



THE HOUSING BANK

(A Public Shareholding Company Established by Special Decree)

Amman - Jordan

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

1996

Head Office and Main Branch

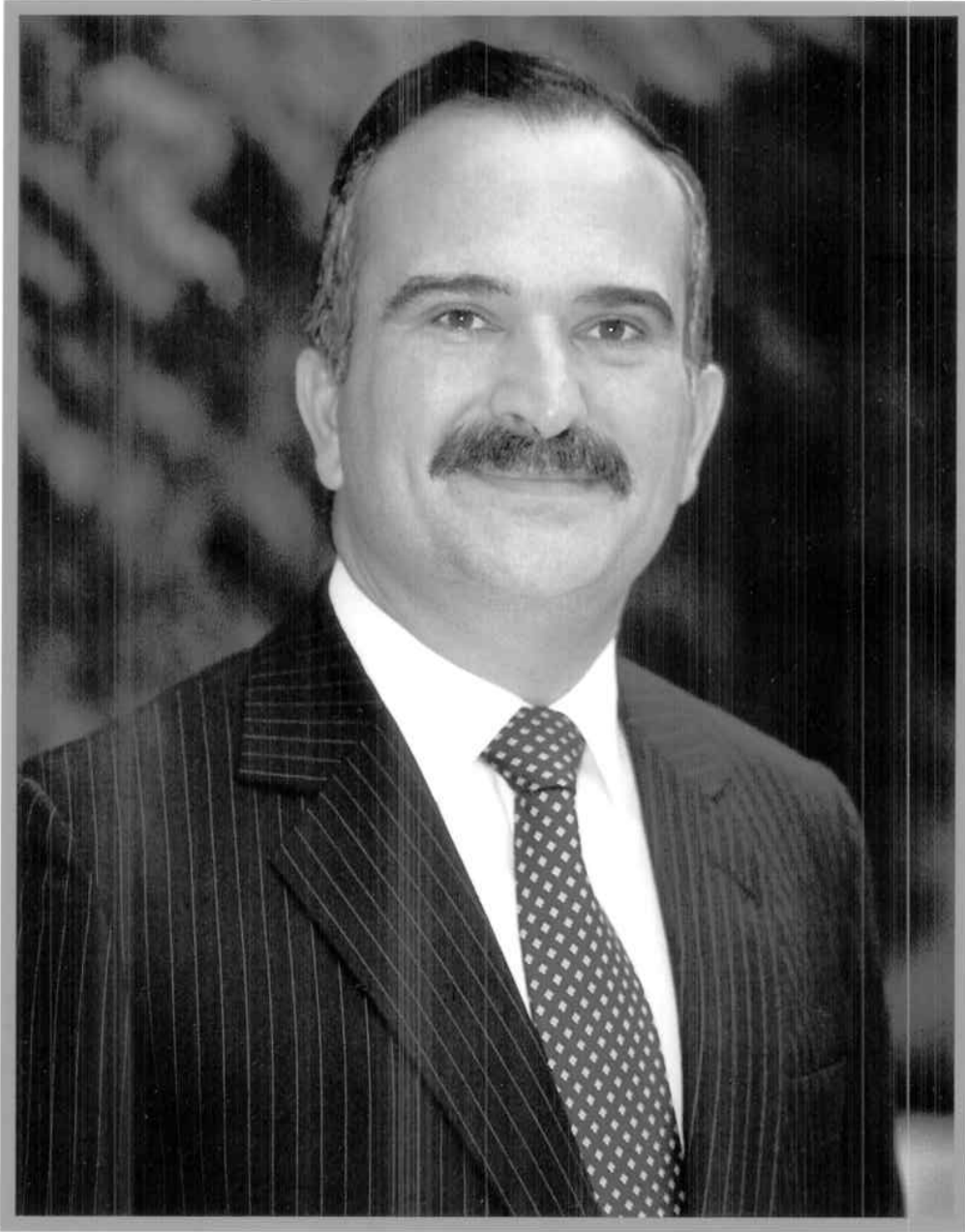
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His Majesty King Hussein



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. Masnour 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 Preference Shareholders.

Mr. Ibrahim Al Ibrahim :
Representative of Preference Shareholders.

Mr. Abdul Mohsin Kattan :
Representative of Preference Shareholders.

Mr. Munther Fahoum :
Representative of Preference Shareholders.

Mr. Tharwat Al Barghouthi :
Representative of Preference Shareholders.

Auditors; Saba and Co.



Chairman's Message

Dear Shareholders;

On behalf of the board of directors, I have the pleasure to present to you the 23rd Annual Report on the Bank's main activities and accomplishments in the year ending December 31, 1996. You will find out that the Bank managed to maintain its active role and leading position in the Jordanian banking system, and achieved good growth rates compared to the rates achieved by the banking system.

While reviewing the Bank's financial statements you will find out that the Bank was able to keep the level of its good performance and achieved good operation results. All items of the balance sheet showed good growth. Total assets rose to JD (1,136.2) million, an increment of JD (32.8) million or (3%), compared with the end of 1995.

Total loans and credit facilities granted by the Bank in 1996 for different residential, real estate and development purposes amounted to JD (224.5) million. In addition to repayments amounted to nearly JD (202) million, the balance of outstanding loans and credit facilities increased from JD (604.5) million at the end of 1995 to JD (648.3) million at the end of 1996, an increment of JD (43.8) million or (7.2%).

As for deposits, the Bank maintained its leading position in the Jordanian banking system. Total balance of deposits rose from JD (885) million at the end of 1995 to reach JD (917.6) million at the end of 1996, an increment of JD (32.6) million or (3.7%). It is worth mentioning that customers' deposits only, increased from JD (839.9) million at the end of 1995, to reach JD (895.2) million at the end of 1996, an increment of JD (55.3) million or (6.6%). Customers' deposits at the Bank's branches in Jordan, increased by JD (44.9) million in 1996, which forms (22.7%) of the total increase of customers' deposits at all licensed banks.

Under its policy of branching outside Jordan, the Bank opened its second branch in Palestine, Gaza city, in order to contribute, together with Ramallah Branch, which was opened in early 1995, in serving the Palestinian economy.

Net profits before tax were good in general and reached JD (10.42) million against JD (10.25) million in 1995 .

In light of the results of the Bank's operations in 1996, the board of directors recommends distributing a dividend of (20%) to shareholders and transferring the surplus to various reserves, thus raising their balance from JD (52.8) million at the end of 1995 to JD (56.3) million at the end of 1996, an increment of JD (3.5) million or (6.6%). So, total reserves exceeded twofold the Bank's capital which is JD (25) million. Thus, total shareholders equity (capital and reserves) reached JD (81.3) million at the end of 1996, against JD (77.8) million at the end of 1995, a growth of (4.5%). This has raised the capital adequacy ratio according to Basle Committee standards (BIS ratio) to (16.4%), which by far exceeds the minimum required by Central Bank of Jordan i.e (10%).

The board of directors would like to take this opportunity to express its sincere thanks and gratitude to the Jordanian Government and its various institutions for their cooperation, particularly the Central Bank of Jordan who has always followed a wise policy, aiming at maintaining monetary and Jordanian Dinar exchange rate stability, and who plays a leading 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.

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

Zuhair Khouri
Chairman of the Board





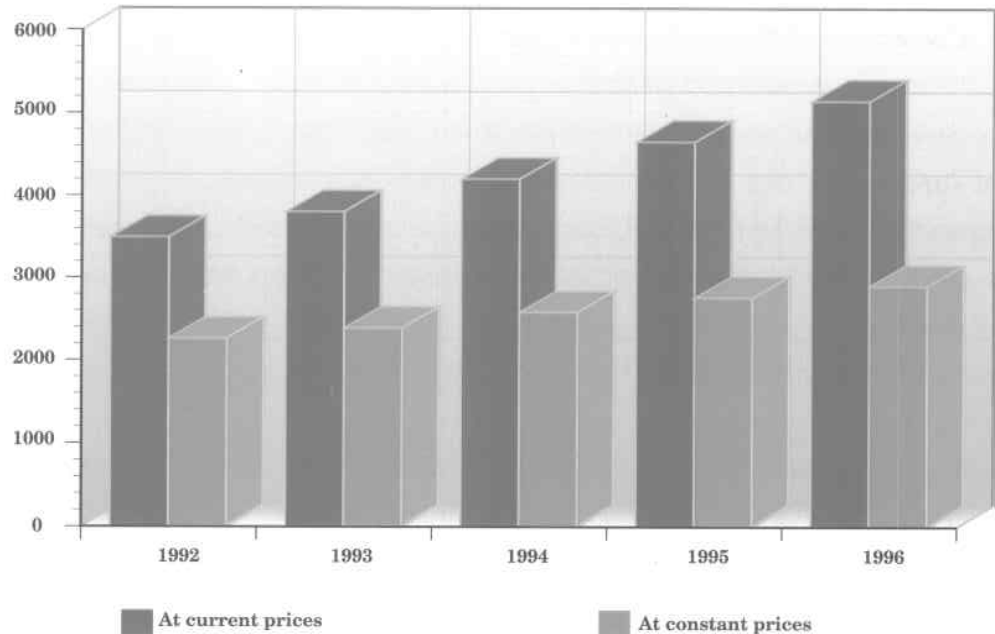
Jordanian Economy in 1996

The national economy continued its strong performance in 1996, in line with the economic adjustment program. The program aims at restoring internal and external economic balance, boosting free market role, better allocation of resources, enhancing financial and monetary stability, improving investment environment by providing incentives to domestic and foreign investments, as well as boosting the private sector role in development process. Jordanian economy achieved satisfactory growth rates in areas of national savings, total investment and real gross domestic product. This has resulted in strengthening Jordanian Dinar exchange rate against foreign currencies, reduction of deficit in the budget and current account of the balance of payments.

