



(A Jordanian Public Shareholding Limited Company)



27th Board of Directors Report For the Year Ending December 31, 2000

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HIS MAJESTY KING ABDULLAH II BIN HUSSEIN





HIS ROYAL HIGHNESS CROWN PRINCE HAMZAH BIN HUSSEIN





*We, King Abdullah II Bin Hussein
of the Hashemite Kingdom of Jordan*

Hereby award this appreciation certificate to

The Housing Bank for Trade & Finance

For winning

KING ABDULLAH II AWARD FOR EXCELLENCE

Large Service Corporations Category

*This certificate was awarded to the bank for
the distinguished contributions and efforts made
by its management and employees*

Issued on February 25, 2001



*His Majesty King Abdullah II hands the award to Mr. Zuhair Khouri,
Chairman of the board*

The Bank's Vision

Our Vision

The Housing Bank for Trade & Finance is the preferred bank for customers.



Our Mission

provide innovated banking services of high quality to our retail and corporate clients, which meet their needs and expectations, in line with the latest developments in international financial and banking markets.

Our Policy

adopt total quality management T.Q.M to enhance the value of the firm, financially and socially, in order to become leaders in domestic & regional banking markets.

Our Core Values

customer satisfaction, welfare of employees, reward for quality performance and teamwork.

Facts And Figures



The Housing Bank for Trade & Finance (HBTF) was established in 1973 with a modest capital of JD half a million. Since then, the bank grew rapidly and coped with change 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, with an outstanding track record.

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 for Trade & Finance is the bank which won the King Abdullah II Award for Excellence, the highest national award.
- It is ranked first in Jordan in terms of capital, which amounts to JD* (100) million.
- It is ranked first in Jordan in terms of shareholders equity which amounts to JD (236.3) million.
- It is ranked first in terms of the number of its branches i.e. (100) inside Jordan.
- It is ranked first in ATM network in Jordan. It has (126) machines, which form (43%) of total ATMs of the Jordanian banking system.
- It was the first and only bank in Jordan to obtain the ISO 9001 international quality certificate.
- It was the first bank in Jordan to apply total quality management (T.Q.M).
- It was the first bank in Jordan & Arab countries to introduce mobile bank service.
- The first bank in Jordan to introduce call center services.
- The first bank in Jordan to introduce a virtual bank.
- The first bank in Jordan to join int.e-commerce club, according to a strategic partnership agreement with M/s. INSTINGO AG of Germany, in order to activate trade on the Internet between Jordan and European countries.
- The first bank in Jordan to establish electronic shopping web site i.e Iskan Mall.
- It was the first Jordanian bank to introduce mutual investment fund services.
- The first bank in Jordan whose stocks entered the American secondary market through A.D.R in collaboration with the Bank of New York.
- The first & only bank in Jordan which established a paperless environment, through E-mail between different operation centers in head office & branches.
- The first and only bank in Jordan & Arab world to establish a children branch.
- It was ranked first among Jordanian banks, and rated a (Alpha) based on financial strength, in Euromoney EMB ranking, 1998.
- It was assigned the high rating of AA- for its local senior debts from Thomson Bankwatch for the second consecutive year.

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

Chairman's Statement



Dear Shareholders;

I have the pleasure, on behalf of the board of directors, to present to you the 27th annual report on the bank's main accomplishments and activities in the fiscal year ending on December 31, 2000. You will find out that your bank has kept its leading position in local banking market, despite the difficult regional economic conditions, which adversely affected the performance of economic sectors including banking.

The year 2000 witnessed a new takeoff by the bank towards entering universal banking, in line with its strategic guidelines. The bank managed to achieve its strategic goals and made good growth rates, compared with the banking system, in different financial indicators including its market share. Moreover, the bank introduced a new package of electronic banking products and services and expanded electronic delivery channels network. The bank also developed and diversified its financial and investment services as well as its banking technology base, thus the bank improved its competitive advantages and became a leader in electronic banking in local market.

While reviewing the financial statements you will find out that your bank made balanced and increasing growth rates, despite the difficult operation environment due to the prevailing economic conditions. The bank's balance sheet showed increased growth as total assets reached JD (1,623.8) million at the end of year 2000, against JD (1,549) million, at the end of 1999, a growth of (4.8%). Shareholders equity rose to JD (236.3) million, thus the bank maintained the first rank in local market, according to this criterion. Net interest and commission income after provisions and written offs also rose to JD (52.7) million, at the end of year 2000, against JD (45.39) million, at the end of 1999.

Thus, net profit before tax amounted to JD (16.5) million against JD (26.3) million in 1999. Profit decline is attributed to external factors which had adverse effects on the banking market and the economy in general, as well as the turmoil in Palestine. Moreover, the decline of share prices in Amman and Palestine stock exchanges, compelled the bank to take provisions of JD (7.9) million, in the year 2000, whereas no provision for decline of stock investments value were taken in 1999. Furthermore, profits of the year 2000 did not include any capital gains, as the bank has not sold any investments in 2000 due to the sluggish market conditions, whereas profits of 1999 included capital gains and dividends of securities portfolio of JD (11.2) million.

The bank maintained its high capital adequacy ratio, which reached (31.7%), thus exceeding by far the minimum standard ratio required by The Central Bank of Jordan i.e (12%) and B.I.S minimum ratio of (8%). This confirms the bank's strong capitalization.

Concerning deposits and savings attraction the bank kept its leading position,

despite strong competition. Total deposits amounted to JD (1,266.2) million, against JD (1,183) million at the end of 1999, a growth of (7%).

The bank continued playing its active role in the socio-economic development by meeting the market demand of credit and finance. It has introduced new credit programs targeting various economic sectors, based on their growth potential and performance forecasts, while focusing on good-quality and low-risk lending opportunities. Total loans and credit facilities granted by the bank in the year 2000 amounted to JD (293.5) million.

In line with its conversion into a full-fledged commercial bank, and its strategy for building a new identity, the bank's name and emblem were changed and the new name was declared by the approval of its extraordinary general assembly in May 2000. The new name "The Housing Bank for Trade & Finance" includes the old name "The Housing Bank" to indicate its successful track record over the last quarter of a century.

In view of these results, the board of directors recommends paying a dividend of (10%) to shareholders. We acknowledge full responsibility for the soundness of the financial statements and providing effective control system in the bank. We assure you there are no substantial matters, which may adversely affect the bank's performance in the next fiscal year 2001.

I would like to take this opportunity to express sincere thanks and gratitude to His Majesty King Abdullah the Second, and his wise government, for their full cooperation with the banking system, enabling it to play active role in socio-economic development. I would particularly express thanks to the Central Bank of Jordan for enhancing economic growth through maintaining the monetary and the Jordanian Dinar exchange rate stability, and for its active contribution to the issue of the new banking law, as well as its leading role in developing the banking system.

I would also extend thanks and appreciation for our brothers of Arab shareholders from Kuwait Real Estate Investment Group, Sheikh Khalid Salim Bin Mahfouz Group, Libyan Arab Foreign Bank, the governments of Qatar, Sultanate of Oman, Iran Islamic Republic as well as Jordanian institutional shareholders, led by Social Security Corporation.

In conclusion, I would like to thank the bank's executive management team, whom I appreciate and compliment their efficiency, as well as all employees who are always loyal and make relentless efforts.

May God guide us in serving this country under the leadership of His Majesty King Abdullah the Second 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

Mr. Ahmad Abdel Fattah *

(Representative of Social Security Corporation- Jordan).

Mr. Abdullah Saudi

Mr. Othman Mohammad Bafaqeh**

{ 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

* Due to the resignation of Dr. Yaser M. Odwan, the former director general of social security corp. (SCC), his membership ended as from August 30, 2000. Mr Ahmad Abdel Fattah, the new director general of SCC has become a member of the board since October 1, 2000.

** Mr. Othman Mohammad Bafaqeh, was appointed as the new representative of Holding Company for capital Investments, as of April 13,2000, to replace Mr. Abdul Hadi Shayef, general manager of National Commercial Bank, Saudi Arabia.

Executive Management

| | |
|--------------------------|--|
| Zuhair Khouri | Chairman/ Executive president |
| Abdel Qader Dweik | General Manager |
| Odeh Khalil Odeh | General Inspector |
| Mohielden AlAli | Asst. G.M for administrative affairs |
| Nael Al Zu'bi | Asst. G.M for credit affairs |
| Mohammad Abu Zeid | Asst. G.M for marketing, P.R & research |
| Mohammad 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 |
| Ayed Mashni | Asst. G.M for planning and financial affairs |
| Ibrahim Daher | Executive manager of commercial centres |
| Awad Fadayel | Executive manager of foreign banking, treasury & investment |
| Mahmoud Rifa'e | Executive manager of administrative affairs |
| Kamal Yagmour | Executive manager of retail banking services |
| Robeen Ga'abari | Executive manager of banking operations |
| Fatina Gheshan | Executive manager of training affairs |
| Nabil Jallad | Executive manager of services development |
| Faisal Hosni | Executive manager of systems and branch automation |

Growth and Sound Strategies

The bank continued in the year 2000 its strong takeoff, after its conversion to a full-fledged commercial bank in 1997 and the successful implementation of reengineering and restructuring program which covered all activities.

The Bank achieved the goals of the strategic plan, in the year 2000, and thus was able to maintain its leading position in domestic banking market and made good growth rates, compared with the banking system.

