

Annual Report 2002



بنك الصادرات والتمويل
EXPORT & FINANCE BANK

Board of Directors

Ali K. Al-Husry

Chairman

Fayiz M. Soheimat

Vice Chairman

Shaker Bin Zeid

Members

General Manager / New Work Company

Bassem K. Salem

General Manager / Packaging Industries Company

Mohammed M. El-Seif

Chairman / El-Seif Development Company

Said S. Darwazah

Chairman / Hikma Investment

Investment & Integrated Industries Company represented by

Chairman / Elia C. Nuqul

Social Security Corporation represented by

Mem. of the Board of Directors / Yehya Abu Ersheid

Arab Potash Company represented by

Jordan Investment Corporation representative / Nabih Salameh (Until 9/4/2002)

Abdel Raouf W. Al-Bitar (From 9/4/2002)

Jordan Phosphate Mines Company represented by

Deputy Managing Director for Finance / Marwan Rishaydat

Jordan Loan Guarantee Corporation represented by

General Manager / Mohammed Said Hamami

Bayader Trade & Investment Company Ltd. represented by

Chairman / Amer M. Fariz

Jaloul Trade & Investment Company represented by

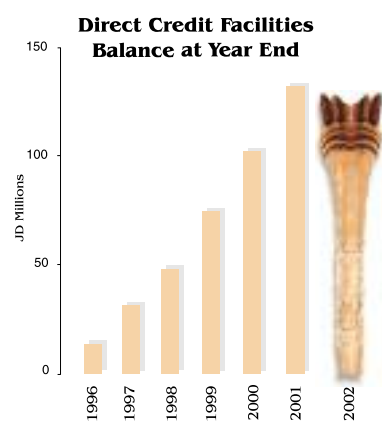
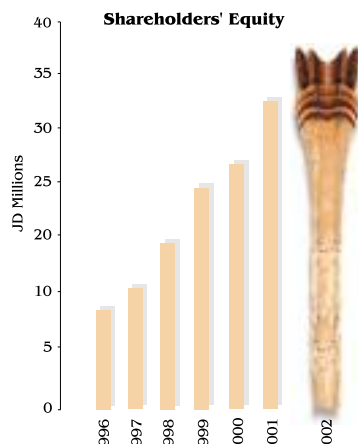
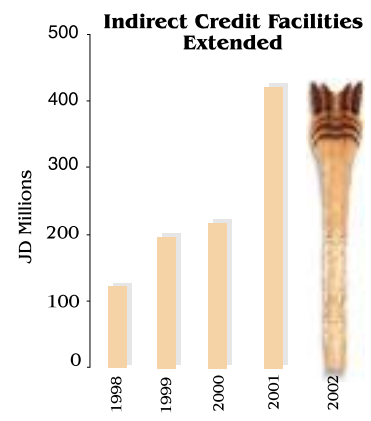
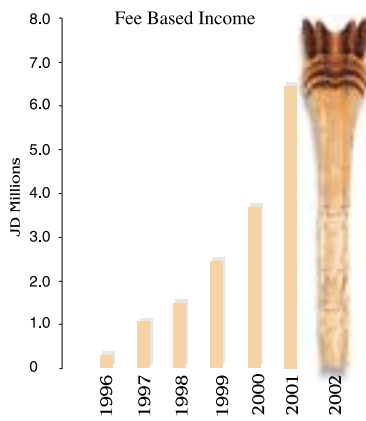
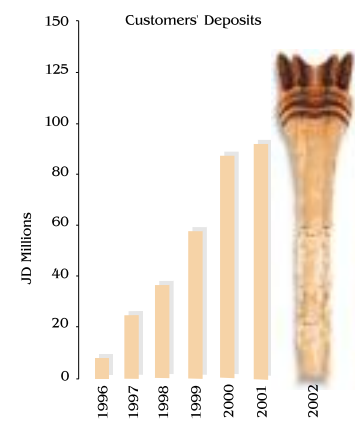
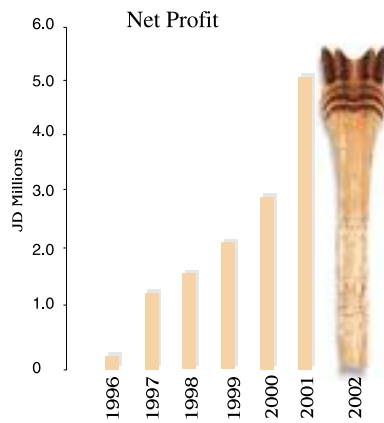
General Manager / Mohamed Saleh Hourani

EFB's Mission Statement

EXPORT & FINANCE BANK (EFB) aims to be:

- ❑ **The** first class provider of comprehensive commercial and investment banking services.
- ❑ **The** Bank with the innovative edge in Jordan.
- ❑ **The** preferred choice for exporters, corporate clients and talented employees.
- ❑ **A** major contributor to the growth and development of Jordan's capital market.

EFB's core values are dedication to clients, maximization of employees' potential and provision of superior services.



EFB'S Performance in 2002

Chairman & Chief Executive's Statement

In all my years as Chairman of the Export & Finance Bank, I have not felt as much pride in presenting to the General Assembly our Annual Report and financial statements as I do today - our Seventh Annual Meeting. It is often said that the strength of one's character can only be truly revealed in times of stress and times of difficulty. Character is best measured not when things are good for you, but rather when one is tested; when you take some knocks, endure some frustrations, and encounter some setbacks. The year 2002 was a trying year for the Export & Finance Bank, but we proved once again that our integrity is uncompromising, our steadfastness is unbending, and our commitments are deep. The Export & Finance Bank ended the year stronger than ever, because our character is stronger than ever.

Despite the increasingly difficult circumstances in which we operated, we managed to produce a remarkable set of results. Net profits for the year were up by 10% to JD 5.568 million. Lending increased to JD 127 million, a 5% increase for the year, while customer deposits grew by 46% to a total of JD 133 million. Total Assets now stand at JD 273 million, and our Shareholder's Equity has grown to over JD 37.6 million.

We were able to achieve these results because of our flexibility and responsiveness to changes in our environment. Aside from expanding our business in almost every area of operation, the Bank adopted a more comprehensive approach to addressing risk and identifying events of change in credit and capital market conditions that could adversely affect the bank. We put in place measures to control these risks particularly in the area of credit. We reviewed the entire credit portfolio to make sure that outstanding credit risk is addressed. We closed 2002 with a high performing and well-diversified credit portfolio.

Our numbers are solid, but this is not a time to become complacent. The next phase of growth is ahead of us. We should make our greatest leaps precisely at times like these when the markets are weak and yet we are relatively strong. Although we still have the capacity to grow organically, we must look beyond the near future if we are to continue to offer exceptional returns to our shareholders. Today, the spirit of change is an integral element in the mindset of everyone at EFB, and we must continue to pursue change if we are to remain at the forefront of this vibrant industry. The opportunities are unlimited. However, in seeking out these opportunities, our focus will continue to be on synergies rather than size, and efficiency rather than volume. I am certain that such a strategy will lead to more improvements in the quality of service for clients along with steady long-term gains in value for shareholders.

On behalf of the Export and Finance Bank, I would first like to take this opportunity to express our deep appreciation to all our shareholders and clients who put their trust in us during this challenging year. We were able to produce these exceptional results because of your unyielding faith in our integrity and strength. I also wish to thank the Central Bank of Jordan for their leadership and guidance during this turbulent year for the banking sector. Finally, my full appreciation goes to my fellow board members for their full support, and to the management and staff of the bank for their dedication, commitment, and loyalty throughout the year. Collectively you have been the impetus behind our drive to increase earnings and enhance shareholder value.

Ali K. Al-Husry
Chairman & CEO

Board of Directors' Report

The Board of Directors has the pleasure in welcoming the general assembly in its seventh ordinary annual meeting and to present to you the financial statements of the Export and Finance Bank for the year ended on December 31, 2002.

We are proud to report that the Bank has been able to deliver yet another record financial performance in 2002 with bottom line results, after provisions and tax, amounting to JD 5.6 million representing a 10% increase over the previous year and 16% return on average equity. In line with our long-term business objective, our fee-based income has continued to increase, contributing 55% to our total operating revenues as compared to 50% for the previous year.

