

**1993**

**Board of Directors' Report For  
The Year Ending December 31, 1993**



## THE HOUSING BANK

(A Public Shareholding Company Established by Special Decree)

### **Headquarters and Main Branch**

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**Amman - Jordan**

**P.O.Box (7693), Post Code (11118)**

**Telex 21693 ISKAN JO**

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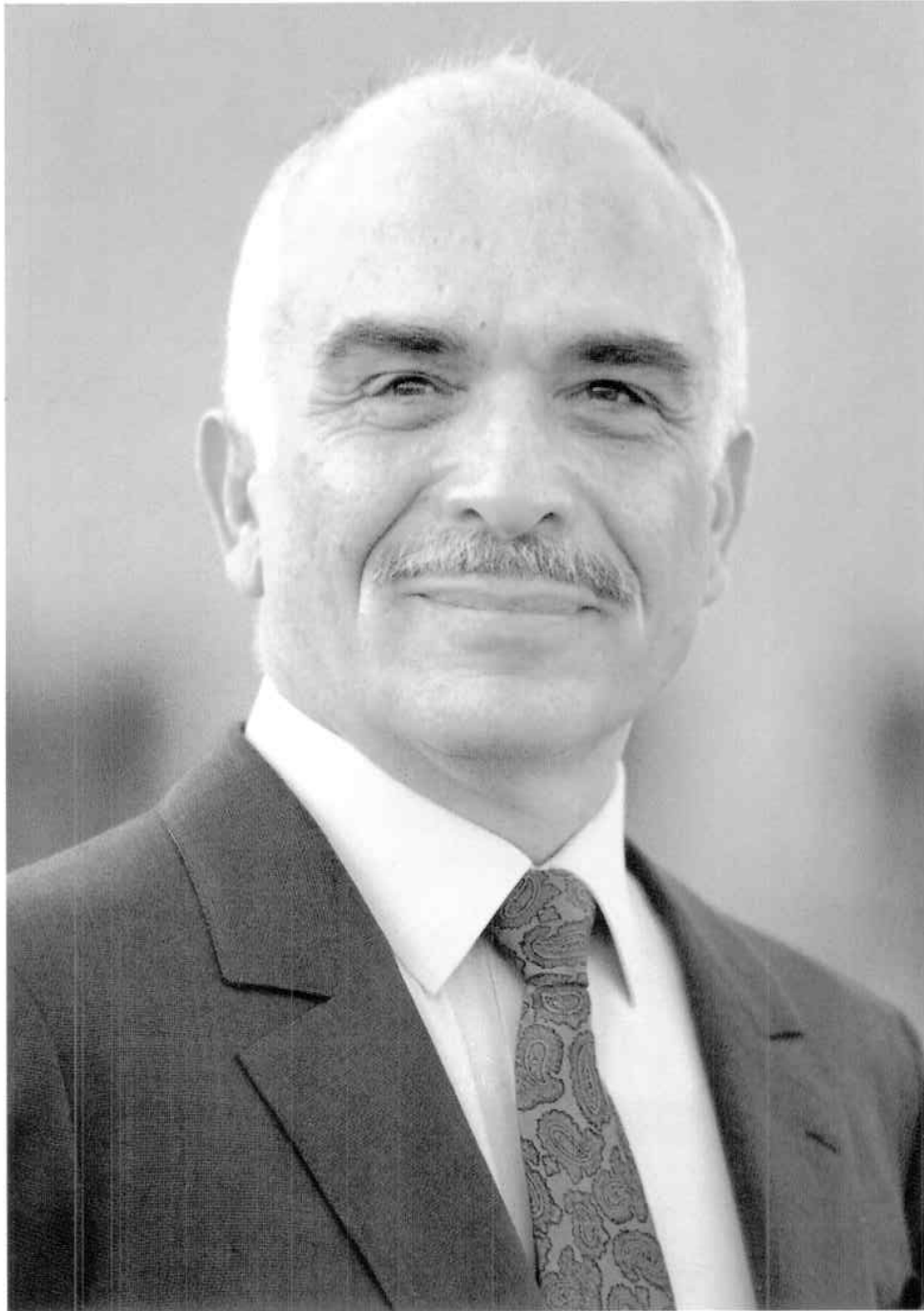
**23460 ISKAN JO**

**Cable Address: ISKAN**

**Telephone: 667126**

**Facsimile : 678121**

**: 689110**



*His Majesty King Hussein*



*His Royal Highness Crown Prince Hassan*

# Board of Directors

**Chairman :**

**Mr. Zuhair Khouri**

**Vice Chairman :**

**Mr. Abdullah Al Obaid\***

Representative of Kuwait Real Estate Investment Group.

**Members:**

**Mr. Mansour Haddadin**

Representative of Jordan Investment Corporation.

**Mr. Mohammad Jaser**

Representative of Central Bank of Jordan.

**Mr. Yousef Hiyasat**

Representative of Public Housing and Urban  
Development Corporation.

**Mr. Mansour Johar Sa'eed**

Representative of Ministry of Finance and Petroleum,  
Government of Qatar.

**Mr. Ahmad Abdel Khaliq**

Representative of Jordan Insurance Co.

**Mr. Ibrahim Al Ibrahim**

**Mr. Abdul Mohsin Kattan**

**Mr. Munther Fahoum**

**Mr. Tharwat Al Barghouthi**

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Auditors; **Saba and Co.**

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\* Replaced Mr. Badr Al Rasheed Since January 17, 1993.

# Chairman's Message

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## Gentlemen;

I have the pleasure to present to you the 20th Annual Report on the Bank's main activities and accomplishments during 1993, through which the Bank continued to accomplish more achievements and recorded distinguished growth rates and results in its various banking activities. The Bank, during 1993, achieved a record net profit since its establishment as well as the biggest amount of loans and credit facilities granted in a single year. The Bank managed to meet the big demand on housing finance for residential and other purposes buildings as well as development finance for productive projects which has continued during 1993. These results enhanced the Bank's position in the Jordanian banking system and among Arab and international financial institutions as well.

During 1993, the constant and relentless efforts made by the Bank have given their fruits. The goal of such efforts was to get permission to practice direct commercial banking activities along with housing and real estate finance. The Central Bank of Jordan responded positively and took a decision to allow the Housing Bank to partially practice direct commercial banking activities and provide direct credit facilities under certain arrangements. This decision is a big step on the way to become a full - fledged, all - services bank, which meets all the needs of its clients including providing housing, real estate, commercial and various development finance services.

Such a step will enable the Bank to continue providing cross-subsidy to housing loans for low and medium-income groups and grant them at soft terms and interest rates far below the banking market rates. It will also enable the Bank to continue providing the required finance to the housing projects executed by the Housing and Urban Development Corporation, the various housing funds and cooperative housing societies as well as providing finance to productive and development projects in all sectors of Jordanian economy which contributes to employing Jordanian workers, increase national product and raise exports.

While reviewing the Bank's financial and statistical statements of 1993 you will find out that the Bank achieved high growth rates during the year. Total amounts of loans and credit facilities granted by the Bank for different housing, real estate and development purposes reached about JD (189) million during 1993 against JD (170.1) million in 1992, an increment of JD (18.9) million or (11%). In addition to repayments exceeding JD (114) million, the balance of outstanding loans and credit facilities increased from JD (383.1) million as of the end of 1992 to JD (443.1) million at the end of 1993, an increment of JD (60) million or (16%).

The balance of clients deposits in Jordanian Dinar rose from JD (526.8) million as of the end of 1992 to reach JD (578.2) million at the end of 1993, an increment of JD (51.4) million or around (10%). However, due to the increased confidence in the Jordanian Dinar, the improvement of investment climate in Jordan and the low interest rates on foreign currencies deposits, some foreign exchange depositors withdrew part of their deposits and converted another part to JD. Thus total de-

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posits at the Bank declined from JD (841) million as of the end of 1992 to JD (745.5) million at the end of 1993.

The Bank's net profits after tax amounted to JD (6.64) million during 1993 compared with JD (4.84) million in 1992, an increment of JD (1.8) million or (37%). Total shareholders equity increased from JD (36.1) million as of the end of 1992 to reach JD (40.8) million at the end of 1993, an increment of JD (4.7) million or (13%). This has strengthened the financial soundness of the Bank and raised its capital adequacy ratio according to Basle committee standards (BIS ratio) to (15.1%) which by far exceeds the minimum required BIS ratio which is (8%).

The operation results achieved by the Bank in 1993 reflect the high level of performance, the soundness of investment policy it applies, which depends on diversifying investments and the proper and precise procedures it follows when granting loans and credit facilities and making investment. They also reflect the sophistication of services the Bank renders to its clients, whose number has grown from year to year, thus enabling the Bank to steadily increase its share of banking market.

In light of the results of the Bank's operations in 1993, the Board of Directors recommends distributing a dividend of (16%) and transferring the remaining balance of net profits to the various reserves, thus raising its balance from JD (24.1) million as of the end of 1992 to JD (28.8) million, an increment of JD (4.7) million or (20%). So, total reserves exceeded by far twofold the paid-up capital.

The Board of Directors would like to take this opportunity to express its sincere thanks and gratitude to the Government of the Hashemite Kingdom of Jordan and its various institutions for their cooperation, particularly the Central Bank of Jordan, who has always maintained rationality and wisdom in its policies, which resulted in the current Jordanian Dinar exchange rate and monetary stability, and enhancing the Kingdom foreign exchange reserves, and who always plays a vital role in developing the Jordanian banking system.

The Board of Directors also extends its gratitude to the Bank's staff, rank and file, for their relentless efforts to achieve the Bank's goals and ambitions, improve work procedures and provide quality services to clients.

We look forward to greater accomplishments which include mobilizing more national savings and attracting more capital from various funding agencies to invest in the housing sector and to participate in financing various socio-economic development projects in the Kingdom, as well as meeting the needs of its clients of banking finance for different commercial purposes.

May God guide us in serving this country under the wise leadership of His Majesty King Hussein and His beloved Crown Prince.

**Zuhair Khouri**  
Chairman of the Board

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# Jordanian Economy in 1993

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Jordanian economy achieved good growth rates in 1993. Initial estimates indicate that Gross Domestic Product (GDP) grew in 1993 by (11.2%) at current prices and by (5.8%) at constant prices. GDP at current prices in 1993 amounted to JD\* (3,595.7) million compared with JD (3,234.2) million in 1992. Jordanian economy made such an outstanding performance as a result of growth achieved by all productive sectors. Initial estimates also indicate that foreign trade was stable compared with 1992 and service balance showed a surplus of USD (1,626) million (equivalent to JD 1,144 million) in 1993, an increment of (10.5%) over 1992 figure. Current account deficit as a ratio of GDP was reduced to about (10%) in 1993 compared with (15%) in 1992.

