

10 BANKS AND OTHER FINANCIAL INSTITUTIONS' DEPOSITS

	2003 JD			2002 JD		
	<i>Inside Jordan</i>	<i>Outside Jordan</i>	<i>Total</i>	<i>Inside Jordan</i>	<i>Outside Jordan</i>	<i>Total</i>
Current accounts and demand deposits	-	585,681	585,681	-	4,140	4,140

11 CUSTOMERS' DEPOSITS

	2003 JD	2002 JD
Current accounts and demand deposits	8,473,343	6,808,772
Saving deposits	3,809,948	3,299,898
Time and notice deposits	29,361,304	31,937,910
	<u>41,644,595</u>	<u>42,046,580</u>

Public sector deposits amounted to JD 8,025,222 which represents 19.3% of total deposits against JD 7,747,295 which represents 18.4% of total deposits as of 31 December 2003 and 2002 respectively.

Non-interest bearing deposits amounted to JD 8,473,343 which represents 20.3% of total deposits against JD 6,808,772 which represents 16.2% of total deposits as of 31 December 2003 and 2002 respectively.

Restricted deposits amounted to JD 584,270 which represents 1.4% of total deposits against JD 221,392 which represents 0.53% of total deposits as of 31 December 2003 and 2002 respectively.

Dormant deposits amounted to JD 489,216 and JD 487,351 as of 31 December 2003 and 2002 respectively.

12 CASH MARGINS

	2003 JD	2002 JD
Margins against direct credit facilities	6,619,543	4,088,300
Margins against indirect credit facilities	2,426,448	1,467,216
Dealing with margin	334,693	61,198
Others	122,836	73,136
	<u>9,503,520</u>	<u>5,689,850</u>

13 LOANS AND ADVANCES

	2003 JD	2002 JD
Amounts borrowed from Central Bank of Jordan	-	2,500,000

Amount represents funds borrowed from the Central Bank of Jordan. Borrowings are guaranteed by notes payable and the mortgage of development bonds in the favor of the Central Bank of Jordan. Annual interest rate is at 3%.

The Bank paid the balance of the borrowings before maturity during 2003.

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14 OTHER PROVISIONS

	2003 JD			
	<i>Beginning balance</i>	<i>Provided during the year</i>	<i>Used during the year</i>	<i>Ending balance</i>
Employees' end of service indemnity	656	27	-	683
Others	58,900	-	-	58,900
Total	59,556	27	-	59,583

	2002 JD			
	<i>Beginning balance</i>	<i>Provided during the year</i>	<i>Used during the year</i>	<i>Ending balance</i>
Employees' end of service indemnity	644	12	-	656
Others	58,900	-	-	58,900
Total	59,544	12	-	59,556

15 OTHER LIABILITIES

	2003 JD	2002 JD
Accrued interest	228,890	276,284
Commission and interest received in advance	199,879	197,196
Accrued expenses	202,145	160,677
Others	896,372	346,309
	<u>1,527,286</u>	<u>980,466</u>

16 CONVERTIBLE BONDS

On 10 August 2000 the bank issued convertible bonds with a total value of US Dollars 7,050,000 comprising of 141 bonds with a nominal value of US Dollars 50,000 each. The bond holder has the right to fully or partially convert the bonds into shares during the first seven year at the net book value of the shares based on the last audited financial statements before the conversion. The bonds mature on 9 August 2007 if both of the following conditions are met.

- The bank's capital adequacy ratio is 12%.
- The bank's paid in capital is JD 20,000,000

If any of both conditions are not met, the maturity of the bonds is renewed on an annual basis. During the first seven years interest is equal to six months LIBOR plus 4%. Thereafter interest is reduced to LIBOR plus 0.125%. The interest is to be paid semiannually on 10/2 and 10/8 each year.

Societe Generale Lebanon and International Finance Corporation hold US Dollars 4,900,000 and US Dollars 2,150,000 of these bonds respectively.

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17 AUTHORIZED AND PAID UP CAPITAL AND ADDITIONAL PAID IN CAPITAL**a. Authorized and paid up capital**

The authorized and paid up capital amounted to JD 15,945,091 consisting of 15,945,091 shares with a par value of JD 1 per share.

b. Additional paid in capital amounted to JD 357,802 and it represents the difference between the shares issue price and it's par value.**18 STATUTORY RESERVE**

As required by the Jordanian Banking Law, 10% of the net income before tax is transferred to the statutory reserve. The Bank may resolve to discontinue such annual transfer when the statutory reserve equals the subscribed capital. The statutory reserve is not available for distribution.

19 VOLUNTARY RESERVE

A percentage of the net income before tax not to exceed 20%, is transferred to voluntary reserve. The voluntary reserve is available for distribution.

20 CUMULATIVE CHANGES IN FAIR VALUES

	<i>2003</i> <i>JD</i>	<i>2002</i> <i>JD</i>
Beginning balance	(5,955)	84,717
Net unrealized gain during the year	-	61,559
Net realized gain (loss) transferred to income statement	5,955	(152,231)
Ending balance	<u>-</u>	<u>(5,955)</u>

21 ACCUMULATED LOSSES

	<i>2003</i> <i>JD</i>	<i>2002</i> <i>JD</i>
Beginning balance	(8,997,025)	(9,365,981)
Net income for the year	725,967	410,883
Transfers to statutory reserve	(75,201)	(41,927)
Ending Balance	<u>(8,346,259)</u>	<u>(8,997,025)</u>

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22 CAPITAL ADEQUACY

The Capital adequacy is computed in accordance with the central Bank of Jordan regulations derived from Basel Committee resolutions. Market risk was included in the computation of the capital adequacy percentages for the year 2003. These regulations require that market risk be taken into consideration when computing the capital adequacy.