On the other hand, there has been no change in net interest income, despite a 5% growth in the bank's lending business. This is partly reflective of the significant cuts in our lending interest rates in line with the market trend and a substantial expansion of 46% in customer deposit base, reflecting the confidence customers have in the Bank's solid financial position. Thus the Bank's liquidity ratio has jumped from 35% to 45% over the year, which is well above international and local regulatory requirements. The same also applies to the Bank's capital adequacy ratio currently at 23.85% as compared to the Central Bank of Jordan and Basle Committee minimum rates of 12% and 8% respectively.

Total operating expenses (TOE), which include provisions for bad and doubtful debts, have increased by 11% only compared to 13% increase in total operating revenues (TOR), thereby resulting in a further improvement in the management efficiency ratio (TOR/TOE) from 2.15:1 in 2001 to 2.17:1 in 2002. The increase in TOE is mainly attributable to the fact that the Bank, in order to confront the challenges of future expansion and increase of business, had to take some highly necessary measures to enhance operational efficiency and internal control procedures, including increased investment in technology, training as well as the hiring of new staff.

Furthermore, while net income before tax increased by 13% for the year, income tax provision was up by 21% contributing to a lower than anticipated net profit result. This disproportionate increase is due to changes made in the income tax law including the treatment of capital gains and interest income on bonds.

Despite the Bank's high capital adequacy ratio, our primary objective remains further consolidation of our capital base in anticipation of future regulatory capital increase requirements, and in order to maintain both local and international confidence in our policies and future plans and strategies. Based on the Bank's continued strong operating fundamentals and financial performance, we take this opportunity to recommend distribution of a stock dividend of 15%, thus increasing the Bank's paid-up capital by a further amount of JD 4.5 million, and maintaining total shareholder equity at about JD 37.6 million which represents an increase of 17% over the previous year. We strongly believe that this ongoing policy of capital consolidation in order to be stronger as we go forward, is in the best long-term interest of the Bank's shareholders and will remain our primary core objective.

CREDIT FACILITIES AND OPERATIONS

Total direct facilities grew by 5% over the past year to reach JD 127 million, while net direct facilities (after deduction of provisions for bad and doubtful advances) stood at around JD 116 million at the end of 2002 representing approximately 42% of total assets as compared to 47% at the end of 2001; this slight drop being partly attributable to the acceleration in our deposit growth towards the end of 2002. On the other hand, indirect credit facilities extended throughout 2002 reached JD 436 million, representing a growth of 4% from the previous year, as a result of which our commission revenues generated by indirect facilities increased by 4%. This was relatively disappointing due primarily to the fact that the volume of the re-export business has been substantially less than the growth anticipated at the beginning of the year because of the difficult circumstances affecting the region. In response, we had to shift to new business opportunities that were identified by us.

On the other hand, there was an increase in revenues generated by other operations, with the end result of our total fee-based income actually showing a 26% increase over the year, but in fact lower than the growth projected at the beginning of the year; forecasts that were predicated by a more optimistic outlook for the regional economic and political environment prevailing a year ago.

Our growth in other areas has remained on course. We have particularly pressed upon our advantage in the Qualifying Industrial Zones (QIZ) sector, where manufacturing companies are engaged in duty-free and unrestricted exports to the USA market, capitalizing on the long experience that we have gained through our diversified commercial dealings with this fastest growing export sector over the past three years. In this regard, we have been assisted by the presence of our offices in three QIZ areas, enabling us to serve our client base in a more efficient way and to be in an advantageous position in exploring new business opportunities.

We will pursue an expansionary policy in this area, which we firmly believe to have strong growth prospects. To emphasize our commitment to service the export sector and to continue building a market leadership position in export financing, we intend to press ahead this year with our plan to establish a branch in the Aqaba Special Economic Zone (ASEZ), which is showing signs of developing into an attractive business centre for foreign investors.

The table shown below illustrates the sectoral breakdown of our lending portfolio:

SECTOR	JD MILLION	PERCENT
Manufacturing	61.6	48.4
General Trade	23.6	18.5
Transport Services	21.8	17.2
General Services	14.9	11.7
Other	5.30	4.20
Total	127.2	100

Non-performing loans (NPL) amounted to JD 16.8 million of which 55% is covered by provisions and interest in suspense. The ratio of NPL to our total lending portfolio is 13.2%, which is consistent with the banking sector's average and we remain comfortable with the credit quality of our portfolio. However, the prevention of this ratio from growing further will be a major objective and challenge as we go forward.

TREASURY AND MONEY MARKET OPERATIONS

Treasury once again proved to be effective and efficient in managing the Bank's dealing in foreign exchange and money market activities. Additionally, treasury provided our clients with financial instruments to hedge against interest rate and currency risk related to their normal trading transactions. Revenues from our foreign currency dealings increased by 23% for the year and our net interest earnings on our surplus funds have been maximized by making optimum use of the available money market instruments.

We have also started trading in the international bond markets both for our own portfolio and for our customers, and we have continued in asserting ourselves as market makers in the local bond market.

INVESTMENT BANKING & CAPITAL MARKETS

Corporate Finance and M&A

The Export & Finance Bank continued to play a pioneering role in providing investment-banking services to our clients. This was particularly noticeable in the structured products and fixed-income market.

In 2002, we successfully arranged and managed a JD 22 million long-term syndicated facility to finance the leveraged buyout of Aramex International Ltd by the Dubai-based private equity firm Rasmala Partners Ltd. The facility, the first of its kind to be extended in the region, was regarded as a watershed for acquisition finance and we are delighted to have been able to contribute our expertise to such an innovative acquisition and capital restructuring.

The Bank also acted as the lead manager, underwriter, and primary dealer for the issue of two large commercial paper programs. The Bank issued commercial paper for the Jordan Phosphate Mines Company Ltd, and arranged and underwrote a commercial paper program for Jordan Mobile Telephone Services Company (Fastlink). The commercial paper program for both companies was issued in series, and placed with banks, insurance companies, pension funds and other large institutional investors.

On the mergers & acquisition front, the Export & Finance Bank acted as the buy-side financial advisor to the acquisition of Public Mining Ltd. The Government of Jordan, acting through the Jordan Investment Corporation, sold 510,000 shares of Public Mining Ltd, representing 51% stake in the company. The Bank advised, arranged and executed the transaction on behalf of a consortium of strategic investors, and remained the trustee of the company until all legal formalities were satisfied.

Capital markets

Facing competition from over 28 firms seated on the Amman Stock Exchange, our brokerage office consistently maintained one of the highest market shares on the ASE. With volume of JD 102.5 million (out of a total JD 1.9 billion for 2002) we executed over 5.03% of all transactions on the Amman Stock Exchange, and closed the year ranking fifth among the licensed brokerage houses. We also remained active in bond trading activities where we executed 40% of all bonds traded on the Amman Stock Exchange, and closed the year ranking in the number one spot.

The growth of the activities and services rendered by our capital markets division has been maintained with revenues generated from these activities exceeding JD3.2 million, representing a 59% growth over the previous year. Other revenues, including brokerage commissions and custodian services reached JD708 thousand for the year 2002, representing a 23% growth over the previous year.

We continued to offer investment and trading in the US markets through a specialized unit available to service, advise and process our clients' orders. In addition, we were able to offer our clients margin trading by passing their positions directly over to our US-based brokers while preserving overall management over their accounts.

Asset Management

The returns from our managed portfolios were positive. Our capital guaranteed portfolios earned annualized rate of returns in excess of 7% in 2002 despite a strong downturn in the local market. In addition, our proprietary portfolio invested in the Amman Stock Exchange earned an annualized rate of return in excess of 13% in 2002 despite a year-on-year loss of 1.56% for Amman Stock Exchange Index.

Going forward, we plan to focus on Asset Management and make it a major activity and revenue source for the Bank. We believe that our portfolio management services can provide our clients with attractive opportunities to achieve returns within a relatively short to medium time span through investing in equity, equity-related securities, fixed-income instruments and other money market instruments issued both in Jordan and internationally.

Research

Our research team continued to produce publications and studies on individual public shareholding companies, macroeconomic conditions, financial markets and various sector analyses. This year we covered 14 major economic sectors and expanded extensive stock coverage to 21 listed companies. In addition, we issued our annual Jordan Economic Report, and initiated sovereign rating reviews on selected Arab countries. Our strong and credible research remains an integral part of our advisory functions to several local, regional and international funds on Jordanian equity and macroeconomic developments.

OUTLOOK

Diversified banking services are what have allowed us to grow shareholder value over the past six years and we believe that such a business model will carry us forcefully into the new millennium. We are continuously seeking to be a first class provider of comprehensive commercial and investment banking services and the preferred choice for exporters, corporate clients and talented employees.

