



AN INTERNATIONAL COMMERCIAL BANK بنك تجاري دولي

A JORDANIAN PUBLIC SHAREHOLDING LIMITED COMPANY  
Amman - Jordan

**24<sup>TH</sup> BOARD OF DIRECTORS REPORT  
FOR THE YEAR ENDING DECEMBER 31  
1997**

**Head Office**

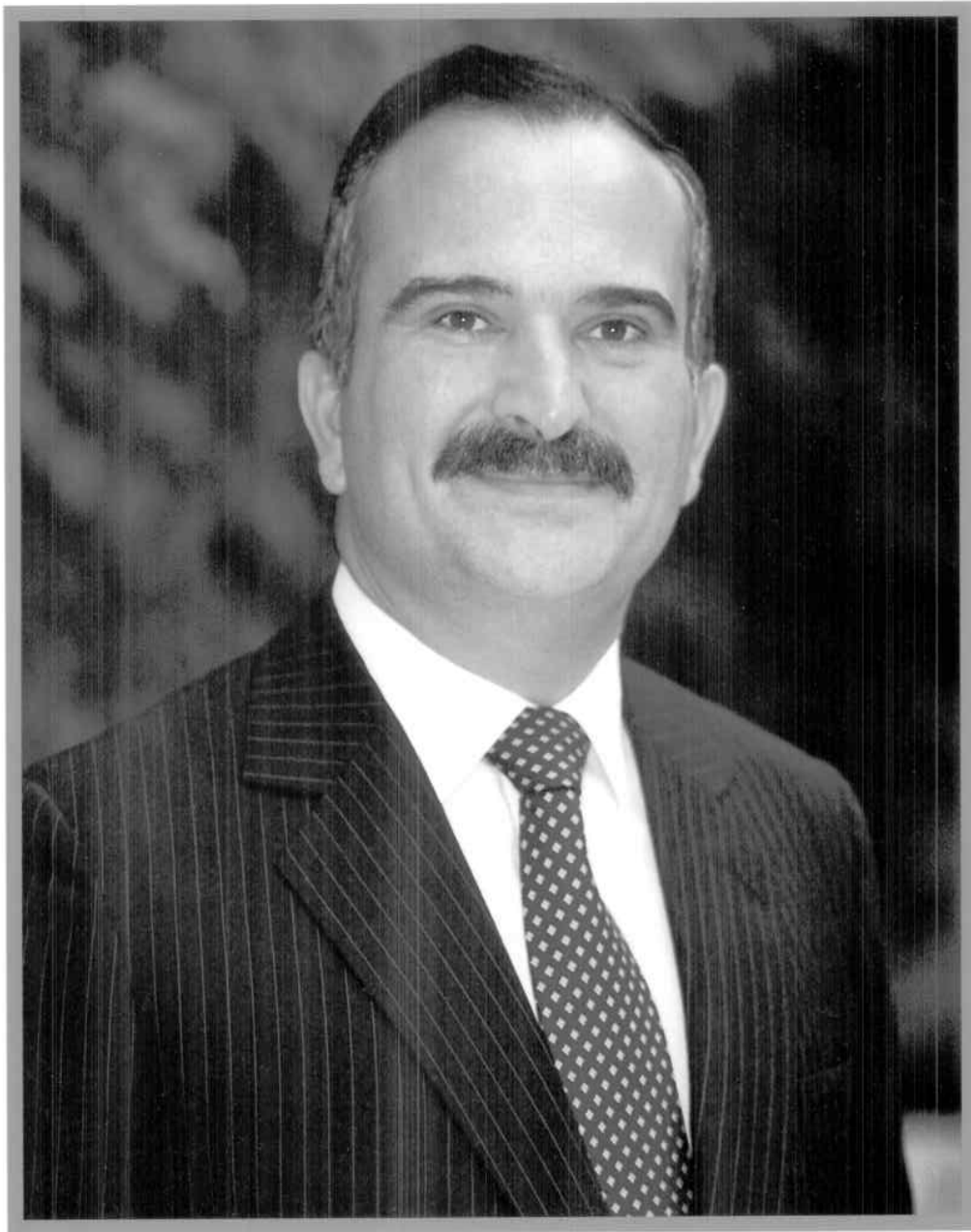
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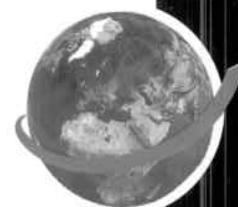
*HIS MAJESTY KING HUSSEIN*



*HIS ROYAL HIGHNESS CROWN PRINCE HASSAN*

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## Our Vision

**The Housing Bank** is the preferred commercial bank for customers in Jordan.

**The Housing Bank** provides integrated banking services of high quality to its retail and corporate clients, which meet their needs and expectations, in line with the latest developments in international financial and banking markets.

**The Housing Bank** adopts total quality management to enhance the value of the firm, financially and socially.

**The Housing Bank's** core values are customer satisfaction, care for employees, reward for performance and teamwork.



## BOARD OF DIRECTORS

CHAIRMAN

**Mr. Zuhair Khouri**

VICE CHAIRMAN:

**Mr. Abdullah Al Obaid**

(Representative of Kuwait Real Estate Investment Group)

## MEMBERS

**Sheikh. Khalid Salim Bin Mahfouz**

**Mr. Mansour Haddadin**

(Representative of Jordanian  
Investment Corporation).

**Mr. Abdullah Saudi**

**Mr. Abdulhadi Shayif**

(One of them is a representative  
of Holding Company for Capital  
Investments)

**Mr. Mohammad Layas**

**Mr. Abdulatif Elkeep**

**Mr. Mohammad Al Ahmar**

(Two of them are representatives  
of Libyan Arab Foreign Bank)

**Sheikh Ali bin Jasem Al Thani**

(Representative of Ministry of Finance  
and Petroleum / Government of Qatar).

**Mr. Abdul Mohsin Kattan.**

**Mr. Salah Al Marrikhi**

**Mr. Ibrahim Al Ibrahim**

**Mr. Tharwat Al Barghouthi**

**Mr. Abdul Qader Dweik**

## EXECUTIVE MANAGEMENT

**Mr. Zuhair Khouri**

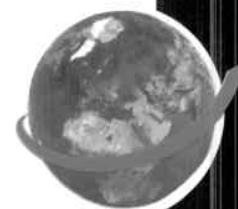
Executive president

**Mr. Abdul Qader Dweik**

General Manager

## AUDITORS

**Saba and Co.**



## Chairman's Statement

### *Dear Shareholders;*

I am pleased to report that 1997 has been another year of success and achievement, as well as a strategic turning point for the Housing Bank. The law under which the bank had been operating during the past twenty four years, was abolished. The bank started a new course of action with a new vision and mission as full-fledged commercial bank, subject to the Corporate and Banks' laws and the regulations of the Central Bank of Jordan.

In order to meet the requirements of the coming stage and to cope with changes, and achieve its vision as the preferred bank for customers, the capital of the bank was increased to 50 million Jordanian Dinar\* (JD). Thus shareholders equity was raised by JD (125) million.

On this occasion I would like to express gratitude for the new strategic shareholders in the bank i.e. the group of Sheikh Khalid Salim Bin Mahfouz and the Libyan Arab Foreign Bank. I would also express my thanks and appreciation for our old strategic investors who increased their shareholding, the most prominent of them are Kuwait Real Estate Investment Group, the Government of Qatar and Sultanate of Oman.

With this turning point in the life of your corporation, a new strategy has been formulated in order to transfer the bank to international commercial banking horizons, and adopting total quality management. During 1997, a reengineering project was launched which covered all aspects, starting with the organizational structure and reaching operation and work procedures in different units. It aimed to provide quality service, raise efficiency and profitability, through better utilization of human and

other resources, thus, leading eventually to enhancing shareholders equity and ensuring constant increase in returns.

Today I have the pleasure to present to you the 24<sup>th</sup> annual report, which shows the good operation results, achieved by your bank in 1997. The bank managed to maintain its leading position in the Jordanian banking system. Net profits before tax achieved by the bank were JD (20) million in 1997 against JD (10.42) million in 1996, a growth of JD (9.6) million or (92%).

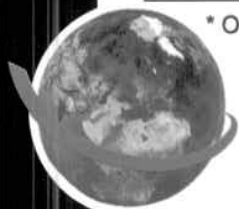
Total assets rose to JD (1,350.6) million, as of the end of 1997, compared with JD (1,136.2) million at the end of 1996, a growth of JD (214.4) million or (18.9%).

Total deposits also increased from JD (917.6) million at the end of 1996 to reach (987.9) million at the end of 1997, an increment of JD (70.3) million or (7.7%). Total loans and credit facilities granted by the bank for different residential, real estate and development purposes amounted to JD (276.5) million in 1997, and its outstanding balance rose to JD (657.9) million from JD (648.3) million at the end of 1996, despite repayments totaling JD (195) million.

In light of the bank's operation results, the board of directors recommends distributing a dividend of (15%) to shareholders.

These achievements were possible as a fruit of the relentless efforts made by the bank management and employees, as well as the support of shareholders. They are the result of growth in the main indicators of the

\* One Jordanian Dinar (JD) = 1.41 USD, fixed.



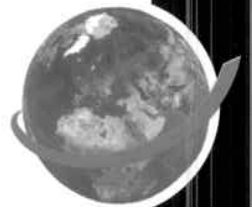
bank's activities and reflect the high level of performance and the ability of the bank to increase its market share despite increased competition.