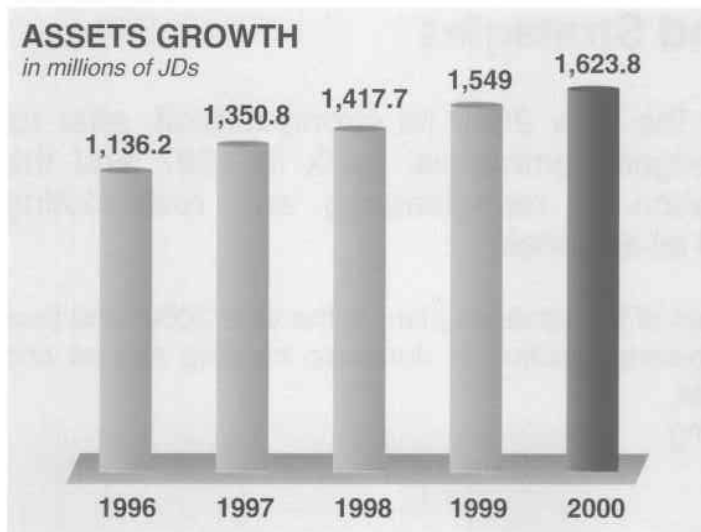
The year 2000 witnessed the bank entering new financial and investment fields. The bank managed to achieve good returns, while maintaining efficient risk control. The bank also managed to achieve good customer satisfaction, provide quality service, improve productivity & operating efficiency as well as rationalize expenses. The bank kept its technology leadership in Jordanian market and provided new electronic services through various electronic delivery channels, which are expanding under globalization, market liberalization and the revolution of the information technology and communications.



Main Financial Results

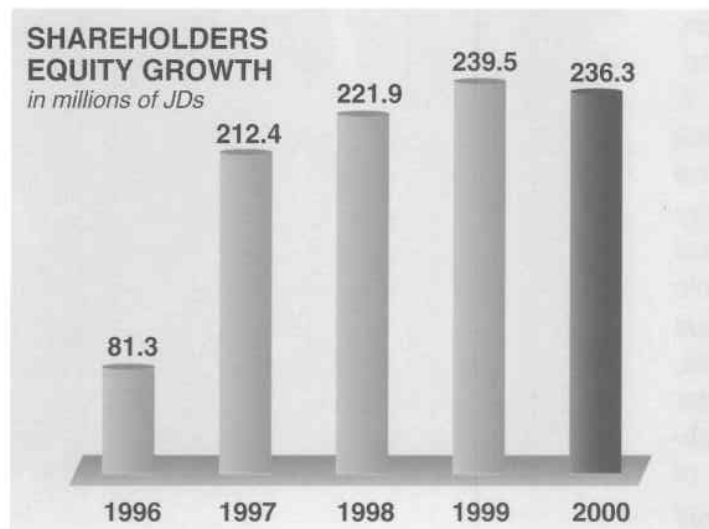
The operation environment was difficult and witnessed many local and regional changes of negative effects on the economic performance in general, and the banking system in particular. The bank's executive management continued operation, according to its well - advised strategic plan in order to maintain the bank's leading position in local banking market.

While reviewing major performance indicators, you will find out that the bank made good, balanced and increasing growth rates, despite the difficult prevailing economic conditions. The bank focused on high-return activities and making balance between return and risk. The bank's balance sheet showed increased growth and strong ratios. Total assets reached JD (1,623.8) million



million in 2000, compared with JD (26.3) million in 1999.

Profit decline is attributed to external factors which have adverse effects on the banking market and the economy in general as well as the turmoil in Palestine, besides the decline of share prices in Amman & Palestine stock exchanges. Consequently the bank had to take provisions of JD (7.9) million, whereas no provisions for decline of investment stocks were deducted in 1999.



to continue in strengthening the capital base and as precaution, various reserves were increased and shareholders equity rose to JD (236.3) million, at the end of 2000, against JD (239.5) million at the end of 1999, thus the bank maintained the first rank, according to this criterion, in the local banking system. This decline of JD (3.2) million is attributed to the amendment of financial statements for the year 1999 by showing proposed dividends within the shareholders equity instead of current liabilities, in accordance with IAS (10), effective January 2000. Proposed dividends were JD (10) million for the year 2000 against JD (15) million for 1999. If the proposed dividends were excluded, net shareholders equity would increase by JD (1.8) million as statutory and voluntary reserves increased by JD (1.8) million to become JD (51.6) million at the end of the year 2000 against JD (49.8) million at the end of 1999. Various reserves contributed to high capital adequacy ratio i.e (31.7%) which exceeded the minimum standard ratio required by the central Bank of Jordan i.e (12%) and B.I.S minimum ratio of (8%).

at the end of 2000, against JD (1,549) million at the end of 1999, a growth of (4.8%). Net interest and commission income after provisions and written-offs rose to JD (52.7) million at the end of 2000, against JD (45.39) million at the end of 1999, a growth rate of (16.1 %). Net profits before tax amounted to JD (16.5)

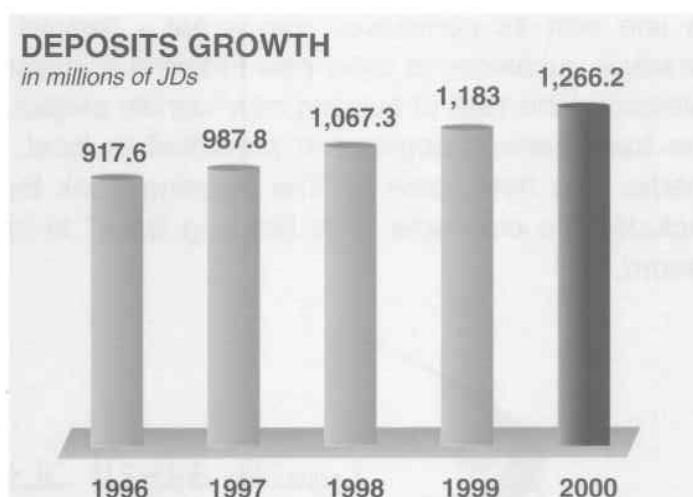
Furthermore, profit of the year 2000 did not include any capital gains because the bank did not sell any investments in the year 2000, due to the sluggish market conditions, whereas profits of the year 1999 included capital gains and dividends of securities portfolio of JD (11.2) million.

Due to the keenness of the bank's management

It is worth mentioning that the bank was ranked 52 according to soundness (capital/ assets ratio) among the largest 1000 bank in the world, in the ranking made by the BANKER magazine in its July 2000 issue.

Deposits

The bank kept its leading position in deposits attraction and managed to further enlarge its wide depositor base, despite increased competition. Total deposits at the bank increased to JD (1,266.2) million at the end of 2000, a growth of JD (83.2) million over 1999.



When talking about the bank's leading role in attracting households savings, it maintained first position in its saving deposits which reached nearly the sum of saving deposits in Jordanian Dinar at all other banks operating in Jordan combined.

Major Financial Indicators of the Bank (1996 - 2000)

In million of JDs

| Item/Year | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|----------------|----------------|----------------|--------------|---------------|
| Cash, at banks and other liquid assets | 347.5 | 558.5 | 616.5 | 818.3 | 944.6 |
| Total loans and credit facilities *, net | 648.3 | 658 | 677 | 609.1 | 556.6 |
| Equity Investments, net | 57.6 | 61.8 | 66.1 | 68.2 | 62.6 |
| Real estate investments | 27.4 | 14.4 | 14 | 13.5 | 13.1 |
| Customers deposits | 895.2 | 973.2 | 1,045.5 | 1,123.1 | 1,209.4 |
| Interbank deposits | 22.4 | 14.6 | 21.8 | 59.9 | 56.8 |
| Total deposits | 917.6 | 987.8 | 1,067.3 | 1,183 | 1,266.2 |
| Capital and reserves (shareholders' equity) | 81.3 | 212.4 | 221.9 | 239.5 | 236.3 |
| Net profit (after tax) | 8.3 | 15.7 | 24.6 | 17.6 | 11.8 |
| Total Assets | 1,136.2 | 1,350.8 | 1,417.7 | 1,549 | 1623.8 |

* 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 (36.1) million as of December 31, 2000 .

New Identity

In line with its conversion into a full - fledged commercial bank and its strategic guidelines to enter new financial & investment areas, the year 2000 witnessed the start of building new identity project. The name and emblem of the bank were changed and promoted in local, regional and international media. The new name is "The Housing Bank for Trade & Finance", which included the old name "The Housing Bank" to indicate its successful track record.



All forms, stationery, printed matters, branch signs and ATM screens were changed and now carry the new name & emblem.

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Moreover, the new model branch was established in (14) branches with new architectural designs and internal decoration, aiming to unify the general appearance of branches and provide convenient business environment for customers and staff. This would lead to a higher service quality. Model branch will be applied to (20) branches in the next year.

New identity project also included development programs for new products & services and delivery channels as well as developing work procedures, and requalifying staff to provide innovated services.



Retail Banking Services

Since retail banking is the key strategic activity for our bank, the management gave it special care. The year 2000 witnessed many banking innovations and marketing initiatives. New products were introduced and many existing products were developed to suit new technology. Furthermore, selling & cross selling and marketing communications were activated.

Thus the year 2000 witnessed the real launch of market - oriented new products and e- channels based on surveys of customer needs and measuring satisfaction. In order to provide high- quality services and keep close contact with customers, the first phase of customer relation management (C.R.M) project was implemented as well as forming a sale force.

As a result of such initiatives, the bank confirmed its leading position in retail banking services and provided innovative products such as the new personal finance programs. Thus retail banking showed growth and increased profitability.

The bank kept its first rank in ATM network in Jordan by adding (29) new machines installed in non - traditional locations such as commercial centres, car parks, gas stations, hospitals and public streets, in order to provide services anytime, anywhere, (24) hours daily to customers. Thus total number of the bank's ATMs reached (126) at the end of 2000 and formed (43 %) of all ATMs in



Jordan. Work is underway to install (20) new ATMs in different locations.

