





e-Government

The King's Vision ...

e-Government is a National Program initiated by his Majesty King Abdullah II. The purpose of this program is to enhance the performance of the traditional government in terms of service provision, efficiency, accuracy, time and cost effectiveness, transparency, high level of customer satisfaction, cross-Governmental integration, and other elements related to the Government's style of administration and how it is perceived by the public and service users.

His Majesty King Abdullah II has recognized the potential of ICT early in his reign and led his country's development by challenging government to rethink itself and encouraging the private sector to get involved to shape growth.

Jordan distinguishes itself globally in ICT development by:

- Strong vision, extraordinary leadership and commitment by the King to forge a path of economic development that emphasizes economic reform, true public-private partnerships, international competitiveness, private investment, and proper use of techas
- Substantial legal and regulatory reforms and signing global treaties that help position Jordan as a favorable investment location in the global marketplace.

- Strong public-private initiatives that have produced results in the short term, improving the environment for IT industry growth, and shaping investment laws and government policies for economic development.
- A high percentage of young people coupled with a traditional strong educational system and regionally recognized productive workforce.
- Rapid growth in ICT infrastructure, especially with respect to computers in schools and alternative access, and the launching of programs to provide all Jordanians with affordable and reliable access to the highest quality of technology available.

His Majesty's interest and personal follow up of IT projects in the country has encouraged IT producers and users to benefit from all the facilities possible to make their business successful. Jordan has become a prominent figure in the region in terms of technology advancement.

... Is Our Commitment

Jordan Kuwait Bank's pioneering achievements in the area of technological advances have differentiated the Bank from its competitors in the market.

We consider our investment in banking technology as a major driving force and a key move forward towards achieving the ultimate national goals of developing Jordan's new generation and broadening the country's competitiveness in all sectors.

JKB's e-banking facilities aim at making its customers and the youth in particular more aware of the new technology and helping them to meet the challenges of the coming sophisticated innovations

As a dominant lever of the national economy, Jordan Kuwait Bank is committed to the King's initiatives of e-Government, socioeconomic reforms and economic development at large.

Inspired by the e-Government initiative, this annual report demonstrates, in its "Laptop like" package and inside images, the Bank's involvement in IT issues. The images used portray how IT and communication developments have changed human behavior and people's perception of technology-driven business and life style.



Our Vision

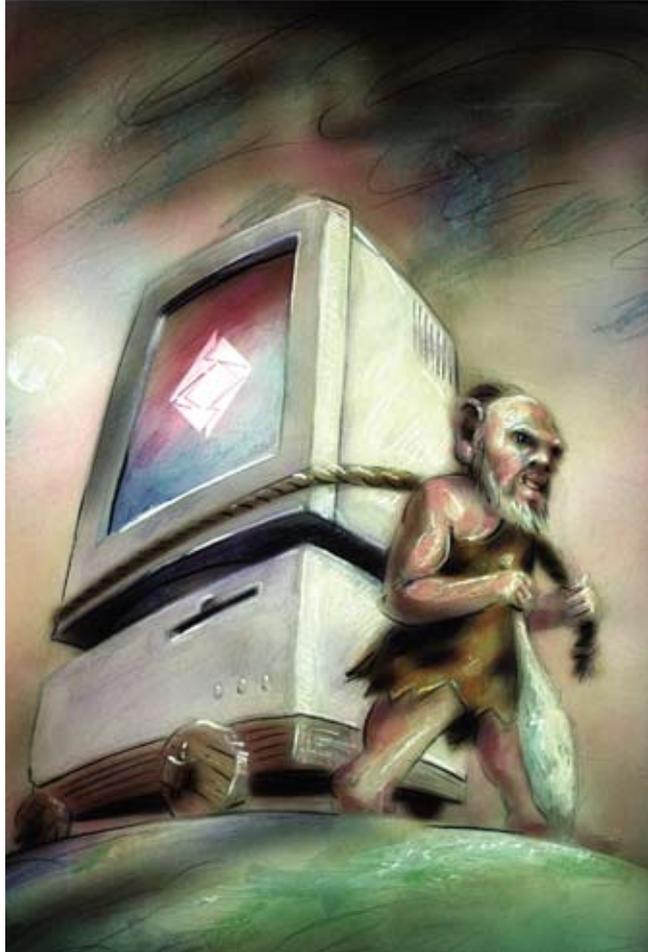
" To be one of the pioneer Arab banks through offering a distinguished comprehensive banking solutions, in line with the latest developments in banking industry and e-business in the world "

Our 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



Public Shareholding Ltd. Company
Established 25/10/1976
Commercial Register Number 108
Paid-up Capital JD 40 Million (US\$ 56.417 Million)*

* On February 23, 2005, the General Assembly of Shareholders approved the Board of Directors' recommendation to raise the Bank's capital from JD 31.250 million (US\$ 44.076 million) to JD 40 million (US\$ 56.417 Million) through the capitalization of JD 8.750 million (US\$ 12.3 Million) from earnings and provisions and distribute them to shareholders as bonus shares at the rate of 28 per cent of every share held.

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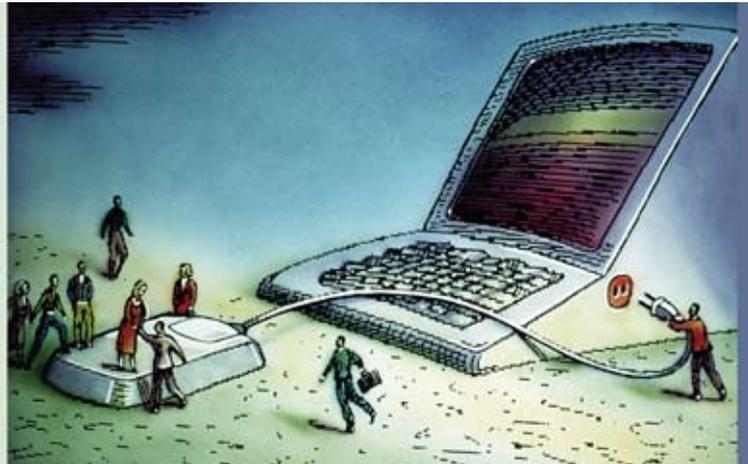
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BOARD OF DIRECTORS

- **Mr. Abdel Karim Kabariti**
Chairman & CEO
Rep.: Strategy Co. for Investment - Jordan

- **Mr. Faisal H. Al-Ayar**
Deputy Chairman
Rep.: United Gulf Bank - Bahrain



MEMBERS

-
- **Mr. Masoud Jawhar Hayat**
Rep.: Al-Futouh Co. for Investment - Kuwait

 - **Mr. Tareq M. Abdul Salam**
Rep.: Kuwait Projects Co. (Holding) - Kuwait

 - **Mr. Naser Ahmad louzi**

 - **Mr. Issam M. Hashem**
Rep.: Social Security Corporation - Jordan

 - **Dr. Yousef Musa Goussous**
Rep.: United Gulf Bank - Bahrain

 - **Mr. Farouk A. Al-Aref**

 - **Mr. Moh'd Ahmad Abu Ghazaleh**

- **Mr. Moh'd Yaser Al-Asmar**
Board Secretary / General Manager

Auditors

- **(Deloitte & Touche (M.E**

CHAIRMAN'S MESSAGE



Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the 28th annual report of Jordan Kuwait Bank including the consolidated financial statements and the achievements for the year ending December 31, 2004.

In 2004, Jordan finalized the economic reform program in collaboration with the International Monetary Fund which lasted fifteen years. During this period, Jordan realized a number of positive achievements as the country attained its national economic recovery and international financial soundness, and enhanced its stability after having reduced the budget deficit and lowered its foreign debt to the Gross Domestic Product. Moreover, the legislative and structural reforms introduced during the past few years have firmly established the sustainable economic growth path relying on the country's own resources and domestic capabilities. The private sector has played a positive role in advancing the economic process and contributing to development efforts and processes, inspired by the open market mechanism and the emerging new business opportunities.

As a result of the growth of various economic sectors, real gross domestic product grew by 7.5 per cent in 2004 compared to 3.3 per cent in 2003.

Such great accomplishments could not have been realized had it not been for His Majesty's, King Abdullah II, direct involvement, unrelenting effort, His competent leadership of the social and economic transformation march in the Kingdom and the remarkable success in establishing the grounds of a solid worldwide economic network. Additionally, what has extended further support to His Majesty's clear vision and strenuous efforts is the profound belief that exists among all Jordanians in the prosperity and growth constituents that are abundant in Jordan as well as their abilities to create, contribute, and competently interact with circumstances and novel changes.

In accordance with the royal guidance and in order to pursue the efforts aimed at improving the investment environment in Jordan to attract foreign investments, the government approved a number of amendments to the Investment Promotion Law, adopted a strategy for promoting foreign investments in Jordan securities, and launched the tourism sector strategy.

During the year, Amman Bourse witnessed high activity and realized record figures in terms of trading volume and the price index which rose to unprecedented levels. The Central Bank of Jordan continued to flexibly and distinctively implement its prudent monetary policies in parallel with

economic and financial developments. Such policies have had their bearings on sustaining the dinar exchange rate, stabilizing inflation, controlling liquidity volume required to finance economic activities, and building appropriate foreign-currency reserves.

As for Jordan Kuwait Bank, 2004 distinguishes itself as the best year in the history of the Bank, for it has witnessed another new peak of qualitative achievements and financial results.

Overall growth rates in 2004 surpassed expectations. The Bank realized significant developments in its business activities and clients' relationship. The Bank's image has been clearly and distinctly enhanced as the best bank for businessmen and investors as it provides comprehensive and integrated banking services supported by efficient management, prudent advice, fine treatment, and highly advanced technology-based services.

Net profit for 2004 after tax, fees, and provisions amounted to US\$ 25.3 million, an increase of US\$ 5.9 million or 30.4 per cent over last year's profit.

Total assets at the end of the year rose to US\$ 1251.9 million, i.e., US\$ 239.8 million increase over 2003 realizing a high growth rate of 23.7 per cent (14.8 per cent in 2003).

Direct credit facilities (net) as on December 31,2004 amounted to US\$ 630 million, compared to US\$ 448.8 million at the end of last year realizing a growth of 40.4 per cent (20.3 per cent in 2003).

This increase is attributed to our success in attracting more prominent clients of commercial, industrial, and service activities of the private sector, in addition to attracting a number of governmental sectors concerned with development projects.

Even though the Bank's credit activities were substantially expanded over the previous years, the Bank continued to keep the best non-performing loans ratio which improved, this year, to a new record low of 1.3 per cent (3.8 per cent in 2003). At the same time, NPL coverage ratio rose to 197 per cent (116.2 per cent in 2003). These two ratios are the best ever to be realized in the Jordanian banking system and among the highest known international standards.

Our success in curtailing the non-performing loans was a result of our prudent and conservative credit policy, strict control and follow-up, and collection measures enforced over the previous years; subsequently, we were able to recover the sum of US\$ 2.1 million from the provisions to the income.

At the end of 2004, total clients' deposits amounted to US\$ 757.6 million an increase of. US\$ 142.8 million over 2003 or a growth of 23.3 per cent (10 per cent in 2003).

Total shareholders' equity as of December 31, 2004 rose to US\$ 113.5 million, i.e., US\$ 17.8 million higher than 2003 or 18.5 per cent growth. As such, the equity has doubled since the end of 2000. In this regard, it is worth mentioning that the Bank's share enjoys high esteem amongst the Stock Market investors as they strongly believe in the Bank's solid financial soundness, in its efficient

management, as well as in its highly credible performance track record.

In 2004, The Bank attained further distinction and recorded higher performance indicators and efficiency ratios as per local and international standards. The Bank has improved over other banks operating in Jordan and competed for the top three ranks in terms of performance and growth rates.

In our estimation, Jordan is the most worthy and the best candidate, regionwise, to be the hub for regional and international economic and investment activities for its political stability, its encouraging investment environment, as well as its advanced banking infrastructure. We, likewise, believe that Jordan Kuwait Bank, which has become the focal concern of a number of international financial and investment institutions that seek to enter the region and search for commercial and investment opportunities therein, is the best choice to serve such activities and facilitate their businesses and banking transactions. In this respect, we highly capitalize on our capabilities, competencies, international reputation, regional extensions, as well as our strategic partnership with a distinguished group of investors atop of them are our partners in Kuwait Projects Company (KIPCO) in Kuwait and their diversified investment and banking activities in the region and worldwide.

To realize the objectives inspired by his Majesty's vision and ambition to make Jordan a regional financial center, we will spare no effort, determination, or perseverance to devote all our potentials and capabilities to developing the Jordanian banking system and improving its competitiveness to the highest aspired level. Accordingly, we will support the efforts of the Central Bank of Jordan and the Association of Banks in Jordan in all matters that contribute to transforming the



King's vision into reality and His ambitions into tangible achievements.

As for internal development in the Bank, the year 2004 witnessed implementing a number of initiatives covering administrative and organizational aspects. During the last quarter of the year, the Bank's organizational structure was modified to include forming the Corporate Governance Committee in response to local and international management practices that aim at regulating the executives' functions, as well as supervisory, and control procedures to ensure competent, effective and transparent performance.

At a later stage, the Risk Management Dept. was established and provided with advanced automated systems to identify, assess, and mitigate all forms of risks. In addition, the Compliance Unit was created in line with modern management trends and prevailing best practices of international banking and financial institutions.

As part of the Bank's preparations to comply with Basel II requirements, Management Information System (MIS) was developed and put into operation. This application provides a multi-dimensional database covering the Bank's customer base, statistics, ratios, averages, and historical comparisons of the



Bank's activities and key performance indicators. Moreover, the Branch Management was restructured, creating a unit for marketing and sales simultaneously with implementing a comprehensive program to enhance employees' skills in these fields. Furthermore, the Information Technology Department was restructured and a new administration, enjoying high qualifications and relevant experience, was appointed to run the next stage and meet the ongoing technological advances.

