



# Annual Report 2000

|  |               |
|--|---------------|
| Ali K. Al-Husry  | Chairman      |
| Fayiz M. Soheimat<br>Managing Director / National Petroleum Company                                      | Vice Chairman |
| Shaker Bin Zeid<br>General Manager / New Work Company  | Members       |
| Bassem K. Salem<br>General Manager / Packaging Industries Company  |               |
| Mohammed M. El-Seif<br>Chairman / El-Seif Development Company  |               |
| Said S. Darwazah<br>Chairman / Hikma Investment  |               |
| Social Security Corporation reperesented by<br>Mem. of the Board of Directors / Yehya Abu Ersheid        |               |
| Arab Potash Company represented by<br>Deputy General Manager for Finance / Anwar O. Al-Masri             |               |
| Jordan Phosphate Mines Company represented by<br>Deputy Managing Director for Finance / Marwan Rishaydat |               |
| Jordan Loan Guarantee Corporation represented by<br>General Manager / Mohammed Said Hamami               |               |
| Investment & Integrated Industries Company represented by<br>Chairman / Elia C. Nuqul                    |               |
| Bayader Trade & Investment Company Ltd. represented by<br>Chairman / Amer M. Fariz                       |               |
| Jaloul Trade & Investment Company represented by<br>General Manager / Mohamed Saleh Hourani              |               |

## Board of Directors

## **EXPORT & FINANCE BANK (EFB) aims to be:**

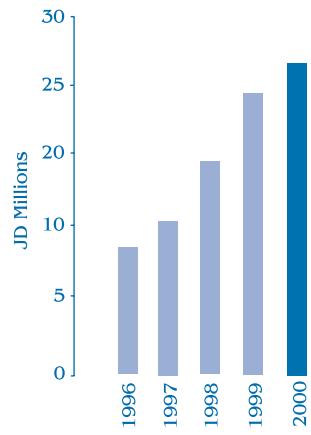
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- **The** first class provider of comprehensive commercial and investment banking services.
- **The** Bank with the innovative edge in Jordan.
- **The** preferred choice for exporters, corporate clients and talented employees.
- **EFB's** core values are dedication to clients, maximization of employees' potential and provision of superior services.
- **EFB** aims to be a major contributor to the growth and development of Jordan's capital market.

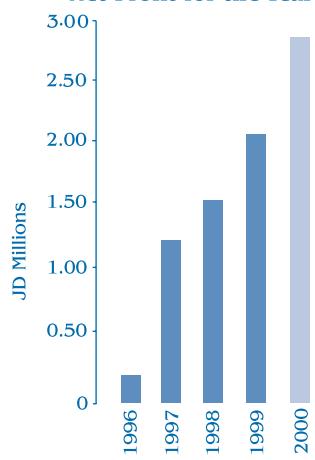
## **EFB's Mission Statement**

# EFB'S Performance in 2000

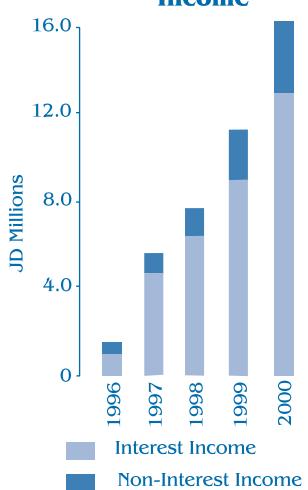
**Shareholders' Equity**

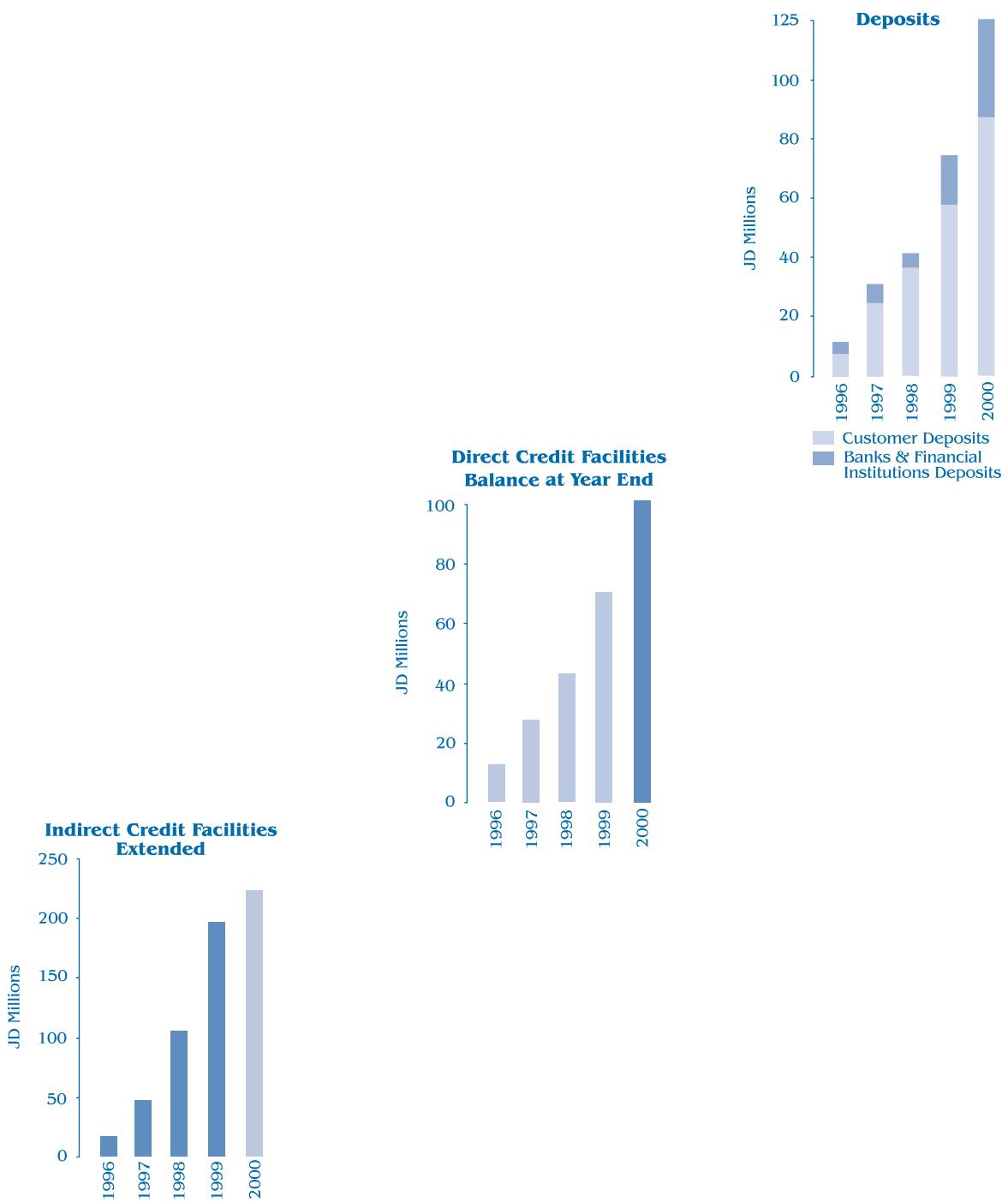


**Net Profit for the Year**



**Income**





“Our results reflect the fundamental and continuing improvement in the Bank's performance in its various activities.”

On behalf of the Board of Directors, I am pleased to present the Fifth Annual Report of the Export and Finance Bank covering the financial year ending December 31, 2000. It was indeed a very good year for the Bank as we once again met our targets, both in terms of profits and return on equity. Our results reflect the fundamental and continuing improvement in the Bank's performance in its various activities. Net income rose 37.3 percent to over JD 2.885 million; total assets grew 48.3 percent to reach over JD 195 million, and return on average equity rose to 11.17 percent.

