



Annual Report 2000

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

Board of Directors

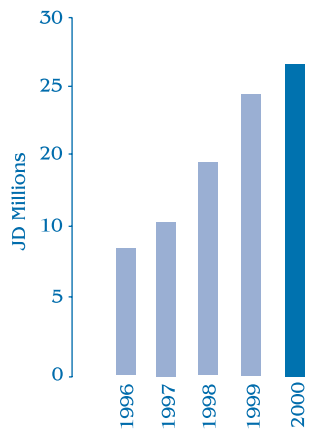
EXPORT & FINANCE BANK (EFB) aims to be:

- **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.
- **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.

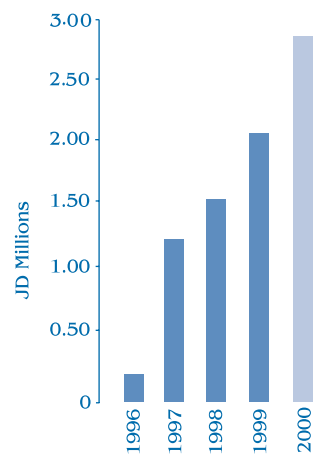
EFB's Mission Statement

EFB'S Performance in 2000

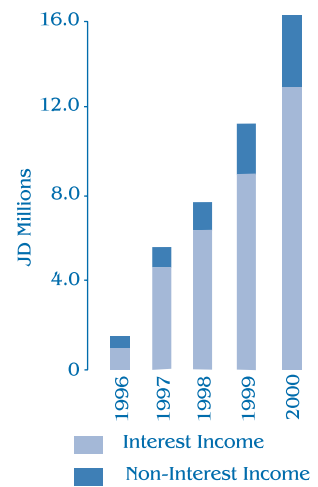
Shareholders' Equity

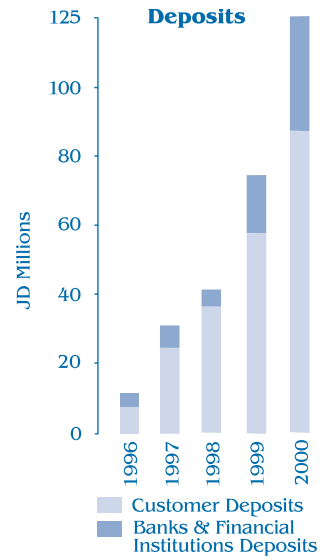
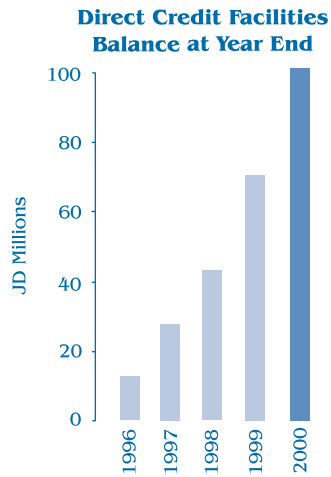
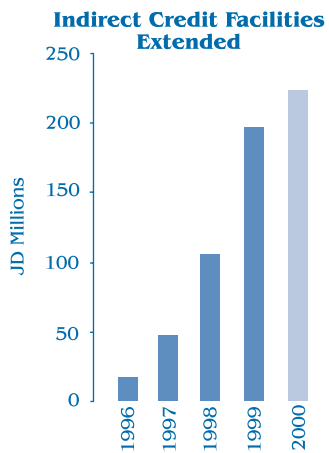


Net Profit for the Year



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 its 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.

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



ARTHUR ANDERSEI

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

Allied Accountants
Certified Public Accountants
A Member Firm of Andersen Worldwide

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Hashemite Kingdom of Jordan

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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
ASSETS			
Cash on Hand and at Banks	5	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	600,326
Fixed Assets	9	530,994	540,870
Other Assets	10	2,434,554	2,209,616
Total Assets		195,341,928	131,756,582
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
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
Total Liabilities		168,575,886	106,885,126
Contingent Liabilities	26		
Shareholders' Equity	17		
Authorized and subscribed capital JD 22,000,000			
Paid in capital		22,000,000	22,000,000
Statutory Reserve		1,134,916	739,040
Voluntary Reserve		1,833,611	1,041,859
General Reserve and Retained Earnings		1,797,515	100,557
Dividends		-	990,000
Total Shareholders' Equity		26,766,042	24,871,456
Total liabilities and Shareholders' Equity		195,341,928	131,756,582

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	2000	1999
Interest and Commission Income			
Interest	18	12,901,143	9,356,329
Commissions	19	1,700,008	1,421,486
		14,601,151	10,777,815
Interest and Commission Expense			
Interest	20	7,979,127	5,751,157
Commissions		43,197	50,404
		8,022,324	5,801,561
Net Interest and Commission Income			
		6,578,827	4,976,254
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)
Net Income before Provisions			
		6,605,356	4,370,093
Provision for possible loan losses	7	(2,482,988)	(1,001,363)
Provision for decline in value of Investments		(163,608)	-
Net Income Before income tax			
		3,958,760	3,368,730
Prior years' income tax		-	1,180
Income tax	25	930,000	1,134,000
Net Income			
		2,884,586	2,101,176
Earnings per share			
		0.131	0.096
Weighted average number of shares			
		22,000,000	22,000,000

