rate	36,393,160	24,465,923
Floating rate	1,571,277	709,000
<b>Total</b>	<u>37,964,437</u>	<u>25,174,923</u>

\* Included in unquoted equities are investments carried at cost since the fair value could not be measured reliably. There are no indications of impairment in value as of the balance sheet date.

## FINANCIAL ASSETS HELD TO MATURITY

	2007 JD	2006 JD
<b>Quoted Investments</b>		
Treasury bills	2,957,730	11,039,247
Government debt securities	46,415,562	-
Corporate debt securities	19,000,000	129,969
Other debt securities	<u>4,928,816</u>	<u>741,284</u>
Total quoted investments	<u>73,302,108</u>	<u>11,910,500</u>
<b>Analysis of debt instruments</b>		
Fixed rate	68,175,108	11,910,500
Floating rate	<u>5,127,000</u>	<u>-</u>
<b>Total</b>	<u>73,302,108</u>	<u>11,910,500</u>

- Held to maturity investments mature in one payment at maturity date within three years except for an amount of (JD: 2,086,162) representing bonds to be amortized over three years commencing on 12 December 2008.
- Financial assets held to maturity include an amount of JD 34,400,000 representing repurchase agreements as of 31 December 2007. No repurchase agreements existed as of 31 December 2006.

## Notes to the Consolidated Financial Statements

### 31 December 2007

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#### PROPERTY AND EQUIPMENT

	Land JD	Buildings JD	Furniture & Fixtures JD	Vehicles JD	Computers JD	Others* JD	Total JD
<b>2007</b>							
<b>Cost:</b>							
At 1 January 2007	1,105,114	3,691,714	1,849,868	192,932	1,158,992	1,819,958	9,818,578
Foreign Exchange Differences	6,525	42,947	7,944	17,159	109,948	6,260	190,783
Additions	-	-	565,083	124,098	630,342	1,138,462	2,457,985
Disposals	-	-	(52,466)	(65,049)	-	(83,831)	(201,346)
<b>At 31 December 2007</b>	<u>1,111,639</u>	<u>3,734,661</u>	<u>2,370,429</u>	<u>269,140</u>	<u>1,899,282</u>	<u>2,880,849</u>	<u>12,266,000</u>
<b>Depreciation:</b>							
At 1 January 2007	-	112,631	744,176	90,236	637,449	506,042	2,090,534
Depreciation charge during the year	-	92,071	286,184	35,772	252,784	212,378	879,189
Foreign Exchange Differences	-	9,773	136,559	17,429	-	1,850	165,611
Disposals	-	-	(29,779)	(54,616)	-	(65,948)	(150,343)
<b>At 31 December 2007</b>	<u>-</u>	<u>214,475</u>	<u>1,137,140</u>	<u>88,821</u>	<u>890,233</u>	<u>654,322</u>	<u>2,984,991</u>
	<u>1,111,639</u>	<u>3,520,186</u>	<u>1,233,289</u>	<u>180,319</u>	<u>1,009,049</u>	<u>2,226,527</u>	<u>9,281,009</u>
Projects under construction	-	-	97,470	-	59,598	346,609	503,677
<b>Net book value of property and equipment at 31 December 2007</b>	<u>1,111,639</u>	<u>3,520,186</u>	<u>1,330,759</u>	<u>180,319</u>	<u>1,068,647</u>	<u>2,573,136</u>	<u>9,784,686</u>
<b>2006</b>							
<b>Cost:</b>							
At 1 January 2006	505,553	1,770,697	1,414,623	176,347	864,787	1,419,676	6,151,683
Foreign Exchange Differences	17,552	46,954	37,839	6,166	-	-	108,511
Additions	582,009	1,874,063	397,754	21,434	294,205	400,282	3,569,747
Disposals	-	-	( 348)	(11,015)	-	-	( 11,363)
<b>At 31 December 2006</b>	<u>1,105,114</u>	<u>3,691,714</u>	<u>1,849,868</u>	<u>192,932</u>	<u>1,158,992</u>	<u>1,819,958</u>	<u>9,818,578</u>
<b>Depreciation:</b>							
At 1 January 2006	-	15,483	494,750	68,087	463,637	354,318	1,396,275
Depreciation charge during the year	-	89,953	222,686	30,483	173,812	151,724	668,658
Foreign Exchange Differences	-	7,195	26,827	1,799	-	-	35,821
Disposals	-	-	(87)	(10,133)	-	-	(10,220)
<b>At 31 December 2006</b>	<u>-</u>	<u>112,631</u>	<u>744,176</u>	<u>90,236</u>	<u>637,449</u>	<u>506,042</u>	<u>2,090,534</u>
	<u>1,105,114</u>	<u>3,579,083</u>	<u>1,105,692</u>	<u>102,696</u>	<u>521,543</u>	<u>1,313,916</u>	<u>7,728,044</u>
Projects under construction	631,050	-	33,884	-	412,561	129,445	1,206,940
<b>Net book value of property and equipment at 31 December 2006</b>	<u>1,736,164</u>	<u>3,579,083</u>	<u>1,139,576</u>	<u>102,696</u>	<u>934,104</u>	<u>1,443,361</u>	<u>8,934,984</u>

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

- The estimated costs to complete the purchase of premises and equipment amounted to JD 359,710 as of 31 December 2007
- Fully depreciated property and equipment amounted to JD 565,229 as of 31 December 2007 (2006: JD 519,221).

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## INTANGIBLE ASSETS

	Trade marks JD	Computer Software JD	Goodwill JD	Others JD	Total JD
<b>2007</b>					
<b>Net book value:</b>					
At 1 January,	8,130	357,771	3,187,164		3,553,065
Additions	-	509,770	-		509,770
Foreign currency Translation	-	-	733,591		733,591
Amortization	( 3,575)	( 235,584)	-		( 239,159)
	<u>4,555</u>	<u>631,957</u>	<u>3,920,755</u>		<u>4,557,267</u>
Translation project under construction	-	1,052,301	-		1,052,301
<b>At 31 December,</b>	<u>4,555</u>	<u>1,684,258</u>	<u>3,920,755</u>		<u>5,609,568</u>
<b>2006</b>					
<b>Net book value:</b>					
At 1 January,	-	407,337	3,187,164	78,367	3,672,868
Additions	11,661	156,961	-	-	168,622
Amortization	( 3,531)	( 206,527)	-	(78,367)	( 288,425)
	<u>8,130</u>	<u>357,771</u>	<u>3,187,164</u>	<u>-</u>	<u>3,553,065</u>
Translation project under construction	-	853,721	-	-	853,721
<b>At 31 December,</b>	<u>8,130</u>	<u>1,211,492</u>	<u>3,187,164</u>	<u>-</u>	<u>4,406,786</u>

- The estimated cost to complete the projects under progress is JD 348,660.
- Fully amortized intangible asstes amounted to JD 1,263,381 as of 31 December 2007 compared to JD 574,022 as of 31 December 2006.

### Impairment Testing of Goodwill

Goodwill arose from the acquisition of 59.2% of the National Bank of Iraq.

The bank has tested the goodwill using the following key assumptions:

- The recoverable amount of NBI has been determined based on the value in use calculation, using five-year cash flow projections approved by senior management based on National Bank of Iraq performance assumptions verified against financial economic indicators such as interest rates.
- The discount rate used by the Bank is 35%.
- The cash flow projections showed that the return on equity is estimated at 19% during the coming five years.

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

- \* Goodwill as of 31 December 2007 has been retranslated using year-end exchange rates therefore goodwill balance increased by JD 733,591, this increase was recorded within foreign currency translation in the statement of changes in equity.

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### Acquisition of National Bank of Iraq

In its extraordinary meeting held in 2004, the General Assembly decided to acquire 59.2% of the paid in capital of the National Bank of Iraq; split into a direct and indirect acquisition of 49% and 10.2% respectively. Accordingly, the financial statements were consolidated as of 1 January 2005; being the date on which control was transferred to the Bank, and the resultant goodwill recognised and recorded on that date.

The regulations of the Central Bank of Iraq state that all Iraqi banks should increase their paid in capital to be no less than 50 billion Iraqi Dinars by the end of 2007, however, this was not enforced by the Central Bank up to the date of the financial statements.

Capital Bank's share in the National Bank of Iraq will amount to JD 8,820,800 upon the increase of share capital.

There were no acquisitions or disposal of operations during 2006 and 2007.

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### Other Assets

	2007 JD	2006 JD
Accrued interest and revenue	3,934,491	3,213,575
Prepaid expenses	1,897,776	1,830,675
Assets seized by the Bank by calling on collateral	16,391,255	1,704,847
Export documents & bills purchased	11,457,333	6,047,896
Positive fair value of derivatives	160,964	180,362
Advance payment for establishing areal estate fund*	-	10,477,003
Others	1,478,638	2,114,181
	<u>35,320,457</u>	<u>25,568,539</u>

\* Establishment of the Real Estate Fund was cancelled in order to comply with banks law, and the land was sold for JD 12,085,246.

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

	Real estate 2007 JD	Others 2007 JD	Total 2007 JD	Total 2006 JD
At 1 January	1,704,847	-	1,704,847	2,255,215
Difference of Exchange	358	-	358	-
Additions	275,160	15,771,421	16,046,581	382,829
Retirements	<u>862,282</u>	<u>*498,249</u>	<u>1,360,531</u>	<u>(933,197)</u>
<b>Total</b>	<u>1,118,083</u>	<u>15,273,172</u>	<u>16,391,255</u>	<u>1,704,847</u>

\* This Amount represents stocks sold during 2007

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## BANKS AND FINANCIAL INSTITUTIONS' DEPOSITS

	Inside Jordan 2007 JD	Outside Jordan 2007 JD	Total 2007 JD	Inside Jordan 2006 JD	Outside Jordan 2006 JD	Total 2006 JD
Current and demand deposits	391,759	9,725,946	10,117,705	1,002,403	7,834,258	8,836,661
Time deposits	16,202,983	6,467,590	22,670,573	39,489,384	6,581,805	46,071,189
Certificates of deposit	-	-	-	4,500,000	-	4,500,000
<b>Total</b>	<u>16,594,742</u>	<u>16,193,536</u>	<u>32,788,278</u>	<u>44,991,787</u>	<u>14,416,063</u>	<u>59,407,850</u>

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## CUSTOMERS' DEPOSITS

	Consumer JD	Corporate JD	SMEs JD	Governmental sectors JD	Total JD
<b>2007</b>					
Current and demand deposits	39,511,089	31,434,596	2,542,672	1,126,838	74,615,195
Saving accounts	2,969,410	24,772	-	-	2,994,182
Time and notice deposits	155,183,218	119,384,409	-	64,269,718	338,837,345
Certificates of deposit	59,216,077	3,145,024	656,237	2,250,000	65,267,338
Others	506,946	88,852	-	-	595,798
<b>Total</b>	<u>257,386,740</u>	<u>154,077,653</u>	<u>3,198,909</u>	<u>67,646,556</u>	<u>482,309,858</u>
<b>2006</b>					
Current and demand deposits	41,760,713	28,384,128	626,525	1,208,454	71,979,820
Saving accounts	1,486,128	889	-	-	1,487,017
Time and notice deposits	112,978,727	136,107,686	-	52,037,118	301,123,531
Certificates of deposit	50,554,113	4,928,933	-	3,445,000	58,928,046
Others	1,911	77,075	-	-	78,986
<b>Total</b>	<u>206,781,592</u>	<u>169,498,711</u>	<u>626,525</u>	<u>56,690,572</u>	<u>433,597,400</u>

- Government and Public Sector institutions' deposits amounted to JD 67,646,556 representing 14.03% of total customers' deposits and JD 56,690,572 representing 13.07% of customers' deposits as of December 31, 2007 and 2006, respectively.
- Non-interest bearing deposits amounted to JD 61,588,182 representing 12.77% of total deposits and JD 55,258,682 representing 12.74% of total deposits as of December 31, 2007 and 2006, respectively.
- Restricted deposits amounted to JD 2,444,118 and JD 31,729 as of December 31, 2007 and 2006, respectively.
- Dormant accounts amounted to JD 1,206,267 and JD 868,693 as of December 31, 2007 and December 31, 2006, respectively.

## Notes to the Consolidated Financial Statements

31 December 2007

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### MARGIN ACCOUNTS

	2007 JD	2006 JD
Margins on direct credit facilities	29,749,034	38,461,627
Margins on indirect credit facilities	27,147,847	17,628,996
Deposits against cash margin dealings' facilities	107,670	54,906
Others	4,289,307	640,900
<b>Total</b>	<b>61,293,858</b>	<b>56,786,429</b>

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### LOANS AND BORROWINGS

	Amount JD	Total no of. payments	Outstanding payments	Collaterals	Interest rate %
<b>2007</b>					
Amounts borrowed from					
Central Bank of Jordan	2,287,381	532	222	-	2.5% - 7.0%
Amounts borrowed from local					
banks and institutions	49,219,533	13	10	-	5.45% - 8.6%
Amounts borrowed from					
foreign banks and institutions	86,190,499	86	80	402,719	2% - 6.75%
Other loans and borrowings	35,732,240	1	1	-	4.85%
<b>Total</b>	<b>173,429,653</b>			<b>402,719</b>	
<b>2006</b>					
Amounts borrowed from					
Central Bank of Jordan	3,923,883	824	426	-	2.5% - 6.51%
Amounts borrowed from local					
banks and institution	39,966,138	12	9	-	4.5% - 8.35%
Amounts borrowed from					
foreign banks and institution	88,724,543	101	88	382,860	5.04% - 5.06%
Other loans and borrowings	-			-	
<b>Total</b>	<b>132,614,564</b>			<b>382,860</b>	

- Amounts borrowed from Central Bank of Jordan are due during the period from 2008 to 2010.
- Included in the borrowings from local financial institutions are amounts due to Real Estate Mortgage Finance Co. of JD 35,000,000. The mortgage loans were refinanced at a rate of 9.5%.
- At December 31, 2007, fixed-rate loans amounted to JD 94,484,634, while loans with floating-rates amounted to JD 78,945,019.
- Included in the borrowings from foreign banks and institution borrowings are amounts due to Arab Investment Company amounted to USD 45,000,000 which are subject to contractual covenants, which give the lender the right to claim back the amount(s) if the Bank did not comply with its covenants. The covenants state that total equity and capital adequacy should not fall below JD 57 million and 14% respectively up to the date of financial statements.

## Notes to the Consolidated Financial Statements

### 31 December 2007

- Included in the borrowings from foreign banks and institution borrowings are amounts due to Citibank amounted to USD 60,000,000 which are subject to contractual covenants, which give the lender the right to claim back the amount(s) if the Bank did not comply with its covenants. The covenants state that tangible net worth and capital adequacy should not fall below JD 115 million and 12% respectively up to the date of financial statements, the ratio of loan loss provisions to non-performing loans shall not at any time during the term of the facility be less than the amount set in the instruction for classification of credit facilities and calculation of the decline provision and general bank risk reserve number (30/2006) issued by Central Bank of Jordan. The amount due to banks shall not exceed at any time during the term facility 30 per cent of the total gross direct facilities.
- Included in the borrowings from others is an amount of JD 35,732,240 arising from a repurchase agreement of treasury bonds, with nominal value of JD 34,400,000, and maturity date 20 March 2008.
- Capital Investment and Brokerage Company signed loan agreements with local banks with total limits of JD 16,420,000 and a utilized amount as of 31 December 2007 of JD 14,219,533 with interest rates of between 8%- 8.5%.

