JORDAN KUWAIT BANK

27 th ANNUAL REPORT 2003

our new logo

Aqaba Special Economic Zone ...

A perfect balance for global business opportunities

His Majesty King Abdulla II gives special attention and expresses direct interest in the Aqaba Zone. In order to realize the vision of His Majesty on the zone's future, which holds immense potential and capabilities, highest priority was given to transform it into a special economic zone.

The transformation aims at developing the zone to become a regional centre for investment and a trade hub for accommodating and dealing with all transport means.

Situated at one of the most breathtaking spots on earth, on the crossroads between three continents and four countries. It is the Aqaba Special Economic Zone (ASEZ), a vision of a city at the heart of a region of tremendous potential.

The existing deep-water port handles a wide variety of ships including dry-bulk, container, cruise, and passenger ships. An international airport services the city of Aqaba and can accommodate all classes of commercial aircraft. Land is readily available offering developers attractive opportunities in areas such as technology, parks, tourism development, residential complexes, logistics and warehousing, commercial centers and industrial estates. In addition, the zone offers one of the region's most skilled, productive and competitively paid workforce.

Jordan boasts free trade agreements with the US, EU, and several Arab countries. It is also a member of the WTO, all of which offer investors a springboard to regional and international markets.

In realization of the vision and directives of his Majesty King Abdulla II, the Aqaba Special Economic Zone was established to be one of the most vital projects aiming at attracting investments to Jordan.

Out of its belief in the role of banks and their contribution in supporting the Jordanian economy and enhancing the development and investment drive, Jordan Kuwait Bank is pleased to present to its customers, business partners and investors here and abroad a booklet on the business climate of the Aqaba Special Economic Zone, along with the Bank's 2003 annual report).

Jordan Kuwait Bank stands fully ready to provide a unique package of distinguishing financial, investment and banking services and products to the companies and institutions investing, or seeking to invest and looking for new opportunities and projects in this vital zone.

VISION

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

Mission

“ We are a Jordanian banking institution which offer global services assured with high quality and professionalism by taking full advantage of the Bank’s advanced technological capabilities and its staff efficiency to render qualified services to customers. JKB seeks to diversifyits 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.’

Our New Logo

In mid 2003, the Bank launched a new logo to symbolize its newfangled image of strength, vitality and modernity.

The new logo comes to epitomize the set of high values adopted and the wealth of achievements accomplished by the Bank throughout the past few years. It also reaches out for sharper dimensions of growth and prosperity.

The inside pages of this report illustrate the concept behind the new logo and its implementation in a graphical representation.

Contents

البنك الأردني الكويتي

JORDAN KUWAIT BANK

Public Shareholding Ltd. Company
Established 25/10/1976
Commercial Register Number 108
Paid-up Capital JD 31.250 Million (US$ 44.076 Million)*

* On February 15, 2004, the General Assembly of Shareholders approved the Board of Directors' recommendation to raise the Bank's capital from JD 25 million to JD 31.250 million (US$ 44.076 million) through the capitalization of JD 6.250 million from retained earnings and premium reserve and distribute them to shareholders at the rate of one share for every four shares held.

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

- **Saba & Co.**
  Deloitte & Touche

With sights that are always high,
we have a clear vision of reality
and future as we seek to go
beyond what we have already mastered.

CHAIRMAN'S MESSAGE

We take our business seriously in focusing on minute details to ensure the highest quality and best performance.

On behalf of the Board of Directors, I am pleased to present the 27th annual report of Jordan Kuwait Bank including the consolidated financial statements and the achievements for the year ended December 31, 2003.

We functioned through extraordinary and difficult circumstances during 2003 as the events in Iraq reverberated and overshadowed the local Jordanian scene causing a wave of unprecedented uncertainty over the political, economic, and social climate. The repercussions from these conditions were, however, contained and overcome through safeguarding the internal affairs of the country and adopting a wise, prudent, and insightful approach by His Majesty King Abdullah II with the support of all official and public sectors.

By avoiding any direct involvement in the tensioned situation on its western and eastern borders, Jordan focused on preserving the country's stability, protecting the accomplishments and forging ahead with economic development within the maximum scope possible under such circumstances. Nonetheless, the war on Iraq brought to an end the Kingdom's official trade relationship with Baghdad whereas the conditions in Palestine continued to deteriorate.

While recalling the remarks about Iraq at our General Assembly meeting last year, we still look with all confidence to the bright spot amid the gloomy events. Moreover, we see great opportunities that can be developed and taken advantage of for enhancing our national economy and supporting the drive towards growth and prosperity.

2003 culminated our three-year strategic plan (2001-2003) by achieving, and in several instances, significantly exceeding most of its objectives with highest performance and growth rates. As such, the Bank has become an example in terms of its performance and vitality as well as its capability to grow and develop even in difficult circumstances.

Strenuous efforts were exerted in 2003 to weather the negative regional effects and to take advantage of all available opportunities in light of our clear strategy and our ability to minimize and diversify business risks. Relying on the Bank's sound financial position and on our well-known professional commitment, we strived during these troubling times to stand by our customers and to provide them with a package of products, services, and comprehensive solutions. This stance underlined the Bank's image as friendly and trustworthy to be "More Than Just a Bank". The Bank's 2003 results confirmed its capability to overcome adverse conditions and achieve growth rates that surpass expectations as it managed to maintain a steady trend of profitability growth over seven consecutive years, not witnessed in the Jordanian banking sector for decades.

Total assets as of December 31, 2003 reached $1.012 billion, a 14.8 per cent or $130.6 million increase over the total at the end of 2002. Net credit facilities amounted to $448.8 million, a 20.3 per cent growth over the $372.9 million in 2002. Non-performing loans declined further in 2003 to represent only 3.8 per cent of the gross direct credits, noting that this rate is the best achieved by the Bank since it was established, and also one of the best ratios compared to banks operating in Jordan and the internationally-accepted standards. Among other significant indicators, total customer deposits and cash collateral increased by 10 per cent to $728.5 million as of December 31, 2003.

Net profit after tax, fees, and provisions amounted to $19.38 million, 36.2 per cent, or $5.16 million higher than the net profit posted at the end of 2002. By raising the shareholders' equity to $95.74 million at the end of 2003, we have been successful in strengthening our capital base and, thereby, attaining one of our most important strategic targets. Accordingly, we will be able to respond easily to the Central Bank's decision requiring all banks to raise their minimum capital to JD40 million ($56.4 million) by the end of 2007.

The solid and steady growth in the performance, efficiency, and operational indicators, as set by the Bank over the previous years, attests over and again to the competence, soundness, and prudence of the administrative approach and policies governing the Bank's functions. In this respect, all the indicators and financial ratios retained their advanced rankings within the best international criteria and atop the levels recorded by most banks in Jordan. Substantiating this status for the third consecutive year, the Bank was given a higher rating by the international rating agency Capital Intelligence which raised the Bank's rating to BBB in the third quarter of 2003. Besides placing the Bank among the three highest-rated banks in Jordan, this new higher rating represents another distinction mark and gives international recognition of the Bank's financial position, the quality of its credit portfolio, the strength of its capital base and the continuous growth in its operating and net profits.

Capitalizing on its reputation, reliability, experience, and credibility in addition to the quality and diversified financial resources, the Bank participated last year in large banking transactions that constituted a real test of the Bank's capability to utilize its resources and translate its success over the past seven years into practical and active implementation.

Mainly contributing to the Bank's outstanding results that surpassed expectations, were direct and indirect credit facilities to a wide base of large and corporate customers, especially in the wholesale sector. The Bank participated actively in various syndications arranged by large local and international banks. Our success in attracting distinctive groups of large local and foreign businesses and economic entities is due to our continuous endeavors to develop and modernize our operations. Our balanced and prudent policies as well as our commitment to transparency and to the highest standards of control and corporate governance were also behind this success. A portion of our achievements can be attributed to problematic situations faced by some local banks for reasons of their own.

Within our drive to upgrade the quality of our products, services and distribution channels, we have introduced new sets of electronic products and services besides developing existing products. By adding the distinguished products and services delivered by our subsidiaries (Arab Orient Insurance Company) and (United Financial Investments Company), the customers of the Bank and investors from the commercial and industrial sectors can benefit from a unique package of comprehensive banking and business-related solutions. Such an integrated range of products and services should deepen the conviction that the Bank is really the businessmen bank.

Based on our financial results for 2003, and as a first step towards increasing the Bank's capital in implementation of the Central Bank decision in this regard, the Board of Directors has recommended and the General Assembly of Shareholders approved the following:

1- The distribution of JD5 million ($7.052 million) in cash dividends equivalent to 20 per cent of the capital.

2- Raising the Bank's capital to JD31.25 million ($44 million) by capitalizing JD6.250 million from retained earnings and premium reserve equivalent to 25 per cent of the capital. Accordingly, the value added to shareholders' investments translates into one bonus share for every four shares held.

By distributing these dividends in cash and in bonus shares, the total dividends distributed to shareholders over the past seven years would amount to $43.7million, of which $20.8 million in cash and $22.9 million in bonus shares.

Finally, we would like to express our deepest pride in the real and true partnership binding the clients, shareholders, and the Bank, which has been the reason behind our results and achievements. We would also like to express our thanks and gratitude to the Central Bank of Jordan and its entire staff for their continuous efforts in regulating and developing the banking sector.

Our commendation is also extended to our staff members at all levels for the devotion and enthusiasm in their work for the Bank.

As we look forward for year 2004 with confidence and optimism we will place all our potential and capabilities to better serve our customers and shareholders, based on our strong belief in the positive role played by the private sector, especially banks, in developing our national economy side by side with the public sector towards achieving the ambitious development objectives.

Abdel Karim Kabariti

CHAIRMAN OF THE BOARD

2003 MAJOR ACHIEVEMENTS

Innovation and creativity come natural to us. We define the means of success for each idea and tightly hold them together to achieve our ambitious goals.

Financial Results

During 2003, the Bank posted its best financial results ever as the management and the staff achieved the third year objectives of the Bank's 2001-2003 strategy. The results of the year testify to the Bank's success in overcoming all the difficult circumstances and in attaining accomplishments that exceeded expectations at all levels.

The financial statements at the end of 2003 showed outstanding results with the figures of the balance sheet fully in line with the up-trend record that has characterized the Bank's performance over the past seven years. The management's efforts in managing the assets and liabilities with high professionalism and prudence have resulted in unprecedented achievements in quantitative and qualitative terms.

The Bank's profit after tax, fees, and provisions amounted to $19.38 million, 36.2 per cent, or $5.16 million higher than the profit posted in 2002. Total assets as of December 31, 2003 increased by 14.8 per cent or $130.6 million to $1.012 billion. This growth is mainly due to a rise in customers' deposits by about $53.6 million or 9.5 per cent and an increase in cash collaterals by $13.1 million or 13 per cent.

Shareholder's equity totaled $95.74 million at the end of 2003, a 17.7 per cent over 2002. This increase brings to 111 per cent the rise in total shareholders' equity between 1997-2003.

Performing assets maintained its high level registered in 2002 and constituted 90 per cent of the Bank's total assets. Net operating income surged by 45.6 per cent to $28.3 million.