In 2003 we will open a representative office in the Aqaba Special Economic Zone, which we believe has the potential to develop into an attractive business centre for foreign investors. Aside from the provision of corporate banking services, we are working towards providing a wider range of services and consumer products to our clients in the coming year, as well as exploring other potential opportunities that may rise in and outside of the country.

Continuing to improve the Bank's performance in its various activities will remain our core objective in 2003. We have put in place an aggressive plan to continue investing in technology and are dedicating substantial resources toward employee development and training. All this should translate into a growth in net profits and a considerable increase in overall shareholder value.

We believe that in order to maintain both local and international confidence in our policies and future strategies, we have to maintain our policy of capital consolidation in order to be stronger as we go forward. This in turn will be in the best long-term interest of the bank's shareholders and will remain a primary core objective.



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**The Financial Statements
as of December 31, 2002
& Auditors' Report**

**TO THE SHAREHOLDERS OF
EXPORT & FINANCE BANK
AMMAN - JORDAN**

We have audited the accompanying balance sheet of **EXPORT AND FINANCE BANK** (a public shareholding company) as of December 31, 2002 and the related statement of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Auditing Standards. Those standards require that we plan and perform our 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 financial statements present fairly, in all material respects, the financial position of **EXPORT AND FINANCE BANK** as of December 31, 2002 and the result of its operations and its cash flows for the year then ended in accordance with the Law and International Financial Reporting Standards.

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

AMMAN - JORDAN
January 20, 2003



BALANCE SHEET

AS OF DECEMBER 31, 2002 (In Jordanian Dinars)

	NOTES	2002	2001
ASSETS			
Cash on hand and balances at the Central Bank of Jordan	3	15,178,075	17,201,183
Balances at banks and financial institutions	4	55,914,415	46,898,793
Deposits at banks and financial institutions	5	500,000	500,000
Trading investments	6	33,263,530	28,050,807
Credit Facilities, net	7	116,126,352	112,189,589
Available for sale investments	8	24,897,004	17,750,805
Held to maturity investments, net	9	23,315,406	11,842,738
Fixed assets, net	10	1,068,460	704,268
Other Assets	11	3,154,899	2,424,938
Total Assets		273,418,141	237,563,121
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Banks and financial institutions' deposits	12	31,027,875	41,835,047
Customers' deposits	13	132,860,875	90,858,759
Margin accounts	14	38,265,827	38,376,502
Loans and advances	15	26,400,293	24,933,424
Sundry Provisions	16	473,654	254,337
Other liabilities	17	4,929,244	7,663,388
Income tax provision	18	1,870,000	1,535,000
Total Liabilities		235,827,768	205,456,457
Shareholders' Equity			
Paid in capital	19	30,000,000	25,300,000
Statutory reserve		2,601,091	1,822,353
Voluntary reserve	20	1,558,055	1,706,000
Fair value reserve	21	147,229	131,013
Retained earnings	22	3,283,998	3,147,298
Total Shareholders' Equity		37,590,373	32,106,664
Total liabilities and Shareholders' Equity		273,418,141	237,563,121

The Accompanying notes from 1 - 42 are an integral part of these financial statements

STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2002 *(In Jordanian Dinars)*

	NOTES	2002	2001
Interest income	24	14,600,283	16,309,503
Interest expense	25	8,063,830	9,824,419
Net interest income		6,536,453	6,485,084
Net commission	26	3,013,631	2,967,848
Net Interest and Commission Income		9,550,084	9,452,932
Other income -			
Gain from financial assets and instruments	27	3,219,182	2,024,984
Other operating income	28	1,713,127	1,395,326
Total other income		4,932,309	3,420,310
Net operating income		14,482,393	12,873,242
Expenses -			
Employees costs	29	1,618,183	1,466,948
Other operating expenses	30	1,385,625	1,003,170
Depreciation and amortization		279,732	197,042
Provision for possible loan losses	7	3,129,157	3,077,369
Sundry Provisions		219,317	254,337
Total operating expenses		6,695,014	5,998,866
Net Income Before income tax and appropriations		7,787,379	6,874,376
Less: Income tax		1,950,000	1,615,000
Provision for Jordanian Universities fees	17	77,874	68,743
Provision for scientific research and vocational training		77,874	68,743
Vocational and technical training and education support fees		48,379	-
Board of Directors' remuneration		65,000	65,000
Net Income		5,568,252	5,056,890
Earnings per share	31	0.186	0.169

The Accompanying notes from 1 - 42 are an integral part of these financial statements

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2002 *(In Jordanian Dinars)*

	Paid In Capital	Reserves		Fair Value Reserve	Retained Earnings	Dividends	Total
		Statutory	Voluntary				
2002							
Balance as of January, 2002	25,300,000	1,822,353	1,706,000	131,013	3,147,298	-	32,106,664
Increase in capital	4,700,000	-	(1,705,421)	-	(2,994,579)	-	-
Effect of adopting IAS 39	-	-	-	-	(100,759)	-	(100,759)
Net income	-	-	-	-	5,568,252	-	5,568,252
Transfers	-	778,738	1,557,476	-	(2,336,214)	-	-
Fair value reserve	-	-	-	16,216	-	-	16,216
Balance as of December 31, 2002	30,000,000	2,601,091	1,558,055	147,229	3,283,998	-	37,590,373
2001							
Balance as of January, 2001	22,000,000	1,134,916	1,833,611	-	1,797,515	-	26,766,042
Increase in capital	3,300,000	-	(1,502,485)	-	(1,797,515)	-	-
Effect of adopting IAS 39	-	-	-	-	152,719	-	152,719
Net income	-	-	-	-	5,056,890	-	5,056,890
Transfers	-	687,437	1,374,874	-	(2,062,311)	-	-
Fair value reserve	-	-	-	131,013	-	-	131,013
Balance as of December 31, 2001	25,300,000	1,822,353	1,706,000	131,013	3,147,298	-	32,106,664

The Accompanying notes from 1 - 42 are an integral part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2002 *(In Jordanian Dinars)*

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	NOTES	2002	2001
Net income before income tax		7,518,252	6,671,890
Adjustments for -			
Depreciation		279,732	197,042
Provision for possible loan losses		3,192,157	3,077,369
Fair value reserve for available for sale investment		(164,822)	(524,481)
Losses on sale of fixed assets		-	1,003
Differences in exchange rates		(693,558)	(535,339)
Sundry Provisions		219,317	254,337
		10,351,078	9,141,821
Changes in assets and liabilities -			
Increase in deposits at banks and financial institutions		-	(500,000)
Increase in credit facilities		7,128,920	22,774,020
Decrease (increase) in trading investments		(5,047,901)	(10,105,080)
(Increase) decrease in other assets		(729,961)	9,616
(Decrease) increase in banks and financial institutions deposits that mature within three months		(10,658,735)	3,560,000
Increase in customers' deposits		42,002,116	4,668,220
(Decrease) increase in margin accounts		(110,675)	21,128,153
(Decrease) increase in other liabilities		(2,734,144)	2,436,299
Net cash from operating activities before income tax		25,942,858	7,565,009
Income tax paid		(1,615,000)	(1,010,000)
Net cash from operating activities		24,327,858	6,555,009
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Purchase of available for sale investments		(7,230,742)	(7,102,147)
(Purchase) sale of held to maturity investments		(11,472,668)	4,800,759
Purchase of fixed assets		(662,924)	(371,319)
Sale of fixed assets		19,000	-
Net cash used in investing activities		(19,347,334)	(2,672,707)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in loans		1,466,869	5,184,708
Dividends paid		-	-
Net cash from financing activities		1,466,869	5,184,708
Difference in exchange rates		693,558	535,339
Net increase in cash and cash equivalents		7,140,951	9,602,349
Cash and cash equivalents, beginning of the year		41,014,929	31,412,580
Cash and cash equivalents, end of the year	32	48,155,880	41,014,929

The Accompanying notes from 1 - 42 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2002 *(In Jordanian Dinars)*

(1) GENERAL

The Export and Finance Bank was established as a public shareholding company on August 30, 1995 with an authorized and subscribed capital of JD 20,000,000, divided into 20,000,000 share of JD 1 each. This was subsequently increased to JD 25,300,000.

The Bank provides its banking operations through its main branch located in Amman, and three offices.

The Bank's principal activities include the provision of direct and indirect credit facilities primarily to the export and manufacturing sectors, trade in marketable securities for the Bank and its customers, and as a broker at Amman Stock Exchange.

