INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS
DEPOSIT INSURANCE CORPORATION
LEGAL CORPORATION WITH FINANCIAL
AND ADMINISTRATIVE INDEPENDENCE
AMMAN - THE HASHEMITE KINGDOM OF JORDAN

We have audited the accompanying balance sheet of Deposit Insurance Corporation (A Legal Corporation With Financial and Administrative Independence) which comprises the balance sheet as at December 31, 2006, and the related statement of revenues and expenses, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated 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.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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

In our opinion, the financial statements present fairly, in all material respects, the financial position of Deposit Insurance Corporation (A Legal Corporation With Financial and Administrative Independence) as of December 31, 2006 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Talal Abu-Ghazaleh & Co. International

Steve S. Karadsheh

(License # 756)

Amman, March 15, 2007

DEPOSIT INSURANCE CORPORATION
LEGAL CORPORATION
WITH FINANCIAL AND ADMINISTRATIVE INDEPENDANCE
AMMAN-THE HASHEMITE KINGDOM OF JORDAN

EXHIBIT -A

BALANCE SHEET AS AT DECEMBER 31, 2006

	NOTE	2006	2005
		JD	JD
ASSETS			
Current Assets			
Cash at Central Bank of Jordan	3	134,543	1,382,806
Other debit balances	4	1,432,557	481,775
Total current assets		**1,567,100**	**1,864,581**
Non current assets			
Investments in Held to maturity bonds	5	87,494,000	67,901,690
Building under progress		-	2,365,714
Property and equipment	6	4,948,205	1,193,988
Total Non current assets		**92,442,205**	**71,461,392**
TOTAL ASSETS		**94,009,305**	**73,325,973**
LIABILITIES AND EQUITY			
Current Liabilities			
Other credit balances	7	**34,461**	**163,706**
EQUITY			
Capital	8	3,200,000	3,200,000
Reserves – Exhibit " C "	9	90,974,844	69,962,267
Total equity		**93,974,844**	**73,162,267**
TOTAL LIABILITIES AND EQUITY		**94,009,305**	**73,325,973**

THE ACCOMPANYING NOTE CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

DEPOSIT INSURANCE CORPORATION
LEGAL CORPORATION
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AMMAN-THE HASHEMITE KINGDOM OF JORDAN

EXHIBIT -B

STATEMENT OF REVENUES AND EXPENSES
FOR THE YESR ENDED DECEMBER 31, 2006

	NOTE	2006	2005
		JD	JD
REVENUES			
Membership fees	10	16,582,020	13,569,736
Bonds Interest		4,770,025	3,117,906
Bank Interest		100,438	162,292
Total revenues		**21,452,483**	**16,849,934**
Deduct: administrative expenses	11	(639,906)	(479,759)
Surplus for the year – Exhibit C		**20,812,577**	**16,370,175**

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EXHIBIT -C

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31,2006

	Capital *JD*	*Reserves* *JD*	*Total* *JD*
Balance as of January 1, 2005	3,200,000	53,592,092	**56,792,092**
Surplus for the year- Exhibit "B"	-	16,370,175	**16,370,175**
Balance as of December 31, 2005 –Exhibit "A"	**3,200,000**	**69,962,267**	**73,162,267**
Surplus for the year- Exhibit "B"	**-**	20,812,577	**20,812,577**
Balance as of December 31, 2006 –Exhibit "A"	**3,200,000**	**90,774,844**	**93,974,844**

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EXHIBIT - D

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2006

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES	**JD**	**JD**
Surplus for the year	20,812,577	16,370,175
Adjustments for:		
Depreciation	25,239	16,102
Interest revenues	(4,870,463)	(3,280,198)
Changes in operating assets and liabilities:		
Other debit balances	(936)	883
Other credit balances	(129,245)	83,558
Net cash provided by operating activities	**15,837,172**	**13,190,520**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments in held to maturity bonds	(19,592,310)	(15,441,714)
Interest Received	3,920,617	3,118,048
Building under progress	(1,209,900)	(1,166,446)
Purchase of property and equipment	(207,732)	(1,091)
Proceeds from sale of property and equipment	3,890	-
Net cash used in investing activities	**(17,085,435)**	**(13,491,203)**
Net decrease in cash	**(1,248,263)**	**(300,683)**
Cash - beginning of the year	1,382,806	1,683,489
Cash - end of the year - Exhibit "A"	**134,543**	**1,382,806**
Information about non cash transaction		
Transfer from building under progress to property	**3,575,614**	**-**

THE ACCOMPANYING NOTE CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1. LEGAL STATUS AND ACTIVITIES

The Corporation was established by virtue of law number 33 for the year 2000 on September 17, 2000.