In investment field, initial estimates indicate that investment volume as a ratio of GDP has been relatively stable in 1993 compared with 1992 and around (30%) which indicates that strong momentum of investment is continuing and this looks evident from the increase in local credit provided to the private sector, the big expansion in new shares float and the rise in total capital of new projects in different sectors, registered with the Ministry of Trade and Industry in 1993 which amounted to JD (242.5) million compared with JD (162.6) million in 1992.

As for building permits, their number has shrunk from (21,191) in 1992 to around (16,469) in 1993 and so the licenced building areas decreased from (6.5) million square meters to around (4.2) million square meters.

The Government has continued during 1993 to implement the economic and social adjustment programme which covers the years 1992-1998. Main objectives of this programme are:

- Achieving real GDP growth rate of 6% in 1993 and 5.5% to 6.5% per annum in the remaining years.
- Decreasing the budget deficit before grants to (6.4%) of GDP in 1993 and (5.3%) in 1994, with gradual decline to (2.5%) in 1998.
- Maintaining an investment ratio of around (23%) of GDP and raising local saving rate to reach (11%) of GDP in 1998.

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\*One JD is equivalent to USD (1.42) as of December 31, 1993.



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- Curbing inflation rate at a level not exceeding (4.5%) annually during the programme.
  - Reducing current account deficit of the balance of payment gradually to (7.2%) of GDP in 1994 and reaching a state of equilibrium in which the deficit will disappear at the end of programme years.
  - Maintaining flexible interest rate policy, developing monetary marketable instruments such as open-market operations, making further deregulation of exchange system and insuring not to use a multi-exchange system.

During 1993 the Government has also adopted the economic and social development plan for the years (1993-1997) after cease of planning lasted four years, during which it depended on economic adjustment programme. This plan is based on formulating general economic and social policies in integrated packages instead of concentrating on projects and investment programmes. The main principles adopted by the plan are: to develop the organizing and supervisory role of the government and to shrink its direct production intervention while increasing the role of private sector, supporting export sector as well as increasing job opportunities and developing natural resources. The plan aims that fixed capital formation at current prices will be JD (5,242) million, (36%) of which for public sector and (64%) for private sector.

General investments amounting to JD (1,874) million are distributed on three packages: social with a share of (43.2%) of total, investment with a share of (9.3%), and infrastructure with a share of (47.5%). It is worth mentioning that there is a complete coordination between the development plan and the economic adjustment programme.

The implementation of the economic adjustment programme gave Jordanian economy positive results which enabled Jordan to enjoy the confidence of its international creditors and allowed it to have restructuring of its foreign commercial debts and rescheduling part of public debts. The Government made a debt restructuring agreement in 1993 with creditor commercial banks, thus decreasing the debt service

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burden to a half. The Government was also able to reduce bilateral foreign debts by repurchasing part of them from creditor governments, swapping another part and rescheduling bilateral public foreign debts due in 1993. New repayment term became (15) years for export loans and (20) years for governmental loans, of which 8-10 years are a grace periods. Net balance of utilized and unrepaid foreign loans declined from USD (6,624.6) million as of the end of 1992 to USD (6,008) million at the end of 1993, whereas it was USD (7,615.5) million at the end of 1990.

As for internal debts, their balance rose by JD (54.9) million or (5%). Its balance amounted to JD (1,096.4) million at the end of 1993 against (1,041.5) million at the end of 1992. The increase in domestic debts was used to purchase foreign debts.

As a result of growth in different sectors of the Jordanian economy, the demand on credit for investment, export finance and local consumption increased in 1993. Credit provided for private sector grew by (18%) despite the measures taken by the Government during 1993 to control credit and keep it within proper limits.

The Central Bank continued in deregulation of foreign exchange system by increasing amounts of foreign currencies allowed to be remitted outside the country by residents. It also allowed licenced banks to manage foreign exchange investment portfolios to nonresident clients.

Amman financial market achieved a new record turnover in 1993 amounted to JD (969) million against JD (887) million in 1992, an increment of (9%). Moreover, total new share issues in primary market made a high record in 1993 and amounted to JD (227.2) million against JD (54.5) million in 1992, an increment of JD (172.7) million or (317%).

Operation results of licenced banks showed remarkable improvement in 1993. Their total assets increased from JD (6,311.1) million as of the end of 1992 to JD (6,752.2) million at the end of 1993. Total balance of deposits also increased from JD (4,749) million to JD (4,965.6) million at the end of 1993. Total balance of outstanding loans and credit facilities increased from JD (2,218.3) million to JD (2,616.9) million at the end of 1993.

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## The Bank's Main Activities and Accomplishments During 1993

### Capital and Reserves

During 1993 the Bank's paid-up capital of JD (12) million remained unchanged as no need arose to increase it, while the various reserves which the Bank built and used to increase every year, grew substantially and their balance increased from JD (24.1) million as of the end of 1992 to reach JD (28.8) million at the end of 1993, an increment of nearly JD (4.7) million or (20%). Thus total reserves exceeded by far twofold the paid-up capital and the total equity (capital and reserves) reached nearly JD (40.8) million. This has strengthened the financial soundness of the Bank and raised its capital adequacy ratio calculated according to Basle Committee standards (BIS ratio) to (15.1%)\* which by far exceeds the minimum required BIS ratio. i.e (8%).

Table 1  
**Growth in the Main Items of Balance Sheet**  
(1989-1993)  
JD million

Year	1989	1990	1991	1992	1993
Cash, at banks and other liquid assets	172.8	204.2	413.9	525.8	358.4
Total loans and credit facilities**	323.4	330.5	334.1	383.1	443.1
Equity shareholdings	16.9	21.8	28.3	28.5	31.2
Real estate investments	32.0	31.3	30.0	28.1	26.8
Deposits	434.0	487.9	704.7	841.0	745.5
Capital and reserves (Shareholders' equity)	29.6	31.2	33.0	36.1	40.8
Net profit (after tax)	3.42	3.67	3.52	4.84	6.64
<b>Total assets / liabilities</b>	<b>561.5</b>	<b>607.2</b>	<b>821.8</b>	<b>991.2</b>	<b>891.9</b>

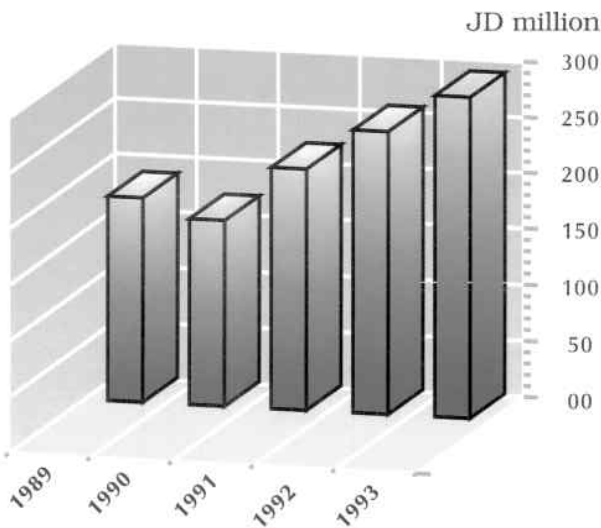
\* Adjusted according to the standard applied by the Central Bank of Jordan.

\*\* Includes loans granted to the Housing and Urban Development Corporation which are financed by advances from the Central Bank of Jordan and amounted to JD (45.9) million at the end of 1993.

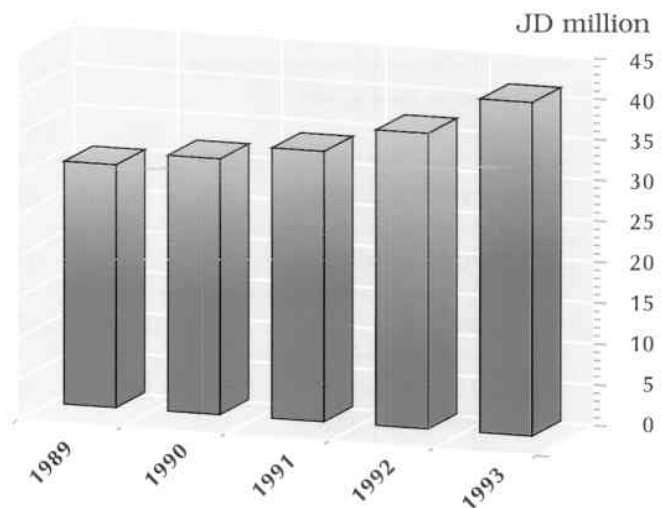
## Deposits

The Bank exerted, during 1993, intensive efforts to attract more local deposits and savings. Due to increased confidence the Bank enjoys among citizens and institutions, the diversified and developed services it offers to clients, the efficient techniques employed by the Bank for savings mobilization and its large branch network, the efforts achieved their targets. The balance of local currency deposits at the Bank (interbank deposits excluded) rose from JD (526.8) million as of the end of 1992 to reach JD (578.2) million at the end of 1993, an increment of JD (51.4) million or (10%). This increment formed nearly (13.6%) of the total increase in local currency deposits at all licensed\* banks in 1993 which amounted to JD (377.8) million.

Savings deposits in Jordanian Dinar had the largest share of such increment whereby their balance rose from JD (252.3) million as of the end of 1992 to JD (286.9) million at the end of 1993, an increment of JD (34.6) million or (14%), while the balance of savings deposits in Jordanian Dinar at all other banks combined reached (253.2) million at the end of 1993. So the balance of savings deposits at the Housing Bank exceeded the balance at all other banks combined by JD (33.7) million.



