

Handwritten notes in Arabic script on a grid background, including the words "Temperature", "Fruit", "Fig", and "Sun".



Export & Financial Bank Annual Report 2004



بنك الصادرات والمصارف
EXPORT & FINANCE BANK
التقرير السنوي 2004

Family: Oleaceae
 Recommended Temperature Zones:
 sunsets: 8, 9, 11-24
 Frost Tolerance: Hardy to 10F (-11C)
 Heat Tolerance: Heat resistant in Phoenix
 Sun Exposure: Full sun
 Origin: Mediterranean basin
 Growth Habits: Tree to 30 feet tall (9m)

Olive
 Scientific Name: *Olea europaea* L.

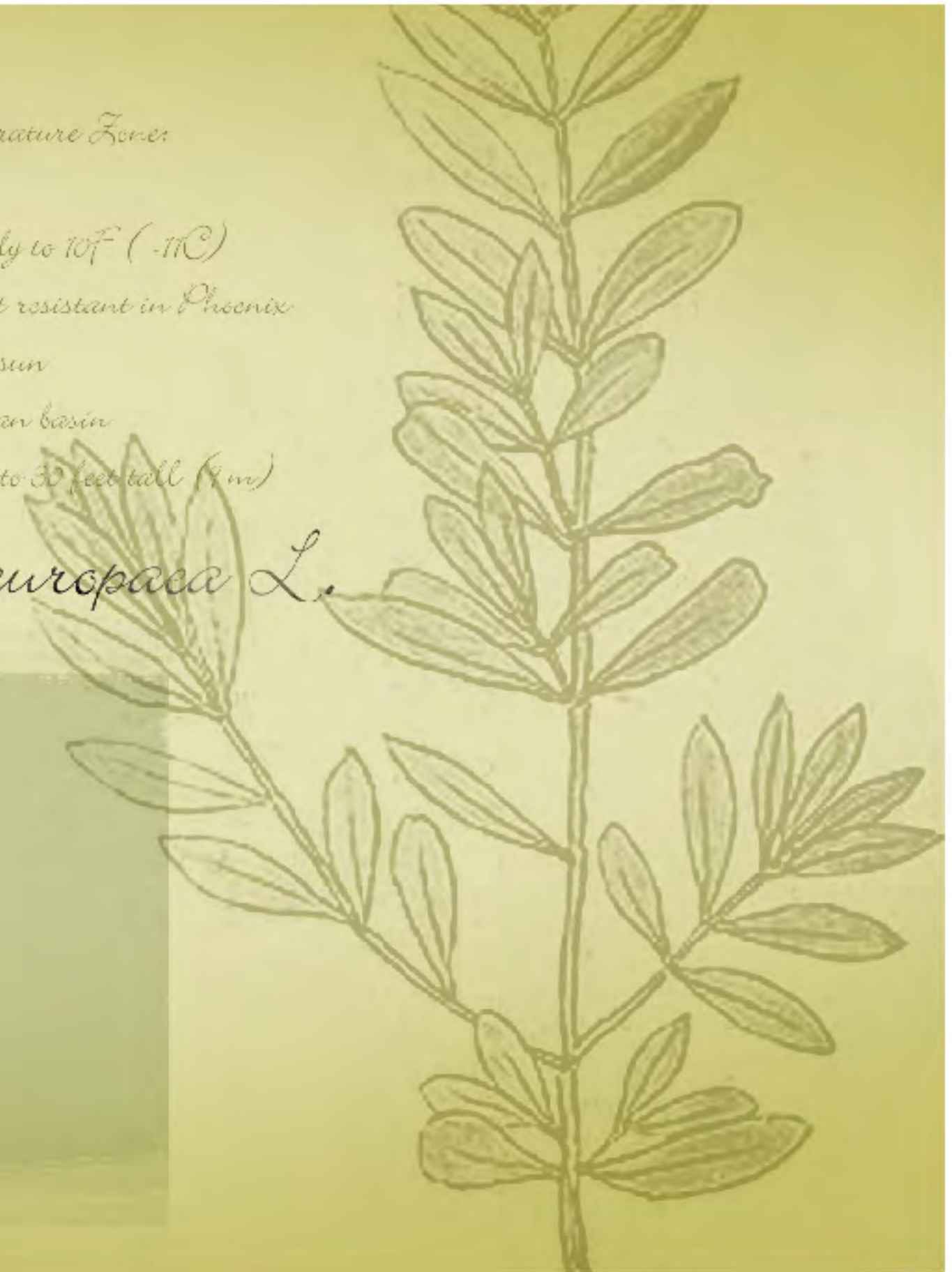
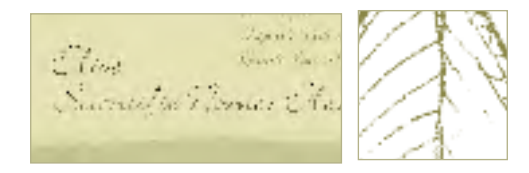


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ing.
 y.
 or simpler to a higher
 'ution.
 mber, value, or strengths
 relation growth.
 is green; a new growth of grass.
 mass of tissue, such as a tumor,
 ganism.
 not; concerns that are a growth

 nesses expected to have higher-than-average
 i growth stock; a growth fund.



1. a. The process of growing.
- b. Full development: maturity.
2. Development from a lower or simpler to a higher or more complex form: evolution.
3. An increase, as in size, number, value, or strength; extension or expansion; population growth.
4. Something that grows or has grown: a new growth of grass.
5. Pathology. An abnormal mass of tissue, such as a tumor, growing in or on a living organism.
6. A result of growth; a product; concerns that are a growth of the new responsibilities.

growth
P Pronunciation Key (grth)

adj.

Expected to have or investing in businesses expected to have higher-than-average

growth stocks; a growth fund.

BOARD OF DIRECTORS

Chairman
Ali K. Al-Husry

Vice Chairman
Fayiz M. Soheimat

Members
Shaker Bin Zeid
General Manager / New Work Company
(till 19/6/2003)

Spumante Comercio International LDA
represented by Rashad Khorsheid
(from 19/6/2003)

Bassem K. Salem
General Manager /
Packaging Industries Company

Mohammed M. El-Seif
Chairman / El-Seif Development Company

Said S. Darwazah
Chairman / Hikma Investment
(till 26/10/2003)

Mazen S. Darwazah
Chairman / Hikma Pharmaceuticals
(from 26/10/2003)

Abdel Raouf W. Al-Bitar
Chairman / Al-Manhal Water Factory

Investment & Integrated Industries
Company represented by
Chairman / Elia C. Nuqul

Social Security Corporation
reperesented by Manager of Pension
Department / Yehya Abu Ersheid

Jordan Phosphate Mines Company
represented by Deputy Managing Director
for Finance / Marwan Rshaydat

Jordan Loan Guarantee Corporation
represented by General Manager /
Mohammed Said Hamami

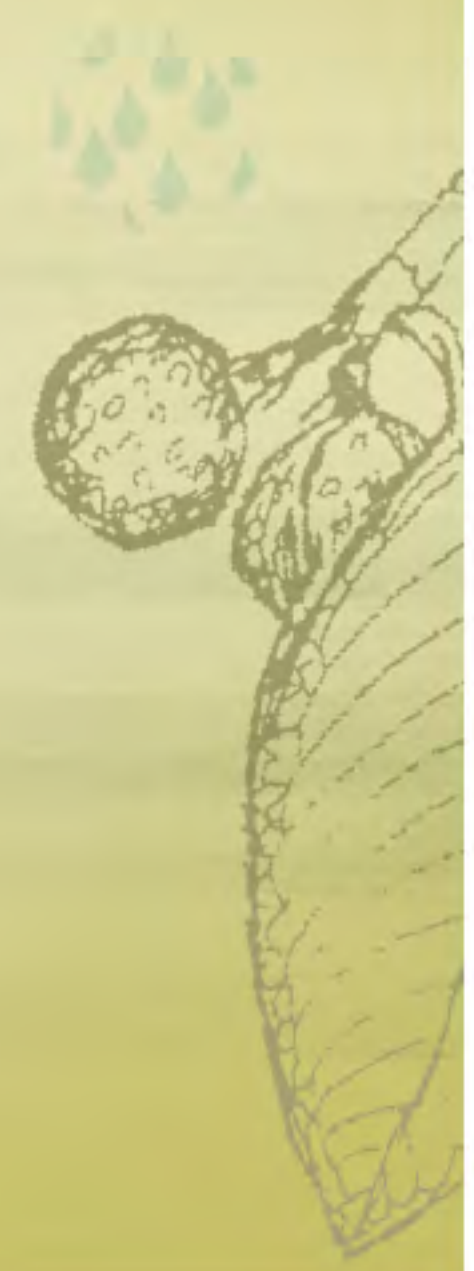
**Bayader Trade & Investment
Company Ltd.**
represented by Chairman / Amer M. Fariz

Jaloul Trade & Investment Company
represented by General Manager /
Mohamed Saleh Hourani



The fruit of a fig tree is really the hollow end of a stem, and bears numerous achenia inside the cavity. Many species have little, hard, inedible figs, and in only a few does the fruit become soft and pulpy. The fruit of the cultivated varieties is much prized in its fresh state, and also when dried or preserved. See *Caprifig*

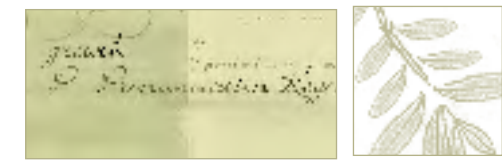
Fig
Scientific Name: *Ficus Carica*



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.



Germination, n. [*L. germinatio*; cf. *Fermentation*.]
The process of germinating; the beginning of vegetation or growth in a seed or plant; the first development of germs, either animal or vegetable.

Germination apparatus, an apparatus for malting grain.

