

بنك الاسكان THE HOUSING BANK



بنك جاري دولي
AN INTERNATIONAL COMMERCIAL BANK

A Jordanian Public Shareholding Limited Company



26th Board of Directors Report For the Year Ending December 31, 1999



Head Office

Amman/ Abdali - Parliament Street
P.O.BOX (7693), postal code (11118) - Jordan
Telephone (5667126, 5607315)
Facsimile (962-6) 5678121, (962-6) 5691675

Electronic Mail:hbho@go.com.jo

Website

Inside Jordan: www.the_housingbank.com.jo
Outside Jordan: www.the_housingbank.com

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**His Majesty The Late King Hussein, May His Soul Rest
In Peace**



His Majesty King Abdullah The Second Bin Hussein

Our Vision



The Housing Bank

is the preferred commercial bank for customers

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, welfare of employees, reward for performance and teamwork.

The Housing Bank (Jordan) ... Facts And Figures



The Housing Bank was established in 1973. Since then, the bank grew rapidly to become one of the major Jordanian and Arab institutions. During its period of operation the Bank accomplished many quantitative and qualitative achievements which made it a leader in the Jordanian banking market.

The story of the Housing Bank's success is reflected in the following facts and figures which indicate the strength, the consistent outstanding performance as well as the confidence the bank enjoys on the local, Arab and international levels:

- The Housing Bank was the first Jordanian bank which accomplished Y2K compliance.
- The Housing Bank was the first bank in Jordan and Middle East to obtain the ISO 9001 quality certificate covering the design and operation of its different commercial banking services in all branches, departments and operation centres. The Bank obtained this certificate on recommendation from SGS. YARSLEY/UK which is accredited from the U.K.A.S council.
- The Housing Bank was assigned the high rating of AA- for its local senior debts from Thomson Bankwatch. This rating was the highest in the Jordanian market and the Housing Bank was described as the best rated bank in Jordan.
- The Housing Bank was ranked first among Jordanian banks, and rated a (Alpha) based on financial strength in Euromoney EMB ranking, Published in October, 1998..
- The Housing Bank is ranked first in Jordan in terms of capital, which amounts to JD* (100) million.
- The Housing Bank is ranked first in Jordan in terms of shareholders equity which amounts to JD (224.5) million.
- It is ranked first in terms of the number of its branches i.e. (106) inside Jordan.
- It is ranked first in ATM network in Jordan. It has (100) machines.
- The Housing Bank was the first Jordanian bank to introduce mutual investment fund services.
- It was the first bank to establish a mutual fund, denominated in Jordanian Dinar and invests in projects of socio- economic development, inside Jordan.
- The Housing Bank was the first in Jordan and Arab world to establish a children branch.

* Jordanian Dinar (JD) is pegged at One JD = 1.41 USD

Chairman's Statement



Dear Shareholders;

Your leading banking institution enters the twenty first century equipped with high technology and competence, and looks forward to build on its good achievements. Your bank was able to play a leading and active role in the socio - economic development, despite adverse circumstances faced by Jordan and its banking sector. The bank has kept its leading position in the Jordanian banking sector and the trust of its customers, as well as the trust of local, Arab and international financial institutions in addition to international rating agencies.

The bank was assigned a high rating of AA- for senior local debts, from Thomson Bankwatch and obtained the ISO 9001 international quality management certificate from SGS. YARSLEY/UK which is accredited by U.K.A.S council.

The year 1999 represented a strong pass to the third millennium and was another transitional year after the bank was converted to a full-fledged commercial bank in May 1997. I have the pleasure to present to you the 26th annual report showing the good operation results achieved by the bank, compared with the banking system in Jordan. The bank managed to maintain its good performance and made JD (45.39) million, of net interest and commissions after provision for non-performing loans, against JD (43.49) million in 1998, a growth of (4.4%). However, various provisions were taken in order to meet the requirements of the Central Bank of Jordan as well as additional provisions which were increased in order to support the financial position of the bank. Provisions of JD (18.8) million were taken in 1999 against JD (14.8) million in 1998, an increase of (27%). Details of such provisions are included in the financial statements. Thus, net profits before tax amounted to JD (26.3) million. Total assets reached JD (1,549.3) million as of the end of 1999 against JD (1,417.7) million at the end of 1998, a growth of JD (131.6) million or (9.3%). Deposits reached JD (1,201.1) million, against JD (1,067.3) million, a growth of JD (133.8) million or (12.5%), while total loans and credit facilities granted by the bank amounted to JD (235.6) million.

In addition to these financial results, your bank has witnessed substantial changes within the program of reengineering. Many phases of restructuring were completed within a clear and consistent strategy and under an experienced executive management team who leads the reengineering process, which included developing new banking products, overall review of operations, policies and procedures as well as supporting the bank infrastructure and compliance with Y2K problem.

In order to build a new corporate image after the bank was converted to a full-fledged commercial bank, the board of directors approved changing the bank's name to become "The Housing Bank for Trade and Finance" which would be adopted after getting the approval of the shareholders extraordinary general assembly. The new name indicates the successful track record of the old name over the last quarter of a century.



In view of these fruitful results the board of directors recommends distributing a dividend of (15%) to shareholders. We acknowledge full responsibility for the soundness of the financial statements and providing effective control system. We assure you there are no substantial matters, which may adversely affect the bank's performance in the next fiscal year 2000.

We realize the difficult operation environment and the strong competition but we remain optimistic with the available opportunities and the ability of the bank to continue in achieving its strategic goals.

These achievements were realized by virtue of God, and your trust and cooperation with the bank's board and executive management, whom I appreciate and compliment their efficiency, as well as the relentless efforts made by all employees.

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, whose wise policy maintained the monetary and the 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 our brothers of Arab shareholders from Kuwait Real Estate Investment Group, Sheikh Khalid Salim Bin Mahfouz Group, Libyan Arab Foreign Bank, the government of Qatar, Sultanate of Oman, and Iran Islamic Republic. We would also thank all Jordanian institutional shareholders, led by Social Security Corp. which has increased its stake in the bank in 1999, for their faithful cooperation.

May God guide us in serving this country under the leadership of His Majesty King Abdullah II Bin Hussein and His Royal Highness crown prince Hamzah. May God protect them.

Zuhair Khouri
Chairman of the Board

Board of Directors

Chairman

Mr. Zuhair Khouri

Vice Chairman

Mr. Salah Abdul Aziz Mraikhi (Representative of Kuwait Real Estate Investment Group)

Members

Mr. Ahmad Tahoos Rashid* (Representative of Kuwait Real Estate Investment Group)

Sheikh. Khalid Salim Bin Mahfouz

Dr. yaser Odwan** (Representative of Social Security Corporation- Jordan).

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. Ammar Milad Ruwaimi***  Two of them are representatives of Libyan Arab Foreign Bank

Sheikh. Ali Bin Jasem Al Thani (Representative of Ministry of Finance, Economy & Trade/Government of Qatar).

Mr. Abdel Mohsin Kattan.
Mr. Ibrahim Al Ibrahim
Mr. Tharwat Al Barghouthi
Mr. Abdel Qader Dweik

* Mr. Rashid was appointed by KREIG to replace Mr. Abdullah Ahmed Obaid on 11/5/1999.

** Jordan Investment Corp. sold its stake to Social Security Corp (SCC). So, Mr. Mansour Haddadin membership ended since 23/9/1999. Dr. Yaser Odwan- General Manager of SCC was appointed as its representative since 12/10/1999 in the board.

*** Libyan Arab Foreign Bank appointed Mr. Ruwaimi to replace Mr. Moh'd Sugyer on 1/8/1999.

AUDITORS: Arthur Andersen.

Executive Management

Zuhair Khouri	Chairman/ Executive president
Abdel Qader Dweik	General Manager
Oudeh Khalil	General Inspector.
Mohielden Alali	Asst. G.M for administrative affairs.
Salah Rimawi	Asst. G.M for planning and financial affairs.
Nael Al Zu'bi	Asst. G.M for credit affairs
Mohammad Abu Zeid	Asst. G.M for marketing .
Mohammd Abu Aridah	Asst. G.M for operations.
Ghazi Zahdeh	Asst. G.M for retail banking services.
Ali Hamadeh	Asst. G.M for credit risk management.
Ibrahim Daher	Executive manager of commercial centres.
Awad Fadayel	Executive manager of foreign banking, treasury & investment.
Kamal Yagmour	Executive manager of retail banking services.
Mahmoud Kamal	Executive manager of systems and branch automation.
Robeen Ga'abari	Executive manager of banking operations.
Mahmoud Rifa'e	Executive manager of administrative affairs
Ayed Mashni	Executive manager of internal auditing.
Fatina Ghesan	Executive manager of training affairs.
Nabil Jallad	Executive manager of service development.

