



And to love life through labour, is to be intimate with life's inmost secret.

"The Prophet", Gibran Khalil Gibran.



Annual Report 2001

بنك الصادرات والتمويل
EXPORT & FINANCE BANK

Board of Directors

Ali K. Al-Husry	Chairman
Fayiz M. Soheimat	Vice Chairman
Shaker Bin Zeid General Manager / New Work Company	Members
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	
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.

Chairman & Chief Executive's Statement

On behalf of the Board of Directors, I am pleased to present the Sixth Annual Report of the Export & Finance Bank covering the financial year ending December 31, 2001. The year 2001 will go down as a landmark year for the Export & Finance Bank. We have produced another remarkable set of results in an increasingly competitive marketplace. Net profits were up by 75% to JD 5.1 million. Lending increased to JD 133 million, a 30% increase in the year, while deposits and margin accounts grew by 20% to a total of JD 171 million. Total Assets now stand at JD 237 million. Our net interest income grew by 32 % to JD 6.5 million. Non-interest income in 2001 grew by 85% to reach JD 6.4 million.

Jordan's economic performance in 2001 continued to perform strongly and was characterized by a pick-up in economic growth in most sectors, continued low inflation, a further increase in official foreign currency reserves, and a substantial reduction in the net public debt. Real GDP growth continued to accelerate and is expected exceed 4.0 percent for 2001, despite the adverse effects of the renewed conflict in the West Bank and Gaza, and the September 11th attacks in the United States. However, bearing in mind the fragility of the world economy and its impact on Jordan, vigilance and prudent management of the economy continues to be essential. In particular, sensible government budgetary policy will be critical in ensuring that we remain competitive and that the outlook remains positive.

In today's world, unparalleled opportunity and unprecedented uncertainty come side by side. The challenge for the Export & Finance Bank will be to demonstrate extraordinary levels of perception and insight into the realities of the moment and ultimately provide customers with efficient, secure, transparent and competitive services in the forms most suitable for them. Our creativity and uncommon ways of satisfying our clients is a reflection of the quality of our staff and the resilience of our customer base. All these developments confirm depositors' strong confidence in the power of our name. It also signifies customers' conviction in our service excellence, reliability, innovation and quality across all our services.

During the year we carried out a major review of all of our operations. We critically examined our strengths and weaknesses in relation to the environment in which we operate and, in particular, we assessed the opportunities and indeed the threats that we judged would affect us going forward. In the past year, the bank consistently maintained an impressive risk assets quality; a trend which confirms sound credit management expertise. The bank recorded a non-performing loan ratio of 8.24 percent for 2001 compared to the industry average of about 11.61 percent. Although we aggressively monitored and provided for doubtful debt throughout the year, we continued to pursue an expansionary credit policy and explore opportunities beyond the traditional business realm.

The Export & Finance Bank is client driven, structuring its products and services to meet the growing demands of its select clients and, in the process, contributing to the development of the capital markets in Jordan. Over the years, we have gained a distinct and sustainable competitive advantage due to the provision of a comprehensive range of banking and financial services including, but not limited to, trade finance, corporate and project finance, asset management and various other investment banking related services. Diversified banking services are what have allowed gives 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.

I would like to take this opportunity to thank our clients for their trust and continuous support and to the bank's management and employees for their hard work, dedication and contribution in achieving our goal. I would also like to thank my fellow board members who continued to provide their valuable insight and counsel. Finally, I wish to extend my sincere appreciation to the Central Bank of Jordan for their continuous support, guidance, and leadership.

Ali K. Al-Husry
Chairman & CEO

Board of Directors' Report

The Board of Directors has the pleasure in welcoming the general assembly in its sixth ordinary annual meeting and to present to you the financial statements of the Export and Finance Bank for the year ended on December 31, 2001.

The financials reflect another year of impressive growth in the Bank's business. Total assets grew by 21.5% to reach JD 237.3 million and net income after provisions and taxes grew by 76% to reach JD 5.1 million, which represents a return of 17.13% on average equity as compared to 11.17% in the year 2000. Accordingly, earnings per share (EPS) have increased to JD 0.200 in the year 2001 up from JD 0.114 in the previous year.

Whilst the growth in revenues has occurred in almost every area of operation, special credit should go to the substantially improved performance of the Amman Stock Exchange (ASE) posting a 30% increase for the year, as a result of which, our own portfolio capital gains and brokerage revenues increased by 342% having risen from JD 458,000 in 2000 to JD 2.05 million in 2001.

Customers' deposits also edged upwards by 5.4% to reach JD 90.9 million. However, this relatively modest rate of growth, which is in line with the local banking industry average, is to a large extent attributable to the drop of interest rates in the country during the year rendering other forms of investment more attractive than bank deposits. Nonetheless, this has been vastly compensated by the dramatic increase in customers' margin deposits against both direct and indirect facilities accompanying the expansion in our non-lending banking services, i.e. letters of credit, guarantees, and margin trading in stocks and foreign currency. The growth of these resources came to 116.7% having risen from JD 17 million in 2000 to JD 38 million in 2001 and contributed considerably to the Bank's profitability, representing a relatively cheap source of funds. To supplement our sources of funds, we have also continued to make active use of re-finance lines available to us by the Central Bank of Jordan and other financial institutions, which increased by 26.2% over the year.

Overall, the Bank's total operating revenues increased by 54% amounting to JD 12.9 million, of which 50% represented fee-based income, having risen from 40% in the year 2000. This is in line with the Bank's standard policy for diversification of its sources of revenue by promoting non-lending activities. On the other hand, total operating expenses increased by 36% only and the revenue/operating expense ratio has improved from 1.9:1 as at 31/12/2000 to 2.15:1 as at 31/12/2001, which is an indication of improved management efficiency.

The Bank's capital adequacy and liquidity ratios, which at the end of the year stood at 21.57% and 35% respectively, have continued to be well above international and local regulatory criteria. Nevertheless, we believe we should continue to give priority for further consolidation of our capital base in anticipation of future statutory capital increase requirements, and in order to enhance both local and international confidence in our policies and future strategies. We therefore take this opportunity to recommend distributing a stock dividend of 18.58%, thus increasing the Bank's paid-up capital by a further amount of JD 4.7 million to reach JD 30 million, and maintaining total shareholder equity at about JD 32 million. We strongly uphold the view 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 a primary long-term objective.