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### SUNDRY PROVISIONS

	Balance at January 1 <sup>st</sup> JD	Provided during the period JD	Utilised during the year JD	Transferred to income JD	Balance at December 31 JD
<b>2007</b>					
Provision for impairment loss on assets seized by the bank	-	3,226,979	-	-	3,226,979
Others Provision*	289,534	-	(35,974)	( 253,560)	-
<b>Total</b>	<u>289,534</u>	<u>3,226,979</u>	<u>(35,974)</u>	<u>( 253,560)</u>	<u>3,226,979</u>
<b>2006</b>					
Others Provision*	77,028	386,733	(174,227)	-	289,534
<b>Total</b>	<u>77,028</u>	<u>386,733</u>	<u>(174,227)</u>	<u>-</u>	<u>289,534</u>

\* Other provisions are set against clients managed portfolios.

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### INCOME TAX

#### Income Tax liabilities

The movements on the income tax liability were as follows:

	2007 JD	2006 JD
At January 1	7,558,863	758,747
Foreign exchange differences	2,449	18,070
Income tax paid	( 7,543,007)	( 852,979)
Income tax charge for the year	6,922,078	7,635,025
Income tax charge for previous year	352,144	-
At December 31	<u>7,292,527</u>	<u>7,558,863</u>

## Notes to the Consolidated Financial Statements

31 December 2007

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

	2007 JD	2006 JD
Current income tax charge	6,922,078	7,635,025
Previous years income tax charges	352,144	47,599
Movement on deferred tax assets	(2,927,232)	(419,368)
Movement on deferred tax liabilities	115,863	(853,207)
Foreign exchange differences	(672)	(2,174)
<b>Total</b>	<b>4,462,181</b>	<b>6,407,875</b>

- The Bank reached a final settlement with the Income Tax Department for the year ended 2003.
- The Income Tax Department reviewed the Bank's records for 2004, 2005, 2006, and they did not yet issue their final report.
- The Income Tax Department reviewed the accounts of Capital Investment and Brokerage Company's record for the year ended 2005, and they did not yet issue their final report.
- The National Bank of Iraq reached a final settlement with the Income Tax Department until the end of year 2006.

- The movements on temporary differences giving rise to deferred tax assets and liabilities are:

	Balance at January 1 JD	Released during the year JD	Additions during the year JD	Balance at December 31 JD	Deferred Tax JD	Deferred Tax JD
a) Deferred tax assets						
Shares granted to employees	1,198,195	(274,107)	441,953	1,366,041	478,115	419,368
Provision for impairment loss						
on assets seized by the bank	-	-	3,226,979	3,226,979	1,129,443	-
Provision for credit losses						
and interest in suspense.	-	-	4,968,693	4,968,693	1,739,042	-
	<u>1,198,195</u>	<u>(274,107)</u>	<u>8,637,625</u>	<u>9,561,713</u>	<u>3,346,600</u>	<u>419,368</u>
b) Deferred tax liabilities						
Unrealised gain (loss) from						
trading Investments	(375,624)	1,846,942	2,457,002	234,436	115,863	-
Unrealised gain from						
available for sale investment	484,800	207,310	327,381	604,871	140,079	95,789
	<u>109,176</u>	<u>2,054,252</u>	<u>2,784,383</u>	<u>839,307</u>	<u>255,942</u>	<u>95,789</u>

- Deferred tax liabilities include amounts of JD 140,079 as of 31 December 2007 (2006: JD 95,789) resulting from revaluation gains of financial assets available for sale which are included in the cumulative change in fair value.
- Income tax rate for deferred tax assets is 35%, while for deferred tax liability of local financial securities is 26.25%, and on foreign financial securities 35%.

## Notes to the Consolidated Financial Statements

### 31 December 2007

The movement on deferred assets/ liabilities account is as follows:

	Assets 2007 JD	Liabilities 2006 JD	Assets 2006 JD	Liabilities 2006 JD
At 1 January	419,368	95,789	-	930,311
Additions	3,023,169	600,603	419,368	100,916
Reductions	( 95,937)	( 440,450)	-	( 935,438)
<b>At 31 December</b>	<b><u>3,346,600</u></b>	<b><u>255,942</u></b>	<b><u>419,368</u></b>	<b><u>95,789</u></b>

Reconciliation between tax expense and the accounting profit is as follows:

	2007 JD	2006 JD
Accounting profit	17,970,847	24,467,780
Non-taxable income	( 4,177,785)	( 6,285,435)
Expenses not deductible in determining taxable profit	9,232,405	2,095,949
<b>Taxable profit</b>	<b><u>23,025,467</u></b>	<b><u>20,278,294</u></b>
Effective rate of income tax	24.83%	26.19%

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

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## OTHER LIABILITIES

	2007 JD	2006 JD
Accrued interest expense	3,780,481	4,107,474
Interest and commissions received in advance	-	22,493
Accrued expenses	923,090	1,459,609
Certified checks	372,543	1,914,736
Checks payable	664,168	497,585
University fees	139,050	252,123
Scientific research fees	139,050	252,123
Educational, vocational training and technical fund fees	106,573	175,137
Checks under collection	4,328	4,328
Board of directors' remuneration	55,000	55,000
Others	482,733	291,916
<b>Total</b>	<b><u>6,667,016</u></b>	<b><u>9,032,524</u></b>

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## PAID IN CAPITAL

### Paid in capital

The authorized and paid in capital amounted to JD 132,280,000 divided into 132,280,000 shares at a par value of JD 1 per share (2007: JD 123,000,000).

## Notes to the Consolidated Financial Statements 31 December 2007

On January 3, 2008, the Bank increased its paid in capital by 9,280,000 shares at a par value of JD 1 per share. The increase in capital was subscribed and paid for by the International Finance Corporation (IFC). As part of the increase IFC paid JD 11,971,200 as additional paid in capital.

An additional paid in capital amount appears in equity which resulted from selling stocks raised from public subscription during 2005, and sold during 2006 for an amount JD 709,472 as premium.

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### RESERVES

#### Statutory Reserve

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

#### 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 JD	Restriction Law
General banking risk reserve	5,119,844	Central Bank of Jordan
Statutory reserve	12,874,420	Companies Law

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### CUMULATIVE CHANGE IN FAIR VALUE

	Financial assets available for sale			Financial assets available for sale		
	Stocks 2007 JD	Bonds 2007 JD	Total 2007 JD	Stocks 2006 JD	Bonds 2006 JD	Total 2006 JD
Balance at 1 January	55,993	( 265,826)	( 209,833)	709,122	(601,034)	108,088
Net unrealised gains	138,312	305,453	443,765	( 3,581)	315,687	312,106
Deferred tax liabilities	( 46,976)	2,686	( 44,290)	64,183	(82,868)	(18,685)
Realised (gains) losses	92,191	( 43,094)	49,097	(713,731)	102,389	(611,342)
<b>Balance at 31 December</b>	<b>239,520</b>	<b>( 781)</b>	<b>238,739</b>	<b>55,993</b>	<b>(265,826)</b>	<b>(209,833)</b>

The cumulative change in fair value is presented net of deferred tax liabilities of JD 140,079 as of 31 December 2007 (2006: JD95,789).

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## RETAINED EARNINGS

Included in the Retained earnings balance an amount of JD 3,346,600 representing deferred tax assets, in addition to JD 426,740 unrealized gains from financial assets held for trading as of December 31, 2007, (2006: JD 419,368 representing deferred tax assets) and according to the Central Bank of Jordan's regulations, these balances are not available for distribution.

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## PROPOSED DIVIDENDS

Proposed cash dividends for the year 2007 will amount to JD 7,500,000 representing 6.1% of paid in capital, which is subject to the approval of the General Assembly. Bonus shares issued in 2006 amounted to 7,000,000 shares representing 6.03% of paid in capital.

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## INTEREST INCOME

	2007 JD	2006 JD
<b>Consumer lending</b>		
Overdrafts	101,021	80,841
Loans and bills	2,774,076	2,186,759
Credit cards	185,534	125,679
<b>Residential mortgages</b>	5,373,804	3,377,305
<b>Corporate lending</b>		
Overdrafts	5,432,254	5,542,466
Loans and bills	32,361,556	30,179,984
<b>Small and medium enterprises lending</b>		
Overdrafts	400,278	416,224
Loans and bills	495,543	542,391
Balances at central Banks	4,628,661	2,054,407
Balances at banks and financial institutions	6,168,991	5,712,137
Financial assets held for trading	2,610,400	1,271,182
Financial assets available for sale	1,916,775	1,797,182
Financial assets held to maturity	2,456,404	2,361,454
Others	279,256	481,846
<b>Total</b>	<u>65,184,553</u>	<u>56,129,857</u>

## Notes to the Consolidated Financial Statements

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### INTEREST EXPENSE AND SIMILAR CHARGES

	2007 JD	2006 JD
Banks and financial institution deposits	2,164,659	2,974,159
Customers' deposits -		
Current accounts and deposits	451,819	359,424
Saving accounts	199,930	59,177
Time and notice placements	18,250,309	14,348,941
Certificates of deposits	3,643,375	3,300,946
Margin accounts	4,046,245	2,467,282
Loans and borrowings	9,992,697	6,309,638
Deposit guarantee fees	633,075	563,238
<b>Total</b>	<u>39,382,109</u>	<u>30,382,805</u>

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### NET COMMISSION

	2007 JD	2006 JD
Commission income -		
Direct credit facilities	249,007	257,888
Indirect credit facilities	4,795,818	3,874,503
Other commission	1,127,322	1,140,135
Less: commission expense	<u>617,518</u>	<u>378,789</u>
<b>Net Commission</b>	<u>5,554,629</u>	<u>4,893,737</u>

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### NET GAIN FROM FOREIGN CURRENCIES

	2007 JD	2006 JD
Resulting from -		
Trading in foreign currencies	(121,321)	169,386
Revaluation of foreign currencies	<u>2,299,004</u>	<u>985,634</u>
<b>Total</b>	<u>2,177,683</u>	<u>1,155,020</u>

## Notes to the Consolidated Financial Statements

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### NET GAIN (LOSS) FROM FINANCIAL ASSETS HELD FOR TRADING

	Realised Gain (loss) JD	Unrealised gain (loss) JD	Dividend income JD	Total
<b>2007</b>				
Treasury bills	1,895	( 1,908)	-	( 13)
Equities	1,999,461	175,392	341,981	2,516,834
Debt Securities	46,181	60,949	-	107,130
<b>Total</b>	<u>2,047,537</u>	<u>234,433</u>	<u>341,981</u>	<u>2,623,951</u>
<b>2006</b>				
Treasury bills	20,344	133,946	-	154,290
Equities	(1,048,011)	(313,150)	478,682	( 882,479)
Debt Securities	76,820	(407,423)	-	( 330,603)
<b>Total</b>	<u>( 950,847)</u>	<u>(586,627)</u>	<u>478,682</u>	<u>(1,058,792)</u>

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### NET GAIN FROM FINANCIAL ASSETS AVAILABLE FOR SALE

	2007 JD	2006 JD
Dividend income	9,572	6,381
Gain from sale of financial assets available for sale	154,947	1,433,332
Less: impairment losses on investments	-	(22,981)
<b>Total</b>	<u>164,519</u>	<u>1,416,732</u>

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### OTHER INCOME

	2007 JD	2006 JD
Commission on customers' funds management	3,426,563	3,346,780
Other income	<u>1,613,787</u>	<u>1,005,872</u>
<b>Total</b>	<u>5,040,350</u>	<u>4,352,652</u>

## Notes to the Consolidated Financial Statements

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### EMPLOYEES' EXPENSES

	2007 JD	2006 JD
Salaries and benefits	4,615,240	3,360,763
Employee bonuses	515,439	1,139,966
Bank's contribution to social security	423,619	301,947
Medical expenses	810,219	201,368
Training and research	333,002	36,278
Paid vacations	14,968	22,076
Per Diems	149,240	107,755
Bank's contribution to savings fund	20,794	47,919
<b>Total</b>	<b>6,882,521</b>	<b>5,218,072</b>

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### OTHER EXPENSES

	2007 JD	2006 JD
Rent	841,245	724,071
Consulting and professional fees	631,577	411,613
Stationary and printing	203,191	162,201
Board of Directors' transportation	129,231	113,352
Reuters' subscription expense	146,272	131,088
Donations	140,000	183,337
Advertisement	1,867,114	1,556,231
Subscriptions, fees and licenses	92,192	268,866
Travel and transportation	167,268	168,998
Computer expenses	395,479	223,290
Post, telephone, telex and swift	479,364	436,280
Subscription	171,972	162,633
Jordanian universities fees	139,050	252,123
Scientific research and vocational training fees	139,050	252,123
Technical and vocational education and training support fund fees	106,574	175,137
NBI's Cash Loss	-	525,861
Board of Directors' remuneration	55,000	55,000
Others	789,094	361,043
<b>Total</b>	<b>6,493,673</b>	<b>6,163,247</b>

## Notes to the Consolidated Financial Statements

### 31 December 2007

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#### EARNINGS PER SHARE

	2007 JD	2006 JD
Profit for the year attributable to ordinary equity holders of the Parent	12,956,462	18,279,742
Weighted average number of shares	<u>123,000,000</u>	<u>123,000,000</u>
	JD/Fils	JD/Fils
Basic and diluted earnings per share (JD / Fils)	<u>0.110</u>	<u>0.149</u>

Diluted earnings per share equal basic earnings per share as the Bank did not issue any potentially convertible instruments which would have an impact on earnings per share.

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#### CASH AND CASH EQUIVALENTS

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

	2007 JD	2006 JD
Cash and balances with Central Banks	81,048,157	77,694,003
Add: Balances at banks and financial institutions maturing within 3 months	136,908,920	150,988,307
Less: Banks and financial institutions' deposits maturing within 3 months	( 25,545,308)	( 41,518,114)
Less: Restricted cash balances	( 402,719)	( 382,860)
<b>Cash and cash equivalents</b>	<u>192,009,050</u>	<u>186,781,336</u>

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#### DERIVATIVE FINANCIAL INSTRUMENTS

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

	Positive fair value JD	Total notional amount JD	Par value maturity	
			Within 3 months JD	3 – 12 months JD
2007				
Derivatives held For Trading (Selling Contracts)	160,964	20,742,492	20,742,492	-
Derivatives held For Trading (Buying Contracts)	-	20,494,254	20,494,254	-

## Notes to the Consolidated Financial Statements

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	Positive fair value JD	Total notional amount JD	Par value maturity	
			Within 3 months JD	3 – 12 months JD
2006				
Derivatives held For Trading (Selling Contracts)	180,362	18,825,095	16,034,861	2,790,234
Derivatives held For Trading (Buying Contracts)	-	18,615,861	15,826,016	2,789,845

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.

