



26th ANNUAL REPORT 2002

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رؤيانا

"أن نكون أحد البنوك العربية الرائدة في تقديم الخدمة المصرفية الشاملة والتميزة، بما يواكب آخر مستجدات الصناعة المصرفية والتجارة الإلكترونية في العالم"

رسالتنا

"نحن مؤسسة مصرفية أردنية، تقدم خدماتها الشاملة بجودة ومهنية عالية، وتسخر قدرات جهازها الوظيفي وإمكاناتها التكنولوجية المتطورة بكفاءة عالية لتحسين مستوى الخدمة المقدمة لجمهور المتعاملين معها، وتوسيع وتنويع قاعدة العملاء من مختلف القطاعات الإقتصادية الأردنية والعربية، بما يحقق عائداً مجزياً للمساهمين، ويعمل في الوقت نفسه على تنمية الإقتصاد الوطني ورفاه أبناء المجتمع المحلي"

VISION

" To be one of the pioneer Arab banks through offering a distinguished comprehensive banking solutions, in line with the latest developments in banking industry and e-business in the world "

Mission

" We are a Jordanian banking institution which offer global services assured with high quality and professionalism by taking full advantage of the Bank's advanced technological capabilities and its staff efficiency to render qualified services to customers. JKB seeks to diversify its customer base to include various Jordanian & Arab economic sectors, in order to achieve a rewarding yield to shareholders, in addition to enhance the national economy development, and society welfare. "

البنك الأردني الكويتي
JORDAN KUWAIT BANK

" أكثر من بنك " More than just a Bank

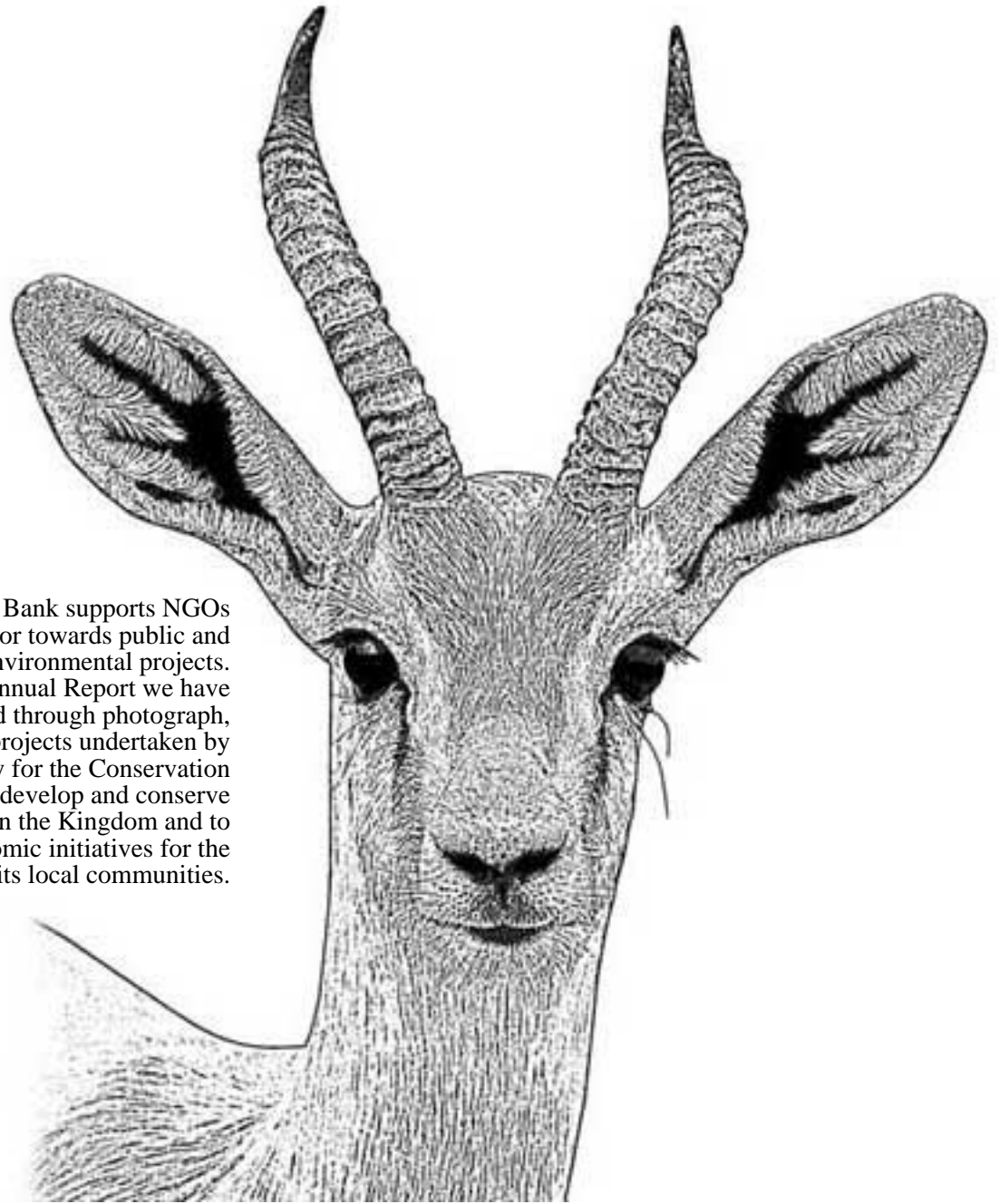
The Royal Society for the Conservation of Nature (RSCN)

The Royal Society for the Conservation of Nature (RSCN) was established in 1966 as a national NGO mandated by the Jordanian Government to manage and conserve natural ecosystem, habitats and wildlife in Jordan.

The RSCN conducts a rich variety of programmes aiming at conserving Jordan's natural wealth. These programmes include managing protected areas (i.e Dana, Azraq, Shaumari, Ajloun, Mujib). Such programmes include developing special socio-economic initiatives to integrate the local community with the conservation efforts in and around protected areas.

The RSCN has been pivotal in developing ecotourism programmes in Jordan through its network of protected areas, and has managed to forge a unique partnership with the authorities to implement the hunting law. Public awareness activities are a central theme in RSCN's work and they are conducted through establishing nature clubs at schools, publishing a specialised environmental magazine (ALREEM) and many other publications.

The RSCN plays an active role in training national and regional institutions in environmental management issues, and it considers increasing its membership base as a priority of its advocacy strategy.



Jordan Kuwait Bank supports NGOs in their endeavor towards public and environmental projects.

In this Annual Report we have illustrated through photograph, the projects undertaken by The Royal Society for the Conservation of Nature to develop and conserve protected areas in the Kingdom and to create socio-economic initiatives for the benefit of its local communities.

Subsidiaries التابعة الشركات



شركة الشرق العربي للتأمين
ARAB ORIENT
INSURANCE CO



الشركة المتحدة للإستثمارات المالية
UNITED FINANCIAL INVESTMENTS PLC.



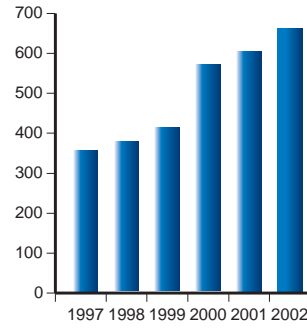
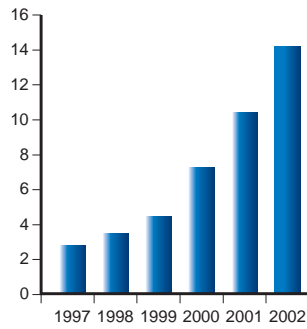
JORDAN KUWAIT BANK

Public Shareholding Ltd. Company
Established 25/10/1976
Commercial Register Number 108

Paid-up Capital JD 25 Million (USD 35 Million)

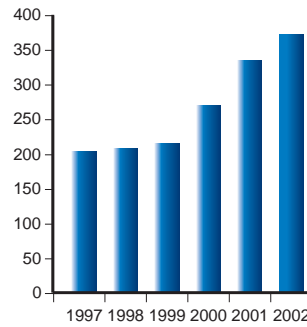
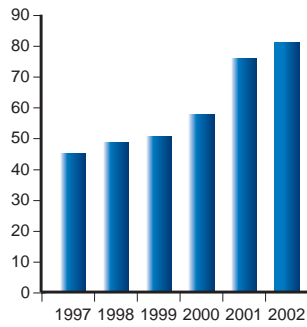
P.O.Box 9776 Amman 11191 Jordan
Tel. (962 6) 5629400
Fax (962 6) 5695604
SWIFT: JKBAJOAM
E-mail: webmaster@jkbank.com.jo
<http://www.jordan-kuwait-bank.com>

Changes In Major Balance Sheet Items (1997 – 2002)



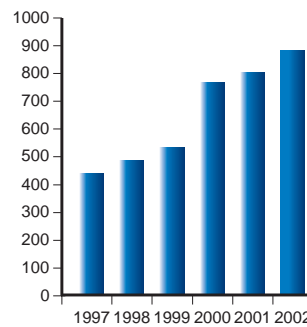
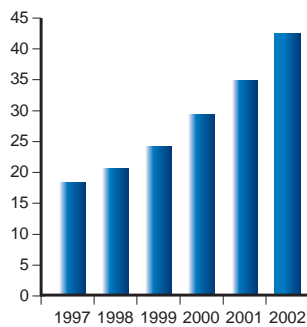
Net Income for the Year

Customers Deposits & Cash Margins



Shareholders' Equity

Credit Facilities - net



Net Operating Income

Total Assets

US\$ Million

■ BOARD OF DIRECTORS

■ Mr. ABDEL KARIM A. KABARITI

CHAIRMAN & CEO

Rep: Strategy Co. for Investments / Jordan

■ Mr. FAISAL H. AL-AYYAR

DEPUTY CHAIRMAN

Rep.: United Gulf Bank / Bahrain

■ MEMBERS

Mr. NASSER AHMAD LOZI

Rep.: United Gulf Bank / Bahrain **Dr. YOUSEF MUSA GOUSSOUS**

Rep.: Social Security Corporation / Jordan **Mr. ISSAM M. HASHEM**

Rep.: Al-Futouh Co. for Investment/Nasser Sabah Al-Ahmad & Bros. / Kuwait

Mr. MASOUD JAWHAR HAYAT

Rep.: Kuwait Projects Co. (Holding) / Kuwait **Mr. TAREQ M. ABDUL SALAM**

Mr. MOH'D SUHAIL TAHBOUB

Mr. FAROUK A. AL-AREF

■ Mr. MOH'D YASER AL-ASMAR


Board Secretary / GENERAL MANAGER

■ SABA & CO.

AUDITORS

Member firm of Deloitte Touche Tohmatsu

CHAIRMAN'S MESSAGE



On behalf of the Board of Directors, I am pleased to present to you the 26th Annual Report on the Bank's fiscal results, including consolidated financial statements as at December 31, 2002 and the achievements during the year.

The year 2002 was another successful year for Jordan Kuwait Bank marked with outstanding positive results at all levels. Business results and achievements were in harmony with the Bank's pace of growth and progress, a continuous goal set throughout the past six years.

The Bank's performance during 2002 highlighted the Management's ability to fulfill its commitment to achieving solid growth rates that ensure an added value to shareholders' equity. It also highlighted the Bank's efficiency in dealing with the prevailing economic conditions and build on the future prospects of the Jordanian economy.

Throughout 2002, the national economy was able to overcome the repercussions of the regional political situation. Notwithstanding the fact that certain sectors were affected in varying degrees by these circumstances, the gross domestic product (GDP) achieved a 5.3% growth during the third quarter of 2002 at fixed prices compared to 4.3% for the same period last year. The growth rate for the entire year is expected to exceed 5% compared to the 4.2% growth rate achieved in the year 2001.

Thanks to His Majesty King Abdullah II's directives, His relentless efforts, and His visionary leadership, Jordan continues to progress steadily towards its comprehensive, strategic and developmental goals, thus giving momentum to its policy of economic

openness through reform plans and ambitious modernization and transformation programs in the fields of education, training, and human resources development, as well as in financial, administrative, legislative and judicial arenas.

These endeavors have been coupled with a series of nation-wide strategic initiatives launched to push up social and economic growth rates. We are confident that the strength factors and growth potential of the national economy would render it one of the most solid in the region, the most apt for expansion and growth, and the most capable to cope with future developments and challenges. We trust that the Jordanian economy is heading in the right direction, and we expect the year 2003 to be fruitful despite all the uncertainties related to the peace and war situation in the region.

The Bank's results for the year 2002 are considered an authentic testimony of Management's success in drawing up, implementing and realizing the goals of the medium-term strategic plan (2001 - 2003). The Bank's efforts yielded fruit during the year 2002 and produced excellent profits, the highest since its foundation. Net profit after tax and provisions amounted to USD 14.2 million, an increase of USD 3.8 million when compared to last year's profit, a growth rate of 36.9%. Shareholders' equity rose to USD 81.4 million, an increase of USD 5.4 million over 2001. Subsequently, all performance and efficiency indicators improved, particularly the Return on average equity and the Return on average assets. Capital adequacy ratio rose to 18.1% against 17% in 2001. The Bank's share price maintained a high market value throughout the year and closed at JD 3.870 (USD 5.5) compared to JD 3.350 at the end of 2001, an indication of the enhanced confidence of investors in the Bank's future performance.