The year 2000 saw great progress in the country's efforts to tackle a persistent recession. The hard sought structural adjustments appear to have made an impact, and the economy is finally beginning to show signs of life. The drag on demand and profits, as well as eroding consumer confidence, seem to be diminishing, and increased activity in some segments of the economy suggest that growth may be accelerating further. The government has demonstrated its commitment to further economic liberalization including free trade initiatives, privatization, and private sector empowerment.

In parallel to revived economic growth, a number of other factors have coincided forcing banks to reinvent themselves in order to compete. Chief among these is the march of technology, the Internet being its latest and most dramatic manifestation.

## **Chairman & Chief Executive's Statement**

Technology advancements has increased price transparency and forced banks to adopt lower costs and more convenient systems of delivering services to customers. Online banking and other direct delivery channels will become the preferred method for customers to conduct their banking business. In the new economy, banks are recognizing that technology is not just the ability to make a business more efficient, but also is potential to bring forth revolutionary improvements.

It is easy to predict that the development and availability of new technologies will change the face of commercial banking in Jordan, but it is impossible to say just how and when. Innovations in technology are expected to flow thick and fast in the next few years. Bankers will have to be careful that they make the right decisions at the right times because the impact of globalization and the pace of information technology might well mean that they will not get a second chance. Commercial banks are confronted by the danger of losing customers if their rivals offer services and convenience they cannot match. The challenge will be to accept change rather than stability, and to manage this change to serve as an instrument to create opportunity.

Management objectives in the new millennium should be to maximize shareholder value. This necessitates allocating more resources to those activities that add value over time. Less efficient banks providing inferior services are likely to suffer. Jordanian banks will have to understand their products and their customers' needs much better, and invest in technology if they are to survive the onslaught of new competition. The most profitable bank will manage information on markets and clients instead of focusing solely on physical assets. Balance sheet size will no longer be the criteria for success. Markets will reward efficient businesses that add value.

To keep ahead of the competition, our strategy going forward will focus on two major elements. The first is to make substantial investments in the latest technology. We have to provide smarter solutions to a smarter client base. The new information age tendencies like the Internet, e-business, and mobile-banking that characterize the modern world have made it imperative for us to cope with new realities if we ever want to achieve sustainable long-term growth. While we recognize technology's potential, it means nothing if we do not apply it to the business case. In the years ahead, we plan to pursue an aggressive policy of investing in technology that should allow us to better manage information and enhance our customer service. Such investments will include Internet banking, mobile-banking solutions and automated teller machines. Our investments in technology are motivated strategically to ensure effective and superior delivery of services.

The second element of our strategy will be to continue to attract and retain high caliber employees. Such talent would require more than the standard employee package. Banks need to have in place the kind of reward system that keeps the best minds engaged. The emphasis should be on empowerment, where employees will be looking for personal growth rather than security, and where the best are given the chance to innovate, create and implement new ideas.

On behalf of the Export and Finance Bank, I would like to take this opportunity to express our appreciation to our clients and shareholders that have put their trust in our bank. I also extend our gratitude to the Central Bank of Jordan for their support and guidance. Finally, I wish to thank my fellow board members for their contribution and assistance, and the management and staff for their hard work and commitment. Their collective efforts have been instrumental in achieving our notable 2000 results.

**Ali K. Al-Husry**  
Chairman & CEO

The Board of Directors has the pleasure in welcoming the general assembly in its fifth ordinary annual meeting and to present to you the financial statements of the Export and Finance Bank for the year ended on December 31, 2000.

The financials reflect the continuing rapid growth of the Bank's business. Total assets grew by 48.3% to reach JD 195.3 million, total deposits grew by 65% to reach JD 125.4 million and net income after provisions and taxes grew by 37.3% to reach the targeted amount of JD 2.885 million which represents a return on average equity of 11.17%. With increase in the Bank's capability and potential to attract a larger market share after five years of successful operations and sustained growth, the prospects for continuing to achieve good growth rates in the years ahead are promising. In our business plan for the year 2001, we have targeted a further challenging increase of 25-30% in profitability.

The Bank's capital adequacy and liquidity ratios at the end of the year stood at 23.6% and 35%, respectively. Both these ratios are well above international and local regulatory criteria. Nevertheless, we believe that in anticipation of future capital increase requirements, and in order to enhance both local and international confidence in our policies and future strategies, there is a strong business need for further consolidation of our capital base. We therefore take this opportunity to recommend distributing a stock dividend of 15% thus increasing the Bank's paid-up capital to reach JD 25.3 million, and maintaining total shareholder equity at about JD 27 million. We strongly believe that this move towards further consolidation of the Bank's capital base is in the best long-term interest of the Bank's shareholders.

#### CREDIT FACILITIES AND OPERATIONS

Total direct credit facilities grew by 39% over the past year to reach JD 102.3 million. The Bank's net direct credit facilities at the end of 2000 stood at around JD 97.3 million representing approximately 50% of total assets. Indirect credit facilities extended throughout 2000 reached JD 223 million, a growth of 12 percent from the previous year.

## Board of Directors' Report

Due to the narrowing interest spreads of loans to deposits, the Bank continued to focus on fee-based revenue as an important generator of income. Commission income from indirect facilities and other services grew by 60% to reach JD 1.4 million representing 40% of the Bank's total revenues. In addition to the substantial growth in commission income on commercial ancillary business and services, revenues from our other non-lending activities also posted appreciable increases. Revenues from our investment banking and brokerage activities increased by 117%. And revenues from foreign exchange dealings increased by 53%, where the treasury proved once again to be effective and efficient in managing the Banks' dealings in foreign exchange and money market activities. In addition, the treasury provided our clients with financial instruments to hedge against interest rate and currency risk.

The table below illustrates the Bank's loans portfolio according to the various economic sectors.

| SECTOR             | JD MILLION | PERCENT |
|--------------------|------------|---------|
| Manufacturing      | 52.4       | 51.2%   |
| General Trade      | 24.4       | 23.8%   |
| Transport Services | 4.1        | 4.00%   |
| General Services   | 7.1        | 7.00%   |
| Other              | 14.3       | 14.0%   |
| Total              | 102.3      | 100%    |

There have been no major changes in the distribution of the Bank's lending to the various economic sectors over the past year, except for the lending made to general services which increased to 7% in the year 2000 as compared to 3% in 1999. This increase is mainly related to forward securities dealings made for several Bank customers on a fully secured basis. This service, which was introduced in the year 2000 as a new product offered by the Bank's Securities & Brokerage Unit, has made a promising start and is expected to have tremendous growth in future.

In line with the Bank's ongoing business strategy to support export oriented enterprises, manufacturing has remained the main focal point of our lending operations, constituting 51.2% of the total portfolio. We do not regard this ratio as an excessive risk concentration in one particular sector, as the manufacturing companies we deal with are widely diversified.

Specific provisions have risen during the year reaching 2.68% of our gross lending. Non-performing loans amounted to JD 4.9 million representing 4.8% of gross customer advances which is still well within the international banking standards. The Bank has already provided for 56% of the non-performing loans which reflects management's aggressive policy in monitoring and providing for bad debts, and it's keenness to complete transparency.

Nevertheless, the Bank will continue to pursue an expansionary credit policy, and explore business opportunities based on sound and effective risk evaluation principles. We expect the good profitability from our diversified lending business and ancillary operations to be maintained.

## **TRADE SERVICES**

The Bank maintained its leading role in export finance through our extensive relationships with various export credit agencies and export insurance institutions. Total export facilities at year end amounted to JD 54.5 million, accounting for over 53 percent of our direct credit facilities for the year. We increased our activity in utilizing the long term export finance lines offered by the World Bank allocating a cumulative of over JD 8.9 million in credit facilities offered through the program. We continued to be the premier Bank in allocating funds from the Central Bank of Jordan for both project and working capital finance throughout the country which totaled JD 17 million at year end.

