

ANNUAL REPORT

2004



بنك الإسكان للتجارة والتمويل

The Housing Bank for Trade & Finance

شركة مساهمة عامة محدودة أردنية

**31st Board of Directors Report
For the Year Ending
December 31, 2004**

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His Majesty King Abdullah II Bin Al Hussein

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The Bank's Vision & Mission

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.

BOARD OF DIRECTORS

- **Dr. Michel Marto** **CHAIRMAN**
- **Mr. Othman Bafagih** **VICE CHAIRMAN**
(Representative of Capital Investments Holding Co.)
- **Mr. Ammar Zahran** **MEMBER**
- **Mr. Abdullah Saudi** **MEMBER**
- **Mr. Ahmad Al Rashed** **MEMBER**
(Representative of Kuwait Real Estate Investment Consortium / K.S.c).
- **Mr. Sa'ad Henaidi** **MEMBER**
(Representative of Kuwait Real Estate Investment Consortium / K.S.c).
- **Dr. Mohammad Audinat** **MEMBER**
(Representative of Social Security Corporation- Jordan).
- **Mr. Abdel Rahman Al-Jada** **MEMBER**
(Representative of Social Security Corporation- Jordan).
- **Dr. Abdul Majeed Kadad** **MEMBER**
(Representative of Libyan Arab Foreign Bank)
- **Mr. Al Sharef Ilwan** **MEMBER**
(Representative of Libyan Arab Foreign Bank)
- **Sheikh. Ali Bin Jasim 'Al Thani** **MEMBER**
(Representative of Supreme Board of Economic Affairs & Investment /Government of Qatar)
- **Dr. Ali Shams Ardkani** **MEMBER**
(Representative of Iran Foreign Investments Company)

AUDITORS:

Ernest & Young

Deloitte & Touché "Middle East"

*Dr. Michel Marto was elected as member & chairman of the board, as of April 8, 2004 to replace Mr. Zuhair Khorui, who had resigned, on the same date.

*Mr. Abdul Qader Dweik, resigned from the board as of April 25, 2004.

*Mr. Ammar Zahran was elected as a board member, as of June 3, 2004 to replace H.E Sheikh Khalid Salim Bin Mahfouz, who resigned on that date.

*Dr. Khalid Wazani was appointed as a representative of Social Security Corporation to replace Mr. Ahmad Abdul Fattah as of February 1, 2004. Dr. Mohammad Audinat replaced Dr. Wazani as of June 1, 2004.

*Mr. Seraj Eldin Khalil & Mr. Al Sharef Elwan were appointed as representative of Libyan Arab Foreign Bank to replace Mr. Abdul Latif ElKeep and Mr. Ahmad Balkheer as of June 3, 2004. Dr. Abdul Majeed Kadad replaced Mr. Serajeldin Khalil as of August 25, 2004.



Dr. Michel Marto



Mr. Othman Bafagih



Mr. Abdullah Saudi



Mr. Ahmad Al Rashed



Dr. Mohammad Audinat



Sheikh Ali Bin Jasim Al Thani



Mr. Ammar Zahran



Dr. Abdul Majeed Kadad



Mr. Sa'ad Henaidi



Mr. Abdel Rahman Al-Jada



Mr. Al Sharef Ilwan



Dr. Ali Shams Ardiani



Chairman's Statement

Dear Shareholders;

I have the pleasure to present to you, on behalf of the board of directors the 31st annual report. It includes the bank's main achievements during the year 2004, compared with 2003 as well as the consolidated financial statements for the year ending December 31, 2004 and the future plan for the year 2005.

The year 2004 has been full with challenges and risks resulting from the instability in Palestine and Iraq, our direct neighbors. Despite such adverse circumstances, the Jordanian economy has been able to stand to such challenges and made real growth rate of (7%) in 2004 against (3.3%) in 2003. Foreign reserves at the Central Bank of Jordan increased to a record level, which is USD (4.8) billion*. Moreover, interest rates in banking market were controlled within levels convenient for sustained growth & development. Inflation rate was curbed to convenient levels, i.e. (3.4%), which is lower than prevailing rates at neighbors countries.

The Bank's performance was consistent with the improved economic activity. The bank's total assets grew to JD (2.5) billion at the end of 2004 against JD (2) billion, at the end of 2003, a growth of a half billion Dinar at the rate of (23%). Customer deposits increased to JD (1.9) billion against JD (1.5) billion, a growth of JD (0.4) billion at the rate of (26%).

The bank's portfolio of direct credit facilities grew significantly. Its balance has increased by JD (256.1) million or (41%) to JD (884.9) million at the end of 2004. Such high growth was the result of prudent policy in managing liquidity, which is a key base for its financial strength and ability to move at the right level, in view of available resources and market needs.

The bank has exploited good lending opportunities in consumer and corporate sectors, without breaking accepted liquidity ratios, at domestic & international levels. It is be noted that such high growth in credit facilities was accompanied by a substantial improvement in asset quality. Non-performing loans declined to (5.3%) of total volume of loan portfolio against (10.1%) in 2003.

External branches' performance has witnessed improvements in Palestine, despite the difficult political & economic environment, as well as in Bahrain, compared with the previous year.

The Housing Bank for Trade & Finance / Algeria, our subsidiary in which the bank owns a stake of (52%), has started operation as from the beginning of 2004, and made loss because of accounting processing of establishment expenses, charged one time as per the International Accounting standards, and not amortized on several years. A second branch was opened in Oran city and a third was furnished to be opened in 2005 in Blida Industrial city.

The International Bank for Trade & Finance/ Syria, in which the bank owns a stake of (49%), has started operation at the beginning of June, 2004 and has made monthly net profit since October. It is expected to cover the losses resulting from establishment expenses in June, 2005.

In regard to representative offices, a new one was opened in Baghdad in 2004 and made relatively good profit in short time. Representative offices in Tripoli/ Libya and Abu Dhabi made better results compared with 2003. In general, external expansion income will gradually rise, as from the year 2005.

The directives and the policies established by the board of directors had clear impact in making changes to the bank's structure, modernizing operating techniques, streamlining procedures and improving efficiency, under a well-advised and clear strategy. It was implemented by the executive management and achieved the planned goals. The bank's profit hit a record level in 2004, the highest in the bank's history since establishment in 1974. Net income before tax amounted to JD (44.7) million in 2004, a growth of JD (13) million at the rate of (41%) against 2003. Net income after tax amounted to JD (31.7) million, a growth of JD (9.2) million, at the rate of (41%), against the previous year.

Shareholders equity grew by JD (19.4) million or (7%) and reached JD (298.4) million. Thus, capital adequacy ratio reached (21%) at the end of 2004, exceeding by far the Central Bank of Jordan minimum requirement (i.e. 12%). Record operation results and the confidence the bank enjoys among investors have good impact on the bank's share price in Amman Stock Exchange. Closing price rose from JD (4.33) at the end of 2003 to JD (8) at the end of 2004. Thus, the bank's market capitalization rose to JD (800) million at the end of 2004 against JD (433) million at the end of 2003.

In view of these results, the board of directors recommends paying a dividend of (20%) to shareholders, for the year 2004. 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 might affect the bank's performance in the next fiscal year 2005.

I would like to take this opportunity on behalf of the board members and employees to express thanks and gratitude to the Government and other official institutions, particularly the Central Bank of Jordan, Ministry of Finance and Jordan Securities Commission. They exert continuous efforts to improve our national economy and maintain the stability of the Jordanian Dinar and its exchange rate. Their efforts were fruitful in growing confidence in the investment environment and enabling the banking system to realize good operating results.

I would also extend thanks and appreciation to all our shareholders, Particularly the strategic ones as well as our customers for their continuous support, hoping to always remain at the level of their trust. I would also like to extend thanks and appreciation, on behalf of all of you, to the board members, chief executive officer as well as all employees for their relentless efforts, which led to the excellent results, achieved by the bank.

In conclusion, I wish our institution and country more success and prosperity under the leadership of His Majesty King Abdullah the second Bin Hussein, the leader of modern Jordanian state.

Best regards.

Dr. Michel Marto
Chairman of the Board of Directors

Chief Executive Officer's (CEO) Statement



Dear shareholders,

The bank confirmed its position as a sound financial institution with solid foundations and was able to achieve record operation results in all activities, which exceeded expectations and targets in the strategic plan. It has maintained its rank as the second largest bank in Jordan by increasing its market share of various activities, as well as diversification of its sources of revenues within a balanced risk/ return trade off management.

The bank continued to assume its active role in the socio- economic development, through providing finance to strategic projects. It has granted loans, direct & indirect facilities to many corporations and participated in syndicated loans provided to several institutions as well as productive and service projects. In the year 2004, the bank managed and implemented the finance of the second phase of natural gas conveyance project, executed by Al Fajr Jordanian Egyptian Company. This is one of the largest finance packages on local level.

Based on its strategy of diversification and integration of products and services, to meet the needs of various customer segments and economic sectors, the bank increased its activity in investment services. The Housing Bank for Trade & Finance Fund / Jordanian securities, attracted large subscriptions for its units due to the high rates of return realized by the fund, compared with the index of Amman Stock Exchange. In view of the fund's success, the bank currently seeks to establish an Islamic investment fund and the preparations are underway. The bank will also provide bancassurance, in collaboration with a major insurance company in Jordan. Moreover, we are preparing a feasibility study for establishing a financial leasing company, in collaboration with the International Finance Corporation IFC.

The bank has launched a full-scale restructuring program in 2004 in collaboration with a major international consulting company, aiming to improve operating efficiency and profitability of all activities, as well as to strengthen its financial position. Large part of the program was accomplished and the whole program is expected to be completed in the year 2005. It includes establishing a new organizational structure, with duties for main jobs as well as dividing the bank into cost and profit centers, to be the basis for future planning.

In order to improve the quality of services provided to customers, they were segmented in 2004, so as to define the needs of each segment from the banking products and its contribution to the bank's revenues and profitability.

In regard to the continuous development and modernization of the bank's products & services, the IT division development continued through the application of many electronic systems. The most important ones were the New Branch Automation in order to provide higher quality services and the ATM switch project to upgrade the ATM network and make it adaptable to the latest Universal specifications of smart cards.

Moreover, the bank realizes the importance of managing and mitigating all types of risks, in order to improve assets quality. So the bank made many steps in preparation for applying Basle II standards. It has established a risk management department, and put in place active internal control systems for risks of various banking activities. Limits were established to control credit, treasury and trade finance risks.

The bank's management realizes that human resources are the bank's most valuable assets. So, it was keen to provide all means that contribute to building a motivating environment for the bank's staff and equipped them with necessary skills and experience through training process.

In conclusion, I would like to express my sincere thanks and appreciation to the board of directors for their support and guidance, which highly contributed to the bank's success. Many thanks to the Government and its various institutions for their cooperation with the bank. I would also like to thank all employees for their relentless efforts to achieve the bank's goals, as well as our customers and shareholders for their support and trust. I would like to assure them we shall do our best to improve our services to higher levels.

May God guide us in serving our institution, in order to support our national economy under the leadership of His Majesty King Abdullah the second Bin Hussein.

Best regards.

