KEY OF ALL SOLUTIONS

بسم الله الرحمن الرحيم

Our Vision

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

Our Mission

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

JORDAN KUWAIT BANK

29th Annual Report 2005

JORDAN KUWAIT BANK

Public Shareholding Ltd. Company
Established 25/10/1976
Commercial Register Number 108
Paid-up Capital JD 60 Million (US$ 84.6 Million)*

* On March 1, 2006, the General Assembly of Shareholders approved the Board of Directors' recommendation to raise the Bank's capital from JD 40 million (US$ 56.4 million) to JD 60 million (US$ 84.6 Million) through the capitalization of JD 20 million (US$ 28.2 Million) from earnings and provisions and distribute them to shareholders as bonus shares at the rate of half a share for every share held

Contents

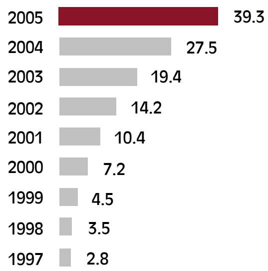
MAJOR FINANCIAL INDICATORS AND RATIOS 2005 & 2004

	Amounts in Thousand USD		
	2005		change%
Major Operating Results			
Net interest and commission	59,470	45,292	31.3
Gross income	85,822	60,176	42.6
Income before taxes	55,436	39,027	42.1
Income for the year-Bank Shareholders	35,983	26,186	37.4
Earnings per share-Bank Shareholders	0.90	0.65	37.5
Major Balance Sheet Items			
Total assets	1,987,970	1,250,086	59.0
Direct Credit facilities-net	971,756	628,247	54.7
Customers deposits	1,112,757	757,622	46.9
Total equity-Bank shareholders	145,100	118,434	22.5
Major Financial Ratios			
Operating assets / Total assets	91.9%	91.7%	
Return on average assets	3.42%	3.45%	
Return on average Owners' equity	40.13%	35%	
Gen. & Admin.expense / Average assets	1.59%	1.87%	
Capital adequacy ratio	13.13%	15.57%	
Non – performing loans / Gross credit facilities	0.6%	1.3%	
Non – performing loans Coverage Ratio	193%	134%	
Contra Accounts	474,320	381,468	24.3

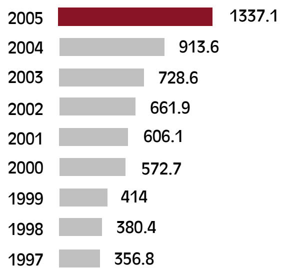
CHANGES IN MAJOR FINANCIAL RESULTS (1997-2005)

In million US$

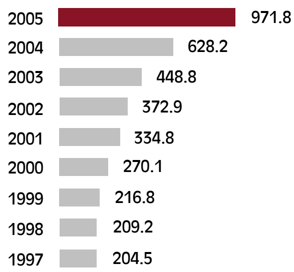
Income for the year



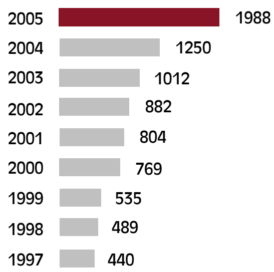
Customer Deposits & Cash Margins



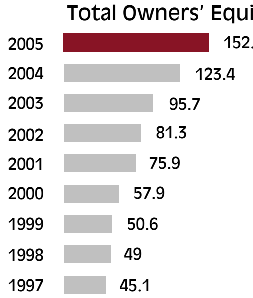
Direct Credit Facilities- net



Total Assets



Total Owners' Equity



HIS MAJESTY
KING ABDULLAH II BIN AL-HUSSEIN

HIS HIGHNESS
SHEIKH SABAH AL-AHMAD AL-SABAH
EMIR OF THE STATE OF KUWAIT

HIS MAJESTY
SHEIKH HAMAD BIN ISA AL KHALIFA
KING OF BAHRAIN

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
- **H.E. Naser Ahmad Iouzi**
- **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**
  General Manager / Board Secretary

Auditors

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

CHAIRMAN'S MESSAGE

To the Shareholders,

On behalf of the Board of Directors, I am pleased to present the 29th Annual Report of Jordan Kuwait Bank including the consolidated financial statements and the achievements for the year ending December 31, 2005.

The year 2005 was not a typical year. Jordan witnessed an economic boom throughout the year. The GDP grew by 7.5% thus maintaining the level recorded for the previous year which is a strong indicator of sustainable economic growth leading Jordan into a new economic and development era.