	2003		2002	
	<i>Amount JD</i>	<i>Percentage to assets weighted by risks</i>	<i>Amount JD</i>	<i>Percentage to assets weighted by risks</i>
Organizational capital	11,983,335	31,23%	12,113,125	32,3%
Core (primary) capital	8,510,953	22,18%	7,785,986	20,78%

23 INTEREST INCOME

	2003 JD	2002 JD
Promissory notes and discounted bills	71,617	44,849
Loans and advances	2,643,522	3,110,705
Credit card balances	-	-
Balances with Central Bank of Jordan	318,956	302,997
Balances with banks and financial institutions	168,082	231,076
Held to maturity investments	16,369	82,702
	3,218,546	3,772,329

24 INTEREST EXPENSE

	2003 JD	2002 JD
Banks' and Financial Institutions deposits	13,982	22,386
Customers' deposits		
- Current accounts and demand deposits	7,705	10,083
- Saving deposits	63,441	75,014
- Time and notice deposits	950,435	1,105,523
Cash margins	106,671	124,294
Convertible bonds	270,151	308,057
Amounts borrowed	47,097	80,058
Deposits Guarantee Corporation fees	87,838	74,414
	1,547,320	1,799,829

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25 NET COMMISSION INCOME

	2003 JD	2002 JD
Credit facilities - direct	334,753	306,663
Credit facilities - indirect	363,257	265,467
Net commission	<u>698,010</u>	<u>572,130</u>

26 GAIN FROM FINANCIAL ASSETS AND INSTRUMENTS

	2003 JD	2002 JD
Gain from available for sale investments	142,461	238,335
Dividends received	17,076	33,741
	<u>159,537</u>	<u>272,076</u>

27 OTHER OPERATING INCOME

	2003 JD	2002 JD
Foreign exchange gain	436,401	309,267
Dormant accounts commission	19,964	40,650
Other revenues	44,468	13,195
Rejected checks commission	50,920	49,028
Transfers and issued checks commission	72,846	51,977
Credit cards revenues	22,684	6,316
Revenues from brokerage office	98,679	32,770
Salaries transfer commission	24,169	23,294
Checks under collection commission	7,607	10,746
Foreign shares and fund trading commission	2,034	565
Revenue on banking services	35,316	42,833
Safety deposit boxes revenues	3,531	3,128
Other commissions	46,106	71,141
	<u>864,725</u>	<u>654,910</u>

28 EMPLOYEES EXPENSES

	2003 JD	2002 JD
Salaries and other staff benefits	1,245,292	1,196,430
Social security	109,154	109,856
Saving fund	58,088	58,461
Medical expenses	61,630	73,485
Staff training	32,328	43,451
Others	49,248	64,388
	<u>1,555,740</u>	<u>1,546,071</u>

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29 OTHER OPERATING EXPENSES

	2003	2002
	JD	JD
Rental expense	203,172	207,022
Tariffs and license fees	11,141	11,283
Computer expenses	43,811	108,070
Post, telephone and telex	137,656	125,042
Stationery and supplies	80,708	83,603
Water, heat and electricity	62,882	58,190
Professional fees	17,695	18,000
Advertising	103,688	28,763
Transportation	6,060	13,284
Insurance	112,130	64,435
Board of directors transportation	24,400	25,300
Hospitality	14,522	12,824
Donations	3,279	2,650
Vehicles expense	7,060	5,345
Maintenance and cleaning	48,882	51,710
Publications	2,710	3,918
Governmental subscriptions	44,828	53,455
Special subscriptions	58,633	55,241
Legal fees	25,779	34,174
Real Estate expenses	60,968	52,011
Transfer of cash expenses	10,883	9,650
Travel and accommodation	56,889	101,045
Miscellaneous expenses	9,545	13,240
	1,147,321	1,138,255

30 NON OPERATING INCOME (EXPENSES)

	2003	2002
	JD	JD
Real estate investment revenue	14,458	62,394
Sale of fixed assets gain (loss)	14,082	(2,549)
Other Expenses	-	(1,050)
	28,540	58,795

31 BASIC EARNING PER SHARE

	2003	2002
	JD	JD
Net income for the year	725,967	410,883
Weighted average number of shares	15,945,091	15,945,091
Earning per share	0.046	0.026

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32 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows consists the following balance sheet amounts:

	2003 JD	2002 JD
Cash and balances with Central Bank of Jordan	17,603,511	13,015,520
Add: balances with banks and other financial institutions maturing within three months	13,403,911	14,076,216
Less: due to banks and other financial institutions maturing within three months	(585,681)	(4,140)
	<u>30,421,741</u>	<u>27,087,596</u>

33 INCOME TAX PROVISION

The bank reached a final settlement with the income tax department up to 2001. The income tax department have not reviewed the Bank's records for the year ended 2002 to the date of the financial statements.

No Provision for income tax was taken for the years 2002 and 2003 as the bank has accumulated losses.