The beneficial outcome of this ongoing capital consolidation objective has started to bear fruit over the past year in a very emphatic way, as the Bank's market capitalization has increased by about 135%, having appreciated from JD 20 million at the end of the year 2000 to JD 47 million at the end of 2001, making the bank's share one of the year's best market performers. This dramatic increase is not to be considered as an abnormal unsustainable development, but rather a fair reflection of true share value and consolidation of public confidence in the Bank's healthy financial position and strong performance.

CREDIT FACILITIES AND OPERATIONS

Total direct facilities grew by 30.7% over the past year to reach JD 133.7 million. The Bank's net direct facilities at the end of 2001 stood at around JD 124.7 million representing approximately 53% of total assets. Indirect credit facilities extended throughout 2001 reached JD 421 million, representing a growth of 89% from the previous year and accounting for the sharp increase of about 95% in commission income. The main factors contributing to this sharp increase have been the substantial upsurge in our re-export business for the Iraqi market under the UN oil-for-food program and the expansion of our client base among QIZ companies engaged in duty-free and unrestricted exports to the USA market, which after suffering a setback by the September 11 events, has rebounded to an expansionary course. To reinforce our leading position in this area, we have during the past year, opened representative offices in two of the QIZ areas in Sahab and Dleil, and will soon be inaugurating a third office in Al Hassan Industrial Area in Irbid. Apart from placing ourselves in a

better position to service our customers commercial requirements and expanding our client base in a fast growing export sector in Jordan, our aim in establishing these offices is also to enable us to offer personal banking services to the quite extensive labour force employed in the various industrial estates. With this latter criterion in mind, we will be shortly installing ATMs in all our offices throughout the country and introducing a fast remittance service for which purpose we have recently concluded an agreement with the international Money Gram Corporation. In 2002 we will also be establishing a new branch in the Aqaba Special Economic Zone (ASEZ), which we believe has the potential to develop into an attractive business centre for foreign investors.

Going back to the Bank's core lending business, the table below illustrates how our loan portfolio is spread out among the various economic sectors.

SECTOR	JD MILLION	PERCENT
Manufacturing	58.6	43.8
General Trade	34.0	25.4
Transport Services	14.6	11.0
General Services	15.0	11.2
Other	11.5	8.6
Total	133.7	100

The growth in lending has been across the board at variable rates, with the manufacturing sector still occupying a predominant position, albeit at a lower ratio of the total portfolio than the year before (51.2%). The general trade sector has maintained second place with a marginal increase in the ratio.

Specific provisions for non-performing loans have risen during the year from 2.68% to 4.22%. However, this regrettable setback has been partly alleviated by recoveries amounting to JD 843 thousand from previous classified accounts. This has resulted from our having established an in-house legal department within the bank, fully dedicated towards following up delinquent accounts, which we are confident will yield to further improvement in the bad debt situation. Non-performing loans amounted to JD 11.4 million representing 8.5% of gross customer advances, which, while higher than the previous year, is still well within international standards. The Bank has already provided 49% of the non-performing loans, which reflects the management's aggressive policy in monitoring and providing for bad debts, and its keenness for complete transparency.

Despite the bad debt situation, our diversified lending business and ancillary operations have continued to be very profitable and the Bank will stay the course in pursuing an expansionary credit policy by actively exploring business opportunities based on sound and effective risk evaluation principles, along with expanding and diversifying our fee-based services in our investment and treasury departments, which have both shown strong performances during the past year.

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 63% 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.

With the aim of expanding the scope our treasury services and products, we have recently managed a capital guaranteed portfolio incorporating a mix of both domestic and international securities, targeted towards the institutional investors seeking incremental revenues on their liquid assets. The need for such a product has become more pronounced because of the sharp drops in worldwide interest rates. To cater to the needs of the private investor, we are developing a fixed income mutual fund. We also intend to start active trading in international bond markets both for our own portfolio and for customer requirements, and establishing ourselves as market makers in the local bond market.

INVESTMENT BANKING & CAPITAL MARKETS

The Bank's Investment Banking & Capital Markets Department is a financial services division of the Export & Finance Bank whose primary business activity is investment management and investment banking services. The objective is to become a fully integrated investment house offering a wide range of standardized and innovative products and services specifically tailored toward the market. The Bank occupies a prominent position in Jordan and has become a sophisticated financial services group by positioning itself as a leading innovator in the sector specializing in investment banking, structured finance, asset management, securities brokerage, and research.

Our investment banking services cover a wide range of corporate finance activities including the arrangement of corporate bond issues, privately placed equity, initial public offerings and providing financial advisory services related to privatizations, valuation, and mergers & acquisitions. There are a wide variety of financing options for any company, including equity, debt, and preferred shares, that they would be able to raise, either in private or public financial markets. Our team in corporate finance evaluates the capital needs of the client, while assessing the readiness of various capital markets for new securities. We then structure an appropriate financing package for clients that could involve one or many types of securities that they then issue in either private or public markets. Our team in corporate finance evaluates the capital needs of the client, while

assessing the readiness of various capital markets for new securities. We then structure an appropriate financing package for clients that could involve one or many types of securities that they then issue in either private or public markets. In addition, our M&A services provided both public shareholding companies and privately held companies with financial advice on transactions involving matters of strategic acquisitions, corporate control, divestment, and other forms of consolidation. We worked with our clients to identify and assess promising business combinations and guide them through the often complex mechanics of these transactions.

The growth of the activities and services rendered by our Brokerage Office, in its third full year of operations, has been maintained with nearly own portfolio capital gains and brokerage revenues increasing by 342% having risen from JD 458,000 in 2000 to JD 2.05 million in 2001. Other brokerage revenues including commissions reached JD 577 thousand for the year 2001 representing a 66% growth over the previous year. These revenues attributed to the Brokerage Office consist of brokerage commissions, dividends, capital gains and custodian services that reflect the diversity of the operations undertaken by the unit. During the past year we have expanded the scope of our brokerage services to include international securities and have recently introduced asset management services to our customers. Thus far, our asset management services have performed remarkably well, despite the recent downturn in the international markets.