All these results reflected positively on the performance index, efficiency, and operational ratios, which not only improved but in most cases, exceeded the standards set locally and internationally. The capital adequacy ratio stood at 15.6 per cent at the end of 2003, more than two per cent above the minimum level set by the Central Bank. Such a ratio underlines the strong and solid capital base of the Bank.

The return on average assets and on average shareholders' equity went up to 2.95 per cent and 31.5 per cent respectively from 2.26 and 24.2 per cent in 2002. These two ratios, which have been continuously rising over the years, exceed the international standards. The return on the average performing assets rose to 3.28 per cent in 2003 from 2.53 per cent in 2002. Also improving was the ratio of operating expense to net operating income as it recorded 42.6 per cent down from 53.8 per cent in 2002.

Credit Facilities

The net credit facilities as of December 31, 2003 totaled $448.8 million, 20.3 per cent higher than the preceding year. The increase is double the growth in credit facilities in 2002 reflecting the continued progress and growing lending activity at the Bank. Besides serving the activities of the Bank's clients that include large enterprises and corporate entities in addition to public sector institutions, the year 2003 was marked by extending direct as well as indirect facilities to a group of new clients, either solely by the Bank, or through syndicated arrangements.

The rise in direct and syndicated lending was coupled with a surge in indirect facilities (off-balance sheet items). These credits increased by 25.5 per cent to reach $425.9 million at the end of 2003. Guarantees in favor of government institutions and counter-guarantees with highly rated international banks represented most of the rise in this item.

The growth in credit facilities was achieved within the framework of continued strict and stringent procedures as well as the usual conservative approach in applying the standards and policies observed for extending credits. Furthermore, the growth in credit facilities was achieved without infringing on liquidity ratios, business concentration, risks margins, and provisions. The Bank's retail sector recorded a noticeable improvement with housing loans accounting for a substantial 20 per cent share of the overall growth in this sector. New products were launched in 2003, most important of which were loans to UNRWA (United Nations Relief and Works Agency) employees as well as credits for house maintenance, travel and purchase of offices and clinics in addition to a program for financing local buyers.

The Credit Department began receiving applications for consumer loans and for financing car and housing purchases through the Internet. Preliminary studies would be conducted on such requests before contacting the customer for completing the necessary arrangements to disburse the loan.

At the end of 2003, the gross credit portfolio amounted to $473 million of which non-performing loans represented 3.8 per cent. Such NPLs are 116.2 per cent covered by provisions.

Technological development and Information Systems

Efforts continued throughout 2003 to further improve and develop the technological structures to maintain the Bank's leading role in the area of banking technology which focuses on upgrading customer services and on facilitating operational procedures either at the branches or through electronic delivery channels.

By automating the internal operations between the Bank's administration and the branches, the performance and efficiency ratios were upgraded to benefit the clients and the shareholders in the final outcome.

The upgrading included expansions and modernization of the main and back up computers as well as implementing advanced software. Along with the development and automation of internal operations in the Bank, the work started on the electronic archiving system. Upon completing this project by mid 2004, clients will be able to retrieve images of cheques and transactions affecting their accounts, via the Bank's website on the Internet.

A new Management Information System (MIS), currently under implementation is considered one of the major projects at the Bank with completion expected during the second quarter of 2004. The MIS project will provide data, statistics and multi-dimensional analysis based on internationally recognized banking criteria. The project would also enhance the decision making process and provide better administrative tools to manage the Bank's activities in addition to facilitating the process of providing data required by the Central Bank. The Bank pioneered, as usual, in introducing more electronic services that aim at raising the level of customers' reliance on automated system and electronic channels in dealing with the Bank, as well as government and official institutions and other commercial entities. In this regard, the Internet banking system has been upgraded to accommodate multi authorization levels and access control to conform to the requirements of companies and institutions in handling their accounts. With this upgrade, the Bank's Internet banking system became an approved and trusted electronic outlet for all types of payments.

Following that, the service of settling subscriptions, fees, bills, and other obligations was introduced with regard to social security, customs, and public vehicles licensing. In terms of developing services of vital interest to the clients, the Bank launched the electronic mail notification system to deliver information to the clients and internally developed a system to issue prepaid Visa cards.

Moreover, all ATMs of the Bank were upgraded to handle the EMV technology, which will soon be implemented worldwide.

Treasury and Investments

The Bank took advantage of the low interest rates internationally and locally to cut the cost of fund in the short-term (one year) while maintaining competitive rates on clients' deposits in line with the strategy aiming at a wider small deposits base that is characterized by stability and continuity. To counter the effects of lower rates internationally, a portion of the investments was directed to capital markets. This shift yielded an important contribution to the Bank's profitability in 2003.

The Treasury and Investment Department continued its tasks in carrying out the necessary investment operations for the various Bank activities and in building a solid and diversified investment portfolio that guarantees the best returns for the Bank and, at the same time, maintains the quality of the invested assets.

During 2003, high capital returns were achieved by trading in the Bank's portfolio of foreign bonds in US dollar and other currencies. Traded securities included Jordanian and other governments' bonds as well as those of banks and financial institutions. A portion of such bonds was sold and yielded good profit. The Bank continued investing in local shares at the Amman Bourse and realized good income from trading and dividends. All these activities greatly contributed to the Bank's gross profit.

Customer Service and the Branches

The Bank continued in 2003 to exert efforts to upgrade the level of services and products offered through the branches or through advanced electronic channels mainly the Internet and the mobile banking systems.

During 2003, six projects were implemented to modernize the branches and execute the new unified facelift that included changing the exterior designs, signs, and internal decors as well as expanding the customers' area. The upgrading and modernization drive also provided better access for direct contact between the customer and the Bank employee. The face-lifting drive will cover all the branches over the coming two years according to a set timetable. During 2003, a new office was opened at Mecca Mall in the Khalda neighborhood and a new branch was also opened in the commercial area of Jabal Al Hussein-Amman. An office is currently being equipped in Aqaba within the "Aqaba Gate" tourist project. This Aqaba office is expected to open in the first quarter of 2004.

In order to ensure the highest level of services

and customer satisfaction, the Branches Administration maintains regular follow-up and monitoring of branches' performance. Through direct contact with customers or through assignments to other parties, the suggestions and comments of the customers with regard to the standard of services rendered are obtained. Any negative aspects are rectified at once, while improvement comments are seriously taken into consideration by top management.

Internal Audit

The Internal Audit Department kept up its efforts to achieve its strategic goal of assisting the Bank's management to perform its duties in full compliance with the Bank's business policies and procedures through providing analysis, recommendations, and consultations on all aspects of the Bank's activities. The department's membership in the International Institute for Auditing (IIA) has provided the opportunity to adopt the latest methods used in internal audit function.

The inspection plan prepared at the beginning of the year was fully completed over the course of 2003 by covering all operation centers at the Bank. The inspection was conducted on a Risk-based Audit principle in each center and with the aim of establishing an early-warning system within the concept of "prevention is better than correction".

The department's work entails submitting opinions and suggestions about the overall Bank operations and its performance indicators compared to other competitors in addition to studying the effects of economic and legislative changes on the Bank's current and future activities.

Throughout the year, the department continued

to focus on following up the design and implementation of new systems and programs, and participated effectively in their pre-implementation testing.

In preparing for the Basle II requirements, the department started implementing the control and risk self-assessment program, which basically addresses operational risks. Work is underway to comply with the other Basle II requirements.

Legal Department

The activities of the legal department during 2003 were up to expectations. The department played an important role in collecting bad debts as well as large amounts of debts that were under legal action besides participating in the arrangements of amicable settlements and repayment cases.

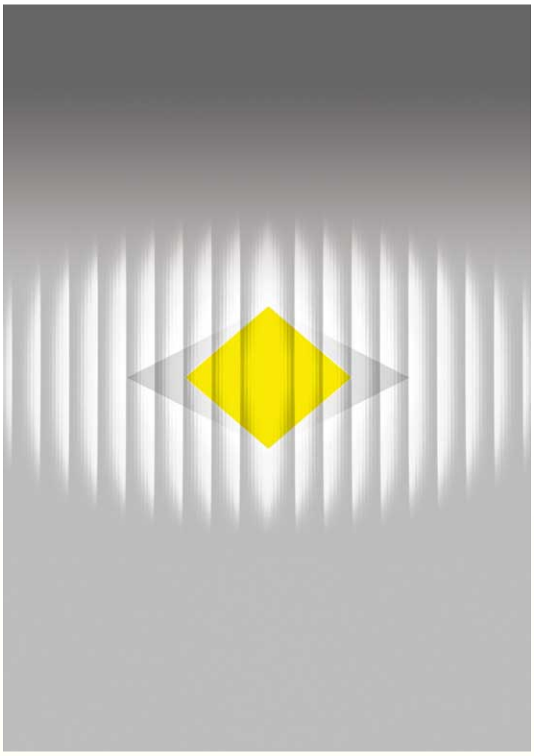
Administrative and personnel development

The year 2003 was marked by a substantial increase in the Bank's volume of operations as a result of the developed and diversified services, the expanded customers' base, and the rising number of branches. The Bank benefited from its solid technological base and its automated systems as well as the qualifications and experiences of its employees in responding to the rise in the volume of business and related activities.

During the year the Bank continued the rehabilitation and training programs in addition to the recruitment of new graduates from the local and foreign universities to reinforce the workforce, consolidate its qualifications and upgrade the level of performance.

At the end of 2003, a new automated human resources system was implemented.
The Bank employed 542 staff members as of December 31, 2003 excluding the employees working at subsidiaries.

We possess a solid base on which the interests of our shareholders, customers and employees interact in an atmosphere of respect and cordiality.



We achieve balanced growth with confidence, taking into consideration the needs of our clients to expand and consolidate the success of their businesses.