34 FAIR MARKET VALUES OF FINANCIAL INSTRUMENTS

Fair market values of assets and liabilities are as follows:

	2003 JD			2002 JD		
	<u>Carrying value</u>	<u>Fair value</u>	<u>Differences</u>	<u>Carrying value</u>	<u>Fair value</u>	<u>Differences</u>
1- FINANCIAL ASSETS						
Deposits at the Central Bank of Jordan	12,100,000	12,100,000	-	8,300,000	8,300,000	-
Balances at banks and financial institutions	13,403,911	13,403,911	-	14,076,216	14,076,216	-
Credit facilities, net	31,190,364	31,190,364	-	30,415,785	30,415,785	-
Available for sale investments	311,853	311,853	-	337,853	337,853	-
Held to maturity investments, net	5,050	5,282	232	356,217	363,151	6,934
			<u>232</u>			<u>6,934</u>
2- FINANCIAL LIABILITIES						
Banks' and financial institutions' deposits	585,681	585,681	-	4,140	4,140	-
Customers' deposits	41,644,598	41,644,598	-	42,046,580	42,046,580	-
Cash margins	9,503,520	9,503,520	-	5,689,850	5,689,850	-
Loans and advances	-	-	-	2,500,000	2,366,355	133,645
Convertible bonds	4,998,450	4,998,450	-	4,998,450	4,998,450	-
			<u>232</u>			<u>133,645</u>
Net difference between the carrying value and fair value			<u>232</u>			<u>140,579</u>

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35 INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. The bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or reprice in a given period. The bank manages this risk by matching the repricing of assets and liabilities through risk management strategies

Interest Rate Sensitivity at 31 December 2003

	<i>Up to 3 month</i>	<i>3 to 6 Months</i>	<i>6 months to 1 year</i>	<i>1 to 3 years</i>	<i>Over 3 years</i>	<i>Non interest bearing items</i>	<i>Total</i>	<i>Average Interest Rate %</i>
	<i>(JD,000)</i>							
ASSETS								
Cash and balances at the Central Bank of Jordan	12,100	-	-	-	-	5,503	17,603	1.7%
Balances at banks and financial institutions	13,309	-	-	-	-	95	13,404	1%
Credit facilities, net Available for sale investments	12,289	3,884	6,382	5,285	3,350	-	31,190	9.13%
Held to maturity investments, net	-	-	-	-	-	312	312	-
Fixed assets, net	-	-	-	5	-	-	5	9.18%
Other assets	-	-	-	-	-	1,356	1,356	-
	-	-	-	-	-	2,960	2,960	-
Total assets	37,698	3,884	6,382	5,290	3,350	10,226	66,830	
LIABILITIES								
Banks' and financial institutions' deposits	-	-	-	-	-	586	586	-
Customers' deposits	32,211	444	517	-	-	8,473	41,645	2.7%
Cash margins	2,740	866	1,423	1,178	747	2,549	9,503	2.7%
Loans and advances	-	-	-	-	-	-	-	-
Other provisions	-	-	-	-	-	59	59	-
Other liabilities	-	-	-	-	-	1,527	1,527	-
Total liabilities	34,951	1,310	1,940	1,178	747	13,194	53,320	
Convertible bonds	-	-	-	-	4,999	-	4,999	5.31%
Shareholders' equity	-	-	-	-	-	8,511	8,511	-
Total liabilities and shareholders' equity	34,951	1,310	1,940	1,178	5,746	21,705	66,830	-
On balance sheet sensitivity gap	2,747	2,574	4,442	4,112	(2,396)	(11,479)	-	-
Cumulative interest rate sensitivity gap	2,747	5,321	9,763	13,875	11,479	-	-	-

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35 INTEREST RATE RISK(Continued)

Interest rate sensitivity at 31 December 2002

	<i>Up to 3 month</i>	<i>3 to 6 Months</i>	<i>6 months to 1 year</i>	<i>1 to 3 years</i>	<i>Over 3 years</i>	<i>Non interest bearing items</i>	<i>Total</i>	<i>Average Interest Rate %</i>
	<i>(JD,000)</i>							
ASSETS								
Cash and balances at the Central Bank of Jordan	8,300	-	-	-	-	4,716	13,016	3.88%
Balances at banks and financial institutions	13,245	-	-	-	-	831	14,076	2.10%
Credit facilities, net Available for sale investments	19,014	2,457	4,032	3,007	1,906	-	30,416	8.35%
Held to maturity investments, net	-	-	-	-	-	841	841	-
Fixed assets, net	-	-	351	5	-	-	356	9.14%
Other assets	-	-	-	-	-	1,304	1,304	-
	-	-	-	-	-	4,049	4,049	-
Total assets	40,559	2,457	4,383	3,012	1,906	11,741	64,058	-
LIABILITIES								
Banks' and financial institutions' deposits	-	-	-	-	-	4	4	-
Customers' deposits	33,049	1,493	696	-	-	6,809	42,047	3.74%
Cash margins	830	1,423	779	1,846	647	165	5,690	3.7%
Loans and advances	-	500	-	2,000	-	-	2,500	3%
Other provisions	-	-	-	-	-	59	59	-
Other liabilities	-	-	-	-	-	980	980	-
Total liabilities	33,879	3,416	1,475	3,846	647	8,017	51,280	-
Convertible bonds	-	-	-	-	4,999	-	4,999	6.02%
Shareholders' equity	-	-	-	-	-	7,779	7,779	-
Total liabilities and shareholders' equity	33,879	3,416	1,475	3,846	5,646	15,796	64,058	-
On balance sheet sensitivity gap	6,680	(959)	2,908	(834)	(3,740)	(4,055)	-	-
Cumulative interest rate sensitivity gap	6,680	5,721	8,629	7,795	4,055	-	-	-