Our research team focused on producing publications and studies on individual public shareholding companies, macroeconomic conditions, financial markets, and various sector analyses. We continued to publish a broad range of corporate reports on a weekly basis as well as monthly macroeconomic briefs and portfolio strategy papers. Our strong and credible research has been an integral part of our advisory functions to several local, regional and international funds on Jordanian equity.

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 2002 we will continue to open representative offices in key industrial locations. Our immediate focus will be to inaugurate offices in QIZs and in the Aqaba Special Economic Zone (ASEZ), 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 toward providing a wider range of services to our clients in the coming year.

Continuing to improve the Bank's performance in its various activities will remain our core objective in 2002. We have put in place an aggressive plan to invest 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.

**Auditor's Report
&
The Financial Statements**

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

We have audited the accompanying balance sheets of **EXPORT AND FINANCE BANK** (a public shareholding company) as of December 31, 2001 and 2000 and the related statements of income, changes in shareholders' equity and cash flows for the years 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **EXPORT AND FINANCE BANK** as of December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards, as published by the International Accounting Standards Board.

AMMAN - JORDAN
January 14, 2002

BALANCE SHEETS

AS OF DECEMBER 31, 2001 AND 2000 *(In Jordanian Dinars)*

	NOTES	2001	2000
ASSETS			
Cash on hand and balances at the Central Bank of Jordan	3	17,201,183	27,393,838
Balances at banks and financial institutions	4	46,898,793	28,059,935
Deposits at banks and financial institutions	5	500,000	-
Trading investments	6	15,333,938	12,709,481
Credit Facilities, net	7	124,652,121	97,204,703
Available for sale investments	8	17,750,805	10,364,926
Held to maturity investments, net	9	11,842,738	16,643,497
Fixed assets, net	10	704,268	530,994
Other Assets	11	2,424,938	2,434,554
Total Assets		237,308,784	195,341,928
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Banks and financial institutions' deposits	12	41,835,047	39,231,193
Customers' deposits	13	90,858,759	86,190,539
Margin accounts	14	38,376,502	17,248,349
Loans and advances	15	24,933,424	19,748,716
Other liabilities	16	7,663,388	5,227,089
Income tax provision	17	1,535,000	930,000
Total Liabilities		205,202,120	168,575,886
Shareholders' Equity			
Paid in capital	18	25,300,000	22,000,000
Statutory reserve		1,822,353	1,134,916
Voluntary reserve	19	1,706,000	1,833,611
Fair value reserve	20	131,013	-
Retained earnings	21	3,147,298	1,797,515
Total Shareholders' Equity		32,106,664	26,766,042
Total liabilities and Shareholders' Equity		237,308,784	195,341,928

The Accompanying notes are an integral part of these financial statements

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000 *(In Jordanian Dinars)*

	NOTES	2001	2000
Interest income	23	16,309,503	12,901,143
Interest expense	24	9,824,419	7,979,127
Net interest income		6,485,084	4,922,016
Net commission	25	2,782,609	1,656,811
Net Interest and Commission Income		9,267,693	6,578,827
Other income -			
Gain from financial assets and instruments	26	2,024,984	457,559
Other operating income	27	1,580,565	1,332,754
Total other income		3,605,549	1,790,313
Net operating income		12,873,242	8,369,140
Expenses -			
Employees costs	28	1,466,948	891,722
Other operating expenses	29	1,003,170	826,897
Depreciation and amortization		197,042	208,773
Provision for possible loan losses	7	3,331,706	2,482,988
Total operating expenses		5,998,866	4,410,380
Net Income Before income tax and appropriations		6,874,376	3,958,760
Less: Income tax	17	1,615,000	930,000
Provision for Jordanian Universities fees		68,743	39,587
Provision for scientific research and vocational training		68,743	39,587
Board of Directors' remuneration		65,000	65,000
Net Income		5,056,890	2,884,586
Earnings per share	30	0.200	0.114

The Accompanying notes are an integral part of these financial statements

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000 *(In Jordanian Dinars)*

	Paid In Capital	Reserves		Fair Value Reserve	Retained Earnings	Dividends	Total
		Statutory	Voluntary				
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
2000							
Balance as of January 31, 2000	22,000,000	739,040	1,041,859	-	100,557	990,000	24,871,456
Net income	-	-	-	-	2,884,586	-	2,884,586
Transfers	-	395,876	791,752	-	(1,187,628)	-	-
Dividends paid	-	-	-	-	-	(990,000)	(990,000)
Balance as of December 31, 2000	22,000,000	1,134,916	1,833,611	-	1,797,515	-	26,766,042

The Accompanying notes are an integral part of these financial statements

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000 (In Jordanian Dinars)

	NOTES	2001	2000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Net income before income tax		6,671,890	3,814,586
Adjustments for -			
Depreciation		197,042	208,773
Provision for possible loan losses		3,331,706	2,482,988
Losses on sale of fixed assets		1,003	-
Differences in exchange rates		(535,339)	(287,341)
		9,666,302	6,219,006
Changes in assets and liabilities -			
Increase in deposits at banks and financial institutions		(500,000)	-
Increase in credit facilities		(30,779,124)	(28,357,376)
Increase in trading investments		(2,624,457)	(6,572,339)
Decrease (increase) in other assets		9,616	(267,283)
Increase in banks and financial institutions deposits that mature within three months		3,560,000	11,290,000
Increase in customers' deposits		4,668,220	27,467,877
Increase in margin accounts		21,128,153	5,930,716
Increase in other liabilities		2,436,299	2,380,765
Net cash from operating activities before income tax		7,565,009	18,091,366
Income tax paid		(1,010,000)	(1,134,000)
Net cash from operating activities		6,555,009	16,957,366
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Purchase of available for sale investments		(7,102,147)	(1,796,425)
Sale (purchase) of held to maturity investments		4,800,759	(16,643,497)
Purchase of fixed assets		(371,319)	(156,552)
Net cash used in investing activities		(2,672,707)	(18,596,474)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in loans		5,184,708	4,131,658
Dividends paid		-	(990,000)
Net cash from financing activities		5,184,708	3,141,658
Difference in exchange rates		535,339	287,341
Net increase in cash and cash equivalents		9,602,349	1,789,891
Cash and cash equivalents, beginning of the year		31,412,580	29,622,689
Cash and cash equivalents, end of the year	31	41,014,929	31,412,580

The Accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000 *(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 two 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 Bank's total number of employees as of December 31, 2001 and 2000 was 94 and 73 respectively.

