



بنك الإسكان للتجارة والتمويل

The Housing Bank for Trade & Finance

A Jordanian Public Shareholding Limited Company
Amman - Jordan

29th Board of Directors Report For the Year Ending December 31,2002

Head Office

Amman/ Abdali - Parliament Street

P.O.BOX (7693), postal code Amman (11118) - Jordan

Telephone 00962-6 (5667126, 5607315)

Facsimile 00962-6 (5678121)

Email:Quality@hbtfc.com.jo

www.the-housingbank.com

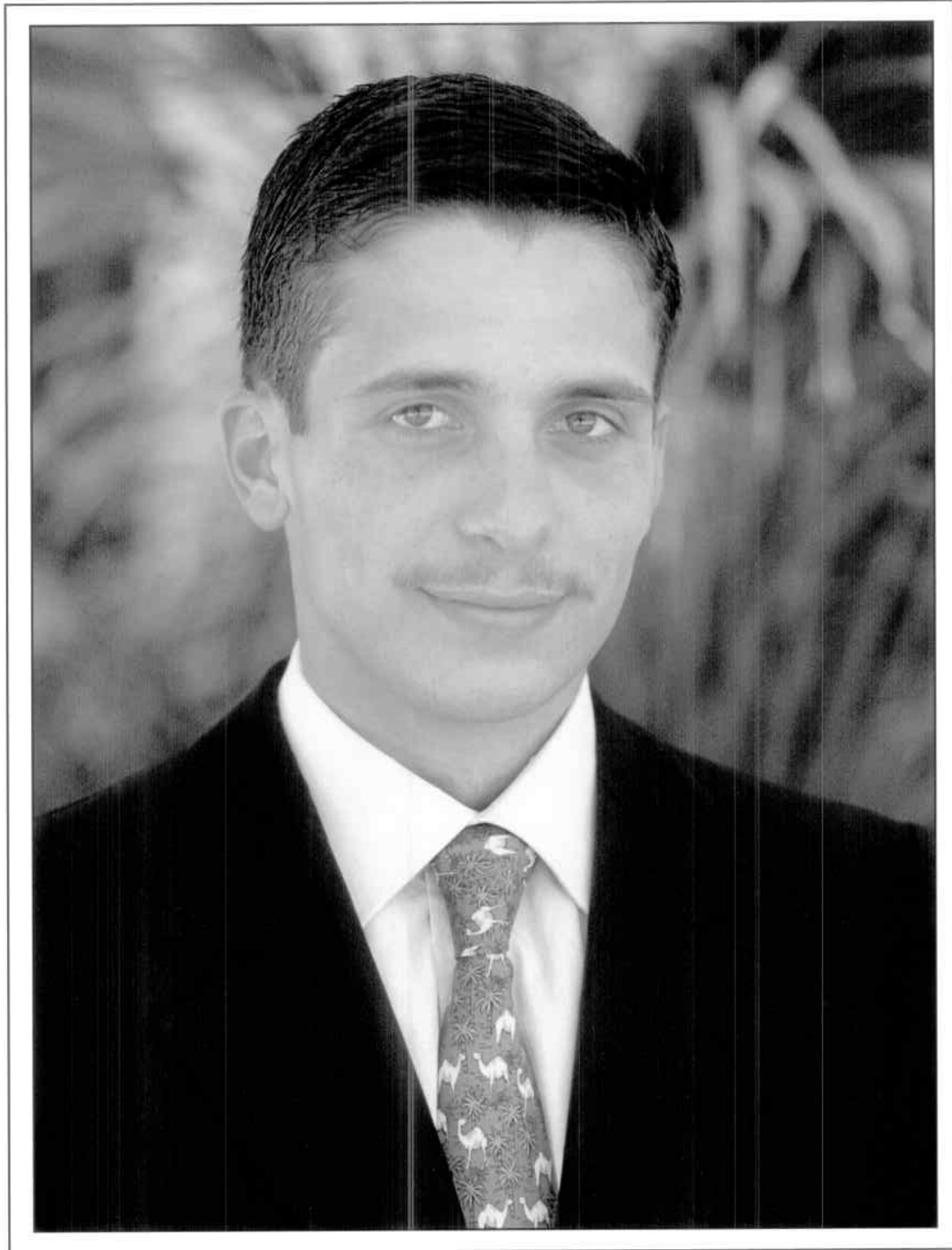


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His Majesty
KING ABDULLAH II BIN HUSSEIN



**His Royal Highness Crown Prince
Hamzah Bin Hussein**

The Bank's Vision

The Bank's Vision



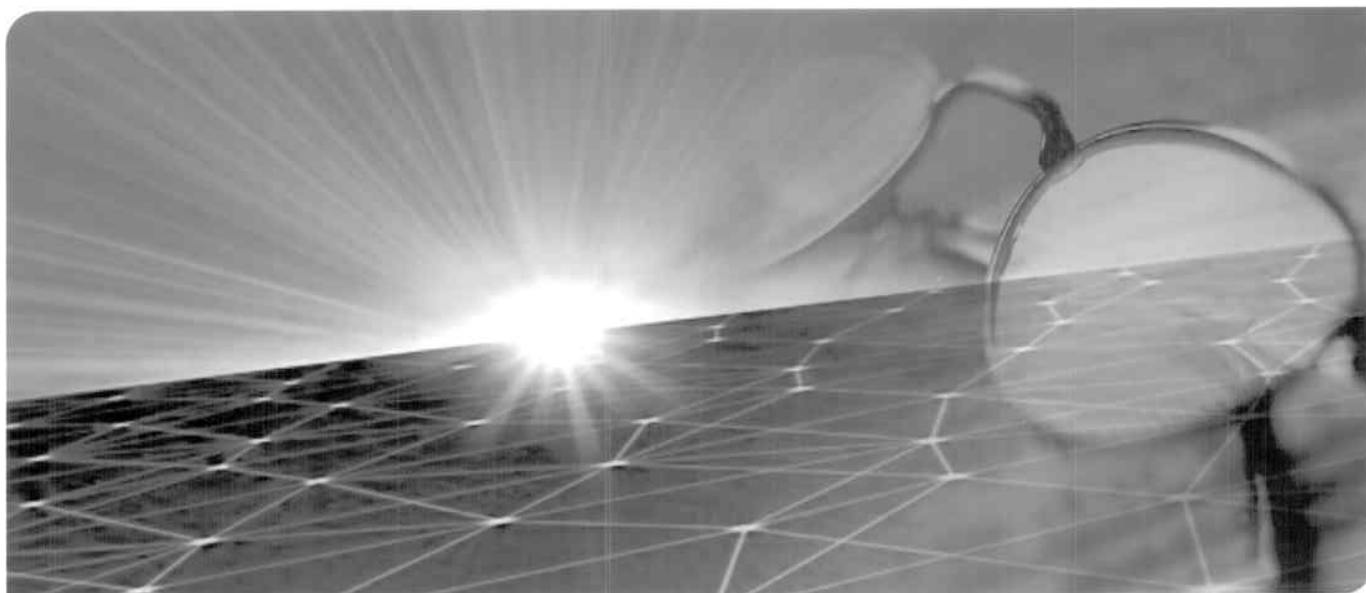
The Bank for Trade & Finance

The Housing Bank for Trade & Finance

بنك الإسكان للتجارة والتمويل

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The Bank's Vision



Our Vision

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

Our Mission

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

Our Policy

Adopts total quality management T.Q.M to enhance the value of the firm, financially and socially, and increase ROE in order to become a leader in domestic & regional banking markets.

Our Core Values

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

Success in a changing world

Innovative financial institutions are those who cope with new trends in banking & finance, operate according to international standards and who are customer oriented. Those are the successful's.



The Housing Bank for Trade & Finance, founded in 1974, coped with change and new developments in banking industry.

The bank has been a leader in developing the traditional banking to innovative value - added business, and has a sound track record, leading position in local market, good reputation & high international ratings.

It looks forward to the year 2003 to achieve excellent performance and strategic goals.

Facts & Figures

(1)-The Bank enjoys a strong capital base, distinguished by wide Arab & Islamic shareholdings, and so it gained the trust of large Arab & international financial institutions, which facilitated its expansion to potential Arab markets.

It is the first bank in Jordan according the following quantitative & qualitative standards:

- Capital, which amounts to JD (100) million, equivalent to USD (141) million.
- Shareholders equity, which amounted to JD (265.2) million, equivalent to USD (374.5) million.
- Branch network of (100) all over Jordan & Palestine .
- Wide range of retail products & delivery channels. Its is the largest retail bank in Jordan.

(2)- Leadership in banking technology.

The Bank was described as the leader in E-banking in domestic market by certain international rating agencies.

The Bank is also the first bank in Jordan in terms of:

- The Largest ATM network of (150) machines, which from(46%)of total ATMs of all operating banks in Jordan.
- Paperless environment which is applied through E-mail between various operation centers in head office & branches.
- The first bank in Arab market to introduce mobile bank service.
- Introducing Internet banking service, through the use of Visa Electron card.
- Introducing call center.
- Introducing virtual branches.
- Introducing home & phone bank.
- The first Arab bank to introduce mobile ATM on a van, which wanders commercial & residential sites.

(3)- Domestic & Arab Awards

- The bank won King Abdullah II Award for Excellence2000, the highest national award.
- It won the Arab Quality Award 2001.
- It won excellence award from E-Jordan 2002 conference.
- It was the first and only bank in Jordan & Arab world to acquire the ISO 9001/2000 international quality certificate, new version.

(4)- High International Ratings

- The bank maintained for the second time the rating of BBB on domestic strength, the highest among Jordanian banks, and BB- on foreign currency long-term liabilities, the highest possible according to sovereign rating limit, from M/S Capital Intelligence. Outlook was changed from stable to positive, in the latest rating report issued on July 2002.
- The bank got a rating of (BB-) on long-term foreign currency liabilities, which is the sovereign rating limit and (B) on short-term foreign currency liabilities from M/S Fitch Ratings in 2002.
- The bank was ranked (23) among (183) of the biggest corporations in the emerging markets, according to Euromoney ranking, July 2002 and obtained high scores, including:-

1-Financial transparency, the score is 92%.

2-Board structure & process 100%.

3-Stakeholder relation 100%.

On domestic level, the bank came first according to the above mentioned criteria.

(5)- The bank adopts the following strategic guidelines:

- Strategic planning and management by objectives in order to achieve excellence in service and leadership in Jordanian banking market.
- It applies total quality management T.Q.M in various activities.
- It adopts a strategy of continuous product & delivery channels development to meet the needs of all customers categories.
- It has a commitment to build a new corporate culture and grow innovative leaders.
- It applies performance-based compensation and promotion policy.
- It has a strategy for achieving customer satisfaction.

(6)- It is the first bank in Jordan which applied control & risk self assessment.

Dear Shareholders;

Success and excellence in banking rely on certain strategies, which enable banks to strengthen their financial position, increase return on equity and cope with change and development in banking industry. Strategic planning, management by objectives and commitment to change and innovation were the guidelines of our bank in the past years.

So, the bank continued in developing and diversification of its products & services in order to meet the needs of its retail & corporate customers. The bank was able to make distinctive achievements in various activities, compared with the banking system, in the year 2002.

On behalf of the board of directors, I have the pleasure to present to you the 29th annual report. You will notice that despite the difficult economic environment on local and regional levels, which affected all sectors including the banking system, our bank maintained its leading financial position in local market.

While reviewing the financial statements in our annual report, you will find out that our bank made increasing growth rates in major financial indicators. The bank's balance sheet showed increased growth as total assets rose to JD (1,769.5) million as of December 31, 2002 against JD (1,708.8) million at the end of 2001, a growth of JD (60.7) million or (3.5%).

The bank continued to strengthen its capital base with additional funds. Reserves increased & shareholders equity grew by JD (8.7) million or (3.4%). It amounted to JD (265.2) million, at the end of 2002 against JD (256.5) million, at the end of 2001. Thus, the bank has maintained its first rank according to this indicator in local banking market. Various reserves contributed to high capital adequacy ratio i.e (29.5%) at the bank, exceeding by far the Central Bank of Jordan minimum requirement i.e (12%) and B.I.S minimum standard ratio of (8%).

At the same time, net interest and commission income increased to JD (63.8) million in 2002, against JD (60.8) million in 2001, a growth of JD (3) million or (4.9%), which reflected improved management of invested funds and rationalization of expenses. Non interest income also rose to JD (13.6) million in 2002, against JD (11.4) million in 2001, a growth of (19%), which came in line with the universal trend to concentrate on non interest income. Net operating revenues rose significantly to JD (77.4) million in 2002 against JD (72.2) million in 2001, a growth of JD (5.2) million or (7%). Net operating income rose to JD (28.8) million in 2002 against JD (26.1) million in 2001, a growth of JD (2.7) million or (10.3%).

In regard to saving & deposits attraction, the bank maintained its leading position, Its depositors base has widened and total deposits grew to JD (1,363.8) million at the end of 2002, against JD (1,313.2) million at the end of 2001, a growth of JD (50.6) million or (3.8%).

The bank continued playing its active role in economic development by providing credit & finance to meet the market needs, with focus on good & low risk lending opportunities, in order to maintain a high quality loan portfolio. Total loans and credit facilities granted to retail customers and various economic sectors including large, medium and small businesses amounted to JD (364.5) million, in the year 2002.

Despite the decline of interest rates on local, regional & international levels and the difficult economic & operation environment, the bank was able in the year 2002 to maintain the same level of profitability as in 2001. Profits of 2001 included capital gains (non operating profits) of JD (3.9) million, which exceeded the capital gains of 2002 by JD (2.5) million, reflecting the sound strategy by the bank to achieve sustained growth in operating profits.



Net income before tax and other charges amounted to JD (30.1) million in the year 2002, against JD (30) million in 2001. Actual profit in 2002 exceeded the targeted income in budget by (12%). Net income amounted to JD (21.95) million in the year 2002, against JD (21.94) million in 2001.

The bank made an outstanding performance and achievements in 2002 including the goals of its strategic plan. These goals achieved included strengthening the bank's financial position according to various indicators, continuous development of products, services and traditional & electronic delivery channels, in order to meet market trends and the needs of retail & corporate customers. The bank relied on its IT strategy and was described by certain international rating agencies as a leader in banking technology, among Jordanian banks.

Moreover, the bank has applied an integrated strategy for human resources development, in order to have competent bankers able to deal with sophisticated financial & investment instruments. The bank continued to implement its expansion policy into potential Arab markets, depending on its strong capitalization, whereby it has obtained a licence to establish a branch in Bahrain Kingdom, to be opened in early 2003. The bank has also obtained a licence to establish a subsidiary bank in Algeria i.e The Housing Bank for Trade & Finance / Algeria, with the participation of private Arab financial institutions. It is expected to start operations during the second half of the year 2003.

The bank has also got the approval of the Syrian council of ministers to establish a subsidiary bank with a capital of USD (30) million, in participation with private Syrian investors. The bank's stake will be (49%) and the licence is expected to be issued during the year 2003.

In view of these results, the board of directors recommends paying a dividend of (15%) 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 2003.

I would like to take this opportunity to express sincere thanks and gratitude to our government for cooperation with the banking system, enabling it to play an active role in the socio-economic development. I would particularly express thanks to the Central Bank of Jordan, for following a wise monetary policy, leading to the stability of monetary conditions and the Jordanian Dinar exchange rate, and for its continuous development of the banking system.

I would also extend thanks and appreciation for our Arab major shareholders representing 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, as well as all employees who are always loyal and make relentless efforts.

May God guide us in serving our institution & country under the leadership of His Majesty King Abdullah the Second Bin Hussein and His Royal Highness Crown Prince Hamzah.