Thrinax Graminifolia

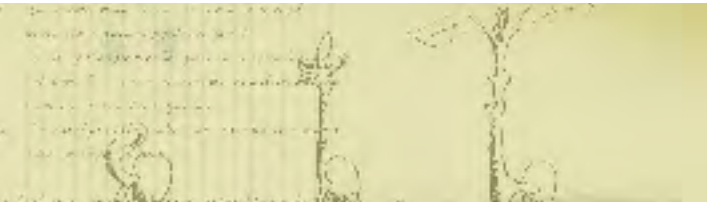


CHAIRMAN & CHIEF EXECUTIVE'S STATEMENT

On behalf of our board of directors I am delighted to present to you the Eighth Annual Report of the Export and Finance Bank covering the financial year 2003. Looking back over the past twelve months leaves no doubt that this has been yet another year of great success. The year 2003 demonstrated our strength and ability in enhancing performance at all levels even as the tide was pulling against us. Net profits went up by 45% to JD 8.062 million. Lending increased to JD 180 million, while deposits and customer accounts increased by 29% to reach JD 220 million. Total assets now stand at JD309 million, and our shareholders equity has grown significantly over the past year reaching JD 45.8 million. Moreover, those impressive results have reflected positively on the Bank's market capitalization, where it increased by 227% over the past year to reach JD 135.6 million. The year 2003 was rife with political turmoil at the regional level arising from the war and occupation of Iraq and the continuing violence in the occupied Palestinian Territories. In spite of this, the Jordanian economy was able to exhibit strong resilience in face of the turbulence in the region due in part to foreign grants, which played an important role in offsetting some of the negative impacts of war in the neighboring country. Nevertheless, the war did take its toll on some Jordanian sectors more than others. Despite of a slowdown in the GDP growth rate where it reached 3.3% in 2003 compared to 5.0% in 2002, inflation remained low at 2.2%, and official foreign currency reserve reached record high levels. Furthermore, the Amman Stock Market has also witnessed an unprecedented surge in market capitalization and traded volume, due to the low interest rate environment, healthy corporate profit forecasts and high liquidity. Collectively, this called for strong leadership and decisive action on our behalf to ensure that the Bank would not only maintain past profits but also position itself advantageously to ensure growth in the years to come.

Thus our strategy looking forward focuses on increasing our market share in the retail-banking sector while expanding our already established base in corporate banking, trade finance, asset management and various other investment banking related services. Our Bank has earned the reputation of being the client driven Bank in Jordan, it has earned such a reputation by structuring products to cater for the ever-changing needs of our clients.

Thus, a wide range of new products have been introduced over the past year, and more will be launched in the years to come. Aside from expanding our business in almost every area of operation, the Bank believes that technological advancement is imperative for its sustainable future growth. Thus, we are firmly committed to launching our comprehensive e-banking services during 2004. Apart from being a convenient 24x7 channel, our e-banking service will enhance product delivery for existing customers whilst making it possible to attract a whole new category of clientele. The initial launch will focus on commercial and retail banking services to be followed by trade finance services, for both retail and corporate clients. Our Bank is continuously looking into opportunities for expanding its branch network to effectively service our customer needs wherever they are. Thus we have recently opened a new branch in Aqaba, and two more branches are slated to open during 2004. On the regional level, we are proud to be the first Bank, among local and international institutions, to initiate the provision of money transfer services to Iraq as early as June 2003. Providing this service was instrumental in assisting a various number of NGO's, relief agencies and official authorities in channeling funds to and from Iraq to sustain their operations during those difficult and uncertain times. During 2003, our Bank has also reinforced business channels with Iraqi banks and continued providing clients in Iraq with a



BOARD OF DIRECTORS' REPORT

variety of banking services that were vital for their work to help in the rebuilding of Iraq. Iraq will be witnessing massive economic activity in the years to come rendering our physical presence in Iraq crucial. Thus, our efforts at carefully orchestrating regional expansion will start to take shape in the coming years; we have already signed a strategic partnership agreement with the National Bank of Iraq (NBI), whereby Export & Finance Bank is to acquire 49% of NBI's paid up capital for USD 7.3 million injected in the Bank. As a result of this agreement, NBI's board of directors will be restructured to reflect the change in ownership. Export & Finance Bank will have management control over the National Bank of Iraq and will make available to its new subsidiary the services and resources it needs as well as the technical support required in addition to providing proper training for NBI's employees. In the meantime a team of our people are already in Iraq tapping into the vast pool of opportunities there. Despite a challenging operating environment, we were able to close the year 2003 with a well diversified and high performing credit portfolio. We managed to increase the credit extended to the retail sector while simultaneously attracting prime corporate customers in Jordan. Non-performing loans ratio went down to an unprecedented level reaching 8.7% compared to the industry's average of 19% while bad debts coverage ratio increased to 67% compared to a 50% average in the banking industry. The coverage ratio of provisions and collaterals to non-performing loans have also risen to unprecedented levels of 127%. We are confident that the results we achieved in 2003 have positioned us favorably to tackle the challenges and reap the opportunities we will be presented with in 2004 as well as in the years to follow. Our focus in the years ahead will be on adding value for our customers by providing them with quality services, while ensuring high rates of return to shareholders. Our strategy of retaining earnings has proved

its success over the years. It has provided us with a considerable position of strength to grow domestically and regionally, thus capturing all opportunities as soon as they become available. This in turn has been instrumental in increasing shareholder value for the past 8 years. With a great share of charged energy and dynamism, EFB is resolutely committed to shake up the rather staid and conventional methods of business and service in Jordan, thus crafting a new dynamic model in the sector, in continuously adapting to the increasingly volatile environment pertinent to our region, that will in turn enable us to always evolve, progress and sustain our competitive advantage. On behalf of Export & Finance Bank I would like to take this opportunity to thank our clients and shareholders for their trust. I would also like to thank and give credit to our dedicated employees, our management and board, without whom these results would not have been achieved. Finally, I wish to extend my sincere appreciation to the Central Bank of Jordan for their continuous support and guidance.

Ali K. Al-Husry
Chairman & CEO

The Board of Directors takes pleasure in welcoming the general assembly in its eighth ordinary annual meeting and in presenting the Annual Report of the Export & Finance Bank for the year 2003, incorporating its activities, results and notes to its financial statements.

The Bank has witnessed another year of great achievements having posted a net income, after tax and provisions, of JD8.062 compared to JD5.568 million for the previous year, representing a growth rate of 45%. Total assets grew by 13% to reach JD309 million, while earnings per share (EPS) have increased to JD0.234 in the year 2003 from the JD0.161 in the previous year. On the other hand the Bank's performance at the Amman Stock Exchange (ASE) was outstanding, where market capitalization increased by 227%, and the share price by 185% over the year. As further reaffirmation of the growing public confidence in the bank's solid financial position, the customers' deposit has recorded an increase of 29%.

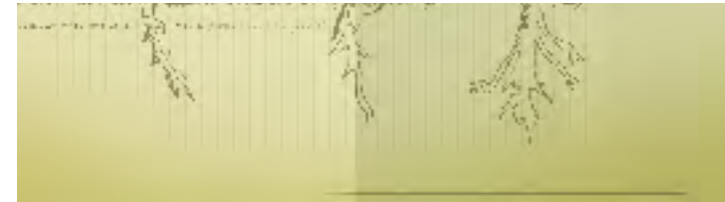
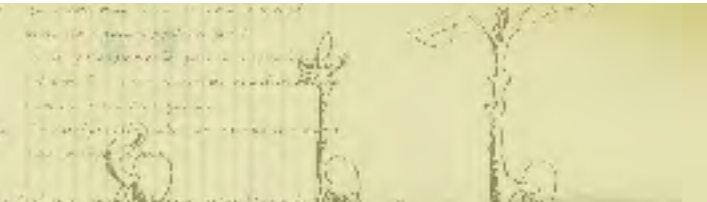
The return on average assets reached 2.8% during 2003 while the return on average equity reached 19% up from 16% for 2002. The liquidity ratio reached 111% compared to the 100% required by the Central Bank of Jordan. In addition, the Bank maintained the strength of its capitalization with a capital adequacy of 20% compared to the 12% required by the Central bank of Jordan. Non-performing loans (NPL) were also kept under control reaching 8.7%, which is significantly lower than the industry's average of 19%. The Bank has also continued to pursue an aggressive NPL provisioning policy with the total of both specific and general provisions increasing to 67% of NPLs at the end of the year.

Overall, the Bank's total operating revenues increased by 35% amounting to JD19.6 million, of

which 55% represented fee-based income, up from 42% in the year 2002. 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 revenues (TOR) and total operating expenses (TOE) which include provisions for bad and doubtful debts, have increased by an almost similar ratio, thereby maintaining a healthy management efficiency ration of 2.1:1.

Whilst the growth in revenues has occurred in almost every area of operation, special credit should go to the improved performance of the Amman Stock Exchange (ASE) posting a 54% increase in the ASE index for the year, as a result of which, our own portfolio of capital gains and brokerage revenues increased by 76% reaching JD5.67 million in 2003, 28.9% of operating revenues.

In line with our primary objective of further capital consolidation and in preparation for the new Central Bank of Jordan's regulation, which requires all banks to increase their capital by 2007 to JD40 million, the Board of Directors is pleased to recommend a 20.3% capital increase to reach JD41.5 million. This will be achieved through capitalizing JD7 million of the Bank's reserves and retained earnings and then distributing it as stock dividends to shareholders. The Bank's shareholder equity will thus be maintained at about 45.8 million which represents an increase of 22% 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 objective for the foreseeable future.



CREDIT FACILITIES AND OPERATIONS

Total direct facilities grew by 27.6% over the past year to reach JD 192.5 million, while net direct facilities (after deduction of provisions for bad and doubtful advances) stood at around JD 179.7 million at the end of 2003 representing approximately 58% of total assets as compared to 52% at the end of 2002. On the other hand, indirect credit facilities extended throughout 2003 amounted to JD 379 million, dropping from JD 436 million in 2002 which is attributable to a considerable curtailment of our re-export business with the Iraqi market as a result of the past year's turbulent events. However, this reversal in a particular aspect of our business was compensated for, by the initiation of a new business activity in remittance services with Iraq, which the Bank pioneered and developed extensively since June 2003. Accordingly, as reflected by the Bank's income statement, commission revenues on banking facilities were maintained at the same level as the previous year. Having recently positioned ourselves advantageously through a strategic alliance with an Iraqi bank, we anticipate to achieve a substantial growth in our business with the potentially lucrative Iraqi market as well as to see a diversification of our product range along with the stabilization of the situation.

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 US market, capitalizing on the long experience that we have gained through our diversified commercial dealings with this fastest growing export sector over the past four years. In this regard, we have been assisted by the

presence of our offices in three QIZ areas. The new operational office in Aqaba will allow us to serve our client base in a more efficient way.

To achieve further diversification of our lending outlets, we have expanded our real estate financing business by launching an attractively packaged product for which there has been a very favorable reception in the local market. This is part of our strategy to develop our retail services in the Bank, side by side with our corporate business and trade financing activities.

