



# 30<sup>th</sup> Board Of Directors Report For The Year Ending December 31, 2003

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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**

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

## Leadership in Banking

The Housing Bank for Trade & Finance (HBTF), founded in 1973 is considered a model for successful inter Arab investments. It has been a leader in its commitment to strategic thinking in bank management, innovation & technology utilization. Thus, the bank was able to achieve success and then excellence in banking.

It was described by Arab & Foreign bankers as one of traditional & electronic banking market markers. It has a sound track record, leading position in local market & high international ratings.

The following is a highlight of the bank's achievements :-

(1)- **Strong capitalization with wide Arab & Islamic shareholdings.** It is ranked first in Jordan in terms of capital, which amounts to JD\* (100) million and shareholders equity of JD (279.1) million

(2)- **The largest retail bank in Jordan,** according to certain international rating agencies, with its wide range of diversified products & delivery channels.

(3)- **The largest branch network in Jordan,** with 101 branches, of which 96 in Jordan, 4 in Palestine and one in Bahrain.

(4)- **Leader in banking technology.** It was described by certain international rating agencies as a leader in E-banking.

(5)- **High International Ratings :**

\* The bank maintained for the third time the rating of BBB on domestic strength, one of the highest among Jordanian banks, and was raised from BB- to BB on foreign currency long-term liabilities, along with the rise in sovereign rating limit, by M/S Capital Intelligence. Outlook was stable, in the latest rating report issued in Sept. 2003.

\* The bank got a rating of (BB) on long-term foreign currency liabilities, and (B) on short-term foreign currency liabilities from M/S Fitch Ratings in 2003.

(6)- **Domestic & Arab Awards :**

\* The bank won ( Bank of the year-Jordan ) 2003 award from The Banker / Financial Times Group.

\* The bank won King Abdullah II Award for Excellence 2000 , 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 /2002 international quality certificate, new version.

\* One JD = USD 1.41, pegged.

**(7). Integrated Strategy for excellence in banking**

In order to achieve its strategic goals by applying the concepts of strategic planning, management by objectives and building corporate culture, the bank also adopts a strategy for excellence, to be applied in the year 2004. Main guidelines of this strategy are as follows:

(A)- Excellence in relations with shareholders by achieving sustained growth in ROE, ROA and improving assets quality.

(B)-Excellence in customers relation by meeting their needs, achieving customer satisfaction in order to reach loyalty.

(C)-Excellence in products, services & delivery channels to meet retail & corporate customer needs, aiming to provide the right product for the right customer, at the right price & time and through the right delivery channel.

(D)-Excellence in operations through making substantial changes in policies & procedures according to modern banking industry standards.

(E)-Excellence in human resources management to build qualified, motivated and innovative staff.

(F)-Excellence in competition.

(G)-Excellence in IT & its utilization.

(H)-Excellence in risk management including banking risks such as credit, market & liquidity risks in view of Basle II requirements as well as commercial risks such as strategic, operational, legal and reputation risks.

# CHAIRMAN'S STATEMENT

**Dear Shareholders;**

The economic environment has always been full with challenges that motivate banks for achieving sustained growth and outstanding performance. Our bank has proved its ability and adaptability with change and developments of the economic environment. The bank's performance in the year 2003 was distinguished. It has maintained its leading position in local banking market and accomplished good achievements and growth rates in various banking activities.

I have the pleasure to present to you the 30th annual report. While reviewing the financial statements in our annual report, you will find out that our bank made increasing & balanced growth rates in major financial indicators. The bank's balance sheet showed increased growth as total assets rose to JD (2,020.1) million as of December 31,2003, a growth of JD (247.1) million or (13.9%).

The bank continued to strengthen its capital base with additional funds. Reserves increased & shareholders equity grew by JD (13.9) million or (5.2%). It amounted to JD (279.1) million, at the end of 2003. Thus, the bank has maintained the first rank according to this indicator in local banking market. Various reserves contributed to high capital adequacy ratio i.e (26.03%) 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 operating revenues rose significantly to JD (89.4) million in 2003, a growth of JD (11.8) million or (15.2%). Net operating income rose to JD (31.6) million in 2003, a growth of JD (2.9) million or (10%). Non-interest income also rose to JD (23.7) million in 2003, a substantial growth of JD (9.8) million or (70.3%).

Net income before tax and fees amounted to JD (31.706) million in the year 2003, a growth of JD (1.575) million or (5.2%). Net income amounted to JD (22.51) million, growth of JD (564) thousand or (2.6%).

Despite the increased competition on saving & deposits attraction, the bank maintained its leading position, and its total deposits grew to JD (1,576) million, a growth of JD (209.9) million or (15.4%).

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 & corporate customers including large, medium and small businesses amounted to JD (359.9) million, in the year 2003.

The bank's outstanding performance and achievements in 2003 came as translation of the wise direction and policies, set by the board of directors, and efficiently implemented by the executive management. Major guidelines were : the adoption of strategic planning, continuous

development of products & services, in order to meet market trends and the needs of retail & corporate customers. The bank also relied on IT development as well as qualifying & training its human resources.

In regard to external expansion, the year 2003 witnessed the first expansion of the bank into potential Arab markets, through the opening of a branch in Bahrain Kingdom, which is the first HBTF branch in Arab Gulf region. Moreover The Housing Bank for Trade & Finance / Algeria, was opened, which is a subsidiary of HBTF/ Jordan, with a stake of( 52%).

Procedures for establishing the “International Bank for Trade & Finance (IBTF)” in Syria, a subsidiary of HBTF/Jordan with (49%) stake, were completed. The new bank got a license form the Syrian cabinet and commercial registration. It is expected to start operations in first quarter of 2004 after registration at the Central Bank of Syria.

A representative office was opened in Baghdad / Iraq. It will act as a marketing center & a connection between HBTF & Iraqi banks especially those with cooperation agreements, as well as providing banking products & trade finance services to Iraqi corporations & businessmen.

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 2004.

I would like to take this opportunity to express sincere thanks and gratitude to our government for cooperation with the banking system. I would particularly express thanks to the Central Bank of Jordan, for following an active 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, Social Security Corporation of Jordan, Libyan Arab Foreign Bank, the supreme board of economic affairs & investment / Gov. of Qatar, the governments of Iran Islamic Republic & Sultanate of Oman. In conclusion, I would like to thank the bank’s executive management, as well as all employees, in Jordan, Palestine & Bahrain branches, 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 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

Mr. Abdel Rahman Al-Jada

(Representatives of Social Security Corporation- Jordan).

Mr. Abdul latif El-Kip

Mr. Ahmad Faraj Balkhair

(Representatives of Libyan Arab Foreign Bank)

Sheikh. Ali Bin Jasim Al Thani

(Representative of Superme board of economic affairs & investment /Government of Qatar)

\* Dr. Ali Shams Ardekani

(Representative of Iran Foreign Investments Company)

Mr. Abdel Qader Dweik

General Manager

**AUDITORS:** Saba & Co. (Member of Deloitte & Touche) & Ernest & Young

\* Dr. Ali Shams Ardekani was appointed as representative of Iran Foreign Investments Co. to replace Mr. Sayyed Abul Hassan Marashi as of July 12,2003.



## EXECUTIVE MANAGEMENT

<b>Zuhair Khouri</b>	<b>Chairman / Executive President .</b>
<b>Abdel Qader Dweik</b>	<b>General Manager.</b>
<b>Mohammad Ghazi Hussein Zahdeh</b>	<b>Deputy General Manager.</b>
<b>Oudeh Khalil</b>	<b>General Inspector.</b>
<b>Mohy Ddin El-Ali</b>	<b>Asst. G.m. For Administrative Affairs .</b>
<b>Nael Zu'bi</b>	<b>Asst. G.m For Credit Affairs .</b>
<b>Mohammad Abu Zeid</b>	<b>Asst. G.m For Marketing, P.R &amp; Research .</b>
<b>Ali Hamadeh</b>	<b>Asst. G.m For Credit Risk Management.</b>
<b>Ayed Mashni</b>	<b>Asst. G.m For Planning And Financial Affairs .</b>
<b>Sultan Zu'bi</b>	<b>Executive Manager Of Commercial Credit .</b>
<b>Ibrahim Daher</b>	<b>Executive Manager Of Commercial Properties &amp; Services.</b>
<b>Awad Fadayel</b>	<b>Executive Manager Of Foreign Banking, Treasury &amp; Investment .</b>
<b>Mahmoud Rifa'e</b>	<b>Executive Manager Of Human Resources .</b>
<b>Kamal Yagmour</b>	<b>Executive Manager Of Jordan Branches .</b>
<b>Robeen Ga'abari</b>	<b>Executive Manager Of Banking Operations .</b>
<b>Omar Malhas</b>	<b>Executive Manager Of Treasury &amp; Investment .</b>
<b>Fatina Gheshan</b>	<b>Executive Manager Of Training .</b>
<b>Mohammad Frahan</b>	<b>Executive Manager Of Products Development &amp; Management .</b>
<b>Faisal Hosni *</b>	<b>Executive Manager Of IT Systems</b>
<b>Ihab Saadi</b>	<b>Executive Manager Of Corporate Finance .</b>
<b>Saleem Jarrar</b>	<b>Legal Consultant .</b>
<b>Mohammad Bargothi</b>	<b>Regional Manager/ Palestine Branches .</b>
<b>Adnan Sharabi</b>	<b>Regional Manager/ Bahrain .</b>

\* Mr. Faisal Hosni resigned as from Oct. 21,2003, and Mr. Mahmoud Kamal was appointed as executive Manager of IT systems, as from Feb. 16,2004.

## Operations Results

The year 2003 witnessed many challenges resulting from international & regional political & economic changes, which had negative strategic effects on the world economies in general, and the region economies in particular.

These rapid changes had affected many international & regional banks, but HBTF was able to cope with such changes and rose up to challenges.

The bank achieved balanced growth rates in different performance indicators and maintained its leading position in domestic banking market, while balancing between risk and return, improving service quality and customer satisfaction. Productivity & operating efficiency improved through risk control, operations streamlining and cost reduction. The bank's keenness to develop its IT, helped it to lead the market in introducing new electronic products and delivery channels, which are expanding in today's banking industry, as a result of globalization, IT & communications revolution.

### Major Financial Indicators

The executive management's commitment to its well advised strategic plan helped the bank to maintain its leadership in local banking market.

### Balance Sheet

The bank's balance sheet showed increased growth. Total assets mounted to JD(2,020.1) million at the end of 2003, against JD (1,773) million at the end of 2002, a growth of (13.9 %).

### Shareholders Equity

The bank continued in strengthening its capital base as reserves were increased, and shareholders equity amounted to JD (279.1) million, at the end of 2003, against JD (265.2) million, at the end of 2002, a growth of (5.2%). Thus, the bank maintained the first rank, according to this criterion in local banking market.

### Capital Adequacy

The bank always enjoyed high capital adequacy ratios. It is now (26.03%), which exceeds 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 that HBTF has strong capitalization.

It is worth mentioning the bank was ranked (55) according to soundness (capital / assets) ratio among the largest 1000 bank in the world, in the ranking made by the BANKER magazine / Financial Times Group in its July 2003/ issue.

### Net Interest & Commission Income

Net interest & commission income increased to JD (65.7) million in 2003, against JD (63.7) million in 2002, a growth of (3.1%).

### Non-Interest Income

Non-Interest income amounted to JD (23.7) million in 2003, against JD (13.9) million in 2002, a growth rate of (70.3%).

### Operating Revenues

Net operating revenues rose to JD (89.4) million in 2003, against JD (77.6) million in 2002, a growth of (15.2%).

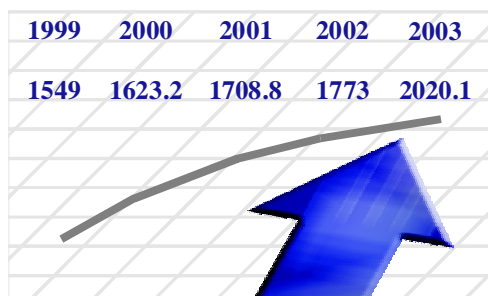
### Net Operating Income

Net operating income increased and amounted to JD (31.6) million in 2003, against JD (28.8) million in 2002, a growth of (10%).

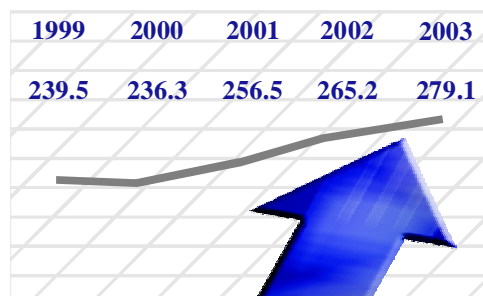
### Net Income before Tax

The bank maintained its balanced & sustained growth of profitability, 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 & fees amounted to JD (31.7) million in 2003, against JD (30.1) million in 2002. Net income amounted to JD (22.51) million in 2003, against JD (21.95) million in 2002.