Zuhair Khouri
Chairman of the Board

BOARD OF DIRECTORS

CHAIRMAN :

Mr. Zuhair Khouri

VICE CHAIRMAN :

Mr. Othman Mohammad Bafagih

(Representative of Capital Investments Holding Co. / Bahrain)

MEMBERS :

Sheikh. Khalid Salim Bin Mahfouz

Mr. Abdullah Saudi

Mr. Ahmad Tahoos Al Rashed

Mr. Sa'ad Al Henaidi

(Representatives of Kuwait Real Estate Investment Consortium / K.S.c).

Mr. Ahmad Abdel Fattah Saleh Abu Obeid

Mr. Abdel Rahman Mohammad Mustafa Al-Jada *

(Representatives of Social Security Corporation- Jordan).

Mr. Abdul Latif El-Kip

Mr. Ahmad Faraj Ali Balkhair **

(Representatives of Libyan Arab Foreign Bank)

Sheikh. Ali Bin Jasim Al Thani

(Representative of Ministry of Finance, Economy & Commerce /Government of Qatar)

Mr. Sayed Abul Hassan Marashi ***

(Representative of Iran Foreign Investments Company)

Mr. Abdel Qader Dweik/ General Manager

AUDITORS: Saba & Co.(Member of Deloitte & Touche) - Ernst & Young .

*Mr. Abdel Rahman Mohammad Mustafa Al-Jada was appointed as new representative of Social Security Corporation / Jordan as of October 10,2002.

**Mr. Ahmad Faraj Ali Balkhair was appointed as new representative of Libyan Arab Foreign Bank, to replace Mr. Ammar Ruwimi as of January 8,2002.

***Mr. Sayed Abul Hassan Marashi was appointed as representative of Iran Foreign Investments Co. to replace Mr. Sayyed Shareef Radhawi as of June 15,2001.

BOARD OF DIRECTORS



Mr. Zuhair Khouri



Mr. Othman Bafagih



Mr. Abdullah Saudi



Mr. Ahmad Tahoos Al Rashed



Mr. Sa'ad Al Henaidi



Mr. Ahmad Abdel Fattah



Mr. Abdel Rahman Al-Jada



Mr. Abdul Latif El-Kip



Mr. Ahmad Faraj Balkhair



Sheikh. Ali Bin Jasim
Al Thani



Mr. Sayed Abul Hassan Marashi



Mr. Abdel Qader Dweik

EXECUTIVE MANAGEMENT

| | |
|--------------------------------------|--|
| Zuhair Khouri | Chairman/ Executive president |
| Abdel Qader Dweik | General Manager |
| Oudeh Khalil | General Inspector. |
| Mohye Ddin El-Ali | 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 Ghazi Hussein 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. |
| Sultan Al Zu'bi | Executive manager of commercial credit. |
| Ibrahim Daher | Executive manager of commercial properties & services. |
| Awad Fadayel | Executive manager of foreign banking, treasury & investment. |
| Mahmoud Rifa'i | Executive manager of human resources. |
| Kamal Yagmour | Executive manager of Jordan branches. |
| Robeen Ga'abari | Executive manager of banking operations. |
| Fatina Gheshan | Executive manager of training. |
| Mohammad Farhan | Executive manager of products development & management. |
| Faisal Hosni | Executive manager of IT systems. |
| Ihab Saadi | Executive manager of corporate finance. |
| Saleem Jarrar | Legal consultant . |
| Mohammad Bargothi | Regional manager/ Palestine branches. |

بنك الإسكان للتجارة والتمويل
Housing Bank for Trade & Finance

بنك الإسكان للتجارة والتمويل
Housing Bank for Trade & Finance



2002 - A Successful Crossing Year
2002 - A SUCCESSFUL CROSSING YEAR



2002

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2002 - A Successful Crossing Year

The year 2002 witnessed quantitative and qualitative achievements as the result of the executive management's commitment to change, innovation, strategic planning and institutional work.

It was a year of successful crossing to developed commercial and investment banking business, despite the difficult regional political & economic environment, which has witnessed rapid developments.

The bank achieved good growth rates in different financial indicators and maintained its leading position in domestic banking market and market share. The bank increased return on assets & equity and improved profitability, while balancing between risk and return, improving service quality and customer satisfaction. Productivity & operating efficiency improved through risk control, operations streamlining and cost reduction.



Major Financial Indicators

Strategic goals were achieved as well as operating targets for 2002, during which the bank made good and balanced growth rates in major financial indicators as follows:

Balance Sheet

The bank's balance sheet showed increased growth. Total assets amounted to JD (1,769.5) million at the end of 2002, against JD (1,708.8) million at the end of 2001, a growth of (3.5 %).

Shareholders Equity

The bank continued in strengthening its capital base as reserves were increased, and shareholders equity amounted to JD (265.2) million, at the end of 2002, against JD (256.5) million, at the end of 2001, a growth of (3.4 %). Thus, the bank maintained the first rank, according to this criterion in local banking market.

Net Interest & Commission Income

Net interest & commission income increased to JD (63.8) million in 2002, against JD (60.8) million in 2001, a growth of (4.9%).

Non-Interest Income

Non-Interest income amounted to JD (13.6) million in 2002, against JD (11.4) million in 2001, a growth rate of (19%).

Operating Revenues

Net operating revenues rose to JD(77.4) million in 2002, against JD (72.2) million in 2001, a growth of (7%).

Net Operating Income

Net operating income increased and amounted to JD (28.8) million in 2002, against JD (26.1) million in 2001, a growth of (10.3%).

Net Income before Tax

The bank maintained its balanced & sustained growth of profit, despite the decline of interest rates on domestic, regional and international levels and despite the difficult local and regional operation environment. Net income before tax and other charges amounted to JD (30.1) million in 2002, against JD (30) million in 2001. Actual profit exceeded targeted income in the budget by (12%) in 2002 . Net income amounted to JD (21.95) million, against JD (21.94) million in 2001.

Capital Adequacy

Various reserves contributed to high capital adequacy ratio of (29.5%), which exceeded by far the minimum standard ratio required by the Central Bank of Jordan i.e (12%) and B.I.S minimum ratio of (8%). These results confirm the opinion of Moody's Investor Service in its rating report, that HBTF has strong franchise, large & stable funding (sources of funds), excellent capital adequacy and improving liquidity.

It is worth mentioning the bank was ranked (58) 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 2002/ issue.

Total Assets Growth
In Million of JDs



Shareholders Equity Growth
In Million of JDs



Deposits

Despite increased competition, the bank maintained its leading position in attracting deposits and managed to further enlarge its wide depositor base, which was always a characteristic of its deposits structure. This was the result of the trust it enjoys among various categories of Jordanian Society, and its financial soundness as well as various marketing and promotion efforts and excellent services provided at branches.

Total deposits at the bank increased to JD (1,363.8) million at the end of 2002 against JD (1,313.2) million, a growth of JD (50.6) million over 2001.

Regarding the bank's leading role in attracting households deposits, it has maintained its first rank in saving deposits despite increased competition. The bank continued in developing its saving accounts prizes system (lottery scheme) as well as prizes of Kinz certificates and other saving programs.

The bank has also developed its market communication strategy to include new marketing & promotion programs & techniques.

The saving accounts balances at the bank recorded substantial growth in 2002. In this regard the bank's share is (46.8%) of total saving accounts balances at the Jordanian banking system or (88 %) of those at other operating banks in Jordan.

Deposits Growth
In Million of JDs



The Bank's Major Financial Indicators

In Million of JDs

| ITEM / YEAR | 1998 | 1999 | 2000 | 2001 | 2002 |
|---|---------|---------|---------|---------|---------|
| Cash, balances & deposits at banks | 493.6 | 658 | 721.9 | 623.1 | 670.5 |
| Total loans & credit facilities / Net | 677 | 609.1 | 556.6 | 584.7 | 600.0 |
| Customers' deposits | 1,045.5 | 1,123.1 | 1,209.4 | 1,239.3 | 1,278.1 |
| Banks & financial institutions' deposits | 21.8 | 59.9 | 56.4 | 73.9 | 85.7 |
| Total deposits | 1,067.3 | 1,183 | 1,265.8 | 1,313.2 | 1,363.8 |
| Capital and reserves (shareholders, Equity) | 236.9 | 239.5 | 236.3 | 256.5 | 265.2 |
| Net profit (after tax & other charges) | 24.6 | 17.6 | 11.8 | 21.94 | 21.95 |
| Total Assets/ Liabilities | 1,417.7 | 1,549 | 1,623.2 | 1,708.8 | 1,769.5 |

Retail Banking Services

Retail banking is the key strategic activity for the bank and so, many marketing & promotion initiatives were carried out. Moreover, restructuring of operation centers and branches was made in order to improve productivity and profitability of retail operations, according to an ambitious strategy. The bank has maintained its leadership in traditional retail & E-banking.



The year 2002 has witnessed many innovations through the introduction of new retail banking products & services as well as new delivery channels, based on market research & customers needs surveys.

Electronic Banking Products & Delivery Channels :

ATM network efficiency was improved and ATM services were diversified. The bank's ATM network provide services around the clock, and distributed in front of branches, commercial centers, malls, universities and crowded areas, all over Jordan.

The bank was the first in Jordan and Arab world to introduce a mobile ATM on a van in 2002, which wanders and provide services in strategic commercial & residential areas.

The bank has the largest ATM network of (150) machines, which form (46%) of all ATMs of operating banks in Jordan. With the development of ATM services & relocation of certain machines, Visa Electron cards, issued to customers grew to (457,112), which enable holders to get ATM service and pay for their purchases through P.O.S machines in shopping centers in Jordan & around the world.





Under the strategy of electronic banking orientation and customer self service, the second phase of the Internet banking/corporate which included E-commerce/ E-business, was completed. Iskan Internet shopping card witnessed more acceptance by customers, and cards issued increased to (956) by the end of 2002.

Electronic products and services provided through other delivery channels were developed and diversified, including the three virtual branches at Rabia Commercial Center, Le Meridien Hotel and City center in Amman. Moreover, Call center which provides 50 direct banking services was improved. Its is planned to implement the contact center, which is the second phase (outbound) in the year 2003, so that Call Center would become a promotion & phone sale center. Furthermore phone and home bank services were diversified.

Mobile bank services will be developed through the introduction of Wab-Cash in 2003, so that customers could use it in payment of their purchases in various shopping centers.

Credit Cards

There was a significant increase in the number of credit cards issued by the bank in 2002, as the result of concerted marketing & promotion efforts by different divisions in the bank, as well as encouraging incentives. Visa cards issued in 2002 were (3,199) and so total cards issued by the bank reached (9,029) by the end of 2002.

Moreover, ordinary and platinum Master cards issued till the end of 2002 were (2,297). Visa credit card is planned to be issued next year and feasibility of issuing smart cards will be considered.



Rtail Products and Saving Programs

Developing and diversification included also saving and personal finance programs. Ajjal, (generations) program which includes saving and life insurance, monthly saving accounts cash prizes scheme, car prizes and Kinz certificate prizes, were all developed. The bank improved its competitiveness in saving accounts , whose balance increased significantly in 2002. Thus the bank maintained its first rank in saving accounts in local market.





Regarding individual finance needs, the bank continued to develop & diversify its personal finance programs including: education loans for students in schools and universities (Bawasel), Car loans (My Car), medical expenses loans (Salamatokom), household appliances loans (My Home), tourist vacation loans (My Vacation), professionals loans (The Successful) for financing the needs of professionals, such as doctors & engineers. Advances programs for public and private sector employees were also developed. Personal loans granted by the bank in 2002 totaled JD (111.2) million.



The bank continued in 2002 to meet housing finance needs of all categories of society, particularly low-income groups, through its direct mortgage loans to individuals. It has also provided finance to the projects of the Public Housing & Urban Development Corporation, which benefit the public & private-sectors employees. Moreover, the bank continued to provide finance to real estate developers who build housing projects for high and low-income groups.

Total housing loans granted by the bank to individuals amounted to JD (13.5) million, at reasonable interest rates, which match the market rates and affordable by beneficiaries.

On other hand, the bank increased its sub agent network, which provides Westren Union express money transfers from & to (189) countries around the world. The network now includes all the bank branches i.e (96) and eight sub agents including Jordan Kuwait Bank, Arab Banking Corporation (A.B.C) as well as other financial institutions and thus the number of sites providing such services became (135). Number of express transfers showed noticeable growth.

Under marketing communication strategy and to keep close contact with existing and potential customers, the performance of direct sale center was developed through supporting it with specialized staff.

Sale skills of branch managers and customer service staff were upgraded under the bank,s policy of converting branches to direct sale centers. Seminars and listening sessions were held in order to know customers views and proposals, as well as marketing and selling banking products to them. Special dealing rooms for customers were provided in some branches, to enable them watch trading on Amman stock exchange on line, and invest in buying and selling stocks.

Under the model branch project, (7) branches were renovated and redecorated in 2002. Thus, total renovated branches has come to (30). VIP halls were increased and distributed among major branches to provide convenient environment for customers.

Credit Operations

Assuming the role in socio-economic development, the bank continued in meeting the market demands of credit, focusing on good lending opportunities of high return and low risks. The bank's credit strategy is well advised and aims to maintain a high-quality loan portfolio, of low concentration and balanced exposures, distributed on economic sectors according to their relative importance, potential growth, performance forecasts and contribution to national economy.



Total loans and credit facilities granted by the bank in 2002 amounted to JD (239.8) million. They were granted to sectors of better performance, whether directly or through participation in syndicated loans. The bank participated in a syndicated loan amounting to JD (27) million to the government, from a total of JD (75) million, which would be granted on several phases.

The bank paid special attention to medium and small business projects, because of their vital role in economic development and alleviating unemployment, particularly the socio-economic transformation program in Jordan.

Export industries were given special attention in the bank's credit strategy, in line with the national policy of encouraging exports, as the main engine of growth. The bank continued to provide a program of export finance advances, which amounted to JD (8.6) million. This program aims to finance exports of at least (25%) added value and the advances are refinanced by the Central Bank of Jordan.

The bank continued playing its role in increasing trade exchange between Jordan & Arab countries, through the activation of export & import credit lines, which include the following :-

-Arab Trade Finance program/ Abu Dhabi:

The bank provided export finance to 11 amounted to USD (7.9) million. This program aims to promote imports of at least (40%) added value from Arab countries as well as exports of Arab countries to the world, particularly those of at least (40%) added value.

-Import & Export finance line with Islamic Development Bank/ Jeddah:

(11) operations, totaling USD (2.1) million were executed, in 2002.

These programs aim to promote trade exchange among Arab countries and provide customers with indirect credit facilities at competitive rates as well as increase import & export L/Cs revenues.

New finance programs were introduced such as lease finance, and factoring, which enables businesses to liquidate (discount) deferred payment invoices of their customers.

Developing credit policy & procedures continued, including total review of credit strategy and risks, 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 the standard ratios in banking market and to have a high-quality loan portfolio.

The bank realized the importance of lowering credit risks and continued to apply risk rating system for commercial borrowers, accredited from Moody's, and credit scoring system for retail borrowers.

Work also continued on developing customer profitability measurement system in order to identify profitable customers.

Corporate Finance

To exploit the continual appearance of new debt and equity opportunities, the bank during the year 2002 developed and emphasized the role of the corporate Finance Department.



The role of the bank in this field became more vivid where it is currently involved in a number of project financing transactions in Jordanian infrastructure projects on BOT and BOOT basis such as Disi-Mudawarra to Amman Water Conveyance System, As-Samra Wastewater Treatment Plant and many others.

The bank is contributing sizeable debt and or equity financing.