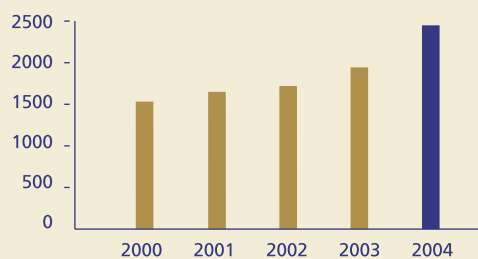
Ahmad Abdul Fattah Abu Obaid
Chief Executive Officer (CEO)

Major Financial Indicators of the bank (2000-2004)

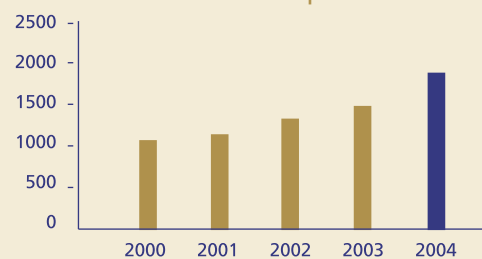
In million JD

Item/Year	2000	2001	2002	2003	2004
Total Assets	1,623.2	1,708.8	1,773.0	2030.6	2,494.9
Customers Deposits	1,209.4	1,239.3	1,280.4	1526.5	1,919.1
Interbank Deposits	56.4	73.9	85.7	49.5	68.7
Total Deposits	1,265.8	1,313.2	1,366.1	1576.0	1,987.8
Net Loans & Credit Facilities	556.6	584.7	600.1	628.8	884.9
Shareholders Equity	236.3	256.5	265.2	279.1	298.4
Net Income (before tax & fees)	16.5	30.0	30.1	31.7	44.7
Net Income (after tax & fees)	11.8	21.9	21.9	22.5	31.7

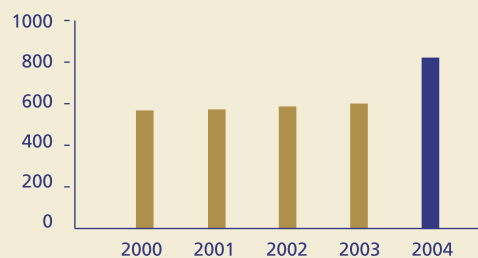
Total Assets



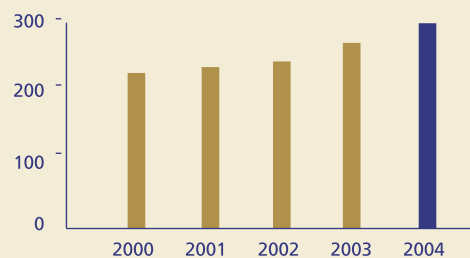
Customer Deposits



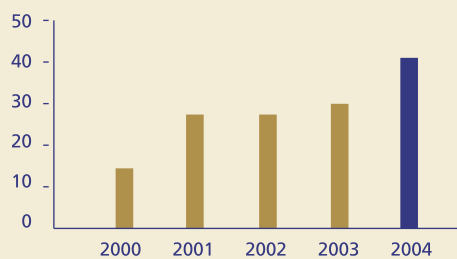
Net Loans & Credit Facilities



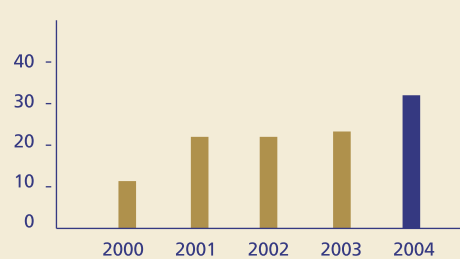
Shareholders Equity



Net Income before tax & Fees



Net Income after tax & Fees



The Bank's Operations & Activities in 2004

The bank continued its success and maintained its leading position in the Jordanian banking market by providing high - quality and diversified financial products and services to all customer segments. The bank relied on four basic strengths: Strong financial abilities, outstanding human resources, effective and innovative technologies and good customer relations.

The bank has witnessed in the year 2004 a wide development in various operations and services, in line with the latest trends in regional and international banking industry. Such development was not only confined to retail banking but also covered corporate banking, treasury & investment and supporting services.

Consumer Sector (Retail Banking)

The bank continued to implement its strategy, which adopted "Customer First" principle and succeeded in meeting the needs and expectations of customers of all sectors and segments. The bank provides a wide range of high quality and innovative products & services through a diversified delivery channels. It has the largest branch network of (96), distributed all over Jordanian cities and areas, and supported by the largest ATM network. The bank is a leader in domestic retail banking market, which is witnessing a rapid growth, and strong competition.



Electronic products, Services & Delivery Channels

The bank continued to confirm its leadership of local electronic banking market, in the year 2004 by providing a wide range of high-quality electronic services. It has the largest ATM network in Jordan of (146) machines, distributed in various areas, malls, commercial centers, universities and hospitals. The bank's ATM network includes two drive in and one mobile ATM, which provide convenient services to customers around the clock.

Electronic banking attracted more customers and grew rapidly. Electronic transactions through ATMs formed (75%) of total volume of cash transactions at the bank. Visa electron cards, issued to customers exceeded half million. This card enables holders to pay for their purchases through P.O.S. machines in shopping centers in Jordan and abroad, and get services through 800 thousand ATM around the world.

The bank improved its competitiveness in retail banking market by making many initiatives and launching new products for targeted segments of customers. In this regard, it has completed the second phase of Iskan on line, which provides 32 diversified services. Virtual branches were increased to six, providing electronic banking services. Moreover the bank applied an automated system, whereby customers could pay their dues to Income Tax Dept. and Social Security Corporation through the Internet. The bank has also adapted its ATM network to accept American Express Card.

Plastic Cards

The bank continued to increase and diversify its revenues of service fees and increased the issue of credit cards for various customer segments. The bank attracted customers by issuing Visa credit cards of golden, classic and local types, to add to its Visa charge card and Visa Electron, used for purchase and cash withdrawal from ATM. Moreover, the bank continued to increase its market share of Mastercard.



Consumer Finance Programs

The bank provides a diversified package of consumer finance programs to meet the personal needs of customers. Despite strong competition in Jordanian banking market the bank was able to enlarge its customer base, the number and volume of consumer loans. It has also continued to assure its leading role in providing housing finance, to all categories of Jordanian society, as well as real estate developers, who build collective housing projects for high & medium-income citizens.



Corporate Banking Sector

The bank has been keen, since its establishment, to provide a wide range of corporate banking products and finance programs to meet the needs of small, medium and large corporations, local or foreign as well as government institutions. The bank made successive finance initiatives, improved relations with existing corporate customers and made good offers to attract potential customers. The bank also provides a wide package of advisory services, corporate finance for large-scale public and private projects.

Based on the bank's care to activate inter-Arab economic cooperation, it has continued playing its role in increasing trade exchange between Jordan and other Arab countries.

In 2004, the bank activated the Arab Trade Finance program / Abu Dhabi, with a credit line limit of USD (7) million, and fully utilized the credit limit of USD (20) million of import and export finance line with Islamic Development Bank / Jeddah. The bank also signed an agreement with Exim Bank of U.S.A to finance Jordanian imports of American origin.

Significant Corporate banking achievements in 2004:

Providing direct finance to several productive and service projects

Under the bank's strategy to activate its role in socio-economic development, it provided credit facilities which amounted to JD (55.5) million to Jordan Petroleum Refinery Co., to help it in providing petroleum products to domestic market.

The bank also granted credit facilities of JD (7) million to Omniah Mobile Phone Company in order to finance working capital of the project to build and manage a new mobile telecommunication network in Jordan.



The bank also provided loans and direct credit facilities to several Jordanian Universities (Hussein Bin Talal, Mua'ta and Yarmouk, with a total of JD (27) million. The bank believes in upgrading the quality of high education.



Participation in Syndicated Loans

The bank acted as a loan manager, agent and underwriter for the finance agreement of natural gas conveyance pipeline, second phase project. The project is implemented by Al Fajr Jordanian Egyptian Company for natural gas conveyance from Egypt to Jordan and then Syria, Lebanon, Turkey and subsequently to Europe. Total value of the project is USD (300) million and considered one of the largest finance packages on domestic level. The bank succeeded in arranging a syndicated loan of USD (160) million, and its contribution was USD (20) million. It is one of the most important development projects representing Arab economic and banking cooperation, taking into consideration that (19) local and regional banks participated in the financing package.



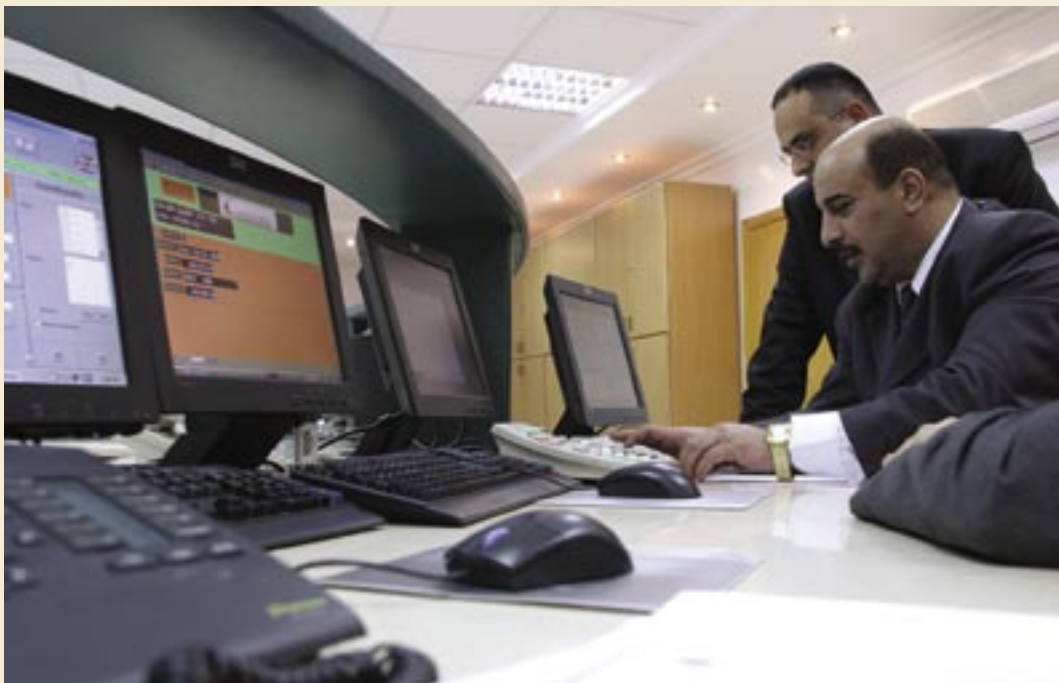
Moreover, the bank in 2004, managed a syndicated loan of JD (7) million to finance Tala Bay Hotels Project of which the bank's share was JD (3.5) million. In addition to loans & direct credit facilities provided to Jordanian Universities, the bank managed a syndicated loan of JD (14.6) million, its share of which was JD (6) million, for A'al Al Bait University.

Treasury & Investment

In the year 2004, the bank maintained its leading position in treasury activities, performed at high levels, by investing in domestic and international capital & money markets instruments, denominated in local and foreign currencies. It was able to make good returns, which contributed in improving and growing the bank's profitability.

The bank provides a package of high-quality foreign exchange & precious metals trading services to customers, under margin, account/account, and forward contracts. It intends to add other derivatives trading services.

The bank also confirmed its role as a market maker in domestic money market and currency exchange. A new large dealing room was opened in the last quarter of 2004, equipped with the latest IT systems and telecommunications equipment, with separate customer halls.



On the other hand, the bank provides an integrated package of investment services to its retail and corporate customers. They include advisory and investment management as well as many capital market services, such as brokerage in local, regional & international markets, securities depositing, custody and underwriting, in addition to marketing of various investment products.