The major purposes of the Corporation are to protect depositors with banks by insuring their deposits in accordance with the provision of the Corporation law in order to encourage savings and strengthen confidence in the Kingdom's banking system. Consequently, the Corporation promptly reimburses depositors of member banks within certain limits, when any bank has been decided to be liquidated, which aims at reimbursing all small depositors up to JD 10,000 while encouraging grand depositors to monitor banks with which they hold their deposits alongside the continuous supervision by the Central Bank of Jordan.

According to the Corporation law, all deposits in Jordanian Dinars held with member banks are fully insured if the amount deposited is JD 10,000 or less, and up to JD 10,000 if the deposit exceeds JD 10,000, except for branches of Jordanian banks operating outside the Kingdom and Islamic banks licensed to operate in the Kingdome unless anyone of them decides to join the Corporation.

The Corporation is the sole liquidator and legal representative of any bank whose liquidation has been decided by Central Bank of Jordan.

The Corporation's Board of Directors approved the financial statements in its session No. 2/2007 held on March 15, 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with International Financial Reporting Standards and the related interpretations issued by the International Financial Reporting Interpretations Committee. The following is a summary of the significant accounting policies applied:

A. Basis of Measurement

The financial statements are prepared according to historical cost basis which is modified to other basis as mentioned below for some assets.

B. Cash and cash equivalents

– Cash and cash equivalents comprise current accounts and demand deposits with banks.
– Any bank balance which fluctuates from being positive to overdrawn is included as a component of cash and cash equivalents.

C. Held to Maturity Investments

- Held- to- maturity investments are financial assets with fixed or determinable payments and fixed maturity that the management has the positive intention and ability to hold to maturity.

- Held- to- maturity investments are measured at amortized cost using the effective interest rate method.

D. Projects in Progress

Amounts paid to construct a property or equipment item are charged first to projects in progress account. When project becomes ready to use, it is transferred to the related property and equipment caption.

E. **Property and equipment**

- Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated.
- The corporation uses the straight – line method in depreciating its property and equipment over their estimated useful lives at the following annual rates:

Building	3%
Vehicles	15%
Computers and telecommunication equipment	10% - 25%
Furniture and decoration	10-15%

- An asset is impaired when its carrying amount exceeds its recoverable amount. If indication of such impairment exists, the asset is written down to its recoverable amount.
- The gain or loss arising from the disposal of an item of property and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. This gain or loss is included in the statement of revenues and expenses.
- The costs of day- to- day repair and maintenance for the property and equipment are recognized in the statement of revenues and expenses as incurred.

F. **Revenue Recognition**

Revenues from membership fees, investment in bonds and bank interests are recognized when accrued, provided that all of the following conditions have been satisfied:

- It is probable that the economic benefits associated with the transaction will flow to the corporation.
- The amount of revenue can be measured reliably.

G. **Financial Instruments**

- A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
- The corporation's financial instruments principally comprise cash and banks and investments.
- The above paragraphs present the accounting policies regarding these financial instruments.

3. CASH AT CENTRAL BANK OF JORDAN

This item consists of the following:

	2006	2005
	JD	JD
Deposit - JD	115,204	1,291,724
Current Account - JD	19,339	91,082
Total	**134,543**	**1,382,806**

4. OTHER DEBIT BALANCES

This item consists of the following:

	2006	2005
	JD	JD
Accrued interest	1,421,797	471,951
Refundable deposits	5,688	5,688
Prepaid expenses	5,072	4,136
Total	**1,432,557**	**481,775**

5. INVESTMENTS IN HELD TO MATURITY BONDS

This item consists of the following:

	2006	2005
	JD	JD
Treasury bonds	85,994,000	63,894,000
Public corporations bonds	1,500,000	4,007,690
Total	**87,494,000**	**67,901,690**

6. PROPERTY AND EQUIPMENT

a. Property and equipment are shown at the balance sheet date as follows:

	Lands	Building	Vehicles	Computers and Telecommunication equipment	Furniture and Decoration	Total
	JD	JD	JD	JD	JD	JD
Cost						
As at January 1,2006	1,157,050	-	51,535	37,515	4,401	1,250,501
Additions during the year	-	-	-	31,135	176,597	207,732
Transfer from Building under progress	-	3,575,614	-	-	-	3,575,614
Disposals during the year	-	-	-	(1,257)	(4,401)	(5,658)
As at December 31, 2006	**1,157,050**	**3,575,614**	**51,535**	**67,393**	**176,597**	**5,028,189**
Accumulated Depreciation						
At as of January 1, 2006	-	-	34,199	21,509	805	56,513
Depreciation during the year	-	-	7,730	8,667	8,842	25,239
Disposals during the year	-	-	-	(963)	(805)	(1,768)
As at December 31, 2006	**-**	**-**	**41,929**	**29,213**	**8,842**	**79,984**
Net Book Value						
As at December 31, 2006 – Exhibit A	**1,157,050**	**3,575,614**	**9,606**	**38,180**	**167,755**	**4,948,205**
As at December 31, 2005 – Exhibit A	**1,157,050**	**-**	**17,336**	**16,006**	**3,596**	**1,193,988**

b. The final payment request has not been submitted by the contractor till the report date. It will be capitalized on the building when received.

7. OTHER CREDIT BALANCES

This item consists of the following:

	2006	2005
	JD	JD
Accrued expenses	34,011	19,665
Cash retentions	450	-
Contractors Retention-Construction of Corporation Building	-	144,041
Total	**34,461**	**163,706**

8. CAPITAL

This item consists of the following:

a) The sum of JD 1 million paid by the government of Jordan.

b) A non-refundable initiation fee of JD 100,000 paid by each bank.

9. RESERVES

According to articles (18) and (19) of the Corporation's law, the Corporation must form reserves for itself amounting to 3% of total deposits that are subject to the provision of this law. If the Corporation's reserves do not reach the limit established in its laws within 10 years of the law's effective date, or if a bank liquidation is decided before the corporation's reserves reach the said limit, the Corporation Board of Directors may increase the banks' annual membership fee to not more than double the annual membership fee. However, if the Corporation's reserves exceed the established limit, the Corporation's Board of Directors may decrease the annual membership fee or exempt banks from paying the fee for one year or more as the circumstances require.

The Corporation reserves consist of the annual membership fees paid by banks, the return on the investments and any other returns net of the Corporation's expenses.

10. MEMBERSHIP FEES

This item represents the amount of the bank annual membership fee paid to the Corporation at the rate of 2.5 per thousand of the total deposits that are subject to the provisions of the law. The following are excluded from the deposits subject to the provisions of the law:

a) Government deposits.

b) Inter bank deposits.

c) Cash collaterals within the limits of the value of the extended facilities guaranteed by the said collaterals.

d) Credit balances of overdraft facilities.

11. ADMINISTRATIVE EXPENSES

This item consists of the following:

	2006	2005
	JD	JD
Salaries and wages	268,382	234,796
Contribution of social security	28,894	25,593
Contribution in saving fund	21,967	19,801
End of services indemnity	46,201	15,970
Medical	34,139	30,958
Training	31,137	30,785
Depreciation	25,239	16,102
Marketing campaign	20,942	19,790
Board of directors remuneration	18,600	18,600
Travel and transportation	16,788	16,224
Electricity & Water	14,929	-
Subscriptions	11,904	11,605
Gardening	11,044	-
Cleaning	9,976	-
Security	9,707	-
Stationary	8,939	7,160
Telephone , fax and internet	7,603	4,337
Professional Fees	7,513	9,985
Overtime	7,158	1,060
Fuel	7,017	2,514
Insurance	5,160	3,050
Gifts & Donations	3,646	-
Advertisement	3,589	4,679
Entertainment	3,311	3,162
Consumables	2,845	-
Maintenance	2,539	863
Vacations Pay	2,361	-
Social Committee	2,002	634
Miscellaneous	6,374	2,091
Total	**639,906**	**479,759**

12. FINANCIAL INSTRUMENTS

a) Fair value

a. Carrying value of financial assets and liabilities are approximately equal to their fair values.

b. Notes to the financial statements indicate the fair value of those instruments. In addition, some of the accounting policies in note (2) present methods used in evaluating those instruments.

b) Market risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. It comprises the following risks:

– Currency risk

- Currency risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
- The corporation is not subject to currency risk.

– Interest rate risk

- Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
- The financial instruments in the balance sheet are not subject to interest rate risk with the exception of deposits and held to maturity investments that are subject to interest rates prevailing in the market.

– Other price risk

- Other price risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar financial instruments traded in the market.
- The financial instruments in the balance sheet are not subject to other price risk with the exception of investments.

c) Credit risk

- Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- The corporation maintains cash at financial institutions with suitable credit rating.

d) Liquidity risk

- Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.
- The company is not subject to liquidity risk.

13. COMPARATIVE FIGURES

Some comparative figures were reclassified to conform to the current year financial statements presentation.