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 always follows 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. We would also extend our thanks and gratitude to all shareholders for their constructive cooperation, particularly our brothers in the

National Commercial Bank (NCB), Saudi Arabia, for the generous efforts made by them so that we could benefit from their leading experience in reengineering our bank to achieve more progress. The board of directors also extends thanks to the bank's staff, rank and file for their relentless efforts in the past years. I feel confident that their efforts will increase to meet the challenges of the coming stage in order to achieve the bank's vision to be the preferred bank for customers in Jordan.

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





## The Housing Bank Performance and Achievements 1997

The year 1997 has been a landmark and a turning point for the Housing Bank after the issue of law No. 16 of 1997 on May, 2, 1997. The law which converted the bank to a full-fledged commercial bank, subject to the corporate and banks' laws and the regulations of the Central Bank of Jordan.

To enhance its sources of funds and competitive powers in order to practice full commercial banking, the capital of the bank was increased from (25) million Dinar to (50) million Dinar.

Foreign Bank (15%). Old investors also subscribed to the capital increase such as Kuwait Real Estate Investment Group whose stake became (18.672%), Jordanian Social Security corp. (4.869%). Government of Qatar and Sultanate of Oman subscribed to keep each stake at (6%) of the new capital.

At the same time the bank continued to build up various reserves which increased from JD (56.3) million at the end of 1996 to JD (164.8) million at the end of 1997, an



H.R.H Crown Prince Hassan with the Board of Directors.

The share's subscription price was JD (5); thus the bank raised JD (125) million which were added to the shareholders equity. The increase was made through private placement to old and new shareholders, by the approval of the shareholders assembly in its extraordinary meeting held on 1/5/1997. Capital base was expanded with the joining of new Arab investors, mainly Sheikh Khalid Salim Bin Mahfouz Group with a stake of (16.302%), Libyan Arab

increment of JD (108.5) million, or (192.7%). Thus shareholders equity reached JD (214.8) million, an increment of JD (133.5) million or (164.2%). By virtue of its reserves, the bank enjoyed high capital adequacy ratio i.e. (31.61%), which by far exceeded the minimum required by the Central Bank of Jordan i.e. (12%).

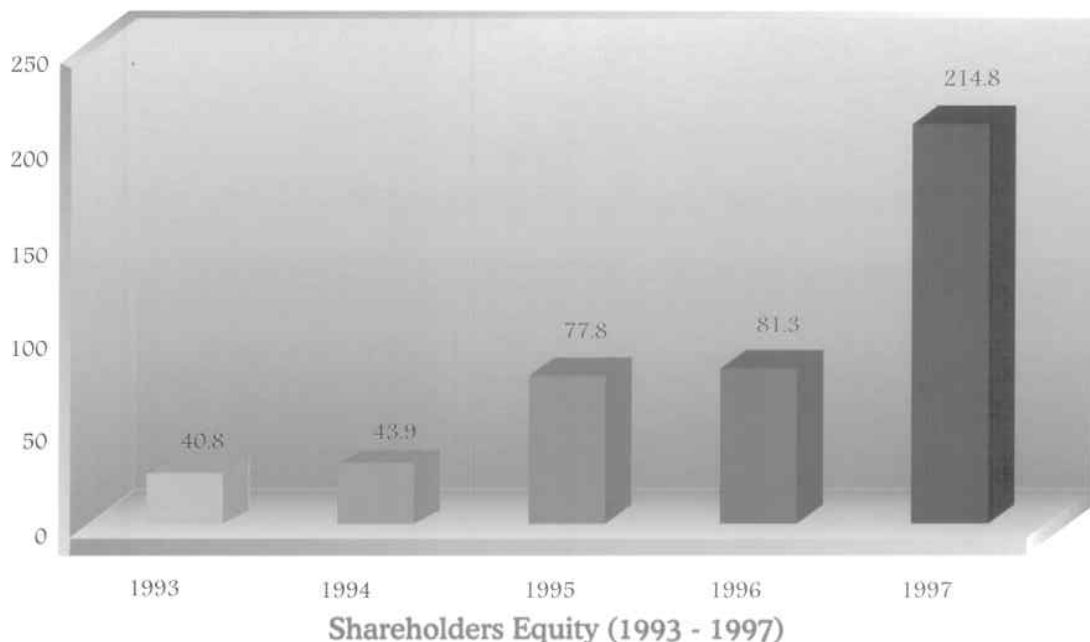
The second half of 1997 witnessed establishing new rules under the reengineering program carried out by the bank, where certain activities were



centralized, such as establishing the accounting centre for branches. Foreign trade operations were also centralized in one specialized centre with competent and experienced staff. A centre for branch operation support and centre for administrative supporting services were also established. The aim of such restructuring is to increase the efficiency and productivity of branches and human resources, provide better service, attain cost savings and enhance internal control through separation of decision making from execution. It is expected that in 1998 centralization and restructuring of credit operations will be completed, aiming to achieve the strategic goals of enhancing profitability and attaining constant increase in R.O.E and R.O.A.

tax reached JD (20) million in 1997 against JD (10.42) million in 1996, reflecting the bank's commitment to enhance profitability.

As for deposits and savings attraction, the bank managed to keep its leading position, despite increased competition on attracting deposits among Jordanian banks. The bank's share of deposit market increased and the balance of total deposits at the bank reached JD (987.9) million, against JD (917.6) million at the end of 1996. Deposits in Jordanian Dinar formed the major part of customer deposits in the bank's branches inside Jordan, and their balance reached JD (755.2) million at the end of 1997, against JD (697.8) million at the end of 1996, an increment of JD (57.4) million. This increment formed (13%) of the total

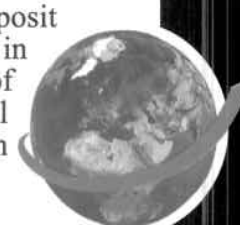


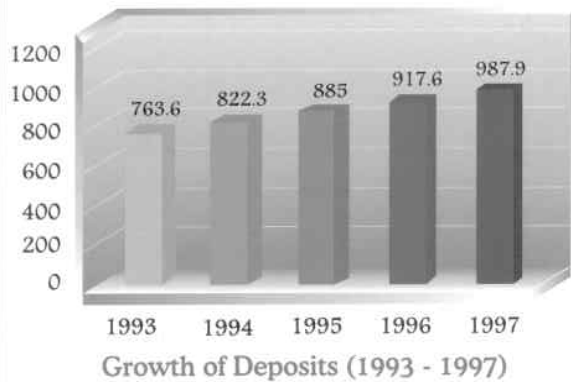
### Main Operation Results

The bank kept its active and leading role and achieved good growth rates in its various activities compared with the Jordanian banking system.

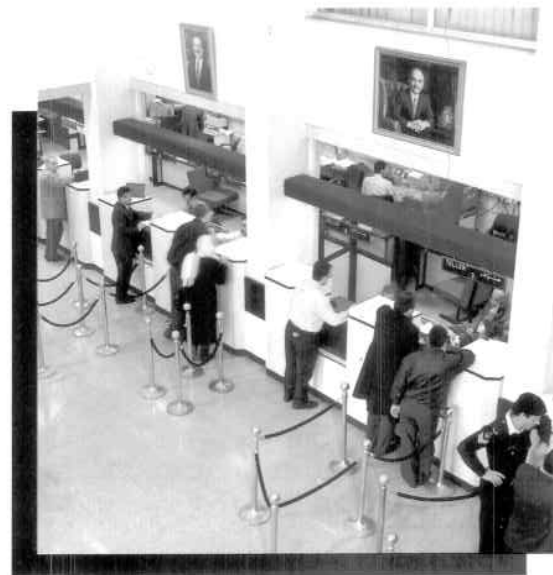
Balance sheet showed noticeable growth including main financial items. Total assets reached JD (1,350.6) million as of the end of 1997 against JD (1,136.2) million at the end of 1996. Net profits before

increase in customer deposits in JD at all licensed banks, which amounted to JD (440.4) million at the end of 1997. As a result of the bank's continuation in utilizing marketing techniques and different promotive instruments for deposit attraction, the bank's branches in Jordan achieved a growth rate of (7.1%), whereas the total Jordanian banking system achieved a growth of (6.7%).





number and value of prizes granted to winners in monthly and extraordinary drawings.

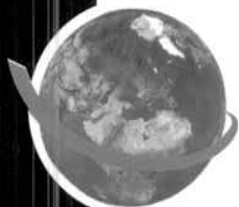


The bank also managed to keep its leading position in attracting saving deposits, where their balance at the bank branches inside Jordan exceeded the total balance of such deposits at all other banks combined by JD (39) million. Thus the bank kept the first rank in saving deposits, as a result of developing saving accounts lottery prizes scheme by increasing the

**Table 1**  
**Growth in the Main Items of Balance Sheet (1993-1997)**

Item	Year	JD million				
		1993	1994	1995	1996	1997
Cash, at banks and other liquid assets		355.4	331.1	363.8	347.5	556.1
Total loans and credit facilities *		443.6	524.2	604.5	648.3	657.9
Equity investments		31.2	45.9	50.8	57.6	61.8
Real estate investments		26.6	26.1	27.3	27.4	14.4
Customers deposits		745.5	816.9	839.9	895.2	973.2
Interbank deposits		18.1	5.4	45.1	22.4	14.6
Total deposits		763.6	822.3	885.0	917.6	987.9
Capital and reserves (shareholders' equity)		40.8	43.9	77.8	81.3	214.8
Net profit (after tax)		6.64	5.01	9.45	8.47	16.2
<b>Total Assets/ Liabilities</b>		<b>892.4</b>	<b>973.0</b>	<b>1,103.4</b>	<b>1,136.2</b>	<b>1,350.6</b>

- 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 (73.2) million as of 31/12/1997.