Gross Domestic Product (GDP)

GDP at constant prices amounted to JD* (2,898.1) million against JD (2,753.8) million in 1995, a real growth of (5.2%) in 1996 against (6.9%) in 1995, whereas GDP at current prices amounted to JD

JD million



GDP Growth (1992 - 1996)

* One JD = USD 1.41 (fixed since October 1995).



(5,146.6) million against JD (4,654.8) million in 1995, a growth rate of (10.6%) in 1996, against (10.8%) in 1995.

Saving and Investment

Domestic savings as a percentage of GDP achieved good growth in 1996 and rose to (12.1%) against (11.8%) in 1995. Savings of private sector formed the major part of it and reached (10.8%) of GDP. Demand on investment showed growth, as fixed capital formation rose by (16%) to reach JD (1,716.9) million in 1996. It formed (33.4%) of GDP in 1996 against (31.8%) in 1995. Among other positive indicators was the rise of private sector share in fixed investment to (81.4%) in 1996 against (78.3%) in 1995. Investment in construction sector formed a high percentage of total investment i.e (77.5%) in 1996.

General Prices Level

There was a relative rise of the cost of living index in 1996 which recorded (116.6) points, against (109.5) points in 1995 , a rise of 6.5%.

Balance of Payments

Current account of the balance of payments showed a noticeable improvement in 1996 and its deficit was reduced by JD (14.6) million to become JD (165.2) million or (3.2%) of GDP.

Such improvement was achieved despite the rise of trade deficit, as imports of commodities grew at a rate exceeded the growth of exports. Main reason for improvement of current account deficit was the performance of services balance which showed noticeable surplus compared with 1995 .

Public Finance

Jordanian government continued to follow balanced financial policies. Budget deficit before grants amounted to JD (236.7) million in 1996, against JD (246.7) million in 1995, a decline of (4.1%) due to the increase of local revenues by (13.9%), whereas current expenses



increased by (7.8%) only. Budget for 1997 was based on certain guidelines which includes attaining self dependency by reducing budget deficit as a percentage of GDP, through curbing public expenditure, increasing national savings and improvement of collection procedures as well as controlling public debt and continuation of utilizing different monetary policy instruments, to keep monetary stability.

Public Debt

Management of foreign debt was satisfactory as the balance of withdrawn foreign loans decreased from USD (6,992) million in 1991 to USD (6,659) million at the end of 1996. Thus, foreign debt as a ratio of GDP declined from (174%) in 1991 to around (92%) in 1996. Domestic public debt amounted to JD (994.6) million at the end of 1996, against JD (966.1) million at the end of 1995 .

Monetary Policy

Central Bank of Jordan (CBJ) continued in 1996 to follow indirect management monetary policy and achieved good results in curbing price rise while sustaining balanced economic growth. CBJ also managed to keep the stability of Jordanian Dinar exchange rate and boost the country foreign reserves. Foreign exchange liberalization measures taken by the Bank in November 1996 are expected to contribute to further development of the capital market, increase investment activity by providing new investment opportunities to the investors in foreign exchange as well as increasing investors confidence in Jordanian Dinar exchange rate against the Dollar and improving the capability of banks in managing their foreign currency assets and liquidity.

Capital Market

By virtue of incentives provided by economic and investment legislations, momentum of establishing new companies in different sectors continued and their total capital increased to JD (768.4) million in 1996 against JD (459.7) million in 1995 .



As for Amman stock exchange (Amman Financial Market) and despite noticeable improvement in Jordanian economy indicators, the market witnessed a decline in turnover and prices of traded stocks. Turnover amounted to JD (248.6) million in 1996 against JD (418.9) million in 1995, of which JD (44) million in 1996 were traded by non Jordanians. Weighted price index of shares declined by (3.6%) in 1996.

New issues in the primary market also declined to JD (187.7) million in 1996 against JD (329.8) million in 1995. However, Amman Financial Market is expected to recover and witness active trading in 1997 after the issue of new securities law expected to be validated in 1997. This law would create new investment instruments such as mutual funds and provide incentives to foreign investment firms and portfolios.

Banking System

Jordanian banking system continued its strong performance and active role in economic and social development. Operation results of licensed banks showed good growth rates in various activities. Their total assets increased from JD (8,432.9) million at the end of 1995 to JD (8,857.7) million at the end of 1996, a growth rate of (5%).

Total balance of deposits also rose from JD (5,787.5) million at the end of 1995 to JD (5,988.8) million at the end of 1996, a growth rate of (3.5%).

Total balance of outstanding loans and credit facilities increased from JD (3,705.7) million at the end 1995 to JD (3,920.3) million at the end of 1996, a growth rate of (5.8%).

Sources: 1- Government budget for 1997.
2- Central Bank of Jordan statistics.



THE BANK'S ACTIVITIES AND ACCOMPLISHMENTS IN 1996

The strategic plan of the Housing Bank for 1996 was the basis for all its achievements. The Bank kept its leading position and achieved good growth rates in its various activities compared with the Jordanian banking system.

Balance sheet

Total assets/ liabilities reached JD (1,136.2) million at the end of 1996 against JD (1,103.4) million at the end of 1995, a growth of JD (32.8) million or (3%). All items of the balance sheet showed noticeable growth.

Item \ Year	1992	1993	1994	1995	1996
Cash, at banks & other liquid assets	525.8	358.7	332.7	366.0	349.7
Total loans and credit facilities *	383.1	443.6	524.2	604.5	648.3
Equity shareholdings	28.5	31.2	45.9	50.8	57.6
Real estate investments	28.1	26.6	26.1	27.3	26.4
Customers deposits	841.0	745.5	816.9	839.9	895.2
Interbank deposits	18.2	18.1	5.4	45.1	22.4
Total deposit	859.2	763.6	822.3	885.0	917.6
Capital and reserves (shareholders' equity)	36.1	40.8	43.9	77.8	81.3
Net profit (after tax)	4.84	6.64	5.01	9.45	8.47
Total Assets/ Liabilities	991.2	892.4	973.0	1103.4	1136.2

* Includes loans granted to the Public Housing and Urban Development Corporation and other housing funds, financed by advances from the Central Bank of Jordan, which amounted to JD (76.1) million as of 31/12/1996.

The growth achieved in the balance sheet was the result of increase in the main financial indicators and showed the strength of the Bank, its active role in supporting national economy and its continued ability to obtain its targeted share from the Jordanian banking market.

Capital and Reserves

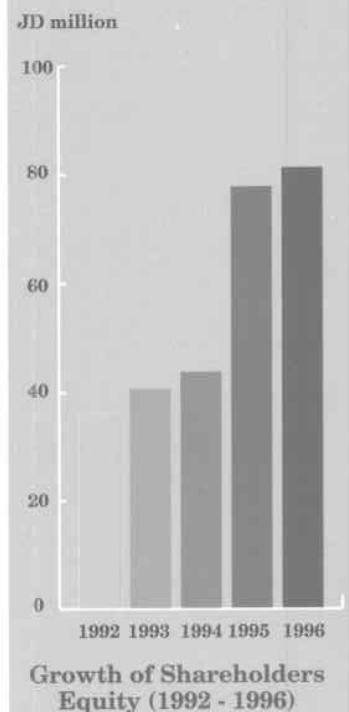
The Bank continued in 1996 to build up its various reserves which form a solid base providing financial resources that enable it to diversify and develop its banking services. This would improve its revenues and make good return to shareholders as well as enhance its competitive power inside the Jordanian banking system. The balance of various reserves rose from JD (52.8) million at the end of 1995 to reach JD (56.3) million at the end of 1996, an increment of JD (3.5) million or (6.6%). Thus, the Bank's reserves exceeded twofold its capital after it was increased to JD (25) million in 1995.

Shareholders equity rose to JD (81.3) million at the end of 1996 from JD (77.8) million at the end of 1995, an increment of JD (3.5) million or (4.5%). Thus, the Bank kept its second rank, according to this criterion, in the Jordanian banking system. By virtue of its reserves, the Bank enjoys high capital adequacy ratio according to international standards. B.I.S. ratio of the Bank at the end of 1996 was (16.4%) which by far exceeded the minimum required by CBJ, i.e (10%).