While we look at our total results and achievements with pride, we assure our clients and partners that we will further strengthen our relationships with them, and we will continue to offer more services and products to their interests out of our conviction that the title of the new era is "international productivity and competitiveness".

Therefore, the Bank will remain, as it has always been, the trustworthy financial partner and prudent advisor committed to reinforcing business networks and enhancing client's competitiveness and capabilities locally and abroad. At the same time, we assure our distinguished shareholders that our march will subscribe to the same approach, maintaining the same enthusiasm, and exerting more efforts so that their investment in this institution will be appreciated and held in esteem nowadays and in the future.

Based upon our financial results for 2004, and the availability of funds required to raise the Bank's capital, the Board of directors had considered responding early to the Central Bank of Jordan's resolution, which demands that every Jordanian bank raise its capital to a minimum of JD 40 million (US\$ 56.4 m) by the end of 2007. Subsequently, the Board of Directors recommended and the General Assembly of shareholders approved the following:

1. Distributing JD 6.25 million (US\$ 8.8 m.) of profits (equivalent to 20 per cent of capital) in cash dividends to shareholders.
2. Raising the Bank's capital to JD 40 million (US\$ 56.4 m), by capitalizing JD 8.75 million (US\$ 12.3 m) of earnings and provisions (equivalent to 28 per cent of capital) and distributing the same to shareholders as bonus shares.
3. Retaining the remaining profits.

As such, the total dividends distributed to shareholders over the past eight years will amount to US\$ 64.9 million, (29.6 m. in cash and 35.3 m. as bonus shares).

Finally, we would like to extend our deepest thanks and gratitude to all our clients, partners, and shareholders for their firm support, continued confidence, and effective contribution to all the results and achievements of the Bank. We extend our thanks in particular to our brothers in the Kuwait Projects Company (KIPCO) for the support, assistance and expertise they extended to us which enriched the Bank's march and reinforced its success and development. We also extend our appreciation and gratitude to our colleagues in the Central Bank of Jordan, both executives and employees, for their professionalism at work, their care for the security and strength of the Jordanian banking system, and their sincere endeavor to upgrade its performance and

competitiveness. Our deepest thanks and commendation go to our staff members at all levels for their magnificent performance and devotion which enabled us to realize our objectives and ambitions.

As for the year 2005, we are highly optimistic that our national economy is capable to continue its strong performance, realize better growth rates, and neutralize the impact of impeding external factors. We, as one of the levers of the private sector, affirm that we will work hand in hand with all official and private activities to contribute to advancing the development march and providing all success constituents for economic reform programs and development projects. We hope that adverse circumstances engulfing the region will improve and their negative impacts will recede soon.

Abdel Karim Kabariti
Chairman

2004 MAJOR ACHIEVEMENTS



The year 2004 shaped an outstanding milestone in the Bank's performance and achievement record. The year's overall results reflect the strength and distinction that the Bank possesses and builds on year after year.

The Bank realized outstanding financial achievements as a result of effective asset and liability management, efficient exploitation of potentials and resources, and performance-driven management team. Prudent policies and sound business rules collaborated with the staff's devotion and efforts to yield a unique example of banking business, customer service and relationship with clients, shareholders, and the public in general.

In 2004, the Bank posted higher performance indicators and financial ratios compared to the best international and local standards. The international rating agency "Capital Intelligence" raised the future outlook of the Bank's financial strength from 'stable' to 'positive'. As such, and with a BBB rating, the Bank advanced to the second position on the Jordanian banks ranking table. The Bank also

gained due recognition over most Jordanian and regional banks and occupied top ranks in several assessments conducted by local and international banking professionals and consultants, as well as specialized journals.

Financial Results

In 2004, the Bank's net profit after tax, fees, and provisions amounted to US\$ 25.3 million compared to US\$ 19.4 million last year, with a growth rate of 30.4 per cent.

The Bank's total assets rose to US\$ 1251.9 million at the end of 2004, posting an increase of US\$ 239.8 million or 23.7 per cent over 2003. Total shareholders' equity rose to US\$ 113.5 million, i.e. US\$ 17.8 million higher than 2003 or a growth of 18.5 per cent. As such, shareholders' equity has almost doubled since December 2000, and increased by 150 per cent since December 1997. Capital adequacy ratio registered 15.6 per cent, the same as last year. This ratio is 3.6 points higher than the minimum required by the Central Bank of Jordan and testifies that the Bank is well capitalized, sustaining a solid financial position.

Return on average assets rose to 3.34 per cent compared to 2.96% last year. Return on average shareholders' equity rose to 36.1 per cent from 31.7 per cent in 2003. Net operating income of the year amounted to US\$ 38.7 million compared to US\$ 28.5 million in 2003, a growth rate of 36 per cent. Also remarkably improving was the

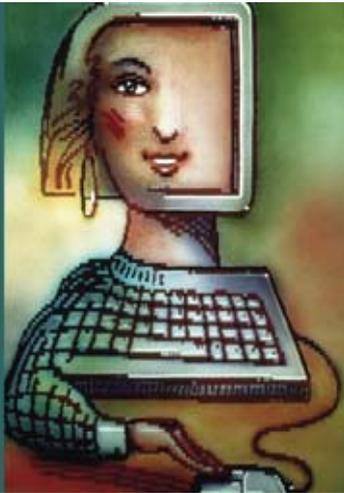
operating expense to net operating income ratio which dropped to 35.1 per cent from 42.3 per cent last year. Performing assets constituted 92.4 per cent of total assets compared to 90 per cent in 2003.

The Bank's share from subsidiaries' profit rose to US\$ 1.6 million compared to US\$ 0.726 million in 2003, a 119 per cent growth. This increase underlines the steady growth of subsidiaries' business, the expansion of the Bank's relation network, and the successful integration of banking, insurance and investment services into a comprehensive mix that meets the total needs of businessmen, investors and clients' base in general.

Credit Facilities

The Bank's credit activity realized a substantial growth in 2004. Net direct credit facilities rose to US\$ 630 million at the end of the year posting an increase of US\$ 181.3 million or a growth rate of 40.4 per cent over 2003.

In 2004, financing activities expanded further to cover more private and governmental institutions as well as businessmen and individual consumers. The Bank solely handled major direct and indirect financing operations arranged for large enterprises and corporations operating in the fields of petrol, industry, hotels, and tourism. The Bank also participated in a number of syndicated loans extended to construction, commercial, and service activities.



In terms of indirect credit facilities, the Bank was noticeably active and the results exceeded the objectives set for the year. Total L/Gs issued by the Bank amounted to US\$ 86.4 million while total L/Cs amounted to US\$ 234.1 million.

The remarkable rise in direct and indirect credit operations yielded the sum of US\$ 7 million as commission compared to US\$ 5.4 million in 2003, a growth of 30 per cent. This has its positive bearings on the non-interest income and lowered the impact of interest rate fluctuations.

The Bank's credit department condensed its efforts during 2004 to accommodate the expansion in retail activities such as consumer and housing loans, and car purchase financing. Its performance was characterized by prompt assessment and decision making.

Such accomplishments were realized under the progressive implementation of balanced credit policies, conservative approach, and strict compliance with market and credit risk measures. These practices, coupled with effective monitoring and follow-up procedures led the non-performing loans to register as low as 1.3 per cent only of total credit facilities, and subsequently raised the NPL coverage ratio to approximately 197 per cent. These two ratios are unprecedented at the local banking system and are considered among the highest ratios at the international level.

Customer and Branch Services

As part of the policy to extend the Bank's services and products to all social entities at their locations and business centers, an unprecedented pioneering initiative was adopted. In the last quarter of 2004, an agreement between the Bank and the Jordan Post Company was concluded in order to allow the Bank to use the facilities of the widely spread post offices in the Kingdom and offer banking services to the clients and public. As a first step, five offices were furnished for this purpose and the rest would be completed during 2005. It is hoped that such arrangement will yield tangible benefits for the customers and public and realize a competitive edge for the Bank in terms of extended presence in new areas as well as providing a qualitative advantage and wider spectrum to the traditional post office services.

In the second half of 2004, the Branch Management was restructured to accommodate the newly established marketing and sales department. This department adopts advanced strategies, plans and practices that aim at enhancing the marketing activity in general and direct sales activity in particular and realize the growth objectives in the retail sector. Simultaneously, an intensive training course was conducted for the staff of the department as well as the branches to introduce the new business techniques and procedures.

In parallel with this course and in order to enhance the staff's personal skills, all the employees of the branches were enrolled in a skill development course which covered professional and personal aspects, modern business concepts, as well as customer service standards. It is worth mentioning that the two courses were conducted in cooperation with specialized consulting firms

The year 2004 witnessed the opening of new branches and offices as part of the 2004 branching plan which included a branch at Abu Nusair area / Amman, another within Yarmouk University investment compound/

Irbid, an office at Petra University and another at Aqaba Gate Tourist Compound. In addition, a modern building was constructed for the Bank's branch at Amman Ahliyya University. In December 2004, the construction of new location for Jabal Amman branch was underway.

By the end of the year and as a result of the distinguished and intensive efforts exerted by the management of branches and their staff, remarkable achievements were realized in all retail sector products and services.

Technological Development and Information Systems

In 2004, a number of significant achievements were realized in Information Technology (IT). The third quarter witnessed the restructuring of the department and the appointment of new IT leadership with the required expertise to efficiently handle the change and challenges of the new era. The restructuring aims at maintaining the Bank's pioneering position in the field of electronic banking and promoting customers' utilization of electronic services, while developing a business environment of improved productivity and efficiency.

By the end of the year, stages I and II of the Management Information System were successfully implemented and the training of executives and staff members on the system was completed. Authorized personnel are now able to extract pre-defined reports or customize their own report formats directly through the system. Further, and in order to unify the Bank's global business procedures, Cyprus Branch Banking System was upgraded to match the system employed in Jordan and was linked to the central Management Information System. Such upgrade satisfies the requirements of the Central Bank of Cyprus and facilitates its audit function.

The Information Technology Department significantly contributed to improving the Bank's working environment and

service channels. In this respect, new automated systems purchased for the Commercial Services and the Treasury Departments were customized and deployed. Further, the department developed a customer e-mail notification system and upgraded the 'SWIFT system' to meet the requirements of 'SWIFT.Net. It also deployed 'Card Risk Management', 'Pre-paid VISA Card', and 'The Bonus Points' systems, all through internal efforts. The department finalized the technical requirements for implementing the 'Smart Card' (EMV) technology, which would be put into service during the first half of 2005.

In accordance with Executive Management directives and in order to make the Bank the major hub of the 'National Payment System', the IT department expanded and upgraded the communications network to accommodate the operations of official and private institutions dealing with e-payment systems. Agreements were conducted with a number of such institutions.

Treasury and Investment

In 2004, the Treasury and Investment Department realized excellent results from all its major activities. During the year, it diversified sources and utilization of funds through various instruments such as credit, money and equity markets, as well as international syndicated loans. All such activities were carried out whilst ensuring compliance with both internal investment policy and risk management guidelines.

The department followed up Central Bank of Jordan issuances of CD's in the Jordanian dinar and played a prominent role amongst other Jordanian banks in this regard. On the other hand, the department issued varied term certificates of deposits in both Jordanian dinar and foreign currencies. It also invested in Jordanian bonds and promissory notes as investment tools that generate relatively high returns. The investment portfolio included government bonds and notes as well as local and public institutions'

bonds. The department managed the Bank's portfolio of international bonds in the US dollar and other foreign currencies which amounted to US\$ 48.5 million by the end of 2004.

Through intensive observation of the developments occurring throughout 2004 on the interest rates, the department modified interest structure on clients' deposits in accordance with international levels whilst ensuring that the bank's competitiveness is maintained, its deposit components are well diversified and its customers' low-cost deposits are retained.

The year 2004 witnessed higher clients' activity in Futures deals and Margin trading which generated good income for the Bank.

In the third quarter of 2004, the agreement concluded with 'the Arab Trade Financing Program' was renewed and the sum of US\$ six million was allocated for the Bank which was fully utilized. The agreement aims at financing import/export operations amongst Arab countries at incentive low-cost rates.

During 2004, the department focused on expanding business network with international banks and financial institutions to reinforce the Bank's investment and banking relations worldwide.

Internal Audit

The Bank recognizes that one of the most significant pillars of corporate governance and good management is providing effective internal control system reinforced by an independent and efficient internal audit department. In this respect, the Audit Department exercised its role of extending support to the executive management through presenting analyses, recommendations and the necessary information on all aspects of the Bank's business activities and ascertaining its compliance with internal controls. The department continued to provide opinions and suggestions on the total activities of the Bank and its performance indicators in comparison with competitors.



The Bank's Board of Directors and the Board Audit Committee (BAC) strongly believe in the necessity of progressive improvement of the audit department activities. Professional opinion was sought from an international consulting firm on the Bank's internal audit activities. The consultant's report indicated that such activities are performed according to the best international practices and that the department is adopting the 'Risk-based Audit' approach.

In line with the developments in banking activities at the international and local levels, the department was reinforced by establishing two specialized units, one to conduct the IT Audit and the other to monitor the Bank's implementation of the Basel committee requirements, particularly those of Basel II.

During 2004, the annual audit plan approved by the Board Audit Committee was implemented. It covered all the Bank's business centers, each according to its risk exposure.

In preparation to meet the requirements of Basel II committee, the department supervised the implementation of Control and Risk Self Assessment system (CRSA) at several departments. During 2005, full implementation of this system to cover all business centers will take place; this will help achieving one of the main objectives of the Bank's management in identifying and managing operational risks.



E- Services and Plastic Cards

During 2004, the Bank's website on the Internet was modified and new pages were added to provide the site visitors with adequate information, services, and updates on the Bank's services and products. Moreover, the Internet bank "NetBanker" was upgraded and on line banking services offered to the clients were further enhanced.