Growth of Savings Deposits 1989-1993

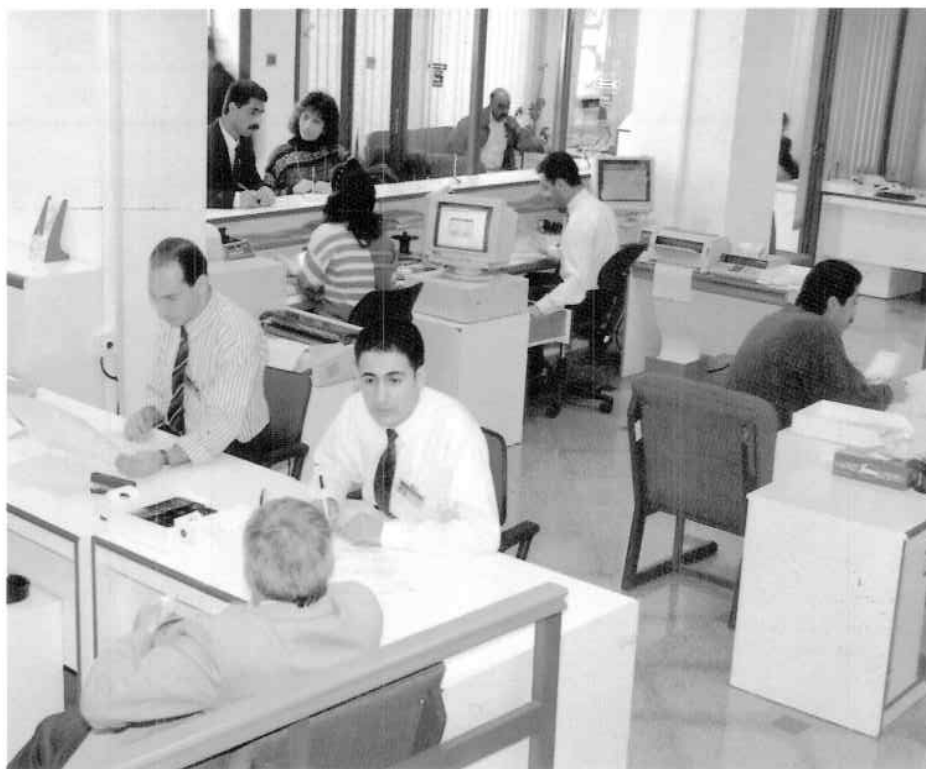


Growth of Shareholders Equity 1989-1993

\* Includes commercial and investment banks as well as the Housing Bank, as mentioned in the monthly statistical bulletin - Central Bank of Jordan, December 1993.

Savings accounts at the Housing Bank enjoy many benefits and incentives in addition to many cash prizes, whose number is (5,105) prizes granted monthly through regular lottery drawings, totalling JD (87,500) with the grand prize amounts to JD (25,000). Thus total number of prizes which the Banks currently offers to savings accounts holders is (61,260) prizes every year with a total value exceeding JD one million. It is worth mentioning that total number of winners of savings accounts prizes up to the end of 1993 reached (399,908) savers and they won prizes totalling JD (7.5) million.

As a result of stability of Jordanian Dinar exchange rate, the improvement of economic conditions and investment climate in Jordan as well as the low interest rates on foreign currencies deposits compared to JD interest rates, individual and institutional confidence in JD has increased. Some foreign exchange depositors converted their deposits to JD and invested them as JD deposits or in Amman stock exchange or in different projects, or used them to settle outstanding obligations. During 1993, some foreign exchange deposits were withdrawn from the Housing Bank for those reasons which made the balance of such deposits decrease from the equivalent of JD (314.1) million as of the end of 1992 to around JD (167.4) million at the end of 1993. Consequently, the total deposits balance at the Bank decreased from JD (841) million as of the end of 1992 to JD (745.5) million at



Wadi Saqra  
Branch:  
Diversified Bank-  
ing Services in a  
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the end of 1993. Thus total assets/liabilities also decreased from JD (991.2) million at the end of 1992 to JD (891.9) million at the end of 1993.

Table No. 2

**The growth of savings deposits (in Jordanian Dinar) at the Housing Bank compared with all other licenced banks combined in Jordan.**

**(1989 - 1993)**

JD million

Year	Savings Deposits in JD			
	Balance		Amount of Increase (Decrease)	
Item	The Housing Bank	Other Licensed Banks	The Housing Bank	Other Licensed Banks
1989	181.8	150.6	(32.3)	(1.2)
1990	165.1	137.3	(16.7)	(13.3)
1991	214.9	196.2	49.8	58.9
1992	252.3	216.7	37.4	20.5
1993	286.9	253.2	34.6	36.5

## Loans and Credit Facilities

During 1993 the Bank continued offering more loans and credit facilities to meet the increased demand on housing and development finance to individuals and institutions. The strong demand on housing and real estate loans continued during 1993 as a reflection of continued construction boom which the Kingdom witnessed since mid 1991.

Although lending activity at the Housing Bank was affected directly by the measures which the Central Bank of Jordan applied in the second half of 1993 which aimed to control credit and direct it within proper limits in accordance with economic adjustment program, the amount of loans and credit facilities which the Bank granted in 1993 for various housing, real estate and development objectives noticeably increased and reached JD (189) million against JD (170.1) million, an increment of JD (18.9) million or (11%).

The Central Bank of Jordan's approval to the Housing Bank to partially practice direct commercial banking activities as of the beginning of 1994 within specific arrangements is considered a step towards full fledged bank which the Bank



The Housing Bank  
Finances Different  
Productive  
Projects

seeks to become to be able to respond to its clients needs of banking finance for various purposes, including granting commercial loans, advances and bills as well as documentary credits and granting development loans for various purposes in accordance with the Central Bank of Jordan's instructions and arrangements in this regard. This step will enable the Bank to continue offering cross subsidy for low and medium - income group's housing loans and granting such loans at affordable terms and subsidized interest rates which are less than prevailing rates in the banking market. It will also enable the Bank to continue offering required finance for housing projects which the Housing and Urban Development Corporation, various housing funds and housing cooperatives execute. In addition it will continue offering finance for productive and development projects in various fields of Jordanian economy which contributes to providing job opportunities and increasing national production and exports to replace imports.

The Bank continued during 1993 financing low and medium - income groups' housing projects. It participated during 1993 in financing many housing projects including those which the Housing and Urban Development Corporation executes for low income groups. In this regard, the Bank agreed to increase the

The Housing Bank is a Major Source of Finance for Housing and Urban Development Projects





amount of the loan previously granted to Housing and Urban Development Corporation with JD (2) million which makes the total amount of the loan, directed to finance the second Urban development project reach JD (12) million.

To enable the Corporation to continue executing its housing projects, the Bank renewed during 1993 the granted loan for (5) additional years. Also the Bank continued granting subsidized interest rate loans at affordable terms directly to low and medium - income groups including the beneficiaries of Housing and Urban Development Corporation's projects as a contribution to enable this category of citizens own a decent house which suits their financial capacity.

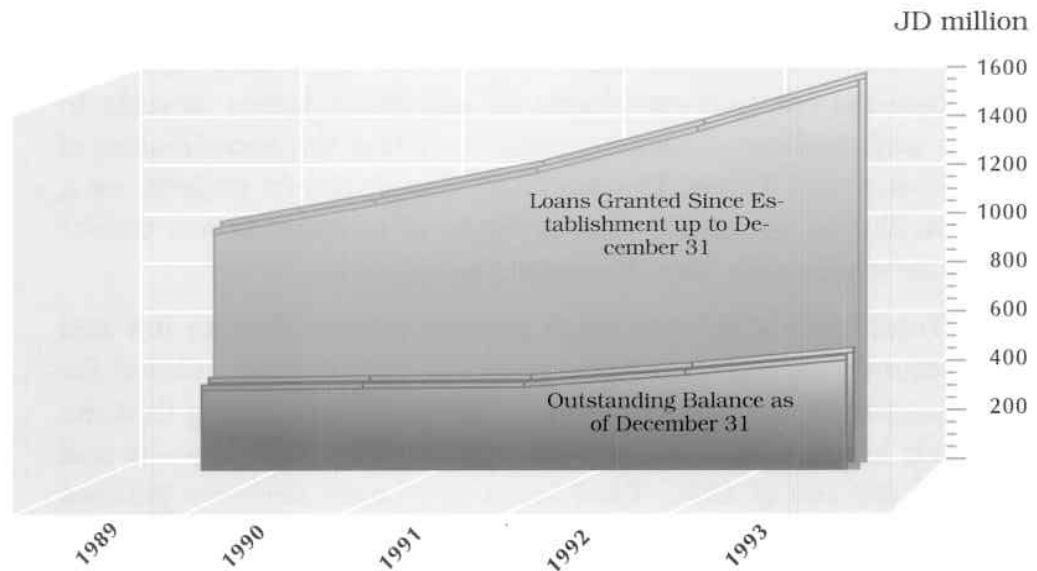
Total loans which the Bank granted during 1993 for low and medium - income groups reached JD (10) million utilized for financing (1,819) housing units. It is worth mentioning that the Bank has granted (72,585) loans since its establishment and until the end of 1993. Total loans and credit facilities granted for housing, real estate and various development objectives reached JD (1,565) million, of which JD (774) million for housing and real estate objectives utilized for financing (113,746) housing units.

Low and medium - income groups' share of these loans reached JD (270) million used in financing (54,374) housing units or (48%) of total financed units. The Bank still charges only (7%) rate per annum on loans granted to low and medium - income groups. This rate includes borrowers' life insurance premium in accordance with the written regulations adopted by the Bank for this purpose.

In its endeavor to encourage investment and provide development finance to individuals and institutions as a participation in the general efforts to activate national economy, the Bank continued granting loans to finance vocational and small investors' projects, whether new or old ones, which need to raise production capacity. Under this program, the Bank grants loans at affordable terms.

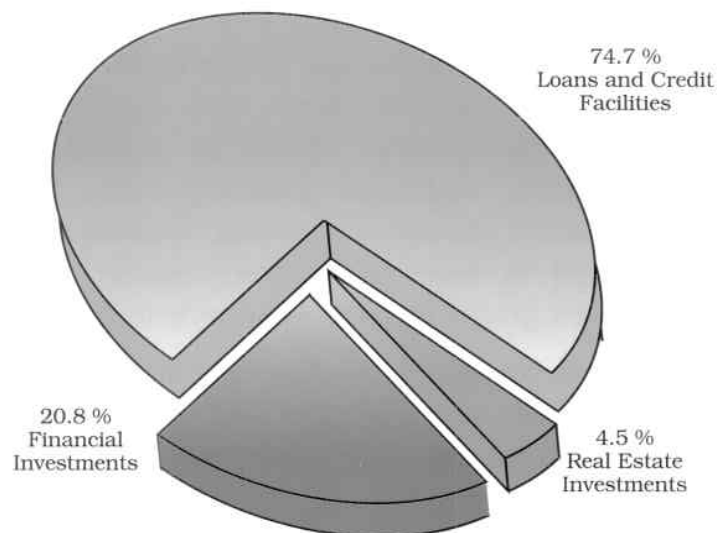
The Bank also continued offering development finance to public and private corporations and institutions as a contribution to financing the programs and projects of economic and social development. In this regard, the Bank extended loans totaling JD (27.5) million during 1993.

In addition to repayments of outstanding loans which exceeded nearly JD (114) million, the balance of outstanding loans and credit facilities amounted to JD (443.1) million at the end of 1993 as compared with JD (383.1) million at the end of 1992, a net increase of JD (60) million.



**Growth of Loans and Credit Facilities 1989-1993**

The Bank is proud that its loan portfolio is covered by solid collaterals and guarantees which makes it one of the best portfolios in the Jordanian banking market. This demonstrates a proof of the successful and sound lending policies, accuracy of lending procedures, and efficiency of the Bank's collection system.