The international rating firm, Capital Intelligence, upgraded JKB's rating and assigned a BBB-, and amended its future outlook from "stable" to "positive".

The Bank maintained a steady growth rate in its operating profits, amidst an environment characterized by a decline in interest rates, both locally and internationally. The Bank was successful in achieving a balanced growth rate of



assets and liabilities, reflecting a sound investment policy concentrating on minimizing the risk without compromising the safe level of liquidity.

Total assets of the Bank as at December 31, 2002 stood at USD 882 million, recording an increase of USD 77.7 million in comparison with last year and a growth rate of 9.7%. The credit facilities portfolio grew at 11.4% to reach USD 373 million compared to USD 335 million at the end of last year. The Bank's activity in the field of credit was characterized by quality expansion. The Bank was active in providing direct, indirect, and syndicated loans to large companies and corporations in the private and public sectors. Retail credit operations also showed a positive growth.

On the other hand, non-performing loans were brought under full control. The Bank was able to lower the percentage of these loans to the total credit portfolio from 8.2% last year to 6.8% in the year 2002, thus recording an outstanding ratio as in accordance with local and international standards.

The adoption of a prudent and balanced credit policy with clearly specified criteria that support the credit decision-making for each category of clients, paralleled with the implementation of stringent audit, follow-up, collection and documentation procedures enhanced the soundness of and

fortified the Bank's credit portfolio, rendering it exemplary for the entire Jordanian banking sector.

By the end of 2002, customer deposits stood at USD 561.3 million, with an increase of USD 56.5 million compared to last year's figures, thanks to Management's perseverance and its unrelenting efforts to diversify and develop the Bank's services and products in a way that meets customers' need for more modernized banking and financial services. This growth also reflects the Bank's success in expanding its customer base, capitalizing on its high credibility and bright image perceived by clients and citizens alike.

The year 2002 witnessed concerted efforts to strengthen the Bank's presence in international arena and expand its overseas operations, to go parallel with its growing local activities. In this respect, the performance of our Cyprus branch was particularly encouraging, and its results throughout the year had a positive impact on the Bank's overall results and achievements. The Gulf Algeria Bank, a joint venture between United Gulf Bank-Bahrain, Tunis International Bank-Tunis, and Jordan Kuwait Bank, is expected to commence operations in Algiers in the first quarter of 2003. The growth potential and prosperity of the Algerian economy are encouraging and we look forward to achieving positive results from the newly established bank

through the provision of banking services and products that are necessary for enhancing Jordanian and Algerian economic exchange and trade relationships between the two countries.

Concerning the expansion of our local activities, we raised the Bank's share in the United Financial Investments Company capital and converted it from an associate company into a subsidiary. The results of this company and the other subsidiary, the Arab Orient Insurance Company, had considerable contribution to the Bank's overall results for this year. The Bank's ownership of these two subsidiaries represents the realization of one of our main strategic goals, as it adds a new dimension to the Bank's scope of business through providing insurance and investment portfolio management services. It also provided the two companies with added value through acquiring solid capital support, a large customer base, as well as strong and influential marketing capabilities. Through coordinating and exchanging banking, insurance, and investment services, our clients stand to benefit from a unique package of integrated services that will enhance their business and interests.

To maintain the Bank's pioneering role at the local and regional levels, we continue to pay special attention to technological developments aiming at enhancing performance and productivity. Technology-based products and services come in line with the Bank's strategies to attract new clients, particularly the youth, since this segment is the most open to state-of-the-art technology. Other clients are always encouraged to gradually use these services. This would of course reduce operational expenses and increase revenues in the near future.

In light of the Bank's profits posted in the year 2002, the Board of Directors has recommended and the General Assembly of shareholders approved that a cash dividend of 16% of the share capital, amounting to JD 4 million (USD 5.6 million), be distributed to the shareholders. The balance in profit will be retained to extend further support to the capital base and to cater for future growth and expansion

The year 2003 will be the third and last of our mid-term strategic plan (2001 - 2003), and we will focus on achieving all the set goals and provide measurable added value to our shareholders and quality value to our clients through offering services and products commensurate with their interests and needs. We pledge to create a unique, salient environment guaranteed by management commitment, employees' dedication, and the confidence of our clients, partners, and shareholders.

In conclusion, I express my gratitude and thanks to our shareholders for their continued support, and to our clients for their renewed loyalty and trust. I also extend my appreciation to the Central Bank of Jordan and its staff for their cooperation and efforts to develop the banking sector. I am also indebted to all my colleagues, executives, and employees, for their perseverance, loyalty, and team spirit, which led the helm to the remarkable success of this dear organization.

Abdel Karim Kabariti
CHAIRMAN OF THE BOARD

■ 2002 ACHIEVEMENTS



FINANCIAL RESULTS

Jordan Kuwait Bank's financial results in the year 2002 were characterized with high profitability levels as a decline in interest margin was overcome by an increased volume of asset-related activities, aimed at sustaining net interests and commissions within their acceptable ranges. In addition, there has been an increase in investment in financial assets at the local and external levels.

The Bank's overall activities resulted in USD 14.2 million in net profit after tax, fees, and provisions, with a USD 3.8 million increase and 36.9% growth rate when compared to 2001 figures. Total shareholders' equity rose by 7.1% to USD 81.4 million, against USD 76 million at the end of 2001.

Total assets by the end of 2002 reached USD 881.7 million, realizing an increase of USD 77.6 million over the previous year and growth of 9.7%. This percentage is double than that achieved in 2001. Meanwhile, the ratio of operating assets to total assets stood at 89.5% in 2002 compared to 88.5% in the previous year, which is an indication of the success the bank achieved with

regard to its ability to upgrade its performance, deal aptly with the various emerging circumstances and developments, and effectively utilize available opportunities and potentials.

In light of declining interest rates in the banking sector during the year and a lower interest margin, JKB sought to sustain growth rates and target profits. Therefore, focus was placed on increasing non-interest revenues, which constituted 33% of the total operating income in 2002, against 17.8% in 2001.

These results eventually reflected positively on all financial ratios and total performance indicators, which remained at top ranks when judged by local and international criteria. The Return on average assets rose to 2.25% (1.8% in 2001), and the Return on average equity exceeded estimates to record 24.2% (21.4% in 2001). Capital adequacy ratio recorded 18.1%, compared to 17% in 2001, thus surpassing both the requirements of the Basel International Committee and the Central Bank of Jordan. The ratio of administrative and general expenses to net operating income, also improved, registering 53.8%, compared with 55.3% in the previous year.

CUSTOMER DEPOSITS AND BRANCH SERVICES

The customer deposits portfolio achieved commendable growth in 2002 to reach USD 561.3 million, recording an increase of USD 56.5 million or 11.2% when compared to 2001 figures. This achievement reflects the growing customer trust, loyalty and satisfaction with JKB's services on the one hand, and the Bank's success in efforts to create a service oriented culture amongst its employees, and offer better and more comfortable services via state-of-the-art technologies, on the other.

The year 2002 witnessed the launch of a new set of services and products now offered and marketed by JKB's

branches personnel. The plan has yielded improved revenues. These services include Visa Credit Card (Revolving), MasterCard, money transfers via Western Union, Internet shopping card (NETSHOP), in addition to selling mobile pre-paid cards (Fastlink) via ATMs, Internet Bank and at JKB's branches. This last service is the first of its kind at the regional level.

By the second half of 2002, the Bank opened an office at the Amman Private (Ahliyya) University and embarked on setting up two new branches in Amman (Jabal Al Hussein and Mecca Mall). Both are scheduled to open doors in the first quarter of 2003.

In line with modern concepts in banking services with focus on the marketing mission of the branches, a model branch was designed and implemented at (Tlaa Al-Ali) branch, which subsequently witnessed a face-lift and a redistribution of space aimed at creating comfortable atmosphere for clients and more room for marketing and sale of services. The concept will be gradually applied to the other branches.

CREDIT FACILITIES PORTFOLIO

Direct credit facilities-net as at December 31, 2002, reached USD 373 million, an increase of USD 38 million (11.4%) over the previous year.



During 2002, the credit activities witnessed a positive change in the volume and quality of the facilities extended as the Bank focused on providing large credit facilities and syndicated loans to a number of major and well-established firms and public corporations operating in the local and foreign markets. Credit in foreign currency had a considerable share of the extended facilities, and was directed to economic entities with established export and service activities that meet criteria set by CBJ for this kind of credit.

In addition to credit activities targeting wholesale clients, more attention was given to the retail sector, an effort that resulted in an increased housing and personal loans portfolio. The amendments made to the terms and privileges of such products succeeded in ensuring their competitive edge in the market.

Throughout 2002, the Bank continued to focus on securing a high quality credit portfolio and strived to reduce its non-performing loans. These endeavors resulted in reducing the ratio of NPLs to total portfolio to stand at 6.8% against the previous year's 8.2%. The ratio is considered one of the best at local banking level and is very close to international standards in this regard.

The year 2002 witnessed remarkable efforts in addressing and recovering doubtful loans along with much hard work to follow up and collect previously written-off debts. The Legal Department arranged for amicable settlements of some of these debts and took legal procedures to handle the rest.

In 2002, a new rating system for wholesale client solvency was adopted. Under this system, risk factors and the types and value of guarantees are defined in a way that ensures objective and efficient decision-making when it comes to extending facilities to this category of clients. The introduction of this rating system represents an early response to relevant new requirements set by Basel II.

In 2002, JKB renewed for the third time an agreement with the Islamic Bank for Development/Jeddah. This agreement provides soft credit lines to finance Jordanian businesses dealing with exporters and manufacturers in the Islamic world under lenient conditions, low commission, and long-term repayment.

JKB showed substantial keenness on promoting Jordanian exports via credit offered to the Bank's clients in the exporting sector through the CBJ. In addition, the year 2002 witnessed an increase in the volume of direct and indirect financing of the public sector, either individually or through syndicated loans.

The Bank also completed the necessary administrative and technical arrangements to launch its lease financing service in line of the new law that regulates this type of credit facilities in the country.

TECHNOLOGY AND INFORMATION SYSTEMS DEVELOPMENT

The Information Systems Department responds to all the Bank's directives and policies, and implements the necessary programs required to carry out its internal and external operations.

Technical teams proceeded throughout the year with efforts to introduce more technological additions to better off both internal operations and the Bank's services and products. In this context, a plan to implement an updated version of the comprehensive banking system was wrapped up in 2002. In addition, a new version of the branch system, Navigator, was put into effect. The updated system sets new methods for electronic validation and approvals between branch managers and credit officers at the Head office and ensures smooth processing of applications and transactions.

By the end of the year 2002, the first phase of the electronic archiving

system for financial and management reports was completed. This system eliminated the printing process by routing the reports electronically to concerned departments and branches. The second and third phases of this project, which include real-time electronic archiving of work forms, checks, and other documents at the branches and the headquarters, is due to be ready by the first half of 2003. It is worth mentioning in this respect, that the project aims to take advantage of the legislative amendment stipulated in the new Banking Law's provisions addressing electronic transactions which recognize electronically archived documents as legal evidence.

TREASURY AND INVESTMENT

Treasury and investment operations recorded favorable growth in their key activities. These operations relied heavily on JKB's policy of risk distribution and investments diversification. The Bank was able to avoid the negative impact of market fluctuations and the decline of local and international interest rates. It gained optimal benefit through substantially reducing the cost of medium-term funding, while maintaining the interest rates competitive enough to expand and diversify the client base of the Bank's deposits portfolio.

The trading of local shares at the Amman Stock Market (ASM) yielded excellent revenues, which constituted a significant portion of the total 2002 profits. In line with the Bank's investment policy, foreign investment activities were expanded and new products introduced to meet clients' needs, such as margin trading, investment in capital markets, forward, and options trading.

The Bank was active in Jordanian dinar denominated certificates of deposit (CDs) issued by the Central Bank of Jordan as well as local banks. The volume of investment in CDs stood USD 240.7 million.

Investment in Jordanian treasury bills and bonds was also in the limelight reaching USD 20.7 million. The Bank's investment in US dollar denominated certificates of deposit stood at USD 9 million, while investments in foreign bonds denominated in US dollar and other foreign currencies reached USD 49.5 million. The Bank monitors and trades in these bonds when deemed appropriate.

In 2002, the Bank continued to provide underwriting and securities safekeeping services after having obtained the necessary licenses from the Jordan Securities Commission.

To keep up with the expansion of the Bank's investments and its international services, the Bank's correspondents network was further expanded. Business relations with a new group of prominent banks and financial institutions worldwide were established.

INTERNAL AUDIT

The Audit Department continued its endeavor to achieve its strategic goal in assisting the Bank's management to perform its duties in full compliance with the Bank's business policies and procedures through providing analysis, recommendations, and consultations on all aspects of the Bank's activities. The year 2002 witnessed a shift in the audit methodology to cope with international standards of internal audit after the Department became a member of the Institute of Internal Auditors (IIA).

Based on the concept "prevention is better than correction", a pre-planned audit schedule, dependent on "Risk-based Audit" principle was implemented. The development in the department's working method led to a change in the auditors' scope of responsibilities which was expanded to include providing advice and suggestions on the Bank's overall activity and performance vis-à-vis other banks, as well as studying the impact of economic and legislative changes on the Bank's activities.