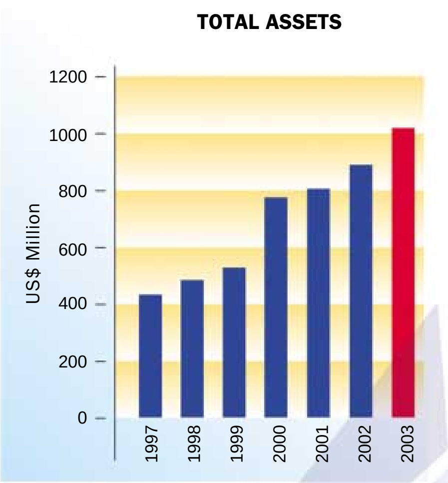
MAJOR FINANCIAL INDICATORS AND RATIOS

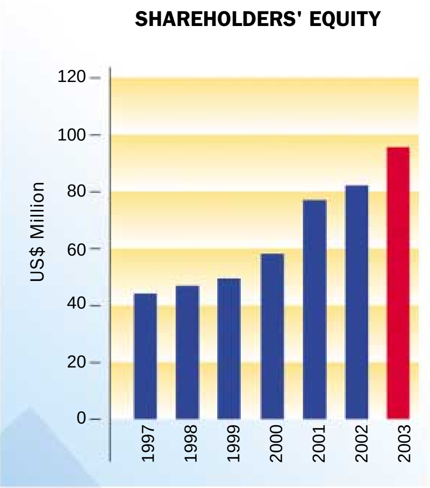
Amounts in Thousand US$

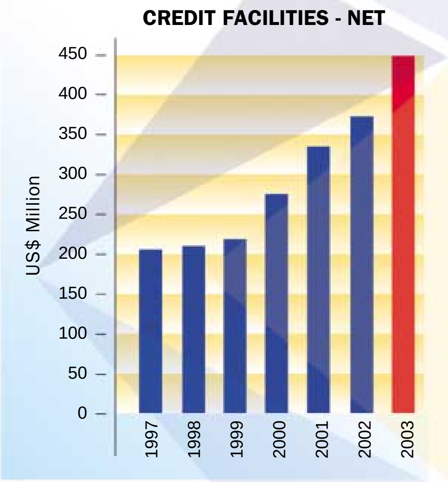
Major Operating Results	2003	2002	Change
Net interest and commission	35684	28477	25.3%
Net operating income	28341	19469	45.6%
Net income before tax, fees & minority interest	28679	19549	46.7%
Net income after tax, fees & minority interest	19379	14224	36.2%
Earnings per share/US$	0.78	0.57	36.2%
Major Balance Sheet Items			
Assets	1012250	881694	14.8%
Credit facilities - net	448819	372941	20.3%
Customers deposits	614833	561274	9.5%
Shareholders' equity	95742	81347	17.7%
Major Financial Ratios			
Operating assets / Total assets	90%	89.5%	
Return on average assets	2.95%	2.26%	
Return on average equity	31.5%	24.2%	
Operating expenses / Net operating income	42.6%	53.8%	
Gen. & Admin. expenses / Average assets	1.7%	1.7%	
Capital adequacy ratio*	15.6%	18.1%	
Non – performing loans / Gross credit facilities	3.8%	6.0%	
Coverage Ratio (Provisions / NPLs)	116.2%	88.5%	
Contra Accounts	425863	339210	25.5%

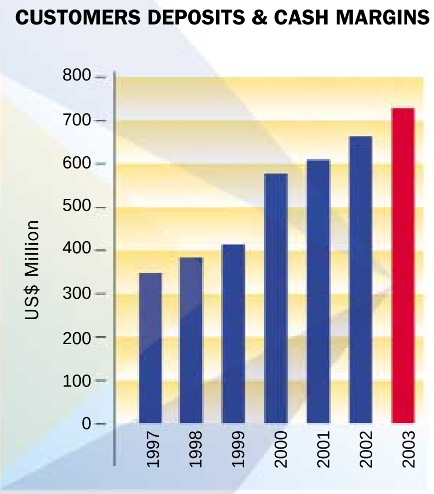
* Market Risk incorporated in the ratio for 2003.

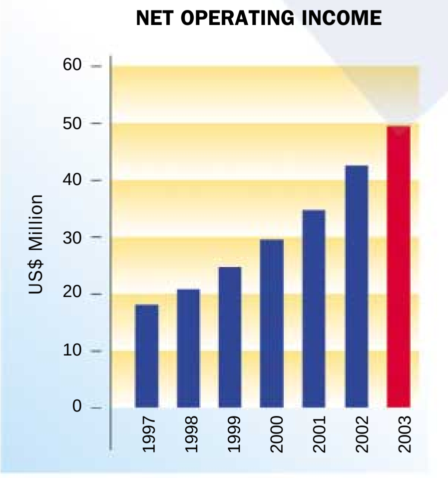
Changes In Major Financial Results (1997 – 2003)

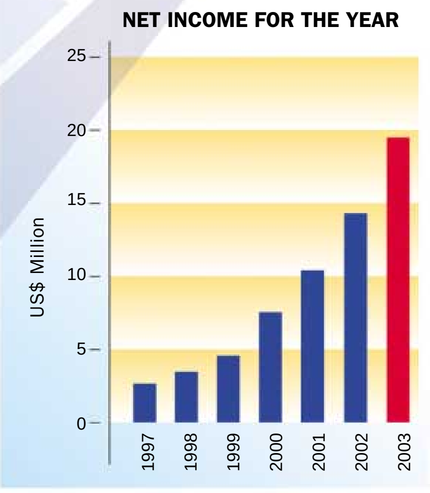












EXECUTIVE MANAGEMENT

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- **Mr. Ahmad A. Jaber**
  Asst. General Manager, Administrative Affairs
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- **Mr Majed F. Burjak**
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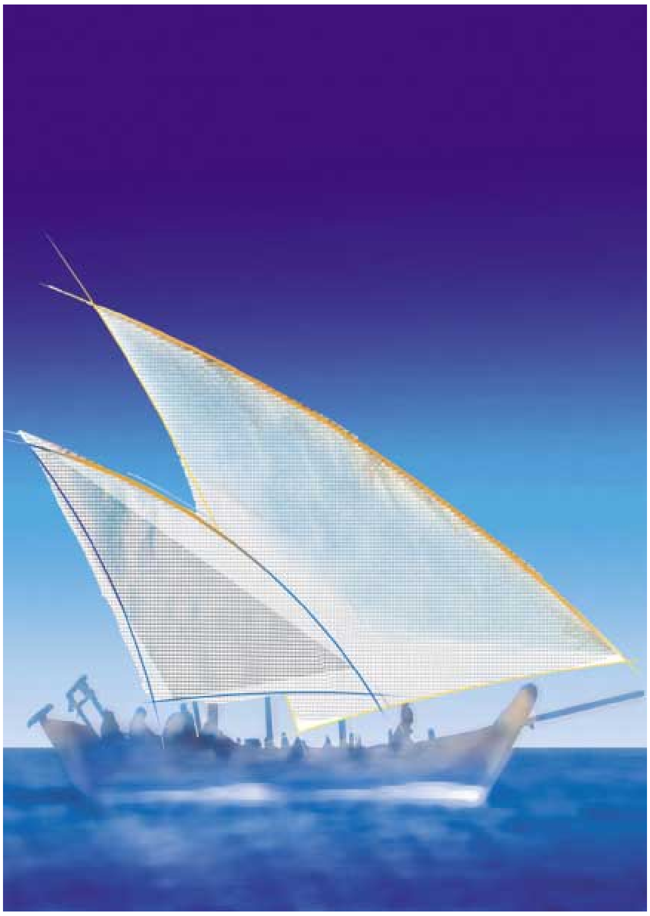
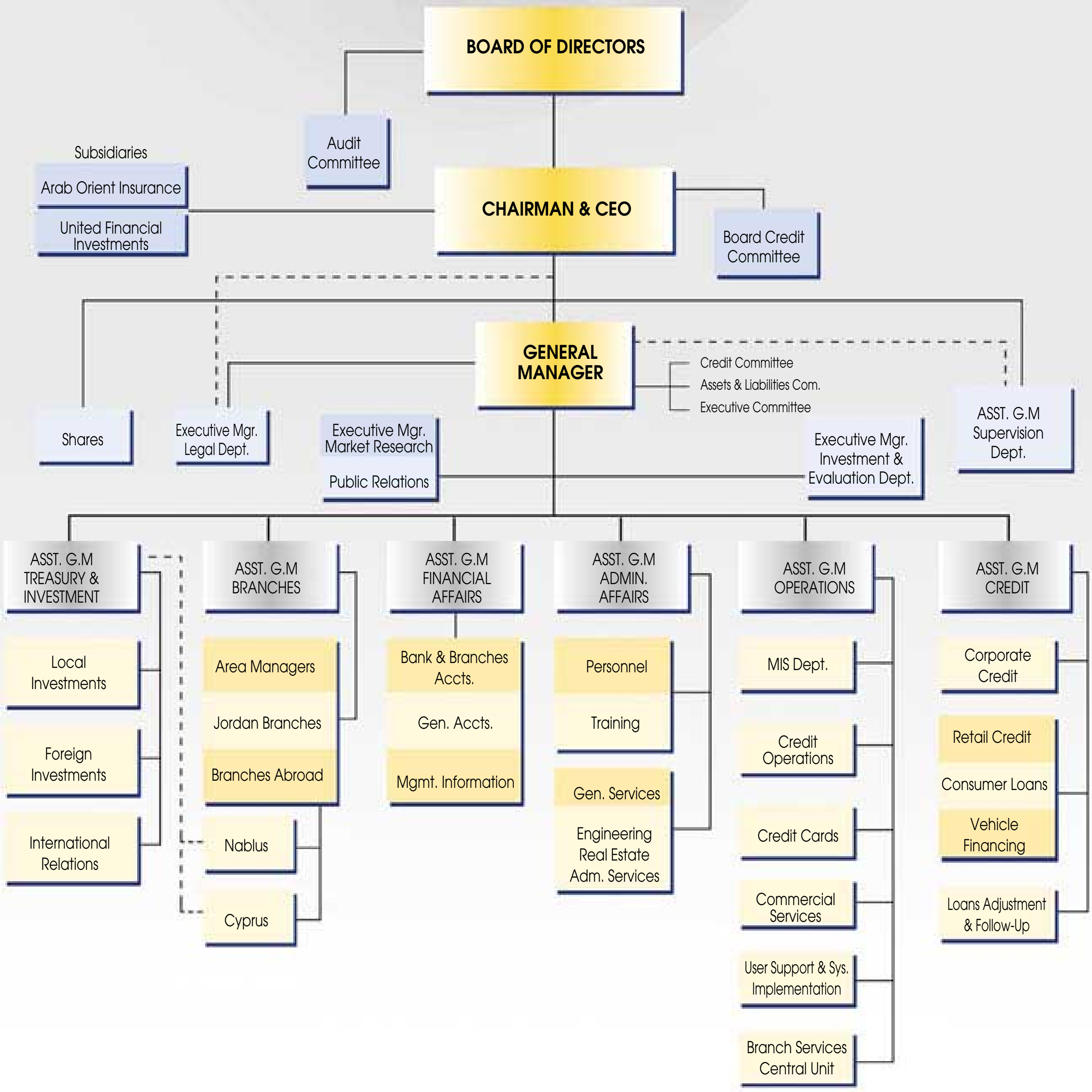


We continue to sail on our Dhow of high and mighty masts to explore all that is new and beneficial for our work and for enhancing our capabilities

ORGANIZATIONAL STRUCTURE

We unite all our potential to keep up
with the developments of time in a world where
borders are diminishing and interests are unified



2004 BUSINESS PLAN

Based on the strategic plan adopted for the years 2004–2006, the business plan for the year 2004 will focus on:

- Generating higher earnings from sources other than interest through developing services and products that yield returns and fees.
- Expanding the retail credit business and raising its share of the total credit portfolio to no less than 40 per cent.
- Continuing to offer an integrated package of services that include insurance, investment, and financial brokerage to corporate clients and institutions.
- Restructuring the Bank's marketing activities so as to deliver services and products on a wider scale and enhance the competitive edge.
- Finalizing the necessary administrative and technical preparations in order to start implementing the Basle II requirements upon receiving the instructions from the Central Bank of Jordan in this regard.
- Upgrading the cooperation and joint business relationship with the banks of the Kuwait Projects Company (Holding) in Kuwait, Bahrain, Tunisia and Algeria.
- Achieving no less than 16 per cent return on shareholders' equity.

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 64.7% 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.

Our success, devotion to perfection and aspiration for
excellence have all been blended
in our New Logo

AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheet of Jordan Kuwait Bank (a Jordanian Public Shareholding Company) as of December 31, 2003 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit. We have obtained the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit. We have previously audited the financial statements for the year ended December 31, 2002, the figures of which are presented for the purposes of comparison, and issued our unqualified report thereon dated January 12, 2003.