**The Bank's Investments at the end of 1993**

Table No. 3

**Major Indicators of the Bank's Lending Activities (1974 - 1993).**

Item	Year	1974-1990 Accumulative	1991	1992	1993	Total
1. Amount of granted loans and credit facilities (JD million)	a: Various housing and mortgage loans	562.2	40.7	92.0	78.7	773.6
	b: Development loans	177.8	16.7	14.3	27.5	236.3
	c: Credit facilities for housing and other development purposes	335.9	72.3	63.8	82.8	554.8
Grand total (a+b+c)		1,075.9	129.7	170.1	189.0	1,564.7
2. Number of granted loans		48,344	7,003	9,068	8,170	72,585
3. Number of units financed by the Bank classified by purpose	a: Construction and / or completion and / or expansion of buildings	71,183	2,857	4,899	4,825	83,764
	b: Purchase and / or maintenance of buildings	14,511	1,413	5,821	6,570	28,315
	c: Purchasing plots and constructing buildings	450	436	735	46	1,667
	Total number of units financed	86,144	4,706	11,455	11,441	113,746
4. Building area financed by the Bank (000' sq. m)	a: Construction and / or completion and / or expansion	9,477	428	834	757	11,496
	b: Purchasing and / or maintenance	2,069	207	836	950	4,062
	c: Purchasing plots and constructing buildings	68	63	110	6	247
	Total building area financed by the Bank	11,614	698	1,780	1,714	15,806
5. % of constructed and / or expanded and / or completed building area which the Bank financed out of total licensed area in the Kingdom		28%	10%	13%	18%	24%

## Other Banking Services

During 1993, the Bank continued offering its customers all banking services which include letters of credit, issuing guarantees, transfers, traveler's cheques, and foreign exchange in accordance with the Central Bank's regulations.

The Bank added in 1993 to the list of services it offers to its customers new services which are not available in the Jordanian Banking market. The Bank started issuing certificates of deposit in US Dollars which makes it the first bank in Jordan that offers such a service. The Bank introduced this new instrument hoping that it may be a base for a foreign currencies' monetary secondary market which helps to introduce new investment instruments and opportunities that replace or complement deposits market. These certificates enjoy tempting incentives and advantages such as higher interest rates than the rates on term deposits. Also the Housing Bank undertakes to pay the value of these certificates or liquidate them any time before maturity date for those who wish to do so in accordance with certain arrangements. It is worth mentioning that these certificates are issued in various categories to attract all savers and investors regardless of the amount of these certificates. Also there is no restrictions on issuing these certificates to various customers either residents or nonresidents.

The Bank also originated during 1993 "The Housing Bank's foreign investment fund" in foreign currencies, which is an investment instrument that only the Bank has originated, developed and offered to its customers. Nonresident customers can participate in this fund which is considered as a form of organized collective investment like that prevalent in the developed countries. It is worth mentioning that the Bank manages this Fund on behalf of customers at their own liability. The Bank doesn't guarantee the invested funds or their return, but it makes its utmost effort to achieve the maximum possible return to participants in the fund through a specialized management from the Bank that cooperates with the most efficient and famous investment portfolio management institutions and international investment houses, which permit the Fund to enter various international financial markets and deal with different investment instruments.

The nominal value of one share of the Fund amounts to US Dollars 100. Any nonresident customer may participate with any number of shares which is a procedure that suits all investors' categories. The Fund's management, seeks to achieve a

rate of return on investment that exceeds the prevailing interest rates on deposits in US Dollars through pursuing an investment policy based on diversifying investment fields as well as investment markets to include all main financial markets in the world.

The Bank also expanded its correspondent banks network abroad. By the end of 1993, the total number of correspondent banks reached (229), covering most regions of the world which helps the Bank to provide services to clients in a way that enables them to accomplish their commercial and banking business quickly and easily.

## Computer

In its continuous attempt to improve speed and quality of services offered to its customers, and to establish a database in accordance with the most recent techniques used in the developed banking markets, the Bank continued during 1993, preparing the main frame, developing retail system, establishing the central database, and developing branch and ATM systems to serve all its customers. The Bank started experimenting these systems in Shmeisani branch since February 6, 1993 where they proved their efficiency and improved speed and quality of services offered to customers in new and distinguished style. Also they improved the work efficiency in the branch.



Computer Main Frame: Up to Date Technology for Automation of All Banking Operations

In view of the success of the new systems and their efficiency, the Bank started since mid 1993 executing the second phase of the comprehensive automation project which includes developing retail system and branch system to be applied in big branches including the Main branch. This phase also includes developing most of the remaining banking systems of direct relation with customers, as well as establishing complete communication network which will link all the Bank's branches with the main frame and applying the systems in a number of branches. Total number of branches applying the new systems reached 7 branches during 1993.

During 1994, the Bank aims to complete the second phase of automation project. Total number of branches using the new systems and linked with main frame will reach (30) branches including the Main branch. Operating ATMs will reach (9) and will offer service to all customers.

During 1994, the Bank will also complete developing loans, guarantees and bills systems which will enable it to replace old-fashioned systems with new ones. The Bank will also complete the main communication network project which will link all branches with the main frame.

ATM: Fast and Easy Deposit and Withdrawal Operations, Day and Night



The Bank will develop and offer, during 1994, new services such as phone bank through which clients will be able to inquire about their accounts by telephone, as well as the service of centrally auditing clients' signatures through communication network which enables branches to obtain the client's signature at computer screen once they make an inquiry, thus enable them to serve clients quickly and efficiently. Moreover, the Bank will participate in international SWIFT system which facilitates the communication between the Bank and the correspondent banks abroad and make it possible to immediately transmit transfers to correspondent banks, thus speeding action and cutting costs.

### **Staff Training**

In its continuous policy to develop and update its staff's skills and knowledge in order to raise the level of their competence and productivity, the Bank-based Training Center continued its intensive training activity during 1993. In this regard the Bank provided (1,867) training opportunity to employees from various managerial levels. The training courses covered various managerial, banking and finance fields in addition to computer science.



Training, a  
Continuous and  
Developing  
Process

The Bank's policy aims at developing and raising its staff academic qualifications, therefore the Bank nominated a number of its employees to get diploma, bachelor and master degrees in managerial and banking sciences in Jordan and abroad. The Bank also qualified a number of its employees to attend CPA exam in the United States of America after preliminary qualifying them through a special training course held at the Bank - based training center for eight months, then through attending a five week training course with a well known American institution in USA.

Local and Arab institutions continued participating in training courses which the Bank - based Training Center held. During 1993, the number of such employees reached (61) from various managerial levels.

Table (4)

**The Development of the Bank's Training Activities  
( 1989 - 1993 )**

Item	Year	Number of Participants				
		1989	1990	1991	1992	1993
Training programs held at the Bank-based Training Center		1,218	1,001	1,098	1,104	1,632
Training programs held in collaboration with specialized local training institutions		97	156	111	108	140
Training programs held in Arab and foreign countries		56	44	9	70	95
Seminars		2,035	1,874	1,706	1,406	1,769
High diploma program		2	1	--	--	--
Master program		--	3	1	3	4
CPA training course		--	--	--	--	8
<b>Total</b>		<b>3,408</b>	<b>3,079</b>	<b>2,925</b>	<b>2,691</b>	<b>3,648</b>



## The Bank's Branches

As a continuation of the expansionary policy followed by the Bank with the intention of providing services to citizens in various parts of the Kingdom, the Bank opened (4) new branches in 1993. It added a new dimension to its branching strategy by opening the Children Branch at Haya Cultural Center in Amman. Her Majesty Queen Nour Al-Hussein inaugurated this branch in August 15, 1993. The opening of the Children Branch was a unique initiative by the Housing Bank. The Bank aims from this leading step to plant saving habit and develop banking consciousness and culture in the new generation through training children on practicing few banking operations in an easy and simplified method and mixing the branch activities within the subjects of general culture which Haya Cultural Center provides to children.



Her Majesty  
Queen Nour Inaugurates the Children Branch

In addition to the Children Branch, the Bank opened another (3) branches in 1993. These are :

Wadi Saqra / Amman, Al Kasr/Karak, and Sheidieh / Ma'an.

Thus total number of the Bank's operating branches reached (111) at the end of 1993, which accounts for (28%) of the total combined number of other Banks' branches in the Kingdom.

It is worth mentioning that the Bank has applied to the Central Bank of Jordan to open branches in West Bank and Gaza Strip. The Bank hopes to obtain the agreement of the competent authorities to start offering its banking services to these regions.

### **Real Estate Investments**

In addition to the Bank's real estate investments, the most distinguished of which are the Housing Bank's Commercial Centre, Forte Grand Hotel, Shabsough and Prince Mohammad Street Complexes in Amman which the Bank and Jordan Investment Corporation own equally, and the Bank's complexes in Zarqa and Aqaba, the Bank owned and constructed a number of buildings during 1993. Part of these buildings will be specified for the Bank's use, while the other part will be used as stores and offices for rent. These buildings include :

#### **1 - Bonded Warehouse in Amman Industrial city / Sahab**

The Bank has charged a local engineering office to design the building that will be constructed on the land which the Bank owns in Amman Industrial City / Sahab with an area of (18,886) sq.m. The building will be used as bonded warehouse and consists of a warehouse with an area of (2,400) sq.m. in addition to management and customs offices with an area of (500) sq.m. and paved yards with an area of (5,000) sq.m. It is expected that the tender will be awarded and execution commences during the first quarter of 1994.