Confident Outlook Into The 21st Century

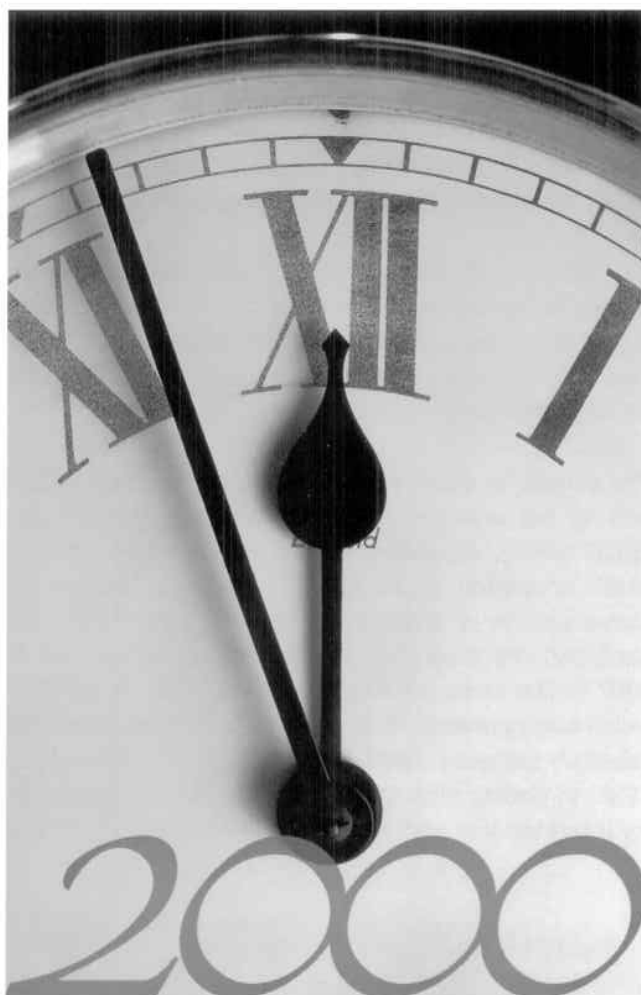
The Housing Bank enters the twenty first century, equipped with high banking technology, which is compliant with the year 2000 (Y2K) requirements. It looks forward to continue in offering high quality services to its retail and corporate customers, which meet their needs at times and places convenient to them. The bank relies on innovative capabilities to keep up with the developments in universal banking industry, aiming to achieve its strategic goals of attaining customer satisfaction and increase return on assets and shareholders equity, while improving operation efficiency and controlling risk.

The year 1999 represented a good pass to the third millenium, during which the bank made good achievement in comparison to the banking system. Thus, the bank was able to maintain its leading position, market share and competitive advantages in the banking market.

Outstanding Performance and Achievements in 1999

The operation environment was difficult as it witnessed strong competition and rapid changes. The bank's executive management made an overall strategic review of the operation environment and the bank was able to maintain its leading position in banking market, as measured by major financial indicators, as well as developing and diversifying services provided to customers which met their needs and exceeded their expectations. Reengineering program was continued in different operation centres, and as a result of these efforts, the bank achieved good growth rates, compared to the banking system.

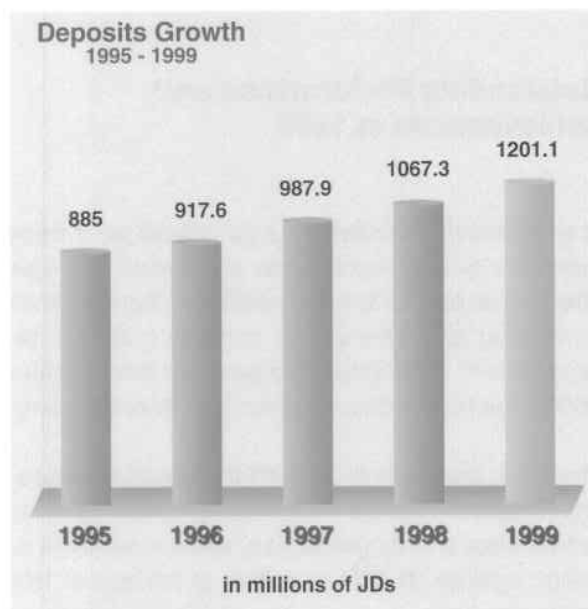
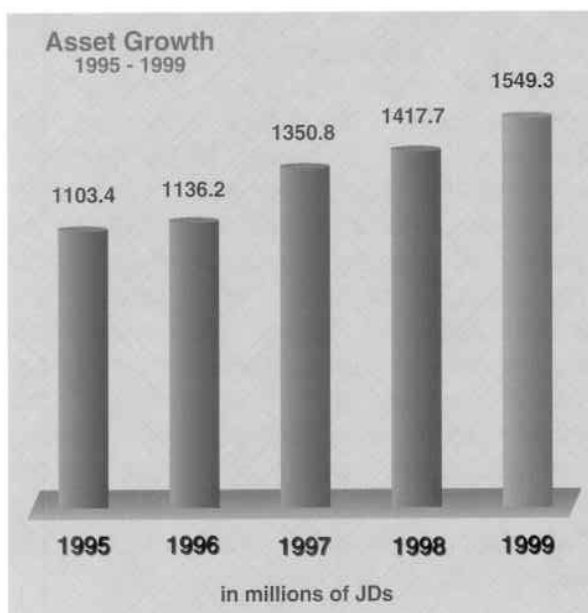
The bank was able to support its assets structure as assets made good growth of (9.3%) and reached JD (1,549.3) million at the end of 1999 against JD (1,417.7) million at the end of 1998. To strengthen the bank's capital base and as precaution, various reserves were increased and shareholders equity rose to JD (224.5) million against JD (221.9) million at the end of 1998. Net interest and commissions after provisions for non-performing loans amounted to JD (45.39) million, against JD (43.49) million in 1998, a growth rate of (4.4%).



To meet the requirements of the Central Bank of Jordan and to strengthen the bank's financial position, provisions of JD (18.8) million were taken from profits, including JD (14.2) million against non-performing loans, the majority of which had adequate collaterals.

An amount of JD one million was deducted from profits, to be distributed as incentive bonus to staff of outstanding performance, in accordance with the incentive system, which is based on clear and transparent criteria.

The surplus in voluntary reserve as at the end of 1998 had to be adjusted. Voluntary reserve reached JD (33.3) million, exceeding double the statutory reserve, which amounted to JD (13.97) million. In view of its conversion to a commercial bank in May 1997, the bank became subject to the corporate law No. 22 of 1997 in lieu of its previous special law, No. 4. of 1974 which was cancelled. The previous law allowed the bank to deduct more than 20% of profits and transfer it to voluntary reserve, whereas corporate law obliged shareholding companies including the Housing Bank (after 1997) to deduct 10% to the statutory reserve and a maximum of 20% to the voluntary reserve. Accordingly, voluntary reserve should be double the statutory reserve.



Therefore, it was decided not to take any amounts to voluntary reserve this year and only deduct 10% as statutory reserve. Surplus of accumulated voluntary reserve exceeding double the accumulated statutory reserve was transferred to other reserves, and thus shareholders equity became JD (224.5) million and its break down is shown in the following table:

Various reserves contributed to high capital adequacy ratio i.e. (32 %) which exceeded the minimum standard ratio required by the Central Bank of Jordan i.e. (12%) and B.I.S ratio of (8%).

Deposits

Despite increased competition over deposits, the bank managed to further enlarge its wide depositor base and increase its market share, by virtue of its active marketing efforts. Total deposits at the bank reached JD (1,201.1) million at the end of 1999 against JD (1,067.3) million at the end of 1998.

Item	1999
Paid up Capital	100,000,000
Issue Premium Reserve	71,000,000
Statutory Reserve	16,611,034
Voluntary Reserve	33,222,068
Foreign Branching Reserve	3,550,000
Other Reserves	154,008
Total	224,537,110

The bank also maintained its first position in attracting saving deposits, which have grown significantly. Thus, saving deposits in local currency, at the bank formed (81%) of such deposits at all other banks combined.

Major Financial Indicators of the Bank (1995 - 1999)

In millions of JDs

Item	1995	1996	1997	1998	1999
Cash, at banks and other liquid assets	363.8	347.5	558.5	616.5	818.1
Total loans and credit facilities*	604.5	648.3	658	677	609.1
Equity investments	50.8	57.6	61.8	66.1	68.2
Real estate investments	27.3	27.4	14.4	14	13.5
Customers deposits	839.9	895.2	973.2	1,045.5	1,141.2
Interbank deposits	45.1	22.4	14.6	21.8	59.9
Total deposits	885.0	917.6	987.9	1,067.3	1,201.1
Capital and reserves (shareholders' equity)	77.8	81.3	212.4	221.9	224.5
Net profit (after tax)	9.3	8.3	15.7	24.6	17.6
Total Assets	1,103.4	1,136.2	1,350.8	1,417.7	1,549.3

* 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 (37.5) million as of 31/12/1999.

High International Ratings

The quantitative and qualitative achievements enabled the Housing Bank to obtain high ratings from international rating agencies. Thomson Bankwatch assigned a high rating of AA- to the bank for its local long-term senior debts, and described it as the best rated bank in Jordan, on local level. Such rating reflects the strategic importance of the bank to the Jordanian economy and its leading position in Jordanian banking market, as well as its sound financial strength.

The bank also obtained the ISO 9001 international quality certificate from SGS. Yarsley/ UK which is accredited from U.K.A.S council, covering the design and operation of banking services and different activities in all operation centres.

A study conducted by the Union of Arab Banks and published in its magazine in December, 1999 on the largest 1000 banks in the world, based on operation results in 1998, showed an advanced ranking of the Housing Bank. The bank was ranked (111) on terms of return on assets (ROA). When comparing the bank with the largest 100 Arab banks covered by the ranking, the Housing Bank got the rank (14) in terms of ROA, and (3) in terms of capital adequacy which reached (30.1%), exceeding B.I.S ratio of (8%) and Central Bank of Jordan minimum ratio of (12%).