Assets Growth  
In million of JD s



Shareholders Equity Growth  
In million of JD s



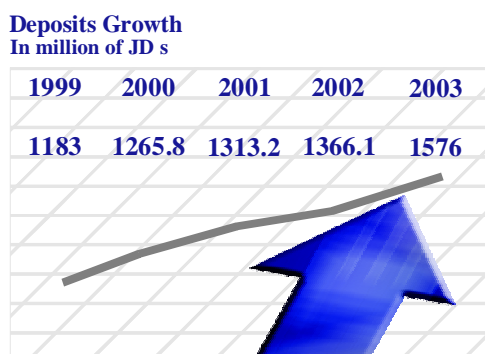
### Deposits

Despite increased competition, the bank maintained its leading position in attracting various types of deposits, especially saving accounts. The bank has further enlarged its wide depositor base, which was always a characteristic of its deposits structure, and attracted new retail & corporate customers. 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 developed promotion efforts.

Total deposits at the bank increased to JD (1,576) million at the end of 2003 against JD (1,366.1) million at the end of 2002.

Regarding the bank's leading role in attracting households deposits, it has maintained its first rank in saving deposits in the past quarter century despite the 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 saving accounts balances at the bank recorded substantial growth in 2003. In this regard the bank's share is (46.9%) of total saving accounts balances at the Jordanian banking system or (88.2%) of those at other operating banks in Jordan.



### Major Financial Indicators of the Bank (1999 - 2003)

Item / Year	In million of JD s				
	1999	2000	2001	2002	2003
Cash, & at Banks	658.0	721.9	623.10	676.10	886.90
Total Loans & Credit Facilities / Net	609.1	556.6	584.70	600.10	628.00
Customers Deposits	1,123.1	1,209.4	1,239.30	1,280.40	1,526.50
Interbank Deposits	59.9	56.4	73.90	85.70	49.50
Total Deposits	1,183.0	1,265.8	1,313.20	1,366.10	1,576.00
Capital & Reserves (Shareholders' Equity)	239.5	236.3	256.50	265.20	279.10
Net Income (after Tax)	17.6	11.8	21.94	21.95	22.51
Total Assets / Liabilities	1,549.0	1,623.2	1,708.80	1,773.00	2,020.10

## Retail Banking Services

As the retail banking is the key strategic activity for the bank, the retail action plan for 2003, drafted according to the wise direction of the board, was successfully implemented by the executive management including many marketing & promotion initiatives.

The year 2003 has witnessed a dramatic change in retail activities, through the introduction of many new retail banking products and services including traditional & electronic ones. The bank's retail products are the most developed and diversified in the local banking market, and designed to meet customers needs, realize customer satisfaction and convert it to loyalty. With the introduction of new products, intensified selling & cross selling initiatives were made as well as developing of branches and operation centers to improve service quality from high to excellent. In this regard, certain international rating agencies described HBTF as the largest retail bank in Jordan.

### Electronic Banking Products & Delivery Channels :

The bank continued its E-banking leadership in 2003 as 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. Volume of electronic transaction rose to form 75% of all cash transactions.

Prepaid cards including Cool Net card for access to the Internet, Ma'ak Card for communications, and Farah Internet Card were introduced and sold through the bank's ATM network, which is the largest in Jordan and consists of 150 machines, 4 of which are drive through. The bank also operates the first mobile ATM on a van, which was introduced in the year 2002.

Visa Electron Cards, issued to customers, exceeded half million, and the bank got an appreciation award from Visa International. This card enable holders to get service, from 800 thousand ATMs and pay for their purchases through P.O.S machines in more than 20 million shopping centers in Jordan & around the world. Moreover, work started on the second phase of Internet banking/ corporate to provide commercial banking services (E-commerce / E-business) to corporations, in addition to the diversification of Internet retail banking services, provided to individuals to 32 products.

E-payment Module of Jordan telecommunication bills and social security subscriptions payment through the Internet were also introduced. Iskan S.M.S through mobile phones was developed & Iskan Internet shopping card was introduced in Bahrain Kingdom by our branch there.

The products provided by our three virtual branches in Amman were developed as well as our Call Center, which now provides more than 50 services at the right time & place for customers.

Contact Center project will be completed in 2004 by implementing the second phase (Out Bound) of Call Center in order to be utilized as selling and promotion conduit (Phone Sale Center). Phone & home bank services were diversified as well as mobile bank, which will be developed in 2004 using WAP-Cash technology, to enable subscribers use their mobile phones in payment for their purchases.

## Credit Cards

There was a significant increase in the number of credit cards issued by the bank in 2003, as the result of concerted marketing & promotion efforts, as well as customer encouraging incentives. Visa cards issued in 2003 were (4,706) and so, total cards issued by the bank became (10,865) by the end of 2003.

In regard to Master card, agreements were made with large number of shopping centers to accept this card, in addition to its use to get instant cash from ATMs. M.C. electronic card was launched to enable mid & low income categories pay for their purchases through P.O.S. Master card was also issued by our Bahrain branch and an agreement was signed between HBTF & C.S.E to accept GCC-Net Cards on the bank's ATMs in Jordan.

## Retail Products and Saving Programs

Developing and diversification included also saving and personal finance programs such as the introduction of Aman Account. Ajyal, (generations) program which includes saving and life insurance, monthly saving accounts cash prizes scheme, Student account and Kinz certificate prizes, were all developed.

## Personal Finance Programs

New individual finance programs were introduced such as the expatriate, working woman, teacher, education & training loans as well as loans by phone. The bank continued to develop & diversify its personal finance programs including: children education loans (Bawasel), Car loans (My Car), medical expenses loans (Salamatokom), household appliances loans (My Home), tourist vacation loans (My Vacation). Advances programs for public and private sector employees were also developed. Personal loans granted by the bank in 2003 totaled JD (128.7) million.

The bank continued in 2003 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 and subsidized loans in collaboration with Jordan Mortgage Finance corp. Moreover, the bank continued to provide finance to real estate developers who build housing projects for high, medium and low-income groups.

Total housing loans granted by the bank to individuals amounted to JD (18.8) million.

## Western Union Transfers

Aiming to increase the number & revenues of outgoing & incoming transfers, the bank increased its sub agent network, which provides Western 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 a number of money exchange firms and thus the number of sites providing such services became (150). The bank has now the largest express transfer network in Jordan and has also introduced W.U.T in its Palestine branches.

## Direct Marketing Communications with Customers

Under marketing communication strategy and to keep close contact with existing and potential customers & developing E-marketing, 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. Services of private dealing rooms for customers in some branches were developed, to enable them watch trading on Amman stock exchange on line, and invest in stocks trading.

Under the model branch projects, work continued in renovating and redecorating the bank's branches and so total renovated branches has come to (35). VIP halls were increased and distributed among major branches to provide convenient environment for customers.

## Credit Operations

Assuming its active role in socio-economic development, HBTF continued in meeting the corporate demand of credit, focusing on good lending opportunities of high return and low risks. The bank's executive management adhered to the board direction and applied a credit strategy that 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 2003 amounted to JD (212.4) million. They were granted to sectors of better performance, whether directly or through participation in syndicated loans. 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.

In line with the national policy of supporting information technology (IT) & computerization projects, the bank provided finance for many government institutions programs in order to expedite the E-government project.

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

### **Arab Trade Finance program/ Abu Dhabi:**

This credit line limit was raised to USD (7.5) million in 2003, against USD (5) million, which was fully utilized. The bank provided finance to (11) operations which amounted to USD (4.281) million and so, total finance provided since the launch of such program amounted to USD (12.205) million. This program aims to promote imports of at least (40%) added value from Arab countries as well exports of Arab countries to the world, particularly those of at least (40%) added value.

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

(14) operations, totaling USD (10.168) million were executed under this program, in 2003.

The bank realizes credit risks as major challenges facing the banking industry and so, developing credit policy & procedures continued, including restructuring of loan portfolio in favor of higher - profitability & low - risk sectors, and reducing exposure to non - feasible ones. The bank aimed to improve the distribution of credit, sectorial & geographic wise, in accordance with its credit strategy, its basis set by the board, and the standard ratios in banking market in order to have a balanced & high-quality loan portfolio.

New measures were taken to tackle non-performing loans and the bank 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 measure customer, account officer, credit center & commercial credit sector profitability.

## Corporate Finance

The Corporate Finance Department was developed in mid 2001 to attract, study and exploit investment & finance opportunities, deal structuring and providing financial and investment advisory to major large scale public & private projects. Corporate clients of this activity could be attracted to buy other banking products. The Corporate Finance Department provides the following core services:

### **Direct equity investment deals**

offered to both the bank & clients and include :

- All activities taken to buy or sell direct investments and negotiate the best terms & conditions for such purposes.
- Undertake road shows & private placements in order to close the deal.

### **Investment management & finance of BOT, BOOT infrastructure projects**

- Provide investment & development finance for infrastructure projects, lead or participate in syndicated loans.
- Act as financial consultant for project / shareholder to realize the capital structure and finance close.

### **Financial & Investment Advisory**

- Management of mergers & acquisitions.
- Issue & market IPOs and corporate bonds.
- Evaluation of corporate risks, capital structure and feasibility studies.
- Corporate restructuring & privatization advisory.

In the year 2003, the bank studied a number of BOT, BOOT infrastructure projects for investment or finance such as Egypt Natural Gas, wherein the bank acted as financial consultant & syndicated loan manager, Disi-Amman water conveyance system, As-Samra Waste Water Treatment Plant and a tourist resort project as well as other projects which are under final negotiations. The bank also provided a package of financial & investment advisory services to clients.

The bank in its future plan intends to focus more on acting as financial consultant and syndicated loans manager for infrastructure projects and privatization local advisor in collaboration with international consultants as well as increase its share of finance & investment services.



## Treasury and Investment Banking

The bank continued its efforts during the year 2003 to increase its market share of treasury and investment banking activities and foreign exchange services, and maintain its leading position in domestic market, while minimizing 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, and was able to make good returns. The bank continued in applying its policy to upgrade its staff skills & experience through attending specialized training courses in this field.

The bank continued to provide high quality foreign exchange services to customers, particularly margin and account / account trading, and forward contracts. It also continued playing its leading role among local competitors as a market maker in the inter bank money market & currency exchange services.

In regard to technological development the bank has provided a modern Treasury System to automate functions and improve quality of services provided to customers.

### International Banking Operations

The bank has expanded forfaiting operations in order to diversify good-return investments.

### Correspondents Banks (Relations with foreign banks)

The year 2003 witnessed building good relations and cooperation arrangements with nine Iraqi banks, in foreign trade & other banking operations.

The bank continued to build and strengthen its relation with correspondent banks around the world. A new system for analyzing financial statements of correspondent banks, based on latest international standards was applied.

### 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 made good return compared with the index of Amman stock exchange and opportunities available in money market. Net asset value amounted to JD (180.711) and the return since establishment till the end 2003 was (35.84 %).

The bank has also continued to provide portfolio management on full authorization from customers and made good rates of return.

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 the customer's account.

Margin trading was totally reviewed to be more competitive and attracted new customers. A separate dealing division and a specially equipped hall at the Stocks Investment Center designated for customers use, were provided.

In regard to financial consultations service, Stocks Investment Center continued to issue weekly analytic reports of Amman stock exchange 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 for 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, custody 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.

## Information Technology & Systems Development.

To maintain its leading position in banking technology in local market, which was confirmed by international rating agencies, the bank continued to apply its well – advised IT strategy in 2003 by upgrading its IT base, infrastructure and electronic communication network. Thus enabling the bank to develop and diversify banking products & electronic delivery channels. Operation costs were reduced, productivity and service quality improved.

### **The following are the main achievements in this field in the year 2003 :**

1. Upgrading branch electronic communication system through building a modern network, and increasing the speed of internal network linking Head office, operation centers & branches, with stand by technical arrangements to ensure continuous service.
2. Completion of first phase of Internet banking project for retail customers and good part of the 2nd phase.
3. Completion of Internet security system.
4. Work continued on security policy project to improve data security, ATM, branches & contact center systems using the latest technology.
5. Continue to develop Cms & Tcs systems in order to improve ATM Services.
6. Completion of internal network improvement by applying Microsoft MS W2000 active directory, Internet content & filtering monitoring and LAN security assessment systems.
7. DB2 data bases were operated in order to develop banking applications.
8. The use of (data warehouse) has started, which is a main base for providing statistics and quantitative reports as well as an integrated data base for customer segmentation & classification. It is used for identifying profitable products & customer segments, and developing new products to each segment.
9. System development life cycle/rational was applied.
10. Operating environment of PCs was improved by converting to MS W2000 remote installation server RIS.
11. Complete application of treasury system & account records on IBM System for various investment instruments.
12. Complete application of banking systems (Hardware & Software) for Bahrain branch, HBTF/ Algeria and work is under way for IBTF, the subsidiary bank in Syria.
13. A contract was made with a backup center in London, to ensure continuous service in extreme emergency, which is a technological regional advantage for the bank.
14. During 2003, electronic channels systems were upgraded according to the latest Specifications & world software, which helps in developing & introducing new electronic Products.

## Managerial & Human Resources Development

Human resources development at the bank is a continuous process under the Bank's Strategy for this year and the coming ones. The bank implemented various management development programs in 2003. Their aim was to improve management efficiency, staff productivity and performance as well as rationalization of operation costs and improving the quality of services provided to customers.