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, 2003 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.

Saba & Co.

Amman - Jordan
January 10, 2004

BALANCE SHEET AS OF DECEMBER 31 , 2003 AND 2002

(IN US DOLLARS)

ASSETS	Note	2003	2002
Cash and balances at central banks	4	**245,524,726**	233,237,701
Balances at banks and financial institutions	5	**167,595,984**	119,319,929
Deposits at banks and financial institutions	6	**20,295,000**	29,347,186
Trading financial assets	7	**1,638,536**	1,368,855
Direct credit facilities - net	8	**448,818,900**	372,940,654
Available-for-sale financial assets	9	**82,442,908**	83,106,987
Held-to-maturity investments-net	10	**-**	-
Fixed assets-net	11	**12,842,913**	11,963,986
Other assets	12	**31,905,787**	28,825,615
Deferred tax assets	13	**1,185,189**	1,583,076
TOTAL ASSETS		**1,012,249,943**	881,693,989
LIABILITIES			
Banks and financial institutions deposits	14	**105,480,047**	76,439,893
Customers deposits	15	**614,833,197**	561,273,638
Cash margins	16	**113,704,269**	100,606,006
Borrowed funds	17	**25,429,347**	17,356,714
Provisions	18	**10,812,492**	7,127,669
Other liabilities	19	**35,451,403**	33,184,260
Provision for income tax	20	**6,841,887**	1,005,427
TOTAL LIABILITIES		**912,552,642**	796,993,607
Minority interest	21	**3,956,025**	3,353,117
SHAREHOLDERS' EQUITY			
Paid-up capital *	22	**35,260,931**	35,260,931
Share premium reserve	22	**70,522**	70,522
Statutory reserve		**12,721,817**	9,929,477
Voluntary reserve	23	**18,221,592**	12,636,913
Foreign branches reserve		**6,410,437**	6,410,437
Cumulative change in fair value	24	**2,179,491**	1,360,360
Retained earnings	25	**13,824,300**	10,036,876
Proposed dividends	26	**7,052,186**	5,641,749
TOTAL SHAREHOLDERS' EQUITY		**95,741,276**	81,347,265
TOTAL LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY		**1,012,249,943**	881,693,989

*On February 15, 2004, the General Assembly of Shareholders approved raising the Bank's capital to US$ 44.076 million.

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS.

STATEMENT OF INCOME

(IN US DOLLARS)

	Note	2003	2002
Interest income	27	**49,788,927**	50,663,650
Interest expense	28	**19,589,754**	26,508,324
Net Interest Income		**30,199,173**	24,155,326
Commission income-net	29	**5,485,165**	4,321,278
Net Interest and Commission		**35,684,338**	28,476,604
Non-Interest and Non-Commission Income:			
Income from financial assets and instruments	30	**6,287,736**	7,004,275
Other operating income	31	**7,388,825**	6,978,178
Total Non-Interest and Non-Commission Income		**13,676,561**	13,982,453
Net Operating Income		**49,360,899**	42,459,057
Expenses:			
Employees expenses	32	**8,758,642**	8,759,083
Other operating expenses	33	**7,301,570**	5,545,206
Depreciation and amortization		**2,808,269**	3,491,468
Provision for credit facilities	8	**1,567,413**	4,700,693
Surplus investments provision previously taken		**(7,757)**	(12,694)
Other various provisions		**591,887**	506,250
Total Operating Expenses		**21,020,024**	22,990,006
Net Operating Income		**28,340,875**	19,469,051
Non-operating revenues (expenses)	34	**337,848**	80,083
Net Income before Tax and Fees and Minority Interest		**28,678,723**	19,549,134
Less: Income Tax	20	**7,977,913**	4,374,666
Universities fees		**216,429**	152,683
Scientific research and vocational training fees		**216,429**	152,683
Educational council and vocational and technical training fees		**70,540**	50,752
Board of Directors' remunerations		**63,470**	63,470
Net Income after Tax and Fees and before Minority Interest		**20,133,942**	14,754,880
Less: Minority interest after tax		**755,321**	530,949
NET INCOME FOR THE YEAR		**19,378,621**	14,223,931
Earnings per Share	35	**0.78**	0.57
Weighted Average Number of Shares		**25,000,000**	25,000,000

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(IN US DOLLARS)

2003	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
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)
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

2002									
Balance - beginning of the year	35,260,931	70,522	8,027,659	8,833,277	6,410,437	4,831,577	7,200,794	5,289,140	75,924,337
Dividends paid during the year	-	-	-	-	-	-	-	(5,289,140)	(5,289,140)
The effect of adopting IAS (39)	-	-	-	-	-	-	(40,646)	-	(40,646)
Cumulative change in fair value	-	-	-	-	-	(3,471,217)	-	-	(3,471,217)
Net income for the year	-	-	1,901,818	3,803,636	-	-	2,876,728	5,641,749	14,223,931
Balance - End 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

Included in the retained earnings balance are an amount of USD 1,185,189 restricted by the Central Bank of Jordan against deferred tax assets (USD 1,583,076 as of December 31, 2002) and an amount of USD 209,055 being the effect of implementing IAS (39) (USD 371,047 as of December 31, 2002) .

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS.

STATEMENT OF CASH FLOWS

(IN US DOLLARS)

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income after minority interest and before tax	**27,923,403**	19,018,185
Adjustments:		
Goodwill-net	**168,296**	189,185
Depreciation and amortization	**2,808,269**	3,491,468
Provision for credit facilities	**1,567,413**	4,700,693
Provision for employees end-of-service indemnity	**501,619**	506,250
Provision for lawsuits against the bank	**112,835**	-
(Profit) on assets seized by the bank	**(364,285)**	(87,171)
Loss on sale of fixed assets	**922**	20,069
Effect of exchange rate fluctuations on cash and cash equivalents	**(1,323,533)**	(1,354,336)
Surplus provisions returned to income	**(30,324)**	(12,694)
Net cumulative change in fair value	**819,131**	(3,471,217)
Provision for income tax and subsidiary companies technical reserves	**3,492,062**	948,748
Gain from sale of investments	**(6,078,385)**	(6,704,740)
Total	**29,597,423**	17,244,440
Changes in Assets and Liabilities:		
Decrease (increase) in deposits at banks and financial institutions	**9,052,186**	(2,555,190)
(Increase) in direct credit facilities	**(77,445,659)**	(42,848,913)
Decrease (Increase) in trading financial assets	**1,617,159**	(1,089,623)
(Increase) in other assets	**(2,884,189)**	(786,110)
(Decrease) increase in banks and financial institutions deposits due after three months	**(31,830,422)**	18,236,965
Increase in customers deposits	**53,559,560**	56,601,123
Increase (decrease) in cash margins	**13,098,264**	(827,042)
Increase (decrease) in other liabilities	**1,368,032**	(452,712)
Net Cash (used in) from Operating Activities before Tax and Staff Indemnities Paid	**(3,867,646)**	43,522,938
Staff indemnities paid	**(399,126)**	(198,567)
Income tax paid	**(1,743,565)**	(5,279,643)
Net Cash (used in) from Operating Activities	**(6,010,337)**	38,044,728
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in minority interest	**602,908**	2,071,645
Net decrease (increase) in available-for-sale investments	**4,693,632**	(14,818,096)
Net decrease in held-to-maturity investments	**7,757**	17,007,872
Decrease in investment in subsidiary companies	**-**	1,275,701
Net (increase) in fixed assets	**(3,688,118)**	(3,501,431)
Net Cash from Investing Activities	**1,616,179**	2,035,691
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in borrowed funds	**8,072,634**	2,919,774
Dividends paid	**(5,309,504)**	(5,037,128)
Net Cash from (used in) Financing Activities	**2,763,130**	(2,117,354)
Effect of exchange rate fluctuations on cash and cash equivalents	**1,323,533**	1,354,336
Net (Decrease) Increase in Cash and Cash Equivalents	**(307,495)**	39,317,401
Cash and cash equivalents - beginning of the year	**308,459,074**	269,141,673
Cash and Cash Equivalents - End of the Year (Note 36)	**308,151,579**	308,459,074

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS.

1. General

Jordan Kuwait Bank was established as a Jordanian public shareholding company in accordance with the Companies Law no. 13 for the year 1964. It was registered under number (108) on October 25, 1976 with an authorized capital of 5 million Jordanian Dinars (USD 7 million), represented by 5 million shares at a par value of one Jordanian Dinar per share (USD 1.4). The Bank's authorized and paid-up capital was gradually increased to 25 million Jordanian Dinars (USD 35 million).
The Bank is engaged in banking activities – through its branches in the Hashemite Kingdom of Jordan, its branch in 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 acceptable by law, regulations, and prevalent banking practices.
As of December 31, 2003, the Bank's number of employees in Jordan, abroad, and at subsidiary companies totaled 617, of whom 75 belonged to subsidiary companies (compared to 620, of whom 68 belonged to subsidiary companies, as of December 31, 2002).
The consolidated financial statements were approved by the Bank's Board of Directors in their meeting No. (1/2004) held on January 8, 2004.

2. Basis of Consolidation

The accompanying consolidated financial statements include the financial statements of the following:
- The Bank's branches in Jordan.
- Nablus branch in Palestine.
- Cyprus offshore banking unit.
- The subsidiary company, Arab Orient Insurance Co. (a public shareholding company). The Bank owns 64.68% of its JD 2 million paid-up capital (USD 2.8 million) as of December 31, 2003 (61.82% as of December 31, 2002).
- The subsidiary company, United Financial Investment Co. (a public shareholding company). The Bank owns 50.25% of its JD 2 million paid-up capital (USD 2.8 million) as of December 31, 2003 (50.1% as of December 31, 2002).

Investments in subsidiaries are accounted in the Bank's stand-alone financial statements for 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 and are presented in Jordanian Dinar.

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 and on the historical cost basis except for financial assets and financial liabilities subject to IAS (39) which are stated at their fair values at year-end.

c. Sale and purchase transactions 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 Investment Co. (a subsidiary company).
- Available-for-sale financial assets are initially recognized at cost and remeasured at their fair values. Gains or losses resulting therefrom are taken to shareholders' equity until the investments are sold, disposed of or determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the statement of income for the period.
- Investments held to maturity are measured at amortized cost less impairment losses. Amortized cost is calculated using the effective interest rate method. Premiums and discounts are included in the carrying amount of the related investment and amortized based on the effective interest rate of the investment.

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.
- Loans and advances which cannot be recovered are written-off and charged against the provision for losses. Furthermore, surplus in the provision – if any – is credited to the statement of income. Moreover, 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.
- 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.
- Starting from June 1st, 2003, the useful lives of computers and their accessories were reassessed and decreased from 6-8 years to 5 years. This increased the depreciation expense by about USD 204,500 for the year ended December 31, 2003.

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. Deferred taxes are computed and recorded in accordance with IAS (12). A provision for income tax is taken, based on the future expected tax liabilities.

j. Goodwill:
Goodwill is amortized at a rate of 20% annually.

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

l. Provision for Staff Indemnity:
A provision for staff indemnity is charged to the statement of income for commitments resulting from employees' termination of service.
Staff indemnities paid to employees who left the Bank are booked against the related provision account when paid.