The bank was also ranked seventh among the largest 500 Arab corporations in terms of growth in market capitalization, according to the ranking made by AL Iktissad Wal - Amal magazine and published in its May 1999 issue. It is worth mentioning that Euromoney had rated the bank a (ALPHA) based on financial strength, and described it as the leading bank in Jordan, in its ranking made in 1998.

Retail Banking Services

Banking innovation, technology and marketing initiatives are major components of the bank's strategy. In implementing its strategy the bank depends on market and customer research as well as the optimum utilization of information to identify existing and potential customers' needs. The bank then meets these needs by providing high quality service in order to achieve customer satisfaction, which is one of the core values of the bank.

The bank focused on developing retail banking services as one of the strategic guidelines and achieved noticeable growth in profitability of these services. The bank also maintained its leading position in deposits, consumer loans and electronic services.

The bank sought, in 1999 to develop its delivery channels and diversify electronic services. ATM network was enlarged by adding (25) new machines, distributed at branches and other locations such as University of Jordan, Hashemite square, Abddali, Jable Hussein, including three drive-in machines in front of Main Branch, and Wasfi Al Tall (Gardens) street. Thus, total number of ATMs reached (100), which makes the bank the first in ATM network among Jordanian banks.



Furthermore, electronic services provided through ATMs were developed and diversified. A new service of salary in advance was introduced, so those customers whose monthly salary is transferred to the bank could withdraw 75% of their salaries in advance through ATMs. Payment of mobile phone bills (Fast link) and other services were also introduced. The bank prepared ATM development plan for the year 2000 to become self service machine by introducing new automated services such as issue of ATM cards to USD account holders, issue of traveler cheques, execute payment orders, domestic and overseas transfers as well as apply for consumer loans through ATM.

In order to encourage customers to use ATM, cash prizes would be granted to ATM users by the beginning of the year 2000. The large ATM network and the diversified services it provides, contributed to the growth of ATM cards issued to customers in 1999 to (97,315) and thus total number of cards issued up to the end of 1999 reached (371,316).

To save customer's time and efforts in visiting branches, phone bank and home bank services were developed by introducing new electronic services and enlarging communication network. Number of customers using phone bank reached (45,612) and home bank (694) by the end of 1999.





The bank increased its market share of Visa credit cards of the three types: golden, classic and domestic by issuing (3,262) new cards in 1999. Thus total number of visa credit cards issued by the bank reached (8,352) by the end of 1999.

In order to encourage holders of visa cards to use them, the bank designed a scheme of cash prizes which are granted in periodic drawings. The bank also completed procedures for issuing visa Electron cards at the beginning of the year 2000 which would replace ATM cards and enable holders to withdraw cash from the Housing Bank's ATMs in Jordan as well as from (450) thousand machines all over the world. Visa Electron holders could pay for their shopping through P.O.S machines available in (13) million trade and service centres in the world.

Moreover, a revolving credit program was introduced to grant loans to professionals, which would be available in market during the second quarter of the year 2000.



Under the bank's policy to care for high networth individual customers, the (VIP) halls were activated. These halls were provided with experienced staff and equipped with TV monitors and communication facilities in order to provide these customers with the latest economic and financial developments in the world capital markets.

In order to support retail banking services a special centre for products and services development was established, as well as defining a methodology and criteria for customers research and satisfaction measurement, in order to explore their present and future needs and develop customer suggestion system. Furthermore, benchmarking system of service performance levels, through mystery shopper was also developed.

Credit Operations

In order to meet market demand and exploit good lending opportunities in different economic sectors, based on their performance and potential growth, the bank developed and diversified its lending services including direct and indirect facilities, provided to retail and corporate customers. Total loans and credit facilities granted by the bank in 1999 amounted to JD (235.6) million.

Under the bank's policy to support and finance small and medium - size productive projects, the bank provided finance to (396) projects in different areas of Jordan with a ceiling of JD (4.25) million under an agreement made with Jordan Loan Guarantee Company.

During 1999, the bank also sought to increase export finance to national commercial and industrial companies, which reflected its belief in export-led economic growth. An export finance line of credit agreement was signed with the Islamic Bank for Development/ Jeddah with a ceiling of USD (10) million. The Housing Bank acts as agent for this line and aims to support trade exchange between Jordan and Arab and Islamic countries. Import finance credit line granted by Islamic Bank for Development/ Jeddah was also activated. (26) operations totaling JD (9.2) million were financed. New credit facilities were introduced to finance trading in stocks and bonds (margin trading).



Mr. Zuhair Khoury, Chairman of the Board, and Dr. Ahmad Mohammed Ali, Chairman of the Islamic Bank for Development/Jeddah, during the agreement signing ceremony

In order to control credit risks, which is one of the major challenges facing banks, an overall review was conducted and new systems and techniques were developed.

Risk rating system for corporate (commercial) customers was developed, and accredited from Moody's, as well as credit scoring system for retail borrowers. New instruments for measuring customer profitability were introduced, in order to identify profitable customers in credit and other areas. For better credit portfolio management, credit operations were restructured and confined to five credit centres which are: corporate, middle business, small business, consumer loans and car finance in addition to the credit centre of Irbid city. The bank also continued restructuring its loan portfolio in favor of higher - profitability and lower - risk sectors, and reducing exposure to non- feasible sectors. The bank aimed to improve the distribution of credit, sectoral and geographic wise, in order to reach a balance, in accordance with standard ratios in banking market and to be consistent with the bank's conversion to a commercial one.



Treasury and Foreign Exchange Services

The bank intensified its efforts in treasury, foreign exchange and investment services in order to keep its leading position and increase its market share of these services. The bank developed high quality services to meet its customer needs and kept its presence and contact with domestic, regional and international capital markets, through subscription to "BLOOMBERG" service. This service would enable it to know the prices of international stocks and bonds updated. The bank relies on systematic research of capital markets in order to explore new investment opportunities.

The bank improved relations with its correspondent bank network all over the world, under new mechanism whereby ceilings were set for correspondent banks, whose number reached (500), in accordance with international standards, which take into account country, correspondent bank and operation risks.

Treasury operations contributed positively to the bank's total profits, compared with 1998. The improvement was the result of larger turnover due to the diversification and integration on services, higher productivity, availability of high - tech systems and competent staff, whose skills were upgraded through training in local, regional and international institutions. The bank also provided convenient environment for customers and furnished the dealing room with the latest communication facilities and provided direct contact with international capital markets.



The bank activated its brokerage services in Amman Stock Exchange after it has obtained the relevant license. It acted as a broker to its customers for trading in securities (stocks and bonds) through its stock investment centre and branches in Jordan and Palestine. Trading procedures were set in order to coordinate between branches, investment centre and the broker in Amman and Palestine stock exchanges. The bank also developed investment custody service for customers and would provide them with stock investment, consultations and investment trust services and/ or mutual funds and/ or joint credit services in the year 2000. The bank would also develop analysis standards and financial ratios for shareholding companies, so as to be used in portfolio management for the bank and customers.



Banking Technology and Systems

The Housing bank enters the third millenium equipped with a developed technology base, which is compliant with Y2K, including all systems, databases, operating programs and communication networks. The bank's achievements in this field are mentioned herebelow:-

- The bank proceeded to build data warehouse, in order to provide statistics and data required for strategic planning, control and credit risk reports. The bank also proceeded to develop management information system (MIS) to provide data on credit, deposit, and customer segmentation, which are required for market research, bench marking and developing new services. Data warehouse would be completed in the year 2000.
- A number of applied systems were developed such as shifting data from WANG to I.B.M, an automated transfer system, a treasury system for margin and account/ account trading and an automated clearance system in order to speed up and improve cheque collection.
- The bank created a paperless environment through the INTRANET project, whereby all departments and a certain number of branches were internally connected through the E-mail. All operation centres would be connected during the year 2000 in order to improve efficiency and expedite work.
- The bank completed converting the current communication network to a digital one with high speed in data transfer, which improved service quality and response time. Two communication networks were introduced in Jordan and Palestine with security system, for conveying voice messages while speeding phone calls and reducing their cost.
- For the purpose of expanding and diversifying electronic services delivery channels, the bank would expand its ATM network during the year 2000, in order to keep its first rank among Jordanian banks. The bank would also develop its phone bank and home bank services. Meanwhile, work would continue in INTERNET and call centers, in addition to establishing the first virtual bank branch in Jordan. These three projects are expected to be completed in the year 2000.



Managerial Development

Under the reengineering and restructuring program, the third phase of applying total quality management project was completed, in line with the bank's vision after it was converted to a commercial one in May 1997. The bank obtained the ISO 9001 international quality certificate after making an overall review of procedures to be based on operations, not activities. Operation manuals were reviewed and documented and flow charts were redefined in order to improve efficiency, A centre for quality assurance was established, in order to supervise applying quality policy, audit quality system and take preventive and corrective measures.

For the project of realizing the vision, 17 managers were assigned as process owners under the concept of cross division, in order to activate the flow of work between various departments and centres. This would boost teamwork and improve performance. The process owner would be directly responsible for carrying out the defined operation at high quality.

In order to match the number of staff in head office with international standards, head office departments were restructured, contact points were established, similar functions were unified, many operations were automated and the number of staff required for each operation in every department was fixed. Reengineering has contributed to boost the bank's competitiveness, control of general and administrative expenses, and improve liquidity management and operating efficiency.