The Housing Bank for Trade & Finance Fund / Jordan securities, attracted large subscriptions and made good rates of return, compared with the index of Amman Stock Exchange and alternative money instruments. Net asset value amounted to JD (130.2), with a return of (44.1%) in 2004, while annual average rate of return since establishment in October 1, 2001 till the end of 2004 was (49.3%).

Information Technology & Systems Development

Based on its strong belief in the role of banking technology in improving operating efficiency and accuracy, the bank continued in the year 2004 to acquire the latest technologies. Thus, it was able to develop and diversify banking products & electronic delivery channels. Operation costs were reduced and service quality improved. The following are the main initiatives made in 2004:

1. Completion of computer network in Bahrain branch.
2. Installing and operating 6 new ATMs in several areas in Jordan.
3. Completion of self-service Kiosks in virtual branches.
4. Complete application of risk rating system to evaluate credit worthiness of customers and perform portfolio analysis in all credit centers.
5. Adding new services provided to customers on the Internet banking.
6. Start the application of new branch automation.
7. Start the application of ATM switch in order to upgrade ATMs and adapt them with the international specifications to accept smart cards.

Managerial & Human Resources Development

Recruiting and promoting policies

One of the main guidelines of the bank's strategy is the development of human resources, whether by recruiting new competent staff or through continuous upgrading of existing staff qualifications.

In 2004, the bank continued to implement its recruiting policy, which is based on attracting highly qualified, competent and experienced staff of outstanding performance. New recruits are required to have good personal and professional attributes and pass special tests. The bank's policy pays special attention to develop the knowledge and skills of existing staff, in implementation of its strategy, which calls for investment in human resources.

The bank follows a modern and transparent criteria for performance evaluation of staff, the bottom line of which is to develop their career and improve their productivity, in order to cope with the bank's vision and future goals. Thus, special schemes of incentives and bonus were adopted, which are performance-related and considered one of the best in the Jordanian banking market.

In line with the policies established by the board of directors, the bank started, at the beginning of 2004, the application of a full-scale restructuring program, including a new organizational chart, which is customer oriented. It focuses on income generating activities and aims to modernize and develop the internal operating environment including policies, procedures and systems, to help build a performance – based corporate culture in lieu of the traditional one. It aims to improve staff productivity, streamline operations in order to reduce costs, increase revenues and achieve the bank's strategic goals of improving profitability and rates of return.

Training

In implementation of the bank's strategy calling for customer focus, the bank's training activity concentrated on two axis. The first, developing Tellers skills through sales and customer services training courses. The second, providing branch staff with banking knowledge through training courses covering various aspects of banking and qualify them to provide high – quality services to customers. Moreover, the bank focused on developing staff skills in all sectors, particularly credit risk management and investment.

In the year 2004, the bank provided a total of (1,872) training opportunities, in addition to internal seminars in which (225) employees participated. It has also provided opportunities for (39) employees to study and get academic certificates and (17) employees for professional certificates.

The Growth of the Bank's Training Activities During 2000 - 2004

Item/Year	Number of Participants				
	2000	2001	2002	2003	2004
Training programs held at the Bank - based Training Center	2121	1216	2017	2721	1222
Training programs held in collaboration with specialized local training institutions	195	261	412	285	551
Training courses held in Arab and foreign countries	44	105	159	158	99
Seminars	972	992	303	453	225
Academic Certificates	3	2	7	10	39
Professional Certificates	6	11	26	44	17
TOTAL	3341	2587	2924	3671	2153



Social Role

Realizing the importance of social role, the bank increased its society service activities, through providing aid, donations and support for various human, educational institutions and charitable societies in 2004.

The bank also sponsored many conferences, seminars as wells social, cultural and sport festivals.

Major activities in which the bank participated were : traffic awareness & anti smoking programs, family and child day, Jerash festival, sponsoring securities commission conference IOSCO, investment environment in Jordan and Jordanian Ambassador forum.

Moreover, the bank also participated in training a number of universities and institutes students on banking activities.

The bank's employees participated directly in local community activities such as blood donation, visiting patients, providing supplies to old people care houses and orphanages, besides other activities in order to build trust with local community and contribute to the prosperity of our country.



Future Plan for 2005

The bank always seeks to exploit available opportunities to increase revenues, strengthen its financial position and growing shareholders equity. It depends on shareholders trust & support, good relation with customers and loyalty of employees.

The bank will implement a plan for maximizing profits and growing its market share, in the year 2005.

The following are the main guidelines of this plan:

(1). Customer Services

The bank always seeks to realize higher levels of customer satisfaction, through:

- Providing the best products and services in order to meet the growing needs & demands of its retail and corporate customers.
- Improving various delivery channels with focus on E-channels.
- Enlarging its depositors and borrowers base, with focus on high-profitable customers.

(2). Financial Indicators

The bank will continue its relentless effort to strengthen its financial position and improve financial indicators through:

- Continue the implementation of its strategy for diversification of sources and uses of funds.
- Seeking sustained growth of shareholders equity.
- Diversification of revenue base by increasing non-interest income (fee income) in all activities, with focus on non-risk related earnings.
- Maintaining a sound capital adequacy ratio, in line with local and international standards.
- Increasing its market share of various activities to match its size in local banking market.
- Streamlining of operating costs to improve efficiency.

(3). Banking Technology

The bank will seek to maintain its leading position on local and regional levels by increasing investment in value-added banking technology, in order to enhance its competitive advantages, improve service performance, expand and diversify electronic delivery channels.

(4). Procedures

The bank will continue to streamline procedures to increase the speed and efficiency of providing services to customers through:

- Developing risk management systems to prepare the bank for applying the new international capital adequacy standards (i.e. Basle II).
- Completion of the bank's full restructuring program, which aims to upgrade operating efficiency in all activities.

(5). Employees

The bank will continue to develop the skills of its human resources and raise the employee's satisfactions levels through :

- Upgrading staff efficiency and skills, using theoretical and practical training plans, to meet the requirements of modern banking.
- Recruiting highly competent staff.
- Application of "the right job for the right person" principle.
- Promoting team work in all sectors and operation centers, at all managerial levels.

(6). External Expansion

Based on the importance of diversification of operating environment and risk distribution, the bank will continue to implement its strategy for expansion outside Jordan, through:

- Supporting the bank's external branches in Palestine, Bahrain, and representative offices in Libya & U.A.E as well as its subsidiary banks in Algeria & Syria in order to achieve their planned goals.
- Continue to explore feasible external branching opportunities, in order to strengthen the bank's financial position and competitiveness as well as its regional presence.





**CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2004**



Independent Auditors' Report

To the shareholders of the Housing Bank for Trade and Finance Amman - Jordan

We have audited the accompanying consolidated balance sheet of THE HOUSING BANK FOR TRADE AND FINANCE (a public shareholding company) as of 31 December 2004 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Bank's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We have obtained the information and explanations, which to the best of our knowledge and belief, were necessary for the propose of our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of THE HOUSING BANK FOR TRADE AND FINANCE as of 31 December 2004 and the consolidated results of its operations and its cash flows for the year then ended in accordance with the law and 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.

Ernst & Young

Deloitte & Touche M.E. - Jordan

31 January 2005
Amman – Jordan

CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2004

In Jordanian Dinar

Item	Notes	2004	2003
ASSETS			
Cash on hand and balances with the Central Banks	3	576,861,408	691,958,627
Balances at banks and financial institutions	4	295,431,631	133,537,590
Deposits at banks and financial institutions	5	30,815,876	82,007,752
Trading investments	6	11,327,760	8,674,087
Credit facilities, net	7	884,899,062	628,819,522
Available for sale investments	8	321,729,814	228,280,232
Held to maturity investments, net	9	257,257,927	152,768,516
Investments in subsidiaries and affiliated companies	10	19,688,063	19,627,119
Fixed assets, net	11	39,555,300	34,244,734
Other assets	12	57,365,122	50,692,602
Total Assets		<u>2,494,931,963</u>	<u>2,030,610,781</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Banks and financial institutions' deposits	13	68,653,086	49,472,806
Customers' deposits	14	1,919,146,462	1,526,548,293
Margin accounts	15	78,387,121	61,262,895
Loans and borrowings	16	33,660,758	43,424,048
Sundry provisions	17	14,181,680	12,197,274
Other liabilities	18	49,842,641	34,938,530
Income tax provision	19	15,436,792	9,658,427
Total Liabilities		<u>2,179,308,540</u>	<u>1,737,502,273</u>
MINORITY INTEREST	20	<u>17,187,020</u>	<u>14,032,009</u>
SHAREHOLDERS' EQUITY:			
Paid in capital	21	100,000,000	100,000,000
Additional paid in capital	21	49,884,008	56,974,008
Statutory reserve	21	32,601,323	28,254,385
Voluntary reserve	21	33,222,068	33,222,068
Foreign branches reserve	21	24,820,000	17,730,000
Cumulative change in fair value	22	15,880,163	12,941,419
Retained earnings	23	21,915,393	14,586,821
Foreign currency translation		113,448	367,798
Proposed Dividends	24	20,000,000	15,000,000
TOTAL SHAREHOLDERS' EQUITY		<u>298,436,403</u>	<u>279,076,499</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>2,494,931,963</u>	<u>2,030,610,781</u>

The accompanying notes from 1 to 46 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2004

In Jordanian Dinar

Item	Notes	2004	2003
Interest income	25	89,087,475	84,125,673
Interest expense	26	<u>(23,122,315)</u>	<u>(26,253,330)</u>
Net interest income		65,965,160	57,872,343
Net commission	27	<u>9,125,201</u>	<u>7,837,963</u>
Net interest and commission income		75,090,361	65,710,306
Other income			
Bank's share in subsidiaries and affiliates profits (losses)		60,944	(1,337,791)
Gain from financial assets and instruments	28	9,664,786	13,983,310
Other operating income	29	<u>17,802,605</u>	<u>11,032,931</u>
Total other income		27,528,335	23,678,450
Net operating income		102,618,696	89,388,756
Expenses			
Employees' expenses	30	23,424,420	22,776,087
Other operating expenses	31	16,849,312	16,760,521
Depreciation		6,592,722	5,898,062
Provision for possible loan losses	7	5,932,383	7,631,471
Sundry provisions		<u>4,238,963</u>	<u>4,684,947</u>
Total operating expenses		57,037,800	57,751,088
Net Operating Income		45,580,896	31,637,668
Non-operating (losses) income, net	32	<u>(895,118)</u>	<u>68,556</u>
Net income before income tax and fees		44,685,778	31,706,224
Less: Income tax	19	(12,105,578)	(8,635,000)
Jordanian universities fees		(434,694)	(329,271)
Scientific research and vocational training fees		(434,694)	(329,271)
Educational, vocational training and technical fund fees		(267,724)	(194,113)
Board of Directors' remuneration		<u>(65,000)</u>	<u>(65,000)</u>
Net income after income tax and fees		31,378,088	22,153,569
Add: Minority interest share (after tax) from subsidiaries' losses	20	<u>322,784</u>	<u>356,280</u>
Net income		31,700,872	22,509,849
Earnings per share	33	0.317	0.225

The accompanying notes from 1 to 46 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2004