The year 2005 was the year of foreign investment in Jordan, and the year of reaping the benefits of His Majesty King Abdulla II's unrelenting efforts on the local and international levels. His Majesty's efforts were fruitful and effective in making Jordan a magnet for Arab and international investments, having established Jordan's image as a model country for its open economy, security and stability, in addition to enhancing the reputation of Jordanians as an educated, intuitive and productive people capable of interacting with circumstances and overcoming different impediments. Furthermore, there was more success in reinforcing the trust between public and private sector coupled with reforming the legislative environment governing investment, trade and public administration. All indicators are pointing in the direction that the Jordanian economy is on the right track and that more success is on the way given His Majesty's direct involvement and competent leadership. There are enough assurances that the objectives to create a flourishing economy and a sustainable development will be met and will thus be interpreted into improved citizens' livelihood and expectations.

The Amman Stock Exchange received a good share of the economic activity during 2005. The market witnessed an exceptional growth exceeding all expectations and recorded indices. The influx of cash into Jordan from Iraq and the Arab Gulf contributed to that effect. This was clear in the net foreign investment into the ASE reaching USD 583 million against USD 97 million during 2004. The financial results of the listed companies provided strong support for their shares. Most companies displayed a remarkable increase in assets, profits and owners' equity and in some

sectors the increase was in many folds. The activity in the real estate market was not different, with a gross turnover of USD 4.2 billion compared to USD 2.8 billion in the previous year.

For Jordan Kuwait Bank the year 2005 was a landmark in terms of growth and profitability; by year end the total assets of the Group recorded an unprecedented growth of 59% and reached USD 2 billion compared to USD 1.25 billion in 2004. Gross income increased by 42.6% over the same period of the previous year reaching USD 85.8 million. This is a clear indicator of higher performance on all aspects of the Bank's business. By end of the financial year, the total owners' equity reached USD 153 million with an increase of 24% over the previous year. On the liabilities side, customers' deposits scored a remarkable growth increasing by 46.9% and reaching USD 1.11 billion. Cash margins also increased by 43.9% and reached USD 224.3 million.

JKB's commitment to achieving the best results and the highest growth rates year after year is based on a number of factors, most important of which are the Bank's ability to adapt to the various client needs and market conditions, adopting wise and balanced policies which are in harmony with the strategic objectives for growth, transparent approach throughout the various lines of business in addition to notable success in building a solid business relationship with large financial institutions, investors and high net worth clients within and outside Jordan. In this respect we would like to point out that most of the profit achieved in 2005 was generated from the Bank's core banking operations as we opted out for a conservative approach in dealing with the stock

market. We must also mention that JKB's subsidiaries (Arab Orient Insurance Company and United Financial Investments Company) contributed towards the Group's results of 2005. Subsidiaries' profit amounted to USD 9.5 million in 2005 compared to USD 3.7 million in 2004. This is an indication of the growing business of the two companies and their conformity with the overall performance standard of the Bank.

The year 2005 was a milestone in terms of the volume and type of credit facilities extended to the various industrial, commercial and service sectors. JKB's credit portfolio grew considerably and by 54.7% over the previous year's figures. This led to a rise in JKB's share of the total banking credits in Jordan to 8% emphasizing the Bank's strong financing and lending capabilities. While performing our credit function, we abided by the longstanding prudent and conservative policy and the enforced risk measures and controls. In assessment, the quality and diversity of our credit portfolio provides adequate support and fortification for the growth achieved. This is clearly exhibited in the remarkable non-performing loans ratio which dropped to a new record low of 0.6% of the total credit facilities. This is, by all means, one of the best ratios recorded worldwide.

The year 2005 also witnessed more implementation of the branching and expansion plan within the Kingdom. New branches were opened and we started operating from the Jordan post offices which helped in further expanding the client base.

In the fourth quarter of 2005, we started to review the expansion plan in Palestine aiming at establishing a regional office and a branch in Ramallah. We are hoping that the study would reveal positive conclusions so we can start our operation there during 2006. Further, we are exploring the feasibility of establishing an off-shore banking unit in one of the Arab Gulf states.
We have appointed a specialized consultancy firm to conduct the study and we are currently in the process of preparing the qualifying requirements.

For the first three years of the new management's time in office, we have worked on an ambitious plan to reorganize and restructure the Bank. That period which started in mid-1997, was a period of assessment, strategy formation and implementation of development and change plans. All procedures and policies were reviewed and updated, the Bank's credit portfolio was put under strict supervision and follow up, new investment, credit and control polices were adopted, all coupled with structured training and rehabilitation programs for the Bank employees.

During the following three years, efforts were exerted towards enhancing institutional business practices, strengthening the Bank's financial position and its capital base to safeguard a sustainable long term growth whilst maintaining, at the same time, the drive to achieve the best performance ratios and financial indicators in the banking sector in Jordan.