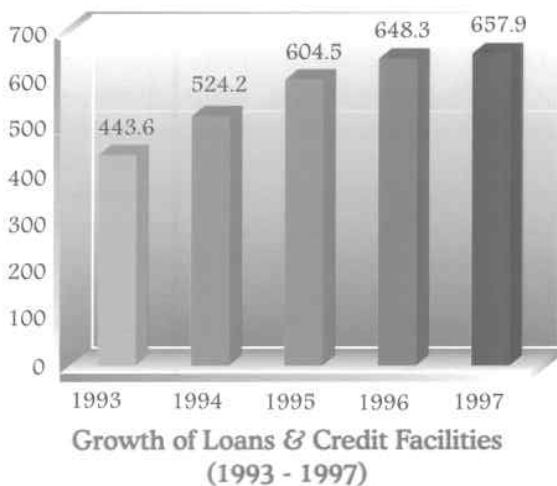


## Loans and Credit Facilities

The bank continued in its active role in meeting finance needs through granting of loans and credit facilities to individuals and corporations.

During the second half of 1997 the bank has started to formulate a new credit policy in line with its conversion to a full commercial bank and its new operation strategy. A new credit system was introduced for the purpose of restructuring the loan portfolio to be more balanced and distributed on main economic sectors according to their relative importance, expected growth, and contribution to the national economy, within a precise system of risk monitoring. The bank has also started to centralize credit operations in order to increase branch productivity and attain cost savings, and will apply it during the first half of 1998.

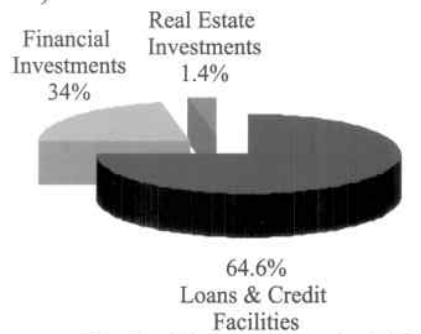
During 1997 the bank granted loans and credit facilities totaling JD (276.5) million. Thus accumulative sum granted by the bank since its establishment reached JD (2,542.8) million. The bank provided finance for economic development and housing projects, including small and medium productive projects.



In line with the bank's policy in supporting trade exchange with Arab and Islamic states the bank signed a credit line agreement for import finance with a ceiling of USD (10) million provided by the Islamic Bank for Development/ Jeddah. The Housing Bank

will be the agent for this credit line, to provide foreign exchange finance for importers.

Despite repayments totaling JD (195) million, the outstanding balance of loans and credit facilities rose to JD (657.9) million at the end of 1997, a growth of JD (9.6) million over 1996 balance, which amounted to JD (648.3) million.

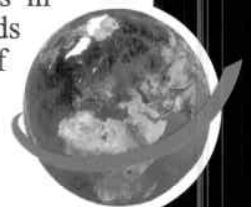


## Banking Services

In order to be in tune with the needs and expectations of customers, the bank continued diversifying and developing its banking services to meet the increased competition, which the market witnessed in 1997. Thus, the bank expanded its electronic service network by installing (26) new ATMs, so the total number of operating ATMs, reached (50), distributed in the main



cities of Jordan. The bank also issued (94,567) ATM cards to its clients in 1997, thus total number of cards issued by the bank up to the end of 1997 reached (169,369).



Additional services were provided on the ATM network and it was linked with ATM SWITCH, so that holders of visa cards would be able to withdraw cash from the bank ATM, or from the national network i.e. JONET. The bank also issued (2,746) visa credit cards of the three categories i.e. local, classic and gold. Thus cumulative number of visa cards issued by the bank up to the end of 1997 reached (6,691).



In order to meet the needs of corporate clients the bank introduced the service of home bank and developed the services provided by the phone bank which is now operating around the clock. Number of clients of phone bank reached (11,291).



The Bank has also expanded the customer base of other services such as L/Cs, L/Gs and safety deposits boxes.

## Treasury and Foreign Banking Services

The bank accomplished good results in 1997 in foreign exchange services provided to individual and corporate customers by the treasury centre, and showed good growth rates over 1996. The bank provided the treasury centre with all capabilities to deal with international capital markets.



The bank also continued to develop its foreign exchange services including margin and account/ account dealing services provided to resident and non-resident clients, especially after deregulation made by the Central Bank of Jordan.

The bank has also established international investment centre, specialized in marketing and management of investment portfolios, besides establishing a center for investment in local stocks, which manages the bank's portfolio in Amman Stock Exchange (Amman Financial Market). Furthermore, the bank has completed establishing the Housing Bank mutual investment fund, registered in Bahrain as tax-exempted company, and its units have already been traded in Bahrain Stock Exchange, and expected to be traded in Amman Financial Market in 1998.

The bank also continued using SWIFT network, which is one of the most modern financial communication nets in the world, for providing fast services. On the other hand, the bank continued to expand its correspondent banks network in international markets, which reached (350) by the end of 1997.



## Banking Technology and Systems Development

During 1996, the bank continued its efforts to exploit its banking technology base to provide high quality services on right time and convenient place to customers:-



- \* The bank completed linking all branches with its computer main frame for establishing effective communication network with remote branches.
- \* The bank completed all phases of the hot backup site, which would guarantee a continued service in case of any technical problems or failure in the main frame. The bank also completed installing optical fiber cables between the main frame and the hot back up site.
- \* The bank completed in 1997 the setting up and application of electronic archival filing system "COLD" for keeping and retrieving customer files of past years, easily and quickly.
- \* The bank continued reviewing all software, databases, operation systems, programs and amending their dates to four digits to be consistent

with the year 2000 i.e . removing the millennium bug.. It is expected to be completed in early 1998.

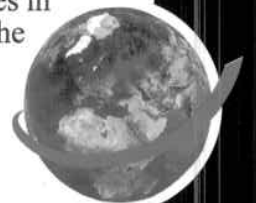
## Human Resources Development

As the bank aspired to provide high



quality services to its customers, it has formulated a new strategy for development of human resources, aiming to improve their competence and performance. Thus the bank developed and diversified the training process by adding new training courses, in line with its conversion to a commercial bank. The bank-based training centre provided (2,967) training and studying opportunities to the bank's employees, which covered various disciplines of managerial, finance, and computer sciences, with special emphasis on credit courses.

The bank also nominated a number of its employees to get diploma, bachelor and master degrees in management and banking, in Jordan and abroad. The bank also continued qualifying some of its staff to attend CPA exam in U.S.A in cooperation with M/S Becker CPA Review, which selected the bank's training centre as a premises to hold its training courses in Jordan, in preparation to have the highly regarded CPA.

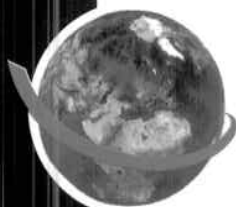


It is worth mentioning that the bank's training centre developed a number of training courses to suit the needs of local and Arab banking and financial institutions,

which selected the centre to train their staff from various managerial levels. Number of such trainees was (237) in 1997.

**Table No. 2**  
**The Growth of the Bank's Training Activities**  
**during 1993 - 1997**

<i>Item</i>	<i>Year</i>	<i>Number of Participants</i>				
		<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>
Training programs held at the Bank - based Training Center		1,632	1,484	1,613	1,726	1,876
Training programs held in collaboration with specialized local training institutions		140	219	209	286	76
Training programs held in Arab and foreign countries		95	113	111	117	100
Seminars		1,769	997	943	629	910
Master programs		4	2	2	2	3
CPA training course		8	7	5	10	2
<b>Total</b>		<b>3,648</b>	<b>2,822</b>	<b>2,883</b>	<b>2,770</b>	<b>2,967</b>



## Geographic Expansion

In 1997, the bank maintained its leading position within the Jordanian banking system, in terms of the number of operating branches in Jordan. The bank added one new branch i.e. King Abdullah Gardens Branch, in Wadi Sakrah Street, Amman. Thus, total number of the bank's branches and offices reached (120), which accounts for (26.5%) of the total combined number of other banks branches in Jordan.

The bank established in 1997 two new branches in Palestine i.e. Nablus and Hebron, in order to contribute with Gaza and Ramallah branches in supporting the Palestinian economy, and provide commercial banking services to customers

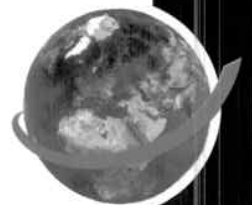


Palestinian Transport & Communication Minister Inaugurates Hebron Branch

there. Thus, total number of the bank's branches in Jordan and Palestine reached (124).



Palestinian Minister of Economy between Mr. Khouri (Chairman) & Mr. Dweik (General Manager) While opening Nablus Branch





## Action Plan 1998

The strategic goals focus on achieving the bank's vision to be the preferred bank for existing and potential customers, applying total quality management to enhance its net worth and attaining customer satisfaction.