The financial statements were authorized for issue by the Bank's Board of Directors in their meeting held on January 17, 2002.

(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 and 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.

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

	2001	2000
Cash on hand	581,012	1,271,428
Balances at the Central Bank of Jordan		
Current accounts	5,652,380	3,002,351
Statutory cash reserve	5,967,791	7,120,059
Certificates of deposit	5,000,000	16,000,000
	17,201,183	27,393,838

Except for the statutory cash reserve held at the Central Bank of Jordan as of December 31, 2001 and 2000 there are no restricted cash balances.

(4) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

	2001	2000
Local Banks and financial institutions		
Current accounts	143,983	230,074
Deposits maturing within 3 months	2,127,958	-
Certificates of deposit	500,000	200,000
Foreign Banks and financial institutions		
Current accounts	10,136,834	11,897,033
Deposits maturing within 3 months	33,990,018	15,732,828
	46,898,793	28,059,935

Non interest bearing balances at banks and financial institutions amounted to JD 1,272,581 and JD 789,485 as of December 31, 2001 and 2000 respectively.

Restricted balances amounted to JD 14,401,230 and JD 5,204,273 as of December 31, 2001 and 2000 respectively.

(5) DEPOSITS AT BANKS AND FINANCIAL INSTITUTIONS

	2001	2000
Local Banks and financial institutions		
Certificates of deposit	500,000	-
	<u>500,000</u>	<u>-</u>

(6) TRADING INVESTMENTS

	2001	2000
Shares not listed in financial markets	144,200	144,200
Shares listed in financial markets	8,498,317	4,719,416
Bonds listed in financial markets	6,691,421	7,845,865
	<u>15,333,938</u>	<u>12,709,481</u>

(7) CREDIT FACILITIES, NET

	2001	2000
Bills and notes discounted	50,300,264	34,448,159
Overdraft facilities	13,601,059	14,842,787
Loans and advances	69,694,278	52,901,863
Credit cards	63,878	68,115
	<u>133,659,479</u>	<u>102,260,924</u>
Less: Interest in suspense	1,236,760	617,329
Allowance for possible loan losses	7,770,598	4,438,892
	<u>9,007,358</u>	<u>5,056,221</u>
Credit facilities, net	<u>124,652,121</u>	<u>97,204,703</u>

Credit facilities granted by sector are set forth below:

	2001	2000
Agriculture	1,546,033	1,854,748
Manufacturing and mining	58,630,460	52,397,795
Constructions	2,777,977	2,395,898
General trade	33,975,964	24,352,030
Transportation services	8,591,842	4,074,978
Tourism, hotels and restaurants	1,459,453	796,967
Services and public facilities	9,172,742	2,015,073
Financial services	526,067	653,507
Investment in shares	1,682,383	1,474,023
Vehicles	5,965,000	904,141
Real estate purchase	326,852	63,471
Consumable goods	104,615	149,358
Others	8,900,091	11,128,935
	<u>133,659,479</u>	<u>102,260,924</u>

The non-performing credit facilities as defined by the Central Bank of Jordan's regulations amounted to JD 11,462,479 representing 8.58% of total facilities and JD 5,518,702 representing 5.4% of total facilities as of December 31, 2001 and 2000 respectively.

There are no credit facilities granted or guaranteed by the government as of December 31, 2001 and 2000 respectively.

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 specific allowance for possible loan losses according to CBJ regulations and IAS 39 amounted to JD 2,738,871 and JD 1,661,200 as of December 31, 2000.

The gross fair value of collaterals held against credit facilities amounted to JD 91,223,694 and JD 57,088,499 as of December 31, 2001 and 2000 respectively.

Allowance for possible loan losses:

	2001			2000		
	Specific	General	Total	Specific	General	Total
Opening balance at January 1,	2,738,871	1,700,021	4,438,892	677,030	1,278,874	1,955,904
Transferred to provision during the year	2,908,266	423,440	3,331,706	2,061,841	421,147	2,482,988
Ending balance at December 31,	5,647,137	2,123,461	7,770,598	2,738,871	1,700,021	4,438,892

Allowances that were settled, collected or transferred against other non-performing credit facilities amounted to JD 843,485 in the current year, meanwhile there was not any transferred allowances in prior year.

Interest in suspense:

	2001	2000
Opening balance at January 1,	617,329	270,734
Suspended interest during the year	664,535	402,423
Less: Suspended interest on settled loans	45,104	55,828
Ending balance at December 31,	1,236,760	617,329

(8) AVAILABLE FOR SALE INVESTMENTS

	2001		2000	
	Traded	Total	Traded	Total
Shares *	100,000	100,000	100,000	100,000
Bonds	17,650,805	17,650,805	10,264,926	10,264,926
	17,750,805	17,750,805	10,364,926	10,364,926

Investment in shares includes an amount equal to JD 100,000 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.

*This amount represents shares of Jordan Loan Guarantee Company which are listed but not traded at Amman stock exchange.

