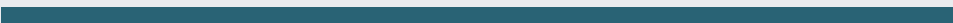




# **Jordan Loan Guarantee Corporation**

## **Small Business Company in Jordan**

**15th Annual Report**  
**2008**





His Majesty King Abdullah II Ben Al-Hussein



## **Mission Statement**

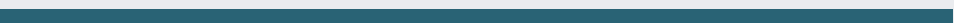
To enhance sustainable economic growth in Jordan through improving the credit environment available to the economically viable small and medium sized enterprises and national exports by providing them with credit and loan guarantees

## **Jordan Loan Guarantee Corporation**

A Limited, Public Shareholding Company, established under the Jordanian Companies Law and registered in the Public Shareholding Companies Register on 26.03.1994, under No.242, with a declared and paid-up capital of JD 10 million

### **Headquarters**

Amman Chamber of Commerce Investment Building  
Al Shmeisani - Prince Shaker Ben Zaid Street  
P.O.Box 830703 Amman 11183 Jordan  
Tel: (962) (6) 562 5400  
Fax: (962) (6) 562 5408  
<http://www.jlgc.com>  
[mail@jlgc.com](mailto:mail@jlgc.com)



## Message from the Chairman

### Honorable Shareholders,

Allow me and my colleagues, members of the Board of Directors to welcome you at the 15th annual meeting of the Jordan Loan Guarantee Corporation, to present the results and accomplishments of the Corporation in 2008, which came as a continuous effort to fulfill the mission of supporting SMEs and the Jordanian national exports.



Despite the global economic crisis, the Jordanian economy continued progress and growth led by the prudent policies inspired by the vision of His Majesty King Abdullah II for a better and more stable Jordan. The real gross domestic product (GDP) grew at 5.6% during 2008. The annual inflation rate decreased noticeably during the first quarter of 2009 to reach 2.8% compared to 9.9% during the first quarter of 2008 and 14% in 2008 as a whole. As for the investments benefiting from the Investment Promotion Law, it increased in 2008 by 2.1%; amounting to JD 2,268.0 million compared to JD 2,221.0 million during 2007.

In terms of public finance, the general budget deficit, including grants, amounting to JD 692.7 million or 4.9% of GDP in 2008. As for the total outstanding domestic public debt, it increased at the end of February 2009 compared to its level at the end of 2008 by JD 76.0 million to reach JD 5,830.0 million or 37.4% of GDP. On the other hand, the total outstanding external public debt decreased at the end of February 2009 compared to its level at the end of 2008 by JD 152.7 million to reach JD 3,487.5 million or 22.4% of GDP.

Regarding to the monetary policy, the Central Bank of Jordan reduced, since the global financial crisis has been emerged, interest rates on monetary instruments three times; on 25 Nov. 2008, on 12 Mar. 2009 and on 19 Apr. 2009 by 50 basis points each time. Also, the required reserve ratio was reduced by one percentage point each time to become 7%. Moreover, the Central Bank didn't issue certificates of deposit in order to pump more liquidity in the economy. Accordingly, the excess liquidity in the banking system increased to more than JD 3.1 billion.

With regard to developments in the external sector, total exports rose during 2008 by 35.9% to reach JD 5,522.9 million compared to JD 4,063.6 million in 2007, whereas imports rose by 23.2%; amounting to JD 11,973.9 million compared to 9,722.2 million in 2007, which contributed to an increase in the trade deficit by 14.0% to reach JD 6,451.0 million. Preliminary figures of balance of payments reveal that the 2008 current account registered a deficit of 12.1% of GDP.

## **Honorable Shareholders,**

During 2008, the Jordan Loan Guarantee Corporation continued its achievements in its various guarantee programs, and was able to provide guarantees for about 2,083 loans granted by commercial banks amounted to JD 19.6 million, for a guaranteed value of JD 12.4 million. In terms of supporting the national exports, the Corporation managed during 2008 to guarantee 1,682 export shipments valued at JD 82.03 million.

In terms of the financial performance of the Corporation in general, operating revenues in 2008 increased to JD 651.3 thousand, which reflected on the realized income during the year to reach JD 1.71 million compared to JD 1.47 million during 2007, an increase of JD 237.4 thousand. While the change in fair value of financial assets for trading of (-JD 1,356 million) caused a total loss of JD 651.6 thousand in 2008 compared to a profit of JD 1.48 million in 2007.

We look forward in 2009 to continue the achievements of the Jordan Loan Guarantee Corporation, and expand and develop its services stemming from the vision and mission of the Corporation that aim at supporting small and medium sized enterprises and the national exports.

## **Honorable Shareholders,**

In conclusion, allow me on your behalf to extend our sincere thanks to my fellow members of the Board, the Director General and staff of the Jordan Loan Guarantee Corporation for their efforts to achieve the interests of the Corporation as well as the national economy under the patronage of His Majesty King Abdullah II.

**Mohammad Said Shahin**  
Chairman

## Message from the Director General

### Ladies and Gentlemen,

I present to you the fifth annual report of the Jordan Loan Guarantee Corporation covering all our activities and the results achieved during the year 2008.



The corporation continues its mission to facilitate the financing process for the projects of Jordanian small and medium-sized enterprises by offering guarantees to commercial banks and financing institutions against the risks of their loans. JLG also continues to support the Jordanian national exports through the export credit risk guarantee covering commercial and political risks of these exports.

During 2008 the total guaranteed value of all loan guarantee programs was JD 12.4 million and the outstanding balance of the guaranteed loans portfolio reached JD 45.2 million. Whereas the total value of the ceilings offered to participating banks increased by JD 1.2 million to reach JD 80.92 million at the end of 2008, compared with JD 79.68 million last year.

In terms of the various guarantee programs, the number of productive loan guarantees executed and under execution was 132 this year, with a guaranteed value of JD 5.7 million compared to JD 3.5 million last year, which makes the total outstanding portfolio of productive loan guarantees at year-end JD 9.5 million, compared to JD 8.8 million last year. The productive loan guarantee ceilings offered to participating banks was JD 34.6 million, compared with JD 29.37 million last year, with an increase of JD 5.2 million.

On the other hand, the number of guaranteed personal loans in 2008 was 1,951 compared to 562 loans in 2007 for a total guaranteed amount of JD 6.7 million. The outstanding personal loan guarantees portfolio at the end of 2008 was JD 35.7 million, compared with JD 40.3 million dinars in 2007. As for the personal loan guarantees ceiling in 2008 it amounted to JD 46.3 million, compared with JD 50.3 million in 2007.

In the Credit Guarantee programmes, the export shipments guaranteed in 2008 reached 1,570 shipments with a total guaranteed value of JD 77.3 million compared to 1,461 Shipment with a guaranteed value of JD 54.1 million in 2007.


The values of Indemnification Requests in 2008 for both loan and credit guarantees was JD 349.8 thousand, out of which JD 255 thousand for the various Loan Guarantee programmes, JD 82.5 thousand for the Industrial Loan Guarantees (EJADA) programme, and JD 12 thousand for the Export Credit guarantees.

As for the value of Indemnifications Paid, it reached JD 430.7 thousand in 2008, out of which JD 189.4 thousand for the various Loan Guarantees, JD 215.5 thousand for the Industrial Loan Guarantees (EJADA) programme, and JD 25.7 thousand for the Export Credit guarantees.

In terms of Recoveries, the corporation recovered a value of JD 133.9 thousand in 2008, compared to JD 187.7 thousand in 2007.

The Financial activities of the corporation showed an increase in the Operational Revenues to reach JD 651 thousand in 2008, compared to JD 603 thousand in the previous year. As for the total realized revenues, it amounted to JD 1.03 million, compared to JD 854 thousand in 2007. On the other hand the global economic crises which affected both local and international financial markets, had its toll on JLG's investment portfolio in 2008 and showed an un-realized loss of JD 1.3 million from the valuation of trading securities, which caused an overall Gross Loss of JD 651.58 thousand compared to a Gross Profit of JD 1.48 million last year.

The Jordan Loan guarantee corporation will continue to work on promoting the loan guarantee culture and its importance to small and medium size enterprises and the overall national Jordanian economy, under the Supreme Commands of His Majesty King Abdullah II Bin Al Hussein to help build modern and prosperous Jordan.



Dr. Jamal Salah  
Director General

# **I. Company's Main Activities, Location, Number of Employees & Size of Capital Investment**

## **a. Company's Main Activities**

To enhance sustainable economic growth in Jordan through improving the credit environment available to the economically viable small and medium sized enterprises and national exports by providing them with the following credit and loan guarantee programmes:

## **I. LOAN GUARANTEE PROGRAMMES**

### **PRODUCTIVE LOAN GUARANTEE PROGRAMMES**

#### **Loan Guarantee Programme for Small & Medium Size Enterprises (SMEs)**

Objective:

- To assist SMEs owners to establish new projects or expand and improve existing ones to increase the efficiency and income of these projects and to create new job opportunities.
- To encourage commercial banks to provide funding for such projects based on their economic viability and cash flow, supported by the guarantee provided by the company.

Advantages:

- This program covers the risk of funding new projects in addition to those risks related to the expansion and/or the improvements of existing ones.
- The program covers the financing risks of all viable income generating projects from different sectors of the economy (industry, professions, agriculture, trade, commerce, services, contracting, construction, and communications).
- The possibility of granting a grace period depending on the aim and specification of the project.
- The possibility of financing the purchase of fixed assets or working capital or both.
- The possibility of offering a renewable loans with the possibility of re-drawing of the principal amounts paid and within the ceiling originally approved.

Conditions:

- The maximum amount of loan up to JD70,000.
- Loan Maturity up to (72) months including a grace period.
- Maximum grace period of one year.
- The project has to be owned by the private sector and operating in Jordan.
- Loans under this program are decreasing loans without a pre-paid interest.

\*\* In the case of a renewed ceiling, the following conditions should apply:

- The purpose of the ceiling should only be confined to financing the working capital (financing of documentary credits in order to import raw materials for manufacturing and financing local purchases of materials used for manufacturing, or for trade transactions related to the guaranteed enterprises).
- Payments within this ceiling is scheduled according to decreasing installments system or in accordance with a specified time schedule.
- The maximum period for these loans is six months.
- Ceiling is renewed annually.

#### Coverage:

- Guarantee Covers 70% (of the existing loan balance and interest rate of six months) for loans up to JD 70,000.
- The adoption of the principle of a partial guarantee for loans worth more than JD 70,000 which does not fall under the terms of the industrial finance (EJADA).

### **Industrial Modernization Loan Guarantee Programme - EJADA**

#### Objective:

- Assist in the establishment / expansion / increasing productivity of SMEs projects working exclusively in the sectors of industry and services.
- Encourage commercial banks and financial institutions to finance these projects based on their economic viability and cash flows supported by the guarantee of the company.

#### Advantages:

- This program covers the risks of financing SMEs projects in the industrial and services sectors and other supporting sectors.
- The possibility of granting a grace period accordingly.
- The possibility of financing the fixed assets of the projects or the financing of working capital, or both.
- The possibility of offering renewable loans with the possibility of re-drawing of the principal amounts paid and within the ceiling originally approved.

#### Conditions:

- Loan amount from JD 70,000 up to JD 430,000.
- Loan Maturity up to (96) months including a grace period.
- Number of workers in the project should not be less than (5) and not more than (250) workers.
- The project should be profit making, operating in Jordan, and fully owned by the private sector.

\*\* In the case of a renewed ceiling, the following conditions should apply:

- The purpose of the ceiling should only be confined to financing the working capital (financing of documentary credits in order to import raw materials for manufacturing and financing local purchases of materials used for manufacturing, or for trade transactions related to the guaranteed enterprises.
- Payments within this ceiling is scheduled through decreasing payments or in accordance of a specified time schedule.
- The maximum period for these loans is six months.
- Ceiling is renewed annually

#### Coverage:

- Guarantee Covers 70% of (the existing loan balance and interest rate of six months).

## **Leasing Loan Guarantee Programme - EJADA**

### Objective:

- To assist SMEs obtain the appropriate medium & long term leasing required by providing the necessary guarantee needed for their lease, relying on sound credit analysis and their ability to pay through their positive cash flow rather than traditional collaterals.
- Encourage commercial banks and financial leasing institutions to finance these projects by relying on their credit ratings supported by the guarantee offered by the company.

### Advantages:

- This program covers the risk of fixed assets financing directed to SME projects in the industrial and services sectors and other supportive sectors in order to increase their efficiency & productivity.
- The possibility of granting a grace period.

### Conditions:

- Loan amount up to JD 430,000.
- Loan Maturity up to (96) months including a grace period.
- The project should be profit making, operating in Jordan, and fully owned by the private sector.
- Guaranteed amount JD 20,000 – JD 300,000.
- Loans to the agriculture sector, banks, insurance companies, existing credit portfolios, tobacco companies, financial speculation, trading in arms and spirits, or anything contrary to law are excluded.

### Coverage:

- Guarantee Covers 70% of (the existing loan balance and interest rate of six months).

## **Enhanced Productivity Loan Guarantee Programme - IRADA**

### Objective:

- To assist SMEs with feasibility prepared through the enhanced productivity centers (IRADA) to obtain the necessary financing.
- Encourage commercial banks and financial institutions to provide the necessary financing for these projects based on their economic viability and cash flows supported by the guarantee provided by the company.

### Advantages:

- This program covers the risk of funding new projects in addition to those risks related to the expansion and/or the improvements of existing ones.
- This program covers the financing risks of all viable income generating projects from different sectors of the economy (industry, professions, agriculture, trade, commerce, services, contracting, construction, and communications).
- The possibility of granting a grace period.
- The possibility of financing the purchase of fixed assets or working capital or both.

Conditions:

- Loan amount up to JD 25,000.
- Loan Maturity up to (60) months.
- Number of workers in the project should not be less than (2) and not more than (25) workers.
- The project should be profit making, operating in Jordan, and fully owned by the private sector.
- Project owner contribution not less than (25%).

Coverage:

- Guarantee Covers 70% of (the existing loan balance and interest rate of six months).

### **Working Capital Loan Guarantee Programme**

Objective:

- Assist the Jordanian Exporter to raise his production efficiency and processing of goods for exporting.
- To encourage commercial banks to provide the necessary funding for this purpose with the guarantee of the company to enable exporters prepare their export shipments.

Conditions:

- The maximum amount of ceiling offered for each client in this program is up to JD 250,000, and can be obtained under one or more loans as needed within this ceiling.
- The maximum payment period is 12 months.
- The existence of credit bills or export contracts is required.

Coverage:

- Guarantee Covers 75% of (the existing loan balance and interest rate of six months).

### **Taxi and Service Car Purchase Loan Guarantee Programme**

Objective:

- To assist those working in the transportation sector to purchase new vehicles, or replace old ones.
- To encourage commercial banks to provide the necessary financing for the transportation sector based on the economic viability and cash flows along with the company's guarantee.

Advantages:

- The possibility of granting a grace period.

Conditions:

- Loan amount is up to JD 14,000, considering loans above that limit as long as the guarantee doesn't exceed 75% of cost of vehicle.
- Loan Maturity up to (60) months including a grace period.
- Maximum grace period of one year.
- Full insurance of the vehicle to the benefit of the financing Bank.

Coverage:

- Guarantee Covers 70% of (the existing loan balance and interest rate of six months).

## **PERSONAL LOAN GUARANTEE PROGRAMMES**

### **Housing Loan Guarantee Programme**

Objective:

- To assist those with middle and low income acquire adequate housing.
- To encourage commercial banks to provide the necessary funding for this purpose with the guarantee of the company.

Advantages:

- This program covers financing risks for middle and low income borrowers requiring adequate housing.

Conditions:

- Maximum loan amount is up to JD 75,000.
- Partial guarantee offered for loans in excess of this limit.
- Loan Maturity up to (240) months.
- First class mortgage to the benefit of the financing bank.
- The proportion of funding should not exceed 85% of the estimated value of the property or the contract of sale, whichever is less.
- Insurance on the life of the borrower and the property for the duration of the loan's life.

Coverage:

- Guarantee Covers 75% of (the existing loan balance and interest rate of the default period)for loans up to JD 75,000.
- Partial guarantee for loans above JD 75.000 is applied.

### **Urban Development Housing Loan Guarantee Programme**

Objective:

- To assist those with middle and low income acquire adequate housing.
- To encourage commercial banks to provide the necessary funding for this purpose with the guarantee of the company.