The table below illustrates how our loan portfolio is spread out among various economic sectors:

SECTOR	JD MILLION	PERCENT
Manufacturing	57.4	29.8
General Trade	33.2	17.2
Transport Services	10.7	5.6
General Services	11.3	5.9
Real Estate	10.3	5.3
Investment in Shares	58.3	30.3
Other	11.3	5.9
Total	192.5	100

Non-performing loans (NPL) amounted to JD 18.6 million of which 69% is covered by provisions and interest in suspense. The ratio of NPL to our total lending portfolio has shown an improvement over the past year, having dropped from 13.2% at year end 2002 to 8.7% at year end 2003,

which is well below the banking sector average. We remain comfortable with the credit quality of our credit portfolio and further reduction of the NPL ratio will remain a major objective and challenge as we go forward.

TREASURY AND MONEY MARKET OPERATIONS

The Bank's dealings in foreign exchange and money market activities continued to be managed by the treasury department in an effective and efficient manner. Additionally, treasury satisfies clients' necessities in financial services by hedging against interest rate and currency risk related to their normal trading activities through forward and swap contracts. In 2003, revenues from our foreign currency dealings reached JD 644 thousand and our net interest earnings on our surplus funds have been maximized by making optimum use of the available money market instruments.

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

INVESTMENT BANKING

Corporate Finance and M&A

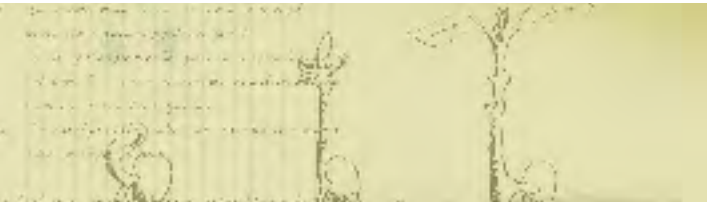
The Export & Finance Bank continued to play a pioneering role in providing investment banking services to our clients. Investment Banking services at EFB cover a wide range of corporate finance

activities including the arrangement of corporate bond issues, financial structuring for new ventures including capital raising and private equity placements, and financial advisory services related to privatizations, valuations and mergers and acquisitions.

In 2003, we successfully acted as a lead arranger and facility agent in a syndicated term-loan facility in the amount of USD 42 Million to Indo-Jordan Chemicals Company Ltd. The issue was oversubscribed with a coverage ratio of 1.23 times the amount of the loan, whereby the total commitments from participants in the syndicate totaled USD 51.75 Million.

The Bank also acted as the lead arranger, underwriter, and primary dealer for the renewal of Jordan Phosphate Mines Company Ltd commercial paper program. The bank issued approximately JD3.4 million worth of 180-day commercial paper for the Jordan Phosphate Mines Company Ltd. The commercial paper program was issued in series, and placed with local and regional banks, insurance companies, pension funds, and other large institutional investors.

On the mergers & acquisition front the Export & Finance Bank acted as Financial Advisor & Trustee to the 41% acquisition of Jordan New Cable Company (JNCC) by the Middle East Cables Company Ltd. (Saudi Arabia) & Partners. MESC acquired 41% of the shares in JNCC with the objective to maximize shareholders' wealth by adding new products to the production range to supply a complete package of cables.



RESEARCH

Our research team continued to produce publications and studies on individual public shareholding companies, macroeconomic conditions, financial markets, and various sector analyses. In 2003, we initiated Jordan Facts & Figures pamphlet, which was distributed at various conferences and will be updated on annual basis. 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.

CAPITAL MARKETS

Securities Brokerage

Our Brokerage office faces competition from 29 local firms at the Amman Stock Exchange. In 2003, and in its fifth year of operations our brokerage office closed the year ranking first among the licensed brokerage houses, with a volume of JD 286.2 million (JD 102.5 for 2002) representing over 7.7% of all transactions on the Amman Stock Exchange. Furthermore, our brokerage office executed the sale of 21,662,550 shares of the Arab Potash Company owned by the Government of Jordan through its investment arm, Jordan Investment Corporation to one of the world's biggest producer of fertilizers Potash Corporation of Saskatchewan Inc. (PCS).

We also remained active in bond trading activities where we executed 19.8% of all bonds traded on the Amman Stock Exchange, and closed the year ranking third among other brokerage houses. The growth of the activities and services rendered by our capital markets division has been maintained with revenues generated from these activities exceeding JD 5.7 million, representing a 44% growth over the previous year. Other revenues, including brokerage commissions and custodian services, reached JD 1.3 million for the year 2003 representing a 87% growth over the previous year.

We continued to offer investment and trading in the US market through a specialized unit available to service, advise, and process our clients' orders. We also continue 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

EFB's Asset Management team provides tailor-made portfolios to reach a broad range of investors' requirements and preferences. The objective of EFB's Asset Management activities is to design a personalized investment program for clients, based on their individual needs. Examples of managed portfolios include capital guaranteed, growth, balanced, leveraged portfolios, and non-capital guaranteed portfolio accounts, in addition to a broad range of specifically tailored portfolios in either JOD or US\$. The unit encompasses Individual and Corporate clients, as well as Pension Funds.

EFB's investment policy is based on active asset allocation, which is believed to be the most important factor in determining portfolio returns and risk levels. The stated investment policy and objective of each portfolio determines its asset allocation, after adjusting for the general economic outlook and equity valuations. The unit's overall strategy is to increase total funds under management while ensuring a superior investment performance track record. Assets under management have grown 3 folds during 2003. Moreover, the Rate of Return for portfolios under management at EFB stood at 16.3% for 2003.

OUTLOOK

In the domestic market, the overriding task for the Bank is to expand its customer base beyond enterprises and to further penetrate retail banking. Thus, adding value for retail clients through new, innovative products and superior service continues to be a high priority. In terms of geographical expansion, the Bank's representative office in the Aqaba Special Economic Zone is currently operational, and is expected to attract investors there. The Bank is also planning to open two new branches in Jordan and has taken on a lease of a building at a close distance from the main branch in order to accommodate for the growing needs of the Bank for extra space.

At a regional level the strategic partnership that our Bank will soon have with the National Bank of Iraq will allow us to tap into the pool of opportunities in Iraq. Our Bank will make available to its new subsidiary the services and resources as well as the technical and technological support

needed in addition to providing proper training for the National Bank of Iraq's employees. This strategy of selective expansion will allow us to respond quickly and efficiently to our clients' needs wherever they may be.

As part of the Bank's commitment to meet the requirement of work and the aspirations of customers, the Bank will launch e-banking during 2004. Initially, the launch will focus on retail clients followed by corporate clients at a later stage, while in the meantime a new website will be launched during the first quarter of 2004. In addition, the Bank is keen on developing and expanding its product range, and has thus introduced housing loans during the third quarter of 2003 which by year-end amounted to JD 10 million.

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 long-term interest of the Bank's shareholders and will remain a primary core objective. The outlook for the Bank remains positive as it expands its product range and client base.



Olive

Scientific Name: *Olea europaea* L.

Family: Oleaceae

Recommended Temperature Zone:
sunsets 8, 9, 11-24

Frost Tolerance: Hardy to 10°F (-)

Heat Tolerance: Heat resistant to

Sun Exposure: full sun

Origin: Mediterranean basin

Growth Habits: Tree to 30 feet tall

**THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2003
& 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, 2003 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 Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement 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, 2003 and the result of its operations and its cash flows for the year then ended in accordance with the 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 15, 2004

BALANCE SHEET

AS OF DECEMBER 31, 2003 (In Jordanian Dinars)

	Notes	2003	2002
ASSETS			
Cash on hand and balances at the Central Bank of Jordan	3	15,280,542	15,178,075
Balances at banks and financial institutions	4	44,326,066	55,914,415
Deposits at banks and financial institutions	5	-	500,000
Trading investments	6	21,956,724	33,263,530
Credit Facilities, net	7	179,747,203	16,126,352
Available for sale investments	8	23,747,912	24,897,004
Held to maturity investments, net	9	20,224,325	23,315,406
Fixed assets, net	10	1,063,367	1,068,460
Other Assets	11	2,675,500	3,154,899
Total Assets		309,021,639	273,418,14
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Banks and financial institutions' deposits	12	19,331,805	31,027,875
Customers' deposits	13	173,077,739	132,860,875
Margin accounts	14	47,333,629	38,265,827
Loans and advances	15	26,157,131	26,400,293
Sundry Provisions	16	-	473,654
Other liabilities	17	5,414,917	4,929,244
Income tax provision	18	1,926,942	1,870,000
Total Liabilities		263,242,163	235,827,768
Shareholders' Equity			
Paid in capital	19	34,500,000	30,000,000
Statutory reserve		3,646,826	2,601,091
Voluntary reserve	20	2,381,563	1,558,055
Fair value reserve	21	290,482	147,229
Retained earnings	22	4,960,605	3,283,998
Total Shareholders' Equity		45,779,476	37,590,373
Total liabilities and Shareholders' Equity		309,021,639	273,418,141

STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2003 (In Jordanian Dinars)

	Notes	2003	2004
Interest income	24	15,760,072	14,600,283
Interest expense	25	6,911,432	8,063,830
Net interest income		8,48,640	6,536,453
Net commission	26	3,065,622	3,013,631
Net Interest and Commission Income		11,914,262	9,550,084
Other income Gain			
from financial assets and instruments	27	1,2345,00	1,2345,00
Other operating income	28	1,2345,00	1,2345,00
Total other income		1,2345,00	1,2345,00
Net operating income			
Expenses			
Employees' costs	29	1,2345,00	1,2345,00
Other operating expenses	30	1,2345,00	1,2345,00
Depreciation and amortization		1,2345,00	1,2345,00
Provision for possible loan losses	7	1,2345,00	1,2345,00
Sundry Provisions	16	-	1,2345,00
Total operating expenses		1,2345,00	1,2345,00
Excess in Sundry Provisions	16		
Net Income Before income tax and appropriations			
Less: Income tax	18	1,2345,00	1,2345,00
Jordanian Universities fees		1,2345,00	1,2345,00
Scientific research and vocational training		1,2345,00	1,2345,00
Educational, Vocational training and Technical Fund fees		1,2345,00	1,2345,00
Board of Directors' remuneration		1,2345,00	1,2345,00
Net Income	31	1,2345,00	1,2345,00
Earnings per share		0.234	0.161

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2003 (In Jordanian Dinars)