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

n. Derivatives:
1. Derivatives held for trading are initially recorded at cost as other assets/liabilities in the balance sheet and subsequently carried at fair value. Fair value is determined according to the market price (if available). Otherwise, it is determined according to the discounted cash flow forecasts, pricing modules or internal pricing memos as appropriate at the date of the financial statements. Gains or losses resulting therefrom are taken to the statement of income.
2. Derivatives Held for Hedging Purposes:
- Fair Value Hedges
Derivatives that qualify as fair value hedges are carried at fair value with the corresponding change in fair value recognized in the statement of income.
- Cash Flow Hedges
When occurring, changes in fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized directly in shareholders' equity. The ineffective portion is immediately recognized in the statement of income.
- Net Investment in Foreign Currency Hedges.

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

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

q. Risk Management:
The Bank adopts certain financial policies in managing its different financial risk exposures, in line with a specified strategy, through a responsible committee for the management of the Bank's financial assets and liabilities.
The Committee monitors and controls risk exposures and performs the ultimate strategic allocation for all assets and liabilities, whether on / off-balance sheet. Risks include the following:
1- Interest rate risk that may occur due to the value of a financial instrument fluctuating as a result of changes in market interest rates.
2- Exchange rate risk that may occur due to the fluctuation in foreign currency prices. Note 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.

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:

	2003	2002
Cash in vaults	**18,343,719**	8,974,377
Balances at central banks:		
Current accounts	**5,198,154**	2,632,007
Time and notice deposits	**14,289,748**	14,106,498
Mandatory cash reserve	**40,274,205**	38,695,482
Certificates of deposit	**167,418,900**	168,829,337
Total Balances at Central Banks	**227,181,007**	224,263,324
Total Cash and Balances at Central Banks	**245,524,726**	233,237,701

Excluding the mandatory cash reserve, there are no restricted balances as of December 31, 2003 and 2002.

5– Balances at Banks and Financial Institutions

This item consists of the following:

	2003	2002
Local Banks & Financial Institutions:		
Current accounts	**1,023,661**	724,581
Deposits due within 3 months	**7,052,186**	4,231,312
	8,075,847	4,955,893
Banks & Financial Institutions Abroad:		
Current accounts	**5,390,111**	4,720,942
Deposits due within 3 months	**154,130,026**	109,643,094
	159,520,137	114,364,036
	167,595,984	119,319,929

- Non-interest bearing balances at banks and financial institutions amounted to USD 1,630,573 (USD 1,573,654 for Jordan only) as of December 31, 2003, compared to USD 2,450,731 (USD 2,413,148 for Jordan only) as of December 31, 2002.
- Balances restricted in favour of the Director of the Insurance Regulatory Commission amounted to USD 317,348 as of December 31, 2003 and 2002, and relate to the subsidiary company Arab Orient Insurance Co. according to the provisions of the Insurance Control Law.
- There are no restricted balances as of December 31, 2003 and 2002.

6– Deposits at Banks and Financial Institutions

This item consists of the following:

	Local Banks & Financial Institutions		Banks & Financial Institutions Abroad		Total	
	2003	2002	2003	2002	2003	2002
Maturity Period:						
From 3 months to 6 months	**-**	-	**25,000**	8,025,000	**25,000**	8,025,000
From 6 months to 9 months	**-**	-	**10,270,000**	10,270,000	**10,270,000**	10,270,000
From 9 months to 12 months	**-**	-	**5,000,000**	2,000,000	**5,000,000**	2,000,000
More than a year	**-**	-	**-**	-	**-**	-
Certificates of deposit	**-**	7,052,186	**5,000,000**	2,000,000	**5,000,000**	9,052,186
	-	7,052,186	**20,295,000**	22,295,000	**20,295,000**	29,347,186

Restricted deposits amounted to USD 295,000 as of December 31, 2003 and 2002.

7– Trading Financial Assets

This item consists of the following:

	2003			2002		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Shares	**1,140,370**	**498,166**	**1,638,536**	413,054	420,592	833,646
Bonds	**-**	**-**	**-**	535,209	-	535,209
	1,140,370	**498,166**	**1,638,536**	948,263	420,592	1,368,855

These financial assets relate to the subsidiary company United Financial Investment Co.

8– Direct Credit Facilities – Net

This item consists of the following:

	2003	2002
Overdraft facilities	**114,181,201**	105,907,155
Loans and advances	**354,086,030**	285,606,234
Discounted bills	**4,083,927**	5,245,829
Credit Cards	**670,052**	404,013
	473,021,210	397,163,231
Less: Interest and commissions in suspense	**3,751,045**	3,090,979
	469,270,165	394,072,252
Less: Provision for credit facilities	**20,451,265**	21,131,598
Net Credit Facilities	**448,818,900**	372,940,654

- The credit facilities are distributed over the following sectors:

	2003	2002
Agriculture	**10,926,945**	10,489,245
Manufacturing and mining	**93,663,008**	67,401,893
Construction	**14,556,484**	12,693,578
General trade	**81,197,992**	75,575,188
Transport services	**33,855,570**	37,744,216
Tourism, hotels and restaurants	**19,161,643**	18,206,506
Public utilities and services	**75,754,202**	62,742,711
Financial services	**10,163,512**	1,951,135
Stock purchase	**12,417,286**	11,906,354
Vehicle financing	**22,690,742**	9,393,753
Consumables financing	**5,327,138**	5,470,834
Residence and real estate	**28,617,333**	19,213,647
Other purposes	**64,689,355**	64,374,171
	473,021,210	397,163,231

- According to the Central Bank of Jordan's regulations, the non-performing credit facilities, excluding interest and commissions in suspense, amounted to 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 against USD 23,927,976 for Jordan and abroad, which is equivalent to 6% of total credit facilities (USD 22,710,573 for Jordan, which is equivalent to 6.1%) as of December 31, 2002.
- According to the Central Bank of Jordan's regulations, the non-performing credit facilities, including interest and commissions in suspense, amounted to 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 against USD 26,960,250 for Jordan and abroad, which is equivalent to 6.8% of total credit facilities

(USD 25,417,638 for Jordan which is equivalent to 6.9%) as of December 31, 2002.

- Credit facilities granted to Government amounted to USD 6,916,707, which is equivalent to 1.7% of credit facilities as of December 31, 2003, against USD 3,060,724, which is equivalent to 0.8% of credit facilities as of December 31, 2002.
- 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 4,390,001 for Jordan and abroad (USD 4,374,897 for Jordan) as of December 31,2003, against USD 3,461,886 for Jordan and abroad (USD 3,267,886 for Jordan) as of December 31, 2002.
- The fair value of guarantees granted as collateral against credit facilities amounted to USD 256,789,798 for Jordan and abroad (USD 229,568,127 for Jordan) as of December 31, 2003 , against USD 244,222,036 for Jordan and abroad (USD 237,037,891 for Jordan) as of December 31, 2002 .

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

	2003			2002		
	Specific Provision	General Provision	Total	Specific Provision	General Provision	Total
Balance - beginning of the year	**14,901,801**	**6,229,797**	**21,131,598**	14,637,085	4,994,307	19,631,392
(Surplus) / provision for the year	**(351,776)**	**1,919,189**	**1,567,413**	3,465,203	1,235,490	4,700,693
Debts written-off	**(2,247,746)**	**-**	**(2,247,746)**	(3,200,487)	-	(3,200,487)
	12,302,279	**8,148,986**	**20,451,265**	14,901,801	6,229,797	21,131,598

- Surplus provisions resulting from debt settlements and repayments amounted to USD 2,842,735 for Jordan and abroad (USD 2,709,131 for Jordan) as of December 31, 2003, against USD 1,981,797 for Jordan and abroad (USD 1,967,216 for Jordan) as of December 31, 2002.

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

	2003	2002
Balance – beginning of the year	**3,090,979**	3,649,967
Add: Interest and commission in suspense for the year	**1,580,862**	1,426,140
Less: Interest and commission in suspense settled	**478,315**	336,042
Interest and commission in suspense written-off	**442,481**	1,649,086
	3,751,045	3,090,979

9- Available-for-Sale Financial Assets

The details of this item are as follows:

	2003			2002		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Shares	**6,650,408**	**4,486,894**	**11,137,302**	7,306,805	4,519,780	11,826,585
Bonds	**35,722,062**	**35,583,544**	**71,305,606**	54,045,439	17,234,963	71,280,402
	42,372,470	**40,070,438**	**82,442,908**	61,352,244	21,754,743	83,106,987

- Some of the available-for-sale financial assets were recorded at cost/amortized cost as their fair value cannot be reliably determined. they are in the amount USD of 39,305,983 for Jordan and abroad (USD 35,918,786 for Jordan) as of December 31, 2003, against USD 20,870,140 for Jordan and abroad (USD 20,636,058 for Jordan) as of December 31, 2002.

10- Held-to-Maturity Investments-net

This item consists of the following:

	2003	2002
Companies' bonds and debentures	**148,801**	156,559
Less: Provision	**(148,801)**	(156,559)
	-	-

11- Fixed Assets-Net

This item consists of the following:

2003	Land	Buildings	Furniture, Fixtures and Equipment	Vehicles	Others	Total
Balance-beginning of the year	**1,829,888**	**4,571,603**	**11,781,398**	**363,154**	**201,700**	**18,747,743**
Additions	**-**	**107,939**	**1,791,575**	**64,965**	**209,804**	**2,174,283**
Disposals	**-**	**-**	**(1,608,484)**	**(915)**	**-**	**(1,609,399)**
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	**1,829,888**	**3,829,048**	**5,465,536**	**192,521**	**1,525,920**	**12,842,913**

2002	Land	Buildings	Furniture, Fixtures and Equipment	Vehicles	Others	Total
Balance-beginning of the year	1,689,683	2,350,219	11,793,306	427,371	176,769	16,437,348
Additions	140,205	2,221,384	797,209	28,326	24,931	3,212,055
Disposals	-	-	(809,117)	(92,543)	-	(901,660)
Accumulated depreciation	-	(707,663)	(6,573,705)	(196,939)	(93,228)	(7,571,535)
Down payments on fixed assets purchases	-	-	541,248	-	246,530	787,778
Balance-End of the Year	1,829,888	3,863,940	5,748,941	166,215	355,002	11,963,986

12- Other Assets

This item consists of the following:

	2003	2002
Net assets seized by the Bank	**5,524,948**	6,087,464
Accrued interest	**3,555,810**	4,781,113
Prepaid expenses	**293,937**	299,449
Accounts receivable *	**6,847,011**	4,892,182
Goodwill-net	**197,897**	365,477
Unrealized gains of financial derivatives	**93,680**	406,750
Clearing house checks	**13,009,831**	9,981,134
Other *	**2,382,673**	2,012,046
	31,905,787	28,825,615

* Accounts receivable and other assets for Jordan & abroad include balances relating to the subsidiary companies amounting to USD 7,127,470 as of December 31,2003 (USD 4,313,504 as of December 31,2002).