Advantages:

- This program covers the risk of non-payment resulting from borrowers who are financing the purchase of housing units in the projects of Housing and Urban Development Corporation.
- The possibility of accepting a bill to prevent the disposal of property by the Housing and Urban Development Corporation instead of the mortgage.

Conditions:

- Financed property should be built on the land of the Housing and Urban Development Corporation.
- Maximum loan amount is up to JD 30,000.
- Loan Maturity up to (240) months.

- Requiring a bill to prevent the disposal of property by the Housing and Urban Development Corporation.
- The proportion of funding does not exceed 85% of the estimated value of the property or the contract of sale, whichever is less.
- Insurance on the life of the borrower and the property for the duration of the life of the loan.
- A proof of the borrower's income with two sponsors.

Coverage:

- Guarantee Covers 75% of (the existing loan balance and interest rate of six months).

### **Land Purchase Loan Guarantee Programme**

Objective:

- To assist borrowers who wish to obtain a plot of land for the purpose of housing.
- To encourage commercial banks to provide the necessary funding for this purpose with the guarantee of the company.

Advantages:

- This program covers the risks of financing the purchase of a plot of land for the purpose of housing.
- The possibility of granting a 3 months grace period.

Conditions:

- Maximum loan amount is up to JD 50,000.
- Loan Maturity up to (120) months including a grace period.
- First class mortgage to the benefit of the financing bank.
- The proportion of funding should not exceed 50% of the estimated value of the land or the contract of sale, whichever is less.
- Insurance on the life of the borrower for the duration of the loan's period.

Coverage:

- Guarantee Covers 70% of (the existing loan balance and interest rate of the default period) for loans up to JD 50,000.
- The principle of a partial guarantee for loans above JD 50,000 is applied.

### **Computer Loan Guarantee Programme**

Objective:

- To assist borrowers to own personal computers in order to increase knowledge and cultural awareness and improve the use of information technology in Jordan.
- To encourage commercial banks to provide the necessary funding for this purpose with the guarantee of the company.

Advantages:

- This program covers the risks of financing borrowers who wish to purchase a personal computer.
- Providing guarantees for these loans to benefit Medical and Engineering Professionals, Businessmen, Bank Employees and University Students.

#### Conditions:

- Maximum loan amount is up to JD 1,100.
- Loan Maturity up to (48) month.

#### Coverage:

- Guarantee Covers 85% of (the existing loan balance and interest rate of six months).

## II. CREDIT GUARANTEE PROGRAMMES

### EXPORT CREDIT GUARANTEE PROGRAMME

- Guarantee contract covers all the exporter's transactions in external markets excluding those paid in advance or through letters of credit confirmed by a Jordanian bank.
- Exporters are granted a ceiling for each foreign buyer depending on their credit situation.
- Maximum shipment value for each foreign buyer not to exceed US\$ 4,000,000.
- The guarantee covers 90% of the loss value caused by any of the commercial or political risks outlined in the guarantee contract.
- Guarantee covers the following:
  - Commercial Risks: Buyer insolvency, protracted default of buyers, and refusal of the buyer to accept the documents or shipped goods.
  - Political Risks: War, strikes, civil disturbance, protracted default of public buyer, and other governmental interference.
- Indemnification waiting period ranges between one and six months, depending upon the risks covered.
- Exporter is charged reasonable fees and premiums based on an evaluation of the covered risks. Fees are to be paid upon the implementation of each shipment.
- Participating exporters get access to information about new foreign buyers and their financial position through JLGC's on-line connection to International and regional re-insurers' databases.

### DOMESTIC CREDIT GUARANTEE PROGRAMME

- Provides guarantees for industrial and commercial companies or establishments for the risk of their credit offered to their local clients in Jordan.
- Guarantee covers 90% of the unpaid value of goods sold in the local Jordanian market within 6 months from presenting sale receipts excluding the sales tax.
- Guarantee covers the risk of default or bankruptcy of the local buyers.
- Maximum ceiling offered per buyer is \$4,000,000 and according to their credit rating.

#### b. Company's Location & Number of Employees

- The company offices are located in the Investment Building of the Amman chamber of Commerce across from the Arab Bank building in Shmeisani Area / Amman.
- The JLGC programmes and services are run by a staff of 38 employees in 2008.
- There are no other branches for the company in or outside Jordan.

### **c. Size of Capital Investment**

Total size of investment in 2008 amounted to JD 149,977 compared to JD 108,985 in 2007.

### **2 - A description of the Subsidiary Companies, the nature of their business and their areas of activity.**

There are no subsidiary companies or any branches within or outside the Kingdom.

### **3 - The members of the Board of Directors names and the names and ranks of Senior Executive Management with a brief resume of each**

#### **a. Board of Directors**



#### **Mr. “Mohammad Said” Mohammed Shahin Chairman**

- Born 1948
- Masters in Public Administration (Economic Development) Harvard University 1978
- Bachelor Degree in Economics 1973
- Deputy Governor of Central Bank since 16 February 2003
- Managing Director and Board Member of the Deposits Guarantee Corporation
- Head of Investment Department in the Arab Monetary Fund - Abu Dhabi
- Acting Executive Director / Executive Director at the Central Bank of Jordan
- Head of the Investment Department at the Central Bank of Jordan
- Assistant Head of the Investment Department at the Central Bank of Jordan
- Employee / Acting Section Head / Section Head of the Investment Department at the Central Bank of Jordan

#### **Mr. Mohammad Mousa Dawood Deputy Chairman**

- Born 1956
- Bachelor Degree in Mathematics 1978
- Manager of Commercial Credit in the Arab Bank
- Manager of Credit in the Arab Bank in Jordan & Palestine
- Financial Analyst in The Arab Bank

**Mr. Mo'taz Barbour**  
**Board Member**

- Born 1953
- Bachelor Degree in Accounting / High Diploma in Banking Studies
- General Controller and Executive Manager in the Investment and External Operations Department in the Central Bank of Jordan
- Executive Manager Assistant in the Investment and External Operations Department in the Central Bank of Jordan

**Mr. Abdel Elah Al Hunaiti**  
**Board Member**

- Born 1965
- Bachelor Degree in Law
- Acting General Manager of the Cities & Villages Development Bank since 2007
- Head of Administration Department in the Ministry of Rural Affairs
- Head of the Internal Auditing Unit in the Ministry of Rural Affairs

**Mr. "Mohammad Awni" Khasawneh**  
**Board Member**

- Born 1949
- Degree in Arabic Literature 1975
- Manager for the Center of Default Loans at the Housing Bank
- Manager of several Branches at the Housing Bank
- Follow up & Recoveries Dept. Manager, Provisions Project Manager, Credit Officer at the Housing Bank
- Section Head in the Jordanian Syrian Transportation Company

**Mr. Salah Ahmed Al Momany**  
**Board Member**

- Born 1951
- Bachelor Degree in Nursing 1976
- Irbid Branch Manager of the Social Security Corporation
- Assistant Manager of the Amman Branch & Assistant Manager of the Retirement & Compensation Department & Section Head at the Social Security Corporation.
- Arab American Co. (Aramco) in Saudi Arabia.
- Ministry of Health / Jordan

**Mr. Khaled Najjar**  
**Board Member**

- Born 1964
- Bachelor Degree in Accounting 1985 High Diploma in Accounting 1990
- Loan executive Manager in the Industrial Development Bank
- Banking Experience in the Jordan Kuwait Bank, Bank of Jordan and Jordan Gulf Bank

## b. Upper Management



### **Dr. Jamal Mohammad Salah**

Director General - Since 1st June 2008

- Born 1947
- PhD in Economics 1979 from Keele University / United Kingdom
- Director General / Jordan Loan Guarantee Corporation / Since 1st June 2008
- Advisor / Islamic Development Bank, Saudi Arabia / July 2001 – July 2007
- Advisor / Prime Ministry / Jan 2001 - July 2001
- Sectary General / Ministry of Planning / Nov. 1999 - July 2001
- Managing Director / Jordan Loan Guarantee Corporation / April 1994 – Nov 1999
- Executive Director / Research Department / Central Bank of Jordan / Jan 1993 – Apr 1994
- Assistant Executive Director / Central Bank of Jordan / Feb 1988 – Jan 1993
- Economic Advisor / Central Bank of Qatar / Jan 1983 – Feb 1988
- Various Positions / Central Bank of Jordan / Sep 1970 – Jan 1983

### **Mr. “Mohammad Said” Al-Hammami**

Managing Director - Until 31st May 2008

- Born 1942
- Masters Degree in Finance 1976
- Jordan Loan Guarantee Corporation Managing Director
- Jordan Loan Guarantee Corporation Deputy General Manager
- Executive Secretary of the Preparatory Committee for Private Development
- Financial & Economic Advisor for the Minister of Finance
- Financial Advisor for the Jordan Investment Corporation
- General Manager for the Financial Securities Company
- Deputy General Manager for the Retirement Fund
- Head of the Foreign Affairs Departments at the Central Bank of Jordan
- In charge of the Foreign Affairs at the Central Bank of Kuwait

### **Mr. Faeq Nassar**

Support Services Department Manager

- Born 1957
- Bachelor Degree in Finance & Management in 1980
- Lecturer then Head of Finance and Administration at the Arab Community College
- Administrative Researcher at the Jordan Electricity Authority
- Financial and Administrative Manager at the International Contractors Group
- Personnel Department / Housing Bank for Trade and Finance
- Credit Officer at the Arab Land Bank
- With JLGC since Feb. 1 1996

### **Mr. Mohannad Al Rashdan**

Risk Management Department Manager

- Born 1968
- Bachelor Degree in Economics 1993, Masters Degree in Financial Management in 2005
- Credit Officer at the Housing Bank for Trade and Finance
- With JLGC since Oct. 1 1995

### **Mr. Jamal Al Jaafari**

Compliance and Internal Auditing Manager

- Born 1964
- Bachelor Degree in accounting 1998
- Accountant in the Jordan Distribution Agency
- With JLGC since Jan 1 1995

## **4 – Largest Shareholders**

The names of the Company's large shareholders in 2008 and the number of shares owned by each of them where such constitutes (5 %) or more in comparison with the previous year.

| <b>Shareholder</b>                 | <b>Number of Shares<br/>2008</b> | <b>% of Share<br/>2008</b> | <b>% of Share<br/>2007</b> |
|------------------------------------|----------------------------------|----------------------------|----------------------------|
| Central Bank of Jordan             | 4,775,000                        | 47.75%                     | 47.75%                     |
| Cities & Villages Development Bank | 525,000                          | 5.25%                      | 5.25%                      |
| Social Security Corporation        | 524,000                          | 5.24%                      | 5.24%                      |

## **5. The Company's competitive position**

Jordan Loan Guarantee Corporation is the only company that offers loan and export guarantees in Jordan, therefore the corporation has no competitors within the country. On the other hand, there are some national and regional institutions offering similar export credit guarantees operations, including Jordanian exports.

## 6. The extent of dependence upon specific suppliers and/or major clients

There are no specific suppliers or major clients for JLGC whether local or international who represent 10 % or more of the company's purchases and/or sales or revenues.

## 7. Any Government Protection or Concession Granted to the Company

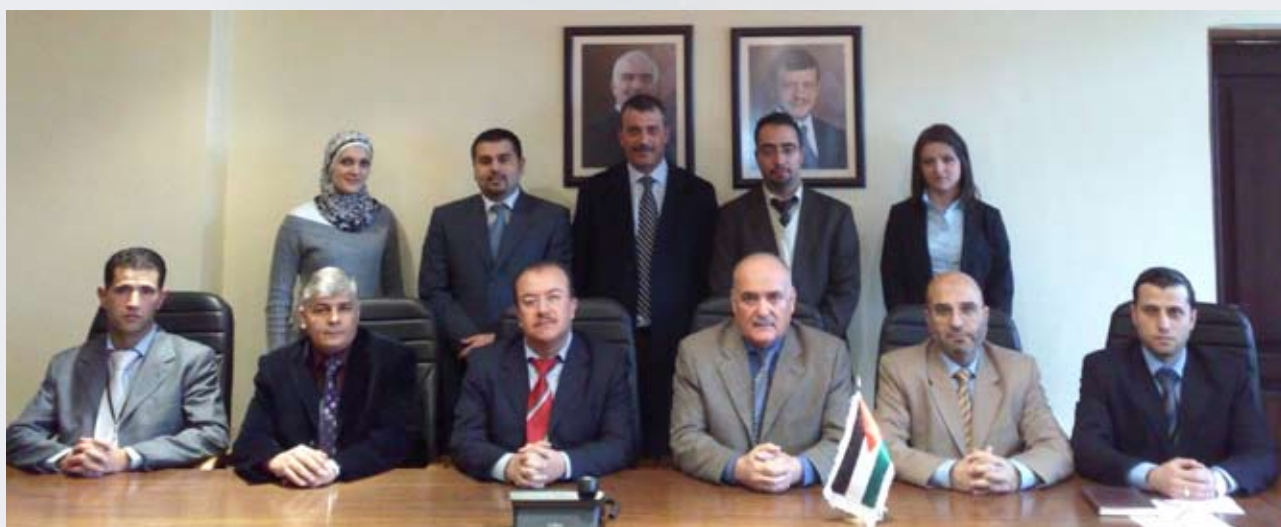
Participating Banks using the services offered by the Jordan Loan Guarantee Corporation have the following privileges from the Central Bank:

- Loans Guaranteed by the company are considered Good loans for which general provisions required by the Central Bank of Jordan are waived throughout the life of the loan. Banks are exempted from allocating special provisions against defaulted loans for the first year of the defaults. However, these provisions are to be allocated for the second year.
- The portion of the participating bank's assets of guaranteed loans are considered preferred assets and therefore the Weighted Average of Capital Adequacy required from banks against its loans is decreased.

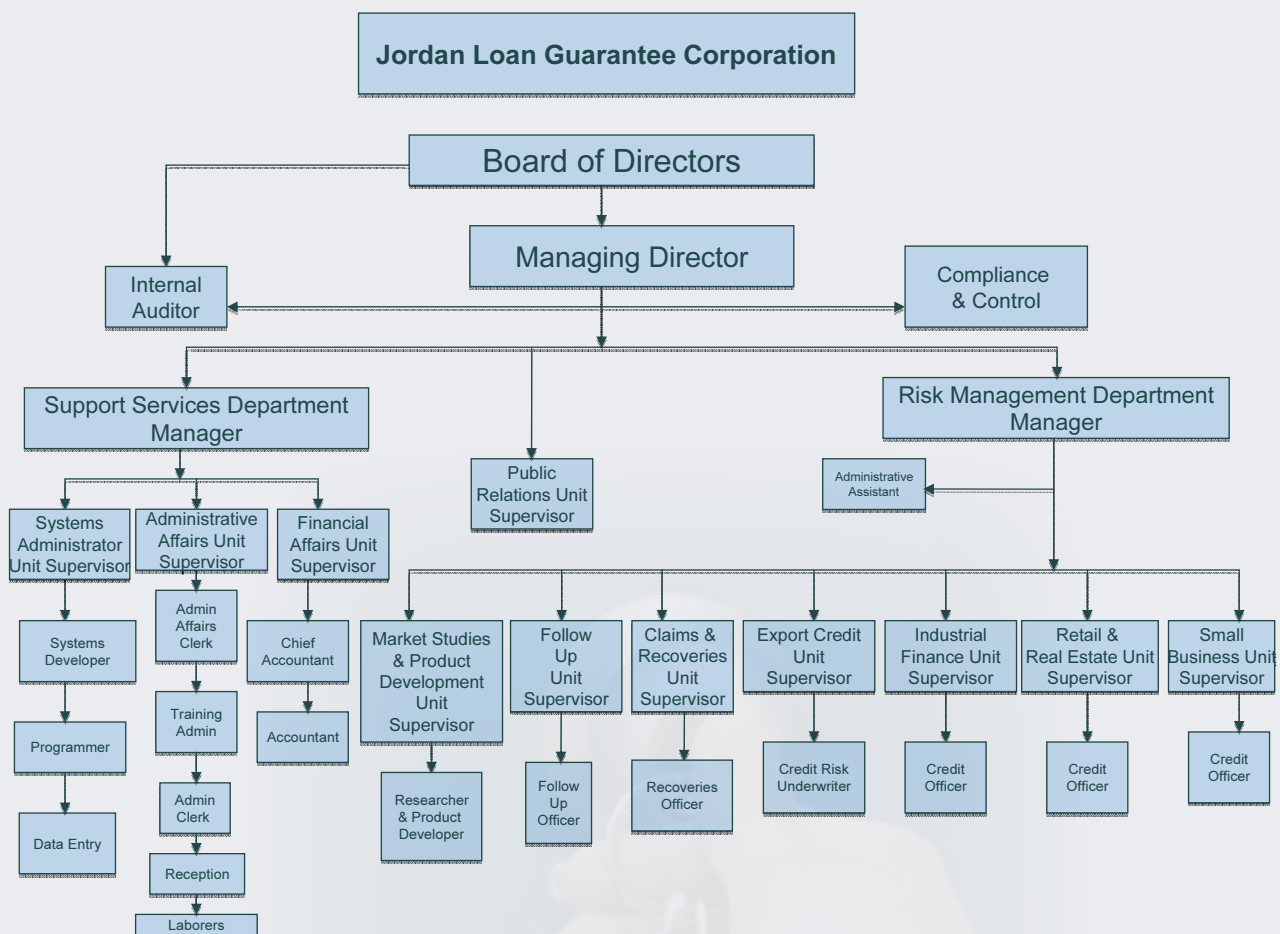
## 8. Any Decision by the Government with a material effect on the Company

- The Council of Ministers has decided to exempt all JLGC's Export Credit Guarantee contracts and their subsequent claims from relevant stamp duties.
- The company is committed to pursuing the Best Practices in their core business of Loan Guarantees and Export Credit Guarantees that are followed by other similar world class guarantee institutions.