During the last three years, our efforts were focused on enforcing the achievements gained, implementing the concepts and practices of Total Quality in all aspects of the Bank's management, creating a unique customer friendly atmosphere that further enhanced the Bank's image as the best client-focused bank in Jordan. At this stage JKB started to reap the benefits of its strenuous and continued efforts; it has occupied a pioneering position and was set as a benchmark on both the local and the regional banking scenes with its superb performance ratios and its prominent client base. JKB became well known for its highly developed IT infrastructure and its unique business style which resulted in more client satisfaction and a worthy added value for the investors.

As for the future and starting from 2006, we will concentrate on achieving growth in volume and quality in all operations and activities and to increase further the Bank's

market share especially in retail and consumer products. This will be a natural outcome, having enforced the infrastructure and raised the Bank's administrative, technical and supervisory capabilities. At the same time we will continue to fine tune the internal procedures and regulations to comply with international standards and best practices. We will finalize preparations to implement Basel II requirements, which will be endorsed by the Central Bank of Jordan starting from 2007, and aim at even implementing whatever is left optional for banks to adopt. We aim also to instigate a transparent risk management system and enforce compliance with it at all staff levels.

The Bank's quarterly and annual results have placed it amongst the best banks in the region and have attracted the attention of the international investment and consultancy firms and rating agencies. In August 2005, Capital Intelligence raised the Bank's rating to BBB+. Also, a report by Atlas Group, "The Arab Bank's investment arm" on the Bank's results for the first half 2005, praised the outstanding performance of the Bank, its strong asset base as well as its well managed and clean credit portfolio. On the international level, the Global Finance Magazine, an American finance and investment journal specialized in assessment of banks and financial institutions, described JKB as being the best bank in Jordan as well as the best Internet bank for 2005; with that the Bank joins a handful of top ranking banks in the Middle East.

Encouraged by our results for 2005 and to further strengthen the Bank's capital base and owner's equity in order to support the ability to accommodate our targeted growth in the fields of lending, investment and project financing, the General Assembly of shareholders approved the Board of Directors' recommendation to increase the Bank's paid up capital to JD 60 million (USD 84.6m) through capitalizing JD 20 million (USD 28.2m) of profits and reserves and distributing them to the shareholders as bonus shares at a rate of one half a share per existing share.

Before concluding, we wish to extend our deepest regards to all our clients, partners and shareholders for their continued support and for the confidence they placed upon us, which has played an important role in the successes achieved so far. Our gratitude is also extended to our brethren in Kuwait Projects Company (KIPCO) for their trust and solid commitment to the success of the Bank. We extend our appreciation to our colleagues at the Central Bank of Jordan, noting the important role they play in maintaining sound transparent monetary policies with professionalism and competence. We value with gratitude their efforts in raising local banks capabilities to cope with the best international banking practices. We wish to thank all staff of JKB Group for their excellent performance and dedication to their work which has led to the results we are seeing today.

Finally, we look forward to 2006 with confidence that we will be able to continue along our track of strong performance and achieve even better results. We shall remain the trusted partner and adviser to all clients with absolute commitment to extend our expertise and capabilities to provide them with the assistance and advice they need at all times. We shall not spare any effort to support promising sectors and genuine investment projects that have long term prospects; and shall continue to capitalize on the potentials and opportunities of the Jordanian economy that contribute towards the prosperity of our country.

Abdel Karim Kabariti
Chairman

Corporate Governance and Risk Management

Corporate Governance

In response to the recent supervisory developments, locally and internationally, and to the handbook issued by the Central Bank of Jordan which emphasizes implementing the principles of Corporate Governance, JKB Board of Directors established a corporate governance committee. This aims at improving the role of the Board of Directors, management, and the various committees as well as the internal and external auditors, and increasing the independence of all these parties to achieve a sound corporat governance culture.

The most important objectives of the Corporate Governance Committee are:

1) Ensuring that the Board of Directors has established strategic objectives and a set of corporate values that are communicated throughout the organization.
2) Setting and enforcing clear line of responsibility and accountability throughout the organization.
3) Ensuring that there is appropriate oversight by senior management regarding control over the Bank's activities thus achieving a reasonable return for the shareholders without jeopardizing the soundness of the Bank.
4) Effectively utilizing the work conducted by internal and external auditors.
5) Ensuring that the compensation approaches consistent with the Bank's values, objectives, strategy, and control environment.
6) Observing that corporate governance is being conducted in conformity with transparency and disclosure norms.

Risk Management

JKB's expanded and diversified business requires that the Bank identifies, measures and manages the risks associated with its activities effectively, and accordingly allocates the economic capital needed, whilst maintaining the Bank's financial soundness.