	Paid In Capital	Reserves		Fair Value Reserve	Retained Earnings	Total
		Statutory	Voluntary			
2003						
Balance as of January, 2003	30,000,000	2,601,091	1,558,055	147,229	3,283,998	37,590,373
Increase in capital	4,500,000	-	(1,267,962)	-	(3,232,038)	-
Portion of realized gain on sale of available for sale investment (previously included in retained earnings on adoption of IAS 39)	-	-	-	-	(15,977)	(15,977)
Net income	-	-	-	-	8,061,827	8,061,827
Transfers to reserves	-	1,045,735	2,091,470	-	(3,137,205)	-
Net movement in cumulative changes in fair value reserve	-	-	-	143,253	-	143,253
Balance as of December 31, 2003	34,500,000	3,646,826	2,381,563	290,482	4,960,605	45,779,476
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)	-
Portion of realized gain on sale of available for sale investment (previously included in retained earnings on adoption of IAS 39)	-	-	-	-	(100,759)	(100,759)
Net income	-	-	-	-	5,568,252	5,568,252
Transfers to reserves	-	778,738	778,738	-	(2,336,214)	-
Net movement in cumulative changes in 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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2003 (IN JORDANIAN DINARS)

	Notes	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income before income tax		10,112,333	7,518,252
Adjustments for -			
Depreciation		286,996	279,732
Provision for possible loan losses		5,048,699	3,192,157
Fair value reserve for available for trading investment		(3,344,907)	(164,822)
Effect of exchange rate changes		(471,603)	(693,558)
(Excess in)Sundry Provisions		(473,654)	219,317
		11,157,864	10,351,078
Changes in assets and liabilities -			
Decrease in restricted balances at banks and financial institutions		3,160,119	8,838,459
Decrease in deposits at banks and financial institutions		500,000	-
Increase in credit facilities		(68,669,550)	(7,128,920)
Decrease (increase) in trading investments		14,651,713	(5,047,901)
Decrease (increase) in other assets		479,399	(729,961)
Decrease in banks and financial institutions' deposits that mature within three months		(8,091,265)	(10,658,735)
Increase in customers' deposits		40,216,864	42,002,116
Increase (decrease) in margin accounts		9,067,802	(110,675)
Increase (decrease) in other liabilities		485,673	(2,734,144)
Net cash from operating activities before income tax		2,958,619	34,781,317
Income tax paid		(1,993,564)	(1,615,000)
Net cash from operating activities		965,055	33,166,137
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale (purchase) of available for sale investments		1,2776,368	(7,230,742)
Sale (purchase) of held to maturity investments		3,091,081	(11,472,668)
Purchase of fixed assets		(281,903)	(662,924)
Sale of fixed assets		-	19,000
Net cash from (used in) investing activities		4,085,546	(19,347,334)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease (increase) in loans		(243,162)	1,466,869
Net cash (used in) from financing activities		(243,162)	1,466,869
Effect of exchange rate changes		471,603	693,558
Net increase in cash and cash equivalents		5,279,042	15,979,410
Cash and cash equivalents, beginning of the year		42,593,109	26,613,699
Cash and cash equivalents, end of the year		47,872,151	42,593,109

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003 (In Jordanian Dinars)

(1) GENERAL

The Export and Finance Bank was established as a public shareholding company on August 30, 1995 in accordance with the companies law no. (1) of (1989). The Bank has an authorized and subscribed capital of JD 34,500,000 divided into 34,500,000 share of JD 1 each.

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

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 Bank originally had a paid up capital of JD 20 million from 1999, the Bank increased its capital four times to reach JD 34.5 million during 2003. The increases in capital were effected through capitalising its distributable reserves. In total the Bank issued 14.5 million bonus shares.

The Bank's total number of employees as of December 31, 2003 and 2002 was 134 employees and 113 employees respectively.

The financial statements were authorized for issue by the Bank's Board of Directors in their meeting No. 2/2004 held on January 15, 2004.

(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 significant accounting policies adopted in the preparation of the financial statements are set out below:

a) Basis of preparation

The accompanying financial statements are prepared in accordance with the standards issued, or adopted by the International Financial Standards Board and interpretations issued by the, as published by the International Financial Reporting Interpretations committee 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.

b) Financial transaction's recognition date

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

c) Trading Investments

Trading investments are initially recognised at cost and subsequently remeasured at fair value. All related realised and unrealised gains or losses are included in net trading income in the income statement.

d) Credit facilities

Credit facilities are carried at amortized cost after allowance for possible loan losses, interest and commission in suspense.

Allowance for non-performing facilities is recognized to provide for the possible loan losses. The provision is recorded in the statement of income.

Interest and commission of non-performing facilities are suspended based on 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.

e) Available for sale investments

Available for sale investments are initially measured at cost and subsequently remeasured at fair value. Unrealised gains or losses on measurement to fair value of available-for-sale investments are reported as a separate component of shareholders equity, until the investment is derecognised, or

the investment is determined to be impaired. On derecognising or impairment the cumulative gain or loss previously reported in equity, along with any transition adjustment to retained earnings arising from the adoption of IAS 39, is included in the statement of income.

f) Held to maturity investments, net

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

g) Fair value

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

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

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

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

h) Revenue and expense recognition

Revenues 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.

i) 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 25%, except for freehold land.

Whenever the recoverable amount of an asset is impaired, the carrying value is reduced to the recoverable amount, and the impairment loss is recorded in the statement of income.

j) Income Tax

The Bank provides for income tax in accordance with the Income Tax Law no. (57) of 1985 and its subsequent amendments, and in accordance with IAS 12.

k) 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. The properties are appraised on an individual basis annually and declines in market value are recorded in the income statement.

l) 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.

m) Derivative Financial Instruments

1-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.

2-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 shareholders' equity. The ineffective portion is immediately recognized in net profit or loss.

n) 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 revalued 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.

o) 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.

p) Repurchase and resell agreements

Assets sold with a simultaneous commitment to repurchase at a specified 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 sale and the repurchase price is recognized as an interest expense over the agreement term.

Assets purchased with a corresponding commitment to resell at a specified 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 and resale price is recognized in the statement of income.

q) Risk management

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

The Bank's management reviews and assesses cash commitments and available assets on a daily basis. The assets and liabilities management committee analyses liquidity, and reviews assets and liabilities management plans on a timely basis. The review includes also analysing the maturities of assets and liabilities.

Interest rate risk is managed by matching the maturities of assets and liabilities and through interest sensitivity reviews.

r) End of service indemnity

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

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

	2003	2004
Cash on hand	1,997,370	1,195,620
Balances at the Central Bank of Jordan		
Current accounts	2,769,496	2,707,802
Time and notice deposits	-	2,500,000
Statutory cash reserve	10,513,676	7,774,653
Certificates of deposit	-	1,000,000
	<u>15,280,542</u>	<u>15,178,075</u>

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

(4) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

	2003	2004
Local Banks and financial institutions		
Current accounts	137,373	169,240
Deposits maturing within 3 months	5,605,652	,444,959
Foreign Banks and financial institutions		
Current accounts	14,007,652	8,245,286
Deposits maturing within 3 months	24,575,389	6,054,930
	<u>44,326,066</u>	<u>55,914,415</u>

Non interest bearing balances at banks and financial institutions amounted to JD 1,998,111 and JD 1,496,785 as of December 31, 2003 and 2002 respectively.

Restricted balances amounted to JD 2,402,652 and JD 5,562,771 as of December 31, 2003 and 2002 respectively.

(5) DEPOSITS AT BANKS AND FINANCIAL INSTITUTIONS

	2003	2004
Local Banks and financial institutions		
Certificates of deposit	-	500,000
	<u>-</u>	<u>500,000</u>

There were no restricted deposits as of December 31, 2003 and 2002.

(6) TRADING INVESTMENTS

	2003	2004
Shares not listed in financial markets *	131,600	40,000
Shares listed in financial markets **	12,040,803	29,122,975
Bonds listed in financial markets	9,784,321	4,000,555
	<u>21,956,724</u>	<u>33,263,530</u>

* Fair value of shares not listed on financial markets is computed based on last sale transaction.

** Included in investment in shares listed in financial markets are shares held under resale agreements, amounting JD 23,682,714 as of December 31, 2002.

During 2003, the Bank amended the nature of such agreements to become facilities agreements and accordingly, such agreements were included in the credit facilities.

(7) CREDIT FACILITIES, NET

	2003	2004
Discounted bills and notes	33,231,063	44,196,261
Overdraft facilities	21,654,659	14,761,269
Loans and advances	137,654,551	68,283,856
Credit cards	2,588	72
	<u>192,533,861</u>	<u>127,241,458</u>
Less: Interest in suspense	2,046,010	1,774,992
Allowance for possible loan losses	10,740,648	9,340,184
Credit facilities, net	<u>179,747,203</u>	<u>116,126,325</u>

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

Credit facilities granted by sector are set forth below:

	2003	2004
Agriculture	953,706	1,045,696
Manufacturing and mining	57,355,193	61,571,943
Constructions	4,361,076	3,106,22
General trade	33,195,030	23,565,178
Transportation services	5,390,625	14,189,726
Tourism, hotels and restaurants	1,230,972	1,388,369
Services and public facilities	4,984,388	8,380,915
Financial services	706,838	1,392,922
Investment in shares	58,287,322	1,890,074
Vehicles	5,314,728	7,661,579
Real estate purchase	10,279,978	703,200
Consumable goods	696,543	454,983
Others	9,777,462	1,890,851
	<u>192,533,861</u>	<u>127,241,458</u>

The non-performing credit facilities as defined by the Central Bank of Jordan's regulations amounted to JD 18,574,144 representing 9.65% of total facilities and JD 16,781,585 representing 13.19% of total facilities as of December 31, 2003 and 2002 respectively.

The non-performing credit facilities after excluding interest in suspense as defined by the Central Bank of Jordan's regulations amounted to JD 16,528,134 representing 8.68% of the total credit facilities after excluding interest in suspense and JD 15,006,663 representing 11.96% of total credit facilities after excluding interest in suspense as of December 31, 2003 and 2002, respectively.

There are no credit facilities granted or guaranteed by the government as of December 31, 2003 and 2002 respectively.

The gross fair value of collaterals held against credit facilities amounted to JD114,343,743 and JD 119,277,263 as of December 31, 2003 and 2002 respectively.

Allowance for possible loan losses:

	2003			2004		
	Specific	General	Total	Specific	General	Total
Balance at January 1,	7,348,409	1,991,775	9,340,184	5,647,137	1,869,124	7,516,261
Provision during the year	3,741,255	1,307,444	5,048,699	3,069,506	122,651	3,192,157
Write offs						
Balance at December 31,	(3,648,235)	-	(3,648,235)	(1,368,234)		-(1,368,234)
	<u>7,441,429</u>	<u>3,299,219</u>	<u>10,740,648</u>	<u>7,348,409</u>	<u>1,991,775</u>	<u>9,340,184</u>

Allowances that were settled, collected or transferred against other non-performing credit facilities amounted to JD 799,013 and JD 946,367 as of December 31, 2003 and 2002 respectively.