Furthermore, the bank has acted as the local financial advisor on one of the BOT projects and its plans for 2003 include among the above activities, to further activate the financial advisor role in the area of privatization.

It should be mentioned that the Corporate Finance Department was developed in mid 2001 to be the Housing Bank for Trade & Finance deal structuring, investment and financial advisory arm in the major, large-scale private and governmental projects.

The Corporate Finance Department offers three distinct core competencies and services :

1. Direct Equity Investment Deals:

This is offered and performed to both the bank and clients and includes all activities taken to buy or sell direct investments including managing third parties.

2. Financial and Investment Advisory:

This comprises numerous services ranging from valuations, evaluation studies, private placements, restructuring, privatizations advisory, due diligence reviews, bond issues, mergers and acquisitions advisory and negotiation support.

3. Debt Structuring :

Identifying, pursuing and structuring large scale debt transaction, mainly through project financing, undergoing due diligence process including third party assistance of legal and technical matters and bridging the debt transaction to the Bank's Credit Department.



Treasury and Investment Banking

The bank increased its efforts during the year 2002 in treasury and investment banking activities and foreign exchange services. The aim was to increase market share and maintain the bank's leading position in domestic market, through developing new investment banking products, to meet customer needs, while avoiding the risks of turbulence and rapid fluctuations in local, regional & international capital markets.

Treasury

The bank confirmed its leading position in treasury activities, which include investing in capital & money markets instruments in local and foreign – currency, both on domestic and international levels. It also include management of gaps in amounts and maturity dates.



The bank was able to make good returns, despite the continuous decline of interest rates on Jordanian Dinar and US Dollar in 2002. The bank made 149% of the targeted return, by the end of December 31, 2002.

The bank maintained its leading position in foreign exchange services provided to customers, particularly margin and account / account trading. The bank's market share of such activities is estimated at 30%. It also continued playing its leading role among local competitors as a market maker for JD & foreign currency treasury activities, as well as assets & liabilities management and currency exchange services. The bank has a plan to introduce several new products during the next year 2003 in foreign exchange, money markets and derivatives including currency & interest rates futures & options as well as interest rates and currency swaps.

To realize such purpose, the bank has established a specialized division to deal with such sophisticated instruments and their derivatives. The bank has provided Treasury System to automate functions and accounting of such instruments.



Correspondent Banks and International Banking Operations

The bank continued to develop its correspondent banks network around the world and adopted latest techniques for providing international banking services to its customers and correspondents.

The bank also developed an advanced system for management of relations with international banks as well as a new system for analysing financial statements of correspondent banks, based on latest international standards.

Investment in Stocks

Jordan Capital Market :

The bank is keen to develop investment management services provided to customers. Thus, it has continued to float the units of the Housing Bank for Trade & Finance fund which is an open-ended mutual fund, investing in Jordanian securities.

The fund was launched on October 1, 2001 and met success, by receiving large subscriptions. The fund's assets increased by (187%) in 2002 and made good return compared with the index of Amman stock exchange and opportunities available in money market. Net value of unit amounted to JD (117.796) and the return since establishment till the end 2002 was (14.21 %.)

The bank has also continued to provide portfolio management on full authorization from customers and made good results. Average return on such portfolios was (14%) in 2002.

Financial brokerage services, provided through International Financial Center Co., a bank's subsidiary, were also developed. Stocks trading orders are received by customer service staff in all the bank's branches and executed by competent staff, then settlement is made directly into customer's account.



Margin trading was totally reviewed to be more competitive and it has attracted new customers. A specially equipped hall at Stocks Investment Center was designated for customers use.

In regard to financial consultations service, Stocks Investment Center continued to issue weekly analytic reports of Amman & Palestine stock exchanges activity, as well as periodic analysis of selected public shareholding companies, to help investors take sound investment decisions. The bank has also provided a model of financial analysis on the bank's web site including financial & market indicators and fundamentals of all companies listed in Amman Stock Exchange.

The bank also provides other capital market services such as investment trust, securities depositing & safe keeping and underwriting.

Palestine Capital Market :

The bank provides services in Palestinian capital market through its subsidiary i.e Jordan & Palestine Financial Investments co. which is one of the leading brokers, and provides portfolio management for several clients, despite adverse conditions prevailing in Palestine.

Banking Technology and Systems Development

The bank made good efforts in 2002 to develop its IT base and infrastructure, which is a strategic base for developing all banking activities. The bank maintained its leading position in banking technology in local market, which was confirmed by certain international rating agencies.



Data bases and electronic communication network were upgraded, thus enabling the bank to develop and diversify banking products provided to retail & corporate customers, as well as delivery channels. Operation costs were reduced, productivity and service quality improved.

The following are the main achievements in this field in the year 2002 :

- Upgrading branch electronic communication system through building a modern network, and increasing the speed of internal network between head office & branches, with stand by technical arrangement to ensure continuous service.
- Increasing the capacity of (IBM / main frame - IBM Z series) and updating main operation systems by installing Zos as well as doubling data storage capacity on Shark system.
- Core banking system was internally developed and amended to be compatible with the new Zos operating system.
- Operating environment of PCs was converted to W 2000. Microsoft concepts were applied in management and control of the network.
- Completion of first phase of(Data warehouse), which is a main base for providing statistics and quantitative reports as well as integrated data base for customer segmentation & classification. It would be used for identifying profitable products and customer segments, developing new products to each segment as well as developing market research and bench marking.
- The bank started the second phase of Internet banking project i.e corporate Internet banking. Meanwhile it continued to develop Internet retail banking i.e Iskan on line, and operated Kiosks as Internet banking delivery channels, and activated the use of prepaid Internet cards on ATMs.
- The bank introduced the first mobile ATM in Jordan and Arab world, which is installed on a van wandering targeted areas in Jordan to provide electronic banking services.



The first mobile ATM in Jordan & Arab world.

- The bank introduced S.M.S service, an E-channel that allow customer to receive short messages on his mobile phone on banking services he likes, at convenient time, inside & outside Jordan.
- Services of mobile bank, call center, phone & home bank were updated and phone numbers of call center and phone bank were unified.
- The bank seeks to improve data security through implementing IT security project as well as branch automation and a new generation of ATM system.

Managerial & Human Resources Development

In implementation of its strategy of change & development, which is a key guideline in translating its vision to reality, the bank implemented various management development programs in 2002. Their aim was to improve management efficiency, staff productivity and performance as well as rationalization of operation costs and achieving excellence in services provided to customers.

Restructuring of many operation centers was carried out, whereby duties and responsibilities were redistributed, policies were reviewed and procedures were streamlined. The bank continued in applying total quality management T.Q.M.

The bank has got the **ISO 9001 / 2000** quality certificate, during periodic site inspections by S.G.S/ YARSLEY/ UK, accredited from U.K.A.S.

The bank continued to apply performance-based motivation and incentive programs, which have given good results in improving employees productivity and corporate loyalty.

The bank's recruiting policy focused on attracting highly qualified, competent and experienced staff of outstanding performance to fill in strategic vacant positions. New recruits are required to have at least B.Sc. degree, and pass special tests.

Promotion policy is based on disclosed criteria which include competence, performance and availability of vacant positions.

Training

In order to have qualified staff with deep banking knowledge and customer-service skills, the bank adopted a human research strategy in 2002 that focused on developing sales culture. Excellence in service project was adopted and included upgrading the skills of branch & operations managers and customer-services staff, through a set of training courses provided in collaboration with a local consulting institution.



The bank continued to apply universal teller & customer service concept in all branches, through banking operations programs as well as developing management & sales capabilities of branch managers, C.S. and tellers. The bank provided three programs of customer relation management, in collaboration with C.R.M Engine of Belgium, which is a major renowned training firm.

The bank sought to develop credit culture through a set of training courses, which were provided in collaboration with Moody's Risk Management Services. Moreover, new quality concept i.e six sigma was the subject of training courses provided in collaboration with MASET, of U.S.A. The bank continued to pay special attention to teaching English & French languages and P.C. skills to all staff.

In the year 2002, the bank provided a total of (2,916) training & study opportunities, some of them in collaboration with renowned training institutes.

The bank also nominated a number of its staff to get PH.D & Master degrees in various banking & finance disciplines, and seven employees to get certified financial analyst (CFA) certificate. (8) employees were nominated to study and get certified public accountant (CPA) & certified management accountant (CMA).

One employee got certified information system auditor CISA certificate and another one got certified investment & derivatives auditor CIDA certificate. Total number of employees nominated for study were 62 in 2002. It is to be mentioned the bank encourages employees to join online learning program on the Internet.

The bank continued to implement a plan to develop capabilities of selected group of staff through special academic study & special training courses, and made training plans to develop the skills of employees, to be appointed in new external branches.

The Growth of the Bank's Training Activities During 1998 - 2002

| NUMBER OF PARTICIPANTS | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|
| ITEM | 1998 | 1999 | 2000 | 2001 | 2002 |
| Training programs held at the Bank - based Training Center | 2,176 | 2,265 | 2,121 | 1,216 | 2,017 |
| Training programs held in collaboration with specialized local training institutions | 242 | 282 | 195 | 261 | 412 |
| Training courses held in Arab and foreign training institutions | 68 | 92 | 44 | 105 | 159 |
| Seminars | 363 | 113 | 972 | 992 | 303 |
| Master programs | 3 | 2 | 3 | 2 | 5 |
| C.P.A training course | - | - | - | - | 2 |
| C.M.A (Managerial accounting) | - | 3 | - | 4 | 6 |
| C.I.A (Internal auditing) | - | - | 3 | 6 | - |
| C.F.A Certificate | - | - | 1 | - | 7 |
| C.I.S.A | - | - | - | 1 | 1 |
| C.C.S.A | - | - | - | - | 2 |
| C.I.D.A | - | - | - | - | 1 |
| Call Center Certificate | - | - | - | 1 | - |
| M.C.S.E Certificate | - | - | 1 | - | - |
| B.C.I.P | - | - | - | - | 1 |
| Total | 2,852 | 2,757 | 3,340 | 2,588 | 2,916 |

External Expansion

The bank's strategy called for the expansion in potential Arab markets, through opening branches and/or representative offices and/or establishing joint banks, with Arab financial & investment institutions. The expansion goal is diversification of markets, and operating environments , so as to lower risks, invest surplus funds, and strengthen the bank's financial position by improving major performance indicators. In implementation of this



strategy, the year 2002 witnessed the following:

(1)- Bahrain

The bank acquired a license to establish a commercial branch, with a capital of USD (15) million from Bahrain Monetary Agency. In preparation for opening, qualified staff were appointed, site was selected, and the branch is being decorated and furnished. Strategies and operation plans were prepared by various departments in head office. The branch is expected to start operation in early 2003.

(2)-Algeria

The bank acquired a license for establishing a subsidiary bank in Algeria (The Housing Bank for Trade & Finance / Algeria) with an authorized capital of USD (30) million, of which paid up capital is USD (10) million. Major partners are as follows :

- The Housing Bank for Trade & Finance / Jordan with a stake of 52%.
- Libyan Arab Foreign Investment co. Lafico / Algeria, 15%.
- Algerian Kuwaiti Investments Fund, 10%.
- Capital Investments Holding Co. / Bahrain, 9%.
- Private Algerian investors, 14%.

Construction, technical and management work is underway as well as staff training. Strategies and operation plans were prepared and inauguration is expected in the second half of 2003.

(3)- Syria

The bank made good steps to get a license to establish a subsidiary bank with private Syrian investors, and a capital of USD (30) million, HBTF stake of which is 49%. License application was submitted to Syrian Central Bank and awaits final approval.

Social Role

Assuming its social role, the bank continued the interaction with its community, and social commitments programs were diversified with the support of the bank's management, who provided all means for that purpose. It also provided financial aid to charitable societies which care for low - income and other categories, all over Jordan & Palestine.



The bank participated and sponsored many national, social, charitable, cultural and artistic activities such as Water saving, traffic awareness, anti smoking and anti drugs campaigns, environment protection and children programs, including Arab children song festival, in collaboration with other parties.

Moreover, the bank sponsored programs for motivating intellectuals such as the late King Hussein award for journalistic excellence, made on initiative by H.M. King Abdullah II.

The bank provided university scholarships for employees children, who are distinguished in high school, to motivate them and deepen the bank's staff loyalty. It is the only bank in Jordan to take such initiative. Furthermore, it continued in supporting poor students funds in Jordanian Universities.

The bank also sponsored & participated in many local & Arab conferences such as the banking technology conference held in Amman & organized by the Union of Arab Banks, E-Jordan conference, Arab & the World conference which was held in Damascus, Economic & Investment Horizons, held in Abu Dhabi & Dubei, Hygiene conference held on the occasion of declaring Amman as Arab culture capital, Arab banking Horizons, held in Damascus, as well as seminars organized by Jordan Businessmen Association, Jordan Quality Society and other public & private institutions. The bank also made distinguished promotional exhibitions at these conferences.

Future Plan - 2003

The guidelines of the bank's strategic plan on medium term, starting with the year 2003 include providing the basis for a balanced and sustained growth, in the return on assets, equity and profitability. It relies on a credit policy which balances between risk and return and concentrates on asset quality and liquidity. It also includes a strategic goal of achieving service excellence and high levels of customer satisfaction and loyalty. Goals set for the year 2003 include the following:



1. Increase the bank's net worth through sustained and increased growth in profitability, expressed by return on equity and assets, while maintaining a sound financial position, in accordance with international standards, and high liquidity ratio, in line with the bank's policy.
2. Increase the bank's market share of different activities, through innovation and intensive marketing and selling, as 2003 is the year of sales culture at the bank.
3. Improving efficiency through streamlining of operations, attaining cost savings and improving service performance under the continuous application of total quality management T.Q.M.
4. Develop new banking products & electronic delivery channels (E-channels), which are consistent with market trends, meet customers needs & exceed their expectations. Moreover, diversify investment instruments within accepted risk levels, in order to increase the bank's market share and competitiveness.
5. Increase investment in banking technology and its utilization, so as to improve the bank's competitiveness, service performance, as well as diversify products and expand E-channels.
6. Develop human resources strategy, in accordance with new concepts, in order to have motivated & competent staff of high productivity. Moreover, link training with job needs through skill matrix, on job training & diversification of training. Focus would be made on building a motivating environment & corporate culture which encourage teamwork.
7. Achieve high level of customer satisfaction, which is a core value of the bank, through the continuous application of customer relation management C.R.M, the bottomline of which is customer loyalty.
8. Improve service quality, which is a comparative advantage enjoyed by the bank in local market, through confirming quality culture as to product & services as well as other performance aspects.
9. Continue in external expansion and branching in potential Arab markets, under the bank's relevant strategy, particularly in Bahrain, Algeria & Syria as well as exploring other opportunities.

بنك الإسكان للتجارة والتمويل
The Housing Bank for Trade & Finance

CONSOLIDATED FINANCIAL STATEMENTS
As of 31 December 2002 & 2001



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AUDITORS' REPORT

TO THE SHAREHOLDERS OF THE HOUSING BANK FOR TRADE AND FINANCE

We have audited the accompanying consolidated balance sheets of The Housing Bank for Trade and Finance (a public shareholding company) as of 31 December 2002 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the bank's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of the Bank as of 31 December 2001, the figures of which are shown for comparative purposes, were audited by another auditor whose report dated 28 January 2002 expressed an unqualified opinion on those statements.

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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Housing Bank for Trade and Finance as of 31 December 2002 and the consolidated results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards and we recommend that they be approved by the General Assembly.

The bank maintains proper books of accounts and the accompanying consolidated financial statements and the financial information in the Board of Directors' report are in agreement there with.