The General Assembly, in its extra-ordinary meeting held on June 30, 1999, resolved to increase the Bank's capital from 20,000,000 to 22,000,000 shares of JD 1 per share by distributing bonus shares through capitalizing the general reserve, retained earnings and part of the voluntary reserve.

The General Assembly, in its extra-ordinary meeting held on May 6, 2001, resolved to increase the Bank's capital from 22,000,000 to 25,300,000 shares of JD 1 per share by distributing bonus shares through capitalizing the general reserve, retained earnings and part of the voluntary reserve.

The General Assembly, in its extra-ordinary meeting held on March 28, 2002, resolved to increase the Bank's capital from 25,300,000 to 30,000,000 shares of JD 1 per share by distributing bonus shares through capitalizing the general reserve, retained earnings and part of the voluntary reserve.

The Bank's total number of employees as of December 31, 2002 and 2001 was 113 and 94 respectively.

The financial statements were authorized for issue by the Bank's Board of Directors in their meeting held on January 20, 2003.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards, as published by the International Accounting Standards Board and Central Bank of Jordan laws and regulations under the historical cost convention except for the trading investments, available for sale investments and financial derivatives which are stated at fair value. Also the hedged financial assets and liabilities were stated at fair value.

Change in accounting principles

The Bank has adopted IAS 39 (Financial Instruments: Measurement and recognition) starting January 1, 2001, as a result the opening balances of retained earnings as of January 1, 2001 has been adjusted. Prior year comparative figures have not been restated in accordance with the requirements of IAS 39.

Financial transaction's recognition date

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

Trading Investments

Trading investments are initially measured at cost and subsequently carried at fair value with gains or losses recognized in the income statement.

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 according to IAS 39 or Central Bank of Jordan regulations whichever is higher. Allowance for possible loan losses in accordance with IAS 39 represents the difference between the book value and the recoverable value which is the present value of expected future cash flows including collections from collaterals discounted at its original interest rate. The provision is recorded in the statement of income.

Interest and commission of non-performing facilities are suspended based on Central Bank of Jordan regulations.

General provision for direct and indirect credit facilities is established to provide for the unidentified possible loan losses based on Central Bank of Jordan 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 income statement.

Available for sale investments

Available for sale investments are initially measured at cost and subsequently carried at fair value. Gains or losses on measurement to fair value of available-for-sale investments are recognised directly in the fair value reserve in shareholders equity, until the investment is sold or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net profit or loss for the period.

Held to maturity investments, net

Held to maturity investments are carried at amortized cost and the discount or premium is amortized using the effective interest rate method.

Fair value

The fair value of traded financial assets is based on 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 with any impairment in value recorded in the statement of income.

Revenue and expense recognition

Income and expenses are recognized on the accrual basis except for interest and commission income of non-performing facilities which are recorded as interest and commission in suspense in accordance with the central Bank of Jordan regulations.

Income from shares (dividends income) are recorded as an income only when earned. Commission income is recognized when it is earned.

Commission income is recognized when it is earned.

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 10% to 20%, except for 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.

Income Tax

The Bank provides for income tax in accordance with the Income Tax Law no. (57) of 1985 and its subsequent amendments, the last of which being law no. (14) of 1995 effective on January 1, 1996, and in accordance with IAS 12. The Bank makes provisions for possible loan losses in accordance with the regulations of the Central Bank of Jordan. As these provisions had not been allowable as deductible expenses for income tax purposes before January 1, 2000, and until such time it is accepted by the Income Tax Department, this gives rise to a potential deferred tax asset as of December 31, 2001. Because of the uncertainty over the recognition of this deferred tax asset, the Bank believes it would not be appropriate to recognize it as an asset in the financial statements.

Properties held for resale

Properties held for resale are recorded at fair value upon the transfer of title to the Bank. Such properties are acquired by the Bank in connection with bad loans, and the Bank is required to dispose of such properties within two years according to Central Bank of Jordan regulation. The properties are appraised on an individual basis annually and declines in market value are recorded in the income statement.

Investment accounts managed on behalf of the customers

Represents investments managed by the bank on behalf of customers and it is not part of the bank's assets, therefore it is not included in the financial statements.

Financial derivatives

a- Financial derivatives held for trading

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

The fair value is determined according to the market price, if such prices are not available discounted cash flow models, standard forms, or internal pricing forms are used whichever is more suitable as of the financial statement date. Changes in the fair value are recognised in the statement of income.

b- Financial derivatives for hedging purposes

1- Fair value hedge:

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

2- Cash flow hedge:

Changes in the fair value of a hedging instrument that qualifies as a highly effective cash-flow hedge are recognised directly in the hedging reserve in shareholders' equity. The ineffective portion is immediately recognized in net profit or loss.

3- Hedge of net investments in a foreign entity:

Changes in the fair value of a hedging instrument that qualifies as a highly effective hedge of net investments in a foreign entity are recognized directly in the hedging reserve in share holders' equity. The ineffective portion is immediately recognized in net profit or loss.

Foreign currencies

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

Foreign currencies' forward deals are re-evaluated using the Central Bank of Jordan's middle exchange rates at year end, gains and losses from the re-evaluation are reflected in the statement of income.

Cash and cash equivalents

Represents cash on hand and cash balance that mature within 3 months, it includes cash on hand, balances at banks and financial institutions, less banks' and financial institutions deposits' that mature within three months.

Repurchase and resell agreements

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

Purchased assets with a simultaneous resell agreement at a future date are not recognized in the bank's 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, and the difference between purchase price and reselling price is recognized in the statement of income.

Risk management

The Bank's management tries to mitigate the credit and market risks through setting investment ceilings and applying set percentages that correspond with the Central Bank of Jordan and board of directors regulations and 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 clients.

*

End of service indemnity

In accordance with labor law no. (8/96) companies subject to Social Security law are not entitled to pay end of service indemnity.

(3) CASH ON HAND AND BALANCES AT THE CENTRAL BANKS OF JORDAN

	2002	2001
Cash on hand	1,195,620	581,012
Balances at the Central Bank of Jordan		
Current accounts	2,707,802	5,652,380
Time and notice deposits	2,500,000	-
Statutory cash reserve	7,774,653	5,967,791
Certificates of deposit	1,000,000	5,000,000
	15,178,075	17,201,183

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

(4) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

	2002	2001
Local Banks and financial institutions		
Current accounts	169,240	143,983
Deposits maturing within 3 months	1,444,959	2,127,958
Certificates of deposit	-	500,000
Foreign Banks and financial institutions		
Current accounts	8,245,286	10,136,834
Deposits maturing within 3 months	46,054,930	33,990,018
	55,914,415	46,898,793

Non interest bearing balances at banks and financial institutions amounted to JD 1,496,785 and JD 1,272,581 as of December 31, 2002 and 2001 respectively.

Restricted balances amounted to JD 5,562,771 and JD 14,401,230 as of December 31, 2002 and 2001 respectively.

(5) DEPOSITS AT BANKS AND FINANCIAL INSTITUTIONS

	2002	2001
Local Banks and financial institutions		
Certificates of deposit	500,000	500,000
	<u>500,000</u>	<u>500,000</u>

No restricted deposits as of December 31, 2002 and 2001.

(6) TRADING INVESTMENTS

	2002	2001
Shares not listed in financial markets *	140,000	144,200
Shares listed in financial markets **	29,122,975	21,215,186
Bonds listed in financial markets	4,000,555	6,691,421
	<u>33,263,530</u>	<u>28,050,807</u>

* Fair value for these share is computed based on last sale transaction.

** Investment in shares listed in financial markets includes stocks held under resale agreement, amounting JD 23,682,714 and JD 12,716,869 as of December 31, 2002 and 2001 respectively.

(7) CREDIT FACILITIES, NET

	2002	2001
Bills and notes discounted	44,196,261	50,300,264
Overdraft facilities	14,230,990	13,601,059
Loans and advances	68,814,135	56,977,409
Credit cards	72	63,878
	<u>127,241,458</u>	<u>120,942,610</u>
Less: Interest in suspense	1,774,922	1,236,760
Allowance for possible loan losses	9,340,184	7,516,261
	<u>11,115,106</u>	<u>8,753,021</u>
Credit facilities, net	<u>116,126,352</u>	<u>112,189,589</u>

Credit facilities granted by sector are set forth below:

	2002	2001
Agriculture	1,045,696	1,546,033
Manufacturing and mining	61,571,943	58,630,460
Constructions	3,106,022	2,777,977
General trade	23,565,178	28,010,964
Transportation services	14,189,726	8,591,842
Tourism, hotels and restaurants	1,388,369	1,459,453
Services and public facilities	8,380,915	9,172,742
Financial services	1,392,922	526,067
Investment in shares	1,890,074	155,599
Vehicles	7,661,579	5,965,000
Real estate purchase	703,200	326,852
Consumable goods	454,983	104,615
Others	1,890,851	3,675,006
	127,241,458	120,942,610

The non-performing credit facilities as defined by the Central Bank of Jordan's regulations amounted to JD 16,781,585 representing 13.19% of total facilities and JD 11,462,479 representing 9.48% of total facilities as of December 31, 2002 and 2001 respectively.

