



**THE HOUSING BANK**

(A Public Shareholding Company Established by Special Decree)

# 1994

**Board of Directors' Report For  
The Year Ending December 31, 1994**

**Headquarters and Main Branch**

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**Amman - Jordan**

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**Our Brother Zuhair Khouri  
Chairman & General Manager of the  
Housing Bank;**

We have been aware of the distinguished achievements of the Housing Bank, during two decades of relentless efforts. We would like to congratulate you on the 20th anniversary of the blessed establishment of the Bank, and express our confidence and appreciation for yourself and your colleagues in this grand economic institution. We also appreciate your response to our desire in reducing interest rates on housing loans granted to low - income groups.

May God bless your efforts and lead you all successfully to more fruitful participation in building our beloved country, Jordan, so as to reach high standings of civilization, and remain a model of achieving progress on sound bases of science, awareness, justice and human dignity.

God bless you

Wassalam Alykum Warahmato Allah Wabarakatu

***Signed by His Majesty  
King Hussein***

Amman May 9, 1994

*Unofficial Translation of the Royal Letter Sent from His Majesty King Hussein to Mr. Zuhair Khouri, Chairman and General Manager of the Housing Bank.*

بسم الله الرحمن الرحيم



## الاخ زهير الخوري الاكرم

رئيس مجلس الادارة - مدير عام بنك الاسكان

السلام عليكم ورحمة الله وبركاته ، وبعد ،  
فقد اطلعنا على الانجازات المتميزة لبنك الاسكان بعد عقدين من  
العطاء المتواصل ، وانه لطيب لي وبمناسبة الذكرى العشرين لانطلاقته  
المباركة أن نهنئكم بهذه المناسبة العزيزة ، وان نعرب عن اعتزازنا بكم  
وبزملائكم ، وعن تقديرنا وثقتنا بهذا الصرح الاقتصادي الكبير ، كما  
نشمن لكم استجابتكم لرغبتنا بتخفيض الفوائد على القروض السكنية  
الممنوحة لذوي الدخل المتدني .

بارك الله هذه العزائم ووفقكم جميعا لمزيد من البذل والعطاء من  
اجل المشاركة في بناء الاردن العزيز والوصول به الى ارقى مراتب التقدم  
والحضارة ، ليظل باذن الله قدوة ومثلا في تحقيق التقدم القائم على  
اسس راسخة من العلم والوعي والعدالة وكرامة الانسان .

والله يحفظكم ويرعاكم .

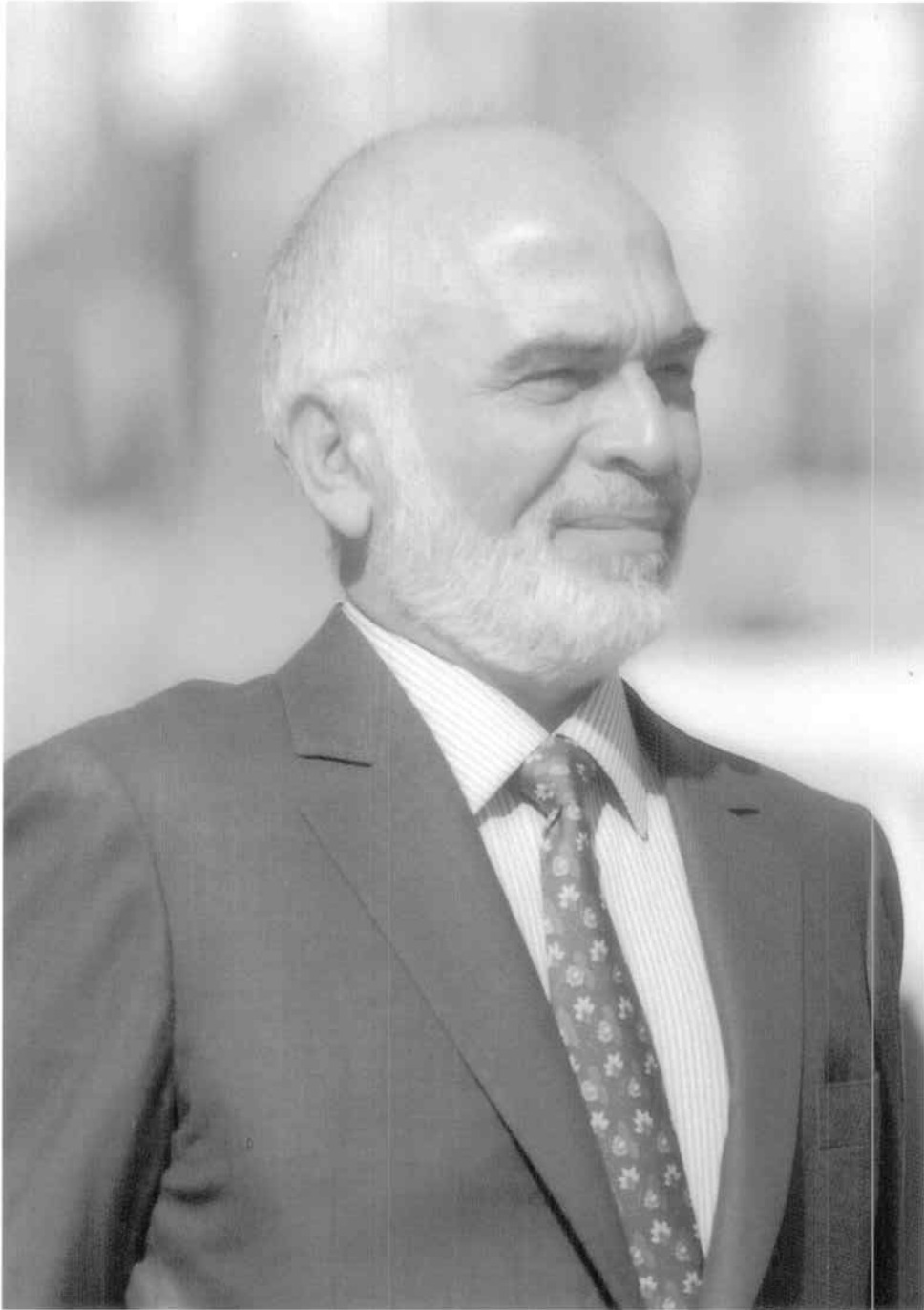
والسلام عليكم ورحمة الله وبركاته

  
اخوكم  
الحسين

عمان في ٢٨ ذو القعدة سنة ١٤١٤ هجرية .

الموافق ٩ أيار سنة ١٩٩٤ ميلادية .

*The Royal Congratulatory Letter From His Majesty King Hussein  
Addressing Mr. Zuhair Khouri, Chairman and General Manager of the  
Housing Bank.*



*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**

**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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# Chairman's Message

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## Dear Shareholders;

I have the pleasure to present to you the 21st Annual Report on the Bank's main activities and accomplishments during 1994, through which the Bank continued to accomplish more achievements and growth in its various banking activities.

I feel proud to convey to you that, during 1994, we have received the royal letter shown at the beginning of this report, which we consider a historical document addressed by His Majesty King Hussein on the 20th anniversary of the Bank's establishment. His Majesty has expressed his confidence in our institution and its management and described it as a "grand economic institution". His Majesty has also expressed his appreciation for the relentless efforts exerted by the Housing Bank in serving the national economy.

During 1994, the Bank managed to achieve good growth rates in its various banking activities. It has granted a record amount of loans and credit facilities since establishment, 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 1994. The Bank's total assets at the end of 1994 reached approximately JD one billion, and its number of branches 116.

In response to the new developments provided by the peace process in the region and to participate in financing the reconstruction of the Palestinian economy, the Bank, during 1994, obtained the approval of the Central Bank of Jordan to open a branch in Ramallah city, West Bank. It has also obtained a preliminary approval from the competent authorities in the West Bank to open this branch which is expected to commence operation in 1995. The Bank endeavors to spread its presence in more cities there, in order to expand providing services for those territories. After the signing of peace treaty, the Bank opened two exchange centers, one at the Aqaba - Eilat crossing and the other at Jordan valley (Sheikh Hussein Bridge) crossing to provide their services for tourists, and people departing and arriving, in both ways.

While reviewing the Bank's financial and statistical statements of 1994 you will find out that the Bank achieved high growth rates during the year. Total assets rose to reach JD (973) million, an increment of JD (80.6) million or (9%) over 1993. Total loans and credit facilities granted by the Bank for different housing, real estate and development purposes reached JD (237.4) million against nearly JD (189) million in 1993, an increment of JD (48.4) million or (26%). In addition to repayments exceeding JD (129) million, the balance of outstanding loans and credit facilities increased from JD (443.6) million as of the end of 1993 to JD (524.2) million at the end of 1994, an increment of JD (80.6) million or (18%).

The balance of clients' deposits rose from JD (745.5) million as at the end of 1993 to reach JD (816.9) million at the end of 1994, an increment of JD (71.4) million or (10%). It is worth mentioning that the balance of deposits at all licenced banks recorded an increase of JD (452.1) million in 1994 and the Housing Bank's share of this increase was nearly (16%).