Training and Human Resources Development

Providing high - quality services to achieve customer satisfaction is strongly related to upgrading human resources. Thus the bank made an overall review of its human resources development strategy, in order to activate it, aiming to improve staff performance. The bank made a skill matrix system and training path as well as individual skill development plan for its staff. Training process was developed as the bank's training centre boosted its activity by providing (2,757) training opportunities. Training courses covered various disciplines of management, credit, treasury and investment, banking operation, TQM, and ISO as well as computer and legal affairs.

The bank also nominated a number of its staff to get the Master degree in banking and finance. The bank focused on upgrading high-ranking staff and assigned them to participate in specialized training courses held at international universities and institutions. Furthermore, a plan for new banking leaders was adopted, including upgrading of a selected group of new generation, based on defined criteria. Plan was tailored for each of them.

The bank's training centre hosted (210) participants from other local and Arab banking institutions, and thus it became one of the distinguished training centres in Arab world.



The bank's recruiting policy aims to attract distinguished experienced staff and is based on criteria including experience, excellent academic performance and passing of special exams at the bank. New employees are required to pass through fixed probation periods. Promotion depends on disclosed criteria such as competence and performance as well as availability of vacant positions.

**The Growth of the Bank's Training Activities
During 1995 - 1999**

Description	Number of Participants				
	1995	1996	1997	1998	1999
Training programs held at the Bank - based Training Center	1,613	1,726	1,876	2,176	2,265
Training programs held in collaboration with specialized local training institutions	209	286	76	242	282
Training courses held in Arab and foreign training institutions	111	117	100	68	92
Seminars	943	629	910	363	113
Master programs	2	2	3	3	2
C.P.A training course	5	10	2	-	-
C.M.A (Managerial accounting)	-	-	-	-	3
Total	2,883	2,770	2,967	2,852	2,757



Social Role

The bank has always been keen to fulfil its social commitments through the interaction with various community activities, with special care given to low-income categories. The bank provided financial and in-kind support to (150) charitable societies. The bank was also keen to motivate overachievers and thus provided cash awards to distinguished undergraduates in Jordan universities and winners of international competitions in education and arts.

Furthermore, it participated and sponsored awareness campaigns and programs such as saving water, curbing traffic accidents and anti-smoking as well as protection of environment and public health. The bank also supported youth and sport activities in schools and institutions, such as the 9th Pan-Arab Games (The late King Hussein Games). Moreover, the bank sponsored and supported (38) conferences and seminars in Jordan and abroad, such as Jordan second quality conference, and the annual meeting of Arab Banks Union.



Future Plan - 2000

The bank realizes the need to cope with the economic and financial developments such as the challenges facing the banking industry as the result of globalization and deregulation of markets as well as information and communication revolution and rapid development in banking technology. The bank also realizes the effects of Jordan joining the W.T.O and European Partnership agreement on the banking system. Therefore, it has made an overall review of its strategy in view of all above developments and prepared a plan for the year 2000, which aims to achieve the following goals:

1- To achieve sustained and increased growth in the return on equity and assets, while maintaining a sound financial position, according to international standards and high liquidity ratios in line with the bank's policy.

2- Improve service performance and develop bench marking to boost the bank's competitiveness in the Jordanian banking system and attain customer satisfaction.

3- Increase the bank's market share of different operations (retail banking, credit and investment) through intensive marketing, innovation and enlarging profitable customer base as well as converting existing customers to multi - service users.

4- Improve productivity, attain cost savings as well as streamline procedures for provision of services. This would be accomplished within reengineering program of various operations, with focus on total quality management.

5- Develop new financial services, which are consistent with market trends, satisfy customers needs and exceed their expectations. Furthermore, diversify investment instruments within accepted risk levels, through constant review of risk rating and credit scoring systems.

6- Activate human resources development strategy through developing the conventional training process to become linked with job needs i.e. skill matrix and on job training. Training focus would be on commercial banking needs. Moreover, focus would be on building a motivating environment and corporate culture, which encourage teamwork.

7- Increase investment in banking technology to boost the bank's competitiveness, improve service performance, expand electronic delivery channels and diversify services. This aims to convert service delivery concept towards self - service, for customers, who become more sophisticated and prefer electronic delivery channels such as ATMs, Internet, call centres, phone, home and automated bank.

8- Boost the presence of the bank in potential Arab markets, by following a well - advised policy for external branching. Such policy would include opening branches or representative offices as well as taking stake in existing banking institutions or merger and acquisition of other banks. This would increase and bank's market share and boost its resources and competitiveness.

The Housing Bank, A successful Model of Joint Arab Investment

The Housing Bank is a Jordanian and Arab banking institution, which materialized the success of inter Arab banking cooperation. Capital base of the bank is Arab and Islamic one, which includes stakes of Kuwait represented by Kuwaiti Real Estate Investment Group of (18.7%), Sheikh Khalid Salim Bin Mahfouz (16.3%), Libyan Arab Foreign Bank (15%), Jordan Social Security Corporation (14.1%), Government of Qatar (6.8%), Government of Sultanate of Oman (6%), Government of Iran Islamic Republic (3%) as well as large number of Jordanian and Arab individual and institutional investors.

Such wide Arab and Islamic capital base confirms the Housing Bank has become an efficient conduit for flow of Arab and Islamic investments into Jordan and reflects the fact that Jordan is a strategic safe heaven for Arab investments.

بنك الاسكان
THE HOUSING BANK



AN INTERNATIONAL COMMERCIAL BANK بنك تجاري دولي

A Jordanian Public Shareholding Limited Company



**Consolidated Financial Statements as of
December 31, 1999 and 1998
Together with
Auditors' Report**

ARTHUR
ANDERSEN
Jordan

**TO THE SHAREHOLDERS OF
THE HOUSING BANK
AMMAN - JORDAN**

Certified Public Accountants
Member of
ANDERSEN WORLDWIDE

Tel . 5526111 / 5527666
Fax. 5538300
P.O.Box 5552
Amman 11183
Hashemite Kingdom of Jordan

We have audited the accompanying consolidated balance sheets of **THE HOUSING BANK** (a public shareholding company) as of December 31, 1999 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These consolidated 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. The financial statements for 1998, as adjusted to be in accordance with International Accounting Standards (Note 2) are presented for comparative purposes, were audited by other auditors, whose report, dated January 14, 1999, on those statements expressed an unqualified opinion.

We conducted our audit in accordance with International Auditing Standards. 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 books of account and the accompanying consolidated financial statements and the financial information in the Board of Directors' report are in agreement therewith.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of **THE HOUSING BANK** as of December 31, 1999 and the consolidated results of its operations and its cash flows for the year then ended in accordance with the Law and International Accounting Standards and we recommend its approval.

ARTHUR ANDERSEN

Amman - Jordan
January 27, 2000

THE HOUSING BANK
CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 1999 AND 1998

*In Jordanian Dinars JD**

ITEM	Notes	1999	1998
ASSETS			
Cash on hand, at banks	4	249,025,504	168,542,320
Deposits at central banks	5	408,989,101	325,098,838
Government bonds, debentures and treasury bills	6	103,424,427	71,038,885
Trade investments, net	7	45,347,768	43,727,950
Credit facilities, net	8	609,093,538	676,980,025
Long term investments, net	9	79,466,994	74,246,909
Investments in real-estate, net	10	13,501,865	14,021,287
Fixed assets, net	11	23,498,371	25,210,322
Other assets	12	<u>16,906,568</u>	<u>18,811,535</u>
Total Assets		<u>1,549,254,136</u>	<u>1,417,678,071</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Customers' deposits	13	1,141,196,309	1,045,495,395
Banks and financial institutions' deposits	14	59,870,058	21,812,975
Loans and advances	15	52,764,622	60,425,468
Margin accounts	16	12,398,232	13,076,892
Sundry provisions	17	12,734,943	11,027,590
Proposed dividends	33	15,000,000	15,000,000
Other liabilities	18	<u>30,752,862</u>	<u>28,936,651</u>
Total Liabilities		<u>1,324,717,026</u>	<u>1,195,774,971</u>
Contingent Liabilities	29		
Shareholders' Equity	19		
Share capital		100,000,000	100,000,000
Additional paid in capital		71,000,000	71,000,000
Statutory reserve		16,611,034	13,977,024
Voluntary reserve		33,222,068	33,303,627
Foreign branches reserve		3,550,000	3,550,000
Other reserves		<u>154,008</u>	<u>72,449</u>
Total Shareholders' Equity		<u>224,537,110</u>	<u>221,903,100</u>
Total Liabilities and Shareholders' Equity		<u>1,549,254,136</u>	<u>1,417,678,071</u>

The accompanying notes are an integral part of these financial statements

* One JD = USD 1.41, pegged.