Furthermore, electronic services provided through ATMs were developed and diversified. The large ATM network and the diversified services it provides, contributed to the growth of ATM cards issued to customers in 2000 to (112,307) and thus total number of cards issued up to the end of 2000 reached (483,623) . The bank started to issue Visa Electron which would replace old ATM cards and enable holders to get services from all banks ATMs, and pay for their shopping through P.O.S machines available in (14) million shopping centres inside and outside Jordan.



The first virtual bank in Jordan was established in Rabia, a main district of Amman. This bank provides ATM, phone & home bank services as well as foreign exchange services and inquiry of exchange & interest rates of currencies. Moreover, the bank issued Iskan Internet shopping card which enables its holders of browsing all Internet shopping

sites, inside Jordan and abroad, in order to purchase their needs in a safe and secure way. Mobile bank was another prominent electronic service provided by the bank for the first time in local & Arab markets, through which direct electronic services are rendered to customers. It provides a complete package of electronic services for customers inside & outside



Jordan. Mobile bank services will be diversified through the application of WAP - Cash project next year, so that subscribers could pay for their purchases from different shopping centers,

Furthermore, the Housing Bank for Trade & Finance was a leader in establishing the first call center which provides (37) direct services to customer at times and places convenient to them, through free phone calls, paid by the bank, saving them the effort to visit branches. Phone bank & home bank services were also developed and their subscribers increased.



In regard to developing new products which are expected to be introduced in the market during next year, the bank started implementing the first phase of Internet banking and establishing an electronic shopping web site (Iskan Mall). Under the bank's strategy to provide electronic



commerce services, it has joined international E- commerce club, and signed a strategic partnership agreement with M/S INSTINGO AG of Germany, a major firm specialized in intermediation between importers and exporters through the Internet. Under such agreement the Housing Bank for Trade & Finance is the first Jordanian bank to join int. E- commerce club, in order to play a leading role in motivating foreign trade between Jordan and European continent.

Concerning credit cards, the bank made a new issue of Visa cards of its three types i.e. Local, classic and golden, carrying the new name & emblem of the bank, to reflect its new identity. The bank increased its market share of

Visa credit cards by issuing (2,346) new cards in 2000. Thus total number of Visa credit cards issued by the bank reached (8,096) by the end of the year 2000. Moreover, the bank completed first phase of issuing Master Card which is now accepted for cash withdrawal from branches.

On the other hand, the bank developed personal finance programs to meet the credit needs of individuals, small & medium business. The bank introduced ten personal finance programs in 2000 which included: Bawasal to finance education expenses, my home to finance house purchase, my car to finance car purchase, my house to finance the purchase of household appliances, the successfuls to finance medium small business, the elites to



finance the need of professionals, my family to finance marriage expenses, your safety to finance medical expenses, my vacation to finance local and foreign tourist expenses.

Furthermore, existing services were developed whereby life insurance of savers was introduced as well as other saving products such as Kinz certificate, introduced for the first time in local market, and Sayidati (My Lady) card, student program and new generation account. The bank also started to provide express transfer services from and to 184 countries around the world, in collaboration with

M/S Western Union.

In regard to housing finance for low- income categories, the bank supported a housing loan program, in collaboration with the public Housing & Urban Development corporation, in order to meet the needs of civil servants and private sector employees, to enable them own their decent dwelling. It is well known, that the bank has long experience in housing finance for more than (25) years.

In order to enhance close contact and improve quality of services provided to elite customers, their halls were increased to (7), distributed among major branches and equipped with communication facilities, T.Vs to inform them on latest economic & financial news. These halls are supported by competent staff. Their number is expected to increase next year and there will be direct electronic connection with Amman Stock Exchange.

Fore elite customers, the bank issued a special card used in similar way as Visa Electron, for payment of shopping as well as getting ATM & elite halls services.

Credit Operations

The Housing Bank for Trade & Finance continued playing its vital role in socio-economic development, by meeting the market demand, while concentrating on good quality and low-risk credit. The bank provided diversified credit programs to various economic sectors, based on their growth potential and performance forecasts.

Direct loans and credit facilities granted by the bank in the year 2000



FastLink Agreement Signing Ceremony

amounted to JD (293.5) million, including JD (20) million to finance Jordan Mobile Phone co. (Fast link) to expand its network and develop services.

Under the bank's policy to support in formation technology and software sector, an agreement was signed with the ministry of education, whereby the bank would provide loans amounting to JD (4) million to

support information technology for education and develop teachers capabilities.

On the other hand, the bank continued to increase export finance to national companies, which reflected its belief in export-led economic growth and the need to increase trade exchange between Jordan & Arab countries. A finance agreement was signed with pan Arab Trade Finance program/Abu Dhabi, with a credit line of USD (5) million, whereby soft-term finance would



be provided to exporters and importers. Import finance credit line of USD (10) million, operated with the Islamic Bank for Development - Jeddah was renewed after utilization of the old line agreed in 1999.

Developing credit policy & procedures continued including restructuring of loan portfolio in favor of higher-profitability & low-risk sectors, and reducing exposure to non-feasible sectors. The bank aimed to improve the distribution of credit, sectoral & geographic wise, in order to reach a balance, in accordance with standard ratios in banking market and to be consistent with the conversion to a commercial bank.

In order to improve the quality of loan portfolio, lower risks and increase return, risk rating system for commercial borrowers and credit scoring system for retail borrowers were activated.

Work also continued on developing portfolio profitability measurement system on levels of credit centers, credit officers, customer and targeted sector.

Treasury and Foreign Banking Services

The bank maintained its leading position in treasury, brokerage and investment services. It has increased its market share of these services, expanded its customer base, improved their overall profit contribution and improve presence in domestic, regional & international capital markets.

In the year 2000, the bank was a Jordanian pioneer in entering American



secondary market with an issue of A.D.R in collaboration with Bank of New York. The bank aimed to increase the confidence of foreign investment funds and major investors in its stocks and attract them to Jordanian market. Moreover, the bank introduced brokerage services in American stocks and options to its individual and institutional customers . Orders are implemented through the Internet and direct link with New York stock exchange. The bank also established a treasury center for its branches in Palestine and connected it with Rueters.

Meanwhile, the bank developed its foreign exchange services by adding margin forward transaction to its account/ account, margin

and forward transactions. The bank also managed to increase its foreign exchange deposits by (14.3 %).

The bank improved relations with its correspondent bank network all over the world, under new mechanism, whereby ceilings were set for correspondent banks, in accordance with international standards, which take into account country, correspondent bank & operation risk.

The bank introduced new brokerage services provided by its investment center, including trading in stocks and bonds listed in Amman & Palestine stock exchanges, through the bank's branches and subsidiary brokers, such as International Financial Center co. in Amman & Palestine Financial Investment co. in Palestine.

The bank also provides investment custody service for customers, stock investment consultations, investment trust services and/ or mutual funds and/ or joint credit services, in addition to securities underwriting and issue management services.

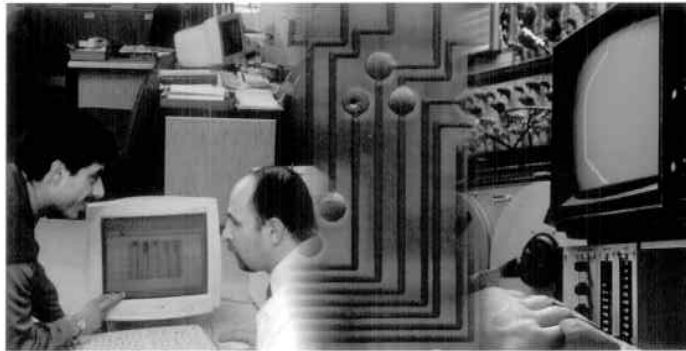
In order to activate its investment center, the bank has linked it, online with trading screens in Amman Stock Exchange to follow up stock prices. The bank also subscribed to STAR group including C.N.B.C, T.V news station and BLOOMBERG Network.

Banking Technology and Systems Development

Developing banking technology base is a main strategic guideline for the bank. During the year 2000, developing and updating IT infrastructure and internal communication networks continued.

The bank was able to maintain its leading position in electronic services, while keeping low operations costs. The bank's main achievements in this field are mentioned herein below:

- Work continued for completing the first phase of data warehouse, which would provide statistics and control reports for different operation centers, as well as integrated data base for customer segmentation. They would be used for developing market research, bench marking and developing new products, to meet the needs of retail and corporate customers.



- The bank proceeded to implement the first phase of Internet banking project, to provide customers with convenient on-line banking and E-commerce services,

- Under the strategy of introducing various E-channels, call centre, mobile bank and virtual bank were operated which made the bank a leader in electronic services in local market. ATM network was also expanded by adding (29) new machines in different areas of Jordan.

- Moreover, ATMs were installed and operated in Palestine branches such as Ramallah, Nablus, Hebron and Gaza. Visa Electron and Phone bank were also introduced there.

- In order to speed up contact between different operation centers and create a paperless environment, they



were connected by the Intranet and E-mail, and auto secretary system was applied. As a result of such measure, performance improved, productivity increased and quality of services, in all branches became better. The bank proceeded to apply report manager system whereby reports and statements are kept, managed and sent through internal electronic mail from IT dept. to branches and operation centers, with no need for typing at the dept.



Managerial and Human Resources Development

Managerial and human resources development is a continuous process at the bank and one of its strategic guidelines for this year and the coming years.

During the year 2000, the bank made integrated development programs aiming to improve efficiency of staff of all levels as well as increase productivity, rationalize expenses and improve quality of service provided to customers. The bank continued to apply total quality management (T.Q.M) in various operation centers and proceeded to apply customer service relationship program to develop managerial and technical abilities of branch manager and customer service staff.