Deposits

The Bank maintained its leading position in the Jordanian banking system in terms of deposits and savings attraction despite the strong competition between banks.

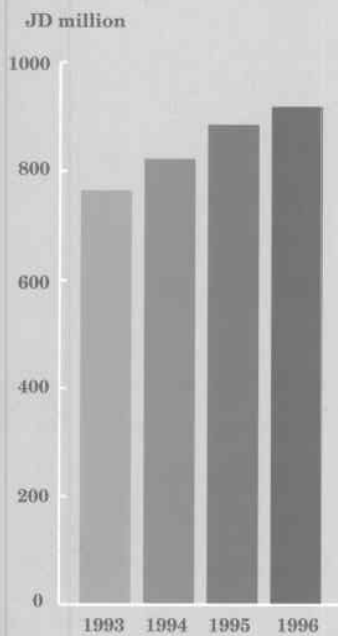
Balance of total deposits at the Bank rose from JD (885) million at the end of 1995 to reach JD (917.6) million at the end of 1996 , an increment of JD (32.6) million or (3.7%).





Customers' deposits in Jordanian Dinar and in foreign currencies at the Bank showed increasing growth rates. Their balance at the Bank's branches inside Jordan only, amounted to JD (881.8) million at the end of 1996 against JD (836.9) million at the end of 1995.

Deposits in Jordanian Dinar represented the major part of customers' deposits and amounted to JD (697.8) million at the end of 1996 against JD (670.1) million at the end of 1995, an increment of JD (27.7) million which formed (22%) of the total increase in customers' deposits in JD at all licensed banks, which amounted to JD (127.2) million in 1996 .



Growth of Deposits
(1993 - 1996)

As a result of the Bank's continuation in utilizing marketing techniques and different promotive instruments for the purpose of attracting deposits, the Bank achieved a growth rate of (5.4%), whereas the total banking system achieved a growth of (3.5 %).

Saving deposits in Jordanian Dinar at the Bank exceeded the total balance of such deposits at all other banks combined by JD (45.9) million. The Bank has developed the saving account lottery prizes scheme by increasing the number and value of prizes granted to winners in monthly drawings as well as the extraordinary drawings which are run on April, August and December every year, so as more savers could benefit from such prizes.

The Bank has also introduced scholarship prizes scheme whereby (15) prizes totaling JD (90) thousand are allocated to students savers who pass the general secondary examination. That step aimed to increase savings by students and make them have saving awareness.

It is worth mentioning that total annual prizes paid to winners in all monthly and extraordinary drawings amount to JD (2) million divided on (74,220) annual prizes i.e (6,185) prize every month. Grand monthly prize is JD (50) thousand and grand prize in extraordinary drawing is JD (150) thousand. Total number of winners of saving account prizes up to the end of 1996 reached (625,248) savers and they won prizes totaling JD (12) million.



Banking Services Lobby - Main Branch



Loans and Credit Facilities

In response to development needs which Jordan witnessed during 1996 , the Bank continued performing its active role in serving national economy through developing its policies in the field of financing development and construction projects.

During 1996, the Bank increased and expanded its lending activity for various purposes. Total loans and credit facilities which the Bank granted during 1996 reached nearly JD (224.5) million. Thus, total loans and credit facilities which the Bank granted since establishment and until the end of 1996 for housing, real estate, and various development objectives reached JD (2,266.3) million.

Total housing and real estate loans which the Bank granted in 1996 reached JD (82.4) million, participated in financing (12,631) housing unit with a total area of nearly (1.7) million sq.m. Thus, total housing and real estate loans which the Bank granted since establishment until the end of 1996 reached nearly JD(1,094.3)



million, which participated in financing (156,699) housing unit with a total area of (22) million sq.m. and which formed (21.4%) of the total licensed building area in the Kingdom during the same period.

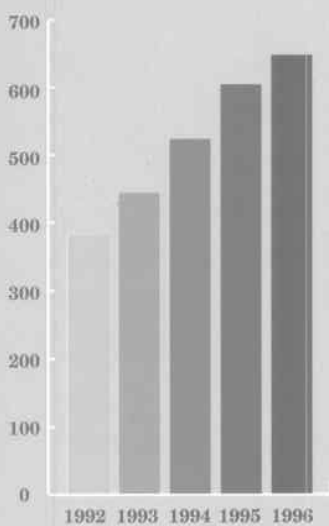
The Bank continued during 1996 paying special care and attention to low and medium - income groups through providing them with soft - term housing finance, either through providing direct finance to them, or through financing housing projects which developers or the Public Housing and Urban Development Corporation executes. During 1996, the Bank signed an agreement with the Public Housing and Urban Development Corporation to finance the beneficiaries of the second phase of Abu Nosier housing project. The Bank started granting loans to the beneficiaries for the purpose of buying plots of land and building housing units. The Bank's attention to this category comes from its care to continue its leading and effective role in the general efforts exerted to solve the housing problem of low and medium - income groups. During 1996, total loans granted to this category reached nearly JD (12.9) million and financed (2,363) housing units.

In its endeavor to continue activating economic development in the Kingdom, the Bank participated in providing finance to various economic and development projects including small and medium productive projects, in addition to offering development finance to public and private corporations and institutions. Total development loans and credit facilities which the Bank granted during 1996 reached JD (142.1) million.

In accordance with the decision of the Central Bank of Jordan which allowed licensed banks to offer credit facilities in foreign currencies to development institutions, the Bank started in 1996 executing foreign currency lending program to provide finance to economic projects, in order to reinforce their exportation capabilities. Total loans granted in foreign currencies are equivalent to JD (14.9) million.

As a result of the Bank's continued lending activity and despite repayments amounting to nearly JD (202) million, the balance of outstanding loans and credit facilities rose to JD (648.3) million at the end of 1996, an increment of JD (43.8) million or (7.2%), from JD (604.5) million at the end of 1995 .

JD million



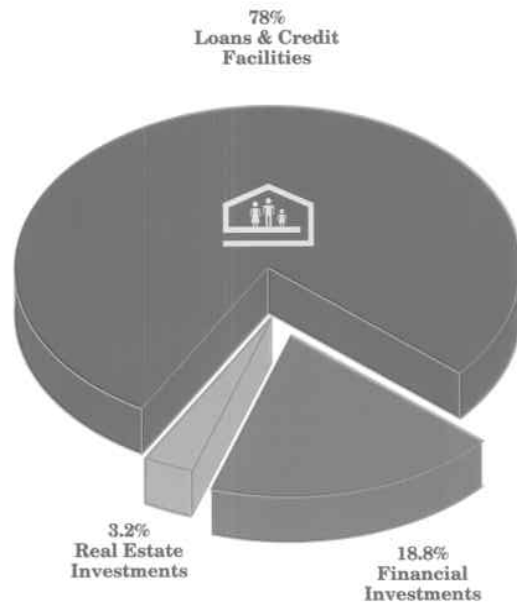
Growth of Loans & Credit Facilities (1992 - 1996)



Table No. 2
Major Indicators of the Bank's Lending Activities
 (1974 - 1996)

Item \ Year	1974-1993 Accumulative	1994	1995	1996	Total	
1. Amount of granted loans and credit facilities (JD million)	a: Various housing and mortgage loans	773.6	119.8	118.5	82.4	1,094.3
	b: Development loans	236.3	26.1	19.8	21.3	303.5
	c: Credit facilities for housing and other development purposes*	554.8	91.5	101.4	120.8	868.5
	Grand total (a+b+c)	1,564.7	237.4	239.7	224.5	2,266.3
2. Number of granted loans	72,585	11,638	12,213	10,283	106,719	
3. Number of units financed by the Bank classified by purpose	a: Construction and / or completion and / or expansion of buildings	83,764	5,540	4,457	4,709	98,470
	b: Purchase and / or maintenance of buildings	28,315	9,896	10,144	7,700	56,055
	c: Purchasing plots and constructing buildings	1,667	140	145	222	2,174
	Total number of units financed	113,746	15,576	14,746	12,631	156,699
4. Building area financed by the Bank (000' sq. m)	a: Construction and / or completion and / or expansion	11,497	867	702	674	13,740
	b: Purchasing and / or maintenance	4,062	1,442	1,429	1,050	7,983
	c: Purchasing plots and constructing buildings	247	15	15	25	302
	Total building area financed by the Bank	15,806	2,324	2,146	1,749	22,025
5. % of constructed and / or expanded and / or completed building area which the Bank financed out of total licensed area in the Kingdom	24%	18%	14%	12.3%	21.4%	

* Including credit facilities granted by Ramallah Branch in 1996, which amounted to JD (3.7) million.



The Housing Bank's Investments at the end of 1996

Diversifying and Developing Commercial and Investment Banking Services.