The year 2004 witnessed a noticeable increase in issuing credit and debit cards. Pre-paid Visa cards enjoyed a major share of this increase as the card was highly demanded by the clients and public for its being flexible, multipurpose and a secured payment method over the Internet.

In 2004, an agreement was concluded with the American Express Company to issue its three cards, namely platinum, gold, and green. Aggressive marketing campaign was launched and good results were achieved. As such, the Bank has become an issuer of the three most famous card brands worldwide, namely Visa, Master Card, and American Express.

Administrative Affairs

Administrative Affairs Department offers support to the Bank's departments and branches through providing logistics, furnishings and equipment required to run the day to day business. The year 2004 witnessed the execution of many projects including the construction of new

branches, expanding the existing ones, in addition to modernizing some of the head office departments and the Bank's auditorium which was used on several official and social occasions.

In 2004, the department adopted the electronic purchasing system "e-Tejari" on the Internet. In this system, bids and purchase orders as well as providers' offers and prices are posted through the website, thus securing higher transparency and openness. Due to almost full reliance on this facility, 'e-Tejari Company awarded the Bank a certificate of recognition for its being the most Jordanian institution that adopts the system and the best bank that transacts through this e-channel at the regional level.

By the end of the year, the shares section became on line connected to the shares registry and shareholders' data base at the Securities Depository Center.

Human Resources

During 2004, the Bank continued its efforts to enhance the employees' performance to meet the new business developments. In this regard, many training opportunities were provided for employees in the administration and branches on the requirements of Basel II, the concepts and practices of risk management, as well as several training courses pertaining to customers' service, marketing and sales skills.

A group of fresh graduates was recruited in 2004, to address the Bank's branch network expansion and the increasingly diversified transactions. The new employees joined intensive practical training courses at the Simulation Branch. This branch has proved to be an effective tool for training on banking operations.

Legal Department

During 2004, the Legal Department realized outstanding achievements in collecting substantial amounts of bad debts through taking legal action and participating in arranging amicable settlements.

As part of its efforts to raise general awareness of legal and

banking issues, the department published a book entitled 'The Lawyers' Guide to Banking Affairs'. This was in addition to its former book 'What Bankers need to know about law'. It also participated in organizing two seminars held at Jordan Judicial Institute in cooperation with the Association of Banks in Jordan entitled "Banking for Judges". Both seminars and the books were highly received.

Community Services

The management believes that the Bank's role in serving the community is complementary to its role in developing the national economy. As such, the Bank contributes to all activities aiming at developing the local community, protecting the environment, and supporting NGOs social initiatives. In addition to direct donations to charities, the Bank extends financial support to Jordanian universities' activities and research centers. It also extends financial aid, through the Association of Banks in Jordan, to various community development projects undertaken by the association.

The Bank contributes to promoting interactivity between education and business sectors. In 2004, the Bank provided eighty-five practical training opportunities on various banking and administrative functions for university and community college students.

Following the announcement of the secondary school examination results for 2004, the Bank honored, under the auspices of His Excellency the Minister of Education, the nationwide top achieving students. Financial awards and prizes were distributed to eligible students.

MAJOR FINANCIAL INDICATORS AND RATIOS



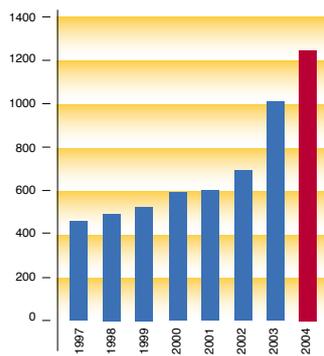
Amounts in Thousand USD

Major Operating Results	2004	2003	change%
Net interest and commission	45292	35684	26.9
Net operating income	59657	49365	20.8
Net income before tax & fees & Minority Interest	39059	28794	35.7
Net income after tax & fees & Minority Interest	25262	19379	30.4
Earnings per share	0.81	0.62	30.2
Major Balance Sheet Items			
Assets	1251928	1012250	23.7
Credit facilities - net	630089	448819	40.4
Customers deposits	757622	614833	23.2
Shareholders' equity	113494	95742	18.5
Major Financial Ratios			
Operating assets / Total assets	92.40%	90%	
Return on average assets	3.34%	2.96%	
Return on average equity	36.10%	31.7%	
Operating expense / Net operating income	35.10%	42.3%	
Gen. & Admin.expense / Average assets	1.77%	1.70%	
Capital adequacy ratio	15.6%	15.6%	
Non – performing loans / Gross credit facilities	1.3%	3.8%	
Non – performing loans Coverage Ratio	197%	116.2%	
Contra Accounts	381468	425863	-10.4

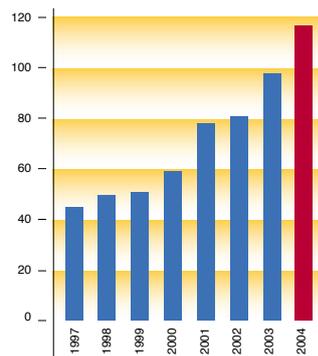
CHANGES IN MAJOR FINANCIAL RESULTS (1997-2004)



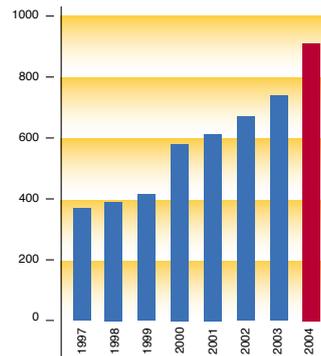
Total Assets



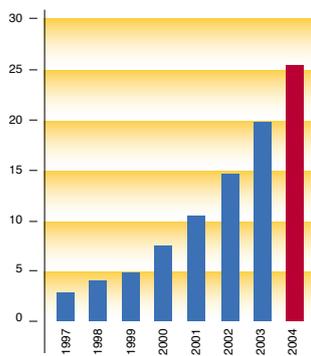
Shareholders' Equity



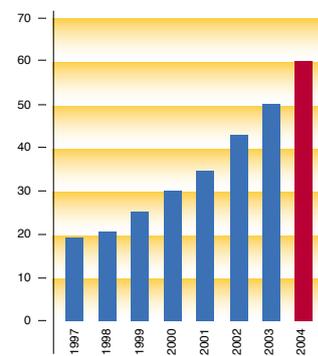
Customers Deposits & cash Margins



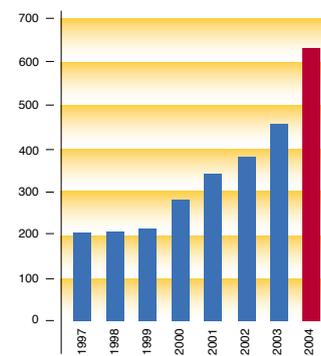
Net Income (After Tax)



Net operating Income



Credit Facilities - Net



In million US\$

EXECUTIVE MANAGEMENT



Mr. Moh'd Yaser M. Al-Asmar / General Manager

Tel : (962 6) 5672617 , E-mail : al-asmara@jkbank.com.jo

■ Mr. Tawfiq A/Q Mukahal

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Tel: (962 6) 5695208 , E-mail: mukahal@jkbank.com.jo

■ Mr. Majed F. Burjak

Asst. General Manager, Operations Dept.
Tel: (962 6) 5662128 , E-mail: burjak@jkbank.com.jo

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Asst. General Manager, Supervision Dept.
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Tel: (962 6) 5694152 , E-mail: dababneh@jkbank.com.jo

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Tel: (962 6) 5695207 , E-mail: hiyamhabash@jkbank.com.jo

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Asst. General Manager, IT Dept.
Tel : (962 6) 5685438 , E-mail: khraishi@jkbank.com.jo

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Tel : (962 6) 5695204 , E-mail: samia@jkbank.com.jo

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Tel : (962 6) 5692459 , E-mail: milad@jkbank.com.jo

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.Executive Manager, Legal Dept
Tel : (962 6) 5662129 , E-mail: legal_dpt@jkbank.com.jo

■ Ismail A. Abu Adi

.Executive Manager, Credit Dept
Tel : (962 6) 5691362 , E-mail: Ismail@jkbank.com.jo

SUBSIDIARIES



ARAB ORIENT INSURANCE CO.

Arab Orient Insurance Company was established in 1996. The company writes all general insurance classes and enjoys a reputable and good position amongst the local insurance market. AOIC serves more than 2150 corporate accounts enjoying first class reinsurance security. Furthermore, AOIC provides the market with twelve unique individual plans that meet clients' needs and requirements. AOIC is the pioneer company in launching both bancassurance and e-insurance projects in Jordan. In 2001, the company became a subsidiary of Jordan Kuwait Bank as it held 64.9% of the company's capital of JD 2.5 million (US\$3.53 million).



UNITED FINANCIAL INVESTMENTS CO.

United Financial Investments Co. (UFICO) was established in 1980. In 1996 the company was restructured as a public shareholding company with a capital of JD2 million (US\$ 2.82 million). Backed with the latest technologies of modern finance and markets, the company enjoys a leading position among the major top firms operating in the ASE. UFICO provides financial services, which are directly connected with international financial markets. In 2002 UFICO became a subsidiary of Jordan Kuwait Bank as it held 50.25% of the company's capital.



Pursuant to the strategic plan endorsed for the years 2004-2006, the business plan for the year 2005 will concentrate on the following:



1. Realizing his Majesty's, King Abdullah II, vision for Jordan to be a regional financial center through reinforcing and supporting the efforts of the Central Bank of Jordan and the Association of Banks in Jordan to transform this vision into reality.
2. Enhancing the Corporate Governance approach in performing the Bank's business and observing its implementation by all respective authorities, as well as applying risk management concepts and techniques as an ongoing business concern to safeguard the rights and interests of all parties.
3. Enhancing the outstanding competitive advantage the Bank has realized in terms of service quality, highlighting technology-based services and electronic delivery channels.
4. Intensifying efforts to enhance the retail credit and individuals' loans to raise their share of total Bank's credit portfolio.
5. Continuing to build and strengthen relations with investment and commercial institutions that are regionally business-active and extending the Bank's services either directly or in cooperation with the Bank's business partners in Kuwait, Bahrain, Tunisia, Algeria, and Iraq.
6. Extending bancassurance services through branches by selling insurance products of our subsidiary, the Arab Orient Insurance Company, after the Bank has obtained the license required for this purpose, as well as promoting the service of the Bank's subsidiary, the United Financial Investments Company, as part of the Bank's comprehensive product and service package.
7. Realizing no less than 20 per cent return on shareholders' equity.



PRINCIPAL MEMBER
Visa International Service Association



ISSUER
American Express



ISSUER
MasterCard

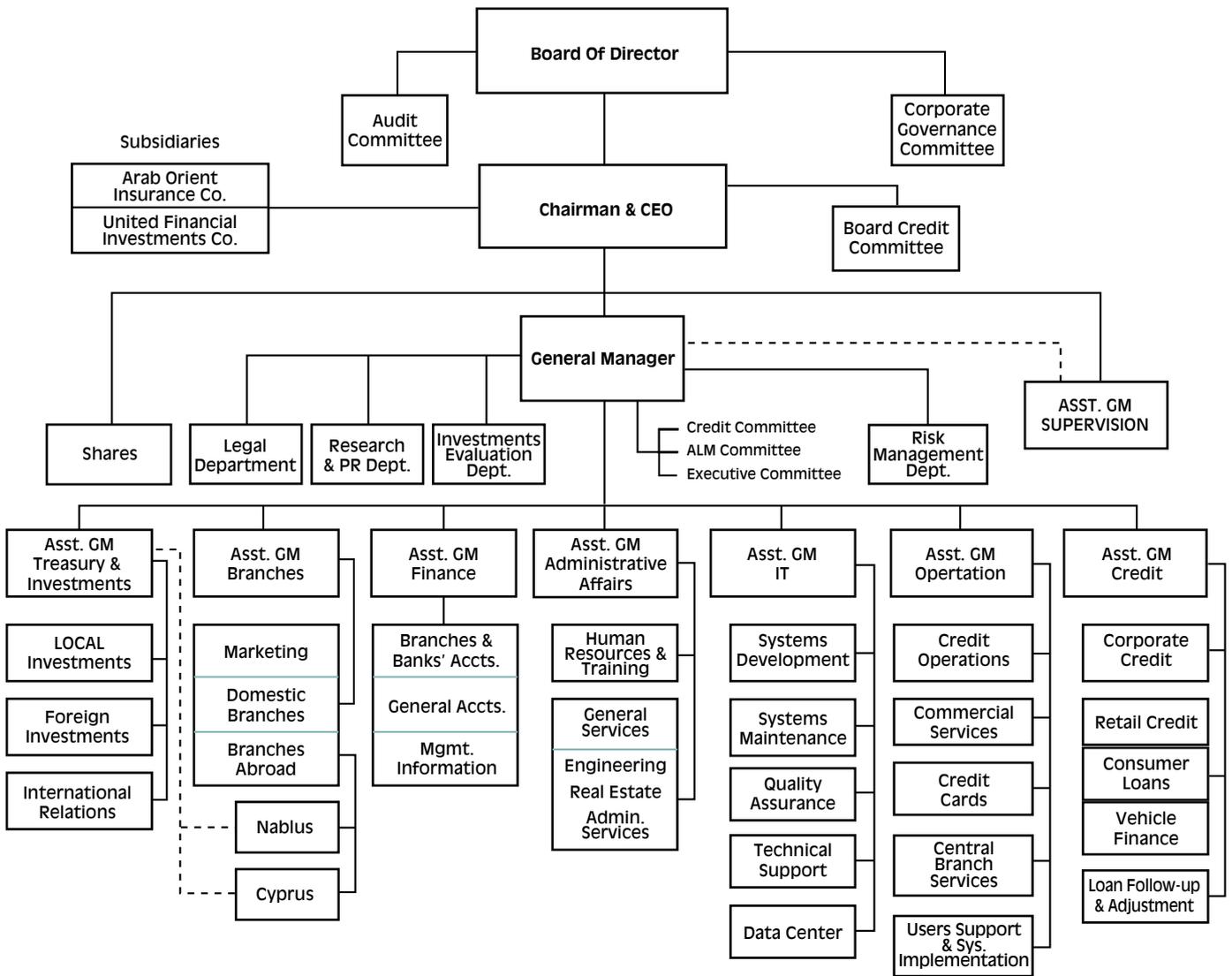


PARTNER
Visa Jordan Card Services

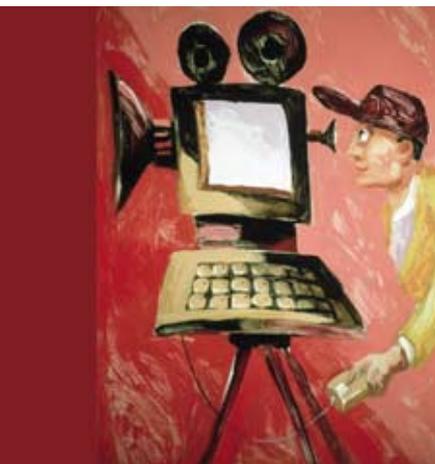


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ORGANIZATIONAL STRUCTURE



ADDITIONAL DISCLOSURE AS REQUIRED BY JORDAN SECURITIES COMMISSION



■ Shareholders Holding More Than 5% in the Bank's Capital

Shareholder	Nationality	Shares	%
United Gulf Bank - Bahrain	Bahraini	13,778,406	44.090
Social Security Corporation	Jordanian	6,426,077	20.563