#### **2 - The Bank purchased a building in Al Hassan Industrial City in Irbed from Jordan Industrial Estate Corporation with an area of (213) sq.m. The building will be used as a premises for the Bank's new branch that will be inaugurated during 1994.**

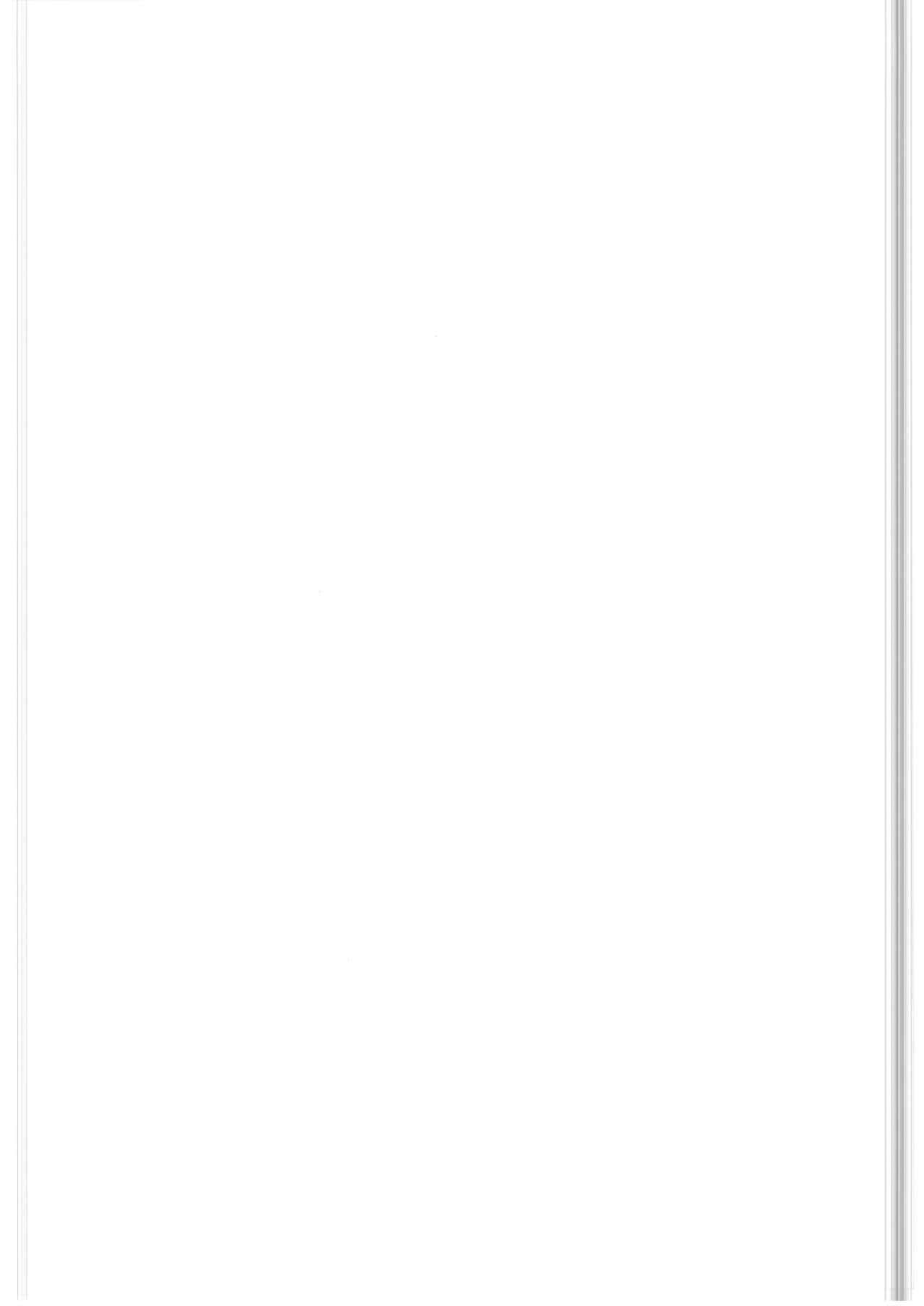
### 3 - The Bank's Building in Irbed.

During 1993, a local construction company was awarded a contract to construct the Bank's building in Irbed and the company started executing the project. The building consists of :

- Parking, warehouses and underground fortified rooms with a total area of (4,280) sq.m.
- A commercial building (separate building) which consists of four flats with an area of (300) sq.m per each. The building will be utilized as stores and offices for rent.
- A building for the Bank's use which consists of four flats with a total area of (1,000) sq.m. and will be used as a head office of the regional management of the Bank's branches in the North area as well as a premises for a new branch.



Maquette of the  
Bank's Building  
in Irbed



# Auditors' Report

To the Shareholders of The Housing Bank  
Amman - Jordan

We have examined the balance sheet of The Housing Bank (a public shareholding company established by special decree) as of December 31, 1993 and 1992 and the related statements of profit and loss as well as sources and applications of funds for the years then ended. Our audit was carried out in accordance with international audit standards and included tests which are considered necessary for purposes of our audit such as those of the accounting records and the internal control system. We also obtained all information and notes which we considered necessary for our audit.

The Bank keeps regular and duly organized accounting records and the attached statements are in complete conformity with these records.

In our opinion, the accompanying financial statements fairly present the financial position of The Housing Bank as of December 31, 1993 and 1992, the results of its operations, and the sources and applications of its funds for the years then ended in accordance with The Bank's law and the international accounting procedures.

We recommend that the General Assembly of shareholders approves these financial statements.

Amman - Jordan  
January 31, 1994

**Saba & Co.**

# Balance Sheet As At December 31, 1993, 1992

	December 31	
	1993 JD	1992 JD
<b>Assets</b>		
- Cash, at Banks and Other Banking Institutions (Note 3)	146,270,388	178,163,178
- Balances at the Central Bank of Jordan (Note 4)	123,700,525	266,232,062
- Investments in Bonds & Treasury Bills (Note 5)	88,415,550	81,435,450
- Foreign Investment Fund (Note 6)	3,520,000	---
- Loans and Credit Facilities - Net After Provision for Doubtful Debts and Interest in Suspense (Note 7)	443,076,067	383,084,117
- Investment Securities - Net After Provision for Decline in Value of Securities (Note 8)	31,179,966	28,455,577
- Real Estate Investments Less Depreciation (Note 9)	26,831,380	28,089,136
- Fixed Assets Less Depreciation (Note 10)	10,769,825	6,873,719
- Other Assets (Note 11)	18,158,176	18,907,455
<b>Total Assets</b>	<b>891,921,877</b>	<b>991,240,694</b>
<b>Liabilities and Shareholders' Equity</b>		
- Customers' Deposits (Note 12)	745,541,630	840,985,007
- Deposits of Banks and Other Banking Institutions (Note 13)	18,146,294	18,186,926
- Borrowings from Banks (Note 14)	49,615,282	51,122,469
- Cash Margins (Note 15)	5,294,382	14,650,396
- Various Provisions (Note 16)	5,300,297	7,699,456
- Dividends Proposed for Distribution (Note 17)	1,820,000	1,700,000
- Other Liabilities (Note 18)	25,413,834	20,830,282
<b>Total Liabilities</b>	<b>851,131,719</b>	<b>955,174,536</b>
Shareholders' Equity (Note 19) :		
- Paid - up Capital	12,000,000	12,000,000
- Statutory Reserve	6,141,469	5,382,469
- Special Reserve	22,438,669	18,473,669
- Other Reserves	210,020	210,020
<b>Total Shareholders' Equity</b>	<b>40,790,158</b>	<b>36,066,158</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>891,921,877</b>	<b>991,240,694</b>

The Accompanying Notes Constitute an Integral Part of These Statements

**Abdullah Al-Obaid**  
Vice Chairman

**Zuhair Khouri**  
Chairman

# Statement of Profit, Loss And Distribution

## For the Years Ended December 31, 1993, 1992

	1993 (JD)	1992 (JD)
- Interest Earned (Note 20)	45,632,459	41,451,122
- Received Commissions (Note 21)	7,199,648	5,801,362
<b>Total Interest and Commissions Earned</b>	<b>52,832,107</b>	<b>47,252,484</b>
<b>Less:</b> Interest Paid (Note 22)	<b>37,172,035</b>	<b>35,338,675</b>
<b>Net Interest and Commissions</b>	<b>15,660,072</b>	<b>11,913,809</b>
<b>Add:</b> Interest and Earnings from Securities Portfolio (Note 23)	10,475,719	9,104,678
Foreign Exchange Earnings (Note 24)	1,217,531	1,486,629
Other Income (Note 25)	5,069,298	3,963,563
<b>Less:</b> Provision for Doubtful Debts	2,250,000	---
Provision for Decline in Value of Shares	150,000	---
Other Provisions	680,000	3,872,903
General and Administrative Expenses (Note 26)	21,752,635	16,628,217
<b>Net Profit Before Tax</b>	<b>7,589,985</b>	<b>5,967,559</b>
<b>Income Tax (Note 27)</b>	<b>950,000</b>	<b>1,127,097</b>
<b>Net Profit After Tax</b>	<b>6,639,985</b>	<b>4,840,462</b>
<b>Appropriation:</b>		
- Statutory Reserve (Note 19)	759,000	596,775
- Special Reserve (Note 19)	3,965,000	2,461,000
- Board of Directors' Remuneration	8,250	8,250
- Contribution to Housing Bank Employees' Children Education Fund & Employees' Club	11,835	14,760
- Contribution to Scientific Research & Vocational Training Institutions	75,900	59,677
- Dividends Proposed for Distribution (Note 17)	1,820,000	1,700,000
<b>Total</b>	<b>6,639,985</b>	<b>4,840,462</b>

The Accompanying Notes Constitute an Integral Part of These Statements.

# Statement of Sources And Application of Funds

## For the Years Ended December 31, 1993, 1992

	1993 (JD)	1992 (JD)
<b>Funds Provided:</b>		
Net Income After Tax	6,639,985	4,840,462
<b>Add:</b> Depreciations, Amortizations and Provisions	6,416,164	6,445,448
<b>Total Funds Provided From Operations</b>	<b>13,056,149</b>	<b>11,285,910</b>
<b>Increase in:</b>		
Customers' Deposits	---	187,100,126
Miscellaneous Deposits	---	10,406,386
Other Liabilities	4,563,467	1,636,004
<b>Decrease in:</b>		
Cash and at Banks and Other Banking Institutions	31,892,790	2,162,714
Balances at the Central Bank of Jordan	142,531,537	---
Investments in Bonds and Treasury Bills	---	11,292,400
Real Estate Investments	---	335,393
Other Assets	48,052	---
<b>Total Funds Provided</b>	<b>192,091,995</b>	<b>224,218,933</b>
<b>Funds Applied :</b>		
<b>Increase in:</b>		
- Investments in Bonds and Treasury Bills	6,980,100	---
- Foreign Investment Fund	3,520,000	125,411,078
- Balances at the Central Bank of Jordan	---	48,951,877
- Loans and Credit Facilities	62,241,950	106,355
- Investment Securities	2,874,389	---
- Real Estate Investments	343,691	2,899,493
- Fixed Assets - Net	4,929,596	1,580,000
- Dividends Proposed for Distribution	1,700,000	5,385,254
- Other Assets	---	---
<b>Decrease in:</b>		
- Customers' Deposits	95,443,377	---
- Deposits of Banks and Other Banking Institutions	40,632	32,598,333
- Borrowings From Banks	1,507,187	6,950,989
- Miscellaneous Deposits	9,356,014	---
- Various Provisions	3,155,059	335,554
<b>Total Funds Applied</b>	<b>192,091,995</b>	<b>224,218,933</b>

The Accompanying Notes Constitute an Integral Part of These Statements.