Risk Management is based on three main principles:

- Total understanding and knowledge by the Board of Directors of all the risks within the banking activity.
- The existence of appropriate strategies, policies and procedures for risk management that aim at revealing the size of risks the Bank may face and managing such risks thus ensuring a sound financial position for the Bank.
- The existence of systems that assist in managing the risks.

The Risk Management Department operates through a comprehensive set of principles which are adaptive to the various activities of the Bank and are in line with the best international practices to achieve the following objectives:

- Maintain the Bank's solvency.
- Ensure that risks are transparently communicated and well understood by stakeholders.
- Ensure that prevailing risks are in line with JKB's Risk Appetite.

The main task of the Risk Management Department is to identify, measure, monitor, and control risks that the Bank may face throughout its course of operations and submit the appropriate recommendations to mitigate them
The main risks that the Bank may face are:

- Credit risk: the risk of loss arising from a counter party failure to meet the agreed upon obligations.
- Market risk: the risk of loss in on- and of- balance sheet positions arising from movements in market prices.
- Operational risk: the risk of loss resulting from inadequate or failed internal process, people and systems, or from external events.
- Liquidity risk: the risk of loss arising from the Bank's inability to fulfill its current obligations, or to meet sources of funding as they fall due in timely manner, at reasonable cost.

2005 MAJOR ACHIEVEMENTS

Once again, 2005 results were another solid assurance that JKB is capable of achieving better and more, year after year. The year 2005 was the time of growth in both volume and quality. This was clearly manifested by the outstanding accomplishments realized by the Bank in its major balance sheet items, the performance indicators and financial ratios, the client base and the reinforced leading position on the local banking scene. JKB achievements are always regarded for the value they add to our shareholders and to our clients as well.

The Financial results

JKB managed to achieve the best financial results in its history; this year's results, the second year of JKB's strategic plans for 2004-2006, exceeded expectations and were yet another assurance of JKB's success in dealing with different market conditions and coping with all client requirements.

The financial statements for 2005 reflected excellent achievements as again they emphasized the upward trend that the Bank has been taking throughout the past few years. The substantial growth in assets and profits were the best recorded during the past period.

The Bank's financials for 2005 were prepared in accordance with the new instructions of the Central Bank of Jordan requiring the implementation of International Financial Reporting Standards. These standards implied reclassification of some financial items in 2005 statements and accordingly restating those of 2004. The new regulation provided more transparency and disclosure of the financial statements and the accompanying notes.

The total assets of the Bank as on 31/12/2005 reached USD 2 billion with an increase of USD 738 million over 2004, a remarkable 59% growth. The performing assets constituted 91.9% of the total assets compared to 91.7% in 2004. The credit activity witnessed an outstanding increase during 2005 and grew by 54.7% over the previous years. Net credit facilities extended reached USD 971.8 million by the end of 2005.

Gross income increased by 42.6% over the previous year to reach USD 85.8 million. Net interest and commission constituted 69.3% of the gross income. Income before tax reached USD 55.4 million an increase of USD 16.4 million, or a growth of 42% over 2004. Income for the year pertaining to Bank shareholders reached USD 35.9 million compared to USD 26.1 million for 2004, an increase of 37.4%. Total owners' equity grew by 23.9% and reached USD 152.9 million by year end, while total equity-Bank shareholders increased to USD 145.1 million from USD 118.4 million in the previous year.

On the liabilities side, custumers' deposits were no different in terms of growth and increased by 46.9% to reach USD 1,11 billion. Cash margins took a similar trend and increased by 43.9% to reach USD 224.3 million by the end of 2005.

The success achieved by the management in attaining such a remarkable growth during 2005 was accompanied by a similar success in managing the increased activities brought forth by the various aspects of this growth in a professional and prudent manner. These successes are interpreted in higher performance indicators and efficiency ratios that meet the best of local and international standards.

Return on average oweners' equity rose to 40.13% compared to 35% for the previous year. The ratio of general and administrative expenses to average assets recorded a remarkable improvement and declined to 1.59% from 1.87% in 2004. In 2005, the Bank achieved its best ever ratio of non-performing loans to total credit facilitates as it declined to 0.6% from 1.3% for 2004. At the same time, NPL's coverage ratio increased to 193% compared 134% in the previous year. With the considerable growth in JKB's total assets in 2005, the return on average assets ratio remained around the previous year's scoring 3.42%.

Credit facilities

The credit facilities in 2005 attained its best ever achievement in volume and growth rates. Direct credit facilities (net) rose to USD 971.8 million with a record increase of USD 342.7 million or 54.7% over 2004 figures.