(9) HELD TO MATURITY INVESTMENTS, NET

	2001	2000
	Treasury bills	11,842,738

(10) FIXED ASSETS, NET

	Furniture and Fixture	Computer	Installations	Vehicles	Total
December 31, 2001					
Beginning balance	247,044	620,003	155,631	3,600	1,026,278
Additions	118,669	38,278	193,372	21,000	371,319
Retirements	-	(27,443)	-	-	(27,443)
Accumulated depreciation	(136,863)	(416,955)	(109,638)	(2,430)	(665,886)
Net Book Value at year end	228,850	213,883	239,365	22,170	704,268
December 31, 2000					
Beginning balance	210,466	500,029	155,631	3,600	869,726
Additions	36,578	119,974	-	-	156,552
Accumulated depreciation	(97,969)	(320,014)	(75,411)	(1,890)	(495,284)
Net Book Value at year end	149,075	299,989	80,220	1,710	530,994

(11) OTHER ASSETS

	2001	2000
Accrued interest and commission income	806,820	956,441
Prepaid expenses	674,753	500,220
Brokerage office receivables	719,368	640,463
Checks under collection	-	55,097
Interest paid in advance / CBJ bills	12,189	5,993
Others	211,808	276,340
	2,424,938	2,434,554

(12) BANKS AND FINANCIAL INSTITUTIONS' DEPOSITS

	2001			2000		
	INSIDE JORDAN	OUTSIDE JORDAN	TOTAL	INSIDE JORDAN	OUTSIDE JORDAN	TOTAL
Current accounts and demand deposit	10,214,773	3,716,053	13,930,826	6,123,107	1,874,948	7,998,055
Deposits maturing within 3 months	7,198,777	1,955,444	9,154,221	16,033,766	9,372	16,043,138
Deposits maturing within 3 - 12 months	8,250,00	-	8,250,000	-	-	-
Deposits with maturities exceeding one year	-	-	-	3,000,000	-	3,000,000
Certificates of deposit	10,500,000	-	10,500,000	12,190,000	-	12,190,000
	36,163,550	5,671,497	41,835,047	37,346,873	1,884,320	39,231,193

(13) CUSTOMERS' DEPOSITS

	2001	2000
Current accounts and demand deposits	10,063,855	10,717,866
Saving deposits	12,641	19,994
Time and notice deposits	68,058,191	61,078,366
Certificates of deposit	12,724,072	14,374,313
	90,858,759	86,190,539

- Governmental institutions' deposits amounted to JD 33,181,999 representing 36.52% of total customers' deposits and JD 26,752,149 representing 31.04% of customers' deposits as of December 31, 2001 and 2000 respectively.

- Non-interest bearing deposits amounted to JD 4,906,994 representing 5.4% of total deposits and JD 5,763,737 representing 6.69% of total deposits as of December 31, 2001 and 2000 respectively.

- Dormant accounts amounted to JD 26,726 and JD 16,921 as of December 31, 2001 and 2000 respectively.

- Restricted deposits amounted to JD 6,293,156 representing 6.93% of total deposits and JD 9,939,830 representing 11.53% of total deposits as of December 31, 2001 and 2000 respectively.

(14) MARGIN ACCOUNTS

	2001	2000
Direct credit facilities	19,734,826	9,065,130
Indirect credit facilities	16,320,968	7,855,290
Deposits against cash margin dealings' facilities	2,320,708	327,929
	<u>38,376,502</u>	<u>17,248,349</u>

(15) LOANS AND ADVANCES

	2001	2000
Amounts borrowed from Central Bank of Jordan	12,186,257	10,982,849
Amounts borrowed from foreign banks	7,784,167	8,765,867
Others (Arab Investments Company / Bahrain)	4,963,000	-
	<u>24,933,424</u>	<u>19,748,716</u>

Central Bank of Jordan borrowings are due during the period from 2002 till 2006, with an annual interest rate that ranges between 3% to 7.25%.

Borrowings from foreign banks are due during 2002 and 2006, with an annual interest rate that ranges between 5.0625% to 6%.

Borrowings from Arab Investment Company mature during 2002 with an interest rate of 2.404%.

There are no guarantees against loans and advances.

(16) OTHER LIABILITIES

	2001	2000
Accrued interest expenses	1,667,000	1,363,425
Interest and commissions received in advance	1,717,390	1,065,910
Deferred income	599,790	252,347
Accrued expenses	529,710	156,780
Certified cheques	609,565	157,866
Cheques under collection	92,951	1,562,822
Brokerage office payables	-	37,593
Checks payable	194,286	306,383
University fees provision	68,743	39,587
Scientific research provision	68,743	39,587
Board of directors remuneration	65,000	65,000
Outgoing transfers	1,224,040	17,227
Incoming transfers	774,220	156,600
Other	51,950	5,962
	<u>7,663,388</u>	<u>5,227,089</u>

(17) INCOME TAX PROVISION

The movement on the income tax provision was as follows:

	2001	2000
Beginning balance	930,000	1,134,000
Income tax paid	1,010,000	1,134,000
Provision for income tax for the year	1,615,000	930,000
Ending balance	<u>1,535,000</u>	<u>930,000</u>

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

	2001	2000
Provision for income tax for the year	1,615,000	930,000

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 227,000. 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.

(18) PAID IN CAPITAL

During 2001 the Bank distributed 3,300,000 bonus shares representing 15% of the authorized and subscribed capital by which the paid in capital increased to JD 25,300,000 divided into 25,300,000 share of JD 1 each, through capitalising part of the voluntary reserve and the retained earnings.

(19) VOLUNTARY RESERVE

Voluntary reserve amounted to JD 1,706,000 at the end of current year and JD 1,833,611 at the end of prior year.

(20) FAIR VALUE RESERVE

	2001	2000
Beginning balance	-	-
Unrealised gain - Bonds	131,013	-
Current balance	131,013	-

(21) RETAINED EARNINGS

	2001	2000
Beginning balance	1,797,515	100,557
Amount capitalized in bonus issue	(1,797,515)	-
Effect of adopting IAS (39) for the first time *	152,719	-
Net income	5,056,890	2,884,586
Transferred to statutory and voluntary reserves	(2,062,311)	(1,187,628)
Ending balance	3,147,298	1,797,515

* As a result of selling available for sale investments, an amount of JD 4,100 was recognized and transferred to the statement of income.