36 LIQUIDITY RISK

Liquidity risk is the risk that an institution will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management have diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

Assets and liabilities maturities (based on the remaining period from the date of the financial statements) as of 31 December 2003

	31 December 2003						
	6 months						
	Up to 1 month	1 to 3 months	3 to 6 Months	to 1 year	1 to 3 years	Over 3 years	No specific maturity
	(JD, 000)						
ASSETS							
Cash and balances at the Central Bank of Jordan	11,603	6,000	-	-	-	-	-
Balances at banks and financial institutions	13,404	-	-	-	-	-	-
Credit facilities, net	11,387	902	3,884	6,382	5,285	3,350	-
Available for sale investments	312	-	-	-	-	-	-
Held to maturity investments, net	-	-	-	-	5	-	-
Fixed assets, net	-	-	-	-	-	-	1,356
Other assets	-	-	-	-	-	-	2,960
Total assets	36,706	6,902	3,884	6,382	5,290	3,350	4,316
LIABILITIES							
Banks' and financial institutions' deposits	586	-	-	-	-	-	-
Customers' deposits	38,112	2,572	444	517	-	-	-
Cash margins	3,469	275	1,183	1,944	1,610	1,022	-
Amounts borrowed	-	-	-	-	-	-	-
Other provisions	-	-	-	-	-	-	59
Other liabilities	-	-	-	-	-	-	1,527
Total liabilities	42,167	2,847	1,627	2,461	1,610	1,022	1,586
Convertible bonds	-	-	-	-	-	4,999	-
Shareholders' equity	-	-	-	-	-	-	8,511
Total liabilities and shareholders' equity	42,167	2,847	1,627	2,461	1,610	6,021	10,097
On balance sheet gap	(5,461)	4,055	2,257	3,921	3,680	(2,671)	(5,781)
Cumulative gap	(5,461)	(1,406)	851	4,772	8,452	5,781	-

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36 LIQUIDITY RISK (Continued)

Assets and liabilities maturities (based on the remaining period from the date of the financial statements) as of 31 December 2002

	31 December 2002							
	<i>Up to 1 month</i>	<i>1 to 3 months</i>	<i>3 to 6 Months</i>	<i>6 months to 1 year</i>	<i>1 to 3 years</i>	<i>Over 3 years</i>	<i>No specific maturity</i>	<i>Total</i>
	(JD, 000)							
ASSETS								
Cash and balances with Central Bank of Jordan	11,016	2,000	-	-	-	-	-	13,016
Balances with banks and other financial institutions	11,451	2,625	-	-	-	-	-	14,076
Credit facilities - net Available for sale investments	17,619	1,395	2,457	4,032	3,007	1,906	-	30,416
Held to maturity investment - net	841	-	-	-	-	-	-	841
Fixed assets - net	-	-	-	351	5	-	-	356
Other assets	-	-	-	-	-	-	1,304	1,304
Total assets	<u>40,927</u>	<u>6,020</u>	<u>2,457</u>	<u>4,383</u>	<u>3,012</u>	<u>1,906</u>	<u>4,049</u>	<u>64,058</u>
LIABILITIES								
Banks' and other financial institutions' deposits	4	-	-	-	-	-	-	4
Customers' deposits	37,339	2,519	1,493	696	-	-	-	42,047
Cash margins	579	416	1,423	779	1,846	647	-	5,690
Amounts borrowed	-	-	500	-	2,000	-	-	2,500
Other provisions	-	-	-	-	-	-	59	59
Other liabilities	-	-	-	-	-	-	980	980
Total liabilities	<u>37,922</u>	<u>2,935</u>	<u>3,416</u>	<u>1,475</u>	<u>3,846</u>	<u>647</u>	<u>1,039</u>	<u>51,280</u>
Convertible bonds	-	-	-	-	-	4,999	-	4,999
Shareholders' equity	-	-	-	-	-	-	7,779	7,779
Total liabilities and shareholders' equity	<u>37,922</u>	<u>2,935</u>	<u>3,416</u>	<u>1,475</u>	<u>3,846</u>	<u>5,646</u>	<u>8,818</u>	<u>64,058</u>
On balance sheet gap	3,005	3,085	(959)	2,908	(834)	(3,740)	(3,465)	-
Cumulative gap	3,005	6,090	5,131	8,039	7,205	3,465	-	-

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37 FOREIGN CURRENCY RISK

Net currency position

	2003 JD		2002 JD	
	<i>Amount in foreign currency</i>	<i>Equivalent in JD</i>	<i>Amount in foreign currency</i>	<i>Equivalent in JD</i>
US Dollar	162,828	115,445	2,424,063	1,718,661
Pound Sterling	(763)	(963)	(547)	(622)
Euro	3,706	3,302	(906)	(670)
Swiss Franc	(4,967)	(2,842)	1,166	594
Japanese Yen	243,962	1,618	774,381	4,577
Other currencies	-	(653)	-	9,150