Mohamed A. Saadeh
Registration No. 518(A)
For Ernst & Young

Mazen K. Dajani
Registration No. 164(A)
For Saba & Co.
(Deloitte & Touche member firm)

6 February 2003
Amman - Jordan

The Housing Bank for Trade and Finance

Consolidated Balance Sheets

As of 31 December 2002 & 2001

In Jordanian Dinar JD*

| ITEM | Notes | 2002 | 2001 |
|---|-------|----------------------|----------------------|
| ASSETS | | | |
| Cash and balances with central banks | 3 | 410,845,486 | 328,940,538 |
| Balances with banks and financial institutions | 4 | 228,830,791 | 259,173,104 |
| Deposits with banks and financial institutions | 5 | 30,776,946 | 34,974,633 |
| Trading investments | 6 | 14,161,828 | 22,244,107 |
| Credit facilities, net | 7 | 600,014,832 | 584,751,392 |
| Available for sale investments | 8 | 122,211,423 | 88,279,899 |
| Held to maturity investments, net | 9 | 250,167,604 | 277,194,898 |
| Investments in associates & subsidiaries | 10 | 27,585,688 | 24,778,541 |
| Fixed assets, net | 11 | 32,844,723 | 31,934,044 |
| Other assets | 12 | 52,078,098 | 56,540,636 |
| TOTAL ASSETS | | 1,769,517,419 | 1,708,811,792 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| LIABILITIES | | | |
| Banks and financial institutions' deposits | 13 | 85,703,392 | 73,925,498 |
| Customers' deposits | 14 | 1,278,091,678 | 1,239,299,639 |
| Cash margins | 15 | 51,212,087 | 45,558,514 |
| Amounts borrowed | 16 | 46,653,423 | 52,039,279 |
| Other provisions | 17 | 8,715,123 | 8,508,999 |
| Other liabilities | 18 | 30,197,026 | 29,073,517 |
| Taxation | 19 | 3,636,751 | 3,866,221 |
| TOTAL LIABILITIES | | 1,504,209,480 | 1,452,271,667 |
| MINORITY INTEREST | 20 | 128,311 | 84,650 |
| SHAREHOLDERS' EQUITY | | | |
| Paid up capital | 21 | 100,000,000 | 100,000,000 |
| Additional paid in capital | 21 | 60,519,008 | 71,000,000 |
| Statutory reserve | 21 | 24,961,672 | 21,609,448 |
| Voluntary reserve | 21 | 33,222,068 | 33,222,068 |
| Foreign branches reserve | 21 | 14,185,000 | 3,550,000 |
| Other reserves | 21 | - | 154,008 |
| Cumulative changes in fair value | 22 | 6,619,125 | 7,518,459 |
| Retained earnings | 23 | 10,672,755 | 7,401,492 |
| Proposed dividends | 24 | 15,000,000 | 12,000,000 |
| TOTAL SHAREHOLDERS' EQUITY | | 265,179,628 | 256,455,475 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 1,769,517,419 | 1,708,811,792 |

* One JD = USD 1.41, Pegged.

The attached notes 1 to 46 form part of these consolidated financial statements.

The Housing Bank for Trade and Finance

Consolidated Income Statements

For The Years Ended 31 December 2002 & 2001

In Jordanian Dinar JD

| ITEM | Notes | 2002 | 2001 |
|--|-------|-------------------|-------------------|
| Interest income | 25 | 91,239,949 | 104,947,001 |
| Interest expense | 26 | (35,185,852) | (51,763,530) |
| Net interest income | | 56,054,097 | 53,183,471 |
| Net commissions income | 27 | 7,721,164 | 7,672,277 |
| Net interest and commission income | | 63,775,261 | 60,855,748 |
| Non-interest income | | | |
| Bank's share in associates & subsidiaries (losses) profits | | (587,415) | 483,027 |
| Investment income | 28 | 4,989,003 | 2,049,090 |
| Other operating income | 29 | 9,233,226 | 8,863,896 |
| Total non-interest income | | 13,634,814 | 11,396,013 |
| NET OPERATING REVENUES | | 77,410,075 | 72,251,761 |
| Expenses: | | | |
| Staff costs | 30 | 20,436,160 | 19,383,063 |
| Other operating expenses | 31 | 14,637,942 | 12,252,280 |
| Depreciation | | 6,251,259 | 5,433,453 |
| Provision for credit losses | 7 | 5,634,543 | 5,660,422 |
| Other provisions | | 1,678,929 | 3,455,491 |
| Total operating expenses | | 48,638,833 | 46,184,709 |
| NET OPERATING INCOME | | 28,771,242 | 26,067,052 |
| Non operating income, net | 32 | 1,360,069 | 3,943,803 |
| NET INCOME BEFORE INCOME TAX AND OTHER CHARGES | | 30,131,311 | 30,010,855 |
| Income tax expense | 19 | (7,206,558) | (7,345,750) |
| Provision for Jordanian universities fees | | (335,222) | (324,795) |
| Provision for scientific research and vocational training | | (335,222) | (324,795) |
| Educational, vocational training & technical fund fees | | (185,932) | - |
| Board of directors' remuneration | | (65,000) | (65,000) |
| NET INCOME AFTER INCOME TAX & OTHER CHARGES | | 22,003,377 | 21,950,515 |
| Less : Minority interest | | 57,857 | 10,372 |
| NET INCOME FOR THE YEAR | | 21,945,520 | 21,940,143 |
| Basic earnings per share | 33 | 0.219 | 0.219 |
| Weighted average number of shares | | 100,000,000 | 100,000,000 |

The attached notes 1 to 46 form part of these consolidated financial statements.

The Housing Bank for Trade and Finance
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended 31 December 2002 & 2001

| ITEM | Authorized & Paid up capital | Additional paid in capital | Reserves | |
|---|------------------------------------|----------------------------------|-------------------|-------------------|
| | | | Statutory | Voluntary |
| Year 2002 | | | | |
| Balance at 1 January 2002 | 100,000,00 | 71,000,000 | 21,609,448 | 33,222,068 |
| Net income | - | - | - | - |
| Transfer to statutory reserve | - | - | 3,352,224 | - |
| Transfer to foreign branches reserve | - | (10,480,992) | - | - |
| Proposed dividends | - | - | - | - |
| Dividends paid | - | - | - | - |
| Portion of realized gain on sale of available for sale investments | - | - | - | - |
| Cumulative changes in fair values | - | - | - | - |
| Balance at 31 December 2002 | 100,000,00 | 60,519,008 | 24,961,672 | 33,222,068 |
| Year 2001 | | | | |
| Balance at 1 January 2001 | 100,000,00 | 71,000,000 | 18,361,492 | 33,222,068 |
| Net income | - | - | - | - |
| Cumulative changes in fair value | - | - | - | - |
| Effect of adopting IAS (39) | - | - | - | - |
| Transfers to statutory reserve | - | - | 3,247,956 | - |
| Proposed dividends | - | - | - | - |
| Dividends paid | - | - | - | - |
| Balance at 31 December 2001 | 100,000,00 | 71,000,000 | 21,609,448 | 33,222,068 |

The attached notes 1 to 46 form part of

In Jordanian Dinar JD

| Reserves | | Cumulative changes in fair values | Retained earnings | Proposed dividends | Total |
|-------------------|----------------|-----------------------------------|-------------------|--------------------|--------------------|
| Foreign branches | Other | | | | |
| 3,550,000 | 154,008 | 7,518,459 | 7,401,492 | 12,000,000 | 256,455,475 |
| - | - | - | 21,945,520 | - | 21,945,520 |
| - | - | - | (3,352,224) | - | - |
| 10,635,000 | (154,008) | - | - | - | - |
| - | - | - | (15,000,000) | 15,000,000 | - |
| - | - | - | - | (12,000,000) | (12,000,000) |
| - | - | - | (322,033) | - | (322,033) |
| - | - | (899,334) | - | - | (899,334) |
| 14,185,000 | - | 6,619,125 | 10,672,755 | 15,000,000 | 265,179,628 |
| 3,550,000 | 154,008 | - | - | 10,000,000 | 236,287,568 |
| - | - | - | 21,940,143 | - | 21,940,143 |
| - | - | 7,518,459 | - | - | 7,518,459 |
| - | - | - | 709,305 | - | 709,305 |
| - | - | - | (3,247,956) | - | - |
| - | - | - | (12,000,000) | 12,000,000 | - |
| - | - | - | - | (10,000,000) | (10,000,000) |
| 3,550,000 | 154,008 | 7,518,459 | 7,401,492 | 12,000,000 | 256,455,475 |

these consolidated financial statements

The Housing Bank for Trade and Finance

CONSOLIDATED STATEMENTS OF CASH FLOW

For the years ended 31 December 2002 & 2001

In Jordanian Dinar JD

| ITEM | Notes | 2002 | 2001 |
|--|-------|---------------------|----------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Net income before income tax | | 30,131,311 | 30,010,855 |
| Adjustments for: | | | |
| Depreciation | | 6,251,259 | 5,424,707 |
| Provision for credit losses | | 5,634,543 | 5,660,422 |
| Other provisions | | 1,678,929 | 3,455,491 |
| Bank's share in associates & subsidiaries (losses) profits | | 587,415 | (483,027) |
| Others | | (187,582) | (4,368,156) |
| Operating profit before changes in operating assets & liabilities | | 44,095,875 | 39,700,292 |
| Decrease (increase) in deposits at banks & other financial institutions | | 4,197,687 | (991,133) |
| (Increase) in credit facilities | | (20,897,983) | (33,800,396) |
| Decrease in trading investments | | 8,082,279 | 953,701 |
| Decrease (increase) in other assets | | 3,154,794 | (13,480,923) |
| (Decrease) increase in banks and financial institutions' deposits | | (1,692,582) | 6,480,187 |
| Increase in customers deposits | | 38,792,039 | 29,909,737 |
| Increase in cash margins | | 5,653,573 | 14,352,550 |
| Increase (decrease) in other liabilities | | 1,560,177 | (1,419,526) |
| (Decrease) in other provisions | | (3,004,826) | (2,038,591) |
| Net cash from operating activities before income tax | | 79,941,033 | 39,665,898 |
| Income tax paid | | (7,436,029) | (6,753,002) |
| Net cash from operating activities | | 72,505,004 | 32,912,896 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| (Purchase) sale of available for sale investments | | (35,152,890) | 10,157,615 |
| Sale (Purchase) of held to maturity investments | | 27,027,294 | (118,188,760) |
| (Purchase) investments in associates & subsidiaries | | (3,394,562) | (12,330,865) |
| (Purchase) of fixed assets | | (6,415,253) | 1,505,608 |
| Net cash (used in) investing activities | | (17,935,411) | (118,856,402) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| (Decrease) increase in amounts borrowed | | (5,385,856) | 2,318,941 |
| Dividends paid | | (12,515,864) | (10,551,106) |
| Net cash (used in) financing activities | | (17,901,720) | (8,232,165) |
| NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS | | 36,667,873 | (94,175,671) |
| Effect of exchange rate changes on cash and cash equivalents | | 1,424,286 | 1,670,640 |
| Cash and cash equivalents at 1 January | | 520,668,331 | 613,173,362 |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER | 34 | 558,760,490 | 520,668,331 |

The attached notes 1 to 46 form part of these consolidated financial statements.

The Housing Bank for Trade and Finance

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2002

1-GENERAL

The Housing Bank for Trade and Finance was established in 1974 and registered as a public shareholding company in accordance with Jordanian companies law. Its headquarter in Amman – Jordan, and is engaged in commercial banking business in Jordan and Palestine. The Bank's paid up capital is JD 100,000,000 divided into 100,000,000 shares with a par value of JD 1 per share. The Bank employed 1657 as of 31 December 2002 (2001:1639 employees). The consolidated financial statements of the Housing Bank for Trade and Finance for the year ended 31 December 2002 were approved by the Bank's Board of Directors in its resolution No. 1/2003 dated 5 February 2003.

2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the accompanying consolidated financial statements are set out below:

Basis of preparation

The consolidated financial statements of the Housing Bank for Trade and Finance have been prepared in accordance with the standards issued or adopted by the International Accounting Standards Board and interpretations issued by its standing interpretation committee and Central Bank of Jordan laws and regulations. The consolidated financial statements have been prepared on historical basis except for measuring fair value of trading investment and available for sale investments. The consolidated financial statements are presented in Jordanian Dinar.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Housing Bank for Trade and Finance and its subsidiaries of which the Bank directly or indirectly owned more than 50% of their capitals voting right as of 31 December each year after elimination of inter-company transactions and balances.

Subsidiaries are consolidated from the date on which control is transferred to the bank and cease to be consolidated from the date on which control is transferred out of the bank.

Trade and settlement date accounting

Sales and purchases of financial assets are recognizes as of the commitment date.

Trading investments

Trading investments are stated at cost upon acquisition and are revalued at fair value. The resulting gains and losses are taken to the statement of income in the period in which they arise.

Credit facilities

Credit facilities are carried at cost less provisions, interest and commission in suspense. Specific provision for non-performing facilities is provided for the possible loan losses according to IAS 39 or Central Bank of Jordan regulations whichever is higher. Provision for credit facilities in accordance with IAS 39 represents the difference between the book value and the recoverable value which is the present value of expected future cash flows including collections from collaterals discounted at its original effective interest rate. The provision is recorded in the statement of income. Interest and commission on non-performing facilities are suspended based on Central Bank of Jordan regulations. General provision for direct and indirect credit facilities is provided to face the undetermined possible losses based on Central Bank of Jordan regulations. Loans provided for are written off against the provision of credit facilities when the collection procedures become ineffective. The excess in the credit facilities' provision - if any - is transferred to the statement of income in addition to cash recoveries from loans that were previously written off.

Available for sale investments

Available for sale investments are carried at cost and subsequently remeasured at fair value. Unrealized gains or losses on measurement to fair value are reported as separate component of equity until the investment is sold or determined to be impaired, the result profit or loss is recorded in the statement of income including the related cumulative gain or loss of these investment that were previously recognized in Equity.

Held to maturity investments

Held to maturity investments are carried at cost and the discount or premium is amortized -if any- using the effective interest rate method until maturity. The amortized amount is taken to interest income after deducting any provisions for impaired investments.

Fair values

For investments traded in organized financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. For financial instruments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected discounted cash flows. For financial instruments where their fair value can not be reliably determined, they are stated at cost, or amortized cost, any impairment in value is recognized in the income statement in the period in which the asset is deemed to be impaired.

Investments in associates

Investments in associates are carried in the balance sheet using the equity method. Associates are enterprises in which the bank holds 20% to 50% of share capital.

Fixed assets

Fixed assets are stated at cost net of accumulated depreciation and are depreciated -except for the freehold lands- over their estimated useful lives using the straight-line method at annual rates ranging from 2% to 33.3%. Whenever the recoverable amount of a fixed asset is impaired, the carrying value is reduced to the recoverable amount and the impairment loss is recorded in the statement of income.

Real estate investments

Real estate investments are stated at cost, less accumulated depreciation and are depreciated over their estimated useful lives. Whenever the recoverable amount of a real estate investment is impaired, the carrying value is reduced to the recoverable amount and the impairment loss is recorded in the statement of income. The real estate fair value is disclosed.

Repossessed assets

Assets, which are repossessed by the Bank in settlement of debts are included as part of "other assets" and recorded at cost and re-valued annually and individually. In case of a permanent decline in value, the loss is recognized in the statement of income while a permanent increase in value is not recognized as a gain. When the assets are sold, the recognized gain or loss is taken to statement of income.

Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the bank and accordingly are not included in these financial statements.