To achieve one of the main objectives of its strategy, the Bank continued developing and diversifying commercial and investment banking services to suit clients' demands and needs on one hand, as well as the diversification and development of investment instruments in the monetary and financial markets on the other, especially after the Central Bank of Jordan's memorandum No. 304/96 dated 29/10/1996 which deregulated foreign exchange market.

In this regard, private Banking Centre continued to develop and offer services to its clients. Of these services margin and Ac/ Ac trading, certificates of deposits in US dollars, collective foreign investment fund, and marketing other international investment funds to resident and non resident clients.

The Bank also concluded all agreements regarding establishment of Jordan Investment Fund/ The Housing Bank. An exempted company by the name of the Fund was established in Bahrain and prospectus was completed, and appointment of members of the board started. In accordance with joint listing agreement between Amman

Financial Market and Bahrain Stock Exchange, the Fund's units will be listed for trading in both markets. It is worth mentioning that the Fund's money will be invested in Jordan which would help attract foreign financial resources.

While the Bank was diversifying and developing its investments services in foreign currencies, it also developed the procedures of rendering its services to be more competitive and to suit customers' demands. Of these services: letters of credit, issuing guarantees, transfers, travelers and draft cheques, foreign exchange, and issuing Visa cards with Visa phone service to those holding golden and international Visa classic cards.

Regarding its external operations, the Bank gave special attention to consolidate its relations with international banks and financial institutions in order to facilitate its customers' operations and therefore, it has expanded its correspondent banks network. By the end of 1996 , total number of correspondent banks and financial institutions reached (300), covering most regions of the world. The Bank also continued using SWIFT system which is one of the most modern financial communication nets in the world.

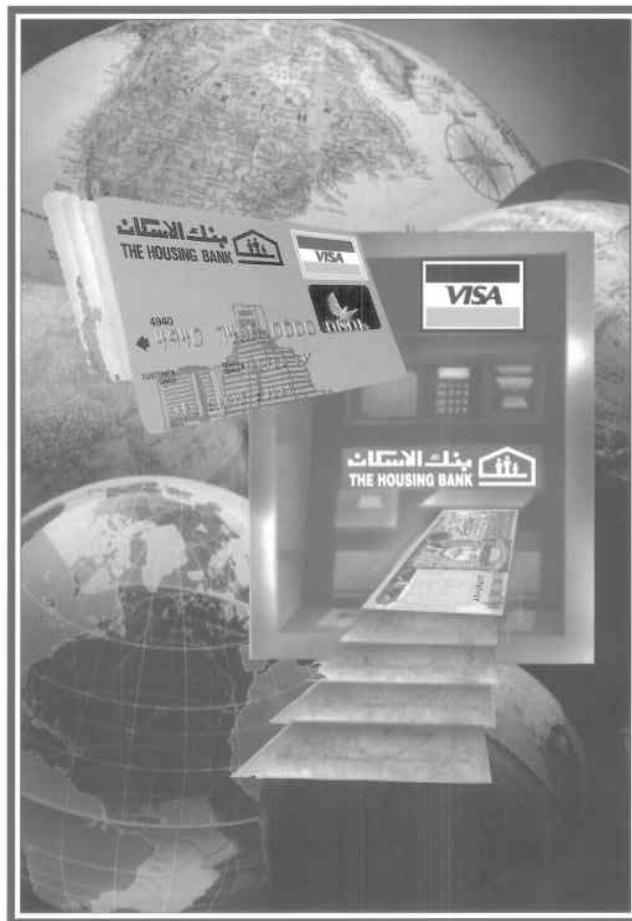
Banking Technology and Automated Services

During 1996, the Bank continued its efforts to exploit its banking technology base which it had successfully built during the past years, with the aim of improving its performance quality on one hand, and developing and diversifying services offered to customers, on the other.

* The Bank was able to link (48) branches with the main frame during 1996. Thus, total number of branches linked with the network reached (101) in various regions of the Kingdom.

* The first phase of the project of establishing hot backup centre was completed which would guarantee a continued service in case of





any technical problems or failure in the main frame.

* To expand its ATM network, the Bank installed (9) ATMs during 1996. Thus, total number of operating ATMs reached (24), distributed in Amman, Irbid, Zarqa, Karak, Ghour and Aqaba. During 1996, the Bank issued (43,297) ATM cards to its clients, thus total number of cards which the Bank issued until

the end of 1996 reached (74,515). The Bank also expanded offering phone bank service, and the total number of beneficiaries of this service reached (4,481) clients.

* The Bank has completed its role in the connection project with ATM SWITCH. When applied, holders of Visa cards issued by The Housing Bank and other banks will be able to use ATM to withdraw cash. When the second phase of connection project is completed by the beginning of 1997, clients of connected banks with ATM network will be able to withdraw from any connected ATM regardless to which bank it belongs.

* To diversify automated services, the Bank introduced during 1996 home banking service to provide automated banking service to customers especially institutions. These services include: balance in-

quiry, brief statement of account, transactions inquiry, request of statement of account and a cheque book, and inquiries about currency, interest and foreign exchange rates.

* To support branches, prolonged off-line system was completed. This system would enable branches to work for long periods, even when they were disconnected for any technical reason.

* The Bank also completed developing its automated clearing system in a way that suits the national automated clearing system, which will be applied by the Central Bank of Jordan, and guarantees speed and accuracy of clearing process.

These accomplishments of automating the Bank's operations, were a translation of the execution stages included in the central computer project carried out under internal management and supervision, in order to keep up with the latest development in utilizing banking technology, for improving performance, productivity, and the quality



The Housing Bank Centre - Irbid



of services offered by the Bank, so as to support its competitive capabilities.

Real Estate Investments

The Bank added to its real estate investments a new building, as works in the Housing Bank Centre/ Irbed were completed. This Centre is considered one of the biggest buildings in the north area. Commercial activity has started in the centre as part of the commercial market was let. The remaining part, hopefully, shall be let during 1997. Al Qubba branch, which is part of the centre, has started offering banking services to citizens.

Staff Training

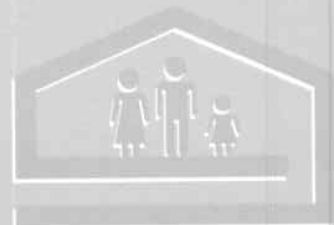
As the Bank aspired to develop the quality of services it offers to clients, it gave human resources full attention to raise



Arab Training Centre - The Housing Bank

the level of their competence and productivity, so as to expand customers' base with the Bank and achieve their satisfaction.

In this regard, the Bank developed and diversified the training process during 1996. The Arab Training Centre of The Housing Bank supported its activity with training courses that suit banking activities requirements. During 1996, the Training Centre provided (1,916) training and studying opportunity to the Bank's employees, which covered various managerial, banking, finance and computer science fields. The Bank also nominated a number of its employees to get diploma, bachelor and master degrees in managerial and banking sciences in Jordan and abroad.



The Development of the Bank's Training Activities

Number of Participants during (1992 - 1996)

Item	Year	Number of Participants				
		1992	1993	1994	1995	1996
Training programs held at the Bank - based Training Center		1,104	1,632	1,484	1,613	1,726
Training programs held in collaboration with specialized local training institutions		108	140	219	209	286
Training programs held in Arab and foreign countries		70	95	113	111	117
Seminars		1,406	1,769	997	943	629
Master programs		3	4	2	2	2
CPA training course		---	8	7	5	10
Total		2,691	3,648	2,822	2,883	2,810

The Bank also continued qualifying its employees to attend CPA exam in the United States of America in cooperation with Becker CPA review which selected Arab Training Centre as a premises to hold its training courses in Jordan, to enable employees in accounting field in Jordan and the Arab world to get CPA degree which is acknowledged by all economic and financial institutions in the world.

It is worth mentioning that the Centre developed a number of training courses to suit the needs of local and Arab banking and financial institutions, which selected the Cen-



Al- Qubba Branch - Irbed



tre to train their employees from various managerial levels. During 1996, the number of Jordanian and Arab employees who participated in various training courses reached (183) from various managerial levels.



Palestinian Finance Minister inaugurates Gaza Branch, on behalf of Palestinian President.



Palestinian President receives HB Chairman & accompanying delegates

Geographic Expansion

During 1996, the Bank maintained its leading rank within the banking system in terms of the number of branches in Jordan. The Bank added to the list of its branches (3) new branches in 1996. These are: Zahran/ Jabal Amman, Al - Madina Al- Munawara/ Tila' Al - Ali, both of them in Amman. The third is Al - Qubba branch/ The Housing Bank Centre in Irbed. Thus, total number of the Bank's branches in Jordan reached (121), which accounts for (27.2%) of the total combined number of other banks' branches in the Kingdom.

The Bank established in 1996 its second branch in Palestine. A branch in Gaza was opened after Ramallah branch which was opened in 1995. The two branches will work together to support Palestinian national economy and to offer various commercial banking services to citizens in Palestine. Thus, total number of the Bank's branches in Jordan and Palestine reached (123).