Interest in suspense:

	2003	2004
Balance at January 1,	1,774,922	1,236,760
Suspended interest during the year	1,288,822	894,746
Less: Suspended interest on settled loans	95,062	202,816
Interest suspended written off	922,672	153,768
Balance at December 31,	<u>2,046,010</u>	<u>1,774,922</u>

(8) AVAILABLE FOR SALE INVESTMENTS

	2003		2004	
	Traded	Total	Traded	Total
Shares*	102,220	102,220	1,102,119	1,102,119
Bonds	23,645,692	23,794,885	23,794,885	23,645,692
	<u>23,747,912</u>	<u>23,747,912</u>	<u>24,897,004</u>	<u>24,897,004</u>

* Included in investment in shares includes an amount of JD 100,000 represents shares of Jordan Loan Guarantee Company which are listed but not traded on the Amman Stock Exchange. This investment was stated at cost since the fair value could not be measured reliably. Management believes that there is no impairment in the value of this investment as of year end.

(9) HELD TO MATURITY INVESTMENTS

	2003	2004
Treasury bills	16,180,672	22,815,384
Bonds and debentures	4,043,653	500,022
	<u>23,315,406</u>	<u>20,224,325</u>

(10) FIXED ASSETS, NET

	Furniture and Fixture	Vehicles	Computers	Installations	Total
December 31, 2003					
Beginning balance	727,280	99,593	737,323	447,882	2,012,078
Additions	23,681	-	252,491	9,472	285,644
Retirements	(9,878)	-	-	-	(9,878)
Accumulated depreciation	(318,543)	(27,883)	(684,795)	(193,256)	(1,224,477)
Net Book Value at year end	422,540	71,710	305,019	264,098	1,063,367

December 31, 2002

Beginning balance					
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

(11) OTHER ASSETS

	2003	2004
Accrued revenues	926,630	1,157,004
Prepaid expenses	808,267	737,864
Brokerage office receivables	431,667	769,146
Tax paid in advance	50,226	203,991
Interest paid in advance / CBJ bills	20,037	18,739
Legal expenses	140,220	107,179
Margin dealings' facilities	194,177	86,909
Others	104,276	74,067
	<u>2,675,500</u>	<u>3,154,899</u>

(12) BANKS AND FINANCIAL INSTITUTIONS' DEPOSITS

	2003			2004		
	INSIDE JORDAN	OUTSIDE JORDAN	TOTAL	INSIDE JORDAN	OUTSIDE JORDAN	TOTAL
Current accounts and demand deposit	-	1,709,924	1,709,924	15,545,626	1,446,419	16,992,045
Deposits maturing within 3 months	4,076,881	2,127,000	6,203,881	5,189,649	754,916	5,944,565
Deposits maturing within 3 - 12 months	-	-	-	2,091,265	-	2,091,265
Certificates of deposit	1,418,000	-	1,418,000	6,000,000	-	6,000,000
	<u>5,494,881</u>	<u>3,836,924</u>	<u>9,331,805</u>	<u>28,826,540</u>	<u>2,201,335</u>	<u>31,027,875</u>

(13) CUSTOMERS' DEPOSITS

	2003	2004
Current accounts and demand deposits	30,856,592	15,495,481
Saving deposits	52,417	61,033
Time and notice deposits	128,021,894	107,678,795
	<u>14,146,836</u>	<u>9,625,566</u>
	<u>173,077,739</u>	<u>132,860,875</u>

- Governmental institutions' deposits amounted to JD 42,016,276 representing 26.48% of total customers' deposits and JD 38,546,795 representing 29.01% of customers' deposits as of December 31, 2003 and 2002 respectively.

- Non-interest bearing deposits amounted to JD 18,361,521 representing 11.57% of total deposits and JD 10,315,848 representing 7.76% of total deposits as of December 31, 2003 and 2002 respectively.

Dormant accounts amounted to JD 126,143 and JD 90,232 as of December 31, 2003 and 2002 respectively.

- Included in time and notice deposits, are restricted deposits related to the Frozen Deposits Management Fund in accordance with Law No. (33) of 2003. These amounted to JD 14,383,502 representing 8.31% of total deposits and JD 12,115,566 representing 9.12% of total deposits as of December 31, 2003 and 2002 respectively.

(14) MARGIN ACCOUNTS

	2003	2004
Direct credit facilities	35,878,619	21,418,148
Indirect credit facilities	10,950,949	10,600,550
Deposits against cash margin dealings' facilities - currencies	504,061	1,954,952
Deposits against cash margin dealings' facilities - shares	-	4,292,177
	<u>47,333,629</u>	<u>38,265,827</u>

(15) LOANS AND ADVANCES

	2003	2004
Amounts borrowed from Central Bank of Jordan	8,455,630	13,256,789
Amounts borrowed from foreign banks	4,018,875	5,971,200
Others	13,682,626	7,172,304
	<u>26,157,131</u>	<u>26,400,293</u>

Amounts borrowed from Central Bank of Jordan are due during the period from 2004 to 2007, with an annual interest rate ranging between 2.5% to 6.5%. Installments are paid according to monthly, quarterly, or semi-annually schedules.

Amounts borrowed from foreign banks are due during the period 2004 and 2007, with an annual interest rate ranging between 3.225% to 4.457%. Installments are paid semi-annually.

Amounts borrowed from Arab Investment Company / Bahrain amounting JD 4,963,000 are due in December 2004 and are renewable automatically, and have an annual interest rate ranging between 1.920% to 2.172%.

Amounts borrowed from Arab Trade Finance amounting JD 712,545 are due on March 2004 and are renewable automatically, with an annual interest rate of 1.198%.

Amounts borrowed from Real Estate Mortgage Finance Co. amounting to JD 2,065,726 are due on July 2005, with an annual interest ranging between 4.75% to 6.25%.

Included in borrowings from other parties an amount of JD 5,941,355 which represents a repurchase agreement entered into the Social Security Department and will be due on May 2004, with an annual interest rate of 2.38%.

An amount of USD 2,625,000 was deposited as a collateral against the loan from the Arab Investment Company with an annual interest of 1.12%.

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

(14) MARGIN ACCOUNTS

	Balance at January 1st	Provided during the period	Used during the period	Write back to revenue	Balance at December 31 st
2003					
Sundry Provisions	473,654	-	-	(473,654)	-
	<u>473,654</u>	<u>-</u>	<u>-</u>	<u>(473,654)</u>	<u>-</u>

(17) OTHER LIABILITIES

	2003	2004
Accrued interest expenses	742,053	848,949
Interest and commissions received in advance	717,980	1,277,495
Deferred income	1,943,536	970,709
Accrued expenses	1,098,891	408,663
Certified cheques	222,456	333,366
Cheques payable	325,068	619,597
University fees	104,573	77,874
Scientific research fees	104,573	77,874
Educational, vocational training and technical fund fees	70,870	48,379
Board of directors' remuneration	65,000	65,000
Incoming transfers	-	92,161
Other	19,917	109,177
	<u>5,414,917</u>	<u>4,929,244</u>

(18) INCOME TAX PROVISION

The movement on the income tax provision was as follows:

	2003	2004
Beginning balance	1,870,000	1,535,000
Income tax paid	(1,993,564)	1,615,000
Provision for income tax for the year	1,926,942	1,950,000
Provision for income tax for previous year	123,564	-
Ending balance	<u>1,926,942</u>	<u>1,870,000</u>

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

Provision for income tax for the year	1,926,942	1,950,000
Accrued income tax from the previous years	123,564	-
	<u>2,050,506</u>	<u>1,950,000</u>

The Income Tax Department reviewed the Bank's records for 1999 and assessed an additional income tax amounting to JD 100,000. However the Bank has contested the decision. As of the date of the 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 2002, and did not issue its final assessment as of the date of the financial statement..

(19) PAID IN CAPITAL

Authorized subscribed and paid in capital amounts to JD 34,500,000 divided to 34,500,000 shares at 1 JD per share.

(20) VOLUNTARY RESERVE

Voluntary reserve amounted to JD 2,381,563 and JD 1,558,055 as of December 31, 2003 and 2002, respectively.

(21) CUMULATIVE CHANGES IN FAIR VALUE

	2003				2004			
	Shares	Bonds	Derivatives	Total	Shares	Bonds	Derivatives	Total
Beginning balance	9,815	137,414	-	147,229	-	131,013	-	131,013
Unrealised gains	(139)	268,600	-	268,461	9,815	150,531	-	160,346
Realised gain transferred to statement of income	9,792	115,416	-	125,208	-	144,130	-	144,130
Net movement during the year	(9,931)	153,184	-	143,253	9,815	6,401	-	16,216
Ending balances	(116)	290,598	-	290,482	9,815	137,414	-	147,229

(22) RETAINED EARNINGS

	2003	2004
Beginning balance	3,283,998	3,147,298
Amount capitalized in bonus issue	(3,232,038)	(2,994,579)
Portion of realized gain on sale of available for sale investment (previously included in retained earnings on adoption of IAS 39)	(15,977)	(100,759)
Net income	8,061,827	5,568,252
Transfers to statutory and voluntary reserves	(3,137,205)	(2,336,214)
Ending balance	4,960,605	3,283,998

Included in the above balance amounts previously included in retained earnings upon the first time adoption of IAS 39 amounting to 35,983 and JD 51,960 as of December 31, 2003 and 2002, respectively.