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### RELATED PARTY TRANSACTIONS

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

Company name	Ownership	Paid in capital	
		2007 JD	2006 JD
Capital Investment and Brokerage Company	100%	10,000,000	10,000,000
National Bank of Iraq	59,2%	11,392,587	12,078,581

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

The following related party transactions took place during the years:

	Related party		Total	
	Subsidiary companies JD	BOD members and executive management JD	2007 JD	2006 JD
<b>Balance sheet items:</b>				
Direct credit facilities	-	2,800,698	2,800,698	5,399,609
Balances at banks	9,532,145	16,053,984	25,586,129	30,122,588
Margin accounts	735,873	275,275	1,011,148	682,784
Deposits at banks and financial institutions	-	-	-	2,287,677
<b>Off balance sheet items:</b>				
Indirect credit facilities	7,278,160	2,149,227	9,427,387	29,675,840
<b>Income statement items:</b>				
Interest and commission income	239,897	321,297	561,194	521,839
Interest and commission expense	77,280	183,873	261,153	1,498,858

## Notes to the Consolidated Financial Statements

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- Debt interest rates on credit facilities in Jordanian Dinar range between 3.9% - 15%
- Debt interest rates on credit facilities in foreign currency range between 7.09% - 13%
- Credit interest rates on deposits in Jordanian Dinar range between 2.5% - 6.75%
- Credit interest rates on deposits in foreign currency range between 0.95% - 4.15%

Compensation of the key management personnel is as follows:

	2007 JD	2006 JD
Benefits (Salaries, wages, and bonuses) of senior management	1,416,744	1,247,592
<b>Total</b>	<u>1,416,744</u>	<u>1,247,592</u>

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### FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments include cash balances, deposits at banks and central banks, credit facilities, other financial assets, customs deposits, banks deposits and other financial liabilities.

As mentioned in note (9) there is an amount of JD 552,909 representing financial assets available for sale investments carried at cost (2006: JD 1,193,364). These investments were stated at cost since the fair value could not be measured reliably. There is no indication of impairment in the values as of the balance sheet date.

There are no material differences between the fair value of financial instruments and their book value.

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### Risk management Policies

The Bank manages its various banking risks in many ways based on a comprehensive strategy for risks and means of controlling and mitigating them through Risk Management Department, ALCO, Investment Committee, and Credit Quality Department. Moreover, all bank's departments are responsible for defining the risks related to bank operations setting the appropriate controls and monitoring its continuity and efficiency in accordance with the risk control system.

Capital Bank is exposed to risks, and that is why it resorts to managing its risks to maintain solvency and profit levels.

Risk is managed through a process of ongoing identification, measurement and monitoring of financial and non-financial risks that can have adverse effects on the Bank's performance and reputation.

The Bank is exposed to the following risks:

- Credit risk
- Market risk
- Liquidity risk
- Operational Risk
- Regulatory Compliance risk

The Bank's risk management is inline with the main principles and objectives of corporate governance that are coherent with: the size and complexity of its operations, regulatory authorities' instructions, and International best practices. These principles constitute the following:

- Board's strategies for Risk Management.
- Risk management policies approved by the Board.
- Setting acceptable risk appetite limits by the Risk Committee, which are subsequently approved by the Board.
- Communication of risk management to all employees and developing risk awareness.
- Distribution of tasks and responsibilities to staff in accordance with specialization.
- Ensuring the effectiveness of the policies and procedures of risk management by the Audit and Risk Committee.
- Determining the ideal employment of capital by the Assets and Liabilities Management Committee (ALCO), and ensuring the continuous monitoring of market and liquidity risks.

Risk Management is an independent department that manages credit, market, liquidity, operational, and compliance risks in a centralized and comprehensive approach using systems that help in managing such risks. The department directly reports to the General Manager, Audit, Risk and Compliance Committees that emanates from the Board of Directors.

The Internal Audit Department provides independent assurance on compliance with policies and procedures set by the Risk Management department, and the degree of effectiveness of its risk framework in the Bank.

The Bank's risk management policy is continuously reviewed and updated with the industry's most recent developments and services. Its risk management philosophy is based on knowledge, experience, management supervision, ability to judge on banking issues, and the availability of a clear manual of authorities set by the Board.

Risk Management department provides recommendations to senior management and Risk Committee. In addition, it sets the rules and instructions for implementing effective regulatory controls, reporting the degree of compliance with controls, providing analytical resources for senior management, and following up on all technical developments relating to the measurement and management of risk.

### **Measuring Risks & Reporting Systems**

The Risk controlling process monitors the Bank's risk appetite and capacity, which is determined by the Bank's strategy as well as various market factors surrounding its activities.

Information is collected from different management units within the Bank and analyzed to determine the expected possible exposure. The results are subsequently communicated and explained to the Risk Committee.

### **Credit Risk**

Credit risk is the risk that the Bank will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on levels of risk it is willing to accept for individual counterparties and for geographical and industry sectors, and by monitoring exposures in relation to such limits and continually assess-

ing the credit worthiness of counterparties. In addition, the Bank obtains security where appropriate.

The Bank's risk management policy includes the following:

#### **Defining credit concentration and limits:**

The credit policy contains clear and specified ratios for maximum credit allowed to any client or group of clients based on pre-approved concentration ratios defined by the Central Bank of Jordan, in addition to concentration limits for various economic sectors. Moreover, there are approval limits set for each administrative level.

#### **Customer Credit Rating:**

Customers are internally rated based on their credit worthiness and their commitment of repayment using financial and non-financial criteria that is reviewed and evaluated by the Risk Management Department. The Bank is currently developing a "Credit Scoring system" for retail credit.

#### **Risk Mitigation Techniques:**

The risk management process in the Bank depends on various methods to mitigate against risk:

Collaterals, which are based on availability for liquidation and their percentage of granted credit. Collaterals are monitored and evaluated continuously.

The types of collateral used against facilities are as follows:

- Mortgages on real estate.
- Financial instruments such as Bonds and Stocks.
- Banks Guarantees.
- Cash Collateral.
- Government Guarantees.

The Credit Administration Department monitors the market value of collateral on a regular basis, and upon decline in value, more collateral is demanded to cover the risk exposure.

Adopting a Credit Committee System for granting credit that depends on customer size, amount of facility, maturity, and customer risk level.

Diversification is a key principle for mitigating against credit risk. For this reason, the Bank's annual plan contains targeted distribution of credit and investments over various sectors and markets based on risk rating systems of economic and geographic sectors.

### **3. Borrowing Instruments**

External ratings issued by international rating institutions such as Moody's and Standard & Poor's or equivalent institutions are used to manage credit exposure to borrowing instruments.

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### Credit granting, monitoring, and follow up:

The Bank develops the policies and procedures necessary to: define credit granting techniques, maintaining the neutrality and integrity of the decision making process, and ensuring that credit risks are accurately evaluated and approved.

The general framework for credit policy contains credit approval delegations, credit limit definitions, and risk level methods. The Bank currently relies on internal credit rating and capital adequacy requirements based on Basel II to measure credit risk.

#### 1) Credit Risk Exposures:

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

	2007 JD	2006 JD
<b>Balance sheet items:</b>		
Cash and balances at Central Banks	82,471,612	76,535,335
Balances at banks and financial institutions	136,908,920	150,988,307
Deposits at banks and financial institutions	-	6,381,000
<b>Direct credit facilities</b>		
Consumer lending	31,162,476	25,227,060
Residential mortgages	67,710,216	52,407,151
Corporate lending:		
Large corporations	389,924,841	402,084,261
Small and medium enterprises	8,614,374	10,008,787
Lending to governmental sectors		
Bonds and treasury bills:		
Within financial assets held for trading	35,207,504	26,716,395
Within financial assets available for sale	37,964,437	25,174,923
Within financial assets held to maturity	73,302,108	11,910,500
Other assets	15,552,788	9,441,833
<b>Total Balance Sheet Items</b>	<u>878,819,276</u>	<u>796,875,552</u>
<b>Off balance sheet items</b>		
Letters of guarantee	100,239,536	71,082,219
Letters of credit	119,931,197	60,759,462
Acceptances	20,229,612	9,721,187
Irrevocable commitments to extend credit	26,130,086	23,228,474
Forwarded Deal	20,494,254	18,615,861
<b>Total off Balance Sheet</b>	<u>287,024,685</u>	<u>183,407,203</u>
<b>Total</b>	<u>1,165,843,961</u>	<u>980,282,755</u>

## Notes to the Consolidated Financial Statements

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2) Credit exposures are classified by the level of risks according to the following table:

	Consumer JD	Residential mortgages JD	Corporate JD	SMEs JD	Bank and other Financial Institutions JD	Total JD
<b>2007</b>						
Low risk	938,033	4,058,903	21,237,652	488,388	270,834,562	297,557,538
Acceptable risk	29,539,145	62,119,420	330,131,616	7,122,848	110,572,807	539,485,836
Maturing:						
Up to 30 days	236,883	160,774	12,354,150	923,962	-	13,675,769
From 31 to 60 days	489,302	164,132	11,775,773	786,891	-	13,216,098
Watchlist -						
From 61 to 90 days	742,361	-	38,715,922	600,672	-	40,058,955
Non performing:						
Substandard	293,522	1,214,045	3,439,583	478,816	-	5,425,966
Doubtful	385,496	463,274	1,273,831	-	-	2,122,601
Loss	732,462	47,872	9,998,061	-	-	10,778,395
Overdraft	184,230	800	515,464	4,907	-	705,401
<b>Total</b>	<u>32,815,249</u>	<u>67,904,314</u>	<u>405,312,129</u>	<u>8,695,631</u>	<u>381,407,369</u>	<u>896,134,692</u>
Less: Suspended interest	( 223,136)	(31,433)	( 3,152,373)	-	-	( 3,406,942)
Less: provision for impairment losses	( 1,429,637)	( 162,665)	(12,234,915)	( 81,257)	-	( 13,908,474)
<b>Net</b>	<u>31,162,476</u>	<u>67,710,216</u>	<u>389,924,841</u>	<u>8,614,374</u>	<u>381,407,369</u>	<u>878,819,276</u>
<b>2006</b>						
Low risk	1,033,745	4,715,491	28,622,759	373,758	231,730,540	266,476,293
Acceptable risk	21,617,934	47,650,051	333,609,873	7,752,296	75,417,753	486,047,907
Maturing:						
Up to 30 days	182,389	34,738	29,511,585	3,038,512	-	32,767,224
From 31 to 60 days	236,288	28,531	10,172,901	630,729	-	11,068,449
Watchlist -						
From 61 to 90 days	1,232,734	-	37,731,699	1,854,248	-	40,818,681
Non performing:						
Substandard	1,384,104	16,675	318,602	43,330	-	1,762,711
Doubtful	349,504	31,991	2,229,843	-	-	2,611,338
Loss	635,583	-	7,732,286	293,732	-	8,661,601
Overdraft	154,709	-	723,331	-	-	878,040
<b>Total</b>	<u>26,408,313</u>	<u>52,414,208</u>	<u>410,968,393</u>	<u>10,317,364</u>	<u>307,148,293</u>	<u>807,256,571</u>
Less: Suspended interest	( 109,090)	( 1,325)	( 2,209,918)	( 110,282)	-	( 2,430,615)
Less: provision for impairment losses	(1,072,163)	( 5,732)	( 6,674,214)	( 198,295)	-	( 7,950,404)
<b>Net</b>	<u>25,227,060</u>	<u>52,407,151</u>	<u>402,084,261</u>	<u>10,008,787</u>	<u>307,148,293</u>	<u>796,875,552</u>

## Notes to the Consolidated Financial Statements

### 31 December 2007

3) The following table shows the distribution of collaterals measured at fair value over credit facilities:

	Consumer JD	Residential mortgages JD	Corporate JD	SMEs JD	Total JD
<b>2007</b>					
<b>Collaterals</b>					
Low risk	938,033	4,058,903	21,237,652	488,388	26,722,976
Acceptable risk	6,210,641	16,353,978	115,978,519	3,001,378	141,544,516
Watchlist - From 61 to 90 days	168,594	-	36,655,977	378,045	37,202,616
Non performing:					
Substandard	106,247	987,123	2,593,886	283,363	3,970,619
Doubtful	254,439	426,737	749,502	-	1,430,678
Overdraft	763	-	-	-	763
Loss	323,398	47,310	3,047,694	16,800	3,435,202
<b>Total</b>	<u>8,002,115</u>	<u>21,874,051</u>	<u>180,263,230</u>	<u>4,167,974</u>	<u>214,307,370</u>
Comprising of:					
Cash margin	938,033	4,058,903	22,148,241	488,388	27,633,565
Real Estate	1,617,340	16,728,640	106,708,351	2,704,833	127,759,164
Traded equities	855,527	700,654	34,930,522	611,611	37,098,314
Vehicles and machinery	4,591,215	385,854	16,476,116	363,142	21,816,327
<b>Total</b>	<u>8,002,115</u>	<u>21,874,051</u>	<u>180,263,230</u>	<u>4,167,974</u>	<u>214,307,370</u>
<b>2006</b>					
<b>Collaterals</b>					
Low risk	1,033,745	4,715,491	28,622,759	373,758	34,745,753
Acceptable risk	6,475,150	22,163,232	124,813,559	2,758,799	156,210,740
Watchlist - From 61 to 90 days	756,515	-	22,403,510	231,332	23,391,357
Non performing:					
Substandard	156,070	16,268	208,140	38,543	419,021
Doubtful	63,160	31,991	1,299,463	-	1,394,614
Overdraft	450	-	-	-	450
Loss	222,171	-	3,721,290	192,843	4,136,304
<b>Total</b>	<u>8,707,261</u>	<u>26,926,982</u>	<u>181,068,721</u>	<u>3,595,275</u>	<u>220,298,239</u>
Comprising of:					
Cash margin	1,033,745	4,715,491	28,622,759	373,758	34,745,753
Real Estate	3,972,279	19,422,888	76,039,289	291,351	99,725,807
Traded equities	758,094	2,359,004	60,102,545	1,887,223	65,106,866
Vehicles and machinery	2,943,143	429,599	16,304,128	1,042,943	20,719,813
<b>Total</b>	<u>8,707,261</u>	<u>26,926,982</u>	<u>181,068,721</u>	<u>3,595,275</u>	<u>220,298,239</u>

The fair value of collaterals shown does not exceed the value of the loan for each individual client.

### Rescheduled Debts

Are defined as debts that were classified as "non-performing" facilities, and subsequently removed and included under "Watch List" based on proper rescheduling that complies with the Central Bank of Jordan's regulations. The sum of these debts amounted to JD 5,416,291 as of 31 December 2007 (2006: JD 962,324).

### Restructured Debts

Restructuring is reorganizing credit facilities in terms of instalments, extending the term of credit facilities, deferment of instalments, or extending the grace period and accordingly are classified as "Watch List". The sum of these debts amounted to JD 2,296,252 as of 31 December 2007 (2006: JD 12,210,160).