38 DISTRIBUTION OF ASSETS, LIABILITIES AND OFF BALANCE SHEET ITEMS BY GEOGRAPHIC REGION AND ECONOMIC SECTOR

	2003			2002		
	<i>Assets JD</i>	<i>Liabilities JD</i>	<i>Off balance sheet items JD</i>	<i>Assets JD</i>	<i>Liabilities JD</i>	<i>Off balance sheet items JD</i>
A- By geographic region:						
- Inside Jordan	58,790,599	58,285,153	37,499,752	55,015,782	59,055,483	19,426,936
- Other Arab countries	1,135,312	7,020,565	-	2,211,471	3,478,240	-
- Asia *	5,326	-	-	8,428	-	-
- Europe	6,177,923	-	-	5,488,296	-	-
America	720,908	1,524,350	-	1,334,096	1,524,350	-
Total	66,830,068	66,830,068	37,499,752	64,058,073	64,058,073	19,426,936
B- By economic sector:						
- Individuals	7,540,171	30,661,526	-	7,352,919	30,249,841	-
- Corporations	23,650,193	26,055,680	-	23,090,656	22,465,051	-
- Others	35,639,704	10,112,862	37,499,752	33,614,498	11,343,181	19,426,936
Total	66,830,068	66,830,068	37,499,752	64,058,073	64,058,073	19,426,936

* Other than Arab countries

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39 CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. In addition to monitoring credit limits, the bank manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances, and limiting the duration of exposure. In certain cases the bank may also close out transactions or assign them to other counterparties to mitigate credit risk.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the bank's performance to developments affecting a particular industry or geographic location.

The bank seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate.

40 TRANSACTIONS WITH RELATED PARTIES

As part of its normal operations, the Bank enters into banking transactions with related parties. These are arranged on normal terms guiding such transactions. The limits of these transactions are approved by the Bank's Board of Directors.

At the balance sheet date such amounts were as follows:

	2003 JD	2002 JD
On balance sheet items:		
Credit facilities	86,437	172,090
Deposits	206,415	466,247
Off balance sheet items:		
Guarantees	-	59,500
Income statements items:		
Interest and commission received	8,145	26,112
Interest and commission paid	12,752	28,158
Additional information:		
Interest in suspense	-	-
Provision for non-performing loans	-	-
Non-performing credit facilities	-	-

31 December 2003

41 OFF BALANCE SHEET ITEMS

	2003 JD	2002 JD
Letters of credit	6,303,739	2,443,871
Acceptances	6,523,167	3,917,292
Guarantees:		
- Payment	5,705,835	1,330,409
- Performance	4,253,579	2,202,985
- Others	4,833,299	2,792,647
Unutilized lines of credit	9,880,133	6,739,732
Total	<u>37,499,752</u>	<u>19,426,936</u>

42 LAW SUITS AGAINST THE BANK

In the normal course of business, the bank appears as a defendant in a number of lawsuits totaling approximately JD 281,833 as of 31 December 2003.

The bank's management and its legal council believes that the outcome of such lawsuits will be favorable to the bank.

43 RECLASSIFICATIONS

Some of 2002 balances were reclassified to correspond to 2003 presentation. These reclassification did not affect shareholder's equity or last year's income statement.

SOCIETE GENERALE DE BANQUE - JORDANIE
PUBLIC SHAREHOLDING COMPANY
FINANCIAL STATEMENTS
31 DECEMBER 2003

**TO THE SHAREHOLDERS OF
SOCIETE GENERALE DE BANQUE - JORDANIE
AMMAN - JORDAN**

We have audited the accompanying balance sheet of Societe Generale De Banque - Jordanie as of 31 December 2003 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Bank's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2003, the results of its operations, and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and we recommend its approval.

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

28 January 2004

Amman - Jordan

Societe Generale De Banque - Jordanie

BALANCE SHEET

31 December 2003

	Notes	2003 JD	2002 JD
ASSETS			
Cash and balances at the Central Bank of Jordan	3	17,603,511	13,015,520
Balances at banks and financial institutions	4	13,403,911	14,076,216
Credit facilities, net	5	31,190,364	30,415,785
Available for sale investments	6	311,853	840,715
Held to maturity investments, net	7	5,050	356,217
Fixed assets, net	8	1,355,634	1,304,338
Other assets	9	2,959,745	4,049,282
Total assets		66,830,068	64,058,073
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Banks and financial institutions' deposits	10	585,681	4,140
Customers' deposits	11	41,644,595	42,046,580
Cash margins	12	9,503,520	5,689,850
Loans and advances	13	-	2,500,000
Other provisions	14	59,583	59,556
Other liabilities	15	1,527,286	980,466
Total liabilities		53,320,665	51,280,592
Convertible bonds	16	4,998,450	4,998,450
SHAREHOLDERS' EQUITY			
Authorized and paid up capital	17 a	15,945,091	15,945,091
Additional paid in capital	17 b	357,802	357,802
Statutory reserve	18	454,319	379,118
Voluntary reserve	19	100,000	100,000
Cumulative changes in fair values	20	-	(5,955)
Accumulated losses	21	(8,346,259)	(8,997,025)
Total shareholders' equity		8,510,953	7,779,031
Total liabilities and shareholders' equity		66,830,068	64,058,073

The attached notes 1 to 43 form part of these financial statements.

Societe Generale de Banque - Jordanie

STATEMENT OF INCOME

Year Ended 31 December 2003

	<i>Notes</i>	2003 JD	2002 JD
Interest income	23	3,218,546	3,772,329
Interest expense	24	(1,547,320)	(1,799,829)
Net interest income		1,671,226	1,972,500
Net commission income	25	698,010	572,130
Net interest and commission income		2,369,236	2,544,630
Other operating income -			
Gain from financial assets and instruments	26	159,537	272,076
Other operating income	27	864,725	654,910
NET OPERATING INCOME		3,393,498	3,471,616
EXPENSES -			
Employees expenses	28	(1,555,740)	(1,546,071)
Other operating expenses	29	(1,147,321)	(1,138,255)
Depreciation and amortization		(345,513)	(343,596)
Surplus in the provision for possible loan losses	5	562,005	180,227
Other provisions		(132,600)	(119,649)
Bad debts written off		(50,862)	(143,798)
TOTAL OPERATING EXPENSES		(2,670,031)	(3,111,142)
NET OPERATING INCOME		723,467	360,474
Non operating income	30	28,540	58,795
NET INCOME BEFORE FEES		752,007	419,269
Board of directors' remuneration		(11,000)	-
Jordanian universities fees		(7,520)	(4,193)
Scientific research and vocational training		(7,520)	(4,193)
NET INCOME FOR THE YEAR		725,967	410,883
Earnings per share	31	0.046	0.026

The attached notes 1 to 43 form part of these financial statements.