(23) CAPITAL ADEQUACY

The capital adequacy ratio is computed in accordance with the Central Bank of Jordan regulations derived from Basel Committee resolutions. These regulations require that market risk be taken into consideration when computing the capital adequacy for the year 2003. However, the regulations applied during 2002 did not require such consideration.f

	2003		2002	
	Amount in Thousand	% to assets weighted by risks	Amount in Thousands	% to assets weighted by risk
Regulatory capital	45,112,390	19.87	38,755,831	23.85
Core (primary) capital	45,566,656	18.75	36,804,559	24.71

(24) INTEREST INCOME

	2003	2004
Direct credit facilities		
Bills and notes discounted	2,818,907	4,090,838
Overdrafts	1,761,820	1,610,689
Loans and advances	7,545,187	5,549,406
Credit cards	91	4,336
Other		
Balances at the Central Bank of Jordan	388,179	214,148
Balances and deposits at Banks and Financial institutions	860,974	863,727
Trading investments	495,072	383,131
Available for sale investments	1,159,182	1,155,834
Held to maturity investments	730,660	728,174
	15,760,072	14,600,283

(25) INTEREST EXPENSE

	2003	2004
Banks and financial institutions deposits	391,454	1,348,268
Customers' deposits		
Current accounts and demand deposits	199,012	111,600
Saving deposits	1,517	744
Time and notice deposits	4,199,958	3,654,311
Certificates and deposit	433,062	703,214
Cash margins	654,766	993,848
Loans and advances	784,386	1,092,043
Deposits Guarantee Corporation fees	247,277	159,802
	6,911,432	8,063,830

(24) NET COMMISSION

	2003	2004
Commission income		
Direct credit facilities	60,451	93,282
Indirect credit facilities	3,100,514	3,058,748
Less: Commission expense	95,343	138,399
Net commission	3,065,622	3,013,631

(27) GAIN FROM FINANCIAL ASSETS AND INSTRUMENTS

	2003	2004
Gain from trading investments	5,174,372	2,436,046
Gain from available for sale investments	130,732	375,436
Dividends received	371,473	407,700
	5,676,577	3,219,182

(28) OTHER OPERATING INCOME

	2003	2004
Revaluation gain	471,603	693,558
Foreign currency trading	172,862	309,856
Commission on customers' funds management	1,326,584	707,828
Other income	1,423	1,885
	1,972,472	1,713,127

(29) EMPLOYEES EXPENSES

	2003	2004
Salaries and benefits	1,229,466	1,058,116
Employee Bonus	1,050,000	400,000
Social security	102,109	91,589
Medical expenses	60,556	60,808
Training and research	62,269	25,215
Paid vacations	3,261	2,618
Bank's contribution in social activities fund	14,217	6,985
	<u>2,521,878</u>	<u>1,645,331</u>

(30) OTHER OPERATING EXPENSES

	2003	2004
Rent	215,435	195,309
Consulting and professional fees	168,234	135,287
Stationary and printing	74,420	89,829
Board of directors' transportation	40,167	29,943
Reuters' subscription expense	90,652	76,209
Donations	80,862	56,755
Advertisement	360,122	175,366
Subscriptions, fees and licenses	199,624	202,949
Hospitality	36,260	26,633
Travel and transportation	36,748	30,277
Computer expenses	86,856	53,932
Post, telephone, telex and swift	125,670	127,615
Brinks	13,881	11,133
Internet	3,451	7,951
Maintenance	26,821	19,031
Insurance	66,149	51,546
Subscriptions	62,489	42,306
Others	34,202	26,406
	<u>1,722,043</u>	<u>1,358,477</u>

(31) EARNINGS PER SHARE

	2003	2004
Net income	8,061,827	5,568,252
Weighted average number of shares	34,500,000	34,500,000
Earnings per share	<u>0.234</u>	<u>0.161</u>

((32) CASH AND CASH EQUIVALENTS

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

	2003	2004
Cash on hand and balances at the Central Bank of Jordan	15,280,542	15,178,075
Add: Balances at banks and financial institutions maturing within 3 months	44,326,066	55,914,415
Less: Banks and financial institutions' deposits maturing within 3 months	9,331,805	22,936,610
Restricted cash balance at banks and financial institutions	2,402,652	5,562,771
Net cash and cash equivalents	<u>47,872,151</u>	<u>42,593,109</u>

(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	Total Par Value	Par Value Maturity			
				Within 3 Months	3-12 Months	1-3 Years	Over 3 Years
December 2003							
Derivatives held for trading	62,169	-	35,299,756	35,299,756	-	-	-
Fair value hedging derivatives	-	-	-	-	-	-	-
Cash flow hedging derivatives	-	-	-	-	-	-	-
Hedges of net investments in foreign entities derivatives	-	-	-	-	-	-	-
	<u>62,169</u>	<u>-</u>	<u>35,299,756</u>	<u>35,299,756</u>	<u>-</u>	<u>-</u>	<u>-</u>
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	-	-	-	-	-	-	-
	<u>98,735</u>	<u>-</u>	<u>18,918,844</u>	<u>18,918,844</u>	<u>-</u>	<u>-</u>	<u>-</u>

(34) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	2003			2002		
	Book Value	Fair Value	Difference	Book Value	Fair Value	Difference
Held to maturity investments	20,224,325		20,224,325	-	23,315,406	23,315,406
Direct facilities	179,747,203	*	-	116,126,352	*	-
Banks and financial Institutions' deposits						
Customers' deposit	9,331,805	9,331,805	-	31,027,875	31,027,875	-
Margin accounts	173,077,739	173,077,739	-	132,860,875	132,860,875	-
Loans and advances	47,333,629	47,333,629	-	38,265,827	38,265,827	-
Net difference between Book value and fair-value	26,157,131	26,157,131	-	26,400,293	26,400,293	-
			-			-

* Fair value of credit facilities can not be measured reliably due to the fact that there are no secondary markets to trade such facilities, in addition to the cost and time constraints. Bank's management believes that fair value of credit facilities exceeds its carrying amount.

(35) INTEREST RATE RISK

Sensitivity of interest rates
as of Decembre 31, 2003

	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	-	-	-	-	15,280,542	15,280,542	%	
Balances at Banks and financial institutions	42,327,955	-	-	-	-	1,998,111	44,326,066	2.65
Deposits at Banks and financial institutions	-	-	-	-	-	-	-	
Trading investments	-	-	-	3,869,440	4,779,569	13,307,715	21,956,724	7.88
Credit facilities, net	54,692,590	67,242,076	15,395,894	23,171,042	19,245,601	-	179,747,203	9.47
Available for sale investments	-	2,527,500	6,632,909	11,954,507	2,530,776	102,220	23,747,912	5.96
Held to maturity investments, net	11,232,572	8,991,753	-	-	-	-	20,224,325	2.93
Fixed assets, net	-	-	-	-	-	1,063,367	1,063,367	5.94
Other assets	-	-	-	-	-	2,675,500	2,675,500	-
Total Assets	108,253,117	78,761,329	22,028,803	38,994,989	26,555,946	34,427,455	309,021,639	-
LIABILITIES AND SHAREHOLDERS' EQUITY								
Liabilities								
Banks and financial institutions' deposits	7,697,757	-	-	-	-	1,634,048	9,331,805	2.75
Customers' deposits	138,581,259	6,005,701	1,485,258	1,009,000	7,635,000	18,361,521	173,077,739	3.48
Margin accounts	21,328,544	15,054,136	-	-	-	10,950,949	47,333,629	3.60
Loans and advances	3,020,655	6,730,629	7,668,923	8,073,994	662,930	-	26,157,131	4.33
Sundry Provisions	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	5,414,917	5,414,917	-
Income tax provisions	-	-	-	-	-	1,926,942	1,926,942	-
Total Liabilities	170,628,215	27,790,466	9,154,181	9,082,994	8,297,930	38,288,377	263,242,163	
Shareholders' Equity	-	-	-	-	-	45,779,476	45,779,476	
Total Liabilities and Shareholders' Equity	170,628,215	27,790,466	9,154,181	9,082,994	8,297,930	84,067,853	309,021,639	
Interest rate sensitivity	(62,375,098)	50,970,863	12,874,622	29,911,995	18,258,016	(49,640,398)	-	
Off balance sheet items sensitivity	-	-	-	-	-	-	-	
Cumulative interest rate sensitivity gap	-	(11,404,235)	1,470,387	31,382,382	49,640,398	-	-	

Sensitivity of interest rates
as of Decembre 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	-	-	-	-	15,280,542	15,280,542	%	
Balances at Banks and financial institutions	42,327,955	-	-	-	-	1,998,111	44,326,066	2.65
Deposits at Banks and financial institutions	-	-	-	-	-	-	-	
Trading investments	-	-	-	3,869,440	4,779,569	13,307,715	21,956,724	7.88
Credit facilities, net	54,692,590	67,242,076	15,395,894	23,171,042	19,245,601	-	179,747,203	9.47
Available for sale investments	-	2,527,500	6,632,909	11,954,507	2,530,776	102,220	23,747,912	5.96
Held to maturity investments, net	11,232,572	8,991,753	-	-	-	-	20,224,325	2.93
Fixed assets, net	-	-	-	-	-	1,063,367	1,063,367	5.94
Other assets	-	-	-	-	-	2,675,500	2,675,500	-
Total Assets	108,253,117	78,761,329	22,028,803	38,994,989	26,555,946	34,427,455	309,021,639	-
LIABILITIES AND SHAREHOLDERS' EQUITY								
Liabilities								
Banks and financial institutions' deposits	7,697,757	-	-	-	-	1,634,048	9,331,805	2.75
Customers' deposits	138,581,259	6,005,701	1,485,258	1,009,000	7,635,000	18,361,521	173,077,739	3.48
Margin accounts	21,328,544	15,054,136	-	-	-	10,950,949	47,333,629	3.60
Loans and advances	3,020,655	6,730,629	7,668,923	8,073,994	662,930	-	26,157,131	4.33
Sundry Provisions	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	5,414,917	5,414,917	-
Income tax provisions	-	-	-	-	-	1,926,942	1,926,942	-
Total Liabilities	170,628,215	27,790,466	9,154,181	9,082,994	8,297,930	38,288,377	263,242,163	
Shareholders' Equity	-	-	-	-	-	45,779,476	45,779,476	
Total Liabilities and Shareholders' Equity	170,628,215	27,790,466	9,154,181	9,082,994	8,297,930	84,067,853	309,021,639	
Interest rate sensitivity	(62,375,098)	50,970,863	12,874,622	29,911,995	18,258,016	(49,640,398)	-	
Off balance sheet items sensitivity	-	-	-	-	-	-	-	
Cumulative interest rate sensitivity gap	-	(11,404,235)	1,470,387	31,382,382	49,640,398	-	-	