With regard to export insurance, we continued to be the most active intermediary in the country of export insurance facilities of the Inter-Arab Investment Guarantee Corporation based in Kuwait, the Islamic Corporation for the Insurance of Investment and Export Credit in Jeddah, and the Jordan Loan Guarantee Corporation.

## **INVESTMENT BANKING**

The Investment Banking Unit assists companies in expanding their capital base by means of offering equity interests to new investors. Furthermore, it provides public companies with additional funding sources through primary offerings of both equity and debt securities. Capital raising transactions are conducted through private placements and public offerings leading to the listing of the shares or notes offered on the local stock exchange.

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 Investment Banking Unit continued to provide a wide range of corporate finance services in 2000 including the arrangements of corporate bond issues, privately placed equity, and providing financial advisory services related to privatization, mergers and acquisitions. Income generated from investment banking services over the year reached over JD 455 thousand. The bank was successful in closing several major transactions throughout the year, including the landmark privatization of the Jordan Telecommunications Company, advising on the strategic acquisition of a 36% stake in Universal Modern Industries Co., and managing the issue of a JD 5 million 5-year bond for Middle East Complex.

The Investment Banking Unit's research division focused on producing publications and studies on individual public shareholding companies, economic conditions, financial markets, and industry developments. During the second half of 2000, the division began publishing a broad range of corporate reports on a weekly basis as well as monthly macroeconomic briefs and portfolio strategy papers. The Unit's research division has played an advisory role to several international funds on Jordanian equity, and has uncovered investment opportunities and strategies to our clients. Building superior research capabilities is an integral part in supporting the activities of the bank, and building its client base.

## **SECURITIES BROKERAGE**

The growth of the activities and services rendered by the Securities Brokerage Unit, in its second full year of operations, has been maintained with nearly 59% increase in revenues attributed to this department, reaching JD 969 thousand for the year 2000 as compared to JOD 610 thousand in the previous year. These revenues 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 on an experimental basis. Thus far, our asset management services have performed remarkably well, despite the recent downturn in the international markets.

However, the downward pressure that characterized the local equity market throughout the past year has slightly diluted the capital gains realized, necessitating the provision of JD 164 thousand against the decline in the market value of short term investments outstanding at the end of the year. This provision represents 1% of the bank's total investment portfolio. These investments, which almost doubled during the year, predominantly represent shares in a diverse range of local blue chip companies for which the outlook is expected to improve in the coming years.

We believe the momentum in the performance of the Securities and Brokerage Unit is sustainable and have targeted further increases in revenues for the year 2001.

## **OUTLOOK**

Looking ahead, our objectives in 2001 will be to continue our march toward becoming a first class provider of comprehensive banking services. In our effort to be the preferred choice for exporters and corporate clients, we plan to open representative offices in key industrial locations. These offices will function primarily as marketing arms for the bank, but will also provide full retail services to our clients.

Continuing to improve the Bank's performance in its various activities will remain our core objective in 2001. We plan to increase direct facilities by around 27% and our indirect facilities by around 26%. Although inter-bank placements will become an increasingly important source of funding, we are targeting to grow customer deposits by an additional 25%. 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 of around 25% - 30%, and a considerable increase in overall shareholder value.

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# **Auditor's Report**

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# **The Financial Statements**

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

**Allied Accountants**  
Certified Public Accountants  
A Member Firm of Andersen Worldwide  
P.O. Box 5552  
Amman 11183  
Hashemite Kingdom of Jordan  
Tel 5526111  
Fax 5538300

We have audited the accompanying balance sheets of Export and Finance Bank (a public shareholding company) as of December 31, 2000 and 1999, 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 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audits provides 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, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with the Law and International Accounting Standards.

Amman - JORDAN  
January 21, 2001

*Allied Accountants*

# BALANCE SHEETS

## AS OF DECEMBER 31, 2000 AND 1999

(In Jordanian Dinars)

|  | NOTES | 2000               | 1999               |
|--|-------|--------------------|--------------------|
| <b>ASSETS</b>  |       |                    |                    |
| Cash on Hand and at Banks                              | 3     | 29,331,363         | 17,004,736         |
| Deposits at Central Bank of Jordan                     | 4     | 26,122,410         | 25,965,402         |
| Government Bonds, debentures and treasury bills        | 5     | 26,322,850         | 7,868,693          |
| Trade Investments, net                                 | 6     | 12,813,706         | 6,236,624          |
| Credit Facilities, net                                 | 7     | 97,204,703         | 71,330,315         |
| Long Term Investments, net                             | 8     | 581,348            | 600,526            |
| Fixed Assets   | 9     | 530,994            | 540,870            |
| Other Assets   | 10    | 2,434,554          | 2,209,616          |
| <b>Total Assets</b>                                    |       | <b>195,341,928</b> | <b>131,756,582</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>            |       |                    |                    |
| <b>Liabilities</b>                                     |       |                    |                    |
| Customers' Deposits                                    | 11    | 86,190,539         | 58,722,662         |
| Banks and Financial Institutions Deposits              | 12    | 39,231,193         | 17,247,449         |
| Loans and Advances                                     | 13    | 19,748,716         | 15,617,058         |
| Margin Accounts  | 14    | 17,218,610         | 11,317,633         |
| Sundry Provisions                                      | 15    | 1,088,939          | 1,293,980          |
| Other Liabilities                                      | 16    | 5,097,889          | 2,686,344          |
| <b>Total Liabilities</b>                               |       | <b>168,575,886</b> | <b>106,885,126</b> |
| Contingent Liabilities                                 | 26    |                    |                    |
| <b>Shareholders' Equity</b>                            | 17    |                    |                    |
| <b>Authorized and subscribed capital JD 22,000,000</b> |       |                    |                    |
| Paid in capital  |       | 22,000,000         | 22,000,000         |
| Statutory Reserve                                      |       | 1,154,916          | 739,040            |
| Voluntary Reserve                                      |       | 1,833,611          | 1,041,859          |
| General Reserve and Retained Earnings                  |       | 1,797,515          | 100,557            |
| Dividends  |       | -                  | 990,000            |
| <b>Total Shareholders' Equity</b>                      |       | <b>26,766,042</b>  | <b>24,871,456</b>  |
| <b>Total liabilities and Shareholders' Equity</b>      |       | <b>195,341,928</b> | <b>131,756,582</b> |

The Accompanying notes are an integral part of these financial statements

# **STATEMENTS OF INCOME**

## **FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999 (In Jordanian Dinars)**

|   | NOTES | <b>2000</b>       | <b>1999</b>       |
|---|-------|-------------------|-------------------|
| <b>Interest and Commission Income</b>                             |       |                   |                   |
| Interest  | 18    | 12,901,143        | 9,356,329         |
| Commissions   | 19    | 1,700,008         | 1,421,486         |
|   |       | <b>14,601,151</b> | <b>10,777,815</b> |
| <b>Interest and Commission Expense</b>                            |       |                   |                   |
| Interest  | 20    | 7,979,127         | 5,751,157         |
| Commissions   |       | 43,197            | 50,404            |
|   |       | <b>8,022,324</b>  | <b>5,801,561</b>  |
| <b>Net Interest and Commission Income</b>                         |       | <b>6,578,827</b>  | <b>4,976,254</b>  |
| Foreign Exchange Income   | 21    | 502,255           | 328,682           |
| Income from Investments   | 22    | 621,167           | 531,392           |
| Other Income  | 23    | 830,499           | 112,248           |
| General and Administrative Expenses                               | 24    | (1,903,387)       | (1,445,203)       |
| Other Expense   |       | (24,005)          | (133,280)         |
|   |       | <b>6,605,356</b>  | <b>4,370,093</b>  |
| <b>Net Income before Provisions</b>                               |       |                   |                   |
| Provision for possible loan losses                                | 7     | (2,482,988)       | (1,001,363)       |
| Provision for decline in value of Investments                     |       | (163,608)         | -                 |
|   |       | <b>3,958,760</b>  | <b>3,368,730</b>  |
| Prior years' income tax   |       | -                 | 1,180             |
| Income tax  | 25    | 930,000           | 1,134,000         |
|   |       | <b>3,028,760</b>  | <b>2,233,550</b>  |
| Board of Directors' remuneration                                  |       | 65,000            | 65,000            |
| Provision for Jordanian Universities fees                         |       | 39,587            | 33,687            |
| Provision for scientific research and vocational training support |       | 39,587            | 33,687            |
|   |       | <b>2,884,586</b>  | <b>2,101,176</b>  |
| <b>Earnings per share</b>   |       | <b>0.131</b>      | <b>0.096</b>      |
| <b>Weighted average number of shares</b>                          |       | <b>22,000,000</b> | <b>22,000,000</b> |