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The Bank's net profits after tax amounted to JD (5.01) million in 1994 against JD (6.64) million in 1993 . The decline is attributed to the fact that 1993 profits included a significant amount of capital gains resulting from selling part of corporate stocks from the Bank's investment portfolio, at the Amman Financial Market, which was bullish and witnessed a boom in 1993 . To the contrary, the market witnessed a decline in turnover and share prices in 1994, so the Bank had not sold shares to avoid participation in further decline of prices, in order to protect the interests of investors and dealers at Amman Financial Market.

In light of the results of the Bank's operations in 1994, the Board of Directors recommends distributing a dividend of (16%) and transferring the remaining balance of net profits to the various reserves, thus raising their balance from JD (28.8) million as of the end of 1993 to JD (31.9) million, an increment of JD (3.1) million or (11%). So, total reserves exceeded by far twofold the paid-up capital and thus total shareholders' equity reached JD (43.9) million against JD (40.8) million at the end of 1993. This has strengthened the financial soundness of the Bank and raised its capital adequacy ratio according to Basle committee standards (BIS ratio) to (12.7%) which by far exceeds the minimum required BIS ratio i.e (8%).

The operation results achieved by the Bank in 1994 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.

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



# Jordanian Economy in 1994

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Jordanian economy achieved growth rates higher than those targeted in the national economic adjustment program. Initial estimates indicate that gross domestic product (GDP) grew in 1994 by (5.7%) at constant prices, thus exceeding the targeted rate which is (5.5%). GDP at constant prices rose to JD\* (2,520.9) million in 1994 against JD (2,385) million in 1993. GDP at current prices rose to JD (4,266.2) million in 1994 , a growth rate of (9.9%) over the previous year. Jordanian economy made such good performance as a result of growth achieved by all productive and services sectors alike.

In external trade sector, initial estimates indicate that exports rose to JD (1,005.6) million in 1994, growth rate of (16.3%) over 1993, whereas growth rate of imports was only (1.2%). Thus trade deficit declined to JD (1,474.2) million at the end of 1994, against JD (1,585.2) million at the end of 1993. Deficit in current account of the balance of payments as a ratio of GDP also declined from (11.2%) in 1993 to (8.8%) in 1994 .

The year 1994 witnessed a strong activity in investment and this looked evident from the big expansion in new issues of shares in the primary market whether through establishing new firms or increasing the capital of existing companies. Total capital of new companies registered with the Ministry of Trade and Industry amounted to nearly JD (408.4) million, against JD (242.5) million in 1993. As for building permits, their number also rose during 1994 to (18.4) thousand against (16.5) thousand in 1993, and so the licenced building areas rose to (4.9) million square meters against (4.2) million in 1993, an increment of (700) thousand square meters. Cost of living indexes indicate a relative stability of the general prices level, and inflation rate did not exceed (4%).

As for domestic revenues, it is estimated to have grown by a rate of about (8.8%) while public expenses grew by about (7.8%), which made the budget deficit before grants decline from (5.6%) as a ratio of GDP, in 1993 to about (5.1) in 1994. Thus domestic revenues covered (92.2%) of the total budget expenses in 1994 against (91.3%) in 1993.

All national export profits whether from commodities or services

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\*One JD is equivalent to USD (1.43) as of December 31, 1994.

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were exempted from income tax. All raw materials used as inputs for industry were also exempted from custom duties, as well as lowering these duties on all components of electrical, electronic and cars as well as auto spare parts of all kinds, as incentives to encourage investment in assembly industries.

On the other hand, the Central Bank of Jordan continued in 1994 adopting monetary and credit policies aiming to insure monetary stability which guarantees achieving balanced growth without inflationary pressures. The Central Bank also continued application of its policy for activation of monetary market through the application of indirect management of monetary policy, which was adopted in the last third of 1993 . This is done by using certificates of deposits as the main instrument of this policy. It also continued the adoption of policies aimed at giving more flexibility to the foreign exchange regulations, the liberation of exchange system and the increase of foreign exchange amounts, allowed to be taken outside the country by residents for meeting invisible payments.

The government managed in 1994 to sign an agreement for rescheduling official foreign loans. An amount of USD (1,212) million was rescheduled to be paid within 20 years and USD (831) million of official bilateral debts was written off. Furthermore, an amount equivalent to USD (570) million of principal and interest had been repaid. Thus the net balance of utilized and unpaid foreign loans declined to USD (5.6) billion at the end of 1994 against USD (6.0) billion at the end of 1993, a decline of USD (400) million or (6.7%), but internal debt balance increased to JD (1,181.3) million at the end of 1994 against (1,143.8) million at the end of 1993 .

The year 1994 witnessed the signing of peace treaty between Jordan and Israel which is expected to have positive impacts on the economies of the region in general and on the Jordanian economy in particular, whether in short or long term. Jordan managed to recover its lands and water, and has plans to develop the Jordan valley which is expected to become an active economic area and that will add new resources to the Jordanian economy. Moreover, the political stability in the region as a whole will help to increase the volume of local

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investments, attract foreign investments, and leads to a boom in tourism. This will have positive impact on the economic growth rates and enhance the Kingdom's foreign reserves.

The economic summit which was held in Casablanca after the signing of the Jordanian-Israeli peace treaty came as confirmation of the positive impacts which are expected from the treaty. In this conference, major regional projects were discussed, to be established in Middle East and North Africa, in the sectors of tourism, communications, transport, energy and infrastructure. Jordan participated actively in this conference and presented a number of local and regional projects, some of them are expected to find response and implementation chance in the Amman economic summit which will be held in late 1995 .

Amman Financial Market had a decline in turnover of shares and bonds in the secondary market, accompanied by a decline in share prices. Turnover in 1994 declined to JD (535) million against JD (1,010) million in 1993, a decline of (47.1%). Share price index of Amman Financial Market plummeted from (158.5) as at the end of 1993 to (143.6) at the end of 1994, a decrease of (9.4%). This decline in secondary market is attributed mainly to the strong boom of new issues of shares and bonds in the primary market, which rose to JD (470.3) million in 1994 against JD (242) million in 1993, an increase of JD (228.3) million or (94.3%).

Operation results of licenced banks showed significant improvement in 1994 . Their total assets increased from JD (6,747.5) million at the end of 1993 to reach JD (7,527.8) million at the end of 1994, an increment of JD (780.3) million or (12%). Total balance of deposits also increased from JD (4,939.4) million as at the end of 1993 to JD (5,391.5) million at the end of 1994, an increment of JD (452.1) million or (9%). Total balance of outstanding loans and credit facilities increased from JD (2,741.3) million at the end of 1993 to JD (3,248.4) million at the end of 1994, an increment of JD (507.1) million or (18%).



**THE HOUSING BANK**

**(A Public Shareholding Company Established by Special Decree)**

## **The Bank's Main Activities and Accomplishments During 1994**

## Capital and Reserves

During 1994 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 (28.8) million as of the end of 1993 to reach JD (31.9) million at the end of 1994, an increment of nearly JD (3.1) million or (11%). Thus total reserves exceeded by far twofold the paid-up capital, and the total shareholders' equity (capital and reserves) reached nearly JD (43.9) 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 (12.7)\* which by far exceeds the minimum required BIS ratio. i.e(8%).

**Table 1**  
**Growth in the Main Items of Balance Sheet**  
**(1990-1994)**

		JD million				
Item	Year	1990	1991	1992	1993	1994
Cash, at banks and other liquid assets		204.2	413.9	525.8	358.7	332.7
Total loans and credit facilities**		330.5	334.1	383.1	443.6	524.2
Equity shareholdings		21.8	28.3	28.5	31.2	45.9
Real estate investments		31.3	30.0	28.1	26.6	26.1
Deposits		451.0	653.9	841.0	745.5	816.9
Capital and reserves (Shareholders' equity)		31.2	33.0	36.1	40.8	43.9
Net profit (after tax)		3.67	3.52	4.84	6.64	5.01
<b>Total assets / liabilities</b>		<b>607.2</b>	<b>821.8</b>	<b>991.2</b>	<b>892.4</b>	<b>973.0</b>

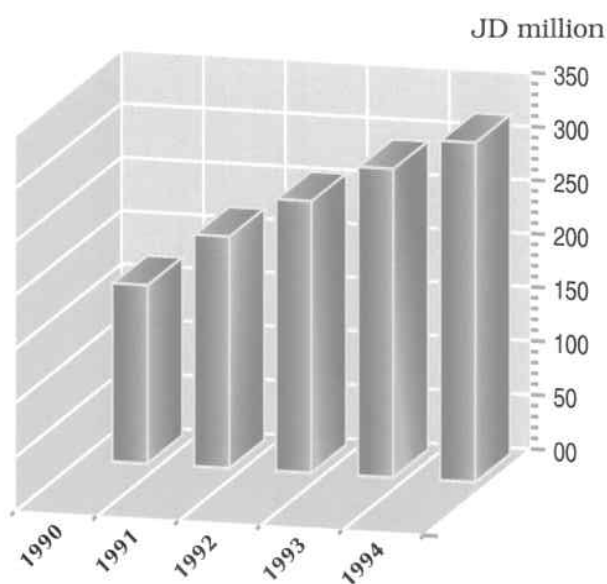
\* Adjusted according to the standard applied by the Central Bank of Jordan.