A new project for job description, analysis and evaluation was initiated, according to modern management principles. Each job would be priced, in consistence with the bank's policy of selecting the right person for the right job and motivating outstanding performance. Organizational chart was also reviewed and changed from hierarchical type based on geographic areas to a flat one, based on activities and services.

The bank proceeded to apply control & risk self assessment (C.R.S.A) so as staff may take control and preventive measures. Financial reporting system was also developed by adopting activity based costing to define product/ service cost as well as the cost of various operation and administrative processes.

The bank's recruiting policy aims to attract distinguished, highly qualified and experienced staff of outstanding performance. New employees are required to pass special exams and a probation period of three months followed by an examination. Promotion depends on disclosed criteria and annual evaluation reports. Such criteria include competence, performance as well as the availability of vacant positions.

Training

The belief that upgrading human resources is a prerequisite for providing high - quality service to customers made the bank seek continuously to develop its staff skills. Thus the bank made an overall review of human resources development strategy in order to activate it, aiming to improve staff performance. The bank made a skill matrix system and training path under individual skill development plan for its staff. Training process was developed as the bank's training center boosted its activity by providing (3,340) training opportunities. Training courses covered various disciplines of management, credit, treasury & investment, banking



operations, TQM & ISO as well as computer and legal affairs. In order to develop skills of credit officers, special training program i.e credit skill diagnostic was adopted in collaboration with Moody's.

The bank gave special attention to teaching English language to all staff, by providing (500) opportunities in the year 2000 in collaboration with a renowned languages teaching institution.

The bank also nominated a number of its staff to get the Master degree in banking and finance and 3 employees to attend an advanced course in internal auditing in order to get C.I.A certificate. One of IT dept. staff got MCSE while another one from foreign banking dept. got the CFA certificate. Furthermore, a plan for future banking leaders was adopted, including upgrading a group of new generation, who are selected based on defined criteria.

Moreover, the bank's training center hosted (227) participants from other local and Arab banking institutions, in specialized training courses, and thus it became one of the renowned training centers in Arab world.



The Growth in the Bank's Training Activities (1996 - 2000)

| Item/Year | Number of Participants | | | | |
|--|------------------------|--------------|--------------|--------------|--------------|
| | 1996 | 1997 | 1998 | 1999 | 2000 |
| Training programs held at the bank - based Training Center | 1,726 | 1,876 | 2,176 | 2,265 | 2,121 |
| Training programs held in collaboration with specialized local training institutions | 286 | 76 | 242 | 282 | 195 |
| Training courses held in Arab and foreign training institutions | 117 | 100 | 68 | 92 | 44 |
| Seminars | 629 | 910 | 363 | 113 | 972 |
| Master programs | 2 | 3 | 3 | 2 | 3 |
| C.P.A training course | 10 | 2 | - | - | - |
| C.M.A (Manegerial accounting) | - | - | - | 3 | - |
| C.I.A (Internal auditing) | - | - | - | - | 3 |
| M.C.S.E certificate | - | - | - | - | 1 |
| C.F.A certificate | - | - | - | - | 1 |
| Total | 2,770 | 2,967 | 2,852 | 2,757 | 3,340 |

Internal & External Expansion

In implementation of the bank's strategic plan which called for the expansion in external markets, a representative office was opened in Abu Dhabi . A strategy for expansion in potential Arab markets was formulated. Expansion would be made through the opening of branches or representative offices or establishing an independent or joint bank or through buying stake in existing, banks & financial institution (merger and acquisition). First phase of expansion project i.e survey and analysis of targeted markets has started. Targets of this project include diversification of markets & operating environments so as to lower risks, increase market share and support the financial position of the bank.

On the other hand, and in local market, the bank adopted a policy of merging and/ or closure of a limited a number of adjacent branches, aiming to rationalize costs, improve productivity & service quality. Redundant staff from merged or closed branches were moved to vacant positions in other branches. Thus the number of the bank's branches became (100), including four in Palestine. The bank still remains the first in branch network as well as ATM network in Jordan which reached (126) machine.



Social Role

During the year 2000, the bank continued assuming its social role and fulfilling its social commitments, through the interaction with various community activities in Jordan & Palestine.

The bank participated and sponsored many social, charitable, culture, artistic and sport activities and programs, in addition to providing cash and in-kind support and donations to



charitable societies. The bank sponsored awareness campaigns and programs such as water saving, curbing traffic accidents, anti smoking and drugs campaigns, protection of environment, family & child day and children song festival, in collaboration with other official parties.

Moreover, the bank sponsored and supported many conferences & seminars on banking, finance & investment, which were held in Jordan & abroad. The bank also supported and rewarded distinguished undergraduates in Jordanian universities and high studies institutions.

Future Plan - 2001

In order to support the bank's financial strength and maintain its leading position in local market, as well as achieve its vision to be the preferred bank for customers, the strategic plan for the year 2001 included the following goals.



- To increase the bank's networth by achieving 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.
- 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.
- Achieve high customer satisfaction which is a core value of the bank by improving service performance and developing bench marking to boost the bank's competitiveness in the Jordanian banking system.
- Improve productivity, attain cost savings as well as streamline procedures for provision of services. This would be accomplished through the application of total quality management and building proper corporate culture.
- Develop new financial products & services, which are consistent with the market trends, satisfy customers needs and exceed their expectations. Furthermore, diversify investment instruments within accepted risk levels, and focus on improving asset quality.
- Activate human resources development strategy through developing the conventional training process advanced levels linked with commercial banking needs. Moreover, focus would be on building a motivating environment and corporate culture, which encourage teamwork.
- 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 mobile and virtual bank.
- Lower risks by boosting internal control, through the use of control and risk self - assessment.

- 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 as well as lower risks, through the diversification of markets and operating environments.

A successful Model of Joint Arab Investment

The Housing Bank for Trade & Finance 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, Sheikh Khalid Salim Bin Mahfouz Group, Libyan Arab Foreign Bank, Jordan Social Security Corporation, Government of Qatar, Government of Sultanate of Oman, Government of Iran Islamic Republic, as well as large number of Jordanian and Arab individual and institutional investors.

Such wide Arab and Islamic capital base confirms the Housing Bank for Trade & Finance is 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.



Consolidated Financial
Statements as of
December 31, 2000 and 1999
together with the
Auditor Report



ARTHURANDERSEN

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

Allied Accountants
Certified Public Accountants
A Member Firm of Andersen Worldwide
P.O. Box 5552
Amman 11183
Hashemite Kingdom of Jordan
Tel 5526111
Fax 5538300

We have audited the accompanying consolidated balance sheets of **THE HOUSING BANK** (a public shareholding company) as of December 31, 2000 and 1999 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years 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.

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, 2000 and 1999 and the consolidated results of its operations and its cash flows for the years then ended in accordance with the Law and International Accounting Standards and we recommend its approval.

Amman - Jordan
January 24, 2001

ARTHUR ANDERSEN

THE HOUSING BANK FOR TRADE & FINANCE
CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2000 AND 1999

*In Jordanian Dinars JD**

| ITEM | Notes | 2000 | 1999 |
|---|-------|-----------------------------|-----------------------------|
| ASSETS | | | |
| Cash on hand & at banks | 3 | 298,980,579 | 249,025,504 |
| Deposits at central banks | 4 | 423,402,469 | 408,989,101 |
| Government bonds, debentures and treasury bills | 5 | 159,006,138 | 103,424,427 |
| Trade investments, net | 6 | 48,342,543 | 45,347,768 |
| Credit facilities, net | 7 | 556,611,418 | 609,093,538 |
| Long term investments, net | 8 | 77,029,664 | 79,466,994 |
| Investments in real-estate, net | 9 | 13,111,139 | 13,501,865 |
| Fixed assets, net | 10 | 22,345,081 | 23,498,371 |
| Other assets | 11 | <u>24,992,458</u> | <u>16,561,353</u> |
| Total Assets | | <u>1,623,821,489</u> | <u>1,548,908,921</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Liabilities | | | |
| Customers' deposits | 12 | 1,209,389,902 | 1,123,084,798 |
| Banks and financial institutions' deposits | 13 | 56,858,930 | 59,870,058 |
| Loans and advances | 14 | 49,720,338 | 52,764,622 |
| Margin accounts | 15 | 31,205,964 | 30,509,743 |
| Sundry provisions | 16 | 9,305,360 | 12,734,943 |
| Other liabilities | 17 | <u>31,053,427</u> | <u>30,407,647</u> |
| Total Liabilities | | <u>1,387,533,921</u> | <u>1,309,371,811</u> |
| Contingent Liabilities | 28 | | |
| Shareholders' Equity | 18 | | |
| Share capital | | 100,000,000 | 100,000,000 |
| Additional paid in capital | | 71,000,000 | 71,000,000 |
| Statutory reserve | | 18,361,492 | 16,611,034 |
| Voluntary reserve | | 33,222,068 | 33,222,068 |
| Foreign branches reserve | | 3,550,000 | 3,550,000 |
| Dividends | | 10,000,000 | 15,000,000 |
| Other reserves | | <u>154,008</u> | <u>154,008</u> |
| Total Shareholder's Equity | | <u>236,287,568</u> | <u>239,537,110</u> |
| Total Liabilities and Shareholders' Equity | | <u>1,623,821,489</u> | <u>1,548,908,921</u> |