The Accompanying notes are an integral part of these financial statements

# STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

## FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999 (In Jordanian Dinars)

|  | Paid in Capital | Statutory Reserve | Voluntary Reserve | Dividends | General Reserve and Retained Earnings | Total      |
|--|-----------------|-------------------|-------------------|-----------|---------------------------------------|------------|
| <b>Balance as of December 31, 1998</b> | 15,000,000      | 402,167           | 804,335           | -         | 1,563,778                             | 17,770,280 |
| Share capital proceeds                 | 5,000,000       | -                 | -                 | -         | -                                     | 5,000,000  |
| Bonus Issues                           | 2,000,000       | -                 | (436,222)         | -         | (1,563,778)                           | -          |
| Net income                             | -               | -                 | -                 | -         | 2,101,176                             | 2,101,176  |
| Proposed Dividends                     | -               | -                 | -                 | 990,000   | (990,000)                             | -          |
| Appropriations                         |                 | 336,873           | 673,746           | -         | (1,010,619)                           | -          |
| <b>Balance as of December 31, 1999</b> | 22,000,000      | 739,040           | 1,041,859         | 990,000   | 100,557                               | 24,871,456 |
| Net income                             | -               | -                 | -                 | -         | 2,884,586                             | 2,884,586  |
| Dividends paid                         | -               | -                 | -                 | (990,000) | -                                     | (990,000)  |
| Appropriations                         | -               | 395,876           | 791,752           | -         | (1,187,628)                           | -          |
| <b>Balance as of December 31, 2000</b> | 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, 2000 AND 1999 (In Jordanian Dinars)

|   | <b>2000</b>         | <b>1999</b>       |
|---|---------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                         |                     |                   |
| Interest and commissions received                                   | 14,453,695          | 11,036,526        |
| Interest and commissions paid                                       | (7,420,586)         | (5,433,053)       |
| General and administrative expenses paid                            | (1,620,545)         | (1,214,496)       |
| Other income received   | 1,556,414           | 693,198           |
|   | <b>6,968,978</b>    | <b>5,082,175</b>  |
| <b>Decrease (increase) in operating assets</b>                      |                     |                   |
| Trade investments   | (6,689,734)         | (3,572,100)       |
| Credit facilities   | (28,381,327)        | (30,061,724)      |
| Other assets  | 40,577              | (1,325,865)       |
| <b>Increase (decrease) in operating liabilities</b>                 |                     |                   |
| Customers' deposits   | 27,467,877          | 21,673,711        |
| Banks and financial institutions deposits                           | 21,983,744          | 13,290,628        |
| Loans and advances  | 4,131,658           | 5,230,127         |
| Margin accounts   | 5,900,977           | (1,830,880)       |
| Sundry provisions   | (145,215)           | (50,801)          |
| Other liabilities   | 1,575,338           | (1,162,163)       |
| Income tax paid   | (1,134,000)         | (701,180)         |
|   | <b>31,718,873</b>   | <b>6,571,928</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                         |                     |                   |
| Purchase (sales) of government bonds, debentures and treasury bills | (18,454,157)        | 4,531,009         |
| Purchase of long term investments                                   | (8,027)             | (500,326)         |
| Purchase of fixed assets  | (156,552)           | (78,924)          |
| Income from investment portfolios                                   | 86,157              | 20,205            |
|   | <b>(18,532,579)</b> | <b>3,771,964</b>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                         |                     |                   |
| Dividends paid  | (990,000)           | -                 |
| Share capital proceeds  | -                   | 5,000,000         |
|   | <b>(990,000)</b>    | <b>5,000,000</b>  |
| <b>Net increase in cash</b>   |                     |                   |
| Difference of exchange  | 12,196,294          | 15,343,892        |
|   | <b>287,541</b>      | <b>177,303</b>    |
| Cash and cash equivalents, beginning of the year                    | 42,970,138          | 27,448,943        |
|   | <b>55,453,773</b>   | <b>42,970,138</b> |

The Accompanying notes are an integral part of these financial statements

# **NOTES TO THE FINANCIAL STATEMENTS**

## **DECEMBER 31, 2000 AND 1999** *(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. The Bank was granted the license to operate on November 22, 1995 and commenced its banking operations on January 1, 1996.

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 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 brokerage deals in Amman Stock Exchange.

The financial statements were authorized for issue by the Bank's Board of Directors in their meeting held on January 31, 2001.

### **(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Bank follows the accounting and reporting standards prescribed by the Central Bank of Jordan and the International Accounting Standards Committee. The presentation of the accompanying financial statements conform to the guidelines provided by the Central Bank of Jordan under the historical cost conversion. The following are the significant accounting policies followed by the Bank:

#### **Revenue and expense recognition**

Income and expenses are recognized on the accrual basis except dividends income which are recorded as an income only when received.

#### **Government bonds, debentures and treasury bills**

Investments in government bonds, debentures and treasury bills are stated at cost plus or minus net issuance premium or discount.

### **Trade investments**

Trade investments are stated at the lower of aggregate cost or market. Gains and losses on sale of investments are recognized upon the completion of the transactions.

### **Long term investments**

Long term investments are stated at cost. Provision for decline in value of such investments is taken individually when the financial positions of the investees become permanently impaired.

### **Fixed assets**

Fixed assets are stated at cost and are depreciated over their estimated useful lives using the straight line method at annual rates ranging from 2.5% to 20%.

### **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.

### **Provision for possible loan losses**

The provision for possible loan losses is based on the Bank's management estimate. The estimates are reviewed periodically by the Bank's management taking into consideration the instructions and regulations of the Central Bank of Jordan.

### **Interest in suspense**

Based on the instructions and regulations of the Central Bank of Jordan loans are placed on non performing status when principal or interest is five months or more past due. Past due interest on loans is credited to a suspense account at the time the related loans are placed on non performing status.

### **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, 2000. 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.

## **Financial Instruments**

Financial Instruments include both on and off balance sheet instruments

### **1) On-balance sheet financial instruments**

On balance sheet financial instruments include cash at banks, deposits at the Central Bank of Jordan, trading and investment securities, loans and advances, deposits, due to banks and other assets/liabilities.

The fair value of on-balance sheet financial instruments except for investment securities and loans and advances are not significantly different than the carrying values included in the financial statements.

The fair value of investments securities is based on quoted market prices or pricing models with the exception of unquoted equity investments which are based on their latest financial statements.

Due to the lack of secondary market, it is not practical to determine the fair value of loans and advances to customers with sufficient reliability. It's the Bank's management view that the fair value of loans is not below its carrying value.

The maximum credit risk from on balance sheet financial instruments is equal to the carrying values disclosed in the accompanying financial statements excluding the fair value of collaterals received

### **2) Off-balance sheet financial instruments**

Off-balance sheet financial instruments include letters of credit and guarantee and derivatives products such as futures, forwards and currency swaps and option transactions undertaken by the Bank.