## 9. Company's Organizational Chart, Number of Employees their Qualifications, and Training programs



## A. Organizational Chart at the end of 2008



## B. Number of Employees and their Qualifications at the end of 2008

The Number of employees in 2008 remained unchanged from 2007 at 38 employees, with their qualifications as follows:

| YR   | PhD | Master Degree | High Diploma | Bachelor Degree | Junior College | High School | Less than High School | Total |
|------|-----|---------------|--------------|-----------------|----------------|-------------|-----------------------|-------|
| 2008 | 1   | 3             | 1            | 24              | 3              | 4           | 2                     | 38    |
| 2007 | 0   | 4             | 1            | 23              | 2              | 6           | 2                     | 38    |

Positions are filled through the employment committee and the approval of the Director General and through the Board of Director's decision for upper management positions. Employee turnover reached a 24 % in 2008 compared with 21 % in 2007.

### **C. Employee Training in 2008**

To increase employee's technical and administrative qualifications, the company nominated 20 employees in 2008 for 30 internal training courses and 6 employees for 7 external for a total cost of JD 18,967.



### **10. A description of the Company's risk exposure**

Since the nature of the companies work is providing guarantees for the loan risks of the small and medium sized enterprises as well as the risks of export credit, the company is exposed to the risk of default for these SME loans and the risk of non-payment of foreign buyers of Jordanian exports. In 2008 the company'd paid ammounts for default guarantees reached JD 430,690 compared to JD 73,776 in 2007.

## 11. The Company's Accomplishments supported by Numbers

The 2008 operational results of the Jordan Loan Guarantee Corporation showed a total increase of JD 2.2 million in the total outstanding guaranteed portfolio to reach a total of JD 60.9 million for both loan and credit guarantee programs, compared with JD 58.7 million last year. The value of total ceilings offered to participating banks also increased by JD 1.2 million from JD 79.7 million in 2007 to JD 80.9 million in 2008. This was reflected positively on the operational revenues with an increase of 8%, from JD 603 thousand in 2007 to JD 651 thousand in the year 2008.

In terms of its loan guarantees, the outstanding guaranteed portfolio for all productive and personal loans at the end of 2008 was 3857 loans for a guaranteed value of JD 45.2 million compared to 3123 loans with a guaranteed value of JD 49.2 million at the end of last year

As for the loan guarantees during the year 2008 the corporation offered 2083 loan guarantees for a guaranteed value of JD 12.4 million compared to 742 loan guarantees for a guaranteed value of JD 16.8 million in 2007.

The productive loans outstanding guaranteed portfolio at the end of 2008 reached JD 9.5 million, compared with JD 8.8 million in 2007, while the personal loans' outstanding guaranteed portfolio decreased from JD 40.3 million last year to JD 35.7 million in 2008. The Productive loan guarantees executed and under execution during 2008 were approximately 132 loans with guaranteed values of JD 5.7 million compared to 180 loans and guaranteed values of JD 3.5 million, an increase of JD 2.2 million from last year.

On the other hand, and under the personal loan guarantee programmes, the corporation had 1951 loans executed and under execution during 2008 with guaranteed values of the JD 6.7 million compared to 562 loans and a JD 13.3 million guaranteed values in 2007.

In terms of export and domestic credit guarantees, the Jordan Loan Guarantee Corporation had offered its guarantees to 1682 shipments with a guaranteed value of JD 82.0 million, compared to 1563 shipments with a guaranteed value of JD 58.3 million in 2007, meanwhile the guaranteed portfolio at the end of 2008 had 209 shipments with a guaranteed value of JD 15.8 million compared to 79 shipments with a guaranteed value of JD 9.5 million at the end of 2007.

During 2008 the corporation received 16 claims from participating banks for a value of JD 255 thousand, compared with 9 claims and a value of JD 148.4 thousand last year. In the EJADA Industrial Finance Programme, the corporation received one claim in the 2008 for a value of JD 82.5 thousand, compared to also one claim in 2007 for a value of JD 215.5 thousand.

On the other hand the credit guarantee claims were approximately JD 12 thousand, compared with JD 110.5 thousand in 2007. Indemnifications paid to the banks in 2008 were JD 189.4 thousand, compared to JD 837 last year, in addition to JD 215.5 thousand for the EJADA Industrial Finance Programme, compared with JD 72.9 thousand in 2007.

The value of indemnifications paid for Credit Guarantee Programmes was JD 25.7 thousand this year.

With regard to the financial performance of the Jordan Loan Guarantee Corporation in general, the total revenues earned during 2008 reached a JD 1.71 million, compared with JD 1.47 million in 2007, an increase of JD 237.4 thousand. As a result of the re-valuation of trading securities in 2008, the books showed unrealized losses of JD 651.6 thousand compared to a profit of JD 1.48 million in 2007.

## Summary of 2008 Results

| <b>TOTAL GUARANTEED PORTFOLIO at the End of 2008 vs. 2007</b> |                   |                   |                   |
|---|-------------------|-------------------|-------------------|
|   | <i>2008</i>       | <i>2007</i>       | <i>Change</i>     |
| Total Loan Guarantee Portfolio                                | 45,207,384        | 49,227,452        | -4,020,068        |
| Total Credit Guarantee Portfolio                              | 15,786,235        | 9,514,943         | 6,271,292         |
| <b>TOTAL PORTFOLIO</b>  | <b>60,993,619</b> | <b>58,742,395</b> | <b>2,251,224</b>  |
|   |                   |                   |                   |
| <b>TOTAL CEILINGS OFFERED TO BANKS in 2008 vs. 2007</b>       |                   |                   |                   |
|   | <i>2008</i>       | <i>2007</i>       | <i>Change</i>     |
| Productive Loans Ceilings                                     | 34,600,842        | 29,372,903        | 5,227,939         |
| Personal Loans Ceilings                                       | 46,319,000        | 50,309,385        | -3,990,385        |
| <b>TOTAL CEILINGS</b>   | <b>80,919,842</b> | <b>79,682,288</b> | <b>1,237,554</b>  |
|   |                   |                   |                   |
| <b>FINANCIAL RESULTS in 2008 vs. 2007</b>                     |                   |                   |                   |
|   | <i>2008</i>       | <i>2007</i>       | <i>Change</i>     |
| Operational Revenues  | 651,378           | 603,113           | 48,265            |
| Realized Financial Revenues                                   | 1,031,471         | 854,087           | 177,384           |
| Other Revenues  | 29,419            | 17,651            | 11,768            |
| <b>Total Realized Revenues</b>                                | <b>1,712,268</b>  | <b>1,474,851</b>  | <b>237,417</b>    |
|   |                   |                   |                   |
| Unrealized Revenues ( Valuation of Trading Securities)        | 1,356,419-        | 823,796           | 2,180,215-        |
| <b>Total Revenues</b>   | <b>355,849</b>    | <b>2,298,647</b>  | <b>-1,942,798</b> |
|   |                   |                   |                   |
| <b>General and Administrative Expenses</b>                    | <b>1,007,429</b>  | <b>812,840</b>    | <b>194,589</b>    |
|   |                   |                   |                   |
| Gross Profit / Loss (Unrealized)                              | 651,580-          | 1,485,807         | - 2,137,387       |

| LOAN GUARANTEES   |                   |                   | CREDIT GUARANTEES                                       |                   |                   |
|---|-------------------|-------------------|---|-------------------|-------------------|
|   |                   |                   |   |                   |                   |
| Loans Executed & Under Execution During the Year        |                   |                   | Guaranteed Shipments During the Year                    |                   |                   |
| Number of Loans   | 2008              | 2007              | Number of Shipments                                     | 2008              | 2007              |
| Productive loans  | 132               | 180               | Export Credit   | 1,570             | 1,461             |
| Personal Loans  | 1,951             | 562               | Domestic Credit   | 112               | 102               |
| <b>Total</b>  | <b>2,083</b>      | <b>742</b>        | <b>Total</b>  | <b>1,682</b>      | <b>1,563</b>      |
| Loan Values   | 2008              | 2007              | Shipment Values   | 2008              | 2007              |
| Productive loans  | 10,228,117        | 6,211,227         | Export Credit   | 87,201,505        | 54,768,327        |
| Personal Loans  | 9,378,613         | 20,491,513        | Domestic Credit   | 4,972,653         | 4,312,576         |
| <b>Total</b>  | <b>19,606,730</b> | <b>26,702,740</b> | <b>Total</b>  | <b>92,174,158</b> | <b>59,080,903</b> |
| Guaranteed Values                                       | 2008              | 2007              | Guaranteed Values                                       | 2008              | 2007              |
| Productive loans  | 5,736,641         | 3,553,684         | Export Credit   | 77,350,333        | 54,150,958        |
| Personal Loans  | 6,718,653         | 13,328,961        | Domestic Credit   | 4,682,254         | 4,161,078         |
| <b>Total</b>  | <b>12,455,294</b> | <b>16,882,645</b> | <b>Total</b>  | <b>82,032,587</b> | <b>58,312,036</b> |
|   |                   |                   |   |                   |                   |
| Guaranteed Portfolio Outstanding at the End of the Year |                   |                   | Guaranteed Portfolio Outstanding at the End of the Year |                   |                   |
| Number of Loans   | 2008              | 2007              | Number of Shipments                                     | 2008              | 2007              |
| Productive loans  | 376               | 374               | Export Credit   | 199               | 75                |
| Personal Loans  | 3,481             | 2,749             | Domestic Credit   | 10                | 4                 |
| <b>Total</b>  | <b>3,857</b>      | <b>3,123</b>      | <b>Total</b>  | <b>209</b>        | <b>79</b>         |
| Loan Values   | 2008              | 2007              | Shipment Values   | 2008              | 2007              |
| Productive loans  | 32,109,549        | 20,403,976        | Export Credit   | 16,407,100        | 9,842,747         |
| Personal Loans  | 48,766,665        | 65,444,356        | Domestic Credit   | 1,133,160         | 729,413           |
| <b>Total</b>  | <b>80,876,214</b> | <b>85,848,332</b> | <b>Total</b>  | <b>17,540,260</b> | <b>10,572,160</b> |
| Guaranteed Values                                       | 2008              | 2007              | Guaranteed Values                                       | 2008              | 2007              |
| Productive loans  | 9,510,746         | 8,862,698         | Export Credit   | 14,766,390        | 8,858,472         |
| Personal Loans  | 35,696,638        | 40,364,754        | Domestic Credit   | 1,019,845         | 656,471           |
| <b>Total</b>  | <b>45,207,384</b> | <b>49,227,452</b> | <b>Total</b>  | <b>15,786,235</b> | <b>9,514,943</b>  |

| Claims                              |                |                | Recoveries                       |                  |                  |
|-------------------------------------|----------------|----------------|----------------------------------|------------------|------------------|
|                                     | 2008           | 2007           |                                  | 2008             | 2007             |
| Loan Guarantee Claims               | 255,097        | 148,422        | Loan Guarantee Recoveries        | 90,926           | 187,133          |
| Industrial Finance Claims           | 82,597         | 215,511        | Industrial Finance Recoveries    | 22,966           | 0                |
| Exports Claims                      | 12,124         | 110,543        | Exports Recoveries               | 0                | 575              |
| <b>Total Claims</b>                 | <b>349,818</b> | <b>474,476</b> | <b>Total Recoveries</b>          | <b>113,892</b>   | <b>187,708</b>   |
|                                     |                |                |                                  |                  |                  |
| Indemnifications                    |                |                | Re-Scheduling                    |                  |                  |
|                                     | 2008           | 2007           |                                  | 2008             | 2007             |
| Loan Guarantee Indemnifications     | 189,427        | 837            | Loan Guarantee Re-Scheduling     | 693,187          | 3,409,496        |
| Industrial Finance Indemnifications | 215,511        | 72,939         | Industrial Finance Re-Scheduling | 705,304          | 273,777          |
| Exports Indemnifications            | 25,752         | 0              | Exports Re-Scheduling            | -                | -                |
| <b>Total Indemnifications</b>       | <b>430,690</b> | <b>73,776</b>  | <b>Total Re-Scheduling</b>       | <b>1,398,491</b> | <b>3,683,273</b> |

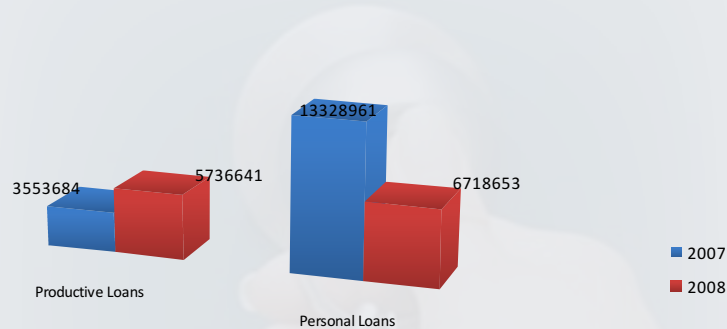
## LOAN GUARANTEE PROGRAMMES

### All Loan Guarantee Programmes

#### ALL LOAN GUARANTEES EXECUTED AND UNDER EXECUTION DURING 2008 VS. 2007

| Programme        | Number of Loans |            | Value of Loans    |                   | Guaranteed Value  |                   |
|------------------|-----------------|------------|-------------------|-------------------|-------------------|-------------------|
|                  | 2008            | 2007       | 2008              | 2007              | 2008              | 2007              |
| Productive Loans | 132             | 180        | 10,228,117        | 6,211,227         | 5,736,641         | 3,553,684         |
| Personal Loans   | 1951            | 562        | 9,378,613         | 20,491,513        | 6,718,653         | 13,328,961        |
| <b>Total</b>     | <b>2083</b>     | <b>742</b> | <b>19,606,730</b> | <b>26,702,740</b> | <b>12,455,294</b> | <b>16,882,645</b> |

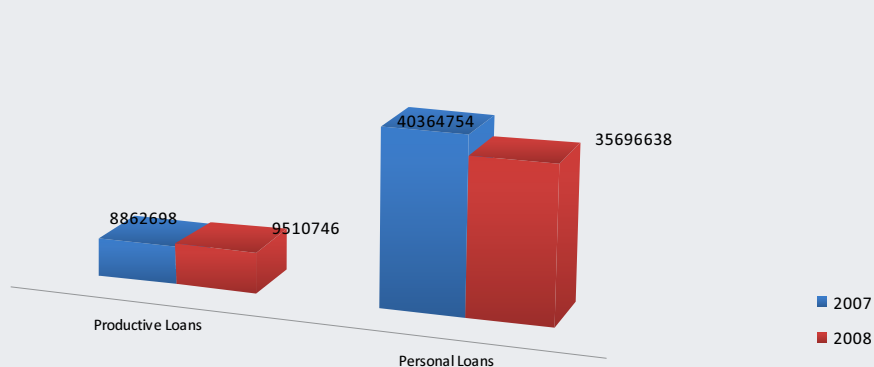
Guaranteed Amounts of All Loans Executed and Under Execution During 2008 vs. 2007