The bank continued in applying total quality management T.Q.M and made progress in customer service relationship project, aiming to develop managerial & technical abilities of branch manager, customer service staff & tellers.

In addition to previous restructuring programs, the executive management, according to the board's policies and direction has started a new restructuring program for changing & developing policies and procedures & innovating new techniques to improve performance, productivity, streamlining of operations. The aim is to reduce costs & increase revenues in order to achieve the strategic goals of improving profitability & increasing ROE & ROA.

The bank's recruiting policy focused on attracting highly qualified, competent and experienced staff of outstanding performance to fill in vacant positions. New recruits are required to be highly qualified, and pass special tests, in addition to a 3 months probation period including the theoretical & on-job training program and a final exam.

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

### Training

In application of the bank's strategy including promoting sales culture among all staff, the bank's training center has continued in implementing the excellence in service campaign which included upgrading the skills of branch staff, through a set of training courses provided in collaboration with a local consulting institution. Three workshops for high rank managers were held on banking industry challenges in the 21th century & leadership skills.

The bank continued to apply universal teller & customer service concept in all branches, through banking operations programs.

The bank sought to develop credit culture through a set of training courses, which were provided in collaboration with Moody's Risk Management Services, Global Finance & Global Derivatives Associates / USA, DC Gardner and Euromoney Training /U.K.

The Bank has also worked to realize the concept of learning bank by holding technical analysis course in collaboration with M/S Smart Line/ Cyprus for foreign banking & stock investments staff as well as other courses in capital markets, treasury & derivatives, with the collaboration of other local & foreign training institutions.

Other courses were held in risk management, Basle 2 requirements for the financial dept. staff, project management in collaboration with M/S Method Technologies, balanced scorecards with the Institute of International Research / U.K and modern selling techniques with M/S Gulf Innovation. IT staff attended several training programs in collaboration with specialized firms, such as IBM. The bank continued to pay special attention to teach English & French languages & P.C skills to staff and qualify them to get IT Cambridge certificate.

In the year 2003, the bank provided a total of (3,671) training & study opportunities.

The bank also nominated a number of its staff to get PH.D & Master degrees in various banking & finance disciplines, and (5) employees to get certified financial analyst (CFA) certificate. (8) employees were nominated to study and get certified internal auditor & (12) for certified management accountant (CMA).

One employee got certified public accountant (CPA). The bank has for the first time nominated 18 employees to get project management professional certificate. Total number of employees nominated for study were (89) in 2003. 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 the capabilities of selected group of staff through special academic study & training courses, and made training plans to develop the skills of the employees, to be appointed in new external branches, and subsidiary banks.

### The Growth of the Bank's Training Activities During 1999 - 2003

Item / Year	Number of participants				
	1999	2000	2001	2002	2003
<b>Training programs held at the Bank - based Training Center</b>	<b>2,265</b>	<b>2,121</b>	<b>1,216</b>	<b>2,017</b>	<b>2,721</b>
<b>Training programs held in collaboration with specialized local training institutions</b>	<b>282</b>	<b>195</b>	<b>261</b>	<b>412</b>	<b>285</b>
<b>Training courses &amp; conferences held in Arab and foreign training institutions</b>	<b>92</b>	<b>44</b>	<b>105</b>	<b>159</b>	<b>158</b>
<b>Seminars</b>	<b>113</b>	<b>972</b>	<b>992</b>	<b>303</b>	<b>453</b>
<b>Master programs</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>5</b>	<b>7</b>
<b>Banking Diploma</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>3</b>
<b>C.P.A training course</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>1</b>
<b>C.M.A (Managerial accounting)</b>	<b>3</b>	<b>-</b>	<b>4</b>	<b>6</b>	<b>12</b>
<b>C.I.A (Internal auditing)</b>	<b>-</b>	<b>3</b>	<b>6</b>	<b>-</b>	<b>8</b>
<b>C.F.A Certificate</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>7</b>	<b>5</b>
<b>C.I.S.A</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>7</b>	<b>-</b>
<b>C.C.S.A</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>
<b>C.I.D.A</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>
<b>Call Center Certificate</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>
<b>M.C.S.E Certificate</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>B.C.I.P</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>
<b>P.M.P</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18</b>
<b>Total</b>	<b>2,757</b>	<b>3,341</b>	<b>2,587</b>	<b>2,924</b>	<b>3,671</b>

## External Expansion

The year 2003 witnessed the first expansion of the bank into potential Arab markets, through opening branches and / or representative offices and / or establishing joint banks with Arab financial & investment institutions & businessmen. The goals are diversification of markets & operating environments, so as to lower risks, invest surplus funds and strengthen the bank's financial position. The most significant achievements are:

### **(( Bahrain Kingdom ))**

A branch was opened with a capital of USD (15) million. The branch has commenced operation in mid February 2003.

### **(( Algeria ))**

The Housing Bank for Trade & Finance / Algeria, a subsidiary bank was opened with an authorized capital of USD (30) million, of which the paid up capital is USD (10) million. Major partners are as follow :

- 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%.

The bank commenced operations in October 2003.

### **(( Syria ))**

HBTF obtained the approval of the Syrian cabinet to establish "The International Bank for Trade & Finance (IBTF)" with a stake of 49% of capital which is 1.5 billion Syrian pounds, equivalent to USD 30 million. IBTF got the license (as a Syrian private shareholding company).

- Four Syrian investors subscribed to 2% of the bank's shares in addition to HBTF. The remaining 49% were offered in IPO for resident & non-resident Syrian nationals in the period October 9-26 and the float was successful. Total shareholders number was (1914), which is the largest base of private banks in Syria.
- The primary general assembly was held on Dec. 4 where IBTF was declared and the first board was elected of nine members, four of them represent HBTF. The bank was commercially registered.
- IBTF is expected to start operations in the first quarter of 2004 after furnishing its offices and providing staff & equipment.

### **(( Iraq ))**

A representative office was opened in Iraq on Dec. 27, 2003 after being furnished and provided with staff & equipment. It will act as a connection between Iraqi banks & trade sector and the Jordanian market as well as providing banking products & services to Iraqi corporations & citizens.

HBTF has also two representative offices in Abu Dhabi/ UAE & Tripoli / Libya since few years.

## Social Role

Assuming its social commitments, the bank continued the interaction with various categories of community. The executive management continued to diversify social programs and provided all means for that purpose. It has 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 traffic awareness, anti smoking, family day and children programs, including Arab children song festival.

The bank also sponsored & participated in many local, Arab & international economic, financial and investment conferences such as Jordan Economic Forum, which was held in Amman in October 2003, Arab banking seminar in Damascus, July 2003, the conference of Arab banks, organized by the Union of Arab banks in Beirut in October 2003, in addition to many local & Arab conferences of businessmen & investors, which were held in Amman.



## Future Plan - 2004

For the purpose of supporting the bank's financial strength & leading position in local banking market and in realization of ( Customer First ) slogan and translate it to reality, the goals set for the year 2004 include the following :

- 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.
- Increase the bank's market share of different activities, through innovation and intensive marketing and selling, to expand the profitable customers base, retain current customers & convert them to multi-service users by translating (Customer First) concept into reality.
- Achieve high level of customer satisfaction, which is a core value of the bank, improve service performance in order to enhance the bank's competitive advantages.
- Improve efficiency through streamlining of operations, attaining cost savings and improving service performance under the continuous application of total quality management T.Q.M, and building proper corporate culture.
- Develop new banking products & electronic delivery Channels (E-channels), which are consistent with local & int. market trends, meet customers needs & exceed their expectations. Moreover, diversify investment instruments within accepted risk levels.
- Develop human resources strategy, and staff productivity by developing the training process and focusing on building a motivating environment which encourages teamwork.
- 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, and maintain the bank's leadership in electronic banking.
- Improve risk management in view of Basle II requirements including various risks divided into banking risks (Credit, market & liquidity) and commercial risks (operating, strategic, legal & reputation).
- Complete the new restructuring project for all activities in accordance with modern banking & management requirements, in line with the continuous change & development concept, which was adopted by the bank as a strategic guideline. A renowned consulting firm was contracted to perform the restructuring.
- Continue in external expansion and branching in potential Arab markets, under the bank's relevant strategy, and exploring new opportunities.

**AUDITORS' REPORT  
TO THE SHAREHOLDERS OF  
THE HOUSING BANK FOR TRADE AND FINANCE**

We have audited the accompanying consolidated balance sheet of The Housing Bank for Trade and Finance (a public shareholding company) as of 31 December 2003 and the related consolidated statements of income, cash flows and changes in shareholders' equity 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.

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 statements presentations. 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 & Finance as of 31 December 2003 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 its approval.

The Bank maintains proper books of account, and the accompanying consolidated financial statements and the financial information in the Board of Directors' report are in agreement therewith.

**Mazen K. Dajani**  
Registration No. 164 (A)  
For Deloitte & Touche M.E.

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

**January 28, 2004**  
**Amman - Jordan**

The Housing Bank For Trade And Finance  
(a Public Shareholding Company)  
Consolidated Balance Sheet  
As of 31 December 2003

In Jordanian Dinar JD\*

ITEM	Notes	2003	2002
<b>ASSETS</b>			
Cash and balances with the central banks	3	671,308,142	410,845,811
Balances with banks and financial institutions	4	133,537,590	228,848,229
Deposits with banks and financial institutions	5	82,007,752	36,400,703
Trading investments	6	8,674,087	14,161,828
Credit facilities - net	7	628,040,069	600,088,046
Available for sale investments	8	228,280,232	122,211,423
Held to maturity investments - net	9	152,768,516	250,167,604
Investments in associates & subsidiaries	10	29,745,857	23,895,554
Fixed assets - net	11	34,244,734	34,257,038
Other assets	12	51,472,055	52,134,986
<b>TOTAL ASSETS</b>		<b><u>2,020,079,034</u></b>	<b><u>1,773,011,222</u></b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Banks and financial institutions deposits	13	49,472,806	85,703,392
Customers' deposits	14	1,526,548,293	1,280,449,363
Cash margins	15	61,262,895	49,556,018
Amounts borrowed	16	43,424,048	46,653,423
Other provisions	17	12,183,595	8,715,123
Other liabilities	18	34,952,209	29,529,408
Income tax provision	19	9,658,427	3,636,751
<b>TOTAL LIABILITIES</b>		<b><u>1,737,502,273</u></b>	<b><u>1,504,243,478</u></b>
<b>MINORITY INTEREST</b>	20	<b><u>3,500,262</u></b>	<b><u>3,560,292</u></b>
<b>SHAREHOLDERS' EQUITY</b>			
Paid-up capital	21	100,000,000	100,000,000
Additional paid - in capital	21	56,974,008	60,519,008
Statutory reserve	21	28,254,385	24,961,672
Voluntary reserve	21	33,222,068	33,222,068
Foreign branches reserve	21	17,730,000	14,185,000
Cumulative changes in fair value	22	12,941,419	6,619,125
Retained earnings	23	14,586,821	10,672,755
Foreign currency translation		367,798	27,824
Proposed dividends	24	15,000,000	15,000,000
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b><u>279,076,499</u></b>	<b><u>265,207,452</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b><u>2,020,079,034</u></b>	<b><u>1,773,011,222</u></b>

\*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  
(a Public Shareholding Company)  
Consolidated Income Statement  
For the year ended 31 December 2003

In Jordanian Dinar JD

ITEM	Notes	2003	2002
Interest income	25	84,125,673	91,173,855
Interest expense	26	<u>(26,253,330)</u>	<u>(35,185,852)</u>
<b>Net interest income</b>		<b>57,872,343</b>	<b>55,988,003</b>
Net commission income	27	<u>7,837,963</u>	<u>7,720,916</u>
<b>Net interest and commission income</b>		<b>65,710,306</b>	<b>63,708,919</b>
<b>Non – interest income</b>			
Bank's share in associates & subsidiaries (losses)		(1,337,791)	(587,415)
Net gain from financial assets and instruments	28	13,983,310	4,989,528
Other operating income	29	<u>11,032,931</u>	<u>9,499,190</u>
<b>Total Non-interest income</b>		<b>23,678,450</b>	<b>13,901,303</b>
<b>OPERATING INCOME</b>		<b>89,388,756</b>	<b>77,610,222</b>
<b>Expenses</b>			
Staff	30	22,771,766	20,436,160
Other operating expenses	31	16,764,842	14,838,089
Depreciation		5,898,062	6,251,259
Provision for credit losses	7	7,631,471	5,634,543
Other provisions		4,684,947	1,678,929
<b>Total operating expenses</b>		<b>57,751,088</b>	<b>48,838,980</b>
<b>PROFIT FROM OPERATIONS</b>		<b>31,637,668</b>	<b>28,771,242</b>
Non - operating income – net	32	<u>68,556</u>	<u>1,360,069</u>
<b>NET INCOME BEFORE INCOME TAX &amp; FEES</b>		<b>31,706,224</b>	<b>30,131,311</b>
Income tax expense	19	(8,635,000)	(7,206,558)
Provision for Jordanian universities fees		(329,271)	(335,222)
Provision for scientific research and vocational training		(329,271)	(335,222)
Education, vocational and technical training fund fees		(194,113)	(185,932)
Board of directors' remuneration		<u>(65,000)</u>	<u>(65,000)</u>
<b>PROFIT AFTER INCOME TAX AND FEES</b>		<b>22,153,569</b>	<b>22,003,377</b>
Add (less) minority interest share (after tax) from subsidiaries' loss (profit)	20	<u>356,280</u>	<u>(57,857)</u>
<b>NET PROFIT FOR THE YEAR</b>		<b>22,509,849</b>	<b>21,945,520</b>
<b>Earnings per share</b>	33	<b>0.225</b>	<b>0.219</b>
<b>Weighted average number of shares</b>		<b>100,000,000</b>	<b>100,000,000</b>