Societe Generale De Banque - Jordanie

STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2003

Description	Authorized and paid up capital	Additional paid in capital	Reserves		Cumulative changes in fair values	Accumulated losses	Total shareholder's equity
			Statutory	Voluntary			
Balance as of January 2003	15,945,091	357,802	379,118	100,000	(5,955)	(8,997,025)	7,779,031
Net income for the year	-	-	-	-	-	725,967	729,967
Net change in cumulative changes in fair values of available for sale investments	-	-	-	-	5,955	-	5,955
Transfer to statutory reserve	-	-	75,201	-	-	(75,201)	-
Balance as of 31 December 2003	<u>15,945,091</u>	<u>357,802</u>	<u>454,319</u>	<u>100,000</u>	<u>-</u>	<u>(8,346,259)</u>	<u>8,510,953</u>
Balance as of 1 January 2002	15,945,091	357,802	337,191	100,000	84,717	(9,365,981)	7,458,820
Net change in cumulative changes in fair values of available for sale investments	-	-	-	-	(90,672)	-	(90,672)
Net profit for the year	-	-	-	-	-	410,883	410,883
Transfer to statutory reserve	-	-	41,927	-	-	(41,927)	-
Balance as of December 2002	<u>15,945,091</u>	<u>357,802</u>	<u>379,118</u>	<u>100,000</u>	<u>(5,955)</u>	<u>(8,997,025)</u>	<u>7,779,031</u>

The attached notes 1 to 43 form part of these financial statements.

Societe Generale De Banque - Jordanie

STATEMENT OF CASH FLOW

Year Ended 31 December 2003

	<i>Note</i>	2003 JD	2002 JD
CASH FLOW FROM OPERATING ACTIVITIES			
Net income before fees		752,007	419,269
Adjustments for :			
Depreciation and amortization		345,513	343,596
Surplus in the provision for possible loan losses		(562,005)	(180,227)
Bad debts written off		50,862	143,798
Gain from financial assets and instruments		(142,461)	(238,335)
Other provisions		132,600	119,649
Operating income before changes in assets and liabilities		576,516	607,750
Changes in assets and liabilities			
Increase in credit facilities		(212,574)	(8,113,377)
Decrease (increase) in other assets		1,089,537	(920,686)
(Decrease) increase in customers' deposits		(401,985)	8,716,467
Increase in cash margins		3,813,670	2,384,169
Decrease in other provisions		(183,435)	(263,435)
Increase (decrease) in other liabilities		520,780	(257,944)
Net cash from operating activities		5,202,509	2,152,944
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of available for sale investments		677,278	510,678
Proceeds from held to maturity investments		351,167	1,511,530
Net purchase and sale of fixed assets		(396,809)	(667,640)
Net cash from investing activities		631,636	1,354,568
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in loans and advances		(2,500,000)	(500,000)
Net cash used in financing activities		(2,500,000)	(500,000)
INCREASE IN CASH AND CASH EQUIVALENTS		3,334,145	3,007,512
Cash and cash equivalents at beginning of the year		27,087,596	24,080,084
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	32	30,421,741	27,087,596

The attached notes 1 to 43 form part of these financial statements.

1 GENERAL

The Bank was established as a real estate investment company on 22 April 1965 in accordance with Jordanian companies law No. 55. In 1993 the bank was transformed into an Investment Bank engaged in all banking operations through its main branch located in Amman and other branches in the kingdom.

The Bank's General Assembly, in its extraordinary meeting held on 29 April 2003 resolved to change the bank's name from Middle East Investment Bank to "Societe Generale De Banque – Jordanie" and obtained from Ministry of Industry and Trade the approval for the change on 10 June 2003.

The Bank employed 176 and 177 employees as at 31 December 2003 and 2002 respectively.

The financial statements of Societe Generale De Banque – Jordanie for the year ended 31 December 2003 were authorized for issue in accordance with the resolution of the Board of Directors in its meeting No. 1/2004 held on 28 January 2004.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The accompanying Financial statements were prepared in accordance with the International Financial Reporting Standards as published by the International Accounting Standards Board and its Interpretations and in accordance with applicable laws and regulations under the historical cost conversion convention except for available for sale investments which are stated at fair value.

The financial statements are presented in the format prescribed by the Central Bank of Jordan in Jordanian Dinars.

The accounting policies are consistent with those used in the previous years.

The significant accounting policies adopted are as follows:

Trade and settlement date accounting

Purchases and sales of financial assets are recognized on the bank commitment date.