The following is a summary of the bank's action plan for 1998:

**First:** To exert efforts in order to maintain a sound financial position, attain sound financial standard ratios for all banking activities, enhance the bank's network and achieve constant growth in return on shareholders equity.

**Second:** Achieve growth in funds available for use, in line with the bank's policy in maintaining high liquidity that corresponds with its enlarging customer base in different activities of deposits, credit and investment.

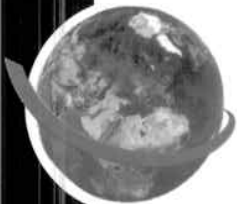
**Third:** Continue in reengineering and restructuring which started on the second half of 1997 by completing the centralization of certain activities, particularly the credit operations. Furthermore, restructuring of branches to convert them to direct service centres, in order to improve efficiency and productivity, as well as providing developed and competitive services to customers.

**Fourth:** Develop the market research to exploit opportunities of high returns and find out the needs and desires of existing and

potential customers, then meet them through developing new banking services.

**Fifth:** Automation of all operations by exploiting the technology base built by the bank, in order to provide competitive services at right time and convenient place to customers. This includes enlarging ATM network, diversifying services provided by phone bank and home bank, developing management information system (MIS), linking all branches through the Internet and completion of amending all systems to be consistent with the year 2000, i.e. removing the millennium bug.

**Sixth:** Development of human resources through specialized training on commercial banking, motivating employees, for teamwork and increasing their competence through continuous managerial development, to achieve customers satisfaction and care for employees which are the core values of the bank.





A JORDANIAN PUBLIC SHAREHOLDING LIMITED COMPANY  
Amman - Jordan

# Financial Statements

As of December 31, 1997 &  
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 Hashimite Kingdom of Jordan (a Jordanian Public Shareholding Limited Company) as of December 31, 1997 and 1996 and the related statements of income, and cash flow 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, 1997 and 1996, the results of its operations and its cash flow for the years then ended, in accordance with International Accounting Standards. We recommend that the General Assembly approve these financial statements.

**Saba & Co.**

**Amman - Jordan  
January 31, 1998**



# Balance Sheet

		<u>December 31</u>	
		<u>1997</u>	<u>1996</u>
		<u>JD. *</u>	<u>JD.</u>
<b><u>Assets</u></b>			
Cash, at Banks and Other Banking Institutions	3	144,147,034	135,014,083
Balances at the Central Bank of Jordan	4	340,913,079	176,210,451
Investments in Bonds & Treasury Bills - Net After Provision for Decline	5	60,723,915	30,451,763
Foreign Investment portfolio	6	10,299,863	5,852,869
Loans and Credit Facilities - Net After Provision for Doubtful Debts and Interest in Suspense	7	657,901,702	648,269,382
Investment Securities - Net After Provision for Decline in Value of Securities	8	61,787,241	57,608,262
Real Estate Investments Less Depreciation	9	14,405,706	27,435,431
Fixed Assets Less Depreciation	10	24,396,924	22,507,306
Other Assets	11	36,043,101	32,831,342
<b>Total Assets</b>		<b>1,350,618,565</b>	<b>1,136,180,889</b>
<b><u>Liabilities and Shareholders' Equity</u></b>			
Customers' Deposits	12	973,216,343	895,213,252
Deposits of Banks and Other Banking Institutions	13	14,636,140	22,382,357
Amounts Borrowed	14	74,611,488	77,504,118
Cash Margins	15	15,736,663	10,561,996
Various Provisions	16	8,169,632	5,864,415
Dividends Proposed for Distribution	17	7,212,190	4,850,000
Other Liabilities	18	42,279,337	38,536,507
<b>Total Liabilities</b>		<b>1,135,861,793</b>	<b>1,054,912,645</b>
<b>Shareholders' Equity</b>	19		
Paid -up Capital		50,000,000	25,000,000
Statutory Reserve		10,793,560	8,789,555
Issuance Premium		121,000,000	21,000,000
Special Reserve		26,936,698	22,928,689
Other Reserves		2,476,514	—
External Branches Reserve		3,550,000	3,550,000
<b>Total Shareholders' Equity</b>		<b>214,756,772</b>	<b>81,268,244</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>1,350,618,565</b>	<b>1,136,180,889</b>

The Accompanying Notes Constitute an Integral Part of These Statements

\* One JD = USD (1.41) ,fixed.

## Statement of Profit and loss

<i>For the years ended December 31</i>			
	<i>Notes</i>	<i>1997</i>	<i>1996</i>
		<i>JD.</i>	<i>JD.</i>
Interest Earned	20	94,109,385	84,427,224
Received Commissions	21	9,334,730	7,653,292
Total Interest and Commissions Earned		103,444,115	92,080,516
<b>less:</b> Interest Paid	22	61,221,768	55,876,724
Net Interest and Commissions		42,222,347	36,203,792
<b>Add:</b> Interest and Earnings from Securities Portfolio	23	4,321,162	1,617,897
Foreign Exchange Earnings	24	1,163,808	1,670,936
Other Income	25	13,123,521	6,206,056
<b>Less:</b> Provision for Doubtful Debts		2,854,630	1,051,108
Provision for Decline in Value of Financial Investments		1,464,475	1,996,235
Other Provisions		940,735	17,500
General & Administrative Expenses	26	35,530,952	32,214,555
<b>Net Profit Before Tax</b>		20,040,046	10,419,283
<b>Income Tax Provision</b>	27	( 3,848,411)	(1,950,290)
<b>Net Profit After Tax</b>		<b>16,191,635</b>	<b>8,468,993</b>
<b>Appropriation</b>			
Statutory Reserves (10%)	19	2,004,005	1,041,928
Special Reserve (20%)	19	4,008,009	2,450,000
Other Reserves	19	2,476,514	—
Additional Fees for Jordanian Universities		205,748	—
Board of Directors' Remuneration	18	65,000	8,250
Contribution to Housing Bank Employees'			
Children Education Fund		14,421	14,799
Contribution to Scientific Research &			
Vocational Training Institutions	16	205,748	104,016
Dividends Proposed for Distribution	17	7,212,190	4,850,000
<b>Total</b>		<b>16,191,635</b>	<b>8,468,993</b>

The Accompanying Notes Constitute an Integral Part of These Statements



# Statement of Cash Flow

*For the years ended December 31*

	<u>1997</u>	<u>1996</u>
	<u>JD.</u>	<u>JD.</u>
<b><i>Cash Flow From Operations:</i></b>		
Interest and Commissions Earned	100,340,347	92,733,055
Interest and Commissions Paid	(62,684,482)	(54,319,035)
Other Income	5,556,470	8,257,954
General and Administrative Expenses Paid	(31,907,749)	(29,113,105)
Cash Flow from Operations Before		
Change in Assets and Liabilities	11,304,586	17,558,869
(Increase) Decrease in Assets		
Loans and Credit Facilities -Net	(12,486,950)	(44,838,099)
Other Assets	1,611,972	(2,034,720)
	(10,874,978)	(46,872,819)
<b><i>Increase (Decrease) in Liabilities:</i></b>		
Current Accounts & Demand Deposits	42,966,174	(2,084,774)
Savings, Fixed and Notice Deposits	35,036,917	57,424,580
Interbank Deposits for Other Banks and Financial Institutions	(7,746,217)	(22,789,443)
Cash Margins	5,174,667	(2,186,284)
Various Provisions	(97,773)	(298,032)
Other Liabilities	3,241,662	(948,703)
	78,575,430	29,117,344
Net Cash flow From Operations Before Tax	79,005,038	(196,606)
Income Tax Paid	(2,591,904)	(1,462,000)
Net Cash flow From (used in) Operations	76,413,134	(1,658,606)
<b><i>Cash Flow From Investments:</i></b>		
(Buy) Sale of Investments in Fixed Assets	(2,583,893)	(1,704,347)
(Buy) Sale of Real Estate Investments	18,097,663	(1,823,808)
(Buy) Sale of Investments in Securities	(5,601,923)	(8,757,796)
(Buy) Amortize Treasury Bonds & Bills and Corporate Bonds	(30,313,683)	1,137,756
Foreign Investment Portfolio	(4,446,994)	(849,696)
Received Shareholdings Dividends	4,321,162	1,670,061
Net Cash used in Investments	(20,527,668)	(10,327,830)
<b><i>Cash Flow From Finance:</i></b>		
Increase in Capital and Premium Reserve (Note 19)	125,000,000	—
Borrowings From the Central Bank of Jordan	1,720,807	1,000,000
Repayments of Borrowings From the Central Bank of Jordan	(4,613,437)	(5,006,000)
Distributed Dividends	(4,892,070)	(3,450,803)
Net Cash From (used in) Finance	117,215,300	(7,456,803)
Foreign Exchange Evaluation Differences	734,813	746,672
Net (Decrease) Increase in Cash	173,835,579	(18,696,567)
Cash at Year Beginning	311,224,534	329,921,101
Cash at Year End	485,060,113	311,224,534

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) was 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. It may establish branches and offices within the kingdom and abroad. The said law was abolished by law No. (16) of 1997. Meanwhile, regulations enacted under the special law remain in force and considered as resolutions issued by the bank board of directors, which has the right to amend or cancel them at any time. As from the validity date of law No. 16 of 1997 the Bank became a commercial bank subject to both banks and corporate laws applied in the kingdom.