Off-balance sheet trading financial instruments are carried in the balance sheet at their fair value which is derived from market values. Realized and unrealized gains and losses from off-balance sheet trading financial instruments are included in interest income or expense and foreign currency transactions in the statements of income.

**(3) CASH ON HAND AND AT BANKS**

|  | <b>2000</b> | <b>1999</b> |
|--|-------------|-------------|
| Cash on hand   | 1,271,428   | 912,261     |
| Deposits with local banks and financial institutions   | 430,074     | 1,043,544   |
| Deposits with foreign banks and financial institutions | 27,629,861  | 15,048,931  |
|  | 29,331,363  | 17,004,736  |

**(4) DEPOSITS AT THE CENTRAL BANK OF JORDAN**

Deposits at the Central Bank of Jordan include a statutory cash reserve in foreign currencies equal to JD 2,926,756 and JD 1,988,529 as of December 31, 2000 and 1999 respectively.

Deposits at the Central Bank of Jordan include a statutory reserve of JD 4,193,503 and JD 4,676,873 as of December 31, 2000 and 1999 respectively.

Deposits at the Central Bank of Jordan include certificates of deposit amounting to JD 16,000,000 and JD 19,300,000 as of December 31, 2000 and 1999 respectively.

**(5) GOVERNMENT BONDS, DEBENTURES AND TREASURY BILLS**

|                          | <b>2000</b> | <b>1999</b> |
|--------------------------|-------------|-------------|
| Government bonds         | 1,149,990   | 1,346,650   |
| Treasury bills and bonds | 21,170,618  | 2,047,010   |
| Water Authority bonds    | 2,807,013   | 3,005,993   |
| Development bonds        | 1,195,229   | 1,469,040   |
|                          | 26,322,850  | 7,868,693   |

Treasury and development bonds mature during the years 2001 to 2005, while government bonds mature during the year 2025.

Water authority bonds mature during the year 2003 and 2006.

The market value of the government bonds as of December 31, 2000 and 1999 amounted to JD 1,268,047 and JD 1,492,448 respectively.

**(6) TRADE INVESTMENTS**

|   | <b>2000</b>       | <b>1999</b>      |
|---|-------------------|------------------|
| Local shares                                  | 5,106,288         | 2,943,047        |
| Local bonds                                   | 7,740,613         | 3,194,095        |
| Traded government bonds                       | 103,408           | 99,482           |
|   | <b>12,950,309</b> | <b>6,236,624</b> |
| Provision for decline in value of investments | (136,603)         | -                |
|   | <b>12,813,706</b> | <b>6,236,624</b> |

The market value of the local shares as of December 31, 2000 and 1999 were JD 4,863,616 and JD 2,948,551 respectively, while the market value of local bonds as of December 31, 2000 and 1999 amounted to JD 7,845,865 and JD 3,240,052 respectively.

The market value of traded government bonds as of December 31, 2000 and 1999 equivalent to JD 104,223 and JD 106,846 respectively.

**(7) CREDIT FACILITIES**

|  | <b>2000</b>        | <b>1999</b>       |
|--|--------------------|-------------------|
| Discounted bills                         | 34,448,159         | 25,366,265        |
| Overdrafts                               | 14,842,787         | 11,170,650        |
| Loans and advances                       | 52,969,978         | 37,020,038        |
|  | <b>102,260,924</b> | <b>73,556,953</b> |
| Less: Allowance for possible loan losses | (4,438,892)        | (1,955,904)       |
| Interest and commission in suspense      | (617,329)          | (270,734)         |
|  | <b>97,204,703</b>  | <b>71,330,315</b> |

Credit facilities granted to the government and guaranteed by the government as of December 31, 1999 amounted to JD 602,452 (year 2000, none).

Credit facilities granted to exporters as of December 31, 2000 and 1999 amounted to JD 54,530,000 and JD 39,141,000 respectively.

Credit facilities granted to governmental institutions as of December 31, 2000 and 1999 amounted to JD 3,541,166 and JD 2,746,167 respectively.

The movements on the allowance for possible loan losses were as follows:

|                               | <b>2000</b>      | <b>1999</b>      |
|-------------------------------|------------------|------------------|
| Opening balance at January 1, | 1,955,904        | 954,541          |
| Provision for the year        | 2,482,988        | 1,001,363        |
|                               | <b>4,438,892</b> | <b>1,955,904</b> |

The allowance for possible loan losses consists of the following:

|                    | <b>2000</b>      | <b>1999</b>      |
|--------------------|------------------|------------------|
| General provision  | 1,700,021        | 1,278,874        |
| Specific provision | 2,738,871        | 677,030          |
|                    | <b>4,438,892</b> | <b>1,955,904</b> |

The movements on the interest and commission in suspense were as follows:

|   | <b>2000</b>    | <b>1999</b>    |
|---|----------------|----------------|
| Opening balance at January 1,             | 270,734        | 4,539          |
| Interest suspended during the year        | 402,423        | 266,195        |
| Less: Interest suspended on settled loans | 55,828         | -              |
|   | <b>617,329</b> | <b>270,734</b> |

Non performing credit facilities as defined by the Central Bank of Jordan's instructions which their interest were suspended as of December 31, 2000 and 1999 amounted to JD 4,911,257 and JD 2,636,272 respectively.

**Credit facilities granted by sector are set forth below:**

|                                 | <b>2000</b> | <b>1999</b> |
|---------------------------------|-------------|-------------|
| Manufacturing and mining        | 52,397,795  | 41,016,244  |
| General trade                   | 24,352,030  | 17,253,689  |
| Transportation services         | 4,074,978   | 3,478,431   |
| Services                        | 2,015,073   | 2,236,932   |
| Agriculture                     | 1,854,748   | 1,614,109   |
| Construction                    | 2,395,898   | 1,814,137   |
| Tourism, hotels and restaurants | 796,967     | 604,771     |
| Other                           | 14,373,435  | 5,538,640   |
|                                 | 102,260,924 | 73,556,953  |

**(8) LONG TERM INVESTMENT**

|   | <b>2000</b> | <b>1999</b> |
|---|-------------|-------------|
| Investment in local companies' shares         | 100,000     | 100,000     |
| Investment in foreign companies' bonds        | 508,353     | 500,326     |
|   | 608,353     | 600,326     |
| Provision for decline in value of investments | (27,005)    | -           |
|   | 581,348     | 600,326     |

Investment in foreign companies' bonds mature during the years 2004 to 2009.

The market value of investment in foreign companies bonds as of December 31, 2000 and 1999 amounted to JD 481,348 and JD 475,286 respectively. The Bank intends to keep this investment until its maturity.

**(9) FIXED ASSETS**

|                                | <b>2000</b>      | <b>1999</b>    |
|--------------------------------|------------------|----------------|
| Furniture and fixture          | 146,152          | 125,288        |
| Equipment                      | 100,892          | 85,178         |
| Vehicles                       | 3,600            | 3,600          |
| Computers                      | 620,003          | 500,029        |
| Installations                  | 155,631          | 155,631        |
|                                | <b>1,026,278</b> | <b>869,726</b> |
| Less: Accumulated depreciation | (495,284)        | ( 328,856)     |
|                                | <b>530,994</b>   | <b>540,870</b> |

**(10) OTHER ASSETS**

|  | <b>2000</b>      | <b>1999</b>      |
|--|------------------|------------------|
| Establishment and pre-operating expenses               | -                | 42,345           |
| Brokerage office receivables                           | 640,463          | 858,545          |
| Accrued interest and commission income                 | 956,441          | 629,597          |
| Brokerage office license in Amman Stocks Exchange, net | 146,969          | 187,060          |
| Capital increase fees                                  | 150,722          | 194,645          |
| Prepaid expense  | 103,449          | 38,419           |
| Advance payment  | 273,858          | 41,218           |
| Refundable deposits                                    | 2,472            | 4,066            |
| Other  | 160,180          | 213,721          |
|  | <b>2,434,554</b> | <b>2,209,616</b> |

**(11) CUSTOMERS' DEPOSITS**

|                                      | <b>2000</b> | <b>1999</b> |
|--------------------------------------|-------------|-------------|
| Current accounts and demand deposits | 10,717,866  | 4,805,834   |
| Time, notice and saving deposits     | 61,098,360  | 43,847,828  |
| Certificates of deposit              | 14,374,313  | 10,069,000  |
|                                      | 86,190,539  | 58,722,662  |

Non interest bearing deposits as of December 31, 2000 and 1999 amounted to JD 5,763,737 and JD 3,173,527 respectively.