The credit operations during 2005 witnessed extensive activities in terms of financing, direct credit and indirect facilities extended solely by the Bank or through banking syndications. The portfolio covered several commercial, investment and real estate sectors for local clients as well as foreign investors. A substantial portion of these credit facilities was directed towards the productive economic sectors and the larger enterprises of strategic business roles in the Jordanian economy including the pharmaceutical, educational, petrol, gas, tourism and real estate sectors. In addition, the credit activities directed towards medium-size enterprises, small companies and individuals, were subject to a structural reform in 2005. Comprehensive review of JKB's competitiveness in non-corporate credit was conducted followed by an apposite action plan and an aggressive marketing campaign addressed to this segment of clients. As a result of its overall credit activity and the notable growth achieved in 2005, JKB's share of the total credit extended by the banking sector in Jordan rose to 8%.

On the other hand, indirect credit facilities rose considerably during 2005. Issuing and financing letters of credit witnessed the largest increase in this respect. Off-balance sheet items rose by USD 93.1 million and reached USD 473.9 million by year end recording a growth of 24.3%. This activity generated excellent commissions as a result.

JKB continued to implement balanced credit policies and standards in extending credits and conducting feasibility studies, always giving due consideration to all risks associated with each credit type, including competition, interest rates and exchange rates.

JKB's remarkable achievement in reducing the ratio of the non-performing loans to the total credit portfolio to 0.6% was the outcome of several measures and approaches adopted by the Bank in the course of extending credits. These measures include: prudent study and analysis of the credit nature, assessment and rating of the clients and their credibility, financial positions, sources of income, and the quality of the collaterals. In addition, JKB managed to reduce the non-performing loans by means of

resolving many of the stumbling ones in accordance with sound arrangements that meet the cash flow of the clients and follow the instructions of the regulators.

Regarding the integration between credit services and banking services, JKB provided cash management services to many of its clients with high cash flows. JKB also managed stock issuing operations in favor of a number of large public shareholding companies.

Credit Facilities Department worked during 2005 towards improving the performance of its staff and managers through training and education in addition to attracting new qualified staff to cope with the expansion in demand on JKB's credit facilities and to strengthen the Bank's relations with existing and new clients.

Banking Services and Branches

There were several notable achievements by the Branch Management and the various branches of the Bank during 2005. Such achievements contributed to the Bank's overall results and growth. The reorganisation and restructuring implemented since the beginning of the year 2005 had a positive effect on the overall performance of the branch management. The marketing and sales department concentrated its efforts and managed to deliver the Bank's services and products to new segments of clients in different parts of the kingdom.

The branches responded positively to the rise in JKB's activities in 2005 and were able to foster their capacity in selling retail products such as housing loans, consumer loans and credit cards and provided banking services that meet clients' needs within JKB's pre-set quality standards. The credit

card products was at the centre of the marketing efforts where more than 5000 cards were sold during 2005 in three brands (VISA, American Express, Master Card) an increase of 110% over the previous years'.

JKB branches managed to achieve the targeted growth in customers' deposits, intended to match the increasing demand for JKB's credit facilities. Total customers' deposits reached USD 1,113 million at the year end; scoring a USD 355.4 million increase or a 46.9% over 2004 figures. Low cost deposits (current and savings accounts) constituted 40% of this increase. JKB's share of the banking sector's deposits rose from 4.5% in 2004 to 5.8% by the end of 2005.

In order to spread JKB's services to a wider client base and newer locations, several branches and offices were opened in 2005. More new branches are currently under construction to be opened in early 2006. Furthermore, a number of branches and offices were relocated during 2005 and were refurbished to reflect the overall image seen throughout various JKB branches. Moreover, a number of ATM machines were installed in new locations.

JKB started selling insurance products through its various branches during 2005. This was preceded by specialized training aiming at qualifying a number of employees to handle this new business line. In 2005, JKB launched new services such as managing stock issuing operations and payment of dividends for public shareholding companies and electronic settlement of Visa card dues and university fees instalments.

During the fourth quarter of 2005, JKB's management started preparation for two structural developments required by the Broad of Directors; the first one aims at establishing a Private Banking Department and the second rules to detach the consumer credit products from the corporate credit facilities and place such activity within the responsibility of the Branches Department. These changes will be implemented as of the beginning of 2006.

Treasury and Investments

The Treasury and Investment Department had outstanding achievements during 2005. In performing its duties, the Department focused on maintaining a well balanced and matched assets and liabilities through the proper implementation of the advanced techniques in managing funding and interest rates gaps in both local and foreign currencies. The department focused on diversifying sources of funds in addition to distributing investments over different investment instruments, in a combination that generates maximum returns. In performing its various investment activities, the department takes into consideration the market, credit and operational risks.