#### OUTSTANDING PORTFOLIO FOR ALL LOAN GUARANTEES AT THE END OF 2008 VS. 2007

| Programme        | Number of Loans |             | Value of Loans    |                   | Guaranteed Value  |                   |
|------------------|-----------------|-------------|-------------------|-------------------|-------------------|-------------------|
|                  | 2008            | 2007        | 2008              | 2007              | 2008              | 2007              |
| Productive Loans | 376             | 374         | 32,109,549        | 20,403,976        | 9,510,746         | 8,862,698         |
| Personal Loans   | 3481            | 2749        | 48,766,665        | 65,444,356        | 35,696,638        | 40,364,754        |
| <b>Total</b>     | <b>3857</b>     | <b>3123</b> | <b>80,876,214</b> | <b>85,848,332</b> | <b>45,207,384</b> | <b>49,227,452</b> |

Guaranteed Amounts of Outstanding Portfolio at the End of 2008 vs. 2007



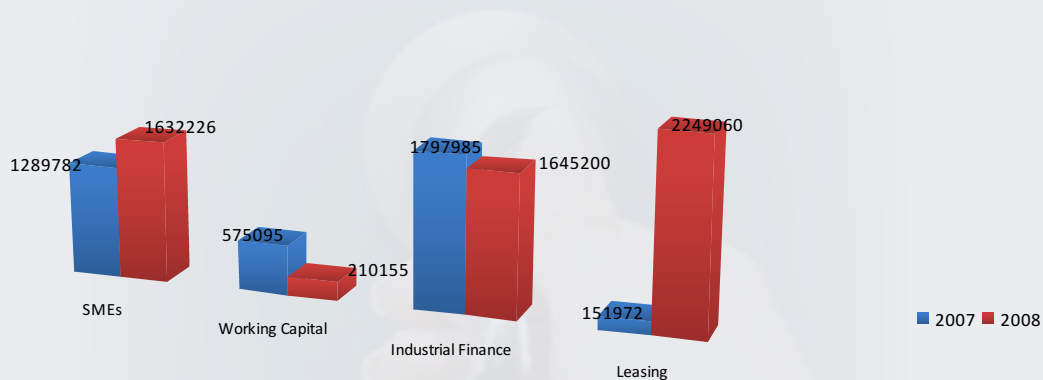
## Productive Loan Guarantee Programmes

### PRODUCTIVE LOANS EXECUTED & UNDER EXECUTION DURING 2008 VS. 2007

| Programme                                   | Number of Loans |            | Value of Loans    |                  | Guaranteed Value |                  |
|---|-----------------|------------|-------------------|------------------|------------------|------------------|
|   | 2008            | 2007       | 2008              | 2007             | 2008             | 2007             |
| SME Loan Guarantee Programme*               | 83              | 88         | 2,329,100         | 1,875,600        | 1,632,226        | 1,289,782        |
| Working Capital Loan Guarantee Programme    | 16              | 69         | 268,817           | 802,127          | 210,155          | 575,095          |
| Industrial Finance Loan Guarantee Programme | 19              | 21         | 3,311,000         | 3,318,500        | 1,645,200        | 1,797,985        |
| Leasing Loan Guarantee Programme            | 14              | 2          | 4,319,200         | 215,000          | 2,249,060        | 151,972          |
| <b>All Productive Loans</b>                 | <b>132</b>      | <b>180</b> | <b>10,228,117</b> | <b>6,211,227</b> | <b>5,736,641</b> | <b>3,814,834</b> |

\* Including IRADA Loan Guarantee Programme

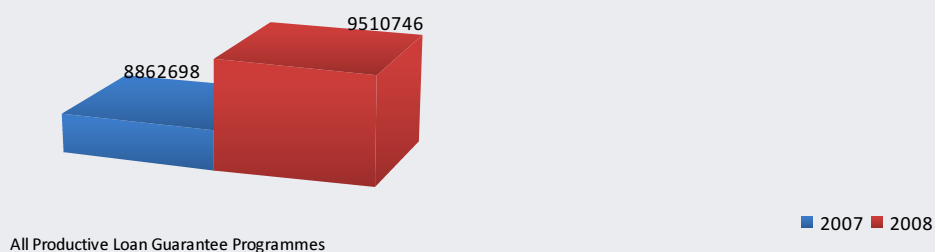
Guaranteed Amounts of Productive Loans Executed and Under Execution During 2008 vs. 2007



### OUTSTANDING PORTFOLIO FOR PRODUCTIVE LOAN GUARANTEES AT THE END OF 2008 VS. 2007

| Programme                                | Number of Loans |      | Value of Loans    |            | Guaranteed Value |           |
|--|-----------------|------|-------------------|------------|------------------|-----------|
|  | 2008            | 2007 | 2008              | 2007       | 2008             | 2007      |
| All Productive Loan Guarantee Programmes | <b>376</b>      | 374  | <b>32,109,549</b> | 20,403,976 | <b>9,510,746</b> | 8,862,698 |

Guaranteed Amounts of Outstanding Productive Loans Portfolio at the End of 2008 vs. 2007

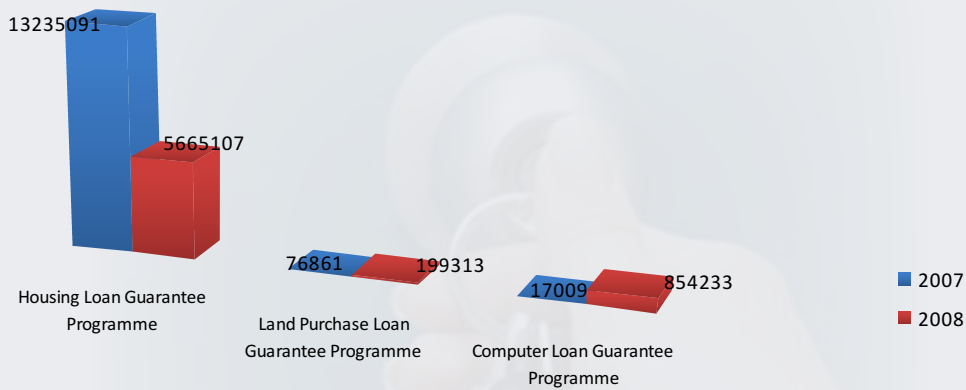


## Personal Loan Guarantee Programmes

### PERSONAL LOANS EXECUTED & UNDER EXECUTION DURING 2008 VS. 2007

| Programme                              | Number of Loans |            | Value of Loans   |                   | Guaranteed Value |                   |
|--|-----------------|------------|------------------|-------------------|------------------|-------------------|
|  | 2008            | 2007       | 2008             | 2007              | 2008             | 2007              |
| Housing Loan Guarantee Programme       | 214             | 528        | 7,925,844        | 20,333,303        | 5,665,107        | 13,235,091        |
| Land Purchase Loan Guarantee Programme | 8               | 5          | 445,700          | 138,200           | 199,313          | 76,861            |
| Computer Loan Guarantee Programme      | 1729            | 29         | 1,007,069        | 20,010            | 854,233          | 17,009            |
| <b>All Personal Loans</b>              | <b>1951</b>     | <b>562</b> | <b>9,378,613</b> | <b>20,491,513</b> | <b>6,718,653</b> | <b>13,328,961</b> |

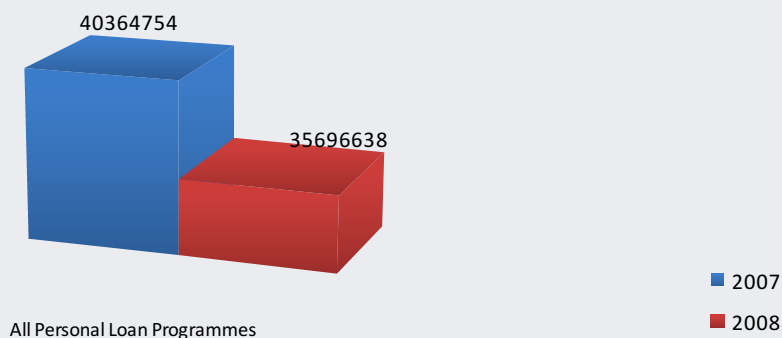
*Guaranteed Amounts of Personal Loans Executed and Under Execution During 2008 vs. 2007*



### OUTSTANDING PORTFOLIO FOR PERSONAL LOAN GUARANTEES AT THE END OF 2008 VS. 2007

| Programme                           | Number of Loans |             | Value of Loans    |                   | Guaranteed Value  |                   |
|-------------------------------------|-----------------|-------------|-------------------|-------------------|-------------------|-------------------|
|                                     | 2008            | 2007        | 2008              | 2007              | 2008              | 2007              |
| <b>All Personal Loan Programmes</b> | <b>3481</b>     | <b>2749</b> | <b>48,766,665</b> | <b>65,444,356</b> | <b>35,696,638</b> | <b>40,364,754</b> |

*Guaranteed Amounts of Outstanding Personal Loans Portfolio at the End of 2008 vs. 2007*

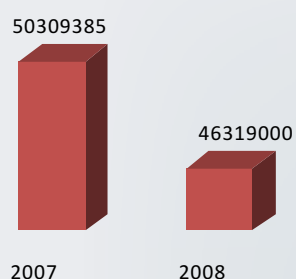


## CEILINGS and UTILIZED AMOUNTS

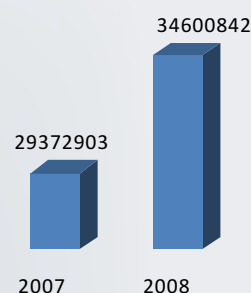
### ALL LOAN GUARANTEE PROGRAMMES IN 2008 VS. 2007

| Programme                             | Ceiling (JD)      |                   | Change From Last Year (JD) | Utilized (JD)     |                   | % Utilized    |               |
|---------------------------------------|-------------------|-------------------|----------------------------|-------------------|-------------------|---------------|---------------|
|                                       | 2008              | 2007              |                            | 2008              | 2007              | 2008          | 2007          |
| Productive Loan Guarantees Programmes | 34,600,842        | 29,372,903        | 5,227,939                  | 9,424,862         | 8,916,355         | 27.20%        | 30.40%        |
| Personal Loan Guarantee Programmes    | 46,319,000        | 50,309,385        | -3,990,385                 | 35,696,638        | 40,364,751        | 77.10%        | 80.20%        |
| <b>All Loan Guarantee Programmes</b>  | <b>80,919,842</b> | <b>79,682,288</b> | <b>1,237,554</b>           | <b>45,121,500</b> | <b>49,281,106</b> | <b>55.80%</b> | <b>61.80%</b> |

Personal Loans Cielings (JD)



Productive Loans Cielings (JD)



### PRODUCTIVE LOAN GUARANTEE PROGRAMMES IN 2008 VS. 2007

| Programme                                       | Ceiling (JD)      |                   | Change From Last Year (JD) | Utilized (JD)    |                  | % Utilized    |               |
|---|-------------------|-------------------|----------------------------|------------------|------------------|---------------|---------------|
|   | 2008              | 2007              |                            | 2008             | 2007             | 2008          | 2007          |
| SMEs & Car Loan Guarantee Programmes            | 5,052,000         | 5,117,000         | -65,000                    | 2,503,963        | 2,150,690        | 49.60%        | 42.00%        |
| Working Capital Loan Guarantee Programme        | 265,940           | 515,940           | -250,000                   | 124,271          | 385,507          | 46.70%        | 74.70%        |
| Industrial Finance Loan Guarantee Programme     | 22,968,981        | 19,832,092        | 3,136,889                  | 4,634,974        | 5,038,574        | 20.20%        | 25.40%        |
| Leasing Loan Guarantee Programme                | 6,313,921         | 3,907,871         | 2,406,050                  | 2,161,654        | 1,341,584        | 34.20%        | 34.30%        |
| <b>All Productive Loan Guarantee Programmes</b> | <b>34,600,842</b> | <b>29,372,903</b> | <b>5,227,939</b>           | <b>9,424,862</b> | <b>8,916,355</b> | <b>27.20%</b> | <b>30.40%</b> |

### PERSONAL LOAN GUARANTEE PROGRAMMES IN 2008 VS. 2007

| Programme   | Ceiling (JD)      |                   | Change From Last Year (JD) | Utilized (JD)     |                   | % Utilized    |               |
|---|-------------------|-------------------|----------------------------|-------------------|-------------------|---------------|---------------|
|   | 2008              | 2007              |                            | 2008              | 2007              | 2008          | 2007          |
| Housing & Land Purchase Loan Guarantee Programmes | 45,319,000        | 49,309,385        | -3,990,385                 | 35,219,138        | 40,313,964        | 77.70%        | 81.80%        |
| Computer Loan Guarantee Programme                 | 1,000,000         | 1,000,000         | 0                          | 477,500           | 50,787            | 47.80%        | 5.10%         |
| <b>All Personal Loan Guarantee Programmes</b>     | <b>46,319,000</b> | <b>50,309,385</b> | <b>-3,990,385</b>          | <b>35,696,638</b> | <b>40,364,751</b> | <b>77.10%</b> | <b>80.20%</b> |

## CREDIT GUARANTEE PROGRAMMES

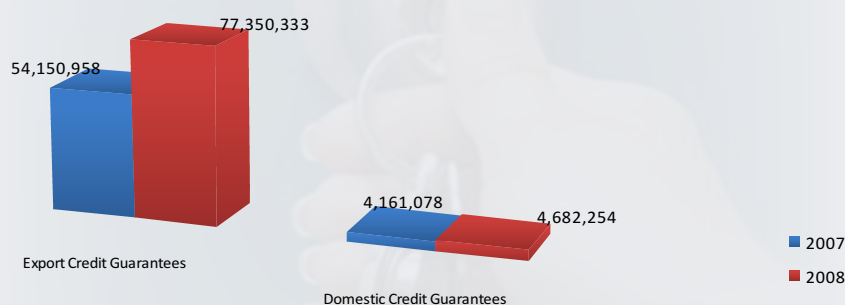
### POLICIES SIGNED DURING 2008 VS. 2007

| Programme                      | Number of Policies |           | Value of Policies (JD) |                   |
|--------------------------------|--------------------|-----------|------------------------|-------------------|
|                                | 2008               | 2007      | 2008                   | 2007              |
| Export Credit Guarantees       | 20                 | 24        | 101,331,692            | 75,709,517        |
| Domestic Credit Guarantees     | 5                  | 3         | 19,787,700             | 3,692,000         |
| <b>TOTAL CREDIT GUARANTEES</b> | <b>25</b>          | <b>27</b> | <b>121,119,392</b>     | <b>79,401,517</b> |

### SHIPMENTS GUARANTEED DURING 2008 VS. 2007

| Programme                      | Number of Shipments |             | Value of Shipments (JD) |                   | Guaranteed Value (JD) |                   |
|--------------------------------|---------------------|-------------|-------------------------|-------------------|-----------------------|-------------------|
|                                | 2008                | 2007        | 2008                    | 2007              | 2008                  | 2007              |
| Export Credit Guarantees       | 1570                | 1461        | 87,201,505              | 54,768,327        | 77,350,333            | 54,150,958        |
| Domestic Credit Guarantees     | 112                 | 102         | 4,972,653               | 4,312,576         | 4,682,254             | 4,161,078         |
| <b>TOTAL CREDIT GUARANTEES</b> | <b>1682</b>         | <b>1563</b> | <b>92,174,158</b>       | <b>59,080,903</b> | <b>82,032,587</b>     | <b>58,312,036</b> |