13- Deferred Tax Assets

The details of this item are as follows:

Items Giving Rise to Deferred Tax :	2003				
	Beginning Balance as of January 1, 2003	Additions	Amounts Released	Balance End of the Year	Deferred Tax Assets as of December 31, 2003
Prior years' provision for non-performing loans	**2,306,237**	**-**	**1,218,364**	**1,087,873**	**271,968**
Year 2002 provision for non-performing loans	**541,850**	**-**	**541,850**	**-**	**-**
Provision for staff indemnity	**2,635,998**	**488,343**	**382,148**	**2,742,193**	**685,548**
Impairment loss in real estate	**623,221**	**90,432**	**57,055**	**656,598**	**164,150**
Impairment loss in electrical equipment	**126,266**	**-**	**83,740**	**42,526**	**10,632**
Provision for lawsuits against the Bank	**98,731**	**112,835**	**-**	**211,566**	**52,891**
	6,332,303	**691,610**	**2,283,157**	**4,740,756**	**1,185,189**

Items Giving Rise to Deferred Tax :	2002				
	Beginning Balance as of January 1, 2002	Additions	Amounts Released	Balance End of the Year	Deferred Tax Assets as of December 31, 2002
Prior years' provision for non-performing loans	5,413,392	-	3,107,155	2,306,237	576,559
Year 2002 provision for non-performing loans	-	541,850	-	541,850	135,463
Provision for staff indemnity	2,341,326	491,317	196,645	2,635,998	659,000
Impairment loss in real estate	638,630	83,780	99,189	623,221	155,805
Impairment loss in electrical equipment	211,566	-	85,300	126,266	31,566
Provision for lawsuits against the Bank	98,731	-	-	98,731	24,683
	8,703,645	1,116,947	3,488,289	6,332,303	1,583,076

- The movement on deferred tax assets was as follows:

Description	2003	2002
Beginning balance	**1,583,076**	2,175,911
Additions during the year	**172,903**	279,237
Amount amortized during the year	**(570,790)**	(872,072)
Net change for the year (Note 20)	**(397,887)**	(592,835)
Ending Balance	**1,185,189**	1,583,076

- Deferred taxes amounted to USD 1,185,189 and resulted from temporary timing differences in taxes paid on provisions in previous years. The resulting difference is multiplied by the average tax rate of 25% for Jordan as of December 31, 2003, against USD 1,583,076 as of December 31,2002.
- During the year 2003, amounts released and additions to deferred tax assets amounted to USD 2,283,157 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.
- During the year 2002, amounts released and additions to deferred tax assets amounted to USD 3,488,289 and USD 1,116,947, respectively. The related amortization for these balances amounted to USD 592,835 for the year 2002, and is included in the provision for income tax for the year 2002.
- There were no deferred tax liabilities as of December 31, 2003 and December 31, 2002.

14- Banks and Financial Institutions Deposits

This item consists of the following:

	2003			2002		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
Current accounts and demand deposits	**-**	**1,986,021**	**1,986,021**	445,417	418,642	864,059
Deposits due within:						
3 months	**18,774,769**	**83,890,993**	**102,665,762**	3,491,051	39,426,098	42,917,149
Over 3 months and up to 1 year	**828,264**	**-**	**828,264**	13,154,313	5,400,000	18,554,313
Certificates of deposit	**-**	**-**	**-**	14,104,372	-	14,104,372
	19,603,033	**85,877,014**	**105,480,047**	31,195,153	45,244,740	76,439,893

15- Customers Deposits

This item consists of the following:

	2003	2002
Current accounts and demand deposits	**144,106,920**	76,282,812
Saving accounts	**49,390,039**	43,837,427
Time and notice deposits	**421,336,238**	434,101,213
Certificates of deposit	**-**	7,052,186
	614,833,197	561,273,638

a. Public sector deposits amounted to USD 132,996,680, which is equivalent to 21.6% of total customers deposits (USD 99,507,570 for the Social Security Corporation) as of December 31, 2003, for Jordan and abroad against USD 154,641,770, which is equivalent to 27.6% of total customers deposits (USD 122,921,602 for the Social Security Corporation) as of December 31, 2002.

b. Non-interest bearing deposits amounted to USD 101,983,577, which is equivalent to 16.6% of customers total deposits as of December 31, 2003, for Jordan and abroad (USD 100,822,594 which is equivalent to 16.8% for Jordan) against USD 57,773,245, which is equivalent to 10.3% for Jordan and abroad (USD 57,080,952, which is equivalent to 10.4 % for Jordan) as of December 31, 2002.

c. Dormant accounts amounted to USD 6,481,984 as of December 31, 2003, for Jordan and abroad (USD 5,866,433 for Jordan) against USD 6,727,608, for Jordan and abroad (USD 6,099,803 for Jordan) as of December 31, 2002.

d. Restricted deposits amounted to USD 12,541,039, which is equivalent to 2% of total customers deposits as of December 31, 2003, for Jordan and abroad (USD 12,503,291 which is equivalent to 2.1% for Jordan) against USD 3,185,406, which is equivalent to 0.6% of total deposits as of December 31, 2002 for Jordan and abroad (USD 3,151,094, which is equivalent to 0.6% for Jordan).

16- Cash Margins

This item consists of the following:

	2003	2002
Cash margins on direct credit facilities	**79,788,895**	76,418,589
Cash margins on indirect credit facilities	**27,434,704**	21,395,999
Marginal deposits	**3,196,556**	1,700,048
Other	**3,284,114**	1,091,370
	113,704,269	100,606,006

17- Borrowed Funds

This item consists of the following:

	2003	2002
Jordan Mortgage Refinance Company*	**14,104,372**	14,104,372
Central Banks**	**3,121,213**	3,252,342
Banks abroad ***	**8,203,762**	-
	25,429,347	17,356,714

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

** This amount represents several loans obtained from the Central Bank of Jordan at an interest rate ranging from 2.5% to 3.25% annually. These loans have various maturity dates, the first of which is due on January 13, 2004, and the last of which is due on May 2, 2004. The purpose of these loans is to encourage Jordanian exports.

*** This amount represents partial financing for purchasing American bonds classified according LIBOR price plus 40 primary points. Interest rate on this portfolio is about 5.5%.

18- Provisions

This item consists of the following:

	2003			
	Beginning Balance	Additions	Disposals	Ending Balance
Provision for staff indemnity	**2,713,763**	**501,619**	**399,126**	**2,816,256**
Provision for possible lawsuits	**211,566**	**112,835**	**22,567**	**301,834**
Other provisions *	**4,202,340**	**3,492,062**	**-**	**7,694,402**
	7,127,669	**4,106,516**	**421,693**	**10,812,492**

	2002			
	Beginning Balance	Additions	Disposals	Ending Balance
Provision for staff indemnity	2,406,080	506,250	198,567	2,713,763
Provision for possible lawsuits	98,731	112,835	-	211,566
Other provisions *	3,366,427	835,913	-	4,202,340
	5,871,238	1,454,998	198,567	7,127,669

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

19- Other Liabilities

This item consists of the following:

	2003	2002
Cash margins and accepted checks	**8,782,994**	7,154,793
Unearned interest and commissions	**8,431,323**	9,532,911
Accrued interest payable	**6,103,348**	8,653,073
Temporary cash margins	**408,179**	244,406
Shareholders cash margins	**3,894**	30,104
Unpaid declared dividends	**754,629**	422,384
Accepted and certified checks	**2,116,743**	2,641,825
Amounts in transit	**1,864,714**	392,202
Deposits on safe deposit boxes	**73,244**	71,135
Deposits on real-estate disposed of	**259,612**	315,395
Financial derivatives unrealized losses	**93,680**	406,750
Other liabilities *	**6,559,043**	3,319,282
	35,451,403	33,184,260

* This item includes the accounts payable of subsidiary companies amounting to USD 3,234,724 as of December 31, 2003 (USD 2,225,241 as of December 31, 2002).

20- Provision for Income Tax

This item consists of the following:

	2003	2002
Beginning balance	**1,005,427**	2,503,240
Income tax paid	**(999,929)**	(2,445,885)
Down payment	**(241,160)**	(2,820,874)
Income tax for the year	**7,077,549**	3,768,946
Ending Balance	**6,841,887**	1,005,427

Income tax for the year consists of the following:

	2003	2002
Income tax for the year	**7,077,549**	3,768,946
Accrued income tax - prior years	**502,477**	12,885
Net deferred tax asset amortization (Note 13)	**397,887**	592,835
	7,977,913	4,374,666

A final settlement with the income tax authorities has been reached for Jordan branches and Palestine branch up to the year 2002. There is no income tax for Cyprus branch for the year 2002.

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, 2003 and December 31, 2002.

22- Paid-up Capital and Share Premium Reserve

a. Paid-up capital amounted to JD 25 million (USD 35 million)and is distributed over 25 million shares at a par value of JD 1 per share (USD 1.4) after capitalizing JD 5 million (USD 7 million) during the year 2001 from the share premium account.

b. The balance of the share premium account after capitalization was USD 70,522 as of December 31, 2003 and December 31, 2002. It represents the difference between the cost of shares sold and their selling value.

23- Voluntary Reserve

The voluntary reserve amounted to USD 18,221,592 as of December 31, 2003 (USD 12,636,913 as of December 31, 2002).

24- Cumulative Change in Fair Value

This item consists of the following:

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

	2002		
	Shares	Bonds	Total
Beginning balance	3,389,630	1,441,947	4,831,577
Unrealized net profit/(Loss)	184,611	(2,049,512)	(1,864,901)
Less: realized net (profit)/loss transferred to income statement	(3,104,358)	1,498,042	(1,606,316)
Ending Balance	469,883	890,477	1,360,360

25– Retained Earnings

The movement on this account has been as follows:

	2003	2002
Beginning balance	**10,036,876**	7,200,794
The effect of implementing IAS 39 on available-for-sale financial assets	**(161,992)**	(40,646)
Other retained earnings	**3,949,416**	2,876,728
Ending Balance	**13,824,300**	10,036,876

26– Proposed Dividends

The percentage of proposed dividends for the current year is 20% of paid-up capital and is subject to the approval of the General Assembly of Shareholders (compared to 16% for the year 2002 which was distributed during the year 2003).

The Board of Directors decided to recommend to the General Assembly of Shareholders to increase the Bank's capital by 25%, which is equivalent to USD 8.82 million, through adding USD 7,200,794 representing the retained earnings balance as of December 31, 2001, the share premium reserve of USD 71 thousand, 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. As such, the remaining balance is USD 5,079,590, from which USD 1,292,165 is the balance of the year 2002, and USD 3,787,425 is the balance of the year 2003.

27– Interest Income

This item consists of the following:

	2003	2002
Direct credit facilities:		
Bills	**471,175**	667,030
Overdrafts	**8,048,615**	9,361,041
Loans and advances	**22,725,489**	20,663,414
Credit cards	**89,169**	27,841
Balances at central banks	**4,879,858**	7,226,111
Balances and deposits at banks & financial institutions	**7,542,788**	7,893,759
Available-for-sale financial assets	**5,179,810**	4,309,021
Held-to-maturity financial assets	**-**	143,042
Margins	**852,023**	372,391
	49,788,927	50,663,650

28– Interest Expense

This item consists of the following:

	2003	2002
Deposits at banks and financial institutions	**2,434,155**	2,698,773
Customers deposits:		
Current and demand deposits	**453,031**	736,674
Saving accounts	**610,705**	942,425
Time and notice deposits	**10,060,306**	15,214,278
Certificates of deposit	**271,702**	440,762
Cash margins	**2,751,298**	4,319,616
Borrowed funds	**1,056,915**	924,870
Deposits guarantee fees	**885,767**	826,413
Margins	**1,065,875**	404,513
	19,589,754	26,508,324

29– Commission Income – Net

This item consists of the following:

	2003	2002
Direct credit facilities	**2,004,086**	1,934,131
Indirect credit facilities	**3,422,365**	2,325,579
Other commissions	**58,714**	61,568
	5,485,165	4,321,278

30– Income from Financial Assets and Instruments

This item consists of the following:

	2003	2002
Income from trading financial assets	**1,886,841**	279,231
Income from the sale of available-for-sale investments *	**4,191,544**	6,425,509
Dividend income	**209,351**	299,535
	6,287,736	7,004,275

* Included in this item for Jordan for the year 2003 is an amount of USD 40,013, representing surplus provisions previously taken against USD 582,237 for the year 2002.