\*\* Includes loans granted to the Public Housing and Urban Development Corporation which are financed by advances from the Central Bank of Jordan, which amounted to JD (63.8) million at the end of 1994.

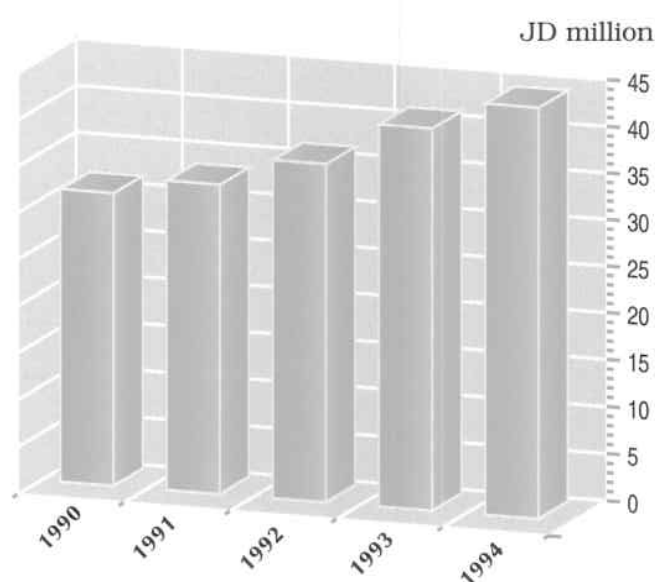
## Deposits

The Bank exerted, during 1994, intensive efforts to attract more deposits and savings of different kinds and sources. Due to increased confidence the Bank enjoys among citizens and institutions because of its financial soundness, 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 good results. The balance of deposits at the Bank (interbank deposits excluded) rose from JD (745.5) million as of the end of 1993 to reach JD (816.9) million at the end of 1994, an increment of JD (71.4) million or (10%). This increment formed nearly (16%) of the total increase in deposits at all licenced\* banks in 1994 which amounted to JD (452.1) million.

Savings deposits in local currency had the largest share of such increment whereby their balance rose from JD (286.9) million as of the end of 1993 to JD (315.7) million at the end of



**Growth of Savings Deposits in Local Currency  
1990-1994**



**Growth of Shareholders Equity  
1990-1994**

\* Includes commercial and investment banks as well as the Housing Bank as mentioned in the monthly statistical bulletin- Central Bank of Jordan, December 1994.

1994, an increment of JD (28.8) million or (10%), while the balance of savings deposits in local currency at all other banks combined reached (274.7) million at the end of 1994. So the balance of savings deposits at the Housing Bank exceeded the balance at all other banks combined by JD (41) million.

Savings accounts at the Housing Bank enjoy many benefits and incentives in addition to many cash prizes. During 1994, the Bank has developed these incentives by increasing the number of cash prizes to (6,105) granted monthly through regular lottery drawings, totalling JD (97,000) with the grand prize amounts to JD (25,000). Thus total number of prizes which the Bank currently offers to savings accounts holders is (73,260) every year with a total value exceeding JD (1.16) million. It is worth mentioning that total number of winners of savings accounts prizes up to the end of 1994 reached (478,387) savers and they won prizes totalling JD (8.7) million.

The Bank intends to raise the grand prize to JD (30) thousand, instead of JD (25) thousand, as of the beginning of



Al Rabieh Branch:  
Distinguished  
Banking Services



1995. At the extraordinary drawing which will be carried out during the second quarter of 1995, this prize will be raised to JD (50) thousand.

**Table No. 2**

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

**(1990 - 1994)**

JD million

Item Year	Total Deposits				Savings Deposits in local Currency			
	Balance		Annual Rate of Growth		Balance		Annual Rate of Growth	
	The Housing Bank	Other Licensed Banks	The Housing Bank	Other Licensed Banks	The Housing Bank	Other Licensed Banks	The Housing Bank	Other Licensed Banks
1990	451.0	2,191.6	13%	( 2%)	165.1	137.3	( 9%)	( 9%)
1991	653.9	3,368.1	45%	54%	214.9	196.2	30%	43%
1992	841.0	3,908.1	29%	16%	252.3	216.7	17%	10%
1993	745.5	4,193.9	(11%)	7%	286.9	253.4	14%	17%
1994	816.9	4,574.6	10%	9%	315.7	274.7	10%	8%

## Loans and Credit Facilities

During 1994 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 1994 as an indication of continued construction boom which the Kingdom witnesses.

Total loans and credit facilities which the Bank granted in 1994 for various housing, real estate, commercial and development purposes reached JD (237.4) million against JD (189) million in 1993, an increment of JD (48.4) million or



(26%). It is the biggest increment the Bank achieves in the amount of loans and credit facilities granted in a single year since the Bank's establishment.

The Bank continued during 1994 financing housing projects for low and medium - income groups. It participated in financing many housing projects including those which the Public Housing and Urban Development Corporation executes for low income groups. The Bank also 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 affordability.

Total loans which the Bank granted during 1994 for low and medium - income groups reached JD ( 11.6) million utilized for financing (2,084) housing units . It is worth mentioning that the Bank has granted (84,223) loans since establishment and until the end of 1994 .

Total loans and credit facilities granted for housing , real



The Housing Bank is a Major Source of Housing Finance in Jordan.

estate and various commercial and development objectives reached JD (1,802) million , of which JD (893.4) million for housing and real estate objectives utilized for financing (129,322) housing unit.

Low and medium- income groups' share of these loans reached JD (281.6) million used in financing (56,458) housing units or (44%) of total financed units . The Bank still charges a rate of (7%) per annum on loans granted to low and medium - income groups . This rate includes borrowers' life insurance premium in accordance with the regulations applied 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. The Bank also continued offering development finance to public and private

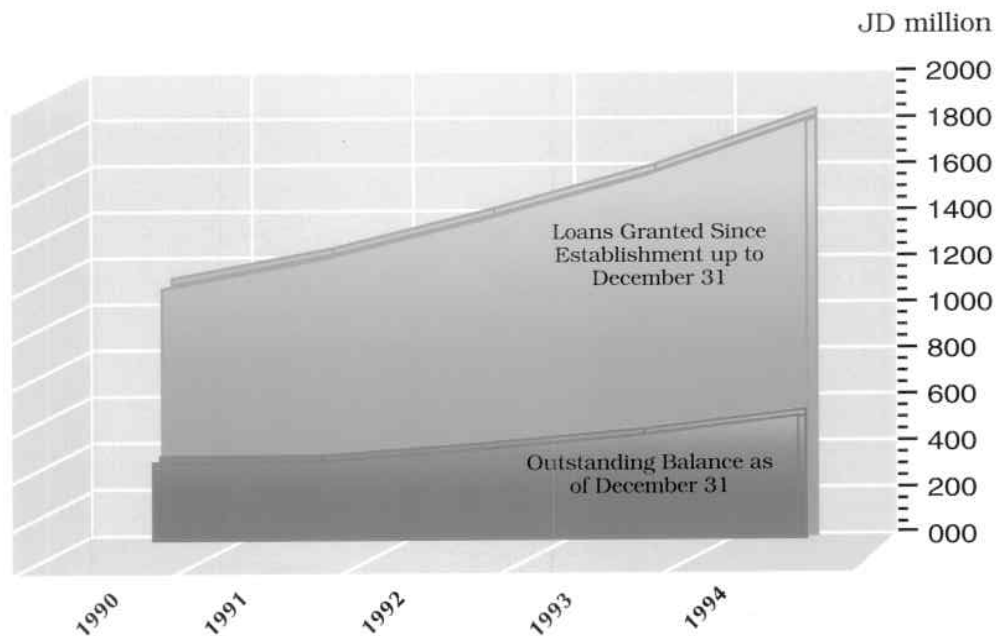


One of the Productive  
Projects Financed by  
the Housing Bank

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 (26.1) million during 1994.

In addition to repayments of loans which exceeded nearly JD (129) million , the balance of outstanding loans and credit facilities amounted to JD (524.2) million at the end of 1994 as compared with JD (443.6) million at the end of 1993, a net increase of JD (80.6) million or nearly (18%).

The Bank feels 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.