The Audit Department focused in 2002 on following up the design and implementation of new systems and programs, and participated effectively in their pre-implementation testing.

As for the preparations necessary to comply with the new Basel II requirements, a "Control Risk Self-Assessment Program" was implemented; other Basel II requirements will be completed gradually.

ADMINISTRATIVE AND PERSONNEL DEVELOPMENT

The Bank continued with efforts to develop administrative and operational activities. JKB's different units embarked in 2002 on applying "Total Quality Management" under a program tailored for this purpose. The program aims at fostering the concept and methodology of TQM among all employees to further improve the standard of services offered to clients, respond to their expectations and secure their full satisfaction.

The advanced technologies applied by the Bank and the mounting dependence on automated systems helped cope with the increasing growth of the Bank's operations and the expanding of branch network with less need for extra manpower. The Bank adopted new policies to achieve qualitative improvement in the manpower structure through focusing on attracting young university talents with appropriate academic credentials and aptitude to deal with modern banking concepts. In order to strengthen the technical and professional capabilities of Bank's employees, JKB concentrated throughout the year on training programs, which involved more than 2400 internal and external training opportunities. The training covered banking, technology, communication skills and customer service.

Apart from those employed by JKB's subsidiaries, the total number of the Bank's employees stood at 552 by the end of 2002.

EXPANSION AND RENOVATION OF BANK'S HEADQUARTERS

By the end of 2002, a project to modernize and supplement the Bank's headquarters with more storeys was completed. It involved a face-lift and a change to the building's façade. The distinctive architectural design reflects the new image of the Bank and its local and international credibility and meets the expectations of clients and shareholders. The building and its surroundings became an architectural landmark in its area. The new look of the headquarters will be harmonious with the planned mega project "Jawharat Amman" in the adjacent area.

COMMUNITY SERVICE

As part of its general goals, the Bank contributed financial and in-kind donations to several charitable societies and NGOs.

In order to enhance the relationship between the Bank and its clients and to contribute to developing their operations and activities, the Bank organized in June 2002, the "Harvard Executive Management Program" which was presented by a selected group of professors from Harvard University-USA specialized in IT and its applications. A group of key JKB clients from the public and private sectors attended this program.

■ MAJOR FINANCIAL INDICATORS AND RATIOS



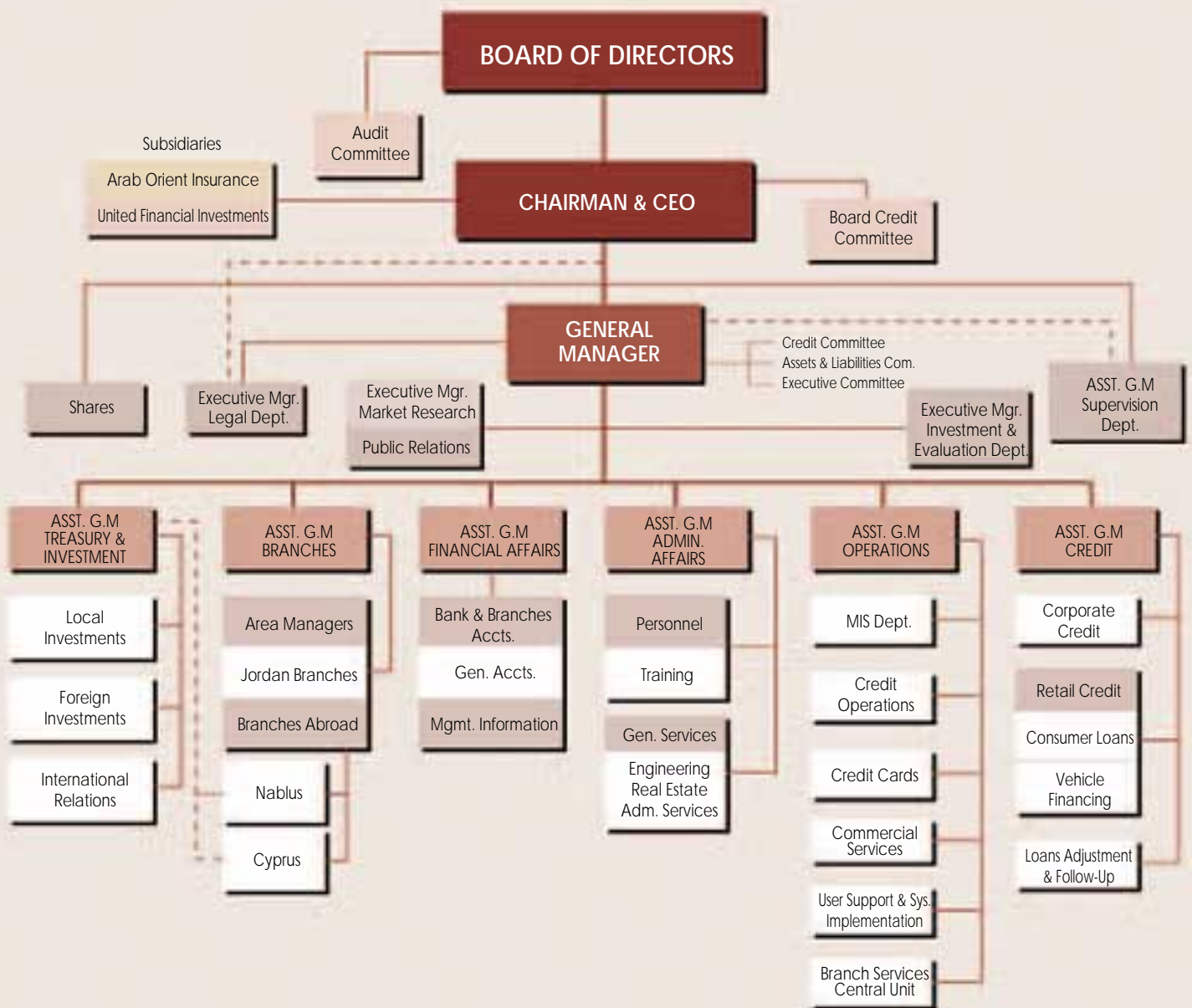
	2002	2001	Change %
Major Operating Results			
Net interest and commission	28,477	28,607	(0.5)
Net operating income	42,459	34,796	22.0
Net income before tax & fees & minority interest	19,549	14,318	36.5
Net income after tax & fees & minority interest	14,224	10,390	36.9
Earnings per share	0.57	0.42	36.8
Major Balance Sheet Items			
Assets	881,694	803,924	9.7
Credit facilities - net	372,941	334,793	11.4
Customers deposits	561,274	504,673	11.2
Shareholders' equity	81,347	75,924	7.1
Major Financial Ratios			
Operating assets / Total assets	89.5%	88.5%	
Return on average assets	2.25%	1.8%	
Return on average equity	24.2%	21.4%	
Operating expense / Net operating income	53.8%	55.3%	
Gen. & Admin.expense / Average assets	1.7%	1.6%	
Capital adequacy ratio	18.1%	17.0%	
Non — performing loans / Gross credit facilities	6.8%	8.2%	
Contra Accounts	339,210	294,494	15.2

Amounts in Thousand USD

EXECUTIVE MANAGEMENT

- **Mr. MOH'D YASER AL-ASMAR**
General Manager *Tel. : 5672617 , E-mail : al-asm@jkbank.com.jo*
- **Mr. TAWFIQ A/Q MUKAHAL**
Asst. General Manager, Credit *Tel. : 5695208 , E-mail : mukahal@jkbank.com.jo*
- **Mr. AHMAD A. JABER**
Asst. General Manager, Branches *Tel. : 5697318 , E-mail : jaber@jkbank.com.jo*
- **Mr. MAJED F. BURJAK**
Asst. General Manager, Operations *Tel. : 5662128 , E-mail : Burjak@jkbank.com.jo*
- **Mr. WILLIAM J. DABABNEH**
Asst. General Manager, Treasury & Investment *Tel. : 5694152 , E-mail : dababneh@jkbank.com.jo*
- **Mr. SHAHER E. SULEIMAN**
Asst. General Manager, Supervision Department *Tel. : 5699649 , E-mail : shaher@jkbank.com.jo*
- **Ms. HIYAM S. HABASH**
Asst. General Manager, Financial Department *Tel. : 5695207 , E-mail : hiyamhabash@jkbank.com.jo*
- **Mr. ZUHAIR H. IDRIS**
Executive Manager, Credit Department *Tel. : 5692460 , E-mail : idris@jkbank.com.jo*
- **Miss SAMIA KH. HUNAJDI**
Executive Manager, Investment & Evaluation Dept. *Tel. : 5695204 , E-mail : samia@jkbank.com.jo*
- **Mr. MILAD Y. FARAJ**
Executive Manager, Commercial Services Dept. *Tel. : 5692459 , E-mail : milad@jkbank.com.jo*
- **Mr. SUHAIL M. TURKI**
Executive Manager, Research & Marketing Dept. *Tel. : 5694398 , E-mail : turki@jkbank.com.jo*
- **Mr. IBRAHIM I. KASHT**
Executive Manager, Legal Department *Tel. : 5662129 , E-mail : legal_dpt@jkbank.com.jo*

■ ORGANIZATIONAL STRUCTURE



■ 2003 BUSINESS PLAN



Based on the strategic plan for the years 2001 - 2003, JKB management will aim at achieving the following objectives in 2003:

- Develop a new three-year strategic plan for the years 2004 - 2006 to address medium-term goals including the Bank's assets growth, competitive position, expansion and diversification, branch network, customer base, and JKB presence abroad.
- Develop and diversify existing services and products and launch new services and activities that are conducive to generate fees and commissions, in order to increase the non-interest revenues to not less than 40% of the overall Bank profit.
- Complete the "Total Quality Management" program in all work areas and direct it at increasing the performance rates and improving efficiency, which reflects on the quality of services offered to clients, increasing their satisfaction and developing internal and external work relations.
- Enhance the retail customer base of small depositors and loan seekers through offering services and products commensurate with the needs of such customer category and focus on attracting the young clients and small-sized project entrepreneurs.
- Continue modernizing and developing operational methods and service delivery channels by using innovative technology tools.
- Provide the needed administrative and technical facilities to comply with Basel II requirements and build systems, programs, and databases pertaining to these requirements.
- Continue branch modernization and implement the model branch project (Tla' al Ali) in new branches and, gradually, on existing branches.
- Realize a return on shareholders' equity of not less than 16%.

■ BRANCHES & OFFICES



■ Amman Branches

- **Main Branch**
Tel. 5621310 - Fax 5694105
- **Abdali**
Tel. 5662126 - Fax 5662374
- **Jabal Amman**
Tel. 4641317 - Fax 4611391
- **Wehdat**
Tel. 4777174 - Fax 4750220
- **Commercial Center**
Tel. 4624312 - Fax 4611381
- **Tla'a El'Ali**
Tel. 5532168 - Fax 5518451
- **Jabal Al-Hussein**
Tel. 5658662 - Fax 5658663
- **Jabal Al-Hussein Office**
Tel. 4638750 - Fax 4611402
- **Abu-Alanda**
Tel. 4162756 - Fax 4161841
- **Yarmouk**
Tel. 4779102 - Fax 4750230
- **Wadi El-Seir**
Tel. 5858864 - Fax 5810102
- **Jubaiha**
Tel. 5346763 - Fax 5346761
- **Amra / Um Outhaina**
Tel. 5535292 - Fax 5516561
- **Marka**
Tel. 4889531 – Fax 4889530
- **Ibn Khaldoun**
Tel. 4613902/3 - Fax 4613901
- **Shmeisani**
Tel. 5685403 - Fax 5685358
- **Central Vegetable Market**
Tel. 4127588 - Fax 4127593
- **Madinah Munawarah**
Tel. 5533561 - Fax 5533560
- **Ras Al-Ain**
Tel. 4731420 - Telefax 4731421
- **Sweifiyah**
Tel. 5851930 - Fax 5851931
- **Nazzal Office**
Tel. 4383906 - Fax 4383905

■ Middle Region Branches

- **Baq'ah**
Tel. 4725090 - Fax 4726101

- **Madaba**
Tel. 05/3253568 - Fax 05/3253569
- **Al-Salt Office**
Tel. 05/3558995 - Fax 05/3558994
- **Al-Ahliyya University Office**
Tel. 05/3500029 - Fax 05/3500048

■ North Region Branches

- **Irbid**
Tel. 02/7243666 - Fax 02/7247880
- **Al-Husson St.** - Irbid
Tel. 02/7248496/7 - Fax 02/7248498
- **Hakama St. Office** - Irbid
Tel. 02/7409936 - Fax 02/7409936
- **Al Mafraq Office**
Tel. 02/6235901 - Fax 02/6235902

■ South Region Branches

- **Al-Karak Office**
Tel. 03/2396102 - Fax 03/ 2396103
- **Aqaba**
Tel. 03/2015188/9 - Fax 03/ 2016188

■ Zarqa Region Branches

- **Zarqa**
Tel. 05/3997088 - Fax 05/3998677
- **Russaifeh**
Tel. 05/3744151 - Fax 05/3744152
- **Free Zone** - Zarqa
Tel. 05/3826196 - Fax: 05/3826195
- **New Zarqa**
Tel. 05/3864556 - Fax 05/3864557

■ Branches outside Jordan

- **Nablus**
Tel. 2376414 - Fax 2377181
- **Cyprus**
Tel. +3575 875555 - Fax +3575 582339
- **Algiers** (Representative Office)
Tel. +21321 916890 - Fax +21321 914108

■ Under Construction

- **Mecca Mall** / Mecca St.