(35) LIQUIDITY RISK**Decembre 31, 2003**

	Within 1 Month	1-3 Months	3 - 6 Months	6 to 1 Year	1 - 3 Years	Over 3 Years	No Specific Maturity	Total
Cash on hand and balances at the Central Bank of Jordan	-	-	-	-	-	15,280,542	15,280,542	%
Balances at Banks and financial institutions	42,327,955	-	-	-	-	1,998,111	44,326,066	2.65
Deposits at Banks and financial institutions	-	-	-	-	-	-	-	-
Trading investments	-	-	-	3,869,440	4,779,569	13,307,715	21,956,724	7.88
Credit facilities, net	54,692,590	67,242,076	15,395,894	23,171,042	19,245,601	-	179,747,203	9.47
Available for sale investments	-	2,527,500	6,632,909	11,954,507	2,530,776	102,220	23,747,912	5.96
Held to maturity investments, net	11,232,572	8,991,753	-	-	-	-	20,224,325	2.93
Fixed assets, net	-	-	-	-	-	1,063,367	1,063,367	5.94
Other assets	-	-	-	-	-	2,675,500	2,675,500	-
Total Assets	108,253,117	78,761,329	22,028,803	38,994,989	26,555,946	34,427,455	309,021,639	-
LIABILITIES AND SHAREHOLDERS' EQUITY								
Liabilities								
Banks and financial institutions' deposits	7,697,757	-	-	-	-	1,634,048	9,331,805	2.75
Customers' deposits	138,581,259	6,005,701	1,485,258	1,009,000	7,635,000	18,361,521	173,077,739	3.48
Margin accounts	21,328,544	15,054,136	-	-	-	10,950,949	47,333,629	3.60
Loans and advances	3,020,655	6,730,629	7,668,923	8,073,994	662,930	-	26,157,131	4.33
Sundry Provisions	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	5,414,917	5,414,917	-
Income tax provisions	-	-	-	-	-	1,926,942	1,926,942	-
Total Liabilities	170,628,215	27,790,466	9,154,181	9,082,994	8,297,930	38,288,377	263,242,163	
Shareholders' Equity	-	-	-	-	-	45,779,476	45,779,476	
Total Liabilities and Shareholders' Equity	170,628,215	27,790,466	9,154,181	9,082,994	8,297,930	84,067,853	309,021,639	
Liquidity Risk	-	(11,404,235)	1,470,387	31,382,382	49,640,398	-	-	-
Cumulative liquidity risk sensitivity gap	-	(11,404,235)	1,470,387	31,382,382	49,640,398	-	-	-

Decembre 31, 2002

	Within 1 Month	1-3 Months	3 - 6 Months	6 to 1 Year	1 - 3 Years	Over 3 Years	No Specific Maturity	Total
Cash on hand and balances at the Central Bank of Jordan	-	-	-	-	-	15,280,542	15,280,542	%
Balances at Banks and financial institutions	42,327,955	-	-	-	-	1,998,111	44,326,066	2.65
Deposits at Banks and financial institutions	-	-	-	-	-	-	-	-
Trading investments	-	-	-	3,869,440	4,779,569	13,307,715	21,956,724	7.88
Credit facilities, net	54,692,590	67,242,076	15,395,894	23,171,042	19,245,601	-	179,747,203	9.47
Available for sale investments	-	2,527,500	6,632,909	11,954,507	2,530,776	102,220	23,747,912	5.96
Held to maturity investments, net	11,232,572	8,991,753	-	-	-	-	20,224,325	2.93
Fixed assets, net	-	-	-	-	-	1,063,367	1,063,367	5.94
Other assets	-	-	-	-	-	2,675,500	2,675,500	-
Total Assets	108,253,117	78,761,329	22,028,803	38,994,989	26,555,946	34,427,455	309,021,639	-
LIABILITIES AND SHAREHOLDERS' EQUITY								
Liabilities								
Banks and financial institutions' deposits	7,697,757	-	-	-	-	1,634,048	9,331,805	2.75
Customers' deposits	138,581,259	6,005,701	1,485,258	1,009,000	7,635,000	18,361,521	173,077,739	3.48
Margin accounts	21,328,544	15,054,136	-	-	-	10,950,949	47,333,629	3.60
Loans and advances	3,020,655	6,730,629	7,668,923	8,073,994	662,930	-	26,157,131	4.33
Sundry Provisions	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	5,414,917	5,414,917	-
Income tax provisions	-	-	-	-	-	1,926,942	1,926,942	-
Total Liabilities	170,628,215	27,790,466	9,154,181	9,082,994	8,297,930	38,288,377	263,242,163	
Shareholders' Equity	-	-	-	-	-	45,779,476	45,779,476	
Total Liabilities and Shareholders' Equity	170,628,215	27,790,466	9,154,181	9,082,994	8,297,930	84,067,853	309,021,639	
Liquidity Risk	-	(11,404,235)	1,470,387	31,382,382	49,640,398	-	-	-
Cumulative liquidity risk sensitivity gap	-	(11,404,235)	1,470,387	31,382,382	49,640,398	-	-	-

(37) FOREIGN CURRENCIES RISKS

	2003		2002	
	Foreign Currency	Equivalent in JD	Foreign Currency	Equivalent in JD
US Dollar	1,012,673	717,985	(215,747)	(152,965)
Sterling Pound	(13,487)	(17,049)	26,862	30,521
Euro	(964,598)	(862,466)	101,851	75,607
Swiss Franc	25,633	14,706	14,183	7,236
Japanese Yen	(606,337)	(4,021)	2,122,457	12,690
Others	-	150,845	-	42,700

(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:

	2003			2004		
	Assets	Liabilities	Off Balance Sheet Items	Assets	Liabilities	Off Balance Sheet Items
Inside Jordan	268,372,014	297,022,315	63,882,869	216,945,325	258,510,107	51,296,880
Other Arab countries	11,362,900	5,793,587	7,745,778	8,402,583	8,118,933	7,002,029
Asia *	1,664,374	-	12,835,434	-	90,840	17,580,902
Europe	21,475,500	2,186,862	40,841,256	41,370,117	328,891	28,639,848
America	61,146,851	4,018,875	9,853,034	6,700,116	6,369,370	480,212
Others	-	-	-	-	-	264,114
Total	309,021,639	309,021,639	135,158,371	273,418,141	273,418,141	105,263,985

* Excluding Arab Countries

According to segment:

	2003			2004		
	Assets	Liabilities	Off Balance Sheet Items	Assets	Liabilities	Off Balance Sheet Items
Individuals accounts	19,989,336	66,162,535	35,194,120	25,955,622	59,234,209	17,129,020
Corporate accounts	159,757,867	83,869,035	64,205,414	90,170,730	111,892,493	68,484,131
Others	129,274,436	158,990,069	35,758,837	157,291,789	102,291,439	19,650,834
Total	309,021,639	309,021,639	135,158,371	273,418,141	273,418,141	105,263,985

(39) RELATED PARTY TRANSACTIONS

	2003	2004
Balance sheet items		
Direct credit facilities	2,094,604	2,548,653
Deposits at banks	31,521,953	32,643,659
Margin accounts	77,063	91,496
Off balance sheet items		
Indirect credit facilities	4,713,786	60,874
Income statement items		
Interest and commission income	150,959	155,130
Interest and commission expense	1,352,273	1,293,395

(40) OFF BALANCE SHEET ITEMS

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

	2003	2004
Letters of credit	34,881,393	27,340,706
Acceptances	20,438,001	11,242,688
Letters of guarantee	-	-
Payments	4,873,933	10,004,020
Performance	7,590,254	8,522,544
Other	23,108,297	18,492,025
Forward deals in foreign currencies	35,299,756	18,918,844
Non utilized ceilings	8,966,737	10,743,158
	<u>135,158,371</u>	<u>105,263,985</u>

(41) LITIGATION

The Bank is a defendant in a lawsuit filed against it in the normal course of business amounting to JD 1,428,676 and the lawsuit is the Court of Appeal as of December 31, 2003.

The Bank's legal advisor believes that the outcome of the lawsuit will be favourable.

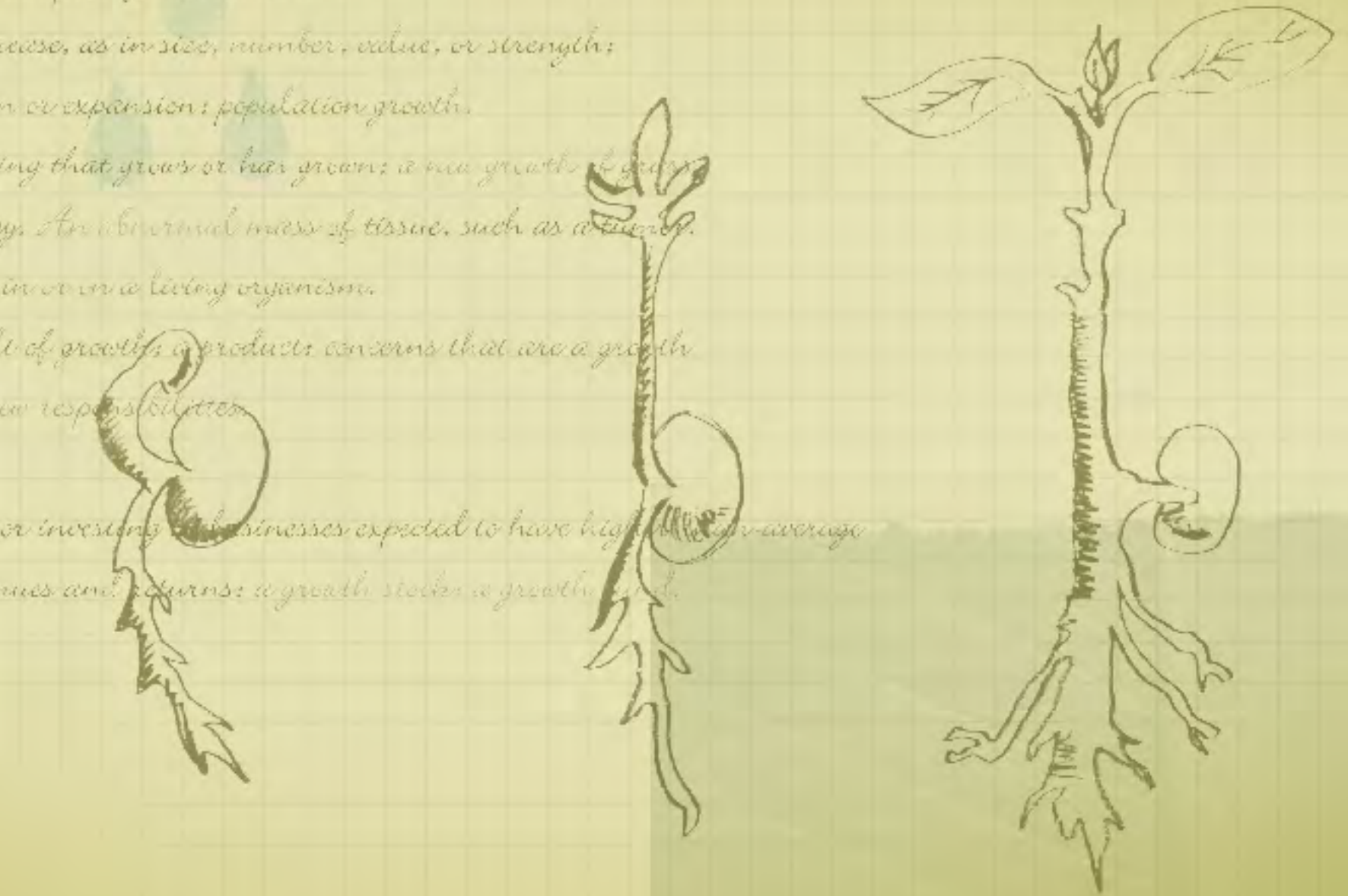
(42) RECLASSIFICATIONS

Some of 2002 balances were reclassified to correspond with 2003 classifications with no effect on net income or shareholders' equity.