### 3) Bonds and Treasury Bills

The following table explains the classifications of bonds and treasury bills based on international classification standards:

Risk Rating Class	Included in financial assets held for trading JD	Included in financial assets available for sale JD	Included in financial assets held to maturity JD	Total JD
Non-rated	13,660,726	1,959,895	23,213,161	38,833,782
Governmental	<u>21,546,778</u>	<u>36,004,542</u>	<u>50,088,947</u>	<u>107,640,267</u>
<b>Total</b>	<u>35,207,504</u>	<u>37,964,437</u>	<u>73,302,108</u>	<u>146,474,049</u>

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### 31 December 2007

#### 4) Credit Concentration based on geographic distribution is as follows:

	Inside Jordan JD	Other Middle Eastern countries JD	Europe JD	Asia * JD	Americas JD	Other JD	Total JD
<b>2007</b>							
Cash and balances							
at Central Banks	64,565,225	17,906,387	-	-	-	-	82,471,612
Balances at banks and							
financial institutions	30,606,212	16,302,638	81,872,292	49,463	7,973,352	104,963	136,908,920
<b>Direct credit facilities:</b>							
Consumer lending	30,329,928	832,548	-	-	-	-	31,162,476
Residential mortgages	67,710,216	-	-	-	-	-	67,710,216
<b>Corporate lending:</b>							
Large corporations	383,879,099	4,273,242	1,772,500	-	-	-	389,924,841
Small and medium							
enterprises	8,147,232	467,142	-	-	-	-	8,614,374
<b>Bonds and treasury bills within:</b>							
financial assets							
held for trading	34,472,769	734,735	-	-	-	-	35,207,504
financial assets							
available for sale	37,964,437	-	-	-	-	-	37,964,437
financial assets							
held to maturity	68,373,292	4,213,162	715,654	-	-	-	73,302,108
Other assets	15,552,788	-	-	-	-	-	15,552,788
<b>Total 2007</b>	<u>741,601,198</u>	<u>44,729,854</u>	<u>84,360,446</u>	<u>49,463</u>	<u>7,973,352</u>	<u>104,963</u>	<u>878,819,276</u>
<b>Total 2006</b>	<u>655,623,252</u>	<u>36,752,243</u>	<u>90,977,701</u>	<u>5,016,095</u>	<u>8,426,644</u>	<u>79,617</u>	<u>796,875,552</u>

\* Excluding Middle-Eastern countries.

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5) Concentration in the credit exposures based on the economic sector is as follows:

	Financial JD	Industrial JD	Commercial JD	Real estate JD	Agriculture JD	Trading JD	Consumer JD	Public and governmental JD	Other JD	Total JD
<b>2007</b>										
Cash and balances at										
Central Banks	82,471,612	-	-	-	-	-	-	-	-	82,471,612
Balances at banks and										
financial institutions	136,908,920	-	-	-	-	-	-	-	-	136,908,920
Direct credit facilities:	4,625,654	99,080,415	134,779,558	143,045,718	12,444,306	88,902,928	10,329,711	-	4,203,617	497,411,907
Bonds and treasury bills										
within:										
financial assets held										
for trading	-	3,292,426	-	10,368,300	-	-	-	21,546,778	-	35,207,504
financial assets available										
for sale	-	1,441,043	388,618	-	-	-	-	36,004,542	130,234	37,964,437
financial assets held										
to maturity	4,213,162	-	-	19,000,000	-	-	-	50,088,946	-	73,302,108
Other assets	15,552,788	-	-	-	-	-	-	-	-	15,552,788
<b>Total 2007</b>	<b>243,772,136</b>	<b>103,813,884</b>	<b>135,168,176</b>	<b>172,414,018</b>	<b>12,444,306</b>	<b>88,902,928</b>	<b>10,329,711</b>	<b>107,640,266</b>	<b>4,333,851</b>	<b>878,819,276</b>
<b>Total 2006</b>	<b>253,853,063</b>	<b>139,636,689</b>	<b>141,813,755</b>	<b>81,839,649</b>	<b>5,953,067</b>	<b>109,455,380</b>	<b>8,279,940</b>	<b>49,137,863</b>	<b>6,906,146</b>	<b>796,875,552</b>

The balance includes real estate loans granted to corporations and mortgage lending institutions.

#### **4. Market Risk**

This is the risk of fluctuation in the fair value or the cash flows from financial instrument due to changes in market prices, interest rates, currency rates, and equity prices. These risks are monitored based on specific policies and procedures carried out through specialized committees and concerned business units.

Market risk is measured and monitored using different methods such as sensitivity analysis, "stop loss limits reports", and monitoring of trading limits.

Sensitivity analysis is based on estimating the possible loss as a result of changes in the interest and foreign exchange rates. The fair value is calculated based on the present value of future cash flows adjusted for changes in interest rates.

##### **1- Interest rate Risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches in interest rates between assets and liabilities. Accordingly, it manages these risks by reviewing the rates on a regular basis.

The Asset & liability policy provides limits for interest rate sensitivity and the "Asset and Liability Committee" (ALCO) analyses interest rate gaps and compares them to the approved limits. Positions are monitored on a regular basis and hedging strategies are used to ensure positions are maintained within the established limits.

##### **Risk Mitigation**

Asset and Liability committee studies the interest rate risks by holding periodic meetings for this purpose. The gaps in maturities and effect of current and expected rates and put solutions for mitigating these risks.

##### **Balancing Maturity dates for assets & liabilities:**

The Bank attempts to harmonize the effect of interest rate changes across categories of assets and liabilities, and limit the adverse effects that can emerge as a result.

##### **Interest Rate Gaps**

The Bank attempts to avoid having interest rate gaps by matching between interest rates and maturities.

## Notes to the Consolidated Financial Statements

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#### Hedging for interest rates.

The Bank acquires long term financing to meet its long-term investments using fixed interest rates where possible to avoid fluctuations. Conversely, it enters into short-term investments to hedge against fluctuations that occur on floating and variable interest rates.

The sensitivity of income statement is represented by the effect of the possible expected changes in interest rates on the Bank's profits for one year. It is calculated based on the financial assets and liabilities that carry a variable interest rate as of 31 December 2007.

2007 Currency	Increase in interest rate %	Sensitivity of net interest income JD	Sensitivity of equity JD
US Dollar	1	( 281,658)	34,389
European Currency	1	( 4,526)	-
Pound Sterling	1	16,441	-
Japanese Yen	1	154,847	-
Other Currency	1	( 606,351)	-

2006 Currency	Increase in interest rate %	Sensitivity of net interest income JD	Sensitivity of equity JD
US Dollar	1	( 293,856)	54,944
European Currency	1	( 6,110)	-
Pound Sterling	1	( 9,633)	-
Japanese Yen	1	151,414	-
Other Currency	1	(1,137,503)	-

2007 Currency	Increase in interest rate %	Sensitivity of net interest income JD	Sensitivity of equity JD
US Dollar	(1)	( 1,011,420)	( 35,366)
European Currency	(1)	4,526	-
Pound Sterling	(1)	( 16,441)	-
Japanese Yen	(1)	( 154,847)	-
Other Currency	(1)	606,351	-

2006 Currency	Increase in interest rate %	Sensitivity of net interest income JD	Sensitivity of equity JD
US Dollar	(1)	583,193	20,028
European Currency	(1)	6,110	-
Pound Sterling	(1)	9,633	-
Japanese Yen	(1)	( 151,414)	-
Other Currency	(1)	1,137,503	-

## Notes to the Consolidated Financial Statements

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#### Currency Risks

Foreign currency risk is the risk of change in the value of financial instruments as a result of change in foreign currency rates. Jordanian Dinar is the basic currency of the Bank. The Board sets position limits for each foreign currency in the Bank. These positions are monitored on daily basis, and hedging strategies are adopted to ensure that the foreign currency positions held are within the approved limits.

The Bank's investment policy allows it to hold positions in major foreign currencies as long as it does not exceed 5% of shareholders equity in each currency, and the net currencies position of 15% of shareholders equity. Foreign currency positions are monitored on daily basis. In addition, market instruments are used to hedge against fluctuations in currency exchange rates in order to protect the Bank from additional risk exposures.

The following table illustrates the possible effect on the income statement as a result of fluctuations in exchange rates against the Jordanian Dinar assuming that all other variables remain constant:

2007		
Currency	Increase in currency exchange rate JD	Effect on profit before tax JD
US Dollar	5	(1,677,865)
European Currency	5	( 495)
Pound Sterling	5	( 5,923)
Japanese Yen	5	5,560
Other Currency	5	140,915
2006		
Currency	Increase in currency exchange rate JD	Effect on profit before tax JD
US Dollar	5	( 1,510,971)
European Currency	5	( 3,159)
Pound Sterling	5	4,024
Japanese Yen	5	4,902
Other Currency	5	102,145

In the event of an opposite change in the indicator, the effect will remain constant but with an opposite sign.

## Notes to the Consolidated Financial Statements

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### 3- Equity Price Risk

Equity price risk arises from the change in the fair value of equity investments. The Bank manages this risk by distributing its investments over various geographic and economic sectors. Most of the Bank's investments are listed in Amman stock market, Palestine, Egypt, Dubai, Abu Dhabi and Iraq securities market, in addition to some international markets such as London stock exchange.

The following table illustrates the income statement sensitivity and the accumulative change in fair value as a result of possible reasonable changes in the equity prices while assuming that all other variables remain constant:

2007 Currency	Increase in interest rate %	Sensitivity of net interest income JD	Sensitivity of equity JD
Amman Stock exchange	5	( 314,230)	( 354)
Shuaa Capital	5	( 18,308)	-
Dow Jones	5	( 19,694)	-
Iraq Stock Exchange	5	( 13,278)	-

2006 Currency	Increase in interest rate %	Sensitivity of net interest income JD	Sensitivity of equity JD
Amman Stock exchange	5	( 389,009)	-
Shuaa Capital	5	( 34,967)	-
Dow Jones	5	( 8,723)	-
Iraq Stock Exchange	5	( 40,711)	-

In the event of an opposite change in the indicator, the effect will be for the same amount but in an opposite direction.

## Notes to the Consolidated Financial Statements

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The interest rates sensitivity is as follows:

The classification is based on the interest rate re-pricing or maturity dates; whichever is less earlier:

2007	Less than 1 month JD	1 – 3 months JD	3 – 6 months JD	6 – 12 months JD	1 – 3 years JD	3 or more years JD	Non-interest bearing JD	Total JD	Avg. Int. Rate %
<b>Assets</b>									
Cash and balances at Central Banks	25,135,183	14,000,000	7,000,000	-	-	-	41,912,974	88,048,157	6.2
Balances at banks and financial institutions	126,321,986	-	-	-	-	-	10,586,934	136,908,920	4.71
Financial assets held for trading	279,176	34,928,328	-	-	-	-	14,663,457	49,870,961	7.83
Direct credit facilities-net	37,738,223	87,479,341	256,022,559	23,266,202	82,673,687	10,231,895	-	497,411,907	8.50
Financial assets available for sale	839,234	-	16,143,038	-	8,783,975	12,198,190	2,071,434	40,035,871	6.45
Financial assets held to maturity	-	37,242,654	5,957,730	11,000,000	14,101,724	5,000,000	-	73,302,108	5.61
Premises and equipment	-	-	-	-	-	-	9,784,686	9,784,686	
Intangible assets	-	-	-	-	-	-	5,609,568	5,609,568	
Deferred tax assets	-	-	-	-	-	-	3,346,600	3,346,600	
Other assets	4,796,637	552,279	1,640,020	2,223,035	2,276,613	-	23,831,873	35,320,457	6.12
<b>Total Assets</b>	<b>195,110,439</b>	<b>174,202,602</b>	<b>286,763,347</b>	<b>36,489,237</b>	<b>107,835,999</b>	<b>27,430,085</b>	<b>111,807,526</b>	<b>939,639,235</b>	
<b>Liabilities</b>									
Banks and financial institution deposits	19,911,777	5,000,000	2,000,000	5,242,969	-	-	633,532	32,788,278	4.77
Customers' deposits	259,391,632	98,130,656	17,349,169	32,561,479	13,288,740	-	61,588,182	482,309,858	5.61
Margin accounts	15,267,293	-	40,215,490	-	-	-	5,811,075	61,293,858	4.46
Loans and borrowings	32,920,475	50,296,180	47,296,228	20,233,121	7,106,089	15,577,560	-	173,429,653	6.21
Sundry provisions	-	-	-	-	-	-	3,226,979	3,226,979	
Deferred tax liabilities	-	-	-	-	-	-	255,942	255,942	
Tax provision	-	-	-	-	-	-	7,292,527	7,292,527	
Other liabilities	-	-	-	-	-	-	6,667,016	6,667,016	
<b>Total Liabilities</b>	<b>327,491,177</b>	<b>153,426,836</b>	<b>106,860,887</b>	<b>58,037,569</b>	<b>20,394,829</b>	<b>15,577,560</b>	<b>85,475,253</b>	<b>767,264,111</b>	
<b>Interest rate sensitivity gap</b>	<b>(132,380,738)</b>	<b>20,775,766</b>	<b>179,902,460</b>	<b>(21,548,332)</b>	<b>87,441,170</b>	<b>11,852,525</b>	<b>26,332,273</b>	<b>172,375,124</b>	
<b>2006</b>									
<b>Total Assets</b>	<b>239,328,742</b>	<b>139,471,359</b>	<b>62,994,040</b>	<b>76,755,928</b>	<b>175,247,160</b>	<b>41,434,902</b>	<b>121,142,592</b>	<b>856,374,723</b>	
<b>Total Liabilities</b>	<b>341,090,403</b>	<b>120,699,560</b>	<b>62,485,996</b>	<b>49,643,961</b>	<b>24,735,197</b>	<b>20,425,323</b>	<b>80,302,513</b>	<b>699,382,953</b>	
<b>Interest rate sensitivity gap</b>	<b>(101,761,661)</b>	<b>18,771,799</b>	<b>508,044</b>	<b>27,111,967</b>	<b>150,511,963</b>	<b>21,009,579</b>	<b>40,840,079</b>	<b>156,991,770</b>	

### **Liquidity Risks**

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due, or to finance its activities without bearing additional costs or losses. The liquidity policy was approved by the Board of Directors.

The asset and liability management policy is carried out by ALCO which works on diversifying the funding sources and matching between their maturity dates, in addition to maintaining sufficient reserves of cash, cash equivalents and trading investments to mitigate against liquidity risks.

### **Diversifying Funding Sources**

The Bank seeks to diversify its financing sources and customer base. Borrowing from local and foreign banks and financial institutions will allow the Bank to obtain reasonable maturity dates and interest rates.

### **Analysing and Monitoring Asset & liability maturity dates**

The Bank reviews the liquidity of its assets and liabilities and monitors the changes that can affect them on a daily basis. It aims to match between maturities of assets and liabilities to decrease liquidity gaps.

The policy also includes a "Liquidity Contingency Plan" to be applied in dire situations.

The Risk Management Department raises recommendations regarding the policies and procedures of liquidity risk management, sets implementation methods for effective controls, and reports about liquidity risks and the extent of compliance with laws and regulations. In addition, it provides analytical resources to be used by management.

### **The Geographical and Sectoral distribution:**

The Bank's assets and liabilities are distributed between local and foreign investments based on several financial markets. Credit facilities are also distributed over various sectors and geographical areas to balance between corporate and retail customers.

### **Reserves with Banking Regulatory Authorities**

The Bank holds compulsory cash reserves with banking regulatory authorities amounting to JD 35,886,275 as of 31 December 2007.