**The Housing Bank For Trade and Finance  
(a Public Shareholding Company)  
Consolidated Statement of Cash Flows  
For the year ended 31 December 2003**

In Jordanian Dinar JD\*

ITEM	Notes	2003	2002
<b>OPERATING ACTIVITIES</b>			
<b>Profit before income tax and fees</b>		<b>31,706,224</b>	<b>30,131,311</b>
<b>Adjustments for:</b>			
Depreciation		5,898,062	6,251,259
Provision for credit losses		7,631,471	5,634,543
Other provisions		4,684,947	1,678,929
Losses from associates & subsidiaries		1,337,791	587,415
Effect of exchange rate changes on cash & cash equivalents		(1,299,138)	(1,467,297)
Others		2,224,916	1,236,704
<b>Operating profit before changes in operating assets &amp; liabilities</b>		<b>52,184,273</b>	<b>44,052,864</b>
(Increase) Decrease in deposits with banks & other financial institutions		(45,607,049)	4,197,687
(Increase) in credit facilities		(35,783,734)	(20,897,983)
Decrease in trading investments		5,487,741	8,082,279
(Increase) Decrease in other assets		(332,366)	3,062,354
(Decrease) in banks and financial institutions' deposits		(4,787,605)	(1,692,582)
Increase in customers' deposits		246,098,930	38,792,039
Increase in cash margin		11,706,877	5,653,573
Increase in other liabilities		5,645,947	1,560,177
(Decrease) in other provisions		(3,406,260)	(3,004,826)
<b>Cash from operation</b>		<b>231,206,754</b>	<b>79,805,582</b>
Income tax paid		(2,420,903)	(7,436,029)
<b>Net cash from operating activities</b>		<b>228,785,851</b>	<b>72,369,553</b>
<b>INVESTING ACTIVITIES</b>			
(Purchase of) available – for - sale investments		(100,187,810)	(35,152,890)
Sale of held – to - maturity investments		97,485,980	27,027,294
(Purchase of) investments in associates & subsidiaries		(7,188,094)	(3,394,562)
(Purchase) of fixed assets		(5,719,392)	(6,415,253)
<b>Net cash used in investing activities</b>		<b>(15,609,316)</b>	<b>(17,935,411)</b>
<b>FINANCING ACTIVITIES</b>			
(Decrease) in amounts borrowed		(3,229,375)	(5,385,856)
Dividends paid		(14,991,896)	(12,515,864)
<b>Net cash used in financing activities</b>		<b>(18,221,271)</b>	<b>(17,901,720)</b>
<b>Net increase in cash and cash equivalents</b>		<b>194,955,264</b>	<b>36,532,422</b>
Effect of exchange rate changes on cash and cash equivalents		1,299,138	1,467,297
Foreign currency translation		339,974	-
Cash and cash equivalents at 1 January		558,685,813	520,686,094
<b>CASH &amp; CASH EQUIVALENTS AT 31 DECEMBER</b>	<b>34</b>	<b>755,280,189</b>	<b>558,685,813</b>

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

**The Housing Bank For Trade and Finance**  
**(a Public Shareholding Company)**  
 Consolidated Statement of Changes in Shareholders' Equity  
 For the year ended 31 December 2003

ITEM	Paid- up capital	Additional paid- in capital	RESERVES	
			Statutory	Voluntary
<b>31 December 2003</b>				
<b>Balance at 1 January 2003</b>	<b>100,000,000</b>	<b>60,519,008</b>	<b>24,961,672</b>	<b>33,222,068</b>
Net income	-	-	-	-
Transfer to statutory reserve	-	-	3,292,713	-
Transfer to foreign branches reserve	-	(3,545,000)	-	-
Proposed dividends	-	-	-	-
Dividends paid	-	-	-	-
Portion of realised gain on sale of available for sale investments	-	-	-	-
Cumulative changes in fair value	-	-	-	-
Foreign currency translation	-	-	-	-
<b>Balance of 31 December 2003</b>	<b><u>100,000,000</u></b>	<b><u>56,974,008</u></b>	<b><u>28,254,385</u></b>	<b><u>33,222,068</u></b>
<b>Balance at 1 January 2002</b>				
<b>Balance at 1 January 2002</b>	<b>100,000,000</b>	<b>71,000,000</b>	<b>21,609,448</b>	<b>33,222,068</b>
Net income	-	-	-	-
Transfer to statutory reserve	-	-	3,352,224	-
Transfer to foreign branches reserve	-	(10,480,992)	-	-
Proposed dividends	-	-	-	-
Dividends paid	-	-	-	-
Portion of realised gain on sale of available for sale investments	-	-	-	-
Cumulative changes in fair value	-	-	-	-
Foreign currency translation	-	-	-	-
<b>Balance of 31 December 2002</b>	<b><u>100,000,000</u></b>	<b><u>60,519,008</u></b>	<b><u>24,961,672</u></b>	<b><u>33,222,068</u></b>

In Jordanian Dinar JD

RESERVES		Cumulative changes in fair value	Retained earnings	Proposed dividends	Foreign currency translation	Total
Foreign branches	Other					
<b>14,185,000</b>	-	<b>6,619,125</b>	<b>10,672,755</b>	<b>15,000,000</b>	<b>27,824</b>	<b>265,207,452</b>
-	-	-	22,509,849	-	-	22,509,849
-	-	-	(3,292,713)	-	-	-
3,545,000	-	-	-	-	-	-
-	-	-	(15,000,000)	15,000,000	-	-
-	-	-	-	(15,000,000)	-	(15,000,000)
-	-	(3,522,152)	(303,070)	-	-	(3,825,222)
-	-	9,844,446	-	-	-	9,844,446
-	-	-	-	-	339,974	339,974
<b><u>17,730,000</u></b>	<b><u>-</u></b>	<b><u>12,941,419</u></b>	<b><u>14,586,821</u></b>	<b><u>15,000,000</u></b>	<b><u>367,798</u></b>	<b><u>279,076,499</u></b>
<b>3,550,000</b>	<b>154,008</b>	<b>7,518,459</b>	<b>7,401,492</b>	<b>12,000,000</b>	<b>-</b>	<b>256,455,475</b>
-	-	-	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)
-	-	(1,206,006)	(322,033)	-	-	(1,528,039)
-	-	306,672	-	-	-	306,672
-	-	-	-	-	27,824	27,824
<b><u>14,185,000</u></b>	<b><u>-</u></b>	<b><u>6,619,125</u></b>	<b><u>10,672,755</u></b>	<b><u>15,000,000</u></b>	<b><u>27,824</u></b>	<b><u>265,207,452</u></b>

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

## **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 through its branches in Jordan and abroad.

The Bank's total number of employees is 1,676 as of 31 December 2003, (2002: 1,657 employees) The consolidated financial statements were approved by the Bank's Board of Directors, according to resolution no.1/2004 dated 28/1/2004.

## **2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of the consolidated financial statement 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 Standards issued or adopted by the International Accounting Standards Board and instructions issued by its standing interpretation committee and Central Bank of Jordan laws and regulations.

The financial statements have been prepared on historical basis except for measuring fair value of trading and available-for-sale investments which are stated at fair value.

The consolidated financial statements are presented in Jordanian Dinar.

The accounting policies for this year are the same as those of previous years.

### **Trade and settlement date accounting**

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

### **Basis of consolidation**

The accompanying consolidated financial statements comprise assets, liabilities and the results of operations of the Bank's branches in Jordan, Palestine, Bahrain and the following subsidiaries:

International Financial Center Company (Paid-up capital JD 250,000 of which the Bank owned 77.5% as of 31 December 2002 and 2003).

Jordan and Palestine Financial Investment Company (paid-up capital JD 2,150,000 of which the Bank owned 99.9% as of 31 December 2002 and 2003).

The Housing Bank for Trade and Finance – Algeria (paid-up capital Algeria dinar 800 million of which the Bank owned 52% as of 31 December 2002 and 2003).

Inter-company transactions and balances are eliminated.

### **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.

A Provision for non-performing facilities is taken for possible loan losses. The provision is recorded in the statement of income.

Interest and commission of non-performing facilities are suspended based on the Central Banks regulations.

A general provision for direct and indirect credit facilities is provided for possible losses based on the Central Banks regulations.

Loans and advances are written off when all procedures taken to collect the debt have failed, and adjusted against the provision. Any surplus in the provision after taking into consideration any proceeds from debts is transferred to income statement as a reduction in the provision charge for the year.

### **Available for sale investments**

After initial recognition, investments which are classified "available for sale" are remeasured at fair value. Unrealized gains and losses on remeasurement to fair value are reported as a separate component of equity until the investment is sold, collected or otherwise disposed of, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of income for the year.



### **Held-to-maturity investments**

Investments, which have fixed or determinable payments, which are intended to be held to maturity, are carried at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any discount or premium on acquisition using the effective interest rate method.

### **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, amortized cost and 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. If there is no significant influence, associates are carried at cost in spite of the voting rights being over 20% .

### **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. Moreover, 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 revalued 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 operates. In accordance with IAS (12), deferred taxes resulting from timing differences relating to the provisions of non-performing loans, end-of-service indemnity and other items should be recognised. Due to the fact that the Bank's management is uncertain as to the realisation 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 for any legal or contractual obligations at the end of the employees' services according to the accumulated service terms at the date of the balance sheet in line with the Bank's internal regulations.

### **Provisions**

Provisions are recognised when the Bank has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to 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

Cash and cash equivalents comprise cash and balances with Central Bank and other financial institutions less banks and other financial institutions' deposits maturing within three months.

### Repurchase and resale agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date continue to be recognised in the balance sheet –(due to the Bank's continuing control over these assets)and are measured in accordance with the prevailing accounting polices. The liability for the amounts received under these agreements is included in the Bank's liabilities. The difference between the sale and the repurchase price is treated as interest expense that is recognised over agreement term.

Assets purchased with a corresponding commitment to resell at a specified future date are not recognised in the balance sheet – due to the fact that the Bank has no control over these assets – and amounts paid under these agreements are included in deposits at banks and other financial institutions or customers' loans as applicable. The difference between purchase and resale price is treated as interest income recognised 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 with a concern of mitigating market risks.

The Bank has in place variety of financial policies to manage risks according to planned strategy. Bank's Assets & Liabilities Management Committee controls and adjust 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.

The risks include the following :-

- Interest rate risk which is the possibility of changes in the value of a financial instrument resulting from changes in interest rate in the market .
- Foreign exchange risk, that may result from changes in foreign exchange rates. The attached note 36 to the financial statement discloses net assets and liabilities in foreign currencies .
- Market risk that may result from changes in the value of financial instrument in the market .
- Credit risk:- which is the possibility that the other party to the financial instrument will default by failing to repay .

### Financial Instruments

Financial Instruments include both on - and off balance sheet instruments:

#### On balance sheet financial instruments

On-balance sheet financial instruments include cash, deposits with banks and the Central Banks, loans, advances, investments, some of other assets, customers' deposits, banks deposits, and some other liabilities.

#### Off balance sheet financial instruments

Off-balance sheet financial instruments include letters of credit, guarantees, and acceptances.

### **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 the original effective interest rates, are recognised in the income statement.

### **OFF-Setting**

Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and the Bank intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

**3-CASH AND BALANCES WITH CENTRAL BANKS**

In Jordanian Dinar JD

ITEMS	December 31 , 2003	December 31 , 2002
Cash	28,417,612	22,462,449
<b>Balances with Central Banks</b>		
Current accounts	36,381,810	24,721,440
Term and notice deposits	7,298,500	1,088,666
Statutory cash reserve	117,210,220	103,173,256
Certificates of deposit	482,000,000	259,400,000
	<u>671,308,142</u>	<u>410,845,811</u>

Except for the statutory cash reserve at the Central Bank of Jordan, the Palestinian Monetary Authority and the Bahraini Monetary Authority there are no restricted cash balances. as of December 31, 2003 and 2002.

**4-BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS**

In Jordanian Dinar JD

ITEMS	December 31 , 2003	December 31 , 2002
<b>Local banks and other financial institutions:</b>		
Current accounts	196,700	3,333,394
Deposits maturing within three months	3,000,000	-
Certificates of deposit	1,418,000	-
<b>Foreign banks and other financial institutions:</b>		
Current accounts	29,451,670	26,772,760
Deposits maturing within three months	99,471,220	195,906,075
Certificates of deposit	-	2,836,000
	<u>133,537,590</u>	<u>228,848,229</u>

Non-interest bearing balances at banks and financial institutions amounted to JD 2,245,955 as of December 31, 2003 and JD 2,076,991 as of December 31, 2002.