Income Tax

The bank provides for income tax in accordance with the laws, regulations and instructions in Jordan or in the countries where the bank has branches. And in accordance with IAS (12) deferred taxes that resulted from time differences relating to the provisions of non-performing loans, end of service indemnity and other items should be recognized. Due to the fact that the bank's management is uncertain about the realization of these benefits it has decided not to recognize them.

End of service indemnity

Provision for end of service indemnity is established by the Bank to face any legal or contractual obligations arising at the end of the employees' services according to the accumulated service terms at the date of the balance sheet in accordance with the bank's internal regulations.

Provisions

Provisions are recognized when the bank has a present obligation (legal or constructive) arising from a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation which can be reliably measured.

Revenue recognition

Interest receivable and payable are recognized on accrual basis taking into consideration the principal outstanding and the rate applicable, except for interest of non performing facilities which are suspended, Commissions and commitment fees for services and facilities granted to customers are taken to income when due. Dividends are recognized as income when approved by shareholders' general assembly of the investee companies.

Foreign currencies

Foreign currency transactions are recorded in Jordanian Dinars at the approximate rates of exchange prevailing at the time of the transactions. Assets and liabilities in foreign currencies at the balance sheet date are translated at the prevailing year-end rates of exchange, which approximate to Central Bank of Jordan published exchange rates. Exchange differences are reported as part of the results for the year in the statement of income.

Cash and cash equivalents

These comprise those balances of maturing within 3 months cash and balances with Central Bank and other financial institutions less banks and other financial institutions' deposits maturing within 3 months.

Repurchase and resale agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date continue to be recognized in the balance sheet - due to the Bank's continuing control over these assets - and are measured in accordance with accounting policies. The liability for amounts Received under these agreements is included in bank's liabilities. The difference between sale and repurchase price is treated as interest expense that is recognized over the agreement term. Assets purchased with a corresponding commitment to resell at a specified future date are not recognized in the balance sheet – due to the fact that the bank has no control over these assets. The amounts paid under these agreements are included in deposits with banks and other financial institutions or customers' loans as applicable, The difference between the purchase and resale price is treated as interest income that is recognized over the agreement term.

Risk Management Policy

The bank's management tries to mitigate the credit and market risks through setting investment ceilings and applying set percentages that correspond with the Central Bank of Jordan and Board of Directors regulations and to diversify investments and credit granting.

The Bank's investment policy corresponds with Central bank of Jordan regulations. The bank has in place a variety of financial policies to manage risks according to planned strategy. Bank's Assets & Liabilities Management Committee controls and adjusts risks and allocates bank's assets and liabilities in the best strategy for the Bank.

The bank has in place a Risk Rating System that assesses the bank's customers credit worthiness, in addition to internal control system (CRSA) which is applied in all bank's departments.

Financial Instruments

Financial Instruments include both On and Off balance sheet instruments:

On balance sheet financial instruments include cash, deposits with banks and Central Bank of Jordan, loans, advances, investments, some of other assets, customers' deposits, banks deposits and some of other liabilities. Off-balance sheet financial instruments include letters of credit, guarantees, acceptances, derivatives products such as future and forward deals and currency swaps undertaken by the bank.

Impairment and Uncollectability of Financial Assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows including anticipated recoveries from guarantees and collateral, discounted at original effective interest rates, recognized in the income statement.

3 - CASH AND BALANCES WITH CENTRAL BANKS

In Jordanian Dinar JD

| ITEM | 2002 | 2001 |
|-------------------------------------|--------------------|--------------------|
| Cash | 22,462,124 | 21,551,392 |
| Balances with Central Banks: | | |
| Current accounts | 24,721,440 | 9,829,897 |
| Term and notice deposits | 1,088,666 | 660,246 |
| Statutory cash reserve | 103,173,256 | 98,499,003 |
| Certificates of deposit | 259,400,000 | 198,400,000 |
| | <u>410,845,486</u> | <u>328,940,538</u> |

Except for statutory cash reserve at Central Bank of Jordan and Palestinian Monetary Authority as of December 31, 2002 and 2001 there are no restricted cash balances.

4 - BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

In Jordanian Dinar JD

| ITEM | 2002 | 2001 |
|--|--------------------|--------------------|
| Local banks and other financial institutions: | | |
| Current accounts | 3,333,394 | 6,349,674 |
| Foreign banks and other financial institutions: | | |
| Current accounts | 26,755,322 | 14,050,606 |
| Deposits maturing within three months | 195,906,075 | 238,063,824 |
| Certificates of deposit | 2,836,000 | 709,000 |
| | <u>228,830,791</u> | <u>259,173,104</u> |

Non interest bearing balances at banks and financial institutions amounted to JD 2,076,991 (2001: JD 2,488,862)

Restricted balances amounted to JD 92,440 (2001: JD 91,838).

5 - DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

In Jordanian Dinar JD

| ITEM | 2002 | | | 2001 | | |
|---|--|--|-------------------|--|--|-------------------|
| | Local Banks and Financial Institutions | Foreign Banks and Financial Institutions | Total | Local Banks and Financial Institutions | Foreign Banks and Financial Institutions | Total |
| Deposits maturing within 3 to 6 months | - | 18,039,341 | 18,039,341 | 13,000,000 | 709,000 | 13,709,000 |
| Deposits maturing within 6 to 9 months | - | 2,368,802 | 2,368,802 | - | 2,143,395 | 2,143,395 |
| Deposits maturing within 9 to 12 months | 1,900,000 | - | 1,900,000 | - | 6,417,446 | 6,417,446 |
| More than one year | 1,100,000 | 2,368,803 | 3,468,803 | - | 4,286,792 | 4,286,792 |
| Certificate of deposits | 5,000,000 | - | 5,000,000 | 7,000,000 | 1,418,000 | 8,418,000 |
| | <u>8,000,000</u> | <u>22,776,946</u> | <u>30,776,946</u> | <u>20,000,000</u> | <u>14,974,633</u> | <u>34,974,633</u> |

6 - TRADING INVESTMENTS

In Jordanian Dinar JD

| ITEM | 2002 | 2001 |
|---|-------------------|-------------------|
| Shares listed in financial markets | 2,325,261 | 3,761,947 |
| Marketable bonds and debentures listed in Financial markets | 11,836,567 | 18,482,160 |
| | <u>14,161,828</u> | <u>22,244,107</u> |

7 - CREDIT FACILITIES, NET

In Jordanian Dinar JD

| | 2002 | 2001 |
|---------------------------------|---------------------------|---------------------------|
| Discounted bills and notes | 28,275,236 | 18,778,526 |
| Overdraft facilities | 98,483,643 | 87,943,400 |
| Loans and advances | 543,545,711 | 546,362,316 |
| Credit cards | 1,338,590 | 525,381 |
| | <u>671,643,180</u> | <u>653,609,623</u> |
| Less: Interest in suspense | 24,407,274 | 22,777,007 |
| Provision for credit facilities | 47,221,074 | 46,081,224 |
| | <u>71,628,348</u> | <u>68,858,231</u> |
| Credit facilities, net | <u>600,014,832</u> | <u>584,751,392</u> |

CREDIT FACILITIES, BY SECTOR

In Jordanian Dinar JD

| ITEM | 2002 | 2001 |
|---------------------------------|--------------------|--------------------|
| Agriculture | 6,674,557 | 3,847,155 |
| Manufacturing and mining | 60,980,944 | 54,867,188 |
| Construction | 161,353,299 | 183,724,081 |
| General trade | 96,718,394 | 90,039,659 |
| Transportation services | 4,333,193 | 5,131,358 |
| Tourism, hotels and restaurants | 28,331,574 | 28,694,030 |
| Services and publications | 84,695,373 | 67,115,502 |
| Financial services | 17,186 | 4,976,702 |
| Shares dealing | 1,153,424 | 1,428,804 |
| Real estate | 53,379,592 | 59,359,099 |
| Car loans | 14,165,014 | 18,707,064 |
| Consumers loans | 149,146,479 | 134,357,462 |
| Other | 10,694,151 | 1,361,519 |
| | 671,643,180 | 653,609,623 |

The non performing credit facilities net of interest in suspense amounted to JD 82,802,229 (2001: JD 85,467,951) representing 12.78% of total facilities net of interest in suspense (2001: 13.51%) whereas the total non performing credit Facilities including interest suspense is JD 106,458,328 (2001: JD 106,549,411) representing 15.85% (2001:16.30%)of total Facilities.

Credit facilities granted to and guaranteed by the government amounted to JD 58,707,332 (2001:JD 64,740,971) representing 8.7% (2001: 9.9%) of total facilities.

The gross fair value of collaterals held against credit facilities amounted to JD 393,668,047 (2001: JD 423,789,867) taking into consideration that the fair value of collaterals do not exceed balance of related facilities.

Provision for credit facilities

The movements in provision for credit facilities were as follows:

In Jordanian Dinar JD

| ITEM | 2002 | | | 2001 | | |
|---|--------------------------|-------------------|--------------------------|--------------------------|-------------------|--------------------------|
| | Specific | General | Total | Specific | General | Total |
| Opening balance at January 1, | 34,228,625 | 11,852,599 | 46,081,224 | 33,264,524 | 8,821,234 | 42,085,758 |
| (Recoveries) | - | - | - | - | - | - |
| Charge for the year (Amounts written off) | 6,411,842 (4,494,693) | (777,299) | 5,634,543 (4,494,693) | 2,629,057 (1,664,956) | 3,031,365 | 5,660,422 (1,664,956) |
| Ending balance at December 31 | <u>36,145,774</u> | <u>11,075,300</u> | <u>47,221,074</u> | <u>34,228,625</u> | <u>11,852,599</u> | <u>46,081,224</u> |

Provision for credit facilities that were settled, collected or transferred against other non performing credit facilities amounted to JD 9,441,752 as of December 31, 2002 against JD 7,996,984 as of December 31, 2001.

Provision for credit facilities computed in accordance with the Central Bank of Jordan's regulations exceeds the provision required based on IAS (39) by JD 7.7 million as of December 31, 2002 against 9.7 million as of December 31, 2001.

Interest in suspense

The movements in interest in suspense were as follows:

In Jordanian Dinar JD

| ITEM | 2002 | 2001 |
|---|-------------------|-------------------|
| Opening balance on 1 January | 22,777,007 | 18,566,850 |
| Add: Interest suspended during the year | 10,852,222 | 16,684,213 |
| Less: interest in suspense recognized during the year | (5,788,144) | (7,976,730) |
| Interest in suspense written off during the year | (3,433,811) | (4,497,326) |
| Ending balance on 31 December | <u>24,407,274</u> | <u>22,777,007</u> |

8 - AVAILABLE FOR SALE INVESTMENTS

In Jordanian Dinar JD

| ITEM | 2002 | | | 2001 | | |
|------------------|-------------------|--------------------|--------------------|-------------------|-------------------|-------------------|
| | Unquoted | Quoted | Total | Unquoted | Quoted | Total |
| Shares | 11,529,119 | 25,508,075 | 37,037,194 | 12,076,744 | 35,928,347 | 48,005,091 |
| Bonds | - | 77,145,595 | 77,145,595 | - | 32,378,716 | 32,378,716 |
| Investment funds | - | 8,028,634 | 8,028,634 | - | 7,896,092 | 7,896,092 |
| | <u>11,529,119</u> | <u>110,682,304</u> | <u>122,211,423</u> | <u>12,076,744</u> | <u>76,203,155</u> | <u>88,279,899</u> |

Investments in shares includes an amount of JD 11,529,119 as of December 31, 2002 against JD 12,076,744 as of December 31, 2001 which is stated at cost / amortized cost since its fair value could not be measured reliably. Impairment in value of these shares of JD 192,323 as of December 31, 2002 against JD 74,814 as of December 31, 2001 was recorded in the statement of income.

Investments in shares includes an amount of JD 3,814,460 as of December 31, 2002 representing 22.1% of the bank's ownership in a company's share capital where fair value could not be measured reliably (against JD 8,121,604 as of December 31, 2001 representing 22.1% and 23.17% of the bank's ownership in two companies share capitals).

9 - HELD TO MATURITY INVESTMENTS - NET

In Jordanian Dinar JD

| ITEM | 2002 | 2001 |
|---|--------------------|--------------------|
| Treasury bonds | 164,973,285 | 174,969,168 |
| Governmental bonds or government guaranteed bonds | 43,569,340 | 54,204,083 |
| Companies bonds and debentures | 41,624,979 | 48,021,647 |
| | <u>250,167,604</u> | <u>277,194,898</u> |

10 - INVESTMENTS IN ASSOCIATES & SUBSIDIARIES

In Jordanian Dinar JD

| i. Associates | | |
|---|-------------------|-------------------|
| Company name | 2002 | 2001 |
| Housing Company for Tourism and Hotels Investments | 20,538,622 | 21,301,460 |
| Established in: Jordan | | |
| Percentage of ownership and voting power: 50% | | |
| Nature of activity: Hotel and Trading | | |
| Housing Bank Fund / Bahrain | 2,847,395 | 3,477,081 |
| Established in : Bahrain | | |
| Percentage of ownership and voting power: 29.06% (29.56%: 2001) | | |
| Nature of activity: Financial | | |
| ii. Subsidiaries | | |
| Housing Bank for Trade & Finance / Algeria * | 3,690,134 | - |
| Established in: Algeria | | |
| Percentage of ownership and voting power: 52% (Nil: 2001) | | |
| Nature of activity: Banking. | | |
| Jordan Real Estate Investments Company ** | 509,537 | - *** |
| Established in: Jordan | | |
| Percentage of ownership and voting power: 100% | | |
| Nature of activity: Services | | |
| | <u>27,585,688</u> | <u>24,778,541</u> |

* The Housing Bank for Trade & Finance / Algeria has not started operation.

** The financial statements for the year 2002 of the Jordan Real Estate Investments Co. have not been consolidated as the company is under liquidation.

*** During the year 2001 the financial statements of the Company have been consolidated.

11 - FIXED ASSETS – NET

In Jordanian Dinar JD

| ITEM | Land | Building | Equipment Furniture & Fixtures | Vehicles | Others | Total |
|---|------------------|------------------|--------------------------------------|----------------|------------------|-------------------|
| 2002 | | | | | | |
| Cost at 1 January 2002 | 4,463,884 | 11,530,981 | 46,284,520 | 732,128 | 1,046,542 | 64,058,055 |
| Additions | - | - | 3,505,729 | 353,135 | 816,656 | 4,675,520 |
| Disposals | - | (46,751) | (1,618,897) | (106,386) | (24,205) | (1,796,239) |
| Accumulated depreciation | - | (2,530,860) | (33,091,458) | (542,388) | - | (36,164,706) |
| Impairments | - | - | (650,697) | - | - | (650,697) |
| Advance payment on fixed assets purchases | - | - | 2,722,790 | - | - | 2,722,790 |
| Net Book Value at 31 December 2002 | 4,463,884 | 8,953,370 | 17,151,987 | 436,489 | 1,838,993 | 32,844,723 |
| 2001 | | | | | | |
| Cost at 1 January 2001 | 4,463,884 | 11,530,981 | 41,587,427 | 682,789 | 4,250 | 58,269,331 |
| Additions | - | - | 5,342,069 | 135,083 | 1,042,292 | 6,519,444 |
| Disposals | - | - | (1,959,846) | (85,744) | - | (2,045,590) |
| Accumulated depreciation | - | (2,315,134) | (29,265,419) | (543,459) | - | (32,124,012) |
| Advance payment on fixed assets purchases | - | - | 1,314,871 | - | - | 1,314,871 |
| Net Book Value at 31 December 2001 | 4,463,884 | 9,215,847 | 17,019,102 | 188,669 | 1,046,542 | 31,934,044 |

12 - OTHER ASSETS

In Jordanian Dinar JD

| ITEM | 2002 | 2001 |
|------------------------------------|-------------------|-------------------|
| Accrued revenues | 8,046,713 | 8,110,497 |
| Prepaid expenses | 806,088 | 754,655 |
| Collateral for sale | 19,638,455 | 14,282,396 |
| Investments in real-estate (lands) | 1,584,411 | 1,865,165 |
| Repossessed assets | - | 319,429 |
| Cheques under collection | 19,088,916 | 27,609,841 |
| Others | 2,913,515 | 3,598,653 |
| | 52,078,098 | 56,540,636 |

Cost of investment in real-estate (lands) amounted to JD 1,584,411 (2001: JD 1,865,165) .