## Notes to the Consolidated Financial Statements

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

	Less than 1 month JD	1 – 3 months JD	3 – 6 months JD	6 – 12 months JD	1 – 3 years JD	3 or more years JD	Non-interest bearing JD	Total JD
<b>Liabilities 2007</b>								
Banks and financial institution deposits	20,631,452	5,059,625	2,047,700	5,493,060	-	-	-	33,231,837
Customers' deposits	306,320,610	104,237,265	27,266,455	41,051,453	16,174,504	-	-	495,050,287
Margin accounts	29,401,038	4,069,348	4,973,257	6,002,160	9,830,950	5,478,470	5,369,143	65,124,366
Loans and borrowings	35,139,303	57,048,249	3,699,567	10,237,864	66,556,091	24,779,133	-	197,460,207
Sundry provisions	-	-	-	-	3,226,979	-	-	3,226,979
Deferred tax liabilities	-	255,942	-	-	-	-	-	255,942
Tax provision	7,292,527	-	-	-	-	-	-	7,292,527
Other liabilities	5,009,915	484,182	700,435	468,156	-	-	4,326	6,667,014
<b>Total Liabilities</b>	<b>403,794,845</b>	<b>171,154,611</b>	<b>38,687,414</b>	<b>63,252,693</b>	<b>95,788,524</b>	<b>30,257,603</b>	<b>5,373,469</b>	<b>808,309,159</b>
<b>Total Assets</b>	<b>261,133,244</b>	<b>141,574,193</b>	<b>112,052,386</b>	<b>117,887,245</b>	<b>186,406,855</b>	<b>106,701,928</b>	<b>13,883,384</b>	<b>939,639,235</b>
<b>Liabilities 2006</b>								
Banks and financial institution deposits	41,637,813	5,719,796	12,624,924	5,887,045	-	-	-	65,869,578
Customers' deposits	263,383,830	99,060,213	41,619,914	31,178,293	6,327,827	1,162,055	-	442,732,132
Margin accounts	21,623,216	3,146,791	5,537,216	6,261,033	15,045,537	7,788,585	640,898	60,043,276
Loans and borrowings	3,878,500	4,289,563	14,484,344	1,413,718	109,711,489	21,419,272	-	155,196,886
Sundry provisions	-	-	-	289,534	-	-	-	289,534
Deferred tax liabilities	12,922	82,867	-	-	-	-	-	95,789
Tax provision	7,543,007	-	-	15,856	-	-	-	7,558,863
Other liabilities	5,227,754	1,049,296	1,847,080	533,201	52,661	10,267	312,267	9,032,526
<b>Total Liabilities</b>	<b>343,307,042</b>	<b>113,348,526</b>	<b>76,113,478</b>	<b>45,578,680</b>	<b>131,137,514</b>	<b>30,380,179</b>	<b>953,165</b>	<b>740,818,584</b>
<b>Total Assets</b>	<b>239,328,742</b>	<b>120,732,785</b>	<b>67,648,756</b>	<b>90,839,786</b>	<b>175,247,160</b>	<b>41,434,902</b>	<b>121,142,592</b>	<b>856,374,723</b>

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Second: the below table summaries the maturities of financial derivatives as of the date of the financial statements:

Financial derivatives / liabilities, which are settled net, include foreign currency derivatives: off balance sheet market currency options, currency futures and on balance sheet foreign currency swap-  
ing contracts.

Financial derivative's / liabilities which are settled gross include: foreign currency derivatives: cur-  
rency contracts that have passed their maturity dates.

#### a) Foreign Currency Derivative:

2007	Less than 1 month JD	1 – 3 months JD	3 – 6 months JD	Total JD
Derivatives held for trading:				
Outflows	13,813,924	6,680,330	-	20,494,254
Inflows	14,070,023	6,672,469	-	20,742,492
2006				
Derivatives held for trading:				
Outflows	15,409,890	416,126	2,789,845	18,615,861
Inflows	15,629,888	404,973	2,790,234	18,825,095

#### Off balance sheet items

2007	Less than 1 year JD	1 – 5 years JD	Total JD
Acceptances and Letters of Credit	140,160,809	-	140,160,809
Irrevocable commitments to extend credit	-	26,130,086	26,130,086
Letters of guarantee	74,104,117	26,135,419	100,239,536
Foreign Currency Forward Deals	20,494,254	-	20,494,254
<b>Total</b>	<b>234,759,180</b>	<b>52,265,505</b>	<b>287,024,685</b>
2006			
Acceptances and Letters of Credit	70,480,649	-	70,480,649
Irrevocable commitments to extend credit	-	23,228,474	23,228,474
Letters of guarantee	36,457,117	34,625,102	71,082,219
Foreign Currency Forward Deals	18,615,861	-	18,615,861
<b>Total</b>	<b>125,553,627</b>	<b>57,853,576</b>	<b>183,407,203</b>

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Concentration in currency risk:

	US Dollar	Euro	British Pound	Japanese Yen	Other
<b>2007</b>					
<b>Assets</b>					
Cash and balances at Central Banks	14,284,177	308,679	40,223	-	19,230,078
Balances at banks and financial institutions	78,108,201	7,255,788	13,402,212	2,988,698	9,561,829
Financial assets held for trading	6,506,621	-	142,030	-	265,551
Direct credit facilities	79,317,518	128,891	-	19,650,949	1,531,356
Financial assets available for sale	1,755,552	-	-	-	508,625
Financial assets held to maturity	2,842,654	2,086,162	-	-	-
Premises and equipment	-	-	-	-	1,983,260
Other assets	10,570,037	288,399	102,096	2,250,473	506,075
<b>Total Assets</b>	<u>193,384,760</u>	<u>10,067,919</u>	<u>13,686,561</u>	<u>24,890,120</u>	<u>33,586,774</u>
<b>Liabilities</b>					
Banks and financial institution deposits	8,345,095	39	-	5,003,725	141,241
Customers' deposits	133,497,672	9,322,659	14,379,419	1,550,516	14,191,371
Margin accounts	19,054,416	385,673	373,484	145,186	315,764
Loans and borrowings	84,690,480	-	-	-	-
Income tax provision	-	-	-	-	243,225
Other liabilities	1,393,464	101,664	111,396	1,883	442,989
<b>Total Liabilities</b>	<u>246,981,127</u>	<u>9,810,035</u>	<u>14,864,299</u>	<u>6,701,310</u>	<u>15,334,590</u>
Net concentration in the balance sheet	(53,596,367)	(257,884)	(1,177,738)	18,188,810	18,252,184
Future contracts	33,565,755	-	127,377	(17,551,085)	-
Net concentration in foreign currency	<u>(11,579,631)</u>	<u>(49,599)</u>	<u>(1,127,632)</u>	<u>18,986</u>	<u>18,440,438</u>

<b>2006</b>					
Total Assets	267,631,772	7,572,800	551,736	18,253,181	15,890,528
Total Liabilities	292,902,726	7,534,106	5,445,832	1,728,102	6,969,105
Net concentration in the balance sheet	(29,674,015)	(60,935)	58,021	16,418,456	7,430,715
Future contracts	46,564,492	93,028	(113,456)	(16,382,712)	12,179
Net concentration in foreign currency	<u>16,890,477</u>	<u>32,093</u>	<u>(55,435)</u>	<u>(35,744)</u>	<u>7,442,894</u>

### **Operational Risks**

Operational Risk is the risk of loss resulting from inadequate or the failure of internal processes, people, and systems or from external events. This definition includes legal, strategic, and reputational risks.

#### **Strategic Risks**

These are the losses that the Bank could be exposed to as a result of taking an improper strategic decision relating to its business that has an adverse effect on performance.

These risks are managed by various business units in addition to the decision maker party.

#### **Reputational Risks**

There are losses that the Bank could be exposed to due to negative public opinion and lack of trust in its operational competency. These risks are managed within the framework of Operational Risk management or Compliance management depending on their nature.

Due to the nature of operational risks certainty of occurrence is not possible. Consequently, the risk management policies are established to mitigate against risks via effective control systems, continuous monitoring, qualified human resources, clarity of delegations, high-tech efficiency and creation of a risk awareness culture.

The Risk Management Department provides indicators and measures that assist in improving internal controls and monitoring systems.

It also adopts the self assessment method to assess risks and controls (being one of the tools proposed by the Basel Committee) and provides a mechanism to collect operational events. The Bank is currently in the process of developing a comprehensive Business Continuity Plan.

The Operational Risk policy was approved by the Board of Directors.

### **Regulatory Compliance Risk management**

This is the risk of regulatory or legal penalties, financial, and reputation risks that the Bank can be exposed to by non-compliance with laws, regulations, instructions, code of conduct, and good banking practice.

Compliance risk management process includes the evaluation of the appropriateness of procedures and compliance guidelines in the Bank, and following up on any inefficiencies or non-compliance issues, developing the appropriate recommendations to perform amendments, and ensuring the application of the approved regulatory compliance risk management policy. This is achieved by performing regular evaluations and submitting reports to the Board of Directors and executive management. Reports contain an evaluation of compliance risks, details of the tests conducted during the reporting process, discrepancies, deficiencies, and corrective actions taken.

The regulatory risk compliance policy was approved by the Board of Directors.

## SEGMENT 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.

	Retail Banking JD	Corporate Banking JD	Corporate Finance JD	Treasury JD	Other JD	2007 JD	Total 2006 JD
2007							
Total revenue	8,232,308	43,411,678	827,321	26,662,110	1,612,268	80,745,685	66,889,206
Provision for credit losses	( 999,192)	( 4,925,575)	-	-	-	( 5,924,767)	686,515
segment result	(5,805,247)	14,307,016	827,321	24,751,011	1,612,268	35,692,369	36,806,182
Unallocated expenses	-	-	-	-	-	(17,721,522)	(12,338,402)
Profit before tax	-	-	-	-	-	17,970,847	24,467,780
Income tax expenses	-	-	-	-	-	(4,462,181)	( 6,407,875)
Net profit	-	-	-	-	-	13,508,666	18,059,905
<b>Other information</b>							
Segmental assets	98,378,856	399,383,051	-	399,623,350	42,253,978	939,639,235	856,374,723
Segmental liabilities	257,386,740	224,923,118	-	267,511,788	17,442,465	767,264,111	699,382,953
Capital expenditure	-	-	-	-	-	(2,612,908)	(4,982,720)
Depreciation and amortisation	-	-	-	-	-	(1,118,349)	(957,083)

## Geographical Information

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

	Jordan		Outside Jordan		Total	
	2007 JD	2006 JD	2007 JD	2006 JD	2007 JD	2006 JD
Total profits	70,766,337	60,982,782	9,979,348	5,906,424	80,745,685	66,889,206
Total assets	898,712,557	663,629,410	40,926,678	192,745,313	939,639,235	856,374,723
Capital expenditure	2,428,015	4,979,413	184,893	3,307	2,612,908	4,982,720

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## CAPITAL MANAGEMENT

The Bank maintains an appropriate paid in capital in order to meet its operational risk, and it regularly monitors its capital adequacy in accordance with BASEL I to comply with the Central Bank of Jordan's regulations.

As per Central Bank of Jordan's regulations Number 17/2008, the minimum required paid in capital of Jordanian banks shall not be lower than JD 40 million and the total shareholders equity shall not be less than 6% of total assets

Through its operational years; the Bank maintained a capital adequacy ratio in excess of 12%, being the minimum capital adequacy rate required by the Central Bank of Jordan (8% as per Basel I). Furthermore, the Bank regularly reviews and complies with the concentration ratios using regulatory capital as an indicator

### Description of Paid in Capital

Regulatory capital comprises of primary capital that consist of: paid in capital, additional paid in capital, declared reserves, retained earnings, minority interest after excluding current period losses, goodwill, treasury stock cost, deficiency of required provisions, deferred tax assets and any other restricted balances by law.

The second part of regulatory capital is supplementary capital that consists of: undeclared reserves, subordinated debts, foreign currency translation adjustment, banking risk reserve, and hybrid debts. The third part is used to meet market risk. Investment in other banks and unconsolidated subsidiaries are excluded from regulatory capital.

### Regulators Requirement for Paid in Capital

For the year 2007, all banks must comply with the Central Bank of Jordan Regulations no (16/2007) related to regulatory capital and capital adequacy including market risks, under Basel I requirements.

	2007 JD	2006 JD
<b>Primary Capital</b>		
Paid in Capital	123,000,000	116,000,000
Statutory Reserves	12,874,420	11,155,839
Additional paid in Capital	709,472	709,472
Proposed issue bonus shares	-	7,000,000
Retained earning	13,278,669	10,481,141
Minority interests	7,233,497	6,370,229
<b>Less</b>		
Goodwill	3,920,755	3,187,164
Restricted cash balances	3,773,340	10,896,371
<b>Total Primary Capital</b>	<b>149,401,963</b>	<b>137,633,146</b>
<b>Supplementary Capital</b>		
Foreign Currency translation Adjustment	2,420,483	1,235,542
General banking risk reserves	5,119,844	4,249,380
<b>Others</b>	<b>107,433</b>	<b>( 209,833)</b>
<b>Less</b>		
Investment in bank	1,791,365	1,488,782
<b>Total Regulatory Capital</b>	<b>155,258,358</b>	<b>141,419,453</b>
<b>Total Risk Reserve</b>	<b>720,552,739</b>	<b>609,679,195</b>
<b>Capital adequacy ratio (%)</b>	<b>21.55</b>	<b>23.20</b>
<b>Primary Capital ratio (%)</b>	<b>20.49</b>	<b>22.33</b>

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## FIDUCIARY ACCOUNTS

- The Bank provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involve the Bank making allocation, 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 the financial statements. At the balance sheet date, the Bank had investment custody accounts amounting to approximately JD 5,661,016 as of 31 December 2007 (2006: JD 9,194,944). The asset management fees and commissions 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 4,451,066 at December 31, 2007 are segregated from the Bank's assets and are not included in the financial statements.

## MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

2007	Within 1 year JD	More than 1 year JD	Total JD
<b>Assets</b>			
Cash and balances at Central Banks	88,048,157	-	88,048,157
Balances at banks and financial institutions	136,908,920	-	136,908,920
Financial assets held for trading	32,022,379	17,848,582	49,870,961
Direct credit facilities	296,077,115	201,334,792	497,411,907
Financial assets available for sale	17,825,855	22,210,016	40,035,871
Financial assets held to maturity	49,073,383	24,228,725	73,302,108
Premises and equipment	1,218,708	8,565,978	9,784,686
Intangible assets	632,159	4,977,409	5,609,568
Deferred tax assets	304,492	3,042,108	3,346,600
Other assets	10,535,899	24,784,558	35,320,457
<b>Total Assets</b>	<b>632,647,067</b>	<b>306,992,168</b>	<b>939,639,235</b>
<b>Liabilities</b>			
Banks and financial institution deposits	32,788,278	-	32,788,278
Customers' deposits	468,705,239	13,604,619	482,309,858
Margin accounts	43,728,984	17,564,874	61,293,858
Loans and borrowings	100,207,008	73,222,645	173,429,653
Sundry provisions	-	3,226,979	3,226,979
Deferred tax liabilities	255,942	-	255,942
Tax provision	7,292,527	-	7,292,527
Other liabilities	6,662,688	4,328	6,667,016
<b>Total Liabilities</b>	<b>659,640,666</b>	<b>107,623,445</b>	<b>767,264,111</b>
<b>Net Assets</b>	<b>(26,993,599)</b>	<b>199,368,723</b>	<b>172,375,124</b>

## Notes to the Consolidated Financial Statements

### 31 December 2007

2006	Within 1 year JD	More than 1 year JD	Total JD
<b>Assets</b>			
Cash and balances at Central Banks	47,466,816	33,227,187	80,694,003
Balances at banks and financial institutions	150,605,447	382,860	150,988,307
Deposits at banks and financial institutions	6,381,000	-	6,381,000
Financial assets held for trading	41,962,183	-	41,962,183
Direct credit facilities	241,022,448	248,704,811	489,727,259
Financial assets available for sale	11,195,071	24,186,723	35,381,794
Financial assets held to maturity	11,169,216	741,284	11,910,500
Property and equipment	821,293	8,113,691	8,934,984
Goodwill and other intangible assets	239,160	4,167,626	4,406,786
Deferred tax assets	-	419,368	419,368
Other assets	18,497,002	7,071,537	25,568,539
<b>Total Assets</b>	<b>529,359,636</b>	<b>327,015,087</b>	<b>856,374,723</b>
<b>Liabilities</b>			
Banks and financial institution deposits	59,407,850	-	59,407,850
Customers' deposits	427,084,794	6,512,606	433,597,400
Margin accounts	48,903,029	7,883,400	56,786,429
Loans and borrowings	35,183,295	97,431,269	132,614,564
Sundry provisions	289,534	-	289,534
Deferred tax liabilities	-	95,789	95,789
Tax provision	7,361,881	196,982	7,558,863
Other liabilities	8,631,091	401,433	9,032,524
<b>Total Liabilities</b>	<b>586,861,474</b>	<b>112,521,479</b>	<b>699,382,953</b>
<b>Net Assets</b>	<b>( 57,501,838)</b>	<b>214,493,608</b>	<b>156,991,770</b>

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### CONTINGENT LIABILITIES AND COMMITMENTS

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

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

	2007 JD	2006 JD
Letters of credit	119,931,197	60,759,462
Acceptances	20,229,612	9,721,187
Letters of guarantee -		
Payments	32,333,619	23,576,238
Performance	19,385,103	11,466,448
Other	48,520,814	36,039,533
Foreign Currency Forward	20,494,254	18,615,861
Irrevocable commitments to extend credit	26,130,086	23,228,474
	<b>287,024,685</b>	<b>183,407,203</b>

## Notes to the Consolidated Financial Statements

### 31 December 2007

b) The contractual commitments of the Bank are as follows:

	2007 JD	2006 JD
Construction Contracts	413,739	762,922
	<u>413,739</u>	<u>762,922</u>

Annual rent of the Bank's main building and branches amounted to JD 469,797 as of 31 December 2007 (2006: JD 380,618).

Included in the fiduciary assets are capital guaranteed investments amounting to JD 1,510,870 as of December 31, 2007, maturing at 28 October 2008. During 2007, most of the capital guaranteed funds were transferred to Capital Investment and Brokerage Company.

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### LAWSUITS

- The value of lawsuits proceeding against the bank, as part of the ordinary course of business, total JD 1,809,906 as of March 31st, 2008. According to the Bank's Management and legal counsel the Bank is not liable in any of these cases.
- There is also another lawsuit of JD 15,577,127 proceeding against the Bank pertaining to ownership of shares, whereby the ownership of said shares was transferred to the bank as they had been put up as collateral by a customer. In addition, the plaintiff sought a claim for emotional damages valued (for the purpose of legal fees) at JD 3 million. In the opinion of the legal counsel there is no need to provide for this claim.
- There is another case for JD 17,358,705 proceeding against the Bank in order to recover the value of cheques which were paid from the account of the plaintiff company. In addition, the plaintiff sought a claim for emotional damages estimated (for the purposes of the court fees) at JD 3 million. In the opinion of the Bank's legal counsel there is no need to provide for this claim.
- In addition, there is a case for JD 3,332,816 proceeding against the bank to recover the value of two cheques drawn by a customer. In the opinion of the legal counselor there is no need to provide for this claim.
- There are no claims against the National Bank of Iraq.

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### NEW ISSUED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 8 – Operating Segments

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

IAS 23 – Borrowing Costs

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

IFRIC 12 – Service Concession Arrangements

IFRIC 13 – Customer Loyalty Programmes

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

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### COMPARATIVE FIGURES:

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





**Other Disclosures**

A

## Chairman's statements

B

## BOD's report

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### Major Activities Description

Capital Bank of Jordan offers all banking financial businesses products and services to all economic sectors in Jordan through its head office and branches in the Hashemite kingdom of Jordan. It also offers investment and brokerage services through Capital Investment and Brokerage Company: which is wholly owned by the bank with a paid in capital of JD 10 million. The Bank also owns 59.2% of the National Bank of Iraq with a paid in capital of 25 billion Iraqi dinar (Equivalent to JD 14 million), by that providing all facilities and services to customers wishing to invest in Iraq's Promising market.

### Geographical Locations and Number of Employees in Each One

The Bank and Capital Investment & Brokerage Company employees reached 336 distributed by geographical locations as follows

	Branch	City	Number of Staff
Capital Bank	Head Office	Amman	155
	Shmesani Branch	Amman	84
	Aqaba Branches	Aqaba	6
	Irbid Branch	Irbid	4
	Zarqa Branch	Zarqa	5
	Wehdat Branch	Amman	6
	Madina Branch	Amman	14
	Sweifeyeh	Amman	7
Capital Investment & Brokerage Company	Head Office	Amman	55

\* There are no other branches outside Jordan

### Capital expenditure

Capital expenditures amounted to JOD 2,457,986 as of 31/12/2007

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### Subsidiary Companies :

- Capital Investment & Brokerage Company
- National Bank Of Iraq
- Capital Investment Fund in Bahrain

Subsidiary Company Name	Capital Investment and Brokerage Company	National Bank of Iraq	Capital Investment Fund Company
Subsidiary Companies	Limited responsibility	public shareholding	stock Bahrain company - closed
Main activity	Brokerage & investment company	Banking	Establishing Investment Funds
Paid in capital	10,000,000	25 Billion Iraqi dinar (Equivalent to around 14 million JOD)	1,000 Bahraini dinar
Percentage owned by Capital Bank	100%	59.2%	100%
Subsidiary Companies address	Amman - Shmesani	Iraq	Bahrain
Other information	-	-	Is not operating yet

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## Board of Directors & Top management

### The Board of Directors

- **Dr. Ziad Mohammed Fariz Fariz**

Position: Chairman ( Representing Al-Bayader Trade & Investment Company)  
 Membership Date: 18/10/1997  
 Date of Birth: 15/06/1943  
 Scientific Certificates: Holds PHD from Keel University - UK in 1978  
 Holds a high diploma in Planning from the Arab Institution for Planning / Kuwait  
 Holds BSc in Economics from Baghdad University in 1966  
 Professional Experience: Long Experience in Central Bank of Jordan since in 1966. During that he occupied in many positions: became the Minister of Planning for five years then as the Minister of Commerce and Industry for two years and as the Minister of Planning for four years then as the mayor of Central Bank of Jordan for four years, he also worked as the chairman and the executive manager of Arab Banking Corporation Bank / Jordan in 2001, started his work in Capital Bank as the chairmen starting September 2007

- **Dr. Fayez Mohammed Atawy Soheimat**

Position: Vice Chairman  
 Membership Date: 22/11/1995  
 Date of Birth: 01/01/1938  
 Scientific Certificates: Holds PHD in Engineering  
 Professional Experience: Has a long professional experience, Attended many banking courses, and held many upper mangment posts he is a board member on a number of public corporations such as, General Manager of National Oil Company and General Manager of Industrial Estates Corporation

- **Mr. Mohammed Seif Al-Seif**

Position: Member of The Board of Directors  
 Membership Date: 16/3/1999  
 Date of Birth: 13/2/1956  
 Scientific Certificates: Holds of BSc in Industrial Engineering from the University of Southern California in 1980  
 He attended many courses in advanced management at Harvard University  
 Professional Experience: He has a long banking & finance experience, and is currently the Chairman of Al-Seif for Development and (UME) Holding Company.

## Disclosures required by the Jordan Securities Commission 2007

- **Mr. Mansoor Mohammed Fustog**

Position: Member of The Board of Directors - Represents Spumante Comercio International LDA

Membership Date: 19/6/2003

Date of Birth: 13/2/1956

Scientific Certificates: Holds a of BSc in Civil Engineering from the University of Manchester, England

Professional Experience: Is currently the Managing Director of Al-Hadaf Trading Establishment and the Chairman of the board in several other companies

- **Mr. Abdel Raouf Waleed Abdel Raouf Al-Bitar**

Position: Member of The Board of Directors

Membership Date: 9/4/2002

Date of Birth: 11/11/1956

Scientific Certificates: Holds a BSc in Civil Engineering from Syracuse University, USA

Professional Experience: Has a long experience in the industrial business, and is currently the Chief Executive Officer at Al Manhal Water factory Co Ltd in Saudi Arabia and the Chairmen of Jordan New Cables Company

- **Mr. Elia Costundy Faruh Nuqul**

Position: Member of The Board of Directors - Represent Investment & Integrated Industries Company

Membership Date: 22/11/1995

Date of Birth: 25/12/1928

Scientific Certificates: Holds a BSc in Accounting & Business Administration

Professional Experience: Chairman of Nuqul & Bro. Group and a board member in several other companies.  
Holder of Al Hussein Medal of Excellence of the First Order

- **Mr. Mazen Sameh Taleb Darwazah**

Position: Member of The Board of Directors

Membership Date: 20/11/2003

Date of Birth: 5/6/1958

Scientific Certificates: Holds an Advanced Management Program (Diploma) from INSEAD, France  
Holds a Diploma from the International Marketing Institute Program from Boston, USA  
Holds BSc Business Administration from Beirut University, Lebanon

Professional Experience: Currently holds the positions of Group Vice Chairman for Hikma Pharma, Jersey, and Chairman of Hikma Pharmaceuticals.

## Disclosures required by the Jordan Securities Commission 2007

- **Mr. Bassam Wael Roshdy Kanaan**

Position: Member of The Board of Directors - Represent of Hotaf Investment Company  
Membership Date: 20/6/2007  
Date of Birth: 10/5/1965  
Scientific Certificates: Holds a BSc in Economic / Accounting from Claremont Mckenna College - Los Angeles 1986  
Holds a Masters Degree in Business Administration  
Professional Experience: Long experience in the private sector, worked in companies such as Deloitte & Touche. He currently is the CFO in Al-Hikma Pharmaceutical

- **Mr. Haitham Abdelmajed Mosleh Al-Majali**

Position: Member of The Board of Directors - Represent the Social Security Corporation  
Membership Date: 22/11/1995  
Date of Birth: 18/6/1956  
Scientific Certificates: Holds a BSc in Electromecanic Engineering from Kardeev University - England  
Professional Experience: He worked in the private sector in both Jordan & England. He is a member of the Board of Directors & the General Manager of the Duty free markets and the Jordanian Businessmen Association

- **Mr. Kim Foad Sa'd Abu Jaber**

Position: Member of The Board of Directors  
Membership Date: 20/6/2007  
Date of Birth: 27/9/1956  
Scientific Certificates: Holds a BSc in Business Administration from Arizona University / Towson in 1980  
Professional Experience: He is an entrepreneur and an investor in many companies such as Technical Packaging LLC, Solid Iron & Steel Manufacturing and Forming CO,PSC

- **Mr. Fawzi Fwaz Hana Jumean**

Position: Member of The Board of Directors - Represent Alkhaleel Company for Investments  
Membership Date: 5/7/2005  
Date of Birth: 21/9/1978  
Scientific Certificates: Holds a Masters Degree in Business Administration from Stanford University  
Holds a BSc in Business Administration from Yale University  
Professional Experience: He is currently the Executive Manager of Emirates Company for Gulf investments.

## Members of Top Management

- **Mr. Haytham Yousef Abdelminaem Kamhiyah**

Position: General Manager  
 Date of appointment: 4/1/1996  
 Date of Birth: 1/8/1969  
 Scientific Certificates: Holds a B. A. in Accounting from University of Jordan  
 Diploma in Advanced Management Program (AMP) from INSEAD University / France  
 Holds the following professional certificates CRA, CPA, CMA  
 Professional Experience: Has an extensive experience in the field of External Audit with Arthur Anderson, Amman. Joined Export and Finance Bank in 1996.  
 His latest position was Assistant General Manager for Finance and Risk, and subsequently became the General Manager in May 2005.

- **Mss. Iman Mohammad Allan Al Damen**

Position: Chief Credit Officer  
 Date of appointment: 16/12/2007  
 Date of Birth: 6/5/1957  
 Scientific Certificates: Holds a Masters degree in Finance from University of Jordan, and a Diploma in Advanced Economic from UK, Manchester  
 Holds BSc in Business Administration from University of Kuwait  
 Professional Experience: She has a long experience in credit management. She worked in many positions at Cairo Amman Bank / Jordan Commercial Bank / Bank of Jordan then moved to Capital Bank in 2007 as Chief Credit Officer

- **Mr. Mohammad Fayyad Alhag Ahmad**

Position: Assistant General Manager / Treasury & Investment  
 Date of appointment: 1/8/2001  
 Date of Birth: 18/9/1964  
 Scientific Certificates: Holds a Master degree in Business Administration from University of Jordan & holder of the professional certificate CFA  
 Professional Experience: Long experience in the field of investment and financial markets, worked at the Central Bank of Jordan for nine years and the last position was Assistant Manager for Foreign Investment unit, then he worked at Trust Company for Investments for two years as Financial Markets Department Manager

- **Mr. Rami Mohammad Jawad Hadid**

Position: Assistant General Manager / Corporate Banking  
 Date of appointment: 19/11/2004  
 Date of Birth: 28/2/1969  
 Scientific Certificates: Holds a Master degree in Accounting & Business Administration from USA  
 Holds BSc in Accounting & Economic From University of Jordan  
 Is a public certified accountant (CPA)

## Disclosures required by the Jordan Securities Commission 2007

**Professional Experience:** Has an experience in the field of external audit and banking. He worked at Ernst and Young, Amman, and at many banks (Arab Bank Corporation Bank - New York, BNP Paribas - Bahrain) in corporate credit. He also participated in the establishment of the Commercial Branch of Housing Bank, Bahrain.

- **Mr. George Farah Jeries Sofia**

**Position:** Assistant General Manager / Retail Banking, Branches & Marketing  
**Date of appointment:** 1/10/2005  
**Date of Birth:** 2/5/1966  
**Scientific Certificates:** Holds a BSc in Business Administration / Management from London UK  
**Professional Experience:** Long experience in branches and retail credits  
 Worked at HSBC. His last position there was Amman Branches Manager, He also worked at Societe General / Jordan as Retail Banking Manger

- **Mr. Talal Mohammad Maher Shakeeb Yaish**

**Position:** Assistant General Manager / Strategy Management and Human Resource and Administration Affairs  
**Date of appointment:** 2/1/2007  
**Date of Birth:** 8/7/1972  
**Scientific Certificates:** Holds a BSc in Industrial Engineering from University of Jordan  
**Professional Experience:** Worked in administration positions in different industrial fields such as (Nuqul Group, Shaheen Group for Businesses, Tawfeek Gargor Group) and his last position was Manager for Human Resources & Administration affairs at Fast Link. He moved to Capital Bank in 2007

- **Mr. Ihab Shaker Mustafa Al Aqqad**

**Position:** Acting General Manager Assistant / Operations  
**Date of appointment:** 16/6/2002  
**Date of Birth:** 7/6/1965  
**Scientific Certificates:** Holds a Master degree in Finance from Finance Studies Institution / University of Jordan  
 Holds a BSc in Economic & Accounting from Al Yarmouk University  
**Professional Experience:** Worked in Cairo Amman Bank & Bank of Jordan and Union Bank for Saving and investment then he moved to Capital Bank in 2002  
 Worked in many position and currently he is acting as General Manager Assistance for operations.