Credit facilities

- Loans and advances are stated at amortized cost after allowance for possible loan losses, interest and commission in suspense.
- Provision for non-performing credit facilities is recognized to provide for the possible loan losses when collection procedures becomes ineffective. The provision is recorded in the statement of income.
- Interest in suspense for all non-performing credit facilities is suspended in accordance with Central Bank of Jordan regulations.
- A general provision is created for direct and indirect performing credit facilities not specifically identified as non-performing to cover potential losses in accordance with the Central Bank of Jordan regulations.
- Loans provided for are written off in the provision of credit facilities when the collection procedures becomes ineffective. The excess in the credit facilities provision -if any- is transferred to the statement of income and cash recoveries of loans that were previously written off and credited to the statement of income.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Available for sale investments

After initial recognition, investments, which are classified "available for sale", are re-measured at fair value. Unrealized gains and losses on re-measurement to fair value are reported as a separate component of equity until the investment is sold, collected or otherwise disposed of, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of income for the year.

Held to maturity investments

Investments, which have fixed or determinable payments, which are intended to be held to maturity, are carried at cost, less provision for impairment in value. Cost is calculated by taking into account any discount or premium on acquisition using the effective interest rate method.

Fair values

The fair value of traded financial assets is based on quoted market prices, where no quoted market prices are available, a reasonable estimate of fair value is used based on one of the following methods:

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

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

Impairment and uncollectability of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the statement of income.

Revenue and expense recognition

Income and expenses are recognized on the accrual basis except for interest and commission income for non-performing facilities which are recorded as interest and commission in suspense in accordance with the Central Bank of Jordan regulations. Income from shares (dividends income) and commission income are recorded as income when earned.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation, and are depreciated (except for land) over their estimated useful lives using straight line method. The rate of depreciation are based upon the following estimated useful lives:

- | | |
|------------------------------------|--------------|
| • Office equipments, and furniture | 5 – 40 years |
| • Vehicles | 6.6 years |

When the carrying values of any fixed assets exceed the recoverable amount, assets are written down to their recoverable amounts and the decline in value is taken to statement of income.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

The bank provides for income tax in accordance with the Income Tax Law no. (57) of 1985 and its subsequent amendments, and in accordance with IAS 12. The Bank makes provisions for possible loan losses in accordance with the regulation of the Central Bank of Jordan as these provisions had not been allowable as deductible expenses for income tax purposes, and until such time it is accepted by the Income Tax Department, this gives rise to a potential deferred tax asset. 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.

Reposessed assets

Assets reposessed by the Bank in settlement of debts are included as part of "other assets" and recorded at cost. The assets are appraised on an individual basis annually and only declines in market value are recorded in the statement of income while the increase in value is not taken into consideration

When the assets are sold, the recognized gain or loss is taken to statement of income.

Properties held for resale

Properties held for resale are stated at the lower of purchase cost or market value. Properties are appraised on an individual basis annually and declines in market value are recorded in the statement of income while increase in value is not taken into consideration.

Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the bank and accordingly are not included in these financial statements.

End of service indemnity

Provision for end of service indemnity is established by the Bank for those not covered by the social security to face any legal or contractual obligations at the end of employees services or on the accumulated service terms at the date of the financial statement. Employees that are subject to social security are excluded from such provision according to paragraph 32 of Labor Law no. 8/96.

Foreign currencies transactions

- Foreign currency transactions are recorded in Jordanian Dinars at the rates of exchange prevailing at the time of the transactions. Assets and liabilities in foreign currency at the balance sheet date are translated to Jordanian Dinars using Central Bank of Jordan middle exchange rates at year end. Exchange differences are reported as part of the results for the year in the statement of income.
- Forward contracts balances are translated to Jordanian Dinars using the Central Bank of Jordan middle exchange rates at year end. Exchange differences are reported as part of the results for the year in the statement of income.

31 December 2003

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**Cash and cash equivalents**

Represents cash on hand and cash balances maturing within 3 months and it includes cash and balances with Central Bank and other financial institutions less banks and other financial institutions deposits maturing within 3 months.

Segmental information

As the Bank operates only in Jordan and does not represent results by segment internally, no segmental information is presented.

3 CASH AND BALANCES AT THE CENTRAL BANK OF JORDAN

	2003 JD	2002 JD
Cash	1,270,265	1,127,719
Balances at the Central Bank of Jordan:		
-Current accounts	1,969,694	1,406,394
-Notice account and time deposits	3,500,000	4,500,000
-Statutory cash reserve	2,263,552	2,181,407
-Certificate of deposits	8,600,000	3,800,000
	<u>17,603,511</u>	<u>13,015,520</u>

Restricted balances amounted to Zero as of 31 December 2003 and 2002.

4 BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

	2003 JD	2002 JD
a- Local banks and financial institutions:		
Current accounts	16,696	701,625
Deposits maturing within three months	5,347,746	4,332,300
b- Foreign banks and financial institutions:		
Current accounts	450,211	1,831,768
Deposits maturing within three months	7,589,258	7,210,523
	<u>13,403,911</u>	<u>14,076,216</u>

- Non interest bearing balances at banks and financial institutions amounted to JD 94,573 and JD 192,525 as of 31 December 2003 and 2002 respectively.