In Jordanian Dinar

Item	Notes	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income before income tax and fees		44,685,778	31,706,224
Adjustments for:			
Depreciation		6,592,722	5,898,062
Provision for possible loan losses		5,932,383	7,631,471
Other provisions		4,238,963	4,684,947
Bank's share in affiliates (profits) losses		(60,944)	1,337,791
Effect of exchange rate changes		(710,312)	(143,448)
Others		1,203,516	2,224,916
		61,882,106	53,339,963
Changes in assets and liabilities			
Decrease (increase) in deposits at banks and financial institutions		51,191,876	(45,607,049)
(Increase) in credit facilities		(262,065,687)	(36,563,187)
(Increase) decrease in trading investments		(2,362,156)	5,487,741
Decrease (increase) in other assets		13,977,552	(20,203,398)
(Decrease) in banks and financial institutions' deposits		-	(4,787,605)
Increase in customers' deposits		392,598,169	246,098,930
Increase in margin accounts		17,124,226	11,706,877
Increase in sundry provisions		18,298,205	16,164,015
(Decrease) in other liabilities		(4,716,200)	(3,392,581)
Net cash from operating activities before income tax		285,928,091	222,243,706
Income tax paid		(6,327,213)	(2,420,903)
Net cash from operating activities		279,600,878	219,822,803
CASH FLOWS FROM INVESTING ACTIVITIES			
(Purchase) of available for sale investments		(91,241,184)	(100,187,810)
(Purchase) redemption of held to maturity investments		(104,486,406)	97,485,980
Sale of investments in affiliated companies		-	2,930,644
(Purchase) of fixed assets		(11,318,047)	(5,719,392)
Net cash used in investing activities		(207,045,637)	(5,490,578)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) in amounts borrowed		(9,763,290)	(3,229,375)
Dividends paid		(14,981,299)	(14,991,896)
Net cash used in financing activities		(24,744,589)	(18,221,271)
Effect of exchange rate changes		47,810,652	196,110,954
Foreign currency translation		710,312	143,448
Net increase in cash and cash equivalents		(254,350)	339,974
Cash and cash equivalents, beginning of the year		755,280,189	558,685,813
Cash and cash equivalents, end of the year	34	803,546,803	755,280,189

The accompanying notes from 1 to 46 are an integral part of these consolidated financial statement.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2004

In Jordanian Dinar

Item	Paid in Capital	Additional paid in capital	Statutory	Reserves		Cumulative change in Fair value	Retained earnings	Proposed Dividends	Foreign currency translation	Total
				Voluntary	Foreign branches					
2004										
Balance as of 1 January	100,000,000	56,974,008	28,254,385	33,222,068	17,730,000	12,941,419	14,586,821	15,000,000	367,798	279,076,499
Net income	-	-	-	-	-	-	31,700,872	-	-	-
Transfer to statutory reserve	-	-	4,346,938	-	-	-	(4,346,938)	-	-	-
Transfer to foreign branches reserve	-	(7,090,000)	-	-	7,090,000	-	-	-	-	-
Proposed dividends	-	-	-	-	-	-	(20,000,000)	20,000,000	-	-
Dividends paid	-	-	-	-	-	-	-	(15,000,000)	-	(15,000,000)
Portion of realized gain on sale of available for sale investments	-	-	-	-	-	(4,239,971)	(25,362)	-	-	(4,265,333)
Net movement in cumulative changes in fair value	-	-	-	-	-	7,178,715	-	-	-	7,178,715
Foreign currency translation	-	-	-	-	-	-	-	-	(254,350)	(254,350)
Balance as of 31 December 2004	100,000,000	49,884,008	32,601,323	33,222,068	24,820,000	15,880,163	21,915,393	20,000,000	113,448	298,436,403
2003										
Balance as of 1 January	100,000,000	60,519,008	24,961,672	33,222,068	14,185,000	6,619,125	10,672,755	15,000,000	27,824	265,207,452
Net income	-	-	-	-	-	-	22,509,849	-	-	22,509,849
Transfer to statutory reserve	-	-	3,292,713	-	-	-	(3,292,713)	-	-	-
Transfer to foreign branches reserve	-	(3,545,000)	-	-	3,545,000	-	-	-	-	-
Proposed dividends	-	-	-	-	-	-	(15,000,000)	15,000,000	-	-
Dividends paid	-	-	-	-	-	-	-	(15,000,000)	-	(15,000,000)
Portion of realized gain on sale of available for sale investments	-	-	-	-	-	(3,522,152)	(303,070)	-	-	(3,825,222)
Net movement in cumulative changes in fair value reserve	-	-	-	-	-	9,844,446	-	-	-	9,844,446
Foreign currency translation	-	-	-	-	-	-	-	-	339,974	339,974
Balance as of 31 December 2003	100,000,000	56,974,008	28,254,385	33,222,068	17,730,000	12,941,419	14,586,821	15,000,000	367,798	279,076,499

The accompanying notes from 1 to 46 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2004

(1) GENERAL

The Housing Bank for Trade and Finance was established as a public shareholding company during 1974 with its headquarters in Amman - Jordan according to the Jordanian companies law number (12) for the year 1964. The Bank's paid in capital is JD 100,000,000 divided in to 100,000,000 shares with a par value of JD 1 per share.

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

The Bank's total number of employees as of 31 December 2004 and 2003 was 1,697 and 1,676 respectively.

The consolidated financial statements have been approved by the Bank's Board of Directors according to resolution no.1/2005.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The presentation of the accompanying consolidated financial statements conform with the guidelines provided by the Central Bank of Jordan. The significant accounting policies adopted in the preparation of the consolidated financial statement are set out below:

Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with standards issued, or adapted by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee, and Central Bank of Jordan laws and regulations under the historical cost convention as modified for measurement at fair value of derivatives and investment securities other than held for maturity investments.

Financial transaction's recognition date

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

Basis of consolidation

The accompanying consolidated financial statements include the assets, liabilities and the results of operations of the Bank's branches in Jordan, Palestine and Bahrain. It also includes the assets, liabilities and the result of operations of the Bank's subsidiaries.

Following are the bank's, subsidiaries and the bank's percentages of ownership:

- International Financial Center Company (paid in capital JD 250,000 of which the Bank owned 77.5% as of 31 December 2004 and 2003).
- Jordan and Palestine Financial Investment Company (paid in capital JD 2,150,000 of which the Bank owned 99.9% as of 31 December 2004 and 2003).
- The Housing Bank for Trade and Finance – Algeria (paid in capital Algerian Dinar 1600 million of which the Bank owned 52% as of 31 December 2004 and 2003).

- International Bank for Trade and Finance - Syria (paid-in capital Syrian Pounds 1500 million of which the Bank owned 49% as of 1 December 2004 and 2003). The Bank has significant influence on the administrative and financial policies on this bank.
- The financial statements of the Jordan company for real estate investments have not been consolidated because the company is under liquidation. The Bank owns 100% of this company's paid in capital of JD 400,000.

Trading investments

Trading investments are initially recognized at cost and subsequently remeasured at fair value. All realized and unrealized gains or losses are included in net trading income in the statement of income.

Credit facilities

- Credit facilities are carried at amortized cost after allowance for possible loan losses, interest and commission in suspense.
- Allowance for non-performing facilities is recognized to provide for the 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 Bank regulations.
- General provision for direct and indirect credit facilities is established to provide for the unidentified possible losses based on the Central Banks' regulations.
- Loans provided for are written off from the allowance of possible loan losses when the collection procedures become ineffective. The excess in the allowance of possible loan losses, if any, is transferred to the statement of income, and cash recoveries of loans that were previously written off are credited to the statement of income.

Available for sale investments

Available for sale investments are initially recognized at cost and subsequently remeasured at fair value. Unrealized gains and losses on measurement to fair value of available for sale investments are reported as a separate component of shareholders equity until the investment is derecognized or the investment is determined to be impaired. On derecognising or impairment the cumulative gain or loss previously reported in equity, along with any transition adjustment to retained earnings arising from the adoption of IAS 39, is included in the statement of income.

Held to maturity investments

Investments, which have fixed or determinable payment of fixed maturity which are intended to be held to maturity are carried at amortized cost less provision for impairment in value.

Fair value

For financial instruments investments traded, fair value is determined by reference to quoted market prices.

Where no quoted market prices are available, a reasonable estimate of fair value is used based on one of the following methods:

- Comparison with the current market value of a similar financial instrument.
- Forecasted discounted cash flow.
- Options pricing models.

In case the fair value of an investment can not be reliably measured, it is stated at cost or amortized cost, any impairment in the value is recorded in the statement of income.

Investments in associates

The Bank's investments in associates are accounted for under the equity method of accounting. These are entities in which the Bank has significant influence and which is neither a subsidiary nor a joint venture. The financial statements of the associates are used by the Bank to apply the equity method. The reporting dates of the associates and the Bank are identical and both use consistent accounting policies.

The investments in associates are carried in the balance sheet at cost plus post-acquisition changes in the Bank's share of net assets of the associates, less any impairment in value. The statement of income reflects the share of the results of the operations of the associates. Where there has been a change in equity recognized directly in the associates equity, the Bank recognizes its share of any changes and discloses this, when applicable in the statement of changes in equity.

Fixed assets

Fixed assets are stated at cost and are depreciated over their estimated useful lives using the straight-line method at annual rates ranging from 2% to 33.3%, except for freehold land.

Whenever the recoverable amount of an 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 (plots of land) are stated at cost.

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. Increase in value is not recognized as a gain. Moreover, the real estate fair value is disclosed.

Repossessed assets

Assets repossessed by the Bank in settlement of debts are included as part of "other assets", 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 an increase in value is not recognized as a gain. When the assets are sold, the recognized gain or loss is taken to the 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 consolidated financial statements.

Income tax

The Bank provides for income tax in accordance with the Income Tax Law no. (57) of 1985 and its subsequent amendments, and in accordance with IAS 12. Using the liability method on all temporary differences at the balance sheet date.

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 consolidated balance sheet in line with the Bank's internal regulations.

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and can be reliably measured.

Revenue and expense recognition

Revenue and expenses are recognized on the accrual basis except for the interest and commission income on non-performing facilities which are recorded as interest and commission in suspense in accordance with the central banks' regulations. Interest is suspended when it is determined that the customer has defaulted to pay the principal and/or interest.

Income from shares (dividend income) is recorded as income only when right to receive payment is established.

Commission income is recognized when earned.

Foreign currencies

- Assets and liabilities denominated in foreign currencies are translated to Jordanian Dinars using the Central Bank of Jordan's exchange rates at year end. Foreign currency transactions during the year are recorded using exchange rates that were in effect at the dates of the transactions. Gains or losses arising from foreign currency translation are reflected in at the approximate rates of exchange prevailing at the time of the transactions. Assets and liabilities in the statement of income.

- Forward currency exchange contracts balances are valued at the average exchange rates published by the Central Bank of Jordan at the date of the balance sheet, and the resulting exchange gains or losses are taken to the statement of income.

- The assets and liabilities of foreign branches and subsidiaries are translated at rates of exchange ruling at the consolidated balance sheet date. Income and expense items are translated at average exchange rates for the period. Any exchange differences (including those on transactions which hedge such investments) are taken directly to the foreign branches reserve.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash balances with banks and financial institutions that mature within three months, less banks' and financial institutions deposits' that mature within three months.

Repurchase and resell agreements

Assets sold with a simultaneous commitment to repurchase them at a specified future date will continue to be recognized in the Bank's consolidated financial statements due to the Bank's continuing control over these assets using the same accounting policies. The proceeds of the sale is recorded as a liability. The difference between the sale and the repurchase price is recognized as interest expense over the agreement term using the effective interest rate method.

Assets purchased with a corresponding commitment to resell them at a specified future date are not recognized in the Bank's consolidated financial statements as assets since the Bank is not able to control these assets. The related payments are recognized as part of deposits at banks and financial institutions or customers' loans as applicable. The difference between the purchase and resale price is recognized in the statement of income using the effective interest rate method.