1. a. The process of growing.
- b. Full development; maturity.
2. Development from a lower or simpler to a higher or more complex form; evolution.
3. An increase, as in size, number, value, or strength; extension or expansion; population growth.
4. Something that grows or has grown; a new growth; a young plant.
5. Pathology. An abnormal mass of tissue, such as a tumor, growing in or on a living organism.
6. A result of growth; a product; concerns that are a growth of the new responsibilities.

adj.

Expected to have or investing in businesses expected to have high average increases in revenues and returns; a growth stock; a growth fund.



Fig

1. a. The process of growing.
- b. Full development; maturity.
2. Development from a lower or simpler to a higher or more complex form; evolution.
3. An increase, as in size, number, value, or strength.
4. *Scientific Name: Ficus Caribaea*
 A phenomenon of expansion; population growth.
5. Pathology. An abnormal mass of tissue, such as a tumor, growing in or on a living organism.
6. A result of growths a products concerns that are a growth of the new responsibilities.

adj.

Expected to have or investing in businesses expected to have higher than average increases in revenues and returns; a growth stock; a growth fund.



growth

Pronunciation Key (grth)

Family: Oleaceae
 Recommended Temperature Zone
 sunsets 8, 9, 11-24
 Frost Tolerances: Hardy to 10°F
 Heat Tolerances: Heat resistant
 Sun Exposure: full sun
 Origin: Mediterranean basin
 Growth Habits: Tree to 30 feet tall

Olive

Scientific Name: Olea europaea L.

OTHER DISCLOSURES

Family: Oleaceae
 Recommended Temperature Zone
 sunsets 8, 9, 11-24
 Frost Tolerances: Hardy to 10°F
 Heat Tolerances: Heat resistant
 Sun Exposure: full sun
 Origin: Mediterranean basin
 Growth Habits: Tree to 30 feet tall

EXPORT AND FINANCE BANK

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2004

TOGETHER WITH

AUDITORS' REPORT

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

We have audited the accompanying balance sheet of **EXPORT AND FINANCE BANK** (a public shareholding company) as of December 31, 2004 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Bank's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement 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, 2004 and the result of its operations and its cash flows for the year then ended in accordance with 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 4, 2005

EXPORT AND FINANCE BANK**BALANCE SHEET AS OF DECEMBER 31, 2004****(In Jordanian Dinars)**

<u>ASSETS</u>	<u>Notes</u>	<u>2004</u>	<u>2003</u>
Cash on hand and balances at the Central Bank of Jordan	3	30,893,728	15,280,542
Balances at banks and financial institutions	4	80,516,194	44,326,066
Trading investments	5	20,042,659	21,956,724
Credit facilities, net	6	237,791,991	175,354,372
Available for sale investments	7	20,397,395	23,747,912
Held to maturity investments, net	8	12,229,684	20,224,325
Fixed assets, net	9	2,182,129	1,445,090
Other assets	10	<u>12,040,372</u>	<u>6,748,777</u>
Total Assets		<u>416,094,152</u>	<u>309,083,808</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Liabilities -			
Banks and financial institutions' deposits	11	42,952,992	9,331,805
Customers' deposits	12	199,726,546	173,077,739
Margin accounts	13	54,561,568	47,333,629
Loans and borrowings	14	49,879,558	26,157,131
Other liabilities	16	7,665,290	5,477,086
Income tax provision	17	<u>3,702,341</u>	<u>1,926,942</u>
Total Liabilities		<u>358,488,295</u>	<u>263,304,332</u>
Shareholders' Equity -			
Paid in capital	18	41,500,000	34,500,000
Statutory reserve	19	5,279,114	3,646,826
Voluntary reserve	19	3,570,760	2,381,563
Fair value reserve	20	86,152	290,482
Retained earnings	21	<u>7,169,831</u>	<u>4,960,605</u>
Total Shareholders' Equity		<u>57,605,857</u>	<u>45,779,476</u>
Total Liabilities and Shareholders' Equity		<u>416,094,152</u>	<u>309,083,808</u>

The accompanying notes from 1 to 41 are an integral part of these financial statements

EXPORT AND FINANCE BANK**STATEMENT OF INCOME****FOR THE YEAR ENDED DECEMBER 31, 2004****(In Jordanian Dinars)**

	<u>Notes</u>	<u>2004</u>	<u>2003</u>
Interest income	23	18,420,971	15,760,072
Interest expense	24	<u>7,337,676</u>	<u>6,911,432</u>
Net interest income		11,083,295	8,848,640
Net commission	25	<u>4,518,878</u>	<u>3,065,622</u>
Net interest and commission income		<u>15,602,173</u>	<u>11,914,262</u>
Other income -			
Gain from financial assets and instruments	26	7,746,576	5,676,577
Other operating income	27	<u>3,312,702</u>	<u>1,972,472</u>
Total other income		<u>11,059,278</u>	<u>7,649,049</u>
Net operating income		<u>26,661,451</u>	<u>19,563,311</u>
Expenses -			
Employees' costs	28	3,609,090	2,521,878
Other operating expenses	29	2,493,096	1,722,043
Depreciation and amortization		423,011	286,996
Provision for possible loan losses	6	3,813,379	5,048,699
Sundry provisions	15	<u>-</u>	<u>-</u>
Total operating expenses		10,338,576	9,579,616
Excess in sundry provisions	15	<u>-</u>	<u>473,654</u>
Net income before income tax and appropriations		<u>16,322,875</u>	<u>10,457,349</u>
Less: Income tax	17	3,830,395	2,050,506
Jordanian Universities fees		163,229	104,573
Scientific research and vocational training fees		163,229	104,573
Educational, Vocational training and Technical Fund fees		104,787	70,870
Board of directors' remuneration		<u>55,000</u>	<u>65,000</u>
Net income		<u>12,006,235</u>	<u>8,061,827</u>
Earnings per share	30	<u>0.289</u>	<u>0.194</u>

The accompanying notes from 1 to 41 are an integral part of these financial statements

EXPORT AND FINANCE BANK

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2004

(In Jordanian Dinars)

	<u>Paid In Capital</u>	<u>Reserves</u>		<u>Fair value Reserve</u>	<u>Retained Earnings</u>	<u>Total</u>
		<u>Statutory</u>	<u>Voluntary</u>			
Balance as of January 1, 2002	30,000,000	2,601,091	1,558,055	147,229	3,283,998	37,590,373
Increase in capital	4,500,000	-	(1,267,962)	-	(3,232,038)	-
Portion of realized gain on sale of available for sale investment (previously included in retained earnings on adoption of IAS 39)	-	-	-	-	(15,977)	(15,977)
Net income	-	-	-	-	8,061,827	8,061,827
Transfers to reserves	-	1,045,735	2,091,470	-	(3,137,205)	-
Net movement in cumulative changes in fair value reserve	-	-	-	143,253	-	143,253
Balance as of December 31, 2003	<u>34,500,000</u>	<u>3,646,826</u>	<u>2,381,563</u>	<u>290,482</u>	<u>4,960,605</u>	<u>45,779,476</u>
Increase in capital	7,000,000	-	(2,075,378)	-	(4,924,622)	-
Portion of realized gain on sale of available for sale investment (previously included in retained earnings on adoption of IAS 39)	-	-	-	-	24,475	24,475
Net income	-	-	-	-	12,006,235	12,006,235
Transfers to reserves	-	1,632,288	3,264,575	-	(4,896,863)	-
Net movement in cumulative changes in fair value reserve	-	-	-	(204,330)	-	(204,330)
Balance as of December 31, 2004	<u>41,500,000</u>	<u>5,279,114</u>	<u>3,570,760</u>	<u>86,152</u>	<u>7,169,831</u>	<u>57,605,857</u>

The accompanying notes from 1 to 41 are an integral part of these financial statements

EXPORT AND FINANCE BANK**STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED DECEMBER 31, 2004****(In Jordanian Dinars)**

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<u>Notes</u>	<u>2004</u>	<u>2003</u>
Net income before income tax		15,836,630	10,112,333
Adjustments for -			
Depreciation		423,011	286,996
Provision for possible loan losses		3,813,379	5,048,699
Fair value reserve for trading investments		(3,878,530)	(3,344,907)
Effect of exchange rate changes		(676,133)	(471,603)
Excess in sundry provisions		-	(473,654)
		<u>15,518,357</u>	<u>11,157,864</u>
Changes in assets and liabilities -			
(Increase) decrease in restricted balances at banks and financial institutions		(5,983,411)	3,160,119
Decrease in deposits at banks and financial institutions		-	500,000
Increase in credit facilities		(66,250,998)	(68,669,550)
Decrease in trading investments		5,792,595	14,651,713
(Increase) decrease in other assets		(5,291,595)	479,399
Increase (decrease) in banks and financial institutions deposits that mature after three months		2,000,000	(8,091,265)
Increase in customers' deposits		26,648,807	40,216,864
Increase in margin accounts		7,227,939	9,067,802
Increase in other liabilities		<u>2,188,204</u>	<u>485,673</u>
Net cash (used in) from operating activities before income tax		(18,150,102)	<u>2,958,619</u>
Income tax paid		(2,054,996)	(1,993,564)
Net cash (used in) from operating activities		(20,205,098)	<u>965,055</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Sale of available for sale investments		3,170,662	1,276,368
Redemption of held to maturity investments		7,994,641	3,091,081
Purchase of fixed assets		(1,175,245)	(281,903)
Sale of fixed assets		<u>15,196</u>	<u>-</u>
Net cash from investing activities		<u>10,005,254</u>	<u>4,085,546</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from loans		<u>36,001,045</u>	<u>6,947,126</u>
Repayment of loans		<u>(12,278,618)</u>	<u>(7,190,288)</u>
Net cash from (used in) financing activities		<u>23,722,427</u>	(243,162)
Effect of exchange rate changes		676,133	471,603
Net increase in cash and cash equivalents		<u>14,198,716</u>	<u>5,279,042</u>
Cash and cash equivalents, beginning of the year		<u>47,872,151</u>	<u>42,593,109</u>
Cash and cash equivalents, end of the year	31	<u>62,070,867</u>	<u>47,872,151</u>

The accompanying notes from 1 to 41 are an integral part of these financial statements