THE HOUSING BANK

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

In Jordanian Dinars JD

ITEM	Notes	1999	1998
Interest and commission income -			
Interest	20	116,318,634	102,412,663
Commissions	21	<u>8,424,552</u>	<u>10,221,091</u>
		<u>124,743,186</u>	<u>112,633,754</u>
Interest and commission expense -			
Interest	22	<u>65,097,494</u>	<u>57,479,820</u>
Net interest and commission income		59,645,692	55,153,934
Provision for possible loan losses		<u>(14,256,847)</u>	<u>(11,661,354)</u>
Net interest and commission income after provision for possible loan losses		45,388,845	43,492,580
Foreign exchange income	23	1,534,044	1,868,632
Income from investments	24	4,317,052	4,237,965
Income from sale of investments	25	6,932,175	16,370,229
Other income	27	7,031,922	11,635,513
General and administrative expenses	26	(34,317,835)	(33,527,952)
Sundry provisions		<u>(4,546,105)</u>	<u>(12,242,321)</u>
Net income before income tax		26,340,098	31,834,646
Income tax	34	(5,882,022)	(6,595,773)
Prior years' income tax	34	(2,249,608)	-
Board of Directors' remuneration		(65,000)	(65,000)
Provision for Jordanian Universities fees		(254,729)	(311,740)
Provision for scientific research and vocational training support		<u>(254,729)</u>	<u>(311,740)</u>
Net income		<u>17,634,010</u>	<u>24,550,393</u>
Earnings per share		0.176	0.246
Weighted average number of shares		100,000,000	100,000,000

The accompanying notes are an integral part of these financial statements

THE HOUSING BANK

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

In Jordanian Dinars JD

ITEM	1999	1998
Cash flows from operating activities		
Interest and commissions received	128,700,490	117,087,729
Interest and commissions paid	(62,674,472)	(58,493,650)
Other income received	13,830,944	9,219,737
General and administrative expenses paid	(26,560,532)	(38,530,983)
(Increase) decrease in operating assets		
Trade investments	(3,358,656)	(3,662,997)
Credit facilities	53,629,640	(30,525,252)
Other assets	1,633,679	12,693,868
Increase (decrease) in operating liabilities		
Customers' deposits	95,700,914	61,148,605
Banks and financial institutions deposits	38,057,083	7,176,835
Loans and advances	(7,660,846)	(14,186,020)
Margin accounts	(678,660)	(2,659,771)
Other liabilities and sudry provisions	(8,691,456)	(4,549,697)
Net cash from operating activities	221,928,128	54,718,404
Income tax paid	(9,972,614)	(3,900,000)
Net cash flows from operating activities	211,955,514	50,818,404
Cash flows from investing activities		
Purchase and sale o fixed assets, net	(2,973,389)	(266,880)
Purchase and sale of real-estate, net	(137,276)	(427,135)
Long term investments	(2,691,396)	(1,512,928)
Redemption (purchases) of government bonds, debentures and treasury bills	(32,385,542)	(49,756,597)
Interest and income received from investments	4,317,052	15,615,811
Net cash used in investing activities	(33,870,551)	(36,347,729)
Cash flows from financing activities		
Dividends paid	(14,235,371)	(9,616,255)
Net increase in cash	163,849,592	4,854,420
Difference in exchange rates	523,855	1,269,437
Cash and cash equivalents, beginning of year	493,641,158	487,517,301
Cash and cash equivalents, end of year	658,014,605	493,641,158

The accompanying notes are an integral part of these financial statements

THE HOUSING

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

ITEM	Share Capital	Additional Paid in Capital
Balance as of January 1, 1998	50,000,000	121,000,000
Increase in capital	50,000,000	(50,000,000)
Net income	-	-
Transfers	-	-
Proposed dividends	-	-
	<hr/>	<hr/>
Balance as of December 31, 1998	100,000,000	71,000,000
Net income	-	-
Transfers	-	-
Proposed dividends	-	-
	<hr/>	<hr/>
Balance as of December 31, 1999	<u>100,000,000</u>	<u>71,000,000</u>

* During 1999, an amount of JD 81,559 was transferred from the voluntary reserve to others reserves in order to make the voluntary reserve double the amount of the statutory reserve.

BANK

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

In Jordanian Dinars JD

Statutory	Reserves			Retained Earnings	Total
	Voluntary	Foreign Branches	Other		
10,793,560	26,936,698	3,550,000	72,449	-	212,352,707
-	-	-	-	-	-
-	-	-	-	24,550,393	24,550,393
3,183,464	6,366,929	-	-	(9,550,393)	-
-	-	-	-	(15,000,000)	(15,000,000)
<u>13,977,024</u>	<u>33,303,627</u>	<u>3,550,000</u>	<u>72,449</u>	-	<u>221,903,100</u>
-	-	-	-	17,634,010	17,634,010
2,634,010	(81,559)	-	81,559	(2,634,010)	-
-	-	-	-	(15,000,000)	(15,000,000)
<u>16,611,034</u>	<u>33,222,068</u>	<u>3,550,000</u>	<u>154,008</u>	-	<u>224,537,110</u>

THE HOUSING BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998

(1) GENERAL

The Housing Bank was established during 1974 as a public shareholding company with its headquarters in Amman - Jordan, with a capital of JD 100,000,000 divided to 100,000,000 shares with a par value of JD 1 per share.

The Bank's principal activities are to maintain current and saving accounts, grant loans and credit facilities and opening letters of credit through its branches in Jordan and Palestine.

(2) 1998 FINANCIAL STATEMENTS

Some of the 1998 balances were adjusted, whereby the surplus in other provisions amounting to approximately JD 6,000,000 was shown in the income statement, rather than directly transferring it to the provision for possible loan loss account. In addition the full amount of JD 6,000,000 representing the provision for possible loan losses was charged to the income statement in accordance with International Accounting Standards.

Earnings per share for the year 1998 was adjusted in accordance with International Accounting Standards as follows:

	<u>Before adjustment</u>	<u>After adjustment</u>
Earnings per share	0.319	0.246

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The presentation of the accompanying financial statements conform to the guidelines provided by the Central Bank of Jordan. The significant accounting policies are:

- Financial statements

The accompanying consolidated financial statements include the assets, liabilities and the results of operations of the Bank's branches in Jordan and Palestine, it also includes the assets, liabilities and the result of operations of the bank's subsidiaries namely Jordan Real-Estate Investment Company and Palestine Financial Investment Company after the elimination of current accounts and intercompany transactions.

- Revenue and expense recognition

Income and expenses are recognized on the accrual basis except commission and dividends income which are recorded as an income only when received.

- Government bonds, debentures and treasury bills

Investments in government bonds, debentures and treasury bills are stated at cost plus net issuance premium.

- Trade investments

Trade investments are stated at the lower of aggregate cost or aggregate market value. Gains and losses on sale of investments are recognized upon the completion of the sale transaction.

- Long term investments

Long term investments are stated at cost. Provision for the decline in value of such investments is taken when the financial positions of the investee companies become permanently impaired. Investments in affiliate companies shares are accounted for using the equity method.

Investments in bonds are stated at cost plus net premiums. Discounts and premiums are amortized over the life of the related bonds.

- Real estate investments

Real state investments are stated at cost and are depreciated using the straight line method at annual rates ranging from 2% to 12%

- Fixed assets

Fixed assets and branches' establishment expenses are stated at cost, and are depreciated over their estimated useful lives using the straight line method at annual rates ranging from 4% to 20%.

- Foreign currency

assets and liabilities denominated in foreign currencies are translated to Jordanian Dinars using the Central Bank of Jordan middle exchange rates at year end. Foreign currency transactions during the year are recorded using exchange rates that were in effect at the date of the transaction. Gains or losses arising from foreign currency translations are reflected in the statement of income.

- Provision for possible loan losses

The provision for possible loan losses is based on the bank's management estimates. The estimates are reviewed periodically by the Bank's management, taking into consideration the instructions and regulations of the Central Bank of Jordan.

- Interest in suspense

Based on the instructions and regulations of the Central Bank of Jordan loans are placed on non performing status when principal or interest is six months or more past due. Past due interest on loans is credited to a suspense account at the time the related loans are placed on non performing status.

- Properties held for resale

Properties held for resale are stated at the lower of the outstanding loan's balance or market value of the property.

- End of service indemnity

Provision for end of service indemnity is estimated by the bank in accordance with the bank's personnel regulations.

- Income tax

The Bank provides for income tax in accordance with the Income Tax Law no. (57) of 1985 and its subsequent amendments, the last of which being law no. (14) of 1995 effective on January 1, 1996, and in accordance with IAS 12. The Bank makes provision for possible loan losses in accordance with the regulations of the Central Bank of Jordan. These provisions are not allowable as deductible expenses for income tax purposes, until such time these are accepted by the Income Tax Department. This gives rise to a potential deferred tax asset as of December 31, 1999. Because of the uncertainty over the recognition of this deferred tax asset, the bank believes it would not be appropriate to recognize it as an asset in the financial statements.

- Financial Instruments

Financial Instruments include both On and Off-balance sheet instruments

(i) On balance sheet financial instruments

On-balance sheet financial instruments include cash, cash at banks, cash at Central Banks, trading and investment securities, loans and advances, deposits, due to banks and other assets/liabilities.

The fair value of On-balance sheet financial instruments except for investment securities and loans and advances are not significantly different than the carrying values included in the financial statements.

The fair value of investments securities is based on quoted market prices or pricing models with the exception of unquoted equity investments which are based on their latest financial statements.

Due to the lack of secondary market, it is not practical to determine the fair value of loans and advances to customers with sufficient reliability.

The maximum credit risk from on balance sheet financial instruments is equal to the carrying values disclosed in the accompanying financial statements excluding the fair value of collaterals received.

(ii) off-balance sheet financial instruments

Off-balance sheet financial instruments include letters of credit and guarantee and derivatives products such as futures, forwards and currency swaps and option transactions undertaken by the bank.