#### **b- Objectives of the Bank:**

Practicing all types of banking activities which are allowed to banks (in accordance with effective rules of banks law and other banking regulations of the Central Bank of Jordan) through the bank branches distributed all over the kingdom and Palestine. Meanwhile, the Bank will continue its role in supporting projects of public and individual housing, specifically providing loans to low income groups and in accordance with the housing policy agreed with the Jordanian governments.

### **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 and the affiliate (Palestine company for financial Investments). Interbranch transactions and balances have been excluded, but transactions 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 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 1997 were recorded at the prevailing rates at the dates of those transactions. Assets and liabilities in foreign currencies were translated into JD at the average rate announced by the Central Bank of



Jordan at the end of 1997. Discrepancies resulting from the evaluation were taken to the Profits and Loss Account.

**f- Securities Portfolio:**

- \* Investment securities portfolio of marketable and nonmarketable 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 non - marketable 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 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.
- \* Profit 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 Profit 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 incometax 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 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.



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, fixed accounts and certificates of deposits at banks in Jordan and abroad, detailed as follows:

	<i>December 31</i>	
	<i>1997</i> <i>JD.</i>	<i>1996</i> <i>JD.</i>
Cash	13,866,964	10,564,517
Balances in Jordan	11,668,803	9,538,825
Balances abroad	118,611,267	114,910,741
<b>Total</b>	<b>144,147,034</b>	<b>135,014,083</b>

Balances abroad include certificates of deposits in foreign currencies at Byblos Bank and Beirut Bank for Commerce which amounted to JD 7,100,363 as of 31 December 1997 (against JD 4,979,000 in 1996) and have terms ranging from three months to one year. They mature during the year 1998 and they earn an interest rate from 7% to 9.39%.

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

	<i>December 31</i>	
	<i>1997</i> <i>JD.</i>	<i>1996</i> <i>JD.</i>
<b>a: Certificate of Deposits:</b>		
Certificate of Deposits - Local currency for three months	64,500,000	23,500,000
Certificate of Deposits - Local currency for six months	107,600,000	25,000,000
Certificate of Deposits Local currency for one year	41,900,000	
Certificate of Deposits in US Dollars for a year and a half	—	5,317,500
Certificate of Deposits in US Dollars for two years	—	3,545,000
	214,000,000	57,362,500
<b>b: Fixed deposits for one to three months - cash</b> reserve for foreign currencies	26,772,527	51,063,895
<b>c: Compulsory Reserve (two days notice)</b>	84,536,379	64,399,325
<b>d: Current accounts and demand deposits</b>	15,604,173	3,384,731
<b>Total</b>	<b>340,913,079</b>	<b>176,210,451</b>



- \* certificates of deposits in local currency have interest rate of 6.25% - 8.75%.
- \* The balance of current accounts and demand deposits for the year 1997 are blocked for the compulsory reserve at Central Bank of Jordan. The amount blocked is JD 21,134,095.

## 5- Investments in Bonds and Treasury Bills:

This item is made up of the following:

	<i>December 31</i>	
	<i>1997</i>	<i>1996</i>
	<i>JD.</i>	<i>JD.</i>
<b>Bonds and Bills in Local Currency:</b>		
Jordanian treasury bills	5,000,000	—
Jordanian Development Bonds	11,385,530	13,357,320
Government and Government - Backed Corporate Bonds	3,940,080	5,156,180
	20,325,610	18,513,500
<b>Add:</b> Bond Issuance Premium (unamortized)	55,392	92,848
<b>Total Bonds and Bills in Local Currency</b>	<b>20,381,002</b>	<b>18,606,348</b>
Foreign Bonds and Bills	—	1,418,000
Government Bonds and Corporate Bonds	44,641,615	13,673,368
	44,641,615	15,091,368
<b>Add:</b> Bond Issuance Premium	11,214	—
<b>Less:</b> Bond Issuance Discount	3,122,431	2,099,999
	41,530,398	12,991,369
<b>Less:</b> Provision for Decline in Value of Bonds	1,187,485	(1,145,954)
<b>Total Bonds and Bills in Foreign Currency</b>	<b>40,342,913</b>	<b>11,845,415</b>
<b>Total</b>	<b>60,723,915</b>	<b>30,451,763</b>

Jordanian treasury bills mature during the period from 2002 until 2004 and development bonds mature during the period from 1998 until 2005, while government-backed corporate bonds mature during the period from 1998 until 2001 with an interest rate of 5% - 9.75%. Foreign bonds and bills mature during the period from 1998 until 2023 with an interest rate of 3.41% - 7.375%.

## 6- Foreign Investment Portfolio:-

This item is made up of the following:

	<i>December 31</i>	
	<i>1997</i>	<i>1996</i>
	<i>JD.</i>	<i>JD.</i>
Foreign Investment Fund	—	4,080,369
Other Investment Portfolios	10,299,863	1,772,500
<b>Total</b>	<b>10,299,863</b>	<b>5,852,869</b>

- a- On February 28, 1997 the foreign investment fund duration of three years expired .  
The fund was liquidated and its investments were transferred to other foreign investment portfolios.  
The bank gained JD 637,032 from liquidation. This profit was credited to the account of securities portfolio earnings in the profit and loss statement.
- b- The market value of the other foreign investment portfolios amounted to JD 12,652,267 as of 31 December 1997 (against JD 1,985,014 for the year 1996).

## 7- Loans and Credit Facilities.

- a- This item is made up of the following:

	<i>December 31</i>	
	<i>1997</i>	<i>1996</i>
	<i>JD.</i>	<i>JD.</i>
Bills Discounted	29,825,002	22,897,645
Utilized Loans and Advances & Overdraft	583,108,350	570,265,119
Loans to the Housing and Urban Development Corporation and Public Housing Funds and Advances for Exports Support Financed by Advances From Central Bank of Jordan.	73,190,370	76,083,000
	686,123,722	669,245,764
<i>Less</i> :Balance of Interest in Suspense	8,753,347	4,247,129
	677,370,375	664,998,635
<i>Less</i> : Provision for Doubtful Loans and Credit Facilities	19,468,673	16,729,253
<b>Net Loans and Credit Facilities</b>	<b>657,901,702</b>	<b>648,269,382</b>

- b- Details of the changes in provision for doubtful loans and credit facilities during 1997 are as follows:-

	<i>December 31</i>	
	<i>1997</i>	<i>1996</i>
	<i>JD.</i>	<i>JD.</i>
Balance at the beginning of the year	16,729,253	15,682,334
<i>Add</i> : Increase of the provision during the year	2,854,630	1,051,108
<i>Less</i> : Amortized debts during the year	115,210	4,189
<b>Balance at the end of the year</b>	<b>19,468,673</b>	<b>16,729,253</b>



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

	<i>December 31</i>	
	<i>1997</i> <i>JD.</i>	<i>1996</i> <i>JD.</i>
Balance at the beginning of the year	4,247,129	3,455,633
<i>Add:</i> Interest in suspense during the year	5,882,475	2,250,408
<i>Less:</i> Interest in suspense on accounts settled during the year	1,376,257	1,458,912
<b>Balance at the end of the year</b>	<b>8,753,347</b>	<b>4,247,129</b>

\* The amount of interest in suspense during 1997 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 after six months from the date clients stop payment.

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

	<i>December 31</i>	
	<i>1997</i> <i>JD.</i>	<i>1996</i> <i>JD.</i>
Construction	401,544,849	404,554,672
Transportation Services (including air transportation)	73,842,137	75,974,040
General Trade	138,449,007	88,864,079
Industry and Mining	12,754,636	16,307,505
Services and Public Utilities	17,494,592	20,501,666
Agriculture	2,850,407	508,744
Other	39,188,094	62,535,058
<b>Total</b>	<b>686,123,722</b>	<b>669,245,764</b>

\* As of December 31, 1997, balance of loans and credit facilities guaranteed by or granted to Jordanian Government amounted to JD 172,463,116 (against JD 234,645,064 in 1996).

\* As of December 31, 1997 the balance of non-performing loans and credit facilities in accordance with the Central Bank of Jordan's regulations amounted to JD 36,418,645 (against JD 20,713,147 in 1996). It is worth mentioning that the Bank has collaterals against non-performing loans and credit facilities and they were taken into consideration when classifying doubtful debts. Their interests are not added to income.

## 8- Investment Securities

This item is made up of the following :

	<i>December 31</i>	
	<i>1997</i> <i>JD.</i>	<i>1996</i> <i>JD.</i>
Local Companies Shares	61,526,096	56,248,907
Foreign Companies Shares	5,510,184	5,274,415
	67,036,280	61,523,322
<i>Less:</i> Provision for Decline in Value of Local Securities	5,160,395	3,844,295
Provision for Decline in Value of Foreign Securities	88,644	70,765
Total Provisions	5,249,039	3,915,060
<b>Net Investment of Shares</b>	<b>61,787,241</b>	<b>57,608,262</b>

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

	<i>December 31</i>	
	<i>1997</i> <i>JD.</i>	<i>1996</i> <i>JD.</i>
Shares of local companies	17,442,853	9,575,211
<i>Less :</i> Provision for decline in value of local securities	380,925	294,472
Net value of local securities	17,061,928	9,280,739
Shares of foreign companies	5,200,770	4,971,001
<i>Less:</i> Provision for decline in value of foreign securities	70,200	—
Net value of foreign securities	5,130,570	4,971,001
<b>Net Investments of Non-marketable Shares</b>	<b>22,192,498</b>	<b>14,251,740</b>

\* The net value of marketable shares (including affiliates) for Jordan branches amounted to JD 39,309,818 and for Jordan and abroad branches amounted to JD 39,594,743 as of December 31, 1997, (against JD 43,356,522 in 1996) whereas their market value amounted to JD 55,336,927 as at the end of 1997 (against JD 62,782,946 in 1996).