THE HOUSING BANK FOR TRADE & FINANCE

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

In Jordanian Dinars JD

| ITEM | Notes | 2000 | 1999 |
|--|-------|--------------------|--------------------|
| Interest and commission income - | | | |
| Interest | 19 | 113,966,716 | 116,318,634 |
| Commissions | 20 | 8,007,217 | 8,424,552 |
| | | <u>121,973,933</u> | <u>124,743,186</u> |
| Interest and commission expense - | | | |
| Interest | 21 | <u>66,427,878</u> | <u>65,097,494</u> |
| Net interest and commission income | | 55,546,055 | 59,645,692 |
| Surplus (Provision) for possible loan losses | | 2,831,698 | (14,256,847) |
| Bad debts written off | | <u>(5,632,715)</u> | <u>-</u> |
| Net interest and commission income after provision for possible loan losses and bad debts written off | | 52,745,038 | 45,388,845 |
| Foreign exchange income | 22 | 1,036,877 | 1,534,044 |
| Income from investments | 23 | 926,975 | 4,317,052 |
| Income from sale of investments | 24 | 508,388 | 6,932,175 |
| Other income | 26 | 7,977,799 | 7,031,922 |
| General and administrative expenses | 25 | (35,931,202) | (34,317,835) |
| Provision for decline in value of investments | | (7,920,762) | - |
| Sundry provisions | | <u>(2,860,736)</u> | <u>(4,546,105)</u> |
| Net income before income tax & fees | | 16,482,377 | 26,340,098 |
| Income tax | 32 | (4,316,827) | (5,882,022) |
| Prior years' income tax | 32 | - | (2,249,608) |
| | | <u>12,165,550</u> | <u>18,208,468</u> |
| Board of Directors' remuneration | | (65,000) | (65,000) |
| Provision for Jordanian Universities fees | | (175,046) | (254,729) |
| Provision for scientific research | | <u>(175,046)</u> | <u>(254,729)</u> |
| Net income | | 11,750,458 | 17,634,010 |
| Earnings per share | | 0.118 | 0.176 |
| Weighted average number of shares | | 100,000,000 | 100,000,000 |

THE HOUSING BANK FOR TRADE & FINANCE

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

In Jordanian Dinars JD

| ITEM | 2000 | 1999 |
|---|---------------------------|---------------------------|
| Cash flows from operating activities | | |
| Interest and commissions received | 115,212,589 | 128,700,490 |
| Interest paid | (66,350,669) | (62,674,472) |
| Other income received | 9,308,676 | 13,830,944 |
| General and administrative expenses paid | (29,822,836) | (26,560,532) |
| (Increase) decrease in operating assets | | |
| Trade investments | (10,534,855) | (3,358,656) |
| Credit facilities | 49,781,103 | 53,629,640 |
| Other assets | (3,428,158) | 1,633,679 |
| Increase (decrease) in operating liabilities | | |
| Customers' deposits | 86,305,104 | 95,700,914 |
| Banks and financial institutions deposits | (3,011,128) | 38,057,083 |
| Loans and advances | (3,044,284) | (7,660,846) |
| Margin accounts | 696,221 | (678,660) |
| Other liabilities and sundry provisions | (4,259,421) | (9,212,458) |
| Net cash from operating activities before tax | 140,852,342 | 221,407,126 |
| Income tax paid | (6,384,145) | (9,386,612) |
| Board of director remuneration, paid | (65,000) | (65,000) |
| Net cash flows from operating activities | <u>134,403,197</u> | <u>211,955,514</u> |
| Cash flows from investing activities | | |
| Purchase and sale of fixed assets, net | (3,842,366) | (2,973,389) |
| Purchase and sale of real-estate, net | (91,172) | (137,276) |
| Long term investments | 1,348,531 | (2,691,396) |
| Purchases of government bonds, debentures and treasury bills | (55,581,711) | (32,385,542) |
| Interest and income received from investments | 1,807,357 | 4,317,052 |
| Net cash flow used in investing activities | <u>(56,359,361)</u> | <u>(33,870,551)</u> |
| Cash flows from financing activities | | |
| Dividends paid | (14,199,414) | (14,235,371) |
| Net increase in cash | <u>63,844,422</u> | <u>163,849,592</u> |
| Difference in exchange rates | 524,021 | 523,855 |
| Cash and cash equivalents, beginning of year | 658,014,605 | 493,641,158 |
| Cash and cash equivalents, end of year | <u>722,383,048</u> | <u>658,014,605</u> |

THE HOUSING BANK
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

| ITEM | Share Capital | Additional Paid in Capital |
|---------------------------------|--------------------|----------------------------------|
| Balance as of December 31, 1998 | 100,000,000 | 71,000,000 |
| Net income | - | - |
| Transfers | - | - |
| Dividends paid | - | - |
| Proposed dividends | - | - |
| | <hr/> | <hr/> |
| Balance as of December 31, 1999 | 100,000,000 | 71,000,000 |
| Net income | - | - |
| Transfers | - | - |
| Dividends paid | - | - |
| Proposed dividends | - | - |
| | <hr/> | <hr/> |
| Balance as of December 31, 2000 | <u>100,000,000</u> | <u>71,000,000</u> |

FOR TRADE & FINANCE

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

In Jordanian Dinars JD

| Reserves | | | | Dividends for Distribution | Retained Earnings | Total |
|------------|------------|---------------------|---------|----------------------------------|----------------------|--------------|
| Statutory | Voluntary | Foreign Branches | Other | | | |
| 13,977,024 | 33,303,627 | 3,550,000 | 72,449 | 15,000,000 | - | 236,903,100 |
| - | - | - | - | - | 17,634,010 | 17,634,010 |
| 2,634,010 | (81,559) | - | 81,559 | - | (2,634,010) | - |
| - | - | - | - | (15,000,000) | - | (15,000,000) |
| - | - | - | - | 15,000,000 | (15,000,000) | - |
| 16,611,034 | 33,222,068 | 3,550,000 | 154,008 | 15,000,000 | - | 239,537,110 |
| - | - | - | - | - | 11,750,458 | 11,750,458 |
| 1,750,458 | - | - | - | - | (1,750,458) | - |
| - | - | - | - | (15,000,000) | - | (15,000,000) |
| - | - | - | - | 10,000,000 | (10,000,000) | - |
| 18,361,492 | 33,222,068 | 3,550,000 | 154,008 | 10,000,000 | - | 236,287,568 |

THE HOUSING BANK FOR TRADE & FINANCE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999

In Jordanian Dinars

(1) GENERAL

The Housing Bank for Trade & Finance 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.

Total number of the Bank's employees was 1,651 and 1774 as of December 31, 2000 and 1999 respectively. Financial statements were authorized for issue by the Bank's Board of Directors in their meeting held on February 20, 2001.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bank follows the accounting and reporting standards prescribed by The Central Bank of Jordan (CBJ) and International Accounting Standards Committee. Presentation of the accompanying financial statements conform to the guidelines provided by the (CBJ) and in accordance with historical cost conversion. The following are the significant accounting policies, followed by the Bank:

- 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 & 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 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 or minus net issuance premium or discount.

- 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 individually 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 estate 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 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 five 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 cost of acquisition 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. As these provisions had not been allowable, before January 1, 2000, as deductible expenses for income tax purposes, and until such time these are accepted by the Income Tax Department, this gives rise to a potential deferred tax asset as of December 31, 2000. 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. It is the Bank's management view that the fair value of loans is not below its carrying value. 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.

(3) CASH ON HAND AND AT BANKS

| ITEM | 2000 | 1999 |
|--|---------------------------|---------------------------|
| Cash on hand | 21,573,552 | 16,441,805 |
| Deposits at local banks and financial institutions | 40,032,739 | 55,791,624 |
| Deposits at foreign banks and financial institutions | <u>237,374,288</u> | <u>176,792,075</u> |
| | <u>298,980,579</u> | <u>249,025,504</u> |

Balances at banks and financial institutions mature within one year. Interest rates during 2000 ranged between zero% and 8.5%

(4) 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 123,190,042 and JD 160,031,222 as of December 31, 2000 and 1999 respectively.

In addition this balance includes certificates of deposit totaling JD 299,200,000 and JD 218,100,000 as of December 31, 2000 and 1999 respectively. These certificates accrue interest at rates ranging between 1.5% and 6.7%. Certificates mature within one year.

(5) GOVERNMENT BONDS, DEBENTURES, AND TREASURY BILLS

This includes the following:

| ITEM | 2000 | 1999 |
|--|---------------------------|---------------------------|
| Jordanian government bonds in foreign currency | 14,120,429 | 14,106,854 |
| Jordanian treasury bills | 62,573,776 | 57,414,816 |
| Jordanian development & treasury bonds | 44,626,210 | 21,819,052 |
| Public entity and company debentures | 37,685,723 | 10,083,705 |
| | <u>159,006,138</u> | <u>103,424,427</u> |

Treasury bills mature during 2001 while Jordanian development bonds mature during the period from 2002 to 2005. Public entity and company debentures mature during the period from 2001 to 2006, while the Jordanian government bonds in foreign currency mature during the period from 2005 to 2023. Market value of the Jordanian Government Debentures in foreign currency as of December 31, 2000 amounted to approximately JD 13,569,946. The bank intends to keep this investment until its maturity.

(6) TRADE INVESTMENTS

This includes the following:

| ITEM | 2000 | 1999 |
|--|--------------------------|--------------------------|
| Local marketable securities | 48,672,036 | 42,158,224 |
| Foreign marketable securities | 10,839,400 | 6,439,357 |
| | <u>59,511,436</u> | <u>48,597,581</u> |
| Less: Allowance for decline in local marketable securities | 10,901,199 | 3,183,589 |
| Allowance for decline in foreign marketable securities | 267,694 | 66,224 |
| | <u>48,342,543</u> | <u>45,347,768</u> |

The market value of marketable securities portfolio as of December 31, 2000 and 1999 amounted to JD 48,365,158 and JD 45,848,277 respectively.