Off-balance sheet trading financial instruments are carried in the balance sheet at their fair value which is derived from market values. Realized and unrealized gains and losses from off-balance sheet trading financial instruments are included in interest income or expense and foreign currency transactions in the statements of income.

(4) CASH ON HAND AND AT BANKS

ITEM	1999	1998
Cash on hand	16,441,805	13,474,709
Deposits at local banks and financial institutions	55,791,624	31,949,319
Deposits at foreign banks and financial institutions	<u>176,792,075</u>	<u>123,118,292</u>
	<u>249,025,504</u>	<u>168,542,320</u>

(5) DEPOSITS AT THE CENTRAL BANKS

Deposits at the central bank of Jordan and the Palestinian Monetary Authority include statutory cash reserves in Jordanian Dinars and foreign currencies equivalent to JD 160,031,222 and JD 147,072,437 as of December 31, 1999 and 1998 respectively.

In addition this balance includes certificates of deposit totaling JD 218,100,000 and JD 175,800,000 as of December 31, 1999 and 1998 respectively. These certificates accrue interest at rates ranging between 6% and 9.25%. Certificates mature within one year.

(6) GOVERNMENT BONDS, DEBENTURES, AND TREASURY BILLS

This includes the following:

ITEM	1999	1998
Jordanian government bonds in foreign currency	14,106,854	13,737,210
Jordanian treasury bills	57,414,816	37,395,549
Jordanian development bonds	21,819,052	12,161,197
Public entity and company debentures	10,083,705	7,744,929
	<u>103,424,427</u>	<u>71,038,885</u>

Treasury bills mature during 2000 while Jordanian development bonds mature during the period from 2000 to 2005. Public entity and company debentures mature during the period from 2000 to 2006, while the Jordanian government bonds in foreign currency mature during the period from 2004 to 2023. Market value of the Jordanian Government Debentures in foreign currency as of December 31, 1999 amounted to approximately JD 12,851,579. The bank intends to keep this investment until its maturity.

(7) TRADE INVESTMENTS

This includes the following:

ITEM	1999	1998
Local marketable securities	42,158,224	31,718,539
Foreign marketable securities	6,439,357	13,520,386
	<u>48,597,581</u>	<u>45,238,925</u>
Less: allowance for decline in investments' value	<u>3,249,813</u>	<u>1,510,975</u>
	<u>45,347,768</u>	<u>43,727,950</u>

The market value of local marketable securities portfolio as of december 31, 1999 and 1998 amounted to JD 45,848,277 and JD 43,727,950 respectively.

Foreign marketable securities include an amount of JD 4,580,450 and JD 11,812,791 as of december 31, 1999 and 1998 respectively, representing the value of managed investment portfolios and bonds for trading. Non listed shares value as of december 31, 1999 and 1998 amounted to JD 4,195, 589 and JD 4,340,695 respectively. During 1999, the bank transferred investments in Company's shares amounting to JD 9,170,234 from long term investments to trade investments.

(8) CREDIT FACILITIES

This includes the following:

ITEM	1999	1998
Bills and notes discounted	19,697,576	24,227,202
overdraft facilities	58,178,938	46,784,506
Loans and advances	551,120,747	595,521,911
Loans and advances granted to the Housing and Urban Development Corporation and to Governmental Housing funds (note 15)	<u>37,598,060</u>	<u>55,038,350</u>
	666,595,321	721,571,969
Less: Interest in suspense	12,437,415	13,660,725
Provision for possible loan losses	<u>45,064,368</u>	<u>30,931,219</u>
	<u>609,093,538</u>	<u>676,980,025</u>

The movement on the interest in suspense was as follows:

ITEM	1999	1998
Balance, beginning of year	13,660,725	8,753,347
Add: suspended interest during the period/year	8,644,748	9,997,876
Less: suspended interest on settled loans	<u>9,868,058</u>	<u>5,090,498</u>
	<u>12,437,415</u>	<u>13,660,725</u>

The movements on the provision for possible loan losses was as follows:

ITEM	1999	1998
Balance, beginning of year	30,931,219	19,468,673
Transferred to provision during the period/year	14,256,847	11,661,354
Less: provision for settled loans	<u>(123,698)</u>	<u>(198,808)</u>
	<u>45,064,368</u>	<u>30,931,219</u>

The amounts of credit facilities which their interests were suspended in accordance with the Central Bank of Jordan instructions as of December 31, 1999 and 1998 amounted to JD 55,279,049 and JD 62,116,464 respectively.

The non-performing credit facilities on which provision was computed in accordance with the Central Bank of Jordan's instructions as of December 31, 1999 and 1998 were JD 90,887,256 and JD 72,136,128 respectively, and those that no provision was taken for as of December 31, 1999 amounted to approximately JD 11,000,000.

Credit facilities granted by sector are set forth below:

ITEM	1999	1998
Agriculture	4,547,285	3,303,283
Manufacturing and mining	14,591,646	4,603,359
Constructions	340,304,169	382,356,377
General trade	146,269,434	166,237,853
Transportation services	48,462,813	62,647,274
Services and public facilities	11,412,839	13,811,478
Financial Services	6,738,092	14,321,800
Other	94,269,043	74,290,545
	<u>666,595,321</u>	<u>721,571,969</u>

Credit facilities granted to the government and guaranteed by the government as of December 31, 1999 and 1998 amounted to JD 134,455,805 and JD 156,791,183 respectively.

Net credit facilities granted by Jordan branches as of December 31, 1999 and 1998 amounted to JD 581,187,187 and JD 650,068,893 respectively.

(9) LONG TERM INVESTMENT

This includes the following:

ITEM	1999	1998
Investments in local companies' shares	24,319,789	33,090,725
Investments in foreign companies' shares	4,382,910	4,205,660
Investments in local bonds	8,302,081	1,879,513
Investments in foreign bonds	43,612,113	38,749,599
	80,616,893	77,925,497
Less: provision for decline in value of investments	<u>1,149,899</u>	<u>3,678,588</u>
	<u>79,466,994</u>	<u>74,246,909</u>

Long term investments include investments in affiliate companies' as of December 31, 1999 and 1998 amounting to JD 12,852,969 and JD 12,455,296 respectively, which represents the Banks's investments in the following companies and funds:

	Percentage Ownership %
Housing Company for Hotels and Tourism Investments	50
The Housing Bank Jordan Fund/ Bahrain*	27.56

* Of this amount a percentage of 7.56% and cost of JD 783,216 is classified within short term investments. Investments not listed on financial markets as of December 31, 1999 and 1998 amounted to JD 17,944,647 and JD 19,570,831 respectively.

(10) REAL ESTATE INVESTMENTS

This includes the following:

ITEM	1999	1998
Land	1,571,293	1,571,293
Buildings	15,582,304	15,445,028
Commercial Center tools and equipment	<u>4,036,557</u>	<u>4,036,557</u>
	21,190,154	21,052,878
Less: Accumulated depreciation	<u>7,688,289</u>	<u>7,031,591</u>
	<u>13,501,865</u>	<u>14,021,287</u>

(11) FIXED ASSETS, NET

This includes the following:

ITEM	1999	1998
Land and buildings	10,235,122	11,095,923
Equipment, furniture and motor vehicles	<u>34,598,357</u>	<u>30,973,258</u>
	44,833,479	42,069,181
Less: Accumulated depreciation	<u>21,335,108</u>	<u>16,858,859</u>
	<u>23,498,371</u>	<u>25,210,322</u>

(12) OTHER ASSETS

This includes the following:

ITEM	1999	1998
Accrued interest and commission income	6,753,726	6,716,302
Properties held for resale, net	2,509,886	2,324,527
Inter-branch accounts	405,661	2,142,351
Temporary expenses	1,239,327	1,132,264
Prepaid expenses	471,999	269,646
Establishment expenses	970,930	815,530
Advances to suppliers	911,215	851,886
Miscellaneous	<u>3,643,824</u>	<u>4,559,029</u>
	<u>16,906,568</u>	<u>18,811,535</u>

(13) CUSTOMERS' DEPOSITS

This includes the following:

ITEM	1999	1998
Current accounts and demand deposits	105,559,071	114,662,247
Saving deposits	374,677,893	347,979,416
Time and notice deposits	660,959,345	582,853,732
	<u>1,141,196,309</u>	<u>1,045,495,395</u>

Total governmental institutions deposits as of December 31, 1999 and 1998 amounted to JD 201,550,699 and JD 69,655,183 respectively.

Non-interest bearing deposits as of December 31, 1999 amounted to JD 149,167,816 and dormant accounts as of December 31, 1999 amounted to JD 10,000,000.

Deposits held as collateral against customers' credit facilities as of December 31, 1999 and 1998 amounted to JD 18,111,511, and JD 13,768,225 respectively.