Social Responsibility

In fulfillment of its social responsibility, the Bank continued during 1996 to assume its role in supporting various social voluntary and charitable activities as well as cultural, sport and artistic activities in various regions in the Kingdom. The most distinguished of which are: participating in organizing the Kingdom's celebrations of International Traffic Day, public campaigns to curb road accidents and smoking, supporting Arab Child's Song Festival, Arab Childhood Conference which was held in Amman, participating in Jordan Housing Exhibition, in addition to active presence in important economic conferences and seminars, the most important of which was Cairo Economic Summit.

Strategic Future Plan

With the process of restructuring the national economy taking pace and in light of the economic expectations for 1997 and their potential on the banking system, and to keep up with new developments in the banking industry, the Housing Bank adopted a strategic plan for 1997, which includes the following goals and guidelines:

First: Increasing the Bank's market share :

1- Deposits:

· Increasing the Bank's share of Jordanian deposits market, whether in JD or major foreign currencies , for all types of deposits.

2- Commercial and Investment Banking Activities

The Bank practices commercial and investment banking activities and seeks to increase its market share of these services. The Bank will also boost its activity in foreign exchange trading and management of investment portfolios, as well as introducing new investment instruments in line with economic and financial laws and regulations, valid in Jordan.

3- Loans and Credit Facilities

For achieving the Bank's objectives as stated in its law, the Bank



will continue providing finance to national development projects and granting housing loans, with concentration on medium and low-income citizens. The Bank will also consider introducing new lending programs and services related to real estate activities.

Second: Banking Technology

- a- Expansion in exploiting the existing system through the continuation of implementing the 3rd phase of automation project, whereby the remaining branches will be linked with the computer mainframe.
- b- Enlarging ATM network. 25 additional machines will be purchased in 1997, in addition to 25 machines which were purchased in 1996. The total number of ATMs will reach (74) by the beginning of 1998.
- c- Completing the implementation of hot backup centre.
- d- Setting up of an integrated archival system for keeping and retrieving client files for past years, easily and quickly.

Third: Geographic Expansion

Continuation of geographic spread and increasing the number of the Bank's branches, in order to continue occupying the first rank in terms of the number of branches in Jordan, in addition to opening new branches in the Palestine National Authority areas.

Fourth: Management Development:

Boosting the management development and training process to be in line with the Bank's ambitions in improving the performance level, upgrade staff skills and productivity, in order to provide quality services to customers.



THE HOUSING BANK

(A Public Shareholding Company Established by Special Decree)

Amman - Jordan

**Financial Statements
as of December 31, 1996 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 in The Hashemite Kingdom of Jordan (a Jordanian Public Shareholding Limited Company) as of December 31, 1996 and 1995 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, evidences 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, 1996 and 1995 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 30, 1997

Saba & Co.

Balance Sheet

	December 31	
	1996 JD*	1995 JD
Assets		
- Cash, at Banks and Other Banking Institutions (Note 3)	132,238,943	135,219,303
- Balances at the Central Bank of Jordan (Note 4)	181,189,451	194,701,798
- Investments in Bonds & Treasury Bills (Note 5)	30,451,763	31,072,973
- Foreign Investment Fund - Net After Provision for Decline (Note 6)	5,852,869	4,991,173
- Loans and Credit Facilities - Net After Provision for Doubtful Debts and Interest in Suspense (Note 7)	648,269,382	604,482,391
- Investment Securities - Net After Provision for Decline in Value of Securities (Note 8)	57,608,262	50,846,701
- Real Estate Investments Less Depreciation (Note 9)	26,422,994	27,267,803
- Fixed Assets Less Depreciation (Note 10)	23,519,743	23,472,504
- Other Assets (Note 11)	30,673,510	31,391,628
Total Assets	1,136,226,917	1,103,446,274
Liabilities and Shareholders' Equity		
- Customers' Deposits (Note 12)	895,213,252	839,873,446
- Deposits of Banks and Other Banking Institutions (Note 13)	22,382,357	45,171,800
- Amounts Borrowed (Note 14)	77,504,118	81,510,118
- Cash Margins (Note 15)	10,561,996	12,748,280
- Various Provisions (Note 16)	5,864,415	5,552,641
- Dividends Proposed for Distribution (Note 17)	4,850,000	3,450,000
- Other Liabilities (Note 18)	38,582,535	37,363,673
Total Liabilities	1,054,958,673	1,025,669,958
Shareholders' Equity (Note 19) :		
- Paid - up Capital	25,000,000	25,000,000
- Statutory Reserve	8,789,555	7,747,627
- Issuance Premium	21,000,000	21,000,000
- Special Reserve	22,928,689	23,028,689
- External Branches Reserve	3,550,000	1,000,000
Total Shareholders' Equity	81,268,244	77,776,316
Total Liabilities and Shareholders' Equity	1,136,226,917	1,103,446,274

The Accompanying Notes Constitute an Integral Part of These Statements

* One JD = USD (1.41), fixed since October, 1995.

Abdullah Al-Obaid
Vice Chairman

Zuhair Khouri
Chairman

Statement of Profit And Loss

	For The Years Ended December 31	
	1996 (JD)	1995 (JD)
- Interest Earned (Note 20)	81,693,785	67,772,973
- Received Commissions (Note 21)	7,653,292	6,829,561
Total Interest and Commissions Earned	89,347,077	74,602,534
Less: Interest Paid (Note 22)	(55,876,724)	(48,734,445)
Net Interest and Commissions	33,470,353	25,868,089
Add: Interest and Earnings from Securities Portfolio (Note 23)	4,351,336	16,891,905
Foreign Exchange Earnings (Note 24)	1,670,936	1,772,093
Other Income (Note 25)	6,206,056	3,682,162
Less: Provision for Doubtful Debts	(1,051,108)	(4,030,000)
Provision for Decline in Value of Shares	(1,996,235)	(1,120,000)
Provision for Decline in Value of Bonds	---	(1,662,500)
Other Provisions	(17,500)	(3,800,000)
General and Administrative Expenses (Note 26)	(32,214,555)	(27,351,147)
Net Profit Before Tax	10,419,283	10,250,602
Income Tax (Note 27)	(1,950,290)	(800,000)
Net Profit After Tax	8,468,993	9,450,602
Appropriation:		
- Statutory Reserve (Note 19)	1,041,928	1,025,060
- Special Reserve (Note 19)	2,450,000	3,850,000
- External Branches Reserve	---	1,000,000
- Board of Directors' Remuneration	8,250	8,250
- Contribution to Housing Bank Employees' Children Education Fund	14,799	14,786
- Contribution to Scientific Research & Vocational Training Institutions	104,016	102,506
- Dividends Proposed for Distribution	4,850,000	3,450,000
Total	8,468,993	9,450,602

The Accompanying Notes Constitute an Integral Part of These Statements.

Statement of Cash Flow

	For The Years Ended	
	December 31	
	1996	1995
	(JD)	(JD)
Cash Flow From Operations:		
- Interest and Commissions Earned	92,733,055	79,232,818
- Interest and Commissions Paid	(54,319,035)	(46,701,482)
- Other Income	8,257,954	6,909,782
- General and Administrative Expenses Paid	(29,113,105)	(24,884,224)
- Cash Flow from Operations Before Change in Assets and Liabilities	17,558,869	14,556,894
- (Increase) Decrease in Assets:	(44,668,959)	(91,265,148)
- Loans and Credit Facilities - Net	(44,838,099)	(84,292,020)
- Other Assets	169,140	(6,973,128)
- Increase (Decrease) in Liabilities:	29,117,344	72,318,265
- Current Accounts & Demand Deposits	(2,084,774)	(3,470,798)
- Savings, Fixed and Notice Deposits	57,424,580	35,617,923
- Interbank Deposits for Other Banks and Financial Institutions	(22,789,443)	30,598,023
- Cash Margins	(2,186,284)	3,059,466
- Various Provisions	(298,032)	(178,466)
- Other Liabilities	(948,703)	6,692,117
- Net Cash From (Used in) Operations Before Tax	2,007,254	(4,389,989)
- Income Tax Paid	(1,462,000)	(2,380,448)
- Net Cash From (Used in) Operations	545,254	(6,770,437)
Cash Flow From Investments:		
- (Buy) Sale of Investments in Fixed Assets	(2,716,784)	(9,774,779)
- (Buy) Sale of Real Estate Investments	(811,371)	(2,826,859)
- (Buy) Sale of Investments in Securities	(8,757,796)	(6,078,894)
- (Buy) Amortize Treasury Bonds & Bills and Corporate Bonds	1,137,756	18,031,368
- Foreign Investment Portfolio	(849,696)	(911,997)
- Received Shareholdings Dividends	1,670,061	12,271,728
- Net Cash From (Used in) Investments	(10,327,830)	10,710,567
Cash Flow From Finance:		
- Increase in Capital and Premium Reserve (Note 19)	----	28,000,000
- Borrowings From the Central Bank of Jordan	1,000,000	23,762,848
- Repayments of Borrowings From the Central Bank of Jordan	(5,006,000)	(6,136,918)
- Distributed Dividends	(3,450,803)	(1,820,000)
- Net Cash From (Used in) Finance	(7,456,803)	43,805,930
- Foreign Exchange Evaluation Differences	746,672	221,832
- Net (Decrease) Increase in Cash	(16,492,707)	47,967,892
- Cash at Year Beginning	329,921,101	281,953,209
- Cash at Year End	313,428,394	329,921,101

The Accompanying Notes Constitute an Integral Part of These Statements.