Foreign marketable securities include an amount of JD 6,559,745 and JD 4,580,450 as of December 31, 2000 and 1999 respectively, representing the value of managed investment portfolios and bonds for trading. Non listed local marketable securities as of December 31, 2000 and 1999 amounted to JD 4,393,313 and JD 4,053,789 respectively. Non listed foreign marketable securities amounted to JD 587,935 and JD 446,035 as of December 31, 2000 and 1999 respectively. During 2000, the bank transferred investments in companies' shares amounting to JD 5,255,530 from long term investments to trade investments. In addition the Bank transferred investments in companies' shares amounting to JD 387,697 to long term investments which resulted in a surplus of JD 2,178,619 in the allowance for decline in value of trade investments.

(7) CREDIT FACILITIES

This includes the following:

| ITEM | 2000 | 1999 |
|---|---------------------------|---------------------------|
| Bills and notes discounted | 20,151,967 | 19,697,576 |
| overdraft facilities | 83,533,513 | 58,178,938 |
| Loans and advances | 477,478,546 | 551,120,747 |
| Loans and advances granted to the Housing and Urban Development Corporation and to Governmental Housing funds (note 14) | <u>36,100,000</u> | <u>37,598,060</u> |
| | 617,264,026 | 666,595,321 |
| Less: Interest in suspense | 18,566,850 | 12,437,415 |
| Provision for possible loan losses | <u>42,085,758</u> | <u>45,064,368</u> |
| | <u>556,611,418</u> | <u>609,093,538</u> |

The movement on the interest in suspense was as follows:

| ITEM | 2000 | 1999 |
|--|--------------------------|--------------------------|
| Balance, beginning of year | 12,437,415 | 13,660,725 |
| Add: suspended interest during the period/year | 11,148,704 | 8,644,748 |
| Less: suspended interest on settled loans | <u>5,019,269</u> | <u>9,868,058</u> |
| | <u>18,566,850</u> | <u>12,437,415</u> |

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

| ITEM | 2000 | 1999 |
|---|--------------------------|--------------------------|
| Balance, beginning of year | 45,064,368 | 30,931,219 |
| Transferred to provision during the period/year | 8,697,841 | 14,256,847 |
| Provision written back | (11,529,740) | - |
| Provision for settled loans | <u>(146,711)</u> | <u>(123,698)</u> |
| | <u>42,085,758</u> | <u>45,064,368</u> |

The non-performing credit facilities as defined by the Central Bank of Jordan's regulations which their interest were suspended as of December 31, 2000 and 1999 were JD 112,972,404 and JD 98,765,609 respectively.

Credit facilities granted by sector are set forth below:

| ITEM | 2000 | 1999 |
|---------------------------------|--------------------|--------------------|
| Agriculture | 4,248,556 | 4,547,285 |
| Manufacturing and mining | 34,247,007 | 14,591,646 |
| Constructions | 286,098,959 | 340,304,169 |
| General trade | 82,285,997 | 146,269,434 |
| Transportation services | 6,131,882 | 48,462,813 |
| Services and public facilities | 47,139,387 | 11,412,839 |
| Financial services | 7,163,503 | 6,738,092 |
| Tourism, hotels and restaurants | 25,595,495 | 7,619,722 |
| Consumer loans | 106,037,172 | 64,626,327 |
| Vehicles | 10,565,599 | 6,510,151 |
| Other | 7,750,469 | 15,512,843 |
| | <u>617,264,026</u> | <u>666,595,321</u> |

Credit facilities granted to the government and guaranteed by the government as of December 31, 2000 and 1999 amounted to JD 73,836,517 and JD 134,455,805 respectively.

Net credit facilities granted by Jordan branches as of December 31, 2000 and 1999 amounted to JD 533,604,393 and JD 581,187,187 respectively. Net credit facilities granted outside Jordan amounted to JD 28,295,520 and JD 32,487,372 respectively.

(8) LONG TERM INVESTMENTS

This includes the following:

| ITEM | 2000 | 1999 |
|---|-------------------|-------------------|
| Investments in local companies' shares | 18,139,514 | 24,319,789 |
| Investments in foreign companies' shares | 3,922,862 | 4,382,910 |
| Investments in bonds in Jordanian Dinars | 10,894,692 | 8,302,081 |
| Investments in bonds in foreign currency | <u>45,396,442</u> | <u>43,612,113</u> |
| | 78,353,510 | 80,616,893 |
| Less: Provision for decline in value of investments in JD | 932,764 | 931,000 |
| Provision for decline in value of investments in F/C | <u>391,082</u> | <u>218,899</u> |
| | <u>77,029,664</u> | <u>79,466,994</u> |

Long term investments in local and foreign companies' shares include investments in affiliate companies' as of December 31, 2000 and 1999 amounting to JD 11,964,861 and JD 12,852,969 respectively, which represents the Banks's investments in the following companies and funds:

| | |
|--|-------------------------------|
| | <u>Percentage Ownership %</u> |
| Housing Company for Hotels and Tourism Investments | 50 |
| The Housing Bank for Trade & Finance Jordan Fund/ Bahrain* | 29.56 |

* Of this amount a percentage of 9.56% and cost of JD 984,288 is classified within short term investments. Investments in JD in shares not listed on financial markets as of December 31, 2000 and 1999 amounted to JD 11,935,278 and JD 18,190,647 respectively. Investments not listed on financial markets in foreign currencies amounted to JD 3,814,460 as of December 31, 2000 and 1999.

(9) REAL ESTATE INVESTMENTS This includes the following:

| ITEM | 2000 | 1999 |
|---------------------------------------|-------------------|-------------------|
| Land | 1,571,293 | 1,571,293 |
| Buildings | 15,673,476 | 15,582,304 |
| Commercial Center tools and equipment | 4,036,557 | 4,036,557 |
| | <u>21,281,326</u> | <u>21,190,154</u> |
| Less: Accumulated depreciation | <u>8,170,187</u> | <u>7,688,289</u> |
| | <u>13,111,139</u> | <u>13,501,865</u> |

(10) FIXED ASSETS, NET This includes the following:

| ITEM | 2000 | 1999 |
|---|-------------------|-------------------|
| Land and buildings | 10,089,852 | 10,235,122 |
| Equipment, furniture and motor vehicles | 38,107,384 | 34,598,357 |
| | <u>48,197,236</u> | <u>44,833,479</u> |
| Less: Accumulated depreciation | <u>25,852,155</u> | <u>21,335,108</u> |
| | <u>22,345,081</u> | <u>23,498,371</u> |

(11) OTHER ASSETS This includes the following:

| ITEM | 2000 | 1999 |
|--|-------------------|-------------------|
| Accrued interest and commission income | 12,821,586 | 6,753,726 |
| Properties held for resale, net | 5,502,238 | 2,509,886 |
| Inter-branch accounts | 311,910 | 405,661 |
| Temporary expenses | 1,058,784 | 1,239,327 |
| Prepaid expenses | 416,294 | 471,999 |
| Establishment expenses | - | 970,930 |
| Advances to suppliers | 1,538,070 | 911,215 |
| Miscellaneous | 3,343,576 | 3,298,609 |
| | <u>24,992,458</u> | <u>16,561,353</u> |

(12) CUSTOMERS' DEPOSITS

This includes the following:

| ITEM | 2000 | 1999 |
|--------------------------------------|----------------------|----------------------|
| Current accounts and demand deposits | 126,759,980 | 100,125,618 |
| Saving deposits | 411,472,159 | 374,677,893 |
| Time and notice deposits | 671,157,763 | 648,281,287 |
| | <u>1,209,389,902</u> | <u>1,123,084,798</u> |

Total governmental institutions deposits as of December 31, 2000 and 1999 amounted to JD 173,527,350 and JD 201,550,699 respectively.

Non-interest bearing deposits as of December 31, 2000 and 1999 amounted to JD 164,371,164 and JD 149,167,816 respectively and dormant accounts amounted to JD 14,509,918 and approximately JD 10,000,000 respectively.

Deposits held as collateral against customers' credit facilities in Palestine branches as of December 31, 2000 and 1999 amounted to JD 1,968,664 and JD 1,465,019 respectively.

(13) BANKS AND FINANCIAL INSTITUTIONS DEPOSITS

This item includes the following:

| ITEM | 2000 | | | 1999 | | |
|--------------------------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Inside Jordan | Outside Jordan | Total | Inside Jordan | Outside Jordan | Total |
| Current accounts and demand deposits | 1,481,045 | 10,781,866 | 12,262,911 | 3,401,042 | 10,261,498 | 13,662,540 |
| Deposits due within a year | <u>6,688,543</u> | <u>37,907,476</u> | <u>44,596,019</u> | <u>7,256,373</u> | <u>38,951,145</u> | <u>46,207,518</u> |
| | <u>8,169,588</u> | <u>48,689,342</u> | <u>56,858,930</u> | <u>10,657,415</u> | <u>49,212,643</u> | <u>59,870,058</u> |

(14) LOANS AND ADVANCES

This item includes the following:

| | 2000 | 1999 |
|--|-------------------|-------------------|
| Amounts borrowed from Central Bank of Jordan (note 7) | 36,100,000 | 37,598,060 |
| Amounts borrowed locally from Jordanian Government | 1,421,118 | 1,421,118 |
| Amounts borrowed from Real Estate Mortgage Finance Co. | <u>12,199,220</u> | <u>13,745,444</u> |
| | <u>49,720,338</u> | <u>52,764,622</u> |

CBJ borrowings include advances given to the bank to finance loans related to the Public Housing and Urban Development Corporation. These borrowings are related to the Public Housing and Urban Development Corporation with the guarantee of the government of the Hashemite Kingdom of Jordan.

Advances are repaid in semi-annual payments, last of which is due on December 31, 2006.