Governmental institutions' deposits as of December 31, 2000 and 1999 were JD 28,514,417 and JD 22,961,633 respectively.

Dormant deposits amounted to JD 16,921 and JD 31, 752 as of December 31, 2000 and 1999 respectively.

**(12) BANKS AND FINANCIAL INSTITUTIONS DEPOSITS**

|         | Current accounts and<br>demand deposits |             | Deposits due within one<br>year |             | Certificates of Deposit |             | Total       |             |
|---------|---|-------------|---------------------------------|-------------|-------------------------|-------------|-------------|-------------|
|         | <b>2000</b>                             | <b>1999</b> | <b>2000</b>                     | <b>1999</b> | <b>2000</b>             | <b>1999</b> | <b>2000</b> | <b>1999</b> |
| Local   | 6,123,107                               | 4,395,740   | 19,033,766                      | 4,782,984   | 12,190,000              | 4,650,000   | 37,346,873  | 13,828,724  |
| Foreign | 1,874,947                               | 1,525,384   | 9,373                           | 643,341     | -                       | 1,250,000   | 1,884,320   | 3,418,725   |

**(13) LOANS AND ADVANCES**

|                                 | <b>2000</b>       | <b>1999</b>       |
|---------------------------------|-------------------|-------------------|
| Central Bank of Jordan advances | 10,982,849        | 10,557,967        |
| Foreign loans and advances      | 8,765,867         | 5,059,091         |
|                                 | <b>19,748,716</b> | <b>15,617,058</b> |

Central Bank of Jordan advances mature during the years 2001 to 2005.

Foreign loans and advances mature during the years 2001 to 2006.

**(14) MARGIN ACCOUNTS**

|                     | <b>2000</b>       | <b>1999</b>       |
|---------------------|-------------------|-------------------|
| Direct facilities   | 9,363,320         | 6,632,030         |
| Indirect facilities | 7,855,290         | 4,685,603         |
|                     | <b>17,218,610</b> | <b>11,317,633</b> |

**(15) SUNDY PROVISIONS**

|   | <b>2000</b>      | <b>1999</b>      |
|---|------------------|------------------|
| Provision for income tax  | 930,000          | 1,134,000        |
| Provision for Jordanian Universities fees                         | 39,587           | 56,639           |
| Provision for scientific research and vocational training support | 39,587           | 38,341           |
| Board of directors' remuneration                                  | 65,000           | 65,000           |
| Others  | 14,765           | -                |
|   | <b>1,088,939</b> | <b>1,293,980</b> |

The movements on the provision for income tax for the years 2000 and 1999 were as follows:

|                                       | <b>2000</b>      | <b>1999</b>      |
|---------------------------------------|------------------|------------------|
| Opening balance at January 1          | 1,134,000        | 700,000          |
| Provision for income tax for the year | 930,000          | 1,134,000        |
|                                       | <b>2,064,000</b> | <b>1,834,000</b> |
| Income tax                            | (1,134,000)      | (700,000)        |
|                                       | <b>930,000</b>   | <b>1,134,000</b> |

**(16) OTHER LIABILITIES**

|  | <b>2000</b> | <b>1999</b> |
|--|-------------|-------------|
| Accrued interest and commission expenses     | 1,363,425   | 761,688     |
| Interest and commissions received in advance | 1,065,910   | 886,522     |
| Accrued expenses                             | 156,780     | 101,695     |
| Certified cheques                            | 157,866     | 140,316     |
| Accrued government fees                      | -           | 216,752     |
| Cheques under collections                    | 1,562,822   | 239,852     |
| Brokerage office payables                    | 37,593      | 91,629      |
| Deferred revenue                             | 252,347     | -           |
| Checks payable                               | 306,383     | 26,723      |
| Other  | 194,763     | 221,167     |
|  | 5,097,889   | 2,686,344   |

**(17) SHAREHOLDERS' EQUITY**

**Proposed capital increase**

The Board of Directors will propose to the General Assembly, in its extra-ordinary meeting to be held during 2001, to increase the Bank's capital by JD 3,300,000 through a bonus shares issuance by capitalizing part of the voluntary reserve and General reserve.

**Statutory reserve**

This represents cumulative annual appropriations at 10% of net income. This reserve is not available for distribution.

**Voluntary reserve**

This represents cumulative annual appropriations not exceeding 20% of net income. This reserve is available for distribution to shareholders.

### **General reserve and retained earnings**

Accumulated amounts included in this account represent the cumulative balance of net income after making appropriations to the statutory and voluntary reserves and net of dividends. This reserve is available for distribution to shareholders.

### **Dividends paid**

The General Assembly, in its meeting held during 2000, approved the distribution of JD 990,000 in dividends.

### **(18) INTEREST INCOME**

|  | <b>2000</b>       | <b>1999</b>      |
|--|-------------------|------------------|
| <b>Credit facilities</b>                         |                   |                  |
| Discounted bills                                 | 3,195,482         | 2,056,114        |
| Overdrafts                                       | 1,611,567         | 1,306,423        |
| Loans and advances                               | <u>4,332,212</u>  | <u>3,007,863</u> |
|  | 9,139,261         | 6,370,400        |
| Interest on bonds, debentures and treasury bills | 1,665,577         | 1,039,357        |
| Interest on bank accounts                        | <u>2,096,305</u>  | <u>1,946,572</u> |
|  | 3,761,882         | 2,985,929        |
|  | <u>12,901,143</u> | <u>9,356,329</u> |

### **(19) COMMISSION INCOME**

|                            | <b>2000</b>      | <b>1999</b>      |
|----------------------------|------------------|------------------|
| Direct credit facilities   | 268,741          | 525,916          |
| Indirect credit facilities | <u>1,431,267</u> | <u>895,570</u>   |
|                            | <u>1,700,008</u> | <u>1,421,486</u> |

**(20) INTEREST EXPENSE**

|   | <b>2000</b>      | <b>1999</b>      |
|---|------------------|------------------|
| Current accounts and demand deposits      | 149,213          | 73,856           |
| Time and notice deposits                  | 3,968,201        | 3,442,917        |
| Certificates of deposit                   | 1,272,312        | 543,439          |
|   | <b>5,389,726</b> | <b>4,060,212</b> |
| Banks and financial institutions deposits | 1,829,256        | 1,690,945        |
| Banks certificates of deposit             | 725,525          | -                |
| Deposits guarantee fees                   | 34,620           | -                |
|   | <b>2,589,401</b> | <b>1,690,945</b> |
|   | <b>7,979,127</b> | <b>5,751,157</b> |

**(21) FOREIGN EXCHANGE INCOME**

|  | <b>2000</b>    | <b>1999</b>    |
|--|----------------|----------------|
| Income from foreign currencies trading | 214,914        | 151,379        |
| Difference of exchange                 | 287,341        | 177,303        |
|  | <b>502,255</b> | <b>328,682</b> |