■ Shares Held by the Board of Directors

Shareholder	Nationality	No. of shares 31/12/2003	No. of shares 31/12/2004
United Gulf Bank - Bahrain	Bahraini	11,022,725	13,778,406
Social Security Corp.	Jordanian	5,310,152	6,426,077
Strategy Co. for Investments	Jordanian	771,226	325,654
Kuwait Projects Co.(Holding)- Kuwait	Kuwaiti	12,750	15,937
Al-Futouh Co. for Investment/Nasser Sabah Al-Ahmad & Bros. - Kuwait	Kuwaiti	11,250	14,062
Eng. Nasser Ahmad Lozi	Jordanian	1,250	1,562
Mr. Farouk A. AL-Aref	Jordanian	3,502	4,377
Mr. Moh'd Ahmad Abu Ghazaleh	Jordanian	354.686	438,780

■ Changes in Share Price

Year	Closing Price US\$/Share
31/12/2000	2.09
31/12/2001	4.73
31/12/2002	5.46
31/12/2003	12.06
31/12/2004	16.64

■ Changes in Profits and Shareholders' Equity (in thousand US \$)

Year	Net Income before Tax, Fees and Minority Interest	Total Shareholders' Equity
31/12/2000	10,401	57,875
31/12/2001	14,318	75,924
31/12/2002	19,549	81,347
31/12/2003	28,794	95,742
31/12/2004	39,060	113,493

■ Shares Held by Management Executives in 2004

Name	Position	No. of Shares
Mr. Moh'd Yaser Al-Asmar	General Manager	15,000
Mrs. Hiyam S. Habash	Asst. G. M – Finance	500
Mr. Suhail M.Turki	Executive Manager	1,031



- Auditors' fees in 2004 amounted to US\$ 78,502
- Total remuneration, salaries, allowances and travel expenses paid to the Chairman, the Board Members and Senior Executives in Jordan in 2004 amounted to US\$ 1,222,812
- The Bank does not enjoy any Government's concessions or protection as per the prevailing rules and regulations.
- There has been no material effect on the Bank's business, its products or its competitiveness as a result of Government or international organizations' decisions.
- In 2004, the Bank did not conclude any deal with specific suppliers and/or major customers (in Jordan or abroad) of 10% or more of total Bank's purchases and/or sales or revenues.
- In 2004, there has been no financial effect of non-recurring operations that do not fall within the Bank' main business activity.
- The Bank did not conclude any contract, project or commitment with the Chairman of the Board, the Board Members, the General Manager, the employees or any of their relatives.
- The Bank participated in local community and environmental services as elaborated on inside this report.
- Total Bank's donations in 2004 amounted to US\$ 123.652 as follows:

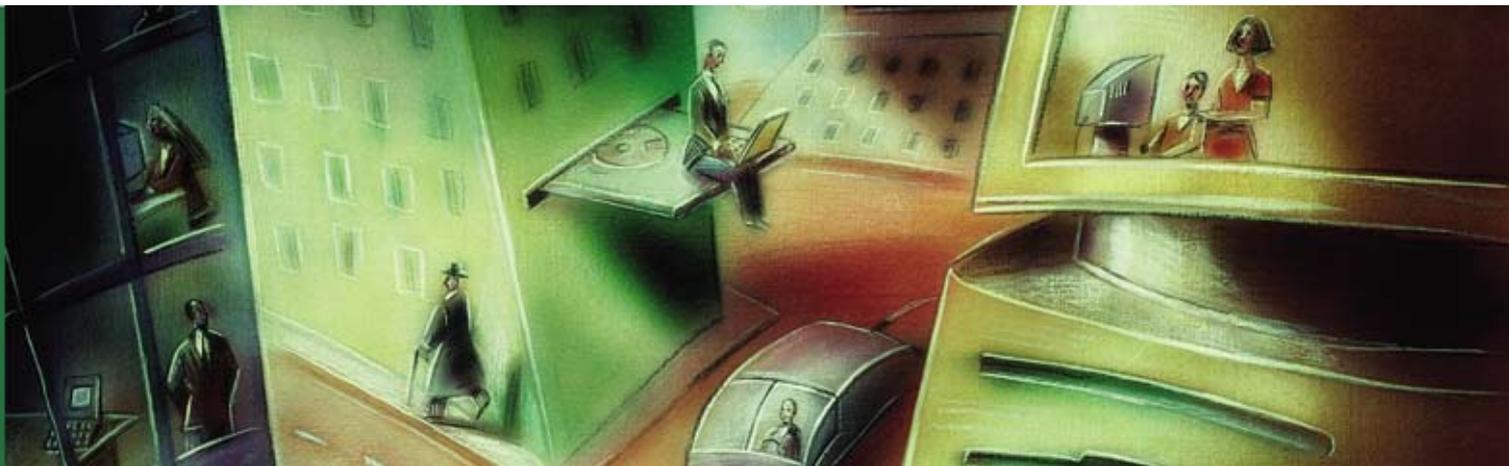
Welfare Societies	88,856
Sport Clubs	2,398
Social activities	14,252
Scholars	3,422
Research and conferences	11,918
Other	2,806
Total	123,652

■ 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.



BRANCHES & OFFICES



■ Amman Branches

- **Main Branch**
Tel. 5629400 - Fax 5694105
- **Abdali**
Tel. 5662126/7 - Fax 5662374
- **Jabal Amman**
Tel. 4641317- Fax 4611391
- **Wehdat**
Tel. 4777174 - Fax 4750220
- **Commercial Center**
Tel. 4624312 - Fax 4611381
- **Tla'a El'Ali**
Tel. 5532168/9 - Fax 5518451
- **Jabal Al-Hussein Office**
Tel. 4638750 - Fax 4611402
- **Jabal Al-Hussein**
Tel. 5658664 - Fax 5658663
- **Abu-Alanda**
Tel. 4162756 - Fax 4161841
- **Yarmouk**
Tel. 4779102/3 - Fax 4750230
- **Wadi El-Seir**
Tel. 5858864 - Fax 5810102
- **Jubaiha**
Tel. 5346763 - Fax 5346761
- **Amra / Um Outhaina**
Tel. 5535292 - Fax 5516561
- **Abu-Nsair**
Tel. 5235223 - Fax 5235226
- **Marka**
Tel: 4889531 - 4889530
- **Ibn Khaldoun**
Tel. 4613902/3 - Fax 4613901
- **Shmeissani**
Tel. 5685403 - Fax 5685358
- **Central Vegetable Market**
Tel. 4127588 - Fax 4127593
- **Madinah Munawarah St.**
Tel. 5533561 - Fax 5533560
- **Ras Al-Ain Office**
Tel. 4731420 - Fax 4731421
- **Sweifiyah**
Tel. 5851930 - Fax 5851931
- **Nazzal**
Tel. 4383906 - Fax 4383905
- **Mecca Mall**
Tel. 5517967 - Fax 5517836
- **Petra University Office**
Tel. 5711283 - Fax 5713079

■ 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-Ahliyyah University Office**
Tel. 05/3500048 - Fax 05/3500029

■ North Region Branches

- **Irbid**
Tel. 02/7243665 - Fax 02/7247880
- **Al-Husson St. Office - Irbid**
Tel. 02/7248496/7 - Fax 02/7248498
- **Al Mafraq Office**
Tel. 02/6235901 - Fax 02/6235902
- **Yarmouk University**
Tel. 7256065 - Fax 7255315

■ South Region Branches

- **Al-Karak Office**
Tel. 03/2396102 - Fax 03/ 2396103
- **Aqaba**
Tel. 03/2015190 - Fax 03/ 2016188
- **Aqaba Gateway Office**
Tel. 03/2017484 - Fax 03/ 2017485

■ Zarqa Area 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. 05/3864556/9 - Fax 05/3864557

■ Branches Abroad

- **Palestine - Nablus**
Tel. 2376413/4 - Fax 2377181
- **Cyprus - Limassol**
Tel. +35725 875555 - Fax +35725 582339

■ 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 Branch**
- **Aqaba Branch**
- **Abu-Alanda Branch**
- **Yarmouk Branch**
- **Wadi El-Seir Branch**
- **Jubaiha Branch**
- **Russaifeh Branch**
- **Amra Branch**
- **Al-Husson St Office. - Irbid**
- **Marka Branch**
- **Ibn Khaldoun Branch**
- **Shmeissani Branch**
- **Madinah Munawarah Branch**
- **New Zarqa Branch**
- **Ras Al-Ain Office**
- **Madaba Branch**
- **Cyber Branch - Sweifiyyah (2)**
- **Safeway - Shmeissani**
- **Abdoun Mall**
- **Al Mafraq Office**
- **Nazal Branch**
- **Karak Office**
- **Ahliyya University Office**
- **Al-Salt Office**
- **Fastlink Headquarters**
- **Jabal Al Hussein Office**
- **Mecca Mall**
- **Petra University Office**
- **Aqaba Gate Office**
- **Abu - Nsair Branch**
- **Civil Service Consumer Corporation - Jubaiha**
- **Cozmo Center**
- **Mobile ATM**



AUDITORS' REPORT



To the Shareholders of
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, 2004 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 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, 2004 and the results of its operations and its cash flows for the year then ended, in conformity with the law and with International Financial Reporting Standards, and we recommend that the General Assembly of shareholders approve these financial statements.

Amman – Jordan
January 9, 2005

Deloitte & Touche (M.E)



CONSOLIDATED BALANCE SHEET
IN US DOLLARS

ASSETS	Note	2004	2003
Cash and balances at central banks	4	311,374,984	245,524,726
Balances at banks and financial institutions	5	116,790,520	167,595,984
Deposits at banks and financial institutions	6	27,325,000	20,295,000
Trading financial assets	7	1,404,243	1,638,536
Direct credit facilities - net	8	630,089,102	448,818,900
Available-for-sale financial assets	9	118,632,309	82,442,908
Held-to-maturity investments - net	10	-	-
Fixed assets - net	11	13,638,258	12,842,913
Other assets	12	31,614,742	31,905,790
Deferred tax assets	13	1,059,097	1,185,189
TOTAL ASSETS		1,251,928,255	1,012,249,946
LIABILITIES			
Banks and financial institutions deposits	14	127,768,834	105,480,047
Customers deposits	15	757,621,305	614,833,197
Cash margins	16	155,944,457	113,704,269
Borrowed funds	17	24,333,200	25,429,347
Provisions	18	11,376,228	10,812,492
Other liabilities	19	45,581,498	35,451,406
Provision for income tax	20	10,853,678	6,841,887
TOTAL LIABILITIES		1,133,479,200	912,552,645
Minority Interest	21	4,955,252	3,956,025
SHAREHOLDERS' EQUITY			
Paid-up capital *	22	44,076,164	35,260,931
Share premium reserve	22	-	70,522
Statutory reserve		16,498,783	12,721,817
Voluntary reserve	23	25,775,523	18,221,592
Foreign branches reserve		6,410,437	6,410,437
Cumulative change in fair value	24	1,788,633	2,179,491
Retained earnings	25	10,129,030	13,824,300
Proposed dividends	26	8,815,233	7,052,186
TOTAL SHAREHOLDERS' EQUITY		113,493,803	95,741,276
TOTAL LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY		1,251,928,255	1,012,249,946

* On February 23, 2005 the General Assembly of Shareholders approved raising the Bank's capital to JD 40 million, equivalent to USD 56.417 million.

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS.