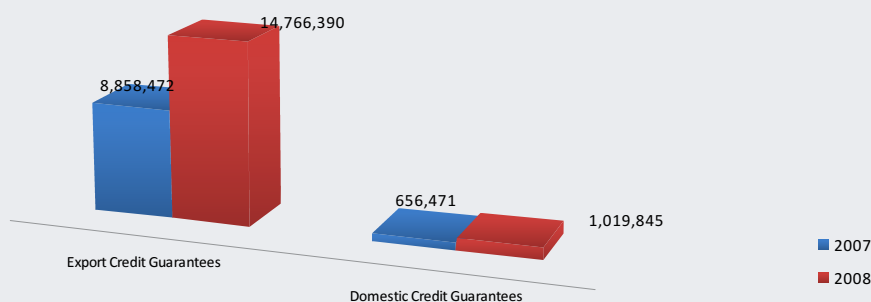
GUARANTEED AMOUNTS OF SHIPMENTS DURING 2008 VS. 2007



### SHIPMENTS OUTSTANDING AT THE END OF 2008 VS. 2007

| Programme                      | Number of Shipments |           | Value of Shipments (JD) |                   | Guaranteed Value (JD) |                  |
|--------------------------------|---------------------|-----------|-------------------------|-------------------|-----------------------|------------------|
|                                | 2008                | 2007      | 2008                    | 2007              | 2008                  | 2007             |
| Export Credit Guarantees       | 199                 | 75        | 16,407,100              | 9,842,747         | 14,766,390            | 8,858,472        |
| Domestic Credit Guarantees     | 10                  | 4         | 1,133,160               | 729,413           | 1,019,845             | 656,471          |
| <b>TOTAL CREDIT GUARANTEES</b> | <b>209</b>          | <b>79</b> | <b>17,540,260</b>       | <b>10,572,160</b> | <b>15,786,235</b>     | <b>9,514,943</b> |

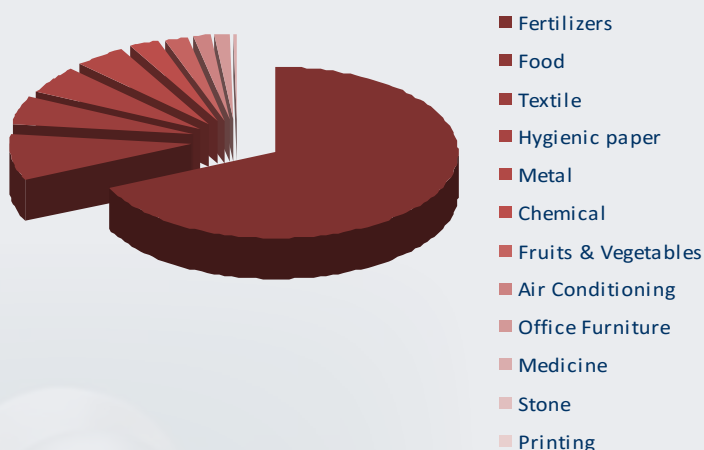
Guaranteed Amounts of Outstanding Portfolio of Shipments at the End of 2008 vs. 2007



## SECTORIAL DISTRIBUTION OF GUARANTEED SHIPMENT in 2008

| Sector              | %           |
|---------------------|-------------|
| Fertilizers         | 68.30%      |
| Food                | 8.40%       |
| Textile             | 5.40%       |
| Hygienic paper      | 5.20%       |
| Metal               | 4.50%       |
| Chemical            | 2.70%       |
| Fruits & Vegetables | 2.00%       |
| Air Conditioning    | 1.70%       |
| Office Furniture    | 1.40%       |
| Medicine            | 0.10%       |
| Stone               | 0.10%       |
| Printing            | 0.01%       |
| <b>TOTAL</b>        | <b>100%</b> |

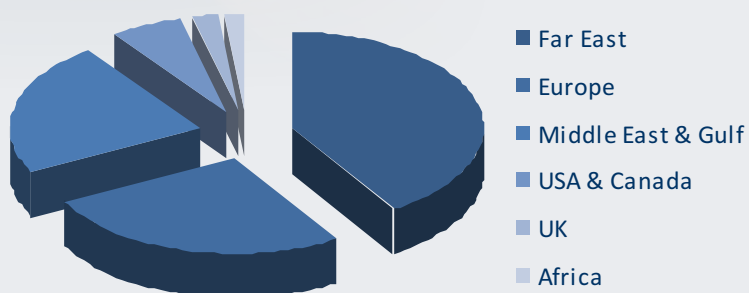
SECTORIAL DISTRIBUTION OF GUARANTEED SHIPMENT in 2008



## GRAPHICAL DISTRIBUTION OF GUARANTEED SHIPMENT in 2008

| Geographical Area  | %           |
|--------------------|-------------|
| Far East           | 41.20%      |
| Europe             | 26.30%      |
| Middle East & Gulf | 22.60%      |
| USA & Canada       | 6.00%       |
| UK                 | 2.10%       |
| Africa             | 1.80%       |
| <b>TOTAL</b>       | <b>100%</b> |

GRAPHICAL DISTRIBUTION OF GUARANTEED SHIPMENT in 2008



## CLAIMS

### CLAIMS DURING 2008 vs. 2007

| Number of Claims |      |        | Amount of Claims |         |         |
|------------------|------|--------|------------------|---------|---------|
| 2008             | 2007 | Change | 2008             | 2007    | Change  |
| 16               | 9    | 7      | 255,097          | 148,422 | 106,675 |

### CLAIMS DURING 2008 by BANK

| BANK                             | Claims Amount  |
|----------------------------------|----------------|
| Ahli Bank                        | 6,544          |
| Housing Bank for Trade & Finance | 19,863         |
| Egyptian Arab Land Bank          | 19,705         |
| Cairo Amman Bank                 | 115,379        |
| Arab Bank                        | 53,638         |
| Industrial Development Bank      | 39,967         |
| <b>Total Bank Claims</b>         | <b>255,097</b> |

### EJADA CLAIMS DURING 2008 vs. 2007

| Number of Claims |      |        | Amount of Claims |         |          |
|------------------|------|--------|------------------|---------|----------|
| 2008             | 2007 | Change | 2008             | 2007    | Change   |
| 1                | 1    | 0      | 82,597           | 215,511 | -132,914 |

### EJADA CLAIMS DURING 2008 by BANK

| BANK                       | Claims Amount |
|----------------------------|---------------|
| Ahli Bank                  | 82,597        |
| <b>Total Bank Requests</b> | <b>82,597</b> |

### EXPORTS CLAIMS DURING 2008 vs. 2007

| Number of Claims |      |        | Amount of Claims |         |         |
|------------------|------|--------|------------------|---------|---------|
| 2008             | 2007 | Change | 2008             | 2007    | Change  |
| 11               | 6    | 5      | 12,124           | 110,543 | -98,419 |

## PAID INDEMNIFICATIONS

### INDEMNIFICATIONS DURING 2008 vs. 2007

| Number of Indemnifications |      |        | Amount of Indemnifications |      |         |
|----------------------------|------|--------|----------------------------|------|---------|
| 2008                       | 2007 | Change | 2008                       | 2007 | Change  |
| 14                         | 1    | 13     | 189,427                    | 837  | 188,590 |

### INDEMNIFICATIONS DURING 2008 by BANK

| BANK                             | Paid Amount    |
|----------------------------------|----------------|
| Bank of Jordan                   | 99,124         |
| Housing Bank for Trade & Finance | 6,505          |
| Egyptian Arab Land Bank          | 14,271         |
| Cairo Amman Bank                 | 57,368         |
| Industrial Development Bank      | 12,160         |
| <b>Total Bank Requests</b>       | <b>189,427</b> |

### EJADA INDEMNIFICATIONS DURING 2008 vs. 2007

| Number of Indemnifications |      |        | Amount of Indemnifications |        |         |
|----------------------------|------|--------|----------------------------|--------|---------|
| 2008                       | 2007 | Change | 2008                       | 2007   | Change  |
| 1                          | 1    | 0      | 215,511                    | 72,939 | 142,572 |

### EJADA INDEMNIFICATIONS DURING 2008 by BANK

| BANK                       | Paid Amount    |
|----------------------------|----------------|
| Arab Bank                  | 215,511        |
| <b>Total Bank Requests</b> | <b>215,511</b> |

### EXPORTS INDEMNIFICATIONS DURING 2008 vs. 2007

| Number of Indemnifications |      |        | Amount of Indemnifications |      |        |
|----------------------------|------|--------|----------------------------|------|--------|
| 2008                       | 2007 | Change | 2008                       | 2007 | Change |
| 2                          | 0    | 2      | 25,752                     | 0    | 25,752 |

## RECOVERIES

### RECOVERIES DURING 2008 vs. 2007

| Number of Recoveries |      |        | Amount of Recoveries |         |         |
|----------------------|------|--------|----------------------|---------|---------|
| 2008                 | 2007 | Change | 2008                 | 2007    | Change  |
| 26                   | 38   | -12    | 90,926               | 187,133 | -96,207 |

### RECOVERIES DURING 2008 by BANK

| BANK                             | Recoveries Amount |
|----------------------------------|-------------------|
| Ahli Bank                        | 1,757             |
| Bank of Jordan                   | 25,839            |
| Housing Bank for Trade & Finance | 15,726            |
| Arab Bank                        | 16,894            |
| Jordan Commercial Bank           | 525               |
| Industrial Development Bank      | 28,164            |
| ABC Bank                         | 588               |
| Philadelphia Investment Bank     | 1,433             |
| <b>Total Bank Recoveries</b>     | <b>90,926</b>     |

### EJADA RECOVERIES DURING 2008 vs. 2007

| Number of Recoveries |      |        | Amount of Recoveries |      |        |
|----------------------|------|--------|----------------------|------|--------|
| 2008                 | 2007 | Change | 2008                 | 2007 | Change |
| 1                    | 0    | 1      | 22,966               | 0    | 22,966 |

### EJADA RECOVERIES DURING 2008 by BANK

| BANK                         | Recoveries Amount |
|------------------------------|-------------------|
| ABC Bank                     | 22,966            |
| <b>Total Bank Recoveries</b> | <b>22,966</b>     |

### EXPORTS RECOVERIES DURING 2008 vs. 2007

| Number of Recoveries |      |        | Amount of Recoveries |      |        |
|----------------------|------|--------|----------------------|------|--------|
| 2008                 | 2007 | Change | 2008                 | 2007 | Change |
| 0                    | 1    | -1     | 0                    | 575  | -575   |

## RESCHEDUALING

### RE-SCHEDULED LOANS DURING 2008 vs. 2007

| Number of Re-Scheduled Loans |      |        | Amount of Re-Scheduled Loans |           |            |
|------------------------------|------|--------|------------------------------|-----------|------------|
| 2008                         | 2007 | Change | 2008                         | 2007      | Change     |
| 29                           | 146  | -117   | 693,187                      | 3,409,496 | -2,716,309 |

### RE-SCHEDULED LOANS DURING 2008 by BANK

| BANK                                 | Re-Scheduled Loans Amount |
|--------------------------------------|---------------------------|
| Bank of Jordan                       | 10,826                    |
| Housing Bank for Trade & Finance     | 31,354                    |
| Egyptian Arab Land Bank              | 24,910                    |
| Cairo Amman Bank                     | 413,938                   |
| Arab Bank                            | 38,713                    |
| Industrial Development Bank          | 115,821                   |
| ABC Bank                             | 28,200                    |
| Societe General                      | 29,425                    |
| <b>Total Bank Re-Scheduled Loans</b> | <b>693,187</b>            |

### EJADA RE-SCHEDULED LOANS DURING 2008 vs. 2007

| Number of Re-Scheduled Loans |      |        | Amount of Re-Scheduled Loans |         |         |
|------------------------------|------|--------|------------------------------|---------|---------|
| 2008                         | 2007 | Change | 2008                         | 2007    | Change  |
| 5                            | 3    | 2      | 705,304                      | 273,777 | 431,527 |

### EJADA RE-SCHEDULED LOANS DURING 2008 by BANK

| BANK                                 | Re-Scheduled Loans Amount |
|--------------------------------------|---------------------------|
| ABC Bank                             | 25,423                    |
| Societe General                      | 88,181                    |
| Capital bank                         | 207,750                   |
| Arab National financial Leasing Co.  | 383,950                   |
| <b>Total Bank Re-Scheduled Loans</b> | <b>705,304</b>            |

## FINANCIAL ACTIVITIES

### OPERATIONAL REVENUES IN 2008 vs. 2007

| Operational Revenue                              | JDs            |                |               |
|--|----------------|----------------|---------------|
|  | 2008           | 2007           | Change        |
| Housing Loan Guarantee Fees                      | 299,301        | 337,239        | 37,938-       |
| Productive Loan Guarantee Fees                   | 73,530         | 75,232         | 1,702-        |
| Working Capital Loan Guarantee Fees              | 2,929          | 5,819          | 2,890-        |
| Industrial Finance & Leasing Loan Guarantee Fees | 53,777         | 56,102         | 2,325-        |
| Export Credit Guarantee Fees                     | 196,392        | 111,678        | 84,714        |
| Domestic Credit Guarantee Fees                   | 25,449         | 17,043         | 8,406         |
| <b>Total Operational Revenue</b>                 | <b>651,378</b> | <b>603,113</b> | <b>48,265</b> |

### REALIZED FINANCIAL REVENUES IN 2008 vs. 2007

| Financial Revenue                         | JDs              |                |                |
|---|------------------|----------------|----------------|
|   | 2008             | 2007           | Change         |
| Interest on Bank Deposits                 | 737,708          | 680,134        | 57,574         |
| Interest on Debentures                    | 129,152          | 134,853        | 5,701-         |
| Returns from Investment in Shares & Bonds | 77,027           | 39,100         | 37,927         |
| Profit from Trading Securities            | 77,414           | 0              | 77,414         |
| Profit from Securities available for sale | 10,170           | 0              | 10,170         |
| <b>Total Realized Financial Revenue</b>   | <b>1,031,471</b> | <b>854,087</b> | <b>177,384</b> |

### TOTAL REALIZED REVENUES IN 2008 vs. 2007

| Revenue                       | JDs              |                  |                |
|-------------------------------|------------------|------------------|----------------|
|                               | 2008             | 2007             | Change         |
| Operational Revenue           | 651,378          | 603,113          | 48,265         |
| Financial Revenue             | 1,031,471        | 854,087          | 177,384        |
| Other Revenue                 | 29,419           | 17,651           | 11,768         |
| <b>Total Realized Revenue</b> | <b>1,712,268</b> | <b>1,474,851</b> | <b>237,417</b> |

### UN-REALIZED FINANCIAL REVENUES IN 2008 vs. 2007

| Revenue                                     | JDs               |                |                   |
|---|-------------------|----------------|-------------------|
|   | 2008              | 2007           | Change            |
| Profit from Valuation of Trading Securities | -1,356,419        | 823,796        | -2,180,215        |
| <b>Total Un-Realized Financial Revenue</b>  | <b>-1,356,419</b> | <b>823,796</b> | <b>-2,180,215</b> |

## GENERAL AND ADMINISTRATIVE EXPENSES IN 2008 vs. 2007

| Expense  | JDs              |                |                |
|--|------------------|----------------|----------------|
|  | 2008             | 2007           | Change         |
| Salaries and wages                               | 482,360          | 385,247        | 97,113         |
| Company's contribution in saving fund            | 37,652           | 35,304         | 2,348          |
| Company's contribution in social security        | 35,773           | 33,871         | 1,902          |
| Medical and insurance expenses                   | 28,582           | 24,667         | 3,915          |
| Employees bonus                                  | 12,767           | 24,352         | 11,585-        |
| Board of Directors' transportation               | 46,800           | 45,306         | 1,494          |
| Rent   | 108,298          | 58,483         | 49,815         |
| Depreciation                                     | 27,202           | 28,374         | 1,172-         |
| Maintenance                                      | 4,178            | 3,474          | 704            |
| Vehicle expenses                                 | 10,290           | 9,968          | 322            |
| Marketing expenses                               | 41,050           | 28,764         | 12,286         |
| Professional fees                                | 55,440           | 38,151         | 17,289         |
| Official duties and training courses             | 46,779           | 45,015         | 1,764          |
| Stationary and printing                          | 12,644           | 7,659          | 4,985          |
| Subscriptions                                    | 18,780           | 18,440         | 340            |
| Post, telephone, and electricity                 | 27,578           | 19,455         | 8,123          |
| Others   | 11,256           | 6,310          | 4,946          |
| <b>Total General and Administrative Expenses</b> | <b>1,007,429</b> | <b>812,840</b> | <b>194,589</b> |

## GROSS PROFIT IN 2008 vs. 2007

| Gross Profit                               | JDs             |                  |                   |
|--|-----------------|------------------|-------------------|
|  | 2008            | 2007             | Change            |
| Total Revenues                             | 355,849         | 2,298,647        | -1,942,798        |
| (less) General and Administrative Expenses | 1,007,429       | 812,840          | 194,589           |
| <b>Gross Profit / Loss</b>                 | <b>651,580-</b> | <b>1,485,807</b> | <b>-2,137,387</b> |

## 12. The Financial Impact of Non-Recurrent Transactions

There are no non-recurrent transactions that had a financial impact during 2008.