Restricted balances amounted to JD 92,737 as of December 31, 2003 and JD 92,440 as of December 31, 2002.

## 5-DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

In Jordanian Dinar JD

ITEMS	December 31 , 2003			December 31 , 2002		
	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	-	-	-	-	23,663,098	23,663,098
Deposits maturing Within 6 to 9 months	-	33,339,028	33,339,028	-	2,368,802	2,368,802
Deposits maturing Within 9 to 12 months	-	48,668,724	48,668,724	1,900,000	-	1,900,000
More than one year	-	-	-	1,100,000	2,368,803	3,468,803
Certificates of deposit	-	-	-	5,000,000	-	5,000,000
	<u>-</u>	<u>82,007,752</u>	<u>82,007,752</u>	<u>8,000,000</u>	<u>28,400,703</u>	<u>36,400,703</u>

## 6-TRADING INVESTMENTS

In Jordanian Dinar JD

ITEMS	December 31 - 2003	December 31 - 2002
Shares listed in financial markets	2,082,667	2,325,261
Marketable bonds and debentures listed in financial markets	6,591,420	11,836,567
	<u>8,674,087</u>	<u>14,161,828</u>

## 7-CREDIT FACILITIES-NET

In Jordanian Dinar JD

ITEMS	December 31 - 2003	December 31 - 2002
Discounted bills and notes	24,638,319	28,373,505
Overdraft facilities	101,258,426	98,483,643
Loans and advances	556,623,892	543,650,841
Credit cards	1,579,415	1,338,590
	<u>684,100,052</u>	<u>671,846,579</u>
Less: Interest in suspense	18,377,593	24,537,459
Provision for credit facilities	<u>37,682,390</u>	<u>47,221,074</u>
	<u>56,059,983</u>	<u>71,758,533</u>
<b>Credit facilities, net</b>	<u><b>628,040,069</b></u>	<u><b>600,088,046</b></u>

## Credit Facilities By Sector

In Jordanian Dinar JD

ITEMS	December 31 , 2003		December 31 , 2002	
Agriculture	7,103,035		6,674,557	
Manufacturing and mining	55,195,279		60,980,944	
Construction	137,420,423		161,353,299	
General trade	108,647,602		96,921,793	
Transportation services	7,967,630		4,333,193	
Tourism, hotels and restaurants	31,763,187		28,331,574	
Services and publications	66,023,156		84,695,373	
Financial services	654,559		17,186	
Shares dealing	1,116,268		1,153,424	
Real estate	57,551,832		53,379,592	
Car loans	13,129,218		14,418,972	
Consumers loans	188,074,718		157,100,852	
Other	9,453,145		2,485,820	
	<b>684,100,052</b>		<b>671,846,579</b>	

The non-performing credit facilities including interest in suspense amounted to JD 85,389,935 representing 12.48% of total facilities as of December 31, 2003 against JD 106,458,328 representing 15.85% as of December 31, 2002. Furthermore, the total non-performing credit facilities net of interest in suspense amounted to JD 67,521,730 representing 10.13% of total facilities net of interest in suspense as of December 31, 2003 against JD 82,802,229 representing 12.79% as of December 31, 2002.

Credit facilities granted to and guaranteed by the government amounted to JD 58,821,498 representing 8.6% of total facilities as of December 31, 2003 against JD 58,707,332 representing 8.7% as of December 31, 2002.

The gross fair value of collaterals held against credit facilities amounted to JD 403,478,825 as of December 31, 2003 against JD 393,668,047 as of December 31, 2002 taking into consideration that the fair value of the collaterals do not exceed the balance of the related facilities.

## Provision for credit facilities

The movements in the provision for credit facilities were as follows:

In Jordanian Dinar JD

ITEMS	December 31 , 2003			December 31 , 2002		
	Specific	General	Total	Specific	General	Total
-Opening balance						
at January 1,	36,145,774	11,075,300	47,221,074	34,228,625	11,852,599	46,081,224
-Charge for the year	6,358,994	1,272,477	7,631,471	5,634,543	-	5,634,543
Provisions transfer between						
specific and general	(367,389)	367,389	-	777,299	(777,299)	-
-(Amounts written off)	(17,170,155)	-	(17,170,155)	(4,494,693)	-	(4,494,693)
<b>Ending balance at</b>						
<b>December 31</b>	<b>24,967,224</b>	<b>12,715,166</b>	<b>37,682,390</b>	<b>36,145,774</b>	<b>11,075,300</b>	<b>47,221,074</b>

The Provisions for credit facilities that have been settled, collected or transferred against other non-performing credit facilities amounted to JD 6,168,085 as of December 31, 2003 against JD 5,536,370 as of December 31, 2002.

**Interest in suspense**

The movements on interest in suspense were as follows:

In Jordanian Dinar JD

ITEMS	December 31 , 2003	December 31 , 2002
Opening balance at 1st January	24,537,459	22,777,007
Add: Interest suspended during the year	7,945,240	10,982,407
Less: interest in suspense recognised during the year	5,046,624	5,788,144
interest in suspense written off during the year	9,058,482	3,433,811
<b>Ending balance at December 31</b>	<b><u>18,377,593</u></b>	<b><u>24,537,459</u></b>

**8-AVAILABLE FOR SALE INVESTMENTS**

In Jordanian Dinar JD

ITEMS	December 31 , 2003			December 31 , 2002		
	Unquoted	Quoted	Total	Unquoted	Quoted	Total
Shares	11,251,897	24,577,607	35,829,504	11,529,119	25,508,075	37,037,194
Bonds	-	150,108,154	150,108,154	-	77,145,595	77,145,595
Investment funds	-	42,342,574	42,342,574	-	8,028,634	8,028,634
	<b><u>11,251,897</u></b>	<b><u>217,028,335</u></b>	<b><u>228,280,232</u></b>	<b><u>11,529,119</u></b>	<b><u>110,682,304</u></b>	<b><u>122,211,423</u></b>

Investments in shares include an amount of JD 11,251,897 as of December 31, 2003 against JD 11,529,119 as of December 31, 2002 which are stated at cost since their fair value could not be measured reliably. Impairment in value of these shares was recorded in the statement of income of JD 66,722 as of December 31, 2003 against JD 192,323 as of December 31, 2002 .

Unquoted shares include an amount of JD 3,814,460 representing 22.1% ownership in Jordan International Bank as of December 31, 2003 and 2002. The equity method has not been adopted due to the absence of significant influence by the Bank over the administrative and financial policies relating to this investment.

**9-HELD TO MATURITY INVESTMENTS - NET**

In Jordanian Dinar JD

ITEMS	December 31 , 2003	December 31 , 2002
Treasury bonds	72,007,148	34,589,123
Governmental bonds or government guaranteed bonds	45,625,964	173,953,502
Companies bonds and debentures	35,135,404	41,624,979
	<b><u>152,768,516</u></b>	<b><u>250,167,604</u></b>

## **10-INVESTMENTS IN ASSOCIATES & SUBSIDIARIES**

In Jordanian Dinar JD

<b>ITEMS</b>	<b>December 31 , 2003</b>	<b>December 31 , 2002</b>
<b>i. Associates.</b>		
<b>Housing Company for Tourism and Hotels Investments</b>	<b>19,219,509</b>	<b>20,538,622</b>
Established in: Jordan		
Percentage of ownership and voting power: 50% (2002 : 50%)		
Nature of activity: Hotel and Trading		
<b>Housing Bank Fund / Bahrain</b>	<b>-</b>	<b>2,847,395</b>
Established in: Bahrain		
Percentage of ownership and voting power (2002 : 29.06%)		
Nature of activity: Financial		
<b>ii.Subsidiaries</b>		
<b>International Bank for Trade &amp; Finance / Syria</b>	<b>10,118,738</b>	<b>-</b>
Established in: Syria		
Percentage of ownership and voting power:49% (Nil: 2002)		
Nature of activity: Banking		
<b>Jordan Real Estate Investments Company *</b>	<b>407,610</b>	<b>509,537</b>
Established in: Jordan		
Percentage of ownership & voting power: 100% (2002: 100%)		
<b>Nature of activity: Services</b>	<b><u>29,745,857</u></b>	<b><u>23,895,554</u></b>

\* The financial statements of the Jordan Real Estate Investments have not been consolidated as the company is under liquidation starting from 21 December 2002.

Financial investments value has been computed using the equity method and according to the financial statements received by the Bank from companies as of 31 December 2003 and 31 December 2002 respectively.



## 11-FIXED ASSETS – NET

In Jordanian Dinar JD							
ITEMS	Land	Building	Equipment Furniture and Fixtures	Vehicles	Others	Projects under process	Total
<b>December 31, 2003</b>							
Beginning balance	4,463,884	11,484,230	50,904,044	988,547	1,838,993	1,394,091	71,073,789
Additions	367,767	1,266,711	3,659,059	247,985	632,289	530,340	6,704,151
Disposals	(8,000)	(62,100)	(1,875,250)	(51,894)	-	(1,394,091)	(3,391,335)
Accumulated depreciation	-	(2,757,636)	(36,767,787)	(632,980)	(827,552)	-	(40,985,955)
Advance payments on fixed assets purchases	-	-	844,084	-	-	-	844,084
<b>Net Book Value at year-end</b>	<b>4,823,651</b>	<b>9,931,205</b>	<b>16,764,150</b>	<b>551,658</b>	<b>1,643,730</b>	<b>530,340</b>	<b>34,244,734</b>
<b>December 31, 2002</b>							
Beginning balance	4,463,884	11,530,981	46,284,520	732,128	1,046,542	-	64,058,055
Additions	-	(46,751)	(1,618,897)	(106,386)	(24,205)	-	(1,796,239)
Disposals	-	(2,530,860)	(32,647,723)	(543,066)	(444,404)	-	(36,166,053)
Accumulated depreciation	-	-	(650,697)	-	-	-	(650,697)
Advance payments on fixed assets purchases	-	-	2,722,790	-	-	-	2,722,790
<b>Net Book Value at year-end</b>	<b>4,463,884</b>	<b>8,953,370</b>	<b>17,605,623</b>	<b>445,481</b>	<b>1,394,589</b>	<b>1,394,091</b>	<b>34,257,038</b>

## 12-OTHER ASSETS

In Jordanian Dinar JD		
ITEMS	December 31 - 2003	December 31 - 2002
Accrued revenues	5,389,308	8,021,960
Prepaid expenses	1,304,935	806,088
Repossessed assets for resale *	14,914,734	19,638,455
Investments in real-estate (lands) at cost **	1,183,553	1,584,411
Cheques under collection	18,190,719	19,088,916
Payments on behalf of foreign branches & subsidiaries	3,031,596	-
Others	7,457,210	2,995,156
	<b>51,472,055</b>	<b>52,134,986</b>

\* Repossessed assets for resale includes unregistered real-estates amounting to JD 1.8 million .

\*\*The Fair value of real-estate investments amounted to JD 1.6 million as of December 31, 2003 against JD 2.2 million as of December 31, 2002.

**13-BANKS AND FINANCIAL INSTITUTIONS DEPOSITS**

In Jordanian Dinar JD

ITEMS	December 31, 2003			December 31, 2002		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
Current accounts and demand deposits	4,047,306	13,412,702	17,460,008	3,978,712	22,354,180	26,332,892
Deposits due within 3 months	2,096,183	29,916,615	32,012,798	15,677,373	38,905,522	54,582,895
Deposits maturing within 3 - 12 months	-	-	-	-	4,787,605	4,787,605
	<u>6,143,489</u>	<u>43,329,317</u>	<u>49,472,806</u>	<u>19,656,085</u>	<u>66,047,307</u>	<u>85,703,392</u>

**14-CUSTOMERS' DEPOSITS**

In Jordanian Dinar JD

ITEMS	December 31, 2003	December 31, 2002
Current accounts and demand deposits	261,150,129	176,653,640
Saving deposits	580,187,316	479,948,349
Time and notice deposits	657,294,902	606,525,824
Others	27,915,946	17,321,550
	<u>1,526,548,293</u>	<u>1,280,449,363</u>

Public sectors' deposits amounted to JD 111,867,038 representing 7.3% of total customers' deposits as of December 31, 2003 against JD 105,442,580 representing 8.2% of total customers' deposits as of December 31, 2002.

Non-interest bearing deposits amounted to JD 273,741,717 representing 17.9% of total customers' deposits as of December 31, 2003 against JD 212,320,400 representing 16.6% of total customers' deposits as of December 31, 2002.

Time and notice deposits include restricted deposits of JD 17,604,429, representing 1.2% of total deposits as of December 31, 2003. These restricted deposits are in the name of the Dormant Accounts Management Fund according to the provisional Law No. 33 for the year 2003.

Restricted deposits excluding the Dormant Accounts Fund amounted without restricted Deposited Iraq Fund to JD 21.9 million representing 1.4% of total customers' deposits as of December 31, 2003 against JD 19.6 million representing 1.5% of total customers' deposits as of December 31, 2002.