CONSOLIDATED STATEMENT OF INCOME
IN US DOLLARS

	Note	2004	2003
Interest income	27	59,445,019	49,788,927
Interest expense	28	21,278,556	19,589,755
Net Interest Income		38,166,463	30,199,172
Commission income-net	29	7,125,938	5,485,165
Net Interest and Commission		45,292,401	35,684,337
Non-Interest and Non-Commission Income:			
Income from financial assets and instruments	30	3,186,334	5,078,669
Other operating income	31	11,177,862	8,597,893
Total Non-Interest and Non-Commission Income		14,364,196	13,676,562
Net Operating Income		59,656,597	49,360,899
Expenses:			
Employees expenses	32	12,295,996	9,957,514
Other operating expenses	33	7,724,884	5,986,844
Depreciation and amortization		2,167,925	2,808,270
Provision for credit facilities (surplus)	8	(2,056,488)	1,567,413
Surplus investments provision previously taken		(282)	(7,757)
Other various provisions		831,804	591,887
Total Operating Expenses		20,963,839	20,904,171
Net Operating Income		38,692,758	28,456,728
Non-operating revenues (expenses)	34	366,948	337,848
Net Income before Tax and Fees and Minority Interest		39,059,706	28,794,576
Less: Income Tax	20	11,550,173	7,977,913
Universities fees		352,841	237,482
Scientific research and vocational training		352,841	237,482
Educational council and vocational and technical training fees		110,877	82,087
Board of Directors' remunerations		140,480	125,670
Net Income after Tax and Fees and before Minority Interest		26,552,494	20,133,942
Less: Minority interest after tax		1,290,048	755,320
Net Income for the Year		25,262,446	19,378,622
Earnings per Share	35	0.81	0.62
Weighted Average Number of Shares	35	31,250,000	31,250,000

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
IN US DOLLARS

	Paid-up Capital	Share Premium Reserve	Statutory Reserve	Voluntary Reserve	Foreign Branches Reserve	Cumulative Change in Fair Value	Retained Earnings (Note 25)	Proposed Dividends (Note 26)	Total
Year 2004									
Balance - beginning of the year	35,260,931	70,522	12,721,817	18,221,592	6,410,437	2,179,491	13,824,300	7,052,186	95,741,276
Increase in paid-up capital	8,815,233	(70,522)	-	-	-	-	(8,744,711)	-	-
Dividends paid during the year	-	-	-	-	-	-	-	(7,052,186)	(7,052,186)
Transferred to the statement of income	-	-	-	-	-	-	-	-	-
the effect of adopting IAS (39)	-	-	-	-	-	-	(66,876)	-	(66,876)
Cumulative change in fair value	-	-	-	-	-	(390,858)	-	-	(390,858)
Net income for the year	-	-	3,776,966	7,553,931	-	-	5,116,317	8,815,233	25,262,447
Balance - End of the Year	44,076,164	-	16,498,783	25,775,523	6,410,437	1,788,633	10,129,030	8,815,233	113,493,803
Year 2003									
Balance - beginning of the year	35,260,931	70,522	9,929,477	12,636,913	6,410,437	1,360,360	10,036,876	5,641,749	81,347,265
Dividends paid during the year	-	-	-	-	-	-	-	(5,641,749)	(5,641,749)
Transferred to the statement of income	-	-	-	-	-	-	-	-	-
the effect of adopting IAS (39)	-	-	-	-	-	-	(161,992)	-	(161,992)
Cumulative change in fair value	-	-	-	-	-	819,131	-	-	819,131
Net income for the year	-	-	2,792,340	5,584,679	-	-	3,949,416	7,052,186	19,378,621
Balance - End of the Year	35,260,931	70,522	12,721,817	18,221,592	6,410,437	2,179,491	13,824,300	7,052,186	95,741,276

- Included in retained earnings are an amount of USD1,059,097 restricted by the Central Bank of Jordan against deferred tax assets as of December 31, 2004 (USD1,185,189 as of December 31, 2003) and an amount of USD142,175 against the effect of implementing IAS (39) as of December 31, 2004 (USD209,051 as of December 31, 2003) .

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS.

CONSOLIDATED STATEMENT OF CASH FLOWS
IN US DOLLARS

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income after minority interest and before tax and fees	37,769,657	27,923,402
Adjustments:		
Goodwill-net	209,701	168,296
Depreciation and amortization	2,167,925	2,808,269
Provision for credit facilities (surplus)	(2,056,488)	1,567,413
Provision for employees end-of-service indemnity	905,573	501,619
Provision for lawsuits against the bank (surplus)	(73,769)	90,268
(Profit) on assets seized by the bank	(328,137)	(364,285)
Loss (gain) on sale of fixed assets	23,137	922
Effect of exchange rate fluctuations on cash and cash equivalents	(1,759,066)	(1,323,533)
Surplus provisions returned to income	(282)	(7,757)
Net cumulative change in fair value	(390,858)	819,131
Subsidiary companies technical reserves	(8,464)	3,492,062
Gain from sale of investments	(2,837,457)	(4,791,743)
Total	33,621,472	30,884,064
Changes in Assets and Liabilities:		
(Increase) in cash and balances at banks due after 3 months	(15,091,678)	(47,954,866)
(Increase) decrease in deposits at banks and financial institutions	(7,030,000)	9,052,186
(Increase) in direct credit facilities	(179,213,714)	(77,445,659)
(Decrease) in trading financial assets	780,645	330,518
Decrease (increase) in other assets	(11,385)	(2,884,189)
Increase (decrease) in banks and financial institutions deposits due after three months	6,858,619	(31,830,422)
Increase in customers deposits	142,788,107	53,559,560
Increase in cash margins	42,240,188	13,098,264
Increase (decrease) in other liabilities	9,271,205	1,368,031
Net Cash from (used in) Operating Activities before Tax		
Staff Indemnities Paid, and Payments for Lawsuits	34,213,459	(51,822,513)
Staff indemnities paid	(243,104)	(399,126)
Provision for legal cases paid	(16,499)	-
Income tax paid	(7,412,291)	(1,743,566)
Net Cash from (used in) Operating Activities	26,541,565	(53,965,205)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in minority interest	999,227	602,908
Net (increase) decrease in available-for-sale investments	(33,965,171)	4,693,632
Collections from held-to-maturity investments	282	7,757
Net (increase) in fixed assets	(2,565,540)	(3,688,118)
Net Cash (used in) from Investing Activities	(35,531,202)	1,616,179
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Decrease) increase in borrowed funds	(1,096,147)	8,072,633
Dividends paid	(7,150,335)	(5,309,504)
Net Cash (used in) from Financing Activities	(8,246,482)	2,763,129
Effect of exchange rate fluctuations on cash and cash equivalents	1,759,066	1,323,533
Net (Decrease) Increase in Cash and Cash Equivalents	(15,477,053)	(48,262,364)
Cash and cash equivalents - beginning of the year	258,786,276	307,048,640
Cash and Cash Equivalents - End of the Year (Note 36)	243,309,223	258,786,276

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS.

NOTES OF THE CONSOLIDATED 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 JD 5 million (USD 7 million), represented by 5 million shares at a par value of one Jordanian Dinar per share (USD 1.41). The Bank's authorized and paid-up capital was gradually increased to JD 31.25 million (USD 44.076 million).

Moreover, the Bank is engaged in banking activities – through its branches in the Hashemite Kingdom of Jordan, its branch in Palestine, 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 allowed by laws, regulations, and prevalent banking practices in the Kingdom.

As of December 31, 2004, the Bank's number of employees in Jordan, abroad, and at subsidiary companies totaled 677, of whom 89 belonged to the subsidiary companies (compared to 617, of whom 75 belonged to the subsidiary companies, as of December 31, 2003).

The consolidated financial statements have been approved by the Bank's Board of Directors in their meeting No. (1/2005) held on January 9, 2005.

2. Basis of Consolidation

The accompanying consolidated financial statements include the financial statements of the following:

- The Bank's branches in Jordan.
- Palestine branch in Nablus .
- Cyprus offshore banking unit in Limassol.
- The subsidiary company, Arab Orient Insurance Co. (a public shareholding company). The Bank owns 64.90% of its JD 2.5 million (USD 3.526 million) paid-up capital as of December 31, 2004.
- The subsidiary company, United Financial Investments PLC. (a public shareholding company). The Bank owns 50.25% of its JD 2 million (USD 2.820 million) paid-up capital as of December 31, 2004.

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

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. The financial statements are presented in Jordanian Dinar.

Upon consolidation of the financial statements, the assets and liabilities denominated in foreign currencies of branches and subsidiaries abroad are translated to Jordanian Dinars according to the Central Bank of Jordan year-end exchange rates whereas revenues and expenses are translated to Jordanian Dinars according to the average exchange rates prevailing during the year. Exchange differences (if any) resulting therefrom are taken to shareholders' equity.

3. Significant Accounting Policies:

- a. The consolidated financial statements have been prepared in accordance with the forms determined by the Central Bank of Jordan, 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 Financial Reporting Standards and related interpretations. However, financial assets and financial liabilities subject to IAS (39) are stated at their fair values at year-end.
- c. Sale and purchase transactions of financial assets are recognized using settlement dates.
- d. Revenue and Expenses Recognition:
Revenue and expenses are accounted for according to the accrual basis except for commission and companies' dividends, which are recognized when realized. Interest and commissions on non-performing loans are 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 relate to the United Financial Investments PLC. (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 year.

- 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.

f. Credit Facilities:

- Credit facilities are stated at cost, net of provisions and interest and commissions in suspense.
- A specific provision for non-performing loans is taken when it is evident to management that these facilities cannot be recovered. The resulting provision is taken to 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 and central banks in which the Bank operates.
- Loans and advances which cannot be recovered are written-off and charged against the provision for loan losses. Furthermore, surplus in the provision – if any – is credited to the statement of income. Recovery of 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 an unlisted financial asset, which does not have a quoted market price, fair value is estimated by comparing it to another financial asset with similar terms and conditions, or by using the discounted cash flow technique. Financial assets, the fair value of which 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 lives and a residual value of JD 1 (USD 1.41).
- 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:

A 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. Moreover, deferred taxes are computed and recorded in accordance with IAS (12), and a provision for income tax is booked, based on the future expected tax liabilities at the end of the year.

j. Assets Seized by the Bank:

Assets seized by the Bank in settlement of debts due from customers are stated at their values when seized. They are included in other assets in accordance with the instructions of the Central Bank of Jordan. Furthermore, a provision is booked, 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.

k. Provision for Staff Indemnity:

A provision for staff indemnity is charged to the statement of income for employees' termination of service. Staff indemnities paid to employees who leave the Bank are booked against the related provision account when paid.

l. 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 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 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.

m- Derivatives:

1. Derivatives held for trading are initially recorded at cost as other assets/liabilities in the balance sheet and subsequently revalued at their fair values. Fair value is determined according to the market price (if available). If no market price is available, it is measured using the discounted cash flow technique, standard modules or internal pricing modules, 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, together with the related hedged asset, and the resultant change in fair value is recognized in the statement of income.

- Cash Flow Hedges

Cash flow hedges meeting hedging conditions are carried at fair value. Moreover, the portion of gain or loss on the hedging instrument determined to be an effective hedge is recognized directly in equity. The ineffective



portion is reported directly in the statement of income.

- Hedges for Net Investments in Foreign Currencies.

Net investment in foreign units meeting the hedging criteria is carried at fair value. Moreover, the portion of gain or loss on the hedging instrument determined to be an effective hedge is recognized directly in equity while the ineffective portion is reported directly in the statement of income.

n -Accounts managed by the Bank for clients are not presented in the assets or liabilities of the Bank.

o- Cash and Cash Equivalents:

Cash and cash equivalents consist of cash on hand and balances held at banks 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, excluding restricted balances.

p- Risk Management:

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

The Committee monitors and controls risk exposures and performs the ultimate strategic allocation for all assets and liabilities, whether on-or 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 40 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 may fail to discharge an obligation and cause the other party to incur a financial loss.

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

4. Cash and Balances at Central Banks:

This item consists of the following:

	2004	2003
Cash in vaults	12,865,632	18,343,719
Balances at central banks:		
Current accounts	21,404,560	5,198,154
Time and notice deposits	2,730,103	14,289,748
Mandatory cash reserve	44,896,551	40,274,205
Certificates of deposit	229,478,138	167,418,900
Total Balances at Central Banks	298,509,352	227,181,007
Total Cash and Balances at Central Banks	311,374,984	245,524,726

Except for the mandatory cash reserve, there are no restricted balances as of December 31, 2004 and 2003.

5. Balances at Banks and Financial Institutions

This item consists of the following:

	2004	2003
Local Banks & Financial Institutions:		
Current accounts	448,945	1,023,662
Deposits due within 3 months	-	7,052,186
	448,945	8,075,848
Banks & Financial Institutions Abroad:		
Current accounts	11,501,906	5,390,111
Deposits due within 3 months	104,839,669	154,130,025
	116,341,575	159,520,136
	116,790,520	167,595,984

- Non-interest bearing balances at banks and financial institutions amounted to USD546,640 (USD425,869 for Jordan only) as of December 31, 2004, compared to USD1,630,573 (USD1,573,654 for Jordan only) as of December 31, 2003.

- Balances restricted to the order of the Director of the Insurance Sector Commission amounted to USD317,348 as of December 31, 2004 and December 31, 2003. These balances belong to the subsidiary company Arab Orient Insurance Company and the restriction was implemented in compliance with the provisions of the Insurance Control Law.

- There were no restricted balances as of December 31, 2004 and December 31, 2003.

6. Deposits at Banks and Financial Institutions

This item consists of the following:

	Local Banks & Financial Institutions		Banks & Financial Institutions Abroad		Total	
	2004	2003	2004	2003	2004	2003
Maturity Period						
From 3 months to 6 months	-	-	25,000	25,000	25,000	25,000
From 6 months to 9 months	-	-	15,300,000	10,270,000	15,300,000	10,270,000
From 9 months to 12 months	-	-	5,000,000	5,000,000	5,000,000	5,000,000
More than a year	-	-	-	-	-	-
Certificates of deposit	-	-	7,000,000	5,000,000	7,000,000	5,000,000
	-	-	27,325,000	20,295,000	27,325,000	20,295,000

Restricted deposits amounted to USD325,000 as of December 31, 2004 against USD 295,000 as of December 31, 2003.

7. Trading Financial Assets

This item consists of the following:

	2004			2003		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Shares	814,398	589,845	1,404,243	1,140,370	498,166	1,638,536
Bonds	-	-	-	-	-	-
	814,398	589,845	1,404,243	1,140,370	498,166	1,638,536

These financial assets relate to the subsidiary company United Financial Investments PLC.