Notes to the Financial Statements

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 may be necessary to achieve its objectives through its branch network all over the Kingdom and Palestine on commercial bases 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 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 The Hashemite Kingdom of Jordan and abroad. Interbranch transactions and balances have been excluded, but transaction in transit among branches at the end of the fiscal period 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 1996 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 1996. 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 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 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.
- Foreign Investment Portfolio is stated either at cost or market value which is less. This portfolio is treated individually and evaluated at the prevailing exchange rates at the period 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, while profits resulting from deferred sale of these investments are taken to the Profits and Loss Account when the profits are received.

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. 57 of 1985 which is amended by law No. 4 of 1992 and No. 14 of 1995 effective since January 1, 1996, which state 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.

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	
	1996 JD	1995 JD
Cash	10,564,517	8,838,037
Balances in Jordan	18,957,299	29,388,937
Balances abroad	102,717,127	96,992,329
Total	132,238,943	135,219,303

4 - Balances at the Central Bank of Jordan:

	December 31	
	1996 JD	1995 JD
a: Certificate of Deposits:		
Certificate of Deposits - Local currency for three months	23,500,000	17,500,000
Certificate of Deposits - Local currency for six months	25,000,000	20,500,000
Certificate of Deposits in US Dollars for three months	8,862,500	-----
Certificate of Deposits in US Dollars for six months	1,843,400	-----
Certificate of Deposits in Pound Sterling for six months	299,600	-----
Certificate of Deposits in US Dollars for one year	2,836,000	9,571,500
Certificate of Deposits in US Dollars for one and a half year	-----	3,545,000
Certificate of Deposits in US Dollars for two years	-----	3,545,000
	62,341,500	54,661,500
b: Fixed deposits for one to three months	51,063,895	75,442,475
c: Compulsory Reserve (two days demand)	64,399,325	60,694,577
d: Current accounts and demand deposits	3,384,731	3,903,246
Total	181,189,451	194,701,798

5 - Investments in Bonds and Treasury Bills :

This item is made up of the following :

	December 31	
	1996 JD	1995 JD
Bonds and Bills in Local Currency:		
- Jordanian Development Bonds	13,357,320	13,016,580
- Government and Government-Backed Corporate Bonds	<u>5,156,180</u>	<u>7,643,380</u>
	18,513,500	20,659,960
Add: Bond Issuance Premium (unamortized)	<u>92,848</u>	<u>143,567</u>
Total Bonds and Bills in Local Currency:	<u>18,606,348</u>	<u>20,803,527</u>
Bonds and Bills in Foreign Currency:		
- Foreign Bonds and Bills	1,418,000	2,390,288
- Government Bonds and Corporate Bonds	<u>13,673,368</u>	<u>11,546,367</u>
	15,091,368	13,936,655
Less: Bonds Issuance Discount	<u>(2,099,999)</u>	<u>(2,004,709)</u>
	12,991,369	11,931,946
Less: Provision for Decline in Value of Bonds	<u>(1,145,954)</u>	<u>(1,662,500)</u>
Total Bonds and Bills in Foreign Currency	<u>11,845,415</u>	<u>10,269,446</u>
Total	30,451,763	31,072,973

Development bonds mature during the period from 1997 until 2005, while government-backed corporate bonds mature during the period from 1997 until 2001 with an interest rate of 5% - 10%. Foreign bonds and bills mature during the period from 2002 until 2023 with an interest rate of 4% - 7%.

6 - Foreign Investment Portfolio - Net

This item is made up of the following:

	December 31,	
	1996 JD	1995 JD
- Foreign Investment Fund - Net After Provision for Decline in Value of Investments	4,080,369	3,927,673
- Other Investment Portfolios	1,772,500	1,063,500
Total	5,852,869	4,991,173

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 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 ends at February 28, 1997, 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 December 31,1996, of which 2,659 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,	
	1996 JD	1995 JD
Fund's Book Value	4,361,059	4,361,059
Less: Sold Investment Units	280,690	421,386
Unsold Investment Units	4,080,369	3,939,673
Less: Provision for Decline in Value of the Fund's Investments	----	12,000
	4,080,369	3,927,673

b: Book value of the other portfolios amounted to JD (1,772,500) (US Dollars 2,500,000), while its market value amounted to JD (1,985,014) as of December 31,1996.

7 - Loans and Credit Facilities.

a : This item is made up of the following :

	December 31,	
	1996 JD	1995 JD
- Bills Discounted	22,897,645	19,503,044
- Utilized Loans and Advances	570,265,119	524,028,314
- Loans to the Housing and Urban Development Corporation and Public Corporations' Housing Funds Financed by Advances From Central Bank of Jordan	76,083,000	80,089,000
	669,245,764	623,620,358
Less : Balance of Interest in Suspense	4,247,129	3,455,633
	664,998,635	620,164,725
Less : Provision for Doubtful Loans and Credit Facilities	16,729,253	15,682,334
Net Loans and Credit Facilities	648,269,382	604,482,391

b - Details of the changes in provision for doubtful loans and credit facilities during 1996 are as follows :-

	December 31,	
	1996 JD	1995 JD
- Balance at the beginning of the year	15,682,334	11,914,800
Add: Increase of the provision during the year	1,051,108	4,030,000
Less: Amortized debts during the year	4,189	262,466
Balance at the end of the year	16,729,253	15,682,334

c - Change in interest in suspense during 1996 is as follows :

	December 31,	
	1996 JD	1995 JD
Balance at the beginning of the year	3,455,633	4,559,752
Add : Interest in suspense during the year	2,250,408	241,801
Less : Interest in suspense on accounts settled during the year	1,458,912	1,345,920
Balance at the end of the year	4,247,129	3,455,633

- The amount of interest in suspense during 1996 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.

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

	December 31	
	1996 JD	1995 JD
- Construction	404,554,672	390,505,080
- Transportation Services (including air transportation)	75,974,040	72,550,071
- General Trade	88,864,079	65,205,652
- Industry and Mining	16,307,505	11,580,820
- Services and Public Utilities	20,501,666	18,833,703
- Agriculture	508,744	1,067,345
- Others	62,535,058	63,877,687
Total	669,245,764	623,620,358

- As of December 31, 1996, balance of loans and credit facilities guaranteed by or granted to Jordanian Government amounted to JD (234,645,064) (against JD 225,921,522 in 1995).
- As of December 31, 1996 the balance of non-performing loans & credit facilities in accordance with the Central Bank of Jordan's regulations amounted to JD (20,713,147) (against JD 14,868,957 in 1995). 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.

This item is made up of the following :

	December 31	
	1996 JD	1995 JD
Local Companies Shares	56,242,907	46,837,048
Foreign Companies Shares	5,280,415	5,928,478
	<u>61,523,322</u>	<u>52,765,526</u>
Less : Provision for Decline in Value of Local Securities	3,844,295	1,917,927
Provision for Decline in Value of Foreign Securities	70,765	898
Total Provisions	<u>3,915,060</u>	<u>1,918,825</u>
Net Investment of Shares	57,608,262	50,846,701

- Net equity investments of non marketable shares (including affiliates) are as follows:

	December 31,	
	1996 JD	1995 JD
Shares of local companies	9,575,211	8,010,084
Less: Provision for decline in value of local securities	<u>294,472</u>	<u>220,361</u>
Net value of local securities	<u>9,280,739</u>	<u>7,789,723</u>
Shares of foreign companies	4,971,001	4,971,001
Less: Provision for decline in value of foreign securities	<u>---</u>	<u>898</u>
Net value of foreign securities	4,971,001	4,970,103
Net Investments of Non Marketable Shares	14,251,740	12,759,826

- Cost of marketable shares (including affiliates) amounted to JD 43,356,522 as of December 31,1996 (against JD 38,086,875 in 1995)whereas their market value amounted to JD 62,782,946 as at the end of 1996 (against JD 62,881,443 in 1995).