Risk management

The Bank's management attempts to mitigate the credit and market risks through setting investment ceilings and applying set percentages that correspond with the Central Bank of Jordan and the Board of Directors regulations and through diversification of investments and a conservative credit granting policy to mitigate credit risk. The Bank has a risk evaluation system to assess the financial standing of its customers.

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. Note 36 to the financial statements discloses net assets and liabilities in foreign currencies.
- Market risk that may result from changes in the value of a 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.

Derivative financial instruments

- Derivative financial instruments held for trading
Derivative financial instruments such as foreign currencies, forward deals, interest rate future deals, swaps, foreign currencies options and others, are initially recorded at cost as other assets/liabilities, and subsequently carried at fair value in the consolidated balance sheet.
- Derivative financial instruments for hedging purposes.

Fair value hedge

Derivatives that qualify as fair value hedges are carried at fair value with the corresponding change in fair value recognized in the consolidated statement of income.

Cash flow hedge

Changes in the fair value of a hedging instrument that qualifies as a highly effective cash-flow hedge are recognized directly in the hedging reserve in shareholders' equity and either transferred to income statement in the period which the hedged transaction impacts the statement of income or included as part of the cost of the related asset or liability. The ineffective portion is immediately recognized in net profit or loss.

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, any impairment loss, is recognized in the statement of income.

Impairment is determined as follows:

- for assets carried at amortized cost, impairment is based on estimated cash flows are discounted at the original effective interest rate.
- or assets carried at fair value, impairment is the difference between cost and fair value.
- for assets carried at cost, impairment is present value of future cash flows discounted at the current market rate of return for a similar financial asset. For available for sale equity investments reversal of impairment losses are recorded as increases in cumulative changes in fair value through equity. In addition, a provision is made to cover impairment for specific groups of assets where there is a measurable decrease in estimated future cash flows.

Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions as well as fair value changes reported in equity. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required for non-performing credit facilities as well as for impairment provisions for unquoted investments. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

Provisions

Provisions are recognized 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.

Offsetting

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 recognized amounts and the bank intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

(3) CASH ON HAND AND BALANCES WITH CENTRAL BANKS

In Jordanian Dinar

Item	31 December	
	2004	2003
Cash on hand	38,631,558	28,417,612
Balances at the Central Banks		
Current accounts	23,245,415	57,029,873
Term and notice deposits	16,230,465	7,298,500
Statutory cash reserve	145,153,970	117,212,642
Certificates of deposit	353,600,000	482,000,000
	<u>576,861,408</u>	<u>691,958,627</u>

Except for the statutory cash reserve, there are no restricted cash balances as of 31 December 2004.

(4) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

In Jordanian Dinar

Item	31 December	
	2004	2003
Local banks and financial Institutions:		
Current accounts	536,207	196,700
Deposits maturing within three months	10,000,000	3,000,000
Certificates of deposit	1,418,000	1,418,000
Foreign banks and financial Institutions:		
Current accounts	29,262,042	29,451,670
Deposits maturing within three months	254,215,382	99,471,220
	<u>295,431,631</u>	<u>133,537,590</u>

- Non-interest bearing balances at banks and financial institutions amounted to JD 6,342,503 and JD 2,245,955 as of 31 December 2004 and 2003 respectively.
- Restricted balances amounted to JD 93,150 and JD 92,737 as of 31 December 2004 and 2003 respectively.

(5) DEPOSITS AT BANKS AND FINANCIAL INSTITUTIONS

In Jordanian Dinar

Item	31 December, 2004			31 December, 2003		
	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	-	30,106,876	30,106,876	-	-	-
Deposits maturing						
within 6 to 9 months	-	709,000	709,000	-	33,339,028	33,339,028
Deposits maturing						
within 9 to 12 months	-	-	-	-	48,668,724	48,668,724
	-	30,815,876	30,815,876	-	82,007,752	82,007,752

(6) TRADING INVESTMENTS

In Jordanian Dinar

Item	31 December	
	2004	2003
Shares listed on financial markets	4,103,650	2,082,667
Bonds listed on financial market	7,224,110	6,591,420
	11,327,760	8,674,087

(7) CREDIT FACILITIES, NET

In Jordanian Dinar

Item	31 December	
	2004	2003
Discounted bills and notes	36,644,259	24,638,319
Overdraft facilities	158,804,347	101,258,426
Loans and advances	748,736,857	557,403,345
Credit cards	2,488,795	1,579,415
	946,674,258	684,879,505
Less: Interest in suspense	(18,978,624)	(18,377,593)
Provision for possible loan losses	(42,796,572)	(37,682,390)
	(61,775,196)	(56,059,983)
Credit facilities, net	884,899,062	628,819,522

Credit facilities granted by sector are set forth below:

Agriculture	6,416,189	7,103,035
Manufacturing and mining	85,794,151	55,195,279
Constructions	174,465,338	137,420,423
General trade	168,755,519	108,647,602
Transportation services	8,465,086	7,967,630
Tourism, hotels and restaurants	30,118,927	31,763,187
Services and public facilities	96,582,515	66,023,156
Financial services	14,364,467	654,559
Investment in shares	2,498,176	1,116,268
Real estate	89,876,887	57,551,832
Vehicles	18,201,745	13,129,218
Consumers loans	240,362,639	188,074,718
Other	10,772,619	10,232,598
	946,674,258	684,879,505

(7) CREDIT FACILITIES

- The non-performing credit facilities, as defined by the Central Banks, including interest in suspense amounted to JD 65,446,157 representing 6.91% of total facilities as of 31 December 2004 against JD 85,389,935 representing 12.47% as of 31 December 2003. Furthermore, the total non-performing credit facilities net of interest in suspense amounted to JD 48,965,516 representing 5.28% of total facilities net of interest in suspense as of 31 December 2004 against JD 67,521,730 representing 10.12% as of 31 December 2003.
- Credit facilities granted to and guaranteed by the government amounted to JD 97,676,181 representing 10.32% of total facilities as of 31 December 2004 against JD 58,821,498 representing 8.6% as of 31 December 2003.
- The gross fair value of collateral held against credit facilities amounted to JD 541,700,000 and JD 403,400,000 as of 31 December 2004 and 2003 respectively.

Provision for possible loan losses

Item	31 December, 2004			31 December, 2003		
	Specific	General	Total	Specific	General	Total
Balance at 1 January	24,967,224	12,715,166	37,682,390	36,145,774	11,075,300	47,221,074
Provision during the year	94,695	5,837,688	5,932,383	6,358,994	1,272,477	7,631,471
Transfer between specific and general allowances	(1,681,551)	1,681,551	-	(367,389)	367,389	-
Write offs	(818,201)	-	(818,201)	(17,170,155)	-	(17,170,155)
Balance at 31 December	<u>22,562,167</u>	<u>20,234,405</u>	<u>42,796,572</u>	<u>24,967,224</u>	<u>12,715,166</u>	<u>37,682,390</u>

In Jordanian Dinar

Provisions that were settled, collected or transferred against other non-performing credit facilities amounted to JD 4,702,939 and JD 6,168,085 as of 31 December 2004 and 2003 respectively.

Interest in suspense

In Jordanian Dinar

Item	31 December	
	2004	2003
Balance at 1 January	18,377,593	24,537,459
Add: Suspended interest during the year	6,216,895	7,945,240
Less: Suspended interest on settled loans	(3,540,082)	(5,046,624)
Suspended interest written off	(2,075,782)	(9,058,482)
Balance at 31 December	<u>18,978,624</u>	<u>18,377,593</u>

(8) AVAILABLE FOR SALE INVESTMENTS

In Jordanian Dinar

Item	31 December, 2004			31 December, 2003		
	Not Traded	Traded	Total	Not Traded	Traded	Total
Shares	11,396,477	25,479,375	36,875,852	11,251,897	24,577,607	35,829,504
Bonds	-	229,104,345	229,104,345	-	150,108,154	150,108,154
Investment funds	-	55,749,617	55,749,617	-	42,342,574	42,342,574
	<u>11,396,477</u>	<u>310,333,337</u>	<u>321,729,814</u>	<u>11,251,897</u>	<u>217,028,335</u>	<u>228,280,232</u>

- Investments in shares include an amount of JD 11,396,477 and JD 11,251,897 as of 31 December 2004 and 2003 and are stated at cost since their fair value can not be measured reliably. Impairment in value of these shares has been recorded in the statement of income at JD 114,428 and JD 66,722 as of 31 December 2004 and 2003 respectively.

- Not traded shares include an amount of JD 3,814,460 representing 22.1% ownership in Jordan International Bank as of 31 December 2004 and 2003. 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

Item	31 December	
	2004	2003
Treasury bills	190,824,329	72,007,148
Governmental bonds or government guaranteed bonds	43,381,452	45,625,964
Company bonds and debentures	23,052,146	35,135,404
	<u>257,257,927</u>	<u>152,768,516</u>

(10) INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANIES

In Jordanian Dinar

Item	31 December, 2004		31 December, 2003	
	Investment amount	Bank's share of profit (losses)	Investment amount	Bank's share of profit (losses)
A- Associates				
Housing Company for Tourism and Hotels Investments	19,277,776	58,267	19,219,509	(1,319,111)
Established in: Jordan				
Percentage of ownership and voting power: 50% (2003: 50%)				
Nature of activity: Hotel and Trading				
B- Subsidiaries				
Jordan Real Estate Investments Company *	410,287	2,677	407,610	(18,680)
Established in: Jordan				
Percentage of ownership and voting power: 100% (2003: 100%)				
Nature of activity: Services				
	<u>19,688,063</u>	<u>60,944</u>	<u>19,627,119</u>	<u>(1,337,791)</u>

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

(11) FIXED ASSETS, NET

In Jordanian Dinar

Item	Land	Building	Equipment, Furniture, and Fixtures	Vehicles	Others	Projects in Progress	Total
2004							
Beginning balance	4,823,651	12,688,841	53,531,937	1,184,638	2,471,282	530,340	75,230,689
Additions	3,279,533	920,042	7,112,663	424,465	323,314	-	12,060,017
Retirements	-	(118,214)	(5,684,773)	(265,807)	(70,360)	(494,959)	(6,634,113)
Accumulated depreciation	-	(3,048,590)	(36,823,116)	(671,572)	(1,316,603)	-	(41,859,881)
Payments on fixed assets in Progress	-	-	752,547	-	6,041	-	758,588
Net book value at year end	8,103,184	10,442,079	18,889,258	671,724	1,413,674	35,381	39,555,300
2003							
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
Retirements	(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)
Payments on fixed assets in Progress	-	-	844,084	-	-	-	844,084
Net book value at year end	4,823,651	9,931,205	16,764,150	551,658	1,643,730	530,340	34,244,734

(12) OTHER ASSETS

In Jordanian Dinar

Item	31 December	
	2004	2003
Accrued revenues	5,399,504	4,609,855
Prepaid expenses	1,779,613	1,304,935
Repossessed assets for resale *	11,811,122	14,914,734
Investments in real-estate (lands) at cost **	478,116	1,183,553
Cheques under collection	32,565,310	18,190,719
Advance payments to Income Tax Department	1,594,930	1,594,930
Others	3,736,527	8,893,876
	<u>57,365,122</u>	<u>50,692,602</u>

* This item represents unregistered real estates amounting to JD 705,000 and JD 1,800,000 as of 31 December 2004 and 2003 respectively.

** The fair value of real estate investments amounted to JD 722,000 and JD 1,600,000 as of 31 December 2004 and 2003 respectively.