**(22) INCOME FROM INVESTMENTS**

|   | Dividends      | Income<br>from<br>sale<br>of shares<br>& bonds | Total          | Dividends     | Income<br>from<br>sale<br>of shares<br>& bonds | Total          |
|---|----------------|--|----------------|---------------|--|----------------|
|   | <b>2000</b>    |  |                | <b>1999</b>   |  |                |
|   |                |  |                |               |  |                |
| Government bonds,<br>debentures and<br>treasury bills | -              | 81,159   | 81,159         | -             | 20,205   | 20,205         |
| Trade investments                                     | 97,280         | 437,728  | 535,008        | 76,743        | 434,444  | 511,187        |
| Long term investments                                 | 5,000          | -  | 5,000          | -             | -  | -              |
|   | <b>102,280</b> | <b>518,887</b>                                 | <b>621,167</b> | <b>76,743</b> | <b>454,649</b>                                 | <b>531,392</b> |

**(23) OTHER INCOME**

|                                | <b>2000</b> | <b>1999</b> |
|--------------------------------|-------------|-------------|
| Investment department revenues | 705,217     | 78,898      |
| Others                         | 125,282     | 33,350      |
|                                | 830,499     | 112,248     |

**(24) GENERAL AND ADMINISTRATIVE EXPENSES**

|  | <b>2000</b> | <b>1999</b> |
|--|-------------|-------------|
| Salaries, wages and other benefits     | 741,722     | 590,155     |
| Employee rewards                       | 150,000     | 100,000     |
| Rent and building maintenance expenses | 135,710     | 140,625     |
| Depreciation and amortisation          | 208,773     | 185,909     |
| Consulting and professional fees       | 43,400      | 30,094      |
| Travel and transportation              | 34,100      | 13,214      |
| Stationary and printings               | 40,855      | 41,935      |
| Board of directors' transportation     | 29,764      | 29,437      |
| Reuters expense                        | 68,047      | 67,007      |
| Taxes and fees                         | 142,661     | 59,912      |
| Advertisement                          | 68,750      | 39,906      |
| Subscriptions                          | 74,580      | 27,568      |
| Entertainment                          | 16,827      | 14,143      |
| Computer expenses                      | 40,582      | 48,660      |
| Training                               | 21,858      | -           |
| Donations                              | 22,013      | 38,221      |
| Other                                  | 63,745      | 18,417      |
|  | 1,903,387   | 1,445,203   |

**25) INCOME TAX**

Income tax liability for 1999 was computed in accordance with the Income Tax Law no. (57) of 1985 and its subsequent amendments, the latest being Law Number (14) of 1995 which came into effect on January 1, 1996 and the Bank's law for the year 2000.

The Bank settled its income tax liabilities up to December 31, 1999.

**(26) CONTINGENT LIABILITIES**

|                                | <b>2000</b>       | <b>1999</b>       |
|--------------------------------|-------------------|-------------------|
| Letters of credit              | 22,630,118        | 12,242,097        |
| Letters of guarantee           | 22,082,420        | 16,645,208        |
| Time drafts                    | 5,835,313         | 4,153,579         |
| Forward foreign exchange deals | 21,845,562        | 726,997           |
|                                | <b>73,113,413</b> | <b>33,767,881</b> |

**(27) FOREIGN CURRENCIES POSITION**

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 as follows:

|   | <b>2000</b>       | <b>1999</b>       |
|---|-------------------|-------------------|
| <b>Assets</b>                                   |                   |                   |
| Cash on hand and at banks                       | 31,416,943        | 17,209,558        |
| Government bonds, debentures and treasury bills | 1,149,990         | 1,346,650         |
| Trade investments                               | 220,455           | 234,982           |
| Credit facilities                               | 14,702,336        | 13,550,529        |
| Long term investment                            | 508,353           | 500,326           |
| Other assets                                    | 457,094           | 194,315           |
|   | <b>48,455,171</b> | <b>33,036,360</b> |
| <b>Liabilities</b>                              |                   |                   |
| Customers' deposits                             | 31,906,653        | 17,267,868        |
| Banks and financial institutions deposits       | 7,973,652         | 5,397,142         |
| Loan and advances                               | -                 | 1,044,924         |
| Margin accounts                                 | 6,003,002         | 4,776,370         |
| Other liabilities                               | 721,431           | 264,283           |
|   | <b>46,604,738</b> | <b>28,750,587</b> |
| <b>Net position</b>                             | <b>1,850,433</b>  | <b>4,285,773</b>  |

**(29) GEOGRAPHICAL DISTRIBUTIONS OF BALANCE SHEET MAIN CAPTIONS**

|                           | Inside Jordan | Outside Jordan | Inside Jordan | Outside Jordan |
|---------------------------|---------------|----------------|---------------|----------------|
|                           | 2000          |                | 1999          |                |
| Cash on hand and at banks | 27,823,912    | 27,629,861     | 27,921,207    | 15,048,931     |
| Long term investment      | 100,000       | 508,353        | 100,000       | 500,326        |
| Loans and advances        | 10,982,849    | 8,765,867      | 10,557,967    | 5,059,019      |

All other balance sheet captions are inside Jordan.

**(30) MATURITY OF ASSETS AND LIABILITIES**

|   | Due within<br>one year | From<br>one year to<br>two years | Over<br>Two year | Total       |
|---|------------------------|----------------------------------|------------------|-------------|
| <b>Assets</b>                                   |                        |                                  |                  |             |
| Cash and cash equivalents                       | 55,453,773             | -                                | -                | 55,453,773  |
| Government bonds, debentures and treasury bills | 16,647,409             | 52,530                           | 9,622,911        | 26,322,850  |
| Trade investments                               | 12,813,706             | -                                | -                | 12,813,706  |
| Credit facilities                               | 78,515,293             | 6,642,617                        | 12,046,793       | 97,204,703  |
| Long term investment                            | -                      | -                                | 581,348          | 581,348     |
| Fixed assets                                    | -                      | -                                | 530,994          | 530,994     |
| Other assets                                    | 2,434,554              | -                                | -                | 2,434,554   |
|   | 165,864,735            | 6,695,147                        | 22,782,046       | 195,341,928 |
| <b>Liabilities</b>                              |                        |                                  |                  |             |
| Customers' deposits                             | 81,190,539             | 5,000,000                        | -                | 86,190,539  |
| Banks and financial institutions deposits       | 36,231,193             | 3,000,000                        | -                | 39,231,193  |
| Loans and advances                              | 6,192,109              | 5,583,713                        | 7,972,894        | 19,748,716  |
| Margin accounts                                 | 17,218,610             | -                                | -                | 17,218,610  |
| Sundry provisions                               | 1,088,939              | -                                | -                | 1,088,939   |
| Other liabilities                               | 5,097,889              | -                                | -                | 5,097,889   |
|   | 147,019,279            | 13,583,713                       | 7,972,894        | 168,575,886 |

**(30) RELATED PARTY TRANSACTIONS**

|                            | <b>2000</b> | <b>1999</b> |
|----------------------------|-------------|-------------|
| Indirect credit facilities | 183,434     | 1,447,286   |
| Direct credit facilities   | 3,651,953   | 4,713,399   |
| Customers' deposits        | 25,940,913  | 21,526,187  |
| Interest expense           | 1,345,369   | 1,771,338   |
| Interest income            | 270,552     | 322,489     |

**(31) FINANCIAL INSTRUMENTS****On balance sheet financial instrument/ Interest rate risk**

Interest rate risk is the uncertainty of future earnings resulting from fluctuations in interest rates. The rate risk arises when there is mismatch in the assets, liabilities positions which are subject to interest rate adjustment within a specific period. The most important source of such rate risk is the Banks lending, facilities and investment activities, where fluctuations in interest rates are reflected in interest margins and earnings.

Management monitors these risks by reviewing interest rates on assets and liabilities as part of a risk management strategy.