(22) PROPOSED CAPITAL INCREASE

The Board of Directors will propose to the General Assembly, in its extra-ordinary meeting to be held during 2002, to increase the Bank's capital by JD 4,700,000 representing 18.58% of the subscribed capital of JD 25,300,000 through capitalising part of the voluntary reserve and retained earnings.

(23) INTEREST INCOME

	2001	2000
Direct credit facilities		
Bills and notes discounted	4,157,588	3,195,482
Overdrafts	1,713,13	1,611,567
Loans and advances	5,310,671	4,330,161
Credit cards	4,265	2,051
Other		
Balances at the Central Bank of Jordan	921,709	919,433
Balances and deposits at Banks and Financial institutions	1,802,216	1,176,872
Trading investments	650,780	496,551
Available for sale investments	1,045,144	865,650
Held to maturity investments	703,991	303,376
	16,309,503	12,901,143

(24) INTEREST EXPENSES

	2001	2000
Banks and financial institutions deposits	1,826,033	1,380,084
Customers' deposits		
Current accounts and demand deposits	176,547	163,934
Saving deposits	341	84
Time and notice deposits	4,007,332	3,213,560
Certificates and deposit	967,768	1,272,312
Cash margins	1,460,857	739,836
Loans and advances	1,250,068	1,174,697
Deposits Guarantee Corporation fees	135,473	34,620
	9,824,419	7,979,127

(25) NET COMMISSION

	2001	2000
Commission income		
Direct credit facilities	73,140	274,569
Indirect credit facilities	2,793,110	1,425,439
Less: Commission expense	83,641	43,197
Net commission	2,782,609	1,656,811

(26) GAIN FROM FINANCIAL ASSETS AND INSTRUMENTS

	2001	2000
Gain from trading investments	1,844,592	177,723
Gain from available for sale investments	22,406	177,556
Dividends received	157,986	102,280
	2,024,984	457,559

(27) OTHER OPERATING INCOME

	2001	2000
Revaluation gain	535,339	287,341
Foreign currency trading	283,048	214,914
Commission on customers' funds management	576,886	347,553
Other income	185,292	482,946
	<u>1,580,565</u>	<u>1,332,754</u>

(28) EMPLOYEES EXPENSES

	2001	2000
Salaries and benefits	1,355,242	805,006
Social security	57,957	41,762
Medical expenses	41,237	35,962
Paid vacations	9,146	5,688
Bank's contribution in social activities fund	3,366	3,304
	<u>1,466,948</u>	<u>891,722</u>

(29) OTHER OPERATING EXPENSES

	2001	2000
Rent	159,381	135,710
Consulting and professional fees	51,877	43,400
Stationary and printings	70,468	40,854
Board of directors' transportation	30,779	29,764
Reuters' subscription expense	69,211	68,047
Donations	35,956	22,013
Advertisement	114,938	68,750
Subscriptions, fees and licenses	147,104	142,661
Hospitality	18,251	16,827
Travel and transportation	40,615	34,100
Computer expenses	40,101	40,582
Post, telephone, telex and swift	91,104	24,205
Brinks	6,996	5,500
Internet	6,991	6,407
Maintenance	14,831	12,961
Insurance	19,810	9,522
Training and research	21,105	21,855
Subscriptions	28,332	37,460
Others	35,320	66,279
	<u>1,003,170</u>	<u>826,897</u>

(30) EARNINGS PER SHARE

	2001	2000
Net income	5,056,890	2,884,586
Weighted average number of shares	25,300,000	25,300,000
Earnings per share	0.200	0.114

(31) CASH AND CASH EQUIVALENTS

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

	2001	2000
Cash on hand and balances at the Central Bank of Jordan	17,201,183	27,393,838
Add: Balances at banks and financial institutions maturing within 3 months	46,898,793	28,059,935
Less: Banks and financial institutions' deposits maturing within 3 months	23,085,047	24,041,193
Net cash and cash equivalents	41,014,929	31,412,580

(32) 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 2001							
Derivatives held for trading	-	-	-	-	-	-	-
Fair value hedging derivatives	-	-	-	-	-	-	-
Cash flow hedging derivatives	82,865	-	14,981,744	-	14,981,744	-	-
Hedges of net investments in foreign entities derivatives	-	-	-	-	-	-	-
	82,865	-	14,981,744	-	14,981,744	-	-
December 2000							
Derivatives held for trading	-	-	-	-	-	-	-
Fair value hedging derivatives	-	-	-	-	-	-	-
Cash flow hedging derivatives	6,428	-	9,779,804	-	9,779,804	-	-
Hedges of net investments in foreign entities derivatives	-	-	-	-	-	-	-
	6,428	-	9,779,804	-	9,779,804	-	-

(33) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	2001			2000		
	Book Value	Fair Value	Difference	Book Value	Fair Value	Difference
Held to maturity investments	11,842,738	12,000,000	157,262	16,643,497	17,000,000	356,503
Direct facilities	124,745,146	*	-	97,204,703	*	-
Banks and financial Institutions' deposits	41,835,047	41,835,047	-	39,231,193	39,231,193	-
Customers' deposit	90,858,759	90,858,759	-	86,190,539	86,190,539	-
Margin accounts	38,376,502	38,376,502	-	17,248,349	17,248,349	-
Loans and advances	24,933,424	24,933,424	-	19,748,716	19,748,716	-
Net difference between Book value and fair-value	-	-	157,262	-	-	356,503

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.