**Growth of Loans and Credit Facilities 1990-1994**

**Table No. 3**

**Major Indicators of the Bank's Lending Activities (1974 - 1994).**

<b>Item</b>	<b>Year</b>	<b>1974-1991 Accumulative</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>Total</b>
1. Amount of granted loans and credit facilities (JD million)	a: Various housing and mortgage loans	602.9	92.0	78.7	119.8	893.4
	b: Development loans	194.5	14.3	27.5	26.1	262.4
	c: Credit facilities for housing and other development purposes	408.2	63.8	82.8	91.5	646.3
Grand total (a+b+c)		1,205.6	170.1	189.0	237.4	1,802.1
2. Number of granted loans		55,347	9,068	8,170	11,638	84,223
3. Number of units financed by the Bank classified by purpose	a: Construction and / or completion and / or expansion of buildings	74,040	4,899	4,825	5,540	89,304
	b: Purchase and / or maintenance of buildings	15,924	5,821	6,570	9,896	38,211
	c: Purchasing plots and constructing buildings	886	735	46	140	1,807
Total number of units financed		90,850	11,455	11,441	15,576	129,322
4. Building area financed by the Bank (000' sq. m)	a: Construction and / or completion and / or expansion	9,905	834	758	867	12,364
	b: Purchasing and / or maintenance	2,276	836	950	1,442	5,504
	c: Purchasing plots and constructing buildings	131	110	6	15	262
Total building area financed by the Bank		12,312	1,780	1,714	2,324	18,130
5. % of constructed and / or expanded and / or completed building area which the Bank financed out of total licensed area in the Kingdom		26%	13%	18%	18%	23%

## Other Banking Services

During 1994 , the Bank continued offering its customers all types of banking services which include letters of credit , issuing guarantees , transfers, traveler and draft cheques, and foreign exchange in accordance with the Central Bank's regulations. It also continued issuing certificates of deposits in US Dollars, as well as offering collective foreign investment fund services to its customers of individuals and institutions as well. The Bank added in 1994 to the list of the services it offers to nonresident customers a new service which is margin trading. It also continued offering its resident and nonresident customers the service of Account/ Account buying, selling and transferring foreign currencies.

In its continuous endeavor to offer services to its customers as quickly and efficiently as possible, and in a distinguished manner, the Bank was linked in 1994 with SWIFT system which is a modern and one of the quickest banking communication nets in the world. By the end of 1994 the Bank also introduced a developed foreign exchange system to link all foreign currency accounts within this system.

The Bank also expanded its correspondent banks network abroad. By the end of 1994, the total number of correspondent banks reached (344), covering most regions of the world which helps the Bank to provide services to clients in a way that enables them accomplish their commercial and banking business quickly and easily.

## Computer

During 1994, the Bank expanded technical services it offers through the main frame which is considered one of the most recent banking main frames. Thus the Bank was able to expand the beneficiaries base of these services as it completed establishing the communication network which will link all the Bank's branches through sub communication centers with the main frame. The communication network will develop communication quality between branches and the main frame

as well as decreasing communication cost. During 1994, total number of branches linked with the network reached (24) including the Main branch. These branches serve nearly one quarter of the Bank's clients. The Bank also installed and operated its own ATM network to offer on - line 24 hours, 7 days a week services. This network includes (8) ATM machines which offer various distinguished services such as cash withdrawal, balance inquiry, brief statement of account, transfer from one account to another, deposit, apply for a cheque book and a detailed statement of account.

The Bank also works on developing retail systems to serve clients quickly and accurately. To achieve this the Bank will install recent and developed systems that read cheques automatically which lessens the time needed to cash them.

To express its role in developing work in the Jordanian banking system, the Bank participated in modernizig and developing cheques printing standards by coding cheques with magnetic ink which enables branches process them automatically, and later helps in auto clearing of cheques between banks. Therefore, the Bank established a press for cheques which prints and codes them with magnetic ink at high international standards. Because of the success which the



Computer Main  
Frame: Relentless  
Efforts towards  
Automating All  
Banking Activities

press production met, many Jordanian banks sought to benefit from its services.

During 1994, the Bank completed developing loans, guarantees and bills systems, depending on the customers' central database. Thus, the Bank has completed the development of main systems for all banking activities which will enable it to replace obsolete systems with new ones during 1995 . Thus, the Bank has realized an important accomplishment by utilizing modern banking technology which will benefit all its customers.

### 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 1994 . In this regard the Bank provided (1,825) training and studying opportunity to employees from various managerial levels . The training courses covered various managerial, banking and finance fields in addition to computer science.



Team Work: One of the Distinguished Training Methods Used in the Bank- Based Training Centre



The Bank's policy aims at developing and raising its staff academic qualifications. Therefore it 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 - weeks 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 1994, the number of such employees reached (216) from various managerial levels.

Table (4)

**The Development of the Bank's Training Activities**  
( 1990 - 1994 )

Item	Year	Number of Participants				
		1990	1991	1992	1993	1994
Training programs held at the Bank-based Training Center		1,001	1,098	1,104	1,632	1,484
Training programs held in collaboration with specialized local training institutions		156	111	108	140	219
Training programs held in Arab and foreign countries		44	9	70	95	113
Seminars		1,874	1,706	1,406	1,769	997
Master programs		4	1	3	4	2
CPA training course		--	--	--	8	7
<b>Total</b>		<b>3,079</b>	<b>2,925</b>	<b>2,691</b>	<b>3,648</b>	<b>2,822</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 1994 . These are: Al Rabieh and Wadi Alremam/ Amman, Ein Al Basha/ Balqa, and Al Hassan Industrial City/ Irbed. The Bank also opened two exchange offices at the Jordanian - Israeli borders to offer foreign exchange services to tourists in both directions. These are: Aqaba - Eilat Crossing office, in the south, and Jordan Valley Crossing office (Sheikh Hussein Bridge) in the north of the Kingdom. Thus, total number of the Bank's branches including exchange offices reached (116) at the end of 1994, which accounts for (28%) of the total combined number of other banks' branches in the Kingdom.

In its endeavor to take the opportunity to participate in rebuilding the Palestinian economy and employ its long experience in savings mobilization and housing and real estate finance to meet the needs in the self rule and West Bank areas, the Bank sought to have presence through opening branches in these areas. During 1994, the Bank's efforts resulted in the Central Bank of Jordan's approval to the Housing Bank to open a branch in Ramallah city. The Bank also obtained an initial approval from the competent authorities in the west Bank to open that branch. Accordingly the Bank rented a premises in a distinguished site in Ramallah with an area of nearly (800) sq.m. and it is now in the final stages of furnishing it, to be opened during 1995 and start offering its banking services there. The Bank also seeks to spread its presence in more cities in the self rule and West Bank areas. Therefore, the Bank has applied to the Central Bank of Jordan for approval to open branches in another five cities in the West Bank. The Bank hopes to obtain the approval of the competent authorities there to offer its banking services widely to these regions.

## Real Estate Investments

In Addition to the Bank's real estate investments, the most prominent of which are the Housing Bank's Commercial Centre, Forte Grand Hotel, prince Mohammad Street Complex which the Bank owned completely during 1994, and the Bank's complexes in Zarqa and Aqaba , the Bank constructed and owned a number of buildings during 1994 . These buildings include:

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

Execution of this building on the land owned by the Bank in Amman industrial city/ Sahab commenced. The tender was awarded to a local contractor. The project 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. Construction is expected to be completed during the first half of 1995.

### **2- The Bank's Building in Irbed.**

During 1994 , work continued in construction of the Bank's building in Irbed. The building consists of :-

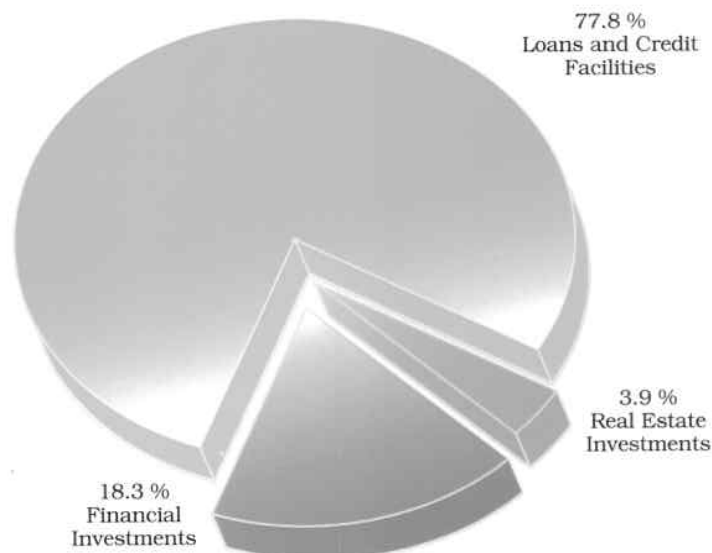


Maquette of the  
Bank's Building in  
Irbed

- Parking , warehouses and underground fortified rooms with a total area of (4,280) sq.m.
- A commercial - use 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 own use which consists of four flats with a total area of (1,000) sq.m. It 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. Construction is expected to be completed during the third quarter of 1995.

### 3 - The Bank's Building in the Residential City/ Potash- Karak

During 1994, the Bank's building in the residential city of the Potash Company in Ghour Al Mazra'a/ Karak was completed, with an area of (1,100) sq.m. Part of the building was used as a premises for the Bank's branch, and the rest as residential apartments for the branch employees as well as for the general management staff during their official assignments there.