8. Direct Credit Facilities - Net

This item consists of the following:

	2004	2003
Overdraft facilities	117,187,853	114,181,201
Loans and advances	528,937,267	354,086,030
Discounted bills	2,799,938	4,083,927
Credit Cards	1,370,003	670,052
	650,295,061	473,021,210
Interest and commissions in suspense	3,242,853	3,751,045
	647,052,208	469,270,165
Less: Provision for credit facilities	16,963,106	20,451,265
Net Credit Facilities	630,089,102	448,818,900

- The credit facilities are distributed over the following sectors:

	2004	2003
Agriculture	13,760,423	10,926,945
Manufacturing and mining	174,100,801	93,663,008
Construction	20,317,977	14,556,484
General trade	144,924,127	81,197,992
Transport services	25,361,181	33,855,570
Tourism, hotels and restaurants	31,482,535	19,161,643
Public utilities and services	64,603,326	75,754,202
Financial services	37,961,506	10,163,512
Stock purchase	1,644,970	12,417,286
Vehicle financing	12,705,135	22,690,742
Consumables financing	5,343,389	5,327,138
Residence and real estate	33,974,757	28,617,333
Other purposes	84,114,934	64,689,355
	650,295,061	473,021,210

- According to the Central Bank of Jordan's regulations, the non-performing credit facilities, excluding interest and commissions in suspense, amounted to USD8,608,822 for Jordan and abroad, which is equivalent to 1.3% of total credit facilities (USD 7,797,749 for Jordan, which is equivalent to 1.4%) as of December 31, 2004 against USD 17,600,900 for Jordan and abroad, which is equivalent to 3.7% of total credit facilities (USD 16,390,042 for Jordan, which is equivalent to 3.9%) as of December 31, 2003.

- According to the Central Bank of Jordan's regulations, the non-performing credit facilities, including interest and commissions in suspense, amounted to USD 11,817,525 for Jordan and abroad, which is equivalent to 1.8% of total credit facilities (USD 10,541,188 for Jordan, which is equivalent to 1.9%) as of December 31, 2004 against USD 21,297,262 for Jordan and abroad, which is equivalent to 4.5% of total credit facilities (USD 19,657,575 for Jordan, which is equivalent to 4.7%) as of December 31, 2003

- Credit facilities granted to Government amounted to USD 9,633,288, which is equivalent to 1.75% of credit facilities as of December 31, 2004 against USD 6,916,707, which is equivalent to 1.66% of total credit facilities as of December 31, 2003.

- 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 3,533,206 for Jordan and abroad (USD 3,238,388 for Jordan) as of December 31, 2004 against USD 4,735,381 for Jordan and abroad (USD 4,374,897 for Jordan) as of December 31, 2003.

- The fair value of guarantees granted as collateral against credit facilities amounted to USD 298,253,616 for Jordan and abroad (USD 297,683,001 for Jordan) as of December 31, 2004 against USD 256,789,798 for Jordan and abroad (USD 229,568,127 for Jordan) as of December 31, 2003 .

- The movement on the provision for credit facilities was as follows:

	2004			2003		
	Specific Provision	General Provision	Total	Specific Provision	General Provision	Total
Balance - beginning of the year	12,302,279	8,148,986	20,451,265	14,901,801	6,229,797	21,131,598
(Surplus) / provision for the year	(3,961,717)	1,905,229	(2,056,488)	(351,776)	1,919,189	1,567,413
Debts written-off	(1,431,671)	-	(1,431,671)	(2,247,746)	-	(2,247,746)
	6,908,891	10,054,215	16,963,106	12,302,279	8,148,986	20,451,265

- Surplus provisions resulting from debt settlements and repayments amounted to USD 4,676,707 for Jordan and abroad (USD 4,548,377 for Jordan) as of December 31, 2004, against USD 2,842,735 for Jordan and abroad (USD 2,709,131 for Jordan) as of December 31, 2003.

- The movement on interest and commission in suspense was as follows:

	2004	2003
Balance – beginning of the year	3,751,045	3,090,979
Add: Interest and commission in suspense for the year	1,181,216	1,580,862
Less: Interest and commission in suspense settled	790,639	478,315
Interest and commission in suspense written-off	-	-
Interest and commission in suspense written-off	898,769	442,481
Balance - End of the Year	3,242,853	3,751,045

9. Available-for-Sale Financial Assets

The details of this item are as follows:

	2004			2003		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Shares	6,529,150	5,091,307	11,620,457	6,650,408	4,486,894	11,137,302
Bonds	83,234,291	23,777,561	107,011,852	35,722,062	35,583,544	71,305,606
Total	89,763,441	28,868,868	118,632,309	42,372,470	40,070,438	82,442,908

- Some of the available-for-sale financial assets are recorded at cost/amortized cost as their fair values cannot be reliably determined. These assets amounted to USD 30,060,687 for Jordan and abroad (USD 15,236,257 for Jordan) as of December 31, 2004 against USD 39,305,983 for Jordan and abroad (USD 35,918,786 for Jordan) as of December 31, 2003.

Investment in Jordan International Bank is recorded at Cost as per Central Bank of Jordan's guidance.

10. Held-to-Maturity Investments-Net

This item consists of the following:

	2004	2003
Treasury bills	-	-
Governmental bonds or bonds guaranteed by the Government	-	-
Companies bonds and debentures	148,519	148,801
Less: Provision	(148,519)	(148,801)
	-	-

11. Fixed Assets-Net

This item consists of the following:

	2004					
	Land	Buildings	Furniture, Fixtures and Equipment	Vehicles	Others	Total
Balance-beginning of the year	1,829,887	4,679,542	11,964,489	427,203	411,505	19,312,626
Additions	-	-	2,193,959	28,106	42,707	2,264,772
Disposals	-	(18,908)	(230,886)	(5,078)	-	(254,872)
Accumulated depreciation	-	(995,807)	(8,368,333)	(234,221)	(245,051)	(9,843,412)
Down payments on fixed assets purchases	-	-	452,581	-	1,706,563	2,159,144
Balance-End of the Year	1,829,887	3,664,827	6,011,810	216,010	1,915,724	13,638,258

	2003					Total
	Land	Buildings	Furniture, Fixtures and Equipment	Vehicles	Others	
Balance-beginning of the year	1,829,887	4,571,602	11,781,398	363,154	201,701	18,747,742
Additions	-	107,939	1,791,575	64,965	209,804	2,174,283
Disposals	-	-	(1,608,483)	(915)	-	(1,609,398)
Accumulated depreciation	-	(850,494)	(7,095,227)	(234,683)	(165,226)	(8,345,630)
Down payments on fixed assets purchases	-	-	596,274	-	1,279,642	1,875,916
Balance-End of the Year	1,829,887	3,829,047	5,465,537	192,521	1,525,921	12,842,913

- Fixed assets as of December 31, 2004 include an amount of USD 3,307,241, representing fully depreciated fixed assets.

12. Other Assets

This item consists of the following:

	2004	2003
Assets seized by the Bank	4,466,542	5,524,948
Accrued interest	3,688,721	3,555,810
Prepaid expenses	380,846	293,937
Accounts receivable *	6,170,281	6,847,011
Goodwill-net	-	197,897
Unrealized gains of financial derivatives	132,360	93,680
Clearing house checks	13,551,810	13,009,831
Other *	3,224,182	2,382,676
	31,614,742	31,905,790

* Accounts receivable and other assets for Jordan & abroad include balances relating to the subsidiary companies amounting to USD 6,915,360 as of December 31, 2004 (USD 7,127,470 as of December 31, 2003).

13. Deferred Tax Assets

This item consists of the following:

	2004				Deferred Tax Assets as of December 31, 2004
	Beginning Balance as of January 1, 2004	Additions	Amounts Released	Balance End of the Year	
Items Giving Rise to Deferred Tax :					
Prior years' provision for non-performing loans	1,087,872	-	796,554	291,318	72,829
Provision for staff indemnity	2,742,194	884,176	243,104	3,383,266	845,817
Impairment loss in real estate	656,598	-	306,358	350,240	87,560
Impairment loss in electrical equipment	42,525	-	42,525	-	-
Provision for lawsuits against the Bank	211,566	-	-	211,566	52,891
	4,740,755	884,176	1,388,541	4,236,390	1,059,097

	2003				Deferred Tax Assets as of December 31, 2003
	Beginning Balance as of January 1, 2003	Additions	Amounts Released	Balance End of the Year	
Items Giving Rise to Deferred Tax :					
Prior years' provision for non-performing loans	2,306,237	-	1,218,365	1,087,872	271,967
Year 2002 provision for non-performing loans	541,850	-	541,850	-	-
Provision for staff indemnity	2,635,999	488,343	382,148	2,742,194	685,549
Impairment loss in real estate	623,221	90,432	57,055	656,598	164,150
Impairment loss in electrical equipment	126,265	-	83,740	42,525	10,632
Provision for lawsuits against the Bank	98,731	112,835	-	211,566	52,891
	6,332,303	691,610	2,283,158	4,740,755	1,185,189

- The movement on deferred tax assets was as follows:

Description	2004	2003
Beginning balance	1,185,189	1,583,076
Additions during the year	221,044	172,903
Amount amortized during the year	(347,136)	(570,790)
Net change for the year (Note 20)	(126,092)	(397,887)
Ending Balance	1,059,097	1,185,189

- Deferred tax assets of USD1,059,097 as of December 31, 2004 (USD 1,185,189 as of December 31, 2003) resulted from temporary timing differences in taxes paid on provisions in previous years. The amount was calculated by multiplying the balance by the average tax rate of 25% for Jordan.

- During the year 2004, amounts released and additions to deferred tax assets amounted to USD 1,388,541 and USD 884,176, respectively. The related amortization for these balances amounted to USD 126,092 for the year 2004, and is included in the provision for income tax for the year 2004. During the year 2003, amounts released and additions to deferred tax assets amounted to 2,283,158 and USD 691,610, respectively. The related amortization for these balances amounted to USD 397,887 for the year 2003, and is included in the provision for income tax for the year 2003.

- There were no deferred tax liabilities as of December 31, 2004 and December 31, 2003.

14. Banks and Financial Institutions Deposits

This item consists of the following :

	2004			2003		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
Current accounts and demand deposits	927,986	2,322,470	3,250,456	-	1,986,021	1,986,021
Deposits due within: 3 months	16,343,110	100,488,385	116,831,495	18,774,769	83,890,993	102,665,762
Over 3 months and up to 1 year	3,173,484	-	3,173,484	828,264	-	828,264
Certificates of deposit	4,513,399	-	4,513,399	-	-	-
	24,957,979	102,810,855	127,768,834	19,603,033	85,877,014	105,480,047

15. Customers Deposits

This item consists of the following :

	2004	2003
Current accounts and demand deposits	194,430,377	144,106,920
Saving accounts	60,388,265	49,390,039
Time and notice deposits	496,495,023	421,336,238
Certificates of deposit	6,307,640	-
	757,621,305	614,833,197

a. Public sector deposits amounted to USD 109,761,525, which is equivalent to 14.5% of total customers deposits (USD 57,108,955 for the Social Security Corporation) as of December 31, 2004, for Jordan and abroad against USD 132,996,680, which is equivalent to 21.6% of total customers deposits (USD99,507,570 for the Social Security Corporation) as of December 31, 2003.

b. Non-interest bearing deposits amounted to USD 164,883,409 which is equivalent to 21.8% of total customers deposits as of December 31, 2004, for Jordan and abroad (USD 153,226,846, which is equivalent to 20.8% for Jordan) against USD 101,983,577, which is equivalent to 16.6% for Jordan and abroad (USD 100,822,594, which is equivalent to 16.8% for Jordan) as of December 31, 2003.

c. Dormant accounts amounted to USD 6,214,784, as of December 31, 2004, for Jordan and abroad (USD 5,732,116 for Jordan) against USD 6,481,985 for Jordan and abroad (USD 5,866,433 for Jordan) as of December 31, 2003.

d. Restricted deposits amounted to USD 3,664,522, which is equivalent to 0.5% of total customers deposits as of December 31, 2004, for Jordan and abroad (USD 3,627,711 which is equivalent to 0.5% for Jordan) against USD 12,541,040 which is equivalent to 2 % of total customers deposits for Jordan and abroad (USD 12,503,291, which is equivalent to 2.1% for Jordan) as of December 31, 2003.

16. Cash Margins

This item consists of the following:

	2004	2003
Cash margins on direct credit facilities	121,290,718	79,788,895
Cash margins on indirect credit facilities	25,718,021	27,434,704
Marginal deposits	6,776,449	3,196,556
Other	2,159,269	3,284,114
	155,944,457	113,704,269

17. Borrowed Funds

This item consists of the following:

	2004	2003
Jordan Mortgage Refinance Company*	18,355,660	14,104,372
Central banks**	1,684,570	3,121,213
Banks abroad ***	4,292,970	8,203,762
	24,333,200	25,429,347

* On August 27, 2001, the Bank obtained a loan from Jordan Mortgage Refinance Company in the amount of USD 14,104,372 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. On June 3, 2004, the Bank obtained a loan of USD 7,052,186 at an interest rate of 3.7%, the first installment of which matured on September 6, 2004, and the last is due on September 6, 2007.

** This amount represents several loans obtained from the Central Bank of Jordan at an interest rate of 2.5% annually. These loans have various maturity dates, the first of which matured on January 6, 2005, and the last of which is due on May 13, 2005. The purpose of these loans is to encourage Jordanian exports.

*** This amount represents partial financing from Lehman Brothers for purchasing American bonds classified at LIBOR plus 40 basis points. The average interest rate on this portfolio is around 6 %, and financing is for one year subject to renewal.

18. Provisions

This item consists of the following:

	2004			
	Beginning Balance	Additions (Recovery)	Disposals	Ending Balance
Provision for staff indemnity	2,816,256	905,573	243,104	3,478,725
Provision for lawsuits against the Bank	301,834	(73,769)	16,499	211,566
Other provisions *	7,694,402	-	8,465	7,685,937
	10,812,492	831,804	268,068	11,376,228

* This item represents technical reserves relating to the subsidiary company Arab Orient Insurance Company as of December 31, 2004.