Fair value of real-estate investment in lands amounted to JD 2.2 million (2001: JD 3.6 million) .

13 - BANKS AND FINANCIAL INSTITUTIONS' DEPOSITS

In Jordanian Dinar JD

| ITEM | 2002 | | | 2001 | | |
|--------------------------------------|-------------------|-------------------|-------------------|------------------|-------------------|-------------------|
| | Inside Jordan | Outside Jordan | Total | Inside Jordan | Outside Jordan | Total |
| Current accounts and demand deposits | 3,978,712 | 22,354,180 | 26,332,892 | 2,241,606 | 11,963,920 | 14,205,526 |
| Deposits due | | | | | | |
| Within 3 months | 15,677,373 | 38,905,522 | 54,582,895 | 3,415,969 | 49,823,816 | 53,239,785 |
| Deposits mature within 3 - 12 months | - | 4,787,605 | 4,787,605 | - | 6,480,187 | 6,480,187 |
| | <u>19,656,085</u> | <u>66,047,307</u> | <u>85,703,392</u> | <u>5,657,575</u> | <u>68,267,923</u> | <u>73,925,498</u> |

14 - CUSTOMERS' DEPOSITS

In Jordanian Dinar JD

| ITEM | 2002 | 2001 |
|-------------------------------------|----------------------|----------------------|
| Current accounts and demand deposit | 175,952,024 | 156,324,805 |
| Saving deposits | 479,948,349 | 437,303,321 |
| Time and notice deposits | 604,869,755 | 634,270,477 |
| Others | 17,321,550 | 11,401,036 |
| | <u>1,278,091,678</u> | <u>1,239,299,639</u> |

Public sectors' deposits amounted to JD 105,442,580 (2001: JD 128,031,523) representing 8.3% (2001: 10.3%) of total customers' deposits.

Non-interest bearing deposits amounted to JD 212,320,400 (2001: JD 181,379,526) representing 16.6% (2001:14.6%) of total customers' deposits.

Restricted deposits amounted to JD 19.6 million (2001: JD 15.1 million) representing 1.5% (2001:1.2%) of total customers' deposits.

Dormant accounts amounted to JD 10,358,770 (2001: JD 10,167,142) representing 0.8% (2001: 0.8%) of total customers' deposits.

15 - CASH MARGIN

In Jordanian Dinar JD

| ITEM | 2002 | 2001 |
|----------------------------|-------------------|-------------------|
| Direct facilities | 34,584,833 | 30,824,590 |
| Indirect credit facilities | 13,379,806 | 10,680,646 |
| Against margin dealings | 3,247,448 | 4,053,278 |
| | <u>51,212,087</u> | <u>45,558,514</u> |

16 - AMOUNTS BORROWED

In Jordanian Dinar JD

| 2002 | Amount | No. Of Instalments | | | Security | Re-lending Interest | Borrowing Interest |
|--|--------------------------|--------------------|-----------|-------------|----------------------|---------------------|--------------------|
| | JD | Total Remaining | Repayment | Rate | | Rate | |
| From Central Banks & Government | | | | | | | |
| Re-lent to the Housing and Urban Development Corporation . | 31,400,000 | 30 | 8 | Semiannual | Government guarantee | 4.875% | 4.75% |
| Borrowed from Jordanian government & re-lent to the Housing and Urban Development Corporation .* | 711,480 | - | - | Semi annual | Government guarantee | 7.920% | 7.920% |
| | <u>32,111,480</u> | | | | | | |
| From Local Companies **. | | | | | | | |
| Real Estate Mortgage Re Finance Company | 7,027,772 | 108 | 70 | Monthly | Mortgage deed | 7.80% | 7.30% |
| Real Estate Mortgage Re Finance Company | 2,079,000 | 120 | 78 | Monthly | Mortgage deed | 6.233% | 5.733% |
| Real Estate Mortgage Re Finance Company | 4,500,000 | 12 | 12 | Semi annual | Government guarantee | 7.250% | 6.75% |
| | <u>13,606,772</u> | | | | | | |
| From Foreign Banks | | | | | | | |
| Loans of trade finance program that re-lent to customers | 935,171 | 2 | 1 | Semi annual | Financial Worthiness | 2.743% | 1.918% |
| | <u>935,171</u> | | | | | | |
| Total | <u><u>46,653,423</u></u> | | | | | | |

* Repayment is 30% from the Urban Development sales /Project no. 3.

** Amounts borrowed have been relent to Housing Funds and Moatah University.

In Jordanian Dinar JD

| 2001 | Amount | No. Of Instalments | | | Security | Re-lending Interest | Borrowing Interest |
|--|--------------------------|--------------------|-----------|-------------|----------------------|---------------------|--------------------|
| | JD | Total Remaining | Repayment | Rate | | Rate | |
| From Central Banks | | | | | | | |
| Re-lent to the Housing and Urban Development Corporation. | 34,000,000 | 30 | 10 | Semi annual | Government guarantee | 4.875% | 4.75% |
| Re-lent to Jordan Steel company | 4,410,905 | 1 | 1 | Once a time | In ward LCs | 5.35% | 3.75% |
| Re-lent to Arab Engineering Manufacturing Company. | 654,260 | 3 | 2 | Quarterly | In ward LCs | 5.750% | 3.75% |
| Borrowed from Jordanian government and re-lent to the Housing and Urban Development Corporation .* | 1,421,118 | - | - | Semi annual | Government guarantee | 7.920% | 7.920% |
| | <u>40,486,283</u> | | | | | | |
| From Local Companies **. | | | | | | | |
| Real Estate Mortgage Re Finance Company | 8,249,996 | 108 | 82 | Monthly | Mortgage deed | 7.80% | 7.30% |
| Real Estate Mortgage Re Finance Company | 2,403,000 | 120 | 90 | Monthly | Mortgage deed | 6.233% | 5.733% |
| Real Estate Mortgage Re Finance Company | 900,000 | 12 | 12 | Semi annual | Government guarantee | 7.250% | 6.75% |
| | <u>11,552,996</u> | | | | | | |
| Total | <u><u>52,039,279</u></u> | | | | | | |

* Repayment is 30% from the Urban Development sales /Project no. 3.

** Amounts borrowed have been relent to Housing Funds and Moatah University.

17- OTHER PROVISIONS

In Jordanian Dinar JD

| | Provision Beginning Balance | Provided during the year | Provision used during the period | Reversed to revenue | Ending Balance |
|--|-----------------------------------|--------------------------------|--|------------------------|-------------------|
| December 31, 2002 | | | | | |
| Provision for commitments and contingencies. | 97,298 | 275,432 | (890) | (12,900) | 358,940 |
| Provision for end of service indemnity. | 3,256,656 | 1,279,649 | (276,658) | - | 4,259,647 |
| Other provisions | 5,155,045 | 2,259,873 | (2,736,556) | (581,826) | 4,096,536 |
| | <u>8,508,999</u> | <u>3,814,954</u> | <u>(3,014,104)</u> | <u>(594,726)</u> | <u>8,715,123</u> |
| December 31, 2001 | | | | | |
| Provision for commitments and contingencies. | - | 101,615 | (4,317) | - | 97,298 |
| Provision for end of service indemnity. | 2,072,691 | 1,312,226 | (128,261) | - | 3,256,656 |
| Other provisions | 3,883,081 | 4,003,467 | (1,872,515) | (858,988) | 5,155,045 |
| | <u>5,955,772</u> | <u>5,417,308</u> | <u>(2,005,093)</u> | <u>(858,988)</u> | <u>8,508,999</u> |

18- OTHER LIABILITIES

In Jordanian Dinar JD

| ITEM | 2002 | 2001 |
|--|-------------------|-------------------|
| Accrued interest expenses | 1,723,845 | 2,898,393 |
| Interest and commissions received in advance | 14,406,621 | 12,886,969 |
| Accrued expenses | 304,835 | 241,239 |
| Branches' clearance | - | 268,124 |
| Cheques | 3,943,978 | 2,771,240 |
| Transfers | 1,105,525 | 487,979 |
| Margins | 520,763 | 560,982 |
| Prizes | 186,300 | 306,125 |
| Correspondent Banks | 208,289 | 226,319 |
| General Management | 251,743 | 152,508 |
| Shareholders | 638,559 | 1,154,423 |
| Deferred income * | 3,313,432 | 3,269,494 |
| Others | 3,593,136 | 3,849,722 |
| | <u>30,197,026</u> | <u>29,073,517</u> |

Deferred income represents 50% of gain from selling the Housing Bank Commercial Center during 2001 to the Housing & Tourism and Hotels Co.

Investments (An Associated company that the bank owns 50% of its share capital)

19 - TAXATION

The movements of the income tax provision were as follows:

In Jordanian Dinar JD

| ITEM | 2002 | 2001 |
|--------------------------------------|------------------|------------------|
| Beginning balance | 3,866,221 | 3,273,473 |
| Income tax paid for previous year | (3,436,028) | (2,989,737) |
| Income tax paid for the current year | (4,000,000) | (3,763,265) |
| Accrued income tax | 7,206,558 | 7,345,750 |
| Ending balance | <u>3,636,751</u> | <u>3,866,221</u> |

Income tax appearing in the statement of income represents the following:

| Provision for income tax for the year | 7,206,558 | 7,345,750 |
|---------------------------------------|-----------|-----------|
|---------------------------------------|-----------|-----------|

Tax assessments have been settled with the Income Tax Department for all years up to 2000 for Jordan branches and up to 1999 or Palestine branches.

The income tax return for year 2001 has been submitted to Income Tax Department however it has not been agreed yet.

20 - MINORITY INTEREST

This represents minority shareholder's equity in International Financial Centre Company, limited liability company.

The minority shareholder's interest in the equity is 22.5% as of December 31, 2002, (22.5% in 2001).

21 - SHAREHOLDERS' EQUITY

Paid up capital

The authorized, issued and paid up capital amounted to JD 100 million divided into 100 million shares with a par value of JD 1 per share.

Additional paid-in capital

Additional paid in capital amounted to JD 60,519,008 as of December 31, 2002 against JD 71,000,000 as of December 31, 2001. During the year 2002 an amount of JD 10,480,992 was transferred to the foreign branches reserve / Bahrain.

Statutory reserve

As required by the Jordanian Banking Law, 10% of the net annual income before tax is transferred to statutory reserve. The Bank may resolve to discontinue such annual transfer when the statutory reserve becomes equal to the Bank's capital. The statutory reserve is not available for distribution.

Voluntary reserve

In accordance with the Jordanian Companies' Law, the General Assembly may decide to deduct an amount not, exceeding 20% of its annual net profit as a voluntary reserve. The voluntary reserve shall be utilized for the purposes determined by the Board of Directors and the General Assembly shall have the right to distribute it in whole or any part thereof as dividend to the shareholders if not utilized for such Purposes.

Foreign branches reserve

This item represents foreign branches' capitals in accordance with Central Bank of Jordan regulations.

Other reserves

During the year 2002, the amount of other reserves was totally transferred to foreign branches reserve.

22 - CUMULATIVE CHANGE IN FAIR VALUE

In Jordanian Dinar JD

| | Shares | Bonds | Others | Total |
|--|------------------|----------------|------------------|------------------|
| 2002 | | | | |
| Available for sale | | | | |
| Balance at 1 January | 7,010,580 | 407,785 | 100,094 | 7,518,459 |
| Unrealized net profit (losses) | 130,116 | 291,882 | (115,326) | 306,672 |
| Less: realized net (profit) losses transferred to income statement | (1,119,818) | 45,449 | (131,637) | (1,206,006) |
| Balance at 31 December | 6,020,878 | 745,116 | (146,869) | 6,619,125 |
| 2001 | | | | |
| Available for sale | | | | |
| Balance at 1 January | - | - | - | - |
| Unrealized net profit (losses). | 6,911,734 | 407,785 | 21,220 | 7,340,739 |
| Less: realized net losses transferred to income statement. | 41,654 | - | 78,874 | 120,528 |
| Impairment recorded in the income Statement. | 57,192 | - | - | 57,192 |
| Balance at 31 December | 7,010,580 | 407,785 | 100,094 | 7,518,459 |

23 - RETAINED EARNINGS

In Jordanian Dinar JD

| ITEM | 2002 | 2001 |
|---|-------------------|------------------|
| Beginning balance | 7,401,492 | - |
| Effect of adopting IAS (39) for the first time | - | 709,305 |
| Net income for the year | 21,945,520 | 21,940,143 |
| Transferred to statutory reserve | (3,352,224) | (3,247,956) |
| Recognised income from investments available for sale | (322,033) | - |
| Proposed dividends | (15,000,000) | (12,000,000) |
| Ending balance | 10,672,755 | 7,401,492 |

24 - PROPOSED DIVIDENDS

The Board of Directors has proposed a cash dividend of JD 0.15 per share totaling JD 15,000,000, which is subject to the approval of the Shareholders at the Annual General Meeting.