There are no credit facilities granted or guaranteed by the government as of December 31, 2002 and 2001 respectively.

The specific allowance for possible loan losses according to CBJ regulations and IAS 39 amounted to JD 7,348,409 and JD 6,818,523 as of December 31, 2002.

The specific allowance for possible loan losses according to CBJ regulations and IAS 39 amounted to JD 5,647,137 and JD 4,767,847 as of December 31, 2001.

The gross fair value of collaterals held against credit facilities amounted to JD 119,277,263 and JD 91,223,694 as of December 31, 2002 and 2001 respectively.

Allowance for possible loan losses:

	2002			2001		
	Specific	General	Total	Specific	General	Total
Opening balance at January 1,	5,647,137	1,869,124	7,516,261	2,738,871	1,700,021	4,438,892
Transferred to provision during the year	3,069,506	122,651	3,192,157	2,908,266	169,103	3,077,369
Provision written back	(1,368,234)	-	(1,368,234)	-	-	-
Ending balance at December 31,	7,348,409	1,991,775	9,340,184	5,647,137	1,869,124	7,516,261

Allowances that were settled, collected or transferred against other non-performing credit facilities amounted to JD 946,367 and JD 843,485 as of December 31, 2002 and 2001 respectively.

Interest in suspense:

	2002	2001
Opening balance at January 1,	1,236,760	617,329
Suspended interest during the year	894,746	664,535
Less: Suspended interest on settled loans	202,816	45,104
Interest suspended written off	153,768	-
Ending balance at December 31,	1,774,922	1,236,760

(8) AVAILABLE FOR SALE INVESTMENTS

	2002		2001	
	Traded	Total	Traded	Total
Shares *	1,102,119	1,102,119	100,000	100,000
Bonds	23,794,885	23,794,885	17,650,805	17,650,805
	24,897,004	24,897,004	17,750,805	17,750,805

* Investment in shares includes an amount equal to JD 100,000 represents shares of Jordan Loan Guarantee Company which are listed but not traded at Amman stock exchange which was stated at cost since the fair value could not be measured reliably. The management believes that there is no impairment in the value of these shares as of year end.

(9) HELD TO MATURITY INVESTMENTS, NET

	2002	2001
Treasury bills	22,815,384	11,842,738
Bonds and debentures	500,022	-
	23,315,406	11,842,738

(10) FIXED ASSETS, NET

	Furniture and Fixture	Vehicles	Computers	Installations	Total
December 31, 2002					
Beginning balance	365,713	24,600	630,838	349,003	1,370,154
Additions	361,567	95,993	106,485	98,879	662,924
Retirements	-	(21,000)	-	-	(21,000)
Accumulated depreciation	(231,090)	(12,944)	(543,686)	(155,898)	(943,618)
Net Book Value at year end	496,190	86,649	193,637	291,984	1,068,460
December 31, 2001					
Beginning balance	247,044	3,600	620,003	155,631	1,026,278
Additions	118,669	21,000	38,278	193,372	371,319
Retirements	-	-	(27,443)	-	(27,443)
Accumulated depreciation	(136,863)	(2,430)	(416,955)	(109,638)	(665,886)
Net Book Value at year end	228,850	22,170	213,883	239,365	704,268

(11) OTHER ASSETS

	2002	2001
Accrued interest and commission income	1,157,004	806,820
Prepaid expenses	737,864	674,753
Brokerage office receivables	769,146	719,368
Tax paid in advance	203,991	50,226
Interest paid in advance / CBJ bills	18,739	12,189
Others	268,155	161,582
	3,154,899	2,424,938

(12) BANKS AND FINANCIAL INSTITUTIONS' DEPOSITS

	2002			2001		
	INSIDE JORDAN	OUTSIDE JORDAN	TOTAL	INSIDE JORDAN	OUTSIDE JORDAN	TOTAL
Current accounts and demand deposit	15,545,626	1,446,419	16,992,045	10,214,773	3,823,291	14,038,064
Deposits maturing within 3 months	5,189,649	754,916	5,944,565	7,198,777	1,848,206	9,046,983
Deposits maturing within 3 - 12 months	2,091,265	-	2,091,265	8,250,00	-	8,250,000
Deposits with maturities exceeding one year	-	-	-	-	-	-
Certificates of deposit	6,000,000	-	6,000,000	10,500,000	-	10,500,000
	28,826,540	2,201,335	31,027,875	36,163,550	5,671,497	41,835,047

(13) CUSTOMERS' DEPOSITS

	2002	2001
Current accounts and demand deposits	15,495,481	10,063,855
Saving deposits	61,033	12,641
Time and notice deposits	107,678,795	68,058,191
Certificates of deposit	9,625,566	12,724,072
	132,860,875	90,858,759

- Governmental institutions' deposits amounted to JD 38,546,795 representing 29.01% of total customers' deposits and JD 33,181,999 representing 36.52% of customers' deposits as of December 31, 2002 and 2001 respectively.

- Non-interest bearing deposits amounted to JD 10,315,848 representing 7.76% of total deposits and JD 4,906,994 representing 5.40% of total deposits as of December 31, 2002 and 2001 respectively.

- Dormant accounts amounted to JD 90,232 and JD 26,726 as of December 31, 2002 and 2001 respectively.

- Restricted deposits amounted to JD 12,115,566 representing 9.11% of total deposits and JD 6,293,156 representing 6.93% of total deposits as of December 31, 2002 and 2001 respectively.

(14) MARGIN ACCOUNTS

	2002	2001
Direct credit facilities	25,710,325	19,734,826
Indirect credit facilities	10,600,550	16,320,968
Deposits against cash margin dealings' facilities	1,954,952	2,320,708
	38,265,827	38,376,502

(15) LOANS AND ADVANCES

	2002	2001
Amounts borrowed from Central Bank of Jordan	13,256,789	12,186,257
Amounts borrowed from foreign banks	5,971,200	7,784,167
Others	7,172,304	4,963,000
	26,400,293	24,933,424

Central Bank of Jordan borrowings are due during the period from 2003 till 2007, with an annual interest rate that ranges between 2.5% to 6.75%. Installments are paid according to monthly, quartely, or semi annually schedules.

Borrowings from foreign banks are due during 2003 and 2007, with an annual interest rate that ranges between 3.645% to 4.457%. Installments are paid semi-annually.

Borrowings from Arab Investment Company / Bahrain amounting JD 4,963,000 are due on December 2003 renewed automatically, with an annual interest rate that ranges between 2.169% to 2.172%.

Borrowings from Arab Trade Finance amounting JD 1,772,500 are due on February 2003 renewed automatically, with an annual interest rate of 1.736%.

Borrowing from Real estate Mortgage Finance Co. amounting JD 436,804 are due on June 2005, with an annual interest rate of 6.25%.

An amount of USD 2,625,000 was deposited as a guarantee against the loan from the Arab Investment Company / Bahrain with an annual interest rate of 1.32%.

There are no guarantees against loans and advances from other parties.

(16) Sundry Provisions

	Opening Balance at January 1st	Addition	Ending Balance at December 31st
2002			
Sundry Provisions	254,337	219,317	473,654
	254,337	219,317	473,654
2001			
Sundry Provisions	-	254,337	254,337
	-	254,337	254,337

(17) OTHER LIABILITIES

	2002	2001
Accrued interest expenses	848,949	1,667,000
Interest and commissions received in advance	1,277,495	1,717,390
Deferred income	970,709	599,790
Accrued expenses	408,663	529,710
Certified cheques	333,366	609,565
Cheques payable	619,597	194,286
University fees provision	77,874	68,743
Scientific research provision	77,874	68,743
Vocational and technical training and education support fees	48,379	-
Board of directors remuneration	65,000	65,000
Outgoing transfers	-	1,224,040
Incoming transfers	92,161	774,220
Other	109,177	144,901
	4,929,244	7,663,388

(18) INCOME TAX PROVISION

	2002	2001
The movement on the income tax provision was as follows:		
Beginning balance	1,535,000	930,000
Income tax paid	1,615,000	1,010,000
Provision for income tax for the year	1,950,000	1,615,000
Ending balance	1,870,000	1,535,000

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

	2002	2001
Provision for income tax for the year	1,950,000	1,615,000

The Income Tax Department reviewed the Bank's records for the year ended 1999 and assessed an additional income tax amounting to JD 100,000. However the Bank has contested the decision. As of the date of these financial statements the Bank did not reach a final settlement with the Income Tax Department.