## 13. A Chronology of the Realized Profits or Losses, Dividends, Shareholders' Net Equity and Prices of Securities issued by the Company

| Year | Net Profit before Taxes & other Provisions | Dividends Distributed to Shareholders | Shareholders Net Equity | Share Price |
|------|--|---------------------------------------|-------------------------|-------------|
| 2000 | 781,166                                    | -                                     | 18,012,468              | -           |
| 2001 | 647,883                                    | 500,000                               | 13,051,558              | -           |
| 2002 | 494,280                                    | 350,000                               | 13,151,984              | -           |
| 2003 | 1,297,527                                  | 700,000                               | 14,295,001              | -           |
| 2004 | 1,116,355                                  | 600,000                               | 15,000,699              | -           |
| 2005 | 3,027,045                                  | 700,000                               | 17,531,279              | 1.58        |
| 2006 | -161,462                                   | 500,000                               | 16,680,780              | 1.19        |
| 2007 | 1,075,733                                  | 600,000                               | 17,012,200              | 1.24        |
| 2008 | -1,205,485                                 | *500,000                              | 15,133,003              | 0.7         |

Note: Company Shares were quoted from the Second Amman Financial Market early 2005

\*Suggested Dividends to Shareholders

## 14. Analysis of the Company's Financial Status

|   | 2006       | 2007       | 2008       |
|---|------------|------------|------------|
| Return on Each Share  | 0.024      | 0.072      | -0.105     |
| Return on Investment  | 1%         | 2.80%      | -4.60%     |
| Return on Shareholder's Equity                                | 1.41%      | 4.20%      | -6.92%     |
| Return on Paid Up Capital                                     | 2.35%      | 7.20%      | -10.47%    |
| Holding Ratio   | 68.50%     | 67.20%     | 64.52%     |
| Fixed Assets / Shareholder's Equity                           | 0.80%      | 0.64%      | 1%         |
| Rate of Indebtedness  | 2.50%      | 3.10%      | 2.64%      |
| Liabilities to 3 <sup>rd</sup> parties / Total Assets         | 31.50%     | 32.80%     | 35.50%     |
| Liabilities to 3 <sup>rd</sup> parties / Shareholder's Equity | 45.90%     | 48.80%     | 55.11%     |
| Current Liabilities / Shareholder's Equity                    | 3.60%      | 4.60%      | 4.17%      |
| Revenue / Total Assets  | 2.40%      | 9.07%      | 7.30%      |
| Circulation Ratio   | 3980.20%   | 3187.50%   | 3623.51%   |
| Working Capital (JD)  | 23,236,892 | 24,179,794 | 22,259,535 |

## **15. Company's Proposed Future Plans**

Following is a summary of the company's future plans:

- Continue efforts aimed to spread the concept and importance of Loan Guarantees to both banks and SMEs, as well as the Credit Guarantee role for the Jordanian exporter through various seminars and workshops prepared for that purpose.
- Following the completion of the study done under the Sector Reform Facility Programme in Jordan supervised by the Ministry of Planning and International Cooperation, aiming at facilitating the company's effort to guarantee the political risks of Jordanian exports. JLGC is currently working on expanding its export credit guarantee programme to include countries currently off cover by regional and international re-insurers through a government fund to be established for that purpose.
- Expand the operations of the credit guarantee programme to include the underwriting activities in order to analyze some new markets and foreign buyers at the JLGC offices.
- Continue efforts aiming to automate all the loan guarantee operation including the procedures with banks through a secure internet connection, to increase speed and efficiency.
- Training and development of the company's human resources to improve performance and increasing productivity.
- Under market research and product development, JLGC is working on establishing new products including those in accordance with Islamic laws through working with the Islamic banking channels to create a guarantee mechanism that will help service that group.
- Along with some Micro Finance Institutions in Jordan, JLGC is working on the development of that important sector through the establishment of a loan guarantee scheme that will take into consideration the specific conditions of micro- financing.

## **16. External Auditing Fees**

The total amount paid to the "Ernst & Young" as auditing fees in 2008 was JD 8700 including sales tax.

## **17. Number of Securities issued by the Company which are owned by any member of its Board of Directors or its Senior Executive Management**

No Member of JLGC's Board of Directors, Senior Executive Management, or any of their relatives own any securities issued by the company.

## 18. The privileges paid to the Chairman & the Board of Directors and to the Senior Executive Management

### a. Privileges paid to the Chairman & the Board of Directors

Total amount paid as transportation & travel allowance and annual bonus to the Chairman & members of the Board of Directors in 2008 was JD 79,400 compared to JD 45,750 in 2007.

| Name                      | Bonus *       | Transportation Allowance ** | Travel Allowance | Total         |
|---------------------------|---------------|-----------------------------|------------------|---------------|
| Mr. M.Said Shahin         | 5,000         | 6,000                       | 0                | 11,000        |
| Dr. Ibrahim M. Nsour      | 2,500         | 0                           | 0                | 2,500         |
| Mr. M. Mousa Dawood       | 5,000         | 6,800                       | 0                | 11,800        |
| Mr. M. Awni Khasawneh     | 5,000         | 6,800                       | 0                | 11,800        |
| Mr. Salah Ahmad Al Momany | 5,000         | 6,000                       | 0                | 11,000        |
| Mr. Mo'taz Barbour        | 5,000         | 6,000                       | 0                | 11,000        |
| Mr. Khaled Al Najjar      | 5,000         | 6,800                       | 0                | 11,800        |
| Mr. Abdel Elah Al Hunaiti | 2,500         | 6,000                       | 0                | 8,500         |
| <b>Total</b>              | <b>35,000</b> | <b>44,400</b>               | <b>0</b>         | <b>79,400</b> |

\* 2007 Bonus is paid in 2008 after approval

\*\* Transportation Allowance for 2008

### b. Privileges paid to the Senior Executive Management

Total amounts paid as salaries, travel allowance and annual bonus to the senior executive management in 2008 was JD 314,742 compared to JD 145,707 in 2007.

| Name and Title   | Salaries       | Bonus          | Travel Allowance | Total          |
|--|----------------|----------------|------------------|----------------|
| Dr. Jamal Salah / Director General (Since 1/6/2008)          | 53,083         | 3,250          | 10,440           | 66,773         |
| Mr. M. Said Hammami / Managing Director (Until 31/5/ 2008)   | 64,167         | 106,143*       | 4,500            | 174,810        |
| Mr. Mohannad Al Rashdan / Risk Management Department Manager | 31,172         | 1,086          | 1,890            | 34,148         |
| Mr. Faeq Nassar / Support Services Department Manager**      | 22,589         | 746            | 0                | 23,335         |
| Mr. Jamal Jaafri / Internal auditor                          | 15,176         | 500            | 0                | 15,676         |
| <b>Total</b>   | <b>186,187</b> | <b>111,725</b> | <b>16,830</b>    | <b>314,742</b> |

\* Including end of services bonus

\*\* Includes Financial & Administrative Affairs

## 19. Donations and Grants

There are no donations or grants in 2008.

## 20. The Company's contracts, projects and engagements with its Subsidiaries, Sister Companies or Affiliates

There are no contracts, projects or engagements between JLGC and Subsidiaries, Sister Companies or Affiliates or with the Chairman of the Board of Directors, members of the Board of Directors, the Chief Executive Officer or any employee of the Company or relatives.

## 21. The Company's Contribution to Environmental Protection and Local Community Service

### a. Contribution to Environmental Protection

There are no contribution to environmental protection

### b. Local Community Service

All company activities from Loan and Export Credit Guarantees aim in the first place to serve the local community in Jordan.

### c. The Financial Statements together with the Auditor's Report

- 1 Balance Sheet
- 2 Income Statement
- 3 Cash Flow
- 4 Changes in Shareholder's Equity
- 5 Accompanying Notes

### d. Auditor's Report



19th Annual General Assembly Meeting on 26th March 2009



Signing of Cooperation Agreement between JLGC and DHAMAN on 13th April 2009

## Regional and International Conferences attended by the Jordan Loan Guarantee Corporation

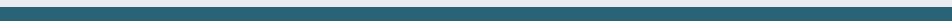
JLGC participated in various meetings and conferences related to its main activities of both Loan and Credit Guarantees, some of which are:

- 1- Conference of the European Loan Guarantee organizations in Budapest/Bulgaria, 14-18 May, 2008
- 2- Prague Club half annual Meeting in Dead Sea/ Jordan, 18-22 May 2008
- 3- Credit alliance annual Meeting in Paris/France, 28 June-5 July, 2008
- 4- Prague Club half annual Meeting in Bratislava / Slovakia, 17-26 November 2008

JLGC hosted at the Kempinski Hotel in the Dead Sea area the Prague Club / Berne Union spring meeting of 2008, which included the world's major Export Credit Guarantee Agencies. The Islamic Corporation for the Insurance of Investment and Export Credit, which is owned by the Islamic Development Bank in Jeddah, was the co-host for the meeting.

Major Export Credit agencies from 30 Arab and foreign countries in Europe, the Middle East, Africa and Southeast Asia in addition to Jordan, which hosted the meeting, participated in the conference. During the Prague Club meetings, developments in the Export Credit Guarantee Industry are discussed, and experiences among the participants are exchanged.





A faint, light-colored background image of a hand holding a key is centered on the page. The hand is positioned as if about to turn the key in a lock. The overall tone is light and professional.

**Jordan Loan Guarantee Company**  
**Financial Statements**  
**31 December 2008**

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
JORDAN LOAN GUARANTEE COMPANY  
AMMAN – JORDAN**

We have audited the accompanying financial statements of **JORDAN LOAN GUARANTEE COMPANY** (a public shareholding company), which comprise the balance sheet as at 31 December 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' Responsibility**

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Amman – Jordan  
18 February 2009

**JORDAN LOAN GUARANTEE COMPANY**  
**BALANCE SHEET**  
**AS AT 31 DECEMBER 2008**

| <u>ASSETS</u>                                | <u>Notes</u> | <u>2008</u><br>JD        | <u>2007</u><br>JD        |
|--|--------------|--------------------------|--------------------------|
| Cash on hand and at banks                    | 7            | 6,309,786                | 6,187,343                |
| Restricted bank deposits                     | 15           | 5,793,550                | 5,681,738                |
| Trading investments                          | 8            | 6,822,051                | 8,505,589                |
| Available-for-sale investments               | 9            | 1,960,461                | 2,212,631                |
| Held to maturity investments                 | 10           | 1,649,640                | 1,948,320                |
| Property and equipment                       | 11           | 149,977                  | 108,985                  |
| Deferred tax assets                          | 12           | 431,771                  | 256,609                  |
| Accounts receivable and other debit balances | 13           | <u>355,791</u>           | <u>427,310</u>           |
| <b>Total Assets</b>                          |              | <b><u>23,473,027</u></b> | <b><u>25,328,525</u></b> |
| <br><b><u>EQUITY AND LIABILITIES</u></b>     |              |                          |                          |
| <b>Equity -</b>                              | 14           |                          |                          |
| Paid in capital                              |              | 10,000,000               | 10,000,000               |
| Statutory reserve                            |              | 1,149,391                | 1,149,391                |
| Voluntary reserve                            |              | 1,874,190                | 1,874,190                |
| Cumulative change in fair value              | 9            | 890,655                  | 1,122,982                |
| Retained earnings                            |              | <u>1,218,767</u>         | <u>2,865,637</u>         |
| <b>Total Equity</b>                          |              | <b><u>15,133,003</u></b> | <b><u>17,012,200</u></b> |
| <b>Liabilities -</b>                         |              |                          |                          |
| Income tax provision                         | 12           | 300,816                  | 362,129                  |
| Central Bank of Jordan Loan                  | 15           | 5,160,695                | 5,160,695                |
| Provisions for loan guarantee                | 16           | 2,547,585                | 2,372,493                |
| Accounts payable and other credit balances   | 17           | <u>330,928</u>           | <u>421,008</u>           |
| <b>Total Liabilities</b>                     |              | <b><u>8,340,024</u></b>  | <b><u>8,316,325</u></b>  |
| <b>Total Liabilities and Equity</b>          |              | <b><u>23,473,027</u></b> | <b><u>25,328,525</u></b> |

The accompanying notes from 1 to 27 form part of these financial statements

**JORDAN LOAN GUARANTEE COMPANY**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

|   | <u>Notes</u> | <u>2008</u><br>JD  | <u>2007</u><br>JD  |
|---|--------------|--------------------|--------------------|
| <b>Revenues -</b>   |              |                    |                    |
| Interest income   | 18           | 737,708            | 680,134            |
| Commissions on guaranteed loans                                     |              | 372,831            | 412,471            |
| Commissions on guaranteed industrial loans<br>and financial leasing |              | 53,777             | 56,102             |
| Commissions on guaranteed export loans<br>and domestic buyers       |              | 224,770            | 134,540            |
| Dividend income   |              | 77,027             | 39,100             |
| Gain on sale of trading investment                                  |              | 77,414             | -                  |
| Bonds interest income   |              | 129,152            | 134,853            |
| Gain on sale of available for sale investment                       |              | 10,170             | -                  |
| Other income  |              | <u>29,419</u>      | <u>17,651</u>      |
| <b>Total revenues</b>   |              | <u>1,712,268</u>   | <u>1,474,851</u>   |
| Less: Administrative expenses                                       | 19           | 1,007,429          | 812,840            |
| Special provision   | 16           | 208,894            | -                  |
| General provision   | 16           | 29,198             | -                  |
| Provision for Industrial financing                                  | 16           | 305,550            | 362,059            |
| Provision for end of service indemnity                              |              | 10,263             | 48,015             |
| Change in fair value of trading investment                          |              | 1,356,419          | ( 823,796)         |
| Board of Directors remuneration                                     |              | 1,060              | 35,000             |
| Other fees  |              | <u>-</u>           | <u>27,695</u>      |
| <b>(Loss) profit for the year before tax</b>                        |              | (1,206,545)        | 1,013,038          |
| Income tax benefits (expenses)                                      | 12           | <u>159,675</u>     | ( <u>293,595</u> ) |
| <b>(Loss) profit for the year</b>                                   |              | <u>(1,046,870)</u> | <u>719,443</u>     |
|   |              | <u>JD/Fils</u>     | <u>JD/Fils</u>     |
| <b>Basic and diluted earnings per share</b>                         | 20           | <u>( 0.105)</u>    | <u>0.072</u>       |

The accompanying notes from 1 to 27 form part of these financial statements

**JORDAN LOAN GUARANTEE COMPANY**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

|  | Paid in<br>Capital<br>JD | Reserves         |                  | Cumulative<br>Change in Fair<br>Value<br>JD | Retained Earnings |                  | Total<br>JD       |
|--|--------------------------|------------------|------------------|---|-------------------|------------------|-------------------|
|  |                          | Statutory<br>JD  | Voluntary<br>JD  |   | Realized<br>JD    | Unrealized<br>JD |                   |
| <b>Balance as at<br/>1 January 2008</b>                    | 10,000,000               | 1,149,391        | 1,874,190        | 1,122,982                                   | 2,041,841         | 823,796          | 17,012,200        |
| Change in fair value                                       | -                        | -                | -                | (232,327)                                   | -                 | -                | (232,327)         |
| Total income and expenses<br>recognised directly in equity | -                        | -                | -                | (232,327)                                   | (706,898)         | (339,972)        | (232,327)         |
| Loss for the year  | -                        | -                | -                | -   | 483,824           | (483,824)        | (1,046,870)       |
| Realized profit  | -                        | -                | -                | -   | (223,074)         | (823,796)        | -                 |
| Total income and<br>expenses for the year                  | -                        | -                | -                | (232,327)                                   | (600,000)         | -                | (1,279,197)       |
| Dividends paid (Note 14)                                   | -                        | -                | -                | -   | (600,000)         | -                | (600,000)         |
| <b>Balance as at<br/>31 December 2008</b>                  | <u>10,000,000</u>        | <u>1,149,391</u> | <u>1,874,190</u> | <u>890,655</u>                              | <u>1,218,767</u>  | <u>-</u>         | <u>15,133,003</u> |
| <b>Balance as at<br/>1 January 2007</b>                    | 10,000,000               | 1,041,818        | 1,874,190        | 1,011,005                                   | 2,753,767         | -                | 16,680,780        |
| Change in fair value                                       | -                        | -                | -                | 111,977                                     | -                 | -                | 111,977           |
| Total income and expenses<br>recognised directly in equity | -                        | -                | -                | 111,977                                     | -                 | -                | 111,977           |
| Profit for the year  | -                        | -                | -                | -   | (104,353)         | 823,796          | 719,443           |
| Total income and<br>expenses for the year                  | -                        | -                | -                | 111,977                                     | (104,353)         | 823,796          | 831,420           |
| Transferred to statutory reserve                           | -                        | 107,573          | -                | -   | (107,573)         | -                | -                 |
| Dividends paid   | -                        | -                | -                | -   | (500,000)         | -                | (500,000)         |
| <b>Balance as at<br/>31 December 2007</b>                  | <u>10,000,000</u>        | <u>1,149,391</u> | <u>1,874,190</u> | <u>1,122,982</u>                            | <u>2,041,841</u>  | <u>823,796</u>   | <u>17,012,200</u> |