- **Mr. Rafat Abdallah Ismail Khalil**

**Position:** Chief Audit Executive  
**Date of appointment:** 4/10/2007  
**Date of Birth:** 12/10/1964

## Disclosures required by the Jordan Securities Commission 2007

Scientific Certificates: Holds a BSc in Administration from Al Yarmouk University  
Holds the professional certificate CBA

Professional Experience: Worked for seven years in Central Bank of Jordan and Oman's Commercial Bank for 4 years and Oman Arab Bank for 7 years. He became Capital Bank's Chief Audit Executive in 2007

- **Mr. Mohammed Hafez Abdel Kareem Mu'az**

Position: Head of Legal Department / Legal counselor

Date of appointment: 2/6/2003

Date of Birth: 27/10/1969

Scientific Certificates: Holds a B. A. In law from University of Jordan  
Holds Post graduate Diploma in International Law from the UK  
Holds Masters Degree in Commercial law from the UK

Professional Experience: Joined "Dajany & Associates / Law firm for 5 years then was appointed as a lawyer at Arab Bank PLC in the Legal Department / International Division for two years  
Member of Jordanian Bar Association since 1997

- **Mr. Ibrahim Salah Mohammed Samha**

Position: Financial Controller

Date of appointment: 7/3/1999

Date of Birth: 10/7/1973

Scientific Certificates: Holds a Masters degree in the Finance from the Institute of Banking Studies / University of Jordan  
Holds a BSc in Accounting from University of Jordan

Professional Experience: Worked at HSBC / Jordan for 4 years then moved to Capital Bank in 1999 and held many positions in financial department. He became the Financial Controller in December 2006

- **Mss. Manal Omar Husni Omar**

Position: Risk & Compliance Department Manager

Date of appointment: 1/3/2005

Date of Birth: 21/5/1969

Scientific Certificates: Holds a BSc in Statistic and Computer Science from Al Yarmouk University  
Holds special professional certificates in risk management and high diploma in International Accord Basel II

Professional Experience: Worked in Jordan Kuwait Bank for 12 years in the financial controlling and auditing department. Became the Risk & Compliance Department Manager in Capital Bank in 2007.

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#### Major shareholder who own 5% or more

Shareholder Name	Nationality	No. of Stock as of 31/12/2007	%	No. of Stock as of 31/12/2007	%
Social Security Corporation	Jordanian	11,840,469	9.63%	11,339,404	9.78%
Mr. Abdel Raouf Waleed Al-Bitar	Jordanian	10,840,378	8.81%	11,223,446	9.68%
SPUMANTE COMERCIO INTERNATIONAL LDA	Portuguese	8,179,849	6.65%	7,714,330	6.65%
Mr. Mohammed Mosaed Seif Al-Seif	K.S.A	7,404,117	6.02%	6,982,745	6.02%
Investment & Integrated Industries Company	Jordanian	6,662,288	5.42%	6,283,134	5.42%
Mr. Basem Khalil Salem Al Salem	Jordanian	6,379,277	5.19%	6,016,229	5.19%

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#### Competitive position and market share

The last few years witnessed an increase in capital bank market share, as its share of the sector reached 3.43% and 4.41% of assets and credit facilities, respectively. Owners equity increased to from 4.23% of the sector's equity, while customer deposits rose to from 2.95% of total deposits.

\* Sector: Jordanian Banking Sector.

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

There are no vendors or customers with operations holding more than 10% of the Bank's operations

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#### Description of any governmental protection or privileges

There is no governmental protection or privileges awarded to the Bank or any of its products. The Bank has no patent of invention or copyrights during 2007

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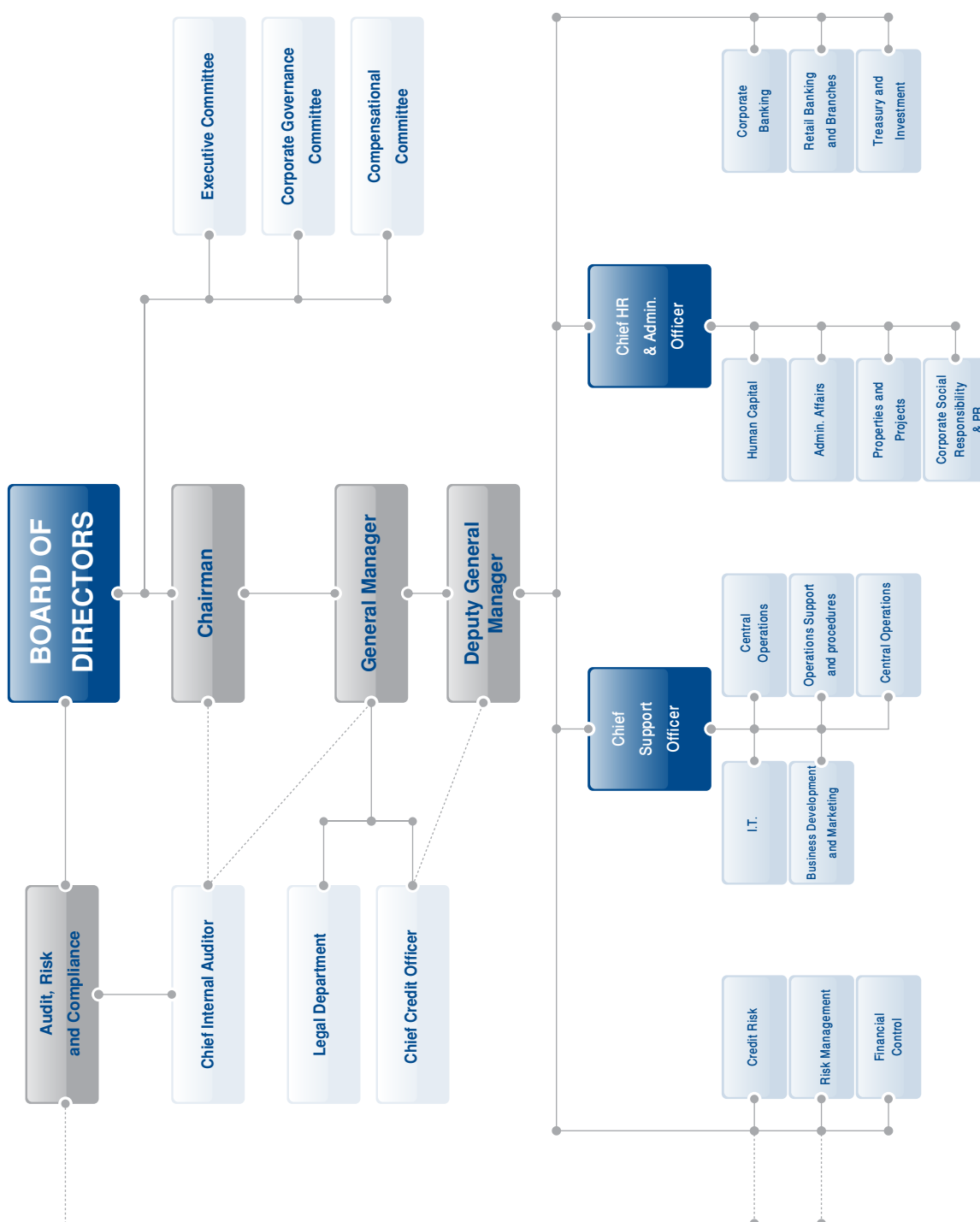
#### Description of any decisions issued by the government or international organizations

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

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## Organization charts, Number of employees, and their qualifications

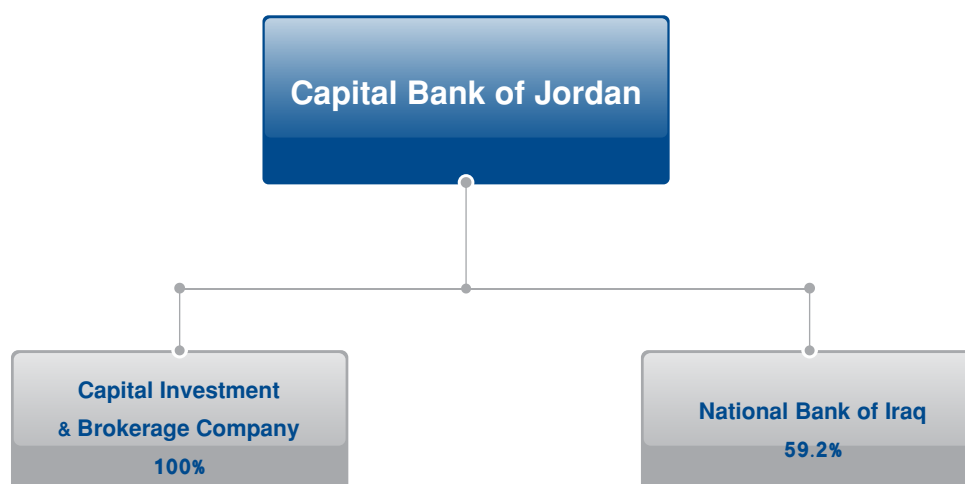
A-



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## Organization charts, Number of employees, and their qualifications

B-



### C- Number of employee and their qualifications:

Scientific Degree	Capital Bank	Capital Investment & Brokerage Company
PHD	2	-
Masters	21	3
High Diploma	3	-
B. A/ BSc	202	42
Diploma	26	1
Secretary	7	1
Secondary school	10	3
Lower than secondary school	10	5
Total	281	55

## Disclosures required by the Jordan Securities Commission 2007

### D- Training and qualifying programs for bank and its subsidiaries

Training course	Number of employees
Time Management	131
Communication Skills	130
Safety & Security	37
English Language	26
Uniform Customs & Practice for Documentary Credits (UCP 600)	24
Train the Trainers	18
Communication Skills, Telephone Curtsey & Handling Complaints	16
Certified Banking Commercial Lender	12
Fraud and Finances Crimes	22
Great Leaders, Great Teams, Great Results	10
Structured Interviews	8
The Secret of Great Leadership (Tony Schwartz)	6
legality matters for banks checks	6
restructuring investments and products	5
International Banking Forum	4
Islamic Real Estate Financing	4
Financial Analysis Skills	4
Advanced Microsoft Excel 2000	3
safety insurance for banks deposits	3
Building early model for alarm system for expecting banking crisis	3
Islamic Treasury	3
Master Card	3
2nd Annual Middle East managing Banks forum	2
Feasibility study	2
Management of human affair	2
Human recourses diploma	2
IBM DS 3000 & DS 4000	2
Basel II applications	2
Oracle	2
Portfolio management seminar	2
loan management problem	2
Risk and crises management in financial markets	2
Sigma Six	2
Management of legal department	2
Capital leasing in Jordan	2
Uncovering banking forgery and fraud on cashiers	2
Full training program for new employees	2
Marketing credit cards and fraud	2
Head in letter of credit	2
Private workshop in improving leasing credit skills	2
Advanced excel for Accountant	2
Financing Big Companies	2
Cost Accounting	2
Analyzing financial directions in financial markets	2
other	71
<b>Total</b>	<b>593</b>

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### Description of Risks

As stated in the financial statements disclosure number 41

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### Achievement of the bank for the year 2007

Capital Bank assets increased from JD856 million in 2006 to around JD940 million in 2007, an increase of JD83 million (9.7%). Direct credit facilities (net) also increased from JD490 million to JD497 million during the same period. The Bank's investment portfolio increased by 83% from JD89 million to JD163 million, while profit (net of tax) during this year reached JD13.508 compared to JD18.059 last year.

In addition, Gross Client Deposits increased from around JD434 million during last year to JD482 million for this year (i.e. a total increase of JD49 million (11.2%). This provides a strong indicator of the continued broadening of the bank's client base, the increased trust in Capital Bank as well as its enhanced market competitiveness.

Total Shareholders' Equity at Capital Bank has increased from about JD151 million last year to about JD165 million for this year (i.e. an increase of 9.6%). This was due to the increase in Paid-in Capital from JD116 million to JD123 million as well as the increase in various reserves and profits achieved between the two mentioned years.

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### The financial effect for extraordinary operations

An amount of JD 546,063 represents proceeds from selling lands owned by the Bank to Saraya Company during December 2007

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### Time chain for realized profit and loss. Dividends, and net shareholders equity (2001-2007)

Year	Equity	Net Income	Dividends		Closing Price
			Cash Div	Stock Div	
2001	32,106,664	5,056,890		million 3.3	1.84
2002	37,590,373	5,568,252		million 4.7	1.38
2003	45,779,476	8,061,827		million 4.5	3.93
2004	59,872,518	12,346,354		million 7	4.41
2005	135,934,724	21,358,989		million 10.5	3.32
2006	156,991,770	18,059,905		million 14	1.93
2007	172,375,124	13,508,666		million 7	2.02
2001	Stock Dividend of 15% of capital				
2002	Stock Dividend of 18.58% of capital				
2003	Stock Dividend of 15% of capital				
2004	Stock Dividend of 20.29% of capital				
2005	Private subscription of 48.20% of capital				
2005	Stock Dividend of 17.08% of capital				
2005	Private subscription of 41.66% of capital				
2006	Stock Dividend of 13.73% of capital				
2007	Stock Dividend of 6.3% of capital				
2008	Recommendation for distribution of 7.5 million cash dividends from 2007 earnings				

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## Analysis of the Bank's Financial Position

Financial Ratio	31/12/07	31/12/06
Returned on assets	1.50%	2.32%
Returned on equity	8.21%	13.00%
Earning per share	0.110	0.149
Efficiency ratio	18.3%	18.30%
Capital adequacy	21.55%	23.20%
Non performing loans ratio	3.06%	2.31%
Coverage ratio	89.01%	69.24%

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## Future Developments:

We are committed to the development of an integrated future plan with expansionary dimensions on both domestic and regional scales. our plans also include entering into strategic partnerships for the purpose of strengthening and adding variety to our activities in the areas of investment and finance, and to prove the best and most updated services. This will fortify our market share from all aspects.

An integrated work team from the bank's management conducts a thorough reviewing of the bank's policies and procedures to ensure its timely development is in line with the banking industry, and to increase the wholeness of the products offered.

The future plan also entails increasing returns on ownership rights in the best possible manner with the retention of asset type and quality, in addition to preserving a satisfactory level of capital for the bank's expansionary plans.

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## External auditor's fees

Ernst & Young's fees for auditing the Bank and its subsidiaries amounted to JD 119,900.