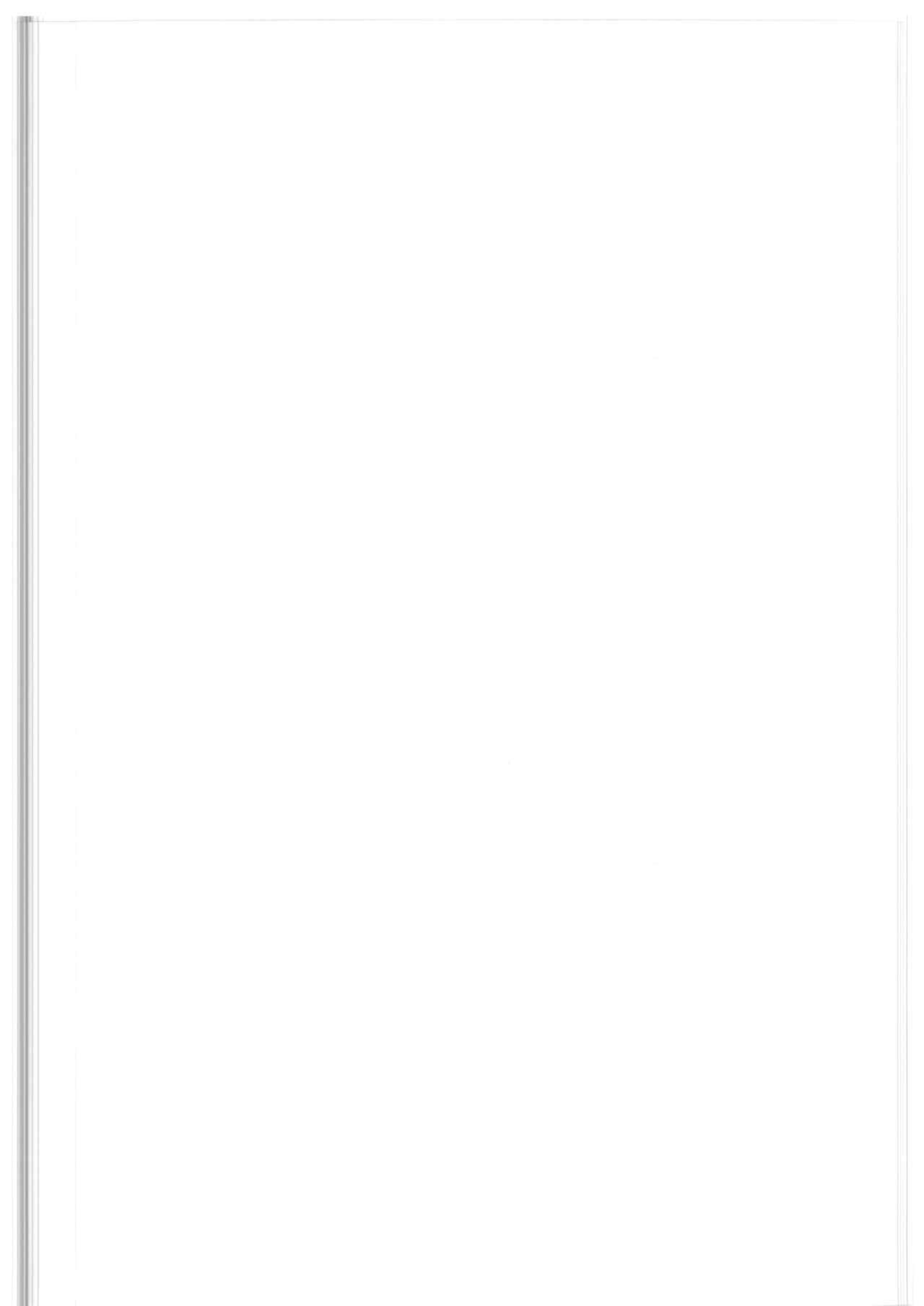
**The Bank's Investments at the end of 1994**



**THE HOUSING BANK**

**(A Public Shareholding Company Established by Special Decree)**

**Financial Statements  
as of December 31, 1994  
And  
Auditors' Report**



# Auditors' Report

To the Shareholders of The Housing Bank  
Amman - Jordan

We have audited the accompanying balance sheet of The Housing Bank (a Jordanian Public Shareholding Limited Company) as of December 31, 1994 and 1993 and the related statements of income, and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit. We have obtained the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

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

The Bank maintains proper accounting records which are in agreement with the accompanying financial statements and with the financial information included in the Board of Directors report.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Housing Bank as of December 31, 1994 and 1993 and the results of its operations and its cash flows for the years then ended in accordance with International Accounting Standards, and we recommend that the General Assembly approve these financial statements.

Amman - Jordan  
January 31, 1994

**Saba & Co.**

# Balance Sheet

	December 31	
	1994	1993
	JD	JD
<b>Assets</b>		
- Cash, at Banks and Other Banking Institutions (Note 3)	145,953,608	146,270,388
- Balances at the Central Bank of Jordan (Note 4)	135,999,601	123,700,525
- Investments in Bonds & Treasury Bills (Note 5)	50,766,841	88,722,698
- Foreign Investment Fund - Net After Provision for Decline (Note 6)	4,079,176	3,520,000
- Loans and Credit Facilities - Net After Provision for Doubtful Debts and Interest in Suspense (Note 7)	524,220,371	443,585,695
- Investment Securities - Net After Provision for Decline in Value of Securities (Note 8)	45,887,807	31,179,966
- Real Estate Investments Less Depreciation (Note 9)	26,118,303	26,625,693
- Fixed Assets Less Depreciation (Note 10)	15,645,266	10,769,825
- Other Assets (Note 11)	24,313,410	18,056,715
<b>Total Assets</b>	<b>972,984,383</b>	<b>892,431,505</b>
<b>Liabilities and Shareholders' Equity</b>		
- Customers' Deposits (Note 12)	816,874,420	745,541,630
- Deposits of Banks and Other Banking Institutions (Note 13)	5,425,678	18,146,294
- Amounts Borrowed (Note 14)	63,884,188	49,615,282
- Cash Margins (Note 15)	9,688,814	5,294,382
- Various Provisions (Note 16)	3,409,049	5,300,297
- Dividends Proposed for Distribution (Note 17)	1,820,000	1,820,000
- Other Liabilities (Note 18)	27,980,978	25,923,462
<b>Total Liabilities</b>	<b>929,083,127</b>	<b>851,641,347</b>
Shareholders' Equity (Note 19) :		
- Paid - up Capital	12,000,000	12,000,000
- Statutory Reserve	6,722,567	6,141,469
- Special Reserve	24,968,669	22,438,669
- Other Reserves	210,020	210,020
<b>Total Shareholders' Equity</b>	<b>43,901,256</b>	<b>40,790,158</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>972,984,383</b>	<b>892,431,505</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, 1994, 1993

	1994 (JD)	1993 (JD)
- Interest Earned (Note 20)	52,214,916	45,632,459
- Received Commissions (Note 21)	7,762,800	7,199,648
<b>Total Interest and Commissions Earned</b>	<b>59,977,716</b>	<b>52,832,107</b>
<b>Less:</b> Interest Paid (Note 22)	<b>38,703,678</b>	<b>37,172,035</b>
<b>Net Interest and Commissions</b>	<b>21,274,038</b>	<b>15,660,072</b>
<b>Add:</b> Interest and Earnings from Securities Portfolio (Note 23)	5,815,582	10,475,719
Foreign Exchange Earnings (Note 24)	1,227,676	1,217,531
Other Income (Note 25)	2,169,463	3,038,117
<b>Less:</b> Provision for Doubtful Debts	2,912,000	2,250,000
Provision for Decline in Value of Shares	300,000	150,000
Other Provisions	----	680,000
General and Administrative Expenses (Note 26)	21,463,783	19,721,454
<b>Net Profit Before Tax</b>	<b>5,810,976</b>	<b>7,589,985</b>
<b>Income Tax (Note 27)</b>	<b>800,000</b>	<b>950,000</b>
<b>Net Profit After Tax</b>	<b>5,010,976</b>	<b>6,639,985</b>
<b>Appropriation:</b>		
- Statutory Reserve (Note 19)	581,098	759,000
- Special Reserve (Note 19)	2,530,000	3,965,000
- Board of Directors' Remuneration	8,250	8,250
- Contribution to Housing Bank Employees' Children Education Fund & Employees' Club	13,518	11,835
- Contribution to Scientific Research & Vocational Training Institutions	58,110	75,900
- Dividends Proposed for Distribution (Note 17)	1,820,000	1,820,000
<b>Total</b>	<b>5,010,976</b>	<b>6,639,985</b>

The Accompanying Notes Constitute an Integral Part of These Statements.