The accompanying notes from 1 to 27 form part of these financial statements

**JORDAN LOAN GUARANTEE COMPANY**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

| <u>OPERATING ACTIVITIES</u>   | <u>2008</u>       | <u>2007</u>       |
|---|-------------------|-------------------|
|   | JD                | JD                |
| (Loss) profit for the year before tax                               | (1,206,545)       | 1,013,038         |
| <b>Adjustments:</b>   |                   |                   |
| Depreciation  | 27,202            | 28,374            |
| Provision for end of service indemnity                              | 10,263            | 48,015            |
| Employees incentive provision                                       | -                 | 24,352            |
| Provision for industrial financing                                  | 543,642           | 362,059           |
| Interest income   | ( 737,708)        | ( 680,134)        |
| Gain on sale of available for sale of investment                    | ( 10,170)         | -                 |
| Loss (gain) from sale of property and equipment                     | 253               | ( 385)            |
| Change in fair value of trading investments                         | 1,356,419         | ( 823,796)        |
| Central Bank of Jordan loan interest                                | ( 237,972)        | ( 362,059)        |
| Doubtful debts written off  | 215,512           | 72,939            |
| <b>Working capital adjustments</b>                                  |                   |                   |
| Sale of trading investments   | 327,119           | 1,000,001         |
| Decrease (increase) in accounts receivable and other debit balances | 148,494           | ( 55,609)         |
| (Decrease) increase in accounts payable and other credit balances   | ( 65,343)         | 76,685            |
| (Decrease) increase in provisions for loan guarantee                | ( 278,512)        | 98,998            |
| Income taxes paid   | ( 61,313)         | ( 131,610)        |
|   | 31,341            | 670,868           |
| Board of Directors' remuneration paid                               | ( 35,000)         | ( 1,400)          |
| <b>Net cash flows (used in) from operating activities</b>           | <u>( 3,659)</u>   | <u>669,468</u>    |
| <b><u>INVESTING ACTIVITIES</u></b>                                  |                   |                   |
| Sale (purchase) of available-for-sale investments                   | 14,526            | ( 7,465)          |
| Redemption of held to maturity investments                          | 298,680           | 503,680           |
| Purchases of property and equipment                                 | ( 70,287)         | ( 3,312)          |
| Proceeds from sale of property and equipment                        | 1,840             | 388               |
| Interest earned   | <u>593,155</u>    | <u>680,134</u>    |
| <b>Net cash flows from investing activities</b>                     | <u>837,914</u>    | <u>1,173,425</u>  |
| <b><u>FINANCING ACTIVITIES</u></b>                                  |                   |                   |
| Dividends paid  | ( 600,000)        | ( 500,000)        |
| Increase in restricted loan deposits                                | <u>( 111,812)</u> | <u>-</u>          |
| <b>Net cash flows used in financing activities</b>                  | <u>( 711,812)</u> | <u>( 500,000)</u> |
| <b>Net increase in cash and cash equivalents</b>                    | 122,443           | 1,342,893         |
| Cash and cash equivalent, beginning of the year                     | <u>6,187,343</u>  | <u>4,844,450</u>  |
| <b>Cash and cash equivalent, end of the year</b>                    | <u>6,309,786</u>  | <u>6,187,343</u>  |

The accompanying notes from 1 to 27 form part of these financial statements

**JORDAN LOAN GUARANTEE COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 DECEMBER 2008**

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**(1) GENERAL**

Jordan Loan Guarantee Company, ("the Company") a public shareholding company, was incorporated on 26 March 1994 with a share capital of JD 7,000,000 divided into 7,000,000 shares at a par value of JD 1 per share. The general assembly in its extraordinary meeting held on 12 September 1995, resolved to increase the Company's capital to 10,000,000 shares at a par value of JD 1 per share.

The Company was formed as a successor to the Loan Guarantee Project as a result of the Council of Ministers' Decision that transferred all accounts and assets of the Project to the Central Bank of Jordan in preparation for the establishment of a public shareholding company for Loan Guarantee. JD 3,000,000 of the Project's net assets were designated as the Central Bank of Jordan share in the new Company's capital.

The Company's goals include providing guarantees to fully or partially cover loans of different types granted by banks and financial institutions for the establishing, expanding, and raising the productive and marketing capacity of economic projects with the aim of creating job opportunities and securing possibilities for earning or saving foreign reserves. The Company's goals also include extending guarantees required to cover risks in the field of Jordanian export sector.

The financial statements were authorized for issue by the Board of Directors during their meeting held on 18 February 2009. These financial statements require the approval of the General Assembly of the Company.

**(2) BALANCES OF GUARANTEED LOANS AND CEILINGS**

Balances of guaranteed loans and granted ceilings are as follows:

|   | Ceiling    |            | Guaranteed Amount |            |
|---|------------|------------|-------------------|------------|
|   | 2008       | 2007       | 2008              | 2007       |
|   | JD         | JD         | JD                | JD         |
| Housing loans guarantees                      | 45,319,000 | 49,309,385 | 35,219,128        | 40,313,964 |
| Productive loans guarantees                   | 5,052,000  | 5,117,000  | 2,503,963         | 2,150,690  |
| Computer purchase financing                   | 1,000,000  | 1,000,000  | 477,500           | 50,787     |
| Working capital guarantees                    | 265,940    | 515,940    | 124,271           | 385,507    |
| Export credit guarantees<br>(domestic buyers) | 4,735,870  | 1,902,988  | 4,735,870         | 1,902,988  |
| Industrial loans guarantees                   | 22,968,981 | 19,832,092 | 4,642,378         | 5,038,574  |
| Financial leasing                             | 6,313,921  | 3,907,871  | 2,160,275         | 1,341,584  |

### **(3) BASIS OF PREPARATION**

The accompanying financial statements have been prepared under the historical cost convention modified to include measurement at fair value of trading investments and available-for-sale investments.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements are presented in Jordanian Dinar, which is the functional currency of the Company.

### **(4) ESTIMATION AND MANAGEMENT JUDGEMENT**

The preparation of the financial statements and applying the accounting policies requires the Company's management to make judgments and estimates that may affect the amounts of financial assets and liabilities and disclosure of contingent liabilities. Those judgments and estimates also affect the revenues, expenses and provisions. In particular considerable judgment by management is required to estimate the amounts and timing of future cash flows where determining the level of provision required. Those judgments and estimates are based on different assumptions and factors that has different degrees of uncertainty, and the actual results could materially differ from estimates due to future changes in such provisions.

### **(5) ACCOUNTING POLICIES**

The accounting policies adopted are consistent with those used in previous year.

### **(6) SIGNIFICANT ACCOUNTING POLICIES**

#### **Cash and cash equivalents –**

For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash on hand, bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

### **Property and equipment –**

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the Income Statement.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets at annual rates ranging from 10% to 20%.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected economic benefits of property and equipment.

### **Trading investments –**

Trading investments are initially recognized at cost, being the fair value of consideration given, and subsequently re-measured at fair value. All related realised and unrealised gains or losses in addition to the change in fair value related to translation of monetary assets in foreign currencies are taken to the income statement.

Dividends received are recorded in the income statement.

### **Available for sale investments –**

Available for sale investments are initially recorded at fair value plus directly attributable transaction costs and are subsequently measured at fair value. Changes in fair value are reported as a separate component within equity. Upon sale or impairment in the value of these assets, any gain or loss, previously reported as “cumulative changes in fair value” within equity is included in the income statement for the period.

Interest earned from available for sale investments is recorded in the income statement using the effective interest rate method. Any impairment in value is recorded in the income statement upon occurrence.

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

### **Held to maturity investments –**

Held to maturity investments are initially recognized at cost (fair value) plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate methods less provision for impairment.

### **End of service indemnity –**

The Company provides for end of service indemnity benefits to its employees. The expected costs of these benefits are accrued over the period of employment.

### **Accounts payable and accruals -**

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

### **Provision-**

Provisions are recognized when the Company has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

### **Revenue recognition –**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest is recognized on a time proportion basis that reflects the effective yield on the assets.

Interest on Central Bank of Jordan loan is recognized when realized and a provision, equivalent to the value of realized interest is provided to cover any losses that might result from industrial financing loans doubtful debts.

Commissions on loan guarantees are recognized annually on the guaranteed ceilings granted to banks and financial institutions.

Commissions on post-shipment export credit guarantees are recognized annually on the guaranteed ceilings after deducting the reinsurance Company share.

### **Income Tax –**

Income tax is provided in accordance with the Income Tax Law No. (57) of 1985 and its subsequent amendments and according to IAS 12 which requires the recognition of deferred taxes for the difference between the carrying amount of an asset or liability and its tax base.

### **Foreign Currency -**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

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

|                          | <u>2008</u><br>JD | <u>2007</u><br>JD |
|--------------------------|-------------------|-------------------|
| Cash on hand             | 569               | 247               |
| Short term bank deposits | <u>6,309,217</u>  | <u>6,187,096</u>  |
|                          | <u>6,309,786</u>  | <u>6,187,343</u>  |

**(8) TRADING INVESTMENTS**

|                                      | <u>2008</u><br>JD | <u>2007</u><br>JD |
|--------------------------------------|-------------------|-------------------|
| Investment funds                     | 1,260,849         | 2,016,368         |
| Guaranteed investment portfolios     | 4,854,782         | 3,229,363         |
| Non-guaranteed investment portfolios | <u>706,420</u>    | <u>3,259,858</u>  |
|                                      | <u>6,822,051</u>  | <u>8,505,589</u>  |

**(9) AVAILABLE-FOR-SALE INVESTMENTS**

|                                | <u>2008</u><br>JD | <u>2007</u><br>JD |
|--------------------------------|-------------------|-------------------|
| Investments in quoted shares   | 1,322,961         | 1,575,131         |
| Investments in unquoted shares | <u>637,500</u>    | <u>637,500</u>    |
|                                | <u>1,960,461</u>  | <u>2,212,631</u>  |

The following represents the movement on the cumulative change in fair value:

|  | <u>2008</u><br>JD | <u>2007</u><br>JD |
|--|-------------------|-------------------|
| Balance as at 1 January                              | 1,122,982         | 1,011,005         |
| Net unrealized (loss) gain                           | ( 242,011)        | 111,977           |
| Net realized gain recognized in the income statement | <u>9,684</u>      | <u>-</u>          |
|  | <u>890,655</u>    | <u>1,122,982</u>  |

**(10) HELD TO MATURITY INVESTMENTS**

|                      | <u>2008</u><br>JD | <u>2007</u><br>JD |
|----------------------|-------------------|-------------------|
| Investments in bonds | <u>1,649,640</u>  | <u>1,948,320</u>  |

Investments in bonds mature during the years 2009 to 2012.

**(11) PROPERTY AND EQUIPMENT**

| <b>2008 -<br/>Cost -</b>                     | <u>Furniture<br/>&amp; Fixtures</u><br>JD | <u>Vehicles</u><br>JD | <u>Computers<br/>&amp; Software</u><br>JD | <u>Total</u><br>JD |
|--|---|-----------------------|---|--------------------|
| Balance as at 1 January 2008                 | 174,177                                   | 97,224                | 234,195                                   | 505,596            |
| Additions                                    | 9,247                                     | 47,200                | 13,840                                    | 70,287             |
| Retirements                                  | <u>( 6,434)</u>                           | <u>-</u>              | <u>( 10,530)</u>                          | <u>( 16,964)</u>   |
| Balance as at 31 December 2008               | <u>176,990</u>                            | <u>144,424</u>        | <u>237,505</u>                            | <u>558,919</u>     |
| <b>Accumulated Depreciation -</b>            |   |                       |   |                    |
| Balance as at 1 January 2008                 | 96,310                                    | 97,223                | 203,078                                   | 396,611            |
| Charge for the year                          | 12,998                                    | 1,784                 | 12,420                                    | 27,202             |
| Retirements                                  | <u>( 6,290)</u>                           | <u>-</u>              | <u>( 8,581)</u>                           | <u>( 14,871)</u>   |
| Balance as at 31 December 2008               | <u>103,018</u>                            | <u>99,007</u>         | <u>206,917</u>                            | <u>408,942</u>     |
| <b>Net Book Value -<br/>31 December 2008</b> | <u>73,972</u>                             | <u>45,417</u>         | <u>30,588</u>                             | <u>149,977</u>     |
| <b>2007 -</b>                                |   |                       |   |                    |
| <b>Cost -</b>                                |   |                       |   |                    |
| Balance as at 1 January 2007                 | 172,880                                   | 97,224                | 233,130                                   | 503,234            |
| Additions                                    | 2,247                                     | -                     | 1,065                                     | 3,312              |
| Retirements                                  | <u>( 950)</u>                             | <u>-</u>              | <u>-</u>                                  | <u>( 950)</u>      |
| Balance as at 31 December 2007               | <u>174,177</u>                            | <u>97,224</u>         | <u>234,195</u>                            | <u>505,596</u>     |
| <b>Accumulated Depreciation -</b>            |   |                       |   |                    |
| Balance as at 1 January 2007                 | 85,233                                    | 95,289                | 188,662                                   | 369,184            |
| Charge for the year                          | 12,024                                    | 1,934                 | 14,416                                    | 28,374             |
| Retirements                                  | <u>( 947)</u>                             | <u>-</u>              | <u>-</u>                                  | <u>( 947)</u>      |
| Balance as at 31 December 2007               | <u>96,310</u>                             | <u>97,223</u>         | <u>203,078</u>                            | <u>396,611</u>     |
| <b>Net Book Value -<br/>31 December 2007</b> | <u>77,867</u>                             | <u>1</u>              | <u>31,117</u>                             | <u>108,985</u>     |

## **(12) INCOME TAX**

The movements in the income tax provision is as follows:

|                           | <u>2008</u><br>JD | <u>2007</u><br>JD |
|---------------------------|-------------------|-------------------|
| Balance as at 1 January   | 362,129           | 343,029           |
| Current income tax charge | -                 | 155,100           |
| Income tax paid           | <u>( 61,313)</u>  | <u>(136,000)</u>  |
| Balance as at 31 December | <u>300,816</u>    | <u>362,129</u>    |

The income tax presented in the income statement consists of:

|  | <u>2008</u><br>JD | <u>2007</u><br>JD |
|--|-------------------|-------------------|
| Current income tax charge  | -                 | (155,100)         |
| Deferred tax assets (liabilities) on revaluation loss (gain)<br>of trading investments | 62,452            | ( 51,487)         |
| Prior years income taxes paid  | -                 | ( 3,074)          |
| Deferred tax assets (liabilities) relating to loans<br>guaranteed provision            | 126,987           | (114,811)         |
| Deferred tax assets on end of service indemnity  | <u>( 29,764)</u>  | <u>30,877</u>     |
|  | <u>159,675</u>    | <u>(293,595)</u>  |

Deferred tax assets presented in the balance sheet consists of:

|   | <u>2008</u><br>JD | <u>2007</u><br>JD |
|---|-------------------|-------------------|
| Loan guarantee provisions               | 490,036           | 363,049           |
| End of service provision                | 1,112             | 30,877            |
| Revaluation loss on trading investments | -                 | ( 62,452)         |
| Change in fair value reserve            | <u>( 59,377)</u>  | <u>( 74,865)</u>  |
|   | <u>431,771</u>    | <u>256,609</u>    |

The Income Tax Department did not review the Company's accounting records for the years 2006 and 2007.

The Company had obtained a final clearance from the Income Tax Department for all years up to 31 December 2005.