25 - INTEREST INCOME

In Jordanian Dinar JD

| ITEM | 2002 | 2001 |
|---|-------------------|--------------------|
| Credit Facilities - | | |
| Discounted bills and notes | 2,248,183 | 2,070,308 |
| Overdrafts | 8,078,985 | 9,677,269 |
| Loans and advances | 48,208,806 | 50,584,227 |
| Credit cards | 251,672 | 23,276 |
| Balances at the Central Banks | 9,018,163 | 14,973,167 |
| Balance and deposits at banks and financial institutions | 6,946,105 | 13,105,081 |
| Trading investments | 859,567 | 886,985 |
| Available for sale investments | 2,638,743 | 1,381,728 |
| Held to maturity investments | 12,814,931 | 12,068,139 |
| Others | 174,794 | 176,821 |
| | 91,239,949 | 104,947,001 |

26 - INTEREST EXPENSE

In Jordanian Dinar JD

| ITEM | 2002 | 2001 |
|--|-------------------|-------------------|
| Banks and financial institutions deposits | 1,100,746 | 813,660 |
| Customers deposits: | | |
| Current accounts and demand deposits | 646,198 | 621,845 |
| Saving deposits | 9,883,700 | 12,635,328 |
| Time and notice deposits | 17,197,593 | 30,813,272 |
| Others | 754,659 | 802,514 |
| Cash margins | 864,280 | 1,146,015 |
| Loans and advances | 2,676,793 | 2,838,219 |
| Deposits Guarantee Corporation fees | 2,061,883 | 2,085,763 |
| Others | - | 6,914 |
| | 35,185,852 | 51,763,530 |

27 - COMMISSIONS

In Jordanian Dinar JD

| ITEM | 2002 | 2001 |
|----------------------------|------------------|------------------|
| Commission income : | | |
| Direct credit facilities | 4,989,592 | 4,947,235 |
| Indirect credit facilities | 2,743,205 | 2,747,482 |
| Less: Commission expense | (11,633) | (22,440) |
| Net commission | 7,721,164 | 7,672,277 |

28 - NET GAIN FROM FINANCIAL ASSETS

In Jordanian Dinar JD

| ITEM | 2002 | 2001 |
|---|------------------|------------------|
| Gain (losses) from trading investments | 147,369 | (28,077) |
| Gains from available for sale investments | 3,598,517 | 853,772 |
| Dividends received | 1,391,646 | 1,176,940 |
| Others | (148,529) | 46,455 |
| | <u>4,989,003</u> | <u>2,049,090</u> |

29 - OTHER OPERATING INCOME

In Jordanian Dinar JD

| ITEM | 2002 | 2001 |
|---|------------------|------------------|
| Foreign exchange income | 1,424,286 | 1,670,640 |
| Fees on salaries accounts | 2,005,291 | 1,857,930 |
| Credit cards' income | 1,180,033 | 897,162 |
| Safety Deposit Box rental income | 142,195 | 134,497 |
| Commissions on returned checks | 211,131 | 299,632 |
| Account management fees | 447,908 | 376,395 |
| Charges on dormant and low-balance accounts | 1,006,220 | 1,234,691 |
| Invoice processing fees | 83,270 | 92,360 |
| Customers' mail charges | 627,732 | 571,022 |
| Net income from bonded warehouse | 87,173 | 96,828 |
| Real Estate Investments income | - | 398,745 |
| Revenues on banking services | 392,293 | 361,014 |
| Revenues on transfers | 664,080 | 497,049 |
| Others | 961,614 | 375,931 |
| | <u>9,233,226</u> | <u>8,863,896</u> |

30 - STAFF COSTS

In Jordanian Dinar JD

| ITEM | 2002 | 2001 |
|------------------------------------|-------------------|-------------------|
| Salaries and benefits | 15,296,425 | 14,921,105 |
| Social security contribution | 1,469,687 | 1,354,293 |
| Bank's contribution in saving fund | 42,767 | 41,361 |
| End of service indemnity | 1,279,649 | 1,312,226 |
| Medical expenses | 911,387 | 932,174 |
| Training expenses | 594,697 | 247,872 |
| Travel and transportation expenses | 466,168 | 300,354 |
| Others | 375,380 | 273,678 |
| | 20,436,160 | 19,383,063 |

31 - OTHER OPERATING EXPENSES

In Jordanian Dinar JD

| ITEM | 2002 | 2001 |
|---|-------------------|-------------------|
| Computer and software rental | 861,463 | 742,022 |
| Stationery and printings | 720,151 | 735,980 |
| Maintenance and repairs | 1,864,210 | 1,638,626 |
| Post, telephone, telex and internet | 1,222,471 | 1,298,027 |
| Rent | 1,158,265 | 1,019,905 |
| Water, fuel and electricity | 690,355 | 588,679 |
| Advertising | 483,142 | 504,829 |
| Donations | 508,938 | 328,042 |
| Transportation expenses | 83,240 | 86,815 |
| Hospitality | 132,107 | 166,867 |
| Bank's assets Insurance | 572,578 | 374,131 |
| Financial Institutions subscription fees | 458,857 | 403,285 |
| Fees on foreign currency trading | 119,667 | 117,592 |
| Fees on credit facilities processing | 249,516 | 297,482 |
| Bad debts written off | 269,942 | 227,511 |
| Losses from repossessed assets impairment | 1,307,745 | 300,000 |
| Board of Directors' transportations & meeting | 613,374 | 606,352 |
| Consulting & Researches | 405,206 | 262,608 |
| Others | 2,916,715 | 2,553,527 |
| | 14,637,942 | 12,252,280 |

32 - NON OPERATING INCOME, NET

In Jordanian Dinar JD

| ITEM | 2002 | 2001 |
|-------------------------------------|------------------|------------------|
| Capital gain * | 746,686 | 3,408,138 |
| Revenue from reversal of provisions | 604,004 | 901,604 |
| Prior year revenues (expenses) | 9,379 | (365,939) |
| | <u>1,360,069</u> | <u>3,943,803</u> |

* The capital gain balance as of December 31, 2001 includes an amount of JD 3,269,494 representing the Bank's gain from selling the Housing Bank Center to the Housing Company for Hotels and Tourist Investment (associate) of which the Bank owns 50% of its capital. The sale was effected at market prices, and the deferred revenues resulting from the sale amounted to JD 3,269,494 and were included in other liabilities.

33 - EARNING PER SHARE

In Jordanian Dinar JD

| ITEM | 2002 | 2001 |
|-----------------------------------|--------------------|--------------------|
| Net income | 21,945,520 | 21,940,143 |
| Weighted average number of shares | Shares 100,000,000 | Shares 100,000,000 |
| Earnings per share | 0.219 | 0.219 |

34 - CASH AND CASH EQUIVALENTS

Cash and cash equivalent balances in the statements of cash flows consist of the following balance sheet items:

In Jordanian Dinar JD

| ITEM | 2002 | 2001 |
|--|--------------------|--------------------|
| Cash and balances with central banks | 410,845,486 | 328,940,538 |
| Add: Balances with banks and financial institutions maturing within 3 months | 228,830,791 | 259,173,104 |
| Less: Banks and financial institutions' deposits maturing within 3 months | (80,915,787) | (67,445,311) |
| Net cash and cash equivalents | <u>558,760,490</u> | <u>520,668,331</u> |

35 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following are financial assets and financial liabilities that were not stated at fair value:

In Jordanian Dinar JD

| ITEM | 2002 | | | 2001 | | |
|--|---------------|---------------|---------------|---------------|---------------|------------------|
| | Book Value | Fair Value | Differences | Book Value | Fair Value | Differences |
| FINANCIAL ASSETS | | | | | | |
| Cash on hand and at central banks. | 410,845,486 | 410,845,486 | - | 328,940,538 | 328,940,538 | - |
| Balances at banks and financial Institutions. | 228,830,791 | 228,830,791 | - | 259,173,104 | 259,173,104 | - |
| Deposits at banks and financial institutions. | 30,776,946 | 30,776,946 | - | 34,974,633 | 34,974,633 | - |
| Credit facilities- net | 600,014,832 | 600,014,832 | - | 584,751,392 | 584,751,392 | - |
| Available for sale investments. | 11,529,119 | 11,529,119 | - | 12,076,744 | 12,076,744 | - |
| Held to maturity investments. | 250,167,604 | 250,258,069 | 90,465 | 277,194,898 | 276,940,846 | (254,052) |
| Investment in associates & subsidiaries. | 27,585,688 | 27,575,926 | (9,762) | 24,778,541 | 24,772,141 | (6,400) |
| FINANCIAL LIABILITIES | | | | | | |
| Banks & financial institutions' deposits. | 85,703,392 | 85,703,392 | - | 73,925,498 | 73,925,498 | - |
| Customers' deposits. | 1,278,091,678 | 1,278,091,678 | - | 1,239,299,639 | 1,239,299,639 | - |
| Cash margins. | 51,212,087 | 51,212,087 | - | 45,558,514 | 45,558,514 | - |
| Amounts borrowed. | 46,653,423 | 46,653,423 | - | 52,039,279 | 52,039,279 | - |
| Net difference between book value and fair value. | | | 80,703 | | | (260,452) |

36 - FOREIGN CURRENCIES RISKS

In Jordanian Dinar JD

| ITEM | 2002 | | 2001 | |
|----------------|--------------------------|-----------------------|--------------------------|-----------------------|
| | Foreign currency "1,000" | Equivalent JD "1,000" | Foreign currency "1,000" | Equivalent JD "1,000" |
| U.S Dollar | 185 | 131 | 56,708 | 40,205 |
| Sterling Pound | 3,414 | 3,882 | 3,712 | 3,819 |
| Euro | 1,670 | 1,179 | (2,407) | (1,649) |
| French Franc | - | - | 231 | 22 |
| Deutsche Mark | - | - | 1,984 | 637 |
| Swiss Franc | (1,068) | (546) | 2,295 | 973 |
| Japanese Yen | (26,038) | (156) | 98,075 | 530 |
| Others | - | 4,229 | - | 952 |

37 - INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments as a result of mismatches or gap in assets and liabilities for stipulated periods or changes in interest rates in a specific period. The bank manages interest rate risk by monitoring interest rates on assets and liabilities through risk management strategy (disclosure made on the basis of periods of repricing interest or maturity, whichever period is earlier).

| 31 December 2002 | Up to 3 months | 3-6 months | 6 months to 1 year |
|---|--------------------|--------------------|--------------------|
| ASSETS | | | |
| Cash and balances with central banks | 256,400,000 | 30,821,864 | - |
| Balances at banks and financial institutions | 226,753,800 | - | - |
| Deposits at banks and financial institutions | - | 18,039,341 | 9,268,802 |
| Trading investments | - | - | 3,703,224 |
| Credit facilities, net | 111,798,639 | 57,324,984 | 94,491,143 |
| Available for sale investments | 3,544,646 | 2,193,311 | 12,469,232 |
| Held to maturity investments , net | 12,821,381 | 30,333,930 | 131,000,753 |
| Investments in associates & subsidiaries | - | - | - |
| Fixed assets, net | - | - | - |
| Other assets | - | - | - |
| TOTAL ASSETS | 611,318,466 | 138,713,430 | 250,933,154 |
| LIABILITIES | | | |
| Banks and financial institutions' deposits | 77,335,018 | 2,418,803 | 2,368,802 |
| Customers' deposits | 666,188,869 | 95,872,605 | 55,098,215 |
| Cash margins | 5,007,881 | 3,757,665 | 5,142,835 |
| Amounts borrowed | 1,321,727 | 1,686,556 | 2,784,592 |
| Other provisions | - | - | - |
| Other liabilities | - | - | - |
| Income tax provision | - | - | - |
| TOTAL LIABILITIES | 749,853,495 | 103,735,629 | 65,394,444 |
| Minority interest | - | - | - |
| Total Shareholders' Equity | - | - | - |
| TOTAL LIABILITIES & SHAREHOLDERS' EQUITY | 749,853,495 | 103,735,629 | 65,394,444 |
| Sensitivity differences of balance sheet items | (138,535,029) | 34,977,801 | 185,538,710 |
| Cumulative sensitivity differences | (138,535,029) | (103,557,228) | 81,981,482 |

* Out of which 52% represents saving deposits considered as core deposits maturing after one year.

In Jordanian Dinar JD

| 1-3 years | over 3 years | Non interest bearing items | Total | Average Interest rate % |
|--------------------|--------------------|----------------------------|----------------------|-------------------------|
| - | - | 123,623,622 | 410,845,486 | 3.75 |
| - | - | 2,076,991 | 228,830,791 | 2.67 |
| 3,468,803 | - | - | 30,776,946 | 2.62 |
| 7,118,343 | 1,015,000 | 2,325,261 | 14,161,828 | 5.14 |
| 162,666,530 | 162,648,025 | 11,085,511 | 600,014,832 | 9.84 |
| 30,989,884 | 27,948,523 | 45,065,827 | 122,211,423 | 4.12 |
| 36,358,429 | 39,653,111 | - | 250,167,604 | 4.92 |
| - | - | 27,585,688 | 27,585,688 | - |
| - | - | 32,844,723 | 32,844,723 | - |
| - | - | 52,078,098 | 52,078,098 | - |
| 240,601,989 | 231,264,659 | 296,685,721 | 1,769,517,419 | |
| - | - | 3,580,769 | 85,703,392 | 1.61 |
| 248,611,589* | - | 212,320,400 | 1,278,091,678 | 2.47 |
| 15,936,105 | - | 21,367,601 | 51,212,087 | 2.20 |
| 10,692,448 | 30,168,100 | - | 46,653,423 | 5.46 |
| - | - | 8,715,123 | 8,715,123 | - |
| - | - | 30,197,026 | 30,197,026 | - |
| - | - | 3,636,751 | 3,636,751 | - |
| 275,240,142 | 30,168,100 | 279,817,670 | 1,504,209,480 | |
| - | - | 128,311 | 128,311 | |
| - | - | 265,179,628 | 265,179,628 | |
| 275,240,142 | 30,168,100 | 545,125,609 | 1,769,517,419 | |
| (34,638,153) | 201,096,559 | (248,439,888) | - | |
| 47,343,329 | 248,439,888 | - | - | |

37 - INTEREST RATE RISK (Continued)

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments as a result of mismatches or gap in assets and liabilities for stipulated periods or changes in interest rates in a specific period. The bank manages interest rate risk by monitoring interest rates on assets and liabilities through risk management strategy (disclosure made on the basis of periods of repricing interest or maturity, whichever period is earlier).

| 31 December 2001 | Up to 3 months | 3-6 months | 6 months to 1 year |
|---|--------------------|--------------------|--------------------|
| ASSETS | | | |
| Cash and balances with central banks | 186,060,246 | 30,000,000 | - |
| Balances at banks and financial institutions | 256,684,242 | - | - |
| Deposits at banks and financial institutions | - | 15,709,000 | 13,560,841 |
| Trading investments | - | 27,356 | - |
| Credit facilities, net | 132,593,297 | 60,409,342 | 78,569,457 |
| Available for sale investments | 3,089,538 | - | 1,416,936 |
| Held to maturity investments , net | 41,788,818 | 8,037,656 | 45,629,087 |
| Investments in associates & subsidiaries | - | - | - |
| Fixed assets, net | - | - | - |
| Other assets | - | - | - |
| TOTAL ASSETS | 620,216,141 | 114,183,354 | 139,176,321 |
| LIABILITIES | | | |
| Banks and financial institutions' deposits | 67,445,311 | 4,336,792 | 2,143,395 |
| Customers' deposits | 653,481,412 | 127,205,342 | 70,968,500 |
| Cash margins | 28,697,149 | 261,622 | 473,161 |
| Amounts borrowed | 1,086,556 | 386,556 | 1,473,112 |
| Other provisions | - | - | - |
| Other liabilities | - | - | - |
| Income tax provision | - | - | - |
| TOTAL LIABILITIES | 750,710,428 | 132,190,312 | 75,058,168 |
| Minority interest | - | - | - |
| Total Shareholders' Equity | - | - | - |
| TOTAL LIABILITIES & SHAREHOLDERS' EQUITY | 750,710,428 | 132,190,312 | 75,058,168 |
| Sensitivity differences of balance sheet items | (130,494,287) | (18,006,958) | 64,118,153 |
| Cumulative sensitivity differences | (130,494,287) | (148,501,245) | (84,383,092) |

* Out of which 52% represents saving deposits considered as core deposits maturing after one year.