# Statement of Cash Flow

## For the Years Ended December 31, 1994, 1993

	1994 (JD)	1993 (JD)
<b>Cash Flow From Operations:</b>		
- Interest and Commissions Earned	66,182,264	59,032,145
- Interest and Commissions Paid	(39,212,588)	(35,203,442)
- Other Income	3,852,377	4,648,323
- General and Administrative Expenses Paid	(19,600,296)	(17,791,651)
- Cash Flow from Operations Before Change in Assets and Liabilities	11,221,757	10,685,375
- Increase (Decrease) in Assets:	(90,287,119)	(62,242,742)
- Loans and Credit Facilities	(83,546,676)	(62,241,950)
- Other Assets	(6,740,443)	(792)
- Increase (Decrease) in Liabilities:	64,248,438	(104,801,591)
- Current Accounts & Demand Deposits	(6,628,094)	(115,175,866)
- Savings, Fixed and Notice Deposits	77,960,884	19,732,489
- Interbank Deposits for Other Banks and Financial Institutions	(12,720,616)	(40,632)
- Cash Margins	4,394,432	(9,356,014)
- Other Liabilities	1,239,498	2,675,999
- Various Provisions	2,334	(2,637,567)
- Net Cash From Operations Before Tax	(14,816,924)	(156,358,958)
- Income Tax Paid	(2,751,692)	(1,467,492)
- Net Cash Used in Operations	(17,568,616)	(157,826,450)
<b>- Cash Flow From Investments:</b>		
- (Buy) Sale of Investments in Fixed Assets	(6,497,512)	(5,124,682)
- (Buy) Sale of Real Estate Investments	(1,175,524)	(396,936)
- (Buy) Sale of Investments in securities	(15,007,841)	(2,874,389)
- (Buy) Amortize Treasury Bonds & Bills and Corporate Bonds	37,955,857	(6,892,904)
- Foreign Investment Portfolio	(559,176)	(3,520,000)
- Received Shareholdings Dividends	2,386,202	5,418,221
- Net Cash From Investments	17,102,006	(13,390,690)
<b>Cash Flow From Finance:</b>		
- Borrowings From the Central Bank of Jordan	20,100,000	392,813
- Repayments of Borrowings From the Central Bank of Jordan	(5,831,094)	(1,900,000)
- Distributed Dividends	(1,820,000)	(1,700,000)
- Net Cash From Finance	12,448,906	(3,207,187)
- Net Increase (Decrease) in Cash	11,982,296	(174,424,327)
- Cash at Year Beginning	269,970,913	444,395,240
- Cash at Year End	281,953,209	269,970,913

The Accompanying Notes Constitute an Integral Part of These Statements.

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# 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 objectives through its branch network all over the Kingdom on a commercial basis to enable it 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 practice direct commercial banking activities at this stage 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 Standards.
- 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 shareholdings 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 1994 were recorded at the prevailing rates 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 1994. 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 decline in their market value at the year end appears deducted from the portfolio's value in the attached balance sheet. The provision account is debited with any loss in securities value.
- Equity investments in nonmarketable shares is evaluated based on book value in accordance with the latest audited financial statements and their fair value and earning ability.
- Foreign Investment 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 treasury bonds, & 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.
- 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 collaterals 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, which has separate accounts. 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 :

Land 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.

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 Financial Institutions

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

	December 31	
	1994 JD	1993 JD
Cash	8,103,098	7,263,110
Balances in Jordan	22,011,359	25,422,264
Balances abroad	115,839,151	113,585,014
<b>Total</b>	<b>145,953,608</b>	<b>146,270,388</b>

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

a: This item includes certificate of deposits with the amount of JD 57,450,000 as of the end of 1994, (against JD 45,180,000 in 1993):

	December 31	
	1994 JD	1993 JD
Certificate of Deposits - Local currency for three months	22,000,000	1,500,000
Certificate of Deposits - Local currency for six months	400,000	12,000,000
Certificate of Deposits in US Dollars for one year	10,515,000	10,560,000
Certificate of Deposits in US Dollars for one and a half year	3,505,000	---
Certificate of Deposits in US Dollars for two years	21,030,000	21,120,000
<b>Total</b>	<b>57,450,000</b>	<b>45,180,000</b>

b: This item includes compulsory reserve amounted to JD 54,274,294 as of December 31, 1994. (JD 24,050,585 as of December 31, 1993).

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

This item is made up of the following :

	December 31	
	1994 JD	1993 JD
- Jordanian Treasury Bonds and Bills	19,418,180	59,980,000
- Jordanian Development Bonds	21,709,435	18,731,470
- Government and Government-Backed Corporate Bonds	9,418,180	9,704,080
	50,545,795	88,415,550
<b>Add: Bond Issuance Premium (unamortized)</b>	<b>221,046</b>	<b>307,148</b>
<b>Total</b>	<b>50,766,841</b>	<b>88,722,698</b>

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

## 6 - Foreign Investment Portfolio - Net

This item is made up of the following:

	December 31	
	1994 JD	1993 JD
- Foreign Investment Fund - Net After Provision for Declin in Value of Investments	3,378,176	3,520,000
- Other Investment Portfolio	701,000	---
<b>Total</b>	<b>4,079,176</b>	<b>3,520,000</b>

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

The Fund's term is three years, and its basic currency is US Dollar. Nominal value of a unit is US Dollars 100.

Total number of the Fund's investment units reached 60,000 as of the end of 1994, of which 11,638 were sold to clients. These are subject to compulsory reserve in accordance with the regulations of the Central Bank of Jordan. The remaining balance represents unsold investment units as follows:

	December 31	
	1994 JD	1993 JD
Fund's Book Value	4,206,000	3,520,000
<b>Less:</b> Sold Investment Units	815,824	---
Unsold Investment Units	3,390,176	3,520,000
<b>Less:</b> Provision for Decline in Value of the Fund's Investments	12,000	---
	<b>3,378,176</b>	<b>3,520,000</b>



b: Book value of the portfolio amounted to JD 701,000 (US Dollars 1,000,000), while its market value amounted to JD 719,183 as of the end of 1994.

## 7 - Loans and Credit Facilities :

a : This item is made up of the following :

	December 31	
	1994 JD	1993 JD
- Bills Discounted	16,202,695	12,603,912
- Utilized Loans and Advances	475,792,228	398,582,479
- Loans to the Housing and Urban Development Corporation Financed by Advances From Central Bank of Jordan	48,700,000	45,900,000
	540,694,923	457,086,391
<b>Less :</b> Balance of Interest in Suspense	4,559,752	4,497,896
	536,135,171	452,588,495
<b>Less :</b> Provision for Doubtful loans and Credit Facilities	11,914,800	9,002,800
<b>Net Loans and Credit Facilities</b>	<b>524,220,371</b>	<b>443,585,695</b>

b - Details of the changes in provision for doubtful loans and credit facilities during 1994 are as follows :-

	December 31	
	1994 JD	1993 JD
- Balance at the beginning of the year	9,002,800	6,752,800
- Increase of the provision during the year	2,912,000	2,250,000
<b>Balance at the end of the year</b>	<b>11,914,800</b>	<b>9,002,800</b>



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

	December 31	
	1994 JD	1993 JD
- Balance at the beginning of the year	4,497,896	4,114,498
<b>Add</b> : Interest in suspense during the year	1,372,845	835,034
<b>Less</b> : Interest in suspense on accounts settled during the year	1,310,989	451,636
<b>Balance at the end of the year</b>	<b>4,559,752</b>	<b>4,497,896</b>

- The amount of interest in suspense during 1994 represents total interest due on loans and credit facilities granted to clients in accordance with the Central Bank of Jordan's regulations which require suspending interest on non performing loans and credit facilities for six months from the date clients stop payment.

- During 1994 interests on loans and credit facilities of JD 2,312,406 (against JD 1,973,897 in 1993) were suspended and 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 : -

	December 31	
	1994 JD	1993 JD
- Construction	345,877,250	213,565,805
- Transportation Services (including air transportation)	68,782,152	65,119,106
- General Trade	37,288,084	26,038,118
- Industry and Mining	13,585,573	2,856,598
- Services and Public Utilities	13,500,000	4,171,375
- Agriculture	631,163	664,701
- Other	61,030,701	144,670,688
<b>Total</b>	<b>540,694,923</b>	<b>457,086,391</b>

- All the above loans and credit facilities are granted to clients inside Jordan.
- As of the end of 1994, balance of loans and credit facilities guaranteed by or granted to Jordanian Government amounted to JD 208,392,495 (against JD 170,579,921 in 1993).
- As of December 31, 1994 the balance of non-performing loans & credit facilities in accordance with the Central Bank of Jordan's regulations amounted to JD 14,477,649 (against JD 14,789,900 in 1993). It is worth mentioning that the Bank has collaterals against non-performing loans and credit facilities and they were taken into consideration when considering doubtful debts. Their interests are not added to income.