■ ATM Machines locations

- **Head Office** (Drive Thru ATM)
- **Abdali Branch**
- **Jabal Amman Branch**
- **Zarqa Branch**
- **Wehdat Branch**
- **Tla'a El'Ali Branch**
- **Jabal Al-Hussein Office**
- **Aqaba Branch**
- **Abu-Alanda Branch**
- **Yarmouk Branch**
- **Wadi El-Seir Branch**
- **Jubaiha Branch**
- **Russaifeh Branch**
- **Amra Branch**
- **Al-Husson St Branch.** – Irbid
- **Safeway** - Irbid
- **Marka Branch**
- **Ibn Khaldoun Branch**
- **Shmeissani Branch**
- **Madinah Munawarah Branch**
- **New Zarqa Branch**
- **Ras Al-Ain Branch**
- **Madaba Branch**
- **Cyber Branch** - Sweifiyyah (2)
- **Safeway** - Shmeisani
- **Abdoun Mall**
- **Al Mafraq Office**
- **Nazzal Office**
- **Salt Office**
- **Karak Office**
- **Ahliyya University Office**
- **Awaisheh Complex** – Al Salt St. (Drive Thru ATM)
- **Mobile ATM**
- **Fastlink Headquarters**

■ ATMs under Construction

- **Jabal Al-Hussein** / Commercial Area
- **Mecca Mall** / Mecca St.

AUDITORS' REPORT

To the General Assembly of Shareholders
Jordan Kuwait Bank
Amman - Jordan

We have audited the accompanying consolidated balance sheet of Jordan Kuwait Bank (a Jordanian Public Shareholding Company) as of December 31, 2002 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit. We have obtained the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit. We have previously audited the financial statements for the year 2001, the figures of which are presented for the purposes of comparison, and issued our unqualified report thereon dated January 9, 2002.

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

The Bank maintains proper accounting records and the accompanying financial statements are in agreement therewith.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jordan Kuwait Bank as of December 31, 2002 and the results of its operations and its cash flows for the year then ended, in conformity with the Law and with International Accounting Standards, and we recommend that the General Assembly of shareholders approve these financial statements.

Saba & Co.

Amman - Jordan
January 12, 2003

BALANCE SHEET AS OF DECEMBER 31, 2002 AND 2001

(IN US DOLLARS)

	Note	2002	2001
ASSETS			
Cash and balances at Central Banks	4	233,237,701	158,073,781
Balances at banks and financial institutions	5	119,319,930	161,799,427
Deposits at banks and financial institutions	6	29,347,186	26,791,996
Trading financial assets	7	1,368,855	-
Direct credit facilities - net	8	372,940,654	334,792,434
Available-for-sale financial assets	9	83,106,987	61,904,027
Held-to-maturity investments-net	10	-	16,995,178
Investment in associate company	11	-	1,275,701
Fixed assets-net	12	11,963,986	9,769,484
Other assets	13	28,825,611	30,346,127
Deferred tax assets	14	1,583,076	2,175,911
TOTAL ASSETS		881,693,986	803,924,066
LIABILITIES			
Banks and financial institutions deposits	15	76,439,893	64,835,907
Customers deposits	16	561,273,638	504,672,515
Cash margins	17	100,606,006	101,433,048
Borrowed funds	18	17,356,714	14,436,939
Provisions	19	7,127,668	5,871,238
Other liabilities	20	33,184,259	32,965,371
Provision for income tax	21	1,005,427	2,503,240
TOTAL LIABILITIES		796,993,605	726,718,258
Minority interest	22	3,353,117	1,281,472
SHAREHOLDERS' EQUITY			
Paid-up capital	23	35,260,931	35,260,931
Share premium reserve	23	70,522	70,522
Statutory reserve		9,929,477	8,027,660
Voluntary reserve	24	12,636,912	8,833,276
Foreign branches reserve		6,410,437	6,410,437
Cumulative change in fair value	25	1,360,361	4,831,577
Retained earnings	26	10,036,875	7,200,793
Proposed dividends	27	5,641,749	5,289,140
TOTAL SHAREHOLDERS' EQUITY		81,347,264	75,924,336
TOTAL LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY		881,693,986	803,924,066

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS.

STATEMENT OF INCOME

(IN US DOLLARS)

	Note	2002	2001
Interest income	28	50,663,651	57,094,939
Interest expense	29	26,508,326	32,757,523
Net Interest Income		24,155,325	24,337,416
Commission income-net	30	4,321,278	4,269,932
Net Interest and Commission		28,476,603	28,607,348
Non-Interest and Non-Commission Income:			
Share of associate company s profits	2	-	194,780
Income from financial assets and instruments	31	7,004,275	1,517,038
Other operating income	32	6,978,178	4,477,240
Total Non-interest and Non-Commission Income		13,982,453	6,189,058
Net Operating Income		42,459,056	34,796,406
Expenses:			
Employees expenses	33	8,759,083	7,785,453
Other operating expenses	34	5,545,206	4,678,921
Depreciation and amortization		3,491,468	2,607,855
Provision for credit facilities	8	4,700,692	3,901,759
Surplus investments provision previously taken		(12,694)	(346,322)
Other various provisions		506,250	465,928
Total Operating Expenses		22,990,005	19,093,594
Net Operating Income		19,469,051	15,702,812
Non-operating revenues (expenses)	35	80,083	(1,384,447)
Net Income before Tax and Fees and Minority Interest		19,549,134	14,318,365
Less: Income Tax	21	4,374,666	3,522,224
Universities fees		152,683	141,901
Scientific research and vocational training		152,683	141,901
Educational council and vocational and technical training fees		50,752	-
Board of Directors' remunerations		63,470	63,470
Net Income after Tax and Fees and before Minority Interest		14,754,880	10,448,869
Less: Minority interest after tax		530,949	58,578
Net Income for the Year		14,223,931	10,390,291
Earnings per Share	36	0.57	0.42
Weighted Average Number of Shares		25,000,000	25,000,000

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(IN US DOLLARS)

	Paid-up Capital	Share Premium	Statutory Reserve	Voluntary Reserve	Reserve for Foreign Branches	Cumulative Change in Fair Value	Retained Earnings (Note 26)	Proposed Dividends (Note 27)	Total
2002									
Balance - beginning of the year	35,260,931	70,522	8,027,660	8,833,276	6,410,437	4,831,577	7,200,793	5,289,140	75,924,336
Dividends paid during the year	-	-	-	-	-	-	-	(5,289,140)	(5,289,140)
The effect of adopting IAS (39)	-	-	-	-	-	-	(40,647)	-	(40,647)
Cumulative change in fair value	-	-	-	-	-	(3,471,216)	-	-	(3,471,216)
Net income for the year	-	-	1,901,817	3,803,636	-	-	2,876,729	5,641,749	14,223,931
Balance - End of the Year	35,260,931	70,522	9,929,477	12,636,912	6,410,437	1,360,361	10,036,875	5,641,749	81,347,264
2001									
Balance - beginning of the year	28,208,745	7,122,708	6,601,681	5,981,322	5,000,000	-	4,960,480	-	57,874,936
Increase in paid-up capital	7,052,186	(7,052,186)	-	-	-	-	-	-	-
Cyprus branch paid-up capital	-	-	-	-	1,410,437	-	(1,410,437)	-	-
The effect of adopting IAS (39)	-	-	-	-	-	-	411,692	-	411,692
Deferred tax assets (Note 14)	-	-	-	-	-	-	2,415,840	-	2,415,840
Cumulative change in fair value	-	-	-	-	-	4,831,577	-	-	4,831,577
Net income for the year	-	-	1,425,979	2,851,954	-	-	823,218	5,289,140	10,390,291
Balance - End of the Year	35,260,931	70,522	8,027,660	8,833,276	6,410,437	4,831,577	7,200,793	5,289,140	75,924,336

- Included in the retained earnings balance is an amount of USD 1,583,076 restricted by the Central Bank of Jordan against deferred tax assets (USD 2,175,911 as of December 31, 2001) and an amount of USD 371,047 being the effect of implementing IAS (39) (USD 411,693 as of December 31, 2001) .

- In accordance with the extraordinary general assembly meeting held on February 20, 2001, the Bank's capital was increased by 5 million shares through the distribution of one bonus share for each four shares held by using the balance of the share premium account relating to shareholders registered in the Bank's records on March 8, 2001.

- During the year 2001, an amount of USD 1,410,437 was transferred from retained earnings to the reserve for foreign branches, in accordance with the Board of Directors' resolution and Central Bank of Jordan regulations.

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS.

STATEMENT OF CASH FLOWS

(IN US DOLLARS)

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income after minority interest and before tax	19,018,185	14,259,787
Adjustments:		
Goodwill-net	189,185	518,533
Share of associate company's profits	-	(194,780)
Depreciation and amortization	3,491,467	2,581,142
Provision for credit facilities	4,700,692	3,901,759
Provision for employees end of service indemnity	506,247	465,928
(Profit) loss on assets seized by the bank	(87,171)	1,273,265
Loss on sale of fixed assets	20,068	21,076
Effect of exchange rate fluctuations on cash and cash equivalents	(1,354,336)	(846,010)
Net cumulative change in fair value	(3,471,217)	5,243,269
Surplus provisions returned to income	-	(92,346)
Provision for income tax and subsidiary companies technical reserves	948,747	3,416,496
Gain from sale of investments	(6,704,740)	(1,005,475)
Total	17,257,127	29,542,644
Changes in Assets and Liabilities:		
(Increase) in deposits at banks and financial institutions	(2,555,190)	(10,148,836)
(Increase) in direct credit facilities	(42,848,913)	(68,564,117)
(Increase) in trading financial assets	(1,089,623)	-
(Increase) in other assets	(786,107)	(3,944,441)
Increase in banks and financial institutions deposits due after three months	18,554,313	14,104,372
Increase in customers deposits	56,601,123	25,877,738
(Decrease) increase in cash margins	(827,042)	7,540,116
(Decrease) in other liabilities	(452,709)	(3,769,528)
Net Cash from (used in) Operating Activities before Tax and Staff Indemnities Paid	43,852,979	(9,362,052)
Staff indemnities paid	(198,567)	(222,640)
Income tax paid	(5,279,643)	(3,544,216)
Net Cash from (used in) Operating Activities	38,374,769	(13,128,908)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (increase) decrease in available-for-sale investments	(14,818,096)	15,498,663
Increase in minority interest	2,071,645	1,281,472
Net decrease (increase) in Held-to-Maturity investments	16,995,178	(4,447,076)
Decrease (increase) in investment in associate & subsidiary companies	1,275,701	(1,152,346)
Net (increase) in fixed assets	(3,501,430)	(3,543,970)
Net Cash from Investing Activities	2,022,998	7,636,743
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in borrowed funds	2,919,775	14,107,838
Dividends paid	(5,037,128)	(4,670)
Net Cash (used in) from Financing Activities	(2,117,353)	14,103,168
Effect of exchange rate fluctuations on cash and cash equivalents	1,354,336	846,010
Net Increase in Cash and Cash Equivalents	39,634,750	9,457,013
Cash and cash equivalents - beginning of the year	269,141,673	259,684,660
Cash and Cash Equivalents - End of the Year (Note 37)	308,776,423	269,141,673

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS.

NOTES TO THE FINANCIAL STATEMENTS

1. General

- Jordan Kuwait Bank was established as a Jordanian public shareholding company in accordance with the Companies Law no. 13 for the year 1964. It was registered under number (108) on October 25, 1976 with an authorized capital of 5 million Jordanian Dinars (USD 7 million), represented by 5 million shares at a par value of one Jordanian Dinar per share (USD 1.4). The Bank's headquarters is based in Amman and its authorized and paid-up capital was gradually increased to 25 million Jordanian Dinars (USD 35 million).

- The Bank is engaged in banking activities through its branches in the Hashemite Kingdom of Jordan, its branch in Nablus and its offshore banking unit in Cyprus including accepting deposits, extending loans and advances as well as providing direct and indirect financing facilities, in addition to other banking activities acceptable by law, regulations and prevalent banking practices.

- Its employees numbered 620 as of December 31, 2002, of whom 68 were in subsidiary companies compared to 634 as of December 31, 2001, of whom 59 were in subsidiary companies.

- The consolidated financial statements were approved in the Bank's Board of Directors meeting No. (1/2003), held on January 12, 2003.

2. Basis of Consolidation

The accompanying consolidated financial statements include the financial statements of:

- The Bank's branches in Jordan,
- Nablus branch,
- Cyprus offshore banking unit,
- The subsidiary company, Arab Orient Insurance Co. (a public shareholding company). The Bank owns 61.82% of its JD 2 million paid-up capital (USD 2.8 million) as of December 31, 2002.
- The subsidiary company, United Company for Financial Investments. (A public shareholding company). The Bank owns 50.1% of its JD 2 million paid-up capital (USD 2.8 million) as of December 31, 2002. (An associated company as of December 31, 2001 as it was 37.45% owned at that date).

Investments in subsidiaries and associated companies are accounted for using the equity method in the Bank's stand-alone financial statements.