# Notes to the Financial Statements

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## 1 - General

a - The Housing Bank (a public shareholding company) has been established in accordance with the special law No. 4 of 1974. The head office of the Bank is in Amman - The Hashemite Kingdom of Jordan, and it may establish branches and offices and appoint agents and correspondents within the Kingdom and abroad. The Bank is a financially and administratively autonomous corporate body and the provisions of the companies law in force in the Kingdom apply to the Bank to the extent that such provisions do not conflict with the provisions of the Bank's law or of any regulations enacted thereunder.

### b - Objects of the Bank :

The objects of the Bank are to promote construction and development activities in the Kingdom in accordance with general needs of citizens and with the Government development plans. In particular the Bank endeavours to realize the following goals :-

- 1 - Promoting the erection, completion or expansion of residential houses, as well as housing or commercial buildings.
- 2 - Encouraging savings for housing by all possible ways and means.
- 3 - Encouraging the establishment and formation of housing cooperative societies, housing funds and savings and loans societies for housing purpose.
- 4 - Encouragement of the adoption of model standard specifications and measurements for buildings and building materials with a view to creating an industry for the manufacture of standard prefabricated building materials, and to the reduction of building costs.
- 5 - Promoting the establishment of factories and plants for manufacturing building materials.

The Bank carries out all activities as maybe necessary to achieve its objects through its branches network all over the Kingdom on a commercial basis to enable it to cover its expenses and other liabilities from its own resources. It is worth mentioning that the Board of Directors of the Central Bank of Jordan has agreed to allow the Housing Bank to partially practice direct commercial banking activities as of the beginning of January, 1994.

c - Jordanian Government Guarantees :

The Government unconditionally guarantees the obligations of the Bank towards third parties.

**2 - Major Accounting Policies**

a : General

- The financial statements are prepared on the basis of historical cost and in accordance with laws and regulations of the Central Bank of Jordan and the prevailing banking customs as well as international accounting practices.
- The accompanying financial statements represent the consolidated statements of the Bank's branches in Jordan. Interbranch transactions and balances have been excluded, but transaction in transit among branches at the end of the year have been included within the item "other assets" in the attached balance sheet.
- Attached financial statements were prepared according to the form provided by the Central Bank of Jordan.

b : Revenues Realization.

- Interests and commissions are realized on accrual basis while dividends from equity shareholding are added to revenues when received.
- Interests on doubtful credit facilities are suspended and they are not included within income.

c : Real estate investments and the Hotel's fixed assets are stated at cost. Depreciation is being computed according to the straight line method (except land) at annual rates ranging from 2% to 12%.

d : Fixed assets are stated at cost value. Depreciation is being computed according to straight line method (except land) at the following annual rates :

Buildings	2%
Safes	8%
Computer	14%
Furniture and decorations	15%
Vehicles and equipment	20%

e : Foreign currencies transactions that were carried out during 1993 were recorded at the prevailing rate at the dates of those transactions. Assets and liabilities in foreign currencies were translated into JD at the medium rate announced by the Central Bank of Jordan at the end of 1993. Discrepancies resulting from the evaluation were taken to the Profits and Loss Account.

f : Securities Portfolio :

- Investment securities portfolio of marketable and non marketable shares (including subsidiaries and affiliates) are stated at cost. A provision for untemporary decline in their market value at the end of 1993 appears deducted from the item "Securities Portfolio in the attached balance sheet. The provision account is debited with any loss in securities value.
- Foreign Investment Fund Portfolio is stated either at cost or market value which is less. This portfolio is treated as one basket and evaluated at the prevailing exchange rates at the year end. Profit or loss resulting from the evaluation is taken to the Profit and Loss Account.
- Investments in bonds, treasury bills and corporate bonds which the Bank intends to keep until maturity date are stated at cost, adjusted by amortizing premium or discount from buying date until maturity date, on the basis of equal installments. A provision for any decline in their value is taken.
- Equity investment in nonmarketable shares is evaluated based on book value in accordance with the latest audited financial statements and their fair value and earning ability.
- Profits and loss resulting from investments sale are taken to the Profit and Loss Account when the sale transaction is accomplished.

g : Doubtful Debts Provision :

A provision for doubtful loans and credit facilities is taken based on a special study of these debts according to their guarantees and the ability to collect additional amounts from debtors and guarantors. A general provision is taken against other loans and credit facilities to face their general risks which may appear in the future, in accordance with the Central Bank of Jordan's instructions. Profit and Loss Account is debited with these provisions.

h : Employees Service Termination Provision :

On the date of the balance sheet, a provision for lawful and contractual obligations related to employee service termination or social security is estimated based on the accumulated service term of employees, in accordance with the Bank's personnel regulations. This provision is transferred to employees end of service indemnity fund. Any compensations for employees is spent through this fund.

i : Taxes ;

Income tax provision is estimated under amended income tax law No. 4 of 1992 which states that the Bank's income and earnings from residential loans and credit facilities are exempted from tax while other income and earnings would be subject to tax with effect from the year 1991, after deducting losses which may result from residential loans.

j : Real Estate and Other Assets :

Lands and real estates for sale, which the Bank owns in settlement of clients debts are stated at cost within the item "Other Assets" in the attached balance sheet. When these assets are sold, discrepancies between book and sale value appear as profit or loss from major operations, for the fiscal period in which the sale was accomplished.

k : The establishment expenses are amortized at the rate of 20% per annum.

l : Contra Accounts :

Contra accounts appear in the attached notes with their total amounts. Their received cash margins against emergent risks appear within the liabilities in the attached balance sheet.

### **3 - Cash, at Banks and Other Banking Institutions**

This item represents cash at branches and current, notice and fixed accounts at banks in Jordan and abroad, detailed as follows :

	December 31	
	1993 JD	1992 JD
Cash	7,263,110	5,806,940
Balances in Jordan	25,422,264	27,038,136
Balances abroad	113,585,014	145,318,102
	<b>146,270,388</b>	<b>178,163,178</b>

#### 4 - Balances at the Central Bank of Jordan:

a : This item includes certificate of deposits with the amount of JD 45,180,000 as of the end of 1993, detailed as follows :-

	<u>December 31</u> <u>JD</u>
Certificate of Deposits - Local currency for three months	1,500,000
Certificate of Deposits - Local currency for six months	12,000,000
Certificate of Deposits in US Dollars for one year	10,560,000
Certificate of Deposits in US Dollars for two years	21,120,000
<b>Total</b>	<b>45,180,000</b>

b - This item includes statutory reserve amounted to JD 24,050,585 as of December 31, 1993. It is not allowed to withdraw from this reserve except by a written approval from the Central Bank of Jordan.

#### 5 - Investments in Bonds and Treasury Bills :

This item is made up of the following :

	<u>December 31</u>	
	<u>1993</u> <u>JD</u>	<u>1992</u> <u>JD</u>
- Jordanian Bonds and Treasury Bills	59,980,000	50,480,000
- Jordanian Development Bonds	18,731,470	18,731,470
- Government and Government-Backed Corporate Bonds	9,704,080	12,223,980
	<b>88,415,550</b>	<b>81,435,450</b>

Bonds and Treasury bills mature during 1994 and 1995. Development bonds mature during the period from 1994 until 2002, while government-backed corporate bonds mature during the period from 1994 until 2001 with an interest rate of 5% - 10%.

#### 6 - Foreign Investment Fund

This Fund represents a collective investment portfolio without private equity. It was established in cooperation with major international institutions in accordance with foreign ex-

change control regulations, and the Central Bank of Jordan's laws and regulations. This Fund is considered as an opportunity to invest in main international financial markets for all non resident present and prospective clients.

The Bank manages the Fund aiming to achieve the best results and returns but on customers' own liability. The Bank is not responsible of any loss or depreciation in market value of the Fund's portfolio. The investor in the Fund irrevocably undertakes to bear all risks resulting from investment in the Fund.

Subscription to the Fund commenced since the beginning of December, 1993 and closes by February 28, 1994. By March 1st., 1994 the number of investment units will be decided (not less than US Dollars 5,000,000). Nominal value of a unit is US Dollars 100, and minimum investment allowed to is one unit. The Fund's term is three years, and its basic currency is US Dollar. The market value of Foreign Investment Fund equals JD 3,653,932 as of December 31, 1993.

## 7 - Loans and Credit Facilities :

a : This item is made up of the following :

	December 31	
	1993 JD	1992 JD
- Bills Discounted	12,603,912	12,992,711
- Utilized Loans and Advances	398,582,479	334,868,332
- Loans to the Housing and Urban Development Corporation Financed by Advances From Central Bank of Jordan	45,900,000	46,600,000
	<u>457,086,391</u>	<u>394,461,043</u>
<b>Less :</b> Balance of Interest in Suspense	5,007,524	4,624,126
	<u>452,078,867</u>	<u>389,836,917</u>
<b>Less :</b> Provision for Doubtful Credit Facilities	9,002,800	6,752,800
<b>Net Loans and Credit Facilities</b>	<b>443,076,067</b>	<b>383,084,117</b>

b - Details of the changes in provision for doubtful credit facilities during 1993 are as follows :-

	December 31	
	1993 JD	1992 JD
- Balance at the beginning of the year	6,752,800	5,757,936
- Increase of the provision during the year	2,250,000	1,000,000*
- Others	----	(5,136)
<b>Balance at the end of the year</b>	<b>9,002,800</b>	<b>6,752,800</b>

\* From various provisions

c - Change in interest in suspense during 1993 is as follows :

	December 31	
	1993 JD	1992 JD
- Balance at the beginning of the year	4,624,126	4,727,215
<b>Add :</b> Interest in suspense during the year	835,034	359,658
<b>Less :</b> Interest in suspense on accounts settled during the year	451,636	462,747
<b>Balance at the end of the year</b>	<b>5,007,524</b>	<b>4,624,126</b>

- The amount of interest in suspense during 1993 represents total interest due on credit facilities granted to clients in accordance with the Central Bank of Jordan's instructions which require suspending interest on non performing credit facilities for six months from the date clients stop payment.
- During 1993 interests suspended on credit facilities amounted to JD 1,973,897 and were settled during the same year by adding them to income, and they were not included in the change in interest in suspense mentioned above.

d - Credit facilities are distributed on the following sectors : -

	<b>December 31, 1993</b>
	<b>JD</b>
- Construction	213,565,805
- General Trade	26,038,118
- Services and Public Utilities	4,171,375
- Industry and Mining	2,856,598
- Agriculture	664,701
- Other	209,789,794
	<b>457,086,391</b>

- All the above credit facilities are granted to clients inside Jordan.

- As of the end of 1993, balance of credit facilities guaranteed by or granted to Jordanian Government amounted to JD 170,579,921 (against JD 154,110,124 for 1992).