The Income Tax Department reviewed the Bank's records for the year ended 2000 and assessed an additional income tax amounting to JD 180,000. However the Bank has contested the decision. As of the date of these financial statements a final settlement was not reached with the Income Tax Department.

(19) PAID IN CAPITAL

During 2002 the Bank distributed 4,700,000 bonus shares representing 18.577% of the authorized and subscribed capital by which the paid in capital increased to JD 30,000,000 divided into 30,000,000 share of JD 1 each, through capitalising part of the voluntary reserve and the retained earnings.

(20) VOLUNTARY RESERVE

Voluntary reserve amounted to JD 1,558,055 at the end of current year and JD 1,706,000 at the end of prior year.

(21) FAIR VALUE RESERVE

	2002	2001
	Bond	
Beginning balance	131,013	-
Unrealised gain	160,346	131,013
Realised gain transferred to statement of income	144,130	-
Net movement during the year	16,216	131,013
Current balance	147,229	131,013

(22) RETAINED EARNINGS

	2002	2001
Beginning balance	3,147,298	1,797,515
Amount capitalized in bonus issue	(2,994,579)	(1,797,515)
Effect of adopting IAS (39) for the first time *	-	156,820
Transferred to statement of income due to sale of available for sale investments	(100,759)	(4,101)
Net income	5,568,252	5,056,890
Transferred to statutory and voluntary reserves	(2,336,214)	(2,062,311)
	3,283,998	3,147,298
Ending balance		

(23) PROPOSED CAPITAL INCREASE

The Board of Directors have proposed to the General Assembly, in its extra-ordinary meeting held during 2002, to increase the Bank's capital by JD 4,700,000 through capitalising part of the voluntary reserve and retained earnings.

(24) INTEREST INCOME

	2002	2001
Direct credit facilities		
Bills and notes discounted	4,090,838	4,157,588
Overdrafts	1,610,689	1,713,139
Loans and advances	5,549,406	5,310,671
Credit cards	4,336	4,265
Other		
Balances at the Central Bank of Jordan	214,148	921,709
Balances and deposits at Banks and Financial institutions	863,727	1,802,216
Trading investments	383,131	650,780
Available for sale investments	1,155,834	1,045,144
Held to maturity investments	728,174	703,991
	14,600,283	16,309,503

(25) INTEREST EXPENSES

	2002	2001
Banks and financial institutions deposits	1,348,268	1,826,033
Customers' deposits		
Current accounts and demand deposits	111,600	176,547
Saving deposits	744	341
Time and notice deposits	3,654,311	4,007,332
Certificates and deposit	703,214	967,768
Cash margins	993,848	1,460,857
Loans and advances	1,092,043	1,250,068
Deposits Guarantee Corporation fees	159,802	135,473
	8,063,830	9,824,419

(26) NET COMMISSION

	2002	2001
Commission income		
Direct credit facilities	93,282	73,140
Indirect credit facilities	3,058,748	2,978,349
Less: Commission expense	138,399	83,641
Net commission	3,013,631	2,967,848

(27) GAIN FROM FINANCIAL ASSETS AND INSTRUMENTS

	2002	2001
Gain from trading investments	2,436,046	1,844,592
Gain from available for sale investments	375,436	22,406
Dividends received	407,700	157,986
	3,219,182	2,024,984

(28) OTHER OPERATING INCOME

	2002	2001
Revaluation gain	693,558	535,339
Foreign currency trading	309,856	283,048
Commission on customers' funds management	707,828	576,886
Other income	1,885	53
	1,713,127	1,395,326

(29) EMPLOYEES EXPENSES

	2002	2001
Salaries and benefits	1,056,183	825,242
Employee Bonus	400,000	530,000
Social security	91,589	57,957
Medical expenses	60,808	41,237
Paid vacations	2,618	9,146
Bank's contribution in social activities fund	6,985	3,366
	1,618,183	1,466,948

(30) OTHER OPERATING EXPENSES

	2002	2001
Rent	195,309	159,381
Consulting and professional fees	135,287	51,877
Stationary and printings	89,829	70,468
Board of directors' transportation	29,943	30,779
Reuters' subscription expense	76,209	69,211
Donations	56,755	35,956
Advertisement	175,366	114,938
Subscriptions, fees and licenses	202,949	147,104
Hospitality	26,633	18,251
Travel and transportation	30,277	40,615
Computer expenses	53,932	40,101
Post, telephone, telex and swift	127,615	91,104
Brinks	11,133	6,996
Internet	7,951	6,991
Maintenance	19,031	14,831
Insurance	51,546	19,810
Training and research	25,215	21,105
Subscriptions	42,306	28,332
Others	28,339	35,320
	1,385,625	1,003,170

(31) EARNINGS PER SHARE

	2002	2001
Net income	5,568,252	5,056,890
Weighted average number of shares	30,000,000	30,000,000
Earnings per share	0.186	0.169

(32) CASH AND CASH EQUIVALENTS

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

	2002	2001
Cash on hand and balances at the Central Bank of Jordan	15,178,075	17,201,183
Add: Balances at banks and financial institutions maturing within 3 months	55,914,415	46,898,793
Less: Banks and financial institutions' deposits maturing within 3 months	22,936,610	23,085,047
Net cash and cash equivalents	48,155,880	41,014,929

(33) DERIVATIVES

The following schedule shows the negative and positive fair values of the financial instruments' derivatives at year end, along with the distribution of the fair value according to the maturity:

	Positive Fair Value	Negative Fair Value	Total Par Value	Par Value Maturity			
				Within 3 Months	3 - 12 Months	1 -3 Years	Over 3 Years
December 2002							
Derivatives held for trading	98,735	-	18,918,844	18,918,844	-	-	-
Fair value hedging derivatives	-	-	-	-	-	-	-
Cash flow hedging derivatives	-	-	-	-	-	-	-
Hedges of net investments in foreign entities derivatives	-	-	-	-	-	-	-
	98,735	-	18,918,844	18,918,844	-	-	-
December 2001							
Derivatives held for trading	82,865	-	14,981,744	14,981,744	-	-	-
Fair value hedging derivatives	-	-	-	-	-	-	-
Cash flow hedging derivatives	-	-	-	-	-	-	-
Hedges of net investments in foreign entities derivatives	82,865	-	-	-	-	-	-
	82,865	-	14,981,744	14,981,744	-	-	-

(34) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	2002			2001		
	Book Value	Fair Value	Difference	Book Value	Fair Value	Difference
Held to maturity investments	23,315,406	23,315,406	-	11,842,738	11,842,738	-
Direct facilities	116,126,352	*	-	112,189,589	*	-
Banks and financial Institutions' deposits	31,027,875	31,027,875	-	41,835,047	41,835,047	-
Customers' deposit	132,860,875	132,860,875	-	90,858,759	90,858,759	-
Margin accounts	38,265,827	38,265,827	-	38,376,502	38,376,502	-
Loans and advances	26,400,293	26,400,293	-	24,933,424	24,933,424	-
Net difference between Book value and fair-value	-	-	-	-	-	-

As for credit facilities and due to the fact that there is not a secondary market to trade these facilities, in addition to the cost and time constraints, the fair value for these facilities can not be computed accurately. However the Bank's management believes that the fair value of direct facilities is not less than the book value.