\* At the end of 1997 equity investments in subsidiaries and affiliates (i.e companies in which the Bank owns 20% of capital or more) amounted to JD 23,606,610 detailed as follows:

<i>Company</i>	<i>Bank's</i> <i>Share of</i> <i>Capital (%)</i>	<i>December 31</i>	
		<i>1997</i> <i>JD.</i>	<i>1996</i> <i>JD.</i>
<b>Subsidiaries:</b>			
Jordanian Real Estate Investment Company (50% paid).	100	500,00	—
The Housing Bank Jordan Fund / Bahrain Total shares in subsidiaries	99	37,399	—
		537,399	—
<b>Affiliates:</b>			
Iskan for Tourist and Hotels Investment Co.	50	3,522,478	—
Jordanian Real Estates Market Co.	50	63,000	—
Industrial Development Bank	31.7	7,541,514	7,541,514
Arab Banking Corporation - Jordan (26% in 1996)	26	5,084,622	3,758,689
Engineering Applications Co.	23	100,000	100,000
Jordan Payment Services Co.	22.5	112,500	112,500
Philadelphia Investment Bank (20% in 1996)	20.2	2,134,198	2,130,713
Jordan International Bank/ London (22.5% in 1996)	22.1	3,814,460	3,883,492
Jordan Industries & Match/ JIMCO (22.9% in 1996)(Note 33)		—	596,439
Green Oasis for Venture Agriculture	20	100,000	100,000
<b>Total - Affiliates</b>		<b>22,472,772</b>	<b>18,223,347</b>
<b>Total Shareholdings in the Subsidiaries and Affiliates</b>		<b>23,010,171</b>	<b>18, 223,347</b>



- \* On the 24<sup>th</sup> of July 1997 the Bank established the Jordanian Company for Real Estate Investments (a limited liability company) with a capital of JD 1,000,000 which is entirely owned by the Bank. The main object of the company is to own the real estates which are owned by the Bank in settlement of customers debts. The company has the right to dispose of these real estates by selling. Half of the company capital has been paid at the time of its establishment. Meanwhile the company will issue its first financial statement covering the period from the date of its establishment until December,31, 1998.
- \* The Housing Bank Jordan Fund has been established as an investment company with a limited liability in the state of Bahrain. The fund is a close - ended investment company and it will become open-ended on the third anniversary of closing date, at such time shares will be available for issue and redemption at price based on the prevailing net asset value per share. The investment objective and policy of the fund are to achieve long term capital appreciation by investing in a portfolio of equity and equity- related securities and debt instruments issued in Jordan and as specified in the fund's prospectus.

Income will be reinvested in accordance with the investment objective and policy of fund. Number of shares issued by the fund is 200,000 having a par value 0.001JD (it is a figurative value just to prove ownership) and at a price of JD 100 payable in full upon subscription. Shares floated represent preference shares with no voting right at the meetings of general assembly of the fund. These shares have the right to obtain any dividends paid out of the funds profits, while the ordinary shares in the fund are not yet available for subscription. The fund manager is Alliance Capital Management L.P. Meanwhile the fund sponsor is the Housing Bank who is also an investment consultant to the fund manager.

The fund currency is Jordan dinars. Total assets of the fund amounted to JD 10,156,534 as of 31 December 1997 and its profit amounted to 87,908 from the date of establishment on the first of November 1997 until December 31, 1997.

- \* The Housing Bank made a partnership with the Arab Libyan Company For Foreign Investment (fifty-fifty for each) and established the Iskan Company For Tourist and Hotel Investment (a limited liability company) with a capital of JD 20 million paid in cash. The two partners have granted the company a loan of JD 10 million (in half). It is worth mentioning that the Housing bank will reduce its share from 50% to 10% (at maximum) during four years from the date of establishment and as demanded by the Central Bank of Jordan.

The Forte Grand Hotel ,which was fully owned by the bank, was sold to the Iskan Company For Tourist and Hotel Investment. The land, building, furniture, decoration, inventory of the hotel have been sold for an amount of JD 28,113,600 and due to that capital gains of JD 12,955,044 were made.

The Iskan Company For Tourist And Hotel Investment is an affiliate and in accordance with international accountancy standards the value of investment in this company should be reflected according to the shareholders equity method, and any profits or losses resulting from trading transactions between the bank and the affiliate should be excluded, so 50% of sale profits (i.e JD 6,477,522) have been added to the revenues account of 1997, while the other half was shown on the balance sheet deducted from investment in the affiliate, detailed as follows:

The Bank's share of capital in the Iskan Company For Tourist and Hotel Investment.	10,000,000
<u>Less:</u> the other half of capital gain achieved From selling the Forte Grand Hotel	<u>6,477,522</u>
<b>Total</b>	<b><u>3,522,478</u></b>

\* As of December 31,1997 the total uncalled capital of the Bank's shareholdings amounted to JD 4,624,830 (against JD 4,188,311 in 1996)

#### 9- Real Estate Investments

This item is made up of the following :

	<i>December 31</i>	
	<i>1997 JD.</i>	<i>1996 JD.</i>
Land at cost	1,571,293	2,516,395
The Commercial Centre- Shmeisani	4,260,524	14,870,435
The Bank's Building - Aqaba	649,431	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	4,878,063	4,835,950
The Bank's Building-Sahab (Bonded)	719,849	719,849
	<u>15,017,893</u>	<u>25,562,777</u>
Furniture, decoration, equipment,finishings and other works of the Commercial Centre	4,036,557	12,672,680
	<u>19,054,450</u>	<u>38,235,457</u>
<i>Less : Accumulated depreciation</i>	6,220,037	13,316,421
	<u>12,834,413</u>	<u>24,919,036</u>
<b>Total</b>	<b><u>14,405,706</u></b>	<b><u>27,435,431</u></b>

During the year 1997 and as mentioned in note (8), the land, building, decorations, equipment and furniture of Forte Grand Hotel were sold to the Iskan Company For Tourist and Hotel Investments.

#### 10- Fixed Assets

This item is made up of :

	<i>December 31</i>	
	<i>1997 JD.</i>	<i>1996 JD.</i>
Land	7,251,014	7,858,147
The Bank's buildings	3,372,460	3,331,933
Apartments	520,856	520,856
Equipment including computers in the Main Branch and other branches	19,663,089	15,251,887
Vehicles	1,112,900	1,089,542
Furniture, Decorations and Safes	6,709,028	5,609,698
	<u>31,378,333</u>	<u>25,803,916</u>
<i>less: Accumulated depreciation</i>	14,232,423	11,154,757
	<u>17,145,910</u>	<u>14,649,159</u>
<b>Total</b>	<b><u>24,396,924</u></b>	<b><u>22,507,306</u></b>



## 11- Other Assets

This item is made up of :

	<i>December 31</i>	
	<i>1997</i>	<i>1996</i>
	<i>JD.</i>	<i>JD.</i>
Advances	115,371	126,064
Establishment expenses after amortization	875,275	1,182,651
Accrued interest and commissions	7,789,319	2,964,768
Prepayments to suppliers and contractors	2,222,729	4,027,482
Supplies and stationery	793,170	845,391
Items in transit among branches	7,769,289	5,658,564
Debtors against sales of deferred stocks	5,000,000	5,500,000
Current assets of Forte Grand Amman Hotel	—	3,089,417
Checks for clearance	2,457,188	2,203,860
Land and buildings owned by the Bank in settlement of debts	2,732,654	2,581,842
Accrued rents	1,324,203	903,481
Other items	4,963,903	3,747,822
<b>Total</b>	<b>36,043,101</b>	<b>32,831,342</b>

- \* According to the law of Banks, lands and buildings owned by the Bank in settlement of customers' debts should be sold within 2 years.