	2003			
	Beginning Balance	Additions (Recovery)	Disposals	Ending Balance
Provision for staff indemnity	2,713,763	501,619	399,126	2,816,256
Provision for lawsuits against the Bank	211,566	90,268	-	301,834
Other provisions *	4,202,340	3,492,062	-	7,694,402
	7,127,669	4,083,949	399,126	10,812,492

* This item represents technical reserves relating to the subsidiary company Arab Orient Insurance Company as of December 31, 2003.

19. Other Liabilities

This item consists of the following:

	2004	2003
Cash margins and accepted checks	10,558,962	8,782,994
Unearned interest and commissions	7,282,185	8,431,323
Accrued interest payable	4,535,076	6,103,348
Temporary cash margins	690,255	408,179
Shareholders cash margins	5,344	3,894
Proposed dividends	656,481	754,629
Accepted and certified checks	9,524,992	2,116,743
Amounts in transit	1,405,298	1,864,714
Deposits on safe deposit boxes	76,008	73,244
Deposits on real-estate disposed of	260,212	259,612
Unrealized losses on financial derivatives	330,347	93,680
Other liabilities *	10,256,338	6,559,046
	45,581,498	35,451,406

* This item includes the accounts payable of subsidiary companies amounting to USD 4,996,962 as of December 31, 2004 (USD 3,234,724 as of December 31, 2003).

20. Provision for Income Tax

This item consists of the following:

	2004	2003
Beginning balance	6,841,887	1,005,427
Income tax paid	(7,216,529)	(1,502,406)
Down payment	(195,762)	(241,159)
Income tax for the year	11,424,082	7,580,025
Ending Balance	10,853,678	6,841,887

- Income tax for the year consists of the following:

	2004	2003
Income tax for the year	11,011,926	7,077,549
Accrued income tax - prior years	412,155	502,477
Net deferred tax asset amortization (Note 13)	126,092	397,887
	11,550,173	7,977,913

A final settlement with the income tax authorities has been reached for Jordan branches up to the year 2003. The tax returns for Nablus and Cyprus branches have been submitted but no final tax settlement has been reached yet.

21. Minority Interest

This item represents the minority interest's share in the net assets and results of operations of the subsidiary companies as of December 31, 2004 and December 31, 2003.

22. Paid-up Capital and Share Premium Reserve

Paid-up capital amounted to USD 44,076,164 and is distributed over 31,250,000 shares at a par value of USD 1.41 per share after capitalizing USD 8,815,233 during the year 2004 according to the approval of the Ministry of Trade and Industry dated February 24, 2004. This was achieved through the inclusion of USD 7,200,794, representing the balance of retained earnings brought forward from the year 2001 as well as an amount of USD 1,543,917 from the year 2002 profits in addition to the share premium balance of USD 70,522 as of December 31, 2003.

23. Voluntary Reserve

The voluntary reserve amounted to USD 25,775,523 as of December 31, 2004 (USD 18,221,592 as of December 31, 2003).

24 Cumulative Change in Fair Value

This item consists of the following:

	2004		
	Shares	Bonds	Total
Beginning balance	1,423,910	755,581	2,179,491
Unrealized net profits / (losses)	1,033,990	(222,202)	811,788
Less: realized net (profit) / loss- transferred to income statement	(528,635)	(674,011)	(1,202,646)
Ending Balance	1,929,265	(140,632)	1,788,633

	2003		
	Shares	Bonds	Total
Beginning balance	469,883	890,477	1,360,360
Unrealized net profits / (losses)	1,040,583	663,571	1,704,154
Less: realized net (profit)/ loss- transferred to income statement	(86,556)	(798,467)	(885,023)
Ending Balance	1,423,910	755,581	2,179,491

25 Retained Earnings

The movement on this account has been as follows:

	2004	2003
Beginning balance	13,824,300	10,036,876
The effect of implementing IAS 39 on available-for-sale financial assets	(66,876)	(161,992)
Transferred to paid-up capital	(8,744,711)	-
Other retained earnings	5,116,317	3,949,416
Ending Balance	10,129,030	13,824,300

26 Proposed Dividends

The percentage of proposed dividends for the year 2004 is 20% of paid-up capital following the approval of the General Assembly of Shareholders (against 20% from paid-up capital for the year 2003 payable starting March 14, 2004 following the approval of the General Assembly of Shareholders in their ordinary meeting held on February 15, 2004).

The Board of Directors decided to recommend to the General Assembly of Shareholders to increase the Bank's capital by 28% (JD 8.75 million) which is equivalent to USD 12.341 million, through capitalization from net income and reserves.

The General Assembly of Shareholders resolved in their extra ordinary meeting dated February 15, 2004 to increase the Bank's capital by 25% (JD 6.25 million) which is equivalent to USD 8,815,233, through adding USD 7,200,794 representing the retained earnings balance as of December 31, 2001, the share premium reserve of USD 70,522, and an amount of USD 1,543,917 taken from retained earnings for the year 2002, according to item (2) article (113) of the Companies Law No (22) for the year 1997 and its amendments.

The Bank obtained the related approval from the Ministry of Trade and Industry on February 24, 2004.

27. Interest Income

This item consists of the following:

	2004	2003
Direct credit facilities:		
Bills	312,522	471,175
Overdrafts	9,055,333	8,048,615
Loans and advances	29,974,695	22,725,489
Credit cards	149,364	89,169
Balances at central banks	4,814,547	4,879,858
Balances and deposits at banks & financial institutions	9,558,178	7,542,788
Available-for-sale financial assets	4,420,257	5,179,810
Margins	1,160,123	852,023
	59,445,019	49,788,927

28. Interest Expense

This item consists of the following:

	2004	2003
Deposits at banks and financial institutions	3,988,052	2,434,157
Customers deposits:		
Current and demand deposits	644,687	453,031
Saving accounts	600,051	610,705
Time and notice deposits	9,279,502	10,060,306
Certificates of deposit	86,289	271,702
Cash margins	2,568,058	2,751,298
Borrowed funds	1,048,295	1,056,915
Loan guarantee fees	1,004,100	885,767
Margins	2,059,522	1,065,874
	21,278,556	19,589,755

29. Commission Income - Net

This item consists of the following:

	2004	2003
Direct credit facilities	2,998,224	2,004,086
Indirect credit facilities	4,079,366	3,422,365
Other commissions	48,348	58,714
	7,125,938	5,485,165

30. Income from Financial Assets and Instruments

This item consists of the following:

	2004	2003
Income from trading in financial assets	546,351	677,774
Income from the sale of available-for-sale investments	2,291,106	4,191,544
Dividend income	348,877	209,351
	3,186,334	5,078,669

31. Other Operating Income

This item consists of the following:

	2004	2003
Rental of safe deposit boxes	48,017	46,513
Stamp income	75,525	67,327
Foreign currencies differences	2,835,006	2,305,561
Credit card income	673,752	486,219
Recovery of debts previously written-off	407,351	520,089
Trading in shares and bonds revenue	1,611,953	1,286,642
Other income	5,526,258	3,885,542
	11,177,862	8,597,893

32. Employees Expenses

This item consists of the following:

	2004	2003
Salaries, bonuses and employees' benefits	10,811,694	8,637,968
Bank's share in social security	713,168	647,071
Employees life insurance	50,982	51,226
Medical expenses	329,416	363,202
Staff training expenses	63,942	26,750
Travel expenses	300,496	204,636
Value added tax	26,298	26,661
	12,295,996	9,957,514

33. Other Operating Expenses

This item consists of the following:

	2004	2003
Rent	560,405	535,701
Stationery	290,597	271,415
Advertisements	925,182	551,364
Subscriptions	93,702	78,255
Telecommunication expenses	610,309	566,753
Maintenance and repair	924,907	873,326
Insurance expenses	503,396	370,172
Legal fees	124,760	99,295
Water, electricity and heating	344,937	322,296
Fees, taxes and stamps	547,158	252,640
Professional fees	78,502	71,361
Visa services expenses	210,903	132,010
Hospitality	59,092	63,646
Goodwill amortization – net	209,714	168,296
Other expenses	2,241,320	1,630,314
	7,724,884	5,986,844

34. Non - Operating Revenues (Expenses)

This item consists of the following:

	2004	2003
(Losses) gains on the sale of assets	(23,137)	(922)
Gain on the sale of assets seized by the Bank	328,137	454,717
Impairment loss of assets	-	(90,432)
Donations	(129,292)	(121,123)
Rental of real estate	191,240	95,608
	366,948	337,848

35. Earnings Per Share

Earnings per share has been computed by dividing the net income for the year by the weighted average number of shares as of December 31, 2004, and December 31, 2003, as follows:

	2004	2003
Net income for the year	25,262,446	19,378,622
Weighted average number of shares	31,250,000	31,250,000
Earnings Per Share	0.81	0.62

The weighted average number of shares for the year 2003 has been calculated based on 31,250,000 share instead of 25,000,000 share as the increase represents bonus stocks .

36. Cash and Cash Equivalents

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

	2004	2003
Cash and balances at central banks	246,918,002	196,159,423
Add: Balances at banks and financial institutions due within 3 months	116,473,172	167,278,636
Less: Banks and financial institutions deposits due within 3 months	120,081,951	104,651,783
	243,309,223	258,786,276

37. Fair Value of Financial Instruments

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

	2004			2003		
	Book Value	Fair Value	Difference	Book Value	Fair Value	Difference
Financial Assets						
Cash and balances at central banks*	311,374,984	311,374,984	-	245,524,726	245,524,726	-
Balances at banks and financial institutions*	116,790,520	116,790,520	-	167,595,984	167,595,984	-
Deposits at banks and financial institutions*	27,325,000	27,325,000	-	20,295,000	20,295,000	-
Held-to-maturity investments - net	-	-	-	-	-	-
Available-for-sale financial assets**	30,060,687	30,060,687	-	39,305,983	39,305,983	-
Financial Liabilities						
Banks and financial institutions deposits*	127,768,834	127,768,834	-	105,480,047	105,480,047	-
Customers deposits*	757,621,305	757,621,305	-	614,833,197	614,833,197	-
Cash margins*	155,944,457	155,944,457	-	113,704,269	113,704,269	-
Borrowed funds*	24,333,200	24,333,200	-	25,429,347	25,429,347	-

* As they do not include accrued interest.

** As the fair value of some can not be reliably measured.

38. Interest Rate Risk

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

	2004							Weighted Interest Rate
	Subject to Interest Rate Risk					Non-Interest Bearing	Total	
	Up to 3 Months	More than 3 Months Up to 6 Months	More than 6 Months Up to 1 Year	From 1 Year Up to 3 Years	More than 3 Years			
Assets								
Cash in vaults	-	-	-	-	-	12,865,632	12,865,632	
Mandatory cash reserve at Central Bank	-	-	-	-	-	44,896,551	44,896,551	
Balances at central banks	167,483,616	64,456,982	-	-	-	21,672,203	253,612,801	2.62
Balances and deposits at banks and financial institutions	116,243,880	7,025,000	20,300,000	-	-	546,640	144,115,520	4.53
Credit facilities	208,482,339	115,650,757	82,933,049	156,302,422	66,720,535	-	630,089,102	7.21
Investments	11,750,000	5,692,474	900,000	35,700,729	52,968,649	13,024,700	120,036,552	6.52
Deferred tax assets	-	-	-	-	-	1,059,097	1,059,097	
Other assets	337,969	80,145	337,195	368,216	83,649	30,407,568	31,614,742	
Fixed assets	-	-	-	-	-	13,638,258	13,638,258	
Total Assets	504,297,804	192,905,358	104,470,244	192,371,367	119,772,833	138,110,649	1,251,928,255	
Liabilities								
Customers' deposits	540,524,419	20,744,591	25,862,942	5,605,944	-	164,883,409	757,621,305	1.68
Banks and financial institutions deposits	118,315,958	3,173,484	-	4,513,399	-	1,765,993	127,768,834	2.05
Cash margins	67,463,790	20,787,463	8,607,849	38,330,258	-	20,755,097	155,944,457	2.36
Borrowed funds	7,180,854	559,732	1,763,047	14,829,567	-	-	24,333,200	5.37
Other liabilities	121,532	331,697	-	-	-	45,128,269	45,581,498	
Provisions	-	-	-	-	-	22,229,906	22,229,906	
Total Liabilities	733,606,553	45,596,967	36,233,838	63,279,168	-	254,762,674	1,133,479,200	
Minority interest	-	-	-	-	-	4,955,252	4,955,252	
Shareholders' equity	-	-	-	-	-	113,493,803	113,493,803	
Total Liabilities, Minority Interest and Shareholders' Equity	733,606,553	45,596,967	36,233,838	63,279,168	-	373,211,729	1,251,928,255	
Sensitivity difference of balance sheet items	(229,308,749)	147,308,391	68,236,406	129,092,199	119,772,833	(235,101,080)	-	
Sensitivity difference of off-balance sheet items	-	54,830,808	95,681,869	-	-	-	150,512,677	
Cumulative Sensitivity Difference	(229,308,749)	(27,169,550)	136,748,725	265,840,924	385,613,757	150,512,677	-	