Inter-company transactions and balances are eliminated from the consolidated financial statements. Transactions in transit at year-end are shown according to their nature under other assets or other liabilities in the accompanying balance sheet and are presented in USD for the convenience of the user.

3. Significant Accounting Policies:

- a. The consolidated financial statements have been prepared in accordance with the forms determined by the Central Bank of Jordan, and the laws and regulations of the Central Bank of Jordan and the banking regulations prescribed by the regulatory authorities in the countries in which the Bank operates.
- b. Basis of preparation:
The consolidated financial statements have been prepared in accordance with International Accounting Standards (IAS) and related interpretations and on the historical cost basis. On the other hand, available-for-sale financial assets and trading financial assets are stated at their fair values at year-end.
- c. Sale and purchase transactions are recognized using the settlement dates.
- d. Revenue and expenses recognition:
Revenue and expenses are accounted for according to the accrual basis, except for commission and company's dividends, which are recognized when realized. Interest and commissions on non-performing loans is recognized as interest and commissions in suspense and recorded as revenue when received.
- e. Investment Portfolio:
 - Financial assets for trading are initially recognized at cost and remeasured at their fair values. Gains or losses resulting therefrom are taken to the statement of income when incurred. Financial assets for trading shown in the accompanying balance sheet are related to the United Company for Financial Investments (a subsidiary company).
 - Available-for-sale financial assets are initially recognized at cost and remeasured at their fair values. Gains or losses resulting therefrom are taken to shareholders' equity, until the investments are sold, disposed of or determined to be

impaired, at which time the cumulative gain or loss previously recognized in equity is included in the statement of income for the period.

- Investments held-to-maturity are measured at amortized cost less impairment losses. Amortized cost is calculated using the effective interest rate method. Premiums and discounts are included in the carrying amount of the related investment and amortized based on the effective interest rate of the investment.
- Investment in the associate company is initially recorded at cost and the carrying amount is revalued using the equity method. The Bank's share of the associate company's net income or loss is recognized in the statement of income.

f. Credit Facilities:

- Credit facilities are stated at cost, net of provisions and interest and commissions in suspense.
- A specific provision for non-performing credit facilities is taken when it is evident to management that these facilities cannot be recovered in part or in full. Such a provision is calculated based on the difference between the book value and recoverable amount, which is the present value of the expected future cash flows including recoverable guarantees discounted at the effective interest rate in accordance with IAS (39), or the amount calculated in accordance with the Central Bank of Jordan regulations, whichever is higher. The resultant provision is recorded in the statement of income.
- Interest and commissions in suspense on non-performing direct credit facilities are computed in accordance with the regulations of the Central Bank of Jordan.
- A general provision for other direct and indirect credit facilities against unforeseen future losses is computed in accordance with the instructions of the Central Bank of Jordan.
- Loans and advances which cannot be recovered, are written-off and charged against the provision for losses. Any surplus in the provision — if any — is credited to the statement of income. Recovery of bad debts previously written-off is taken to the statement of income.

g. Fair value:

The fair value of a listed financial asset is based on its quoted closing price in the financial markets. For unlisted financial assets, which do not have a quoted market price, the fair value is estimated by comparing it to another financial asset with similar terms and conditions, or using the discounted cash flow technique. Financial assets, for which the fair value cannot be reliably determined, are stated at cost/amortized cost, less provision for impairment loss, if any.

h. Fixed Assets:

- Fixed assets are stated at cost net of accumulated depreciation. Depreciation is computed (except for land) according to the straight-line method at annual rates ranging from 3% to 20% based on their useful life.
- When the recoverable amount of a fixed asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount, and the impairment loss is taken to the statement of income.

i. Income Tax:

Provision for income tax is computed according to the laws, regulations and prevalent banking practices either in Jordan or in the countries where the Bank branches operate. Deferred taxes are computed and recorded in accordance with IAS (12). Provision for income tax is taken based on the future expected tax liabilities.

j. Goodwill:

Goodwill is amortized at a rate of 20% annually.

k. Assets Seized by the Bank:

Assets seized by the Bank are stated at their detained values under other assets in accordance with the instructions of the Central Bank of Jordan. A provision is taken, on an individual basis, in case the market value is lower than the book value, while any increase in value is not recorded as income.

l. Provision for Staff Indemnity:

A provision for staff indemnity is charged to the statement of income for commitments resulting from employees termination of service. Staff indemnities paid to resigned employees is booked against the related provision account when paid.

m- Foreign Currency Transactions:

- Transactions in foreign currencies are recorded at the exchange rates prevailing at the transaction date. Assets and liabilities denominated in foreign currencies are translated to Jordanian Dinar according to the average selling and buying exchange rates published by the Central Bank of Jordan and prevailing at year-end. Exchange gains and losses resulting therefrom are taken to the statement of income.
- Foreign currency forward contracts are translated to the Jordanian Dinar using the average exchange rates published by the Central Bank of Jordan and prevailing at year-end. Exchange gains and losses resulting therefrom are taken to the statement of income.
- In translating the assets and liabilities of the Bank's branches and the subsidiary companies for incorporation in the consolidated financial statements, the exchange rates published by the Central Bank of Jordan at year-end are used. Income and expenses denominated in foreign currencies are translated using the average exchange rates during the year. Translation differences (if any) resulting therefrom are taken to the shareholders' equity.

n- Derivatives:

1. Derivatives Held for Trading are initially recorded at cost as other assets/liabilities in the balance sheet and subsequently carried at fair value. Fair value is determined according to the market price (if available). Otherwise, it is determined according to the discounted cash flow forecasts, pricing modules or internal pricing memos as appropriate at the date of the financial statements. Gains or losses resulting therefrom are taken to the statement of income.

2. Derivatives Held for Hedging Purposes:

- Fair Value Hedges

Derivatives that qualify as fair value hedges are carried at fair value with the corresponding change in fair value recognized in the statement of income.

- Cash Flow Hedges

When occurring, changes in fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized directly in the shareholders' equity. The ineffective portion is immediately recognized in the statement of income.

o. The accounts managed by the Bank for clients are not presented in the assets or the liabilities of the bank.

p. Cash and Cash Equivalents:

Cash and cash equivalents consist of cash on hand and balances held with bank and financial institutions with maturities of 3 months or less (including balances with the Central Bank of Jordan), less banks and financial institutions deposits due within 3 months.

q. Risk Management:

The Bank adopts certain financial policies in managing its different risk exposures, in line with a specified strategy, through a responsible committee for the management of the Bank's financial assets and liabilities.

The Committee monitors and controls risk exposures and performs the ultimate strategic allocation for all assets and liabilities, whether on / off-balance sheet. Risks include the following:

- 1- Interest rate risk that may occur due to the value of a financial instrument fluctuating as a result of changes in market interest rates.
- 2- Exchange rate risk that may occur due to the fluctuation in foreign currency prices. Note 41 reflects the Bank's net assets and liabilities in foreign currencies.
- 3- Market risk that may occur due to the value of a financial instrument fluctuating as a result of changes in market prices.
- 4- Credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Bank adopts a financial hedging policy for both assets and liabilities whenever hedging is needed. This policy is being adopted against any future expected risks.

4- Cash and Balances at Central Banks

This item consists of the following:

	2002	2001
Cash in vaults	8,974,377	10,069,920
Balances at Central Banks:		
Current accounts	2,632,007	1,224,871
Time and notice deposits	14,106,498	11,285,815
Mandatory cash reserve	38,695,482	33,940,790
Certificates of deposit	168,829,337	101,551,481
Other	-	904
Total Balances at Central Banks	224,263,324	148,003,861
Total Cash and Balances at Central Banks	233,237,701	158,073,781

Excluding mandatory cash reserve, there are no restricted balances as of December 31, 2002, (USD904 as of December 31, 2001).

5. Balances at Banks and Financial Institutions

This item consists of the following:

	2002	2001
Local Banks & Financial Institutions:		
Current accounts	724,582	402,951
Deposits due within 3 months	4,231,312	15,179,471
	4,955,894	15,582,422
Banks & Financial Institutions Abroad:		
Current accounts	4,720,942	8,178,102
Deposits due within 3 months	109,643,094	138,038,903
	114,364,036	146,217,005
	119,319,930	161,799,427

- Non-interest bearing balances at banks and financial institutions amounted to USD 2,450,731 (USD 2,413,148 in Jordan only) as of December 31, 2002, compared to USD 3,096,127 (USD 3,046,810 in Jordan only) as of December 31, 2001.

- Balances restricted in favour of the Manager of Insurance Regulatory Commission amounted to USD 317,348 as of December 31, 2002 (USD 317,348 as of December 31, 2001), and is related to the subsidiary Company Arab Orient Insurance Co.

- There are no restricted balances as of December 31, 2002 and 2001.

6. Deposits at Banks and Financial Institutions

This item consists of the following:

	Local Banks & Financial Institutions		Banks & Financial Institutions Abroad		Total	
	2002	2001	2002	2001	2002	2001
Maturity Period						
From 3 months to 6 months	-	-	8,025,000	-	8,025,000	-
From 6 months to 9 months	-	11,283,498	10,270,000	225,000	10,270,000	11,508,498
From 9 months to 12 months	-	-	2,000,000	-	2,000,000	-
More than a year	-	-	-	-	-	-
Certificates of deposit	7,052,186	11,283,498	2,000,000	4,000,000	9,052,186	15,283,498
	7,052,186	22,566,996	22,295,000	4,225,000	29,347,186	26,791,996

Restricted deposits amounted to USD 295,000 as of December 31, 2002 (USD 225,000 as of December 31, 2001).

7. Trading financial assets

This item consists of the following:

	Quoted	Unquoted	Total	Quoted	Unquoted	Total
	2002			2001		
Shares	413,054	420,592	833,646	-	-	-
Bonds	535,209	-	535,209	-	-	-
	948,263	420,592	1,368,855	-	-	-

These financial assets are related to the subsidiary company United Company for Financial Investments.

8 . Direct Credit Facilities - Net

This item consists of the following:

	2002	2001
Overdraft facilities	105,907,155	103,067,766
Loans and advances	285,606,234	246,649,931
Discounted bills	5,245,829	8,356,097
Credit Cards	404,013	-
	397,163,231	358,073,794
Less: Provision for credit facilities	21,131,598	19,631,392
Interest and commissions in suspense	3,090,979	3,649,968
Net Credit Facilities	372,940,654	334,792,434

- The credit facilities are distributed over the following sectors:

	2002	2001
Agriculture	10,489,245	10,602,180
Manufacturing and mining	67,401,893	39,644,382
Construction	12,693,578	22,347,523
General trade	75,575,188	63,022,035
Transport services	37,744,216	15,744,721
Tourism, hotels and restaurants	18,206,506	12,001,409
Public utilities and services	62,742,711	74,108,687
Financial services	1,951,135	1,655,024
Stock purchase	11,906,354	307,164
Vehicle financing	9,393,753	13,060,471
Consumables financing	5,470,834	2,813,298
Residence and real estate	19,213,647	25,206,907
Other purposes	64,374,171	77,559,993
	397,163,231	358,073,794

- The non-performing credit facilities, according to the Central Bank of Jordan's regulations, amounted to USD 26,960,250 for Jordan and abroad, which is equivalent to 6.8% of total credit facilities (USD 25,417,638 for Jordan, which is equivalent to 6.9%) as of December 31, 2002 against USD 29,516,563 for Jordan and abroad, which is equivalent to 8.2% of total credit facilities (USD 28,044,581 for Jordan which is equivalent to 7.9%) as of December 31, 2001.

- Credit facilities granted to Government amounted to USD 3,060,724 which is equivalent to 0.8% of credit facilities as of December 31, 2002 against USD 2,379,680, which is equivalent to 0.7% of credit facilities as of December 31, 2001.

- Interest and commissions on non-performing loans are suspended within the interest and commissions in suspense account and are not recognized as income.

- The Bank adopts a policy of not recording interest and commissions in suspense relating to credit facilities that are non-performing and subject to litigation. The amount of such commissions and interest in suspense was USD 3,461,886 for Jordan and abroad (USD 3,267,886 for Jordan) as of December 31, 2002 against USD 3,088,258 for Jordan and abroad (USD 3,003,656 for Jordan) as of December 31, 2001.

- The fair value of the guarantees granted as collateral against credit facilities amounted to USD 266,568,929 for Jordan and abroad (USD 259,384,784 for Jordan) as of December 31, 2002 against USD 227,196,049 for Jordan and abroad (USD 226,560,219 for Jordan) as of December 31, 2001.

The movement in the provision for credit facilities was as follows:

	2002		2001	
	Specific Provision	General Provision	Specific Provision	General Provision
Balance - beginning of the year	14,637,085	4,994,307	12,258,197	4,507,207
Provision for the year	3,465,203	1,235,489	3,414,659	487,100
Debts written-off	(3,200,486)	-	(1,035,771)	-
	14,901,802	6,229,796	14,637,085	4,994,307

- Surplus provisions resulting from debt settlements and repayments amounted to USD 1,981,797 for Jordan and abroad (USD 1,967,216 for Jordan) as of December 31, 2002, against USD 1,988,608 for Jordan and abroad (USD 1,937,496 for Jordan) as of December 31, 2001.

- Specific Provision calculated according to the Central Bank of Jordan's regulations is of USD 177,152 in excess of the amount calculated according IAS (39) for Jordan and abroad (USD 119,471 for Jordan).