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 Corporation 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. Loans are repaid in monthly payments, the last of which is due on October 1, 2008.

(15) MARGIN ACCOUNTS The item includes the following cash margins:

| ITEM | 2000 | 1999 |
|----------------------------|-------------------|-------------------|
| Direct credit facilities | 20,585,299 | 19,107,074 |
| Indirect credit facilities | 10,620,665 | 11,402,669 |
| | <u>31,205,964</u> | <u>30,509,743</u> |

(16) SUNDRY PROVISIONS This item includes the following:

| ITEM | 2000 | 1999 |
|--|------------------|-------------------|
| Provision for income tax * | 3,273,473 | 5,340,791 |
| Provision for end of service indemnity | 2,072,691 | 1,102,186 |
| Other provisions | 3,959,196 | 6,291,966 |
| | <u>9,305,360</u> | <u>12,734,943</u> |

* Movements on the provision for income tax were as follows:

| ITEM | 2000 | 1999 |
|---|--------------------|--------------------|
| Balance, beginning of year | 5,340,791 | 6,595,773 |
| Income tax provision for the year | 4,316,827 | 8,131,630 |
| Less: Provision settled during the year | <u>(6,384,145)</u> | <u>(9,386,612)</u> |
| | <u>3,273,473</u> | <u>5,340,791</u> |

(17) OTHER LIABILITIES This item includes the following:

| ITEM | 2000 | 1999 |
|--|-------------------|-------------------|
| Temporary margins | 3,802,557 | 3,891,698 |
| Interest and commissions received in advance | 11,911,974 | 12,605,458 |
| Accrued interest payable | 7,034,548 | 6,957,339 |
| Acceptances | 3,605,888 | 3,103,074 |
| Others | 4,698,460 | 3,850,078 |
| | <u>31,053,427</u> | <u>30,407,647</u> |

(18) 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.

- Dividends

The Board of Directors will propose to the General Assembly of the shareholders meeting in the year 2001 a cash dividend of JD 10,000,000 for the year 2000 representing 10% of share capital.

The General Assembly approved in its ordinary meeting held in 2000, the Board of Directors recommendations to pay JD 15,000,000 as dividends for 1999 representing 15% of share capital.

Financial statements of 1999 were adjusted showing proposed dividends as part of the owners equity rather than current liabilities, in accordance with International Accounting Standard "10" which became effective on January 1,2000.

(19) INTEREST REVENUE

This item includes interests from the following:

| ITEM | 2000 | 1999 |
|-------------------------------------|--------------------|--------------------|
| Credit Facilities- | | |
| Bills and notes discounted | 3,063,172 | 2,928,499 |
| Overdrafts | 9,022,980 | 5,967,460 |
| Loans and advances | 57,482,164 | 67,738,581 |
| | <u>69,568,316</u> | <u>76,634,540</u> |
| Interest on investment securities | 11,751,900 | 8,968,984 |
| Deposits at banks and other debtors | <u>32,646,500</u> | <u>30,715,110</u> |
| | <u>113,966,716</u> | <u>116,318,634</u> |

(20) COMMISSIONS INCOME

This item includes commissions from the following:

| ITEM | 2000 | 1999 |
|----------------------------|------------------|------------------|
| Direct credit facilities | 5,363,377 | 5,885,205 |
| Indirect credit facilities | <u>2,643,840</u> | <u>2,539,348</u> |
| | <u>8,007,217</u> | <u>8,424,553</u> |

(21) INTEREST EXPENSE

This item includes interest expence on the following:

| ITEM | 2000 | 1999 |
|---|-------------------|-------------------|
| Customers deposits- | | |
| Current accounts and demand deposits | 895,333 | 1,380,956 |
| Saving deposits | 15,599,531 | 14,540,282 |
| Time deposits | <u>43,564,389</u> | <u>43,052,695</u> |
| | 60,059,253 | 58,973,933 |
| Banks and financial institutions deposits | 5,710,543 | 6,123,561 |
| Deposit Guarantee Fees | <u>658,082</u> | <u>-</u> |
| | <u>66,427,878</u> | <u>65,097,494</u> |

(22) FOREIGN EXCHANGE INCOME

This item includes foreign currency income resulting from the following:

| ITEM | 2000 | 1999 |
|--------------------------|------------------|------------------|
| Foreign currency trading | 512,856 | 1,010,189 |
| Banking services | 362,048 | 419,375 |
| Revaluation gain | <u>161,973</u> | <u>104,480</u> |
| | <u>1,036,877</u> | <u>1,534,044</u> |

(23) INCOME FROM INVESTMENTS

| ITEM | 2000 | | | | 1999 | | | |
|-----------------------|-------------------------------------|------------------|----------------|------------------|-------------------------------------|------------------|------------------|------------------|
| | Bank's Share of Subsidiaries Income | Dividends | Trading Income | Total | Bank's Share of Subsidiaries Income | Dividends | Trading Income | Total |
| Trade Investments | - | 1,502,126 | (446,073) | 1,056,053 | - | 922,196 | 2,577,301 | 3,499,497 |
| Long-term Investments | <u>(880,382)</u> | <u>73,894</u> | <u>677,410</u> | <u>(129,078)</u> | <u>118,533</u> | <u>461,402</u> | <u>237,620</u> | <u>817,555</u> |
| | <u>(880,382)</u> | <u>1,576,020</u> | <u>231,337</u> | <u>926,975</u> | <u>118,533</u> | <u>1,383,598</u> | <u>2,814,921</u> | <u>4,317,052</u> |

(24) INCOME FROM SALE OF INVESTMENTS

This item includes the following:

| ITEM | 2000 | 1999 |
|---------------------------------|----------------|------------------|
| Income from sale of investments | - | 6,477,522 |
| Income from sale of real estate | 477,418 | 423,786 |
| Others | <u>30,970</u> | <u>30,867</u> |
| | <u>508,388</u> | <u>6,932,175</u> |

(25) GENERAL AND ADMINISTRATIVE EXPENSES

This item includes the following:

| ITEM | 2000 | 1999 |
|---|-------------------|-------------------|
| Salaries and benefits | 13,444,786 | 13,850,735 |
| Fixed assets depreciation | 4,995,656 | 4,685,340 |
| End of service indemnity | 1,038,130 | 1,051,566 |
| Computer equipment and rental | 471,963 | 516,284 |
| Social security | 1,132,059 | 1,203,464 |
| Amortization of establishment expenses | 1,009,208 | 511,065 |
| Medical expenses | 914,179 | 959,013 |
| Banks contribution in saving fund | 853,211 | 1,053,120 |
| Stationery and printings | 794,460 | 824,211 |
| Maintenance and repairs | 1,571,108 | 1,244,759 |
| Post, telephone and telex | 850,453 | 706,496 |
| Rent | 946,145 | 998,084 |
| Water, heat and electricity | 546,054 | 525,875 |
| Travel expenses | 337,930 | 378,997 |
| Advertising | 613,405 | 482,864 |
| Donations | 266,390 | 292,499 |
| Transportation expenses | 101,123 | 118,543 |
| Employees life insurance | 115,885 | 129,125 |
| Hospitality | 119,276 | 132,159 |
| Insurance | 223,818 | 296,537 |
| Financial institutions subscriptions | 339,353 | 314,002 |
| Commissions on foreign currency trading | 122,800 | 126,000 |
| Board of Directors' transportation | 79,050 | 40,822 |
| Fees on credit facilities | 252,976 | 236,080 |
| Others | 4,791,784 | 3,640,195 |
| | <u>35,931,202</u> | <u>34,317,835</u> |

(26) OTHER INCOME

This item includes the following:

| ITEM | 2000 | 1999 |
|---|------------------|------------------|
| Real Estate Investments income | 165,900 | 43,933 |
| Fees on salaries accounts | 1,651,969 | 1,575,196 |
| Prior years income | 10,237 | 89,174 |
| Visa card income | 789,728 | 772,874 |
| Fees earned on loans management | 19,879 | 36,214 |
| Safety deposit box rental income | 123,407 | 121,359 |
| Commissions on returned checks | 330,952 | 283,466 |
| Excess provisions | 1,917,636 | 1,081,628 |
| Revenues on banking services | 877,276 | 881,985 |
| Charges on frozen and low-balance accounts | 1,396,293 | 1,392,758 |
| Bonded net income | 83,567 | 69,779 |
| Water, electricity, & telephone invoice processing fees | 100,009 | 104,233 |
| Account management fees | 114,348 | 4,991 |
| Others | 396,598 | 574,332 |
| | <u>7,977,799</u> | <u>7,031,922</u> |

(27) RELATED PARTY TRANSACTIONS

| ITEM | 2000 | 1999 |
|--|------------|------------|
| Loans and advances given to affiliated companies | 10,462,009 | 10,260,104 |
| Credit facilities to members of Board of Directors | 409,659 | 408,839 |
| Deposits in affiliated companies | 15,204,810 | 17,481,989 |
| Deposits from affiliated companies | 1,185,897 | 1,219,405 |
| Deposits from related parties | 67,073,297 | 92,762,227 |
| Interest revenues earned from affiliated companies | 1,794,605 | 2,690,256 |
| Interest expense accrued | 4,799,449 | 5,911,212 |
| Indirect credit facilities | 42,658 | 42,665 |

(28) CONTINGENT LIABILITIES

| ITEM | 2000 | 1999 |
|---|--------------------|--------------------|
| Letters of credit | 69,022,194 | 46,359,719 |
| Letters of guarantee | 86,414,419 | 77,089,961 |
| Guaranteed withdrawals | 45,526,707 | 39,382,756 |
| Un-utilized short-term loans and advances | 45,728,472 | 39,630,625 |
| | <u>246,691,792</u> | <u>202,463,061</u> |