(14) BANKS AND FINANCIAL INSTITUTIONS DEPOSITS

This item includes the following:

ITEM	1999			1998		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
Current accounts and demand deposits	3,401,042	10,261,498	13,662,540	5,865,234	11,331,320	17,196,554
Deposits due within a year	<u>7,256,373</u>	<u>38,951,145</u>	<u>46,207,518</u>	<u>4,259,810</u>	<u>356,611</u>	<u>4,616,421</u>
	<u>10,657,415</u>	<u>49,212,643</u>	<u>59,870,058</u>	<u>10,125,044</u>	<u>11,687,931</u>	<u>21,812,975</u>

(15) LOANS AND ADVANCES

This item includes the following:

ITEM	1999	1998
Amounts borrowed from Central Bank of Jordan (note 8)	37,598,060	55,038,350
Amounts borrowed locally from Jordanian Government	1,421,118	1,421,118
Amounts borrowed from Real Estate Mortgage Finance Co.	<u>13,745,444</u>	<u>3,966,000</u>
	<u>52,764,622</u>	<u>60,425,468</u>

CBJ borrowings includes advances given to the bank to finance loans related to the Public Institution for Housing and Urban Development, amounting to JD 37,500,000 and JD 38,900,000 as of December 31, 1999 and 1998 respectively. These borrowings are related to the Public Institution for Housing and Urban

Development with the guarantee of the government of the Hashemite Kingdom of Jordan. This also includes advances related to the export encouragement scheme amounting to JD 98,060 and JD 1,195,030 as of December 31, 1999 and 1998 respectively.

Local borrowings from Jordanian government represents the balance of the loans that were lent by the Jordanian government to the bank from loans it received from the World Bank for Building and Construction. The purpose of these loans is that the Bank can lend it to the Public Institution for Housing and Urban Development to finance its third project for development.

The balance of the loans that were lent by Real Estate Mortgage Finance Co., represent borrowings by the Bank to finance housing loans granted by the Military Housing Funds to beneficiaries.

(16) MARGIN ACCOUNTS

The item includes the following cash margins:

ITEM	1999	1998
Direct credit facilities	995,563	114,945
Indirect credit facilities	<u>11,402,669</u>	<u>12,961,947</u>
	<u>12,398,232</u>	<u>13,076,892</u>

(17) SUNDRY PROVISIONS

This item includes the following:

ITEM	1999	1998
Provision for income tax	5,340,791	6,595,773
Provision for end of service indemnity	1,102,186	-
Other provisions	<u>6,291,966</u>	<u>4,431,817</u>
	<u>12,734,943</u>	<u>11,027,590</u>

(18) OTHER LIABILITIES

This item includes the following:

ITEM	1999	1998
Temporary margins	3,891,698	3,841,733
Interest and commissions received in advance	12,605,458	8,610,730
Accrued interest payable	6,957,339	4,534,317
Acceptances	3,103,074	2,848,883
Deferred revenue	-	6,477,522
Others	<u>4,195,293</u>	<u>2,623,466</u>
	<u>30,752,862</u>	<u>28,936,651</u>

(19) SHAREHOLDERS' EQUITY

- Statutory reserve

The accumulated amounts in this account represent cumulative appropriations at 10% of net income through the years. This reserve is not available for distribution.

- Voluntary reserve

The accumulated amounts in this account represent cumulative appropriations not exceeding 20% of net income. This reserve is available for distribution to shareholders.

- Additional paid-in capital

The accumulated amounts in this account represent the difference between the share issue value and its par value.

- Foreign branches reserve

In accordance with Central Bank of Jordan regulations, a reserve was established in connection with the bank's foreign branches in Palestine.

(20) INTEREST REVENUE

This item includes the following:

ITEM	1999	1998
Credit Facilities-		
Bills and notes discounted	2,928,499	3,546,120
Overdrafts	5,967,460	4,242,309
Loans and advances	<u>67,738,581</u>	<u>66,432,771</u>
	76,634,540	74,221,200
Interest on investment securities	8,968,984	5,546,322
Deposits at banks and other debtors	<u>30,715,110</u>	<u>22,645,141</u>
	<u>116,318,634</u>	<u>102,412,663</u>

(21) COMMISSIONS INCOME

This item includes the following:

ITEM	1999	1998
Direct credit facilities	5,885,204	7,916,761
Indirect credit facilities	<u>2,539,348</u>	<u>2,304,330</u>
	<u>8,424,552</u>	<u>10,221,091</u>

(22) INTEREST EXPENSE

This item includes the following:

ITEM	1999	1998
Customers deposits-		
Current accounts and demand deposits	1,380,956	1,222,913
Saving deposits	14,540,282	13,390,228
Time deposits	<u>43,052,695</u>	<u>38,822,456</u>
	58,973,933	53,435,597
Banks and financial institutions deposits	<u>6,123,561</u>	<u>4,044,223</u>
	<u>65,097,494</u>	<u>57,479,820</u>

(23) FOREIGN EXCHANGE INCOME

This item includes foreign currency income resulting from the following:

ITEM	1999	1998
Foreign currency trading	1,010,189	599,195
Banking services	419,375	571,253
Revaluation gain	<u>104,480</u>	<u>698,184</u>
	<u>1,534,044</u>	<u>1,868,632</u>

(24) INCOME FROM INVESTMENTS

ITEM	1999				1998			
	Bank's Share of Subsidiaries Income	Dividends	Trading Income	Total	Bank's Share of Subsidiaries Income	Dividends	Trading Income	Total
Trade								
Investments	-	922,196	2,577,301	3,499,497	-	982,369	1,885,724	2,868,093
Long-term								
Investments	<u>118,533</u>	<u>461,402</u>	<u>237,620</u>	<u>817,555</u>	<u>768,748</u>	<u>601,124</u>	<u>-</u>	<u>1,369,872</u>
	<u>118,533</u>	<u>1,383,598</u>	<u>2,814,921</u>	<u>4,317,052</u>	<u>768,748</u>	<u>1,583,493</u>	<u>1,885,724</u>	<u>4,237,965</u>

(25) INCOME FROM SALE OF INVESTMENTS

This item includes the following:

ITEM	1999	1998
Income from sale of investments	6,477,522	12,146,594
Income from sale of real estate	423,786	3,897,999
Others	<u>30,867</u>	<u>325,636</u>
	<u>6,932,175</u>	<u>16,370,229</u>

(26) GENERAL AND ADMINISTRATIVE EXPENSES

This item includes the following:

ITEM	1999	1998
Salaries and benefits	13,850,735	14,248,358
Fixed assets depreciation	4,685,340	3,642,957
End of service indemnity	1,051,566	2,885,568
Computer equipment and rental	516,284	516,476
Social security	1,203,464	1,329,781
Amortization of establishment expenses	511,065	482,417
Medical expenses	959,013	1,180,740
Banks contribution in saving fund	1,053,120	1,107,841
Stationary and printings	824,211	880,081
Maintenance and repairs	1,244,759	877,831
Post, telephone and telex	706,496	656,602
Rent	998,084	821,556
Water, heat and electricity	525,875	601,757
Travel expenses	378,997	397,016
Advertising	482,864	323,237
Donations	292,499	148,803
Transportation expenses	118,543	148,611
Employees life insurance	129,125	162,646
Hospitality	132,159	106,235
Insurance	296,537	208,452
Professional dues	314,002	286,731
Commissions on foreign currency trading	126,000	97,050
Board of Directors' transportation	40,822	47,076
Fees on credit facilities	236,080	77,499
Others	<u>3,640,195</u>	<u>2,292,631</u>
	<u>34,317,835</u>	<u>33,527,952</u>

(27) OTHER INCOME

This item includes the following:

ITEM	1999	1998
Real Estate Investments income	43,933	88,714
Fees on salaries accounts	1,575,196	1,597,613
Prior years income	89,174	74,409
Visa card income	772,874	729,185
Fees earned on loans management	36,214	43,684
Safety deposit box rental income	121,359	111,963
Commissions on returned checks	283,466	323,970
Excess provisions	1,081,628	4,595,273
Revenues on banking services	881,985	654,104
Charges on frozen and low-balance accounts	1,392,758	2,611,967
Others	<u>753,335</u>	<u>804,631</u>
	<u>7,031,922</u>	<u>11,635,513</u>

(28) RELATED PARTY TRANSACTIONS

ITEM	1999	1998
Loans and advances given to affiliated companies	10,260,104	5,534,894
Credit facilities to members of Board of Directors	408,839	407,132
Deposits in affiliated companies	17,481,989	20,221,092
Deposits from affiliated companies	1,219,405	953,974
Deposits from related parties	510,826	280,237
Interest revenues earned from affiliated companies	2,690,256	1,372,861
Interest expense accrued	268,345	7,275

(29) CONTINGENT LIABILITIES

ITEM	1999	1998
Letters of credit	46,359,719	55,130,134
Letters of guarantee	77,089,961	76,542,972
Guaranteed withdrawals	39,382,756	49,309,080
Un-utilized short term loans and advances	39,630,625	48,442,577
	<u>202,463,061</u>	<u>229,424,763</u>

(30) FOREIGN CURRENCIES POSITION

Assets and liabilities denominated in foreign currencies were translated to Jordanian Dinars using the Central Bank of Jordan Middle exchange rates at year end as follows:

ITEM	1999	1998
Total assets	344,089,528	285,004,711
Total liabilities	<u>(321,105,942)</u>	<u>(278,514,430)</u>
Net assets in F/C	<u>22,983,586</u>	<u>6,490,281</u>
Assets-		
Cash on hand and at banks	180,950,241	125,487,400
Accounts at Central Banks	38,269,531	36,810,012
Governmental bonds, debentures	16,942,854	16,573,210
Trade investments	6,373,133	13,469,366
Credit facilities, net	50,670,323	48,814,372
Long term investment	47,776,124	41,189,734
Other assets	3,107,322	2,660,647
Total assets	<u>344,089,528</u>	<u>285,004,711</u>
Liabilities-		
Customers' deposits	265,374,583	255,450,260
Banks and financial institutions deposits	49,321,158	15,911,840
Margin accounts	4,931,624	6,383,481
Other liabilities	<u>1,478,577</u>	<u>768,849</u>
Total liabilities	<u>321,105,942</u>	<u>278,514,430</u>

