Due to narrative aspect of human brain, fictional narratives have the potential to be used as instructional material for enhancing learners’ narrative competence as well as language skills. Nevertheless, the contribution of Narrative Intelligence (NI) which constructs an important part of the cognitive abilities for language learning skills has rarely been exploited to its full potential in ESL/EFL classes. This article made inquiry into the outcome of implementing a narrative-based reading instruction in search of empirical support for such a claim. To this end, this study set out to investigate the impact of two genres of narration and exposition on subjects’ reading skills, NI, and moral reasoning. Data were collected from a sample of 91 Iranian EFL learners studying at Ferdowsi University of Mashhad, Iran. Two intact groups of 47 and 44 who took a four-unit reading course were randomly assigned to two types of treatments. The first group received fictional narratives and the second one expository texts. Both groups were taught by the researcher herself for a period of 17-week university semester during fall 2010. The instruments used to measure the variables under study were: Reading section of TOFEL for homogeneity of the groups; Randall’s Narrative Intelligence Scale (1999); moral Judgment Scale; and final reading skills test. The data were analyzed by using a series of independent and matched-pair t-tests, and correlation analysis. The results unfolded several illuminating facts about the superiority of narrative over expository mode in enhancing learners’ reading skills such as forming the main idea, reading between the lines, comprehension and recall. The subjects’ performance on moral reasoning scale showed that narrative mode facilitated their ethical reflection, predictive inferences as well as NI. In all cases the narrative group outperformed the other group, thus affording narration with its affective, cognitive, socio-cultural and linguistic dimensions a unique status to be used as instructional material in EFL classrooms.