(13) BANKS AND FINANCIAL INSTITUTIONS' DEPOSITS

In Jordanian Dinar

Item	31 December, 2004			31 December, 2003		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
Current accounts and demand deposits	4,542,888	21,115,444	25,658,332	4,047,306	13,412,702	17,460,008
Deposits maturing within 3 months	<u>2,164,035</u>	<u>40,830,719</u>	<u>42,994,754</u>	<u>2,096,183</u>	<u>29,916,615</u>	<u>32,012,798</u>
	<u>6,706,923</u>	<u>61,946,163</u>	<u>68,653,086</u>	<u>6,143,489</u>	<u>43,329,317</u>	<u>49,472,806</u>

(14) CUSTOMERS' DEPOSITS

In Jordanian Dinar

Item	31 December	
	2004	2003
Current accounts and demand deposits	417,158,710	261,150,129
Saving deposits	687,816,902	580,187,316
Time and notice deposits	777,202,624	657,294,902
Kinz certificate	36,332,030	27,312,930
Others	636,196	603,016
	<u>1,919,146,462</u>	<u>1,526,548,293</u>

- Governmental institutions' deposits amounted to JD 181,500,000 representing 9.4% of total deposits as of 31 December 2004 and JD 111,800,000 representing 7.3% of total deposits as of 31 December 2003.
- Non-interest bearing deposits amounted to JD 372,000,000 representing 19.4% of total deposits as of 31 December 2004 and JD 273,700,000 representing 17.9% of total deposits as of 31 December 2003.
- Restricted deposits amounted to JD 18,600,000 representing 0.9% of total deposits as of 31 December 2004 and JD 21,900,000 representing 1.4% of total deposits as of 31 December 2003.
- Dormant accounts amounted to JD 14,900,000 representing 0.8% of total deposits as of 31 December 2004 and JD 13,000,000 representing 0.85% of total deposits as of 31 December 2003.

(15) MARGIN ACCOUNTS

In Jordanian Dinar

Item	31 December	
	2004	2003
Direct credit facilities	48,592,583	41,527,142
Indirect credit facilities	28,229,097	18,229,485
Deposits against cash margin	1,565,441	1,506,268
	<u>78,387,121</u>	<u>61,262,895</u>

(16) LOANS AND BORROWINGS

In Jordanian Dinar

Item	Amount	No. of Installments		Repayment	Re-lending Interest Rate	Borrowing Interest Rate
		Total	Remaining			
31 December, 2004						
From Central Bank						
Re-lent to the Housing and Urban Development Corporation	27,500,000	30	5	Semi annual	4.88%	4.75%
From Local Companies *						
Real Estate Mortgage Re- Finance Company	1,431,000	120	53	Monthly	6.23%	5.73%
Real Estate Mortgage Re- Finance Company	4,583,324	108	45	Monthly	7.80%	7.30%
	6,014,324					
From Foreign Companies						
Palestine Company for Real Estate Mortgage	43,800	60	51	Monthly	8.50%	5.50%
Palestine Company for Real Estate Mortgage	66,639	120	113	Monthly	8.50%	5.50%
Palestine Company for Real Estate Mortgage	35,995	240	233	Monthly	8.50%	5.50%
Total	146,434					
	33,660,758					

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

In Jordanian Dinar

Item	Amount	No. of Installments		Repayment	Re-lending Interest Rate	Borrowing Interest Rate
		Total	Remaining			
31 December, 2003						
From Central Bank						
Re-lent to the Housing and Urban Development Corporation	28,800,000	30	6	Semi annual	4.88%	4.75%
From Local Companies *						
Real Estate Mortgage Re- Finance Company	1,755,000	120	65	Monthly	6.23%	5.73%
Real Estate Mortgage Re- Finance Company	5,805,548	108	57	Monthly	7.80%	7.30%
Real Estate Mortgage Re- Finance Company	6,000,000	12	10	Semi annual	7.25%	6.75%
	13,560,548					
From Foreign Banks						
Loans of the trade finance program re-lent to customers	1,063,500	2	1	Semi annual	2.09%	1.51%
	1,063,500					
Total	43,424,048					

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

(17) SUNDRY PROVISIONS

In Jordanian dinar

Item	Balance at 1 January	Provided during the year	Used during the year	Reversed to revenue	Balance at 31 December
31 December, 2004					
Provision for commitments and contingencies	402,658	67,036	(11,817)	(53,827)	404,050
Provision for end of service					
Indemnity	5,482,836	1,463,607	(575,215)	-	6,371,228
Other provisions	6,311,780	5,309,039	(4,129,168)	(85,249)	7,406,402
	12,197,274	6,839,682	(4,716,200)	(139,076)	14,181,680
31 December, 2003					
Provision for commitments and contingencies	358,940	132,479	(4,749)	(84,012)	402,658
Provision for end of service					
Indemnity	4,269,005	1,428,135	(214,304)	-	5,482,836
Other provisions	4,096,536	5,405,122	(3,187,207)	(2,671)	6,311,780
	8,724,481	6,965,736	(3,406,260)	(86,683)	12,197,274

(18) OTHER LIABILITIES

In Jordanian Dinar

Item	31 December	
	2004	2003
Accrued interest expense	2,387,654	1,002,116
Interest and commissions received in advance	16,193,137	15,242,034
Accrued expenses	1,016,637	664,683
Certified cheques	12,939,318	6,852,605
Transfers	5,079,828	2,395,806
Payment orders	492,308	559,299
Prize money	180,000	136,490
Correspondent banks trusts	239,112	231,998
General Management trusts	301,854	277,532
Shareholders' trusts	665,364	646,663
Other trusts	4,041,747	1,749,900
Deferred income *	3,313,432	3,313,432
Others	2,992,250	1,865,972
	49,842,641	34,938,530

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

(19) INCOME TAX PROVISION

The movement on the income tax provision is as follows:

In Jordanian Dinar

Item	31 December	
	2004	2003
Beginning balance	9,658,427	3,636,751
Income tax paid for the previous year	(6,275,584)	(1,368,628)
Income tax paid for the current year	(51,629)	(1,052,275)
Reversed from the tax provision	-	(192,421)
Provision for income tax for the year	12,105,578	8,635,000
Ending balance	15,436,792	9,658,427

- The Income and Sales Tax Department in Jordan reviewed the Bank's records for the year 2003. However, as of the consolidated financial statements date, it has not issued its final decision yet.
- All tax assessments until the year 2002 have been agreed upon with the Income Tax Department in Jordan and Palestine.

(20) MINORITY INTEREST

In Jordanian Dinar

Item	31 December, 2004			31 December, 2003		
	Percentage of minority interest	Minority interest profit (losses)	Minority interest from net Assets	Percentage of minority interest	Minority interest profit (losses)	Minority interest from net Assets
International Financial Centre Company	22.5%	182,273	273,282	22.5%	84,490	174,778
The Housing Bank for Trade and Finance /Algeria	48%	(271,243)	6,804,088	48%	(440,770)	3,325,465
Jordan and Palestine Investment Company	0.001%		19	0.001%	-	19
International Bank for Trade and Finance / Syria	51%	(233,814)	10,109,631	51%	-	10,531,747
		(322,784)	17,187,020		(356,280)	14,032,009

(21) SHAREHOLDERS' EQUITY

- **Paid in capital**

The authorized, issued and paid-in capital amounted to JD 100,000,000 divided into 100,000,000 shares with a par value of JD 1 per share.

- **Additional paid in capital**

Additional paid in capital amounted to JD 49,884,008 and JD 56,974,008 as of 31 December 2004 and 2003 respectively. Moreover, an amount of JD 7,090,000 has been transferred to the foreign branches reserve / Palestine during the year 2004.

- **Statutory reserve**

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

- **Voluntary reserve**

The voluntary reserve amounted to JD 33,222,068 as of 31 December 2004. 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 dividends to shareholders if not utilized for such Purposes. No amounts were transferred to voluntary reserves in the year ending 31 December 2004.

- **Foreign branches reserve**

This item represents the foreign branches capitals in accordance with the Central Bank of Jordan Regulations. It has been increased by an amount of JD 7,090,000 during the year 2004 from additional paid in capital, in order to increase the capital of Palestine branches.

(22) CUMULATIVE CHANGE IN FAIR VALUE

In Jordanian Dinar

Item	Shares	Bonds	Investment Funds	Total
31 December, 2004				
Beginning balance	12,409,339	97,200	434,880	12,941,419
Unrealized gains (losses)	6,725,002	(267,260)	720,973	7,178,715
Less: Realized net gains transferred to the statement of income	(3,687,017)	(121,558)	(431,396)	(4,239,971)
Ending balance	<u>15,447,324</u>	<u>(291,618)</u>	<u>724,457</u>	<u>15,880,163</u>
31 December, 2003				
Beginning balance	6,020,878	745,116	(146,869)	6,619,125
Unrealized gains (losses)	9,073,287	144,883	626,276	9,844,446
Less: Realized net gains transferred to statement of income	(2,684,826)	(792,799)	(44,527)	(3,522,152)
Ending balance	<u>12,409,339</u>	<u>97,200</u>	<u>434,880</u>	<u>12,941,419</u>

(23) RETAINED EARNINGS

In Jordanian Dinar

Item	31 December	
	2004	2003
Beginning balance	14,586,821	10,672,755
Net income	31,700,872	22,509,849
Transfers to statutory reserve	(4,346,938)	(3,292,713)
Recognized (income) from available-for-sale investments	(25,362)	(303,070)
Proposed dividends	(20,000,000)	(15,000,000)
Ending balance *	<u>21,915,393</u>	<u>14,586,821</u>

* Restricted profits resulting from the application of IAS 39 for the first time amounted to JD 59,000 which is included within retained earnings as of 31 December 2004 against JD 84,000 as of 31 December 2003.

(24) PROPOSED DIVIDENDS

The Board of Directors has proposed a cash dividend of JD 0.20 per share totalling JD 20,000,000 for 2004, which is subject to the approval of the General Assembly of Shareholders at the Annual General Meeting. Paid dividends were JD 0.15 per share for 2003 totalling JD 15,000,000.