Dormant accounts amounted to JD 8,029,868 representing 0.5% of total customers' deposits as of December 31, 2003 against JD 10,358,770 representing 0.8% of total customers' deposits as of December 31, 2002.

**15-CASH MARGINS**

In Jordanian Dinar JD

ITEMS	December 31 - 2003	December 31 - 2002
Direct credit facilities	41,527,142	34,584,833
Indirect credit facilities	18,229,485	13,379,806
Against margin dealings	1,506,268	1,591,379
	<u>61,262,895</u>	<u>49,556,018</u>

## 16-AMOUNTS BORROWED

In Jordanian Dinar JD

31 December 2003	Amount JD	No. of Instalments Total	Repayment Remaining	Security	Re-lending Interest Rate	Borrowing Interest Rate
<b>From Central Banks &amp; Governments</b>						
Re-lent to the Housing and Urban Development Corporation	28,800,000	30	6	Semi annual	Government	4.875% 4.750%
<b>From Local companies *</b>						
Real Estate Mortgage Re-Finance Company	1,755,000	120	65	Monthly	Government	6.233% 5.733%
Real Estate Mortgage Re-Finance Company	5,805,548	108	57	Monthly	Government	7.800% 7.300%
Real Estate Mortgage Re-Finance Company	6,000,000	12	10	Semi annual	Government	7.250% 6.750%
	<u>13,560,548</u>					
<b>From Foreign Banks</b>						
Loans of the trade finance program that re-lent to customers	1,063,500	2	1	Semi annual	Financial Worthiness	2.089% 1.514%
	<u>1,063,500</u>					
	<u>43,424,048</u>					

\* Amounts borrowed have been re-lent to Housing Funds and Moutah University.

In Jordanian Dinar JD

31 December 2002	Amount JD	No. of Instalments Total	Repayment Remaining	Security	Re-lending Interest Rate	Borrowing Interest Rate
<b>From Central Banks &amp; Governments</b>						
Re-lent to the Housing and Urban Development Corporation	31,400,000	30	8	Semi annual	Government	4.875% 4.750%
Borrowed from the Jordanian government & re-lent to the Housing and Urban Development Corporation*	711,480	-	-	Semi annual	Government	7.920% 7.920%
	<u>32,111,480</u>					
<b>From Local Companies **</b>						
Real Estate Mortgage Re-Finance Company	7,027,772	108	70	Monthly	Government	7.800% 7.300%
Real Estate Mortgage Re-Finance Company	2,079,000	120	78	Monthly	Government	6.233% 5.733%
Real Estate Mortgage Re-Finance Company	4,500,000	12	12	Semi annual	Government	7.250% 6.750%
	<u>13,606,772</u>					
<b>From Foreign Banks</b>						
Loans of the trade finance program re-lent to customers	935,171	2	1	Semi annual	Financial Worthiness	2.743% 1.918%
	<u>935,171</u>					
	<u>46,653,423</u>					

\* Repayments is 30% from the Urban Development sales / project no.3

\*\* Amounts borrowed have been re-lent to Housing Funds and Moutah University

## 17-OTHER PROVISIONS

In Jordanian Dinar JD

ITEMS	Provision Beginning Balance	Provided During the Year	Provision Used During the Year	Reversed to Revenue	Ending Balance
<b>December 31, 2003</b>					
Provision for commitments & contingencies	358,940	132,479	(4,749)	(84,012)	402,658
Provision for end-of-service indemnity	4,259,647	1,423,814	(214,304)	-	5,469,157
Other provisions	4,096,536	5,405,122	(3,187,207)	(2,671)	6,311,780
	<u>8,715,123</u>	<u>6,961,415</u>	<u>(3,406,260)</u>	<u>(86,683)</u>	<u>12,183,595</u>

## **December 31, 2002**

Provision for commitments & 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>

## 18-OTHER LIABILITIES

In Jordanian Dinar JD

ITEMS	2003	2002
Accrued interest expenses	1,002,116	1,723,845
Interest and commissions received in advance	15,242,034	14,406,621
Accrued expenses	664,683	304,835
Certified cheques	6,852,605	3,943,978
Transfers	2,395,806	1,105,525
Payment orders	559,299	520,763
Prizes trusts	136,490	186,300
Correspondent banks trusts	161,704	208,289
General Management trusts	277,532	251,743
Shareholders' trusts	646,663	638,559
Deferred income *	3,313,432	3,313,432
Others	3,699,845	2,925,518
	<u>34,952,209</u>	<u>29,529,408</u>

\* Deferred income represents 50% of the gain from selling the Housing Bank Commercial Complex during the year 2001 to the Housing Company for Tourism and Hotels Investments (an associated company that the Bank owns 50% of its share capital)

## 19-TAXATION

### The movement on the income tax provision as follows

In Jordanian Dinar JD

ITEMS	2003	2002
Beginning balance	3,636,751	3,866,221
Income tax paid for the previous year	(1,368,628)	(3,436,028)
Income tax paid for the current year	(1,052,275)	(4,000,000)
Reversed from the tax provision	(192,421)	-
Accrued income tax for the year	8,635,000	7,206,558
<b>Ending balance</b>	<b><u>9,658,427</u></b>	<b><u>3,636,751</u></b>
Income tax in the income statement represents the following:		
<b>Provision for income tax for the year</b>	<b><u>8,635,000</u></b>	<b><u>7,206,558</u></b>

All tax assessments until 2002 were agreed with the Income Tax Department in Jordan and Palestine except for the year 2001. The Income Tax Department in Jordan has assessed approximately JD 3.2 million as additional taxes for the year 2001. However, the Bank objected against this tax assessment. In the opinion of the Bank's management and its legal advisor, no additional liabilities are likely to arise therefrom.

Furthermore, the Income Tax Department in Jordan has reopened the Bank's tax alternative for the years 1998 and 2000 claiming additional taxes of approximately JD one million. As a result, the Bank appealed the decision at the Income Tax Court of Appeal for those years. In the opinion of the Bank's management and its legal advisor, no further liabilities are likely to arise therefrom.

## 20-MINORITY INTEREST

In Jordanian Dinar JD

December 31 - 2003	Percent of Minority Interest	Minority Interest Profit (Losses)	Minority Interest from Net Assets
International Financial Center Company *	%22.5	84,490	174,778
The Housing Bank for Trade & Finance /Algeria **	%48	(440,770)	3,325,465
Jordan and Palestine Investment Company	%0.001	-	19
		<b><u>(356,280)</u></b>	<b><u>3,500,262</u></b>

In Jordanian Dinar JD

December 31 - 2002	Percent of Minority Interest	Minority Interest Profit (Losses)	Minority Interest from Net Assets
International Financial Center Company *	%22.5	57,857	128,311
The Housing Bank for Trade & Finance /Algeria **	%48	-	3,431,962
Jordan and Palestine Investment Company	%0.001	-	19
		<b><u>57,857</u></b>	<b><u>3,560,292</u></b>

\* The Minority interest balance of paid dividends amounted to JD 38,022.

\*\*The Minority interest share of foreign currency translation for the year 2003 amounted to JD 334,272.

## 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 56,974,008 as of December 31, 2003 against JD 60,519,008 as of December 31, 2002. Moreover, an amount of JD 3,545,000 has been transferred to the foreign branches reserve / Palestine during the year 2003.

### **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 become 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 the Central Bank of Jordan Regulations.

## 22-CUMULATIVE CHANGES IN FAIR VALUE

In Jordanian Dinar JD

ITEMS	Shares	Bonds	Others	Total
<b>December 31 - 2003</b>				
<b>Beginning balance</b>	<b>6,020,878</b>	<b>745,116</b>	<b>(146,869)</b>	<b>6,619,125</b>
Unrealised net profit	9,073,287	178,359	592,800	9,844,446
Less: Realized net profit transferred to income statement	(2,684,826)	(792,799)	(44,527)	(3,522,152)
<b>Ending balance</b>	<b><u>12,409,339</u></b>	<b><u>130,676</u></b>	<b><u>401,404</u></b>	<b><u>12,941,419</u></b>
<b>December 31 - 2002</b>				
<b>Beginning balance</b>	<b>7,010,580</b>	<b>407,785</b>	<b>100,094</b>	<b>7,518,459</b>
Unrelised 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)
<b>Ending balance</b>	<b><u>6,020,878</u></b>	<b><u>745,116</u></b>	<b><u>(146,869)</u></b>	<b><u>6,619,125</u></b>

## 23-RETAINED EARNINGS

In Jordanian Dinar JD

ITEMS	December 31 - 2003	December 31 - 2002
<b>Beginning balance</b>	<b>10,672,755</b>	<b>7,401,492</b>
Net income for the year	22,509,849	21,945,520
Transferred to statutory reserve	(3,292,713)	(3,352,224)
Recognised income from available-for-sale investments	(303,070)	(322,033)
Proposed dividends	<b>(15,000,000)</b>	<b>(15,000,000)</b>
<b>Ending balance</b>	<b><u>14,586,821</u></b>	<b><u>10,672,755</u></b>

**24-PROPOSED DIVIDENDS**

The Board of Directors has proposed a cash dividend of JD 0.15 per share totalling 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

ITEMS	2003	2002
<b>Credit Facilities -</b>		
Discounted bills & notes	2,034,962	2,248,183
Overdrafts facilities	6,515,972	8,078,985
Loans & advances	45,602,134	48,142,712
Credit cards	343,720	251,672
<b>Balances with the Central Banks</b>	<b>10,941,237</b>	<b>9,018,163</b>
<b>Balances and deposits with banks &amp; financial institutions</b>	<b>4,264,310</b>	<b>6,946,105</b>
<b>Trading investments</b>	<b>536,316</b>	<b>859,567</b>
<b>Available-for-sale investments</b>	<b>3,471,128</b>	<b>2,638,743</b>
<b>Held-to-maturity investments</b>	<b>10,261,779</b>	<b>12,814,931</b>
<b>Others</b>	<b>154,115</b>	<b>174,794</b>
	<b><u>84,125,673</u></b>	<b><u>91,173,855</u></b>

**26-INTEREST EXPENSE**

In Jordanian Dinar JD

ITEMS	2003	2002
<b>Banks and financial institutions deposits</b>	<b>834,617</b>	<b>1,100,746</b>
<b>Customers deposits</b>		
Current accounts and demand deposits	456,664	646,198
Saving deposits	6,651,015	9,883,700
Time and notice deposits	12,098,725	17,197,593
Others	829,648	754,659
Cash margins	775,107	864,280
Borrowed amounts	2,471,211	2,676,793
Deposits Insurance Corporation fees	2,136,343	2,061,883
	<b><u>26,253,330</u></b>	<b><u>35,185,852</u></b>

**27-NET COMMISSION INCOME**

In Jordanian Dinar JD

ITEMS	2003	2002
<b>Commission income:</b>		
Direct credit facilities	5,130,250	4,989,344
Indirect credit facilities	2,718,799	2,743,205
Less: Commission expense	11,086	11,633
<b>Net commission income</b>	<b><u>7,837,963</u></b>	<b><u>7,720,916</u></b>

## **28-NET GAIN FROM FINANCIAL ASSETS & INSTRUMENTS**

In Jordanian Dinar JD

ITEMS	2003	2002
Gains from trading investments	310,381	147,369
Gains from available-for-sale investments	9,054,384	3,340,757
Dividends received	1,571,393	1,649,406
Net gains from amortized held-to-maturity investments	3,028,746	-
Others	18,406	(148,004)
	<b><u>13,983,310</u></b>	<b><u>4,989,528</u></b>

## **29-OTHER OPERATING INCOME**

In Jordanian Dinar JD

ITEMS	2003	2002
Foreign exchange income	1,299,138	1,467,297
Fees on salaries accounts	2,166,002	2,005,291
Credit cards income	1,406,215	1,180,051
Safety Deposit Box rental income	167,171	142,195
Commissions on returned checks	195,237	211,131
Account management fees	912,961	462,682
Charges on dormant and low-balance accounts	925,867	1,010,562
Invoice processing fees	77,939	83,270
Customers' mail charges	633,973	628,601
Bonded net income	68,588	87,173
Revenues on banking services	547,284	328,772
Revenues on transfers	817,757	664,080
Others	1,814,799	1,228,085
	<b><u>11,032,931</u></b>	<b><u>9,499,190</u></b>

## **30- STAFF COSTS**

In Jordanian Dinar JD

ITEMS	2003	2002
Salaries and benefits	16,986,783	15,296,425
Social security contribution	1,642,609	1,469,687
Bank's contribution in saving fund	42,176	42,767
End-of-service indemnity	1,423,814	1,279,649
Medical expenses	1,020,861	911,387
Training expenses	865,102	594,697
Travel and transportation expenses	441,867	466,168
Others	348,554	375,380
	<b><u>22,771,766</u></b>	<b><u>20,436,160</u></b>