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## Status for Number of Financial Securities

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

### Members of The Board of Directors

Member	Representative	Position	Nationality	Number of stocks as of 31/12/2007	Number of stocks owned By representative as of 31/12/2007
Al-Bayader Trade & Investment Company	Dr. Ziad Fariz	Chairman	Jordanian	555,645	6,137
Fayez Mohammed Atawy Soheimat	Himself	Vice Chairman	Jordanian	700,193	
Mohammed Seif Al-Seif	Himself	Member	K.S.A	7,404,117	
Spumante Comercio International LDA	Mr. Mansoor fustoq	Member	Portuguese	8,179,849	
Abdel Raouf Waleed Abdel Raouf Al-Bitar	Himself	Member	Jordanian	10,840,378	
Investment and Industrial Integrated Company	Mr. Elia Nuqul	Member	Jordanian	6,662,288	
Mazen Sameh Taleb Darwazeh	Himself	Member	Jordanian	1,493,394	
Hotaf Investment Company	Mr. Bassamn kanaan	Member	Jordanian	6,063,907	
Social Security Corporation	Mr. Haitham Al-Majali	Member	Jordanian	11,840,469	
Kim Foad Sa'd Abu Jaber	Himself	Member	Jordanian	941,685	
Alkhaleel Company for Investments	Mr. Fawzi Jumeen	Member	Jordanian	42,707	
				54,724,632	6,137

Member's relatives	Member	Relation	Number of stocks
Rola Samer Khalel Naser	Mazen Sameeh Taleb Darwazeh	Wife	134,313
Waled Mazen Sameh Darwazeh	Mazen Sameeh Taleb Darwazeh	Son	66,600
Darhold Limited	Mazen Sameeh Taleb Darwazeh	Himself	3,225,060
Future Company for Cosmetics	Mazen Sameeh Taleb Darwazeh	Himself	61,495
Middle East com. for Financial & Economic Investments	Fayez Mohammed Atawy Soheimat	Himself	1,466,640
Al -Mamounyah for Investments & Trading	Fayez Mohammed Atawy Soheimat	Himself	1,523,827
Suria kim Foad Saad Abu Jaber	Kim Foad Sa'd Abu Jaber	Daughter	1,205
Emad Kim Foad Saad Abu Jaber	Kim Foad Sa'd Abu Jaber	Son	1,205
Foad Kim Foad Saad Abu Jaber	Kim Foad Sa'd Abu Jaber	Son	1,205
			6,481,550

### As of 31/12/2006

Member	Representative	Nationality	Number of stocks as of 31/12/2007	Number of stocks owned By representative as of 31/12/2007
Social Security Corporation	Yehya Abu Ershaid	Jordanian	11,339,404	522
Mr. Abdel Raouf Waleed Abdel Raouf Al-Bitar	Himself	Jordanian	11,223,446	
SPUMANTE COMERCIO INTERNATIONAL LDA	Mr. Mansor Fustoq	Portuguese	7,714,330	
Mohammed Ali Satea Al Husry	Himself	Jordanian	7,441,874	
Mr. Mohammed Seif Al-Seif	Himself	K.S.A	6,982,745	
Investment & Integrated Industries Company	Mr. Elia Nuqul	Jordanian	6,283,134	
Mazen Sameh Taleb Darwazeh	Himself	Jordanian	1,452,022	
Al-Bayader Trade & Investment Company	Mr. Amer Fariz	Jordanian	524,023	
Fayez Mohammed Atawy Soheimat	Himself	Jordanian	660,345	
Alkhaleel Company for Investments	Mr. Fawzy Jumeen	Jordanian	40,277	
Marwan Jameel Issa Muasher	Himself	Jordanian	218,024	
			53,879,624	522

## Disclosures required by the Jordan Securities Commission 2007

Member's relatives	Member	Relation	Number of stocks
Waleed mazen sameeh taleb darwazeh	Mazen Sameh Taleb Darwazeh	son	102,810
Rola Sameer Nasr	Mazen Sameh Taleb Darwazeh	wife	109,670
Darhold Limited	Mazen Sameh Taleb Darwazeh	Owned	3,241,520
Future Com. For Natural Cozmatix	Marwan Jameel Muasher	Himself	57,996
Leen Foad Metry Faraj	Marwan Jameel Muasher	wife	13,554
Omar Marwan Al Muasher	Marwan Jameel Muasher	son	20,170
Hana Marwan Al Muasher	Marwan Jameel Muasher	Daughter	20,170
Nadia Rady Fawzy tofahah	Fayez Mohammed Atawy Soheimat	wife	2,000
Middle east for financial investment	Fayez Mohammed Atawy Soheimat	Himself	1,503,724
Al -Mamounyah for Investments & Trading	Fayez Mohammed Atawy Soheimat	Himself	1,437,106
			6,508,720

### Members of Top Management

Top Management	Position	Nationality	Number of Stock As of 31-12-2007	Number of Stock As of 31-12-2006
Mr. Haytham Yusef Abdeminaem Kamhiyah	General manager	Jordanian	—	—
Mss. Iman Mohammad Allan Al Damen	Chief Credit Officer	Jordanian	—	—
Mr. Mohammad Fayyad Alhag Ahmad	Assistant General Manager Treasury & Investment	Jordanian	—	—
Mr. Rami Mohammad Jawad Hadid	Assistant General Manager Corporate Banking	Jordanian	3,565	—
Mr. George Farah Jeries Sofia	Assistant General Manager Retail banking, Branches & Marketing	Jordanian	100	1,518
Mr. Talal Mohammad Maher Shakeeb Yaish	Assistant General Manager For strategy management & Human Resource & Administration Affairs	Jordanian	—	—
Mr. Rafat Abdallah Ismail Khalil	Chief Audit Officer	Jordanian	—	—
Mr. Mohammed Hafeth Abel Al Kareem Mu'az	Legal department manager / Legal counselor	Jordanian	2,593	—
Mr. Ibrahim Salah Mohammed Samha	Financial Controller	Jordanian	—	724
Mr. Ihab Shaker Mustafa Al Aqqad	Acting General Manager Assistant in Operations	Jordanian	—	—
Mss. Manal Omer Hosny Omer	Risk & Compliance Manager	Jordanian	—	—
			6,258	2,242

### Board of directors, top management relatives Status for Number of Financial Securities issued by the bank and owned

There are no stocks owned by top management relatives

All executive management relatives are carrying Jordanian nationality except the Assistant General Manager for Corporate Banking's wife who carries a Bahraini nationality

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

### Board of directors

Board of directors	Position	overall yearly salaries	Transportation	Yearly equivalent	Yearly Traveling expenditure	Yearly Total Advantages
Al Bayader Trade & Investments Company representative by Dr. Zyad Fariz from 5/10/2007	Chairman	98,000	3,600	-		101,600
Dr. Fayez Mohammed atawy Soheimat	Vice Chairman		16,100	5,000		21,100
Mr. Mazen Sameh Taleb Darwazeh	Member		12,900	5,000		17,900
Investment & Integrated Industries Company representative by Mr. Elia C. Nuqul	Member		11,900	5,000		16,900
Mr. Mansoor Mohammed Fustooq	Member		4,600	5,000	1,380	10,980
Social Security Corporation representative by Mr. Haitham Almajaly	Member		11,600	-		11,600
Mr. Abdel Raouf Waleed Abdel Raouf Al-Bitar	Member		6,300	5,000	4,140	15,440
Mr. Mohammed seif El-Seif	Member		6,279	5,000	5,282	16,561
Alkhaleel company for investments representative By Mr. Fawzy Jumeane	Member		8,600	5,000	1,650	15,250
Mr. Kim Foad sa'd Abu Jaber	Member		7,500	-		7,500
Mr. Bassam Wael Roshdy Kanaan	Member		7,300	-		7,300
Mr. Ali K. Al-Husry previous Chairman	Pre-Chairman	34,000	5,500	5,000		44,500
Mr. Amer Fariz previous representative of Al Bayader company	Pre-Member		11,000	5,000		16,000
Mr. Yehya Abu Ershaid previous social security foundation representative	Pre-Member		1,100	5,000		6,100
Dr. Marwan AL Muasher	Pre-Member		600	4,583		5,183
Mr. Sa'd Sameeh Taleb Darwazeh	Pre-Member		1,900	417		2,317
			116,779	55,000	12,452	316,231

\* This item represents the equivalent for the year 2006 paid during the year 2007

### Top Management

Top Management	Position	overall Yearly salaries	remuneration	Total
Mr. Haytham Yousef Abdeminaem Kamhiyah	General Manager	124,900	73,125	198,025
Mss. Iman Mohammad Allan Al Damen from 16-12-2007	Chief Credit Officer	2,745	-	2,745
Mr. Mohammad Fayyad Alhag Ahmad	Assistant General Manager Treasury & Investment	86,345	45,000	131,345
Mrs. Narmeen Nabulsi- Resigned in 12-9-2007	Assistant General Manager Operations & IT	55,392	32,250	87,642
Mr. Rami Mohammad Jawad Hadid	Assistant General Manager Corporate Banking	61,385	26,250	87,635
Mr. George Farah Jeries Sofia	Assistant General Manager Retail Banking, Branches & Marketing	59,800	19,375	79,175
Mr. Talal Mohammad Maher Shakeeb Yaish	Assistant General Manager For strategy management and Human Resource and Administration Affairs	63,350	-	63,350
Mr. Rafat Abdallah Ismail Khalil	Chief Audit Executive	15,496	-	15,496
Mr. Mohammed Hafeth Abel Al Kareem Mu'az	Legal department manager / Legal counselor	50,795	23,500	74,295
Mr. Ihab Shaker Mustafa Al Aqqad	Acting Assistant General Manager for Operations start from 12-12-2007	36,400	9,125	45,525
Mr. Ibrahim Salah Mohammed samha	Financial Controller	37,800	10,250	48,050
Mss. Manal Omer Hosny Omer	Risk & Compliance Manager	30,800	5,750	36,550
		625,208	244,625	869,833

\* Represent 2006 remuneration paid during 2007

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### Donations and grants paid during 2007

Institution	Amount
SOS Children's Village Association of Jordan	33,850
King Hussein Cancer Center	30,000
Orphan Care	19,340
Tkiyet Um Ali	10,209
Young Muslim Women Association	9,000
Injaz	7,665
Injaz School Courses	5,500
Jordan Chinese Friendship Association	3,000
Distinguished initiative	2,500
Donation scientism Hashemite Association	500
highness prince Ali Club	500
Enjaz Program For Schools and university custody	500
Mar Mansoor Association	350
Al Aon Jordanian Society	250
Jerusalem Day Association	250
Donation For Women Committee	5,150
Jordan River Foundation	5,000
The Royal Society for the Conservation of Nature	5,100
Other	1,336
<b>Total Amount Paid</b>	<b>140,000</b>

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### Declaration of any contracts or projects with the subsidiaries companies

There are no contracts or projects or engagements taken with the subsidiary companies, the Chairman Board of Directors, Executive management or General Manager or any employee in the Bank or their relatives

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## Bank contribution For environmental protection and community Service

### A- Contribution For environment protection

The Bank's supports the national forestation project, by sponsoring the forestation and relamation of non forest lands the effort which falls under the Agriculture Reform Program being spearheaded by the Ministry of Agriculture

### B- Contribution For community Service

Stemming from its social responsibility commitment towards its local community, and realizing the importance of continuous effective interaction with its social surroundings, and to achieve mutual benefit for it and the different societal strata, this year Capital Bank continued to:

- Attending to non-profit organizations and charity associations, and providing support to entities dedicated to helping orphans and the poor, such as the SOS Children's Village Association. In addition, iftar meals, food rations, and children's clothing were provided through the contributions of the Bank's employees
  - Providing financial and moral support to institutions and associations concerned with people with special needs, such as the support extended to the King Hussein Cancer Center.
  - Building the main offices of the Orphan Care Charity Association in the city of Al-Mafraq, sponsoring 25 orphans, and buying a bus to serve the association and to facilitate the transport of its beneficiaries.
  - Providing education to excelling students from poor and less fortunate classes and areas in the Kingdom.
  - Contribution and participation with Injaz in building one of the public schools and providing donation for its restoration and maintenance.
  - Voluntary work by the Bank's employees some who taught at public schools through Injaz program.
  - Collaboration with "Al-Keema" Foundation for Unique Initiatives in supporting education and awareness program on aspects key to the society.
  - Taking on the educational expenses of a number of disabled students through the Young Women Moslem Association (YWMA).
  - Blood donation campaign by the Bank's employees
  - Training male and female university students from various disciplines at the Bank's various departments as part of Injaz program to help improve educational level.
  - Distribution of lunch packages through Tkiyet Um Ali to 200 families.
- Providing iftar meals, food rations, Eid clothing and winter supplies to 100 orphans in Mafraq with the moral and financial active participation of the Bank's employees Participation in seminars and conferences related to corporate social responsibility (CSR) and enhancing and supporting women's role in CSR.

### C- Annual Financial Reports

Included in Board of Director Report

### D- Auditors Report

Auditors report Ernst & Young appears in annual reports

## Disclosures required by the Jordan Securities Commission 2007

### E-Affirmation

Based on term article H from section 4 from disclosure criterion and accounting standard issued the Capital Bank Board of Directors admit according to its knowledge and its belief of non-existence of major matters that might affect the Bank's continuity during 2008 and admit its responsibility for preparation the financial data and for existence of an effective control system. The Chairman, General Manager and Financial Controller admit the accuracy and completeness of the provided information in this report.

Al Bayader Trade & Investments  
Company representative by  
Dr. Zyad Fariz



Dr. Fayez Mohammed  
Atawy Soheimat



Mr. Mohammed seif El-Seif



Spumante Comercio  
Internacional LDA  
Representative By Mr. Mansoor  
Mohammed Fustog



Mr. Abdel Raouf Waleed Abdel  
Raouf Al-Bitar



Investment & Integrated Industries  
Company representative by Mr. Elia  
C. Nuqul



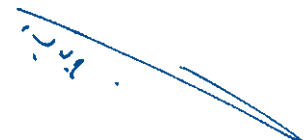
Mr. Mazen Sameh Taleb Darwazeh



Hotaf Investment Company  
Representative by Mr. Bassam Wael  
Roshdy Kanaan



Social Security Corporation  
representative  
by Mr Hytham Almajaly



Mr. Kim Foad saad Abu Jaber

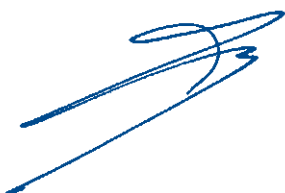


Alkhaleel company for investments  
representative By Mr. Fawzy Jumeen



Disclosures required by the Jordan Securities Commission  
2007

**Chairman**  
Dr. Zyad Fariz



**General Manager**  
Haytham Kamhiyah



**Financial Controller**  
Ibrahim Samha



## Disclosures required by the Jordan Securities Commission 2007

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P.O. Box	Amman 941283 Jordan 11194
E-mail:	Shmesani@capitalbank.jo
<b>Madina Street Branch</b>	Madina Monawarh Street
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Fax:	+ 962- 6 - 5549252
P.O. Box	
E-mail:	Madinah@capitalbank.jo
<b>Aqaba Branch</b>	Alnahda street
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Fax:	+ 962-3 - 2039711
P.O. Box	
E-mail:	Aqaba@capitalbank.jo

Branch	Address
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<b>Sweifeyeh Branch</b>	Cross Tareq Aljondy street with Nasooh Altaher street
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