- The movement in interest and commissions in suspense was as follows:

	2002	2001
Balance — beginning of the year	3,649,968	2,654,145
Add: Interest and commissions in suspense for the year	1,426,139	1,497,613
Less: Settled interest and commissions in suspense Interest and commissions in suspense written-off	336,042	294,853
	1,649,086	206,937
	3,090,979	3,649,968

9. Available for-Sale Financial Assets

The details of this item are as follows:

	Quoted	Unquoted	Total	Quoted	Unquoted	Total
	2002			2001		
Shares	7,306,805	4,519,780	11,826,585	17,221,439	5,409,116	22,630,555
Bonds	54,045,439	17,234,963	71,280,402	30,831,300	8,442,172	39,273,472
	61,352,244	21,754,743	83,106,987	48,052,739	13,851,288	61,904,027

- Some of the available-for-sale financial assets at an amount of USD 20,870,140 for Jordan and abroad (USD 20,636,058 for Jordan) as of December 31, 2002 against USD 12,056,810 for Jordan and abroad (USD 11,829,953 for Jordan) as of December 31, 2001 were recorded at cost/amortized cost as their fair value cannot be reliably determined.

10. Held-to-Maturity Investments-net

This item consists of the following:

	2002	2001
Treasury bills	-	14,004,719
Governmental bonds or bonds guaranteed by the Government	-	2,083
Companies bonds and debentures	156,559	3,157,628
Less: Provision	(156,559)	(169,252)
	-	16,995,178

11. Investment in Associate Company

This item represents the Bank's share in the shareholders' equity of the associate company, United Company for Financial Investments (a public shareholding company). The Bank owns 37.45% of its capital as of December 31, 2001. The main objective of this company is financial brokerage. This investment is recorded according to the equity method using the financial statements of the Company for the year 2001 as follows:

	No. of Shares	Ownership %	Amount
Investment - at cost	749,001	37.45	1,080,921
Banks share of the associate company's profits for the year 2001			194,780
			1,275,701

During the year ended December 31, 2002, the investment in the United Company for Financial Investments increased to 50.1 % of its paid-up capital and thus became a subsidiary company. Accordingly, the company's financial statements were consolidated with the financial statements of the Bank as at December, 31, 2002.

12. Fixed Assets-Net

This item consists of the following:

	2002					
	Land	Buildings	Furniture, Fixtures and Equipment	Vehicles	Others	Total
Balance-beginning of the year *	1,689,683	2,350,219	11,793,306	427,371	176,769	16,437,348
Additions	140,204	2,221,383	797,208	28,326	24,931	3,212,052
Disposals	-	-	(809,117)	(92,543)	-	(901,660)
Accumulated depreciation	-	(707,663)	(6,573,702)	(196,939)	(93,228)	(7,571,532)
Down payments on fixed assets purchases	-	-	541,248	-	246,530	787,778
Balance-End of the Year	1,829,887	3,863,939	5,748,943	166,215	355,002	11,963,986

	2001					
	Land	Buildings	Furniture, Fixtures and Equipment	Vehicles	Others	Total
Balance-beginning of the year **	1,576,375	2,345,966	9,517,777	336,963	78,556	13,855,637
Additions	113,308	-	2,484,267	21,437	88,243	2,707,255
Disposals	-	-	(313,914)	-	-	(313,914)
Accumulated depreciation	-	(625,931)	(6,186,264)	(185,014)	(57,678)	(7,054,887)
Down payments on fixed assets purchases	-	-	461,276	-	114,117	575,393
Balance-End of the Year	1,689,683	1,720,035	5,963,142	173,386	223,238	9,769,484

* The beginning balances of Jordan and abroad for the year 2002 include the cost and accumulated depreciation of the subsidiaries' fixed assets.

** The beginning balances of Jordan and abroad for the year 2001 include the cost and accumulated depreciation of the fixed assets of the Arab Orient Insurance Co. (a subsidiary company) only.

13. Other Assets

This item consists of the following:

	2002	2001
Net assets seized by the bank	6,087,464	7,041,920
Accrued interest	4,781,113	4,822,955
Prepaid expenses	299,449	278,724
Accounts receivable *	4,892,182	3,907,433
Systems, programs & others	-	1,302,219
Goodwill-net	365,477	518,533
Unrealized gains of financial derivatives	406,750	353,003
Clearing house checks	9,981,134	10,639,134
Other *	2,012,042	1,482,206
	28,825,611	30,346,127

* Jordan & Abroad balances include accounts receivable and other assets relating to the subsidiary companies amounted to USD 4,313,504 as of December 31,2002 (USD 1,401,416 as of December 31,2001).

During the year 2002, intangible assets relating the upgrade of the computer programs and network have been completely amortized.

14. Deferred Tax Assets

This item consists of the following:

	2002				
	Beginning Balance as of January 1, 2002	Additions	Amounts Released	End of the Year Balance	Deferred Tax Assets as of December 31, 2002
<u>Items giving rise to Deferred Tax</u>					
Prior years provision for non-performing loans	5,413,392	-	3,107,155 *	2,306,237	576,558
Year 2002 provision for non-performing loans	-	541,850	-	541,850	135,463
Provision for staff indemnity	2,341,326	491,317	196,645	2,635,998	659,000
Impairment loss in real estate	638,630	83,780	99,189	623,221	155,805
Impairment loss in electrical equipments	211,566	-	85,300	126,266	31,567
Provision for lawsuits against the Bank	98,731	-	-	98,731	24,683
	8,703,645	1,116,947	3,488,289	6,332,303	1,583,076

* This item includes written-off debts of USD 2,738,614 for which a provision was taken in previous years.

	2001				
	Beginning Balance as of January 1, 2001	Additions	Amounts Released	End of the Year Balance	Deferred Tax Assets as of December 31, 2001
<u>Items giving rise to Deferred Tax</u>					
Prior years provision for non-performing loans	6,869,912	-	1,456,520	5,413,392	1,353,347
Provision for staff indemnity	2,115,656	438,800	213,130	2,341,326	585,331
Impairment loss in real estate	438,019	1,202,605	1,001,994	638,630	159,658
Impairment loss in electrical equipment	141,044	70,522	-	211,566	52,892
Provision for lawsuits against the Bank	98,731	-	-	98,731	24,683
	9,663,362	1,711,927	2,671,644	8,703,645	2,175,911

- The movement in deferred tax assets was as follows:

	2002	2001
Beginning balance	2,175,911	2,415,840
Additions during the year	279,237	427,982
Amount amortized during the year / (income tax expense) (Note 21)	(872,072)	(667,911)
Ending Balance	1,583,076	2,175,911

* Deferred taxes amounted to USD 1,583,076 and resulted from temporary timing differences in taxes paid on provisions in previous years. The resulting difference is multiplied by the average tax rate of 25% in Jordan as of December 31, 2002, against USD 2,175,911 as of December 31, 2001.

* During the year 2002, amounts released and additions to deferred tax assets amounted to USD 3,488,289 and USD 1,116,947 respectively. The related amortization for these balances amounted to USD 592,835 for the year 2002, which is included in the provision for income tax for the year.

* During the year 2001, amounts released and additions to deferred tax assets amounted to USD 2,671,644 and USD 1,711,927 respectively. The related amortization for these balances amounted to USD 4239,929 for the year 2001, which is included in the provision for income tax for the year 2001.

* There were no deferred tax liabilities as of December 31, 2002 and December 31, 2001.

15. Banks and Financial Institutions Deposits

This item consists of the following :

	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
	2002			2001		
	Current accounts and demand deposits	445,418	418,642	864,060	199,929	4,407,087
Deposits due within:						
3 months	3,491,051	39,426,097	42,917,148	28,598,330	17,526,189	46,124,519
Over 3 months and up to 1 year	13,154,313	5,400,000	18,554,313	-	-	-
Certificates of deposit	14,104,372	-	14,104,372	14,104,372	-	14,104,372
	31,195,154	45,244,739	76,439,893	42,902,631	21,933,276	64,835,907

16. Customers Deposits

This item consists of the following :

	2002	2001
Current accounts and demand deposits	76,282,812	69,565,790
Saving accounts	43,837,427	44,642,114
Time and notice deposits	434,101,213	383,412,425
Certificates of deposit	7,052,186	7,052,186
	561,273,638	504,672,515

- a. Public sector deposits amounted to USD 154,641,770 which is equivalent to 27.6 % of customers total deposits (USD 122,921,602 for the Social Security Corporation) as of December 31, 2002 for Jordan and abroad, against USD 181,068,013 which is equivalent to 35.87% of customers total deposits (USD 138,175,008 for the Social Security Corporation) as of December 31, 2001.
- b. Non-interest bearing deposits amounted to USD 57,773,245 which is equivalent to 10.29 % of customers total deposits as of December 31, 2002 for Jordan and abroad (USD 57,080,952 which is equivalent to 10.36% for Jordan), against USD 52,902,911 which is equivalent to 10.48% as of December 31, 2001.
- c. Dormant accounts amounted to USD6,727,608 as of December 31, 2002 for Jordan and abroad (USD 6,099,803 for Jordan), against USD 5,377,779 for Jordan and abroad (USD 4,823,869 for Jordan) as of December 31, 2001.
- d. Restricted deposits amounted to USD 3,185,406 which is equivalent to 0.6% of total customer deposits as of December 31, 2002 for Jordan and abroad (USD 3,151,094 which is equivalent to 0.6% for Jordan), against USD 3,499,688 which is equivalent to 0.7% of total deposits as of December 31, 2001 for Jordan and abroad (USD 3,461,581 which is equivalent to 0.7% for Jordan).

17. Cash Margins

This item consists of the following:

	2002	2001
Cash margins on direct credit facilities	76,418,589	69,591,010
Cash margins on indirect credit facilities	21,395,999	27,267,457
Marginal deposits	1,700,048	2,768,972
Other	1,091,370	1,805,609
	100,606,006	101,433,048

18. Borrowed Funds

This item consists of the following:

	2002	2001
Jordan Mortgage Refinance Company *	14,104,373	14,104,372
Central Banks **	3,252,341	332,567
	17,356,714	14,436,939

* On August 27, 2001, the Bank obtained a loan from Jordan Mortgage Refinance Company in the amount of JD10 million (USD 14 million) at an annual interest rate of 6.25% for the first three years, to be reconsidered afterwards. The loan is to be repaid over a period of 10 years commencing from the date the agreement was signed; the first and last installments being due on August 27, 2004 and August 27, 2011, respectively. The purpose of this loan is to refinance the Jordanian Armed Forces Officers Housing Fund.

** This amount represents several loans obtained from the Central Bank of Jordan at an interest rate of 3% annually. These loans have various maturity dates, the first of which is due on March 10, 2003 and the last of which is due on June 5, 2003. The purpose of these loans is to encourage Jordanian exports.

19. Provisions

This item consists of the following:

	2002			
	Beginning Balance	Additions	Disposals	Ending Balance
Provision for staff indemnity	2,406,080	506,249	198,567	2,713,762
Provision for possible lawsuits against the Bank	98,731	112,835 *	-	211,566
Other provisions **	3,366,427	835,913	-	4,202,340
	5,871,238	1,454,997	198,567	7,127,668

* This amount represents a provision for lawsuits for the subsidiary company (Note 46).

** This item represents technical reserves relating to the subsidiary company Arab Orient Insurance Company.

	2001			
	Beginning Balance	Additions	Disposals	Ending Balance
Provision for staff indemnity	2,162,793	465,927	222,640	2,406,080
Provision for possible lawsuits against the Bank	98,731	-	-	98,731
Other provisions *	92,346	3,366,427	92,346	3,366,427
	2,353,870	3,832,354	314,986	5,871,238

* This item represents the technical reserves relating to the subsidiary company Arab Orient Insurance Company.

20. Other Liabilities

This item consists of the following:

	2002	2001
Cash margins and accepted checks	7,154,793	9,205,355
Unearned interest and commissions	9,532,911	10,324,468
Accrued interest payable	8,653,073	8,793,685
Temporary cash margins	244,406	261,908
Shareholders cash margins	30,104	21,394
Unpaid declared dividends	422,384	170,372
Accepted and certified checks	2,641,825	1,517,944
Amounts in transit	392,202	168,054
Deposits on safe deposit boxes	71,135	67,142
Deposits on real-estate disposed of	315,395	137,362
Financial derivatives unrealized losses	406,750	340,822
Other liabilities *	3,319,281	1,956,865
	33,184,259	32,965,371

* This item includes accounts payable of subsidiary companies amounting to USD 2,225,241 as of December 31, 2002 (USD 751,071 as of December 31, 2001).

21. Provision for Income Tax

This item consists of the following:

	2002	2001
Beginning balance	2,503,240	2,715,092
Income tax paid	(2,458,769)	(2,436,319)
Down payment	(2,820,875)	(1,057,828)
Income tax for the year	3,781,831	3,282,295
Ending balance	1,005,427	2,503,240

- Income tax for the year consists of the following:

	2002	2001
Income tax for the year	3,768,947	3,282,295
Accrued income tax - prior years	12,884	-
Deferred tax assets amortization (Note 14)	592,835	239,929
	4,374,666	3,522,224

A final settlement with the income tax authorities has been reached for Jordan's branches for the year 2001, and for Nablus branch for the year 2000. There is no income tax for Nablus branch for the years 2002 and 2001.