### 8 - Investment Securities - Net

This item is made up of the following :

	December 31	
	1994 JD	1993 JD
- Local Companies Shares	40,154,476	26,602,176
- Foreign Companies Shares	6,804,315	4,926,615
	<u>46,958,791</u>	<u>31,528,791</u>
<b>Less</b> : Provision for Decline in Value of Local Securities	798,825	348,825
Provision for Decline in Value of Foreign Securities	272,159	---
	<u>1,070,984</u>	<u>348,825</u>
<b>Total Provisions</b>	1,070,984	348,825
<b>Net Investment of Shares</b>	<b>45,887,807</b>	<b>31,179,966</b>

- Net equity investments of nonmarketable shares (including the subsidiary and affiliates amounted to JD 13,632,882 at the end of 1994, (against JD 10,013,333 in 1993). Details are as follows:

	December 31	
	1994 JD	1993 JD
Shares of local companies	9,025,728	5,553,522
<b>Less</b> : Provision for decline of their prices	150,247	157,390
Net value of local securities	<u>8,875,481</u>	<u>5,396,132</u>
Shares of foreign companies	4,757,401	4,617,201
<b>Net Investments of Nonmarketable Shares</b>	<b>13,632,882</b>	<b>10,013,333</b>

- Cost of marketable shares (including affiliates) amounted to JD 32,254,925 as of December 31,1994 (against JD 21,166,633 in 1993) whereas their market value amounted to JD 56,915,331 as at the end of 1994 (against JD 49,696,519 in 1993).
- At the end of 1994 equity investments in subsidiaries and affiliates (i.e companies in which the Bank owns 20% of capital or more) amounted to JD 11,976,052 detailed as follows :

Company	Bank's Share of Capital (%)	December 31	
		1994 JD	1993 JD
<b>Subsidiary:</b>			
Arab Bricks and Tiles Co. Ltd	99	247,500	247,500
<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	22.5	3,883,492	3,883,492
- Industrial Development Bank (22.4% in 1993)	24.9	2,784,271	2,096,741
- Jordan Payment Services Co.	22.5	112,500	112,500
- Green Oasis for Venture Agriculture (50% paid).	20	50,000	50,000
<b>Sub total - Affiliates</b>		<b>11,728,552</b>	<b>11,041,022</b>
<b>Total Shareholdings in the Subsidiary and Affiliates</b>		<b>11,976,052</b>	<b>11,288,522</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. As per the contract signed in Feb 1, 1994 it was agreed that Housing Bank would sell all equipment to the investor and all previous contracts would be cancelled as from December 31, 1994.

- The Outstanding balance of debts due from affiliates amounted to JD 1,419,308 as of December 31, 1994 (JD 1, 491,091 in 1993).
- As of December 31, 1994 the total uncalled capital of the Bank's shareholdings amounted to JD 5,700,384 (against JD 2,613,125 in 1993).

## 9 - Real Estate Investments

This item is made up of the following:

	<b>December 31</b>	
	<b>1994 (JD)</b>	<b>1993 (JD)</b>
- Land at cost	2,214,219	1,572,702
- The Commercial Centre and the Hotel's Building - Shmeisani	14,672,935	14,373,476
- The Bank's Building - Aqaba	626,517	626,517
- The Bank's Building - Zarqa	2,203,301	2,203,301
- Prince Mohammad st. Complex	2,306,725	---
- The Bank's Building - Irbed	1,715,124	143,657
	<u>21,524,602</u>	<u>17,346,951</u>
- Furniture, decoration, equipment, finishings and other works of the Commercial Centre and the Hotel	13,157,559	12,933,016
	<u>34,682,161</u>	<u>31,852,669</u>
<b>Less:</b> Accumulated depreciation	10,778,077	9,176,976
	23,904,084	22,675,693
Shabsough and Prince Mohammad st. Complexes (50% in 1993).	---	3,950,000
<b>Total</b>	<b>26,118,303</b>	<b>26,625,693</b>

During 1994 Shabsough and Prince Mohammad street complexes in each the Bank owned a stake of 50% were liquidated. The Bank got Prince Mohammad st. complex whereas the Shabsough became owned by the other partner. Land of Prince Mohammad st. complex is shown within the item of land and its building in the item of buildings, as above.

## 10 - Fixed Assets

This item is made up of :

	December 31	
	1994 (JD)	1993 (JD)
- Land	6,395,058	3,254,447
- The Bank's Buildings	2,081,222	1,589,280
- Apartments	519,879	519,879
- Equipment Including Computers in the Main Branch and Other Branches	9,134,050	7,396,139
- Vehicles	727,174	654,658
- Furniture, Decorations and Safes	3,850,834	2,909,908
	16,313,159	13,069,864
<u>Less:</u> Accumulated Depreciation	7,062,951	5,554,486
	9,250,208	7,515,378
	<b>15,645,266</b>	<b>10,769,825</b>

## 11 - Other Assets

This item is made up of :

	December 31	
	1994 (JD)	1993 (JD)
- Advances	160,248	248,347
- Establishment Expenses After Amortization	781,392	463,083
- Accrued Interest and Commissions	2,457,369	2,699,701
- Prepayments to Suppliers and Contractors	2,830,999	2,248,597
- Supplies and Stationery	722,743	650,344
- Items in Transit Among Branches	7,882,821	3,344,286
- Current Assets of Forte Grand Amman Hotel	3,776,230	2,743,176
- Land and Buildings Owned by the Bank in Settlement of Debts	1,395,284	1,490,077
- Accrued Rents	1,283,528	1,030,318
- Other Items	3,022,796	3,138,786
<b>Total</b>	<b>24,313,410</b>	<b>18,056,715</b>

- The item of land and buildings owned by the Bank in settlement of debts includes JD 360,421 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	
	1994 (JD)	1993 (JD)
- Current accounts & demand deposits	89,043,767	95,671,861
- Savings deposits	321,294,160	289,311,084
- Fixed and notice deposits	404,125,288	358,704,908
- Certificates of deposits (CD)	2,411,205	1,853,777
<b>Total</b>	<b>816,874,420</b>	<b>745,541,630</b>

- Government deposits amounted to JD 71,076,197 as of December 31, 1994 (against JD 60,300,657 in 1993).
- Noninterest bearing deposits amounted to JD 95,321,538 at the end of 1994 (against JD 100,250,798 in 1993).
- Retained deposits as collaterals for credit facilities granted to customers amounted to JD 8,732,902 as of December 31, 1994 (against JD 13,466,556 in 1993).

## 13 - Interbank Deposits for Other Banks and Financial Institutions

This item is made up of :

	December 31, 1994			December 31, 1993		
	Inside Jordan	Abroad	Total	Inside Jordan	Abroad	Total
	JD	JD	JD	JD	JD	JD
- Current accounts and demand deposits	671,403	253,018	924,421	5,428,852	562,308	5,991,160
- Deposits due within one year	3,093,509	1,407,748	4,501,257	12,032,819	122,315	12,155,134
<b>Total</b>	<b>3,764,912</b>	<b>1,660,766</b>	<b>5,425,678</b>	<b>17,461,671</b>	<b>684,623</b>	<b>18,146,294</b>

## 14 - Amounts Borrowed

This item is made up of :

	December 31	
	1994 (JD)	1993 (JD)
- Amounts borrowed from the Central Bank of Jordan	63,800,000	48,900,000
- Amounts borrowed locally from Jordanian Government.	84,188	715,282
<b>Total</b>	<b>63,884,188</b>	<b>49,615,282</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 Public Housing and Urban Development Corporation's projects which amounted to JD 48,700,000 (JD 45,900,000 in 1993). These loans are regranting by the Bank to the Public Housing and Urban Development Corporation. It also includes an amount of JD 15,100,000 (against 3,000,000 in 1993) 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 Public Housing and Urban Development Corporation for financing the third urban development project.

## 15 - Cash Margins

This item is made up of :

	December 31	
	1994 (JD)	1993 (JD)
- Cash margins for direct credit facilities	92,675	91,734
- Cash margins for indirect credit facilities	9,596,139	5,202,648
<b>Total</b>	<b>9,688,814</b>	<b>5,294,382</b>

## 16 - Various Provisions

This item is made up of :

	December 31	
	1994 (JD)	1993 (JD)
- Income tax provision	839,184	950,000
- Scientific research support provision	110,760	162,650
- Other provisions	2,459,105	4,187,647
<b>Total</b>	<b>3,409,049</b>	<b>5,300,297</b>

## 17 - Dividends Proposed for Distribution

Dividends proposed for distribution amount to 160 fils per share in 1994 i.e 16% except for common shares for which dividend per share amounted to 60 fils. Dividend proposed is subject to the approval of the shareholders' General Assembly in the annual meeting. Details of dividends are as follows :

	JD
- 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>Total</b>	<b>1,820,000</b>

## 18 - Other Liabilities

This item is made up of:

	December 31	
	1994 (JD)	1993 (JD)
- The Board of Directors' remuneration	8,250	8,250
- Salary accounts	9,907,822	8,879,817
- Cash margins	3,195,467	2,044,594
- Interest and commissions received in advance	2,286,780	981,620
- Accrued payable interest	3,420,209	3,929,119
- Certified cheques and accepted payable bills	2,043,625	1,798,261
- Liabilities of borrowers life insurance fund	907,082	854,392
- Liabilities of savings accounts lottery prizes fund	557,002	667,303
- Current liabilities of Forte Grand Amman Hotel	575,914	610,505
- Other credit balances	5,078,827	6,149,601
<b>Total</b>	<b>27,980,978</b>	<b>25,923,462</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			
	1994		1993	
	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	---	510,245	---	627,837
- Provision for decline in value of shares	11,341	---	11,341	---
- Accumulated saving	895,741	46,757	843,051	39,466
<b>Total Liabilities</b>	<b>907,082</b>	<b>557,002</b>	<b>854,392</b>	<b>667,303</b>