- At the end of 1996 equity investments in affiliates (i.e companies in which the Bank owns 20% of capital or more) amounted to JD 18,223,347 detailed as follows :

Company	Bank's Share of Capital (%)	December 31,	
		1996 JD	1995 JD
Subsidiary:			
Arab Bricks and Tiles Co. Ltd	99	<u>---</u>	<u>247,500</u>
Affiliates :			
- Arab Banking Corporation - Jordan	26	3,758,689	3,758,689
- Engineering Applications Co.	23	100,000	100,000
- Jordan International Bank / London	22.5	3,883,492	3,883,492
- Industrial Development Bank (33.7% in 1995)	32.7	7,541,514	7,493,685
- Jordan Payment Services Co.	22.5	112,500	112,500
- Philadelphia Investment Bank (19.4% in 1995)	20	2,130,713	2,038,003
- Jordan Industries & Match/ JIMCO (19.7% in 1995)	20	596,439	592,247
- Green Oasis for Venture Agriculture	20	100,000	100,000
Sub total - Affiliates		18,223,347	18,078,616
Total Shareholdings in the Subsidiary and Affiliates			
		18,223,347	18,326,116

- As of December 31, 1996 the total uncalled capital of the Bank's shareholdings amounted to JD (4,188,311) (against JD 5,065,690 in 1995).

9 - Real Estate Investments

This item is made up of the following:

	December 31,	
	1996 (JD)	1995 (JD)
- Land at cost	2,214,219	2,214,219
- The Commercial Centre and the Hotel's Building - Shmeisani	14,870,435	14,870,435
- 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	2,306,725
- The Bank's Building - Irbed	4,835,950	4,133,194
	<u>24,842,928</u>	<u>24,140,172</u>
- Furniture, decoration, equipment, finishings and other works of the Commercial Centre and the Hotel	12,672,680	13,368,848
	37,515,608	37,509,020
Less: Accumulated depreciation	<u>13,306,833</u>	<u>12,455,436</u>
	24,208,775	25,053,584
Total	<u>26,422,994</u>	<u>27,267,803</u>

10 - Fixed Assets

This item is made up of :

	December 31,	
	1996 (JD)	1995 (JD)
- Land	8,160,323	11,468,654
- The Bank's Buildings	4,051,782	3,426,384
- Apartments	520,856	519,879
- Equipment including computers in the Main Branch and other branches	15,251,887	11,102,189
- Vehicles	1,089,542	970,404
- Furniture, decorations and safes	5,609,698	4,811,925
	26,523,765	20,830,781
Less: Accumulated depreciation	11,164,345	8,826,931
	15,359,420	12,003,850
Total	23,519,743	23,472,504

11 - Other Assets

This item is made up of :

	December 31,	
	1996 (JD)	1995 (JD)
- Advances	126,064	126,811
- Establishment expenses after amortization	1,182,651	900,267
- Accrued interest and commissions	2,964,768	3,081,841
- Prepayments to suppliers and contractors	4,027,482	3,736,082
- Supplies and stationery	845,391	1,332,225
- Items in transit among branches	5,704,592	7,579,328
- Debtors against sales of deferred stocks	5,500,000	6,000,000
- Current assets of Forte Grand Amman Hotel	3,089,417	2,741,069
- Land and buildings owned by the Bank in settlement of debts	2,581,842	1,934,829
- Accrued rents	903,481	966,177
- Other items	3,747,822	2,992,999
Total	30,673,510	31,391,628

- 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,	
	1996 (JD)	1995 (JD)
- Current accounts & demand deposits	81,818,572	83,903,346
- Savings deposits	346,219,602	349,878,795
- Fixed and notice deposits	465,156,840	403,789,074
- Certificates of deposits (CD)	2,018,238	2,302,231
Total	895,213,252	839,873,446

- Government deposits amounted to JD (99,931,721) as of December 31, 1996 (against JD 76,745,294 in 1995).
- Noninterest bearing deposits amounted to JD (103,171,271) at the end of 1996 (against JD 104,507,653 in 1995).
- Retained deposits as collaterals for credit facilities granted to customers amounted to JD (17,043,714) as of December 31, 1996 (against JD 17,110,169 in 1995).

13 - Interbank Deposits for Other

Banks and Financial Institutions

This item is made up of :

	December 31, 1996			December 31, 1995		
	Inside Jordan JD	Abroad JD	Total JD	Inside Jordan JD	Abroad JD	Total JD
- Current accounts and demand deposits	5,005,068	---	5,005,068	2,302,443	336,846	2,639,289
- Deposits due within one year	10,075,070	7,302,219	17,377,289	31,844,724	10,687,787	42,532,511
Total	15,080,138	7,302,219	22,382,357	34,147,167	11,024,633	45,171,800

14 - Amounts Borrowed

This item is made up of :

	December 31,	
	1996 (JD)	1995 (JD)
- Amounts borrowed from the Central Bank of Jordan	76,083,000	80,089,000
- Amounts borrowed locally from Jordanian Government.	1,421,118	1,421,118
Total	77,504,118	81,510,118

- 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 (54,200,000), (JD 58,200,000 in 1995). These loans are regranted by the Bank to the Public Housing and Urban Development Corporation. It also includes an amount of JD (21,883,000) (against 21,889,000 in 1995) 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,	
	1996 (JD)	1995 (JD)
- Cash margins for direct credit facilities	57,537	147,916
- Cash margins for indirect credit facilities	10,504,459	12,600,364
Total	10,561,996	12,748,280

16 - Various Provisions

This item is made up of :

	December 31,	
	1996 (JD)	1995 (JD)
- Income tax provision	1,989,474	839,184
- Scientific research support provision	104,016	102,506
- Other provisions	3,770,925	4,610,951
Total	5,864,415	5,552,641

17 - Dividends Proposed for Distribution

Dividends proposed for distribution for 1996 amounted to 200 fils per share i.e 20% except for common shares for which dividend per share amounted to 100 fils. Dividend proposed is subject to the approval of the shareholders' General Assembly in its annual meeting. Details of dividends are as follows :

	JD
- For preference and special shareholders (20%)	4,700,000
- For common shareholders (10%) in excess of 10% according to article 53 (A) of the Bank's law.	150,000
Total	4,850,000

18 - Other Liabilities

This item is made up of:

	December 31,	
	1996 (JD)	1995 (JD)
- The Board of Directors' remuneration	8,250	8,250
- Salary accounts	11,203,697	10,235,056
- Cash margins	6,078,913	2,564,276
- Interest and commissions received in advance	3,508,989	2,921,359
- Accrued payable interest	7,010,861	5,453,172
- Certified cheques and accepted payable bills	1,294,994	2,942,385
- Cheques reserved by phone	196,032	1,094,502
- Liabilities of borrowers life insurance fund	1,230,278	1,308,518
- Liabilities of savings accounts lottery prizes fund	412,537	478,149
- Current liabilities of Forte Grand Amman Hotel	900,893	975,408
- Profit of deferred shares sales	4,914,987	5,361,787
- Items in transit between main branch & external branches	46,028	---
- Other credit balances	1,776,076	4,020,811
Total	38,582,535	37,363,673

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,			
	1996		1995	
	Borrowers Life- Insurance Fund	Savings Accounts Lottery Prizes Fund	Borrowers Life- Insurance Fund	Savings Accounts Lottery Prizes Fund
	JD	JD	JD	JD
Liabilities				
- Provisions for payment of prizes to winners in lottery	---	399,430	---	444,425
- Provision for decline in value of shares	17,226	---	31,354	---
- Accumulated saving	1,213,052	13,107	1,277,164	33,724
Total Liabilities	1,230,278	412,537	1,308,518	478,149

19 - Shareholders Equity :

Changes of shareholders equity during 1996 are as follows :-

	Paid-up Capital	Statutory Reserve	Share Premium	Special Reserve	External Branches Reserve	Other Reserves	Total
	JD	JD	JD	JD	JD	JD	JD
1995							
Balance at year beginning	12,000,000	6,722,567	---	24,968,669	---	210,020	43,901,256
Changes during the year	13,000,000	1,025,060	21,000,000	(1,939,980)	1,000,000	(210,020)	33,875,060
Balance at year end	25,000,000	7,747,627	21,000,000	23,028,689	1,000,000	---	77,776,316
1996							
Balance at year beginning	25,000,000	7,747,627	21,000,000	23,028,689	1,000,000	---	77,776,316
Changes during the year	---	1,041,928	---	(100,000)*	2,550,000	---	3,491,928
Balance at year end	25,000,000	8,789,555	21,000,000	22,928,689	3,550,000	---	81,268,244

* According to the board of directors decision No. 32/96 dated 5/5/1996 an amount of JD 2,550,000 was transferred from special reserve to the external branches reserve.