Interest rate gap is a common measure of rate risk. A positive gap occurs when more assets than liabilities are subject to rate changes during a prescribed period of time. A negative gap occurs in the opposite situation. The interest rate gap position and term to maturity for on balance sheet financial instruments, as of December 31, 2000 are as follows:

|  | Interest Sensitive    |                   | Non-Interest<br>Sensitive | Total       |
|--|-----------------------|-------------------|---------------------------|-------------|
|  | Within<br>one<br>year | Over one<br>year  |                           |             |
| <b>Assets</b>                                    |                       |                   |                           |             |
| Cash on hand and at banks                        | 28,059,935            | -                 | 1,271,428                 | 29,331,363  |
| Deposits at the Central Bank of Jordan           | 16,000,000            | -                 | 10,122,410                | 26,122,410  |
| Government bonds, debentures and treasury bills  | 16,647,409            | 9,675,441         | -                         | 26,322,850  |
| Trade investments, net                           | 7,844,021             | -                 | 4,696,685                 | 12,813,706  |
| Credit facilities, net                           | 78,515,293            | 18,689,410        | -                         | 97,204,703  |
| Long term investments, net                       | -                     | 481,348           | 100,000                   | 581,348     |
| Fixed assets                                     | -                     | -                 | 530,994                   | 530,994     |
| Other assets                                     | -                     | -                 | 2,434,554                 | 2,434,554   |
|  | 147,066,658           | 28,846,199        | 19,429,071                | 195,341,928 |
| <b>Liabilities</b>                               |                       |                   |                           |             |
| Customers' deposits                              | 80,426,802            | -                 | 5,763,737                 | 86,190,539  |
| Banks and financial institutions deposits        | 36,231,193            | 3,000,000         | -                         | 39,231,193  |
| Loan and advances                                | 6,192,109             | 13,556,607        | -                         | 19,748,716  |
| Margin accounts                                  | 9,363,320             | -                 | 7,855,290                 | 17,218,610  |
| Sundry provisions                                | -                     | -                 | 1,088,939                 | 1,088,939   |
| Other liabilities                                | -                     | -                 | 5,097,889                 | 5,097,889   |
| Shareholders' equity                             | -                     | -                 | 26,766,042                | 26,766,042  |
|  | 132,213,424           | 16,556,607        | 46,571,897                | 195,341,928 |
| Interest rate sensitivety                        | 14,853,234            | 12,289,592        | (27,142,826)              | -           |
| <b>Cummulative interest rate sensitivety gap</b> | <b>14,853,234</b>     | <b>27,142,826</b> | <b>-</b>                  | <b>-</b>    |

The maturities set out in the above table are based on contractual re-pricing or maturity date, which ever is earlier.

**(32) RECENTLY ISSUED STANDARDS**

The International Accounting Standards Committee has issued International Accounting Standard No. 39 "Financial Statements" Recognition and Measurement that became operative for financial statements covering financial years beginning on or after January 1, 2001. The Bank will adopt this standard commencing the year 2001.

The result of adopting this standard on the Bank's investments as of December 31,2000 is an increase of approximately JD 349,700 against the balance of the retained earnings.

**(33) LITIGATION**

The Bank was not involved in any litigation as of the financial statements date.

**(34) RECLASSIFICATION**

Some of 1999 balances were reclassified to correspond to 2000 presentation.

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## **Other Disclosures**

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## AUDITORS

The Financial Statements of 2000 have been audited by the Allied Accountants (A member firm of Andersen Worldwide) and their fee for the year was JD 6,750.

## DIRECTORS' INTEREST

The Directors of the Bank had the following interests in the Bank's capital at the end of 2000 :

| Name  | No. Of Shares<br>2000 |
|---|-----------------------|
| Social Security Corporation                 | 2,200,000             |
| Mohammed M. El-Seif                         | 1,733,325             |
| Investments & Integrated Industries Company | 1,622,500             |
| Bassem K. Salem                             | 1,219,894             |
| Jordan Phosphate Mines Company              | 1,100,000             |
| Arab Potash Company                         | 550,000               |
| Ali K. Al-Husry                             | 550,000               |
| Said S. Darwazah                            | 342,981               |
| Jordan Loan Guarantee Corporation           | 247,500               |
| Bayader Trade & Investment Co. Ltd.         | 196,445               |
| Fayiz M. Soheimat                           | 55,000                |
| Shaker Bin Zeid                             | 52,250                |
| Jaloul Trade & Investment Company           | 27,000                |

## SUBSTANTIAL INTEREST IN CAPITAL

| Name  | No. Of Shares<br>2000 | (%) Interest |
|---|-----------------------|--------------|
| Hikma Investment                            | 2,200,000             | 10.000       |
| Social Security Corporation                 | 2,200,000             | 10.000       |
| Mohammed M. El-Seif                         | 1,733,325             | 7.879        |
| Investments & Integrated Industries Company | 1,622,500             | 7.375        |
| Bassem K. Al-Salem                          | 1,219,894             | 5.545        |
| Jordan Kuwait Bank                          | 1,164,430             | 5.293        |
| Jordan Phosphate Mines Company              | 1,100,000             | 5.000        |
| Arab Potash Company                         | 550,000               | 2.500        |
| Jordan Industrial Cities Corporation        | 550,000               | 2.500        |
| Ali K. Al-Husry                             | 550,000               | 2.500        |

## DIRECTORS' EMOLUMENTS

The emoluments of the Bank's Directors for the year 2000 were as follows:

| Name                | Transportation | Travel | Remuneration | Salaries |
|---------------------|----------------|--------|--------------|----------|
| Ali K. Al-Husry     | 2,400          | 10,739 | 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          |        | 4,167        |          |
| Abdullah A. Hourani |                |        | 833          |          |
| Shaker Bin Zeid     | 2,400          |        | 5,000        |          |
| Fayiz M. Soheimat   | 2,400          |        | 5,000        |          |
| Marwan S. Rishaydat | 2,400          |        | 5,000        |          |
| Anwar O. Al-Masri   | 2,400          |        | 5,000        |          |
| Nayef Qasrawi       | 400            |        | 833          |          |
| Yehya Abu Ersheid   | 2,000          |        | 4,167        |          |
| Mohammed S. Hamami  | 2,400          |        | 833          |          |
| Jamal M. Salah      |                |        | 4,167        |          |
| Mohammed M. El-Seif | 823            |        | 4,167        |          |
| Jamal A. Sarayrah   |                |        | 833          |          |
|                     | 29,623         | 10,739 | 65,000       | 119,000  |

## DONATIONS

During the year 2000, the bank made charitable contributions totaling JD 22,013 , as per the following:

| Institution                                 | Amount |
|---|--------|
| Al-Hussein Fund for Creativity & Excellence | 9,375  |
| Other (Charitable & Social Foundations)     | 12,638 |
| Total                                       | 22,013 |

## **PERSONNEL**

Total number of staff and their qualifications at end of 2000 was as follows:

| <b>Category</b>    | <b>Qualifications</b> |                         |                |                          |                       |
|--------------------|-----------------------|-------------------------|----------------|--------------------------|-----------------------|
|                    | <b>No. of Staff</b>   | <b>Secondary School</b> | <b>Diploma</b> | <b>University Degree</b> | <b>Masters Degree</b> |
| Senior Management  | 14                    | -                       | -              | 10                       | 4                     |
| Middle Management  | 18                    | -                       | 4              | 9                        | 5                     |
| Management Support | 41                    | 7                       | 8              | 25                       | 3                     |
| <b>Total</b>       | <b>73</b>             | <b>7</b>                | <b>12</b>      | <b>42</b>                | <b>12</b>             |

## **TRAINING**

Details of training provided to employees during 2000 is as follows:

|                         | <b>Training Courses</b> |                       |
|-------------------------|-------------------------|-----------------------|
|                         | <b>Inside Jordan</b>    | <b>Outside Jordan</b> |
| No. of Training Courses | 115                     | 13                    |
| No. of staff            | 54                      | 9                     |

## **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 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