In 2005, the Bank was active in following up CDs issued by the Central Bank of Jordan and international banks. The Department also managed the Bank's portfolio of Government Bonds, Treasury Bills and highly rated international bonds in US Dollar and other currencies, in addition to bonds issued by local institutions.

To cope with interest rate developments that occurred during 2005 on the JD and foreign currencies, JKB's interest rates structure was revised in a manner that preserved JKB's competitiveness and, at the same time, maintained the diversification of the deposits base and its variant maturities.

In 2005, the Treasury and Investment Department implemented a new computerized system to manage its entire operations. The system streamlines the activities of the department with those of other departments such as the Financial and the Commercial Services.

Centralized Operations

The year 2005 was exceptional in terms of the growth achieved by the Bank in all its business activity; this was reflected on the role of the central operations departments which were up to the challenge and provided the necessary support to the Bank's operations. The operations department started, as of April 2005, implementing the electronic archiving system to replace the traditional paper filing practice. The documents of all the branches and the headquarters departments are now archived electronically to be retrieved through online access by the departments concerned.

During the third quarter of 2005, the commercial services department began to implement a new Trade Finance system which handles all outward LCs and provides online integration with the central computer system and the Swift application. The second stage of the system which covers all inward LCs was under implementation by the end of 2005. The entire Trade Finance system will be fully operational during the first quarter of 2006.

Also, by the end of 2005, another new system had been put in full implementation; an automated and modern system that handles the preparation, issuance and updates of business rules and work procedures of the Bank's departments and branches. The system provides online documentation and circulation of such rules and procedures.

During the third quarter of 2005, JKB issued the first Visa "chip" card in Jordan in compliance with Visa International requirements. The new EMV technology card is considered a major leap in the cards industry being counterfeit-proof, thus providing full protection for the client in case his card is lost or stolen.

JKB also was the first bank in Jordan to introduce the Mini Visa card as a new and innovative service. This product is highly recognized and used on millions of POS worldwide.

Technological Developments and Information Systems

In year 2005, the major emphasis was on enhancing the technical infrastructure of the Bank to accommodate the impressive growth achieved in business activities, as manifested by a 50% growth in the number of financial transactions, and to increase the reliability and availability of systems.

A new core communication infrastructure was implemented in 2005, vastly expanding the available bandwidth to support business operations, and laying the ground for implementing state-of-the-art communication technologies. The server hardware infrastructure was also renovated through the pioneering implementation of the Blade Server technology in the Jordanian banking sector.

In 2005, the Management Information System (MIS) started bearing fruit, through an increased user base, and an expanded number of operational and ad-hoc reports, providing executives and business officers with a better understanding of the business activities and the operational environment of the Bank.

The Information Technology Department continued its support of business operations and developments through providing the hardware, software and network infrastructure. In this respect, the department contributed to several projects executed in 2005. That included branch renovation, opening of new branches, and the deployment of new ATM machines. In addition, the year witnessed the implementation of centralized electronic archiving, the advanced Treasury Trading and Risk Management systems, the Trade Finance system, and the electronic business rules and procedures system.

In addition to finalizing the preparations needed to implement the Electronic Check Clearing Project, mandated by the Central Bank of Jordan, the IT department completed the upgrading of all ATM's to be compatible with EMV (chip) technology and to accept MasterCard and American Express cards for cash dispensing.

Internal Audit

The Board of Directors realizes the vital role of the Internal Audit and constantly supports the endeavors

aiming at enhancing the audit function in the Bank to cope with international best practices. Over the years, the audit role has developed from traditional to advisory and assurance that helps in improving the Bank's operations, achieving its objectives and adding value to the investors through maintaining proper risk management, internal control and corporate governance functions.

The department continued to oversee the implementation of the Control Risk Self Assessment system (CRSA) over the various activities in the Bank. This system is considered the main pillar of Basel II implementation in terms of operational risks. The department represented the Bank in the committee formed by the Central Bank of Jordan to prepare the grounds for Basel II implementation within the Jordanian banking sector. It also organized several training courses and seminars addressed to JKB staff. These courses focused on Basel II concept and implementation process as well as best practices in risk management.

The Internal Audit Department continued its supportive role through providing the necessary analysis and recommendations to the senior management on various activities of the Bank and ensures compliance with internal controls. In this regard, the department completed on the audit and inspection programs for 2005 approved by the Board Audit Committee through the Risk-Based Audit approach.

Along with the Basel II principle of Consolidated Supervision, the department extended its supervisory role to include JKB subsidiaries. This requires analyzing and assessing the most important risks the companies may face and ensure that adequate measures were in place to mitigate such risks.