(25) INTEREST INCOME

In Jordanian Dinar

Item	2004	2003
Direct credit facilities		
Bills and notes discounted	2,085,836	2,034,962
Overdrafts	8,422,691	6,515,972
Loans and advances	48,915,704	45,602,134
Credit cards	459,117	343,720
Others	179,985	154,115
Balances at the Central Banks	11,886,209	10,941,237
Balances and deposits at banks and financial institutions	4,336,795	4,264,310
Trading investments	418,544	536,316
Available-for-sale investments	7,215,183	3,471,128
Held-to-maturity investments	5,167,411	10,261,779
	89,087,475	84,125,673

(26) INTEREST EXPENSE

In Jordanian Dinar

Item	2004	2003
Banks and financial institutions deposits	605,784	834,610
Customers deposits		
Current accounts and demand deposits	473,917	456,664
Saving deposits	5,063,598	6,651,015
Time and notice deposits	10,920,405	12,098,987
Others	607,139	829,393
Cash margins	824,148	775,107
Loans and borrowings	2,083,870	2,471,211
Deposits Insurance Corporation fees	2,543,454	2,136,343
	23,122,315	26,253,330

(27) NET COMMISSIONS

In Jordanian Dinar

Item	2004	2003
Commission income		
Direct credit facilities	4,594,153	5,130,250
Indirect credit facilities	4,614,444	2,718,799
Less: Commission expense	(83,396)	(11,086)
Net commission	<u>9,125,201</u>	<u>7,837,963</u>

(28) GAIN FROM FINANCIAL ASSETS AND INSTRUMENTS

In Jordanian Dinar

Item	2004	2003
Gain from trading investments	845,138	310,381
Gain from available-for-sale investments	6,448,940	9,054,384
Dividends received	2,352,721	1,571,393
Gains from amortized held-to-maturity investments	-	3,028,746
Others	17,987	18,406
	<u>9,664,786</u>	<u>13,983,310</u>

(29) OTHER OPERATING INCOME

In Jordanian Dinar

Item	2004	2003
Foreign exchange income	710,312	143,448
Fees on salaries accounts	2,396,416	2,166,002
Credit cards income	1,893,258	1,406,215
Safety deposit box rental income	175,781	167,171
Commissions on returned checks	193,892	195,237
Account management fees	2,622,590	921,961
Charges on dormant and low-balance accounts	827,551	925,867
Invoice processing fees	73,082	77,939
Customers' mail charges	757,629	633,973
Bonded net income	64,758	68,588
Revenues on banking services	1,128,523	538,284
Revenues on transfers	1,353,613	817,757
Net revenue from recovered loans	1,936,721	53,044
Others	3,668,479	2,917,445
	<u>17,802,605</u>	<u>11,032,931</u>

(30) EMPLOYEES' EXPENSES

In Jordanian Dinar

Item	2004	2003
Salaries and benefits	18,097,915	16,986,783
Social security	1,760,731	1,642,609
Bank's contribution in saving fund	43,597	42,176
End-of-service indemnity	1,463,607	1,428,135
Medical expenses	1,012,429	1,020,861
Training and research	286,385	865,102
Travel and transportation expenses	418,217	441,867
Others	341,539	348,554
	<u>23,424,420</u>	<u>22,776,087</u>

(31) OTHER OPERATING EXPENSES

In Jordanian dinar

Item	2004	2003
Computer and software rental	924,599	887,784
Stationery and printing	898,146	844,033
Maintenance and repairs	1,708,925	1,654,651
Post, telephone, telex and internet	1,471,498	1,470,784
Rent	1,459,888	1,316,054
Water, fuel and electricity	828,528	847,118
Advertisement	618,764	611,313
Donations	121,616	278,207
Transportation expenses	99,696	86,482
Hospitality	190,808	131,805
Insurance	561,827	607,777
Financial Institutions subscription fees	738,054	676,942
Fees on foreign currency trading	120,175	118,758
Fees on credit facilities processing	251,918	255,241
Bad debts written off	53,764	200,240
Losses from repossessed assets impairment	-	995,000
Board of Directors' transportation and meeting	735,877	741,418
Consultation and researches	1,018,380	623,667
Others	5,046,849	4,413,247
	16,849,312	16,760,521

(32) NON-OPERATING (LOSSES) INCOME, NET

In Jordanian Dinar

Item	2004	2003
Capital gain	604,039	166,367
Income from reversal of provisions	139,076	279,104
Other revenues (expenses), net	683,863	(376,915)
Consulting fees	(2,322,096)	-
	(895,118)	68,556

(33) EARNINGS PER SHARE

In Jordanian Dinar

Item	2004	2003
Net income	31,700,872	22,509,849
Weighted average number of shares	100,000,000	100,000,000
Earnings per share	0.317	0.225

(34) CASH AND CASH EQUIVALENTS

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

In Jordanian Dinar

Item	2004	2003
Cash on hand and balances with Central Banks	576,861,408	691,958,627
Add: Balances with banks and financial institutions maturing within 3 months	295,431,631	133,537,590
Less: Restricted deposits with banks and other financial institutions	(93,150)	(20,743,222)
Less: Banks and financial institutions' deposits maturing within 3 months	(68,653,086)	(49,472,806)
Net cash and cash equivalents	<u>803,546,803</u>	<u>755,280,189</u>

(35) FAIR VALUE OF FINANCIAL INSTRUMENTS

Item	31 December, 2004			31 December, 2003		
	Book Value	Fair Value	differences	Book Value	Fair Value	differences
	In Jordanian Dinar					
FINANCIAL ASSETS						
Cash on hand and balances with Central Banks *	576,861,408	576,861,408	-	691,958,627	691,958,627	-
Balances at banks and financial institutions*	295,431,631	295,431,631	-	133,537,590	133,537,590	-
Deposits at banks and financial institutions*	30,815,876	30,815,876	-	82,007,752	82,007,752	-
Available-for-sale investments	11,396,477	11,396,477	-	11,251,897	11,251,897	-
Held-to-maturity investments, net	257,257,927	257,988,848	730,921	152,768,516	153,912,488	1,143,972
Investment in subsidiaries and affiliated companies	19,688,063	19,688,063	-	19,627,119	19,627,119	-
FINANCIAL LIABILITIES						
Banks and financial institutions deposits	68,653,086	68,653,086	-	49,472,806	49,472,806	-
Customers' deposits	1,919,146,462	1,919,146,462	-	1,526,548,293	1,526,548,293	-
Margin accounts	78,387,121	78,387,121	-	61,262,895	61,262,895	-
Loans and borrowings	33,660,758	33,660,758	-	43,424,048	43,424,048	-
Net difference between book value and fair value			730,921			1,143,972

* Does not include accrued interest which is shown separately within other assets.

Fair value of credit facilities can not be measured reliably due to the fact that there are no secondary markets to trade such facilities, in addition to the cost and time constraints.

(36) FOREIGN CURRENCIES RISKS

Item	31 December, 2004		31 December, 2003	
	Foreign currency "1,000"	Equivalent in JD "1,000"	Foreign currency "1,000"	Equivalent in JD "1,000"
	In Jordanian Dinar			
US Dollar	(55,161)	(39,099)	(18,550)	(13,152)
Sterling Pound	3,084	4,198	3,375	4,259
Euro	(2,346)	(2,268)	(1,806)	(1,643)
Swiss Franc	509	319	1,302	745
Japanese Yen	4,672	32	164	1
Others	-	49,199	-	23,336

(37) INTEREST RATE RISK

31 December 2004

In Jordanian Dinar

Item	Up to 3 months	3-6 months	6 months to 1 year	1-3 years	Over 3 years	Non-interest bearing items	Total	Average Interest
ASSETS								
Cash on hand and balances with Central Banks	231,430,464	138,400,000	-	-	-	207,030,944	576,861,408	2.35
Balances at banks and financial institutions	289,089,128	-	-	-	-	6,342,503	295,431,631	2.37
Deposits at banks and financial institutions	-	30,106,876	709,000	-	-	-	30,815,876	1.70
Trading investments	-	264,276	3,407,659	2,703	3,549,472	4,103,650	11,327,760	5.76
Credit facilities, net	142,091,300	108,030,392	147,962,827	252,111,502	232,516,233	2,186,808	884,899,062	7.35
Available for sale investments	54,858,894	9,637,540	23,669,503	50,116,200	142,134,720	41,312,957	321,729,814	3.19
Held to maturity investments, net	101,585,971	100,204,151	6,516,867	16,636,305	32,314,633	-	257,257,927	3.78
Investments in subsidiaries and affiliated companies	-	-	-	-	-	19,688,063	19,688,063	-
Fixed assets, net	-	-	-	-	-	39,555,300	39,555,300	-
Other assets	-	-	-	-	-	57,365,122	57,365,122	-
Total Assets	819,055,757	386,643,235	182,265,856	318,866,710	410,515,058	377,585,347	2,494,931,963	
LIABILITIES								
Banks and financial institutions' deposits	64,028,808	-	-	-	-	4,624,278	68,653,086	0.97
Customers' deposits	862,359,334	161,003,342	151,030,748	*372,825,698	-	371,927,340	1,919,146,462	1.17
Margin accounts	1,755,569	9,658,213	14,363,540	29,216,624	31,836	23,361,339	78,387,121	1.21
Loans and borrowings	1,693,485	1,693,485	2,086,970	26,747,876	1,438,942	-	33,660,758	5.36
Sundry provisions	-	-	-	-	-	14,181,680	14,181,680	-
Other liabilities	-	-	-	-	-	49,842,641	49,842,641	-
Income tax provision	-	-	-	-	-	15,436,792	15,436,792	-
Total Liabilities	929,837,196	172,355,040	167,481,258	428,790,198	1,470,778	479,374,070	2,179,308,540	
Minority interest	-	-	-	-	-	17,187,020	17,187,020	-
Total Shareholders' Equity	-	20,000,000	-	-	-	278,436,403	298,436,403	
Total Liabilities and Shareholders' Equity	929,837,196	192,355,040	167,481,258	428,790,198	1,470,778	774,997,493	2,494,931,963	
Interest rate sensitivity	(110,781,439)	194,288,195	14,784,598	(109,923,488)	409,044,280	(397,412,146)	-	
Cumulative Interest rate sensitivity gap	(110,781,439)	83,506,756	98,291,354	(11,632,134)	397,412,146	-	-	

* Out of which 51.4% represents saving deposits considered as core deposits maturing after one year.

(37) INTEREST RATE RISK

31 December 2003

In Jordanian Dinar

Item	Up to 3 months	3-6 months	6 months to 1 year	1-3 years	Over 3 years	Non-interest bearing items	Total	Average Interest
ASSETS								
Cash on hand and balances with Central Banks	408,298,500	105,000,000	-	-	-	178,660,127	691,958,627	2.60
Balances with banks and financial institutions	131,291,635	-	-	-	-	2,245,955	133,537,590	2.89
Deposits with banks and financial institutions	-	-	82,007,752	-	-	-	82,007,752	1.76
Trading investments	-	1,000,000	874,555	3,676,865	1,040,000	2,082,667	8,674,087	6.28
Credit facilities, net	105,085,561	60,107,270	106,854,462	175,318,618	175,309,091	6,144,520	628,819,522	8.51
Available for sale investments	42,285,248	7,871,101	24,602,000	47,632,989	69,350,390	36,538,504	228,280,232	3.28
Held-to-maturity investments, net	54,841,180	21,386,063	5,253,515	28,692,758	42,595,000	-	152,768,516	4.32
Investments in subsidiaries and affiliated companies	-	-	-	-	-	19,627,119	19,627,119	-
Fixed assets, net	-	-	-	-	-	34,244,734	34,244,734	-
Other assets	-	-	-	-	-	50,692,602	50,692,602	-
Total Assets	741,802,124	195,364,434	219,592,284	255,321,230	288,294,481	330,236,228	2,030,610,781	
Liabilities								
Banks and financial institutions' deposits	45,105,368	-	-	-	-	4,367,438	49,472,806	1.25
Customers' deposits	762,952,595	94,419,414	81,308,985	*314,125,582	-	273,741,717	1,526,548,293	1.60
Margin accounts	673,066	6,377,376	8,509,369	29,047,206	109,567	16,546,311	61,262,895	1.57
Loans and borrowings	2,050,056	2,286,555	2,673,110	31,692,442	4,721,885	-	43,424,048	5.30
Sundry provisions	-	-	-	-	-	12,197,274	12,197,274	-
Other liabilities	-	-	-	-	-	34,938,530	34,938,530	-
Income tax provision	-	-	-	-	-	9,658,427	9,658,427	-
Total Liabilities	810,781,085	103,083,345	92,491,464	374,865,230	4,831,452	351,449,697	1,737,502,273	
Minority interest	-	-	-	-	-	14,032,009	14,032,009	-
Total Shareholders' Equity	-	-	-	-	-	279,076,499	279,076,499	-
Total Liabilities and Shareholders' Equity	810,781,085	103,083,345	92,491,464	374,865,230	4,831,452	644,558,205	2,030,610,781	
Interest rate sensitivity	(68,978,961)	92,281,089	127,100,820	(119,544,000)	283,463,029	(314,321,977)	-	-
Cumulative interest rate sensitivity gap	(68,978,961)	23,302,128	150,402,948	30,858,948	314,321,977	-	-	-