In Jordanian Dinar JD

| 1-3 years | over 3 years | Non interest bearing items | Total | Average Interest rate % |
|--------------------|--------------------|----------------------------|----------------------|-------------------------|
| - | - | 112,880,292 | 328,940,538 | 4 |
| - | - | 2,488,862 | 259,173,104 | 4 |
| 5,704,792 | - | - | 34,974,633 | 5 |
| 15,113,252 | 3,341,552 | 3,761,947 | 22,244,107 | 4 |
| 136,312,717 | 161,967,418 | 14,899,161 | 584,751,392 | 11 |
| 12,404,478 | 18,635,726 | 52,733,221 | 88,279,899 | 2 |
| 142,242,852 | 39,496,485 | - | 277,194,898 | 6 |
| - | - | 24,778,541 | 24,778,541 | - |
| - | - | 31,934,044 | 31,934,044 | - |
| - | - | 56,540,636 | 56,540,636 | - |
| 311,778,091 | 223,441,181 | 300,016,704 | 1,708,811,792 | |
| - | - | - | 73,925,498 | 4 |
| 206,264,860* | - | 181,379,525 | 1,239,299,639 | 4 |
| - | - | 16,126,582 | 45,558,514 | 4 |
| 8,838,672 | 40,254,383 | - | 52,039,279 | 6 |
| - | - | 8,508,999 | 8,508,999 | - |
| - | - | 29,073,517 | 29,073,517 | - |
| - | - | 3,866,221 | 3,866,221 | - |
| 215,103,532 | 40,254,383 | 238,954,844 | 1,452,271,667 | |
| - | - | 84,650 | 84,650 | |
| - | - | 256,455,475 | 256,455,475 | |
| 215,103,532 | 40,254,383 | 495,494,969 | 1,708,811,792 | |
| 96,674,559 | 183,186,798 | (195,478,265) | - | |
| 12,291,467 | 195,478,265 | - | - | |

38 - LIQUIDITY RISK

Assets and liabilities maturity (on the basis of the remaining period at the financial statements date)

Liquidity risk is the risk that the bank will be unable to meet its net financial liabilities as a result of market diversity or decline in credit level that may cause a shortage in funding sources. The bank's management has diversified its funding sources, manages assets and liabilities taking liquidity into consideration and keeps adequate balances of cash, cash equivalents and quoted securities.

| 31 December 2002 | Up to 1 month | 1-3 months | 3-6 months |
|---|--------------------|--------------------|--------------------|
| ASSETS | | | |
| Cash and balances with central banks | 214,823,622 | 165,200,000 | 30,821,864 |
| Balances at banks and financial institutions | 178,714,729 | 50,116,062 | - |
| Deposits at banks and financial institutions | - | - | 18,039,341 |
| Trading investments | 2,325,261 | - | - |
| Credit facilities, net | 83,310,562 | 39,573,588 | 57,324,984 |
| Available for sale investments | 33,536,708 | 3,544,646 | 2,193,311 |
| Held to maturity investments, net | - | 12,821,381 | 30,333,930 |
| Investments in associates & subsidiaries | - | - | - |
| Fixed assets, net | - | - | - |
| Other assets | 19,793,019 | 1,335,020 | 2,002,530 |
| TOTAL ASSETS | 532,503,901 | 272,590,697 | 140,715,960 |
| LIABILITIES | | | |
| Banks and financial institutions' deposits | 79,757,948 | 1,157,839 | 2,418,803 |
| Customers' deposits | 577,657,221 | 300,852,048 | 95,872,605 |
| Cash margins | 18,299,533 | 8,075,949 | 3,757,665 |
| Amounts borrowed | 128,852 | 1,192,875 | 1,686,556 |
| Other provisions | - | 670,444 | - |
| Other liabilities | 1,460,256 | 2,568,922 | 1,204,813 |
| Income tax provision | - | 3,636,751 | - |
| TOTAL LIABILITIES | 677,303,810 | 318,154,828 | 104,940,442 |
| Minority interest | - | - | - |
| Total Shareholders' Equity | - | 15,000,000 | - |
| TOTAL LIABILITIES & SHAREHOLDERS' EQUITY | 677,303,810 | 333,154,828 | 104,940,442 |
| Period gap | (144,799,909) | (60,564,131) | 35,775,518 |
| Cumulative gap | (144,799,909) | (205,364,040) | (169,588,522) |

* Out of which 52% represents saving deposits considered as core deposits maturing after one year.

In Jordanian Dinar JD

| 6 months to 1 year | 1-3 years | over 3 years | Without maturity | Total |
|--------------------|--------------------|--------------------|--------------------|----------------------|
| - | - | - | - | 410,845,486 |
| - | - | - | - | 228,830,791 |
| 9,268,802 | 3,468,803 | - | - | 30,776,946 |
| 3,703,224 | 7,118,343 | 1,015,000 | - | 14,161,828 |
| 94,491,143 | 162,666,530 | 162,648,025 | - | 600,014,832 |
| 12,469,232 | 30,989,884 | 27,948,523 | 11,529,119 | 122,211,423 |
| 131,000,753 | 36,358,429 | 39,653,111 | - | 250,167,604 |
| - | - | - | 27,585,688 | 27,585,688 |
| - | - | - | 32,844,723 | 32,844,723 |
| 4,005,060 | - | - | 24,942,469 | 52,078,098 |
| 254,938,214 | 240,601,989 | 231,264,659 | 96,901,999 | 1,769,517,419 |
| 2,368,802 | - | - | - | 85,703,392 |
| 55,098,215 | 248,611,589* | - | - | 1,278,091,678 |
| 5,142,835 | 15,936,105 | - | - | 51,212,087 |
| 2,784,592 | 10,692,448 | 30,168,100 | - | 46,653,423 |
| - | - | - | 8,044,679 | 8,715,123 |
| 2,386,397 | 9,528,403 | - | 13,048,235 | 30,197,026 |
| - | - | - | - | 3,636,751 |
| 67,780,841 | 284,768,545 | 30,168,100 | 21,092,914 | 1,504,209,480 |
| - | - | - | 128,311 | 128,311 |
| - | - | - | 250,179,628 | 265,179,628 |
| 67,780,841 | 284,768,545 | 30,168,100 | 271,400,853 | 1,769,517,419 |
| 187,157,373 | (44,166,556) | 201,096,559 | (174,498,854) | - |
| 17,568,851 | (26,597,705) | 174,498,854 | - | - |

38 - LIQUIDITY RISK (Continued)

Assets and liabilities maturity (on the basis of the remaining period at the financial statements date)

Liquidity risk is the risk that the bank will be unable to meet its net financial liabilities as a result of market diversity or decline in credit level that may cause a shortage in funding sources. The bank's management has diversified its funding sources, manages assets and liabilities taking liquidity into consideration and keeps adequate balances of cash, cash equivalents and quoted securities.

| 31 December 2001 | Up to 1 month | 1-3 months | 3-6 months |
|---|--------------------|--------------------|--------------------|
| ASSETS | | | |
| Cash and balances with central banks | 146,993,577 | 131,904,820 | 42,651,251 |
| Balances at banks and financial institutions | 179,528,060 | 79,645,044 | - |
| Deposits at banks and financial institutions | - | - | 15,709,000 |
| Trading investments | 3,761,947 | - | 27,356 |
| Credit facilities, net | 93,863,829 | 53,628,629 | 60,409,342 |
| Available for sale investments | 42,715,680 | 1,030,335 | - |
| Held to maturity investments, net | 41,788,447 | 371 | 8,037,656 |
| Investments in associates & subsidiaries | - | - | - |
| Fixed assets, net | - | - | - |
| Other assets | 27,609,841 | 7,799,603 | - |
| TOTAL ASSETS | 536,261,381 | 274,008,802 | 126,834,605 |
| LIABILITIES | | | |
| Banks and financial institutions' deposits | 14,205,526 | 53,239,785 | 4,336,792 |
| Customers' deposits | 675,846,314 | 159,014,623 | 127,205,342 |
| Cash margins | 25,636,583 | 19,185,823 | 261,622 |
| Amounts borrowed | 828,852 | 257,704 | 386,556 |
| Other provisions | - | - | - |
| Other liabilities | 1,417,104 | 3,841,587 | 1,367,181 |
| Income tax provision | 3,420,750 | 445,471 | - |
| TOTAL LIABILITIES | 721,355,129 | 235,984,993 | 133,557,493 |
| Minority interest | - | - | - |
| Total Shareholders' Equity | - | - | 12,000,000 |
| TOTAL LIABILITIES & SHAREHOLDERS' EQUITY | 721,355,129 | 235,984,993 | 145,557,493 |
| Period gap | (185,093,748) | 38,023,809 | (18,722,888) |
| Cumulative gap | (185,093,748) | (147,069,939) | (165,792,827) |

* Out of which 52% represents saving deposits considered as core deposits maturing after one year.

In Jordanian Dinar JD

| 6 months to 1 year | 1-3 years | over 3 years | Without maturity | Total |
|--------------------|--------------------|--------------------|--------------------|----------------------|
| 7,306,752 | 84,138 | - | - | 328,940,538 |
| - | - | - | - | 259,173,104 |
| 13,560,841 | 5,704,792 | - | - | 34,974,633 |
| - | 15,113,252 | 3,341,552 | - | 22,244,107 |
| 78,569,457 | 136,312,717 | 161,967,418 | - | 584,751,392 |
| 1,416,936 | 12,404,478 | 18,635,726 | 12,076,744 | 88,279,899 |
| 45,629,087 | 142,242,852 | 39,496,485 | - | 277,194,898 |
| - | - | - | 24,778,541 | 24,778,541 |
| - | - | - | 31,934,044 | 31,934,044 |
| - | - | - | 21,131,192 | 56,540,636 |
| 146,483,073 | 311,862,229 | 223,441,181 | 89,920,521 | 1,708,811,792 |
| 2,143,395 | - | - | - | 73,925,498 |
| 70,968,500 | 206,264,860* | - | - | 1,239,299,639 |
| 474,486 | - | - | - | 45,558,514 |
| 1,473,112 | 8,838,672 | 40,254,383 | - | 52,039,279 |
| - | - | - | 8,508,999 | 8,508,999 |
| 2,329,077 | 5,378,677 | 1,246,474 | 13,493,417 | 29,073,517 |
| - | - | - | - | 3,866,221 |
| 77,388,570 | 220,482,209 | 41,500,857 | 22,002,416 | 1,452,271,667 |
| - | - | - | 84,650 | 84,650 |
| - | - | - | 244,455,475 | 256,455,475 |
| 77,388,570 | 220,482,209 | 41,500,857 | 266,542,541 | 1,708,811,792 |
| 69,094,503 | 91,380,020 | 181,940,324 | (176,622,020) | - |
| (96,698,324) | (5,318,304) | 176,622,020 | - | - |

39 - GEOGRAPHICAL AND SEGMENTAL DISTRIBUTION OF ASSETS AND LIABILITIES AND OFF- BALANCE SHEET ITEMS.

In Jordanian Dinar JD

| 31 December 2002 | Assets | Liabilities | Off Balance Sheet Items |
|---|----------------------|----------------------|-------------------------|
| A-According to geographical area - | | | |
| Inside Jordan | 1,380,489,082 | 1,355,204,106 | 142,435,430 |
| Other Arab countries | 98,933,819 | 143,191,374 | 24,948,823 |
| Asia* | 7,324,122 | - | 24,929,169 |
| Europe | 229,946,212 | 5,814,000 | 46,534,449 |
| Africa * | - | - | 19,943,333 |
| America | 46,206,951 | - | 21,605,275 |
| Rest of the world | 6,617,233 | - | 33,238,900 |
| Total | 1,769,517,419 | 1,504,209,480 | 313,635,379 |
| B-According to segment | | | |
| Personal accounts | 322,222,539 | 956,132,773 | - |
| Corporate accounts | 1,328,282,536 | 505,484,250 | - |
| Others | 119,012,344 | 42,592,457 | - |
| Total | 1,769,517,419 | 1,504,209,480 | - |

* Except for Arab countries.

In Jordanian Dinar JD

| 31 December 2001 | Assets | Liabilities | Off Balance Sheet Items |
|---|----------------------|----------------------|-------------------------|
| A-According to geographical area - | | | |
| Inside Jordan | 1,294,836,945 | 1,249,835,073 | 123,118,752 |
| Other Arab countries | 126,974,190 | 194,921,646 | 26,570,772 |
| Asia* | 13,340,405 | - | 45,580,258 |
| Europe | 249,439,683 | 7,514,948 | 52,091,724 |
| Africa * | - | - | 8,139,331 |
| America | 16,348,635 | - | 24,417,995 |
| Rest of the world | 7,871,934 | - | 13,022,935 |
| Total | 1,708,811,792 | 1,452,271,667 | 292,941,767 |
| B-According to segment | | | |
| Personal accounts | 335,909,783 | 998,524,032 | - |
| Corporate accounts | 891,815,528 | 238,387,614 | - |
| Others | 481,086,481 | 215,360,021 | - |
| Total | 1,708,811,792 | 1,452,271,667 | - |

40 - CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The bank manages credit risk by setting limits for individual borrowers, and groups of borrowers and for geographical and industrial segments. The bank also monitors credit exposures, and continually assesses the creditworthiness of counter parties. In addition, the bank obtains security where appropriate, enters into master netting agreements and collateral arrangements with counter parties, and limits the Duration of exposures.

The bank, managing its credit risk, tries to diversify its credit activities so as to avoid concentration of credit risk relating to individual borrowers or group of borrowers and to geographical and industrial segments. Further collateral is taken when necessary.

41 - RELATED PARTY TRANSACTIONS (INCLUDING TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES)

In Jordanian Dinar JD

| ITEM | 2002 | 2001 |
|--|------------|------------|
| Balance sheet items | | |
| Nostro deposits | 21,738,938 | 22,693,776 |
| Vostro deposits | 74,983,913 | 78,572,708 |
| Loans and advances given to affiliated companies | 10,857,174 | 10,640,428 |
| Off-balance sheet items | | |
| Indirect credit facilities | 75,000 | 318,989 |
| Income statement items - | | |
| Interests and commission income | 1,056,255 | 1,783,223 |
| Interest and commission expense | 2,876,517 | 3,411,242 |
| Capital gains (losses) - if applicable - | | 3,408,138 |

42 - COMMITMENTS AND CONTINGENT LIABILITIES

In Jordanian Dinar JD

| ITEM | 2002 | 2001 |
|------------------------------|--------------------|--------------------|
| Letters of credit | 104,004,395 | 78,989,156 |
| Acceptance | 49,803,398 | 59,506,986 |
| Letters of guarantee: | | |
| A. Payments | 38,126,151 | 26,257,458 |
| B. Performance | 38,145,679 | 47,630,648 |
| C. Other L/Gs | 31,515,085 | 21,027,564 |
| Non-utilized facilities | 52,040,671 | 59,529,955 |
| | 313,635,379 | 292,941,767 |

43 - LAW SUITS AGAINST THE BANK

At the year end, there were law suits against the bank amounting to JD 9.4 million. These suits are lodged to prevent the bank from reclaiming Amounts due and enforcing real estate mortgages. In management's and the legal advisor's opinion, no material liability will arise as a result of these lawsuits, and the provision taken against these suits, which amounted to JD 358,940 is adequate.

44 - SEGMENTAL DISTRIBUTION FOR ASSETS AND LIABILITIES

| 31 December 2002 | Jordan Branches & Subsidiaries JD in millions | Palestine Branches & Subsidiaries JD in millions | Inter Transactions JD in millions | Total JD in millions |
|---|---|--|---|----------------------------|
| Total assets | 1,738 | 90 | (58.5) | 1,769.5 |
| Total liabilities | 1,469 | 87 | (51.8) | 1,504.2 |
| Credit interest | 89.8 | 3 | (1.6) | 91.2 |
| Net income (loss) after tax for the year 2002 | 25.5 | (3.5) | - | 22 |

| 31 December 2001 | Jordan Branches & Subsidiaries JD in millions | Palestine Branches & Subsidiaries JD in millions | Inter Transactions JD in millions | Total JD in millions |
|---|---|--|---|----------------------------|
| Total assets | 1,673 | 91 | (55.2) | 1,708.8 |
| Total liabilities | 1,413 | 87 | (47.7) | 1,452.3 |
| Credit interest | 102.6 | 4.3 | (2) | 104.9 |
| Net income (loss) after tax for the year 2001 | 24.8 | (2.8) | - | 22 |

45 - FIDUCIARY ASSETS

At the year end there were assets held in fiduciary capacity for JD 2,311,867 (2001: JD 727,927) these assets are not treated as assets or liabilities in the bank's consolidated financial statements.

46 - COMPARATIVE FIGURES

Some of 2001 figures were reclassified to correspond to 2002 presentation with no effect on shareholders' equity or net income for the prior year.