22. Minority Interest

This item represents the minority interest's share in the net assets and results of the subsidiary companies as of December 31, 2002 and December 31, 2001.

23. Paid-up Capital and Share Premium Reserve

- Paid-up capital amounted to JD 25 million (USD 35 million) and is distributed over 25 million shares at a par value of JD 1 per share (USD 1.4) after capitalizing JD 5 million (USD 7 million) during the year 2001 from share premium account.
- The balance of the share premium account after capitalization was USD 70,522 as of December 31, 2002 and December 31, 2001.

24. Voluntary Reserve

The voluntary reserve amounted to USD 12,636,912 as of December 31, 2002 (USD 8,833,276 as of December 31, 2001).

25. Cumulative Change in Fair Value

This item consists of the following:

	2002		
	Shares	Bonds	Total
Beginning balance	3,389,631	1,441,946	4,831,577
Unrealized net profit	184,612	(2,049,512)	(1,864,900)
Less: realized net profit- transferred to income statement	(3,104,358)	1,498,042	(1,606,316)
Ending balance	469,885	890,476	1,360,361

	2001		
	Shares	Bonds	Total
Beginning balance	-	-	-
Unrealized net profit	4,406,686	1,004,206	5,410,892
Less: realized net profit- transferred to income statement	(1,017,055)	437,740	(579,315)
Ending balance	3,389,631	1,441,946	4,831,577

26. Retained Earnings

The movement in this account has been as follows:

	2002	2001
Beginning balance	7,200,793	4,960,480
The effect of implementing IAS 39 on available-for-sale financial assets	(40,647)	411,692
The effect of implementing IAS 12 on deferred tax assets	-	2,415,840
Cyprus branch paid — up capital	-	(1,410,437)
Other retained earnings	2,876,729	823,218
Ending balance	10,036,875	7,200,793

27. Proposed Dividends

The percentage of proposed dividends for the current year is 16% of paid-up capital, against 15% for the year 2001 which was distributed during the year 2002 after the approval of the shareholders general assembly.

28. Interest Income

This item consists of the following:

	2002	2001
Direct credit facilities:		
Bills	667,030	874,984
Current accounts	9,361,041	10,892,398
Loans and advances	20,663,415	20,126,802
Credit cards	27,841	-
Balances at central banks	7,226,111	5,266,860
Balances and deposits at banks & financial institutions	7,893,759	14,450,189
Available-for-sale financial assets	4,309,021	4,164,533
Held-to-maturity financial assets	143,042	1,201,339
Margins	372,391	117,834
	50,663,651	57,094,939

29. Interest Expense

This item consists of the following:

	2002	2001
Deposits at banks and financial institutions	2,698,773	4,180,023
Customers deposits:		
Current and demand deposits	736,674	1,162,207
Saving accounts	942,425	1,466,474
Time and notice deposits	15,214,278	18,438,684
Certificates of deposit	440,762	167,850
Cash margins	4,319,616	5,988,241
Borrowed funds	924,870	323,109
Loan guarantee fees	826,413	839,144
Margins	404,515	191,791
	26,508,326	32,757,523

30. Commission Income - Net

This item consists of the following:

	2002	2001
Credit commissions:		
Direct credit facilities	1,934,132	1,973,332
Indirect credit facilities	2,325,578	2,175,157
Other commissions	61,568	121,443
	4,321,278	4,269,932

31. Income from Financial Assets and Instruments

This item consists of the following:

	2002	2001
Income from trading financial assets	279,231	-
Income from the sale of available for sale investments	6,425,509	1,005,475
Dividend income	299,535	511,563
	7,004,275	1,517,038

32. Other Operating Income

This item consists of the following:

	2002	2001
Rental of safe deposit boxes	43,734	41,477
Stamp income	66,004	56,441
Foreign currencies differences	1,998,241	1,481,913
Credit card income	458,275	336,166
Recovery of debts previously written-off	349,886	220,889
Other income *	4,062,038	2,340,354
	6,978,178	4,477,240

* This item includes the technical reserves for the subsidiary company Arab Orient Insurance Company amounted to USD 835,913 as of 31 December 2002 (note 19).

33. Employees Expenses

This item consists of the following:

	2002	2001
Salaries, bonuses and employees' benefits	7,437,916	6,608,296
Bank's share in social security	614,389	498,004
Employees life insurance	42,817	82,811
Medical expenses	437,010	425,764
Staff training expenses	1,477	28,128
Travel expenses	196,801	108,182
Value added Tax	28,673	34,268
	8,759,083	7,785,453

34. Other Operating Expenses

This item consists of the following:

	2002	2001
Rent	489,242	502,963
Stationery	227,619	237,530
Advertisements	634,791	548,640
Subscriptions	84,130	66,302
Telecommunication expenses	526,739	465,573
Maintenance and repair	765,199	560,759
Insurance expenses	285,405	268,463
Legal fees	132,020	201,685
Water, electricity and heating	282,645	271,377
Fees, taxes and stamps	215,811	222,584
Professional fees	44,262	45,872
Visa services expenses	169,536	133,564
Hospitality	77,364	70,891
Goodwill amortization — net	189,185	111,777
Other expenses	1,421,258	970,941
	5,545,206	4,678,921

35. Non - Operating Revenues (Expenses)

This item consists of the following:

	2002	2001
(Loss) on sale of assets	(20,069)	(21,076)
Gain (loss) on sale of real estate	87,170	(1,001,994)
Impairment loss of assets	-	(271,130)
Donations	(118,739)	(151,068)
Rental of real estate	131,721	60,821
	80,083	(1,384,447)

36. Earnings Per Share

Earnings per share has been computed by dividing the net income after tax and fees by the weighted average number of shares as of December 31, 2002 and December 31, 2001, as follows:

	2002	2001
Net income after tax and fees	14,223,931	10,390,291
Weighted average number of shares	25,000,000	25,000,000
Earnings Per Share	0.57	0.42

37. Cash and Cash Equivalents

Cash and cash equivalents shown in the statement of cash flows consist of the following:

	2002	2001
Cash and balances at Central Banks	233,237,701	158,073,781
Add: Balances at banks and financial institutions due within 3 months	119,319,930	161,799,427
Less: Banks and financial institutions deposits due within 3 months	43,781,208	50,731,535
	308,776,423	269,141,673

38. Fair Value of Financial Instruments

The following illustrates the financial assets and liabilities which are not presented at their fair values:

	Book Value	Fair Value	Difference	Book Value	Fair Value	Difference
	2002			2001		
Financial Assets						
*Cash and balances at central banks	233,237,701	233,237,701	-	158,073,781	158,073,781	-
*Balances at banks and financial institutions	119,319,930	119,319,930	-	161,799,427	161,799,427	-
*Deposits at banks and financial institutions	29,347,186	29,347,186	-	26,791,996	26,791,996	-
Held-to-maturity investments - net	-	-	-	16,995,178	17,006,804	11,626
Investment in associate company	-	-	-	1,275,701	1,373,344	97,643
** Available-for-sale financial assets	20,870,140	20,870,140	-	12,056,810	12,056,810	-
Financial Liabilities						
*Banks and financial institutions deposits	76,439,893	76,439,893	-	64,835,907	64,835,907	-
*Customers deposits	561,273,638	561,273,638	-	504,672,515	504,672,515	-
*Cash margins	100,606,006	100,606,006	-	101,433,048	101,433,048	-
Borrowed funds	17,356,714	17,356,714	-	14,436,939	14,436,939	-

* Does not include accrued interest which is included in a separate item under other assets and liabilities.

** Investment is recorded at cost as its fair value can not be determined reliably.

39. Interest Rate Risk

The following shows the interest rate fluctuations that the Bank could face :

	2002							
	Up to 3 Months	More than 3 Months Up to 6 Months	More than 6 Months	From 1 Year Up to 3 Years	More than 3 Years	Non-Interest Bearing	Total	Weighted Interest Rate %
Assets								
Cash in vaults	-	-	-	-	-	8,974,377	8,974,377	
Mandatory cash reserve	-	-	-	-	-	38,695,482	38,695,482	
Balances at Central Banks	181,525,398	1,410,437	-	-	-	2,632,007	185,567,842	3,64
Balances and deposits at banks and financial institutions	102,893,517	19,052,870	14,270,000	10,000,000	-	2,450,729	148,667,116	4,07
Credit facilities	89,140,335	48,048,939	72,366,838	97,771,920	65,612,622	-	372,940,654	8,44
Investments	-	400,000	5,918,897	17,348,443	47,613,061	13,195,441	84,475,842	8,01
Deferred tax assets	-	-	-	-	-	1,583,076	1,583,076	
Other assets	-	-	-	-	-	28,825,611	28,825,611	
Fixed assets	-	-	-	-	-	119,639,86	11,963,986	
Total Assets	373,559,250	68,912,246	92,555,735	125,120,363	113,225,683	108,320,709	881,693,986	
Liabilities								
Customers deposits	404,297,607	80,700,549	16,832,289	1,669,948	-	57,773,245	561,273,638	3,23
Banks and financial institutions deposits	43,136,981	13,154,313	19,504,372	-	-	644,227	76,439,893	4,49
Cash margins	64,698,271	1,145,482	5,577,580	3,477,024	25,707,649	-	100,606,006	3,80
Borrowed funds	240,142	3,012,200	-	2,517,630	11,586,742	-	17,356,714	3,88
Other liabilities	-	-	-	-	-	33,184,259	33,184,259	
Provisions	-	-	-	-	-	8,133,095	8,133,095	
Total Liabilities	512,373,001	98,012,544	41,914,241	7,664,602	37,294,391	99,734,826	796,993,605	
Minority interest	-	-	-	-	-	3,353,117	3,353,117	
Shareholders equity	-	-	-	-	-	81,347,264	81,347,264	
Total Liabilities and Stockholders Equity	512,373,001	98,012,544	41,914,241	7,664,602	37,294,391	184,435,207	881,693,986	
Sensitivity difference of balance sheet items	(138,813,751)	(29,100,298)	50,641,494	117,455,761	75,931,292	(76,114,498)	-	
Sensitivity difference of off-balance sheet items	-	36,401,953	73,906,994	-	-	-	110,308,947	
Cumulative Sensitivity Difference	(138,813,751)	(131,512,096)	(6,963,608)	110,492,153	186,423,445	110,308,947	-	

2001

	Up to 3 Months	More than 3 Months Up to 6 Months	More than 6 Months	From 1 Year Up to 3 Years	More than 3 Years	Non-Interest Bearing	Total	Weighted Interest Rate %
Assets								
Cash in vaults	-	-	-	-	-	10,069,920	10,069,920	
Mandatory cash reserve	-	-	-	-	-	33,940,790	33,940,790	
Balances at Central Banks	101,551,480	-	-	-	-	12,511,591	114,063,071	5.22
Balances and deposits at banks and financial institutions	151,480,045	-	11,508,498	15,283,498	-	10,319,382	188,591,423	6.55
Credit facilities	95,763,080	59,701,021	70,878,248	75,508,707	32,941,378	-	334,792,434	8.64
Investments	14,006,804	-	5,821,470	-	36,440,377	23,906,255	80,174,906	7.55
Deferred tax assets	-	-	-	-	-	2,175,911	2,175,911	
Other assets	-	-	-	-	-	30,346,127	30,346,127	
Fixed assets	-	-	-	-	-	9,769,484	9,769,484	
Total Assets	362,801,409	59,701,021	88,208,216	90,792,205	69,381,755	133,039,460	803,924,066	
Liabilities								
Customers deposits	357,992,405	40,884,482	40,508,955	10,772,134	1,611,598	52,902,941	504,672,515	4.30
Banks and financial institutions deposits	17,826,218	15,558,193	-	16,853,654	-	14,597,842	64,835,907	4.98
Cash margins	69,632,955	3,599,148	4,121,326	3,103	-	24,076,516	101,433,048	5.16
Borrowed funds	332,567	-	-	1,763,046	12,341,326	-	14,436,939	6.25
Other liabilities	-	-	-	-	-	32,965,371	32,965,371	
Provisions	-	-	-	-	-	8,374,478	8,374,478	
Total Liabilities	445,784,145	60,041,823	44,630,281	29,391,937	13,952,924	132,917,148	726,718,258	
Minority interest	-	-	-	-	-	1,281,472	1,281,472	
Shareholders equity	-	-	-	-	-	75,924,336	75,924,336	
Total Liabilities and Stockholders Equity	445,784,145	60,041,823	44,630,281	29,391,937	13,952,924	210,122,956	803,924,066	
Sensitivity difference of balance sheet items	(82,982,736)	(340,802)	43,577,935	61,400,268	55,428,831	(77,083,496)	-	
Sensitivity difference of off-balance sheet items	37,923,516	25,119,939	28,459,846	-	-	-	91,503,301	
Cumulative Sensitivity Difference	(45,059,220)	(20,280,083)	51,757,698	113,157,966	168,586,797	91,503,301	-	

40. Liquidity Risk

The table herebelow illustrates the maturities of assets and liabilities:

	2002							Total
	Up to 1 Month	From 1 Month Up to 3 Months	More than 3 Months Up to 6 Months	From 6 Months Up to a Year	From 1 Year Up to 3 Years	More than 3 Years	With no Maturity Dates	
Assets								
Cash in vaults	8,974,377	-	-	-	-	-	-	8,974,377
Mandatory cash reserve	38,695,482	-	-	-	-	-	-	38,695,482
Balances at Central Banks	51,999,436	132,157,969	1,410,437	-	-	-	-	185,567,842
Balances and deposits at banks and financial institutions	114,295,593	5,024,337	11,052,870	18,294,316	-	-	-	148,667,116
Credit facilities	57,567,200	31,800,205	48,233,379	72,106,708	97,620,540	65,612,622	-	372,940,654
Investments	-	-	400,000	5,918,897	17,348,443	47,613,061	13,195,441	84,475,842
Deferred tax assets	-	-	-	-	1,583,076	-	-	1,583,076
Other assets	10,623,969	1,007,014	728,467	1,179,932	1,728,291	227,791	13,330,147	28,825,611
Fixed assets	-	-	-	-	5,988,735	-	5,975,251	11,963,986
Total Assets	282,156,057	169,989,525	61,825,153	97,499,853	124,269,085	113,453,474	32,500,839	881,693,986
Liabilities								
Customers deposits	232,868,224	230,895,939	82,816,911	14,692,564	-	-	-	561,273,638
Banks and financial institutions deposits	28,315,893	15,465,315	13,154,313	19,504,372	-	-	-	76,439,893
Cash margins	32,648,256	32,098,724	1,154,251	5,536,133	3,460,993	25,707,649	-	100,606,006
Borrowed funds	-	240,142	3,012,200	-	2,517,630	11,586,742	-	17,356,714
Other liabilities	758,939	2,441,258	1,591,896	2,039,994	1,901,592	1,529,803	22,920,777	33,184,259
Provisions	-	1,743,791	-	-	-	-	6,389,304	8,133,095
Total Liabilities	294,591,312	282,885,169	101,729,571	41,773,063	7,880,215	38,824,194	29,310,081	796,993,605
Minority interest	-	-	-	-	-	-	3,353,117	3,353,117
Shareholders equity	-	-	-	-	-	-	81,347,264	81,347,264
Total Liabilities and Stockholders Equity	294,591,312	282,885,169	101,729,571	41,773,063	7,880,215	38,824,194	114,010,462	881,693,986
Gap per category	(12,435,255)	(112,895,644)	(39,904,418)	55,726,790	116,388,870	74,629,280	(81,509,623)	-
Cumulative Gap	(12,435,255)	(125,330,899)	(165,235,317)	(109,508,527)	6,880,343	81,509,623	-	-

2001

	Up to 1 Month	From 1 Month Up to 3 Months	More than 3 Months Up to 6 Months	From 6 Months Up to a Year	From 1 Year Up to 3 Years	More than 3 Years	With no Maturity Dates	Total
Assets								
Cash in vaults	10,069,920	-	-	-	-	-	-	10,069,920
Mandatory cash reserve	33,940,790	-	-	-	-	-	-	33,940,790
Balances at Central Banks	53,414,270	60,648,801	-	-	-	-	-	114,063,071
Balances and deposits at banks and financial institutions	136,622,695	25,176,732	-	5,739,810	21,052,186	-	-	188,591,423
Credit facilities	47,425,788	48,337,292	59,701,021	70,878,248	75,508,707	32,941,378	-	334,792,434
Investments	2,170,337	11,907,891	-	5,821,470	-	36,368,953	23,906,255	80,174,906
Deferred tax assets	-	-	-	346,791	634,697	1,194,423	-	2,175,911
Other assets	10,992,137	-	-	-	-	-	19,353,990	30,346,127
Fixed assets	-	-	-	-	-	-	9,769,484	9,769,484
Total Assets	294,635,937	146,070,716	59,701,021	82,786,319	97,195,590	70,504,754	53,029,729	803,924,066
Liabilities								
Customers deposits	242,840,264	163,388,563	45,551,001	40,508,955	10,772,134	1,611,598	-	504,672,515
Banks and financial institutions deposits	20,408,252	30,323,283	6,357,285	-	7,747,087	-	-	64,835,907
Cash margins	49,992,521	42,363,289	3,599,148	4,121,326	3,103	-	1,353,661	101,433,048
Borrowed funds	-	332,566	-	-	1,763,047	12,341,326	-	14,436,939
Other liabilities	340,822	-	-	-	-	-	32,624,549	32,965,371
Provisions	-	2,503,240	-	-	-	-	5,871,238	8,374,478
Total Liabilities	313,581,859	238,910,941	55,507,434	44,630,281	20,285,371	13,952,924	39,849,448	726,718,258
Minority interest	-	-	-	-	-	-	1,281,472	1,281,472
Shareholders equity	-	-	-	-	-	-	75,924,336	75,924,336
Total Liabilities and Stockholders Equity	313,581,859	238,910,941	55,507,434	44,630,281	20,285,371	13,952,924	117,055,256	803,924,066
Gap per category	(18,945,922)	(92,840,225)	4,193,587	38,156,038	76,910,219	56,551,830	(64,025,527)	-
Cumulative Gap	(18,945,922)	(111,786,147)	(107,592,560)	(69,436,522)	7,473,697	64,025,527	-	-

41. Foreign Currencies Risk

The table herebelow shows the exposure in foreign currencies as of December 31, 2002 and December 31, 2001:

	2002		2001	
	Amount	Equivalent in USD	Amount	Equivalent in USD
US Dollar	12,357,763	12,357,763	4,683,929	4,683,929
Pound Sterling	1,311,474	2,106,571	1,551,068	2,255,021
Euro	403,602	424,097	246,288	218,642
Swiss Franc	139,920	101,138	87,732	52,614
Japanese Yen	(1,040,909)	(8,804)	(282,343)	(2,157)
Other currencies *	-	1,774,654	-	1,995,992

* This amount represents the equivalent in USD for a basket of other foreign currencies.

42. Financial Derivatives

The following schedule illustrates the financial derivatives positive and negative fair values, in addition to their maturity dates, as of December 31, 2002 and December 31, 2001:

	Maturities of Par Value						
	Positive Fair Value	Negative Fair Value	Total Par Value	Within 3 Months	From 3 Months up to One Year	From One year up to 3 years	More than 3 Years
2002							
Financial derivatives for trading purposes:							
Foreign currencies forward contracts (selling)	-	(13,963,500)	(14,370,250)	(14,370,250)	-	-	-
Future contracts (selling)	-	-	-	-	-	-	-
	-	(13,963,500)	(14,370,250)	(14,370,250)	-	-	-
Foreign currency forward contracts (purchasing)	14,777,000	-	14,370,250	14,370,250	-	-	-
Future contracts (purchasing)	-	-	-	-	-	-	-
	14,777,000	-	14,370,250	14,370,250	-	-	-
	14,777,000	(13,963,500)	-	-	-	-	-
Financial derivatives for cash flow purposes:							
Foreign currencies forward contracts (selling)	-	-	-	-	-	-	-
Future contracts (purchasing)	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
2001							
Financial derivatives for trading purposes:							
Foreign currencies forward contracts (selling)	-	(3,098,298)	(3,115,621)	(3,115,621)	-	-	-
Future contracts (selling)	-	(15,197,501)	(15,521,000)	(15,521,000)	-	-	-
	-	(18,295,799)	(18,636,621)	(18,636,621)	-	-	-
Foreign currency forward contracts (purchasing)	2,544,983	-	2,574,487	2,574,487	-	-	-
Future contracts (purchasing)	15,197,501	-	15,521,000	15,521,000	-	-	-
	17,742,484	-	18,095,487	18,095,487	-	-	-
	17,742,484	(18,295,799)	(541,134)	(541,134)	-	-	-
Financial derivatives for cash flow purposes:							
Foreign currencies forward contracts (selling)	-	-	-	-	-	-	-
Future contracts (purchasing)	-	-	-	-	-	-	-
	-	-	-	-	-	-	-

43. Geographical Distribution of Assets, Liabilities and Off - Balance Sheet Items

The geographical distribution of assets, liabilities and off - balance sheet items as of December 31, 2002 and 2001 was as follows:

	2002			2001		
	Assets	Liabilities	Off-Balance Sheet items	Assets	Liabilities	Off-Balance Sheet items
A. According to Geographical Areas						
- Within the Kingdom	707,457,099	806,959,417	291,132,110	600,744,889	740,015,255	262,147,414
- Other Arab countries	105,860,786	56,263,075	14,398,681	82,475,254	51,653,822	11,111,583
- Asia *	3,072,286	-	16,952,745	765,931	-	13,183,499
- Europe	59,854,657	18,471,494	3,346,375	119,140,166	12,254,989	75,063
- Africa *	-	-	13,010,482	-	-	7,955,305
- America	5,375,969	-	369,547	757,819	-	20,968
- Other countries	73,189	-	-	40,007	-	-
	881,693,986	881,693,986	339,209,940	803,924,066	803,924,066	294,493,832
B. According to Sectors						
- Personal accounts	107,591,378	443,714,349	205,306,555	88,571,225	392,266,794	183,282,881
- Companies accounts	305,905,456	238,543,086	121,482,867	267,150,271	218,070,080	106,210,951
- Other	468,197,152	199,436,551	12,420,518	448,202,570	193,587,192	5,000,000
	881,693,986	881,693,986	339,209,940	803,924,066	803,924,066	294,493,832

* Excluding Arab countries.

44. Transactions with Related Parties (Including Transactions with Subsidiary Companies)

This item consists of the following:

	2002	2001
On-Balance Sheet Items:		
Credit facilities	3,324,103	2,445,014
Deposits	123,951,516	139,271,976
Cash margins	513,604	258,574
Off-Balance Sheet Items:		
Letters of guarantee	2,820,874	7,052
Statement of Income:		
Interest & commissions received	75,821	132,691
Interest & commissions paid	8,455,993	6,786,502

45. Commitments and Contingent Liabilities

This item consists of the following:

	2002	2001
Letters of credit	46,040,588	40,080,119
Acceptances	25,354,099	26,864,408
Letters of guarantee:		
Payments	81,469,066	78,225,786
Performance bonds	18,202,766	20,801,083
Other	57,834,474	37,019,135
Unutilized credit facilities	110,308,947	91,503,301
	339,209,940	294,493,832

46. Lawsuits Against the Bank

The Bank is defendant in lawsuits amounting to USD 2,739,620 as of December 31, 2002, compared to USD 1,307,475 as of December 31, 2001. According to the Bank's management, the existing provision of USD 98,731 is sufficient as of December 31, 2002. The subsidiary company United Company for Financial Investments is defendant in lawsuits amounting to USD 112,835 as of December 31, 2002, which is fully provided for.

47. Comparative Figures

Some of the comparative figures have been reclassified to correspond with the year 2002 presentation.

Additional disclosure as required by the Jordan Securities Commission

Shareholders who own more than 1% in the Bank's capital

Shareholder	Nationality	Shares	%
United Gulf Bank	Bahraini	11,022,725	44,091
Social Security Corporation	Jordanian	5,316,666	21,267
C.I. De Participation Et Financieres	French	1,026,931	4,108
Kameros Trading Limited	Cypriot	1,001,873	4,007
Strategy Co. for Investments	Jordanian	791,398	3,166
Export & Finance Bank	Jordanian	355,892	1,424
Sheikh Salem Al Ali Al Sabah	Kuwaiti	274,312	1,097

Shares owned by the Board of Directors

Shareholder	Nationality	No. of shares	
		31/12/2001	31/12/2002
United Gulf Bank	Bahraini	11,022,725	11,022,725
Social Security Corp.	Jordanian	5,316,666	5,316,666
Strategy Co. for Investments	Jordanian	798,082	791,398
Kuwait Projects Co.(Holding)	Kuwaiti	12,750	12,750
Al-Futouh Co. for Investments / Nasser Sabah Al-Ahmad & Bros.	Kuwaiti	6,250	11,250
Mr. Nasser Ahmad Lozi	Jordanian	1,250	1,250
Mr. Moh'd Suhail Tahboub	Jordanian	24,511	33,886
Mr. Farouk A. AL-Aref	Jordanian	3,502	3,502

Shares owned by Management Executives in 2002

Name	Position	No. of shares
Mr. Moh'd Yaser Al - Asmar	General Manager	12,000
Ms. Hiyam S. Habash	Asst. G.M Finance	1,000

	Year	Closing Price US\$/Share
Changes in share price during the last five years	31/12/1998	2,26
	31/12/1999	2,26
	31/12/2000	2,09
	31/12/2001	4,73
	31/12/2002	5,46

	Year	Net Income before Tax	Total Shareholders' Equity
Changes in profits and shareholders' equity (In thousand US \$)	31/12/1998	6,244	48,966
	31/12/1999	7,989	50,642
	31/12/2000	10,401	57,875
	31/12/2001	14,319	75,924
	31/12/2002	19,549	81,347

- Auditors' fees in 2002 amounted to USD 38,082
- Total donations of the Bank in 2002 amounted to USD 118,740
- Total remuneration, salaries, allowances and travel expenses paid to the Chairman, the Board Members and Senior Executives in 2002 amounted to USD 1,048,050

STATEMENT OF GOING CONCERN

The Board of Directors declare that, to the best of their knowledge, Jordan Kuwait Bank is a going concern and continued to adopt the going concern basis in preparing the financial statements. The Directors acknowledge their responsibility for the Bank's systems of internal controls and confirm their effectiveness.