### 31-OTHER OPERATING EXPENSES

In Jordanian Dinar JD		
ITEMS	2003	2002
Computer and software rental	887,784	861,463
Stationery and printings	836,781	720,151
Maintenance and repairs	1,654,651	1,619,924
Post, telephone, telex and internet	1,470,784	1,222,471
Rent	1,316,054	1,158,265
Water, fuel and electricity	847,118	690,355
Advertising	611,313	483,142
Donations	278,207	508,938
Transportation expenses	86,482	83,240
Hospitality	131,805	132,107
Bank's assets insurance	607,777	572,578
Financial Institutions subscription fees	590,772	483,946
Fees on foreign currency trading	118,758	119,667
Fees on credit facilities processing	255,241	249,516
Bad debts written off	200,240	269,942
Losses from repossessed assets impairment	995,000	1,307,745
Board of Directors' transportation & meeting	741,418	613,374
Consultation & researches	623,667	405,206
Others	4,510,990	3,336,059
	<u>16,764,842</u>	<u>14,838,089</u>

### 32-NON-OPERATING INCOME, NET

In Jordanian Dinar JD		
ITEMS	2003	2002
Capital gain	166,367	746,686
Revenue from reversal of provisions	279,104	604,004
Other (expenses) revenues - Net	(376,915)	9,379
	<u>68,556</u>	<u>1,360,069</u>

### 33-EARNINGS PER SHARE

In Jordanian Dinar JD		
ITEMS	2003	2002
Net income	22,509,849	21,945,520
Weighted average number of shares	100,000,000	100,000,000
Earnings per share	0.225	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:

ITEMS	In Jordanian Dinar JD	
	2003	2002
Cash and balances with Central Banks	671,308,142	410,845,811
Add: Balances with banks and financial institutions maturing within 3 months	133,537,590	228,848,229
Less: Restricted deposits of banks and other institutions	92,737	92,440
Less: Banks and financial institutions deposits maturing within 3 months	49,472,806	80,915,787
<b>Net cash and cash equivalents</b>	<b><u>755,280,189</u></b>	<b><u>558,685,813</u></b>

### **35-FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

ITEMS	2003			2002		
	Book Value	Fair Value	Differences	Book Value	Fair Value	Differences
<b><u>FINANCIAL ASSETS</u></b>						
Cash on hand & at central banks *	671,308,142	671,308,142	-	410,845,811	410,845,811	-
Balances at banks & financial institutions	133,537,590	133,537,590	-	228,848,229	228,848,229	-
Deposits at banks & financial institutions	82,007,752	82,007,752	-	36,400,703	36,400,703	-
Credit facilities- net **	628,040,069	628,040,069	-	600,088,046	600,088,046	-
Available-for-sale investments	228,280,232	228,280,232	-	122,211,423	122,211,423	-
Held-to-maturity investments	152,768,516	153,912,488	1,143,972	250,167,604	250,258,069	90,465
Investment in associates & subsidiaries	29,745,857	29,745,857	-	23,895,554	23,885,792	(9,762)
<b><u>FINANCIAL LIABILITIES</u></b>						
Banks & financial institutions deposits	49,472,806	49,472,806	-	85,703,392	85,703,392	-
Customers' deposits	1,526,548,293	1,526,548,293	-	1,280,449,363	1,280,449,363	-
Cash margins	61,262,895	61,262,895	-	49,556,018	49,556,018	-
Amounts borrowed	43,424,048	43,424,048	-	46,653,423	46,653,423	-
<b>Net difference between book value &amp; fair value</b>			<b><u>1,143,972</u></b>			<b><u>80,703</u></b>

\*Do not include accrued interest shown separately within other assets.

\*\*Because the provisions are computed according to the Central Bank of Jordan's regulations .

### **36-FOREIGN CURRENCIES RISKS**

ITEMS	In Jordanian Dinar JD			
	2003		2002	
	Foreign currency "1,000"	Equivalent JD "1,000"	Foreign currency "1,000"	Equivalent JD "1,000"
U.S Dollar	(18,550)	(13,152)	185	131
Sterling Pound	3,375	4,259	3,414	3,882
Euro	(1,806)	(1,643)	1,670	1,179
Swiss Frank	1,302	745	(1,068)	(546)
Japanese Yen	164	1	(26,038)	(156)
Others	-	23,336	-	4,229

### **37-INTEREST RATE RISK**

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or 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 2003**

<b>ITEMS</b>	<b>Up to 3 months</b>	<b>3 - 6 months</b>	<b>6 months to 1 year</b>
<b>ASSETS</b>			
Cash and balances with central banks	408,298,500	105,000,000	-
Balances with banks and financial institutions	131,291,635	-	-
Deposits with banks and financial institutions	-	-	82,007,752
Trading investments	-	1,000,000	874,555
Credit facilities - net	104,306,108	60,107,270	106,854,462
Available-for-sale investments	42,285,248	7,871,101	24,602,000
Held-to-maturity investment - net	54,841,180	21,386,063	5,253,515
Investments in associates & subsidiaries	-	-	-
Fixed assets - net	-	-	-
Other assets	-	-	-
<b>TOTAL ASSETS</b>	<b><u>741,022,671</u></b>	<b><u>195,364,434</u></b>	<b><u>219,592,284</u></b>
<b>LIABILITIES</b>			
Banks and financial institutions deposits	45,105,368	-	-
Customers' deposits	762,952,595	94,419,414	81,308,985
Cash margins	673,066	6,377,376	8,509,369
Amounts borrowed	2,050,056	2,286,555	2,673,110
Other provisions	-	-	-
Other liabilities	-	-	-
Income tax provision	-	-	-
<b>TOTAL LIABILITIES</b>	<b><u>810,781,085</u></b>	<b><u>103,083,345</u></b>	<b><u>92,491,464</u></b>
Minority interest	-	-	-
Total Shareholders' Equity	-	-	-
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b><u>810,781,085</u></b>	<b><u>103,083,345</u></b>	<b><u>92,491,464</u></b>
Sensitivity difference of balance sheet items	(69,758,414)	92,281,089	127,100,820
Cumulative sensitivity differences	(69,758,414)	22,522,675	149,623,495

In Jordanian Dinar JD				
1 - 3 years	Over 3 years	Non- interest bearing items	Total	Average interest rate%
-	-	158,009,642	671,308,142	2.60
-	-	2,245,955	133,537,590	2.89
-	-	-	82,007,752	1.76
3,676,865	1,040,000	2,082,667	8,674,087	6.28
175,318,618	175,309,091	6,144,520	628,040,069	8.51
47,632,989	69,350,390	36,538,504	228,280,232	3.28
28,692,758	42,595,000	-	152,768,516	4.32
-	-	29,745,857	29,745,857	
-	-	34,244,734	34,244,734	
-	-	51,472,055	51,472,055	
<b><u>255,321,230</u></b>	<b><u>288,294,481</u></b>	<b><u>320,483,934</u></b>	<b><u>2,020,079,034</u></b>	
-	-	4,367,438	49,472,806	1.25
314,125,582 *	-	273,741,717	1,526,548,293	1.60
29,047,206	109,567	16,546,311	61,262,895	1.57
31,692,442	4,721,885	-	43,424,048	5.30
-	-	12,183,595	12,183,595	
-	-	34,952,209	34,952,209	
-	-	9,658,427	9,658,427	
<b><u>374,865,230</u></b>	<b><u>4,831,452</u></b>	<b><u>351,449,697</u></b>	<b><u>1,737,502,273</u></b>	
-	-	3,500,262	3,500,262	
-	-	<b><u>279,076,499</u></b>	<b><u>279,076,499</u></b>	
<b><u>374,865,230</u></b>	<b><u>4,831,452</u></b>	<b><u>634,026,458</u></b>	<b><u>2,020,079,034</u></b>	
(119,544,000)	283,463,029	(313,542,524)		
30,079,495	313,542,524	-		

\* Out of which 51.7% represents saving deposits considered as core deposits maturing after one year .

**(37) INTEREST RATE RISK (Continued)****31 December 2002**

<b>ITEMS</b>	<b>Up to 3 months</b>	<b>3 - 6 months</b>	<b>6 months to 1 year</b>
<b>ASSETS</b>			
Cash and balances with central banks	256,400,000	30,821,864	-
Balances with banks and financial institutions	224,571,238	-	-
Deposits with banks and financial institutions	-	23,663,098	9,268,802
Trading investments	-	-	3,703,224
Credit facilities - net	111,871,853	57,324,984	94,491,143
Available-for-sale investments	11,573,280	2,193,311	12,469,232
Held-to-maturity investment - net	12,821,381	30,333,930	131,000,753
Investments in associates & subsidiaries	-	-	-
Fixed assets - net	-	-	-
Other assets	-	-	-
<b>TOTAL ASSETS</b>	<b><u>617,237,752</u></b>	<b><u>144,337,187</u></b>	<b><u>250,933,154</u></b>
<b>LIABILITIES</b>			
Banks and financial institutions deposits	77,335,018	2,418,803	2,368,802
Customers' deposits	668,546,554	95,872,605	55,098,215
Cash margins	3,351,812	3,757,665	5,142,835
Amounts borrowed	1,321,727	1,686,556	2,784,592
Other provisions	-	-	-
Other liabilities	-	-	-
Income tax provision	-	-	-
<b>TOTAL LIABILITIES</b>	<b><u>750,555,111</u></b>	<b><u>103,735,629</u></b>	<b><u>65,394,444</u></b>
Minority interest	-	-	-
Total Shareholders' Equity	-	-	-
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b><u>750,555,111</u></b>	<b><u>103,735,629</u></b>	<b><u>65,394,444</u></b>
Sensitivity difference of balance sheet items	(133,317,359)	40,601,558	185,538,710
Cumulative sensitivity differences	(133,317,359)	(92,715,801)	92,822,909

In Jordanian Dinar JD

1 - 3 years	Over 3 years	Non- interest bearing items	Total	Average interest rate%
-	-	123,623,947	410,845,811	3.75
-	-	4,276,991	228,848,229	2.67
3,468,803	-	-	36,400,703	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	600,088,046	9.84
30,989,884	27,948,523	37,037,193	122,211,423	4.12
36,358,429	39,653,111	-	250,167,604	4.92
-	-	23,895,554	23,895,554	
-	-	34,257,038	34,257,038	
-	-	52,134,986	52,134,986	
<b><u>240,601,989</u></b>	<b><u>231,264,659</u></b>	<b><u>288,636,481</u></b>	<b><u>1,773,011,222</u></b>	
- *	-	3,580,769	85,703,392	1.61
248,611,589	-	212,320,400	1,280,449,363	2.47
15,936,105	-	21,367,601	49,556,018	2.20
10,692,448	30,168,100	-	46,653,423	5.46
-	-	8,715,123	8,715,123	
-	-	29,529,408	29,529,408	
-	-	3,636,751	3,636,751	
<b><u>275,240,142</u></b>	<b><u>30,168,100</u></b>	<b><u>279,150,052</u></b>	<b><u>1,504,243,478</u></b>	
-	-	3,560,292	3,560,292	
-	-	265,207,452	265,207,452	
<b><u>275,240,142</u></b>	<b><u>30,168,100</u></b>	<b><u>547,917,796</u></b>	<b><u>1,773,011,222</u></b>	
(34,638,153)	201,096,559	(259,281,315)	-	
58,184,756	259,281,315	-	-	

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

**(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 the decline in the credit level that may cause a shortage in funding sources. In this respect, the Bank's management has diversified its funding sources, managed assets and liabilities taking into consideration liquidity and keeping adequate balances of cash, cash equivalents and quoted securities.