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

(38) LIQUIDITY RISK

31 December 2004

In Jordanian Dinar

Item	Up to 1 month	1-3 months	3-6 months	6 months to 1 year	1-3 years	Over 3 years	No Specific maturity	Total
ASSETS								
Cash on hand and balances with Central Banks	269,120,943	169,340,465	138,400,000	-	-	-	-	576,861,408
Balances with banks and financial institutions	284,266,488	11,165,143	-	-	-	-	-	295,431,631
Deposits with banks and financial institutions	-	-	30,106,876	709,000	-	-	-	30,815,876
Trading investments	11,327,760	-	-	-	-	-	-	11,327,760
Credit facilities, net	84,682,076	59,596,032	108,030,392	147,962,827	252,111,502	232,516,233	-	884,899,062
Available for sale investments	81,228,991	3,546,383	9,637,540	23,669,503	50,116,200	142,134,720	11,396,477	321,729,814
Hold-to-maturity investments, net	1	101,585,970	100,204,151	6,516,867	16,636,305	32,314,633	-	257,257,927
Investments in subsidiaries and affiliated companies	-	-	-	-	-	-	19,688,063	19,688,063
Fixed assets, net	-	-	-	-	-	-	39,555,300	39,555,300
Other assets	32,604,695	1,735,763	1,467,693	264,580	463,874	1,019,971	19,808,546	57,365,122
Total Assets	763,230,954	346,969,756	387,846,652	179,122,777	319,327,881	407,985,557	90,448,386	2,494,931,963
LIABILITIES								
Banks and financial institutions' deposits	856,951	67,796,135	-	-	-	-	-	68,653,086
Customers' deposits	750,906,201	483,380,473	161,003,342	151,030,748	*372,825,698	-	-	1,919,146,462
Margin accounts	11,807,071	11,351,892	10,625,276	14,792,320	29,720,087	90,475	-	78,387,121
Loans and borrowings	1,431,162	262,323	1,693,485	2,086,970	26,747,876	1,438,942	-	33,660,758
Sundry provisions	-	1,743,487	702,418	-	-	-	11,735,775	14,181,680
Other liabilities	18,815,864	4,264,446	1,787,243	2,571,023	6,304,187	2,693,965	13,405,913	49,842,641
Income tax provision	-	198,439	14,548,353	690,000	-	-	-	15,436,792
Total Liabilities	783,817,249	568,997,195	190,360,117	171,171,061	435,597,848	4,223,382	25,141,688	2,179,308,540
Minority interest	-	-	-	-	-	-	17,187,020	17,187,020
Total Shareholders' Equity	-	-	20,000,000	-	-	-	278,436,403	298,436,403
Total Liabilities and Shareholders' Equity	783,817,249	568,997,195	210,360,117	171,171,061	435,597,848	4,223,382	320,765,111	2,494,931,963
Liquidity risk	(20,586,295)	(222,027,439)	177,486,535	7,951,716	(116,269,967)	403,762,175	(230,316,725)	-
Cumulative liquidity risk sensitivity gap	(20,586,295)	(242,613,734)	(65,127,199)	(57,175,483)	(173,445,450)	230,316,725	-	-

* Out of which 51.4% represents saving deposits considered as core deposits maturing after one year.

(38) LIQUIDITY RISK

31 December 2003

In Jordanian Dinar

Item	Up to 1 month	1-3 months	3-6 months	6 months to 1 year	1-3 years	Over 3 years	No Specific maturity	Total
ASSETS								
Cash on hand and balances with Central Banks	299,958,627	287,000,000	105,000,000	-	-	-	-	691,958,627
Balances with banks and financial institutions	107,841,422	25,696,168	-	-	-	-	-	133,537,590
Deposits with banks and financial institutions	-	-	-	82,007,752	-	-	-	82,007,752
Trading investments	8,674,087	-	-	-	-	-	-	8,674,087
Credit facilities, net	72,246,838	38,983,243	60,107,270	106,854,462	175,318,618	175,309,091	-	628,819,522
Available for sale investments	63,316,437	-	7,871,101	24,602,000	47,632,989	73,605,808	11,251,897	228,280,232
Held-to-maturity investments, net	1	54,841,179	21,386,063	5,253,515	28,692,758	42,595,000	-	152,768,516
Investments in subsidiaries and affiliated companies	-	-	-	-	-	-	19,627,119	19,627,119
Fixed assets, net	-	-	-	-	-	-	34,244,734	34,244,734
Other assets	17,878,980	894,463	1,341,694	2,683,392	-	-	27,894,073	50,692,602
Total Assets	569,916,392	407,415,053	195,706,128	221,401,121	251,644,365	291,509,899	93,017,823	2,030,610,781
LIABILITIES								
Banks and financial institutions' deposits	23,443,863	26,028,943	-	-	-	-	-	49,472,806
Customers' deposits	615,330,438	421,363,873	94,419,414	81,308,985	*314,125,583	-	-	1,526,548,293
Margin accounts	8,963,502	8,255,875	6,377,376	8,509,369	29,047,206	109,567	-	61,262,895
Loans and borrowings	1,792,353	257,703	2,286,555	2,673,110	31,692,442	4,721,885	-	43,424,048
Sundry provisions	-	852,654	-	-	-	-	11,344,620	12,197,274
Other liabilities	11,282,357	2,955,508	1,369,739	3,492,521	5,804,201	2,645,601	7,388,603	34,938,530
Income tax provision	-	9,658,427	-	-	-	-	-	9,658,427
Total Liabilities	660,812,513	469,372,983	104,453,084	95,983,985	380,669,432	7,477,053	18,733,223	1,737,502,273
Minority interest	-	-	-	-	-	-	14,032,009	14,032,009
Total Shareholders' Equity	-	15,000,000	-	-	-	-	264,076,499	279,076,499
Total Liabilities and Shareholders' Equity	660,812,513	484,372,983	104,453,084	95,983,985	380,669,432	7,477,053	296,841,731	2,030,610,781
Liquidity risk	(90,896,121)	(76,957,930)	91,253,044	125,417,136	(129,025,067)	284,032,846	(203,823,908)	-
Cumulative liquidity risk sensitivity gap	(90,896,121)	(167,854,051)	(76,601,007)	48,816,129	(80,208,938)	203,823,908	-	-

* Out of which 51.7% 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

Assets and liabilities and off balance sheet items are distributed in the current period and prior period as follows:

In Jordanian Dinar

Item	Assets	Liabilities	Off Balance Sheet Items
2004			
A- According to geographical area			
Inside Jordan	1,864,092,302	1,924,489,630	181,206,474
Other Arab countries	291,875,451	253,961,198	124,257,658
Asia *	7,360,728	31,308	140,661,758
Europe	232,704,732	126,231	114,811,330
Africa *	-	-	7,461,680
America	81,274,302	152,393	59,799,792
Rest of the world	17,624,448	547,780	57,896,751
Total	2,494,931,963	2,179,308,540	686,095,443
B- According to segment			
Individual accounts	488,828,867	1,419,847,190	287,312,141
Corporate accounts	1,737,486,550	621,785,915	377,712,211
Others	268,616,546	137,675,435	21,071,091
Total	2,494,931,963	2,179,308,540	686,095,443
2003			
A- According to geographical area			
Inside Jordan	1,570,196,294	1,524,473,941	167,262,726
Other Arab countries	193,734,158	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
Total	2,030,610,781	1,737,502,273	372,073,910
B- According to segment			
Individual accounts	367,457,157	1,156,584,994	169,015,721
Corporate accounts	1,421,287,323	527,351,072	174,179,294
Others	241,866,301	53,566,207	28,878,895
Total	2,030,610,781	1,737,502,273	372,073,910

* Except for Arab countries.

(40) RELATED PARTY TRANSACTIONS (INCLUDING TRANSACTIONS WITH SUBSIDIARIES SISTER COMPANIES AND AFFILIATES)

In Jordanian Dinar

Item	31 December	
	2004	2003
Balance sheet items		
Deposits at affiliated companies	19,678,731	21,730,093
Deposits from affiliated companies	96,939,679	32,924,775
Loans and advances given to affiliated companies	7,957,275	9,570,471
Income statement items		
Interest and commission income	636,604	676,170
Interest and commission expense	717,068	1,499,178
Credit facilities granted to some B.O.D members	81,616	-

(41) OFF BALANCE SHEET ITEMS

The bank has the following off balance sheet items as of the financial statements date:

In Jordanian Dinar

Item	31 December	
	2004	2003
Letters of credit	350,302,374	145,274,399
Acceptances	33,743,333	35,071,645
Letters of guarantee:		
Payments	31,208,593	28,518,375
Performance	60,202,172	38,771,994
Other	71,198,939	46,533,739
Irrevocable commitments to extend credit	139,440,032	77,903,758
	<u>686,095,443</u>	<u>372,073,910</u>

(42) LITIGATION

There were lawsuits against the Bank amounting to JD 13,700,000 and JD 12,900,000 as of 31 December 2004 and 2003 respectively. 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 lawsuits, which amounted to JD 404,050 as of 31 December 2004 compared to JD 402,659 as of 31 December 2003, is adequate.

(43) SEGMENTAL DISTRIBUTION OF ASSETS AND LIABILITIES

For management purposes the Bank is organized into two major business segments:

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.

The Foreign Sector: This sector performs all banking services similar to those of 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 31 December 2004 and 2003:

Item	Jordan sector	Foreign sector	Inter Transactions	Total
2004				
Revenues				
Interest and commission income	92,521,094	7,760,445	(1,985,467)	98,296,072
Interest and commission expense	23,015,395	2,175,783	(1,985,467)	23,205,711
Net interest income	69,505,699	5,584,662	-	75,090,361
Net profit after tax and fees	31,383,444	317,428	-	31,700,872
Assets and liabilities				
Assets sector	2,340,074,219	338,320,144	(183,462,400)	2,494,931,963
Liabilities sector	2,041,463,699	278,031,046	(140,186,205)	2,179,308,540
2003				
Revenues				
Interest and commission income	89,360,420	3,869,561	(1,255,259)	91,974,722
Interest and commission expense	26,383,773	1,135,902	(1,255,259)	26,264,416
Net interest income	62,976,647	2,733,659	-	65,710,306
Net profit after tax and fees	24,236,973	(1,727,124)	-	22,509,849
Assets and liabilities				
Assets sector	1,965,013,435	175,341,737	(109,744,391)	2,030,610,781
Liabilities sector	1,684,362,885	129,710,477	(76,571,089)	1,737,502,273

(44) CAPITAL ADEQUACY

The Capital adequacy ratio is computed according to the regulations of the Central Bank of Jordan derived from Basel Committee resolutions. The following schedule shows the capital adequacy ratio in comparison with that of the previous year.

Item	31 December, 2004		31 December, 2003	
	Amount JD "1000"	Percentage to risk-weighted assets	Amount JD "1000"	Percentage to risk-weighted assets
Regulatory capital	275,156	20.87%	255,979	27.71%
Core (primary) capital	254,722	19.32%	240,582	26.04%

(45) INVESTMENT ACCOUNTS MANAGED ON BEHALF OF CUSTOMERS

Investment accounts managed on behalf of customers amounted to JD 22,983,311 and JD 3,853,521 as of 31 December 2004 and 2003 respectively. These accounts are not included in the assets or the liabilities of the Bank in the consolidated financial statements as they are investments managed by the Bank on behalf of its clients.

(46) RECLASSIFICATIONS

Some of 2003 balances were reclassified to correspond with 2004 classifications with no effect on net income or shareholders' equity.

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