31 – Other Operating Income

This item consists of the following:

	2003	2002
Rental of safe deposit boxes	**46,513**	43,733
Stamp income	**67,327**	66,004
Foreign currencies differences	**2,305,561**	1,998,241
Credit card income	**486,219**	458,275
Recovery of debts previously written-off	**520,089**	349,886
Other income	**3,963,116**	4,062,039
	7,388,825	6,978,178

32– Employees Expenses

This item consists of the following:

	2003	2002
Salaries, bonuses and employees' benefits	**7,439,096**	7,437,916
Bank's share in social security	**647,071**	614,389
Employees life insurance	**51,226**	42,817
Medical expenses	**363,202**	437,010
Staff training expenses	**26,750**	1,477
Travel expenses	**204,636**	196,801
Value added tax	**26,661**	28,673
	8,758,642	8,759,083

33– Other Operating Expenses

This item consists of the following:

	2003	2002
Rent	**535,701**	489,243
Stationery	**271,415**	227,619
Advertisements	**551,364**	634,791
Subscriptions	**78,255**	84,130
Telecommunication expenses	**566,753**	526,739
Maintenance and repair	**873,326**	765,199
Insurance expenses	**370,172**	285,405
Legal fees	**99,295**	132,020
Water, electricity and heating	**322,296**	282,645
Fees, taxes and stamps	**252,640**	215,811
Professional fees	**71,361**	44,262
Visa services expenses	**132,010**	169,536
Hospitality	**63,646**	77,364
Goodwill amortization – net	**168,296**	189,185
Other expenses	**2,945,040**	1,421,257
	7,301,570	5,545,206

34– Non – Operating Revenues (Expenses)

This item consists of the following:

	2003	2002
Loss on the sale of assets	**(922)**	(20,069)
Gain on the sale of assets siezed by the Bank	**454,717**	170,951
Impairment loss of assets	**(90,432)**	(83,780)
Donations	**(121,123)**	(118,740)
Rental of real estate	**95,608**	131,721
	337,848	80,083

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, 2003, and December 31, 2002, as follows:

	2003	2002
Net income for the year	**19,378,621**	14,223,931
Weighted average number of shares	**25,000,000**	25,000,000
Earnings Per Share	**0.78**	0.57

36– Cash and Cash Equivalents

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

	2003	2002
Cash and balances at central banks	**245,524,726**	233,237,701
Add: Balances at banks and financial institutions due within 3 months	**167,278,636**	119,002,581
Less: Banks and financial institutions deposits due within 3 months	**104,651,783**	43,781,208
	308,151,579	308,459,074

37– Fair Value of Financial Instruments

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

	2003			2002		
	Book Value	Fair Value	Difference	Book Value	Fair Value	Difference
Financial Assets						
Cash and balances at central banks*	**245,524,726**	**245,524,726**	-	233,237,701	233,237,701	-
Balances at banks and financial institutions*	**167,595,984**	**167,595,984**	-	119,319,929	119,319,929	-
Deposits at banks and financial institutions*	**20,295,000**	**20,295,000**	-	29,347,186	29,347,186	-
Held-to-maturity investments - net	-	-	-	-	-	-
Available-for-sale financial assets	**39,305,983**	**39,305,983**	-	20,870,140	20,870,140	-
Financial Liabilities						
Banks and financial institutions deposits*	**105,480,047**	**105,480,047**	-	76,439,893	76,439,893	-
Customers deposits*	**614,833,197**	**614,833,197**	-	561,273,638	561,273,638	-
Cash margins *	**113,704,269**	**113,704,269**	-	100,606,006	100,606,006	-
Borrowed funds*	**25,429,347**	**25,429,347**	-	17,356,714	17,356,714	-

* Because they do not include accrued interest.

38– Interest Rate Risk

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

	2003							
	Up to 3 Months	More than 3 Months Up to 6 Months	More than 6 Months Up to 1 Year	More than 1 Year Up to 3 Years	More than 3 Years	Non-Interest Bearing	Total	Weighted Interest Rate%
Assets								
Cash in vaults	-	-	-	-	-	18,343,719	18,343,719	
Mandatory cash reserve	-	-	-	-	-	40,274,205	40,274,205	
Balances at central banks	132,866,283	49,365,303	-	-	-	4,675,216	186,906,802	2.55
Balances and deposits at banks and financial institutions	165,965,411	25,000	20,270,000	-	-	1,630,573	187,890,984	4.48
Credit facilities	91,096,108	73,991,999	88,266,316	119,932,738	75,531,739	-	448,818,900	7.7
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	30,415,856	31,905,787	
Fixed assets	-	-	-	-	-	12,842,913	12,842,913	
Total Assets	392,089,059	130,483,717	115,854,187	132,339,482	119,339,990	122,143,508	1,012,249,943	
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	13,674,473	239,299	-	19,476,688	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	-	34,259,094	35,451,403	
Provisions	-	-	-	-	-	17,654,379	17,654,379	
Total Liabilities	673,472,510	21,164,140	28,302,767	5,556,375	8,815,233	175,241,617	912,552,642	
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	28,302,767	5,556,375	8,815,233	274,938,918	1,012,249,943	
Sensitivity difference of balance sheet items	(281,383,451)	109,319,577	87,551,420	126,783,107	110,524,757	(152,795,410)	-	
Sensitivity difference of off-balance sheet items	-	42,564,883	86,419,606	-	-	-	128,984,489	
Cumulative Sensitivity Difference	(281,383,451)	(129,498,991)	44,472,035	171,255,142	281,779,899	128,984,489	-	

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

	2002							
	Up to 3 Months	More than 3 Months Up to 6 Months	More than 6 Months Up to 1 Year	More than 1 Year Up to 3 Years	More than 3 Years	Non-Interest Bearing	Total	Weighted Interest Rate%
Assets								
Cash in vaults	-	-	-	-	-	8,974,377	8,974,377	
Mandatory cash reserve	-	-	-	-	-	38,695,482	38,695,482	
Balances at central banks	181,525,398	1,410,437	-	-	-	2,632,007	185,567,842	3,64
Balances and deposits at banks and financial institutions	102,893,516	19,052,870	14,270,000	10,000,000	-	2,450,729	148,667,115	4,07
Credit facilities	89,140,336	48,048,939	72,366,837	97,771,920	65,612,622	-	372,940,654	8,44
Investments	-	400,000	5,918,897	17,348,443	47,613,061	13,195,441	84,475,842	8,01
Deferred tax assets	-	-	-	-	-	1,583,076	1,583,076	
Other assets	-	-	-	-	-	28,825,615	28,825,615	
Fixed assets	-	-	-	-	-	11,963,986	11,963,986	
Total Assets	373,559,250	68,912,246	92,555,734	125,120,363	113,225,683	108,320,713	881,693,989	
Liabilities								
Customers deposits	404,297,606	80,700,549	16,832,289	1,669,948	-	57,773,246	561,273,638	3,23
Banks and financial institutions deposits	43,136,980	13,154,313	19,504,372	-	-	644,228	76,439,893	4,49
Cash margins	64,698,271	1,145,482	5,577,580	3,477,024	25,707,649	-	100,606,006	3,80
Borrowed funds	240,141	3,012,200	-	2,517,630	11,586,743	-	17,356,714	5.88
Other liabilities	-	-	-	-	-	33,184,260	33,184,260	
Provisions	-	-	-	-	-	8,133,096	8,133,096	
Total Liabilities	512,372,998	98,012,544	41,914,241	7,664,602	37,294,392	99,734,830	796,993,607	
Minority interest	-	-	-	-	-	3,353,117	3,353,117	
Shareholders' equity	-	-	-	-	-	81,347,265	81,347,265	
Total Liabilities, Minority Interest and Shareholders' Equity	512,372,998	98,012,544	41,914,241	7,664,602	37,294,392	184,435,212	881,693,989	
Sensitivity difference of balance sheet items	(138,813,748)	(29,100,298)	50,641,493	117,455,761	75,931,291	(76,114,499)	-	
Sensitivity difference of off-balance sheet items	-	36,401,953	73,906,994	-	-	-	110,308,947	
Cumulative Sensitivity Difference	(138,813,748)	(131,512,093)	(6,963,606)	110,492,155	186,423,446	110,308,947	-	

39- Liquidity Risk

The table herebelow illustrates the maturities of assets and liabilities:

	2003							
	Up to 1 Month	More than 1 Month Up to 3 Months	More than 3 Months Up to 6 Months	More than 6 Months Up to 1 Year	More than 1 Year Up to 3 Years	More than 3 Years	With no Maturity Dates	Total
Assets								
Cash in vaults	18,343,719	-	-	-	-	-	-	18,343,719
Mandatory cash reserve	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	-	-	-	4,194,556	23,971,542	43,139,508	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	237,363	14,645,047	31,905,787
Fixed assets	-	-	-	-	-	-	12,842,913	12,842,913
Total Assets	341,964,270	125,322,316	124,500,017	114,400,535	146,890,397	118,908,610	40,263,798	1,012,249,943
Liabilities								
Customers deposits	447,663,559	138,226,148	15,271,178	11,911,038	1,761,274	-	-	614,833,197
Banks and financial institutions deposits	99,087,340	5,564,443	828,264	-	-	-	-	105,480,047
Cash margins	39,424,608	25,257,666	2,988,906	13,674,474	239,299	32,119,316	-	113,704,269
Borrowed funds	326,235	745,317	2,049,661	1,763,047	3,526,093	17,018,994	-	25,429,347
Other liabilities	899,781	2,632,224	1,549,271	4,146,381	1,777,746	1,402,103	23,043,897	35,451,403
Provisions	6,841,887	-	-	-	-	-	10,812,492	17,654,379
Total Liabilities	594,243,410	172,425,798	22,687,280	31,494,940	7,304,412	50,540,413	33,856,389	912,552,642
Minority interest	-	-	-	-	-	-	3,956,025	3,956,025
Shareholders' equity	-	-	-	-	-	-	95,741,276	95,741,276
Total Liabilities, Minority Interest and Shareholders' Equity	594,243,410	172,425,798	22,687,280	31,494,940	7,304,412	50,540,413	133,553,690	1,012,249,943
Gap per category	(252,279,140)	(47,103,482)	101,812,737	82,905,595	139,585,985	68,368,197	(93,289,892)	-
Cumulative Gap	(252,279,140)	(299,382,622)	(197,569,885)	(114,664,290)	24,921,695	93,289,892	-	-

The table herebelow illustrates the maturities of assets and liabilities:

	2002							
	Up to 1 Month	More than 1 Month Up to 3 Months	More than 3 Months Up to 6 Months	More than 6 Months Up to 1 Year	More than 1 Year Up to 3 Years	More than 3 Years	With no Maturity Dates	Total
Assets								
Cash in vaults	8,974,377	-	-	-	-	-	-	8,974,377
Mandatory cash reserve	38,695,482	-	-	-	-	-	-	38,695,482
Balances at central banks	51,999,436	132,157,969	1,410,437	-	-	-	-	185,567,842
Balances and deposits at banks and financial institutions	114,295,592	5,024,337	11,052,870	18,294,316	-	-	-	148,667,115
Credit facilities	57,567,200	31,800,205	48,233,379	72,106,708	97,620,540	65,612,622	-	372,940,654
Investments	-	-	400,000	5,918,897	17,348,443	47,613,061	13,195,441	84,475,842
Deferred tax assets	-	-	-	-	1,583,076	-	-	1,583,076
Other assets	10,623,969	1,007,014	728,467	1,179,932	1,728,291	227,791	13,330,151	28,825,615
Fixed assets	-	-	-	-	5,988,735	-	5,975,251	11,963,986
Total Assets	282,156,056	169,989,525	61,825,153	97,499,853	124,269,085	113,453,474	32,500,843	881,693,989
Liabilities								
Customers deposits	232,868,223	230,895,939	82,816,911	14,692,565	-	-	-	561,273,638
Banks and financial institutions deposits	28,315,893	15,465,315	13,154,313	19,504,372	-	-	-	76,439,893
Cash margins	32,648,257	32,098,724	1,154,251	5,536,132	3,460,993	25,707,649	-	100,606,006
Borrowed funds	-	240,141	3,012,200	-	2,517,630	11,586,743	-	17,356,714
Other liabilities	758,939	2,441,258	1,591,896	2,039,995	1,901,592	1,529,803	22,920,777	33,184,260
Provisions	-	1,743,791	-	-	-	-	6,389,305	8,133,096
Total Liabilities	294,591,312	282,885,168	101,729,571	41,773,064	7,880,215	38,824,195	29,310,082	796,993,607
Minority interest	-	-	-	-	-	-	3,353,117	3,353,117
Shareholders' equity	-	-	-	-	-	-	81,347,265	81,347,265
Total Liabilities, Minority Interest and Shareholders' Equity	294,591,312	282,885,168	101,729,571	41,773,064	7,880,215	38,824,195	114,010,464	881,693,989
Gap per category	(12,435,256)	(112,895,643)	(39,904,418)	55,726,789	116,388,870	74,629,279	(81,509,621)	-
Cumulative Gap	(12,435,256)	(125,330,899)	(165,235,317)	(109,508,528)	6,880,342	81,509,621	-	-

40– Foreign Currencies Risk

The table herebelow shows the balances of foreign currencies:

	2003		2002	
	Amount	Equivalent in USD	Amount	Equivalent in USD
US Dollar	**6,085,866**	**6,085,866**	12,357,763	12,357,763
Pound Sterling	**1,114,042**	**1,845,561**	1,311,474	2,106,571
Euro	**1,356,558**	**1,554,090**	403,602	424,097
Swiss Franc	**21,981**	**17,807**	139,920	101,138
Japanese Yen	**(68,112)**	**(639)**	(1,040,909)	(8,804)
Other currencies *	**-**	**2,516,047**	-	1,774,654

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

41 – Financial Derivatives

The following schedule illustrates the financial derivatives' positive and negative fair values, in addition to their maturity dates, as of December 31, 2003 and December 31, 2002:

	Positive Fair Value	Negative Fair Value	Total Par Value	Maturities of Par Value: Within 3 Months	Maturities of Par Value: From 3 Months up to One Year	Maturities of Par Value: From One Year up to 3 Years	Maturities of Par Value: 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	-	-	-
	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)	-	-	-	-	-	-	-
	-	-	-	-	-	-	-

	Positive Fair Value	Negative Fair Value	Total Par Value	Maturities of Par Value: Within 3 Months	Maturities of Par Value: From 3 Months up to One Year	Maturities of Par Value: From One Year up to 3 Years	Maturities of Par Value: More than 3 Years
As of December 31, 2002							
Financial derivatives for trading purposes:							
Foreign currencies forward contracts (selling)	-	(406,750)	(14,370,250)	(14,370,250)	-	-	-
	-	(406,750)	(14,370,250)	(14,370,250)	-	-	-
Foreign currencies forward contracts (purchasing)	406,750	-	14,370,250	14,370,250	-	-	-
	406,750	-	14,370,250	14,370,250	-	-	-
	406,750	(406,750)	-	-	-	-	-
As of December 31, 2002							
Financial derivatives for cash flow purposes:							
Foreign currencies forward contracts (selling)	-	-	-	-	-	-	-
Foreign currencies forward contracts (purchasing)	-	-	-	-	-	-	-
	-	-	-	-	-	-	-

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

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

	2003			2002		
A. According to Geographical Areas	Assets	Liabilities	Off-Balance Sheet Items	Assets	Liabilities	Off-Balance Sheet Items
- Within the Kingdom	**830,234,580**	**936,845,897**	**308,129,194**	707,457,102	806,959,420	291,132,110
- Other Arab countries	**126,144,860**	**48,491,056**	**25,048,920**	105,860,786	56,263,075	14,398,681
- Asia *	**2,458,395**	**671,601**	**27,305,762**	3,072,286	-	16,952,745
- Europe	**28,269,512**	**15,530,279**	**28,778,144**	59,854,657	18,471,494	3,346,375
- Africa *	**-**	**-**	**22,903,058**	-	-	13,010,482
- America	**19,979,599**	**10,711,110**	**13,697,764**	5,375,969	-	369,547
- Other countries	**5,162,997**	**-**	**-**	73,189	-	-
	1,012,249,943	**1,012,249,943**	**425,862,842**	881,693,989	881,693,989	339,209,940
B. According to Sectors						
- Personal accounts	**101,268,901**	**427,371,486**	**165,537,610**	107,591,381	443,714,352	205,306,555
- Companies accounts	**389,030,276**	**343,106,494**	**213,883,209**	305,905,456	238,543,086	121,482,867
- Other	**521,950,766**	**241,771,963**	**46,442,023**	468,197,152	199,436,551	12,420,518
	1,012,249,943	**1,012,249,943**	**425,862,842**	881,693,989	881,693,989	339,209,940

* Excluding Arab countries.

43– Transactions with Related Parties

This item consists of the following:

	2003	2002
On-Balance Sheet Items:		
Credit facilities	**3,406,299**	3,324,103
Deposits	**102,039,709**	123,951,516
Cash margins	**-**	513,604
Off-Balance Sheet Items:		
Letters of guarantee	**1,410**	3,021,763
Statement of Income:		
Interest & commission received	**59,948**	103,828
Interest & commission paid	**2,853,307**	3,255,076
Other	**1,200,563**	-

44– Commitments and Contingent Liabilities

This item consists of the following:

	2003	2002
Letters of credit	**65,606,680**	46,040,587
Acceptances	**43,404,357**	25,354,099
Letters of guarantee:		
Payments	**66,593,361**	81,469,067
Performance bonds	**39,237,254**	18,202,766
Other	**82,036,701**	57,834,474
Unutilized credit facilities	**128,984,489**	110,308,947
	425,862,842	339,209,940

45– Capital Adequacy

Capital adequacy ratio is calculated according to the instructions of the Central Bank of Jordan based on the Basel Committee's decisions. Market risks have been included for the purposes of calculating this ratio during the year 2003. The following table shows the capital adequacy ratio in comparison with that of the year 2002:

	2003	2002
	Thousand USDs	Thousand USDs
Regulatory capital	**96,690**	81,819
Primary capital	**88,874**	75,379
Regulatory capital to risk-weighted assets ratio	**15.60%**	18.10%
Primary capital to risk-weighted assets ratio	**16.48%**	16.60%

46– Lawsuits Against the Bank

The Bank is a defendant in lawsuits amounting to USD 2,617,794 as of December 31, 2003, compared to USD 2,739,621 as of December 31, 2002. According to the Bank's management, the existing provision of USD 211,566 as of December 31, 2003 is sufficient. The subsidiary company United Financial Investment Co. is a defendant in lawsuits amounting to USD 90,268 as of December 31, 2003, against USD 112,835 as of December 31, 2002. These lawsuits are fully provided for.

47– Comparative Figures

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

ADDITIONAL DISCLOSURE AS REQUIRED BY JORDAN SECURITIES COMMISSION

Shareholders who own more than 5% in the Bank's capital

Shareholder	Nationality	Shares	%
United Gulf Bank	Bahraini	11,022,725	44.091
Social Security Corporation	Jordanian	5,310,152	21.241

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

Shareholder	Nationality	Shares	%
United Gulf Bank	Bahraini	11,022,725	44.091
Social Security Corporation	Jordanian	5,310,152	21.241
C.I. De Participation Et Financieres	Luxembourg	1,026,931	4.108
Strategy Co. for Investments	Jordanian	771,226	3.085
Export & Finance Bank	Jordanian	368,689	1.475
Mr. Mohammad A. Abu Ghazaleh	Jordanian	354,686	1.419
Kameros Trading Limited	Cypriot	324,293	1.297
Int'l. General Insurance Co.	Jordanian	300,000	1.200
Sheikh Salem Al Ali Al Sabah	Kuwaiti	274,312	1.097

Shares owned by the Board of Directors

Shareholder	Nationality	No. of shares 31/12/2002	No. of shares 31/12/2003
United Gulf Bank	Bahraini	11,022,725	11,022,725
Social Security Corporation	Jordanian	5,316,666	5,310,152
Strategy Co. for Investments	Jordanian	798,082	771,226
Kuwait Projects Co.(Holding)	Kuwaiti	12,750	12,750
Al-Futouh Co. for Investment/Nasser Sabah Al-Ahmad & Bros.	Kuwaiti	6,250	11,250
Eng. Nasser Ahmad Lozi	Jordanian	1,250	1,250
Mr. Farouk A. AL–Aref	Jordanian	3,502	3,502
Mr. Moh'd Ahmad Abu Ghazaleh	Jordanian	-	354,686

Shares owned by Management Executives in 2003

Name	Position	No. of Shares
Mr. Moh'd Yaser Al-Asmar	General Manager	12,000
Mr. Adnan Kh. Abu Nemrih	Executive Manager	1,321
Mr. Suhail M.Turki	Executive Manager	825
Mrs. Hiyam S. Habash	Asst. G. M – Finance	400

Changes in share price during the last five years

Year	Closing Price US$/Share
31/12/1999	2.26
31/12/2000	2.09
31/12/2001	4.72
31/12/2002	5.46
31/12/2003	12.06

Changes in profits and shareholders' equity (in thousand US $)

Year	Net Income before Tax	Total Shareholders' Equity
31/12/1999	7989	50642
31/12/2000	10401	57875
31/12/2001	14318	75924
31/12/2002	19549	81347
31/12/2003	28679	95742

- Auditors' fees in 2003 amounted to USD 71,361.
- Total donations of the Bank in 2003 amounted to USD 121,123.
- Total remuneration, salaries, allowances and travel expenses paid to the Chairman, the Board Members and Senior Executives in 2003 amounted to USD 1,162,763.

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.