**31 December 2003**

ITEMS	Up to 1 month	1 - 3 months	3 - 6 months
<b>ASSETS</b>			
Cash and balances with central banks	279,308,142	287,000,000	105,000,000
Balances with banks and financial institutions	107,841,422	25,696,168	-
Deposits with banks and financial institutions	-	-	-
Trading investments	8,674,087	-	-
Credit facilities - net	71,467,385	38,983,243	60,107,270
Available-for-sale investments	63,316,437	-	7,871,101
Held-to-maturity investment - net	1	54,841,179	21,386,063
Investments in associates & subsidiaries	-	-	-
Fixed assets - net	-	-	-
Other assets	18,658,433	894,463	1,341,694
<b>TOTAL ASSETS</b>	<b>549,265,907</b>	<b>407,415,053</b>	<b>195,706,128</b>
<b>LIABILITIES</b>			
Banks and financial institutions deposits	23,443,863	26,028,943	-
Customers' deposits	615,330,438	421,363,873	94,419,414
Cash margins	8,963,502	8,255,875	6,377,376
Amounts borrowed	1,792,353	257,703	2,286,555
Other provisions	-	852,654	-
Other liabilities	11,282,357	2,955,508	1,369,739
Income tax provision	-	9,658,427	-
<b>TOTAL LIABILITIES</b>	<b>660,812,513</b>	<b>469,372,983</b>	<b>104,453,084</b>
Minority interest	-	-	-
Total Shareholders' Equity	-	15,000,000	-
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>660,812,513</b>	<b>484,372,983</b>	<b>104,453,084</b>
Period gap	(111,546,606)	(76,957,930)	91,253,044
Cumulative gap	(111,546,606)	(188,504,536)	(97,251,492)

In Jordanian Dinar JD				
6 months to 1 year	1 - 3 years	Over 3 years	Without maturity	Total
-	-	-	-	671,308,142
-	-	-	-	133,537,590
82,007,752	-	-	-	82,007,752
-	-	-	-	8,674,087
106,854,462	175,318,618	175,309,091	-	628,040,069
24,602,000	47,632,989	73,605,808	11,251,897	228,280,232
5,253,515	28,692,758	42,595,000	-	152,768,516
-	-	-	29,745,857	29,745,857
-	-	-	34,244,734	34,244,734
2,683,392	-	-	27,894,073	51,472,055
<b><u>221,401,121</u></b>	<b><u>251,644,365</u></b>	<b><u>291,509,899</u></b>	<b><u>103,136,561</u></b>	<b><u>2,020,079,034</u></b>
-	-	-	-	49,472,806
81,308,985	314,125,583 *	-	-	1,526,548,293
8,509,369	29,047,206	109,567	-	61,262,895
2,673,110	31,692,442	4,721,885	-	43,424,048
-	-	-	11,330,941	12,183,595
3,492,521	5,804,201	2,645,601	7,402,282	34,952,209
-	-	-	-	9,658,427
<b><u>95,983,985</u></b>	<b><u>380,669,432</u></b>	<b><u>7,477,053</u></b>	<b><u>18,733,223</u></b>	<b><u>1,737,502,273</u></b>
-	-	-	3,500,262	3,500,262
-	-	-	264,076,499	279,076,499
<b><u>95,983,985</u></b>	<b><u>380,669,432</u></b>	<b><u>7,477,053</u></b>	<b><u>286,309,984</u></b>	<b><u>2,020,079,034</u></b>
125,417,136	(129,025,067)	284,032,846	(183,173,423)	
28,165,644	(100,859,423)	183,173,423	-	

\* Out of which 51.7% represents saving deposits considered as core deposits maturing after one year .



## **38 - LIQUIDITY RISK (Continued)**

**31 December 2002**

<b>ITEMS</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-6 months</b>
<b>ASSETS</b>			
Cash and balances with central banks	214,823,947	165,200,000	30,821,864
Balances with banks and financial institutions	178,732,167	50,116,062	-
Deposits with banks and financial institutions	-	-	23,663,098
Trading investments	2,325,261	-	-
Credit facilities - net	83,383,776	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
<b>TOTAL ASSETS</b>	<b><u>532,594,878</u></b>	<b><u>272,590,697</u></b>	<b><u>146,339,717</u></b>
<b>LIABILITIES</b>			
Banks and financial institutions deposits	79,757,948	1,157,839	2,418,803
Customers' deposits	580,014,906	300,852,048	95,872,605
Cash margins	16,643,464	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	-
<b>TOTAL LIABILITIES</b>	<b><u>678,005,426</u></b>	<b><u>318,154,828</u></b>	<b><u>104,940,442</u></b>
Minority interest	-	-	-
Total Shareholders' Equity	-	15,000,000	-
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b><u>678,005,426</u></b>	<b><u>333,154,828</u></b>	<b><u>104,940,442</u></b>
Period gap	(145,410,548)	(60,564,131)	41,399,275
Cumulative gap	(145,410,548)	(205,974,679)	(164,575,404)

In Jordanian Dinar JD

6 months to 1 year	1-3 years	Over 3 years	Without maturity	Total
-	-	-	-	410,845,811
-	-	-	-	228,848,229
9,268,802	3,468,803	-	-	36,400,703
3,703,224	7,118,343	1,015,000	-	14,161,828
94,491,143	162,666,530	162,648,025	-	600,088,046
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
-	-	-	23,895,554	23,895,554
-	-	-	34,257,038	34,257,038
4,005,060	-	-	24,999,357	52,134,986
<b><u>254,938,214</u></b>	<b><u>240,601,989</u></b>	<b><u>231,264,659</u></b>	<b><u>94,681,068</u></b>	<b><u>1,773,011,222</u></b>
2,368,802	-	-	-	85,703,392
55,098,215	248,611,589*	-	-	1,280,449,363
5,142,835	15,936,105	-	-	49,556,018
2,784,592	10,692,448	30,168,100	-	46,653,423
-	-	-	8,044,679	8,715,123
2,386,397	9,528,403	-	12,380,617	29,529,408
-	-	-	-	<b>3,636,751</b>
<b><u>67,780,841</u></b>	<b><u>284,768,545</u></b>	<b><u>30,168,100</u></b>	<b><u>20,425,296</u></b>	<b><u>1,504,243,478</u></b>
-	-	-	3,560,292	3,560,292
-	-	-	250,207,452	265,207,452
<b><u>67,780,841</u></b>	<b><u>284,768,545</u></b>	<b><u>30,168,100</u></b>	<b><u>274,193,040</u></b>	<b><u>1,773,011,222</u></b>
187,157,373	(44,166,556)	201,096,559	(179,511,972)	-
22,581,969	(21,584,587)	179,511,972	-	-

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

**(39) GEOGRAPHICAL AND SEGMENTAL DISTRIBUTION OF ASSETS AND  
LIABILITIES AND OFF- BALANCE SHEET ITEMS**

In Jordanian Dinar JD

ITEMS	December 31/2003		
	Assets	Liabilities	Off Balance Sheet Items
<b>A- According to geographical area</b>			
Inside Jordan	1,570,196,294	1,524,473,941	167,262,726
Other Arab countries	183,202,411	210,271,800	32,184,072
Asia*	9,867,543	-	67,863,056
Europe	203,583,154	2,756,532	54,351,500
Africa *	-	-	15,511,555
America	47,079,174	-	21,328,389
Rest of the world	6,150,458	-	13,572,612
<b>Total</b>	<b><u>2,020,079,034</u></b>	<b><u>1,737,502,273</u></b>	<b><u>372,073,910</u></b>
<b>B- According to segment</b>			
Personal accounts	367,457,157	1,156,584,994	
Corporate accounts	1,410,755,576	537,009,499	
Others	241,866,301	43,907,780	
<b>Total</b>	<b><u>2,020,079,034</u></b>	<b><u>1,737,502,273</u></b>	

\* Except for Arab countries

In Jordanian Dinar JD

ITEMS	December 31/2002		
	Assets	Liabilities	Off Balance Sheet Items
<b>A- According to geographical area</b>			
Inside Jordan	1,380,489,082	1,355,204,106	142,435,430
Other Arab countries	102,427,622	143,225,372	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
<b>Total</b>	<b><u>1,773,011,222</u></b>	<b><u>1,504,243,478</u></b>	<b><u>313,635,379</u></b>
<b>B- According to segment</b>			
Personal accounts	322,222,539	956,132,773	
Corporate accounts	1,331,776,339	505,518,248	
Others	119,012,344	42,592,457	
<b>Total</b>	<b><u>1,773,011,222</u></b>	<b><u>1,504,243,478</u></b>	

\* Except for Arab countries

**(40) RELATED PARTY TRANSACTIONS (INCLUDING TRANSACTIONS WITH AFFILIATED COMPANIES)**

In Jordanian Dinar JD

ITEMS	December 31 - 2003	December 31 - 2002
<b>Balance sheet items</b>		
Deposits at affiliated companies	21,730,093	21,738,938
Deposits from affiliated companies	32,924,775	74,521,228
Loans and advances given to affiliated companies	9,570,471	10,857,174
<b>Off-balance sheet items</b>		
Indirect credit facilities	-	75,000
<b>Income statement items</b>		
Interest and commission income	676,170	1,053,324
Interest and commission expense	1,499,178	2,875,257
<b>Capital gains( losses) – if applicable</b>		
<b>Additional information</b>		
Interests in suspense	-	-
Bad debts	-	-
Non-performing provision	-	-
Non-performing credit facilities	-	-
Credit facilities granted to some B.O.D members	-	-

#### **(41) COMMITMENTS AND CONTINGENT LIABILITIES**

In Jordanian Dinar JD

ITEMS	December 31 , 2003	December 31 , 2002
Letters of credit	145,274,399	104,004,395
Acceptance	35,071,645	49,803,398
<b>Letters of guarantee:</b>		
1- Payments	28,518,375	38,126,151
2- Performance	38,771,994	38,145,679
3- Other L/Gs	46,533,739	31,515,085
Non utilized facilities	77,903,758	52,040,671
	<u>372,073,910</u>	<u>313,635,379</u>

#### **(42) LAWSUITS AGAINST THE BANK**

At the year-end, there were lawsuits against the Bank amounting to JD 12.9 million. These lawsuits 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 suites, which amounted to JD 402,659 is adequate.

#### **(43) SEGMENTAL DISTRIBUTION FOR ASSETS AND LIABILITIES**

The Bank's operations are organized and managed according to the geographical distributions through sectors representing a strategic activity unit and conducting all banking services.

The Jordan Sector: This sector performs all banking services which include opening current accounts, granting documentary credits, accepting deposits and securities, and lending through its branches all over Jordan and the operations of subsidiaries in the Kingdom in connection with financial investments.

Foreign Sector: This sector performs all banking services similar to the Jordan Sector in addition to the operations of subsidiaries in connection with banks and financial investments. The operations of this sector are outside Jordan.

The following schedules present information about the revenues, profits, assets, and liabilities of these sectors for the year ended December 31, 2003 and 2002:

In Jordanian Dinar JD "1000"

ITEMS	December 31/2003			
	Jordan Sector	Foreign Sector	Inter Transactions	Total
<b>Revenues</b>				
Interest profit from outside	81,837	2,289	-	84,126
Interest income between sectors	118	1,137	-	1,255
<b>Total interest income</b>	<b>81,955</b>	<b>3,426</b>	<b>-</b>	<b>85,381</b>
<b>Net profit (losses) before tax and fees</b>	<b>33,489</b>	<b>(1,783)</b>	<b>-</b>	<b>31,706</b>
Income tax	(8,250)	(385)	-	(8,635)
<b>Net income (losses) after tax</b>	<b>25,239</b>	<b>(2,168)</b>	<b>-</b>	<b>23,071</b>
Fees	-	-	-	(917)
Add : losses of minority interest	-	-	-	356
<b>Net profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,510</b>
<b>Assets &amp; liabilities</b>				
<b>Assets sector</b>	<b>1,965,013</b>	<b>154,691</b>	<b>(99,625)</b>	<b>2,020,079</b>
<b>Liabilities sector</b>	<b>1,684,363</b>	<b>129,710</b>	<b>(76,571)</b>	<b>1,737,502</b>

In Jordanian Dinar JD "1000"

ITEMS	December 31/2002			
	Jordan Sector	Foreign Sector	Inter Transactions	Total
<b>Revenues</b>				
Interest income from outside	89,724	1,450	-	91,174
Interest income between sectors	4	1,556	-	1,560
<b>Total interest income</b>	<b>89,728</b>	<b>3,006</b>	<b>-</b>	<b>92,734</b>
<b>Net profit (losses) before tax and fees</b>	<b>33,580</b>	<b>(3,449)</b>	<b>-</b>	<b>30,131</b>
Income tax	(7,126)	(80)	-	(7,206)
<b>Net income (losses) after tax</b>	<b>26,454</b>	<b>(3,529)</b>	<b>-</b>	<b>22,925</b>
Fees	-	-	-	(921)
Add : losses of minority interest	-	-	-	(58)
<b>Net profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,946</b>
<b>Assets &amp; liabilities</b>				
<b>Assets sector</b>	<b>1,738,319</b>	<b>90,311</b>	<b>(55,619)</b>	<b>1,773,011</b>
<b>Liabilities sector</b>	<b>1,469,611</b>	<b>86,614</b>	<b>(51,982)</b>	<b>1,504,243</b>

**(44) CAPITAL ADEQUACY**

The Capital adequacy ratio is computed according to the regulations of the Central Bank of Jordan based on the resolutions of Basel Committee. The following schedule shows the capital adequacy ratio in comparison with that of the previous year. Furthermore, market risks have been included for the purpose of calculating the ratio for the year 2003.

ITEMS	31 December / 2003		31 December / 2002	
	Amount JD "1000"	Percentage to risk-weighted assets	Amount JD "1000"	Percentage to risk-weighted assets
<b>Regulatory capital</b>	<b>245,615</b>	<b>26.03%</b>	<b>242,367</b>	<b>26.65%</b>
<b>Basic capital</b>	<b>230,463</b>	<b>24.42%</b>	<b>243,173</b>	<b>26.74%</b>

**(45) INVESTMENT ACCOUNTS MANAGED ON BEHALF OF CUSTOMERS**

Investment accounts managed on behalf of customers amounted to JD 3,853,521 as of 31 December 2003 against JD 2,311,867 as of 31 December 2002. These accounts are not included in the assets or the liabilities of the Bank in the consolidated financial statements.

For specified management fees, the Bank managed the Housing Bank Fund /Bahrain with total assets of JD 1,705,242 as of 31 December 2003 against JD 9,817,261 as of 31 December 2002. Furthermore, the Bank owns all of management's shares numbering 37,400 shares as of December 31, 2003 and 2002.

**(46) COMPARATIVE BALANCES**

Some of 2002 balances were reclassified to correspond to 2003 presentation with no effect on shareholder's equity or net income for the prior year.