### **(13) ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES**

|                           | <u>2008</u><br>JD | <u>2007</u><br>JD |
|---------------------------|-------------------|-------------------|
| Accrued interest income   | 76,975            | 82,528            |
| Accrued commission income | 160,233           | 197,172           |
| Prepaid expenses          | 109,907           | 73,732            |
| Refundable deposits       | 8,230             | 3,230             |
| Housing loan              | -                 | 69,140            |
| Others                    | <u>446</u>        | <u>1,508</u>      |
|                           | <u>355,791</u>    | <u>427,310</u>    |

### **(14) EQUITY**

#### **- Statutory reserve -**

The accumulated amounts in this account represent the cumulative appropriations at 10% of profit before tax during the years. This reserve is not available for distribution to shareholders.

#### **- Voluntary reserve -**

The accumulated amounts in this account represent the cumulative appropriations not exceeding 20% of profit before tax during the years. This reserve is available for distribution to shareholders.

#### **- Proposed dividends -**

The Board of Directors will propose to the General Assembly in its meeting that will be held during 2009 the distribution of JD 500,000 as dividends, representing 5% of the share capital as at 31 December 2008.

The General Assembly approved in its meeting held during 2008 the distribution of JD 600,000 as dividends, representing 6% of the share capital as at 31 December 2007.

### **(15) CENTRAL BANK OF JORDAN LOAN**

The Board of Ministers in their meeting held on 7 February 2006, authorised the Central Bank of Jordan, to loan the company a non interest bearing grant made by the European commission of an amount is equivalent to JD 5,160,695, the loan does not have a maturity date. The grant shall revert to the Central Bank of Jordan upon the liquidation of the Company.

Interest earned on the amount restricted against the loan is transferred to the provision for industrial financing and is to be used along with the restricted amount against liabilities resulting from industrial financing loans doubtful debt.

The restricted balance presented under assets in the balance sheet amounted to JD 5,793,550 and JD 5,681,738 as at 31 December 2008 and 2007, respectively.

#### **(16) PROVISIONS FOR LOAN GUARANTEES**

The Company's Board of Directors resolved in 2006 to change the computation method of provisions. As a result, the provisions of loans guaranteed, and export and domestic buyers were divided into general and specific provisions.

Accordingly, the general provision was computed as at 3% of the guarantee's production loans and the guaranteed portion of working capital loans, and 1% of the guaranteed housing loans portfolio. The specific provision was determined as the remaining balance after deducting the general provision.

The breakdown of provisions for loan guarantees presented in the balance sheet is as follows:

|  | <u>2008</u><br>JD | <u>2007</u><br>JD |
|--|-------------------|-------------------|
| General provision                            | 587,440           | 558,242           |
| Specific provision                           | 1,326,097         | 1,293,208         |
| Provision for industrial financing (note 15) | <u>634,048</u>    | <u>521,043</u>    |
|  | <u>2,547,585</u>  | <u>2,372,493</u>  |

The movement on these provisions is as follows:

|                           | <u>2008</u><br>JD | <u>2007</u><br>JD |
|---------------------------|-------------------|-------------------|
| <b>General provision</b>  |                   |                   |
| Balance as at 1 January   | 558,242           | 558,242           |
| Charge for the year       | <u>29,198</u>     | <u>-</u>          |
| Balance as at 31 December | <u>587,440</u>    | <u>558,242</u>    |
| <b>Specific provision</b> |                   |                   |
| Balance as at 1 January   | 1,293,208         | 1,121,271         |
| Charge for the year       | 208,894           | -                 |
| Unused amounts reversed   | 85,894            | 184,402           |
| Compensations paid        | <u>( 261,899)</u> | <u>( 12,465)</u>  |
| Balance as at 31 December | <u>1,326,097</u>  | <u>1,293,208</u>  |

|   | <u>2008</u>      | <u>2007</u>      |
|---|------------------|------------------|
|   | JD               | JD               |
| <b>Provision for industrial financing</b> |                  |                  |
| Balance as at 1 January                   | 521,043          | 231,923          |
| Charge for the year                       | 305,550          | 362,059          |
| Unused amounts reversed                   | 22,967           | -                |
| Amount written off                        | <u>(215,512)</u> | <u>( 72,939)</u> |
| Balance as at 31 December                 | <u>634,048</u>   | <u>521,043</u>   |

**(17) ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES**

|   | <u>2008</u>    | <u>2007</u>    |
|---|----------------|----------------|
|   | JD             | JD             |
| Re-insurers (COFACE)                                      | 111,115        | 61,688         |
| Board of Directors' remuneration                          | 1,060          | 35,000         |
| Scientific research provision                             | -              | 10,757         |
| Jordanian Universities' fees provision                    | -              | 10,757         |
| Education, vocational and technical training support fund | -              | 6,181          |
| Provision for end of service indemnity                    | 4,446          | 123,507        |
| Accrued expenses  | 19,692         | 17,109         |
| Accrued re-insurance fees                                 | 129,845        | 106,664        |
| Employees incentive provision                             | 12,767         | 24,352         |
| Others  | <u>52,003</u>  | <u>24,993</u>  |
|   | <u>330,928</u> | <u>421,008</u> |

**(18) BANK INTEREST INCOME**

|                                      | <u>2008</u>    | <u>2007</u>    |
|--------------------------------------|----------------|----------------|
|                                      | JD             | JD             |
| Interest on bank deposits            | 432,158        | 318,075        |
| Central Bank of Jordan loan interest | <u>305,550</u> | <u>362,059</u> |
|                                      | <u>737,708</u> | <u>680,134</u> |

**(19) ADMINISTRATIVE EXPENSES**

|   | <u>2008</u><br>JD | <u>2007</u><br>JD |
|---|-------------------|-------------------|
| Salaries and wages                        | 482,360           | 385,247           |
| Company's contribution in saving fund     | 37,652            | 35,304            |
| Company's contribution in social security | 35,773            | 33,871            |
| Medical and health insurance expenses     | 28,582            | 24,667            |
| Employees bonus                           | 12,767            | 24,352            |
| Board of Directors' transportation        | 46,800            | 45,306            |
| Rent                                      | 108,298           | 58,483            |
| Depreciation                              | 27,202            | 28,374            |
| Maintenance                               | 4,178             | 3,474             |
| Vehicles expenses                         | 10,290            | 9,968             |
| Marketing expenses                        | 41,050            | 28,764            |
| Professional fees                         | 55,440            | 38,151            |
| Official duties and training courses      | 46,779            | 45,015            |
| Stationary and printings                  | 12,644            | 7,659             |
| Subscriptions                             | 18,780            | 18,440            |
| Post, telephone and electricity           | 27,578            | 19,455            |
| Others                                    | <u>11,256</u>     | <u>6,310</u>      |
|   | <u>1,007,429</u>  | <u>812,840</u>    |

**(20) EARNINGS PER SHARE**

|                                      | <u>2008</u>    | <u>2007</u>    |
|--------------------------------------|----------------|----------------|
| (Loss) profit for the year           | (1,046,870)    | 719,443        |
| Weighted average number of shares    | 10,000,000     | 10,000,000     |
|                                      | <u>JD/Fils</u> | <u>JD/Fils</u> |
| Basic and diluted earnings per share | <u>(0.105)</u> | <u>0.072</u>   |

**(21) RELATED PARTIES TRANSACTION**

Related parties represent the Company's executive management. The terms of transactions with related parties are approved by the Company's management.

Balances with related parties included in the balance sheet are as follows:

|               | <u>2008</u><br>JD | <u>2007</u><br>JD |
|---------------|-------------------|-------------------|
| Housing loans | <u>-</u>          | <u>69,140</u>     |

## Compensation of key management personnel:

The compensation of key management personnel benefits is as follows:

|                      | <u>2008</u><br>JD | <u>2007</u><br>JD |
|----------------------|-------------------|-------------------|
| Salaries and bonuses | <u>297,912</u>    | <u>194,009</u>    |

## **(22) RISK MANAGEMENT**

### **a - Interest rate risk**

The Company is exposed to interest rate risk on its interest bearing assets and liabilities. Following are the details of the financial instruments based on the remaining periods of their maturities, and their balances as at December 31, 2008:

| <b>Assets -</b>                                 | Subject to interest<br>Rate risk |                             | Not subject to<br>Interest rate risk<br>JD | Total<br>JD       | Average<br>Interest Rate<br>% |
|---|----------------------------------|-----------------------------|--|-------------------|-------------------------------|
|   | Less than<br>One year<br>JD      | More than<br>One year<br>JD |  |                   |                               |
|   | Cash on hand and at banks        | 6,309,217                   |  |                   |                               |
| Restricted bank deposits                        | -                                | -                           | 5,793,550                                  | 5,793,550         |                               |
| Trading investments                             | -                                | -                           | 6,822,051                                  | 6,822,051         |                               |
| Available for sale investments                  | -                                | -                           | 1,960,461                                  | 1,960,461         |                               |
| Held to maturity investments                    | -                                | 1,649,640                   | -  | 1,649,640         | (4.6% – 8.17%)                |
| Accounts receivable and other<br>debit balances | -                                | -                           | 355,791                                    | 355,791           |                               |
| Property and equipment                          | -                                | -                           | 149,977                                    | 149,977           |                               |
| Deferred tax assets                             | -                                | -                           | 431,771                                    | 431,771           |                               |
|   | <u>6,309,217</u>                 | <u>1,649,640</u>            | <u>15,514,170</u>                          | <u>23,473,027</u> |                               |
| <b>Liabilities and equity -</b>                 |                                  |                             |  |                   |                               |
| Central Bank of Jordan loan                     | -                                | -                           | 5,160,695                                  | 5,160,695         |                               |
| Other liabilities                               | -                                | -                           | 330,928                                    | 330,928           |                               |
| Provisions                                      | -                                | -                           | 2,848,401                                  | 2,848,401         |                               |
| Equity  | -                                | -                           | 15,133,003                                 | 15,133,003        |                               |
|   | <u>-</u>                         | <u>-</u>                    | <u>23,473,027</u>                          | <u>23,473,027</u> |                               |

The above maturities are computed based on the financial instruments' maturity dates.

### **b - Credit risks**

The Company maintains its accounts and deposits with reputable financial institutions.

The Company maintains ceilings for guaranteed loans, in addition to reinsurance of export loans.

### c - Loans and exports guarantee risks

The Company guarantees 70% of granted loans not exceeding JD 430,000 and guarantees 75% of housing loans to the low and medium income applicants provided that the loan does not exceed JD 75,000.

The Company guarantees working capital credit for 75% of loans granted by commercial banks up to JD 250,000 for each exporter.

The Company guarantees 85% of post shipment exports losses caused by any of the risks covered by the guarantee contract. The Company reinsures the guaranteed capital through an agreement with COFACE (French Insurance Company for International Trade).

### d - Foreign currency risk

Most of the Company's transactions are in Jordanian Dinars and US Dollars. The Jordanian Dinar exchange rate is fixed against the US Dollar (US \$ 1.41 for JD 1).

### e - Equity price risk

The following table demonstrates the sensitivity of the income statement and the cumulative change in fair value to reasonably possible changes in interest rates, with all other variables held constant.

#### 2008 –

| Indicator            | <u>Change<br/>in indicator</u><br>% | <u>Effect on loss<br/>for the year</u><br>JD | <u>Effect on<br/>equity</u><br>JD |
|----------------------|-------------------------------------|--|-----------------------------------|
| Amman Stock Exchange | 10                                  | (556,120)                                    | 132,296                           |

#### 2007 –

| Indicator            | <u>Change<br/>in indicator</u><br>% | <u>Effect on profit<br/>for the year</u><br>JD | <u>Effect on<br/>equity</u><br>JD |
|----------------------|-------------------------------------|--|-----------------------------------|
| Amman Stock Exchange | 5                                   | 324,461  | 78,757                            |

Where the indicator change is negative, the effect is similar to the above stated change with sign reversal.

#### **f - 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 Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables and with respect to banks by only dealing with reputable banks.

#### **(23) FAIR VALUE OF FINANCIAL INSTRUMENTS**

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances, receivable, and other debit balances. Financial liabilities consist of accounts payable, loans, and other credit balances.

The fair values of financial instruments are not materially different from their carrying values.

#### ***Investments***

The fair value of trading and available for sale investments is based on quoted market prices. Where no quoted market price is available, a reasonable estimate of fair value is determined using one of the following methods:

- Comparison with the current market value of similar financial instrument.
- Discounted cash flows.
- Options pricing models.

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

#### **(24) PRODUCTIVITY ENHANCEMENT PROGRAMME**

Under the productivity enhancement programme, the Company signed an agreement with the Ministry of Planning, whereby, the Ministry will provide an amount of JD 1,000,000 for the purpose of setting up a loan guarantee scheme with local commercial banks to provide medium and long term loans to small and medium size enterprises. Guarantees given under this scheme will cover up to a maximum of 70% of the principal value of a guaranteed loan and of interest accrued up to a maximum of 180 days.

Funds transferred to the Company under this agreement plus accrued interest should be segregated from the Company assets. The interest is recorded as income in the Company's records.

The duration of the agreement is eight years, after which, the fund will be returned back to the Ministry of Planning and the Company will be liable for the outstanding guaranteed loans until settlement.

The fund balance amounted to JD 250,000 as at 31 December 2008 and 2007.

## **(25) NEWLY ISSUED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

IASB standards issued but not yet effective are as follows:

### ***IAS 1 Revised Presentation of Financial Statements***

The revised Standard was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income which presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company is still evaluating whether it will have one or two statements.

### ***IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation***

These amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for financial years beginning on or after 1 January 2009. The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfil a number of specified features. The amendments to the standards will have no impact on the financial position or performance of the Company, as the Company has not issued such instruments.

### ***IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items***

These amendments to IAS 39 were issued in August 2008 and become effective for financial years beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The Company has concluded that the amendment will have no impact on the financial position or performance of the Company, as the Company has not entered into any such hedges.

### **IFRS 2 Share-based Payment (Revised)**

The IASB issued an amendment to IFRS 2 in January 2008 that clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. This amendment becomes effective for annual periods beginning on or after 1 January 2009. The amendment is not expected to have any impact on the financial position or performance of the company.

### **IFRS 8 Operating Segments**

The IASB issued IFRS 8 in November 2006. IFRS 8 replaces IAS 14 Segment Reporting (IAS 14) upon its effective date. This amendment becomes effective for annual periods beginning on or after 1 January 2009. Operating segments are expected to be the same as currently identified business segments under IAS 14.

### **IAS 23 Borrowing Costs (Revised)**

The IASB issued an amendment to IAS 23 in April 2007. The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. This amendment becomes effective for annual periods beginning on or after 1 January 2009. The amendment is not expected to have any impact on the financial position or performance of the company.

## **(26) CAPITAL MANAGEMENT**

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Company did not make any adjustments to its objectives and policies during current year and prior year.

The items included in the capital structure comprise of the paid in capital, retained earnings and reserves which amounted to JD 14,242,348 as at 31 December 2008 compared to JD 15,889,218 as at 31 December 2007.

## **(27) FINANCIAL STATEMENTS FOR THE YEAR 2007**

Some of 2007 balances were reclassified to correspond with the 2008 presentation. The reclassification has no effect on the profit for the year and equity for the year ended 31 December 2007.

## h. Representation


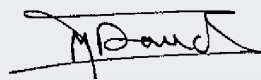
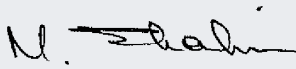
1. The Board of Directors of the Jordan Loan Guarantee Corporation declares to the best of their knowledge that no material issues might influence the continuity of the Corporation during the upcoming fiscal year.

Chairman of the Board  
**M.Said Shahin**

Deputy Chairman  
**M. Mousa Dawood**

Member

Member



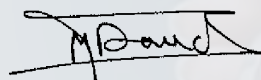
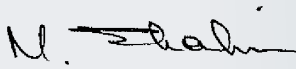
2. The Board of Directors of the Jordan Loan Guarantee Corporation declares its responsibility for preparing the financial statements and having an effective control & auditing system.

Chairman of the Board  
**M.Said Shahin**

Deputy Chairman  
**M. Mousa Dawood**

Member

Member



3. We the under signed declare that all Financial Statements and Information within this report is correct

Chairman of the Board  
**M.Said Shahin**

Director General  
**Dr. Jamal Salah**

Support Services Manager  
**Mr. Faeq Nassar**