(31) GEOGRAPHIC CONCENTRATION

The main assets and liabilities are concentrated geographically as follows:

ITEM	Inside Jordan	Outside Jordan	Total
Cash on hand and at banks	472,091,456	185,923,149	658,014,605
Investment portfolio, net	154,394,757	73,844,432	228,239,189
Credit facilities, net	576,606,166	32,487,372	609,093,538
Real Estate Investments	13,501,865	-	13,501,865
Fixed assets, net	22,294,147	1,204,224	23,498,371
Other assets	15,081,048	1,825,520	16,906,568
Deposits	1,152,512,909	60,951,690	1,213,464,599
Loans and advances	51,343,504	1,421,118	52,764,622
Other liabilities	28,976,339	1,776,523	30,752,862
Other provisions	11,627,990	1,106,953	12,734,943
Contingent liabilities	196,157,346	6,305,715	202,463,061

Following is a summary of the results of the Bank's operations in Jordan and in Palestine:

ITEM	Inside Jordan	Outside Jordan	Total
Interest and commissions revenues	120,873,604	3,869,582	124,743,186
Interest expense	<u>(63,964,578)</u>	<u>(1,132,916)</u>	<u>(65,097,494)</u>
Net interest income	56,909,026	2,736,666	59,645,692
Foreign exchange gain	1,436,688	97,356	1,534,044
Income from investments	3,886,141	430,911	4,317,052
Provision for possible loan losses	(14,000,000)	(256,847)	(14,256,847)
Other provisions	(4,379,449)	(166,656)	(4,546,105)
Other revenues and expenses	<u>(18,379,546)</u>	<u>(1,974,192)</u>	<u>(20,353,738)</u>
Net income before taxes	<u>25,472,860</u>	<u>867,238</u>	<u>26,340,098</u>

(32) MATURITIES OF ASSETS AND LIABILITIES

ITEM	December 31, 1999		December 31, 1998	
	Assets	Liabilities	Assets	Liabilities
Due within one year	931,829,604	1,261,194,740	639,042,527	1,073,016,273
Due from one to two years	131,221,839	11,217,431	68,172,648	38,200,000
Due over two years	<u>432,295,888</u>	<u>52,304,855</u>	<u>619,665,949</u>	<u>5,387,118</u>
	<u>1,495,347,331</u>	<u>1,324,717,026</u>	<u>1,326,881,124</u>	<u>1,116,603,391</u>

(33) PROPOSED DIVIDENDS

The Board of Directors will propose to the General Assembly of the shareholders meeting in the year 2000 a cash dividend of JD 15,000,000 for 1999 representing 15% of share capital.

The General Assembly approved in its ordinary meeting held in 1999 on the Board of Directors recommendations to the payment of JD 15,000,000 as dividends for 1998 representing 15% of share capital.

(34) INCOME TAX

The provision for income tax for December 31, 1999 and December 31, 1998 was computed in accordance with the Jordanian income tax law (57) for the year 1985 and its subsequent amendments, latest being law (14) for the year 1995 which came into effect on January 1, 1996.

The Income Tax Department has reviewed the financial records for the year 1998 and no settlement has been reached yet.

The Income Tax Department reviewed the Bank's financial records for the year 1997, 1996 and 1995 and assessed an additional amount of approximately JD 4,500,000 to the already paid taxes. The bank is contesting the claim and no settlement has been reached yet. An amount of JD 2,249,608 was paid as a deposit to Ministry of Finance representing a portion of the disputed amounts. The bank maintains sufficient provisions to cover tax department additional claims.

(35) FINANCIAL INSTRUMENTS

- On balance sheet financial instrument/ Interest rate risk

Interest rate risk is the uncertainty of future earnings resulting from fluctuations in interest rates. The rate risk arises when there is mismatch in the assets, liabilities positions which are subject to interest rate adjustment within a specific period. The most important source of such rate risk is the banks lending, facilities and investment activities, where fluctuations in interest rates are reflected in interest margins and earnings.

Interest rate gap is a common measure of rate risk. A positive gap occurs when more assets than liabilities are subject to rate changes during a prescribed period of time. A negative gap occurs in the opposite situation. The interest rate gap position and term to maturity for on balance sheet financial instruments, as of December 31, 1999 are as follows:

ITEM	Interest sensitive				Non-interest sensitive	Total
	Less than a month	One to three months	Three months to one year	Over one year		
Assets						
Cash on hand and at banks	31,176,043	192,528,968	1,759,000	-	23,561,493	249,025,504
Deposits at the Central Bank of Jordan	715,619	211,813,855	7,000,000	-	189,459,627	408,989,101
Trade investments	4,945,916	-	-	-	40,401,852	45,347,768
Government bonds, debentures and treasury bills	11,922,280	19,670,295	25,907,917	45,923,935	-	103,424,427
Credit facilities, net	44,373,162	51,716,660	187,278,699	325,725,017	-	609,093,538
Long term investments, net	-	-	51,999,295	-	27,467,699	79,466,994
Real estate investments, net	-	-	-	-	13,501,865	13,501,865
Fixed assets, net	-	-	-	-	23,498,371	23,498,371
Other assets	-	-	-	-	16,906,568	16,906,568
Total assets	93,133,020	475,729,778	273,944,911	371,648,952	334,797,475	1,549,254,136
Liabilities						
Customers' deposits	328,822,587	525,519,888	137,686,018	-	149,167,816	1,141,196,309
Banks and financial Institutions deposits	8,471,929	46,701,612	-	-	4,696,517	59,870,058
Loans and advances	700,000	2,142,780	1,400,000	48,521,842	-	52,764,622
Margin accounts	-	-	12,398,232	-	-	12,398,232
Sundry provisions	-	-	-	-	12,734,943	12,734,943
Proposed dividends	-	-	-	-	15,000,000	15,000,000
Other liabilities	-	-	-	-	30,752,862	30,752,862
Shareholders' equity	-	-	-	-	224,537,110	224,537,110
Total liabilities and Shareholders' equity	337,994,516	574,364,280	151,484,250	48,521,842	436,889,248	1,549,254,136
Interest rate sensitivity	(244,861,496)	(98,634,502)	122,460,661	323,127,110	(102,091,773)	-
Cummulative interest rate sensitivity gap	(244,861,496)	(343,495,998)	(221,035,337)	102,091,773	-	-

The maturities set out in the above table are based on contractual re-pricing or maturity date, whichever is earlier.

- Off balance sheet financial instruments

Details of off balance sheet financial instruments based on due date as of December 31, 1999 are as follows:

ITEM	Less than a month	One to three months	Three months to one year	Over one year	Total
Letters of guarantee	9,786,825	15,599,841	40,317,614	11,385,681	77,089,961
Drafts	1,100,489	3,640,226	18,929,780	15,712,261	39,382,756
Letters of credit	22,429,303	16,141,041	5,103,052	2,686,323	46,359,719
Loan commitments	39,630,625	-	-	-	39,630,625
Total	<u>72,947,242</u>	<u>35,381,108</u>	<u>64,380,446</u>	<u>29,784,265</u>	<u>202,463,061</u>

(36) LITIGATION

In the normal course of business the Bank appears as a defendant in a number of lawsuits totaling approximately JD 8,500,000 and as a plaintiff in lawsuits raised by the bank on others for approximately JD 15,000,000. The Bank's Management believes that the outcome of such lawsuits will be favorable to the bank.

(37) RECLASSIFICATIONS

Some of 1998 balances were reclassified to correspond to 1999 presentation.



Strength in Change

The start was in 1973 ... and because there is strength in change, the Housing Bank - Jordan kept developing and coping with rapid changes in banking and financial industry. Its outstanding track record gained it credibility, strength, competitiveness, customer satisfaction and high international ratings.

From Solid Foundations to New Horizons of Banking

Thus, the Bank became a market leader and was converted to a commercial bank, moving under its new name and emblem to unlimited commercial banking horizons



بنك الإسكان للتجارة والتمويل

The Housing Bank for Trade & Finance

The New Name and Emblem Philosophy

New Name: The Housing Bank for Trade & Finance

The Housing Bank has adopted, for more than a quarter century of operation, an emblem showing a shelter for a family which consisted of a father, a mother and child. With its conversion to a full-fledged commercial bank in May 1997, subject to corporate and banking laws, as other commercial banks, and in view of the economic and financial developments, the Bank needed to build a new corporate image. The first step was to change the Bank's emblem and name to become "**The Housing Bank for Trade & Finance**". This would reflect the new horizons of commercial banking which the Bank intends to reach, by expanding and diversifying its banking services, provided to retail and corporate customers.

The new name and emblem indicate the positive and upward motivity of the Bank, while relying on solid foundations. The new name includes the old name "The Housing Bank" to indicate its successful track record and the trust it enjoys, by local citizens as well as Arab and international institutions.

The new emblem indicates the new corporate image of the Bank and consists of a golden globe which refers to globalization, and ascending curve to future horizons, into the new millenium, with columns representing the foundations of the bank.