IT Audit was also on the agenda and several audit assignments were conducted in 2005 according to the best international practices. In addition, the department participated effectively in testing and implementing new IT-based applications such as the Treasury and the Trade Finance systems.

Legal Department

The legal department continued with its extensive effort to collect written-off debts and was successful in collecting USD 0.86 million which is the largest amount to be collected from such debts over the past years. Concentrated efforts by the departments also led to the collection of USD 1.9 million of the outstanding debts with legal action in process, an amount equivalent to 39.6% of its balance.

One of the department's main objectives is to communicate the legal issues pertaining to the banking business to staff in different departments and branches. This was achieved through publications and lectures provided to staff periodically and on need-to-know basis. In 2005, the department published the second edition of the book entitled (What bankers need to know about the law) having added 20 new subjects to it. The department held two seminars for judges to enhance their knowledge of the various aspects of the banking industry.

Community services

In 2005, JKB continued to support projects that aim at improving the local community and preserving the environment. The Bank participated in several activities and extended financial support to many others. During the year, JKB sponsored several activities and economic conferences, cultural seminars and sports tournaments organized by universities, schools, clubs and several NGOs. Amongst the organizations sponsored was the Young Entrepreneurs Association whose objective is to encourage the youth to establish their own businesses and provide them the necessary technical and professional support to bring their ideas and projects into existence.

EXECUTIVE MANAGEMENT

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

- **Mr.Tawfiq A/Q Mukahal**
  Asst. General Manager, Credit Dept.
- **Mr. Ahmad A. Jaber**
  Asst. General Manager, Administration Affairs Dept.
- **Mr. Majed F. Burjak**
  Asst. General Manager, Operations Dept.
- **Mr. William J. Dababneh**
  Asst. General Manager, Treasury & Investment Dept.
- **Mr. Shaher E. Suleiman**
  Asst. General Manager, Internal Audit Dept.
- **Mrs. Hiyam S. Habash**
  Asst. General Manager, Financial Dept.
- **Mr. Zuhair H. Idris**
  Asst. General Manager,Branches Dept.
- **Dr. Nasser Khraishi**
  Asst. General Manager, IT Dept.

- **Miss Samia kh. Hunaidi**
  Executive Manager, Investment & Evaluation Dept.
- **Ismail A. Abu Adi**
  Executive Manager, Credit Dept.
- **Mr. Milad Y. Faraj**
  Executive Manager, Commercial Services Dept.
- **Jamal M. Baker**
  Executive Manager, Branches Dept.
- **Mr. Suhail M. Turki**
  Executive Manager, Market Research & PR
- **Abdel Hamid Al Ahwal**
  Executive Manager, Main Branch
- **Mr. Ibrahim I. Kashet**
  Executive Manager, Legal Dept.

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 leading position amongst the local insurance market in terms of premium and market share.
AOIC serves more than 3250 corporate accounts enjoying first class reinsurance security. Furthermore, AOIC provides the market with fifteen unique individual schemes 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. The Bank holds 64.9% of the company's capital of JD 3.75 million (US$5.3 million) as at December 2005.

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. The Bank holds 50.25% of the company's paid up capital of JD 2 million (US$ 2.82 million) as at December 2005.

2006 BUSINESS PLAN

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

1- Finalizing all preparations needed to start the implementation of Basel II in conformity with the approach that would be adopted by the Central Bank of Jordan.
2- Developing and enhancing the Risk Management role, procedures and system, and, at the same time, providing training for the employees at all levels, thus making the risk management as our day to day concern and the general rule of business.
3- Starting up the duties assigned to the Quality Assurance Department within its newly enhanced objectives and scope of responsibilities, and the strengthened supervisory and advisory role of the Quality Executive Committee.
4- Opening more branches inside Jordan and pursuing the study of external expansion project aiming at enhancing the Bank's existence in Palestine and opening a branch in one of the Arab Gulf states.
5- Enhancing the retail credit activity with concentration on credit cards and consumer loans, and accordingly increase the Bank's market share of these products. This objective is sought following the management's decision to separate the retail activity from the wholesale credits, late in 2005.
6- Continuing to adopt a conservative policy in respect to the stock market operations. Our efforts will remain focused on, and directed towards, realizing the highest possible returns from the Bank's core business activities.
7- Launching more innovative products and services that preserve the pioneering position held by the Bank within the local banking scene. These include retail products, electronic services and the three worldwide famous credit card brands (Visa, American Express and MasterCard)
8- Realizing no less than 16 per cent return on owners' equity.