- Restricted balances amounted to Zero as of 31 December 2003 and 2002.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2003

5 CREDIT FACILITIES - NET

	2003 JD	2002 JD
Discounted bills and notes	449,518	481,359
Advances and loans	46,695,741	44,610,522
	<u>47,145,259</u>	<u>45,091,881</u>
Less:		
Interest in suspense	(9,601,304)	(7,695,299)
Allowance for possible loan losses	(6,353,591)	(6,980,797)
Total provision and interest in suspense	<u>(15,954,895)</u>	<u>(14,676,096)</u>
Net credit facilities	<u>31,190,364</u>	<u>30,415,785</u>

Credit facilities are granted to the following sectors:

	2003 JD	2002 JD
Agriculture	583,441	491,989
Industrial and mining	6,774,799	5,926,362
Construction	709,316	691,672
General trade	14,960,610	14,627,485
Transportation services (including airlines)	534,098	561,541
Tourism, hotels and restaurants	900,207	359,232
Public services	3,879,257	4,465,007
Financial services	198,759	414,067
Share dealing	601,387	250,327
Consumable products finance	3,829,818	3,520,029
Real estate finance	10,989,739	9,901,322
Car loans finance	580,971	469,833
Other	2,602,857	3,413,015
	<u>47,145,259</u>	<u>45,091,881</u>

Non-performing credit facilities as defined by the Central Bank of Jordan regulations amounted to JD 17,144,034, which represents 36% of total credit facilities against JD 16,718,833 which represent 37% of total credit facilities as of 31 December 2003 and 2002 respectively.

Non-performing credit facilities as defined by the Central Bank of Jordan regulations after eliminating interest in suspense amounted to JD 7,542,730 which represents 20% of total credit facilities after eliminating interest in suspense, against JD 9,023,534 which represents 24% of total credit facilities after eliminating interest in suspense as of 31 December 2003 and 2002 respectively.

Credit facilities granted to the government and guaranteed by the government amounted to JD 709,000 which represents 1.5% of total credit facilities against JD 709,000 which represents 1.6% of total credit facilities as of 31 December 2003 and 2003 respectively.

Fair market value of the collaterals pledged against credit facilities amounted to JD18,992,496 and JD 15,020,095 as of 31 December 2003 and 2002 respectively.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2003

5 CREDIT FACILITIES - NET (Continued)

Movement of the provision for credit facilities

	2003 JD			2002 JD		
	<i>Specific</i>	<i>General</i>	<i>Total</i>	<i>Specific</i>	<i>General</i>	<i>Total</i>
Beginning balance	6,454,997	525,800	6,980,797	6,876,961	379,693	7,256,654
Effect arising from application of IAS (39) in 1 January 2001	-	-	-	-	-	-
(Excess) provision provided during the year (net)	(625,523)	63,518	(562,005)	(326,334)	146,107	(180,227)
Less: Provision written off during the year	(65,201)	-	(65,201)	(95,630)	-	(95,630)
Ending balance	<u>5,764,273</u>	<u>589,318</u>	<u>6,353,591</u>	<u>6,454,997</u>	<u>525,800</u>	<u>6,980,797</u>

Provisions that were settled, collected or transferred against other non-performing credit facilities amounted to JD 777,942 and JD 1,328,748 as of 31 December 2003 and 2002 respectively.

Interest in suspense

	2003 JD	2002 JD
Beginning balance	7,695,299	6,371,970
Add: Interest suspended during the year	2,428,733	2,508,468
Less: Interest recognized during the year	(162,718)	(824,514)
Less: Interest in suspense written off during the year	(360,010)	(360,625)
Ending balance	<u>9,601,304</u>	<u>7,695,299</u>

6 AVAILABLE FOR SALE INVESTMENTS

	2003 JD			2002 JD		
	<i>Listed</i>	<i>Unlisted</i>	<i>Total</i>	<i>Listed</i>	<i>Unlisted</i>	<i>Total</i>
Stocks and shares	-	311,853	311,853	502,862	337,853	840,715

Included in the unlisted investment, an amount of JD 49,000 and JD 75,000 as of 31 December 2003 and 2002 respectively representing the value of the banks net investment in Al-Nisr Al-Arabi for Real Estate Investments representing an ownership percentage of 50%. The company had initiated liquidation procedures in 10 August 2002.

In addition, there are unquoted equity investments with the value of JD 311,853 are carried at cost, as its fair value could not be reliably measured. Impairment in value is recorded in that statement of income.

7 HELD TO MATURITY INVESTMENTS - NET

	2003 JD	2002 JD
Governmental bonds or government guaranteed bonds	5,050	106,217
Companies bonds and debentures	-	250,000
	<u>5,050</u>	<u>356,217</u>

8 FIXED ASSETS- NET

	2003 JD		
	Office equipments & furniture	Vehicles	Total
Beginning balance	2,891,843	82,574	2,974,417
Additions	358,069	42,050	400,119
Disposals	(426,254)	(31,001)	(457,255)
Accumulated depreciation	(1,532,190)	(29,457)	(1,561,647)
Net book value at year end	<u>1,291,468</u>	<u>64,166</u>	<u>1,355,634</u>

	2002 JD		
	Office equipments & furniture	Vehicles	Total
Beginning balance	2,361,539	79,963	2,441,502
Additions	672,357	6,950	679,307
Disposals	(142,053)	(4,339)	(146,392)
Accumulated depreciation	(1,630,320)	(39,759)	(1,670,079)
Ending balance	<u>1,261,523</u>	<u>42,815</u>	<u>1,304,338</u>

9 OTHER ASSETS

	2003 JD	2002 JD
Accrued interest income	88,064	96,109
Prepaid expense	99,697	24,283
Repossessed assets	2,042,640	3,120,348
Properties held for resale – net	469,758	525,472
Others	<u>259,586</u>	<u>283,070</u>
	<u>2,959,745</u>	<u>4,049,282</u>

The fair value of properties held for resale (individually) amounted to JD 505,140 and JD 577,187 as of 31 December 2003 and 2002 respectively.