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
Balance as of December 31, 1998	15,000,000	402,167	804,355	-	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)	-
Balance as of December 31, 1999	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)	-
Balance as of December 31, 2000	22,000,000	1,134,916	1,833,611	-	1,797,515	26,766,042

The Accompanying notes are an integral part of these financial statements

STATEMENTS OF CASH FLOWS

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

	2000	1999
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
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
	6,968,978	5,082,175
Decrease (increase) in operating assets		
Trade investments	(6,689,734)	(3,572,100)
Credit facilities	(28,381,327)	(30,061,724)
Other assets	40,577	(1,325,865)
Increase (decrease) in operating liabilities		
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)
	31,718,873	6,571,928
Net cash from operating activities		
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase (sales) of government bonds, debentures and treasury bills	(18,454,157)	4,331,009
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
	(18,532,579)	3,771,964
Net cash (used in) from investing activities		
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Dividends paid	(990,000)	-
Share capital proceeds	-	5,000,000
	(990,000)	5,000,000
Net cash (used in) from financing activities		
	12,196,294	15,343,892
Net increase in cash		
Difference of exchange	287,341	177,303
Cash and cash equivalents, beginning of the year	42,970,138	27,448,943
	55,453,773	42,970,138
Cash and cash equivalents, end of the year		

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

	2000	1999
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 4,193,303 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

	2000	1999
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 2023.

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

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

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

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

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:

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

The allowance for possible loan losses consists of the following:

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

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

	2000	1999
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	-
	<u>617,329</u>	<u>270,734</u>

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:

	2000	1999
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

	2000	1999
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

	2000	1999
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
	1,026,278	869,726
Less: Accumulated depreciation	(495,284)	(328,856)
	530,994	540,870

(10) OTHER ASSETS

	2000	1999
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
	2,434,554	2,209,616

(11) CUSTOMERS' DEPOSITS

	2000	1999
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 demand deposits		Deposits due within one year		Certificates of Deposit		Total	
	2000	1999	2000	1999	2000	1999	2000	1999
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

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

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

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

(15) SUNDRY PROVISIONS

	2000	1999
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	-
	1,088,939	1,293,980

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

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

(16) OTHER LIABILITIES

	2000	1999
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

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

(19) COMMISSION INCOME

	2000	1999
Direct credit facilities	268,741	525,916
Indirect credit facilities	1,431,267	895,570
	1,700,008	1,421,486

(20) INTEREST EXPENSE

	2000	1999
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
	5,389,726	4,060,212
Banks and financial institutions deposits	1,829,256	1,690,945
Banks certificates of deposit	725,525	-
Deposits guarantee fees	34,620	-
	2,589,401	1,690,945
	7,979,127	5,751,157

(21) FOREIGN EXCHANGE INCOME

	2000	1999
Income from foreign currencies trading	214,914	151,379
Difference of exchange	287,341	177,303
	502,255	328,682

(22) INCOME FROM INVESTMENTS

	2000			1999		
	Dividends	Income from sale of shares & bonds	Total	Dividends	Income from sale of shares & bonds	Total
Government bonds, debentures and 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	-	-	-
	102,280	518,887	621,167	76,743	454,649	531,392

(23) OTHER INCOME

	2000	1999
Investment department revenues	705,217	78,898
Others	125,282	33,350
	850,499	112,248

(24) GENERAL AND ADMINISTRATIVE EXPENSES

	2000	1999
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

	2000	1999
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
	73,113,413	33,767,881

(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:

	2000	1999
Assets		
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
	48,455,171	33,036,360
Liabilities		
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
	46,604,738	28,750,587
Net position	1,850,433	4,285,773

(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 one year	From one year to two years	Over Two year	Total
Assets				
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
Liabilities				
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

	2000	1999
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 Sensitive	Total
	Within one year	Over one year		
Assets				
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
Liabilities				
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 sensitivity	14,853,234	12,289,592	(27,142,826)	-
Cummulative interest rate sensitivity gap	14,853,234	27,142,826	-	-

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

Other Disclosures

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 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 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:

Instituion	Amount
Al-Hussein Fund for Creativity & Excellence	9,575
Other (Charitable & Social Foundations)	12,638
Total	22,013

PERSONNEL

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

Category	Qualifications				
	No. of Staff	Secondary School	Diploma	University Degree	Masters Degree
Senior Management	14	-	-	10	4
Middle Management	18	-	4	9	5
Management Support	41	7	8	23	3
Total	73	7	12	42	12

TRAINING

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

	Training Courses	
	Inside Jordan	Outside Jordan
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