(34) INTEREST RATE RISK**Sensitivity of interest rates as of December 31, 2001**

	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	2,000,000	3,000,000	-	-	-	12,201,183	17,201,183	3.33
Balances at Banks and financial institutions	44,367,199	500,000	-	-	-	2,031,594	46,898,793	4.07
Deposits at Banks and financial institutions	-	-	-	500,000	-	-	500,000	6.25
Trading investments	6,691,421	-	-	-	-	8,642,517	15,333,938	5.98
Credit facilities, net	63,300,419	23,272,136	9,789,407	20,267,827	8,022,332	-	124,652,121	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	118,397,978	36,644,113	9,789,407	33,158,683	13,214,103	26,104,500	237,308,784	
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
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	30,426,350	205,202,120	
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	62,533,014	237,308,784	
Interest rate sensitivity	(1,415,904)	5,383,723	(1,816,886)	27,263,787	7,013,794	(36,428,514)	-	
Off balance sheet items sensitivity	-	-	-	-	-	104,463,802	104,463,802	
Cumulative interest rate sensitivity gap	-	3,967,819	2,150,933	29,414,720	36,428,514	-	-	

Sensitivity of interest rates as of December 31, 2000

ASSETS								
Cash on hand and balances at the								
Central Bank of Jordan	15,000,000	1,000,000	-	-	-	11,393,838	27,393,838	6.23
Balances at Banks and financial institutions	28,059,935	-	-	-	-	-	28,059,935	5.54
Trading investments	7,845,865	-	-	-	-	4,863,616	12,709,481	7.12
Credit facilities, net	62,615,469	10,193,112	5,706,712	12,158,656	6,530,845	-	97,204,703	11.78
Available for sale investments	-	-	3,974	4,878,811	5,382,141	100,000	10,364,926	5.49
Held to maturity investments, net	6,853,205	9,790,292	-	-	-	-	16,643,497	6.72
Fixed assets, net	-	-	-	-	-	530,994	530,994	-
Other assets	-	-	-	-	-	2,434,554	2,434,554	-
Total Assets	120,374,474	20,983,404	5,710,686	17,037,376	11,912,986	19,323,002	195,341,928	
LIABILITIES AND SHAREHOLDERS' EQUITY								
Liabilities								
Banks and financial institutions' deposits	26,183,147	10,048,046	-	3,000,000	-	-	39,231,193	6.9
Customers' deposits	58,513,092	14,831,714	7,081,996	-	-	5,763,737	86,190,539	8.11
Margin accounts	9,393,059	-	-	-	-	7,855,290	17,248,349	7.49
Loans and advances	2,898,634	1,403,066	1,890,409	10,167,455	3,389,152	-	19,748,716	6.69
Other liabilities	-	-	-	-	-	5,227,089	5,227,089	-
Income tax provision	-	-	-	-	-	930,000	930,000	-
Total Liabilities	96,987,932	26,282,826	8,972,405	13,167,455	3,389,152	19,776,116	168,575,886	
Shareholders' Equity	-	-	-	-	-	26,766,042	26,766,042	
Total Liabilities and Shareholders' Equity	96,987,932	26,282,826	8,972,405	13,167,455	3,389,152	46,542,158	195,341,928	
Interest rate sensitivity	23,386,542	(5,299,422)	(3,261,719)	3,869,921	8,523,834	(27,219,156)	-	
Off balance sheet items sensitivity	-	-	-	-	-	68,092,352	68,092,352	
Cumulative interest rate sensitivity gap	-	18,087,120	14,825,401	18,695,322	27,219,156	-	-	

(35) LIQUIDITY RISK**December 31, 2001**

	Within 1 Month	1 - 3 Months	3 - 6 Months	6 Months to 1 Year	1 - 3 Years	Over 3 Years	No Specific Maturity	Total
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	15,333,938	-	-	-	-	-	-	15,333,938
Credit facilities, net	40,969,121	22,331,298	23,272,136	9,789,407	20,267,827	8,022,332	-	124,652,121
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	102,380,925	22,378,138	36,644,113	9,789,407	33,158,683	13,214,103	19,743,415	237,308,784
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
Borrowing fund	909,964	8,504,127	1,343,890	2,080,238	5,894,238	6,200,309	-	24,933,424
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	31,776,154	205,202,120
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	63,882,818	237,308,784
Liquidity risk	26,091,341	(19,796,356)	8,383,723	(4,816,886)	27,263,787	7,013,794	(44,139,403)	-
Cumulative liquidity risk sensitivity gap	-	6,294,985	9,861,822	9,861,822	37,152,609	44,139,403	-	-

December 31, 2000

Cash on hand and balances at the								
Central Bank of Jordan	16,393,838	10,000,000	1,000,000	-	-	-	-	27,393,838
Balances at Banks and financial institutions	27,859,935	-	200,000	-	-	-	-	28,059,935
Trading investments	12,709,481	-	-	-	-	-	-	12,709,481
Credit facilities, net	29,553,995	33,061,474	10,193,112	5,706,712	12,158,565	6,530,845	-	97,204,703
Available for sale investments	-	-	-	3,974	4,878,811	5,482,141	-	10,364,926
Held to maturity investments, net	-	6,853,205	9,790,292	-	-	-	-	16,643,497
Fixed assets, net	-	-	-	-	-	-	530,994	530,994
Other assets	-	-	-	-	-	-	2,434,554	2,434,554
Total Assets	86,517,249	49,914,679	21,183,404	5,710,686	17,037,376	12,012,986	2,965,548	195,341,928
LIABILITIES AND SHAREHOLDERS' EQUITY								
Liabilities								
Banks and financial institutions' deposits	22,541,194	4,839,999	8,850,000	-	3,000,000	-	-	39,231,193
Customers' deposits	52,977,270	11,299,559	14,831,714	2,081,996	5,000,000	-	-	86,190,539
Margin accounts	7,855,290	9,393,059	-	-	-	-	-	17,248,349
Loans and advances	1,541,690	1,356,945	1,403,066	1,890,409	7,723,792	5,832,814	-	19,748,716
Other liabilities	-	-	-	-	-	-	5,227,089	5,227,089
Income tax provision	930,000	-	-	-	-	-	-	930,000
Total Liabilities	85,845,444	26,889,562	25,084,780	3,972,405	15,723,792	5,832,814	5,227,089	168,575,886
Shareholders' Equity	-	-	-	-	-	-	26,766,042	26,766,042
Total Liabilities and Shareholders' Equity	85,845,444	26,889,562	25,084,780	3,972,405	15,723,792	5,832,814	31,993,131	195,341,928
Liquidity risk	671,805	23,025,117	(3,901,376)	1,738,281	1,313,584	6,180,172	(29,027,583)	-
Cumulative liquidity risk sensitivity gap	-	23,696,922	19,795,546	21,533,827	22,847,411	29,027,583	-	-