(29) 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 | 2000 | 1999 |
|---|---------------------------|---------------------------|
| Total assets | 396,112,718 | 344,089,528 |
| Total liabilities | <u>(365,272,403)</u> | <u>(321,105,942)</u> |
| Net assets in F/C | <u>30,840,315</u> | <u>22,983,586</u> |
| Assets- | | |
| Cash on hand and at banks | 241,990,105 | 180,950,241 |
| Accounts at Central Banks | 32,272,662 | 38,269,531 |
| Governmental bonds, debentures | 16,956,429 | 16,942,854 |
| Trade investments | 10,571,706 | 6,373,133 |
| Credit facilities, net | 41,311,738 | 50,670,323 |
| Long term investment | 48,928,222 | 47,776,124 |
| Other assets | 4,081,856 | 3,107,322 |
| Total assets | <u>396,112,718</u> | <u>344,089,528</u> |
| Liabilities- | | |
| Customers' deposits | 303,293,953 | 265,374,583 |
| Banks and financial institutions deposits | 51,467,650 | 49,321,158 |
| Margin accounts | 7,422,223 | 4,931,624 |
| Other liabilities | <u>3,088,577</u> | <u>1,478,577</u> |
| Total liabilities | <u>365,272,403</u> | <u>321,105,942</u> |

(30) GEOGRAPHIC CONCENTRATION

The main assets and liabilities are concentrated geographically as follows:

| ITEM | Inside Jordan | Outside Jordan | Total |
|---------------------------|---------------|----------------|---------------|
| Cash on hand and at banks | 472,663,460 | 249,719,588 | 722,383,048 |
| Investment portfolio, net | 204,966,400 | 79,411,945 | 284,378,345 |
| Credit facilities, net | 528,315,898 | 28,295,520 | 556,611,418 |
| Real Estate Investments | 13,111,139 | - | 13,111,139 |
| Fixed assets, net | 21,263,147 | 1,081,934 | 22,345,081 |
| Other assets | 24,112,401 | 880,057 | 24,992,458 |
| Deposits | 1,218,807,174 | 78,647,622 | 1,297,454,796 |
| Loans and advances | 49,720,338 | - | 49,720,338 |
| Other liabilities | 28,612,278 | 2,441,149 | 31,053,427 |
| Other provisions | 8,358,630 | 946,730 | 9,305,360 |
| Contingent liabilities | 240,401,975 | 6,289,817 | 246,691,792 |

Following is a summary of the results of the Bank's operations in Jordan and in Palestine in the year 2000:

| ITEM | Inside Jordan | Palestine Branches |
|---------------------------------------|--------------------------|---------------------------|
| Interest and commissions revenues | 117,830,910 | 6,281,557 |
| Interest expense | <u>(65,458,032)</u> | <u>(3,108,380)</u> |
| Net interest income | 52,372,878 | 3,173,177 |
| Foreign exchange gain | 954,162 | 82,715 |
| Income from investments | 413,932 | 513,043 |
| Provision for possible loan losses | (1,980,073) | (820,944) |
| Other provisions | (9,190,207) | (1,591,293) |
| Other revenues and expenses | <u>(25,066,126)</u> | <u>(2,378,888)</u> |
| Net income (loss) before taxes | <u>17,504,566</u> | <u>(1,022,190)</u> |

(31) MATURITIES OF ASSETS AND LIABILITIES

| ITEM | December 31, 2000 | | December 31, 1999 | |
|---------------------------|----------------------|----------------------|----------------------|----------------------|
| | Assets | Liabilities | Assets | Liabilities |
| Due within one year | 1,070,544,071 | 1,307,216,199 | 931,829,604 | 1,245,849,525 |
| Due from one to two years | 227,497,701 | 3,766,789 | 131,221,839 | 11,217,431 |
| Due over two years | <u>265,331,039</u> | <u>76,550,933</u> | <u>432,295,888</u> | <u>52,304,855</u> |
| | <u>1,563,372,811</u> | <u>1,387,533,921</u> | <u>1,495,347,331</u> | <u>1,309,371,811</u> |

(32) INCOME TAX

Income tax liability for the year 2000 was computed in accordance with the Jordanian income tax law (57) for the year 1985 and its subsequent amendments, the last being law (14) for the year 1995 which came into effect on January 1, 1996, and in accordance with the income tax laws applied in Palestine. The Bank reached final settlement with the Income Tax Department up to 1999 for Jordan branches and up to 1998 for Palestine branches.

(33) 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 Bank's lending, facilities and

investment activities, where fluctuations in interest rates are reflected in interest margins and earnings.

Management controls such risks through the monitoring of interest rates on assets and liabilities as part of its risk management strategy.

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, 2000 and 1999 are as follows:

December 31, 2000

| 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 | 172,655,156 | 53,459,228 | 32,774,500 | 709,000 | 39,382,695 | 298,980,579 |
| Deposits at Central Banks | 38,800,000 | 189,400,000 | 71,000,000 | - | 124,202,469 | 423,402,469 |
| Trade investments | 6,921,645 | - | - | - | 41,420,898 | 48,342,543 |
| Government bonds, debentures and treasury bills | 8,892,178 | 2,763,168 | 131,535,242 | 15,815,550 | - | 159,006,138 |
| Credit facilities, net | 129,499,210 | 25,320,199 | 103,698,721 | 298,093,288 | - | 556,611,418 |
| Long term investments, net | 75,000 | 45,512,745 | - | 10,800,000 | 20,641,919 | 77,029,664 |
| Real estate investments, net | - | - | - | - | 13,111,139 | 13,111,139 |
| Fixed assets, net | - | - | - | - | 22,345,081 | 22,345,081 |
| Other assets | - | - | - | - | 24,992,458 | 24,992,458 |
| Total assets | 356,843,189 | 316,455,340 | 339,008,463 | 325,417,838 | 286,096,659 | 1,623,821,489 |
| Liabilities | | | | | | |
| Customers' deposits | 716,524,547 | 197,612,292 | 145,996,725 | - | 149,256,338 | 1,209,389,902 |
| Banks and financial Institutions deposits | 21,083,805 | 4,907,974 | 17,088,294 | - | 13,778,857 | 56,858,930 |
| Loans and advances | 728,852 | 257,704 | 1,759,668 | 46,974,114 | - | 49,720,338 |
| Margin accounts | 6,289,492 | 4,294,752 | 17,473,672 | 827,734 | 2,320,314 | 31,205,964 |
| Sundry provisions | - | - | - | - | 9,305,360 | 9,305,360 |
| Other liabilities | - | - | - | - | 31,053,427 | 31,053,427 |
| Shareholders equity | - | - | - | - | 236,287,568 | 236,287,568 |
| Total liabilities & Shareholders' equity | 744,626,696 | 207,072,722 | 182,318,359 | 47,801,848 | 442,001,864 | 1,623,821,489 |
| Interest rate sensitivity | (387,783,507) | 109,382,618 | 156,690,104 | 277,615,990 | (155,905,205) | - |
| Cummulative interest rate sensitivity gap | (387,783,507) | (278,400,889) | (121,710,785) | 155,905,205 | - | - |

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

December 31, 1999

| 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 Central Banks | 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 | - | - | - | - | 16,561,353 | 16,561,353 |
| Total assets | 93,133,020 | 475,729,778 | 273,944,911 | 371,648,952 | 334,452,260 | 1,548,908,921 |
| Liabilities | | | | | | |
| Customers' deposits | 328,822,587 | 525,519,888 | 119,574,507 | - | 149,167,816 | 1,123,084,798 |
| 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 | - | - | 30,509,743 | - | - | 30,509,743 |
| Sundry provisions | - | - | - | - | 12,734,943 | 12,734,943 |
| Other liabilities | - | - | - | - | 30,407,647 | 30,407,647 |
| Shareholders' equity | - | - | - | - | 239,537,110 | 239,537,110 |
| Total liabilities and Shareholders' equity | 337,994,516 | 574,364,280 | 151,484,250 | 48,521,842 | 436,544,033 | 1,548,908,921 |
| 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, 2000 are as follows:

| ITEM | Less than a month | One to three months | Three months to one year | Over one year | Total |
|----------------------|-------------------|---------------------|--------------------------|---------------|-------------|
| Letters of guarantee | 11,490,771 | 16,772,569 | 37,879,215 | 20,271,864 | 86,414,419 |
| Drafts | 4,633,900 | 7,713,208 | 19,843,455 | 13,336,144 | 45,526,707 |
| Letters of credit | 11,584,650 | 28,740,325 | 22,847,703 | 5,849,516 | 69,022,194 |
| Loan commitments | 45,728,472 | - | - | - | 45,728,472 |
| Total | 73,437,793 | 53,226,102 | 80,570,373 | 39,457,524 | 246,691,792 |

Fair Values

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 as of December 31, 2000 is JD 282,489,830.

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.

(34) RECENTLY ISSUED STANDARDS

The International Accounting Standards committee has issued International Accounting Standards (39) "Financial Instruments - Recognition and Measurement" that became effective for financial statements covering financial years beginning on or after January 1, 2001. The Bank will adopt this standard commencing the year 2001.

The result of adopting this standard on the Bank's investments as of December 31, 2000 is an increase of approximately JD 1,800,000 against the balance of retained earnings.

(35) LITIGATION

In the normal course of business the Bank appears as a defendant in a number of lawsuits totaling approximately JD 10,750,000 and as a plaintiff in lawsuits raised by the bank on others for approximately JD 22,880,000. The Bank's Management believes that the outcome of such lawsuits will be favorable to the bank.

(36) RECLASSIFICATIONS

Some of 1999 balances were reclassified to correspond to the year 2000 presentation.