

SOCIETE GENERALE DE BANQUE-JORDANIE

Public Shareholding Company

Board of Directors

Consolidated Financial Statements

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To The Shareholders of Societe Generale De Banque - Jordanie Amman - Jordan

We have audited the accompanying financial statements of Societe Generale De Banque - Jordanie (a public shareholding company) and its subsidiaries ("the Bank"), which comprise the consolidated balance sheet as at December 31, 2006 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2006 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Amman – Jordan
February 27, 2007

Ernst & Young

Consolidated Balance Sheet

As of December 31, 2006

	Notes	2006 JD	2005 JD
Assets			
Cash and balances with central bank	4	33,016,517	51,476,076
Balances with banks and financial institutions	5	24,850,578	23,743,179
Direct credit facilities, net	6	96,314,776	84,563,717
Available for sale investments	7	278,625	336,103
Held to maturity investments, net	8	354,500	2,354,500
Property and equipment, net	9	1,473,055	1,734,263
Intangible assets	10	110,433	177,068
Other assets	11	5,204,059	2,188,168
Deffered income tax assets	16	1,191,856	1,315,830
Total Assets		162,794,399	167,888,904
LIABILITIES AND EQUITY			
Liabilities -			
Banks and financial institutions' deposits	12	2,015,479	1,819,094
Customers' deposits	13	111,054,375	116,659,763
Margin accounts	14	15,323,300	21,342,945
Loans and borrowings	15	5,500,000	3,000,000
Income tax liabilities	16	1,376,834	1,024,830
Differed income tax liabilities	16	6,234	19,031
Other liabilities	17	2,308,315	2,048,638
Total Liabilities		137,584,537	145,914,301
Equity			
Paid in capital	18	26,970,553	26,970,553
Paid in capital (discount)	18	(3,569,210)	(3,569,210)
Statutory reserve	19	1,503,130	1,016,369
Voluntary reserve	19	100,000	100,000
General banking risk reserve	19	938,395	780,862
Cumulative change in fair values	20	17,516	53,469
(Accumulated) losses	21	(750,522)	(3,377,440)
Total Equity		25,209,862	21,974,603
Total Liabilities and Equity		162,794,399	167,888,904

The attached notes from 1 to 47 are part of these consolidated financial statements

Consolidated Income Statement

For The Year Ended December 31, 2006

	Notes	2006	2005
		JD	JD
Interest income	22	10,171,045	7,236,450
Interest expense	23	(4,233,840)	(2,261,607)
Net interest income		5,937,205	4,974,843
Net commission	24	1,768,923	1,398,150
Net interest and commission income		7,706,128	6,372,993
Gain from foreign currencies		552,008	542,208
Gain from financial assets held for sale	25	15,831	320,965
Other income	26	1,303,133	1,053,860
Gross profit		9,577,100	8,290,026
Expenses -			
Employees' costs	27	2,247,041	2,082,952
Depreciation and amortization	9, 10	648,597	430,630
Other expenses	28	2,271,143	2,040,184
(Recovered) provision for credit losses	6	(380,480)	119,404
Bad debts written off		73,761	77,275
Sundry provisions	29	(34,021)	(82,971)
Total expenses		4,826,041	4,667,474
Profit before income tax		4,751,059	3,622,552
Income tax	16	(1,475,978)	(1,312,636)
Profit for the year		3,275,081	2,309,916
	30	JD/Fils	JD/Fils
Basic and diluted earnings per share for the year		0.121	0.092

The attached notes from 1 to 47 are part of these consolidated financial statements