### 19 - Shareholders Equity :

Changes of shareholders equity during 1994 are as follows :-

	Paid-up Capital	Statutory Reserve	Special Reserve	Other Reserves	Total
	JD	JD	JD	JD	JD
<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>
<b>1994</b>					
Balance at year beginning	12,000,000	6,141,469	22,438,669	210,020	40,790,158
Changes during the year	---	581,098	2,530,000	---	3,111,098
<b>Balance at year end</b>	<b>12,000,000</b>	<b>6,722,567</b>	<b>24,968,669</b>	<b>210,020</b>	<b>43,901,256</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. This deduction may be stopped if the reserve exceeds half the paid - up capital.
- 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 :

	1994 JD	1993 JD
- Interest from credit facilities :-		
- Bills discounted	1,815,770	1,574,404
- Loans and advances	41,003,785	33,518,926
<b>Total interest from credit facilities</b>	<b>42,819,555</b>	<b>35,093,330</b>
- Interest from interbank accounts and others	9,395,361	10,539,129
<b>Total</b>	<b>52,214,916</b>	<b>45,632,459</b>

## 21 - Received Commissions :

Details of this item are as follows :

	1994 JD	1993 JD
- Commissions on direct credit facilities	6,953,419	6,506,623
- Commissions on indirect credit facilities	809,381	693,025
<b>Total</b>	<b>7,762,800</b>	<b>7,199,648</b>

## 22 - Interest Paid :

Details of this item are as follows :

	1994 JD	1993 JD
<b>Interest paid on customers' deposits :</b>		
- Current accounts & demand deposits	752,709	626,985
- Savings deposits	13,624,441	11,926,644
- Fixed and notice deposits	21,232,657	21,351,605
- Certificates of deposits	72,454	16,837
<b>Sub Total - Interest paid on customers' deposits</b>	<b>35,682,261</b>	<b>33,922,071</b>
<b>Interest paid on interbank deposits and others</b>	<b>3,021,417</b>	<b>3,249,964</b>
<b>Total</b>	<b>38,703,678</b>	<b>37,172,035</b>

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

This item is made up of :-

	1994			1993		
	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	3,429,380	----	3,429,380	5,057,498	----	5,057,498
- Investment securities	2,142,135	244,067	2,386,202	1,535,539	3,882,682	5,418,221
<b>Total</b>	<b>5,571,515</b>	<b>244,067</b>	<b>5,815,582</b>	<b>6,593,037</b>	<b>3,882,682</b>	<b>10,475,719</b>

## 24 - Foreign Exchange Earnings :

This item is made up of :

	1994 JD	1993 JD
- Foreign exchange trading profits	833,795	787,885
- Currency differences on banking services	271,061	232,700
- Foreign exchange evaluation difference at the year end	122,820	196,946
<b>Total</b>	<b>1,227,676</b>	<b>1,217,531</b>

## 25 - Other Revenues :

This item is made up of :

	1994 JD	1993 JD
- Real estate investment net revenues	1,006,325	886,558
- Received fees on salary accounts	325,841	305,502
- Revenues from previous years	100,181	328,008
- Profits of fixed assets sales	3,590	254,103
- Visa cards revenues	180,554	118,797
- Fees from managed loans	59,151	62,951
- Safes lease revenues	65,356	54,671
- Redundant provisions returned to revenues	---	376,000
- Various revenues	428,465	651,527
<b>Total</b>	<b>2,169,463</b>	<b>3,038,117</b>

Details of above real estate investments net revenues are as follows :

	1994 JD	1993 JD
- Real estate investments revenues	7,324,171	6,737,394
<b>Less:</b> Real estate expenses:		
- Operation expenses of Forte Grand Hotel	4,194,504	3,819,655
- Expenses of the Commercial Centre	378,218	343,716
- Expenses of the Prince Moh'd st. complex	8,124	---
- Expenses of the Bank's building in Zerqa	32,113	29,905
- Expenses of the Bank's building in Aqaba	15,125	10,135
- Other expenses	6,848	37,219
- Depreciation of buildings	1,682,914	1,610,206
<b>Total real estate expenses</b>	<b>6,317,846</b>	<b>5,850,836</b>
	<b>1,006,325</b>	<b>886,558</b>

## 26 - General and Administrative Expenses :

Details of this item are as follows :

	1994 JD	1993 JD
- Staff salaries and benefits	10,067,771	9,064,542
- Depreciation of fixed assets	1,622,071	1,228,576
- End of service indemnity paid to staff	1,611,499	1,229,637
- Rent of computer software and hardware	246,869	1,108,149
- Bank's contribution to social security	840,225	770,607
- Amortization of establishment expenses	241,416	701,227
- Medical care expenses	847,494	653,521
- Bank's contribution to employees saving fund	726,258	648,138
- Stationery and printed matters	711,316	577,383
- Maintenance and repair	611,676	443,927
- Post, telephone and telex	480,426	479,947
- Rents	486,994	474,004
- Electricity, water and fuel	364,173	298,581
- Travel expenses and allowances	425,846	360,248
- Advertisements	284,847	234,835
- Donations	314,509	212,201
- Transportation expenses	215,170	189,590
- Employees life insurance	209,736	81,881
- Hospitality	85,111	68,503
- Insurance of the Bank's assets	134,303	65,770
- Subscription fees to banking associations	224,778	141,831
- Foreign exchange dealings fees	35,247	32,576
- Board of Directors' travel expenses	32,450	23,100
- Borrowers transactions' expenses	101,829	18,860
- Miscellaneous expenses	541,769	613,820
<b>Total</b>	<b>21,463,783</b>	<b>19,721,454</b>

## 27 - Income Tax :

This item represents the Bank's income tax provision for 1994. A final settlement had been reached with the Income Tax Dept. up to the end of 1992, wherease the Dept. has not completed the assessment of the Bank's taxable profits for the year 1993.

## 28- Staff Service Termination Endemnty Provision:

As per the board of directors decision no. 76/80 dated December 3,1980 taken in accordance with articles 35 and 36 of the Bank's law no. 4 of 1974, the Bank has kept separate accounts for staff end of service indemnity fund from the Banks accounts since the application of social security law

in December 1, 1980. Rules and regulations of the fund had been set by the Bank's board of directors.

Details of this Fund's assets and liabilities are as follows:

	December 31	
	1994 (JD)	1993 (JD)
<b>Assets:</b>		
Current Assets:		
- Deposits in local currency	7,355,155	6,253,868
- Investment in stocks and bonds after provision for decline (i.e. JD 25,550 in 1994 and JD 10,000 in 1993).	475,026	416,386
- Other debit balances	41,236	159,483
Subtotal Current Assets	7,871,417	6,829,737
- Advances granted to staff from their long-term dues	8,235,616	7,430,893
<b>Total Assets</b>	<b>16,107,033</b>	<b>14,260,630</b>
<b>Liabilities:</b>		
Staff end of service indemnity provision	14,529,400	13,103,915
Profits carried forward	1,577,633	1,156,715
<b>Total Liabilities</b>	<b>16,107,033</b>	<b>14,260,630</b>

## 29 - 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 :-

	1994		1993	
	Assets JD	Liabilities JD	Assets JD	Liabilities JD
- Due in one year or less	489,939,347	819,792,059	460,341,524	767,018,583
- Due in a year to two	104,568,556	12,508,039	87,644,745	2,600,000
- Due in more than two years	278,907,070	53,884,188	267,793,733	43,684,623
<b>Total</b>	<b>873,414,973</b>	<b>886,184,286</b>	<b>815,780,002</b>	<b>813,303,206</b>

### 30 - Net Position in Foreign Exchange :

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

	1994 JD	1993 JD
- Total assets	200,012,714	193,754,916
- Total liabilities	(182,596,590)	(177,669,824)
- Net assets	17,416,124	16,085,092
- Total cash balances	179,358,533	174,483,617
- Securities Portfolio	15,686,636	8,446,615
- Direct credit facilities	4,967,545	10,824,684
- Interbank deposits	1,671,704	8,073,878
- Customers' deposits	174,608,546	167,371,248
- Cash margins	6,316,340	2,224,698
- Interest and commissions earned	7,839,737	8,652,240
- Interest and commissions paid	6,844,451	7,354,033
- Interest and profits of securities portfolio	9,853	40,482
- Contra accounts	32,924,277	29,519,837

### 31 - Contra Accounts :

This item is made up of the following :

	December 31	
	1994 JD	1993 JD
- Approved but undisbursed loans	39,103,551	34,980,492
- Irrevocable documentary credits	25,117,815	26,932,547
- Guarantees	22,117,786	16,126,968
- Guaranteed acceptances	9,841,970	9,130,696
<b>Total</b>	<b>96,181,122</b>	<b>87,170,703</b>

### 32 - Legal Claims :

The Bank has filed lawsuits, through which it claims amounts totalling JD 7,794,671. Meanwhile, total amounts implicated in lawsuits filed against the Bank reach JD 13,123,823. In the Bank's management view, the Bank will not be liable for any financial obligations arising from such claims.

### 33 - Comparison of Figures :

Some figures of 1993 have been reclassified in order to be consistent with the classification of 1994 for the purpose of comparison.