	2003							Weighted Interest Rate
	Subject to Interest Rate Risk					Non-Interest Bearing	Total	
	Up to 3 Months	More than 3 Months Up to 6 Months	More than 6 Months Up to 1 Year	From 1 Year Up to 3 Years	More than 3 Years			
Assets								
Cash in vaults	-	-	-	-	-	18,343,719	18,343,719	
Mandatory cash reserve at Central Bank	-	-	-	-	-	40,274,205	40,274,205	
Balances at central banks	132,866,282	49,365,303	-	-	-	4,675,217	186,906,802	2.55
Balances and deposits at banks and financial institutions	165,965,412	25,000	20,270,000	-	-	1,630,572	187,890,984	4.48
Credit facilities	91,096,109	73,991,999	88,266,316	119,932,738	75,531,738	-	448,818,900	7.70
Investments	2,060,000	6,980,000	7,134,556	11,991,542	43,139,509	12,775,837	84,081,444	6.67
Deferred tax assets	-	-	-	-	-	1,185,189	1,185,189	
Other assets	101,257	121,415	183,315	415,202	668,742	30,415,859	31,905,790	
Fixed assets	-	-	-	-	-	12,842,913	12,842,913	
Total Assets	392,089,060	130,483,717	-	132,339,482	119,339,989	122,143,511	1,012,249,946	
Liabilities								
Customers' deposits	483,911,310	15,271,178	11,911,038	1,756,094	-	101,983,577	614,833,197	2.27
Banks and financial institutions deposits	102,783,904	828,264	-	-	-	1,867,879	105,480,047	2.77
Cash margins	77,324,903	2,988,906	13,674,474	239,299	-	19,476,687	113,704,269	2.42
Borrowed funds	9,275,313	2,049,661	1,763,047	3,526,093	8,815,233	-	25,429,347	5.52
Other liabilities	177,080	26,131	954,209	34,889	-	34,259,097	35,451,406	
Provisions	-	-	-	-	-	17,654,379	17,654,379	
Total Liabilities	673,472,510	21,164,140	28,302,768	5,556,375	8,815,233	175,241,619	912,552,645	
Minority interest	-	-	-	-	-	3,956,025	3,956,025	
Shareholders' equity	-	-	-	-	-	95,741,276	95,741,276	
Total Liabilities, Minority Interest and Shareholders' Equity	673,472,510	21,164,140	28,302,768	5,556,375	8,815,233	274,938,920	1,012,249,946	
Sensitivity difference of balance sheet items	(281,383,450)	109,319,577	87,551,419	126,783,107	110,524,756	(152,795,409)	-	
Sensitivity difference of off-balance sheet items	-	42,564,883	86,419,606	-	-	-	128,984,489	
Cumulative Sensitivity Difference	(281,383,450)	(129,498,990)	44,472,035	171,255,142	281,779,898	128,984,489	-	

39. Liquidity Risk

The table herebelow illustrates the maturities of assets and liabilities

	2004							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 1 Year	From 1 Year Up to 3 Years	More than 3 Years	Without Maturity Dates	
Assets								
Cash in vaults	12,865,632	-	-	-	-	-	-	12,865,632
Mandatory cash reserve at Central Bank	44,896,551	-	-	-	-	-	-	44,896,551
Balances at central banks	115,813,083	73,342,736	64,456,982	-	-	-	-	253,612,801
Balances and deposits at banks and financial institutions	116,418,915	371,605	2,025,000	25,300,000	-	-	-	144,115,520
Credit facilities	57,127,619	151,354,719	85,824,461	91,535,271	166,109,790	78,137,242	-	630,089,102
Investments	-	-	3,363,724	5,900,000	38,450,729	59,297,399	13,024,700	120,036,552
Deferred tax assets	-	-	-	-	1,059,097	-	-	1,059,097
Other assets	17,704,030	587,086	1,143,619	1,350,908	1,780,244	234,082	8,814,773	31,614,742
Fixed assets	-	-	-	-	-	-	13,638,258	13,638,258
Total Assets	364,825,830	225,656,146	156,813,786	124,086,179	207,399,860	137,668,723	35,477,731	1,251,928,255
Liabilities								
Customers' deposits	564,005,570	141,402,258	20,744,591	25,862,942	5,605,944	-	-	757,621,305
Banks and financial institutions deposits	106,091,974	13,989,977	3,173,484	-	4,513,399	-	-	127,768,834
Cash margins	48,372,229	31,824,752	21,854,712	15,562,506	38,330,258	-	-	155,944,457
Borrowed funds	580,946	1,136,274	1,152,116	592,384	13,672,378	7,199,102	-	24,333,200
Other liabilities	1,746,127	3,641,774	1,908,753	2,541,865	2,198,563	1,768,711	31,775,705	45,581,498
Provisions	10,853,678	-	-	-	-	-	11,376,228	22,229,906
Total Liabilities	731,650,524	191,995,035	48,833,656	44,559,697	64,320,542	8,967,813	43,151,933	1,133,479,200
Minority interest	-	-	-	-	-	-	4,955,252	4,955,252
Shareholders' equity	-	-	-	-	-	-	113,493,803	113,493,803
Total Liabilities, Minority Interest and Shareholders' Equity	731,650,524	191,995,035	48,833,656	44,559,697	64,320,542	8,967,813	161,600,988	1,251,928,255
Gap per category	(366,824,694)	33,661,111	107,980,130	79,526,482	143,079,318	128,700,910	(126,123,257)	-
Cumulative Gap	(366,824,694)	(333,163,583)	(225,183,453)	(145,656,971)	(2,577,653)	126,123,257	-	-

	2003							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 1 Year	From 1 Year Up to 3 Years	More than 3 Years	Without Maturity Dates	
Assets								
Cash in vaults	18,343,719	-	-	-	-	-	-	18,343,719
Mandatory cash reserve at Central Bank	40,274,205	-	-	-	-	-	-	40,274,205
Balances at central banks	75,905,392	61,636,107	49,365,303	-	-	-	-	186,906,802
Balances and deposits at banks and financial institutions	167,595,984	-	25,000	20,270,000	-	-	-	187,890,984
Credit facilities	28,609,300	62,486,808	73,991,999	88,266,316	119,932,738	75,531,739	-	448,818,900
Investments	-	-	-	4,194,555	23,971,542	43,139,509	12,775,838	84,081,444
Deferred tax assets	-	-	-	-	1,185,189	-	-	1,185,189
Other assets	11,235,670	1,199,401	1,117,715	1,669,663	1,800,928	237,365	14,645,048	31,905,790
Fixed assets	-	-	-	-	-	-	12,842,913	12,842,913
Total Assets	341,964,270	125,322,316	124,500,017	114,400,534	146,890,397	118,908,613	40,263,799	1,012,249,946
Liabilities								
Customers' deposits	447,663,560	138,226,148	15,271,178	11,911,038	1,761,273	-	-	614,833,197
Banks and financial institutions deposits	99,087,340	5,564,443	828,264	-	-	-	-	105,480,047
Cash margins	39,424,609	25,257,666	2,988,906	13,674,474	239,299	32,119,315	-	113,704,269
Borrowed funds	326,234	745,317	2,049,661	1,763,047	3,526,093	17,018,995	-	25,429,347
Other liabilities	899,781	2,632,224	1,549,271	4,146,381	1,777,746	1,402,103	23,043,900	35,451,406
Provisions	6,841,887	-	-	-	-	-	10,812,492	17,654,379
Total Liabilities	594,243,411	172,425,798	22,687,280	31,494,940	7,304,411	50,540,413	33,856,392	912,552,645
Minority interest	-	-	-	-	-	-	3,956,025	3,956,025
Shareholders' equity	-	-	-	-	-	-	95,741,276	95,741,276
Total Liabilities, Minority Interest and Shareholders' Equity	594,243,411	172,425,798	22,687,280	31,494,940	7,304,411	50,540,413	133,553,693	1,012,249,946
Gap per category	(252,279,141)	(47,103,482)	101,812,737	82,905,594	139,585,986	68,368,200	(93,289,894)	-
Cumulative Gap	(252,279,141)	(299,382,623)	(197,569,886)	(114,664,292)	24,921,694	93,289,894	-	-

40. Foreign Currencies Risk

The table herebelow shows the balances of foreign currencies:

	2004		2003	
	Amount	Equivalent in USD	Amount	Equivalent in USD
US Dollar	19,716,399	19,716,399	6,085,866	6,085,866
Pound Sterling	983,570	1,884,007	1,114,042	1,845,561
Euro	210,479	286,489	1,356,558	1,554,090
Swiss Franc	11,967	10,557	21,981	17,807
Japanese Yen	8,656,699	83,485	(68,112)	(639)
Other currencies *	-	3,001,615	-	2,516,047

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

41. Financial Derivatives

The following schedule illustrates the positive and negative fair values of financial derivatives, in addition to their maturity dates, as of December 31, 2004 and December 31, 2003:

	Positive Fair Value	Negative Fair Value	Total Par Value	Maturities of Par Value			
				Within 3 Months	From 3 Months up to One Year	From One Year up to 3 Years	More than 3 Years
As of December 31, 2004							
Financial derivatives for trading purposes:							
Foreign currencies forward contracts (selling)	-	(330,347)	(57,724,057)	(57,724,057)	-	-	-
Bonds forward contracts (selling)	-	-	(11,192,188)	(11,192,188)	-	-	-
	-	(330,347)	(68,916,245)	(68,916,245)	-	-	-
Foreign currencies forward contracts (purchasing)	107,360	-	57,501,069	57,501,069	-	-	-
Bonds forward contracts (purchasing)	25,000	-	11,217,188	11,217,188	-	-	-
	132,360	-	68,718,257	68,718,257	-	-	-
Total	132,360	(330,347)	(197,988)	(197,988)	-	-	-
As of December 31, 2004							
Financial derivatives for cash flow purposes:							
Foreign currencies forward contracts (selling)	-	-	-	-	-	-	-
Foreign currencies forward contracts (purchasing)	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

	Positive Fair Value	Negative Fair Value	Total Par Value	Maturities of Par Value			
				Within 3 Months	From 3 Months up to One Year	From One Year up to 3 Years	More than 3 Years
As of December 31, 2003							
Financial derivatives for trading purposes:							
Foreign currencies forward contracts (selling)	-	(93,680)	(28,242,320)	(28,242,320)	-	-	-
	-	(93,680)	(28,242,320)	(28,242,320)	-	-	-
Foreign currencies forward contracts (purchasing)	93,680	-	28,242,320	28,242,320	-	-	-
	93,680	-	28,242,320	28,242,320	-	-	-
Total	93,680	(93,680)	-	-	-	-	-
As of December 31, 2003							
Financial derivatives for cash flow purposes:							
Foreign currencies forward contracts (selling)	-	-	-	-	-	-	-
Foreign currencies forward contracts (purchasing)	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

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

The geographical distribution of assets, liabilities and off - balance sheet items:

	2004			2003		
	Assets	Liabilities	Off-Balance Sheet Items	Assets	Liabilities	Off-Balance Sheet Items
A. According to Geographical Areas						
- Within the Kingdom	1,027,303,596	1,137,715,464	309,889,833	719,087,738	936,845,900	308,129,195
- Other Arab countries	86,997,584	95,901,179	10,480,279	126,144,860	48,491,056	25,048,920
- Asia *	1,899,958	810,233	16,269,394	2,458,395	671,601	27,305,762
- Europe	118,114,329	13,985,563	37,111,368	139,416,357	15,530,279	28,778,144
- Africa *	-	1,185	326,059	-	-	22,903,058
- America	14,292,265	3,514,017	7,391,090	19,979,599	10,711,110	13,697,764
- Other countries	3,320,523	614	-	5,162,997	-	-
	1,251,928,255	1,251,928,255	381,468,023	1,012,249,946	1,012,249,946	425,862,843
B. According to Sectors						
- Personal accounts	218,925,055	481,873,613	78,700,652	101,268,904	427,371,489	165,537,611
- Companies accounts	434,665,114	470,931,004	274,607,066	389,030,276	343,106,494	213,883,209
- Other	598,338,086	299,123,638	28,160,305	521,950,766	241,771,963	46,442,023
	1,251,928,255	1,251,928,255	381,468,023	1,012,249,946	1,012,249,946	425,862,843

* Excluding Arab countries.

43. Transactions with Related Parties

	2004	2003
On-Balance Sheet Items:		
Credit facilities	29,710,091	3,406,299
Deposits	75,698,605	102,039,709
Cash margins	20,350,000	-
Off-Balance Sheet Items:		
Letters of guarantee	9,168	1,410
Statement of Income:		
Interest & commission received	637,146	59,948
Interest & commission paid	1,785,394	2,853,307

44. Commitments and Contingent Liabilities

	2004	2003
Letters of credit	37,572,964	65,606,681
Acceptances	21,833,984	43,404,357
Letters of guarantee:		
Payments	49,299,656	66,593,361
Performance bonds	36,012,570	39,237,254
Other	79,745,907	82,036,701
Unutilized credit facilities	157,002,942	128,984,489
	381,468,023	425,862,843

45. Capital Adequacy

Capital adequacy ratio is calculated according to the instructions of the Central Bank of Jordan based on Basel Committee's decisions. Market risk has been included for the purposes of calculating this ratio during the year 2004. The following table shows the capital adequacy ratio in comparison with that of the year 2003:

	2004	2003
	Thousand USDs	Thousand USDs
Regulatory capital	114,769	96,690
Primary capital	106,638	88,874
Regulatory capital to risk-weighted assets ratio	15.57%	15.60%
Primary capital to risk-weighted assets ratio	14.47%	14.34%

46. Lawsuits Against the Bank

The Bank is a defendant in lawsuits amounting to USD 2,580,470 as of December 31, 2004, compared to USD 2,617,794 as of December 31, 2003. According to the Bank's management, the existing provision of USD 211,566 as of December 31, 2004 is sufficient to cover any resultant losses. As of December 31, 2004, there were no lawsuits against the subsidiary company United Company for Financial Investments whereas this company was a defendant in lawsuits totaling USD 90,268 as of December 31, 2003. These lawsuits were fully provided for. Furthermore, there were lawsuits against the subsidiary company Arab Orient Company in relation to various accidents. The total of the lawsuits with specified values at courts amounted to USD 803,928 as of December 31, 2004 (USD 981,065 as of December 31, 2003). In the opinion of the management, no liabilities exceeding the provisions within the net claims provisions are likely to arise.

47. Comparative Figures

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



R E S T A R T



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