Consolidated Statement of Changes in Equity

For The Year Ended December 31, 2006

	Paid in capital	Paid in capital (discount)	Reserves		General Banking Reserve	Cumulative change in fair values	Accumulated losses	Total
			Statutory	Voluntary				
2006								
Balance as of 1 January 2006								
	26,970,553	(3,569,210)	1,016,369	100,000	780,862	53,469	(3,377,440)	21,974,603
Cumulative change in fair value	-	-	-	-	-	(35,953)	-	(35,953)
Subsidiary registration fees	-	-	-	-	-	-	(3,869)	(3,869)
Total expenses recognized directly inequity	-	-	-	-	-	(35,953)	(3,869)	(39,822)
Profit for the year	-	-	-	-	-	-	3,275,081	3,275,081
Total income & expense for the year	-	-	-	-	-	(35,953)	3,271,212	3,235,259
Transfer to reserves	-	-	486,761	-	157,533	-	(644,294)	-
Balance as of 31 December 2006								
	26,970,553	(3,569,210)	1,503,130	100,000	938,395	17,516	(750,522)	25,209,862
2005								
Balance as of 1 January 2005								
	22,453,744	(2,676,751)	644,476	100,000	556,645	-	(5,091,246)	15,986,868
Cumulative change in fair value	-	-	-	-	-	53,469	-	53,469
Total income recognized directly in equity	-	-	-	-	-	53,469	-	53,469
Profit for the year	-	-	-	-	-	-	2,309,916	2,309,916
Total income & expense for the year	-	-	-	-	-	53,469	2,309,916	2,363,685
Increase in paid in capital	4,516,809	(892,459)	-	-	-	-	-	3,624,350
Transfer to reserves	-	-	371,893	-	224,217	-	(596,110)	-
Balance as of 31 December 2005								
	26,970,553	(3,569,210)	1,016,369	100,000	780,862	53,469	(3,377,440)	21,974,603

The attached notes from 1 to 47 are part of these consolidated financial statements

Consolidated Cash Flow Statement

For The Year Ended December 31, 2006

	Note	2006	2005
Operating Activities			
Profit before income tax		4,751,059	3,622,552
Adjustments:			
Depreciation and amortization		648,597	430,630
Provision for credit losses		(380,480)	119,404
Gain from sale of available for sale investments		-	(308,465)
Loss from disposals of property and equipment		(6,287)	479
Effect of exchange rate changes		(552,008)	(542,208)
Profit before change in operating assets and liabilities		4,460,881	3,322,392
(Increase) decrease in deposits with Central Bank of Jordan that matures after three months		(4,000,000)	5,000,000
(Increase) in direct credit facilities		(11,370,579)	(24,731,041)
(Increase) decrease in other assets		(3,015,891)	(111,059)
Increase (decrease) in customers' deposits		(5,605,388)	57,659,656
Increase (decrease) in margin accounts		(6,019,645)	759,677
Increase (decrease) deferred tax liabilities		(12,797)	-
(Decrease) increase in other liabilities		259,677	(292,630)
Net cash (used in) from operating activities		(25,303,742)	41,606,995
Income tax paid		(1,000,000)	-
Net cash (used in) from operating activities		(26,303,742)	41,606,995
Investing Activities			
Selling (purchase) of held to maturity investments		2,000,000	(2,000,000)
Redemption of held to maturity investments		-	1,004,850
Sale of available for sale investments		21,525	353,465
Purchase of property and equipment		(387,694)	(701,019)
Sale of property and equipment		99,579	11,110
(Purchase) of intangible assets		(26,352)	(102,227)
Net cash from (used in) investing activities		1,707,058	(1,433,821)
Financing Activities			
(Payments) of borrowing		(2,000,000)	-
Increase in borrowings		4,500,000	-
Issuance of convertible bonds		-	2,100,000
Establishment fees of subsidiary company		(3,869)	-
Net cash from financing activities		2,496,131	2,100,000
Effect of exchange rate changes on cash and cash equivalents		552,008	542,208
Net (decrease) increase in cash and cash equivalents		(21,548,545)	42,815,382
Cash and cash equivalents, beginning of the year		73,400,161	30,584,779
Cash and cash equivalents, end of the year	31	51,851,616	73,400,161

The attached notes from 1 to 47 are part of these consolidated financial statements