Capital

Capital is made up of:

Share Category	Subscribed & Paid-Up Capital		Authorized Capital
	No. of Shares	Amount JD	JD
- Ordinary shares	1,500,000	1,500,000	, 1,500,000
- Preference shares	14,500,000	14,500,000	14,500,000
- Special shares	9,000,000	9,000,000	9,000,000
Total	25,000,000	25,000,000	25,000,000

- Under the Bank's law, special shares are issued in accordance with the board of directors' resolution and are subscribed by institutions, establishments and individuals outside Jordan, and by any government other than the Government of Jordan.
- Reserve of external branches outside Jordan is formed, as per the regulations of the Central Bank of Jordan which require forming such reserve to meet the demands of external branching.
- Premium reserve can't be distributed among shareholders as dividend. The regulations concerning statutory reserve in the companies law No. 1 of 1989 are applicable to it.
- 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 :

	1996 JD	1995 JD
- Interest from loans & credit facilities :-		
- Bills discounted	2,590,791	2,153,996
- Loans and advances	61,572,526	52,896,544
Total interest from loans & credit facilities	64,163,317	55,050,540
Interest from interbank accounts and others	17,530,468	12,722,433
Total	81,693,785	67,772,973

21 - Received Commissions :

Details of this item are as follows :

	1996 JD	1995 JD
- Commissions on direct credit facilities	6,255,320	5,768,005
- Commissions on indirect credit facilities	1,397,972	1,061,556
Total	7,653,292	6,829,561

22 - Interest Paid :

Details of this item are as follows :

	1996 JD	1995 JD
Interest paid on customers' deposits :		
- Current accounts & demand deposits	1,066,354	1,024,703
- Savings deposits	16,127,212	14,783,901
- Fixed and notice deposits	32,751,819	27,445,825
- Certificates of deposits	162,216	119,944
Sub total - interest paid on customers' deposits	50,107,601	43,374,373
Interest paid on interbank deposits and others	5,769,123	5,360,072
Total	55,876,724	48,734,445

23 - Interest and Profits of Securities Portfolio :-

This item is made up of :-

	1996			1995		
	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	2,681,275	-----	2,681,275	4,620,177	-----	4,620,177
- Investment securities	1,392,680	277,381	1,670,061	1,298,057	10,973,671	12,271,728
Total	4,073,955	277,381	4,351,336	5,918,234	10,973,671	16,891,905

24 - Foreign Exchange Earnings :

This item is made up of :

	1996 JD	1995 JD
- Foreign exchange trading profits	924,264	1,550,261
- Currency differences on banking services	483,567	276,825
- Foreign exchange evaluation differences at the year end	263,105	(54,993)
Total	1,670,936	1,772,093

25 - Other Revenues :

This item is made up of :

	1996 JD	1995 JD
- Real estate investment net revenues	2,525,157	2,253,579
- Received fees on salary accounts	493,781	350,546
- Revenues from previous years	812,862	61,234
- Visa cards revenues	324,770	324,693
- Fees from managed loans	54,845	56,236
- Safes lease revenues	85,989	73,851
- Redundant provisions taken back to revenues	528,546	---
- Various revenues	1,380,106	562,023
Total	6,206,056	3,682,162

Details of real estate investments net revenues are as follows :

	1996 JD	1995 JD
- Real estate investments revenues	10,400,784	9,515,664
Less: Real estate expenses:		
- Operation expenses of Forte Grand Hotel	5,557,033	5,029,295
- Expenses of the Commercial Centre	470,546	381,182
- Expenses of buildings and apartments	3,248	---
- Expenses of the Bank's building in Irbid	5,013	---
- Expenses of the Bank's building in Zerqa	31,073	37,781
- Expenses of the Prince Moh'd st. complex	136,448	112,810
- Expenses of the Bank's building in Aqaba	16,086	9,019
- Other expenses	---	14,639
- Depreciation of buildings	1,656,180	1,677,359
Total real estate expenses	7,875,627	7,262,085
	2,525,157	2,253,579

26 - General and Administrative Expenses :

Details of this item are as follows :

	1996	1995
	JD	JD
- Staff salaries and benefits	13,261,110	11,862,441
- Depreciation of fixed assets	2,669,545	1,947,541
- End of service indemnity paid to staff	4,855,099	3,618,191
- Rent of computer software and hardware	501,560	579,761
- Bank's contribution to social security	1,111,264	906,357
- Amortization of establishment expenses	431,905	519,382
- Medical care expenses	1,176,142	958,279
- Bank's contribution to employees saving fund	995,127	827,226
- Stationery and printed matters	1,250,603	1,193,011
- Maintenance and repair	870,070	538,384
- Post, telephone and telex	675,086	578,832
- Rents	516,545	438,297
- Electricity, water and fuel	496,618	535,707
- Travel expenses and allowances	557,516	491,126
- Advertisements	252,907	296,334
- Donations	243,671	380,259
- Transportation expenses	242,902	240,901
- Employees life insurance	173,699	79,063
- Hospitality	99,934	104,778
- Insurance of the Bank's assets	167,499	156,707
- Subscription fees to banking associations	241,996	197,342
- Foreign exchange dealings fees	86,497	12,809
- Board of Directors' travel expenses	54,442	33,000
- Borrowers transactions' expenses	63,749	108,994
- Miscellaneous expenses	1,219,069	746,425
- Total	32,214,555	27,351,147

27 - Income Tax Provision:

This item represents the Bank's income tax provision for the year ending December 31, 1996. Income Tax Dept. has not yet finalized assessment of tax payable by the Bank for 1995. A final settlement had been reached with the Dept. covering up to the end of 1994, except for a case related to the year 1993, which is still under jurisdiction before the Income Tax Appeal Court, whereby the Dept. claims an extra amount of JD 553,643 over the tax agreed and paid by the Bank.

28- Staff Service Termination Endeminity 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,	
	1996 (JD)	1995 (JD)
Assets:		
Current Assets:		
- Deposits in local currency	7,644,573	4,578,774
- Investment in stocks and bonds less provision for decline i.e. JD 6,370 (JD 7,160 in 1995).	1,647,314	765,328
- Loan to the employees saving fund	---	4,000,000
- Other debit balances	20,955	20,881
Subtotal Current Assets	9,312,842	9,364,983
- Long-term advances granted to staff from their dues	15,274,479	10,368,334
Total Assets	24,587,321	19,733,317
Liabilities:		
Staff end of service endeminity provision	22,880,160	17,991,482
Profits carried forward	1,707,161	1,741,835
Total Liabilities	24,587,321	19,733,317

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 :-

	December 31,			
	1996		1995	
	Assets JD	Liabilities JD	Assets JD	Liabilities JD
- Due in one year or less	506,103,464	866,324,286	536,794,713	869,922,408
- Due in a year to two	125,228,928	65,318,323	117,909,389	17,493,838
- Due in more than two years	372,980,933	62,036,000	322,734,793	79,139,118
Total	1,004,313,325	993,678,609	977,438,895	966,555,364

30 - Geographic Distribution of Assets, Liabilities and off- balance sheet items in 1996.

Major items of assets, liabilities and off - balance sheet are distributed on geographic areas as follows:

	Inside Jordan JD	Abroad JD	Total JD
Cash & at banks	203,027,598	110,400,796	313,428,394
Securities portfolio	81,398,127	12,514,767	93,912,894
Loans & credit facilities	645,182,717	3,086,665	648,269,382
Real estate investments	26,422,994	---	26,422,994
Other assets	30,219,244	454,266	30,673,510
Customers deposits	881,846,300	13,366,952	895,213,252
Borrowed funds	77,504,118	---	77,504,118
Other liabilities	38,394,732	187,803	38,582,535
Contra accounts	125,316,918	856,441	126,172,639

31 - 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 :-

	December 31,	
	1996 (JD)	1995 (JD)
- Total assets	211,701,736	219,659,736
- Total liabilities	(199,672,081)	(204,387,918)
- Net assets	12,029,655	15,271,818
- Total cash balances	172,519,077	192,098,035
- Securities portfolio	24,124,635	22,863,598
- Direct credit facilities	15,050,060	4,698,103
- Other assets	7,946	---
- Interbank deposits	6,866,798	29,216,899
- Customers' deposits	188,621,386	167,188,589
- Cash margins	4,156,389	7,982,430
- Other liabilities	27,508	---
- Interest and commissions earned	10,294,506	9,502,681
- Interest and commissions paid	9,639,980	9,055,014
- Interest and profits of securities portfolio	285,335	178,976
- Contra accounts	60,844,888	50,379,847

32 - Contra Accounts :

This item is made up of the following :

	December 31,	
	1996 (JD)	1995 (JD)
- Approved but undisbursed loans	23,092,560	31,212,477
- Irrevocable documentary credits	45,597,254	39,511,037
- Guarantees	46,439,405	47,186,675
- Guaranteed acceptances	11,043,420	9,578,246
Total	126,172,639	127,488,435

33 - Transactions with Related Parties:

	<u>December 31,</u>
	<u>1996</u>
	<u>(JD)</u>
Deposits with affiliates	19,276,123
Loans & credit facilities granted to affiliates	1,116,506
Deposits from affiliates	164,155
Deposits from related parties	783,938
Interest earned from affiliates	1,454,581
Interest paid to affiliates	6,105
Interest paid to related parties	92,331

34 - Legal Claims :

The Bank has filed lawsuits, through which it claims amounts totalling JD (5,919,401). Meanwhile, total amounts implicated in lawsuits filed against the Bank reached JD (7,439,370), at the end of 1996. In the Bank's management view, the Bank will not be liable for any financial obligations arising from such claims.

35 - Comparison of Figures :

Some figures of 1995 have been reclassified in order to be consistent with the classification of 1996 for the purpose of comparison.