## 12- Customers' Deposits

This item is made up of the following:-

	<i>December 31</i>	
	<i>1997</i>	<i>1996</i>
	<i>JD.</i>	<i>JD.</i>
Current accounts & demand deposits	124,784,746	81,818,572
Saving deposits	352,196,322	346,219,602
Fixed deposits	496,235,275	465,156,840
Certificates of deposits (CD)	—	2,018,238
<b>Total</b>	<b>973,216,343</b>	<b>895,213,252</b>

- \* Government deposits amounted to JD 93,105,544 as of December 31, 1997, (against JD 99,931,721 in 1996).
- \* Noninterest bearing deposits amounted to JD 127,343,196 at the end of 1997 (against JD 103,171,271 in 1996).
- \* Retained deposits as collaterals for credit facilities granted to customers amounted to JD 18,667,400 as of December 31, 1997, (against JD 17,043,714 in 1996)



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

This item is made up of:

	<i>December 31, 1997</i>			<i>December 31, 1996</i>		
	<i>Inside Jordan JD</i>	<i>Abroad JD</i>	<i>Total JD</i>	<i>Inside Jordan JD</i>	<i>Abroad JD</i>	<i>Total JD</i>
Current accounts & demand deposits	2,025,157	385,993	2,411,150	5,005,068	—	5,005,068
Deposits due within one year	3,846,948	8,378,042	12,224,990	10,075,070	7,302,219	17,377,289
<b>Total</b>	<b><u>5,872,105</u></b>	<b><u>8,764,035</u></b>	<b><u>14,636,140</u></b>	<b><u>15,080,138</u></b>	<b><u>7,302,219</u></b>	<b><u>22,382,357</u></b>

### 14- Amounts Borrowed

This item is made up of:

	<i>December 31</i>	
	<i>1997 JD.</i>	<i>1996 JD.</i>
Amounts borrowed from Central Bank of Jordan	73,190,370	76,083,000
Amounts borrowed locally from Jordanian Government	1,421,118	1,421,118
<b>Total</b>	<b><u>74,611,488</u></b>	<b><u>77,504,118</u></b>

\* Above mentioned item of amounts borrowed from 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 52,200,000, (JD 54,200,000 in 1996). These loans are regranted by the Bank to the Public Housing and Urban Development Corporation. It also includes an amount of JD 19,276,500, (against 21,883,000 in 1996) representing the rediscount of corporate loans guaranteed by the Government and advances for exports support amounted of JD 1,713,870.

\* 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 rechannels 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:

	<i>December 31</i>	
	<i>1997 JD.</i>	<i>1996 JD.</i>
Cash margins for direct credit facilities	25,976	57,537
Cash margins for indirect credit facilities	15,710,687	10,504,459
<b>Total</b>	<b><u>15,736,663</u></b>	<b><u>10,561,996</u></b>



## 16- Various Provisions

This item is made up of:

	<i>December 31</i>	
	<i>1997</i>	<i>1996</i>
	<i>JD.</i>	<i>JD.</i>
Income tax provision	3,992,811	1,989,474
Scientific research support provision	205,748	104,016
External branches service termination provision	32,858	
Other provisions	3,938,215	3,770,925
<b>Total</b>	<b>8,169,632</b>	<b>5,864,415</b>

## 17- Dividends Proposed for Distribution

Dividends proposed for distribution for 1997 amounted to 150 fils per share i.e 15%, (against 200 fils, i.e 20% for 1996) except for common shares in the year 1996 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:

### Year 1997

For common shareholders (15%)

**JD**

7,500,000

Less: Amount returned to reserves due to delay by certain shareholders to pay their subscription in the bank's capital increase

287,810

Dividend proposed for distribution to shareholders

7,212,190

### Year 1996

For preference and special shareholders (20%)

**JD**

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 :

	<i>December 31</i>	
	<i>1997</i>	<i>1996</i>
	<i>JD.</i>	<i>JD.</i>
The board of Directors' remuneration	65,000	8,250
Salary accounts	11,761,371	11,203,697
Cash margins	9,537,926	6,078,913
Interest and commissions received in advance	5,229,772	3,508,989
Accrued payable interest	5,548,147	7,010,861
Certified cheques and accepted payable bills	2,157,756	1,294,994
Cheques reserved by phone	58,565	196,032
Liabilities of borrowers life- insurance fund	1,220,505	1,230,278
Liabilities of savings accounts lottery prizes fund	393,768	412,537
Current liabilities of Forte Grand Amman Hotel	—	900,893
Profit of deferred shares sales	4,468,187	4,914,987
Other credit balances	1,838,340	1,776,076
<b>Total</b>	<b>42,279,337</b>	<b>38,536,507</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 into the Bank's assets and liabilities . Liabilities of these funds are given within "Other Liabilities" and detailed as follows :

	<i>December 31</i>			
	<i>1997</i>		<i>1996</i>	
	<i>Borrowers Life Insurance Fund</i>	<i>Savings Accounts Lottery Prizes Fund</i>	<i>Borrowers Life Insurance Fund</i>	<i>Savings Accounts Lottery Prizes Fund</i>
	<i>JD</i>	<i>JD</i>	<i>JD</i>	<i>JD</i>
<b>Liabilities</b>				
Provisions for payment of prizes to winners in lottery	—	373,352	—	399,430
Provision for decline in value of shares	30,227	—	17,226	—
Accumulated saving	1,190,278	20,416	1,213,052	13,107
<b>Total Liabilities</b>	<b>1,220,505</b>	<b>393,768</b>	<b>1,230,278</b>	<b>412,537</b>

## 19- Shareholders Equity

Changes of shareholders equity during 1997 are as follows:

	<i>Paid up Capital</i>	<i>Statutory Reserve</i>	<i>Share Premium</i>	<i>Special Reserve</i>	<i>Other Reserve</i>	<i>External Branches Reserve</i>	<i>Total</i>
	<i>JD</i>	<i>JD</i>	<i>JD</i>	<i>JD</i>	<i>JD</i>	<i>JD</i>	<i>JD</i>
<b>December 31,1996</b>							
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
<b>Balance at year end</b>	<b>25,000,000</b>	<b>8,789,555</b>	<b>21,000,000</b>	<b>22,928,689</b>	<b>—</b>	<b>3,550,000</b>	<b>81,268,244</b>
<b>December 31,1997</b>							
Balance at year beginning	25,000,000	8,789,555	21,000,000	22,928,689	—	3,550,000	81,268,244
Changes during the year	25,000,000	2,004,005	100,000,000	4,008,009	2,476,514	—	133,488,528
<b>Balance at year end</b>	<b>50,000,000</b>	<b>10,793,560</b>	<b>121,000,000</b>	<b>26,936,698</b>	<b>2,476,514</b>	<b>3,550,000</b>	<b>214,756,772</b>

## Capital

Capital is made up of :-

<i>Share Category</i>	<i>December 31, 1997</i>			<i>December 31, 1996</i>		
	<i>Subscribed &amp; Paid-up capital</i>		<i>Authorized Capital</i>	<i>Subscribed &amp; Paid-up capital</i>		<i>Authorized Capital</i>
	<i>No. of Shares</i>	<i>Amount</i>		<i>No. of Shares</i>	<i>Amount</i>	
	<i>JD</i>	<i>JD</i>		<i>JD</i>	<i>JD</i>	
Ordinary shares	50,000,000	50,000,000	50,000,000	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
<b>Total</b>	<b>50,000,000</b>	<b>50,000,000</b>	<b>50,000,000</b>	<b>25,000,000</b>	<b>25,000,000</b>	<b>25,000,000</b>

- \* 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 the paid - up capital.
- \* Premium reserve can't be distributed among shareholders as dividend.
- \* 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.
- \* The general assembly on its extraordinary meeting held on May 2,1997 approved to increase the Bank's capital by JD 25 million to become JD 50 million through private placement to existing shareholders and others, and the board of directors has been authorized to handle this process. Each share was issued at a price of JD 5 (JD 4 as premium). The board of directors on its resolution No. 60/97 dated June 30, 1997 delegated its chairman on appropriation of shares. It is worth mentioning that the subscription was fully covered during the year 1997 .

## 20- Interest Earned

Details of this item are as follows :-

	<i>December 31</i>	
	<i>1997</i>	<i>1996</i>
	<i>JD.</i>	<i>JD.</i>
<b>Interest from loans &amp; credit facilities :-</b>		
Bills discounted	3,354,529	2,590,791
Loans and advances	66,790,165	61,572,526
<b>Total interest from loans &amp; credit facilities</b>	<b>70,144,694</b>	<b>64,163,317</b>
<b>Interest from securities portfolio</b>	<b>5,172,646</b>	<b>2,733,439</b>
<b>Interest from interbank accounts and others</b>	<b>18,792,045</b>	<b>17,530,468</b>
<b>Total</b>	<b>94,109,385</b>	<b>84,427,224</b>

## 21- Received Commissions :-

Details of this item are as follows :-

	<i>December 31</i>	
	<i>1997</i>	<i>1996</i>
	<i>JD.</i>	<i>JD.</i>
Commissions on direct credit facilities	7,268,710	6,255,320
Commissions on indirect credit facilities	2,066,020	1,397,972
<b>Total</b>	<b>9,334,730</b>	<b>7,653,292</b>

## 22- Interest Paid:

Details of this item are as follows :-

	<i>December 31</i>	
	<i>1997</i>	<i>1996</i>
	<i>JD.</i>	<i>JD.</i>
<b>Interest paid on customers' deposits:</b>		
Current accounts & demand deposits	1,312,310	1,066,354
Savings deposits	15,244,681	16,127,212
Fixed deposits	39,284,315	32,751,819
Certificates of deposits	39,964	162,216
<b>Sub Total- Interest paid on customers' deposits</b>	<b>55,881,270</b>	<b>50,107,601</b>
<b>Interest paid on interbank and other deposits</b>	<b>5,340,498</b>	<b>5,769,123</b>
<b>Total</b>	<b>61,221,768</b>	<b>55,876,724</b>



**23- Profits of Securities Portfolio**

This item is made up of :-

	<i>December 31</i>	
	<i>1997</i>	<i>1996</i>
	<i>JD.</i>	<i>JD.</i>
Dividend of Shares	1,486,236	1,340,516
Shares Trading Profits	2,834,926	277,381
<b>Total</b>	<b>4,321,162</b>	<b>1,617,897</b>