(35) INTEREST RATE RISK**Sensitivity of interest rates as of December 31, 2002**

	1 - 3 Months	3 - 6 Months	6 Months to 1 Year	1 - 3 Years	Over 3 Years	Zero-Interest Elements	Total	Average Interest Rate %
ASSETS								
Cash on hand and balances at the								
Central Bank of Jordan	3,779,093	-	-	-	-	11,398,982	15,178,075	3.85
Balances at Banks and financial institutions	54,417,630	-	-	-	-	1,496,785	55,914,415	2.00
Deposits at Banks and financial institutions	-	-	500,000	-	-	-	500,000	6.38
Trading investments	4,000,555	-	-	-	-	29,262,975	33,263,530	7.48
Credit facilities, net	36,304,763	37,395,883	12,846,414	26,193,944	3,385,348	-	116,126,352	8.49
Available for sale investments	2,552,000	-	8,957,576	6,141,009	6,144,300	1,102,119	24,897,004	6.69
Held to maturity investments, net	11,957,515	11,357,891	-	-	-	-	23,315,406	3.92
Fixed assets, net	-	-	-	-	-	1,068,460	1,068,460	-
Other assets	-	-	-	-	-	3,154,899	3,154,899	-
Total Assets	113,011,556	48,753,774	22,303,990	32,334,953	9,529,648	47,484,220	273,418,141	
LIABILITIES AND SHAREHOLDERS' EQUITY								
Liabilities								
Banks and financial institutions' deposits	22,402,769	8,091,265	-	-	-	533,841	31,027,875	2.00
Customers' deposits	108,406,515	9,302,362	4,836,150	-	-	10,315,848	132,860,875	5.48
Margin accounts	27,665,277	-	-	-	-	10,600,550	38,265,827	3.15
Loans and advances	11,406,129	2,413,772	2,804,759	6,964,061	2,811,572	-	26,400,293	3.82
Sundry Provisions	-	-	-	-	-	473,654	473,654	-
Other liabilities	-	-	-	-	-	4,929,244	4,929,244	-
Income tax provision	-	-	-	-	-	1,870,000	1,870,000	-
Total Liabilities	169,880,690	19,807,399	7,640,909	6,964,061	2,811,572	28,723,137	235,827,768	
Shareholders' Equity	-	-	-	-	-	37,590,373	37,590,373	
Total Liabilities and Shareholders' Equity	169,880,690	19,807,399	7,640,909	6,964,061	2,811,572	66,313,510	273,418,141	
Interest rate sensitivity	(56,869,134)	28,946,375	14,663,081	25,370,892	6,718,076	(18,829,290)	-	
Off balance sheet items sensitivity	-	-	-	-	-	105,263,985	105,263,985	
Cumulative interest rate sensitivity gap	-	(27,922,759)	(13,259,678)	12,111,214	18,829,290	-	-	

Sensitivity of interest rates as of December 31, 2001**ASSETS**

Cash on hand and balances at the								
Central Bank of Jordan	2,000,000	3,000,000	-	-	-	12,201,183	17,201,183	3.33
Balances at Banks and financial institutions	45,126,212	500,000	-	-	-	1,272,581	46,898,793	4.07
Deposits at Banks and financial institutions	-	-	-	500,000	-	-	500,000	6.25
Trading investments	6,691,421	-	-	-	-	21,359,386	28,050,807	5.98
Credit facilities, net	50,837,887	23,272,136	9,789,407	20,267,827	8,022,332	-	112,189,589	9.83
Available for sale investments	46,840	21,338	-	12,390,856	5,191,771	100,000	17,750,805	8.52
Held to maturity investments, net	1,992,099	9,850,639	-	-	-	-	11,842,738	5.94
Fixed assets, net	-	-	-	-	-	704,268	704,268	-
Other assets	-	-	-	-	-	2,424,938	2,424,938	-
Total Assets	106,694,459	36,644,113	9,789,407	33,158,683	13,214,103	38,062,356	237,563,121	

LIABILITIES AND SHAREHOLDERS' EQUITY**Liabilities**

Banks and financial institutions' deposits	23,085,047	18,750,000	-	-	-	-	41,835,047	5.98
Customers' deposits	65,259,210	11,166,500	9,526,055	-	-	4,906,994	90,858,759	5.47
Margin accounts	22,055,534	-	-	-	-	16,320,968	38,376,502	3.66
Loans and advances	9,414,091	1,343,890	2,080,238	5,894,896	6,200,309	-	24,933,424	6
Sundry Provisions	-	-	-	-	-	254,337	254,337	-
Other liabilities	-	-	-	-	-	7,663,388	7,663,388	-
Income tax provision	-	-	-	-	-	1,535,000	1,535,000	-
Total Liabilities	119,813,882	31,260,390	11,606,293	5,894,896	6,200,309	30,680,687	205,456,457	
Shareholders' Equity	-	-	-	-	-	32,106,664	32,106,664	
Total Liabilities and Shareholders' Equity	119,813,882	31,260,390	11,606,293	5,894,896	6,200,309	62,787,351	237,563,121	

Interest rate sensitivity	(13,119,423)	5,383,723	(1,816,886)	27,263,787	7,013,794	(24,724,495)	-	
Off balance sheet items sensitivity	-	-	-	-	-	104,463,802	104,463,802	
Cumulative interest rate sensitivity gap	-	(7,735,700)	(9,552,586)	17,711,201	24,724,995	-	-	

(36) LIQUIDITY RISK

December 31, 2002

Cash on hand and balances at the

	Within 1 Month	1 - 3 Months	3 - 6 Months	6 Months to 1 Year	1 - 3 Years	Over 3 Years	No Specific Maturity	Total
Central Bank of Jordan	10,274,653	1,000,000	-	-	-	-	3,903,422	15,178,075
Balances at Banks and financial institutions	47,499,889	-	-	-	-	-	8,414,526	55,914,415
Deposits at banks and financial institutions	-	-	-	500,000	-	-	-	500,000
Trading investments	4,000,555	-	23,682,714	-	-	-	5,580,261	33,263,530
Credit facilities, net	22,810,158	13,494,605	37,395,883	12,846,414	26,193,944	3,385,348	-	116,126,352
Available for sale investments	-	2,552,000	-	8,957,576	6,141,009	6,144,300	1,102,119	24,897,004
Held to maturity investments, net	-	11,957,515	11,357,891	-	-	-	-	23,315,406
Fixed assets, net	-	-	-	-	-	-	1,068,460	1,068,460
Other assets	-	-	-	-	-	-	3,154,899	3,154,899
Total Assets	84,585,255	29,004,120	72,436,488	22,303,990	32,334,953	9,529,648	23,223,687	273,418,141

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities

Banks and financial institutions' deposits	6,228,626	-	8,091,265	-	-	-	16,707,984	31,027,875
Customers' Deposits	82,519,819	20,707,063	9,302,362	4,836,150	-	-	15,495,481	132,860,875
Margin accounts	10,600,550	27,665,277	-	-	-	-	-	38,265,827
Loans and advances	8,920,647	2,485,482	2,413,772	2,804,759	6,964,061	2,811,572	-	26,400,293
Sundry Provisions	-	-	-	-	-	-	473,654	473,654
Other liabilities	-	-	-	-	-	-	4,929,244	4,929,244
Income tax provision	1,870,000	-	-	-	-	-	-	1,870,000
Total Liabilities	110,139,642	50,857,822	19,807,399	7,640,909	6,964,061	2,811,572	37,606,363	235,827,768
Shareholders' Equity	-	-	-	-	-	-	37,590,373	37,590,373
Total Liabilities and Shareholders' Equity	110,139,642	50,857,822	19,807,399	7,640,909	6,964,061	2,811,572	75,196,736	273,418,141

Liquidity risk

	(25,554,387)	(21,853,702)	25,629,089	14,663,081	25,370,892	6,718,076	(51,973,049)	-
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Cumulative liquidity risk sensitivity gap

December 31, 2001

Cash on hand and balances at the

Central Bank of Jordan	7,967,791	-	3,000,000	-	-	-	6,233,392	17,201,183
Balances at Banks and financial institutions	36,117,976	-	500,000	-	-	-	10,280,817	46,898,793
Deposits at banks and financial institutions	-	-	-	-	500,000	-	-	500,000
Trading investments	6,691,421	-	-	-	-	-	8,642,517	28,050,807
Credit facilities, net	28,506,589	22,331,298	23,272,136	9,789,407	20,267,827	8,022,332	-	112,184,589
Available for sale investments	-	46,840	21,338	-	12,390,856	5,191,771	100,000	17,750,805
Held to maturity investments, net	1,992,099	-	9,850,639	-	-	-	-	11,842,738
Fixed assets, net	-	-	-	-	-	-	704,268	704,268
Other assets	-	-	-	-	-	-	2,424,938	2,424,938
Total Assets	81,275,876	22,378,138	36,644,113	9,789,407	33,158,683	13,214,103	28,385,932	237,563,121