- As of December 31, 1993 the balance of non performing credit facilities in accordance with the Central Bank of Jordan's regulations amounted to JD 14,789,900 (against JD 13,498,201 for 1992). Their interests are not added to income.

### 8 - Investment Securities - Net

This item is made up of the following :

	<b>December 31</b>	
	<b>1993</b>	<b>1992</b>
	<b>JD</b>	<b>JD</b>
Local Companies Shares	26,602,176	23,931,544
Foreign Companies Shares	4,926,615	4,887,858
	<b>31,528,791</b>	<b>28,819,402</b>
<b>Less</b> : Provision for Decline in Value of Local Securities	348,825	363,825
<b>Net Investment Shares</b>	<b>31,179,966</b>	<b>28,455,577</b>

- At the end of 1993 equity investment in subsidiaries and affiliates i.e companies in which the Bank owns 20% of capital or more amounted to JD 11,288,522, detailed as follows :



Company	Bank's Share of Capital (%)	December 31	
		1993 JD	1992 JD
<b>Subsidiaries :</b>			
Arab Bricks and Tiles Co. Ltd	99	247,500	247,500
- Darco for Investment and Housing Co. Ltd (63% in 1992)		- -	1,340,480
<b>Sub total - Subsidiaries</b>		<b>247,500</b>	<b>1,587,980</b>
<b>Affiliates :</b>			
- Jordan Holiday Hotels Co.	31.3	1,139,600	1,139,600
- Arab Banking Corporation - Jordan	26	3,758,689	3,758,689
- Jordan International Bank / London (29.9% in 1992)	22.5	3,883,492	3,867,160
- Industrial Development Bank (35.9% in 1992)	22.4	2,096,741	3,350,507
- Jordan Payment Services Co.	22.5	112,500	112,500
- Green Oasis for Venture Agriculture (50% paid).	20	50,000	- - -
<b>Sub total - Affiliates :</b>		<b>11,041,022</b>	<b>12,228,456</b>
<b>Total Shareholdings in Subsidiaries and Affiliates</b>		<b>11,288,522</b>	<b>13,816,436</b>

- Arab Bricks and Tiles Co. (a limited liability company) was established to operate the brick and tiles factory which was eventually owned by the Bank after the liquidation of the previous Jordan Bricks and Tiles Company. Arab Bricks and Tiles Co. has leased the factory to an investor.
- On March 1st., 1993 Darco for Investment and Housing Co. (in which the Bank own 63% of capital) merged with Jordan Finance House for Development and Investment. As a result, Philadelphia Bank for Investment Co. Ltd was established and is considered the lawful successor of the two merged companies and substitute them in all their rights and liabilities without affecting creditors rights. The Bank now owns 16.8% of capital of the new company (Philadelphia Bank for Investment).

- The Outstanding balance of debts due from subsidiaries and affiliates amounted to JD 1,491,091 as of December 31, 1993 (JD 2,368,509 at the end of 1992).
- Net equity investments of nonmarketable shares amounted to JD 10,013,333 at the end of 1993 (against JD 9,270,266 in 1992). Details are as follows:

	December 31	
	1993 JD	1992 JD
Shares of local companies	5,553,522	4,746,233
<b>Less :</b> Provision for decline of their prices	157,390	363,825
Net value of local securities	5,396,132	4,382,408
Shares of foreign companies	4,617,201	4,887,858
<b>Net Investments of Nonmarketable Shares</b>	<b>10,013,333</b>	<b>9,270,266</b>

- Cost of marketable shares amounted to JD 21,358,068 as of December 31,1993 (against JD 19,185,311 in 1992) whereas their market value amounted to JD 49,696,519 as at the end of 1993 (against JD 39,157,999 in 1992).
- As of December 31,1993 the total uncalled capital of the Bank's shareholdings amounted to JD 2,613,125 (JD 813,235 at the end of 1992).

## 9 - Real Estate Investments

This item is made up of the following:

	December 31,	
	1993 (JD)	1992 (JD)
- Land at cost	1,572,702	1,395,267
- The Commercial Centre and the Hotel's Building - Shmeisani	14,373,476	14,357,577
- The Bank's Building - Aqaba	626,517	626,517
- The Bank's Building - Zarqa	2,203,301	2,199,862
- The Bank's Building - Irbed	143,657	--
	17,346,951	17,183,956
- Furniture, decoration, equipment, finishings and other works of the Commercial Centre and the Hotel	13,138,703	13,135,442
	32,058,356	31,714,665
<b>Less:</b> Accumulated depreciation	9,176,976	7,575,529
	22,881,380	24,139,136
Shabsough and Prince Mohammad st. Complexes (50%)	3,950,000	3,950,000
<b>Total</b>	<b>26,831,380</b>	<b>28,089,136</b>

## 10 - Fixed Assets

This item is made up of :

	December 31,	
	1993 (JD)	1992 (JD)
- Land	3,254,447	2,371,874
- The Bank's Buildings	1,589,280	1,589,280
- Apartments	519,879	519,879
- Equipment Including Computers in the Main Branch and Other Branches	7,396,139	4,424,581
- Vehicles	654,658	487,758
- Furniture, Decorations and Safes	2,909,908	2,001,343
	16,324,311	11,394,715
<b>Less:</b> Accumulated Depreciation	5,554,486	4,520,996
<b>Fixed Assets - Net Book Value</b>	<b>10,769,825</b>	<b>6,873,719</b>

## 11 - Other Assets

This item is made up of :

	December 31,	
	1993 (JD)	1992 (JD)
- Advances	248,347	34,583
- Establishment Expenses After Amortization	463,083	1,340,125
- Accrued Interest and Commissions	2,699,701	2,705,835
- Premium of Bond Issue	307,148	394,344
- Prepayments to Suppliers and Contractors	2,248,597	3,235,000
- Supplies and Stationery	650,344	691,748
- Items in Transit Among Branches	3,344,286	2,521,706
- Current Assets of Forte Grand Amman Hotel	2,537,489	1,706,696
- Land and Buildings Owned by the Bank in Settlement of Debts	1,490,077	1,709,001
- Accrued Rents	1,030,318	654,994
- Other Items	3,138,786	3,913,423
<b>Total</b>	<b>18,158,176</b>	<b>18,907,455</b>

- The item of land and buildings owned by the Bank in settlement of debts includes JD 414,000 being the value of machines, equipment and buildings of Bricks and Tiles Co. which the Bank got through auction and deducted from the Company's debt due to the Bank. The Bank has leased this factory to the Arab Bricks and Tiles Co.
- According to the Bank's special law, land and buildings owned by the Bank in settlement of customers' debts should be sold within 4 years.

## 12 - Customers' Deposits

This item is made up of the following :

	December 31,	
	1993 (JD)	1992 (JD)
- Current accounts & demand deposits	95,671,861	210,847,727
- Savings deposits	289,311,084	252,460,646
- Fixed and notice deposits	358,704,908	377,676,634
- Certificates of deposits (CD)	1,853,777	-
	<b>745,541,630</b>	<b>840,985,007</b>

- Government deposits amounted to JD 60,300,657 as of December 31, 1993 (against JD 61,454,300 in 1992).
- Noninterest bearing deposits amounted to JD 100,250,798 at the end of 1993 (against JD 239,697,271 in 1992).
- Retained deposits as guarantees for credit facilities granted to customers amounted to JD 13,466,556 as of December 31, 1993.

### 13 - Interbank Deposits for Other

#### Banks and Financial Institutions

This item is made up of :

	December 31, 1993			December 31, 1992		
	Inside Jordan	Abroad	Total	Inside Jordan	Abroad	Total
	JD	JD	JD	JD	JD	JD
- Current accounts and demand deposits	5,428,852	562,308	5,991,160	2,350,816	401,518	2,752,334
- Deposits due within one year	12,032,819	122,315	12,155,134	15,335,024	99,568	15,434,592
<b>Total</b>	<b>17,461,671</b>	<b>684,623</b>	<b>18,146,294</b>	<b>17,685,840</b>	<b>501,086</b>	<b>18,186,926</b>

### 14 - Borrowing from Banks

This item is made up of :

	December 31,	
	1993 (JD)	1992 (JD)
- Amounts borrowed from the Central Bank of Jordan	48,900,000	50,800,000
- Amounts borrowed locally from Jordanian Government.	715,282	322,469
	<b>49,615,282</b>	<b>51,122,469</b>

- Above mentioned item of amounts borrowed from the Central Bank of Jordan includes advances granted to the Bank for the purpose of financing loans related to the Housing and Urban Development Corporation's projects which amounted to JD 45,900,000 (JD 46,600,000 in 1992). These loans are granted by the Bank to the Housing and Urban Development Corporation and backed by the guarantee of the Jordanian Government. It also includes an amount of JD 3,000,000 (against 4,200,000 in 1992) representing the rediscount of corporate loans guaranteed by the Government.
- Above mentioned item of amounts borrowed locally from the Government represents the balance of loans granted to the Bank by the Jordanian Government who obtained them from World Bank. The Bank rechanneled these loans to the Housing and Urban Development Corporation for financing the third urban development project.

### 15 - Cash Margins

This item is made up of :

	<b>December 31,</b>	
	<b>1993 (JD)</b>	<b>1992 (JD)</b>
- Cash margins for direct credit facilities	91,734	138,775
- Cash margins for indirect credit facilities	5,202,648	14,511,621
	<b>5,294,382</b>	<b>14,650,396</b>

### 16 - Various Provisions

This item is made up of :

	<b>December 31,</b>	
	<b>1993 (JD)</b>	<b>1992 (JD)</b>
- Income tax provision	950,000	655,000
- End of service indemnity provision	-	1,086,567
- Scientific research provision	162,650	59,677
- Other provisions	4,187,647	5,898,212
	<b>5,300,297</b>	<b>7,699,456</b>

## 17 - Dividends Proposed for Distribution

Dividends proposed for distribution amount to 160 fils per share (against 150 fils in 1992) i.e 16% in 1993 (against 15% in 1992), except for common shares for which dividend per share amounts to 60 fils in 1993 (against 50 fils in 1992). Dividend proposed is subject to the approval of the shareholders' General Assembly in the annual meeting. Details of dividends for 1993 are as follows :

	<b>JD</b>
For preference and special shareholders (16%)	1,760,000
For common shareholders (6%) in excess of 10% according to article 53 (A) of the Bank's law.	60,000
	<b>1,820,000</b>

## 18 - Other Liabilities

This item is made up of:

	<b>December 31,</b>	
	<b>1993</b>	<b>1992</b>
	<b>(JD)</b>	<b>(JD)</b>
- The Board of Directors' remuneration	8,250	8,250
- Salary accounts	8,879,817	7,185,376
- Cash margins	2,044,594	1,823,746
- Interest and commissions received in advance	981,620	1,062,745
- Accrued payable interest	3,929,119	1,960,526
- Certified cheques and accepted payable bills	1,798,261	878,063
- Liabilities of borrowers life insurance fund	854,392	962,430
- Liabilities of savings accounts lottery prizes fund	667,303	543,028
- Current liabilities of Forte Grand Amman Hotel	610,505	589,675
- Other credit balances	5,639,973	5,816,443
<b>Total</b>	<b>25,413,834</b>	<b>20,830,282</b>

## Liabilities of Borrowers Life-Insurance and Savings Accounts Lottery Prizes Funds

According to the Board of Directors' decision, accounts of Borrowers Life - Insurance Fund and Savings Accounts Lottery Prizes Fund are incorporated in the Bank's assets and liabilities. Liabilities of these funds are given within "Other Liabilities" and detailed as follows :

	December 31,			
	1993		1992	
	Borrowers Life- Insurance Fund	Savings Accounts Lottery Prizes Fund	Borrowers Life- Insurance Fund	Savings Accounts Lottery Prizes Fund
	JD	JD	JD	JD
<b>Liabilities</b>				
- Provisions for payment of prizes to winners in lottery	---	627,837	---	515,440
- Provision for decline in value of shares	11,341	---	10,000	---
- Provisions for amortization of loans due to death	461,220	---	500,000	---
- Accumulated saving	381,831	39,466	452,430	27,588
<b>Total Liabilities</b>	<b>854,392</b>	<b>667,303</b>	<b>962,430</b>	<b>543,028</b>

### 19 - Shareholders Equity :

Changes of shareholders equity during 1993 are as follows :-

	Paid-up Capital JD	Statutory Reserve JD	Special Reserve JD	Other Reserves JD	Total JD
<b>1992</b>					
Balance at year beginning	12,000,000	4,785,694	16,012,669	210,020	33,008,383
Changes during the year	---	596,775	2,461,000	---	3,057,775
<b>Balance at year end</b>	<b>12,000,000</b>	<b>5,382,469</b>	<b>18,473,669</b>	<b>210,020</b>	<b>36,066,158</b>
<b>1993</b>					
Balance at year beginning	12,000,000	5,382,469	18,473,669	210,020	36,066,158
Changes during the year	---	759,000	3,965,000	---	4,724,000
<b>Balance at year end</b>	<b>12,000,000</b>	<b>6,141,469</b>	<b>22,438,669</b>	<b>210,020</b>	<b>40,790,158</b>



## Capital

Capital is made up of:

Share Category	Subscribed & Paid-Up Capital		Authorized Capital
	No. of Shares	Amount JD	
- Ordinary Shares	1,000,000	1,000,000	1,000,000
- Preference Shares	5,000,000	5,000,000	9,000,000
- Special Shares	6,000,000	6,000,000	8,000,000
<b>Total</b>	<b>12,000,000</b>	<b>12,000,000</b>	<b>18,000,000</b>

- Under the Bank's law, special shares are issued in accordance with the Board of Directors' decision and are subscribed by institutions, establishments and individuals outside Jordan and by any government other than the Government of Jordan.
- Under the Bank's law, a minimum of 10% of net profits before tax is deducted for statutory reserve.
- Under the Bank's law, the special reserve is deducted from profits by the decision of the Bank's Board of Directors.

## **20 - Interest Earned :**

Details of this item are as follows :

	1993 JD	1992 JD
- Interest from credit facilities :-		
- Bills discounted	1,574,404	1,637,379
- Loans and advances	33,518,926	28,320,640
<b>Total interest from credit facilities</b>	<b>35,093,330</b>	<b>29,958,019</b>
- Interest from interbank accounts and others	10,539,129	11,493,103
<b>Total</b>	<b>45,632,459</b>	<b>41,451,122</b>

## 21 - Received Commissions :

Details of this item are as follows :

	1993 JD	1992 JD
- Commissions on direct credit facilities	6,506,623	4,951,263
- Commissions on indirect credit facilities	693,025	850,099
<b>Total</b>	<b>7,199,648</b>	<b>5,801,362</b>

## 22 - Interest Paid :

Details of this item are as follows :

	1993 JD	1992 JD
<b>Interest paid on customers' deposits :</b>		
- Current accounts & demand deposits	626,985	525,191
- Savings deposits	11,926,644	10,238,079
- Fixed and notice deposits	21,351,605	19,952,691
- Certificates of deposits	16,837	----
<b>Sub Total - Interest paid on customers' deposits</b>	<b>33,922,071</b>	<b>30,715,961</b>
<b>Interest paid on interbank deposits and others</b>	<b>3,249,964</b>	<b>4,622,714</b>
<b>Total</b>	<b>37,172,035</b>	<b>35,338,675</b>

## 23 - Interest and Profits of Securities Portfolio :-

This item is made up of :-

	1993			1992		
	Dividend of Shares and Bonds JD	Shares Trading Profits JD	Total JD	Dividend of Shares and Bonds JD	Shares Trading Profits JD	Total JD
- Government and Government - backed securities	5,057,498	----	5,057,498	4,923,477	----	4,923,477
- Investment securities	1,535,539	3,882,682	5,418,221	1,370,967	2,810,234	4,181,201
<b>Total</b>	<b>6,593,037</b>	<b>3,882,682</b>	<b>10,475,719</b>	<b>6,294,444</b>	<b>2,810,234</b>	<b>9,104,678</b>

## 24 - Foreign Exchange Earnings :

This item is made up of :

	1993 JD	1992 JD
- Foreign exchange trading profits	787,885	895,280
- Currency differences on banking services	232,700	683,228
- Foreign exchange evaluation difference at the year end	196,946	(91,879)
<b>Total</b>	<b>1,217,531</b>	<b>1,486,629</b>

## 25 - Other Revenues :

This item is made up of :

	1993 JD	1992 JD
- Real estate investment revenues	2,917,739	2,711,936
- Received fees on salary accounts	305,502	274,676
- Revenues from previous years	328,008	440,426
- Profits of fixed assets sales	254,103	1,951
- Visa cards revenues	118,797	44,238
- Fees from managed loans	62,951	66,020
- Safes lease revenues	54,671	44,573
- Redundant provisions returned to revenues	376,000	105,000
- Various revenues	651,527	274,743
<b>Total</b>	<b>5,069,298</b>	<b>3,963,563</b>

## 26 - General and Administrative Expenses :

Details of this item are as follows :

	1993 JD	1992 JD
- Staff salaries and benefits	9,146,519	7,321,548
- Depreciation of fixed assets	2,838,781	2,347,372
- End of service indemnity paid to staff	1,229,637	1,385,521
- Rent of computer software and hardware	1,108,149	- - -
- Bank's contribution to social security	770,607	445,820
- Amortization of establishment expenses	701,227	321,256
- Medical care expenses	653,521	477,615
- Bank's contribution to employees saving fund	648,138	488,269
- Stationery and printed matters	577,383	570,358
- Maintenance and repair	492,122	399,233
- Post, telephone and telex	479,947	318,886
- Rents	474,004	417,560
- Electricity, water and fuel	365,357	345,538
- Travel expenses and allowances	360,248	223,371
- Advertisements	234,835	173,106
- Donations	212,201	196,967
- Transportation expenses	189,590	154,305
- Employees life insurance	81,881	63,992
- Hospitality	68,503	54,720
- Insurance of the Bank's assets	65,770	54,600
- Expenses of real estate investments	37,220	53,761
- Foreign exchange dealings fees	32,576	32,663
- Board of Directors' travel expenses	23,100	16,500
- Borrowers transactions' expenses	18,860	17,065
- Miscellaneous expenses	942,459	748,191
<b>Total</b>	<b>21,752,635</b>	<b>16,628,217</b>

## 27 - Income Tax :

This item is made up of the following :

	1993 (JD)	1992 (JD)
- Income tax provision	950,000	655,000
- Income tax paid for past years	----	472,097
<b>Total</b>	<b>950,000</b>	<b>1,127,097</b>

- a - Income Tax Department claims JD 2,257,978 for 1990 from the Bank. The decision of income tax assessor was appealed and the case is still under consideration.
- b - A final settlement was made with the Income Tax Department regarding the tax of 1991 whereas the Department has not completed the assessment of the Bank profits subject to tax for the year ended December 31, 1992.

## 28 - Maturity Periods of Assets and Liabilities :

Assets and liabilities due on certain dates were classified into groups based on the maturity periods remaining on the date of balance sheet, as follows :-

	1993		1992	
	Assets JD	Liabilities JD	Assets JD	Liabilities JD
- Due in one year or less	460,341,524	767,018,583	611,857,864	861,394,402
- Due in a year to two	87,337,597	2,600,000	69,215,348	3,300,000
- Due in more than two years	267,793,733	43,684,623	239,218,521	45,600,000
<b>Total</b>	<b>815,472,854</b>	<b>813,303,206</b>	<b>920,291,733</b>	<b>910,294,402</b>

## 29 - Net Position in Foreign Exchange :

Balances of foreign exchange accounts were evaluated at the prevailing rates at the year end. Details of which are as follows :-

	1993 JD	1992 JD
- Total assets	193,754,916	352,445,174
- Total liabilities	(177,629,385)	(334,113,925)
- Net assets	16,125,531	18,331,249
- Total cash balances	174,483,617	338,467,845
- Securities Portfolio	8,446,615	4,887,858
- Direct credit facilities	10,824,684	9,089,471
- Interbank and other deposits	8,073,878	7,775,561
- Customers' deposits	167,371,248	314,146,553
- Cash margins	2,184,259	12,191,811
- Interest and commissions earned	8,652,240	9,551,221
- Interest and commissions paid	7,354,033	7,851,378
- Interest and profits of securities portfolio	40,482	12,285
- Contra accounts	36,644,021	37,557,664

### 30 - Contra Accounts :

This item is made up of the following :

	December 31,	
	1993 JD	1992 JD
- Approved but undisbursed loans	34,980,492	48,294,640
- Irrevocable documentary credits	26,932,547	28,952,483
- Guarantees	16,126,968	21,049,694
- Guaranteed acceptances	7,933,952	6,442,247
<b>Total</b>	<b>85,973,959</b>	<b>104,739,064</b>

### 31 - Legal Claims :

The Bank has filed lawsuits, through which it claims amounts totalling JD 12,551,076. Meanwhile, total amounts implicated in lawsuits filed against the Bank reach JD 10,084,749. In the Bank's management view, the Bank will not be liable for any financial obligations arising from such claims.

### 32 - Comparison of Figures :

Some figures of 1992 have been reclassified in order to be consistent with the classification of 1993 for the purpose of comparison.