(36) FOREIGN CURRENCIES RISKS

	2001		2000	
	Foreign Currency	Equivalent in JD	Foreign Currency	Equivalent in JD
US Dollar	9,577,739	6,790,617	(1,045,062)	(740,949)
Sterling Pound	8,600	8,842	(36,886)	(39,037)
Euro	(3,324,616)	(2,086,080)	974,197	652,924
French Franc	(84,216)	(8,057)	5,378	550
Deutsche Mark	71,679	22,999	12,101	4,151
Swiss Franc	32,814	13,900	29,031	12,794
Japanese Yen	7,362,127	39,769	396,618	2,448
Others	-	84,675	-	109,767

(37) 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:

	2001			2000		
	Assets	Liabilities	Off Balance Sheet Items	Assets	Liabilities	Off Balance Sheet Items
Inside Jordan	192,177,409	218,890,121	30,603,525	167,061,564	183,173,657	51,152,511
Other Arab countries	9,086,034	10,591,430	5,696,137	20,632	10,284,630	1,063,500
Asia *	448,053	-	12,918,957	-	75,844	-
Europe	25,424,111	43,067	52,747,005	19,231,450	85,393	13,054,850
Africa *	-	-	-	-	9,371	-
America	10,173,177	7,784,166	2,225,178	9,028,282	1,713,033	2,821,491
Total	237,308,784	237,308,784	104,463,802	195,341,928	195,341,928	68,092,352

According to segment:

	2001			2000		
	Assets	Liabilities	Off Balance Sheet Items	Assets	Liabilities	Off Balance Sheet Items
Individuals accounts	15,191,943	20,103,519	6,687,524	7,313,292	16,548,314	2,549,270
Corporate accounts	109,460,178	109,131,742	48,184,590	89,891,411	89,832,346	31,334,377
Others	112,656,663	108,073,523	49,591,688	98,137,225	88,961,268	34,208,705
Total	237,308,784	237,308,784	104,463,802	195,341,928	195,341,928	68,092,352

* Excluding Arab Countries

(38) RELATED PARTY TRANSACTIONS

	2001	2000
Balance sheet items		
Direct credit facilities	4,045,121	3,651,953
Deposits at banks	31,552,290	25,940,913
Margin accounts	112,712	-
Off balance sheet items		
Indirect credit facilities	242,591	183,434
Income statement items		
Interest and commission income	437,728	270,552
Interest and commission expense	1,875,159	1,345,369

(39) OFF BALANCE SHEET ITEMS

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

	2001	2000
Letters of credit	31,019,551	22,630,118
Acceptances	6,412,347	5,835,313
Letters of guarantee -		
Payments	11,051,253	7,113,919
Performance	16,569,158	7,225,511
Other	15,222,023	8,462,990
Forward deals in foreign currencies	14,981,744	9,779,804
Non utilized ceilings	9,207,726	7,044,697
	<u>104,463,802</u>	<u>68,092,352</u>

(40) 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, 2001.

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.

(41) RECLASSIFICATIONS

Some of 2000 balances were reclassified to correspond with 2001 classifications.

Other Disclosures

AUDITORS

The Financial Statements of 2001 have been audited by the Allied Accountants (A member firm of Andersen Worldwide) and their fee for the year was JD8,000.

DIRECTORS' INTEREST

The Directors of the Bank had the following interests in the Bank's capital at the end of 2001:

Name	No. Of Shares 2001
Social Security Corporation	2,530,000
Mohammed M. El-Seif	2,503,508
Ali K. Al-Husry	1,726,289
Bassem K. Salem	1,595,794
Investments & Integrated Industries Company	1,370,375
Jordan Phosphate Mines Company	1,265,000
Said S. Darwazah	910,944
Bayader Trade & Investment Co. Ltd.	225,911
Jordan Loan Guarantee Corporation	169,200
Fayiz M. Soheimat	109,077
Shaker Bin Zeid	60,087
Jaloul Trade & Investment Company	31,625
Arab Potash Company	25,000

SUBSTANTIAL INTEREST IN CAPITAL

Name	No. Of Shares 2001	(%) Interest
Social Security Corporation	2,530,000	10.000
Mohammed M. El-Seif	2,503,000	9.895
Abdel Raouf W. Al-Bitar	1,914,090	7.566
Ali K. Al-Husry	1,726,289	6.823
Bassem K. Al-Salem	1,595,794	6.307
Investments & Integrated Industries Company	1,370,375	5.417
Jordan Phosphate Mines Company	1,265,000	5.000
Abeer Bint Turkey Bin Abdel Aziz	1,262,816	4.991
Said S. Darwazah	910,944	3.601
Jordan Industrial Cities Corporation	632,500	2.500

DIRECTORS' EMOLUMENTS

The emoluments of the Bank's Directors for the year 2001 were as follows:

Name	Transportation	Other Benefits	Remuneration	Salaries
Ali K. Al-Husry	2,400	11,376	5,000	119,000
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	2,400		5,000	
Nayef Qasrawi			833	
Yehya Abu Ersheid	2,400		4,167	
Mohammed S. Hamami	2,400		5,000	
Mohammed M. El-Seif	1,979		5,000	
	30,779	11,376	65,000	119,000

DONATIONS

During the year 2001, the bank made charitable contributions totaling JD 35,956 , as per the following:

Instituion	Amount
Al-Hussein Fund for Creativity & Excellence	9,375
Young Women Muslim Association	15,000
Other (Charitable & Social Foundations)	11,581
Total	35,956

PERSONNEL

Total number of staff and their qualifications at end of 2001 was as follows:

Category	Qualifications				
	No. of Staff	Secondary School	Diploma	University Degree	Masters Degree
Senior Management	14	-	-	10	4
Middle Management	21	-	4	12	5
Management Support	59	7	8	39	5
Total	94	7	12	61	14

TRAINING

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

	Training Courses	
	Inside Jordan	Outside Jordan
No. of Training Courses	120	15
No. of staff	65	17

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