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities

Banks and financial institutions' deposits	6,356,478	2,692,299	15,750,000	3,000,000	-	-	14,036,270	41,835,047
Customers' deposits	51,167,174	8,922,534	11,166,500	9,526,055	-	-	10,076,496	90,858,759
Margin accounts	16,320,968	22,055,534	-	-	-	-	-	38,376,502
Loans and advances	909,964	8,504,127	1,343,890	2,080,238	5,894,238	6,200,309	-	24,933,424
Sundry Provisions	-	-	-	-	-	-	254,337	254,337
Other liabilities	-	-	-	-	-	-	7,663,388	7,663,388
Income tax provision	1,535,000	-	-	-	-	-	-	1,535,000
Total Liabilities	76,289,584	42,174,494	28,260,390	14,606,293	5,894,896	6,200,309	32,030,491	205,456,457
Shareholders' Equity	-	-	-	-	-	-	32,106,664	32,106,664
Total Liabilities and Shareholders' Equity	76,289,584	42,174,494	28,260,390	14,606,293	5,894,896	6,200,309	64,137,155	237,563,121

Liquidity risk

	4,986,292	(19,796,356)	8,383,723	(4,816,886)	27,263,787	7,013,794	(35,757,223)	-
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Cumulative liquidity risk sensitivity gap

(37) FOREIGN CURRENCIES RISKS

	2002		2001	
	Foreign Currency	Equivalent in JD	Foreign Currency	Equivalent in JD
US Dollar	(215,747)	(152,965)	9,577,739	6,790,617
Sterling Pound	26,862	30,521	8,600	8,842
Euro	101,851	75,607	(3,324,616)	(2,086,080)
Swiss Franc	14,183	7,236	32,814	13,900
Japanese Yen	2,122,457	12,690	7,362,127	39,769
Others	-	42,700	-	99,617

(38) GEOGRAPHICAL AND SEGMENTAL DISTRIBUTION OF ASSETS AND LIABILITIES AND OFF BALANCE SHEET ITEMS

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

According to Geographical area:

	2002			2001		
	Assets	Liabilities	Off Balance Sheet Items	Assets	Liabilities	Off Balance Sheet Items
Inside Jordan	216,945,325	258,510,107	51,296,880	192,431,746	219,144,458	30,603,525
Other Arab countries	8,402,583	8,118,933	7,002,029	9,086,034	10,591,430	5,696,137
Asia *	-	90,840	17,580,902	448,053	-	12,918,957
Europe	41,370,117	328,891	28,639,848	25,424,111	43,067	52,747,005
Africa *	-	-	-	-	-	-
America	6,700,116	6,369,370	480,212	10,173,177	7,784,166	2,225,178
Others	-	-	264,114	-	-	-
Total	273,418,141	273,418,141	105,263,985	237,563,121	237,563,121	104,463,802

According to segment:

	2002			2001		
	Assets	Liabilities	Off Balance Sheet Items	Assets	Liabilities	Off Balance Sheet Items
Individuals accounts	25,955,622	59,234,209	17,129,020	15,191,943	20,103,519	6,687,524
Corporate accounts	90,170,730	111,892,493	68,484,131	109,460,178	109,131,742	48,184,590
Others	157,291,789	102,291,439	19,650,834	112,911,000	108,327,860	49,591,688
Total	273,418,141	273,418,141	105,263,985	237,563,121	237,563,121	104,463,802

* Excluding Arab Countries

(39) RELATED PARTY TRANSACTIONS

	2002	2001
Balance sheet items		
Direct credit facilities	2,548,653	4,045,121
Deposits at banks	32,643,659	31,552,290
Margin accounts	91,496	112,712
Off balance sheet items		
Indirect credit facilities	-	242,591
Income statement items		
Interest and commission income	155,130	437,728
Interest and commission expense	1,293,395	1,875,159

(40) OFF BALANCE SHEET ITEMS

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

	2002	2001
Letters of credit	27,340,706	31,019,551
Acceptances	11,242,688	6,412,347
Letters of guarantee -		
Payments	10,004,020	11,051,253
Performance	8,522,544	16,569,158
Other	18,492,025	15,222,023
Forward deals in foreign currencies	18,918,844	14,981,744
Non utilized ceilings	10,743,158	9,207,726
	105,263,985	104,463,802

(41) LITIGATION

The Bank appears as a defendant in one lawsuit filed against it in the normal course of business for JD 1,428,676 as of December 31, 2002.

According to lawyer's opinion the outcome of the lawsuit will be favourable and the Bank's management believes that there is no need to provide for this lawsuit.

(42) RECLASSIFICATIONS

Some of 2001 balances were reclassified to correspond with 2002 classifications.

Other Disclosures

AUDITORS

The Financial Statements of 2002 have been audited by the Allied Accountants (A member firm of Ernst & Young International) and their fee for the year was JD9,000.

DIRECTORS' INTEREST

The Directors of the Bank had the following interests in the Bank's capital at the end of 2002:

Name	No. Of Shares 2002
Social Security Corporation	3,000,000
Mohammed M. El-Seif	2,919,485
Abdel Raouf W. Al-Bitar	2,548,786
Ali K. Al-Husry	2,030,602
Bassem K. Salem	1,915,584
Investments & Integrated Industries Company	1,624,950
Jordan Phosphate Mines Company	1,500,000
Said S. Darwazah	1,080,170
Bayader Trade & Investment Co. Ltd.	267,878
Jordan Loan Guarantee Corporation	201,180
Fayiz M. Soheimat	153,780
Shaker Bin Zeid Bin Shaker	71,249
Jaloul Trade & Investment Company	37,500

SUBSTANTIAL INTEREST IN CAPITAL

Name	No. Of Shares 2002	(%) Interest
Social Security Corporation	3,000,000	10.000
Mohammed M. El-Seif	2,919,485	9.732
Abdel Raouf W. Al-Bitar	2,548,786	8.496
Ali K. Al-Husry	2,030,602	6.769
Bassem K. Al-Salem	1,915,584	6.385
Abeer Bint Turkey Bin Abdel Aziz	1,754,575	5.849
Investments & Integrated Industries Company	1,624,950	5.417
Jordan Phosphate Mines Company	1,500,000	5.000
Said S. Darwazah	1,080,170	3.601
Jordan Industrial Cities Corporation	750,000	2.500

DIRECTORS' EMOLUMENTS

The emoluments of the Bank's Directors for the year 2002 were as follows:

Name	Transportation	Other Benefits	Remuneration	Salaries & Other Remuneration
Ali K. Al-Husry	2,400	11,634	5,000	269,000
Said S. Darwazah	2,400		5,000	
Elia C. Nuqul	2,400		5,000	
Bassem K. Salem	2,400		5,000	
Amer M. Fariz	2,400		5,000	
Mohammed S. Hourani	2,400		5,000	
Shaker Bin Zeid	2,400		5,000	
Fayiz M. Soheimat	2,400		5,000	
Marwan S. Rishaydat	2,400		5,000	
Arab Potash Company	600		5,000	
Abdel Raouf Al-Bitar	1,800			
Yehya Abu Ersheid	2,400		5,000	
Mohammed S. Hamami	2,400		5,000	
Mohammed M. El-Seif	1,143		5,000	
	29,943	11,634	65,000	269,000

DONATIONS

During the year 2002, the bank made charitable contributions totaling JD 56,755 , as per the following:

Instituion	Amount
Al-Hussein Fund for Creativity & Excellence	9,375
Jordanian Charity Commission	10,000
Hussein Cancer Center	15,000
Young Women Muslim Association	3,500
The Jordanian Hashemite Fund (Al-Bir Wal-Ihsan Campaign)	3,000
Other (Charitable & Social Foundations)	15,880
Total	56,755

PERSONNEL

Total number of staff and their qualifications at end of 2002 was as follows:

Category	Qualifications				
	No. of Staff	Secondary School	Diploma	University Degree	Masters Degree
Senior Management	17	-	-	11	6
Middle Management	25	-	5	16	4
Management Support	71	8	11	49	3
Total	112	8	16	76	13

TRAINING

Details of training provided to employees during 2001 is as follows:

	Training Courses	
	Inside Jordan	Outside Jordan
No. of Training Courses	125	22
No. of staff	97	24

STATEMENT OF DIRECTORS' RESPONSIBILITIES

- The Board of Directors confirms that the financial statements have been prepared on a going concern basis and there are no material transactions that might affect the bank's ability to continue in business for the foreseeable time.
- The Board of Directors is responsible for the preparation and the fair presentation of the financial information contained in this annual report. The Board of Directors is also responsible for establishing and maintaining an effective internal control structure and procedures for financial reporting and safeguarding of assets.

Organizational Chart