**24- Foreign Exchange Earnings:**

This item is made up of :-

	<i>December 31</i>	
	<i>1997</i>	<i>1996</i>
	<i>JD.</i>	<i>JD.</i>
Foreign exchange trading profits	428,995	924,264
Currency differences on banking services	428,095	483,567
Foreign exchange evaluation difference at theyear end	306,718	263,105
<b>Total</b>	<b>1,163,808</b>	<b>1,670,936</b>

**25- Other Revenues :**

This item is made up of :-

	<i>December 31</i>	
	<i>1997</i>	<i>1996</i>
	<i>JD.</i>	<i>JD.</i>
Profits from selling Forte Grand Hotel (note 8)	6,477,522	—
Profits from lands selling	2,507,386	—
Real estate investment net revenues	960,859	2,525,157
Received fees on salary accounts	652,973	493,781
Revenues from previous years	34,128	812,862
Visa cards revenues	518,517	324,770
Fees from managed loans	56,172	54,845
Safes lease revenues	99,199	85,989
Returned checks commissions	178,659	153,167
Redundant provisions taken back to revenues	—	528,546
Various revenues	1,638,106	1,226,939
<b>Total</b>	<b>13,123,521</b>	<b>6,206,056</b>



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

	<i>December 31</i>	
	<i>1997</i>	<i>1996</i>
	<i>JD.</i>	<i>JD.</i>
Real estate investments revenues	5,730,753	10,400,784
<i>Less:</i> Real estate expenses:		
Operation expenses of Forte Grand Hotel	2,749,785	5,557,033
Expenses of the Commercial Centre	423,493	470,546
Expenses of buildings and apartments	4,441	3,248
Expenses of the Bank's building in Irbid	6,483	5,013
Expenses of the Bank's building in Zerqa	35,106	31,073
Expenses of the Prince Moh'd st.complex	123,038	136,448
Expenses of the Bank's building in Aqaba	17,964	16,086
Depreciation of buildings	1,409,584	1,656,180
Total real estate expenses	4,769,894	7,875,627
<b>Real Estate Investment Net Revenues</b>	<b>960,859</b>	<b>2,525,157</b>

**26- General and Administrative Expenses:**

Details of this item are as follows :-

	<i>December 31</i>	
	<i>1997</i>	<i>1996</i>
	<i>JD.</i>	<i>JD.</i>
Staff Salaries and benefits	14,484,260	13,261,110
Depreciation of fixed assets	3,201,661	2,669,545
End of service indemnity paid to staff	3,992,789	4,855,099
Rent of computer software and hardware	936,534	501,560
Bank's contribution to social security	1,354,201	1,111,264
Amortization of establishment expenses	421,542	431,905
Medical care expenses	1,346,968	1,176,142
Bank's contribution to employees saving fund	1,109,967	995,127
Stationery and printed matters	975,720	1,250,603
Maintenance and repair	903,577	870,070
Post, telephone and telex	676,552	675,086
Rents	749,243	516,545
Electricity, water and fuel	579,047	496,618
Travel expenses and allowances	672,100	557,516
Advertisements	424,707	252,907
Donations	253,426	243,671
Transportation expenses	229,755	242,902
Employees life insurance	194,128	173,699
Hospitality	119,733	99,934
Insurance of the Bank's assets	235,247	167,499
Subscription fees to banking associations	223,860	241,996
Foreign exchange dealings fees	49,700	86,497
Board of Directors' travel expenses	53,993	54,442
Borrowers transactions' expenses	37,357	63,749
Miscellaneous expenses	2,304,885	1,219,069
<b>Total</b>	<b>35,530,952</b>	<b>32,214,555</b>



**27- Income Tax Provision**

This item represents the Bank's income tax provision for the year ending December 31,1997. A final settlement had been reached with the Income Tax Dept. covering up to the end of 1995, whereas the Dept. has not yet finalized tax assessment of 1996.

**28- Staff Service Termination Indemnity 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 Bank's 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:

	<i>December 31</i>	
	<i>1997</i>	<i>1996</i>
	<i>JD.</i>	<i>JD.</i>
<b>Assets</b>		
Current Assets;		
Deposits in local currency	6,989,140	7,644,573
Investment in stocks and bonds(After provision for decline amounted toJD 6,370 in 1996).	518,830	1,647,314
Other debit balances	36,965	20,955
Sub-total Current Assets	7,544,935	9,312,842
Advances granted to staff from their long term dues	20,451,803	15,274,479
<b>Total Assets</b>	<b>27,996,738</b>	<b>24,587,321</b>
<b>Liabilities</b>		
Staff end of service indemnity provision	26,447,361	22,880,160
Profits carried forward	1,549,377	1,707,161
<b>Total Liabilities</b>	<b>27,996,738</b>	<b>24,587,321</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:-

	<i>December 31</i>			
	<i>1997</i>		<i>1996</i>	
	<i>Assets</i>	<i>Liabilities</i>	<i>Assets</i>	<i>Liabilities</i>
	<i>JD</i>	<i>JD</i>	<i>JD</i>	<i>JD</i>
Due in one year or less	665,805,491	1,013,367,322	506,103,464	918,442,609
Due in a year to two	56,816,431	—	125,228,928	13,200,000
Due in more than two years	524,446,998	58,876,500	372,980,933	62,036,000
<b>Total</b>	<b>1,247,068,920</b>	<b>1,072,243,822</b>	<b>1,004,313,325</b>	<b>993,678,609</b>



### 30- Geographic Distribution of Assets, Liabilities and off - Balance Sheet Items.

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

	<u>December 31, 1997</u>			<u>December 31, 1996</u>		
	<i>Inside Jordan</i>	<i>Abroad</i>	<i>Total</i>	<i>Inside Jordan</i>	<i>Abroad</i>	<i>Total</i>
	<i>JD</i>	<i>JD</i>	<i>JD</i>	<i>JD</i>	<i>JD</i>	<i>JD</i>
Cash & at banks	371,803,081	113,257,032	485,060,113	200,823,738	110,400,796	311,224,534
Securities portfolio	76,301,338	56,509,681	132,811,019	70,822,940	23,089,954	93,912,894
Loans & credit facilities	650,138,246	7,763,456	657,901,702	645,182,717	3,086,665	648,269,382
Real estate investments	14,405,706	—	14,405,706	26,422,994	—	26,422,994
Other assets	34,757,936	1,285,165	36,043,101	32,423,104	454,266	32,877,370
Customers deposits	944,746,535	28,469,808	973,216,343	881,846,300	13,366,952	895,213,252
Borrowed funds	74,611,488	—	74,611,488	77,504,118	—	77,504,118
Other liabilities	41,530,905	748,432	42,279,337	38,394,732	187,803	38,582,535
Contra accounts	226,392,732	4,870,562	231,263,294	125,316,198	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

	<u>December 31</u>	
	<u>1997</u>	<u>1996</u>
	<u>JD.</u>	<u>JD.</u>
Total assets	235,001,378	211,378,267
Total liabilities	(214,172,805)	(199,672,081)
Net assets	20,828,573	11,706,186
Total cash balances	146,392,907	172,519,077
Securities Portfolio	56,064,316	22,901,934
Direct credit facilities	31,031,207	15,050,060
Other assets	1,512,948	907,196
Interbank deposits	6,395,582	6,866,798
Customers' deposits	201,286,955	188,621,386
Cash margins	5,274,080	4,156,389
Other liabilities	1,216,188	27,508
Interest and commissions earned	13,434,273	10,294,506
Interest and commissions paid	9,668,468	9,639,980
Interest and profits of securities portfolio	57,582	233,171
Contra accounts	112,355,879	60,844,888

### 32- Contra Accounts

This item is made up of the following :

	<u>December 31</u>	
	<u>1997</u>	<u>1996</u>
	<u>JD.</u>	<u>JD.</u>
Approved but undisbursed loans	42,993,109	23,092,560
Irrevocable documentary credits	65,784,847	45,597,254
Guarantees	77,212,370	46,439,405
Guaranteed acceptances	45,272,968	11,043,420
<b>Total</b>	<b>231,263,294</b>	<b>126,172,639</b>



### 33- Transactions with Related Parties

	<i>December 31</i>	
	<i>1997</i>	<i>1996</i>
	<i>JD.</i>	<i>JD.</i>
Deposits with affiliates	20,797,417	19,276,123
Loans & credit facilities granted to affiliates	6,599,426	1,116,506
Deposits from affiliates	302,222	164,155
Deposits from related parties	341,321	783,938
Interest earned from affiliates	1,581,683	1,454,581
Interest paid to affiliates	53,590	6,105
Interest paid to related parties	1,391	92,331
Credit facilities granted to some board of directors' members	466,966	—

During the second half of January 1997 the Bank has sold 283,427 shares of Jordanian Sulpho-Chemicals company and 592,247 shares of Jordanian Industries and Match company (Jimco) to Jordanian Real Estate Investment company which is an affiliate owned entirely by the Housing Bank. The sale was made at the market value. As a result of that, the Bank has lost about JD 927,601 which was debited to the shares trading profit account, note (23). At the beginning of 1998 the bank has repurchased these shares at their market price.

### 34- Legal Claims :

The Bank has filed lawsuits, through which it claims amounts totaling JD 4,809,914. Meanwhile, total amounts implicated in lawsuits filed against the Bank reached JD 7,497,561. 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 1996 have been reclassified in order to be consistent with the classification of 1997 for the purpose of comparison.





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