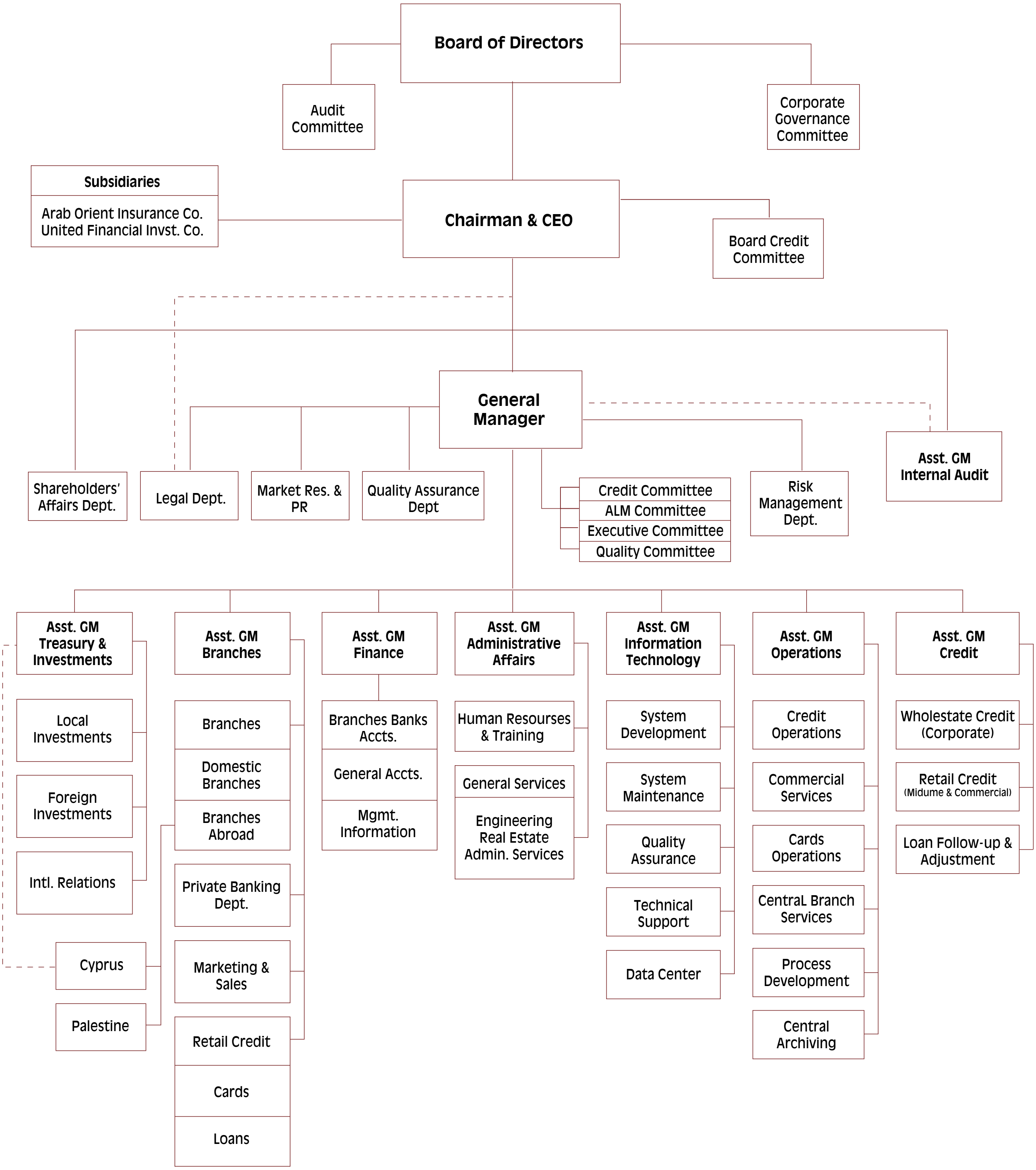
PRINCIPAL MEMBER
Visa International Service Association

ISSUER
American Express

ISSUER
Master Card

PARTNER
Visa Jordan Card Services

ORGANIZATIONAL STRUCTURE



BRANCHES & OFFICES

● Zarqa Area Branches

- **Zarqa:** Tel. 05/3997088 - Fax 05/3998677
- **Russaifeh Branch:** Tel. 05/3744151 - Fax 05/3744152
- **Free Zone – Zarqa Branch:** Tel. 05/3826196 - Fax: 05/3826195
- **New Zarqa Branch:** Tel. 05/3864556/9 - Fax 05/3864557

● Branches Outside Jordan

- **Nablus Branch:** Tel. 2376413/4 - Fax 2377181
- **Cyprus Branch:** Tel. +35725 875555 - Fax +35725 582339

● Amman Branches

- **Main Branch:** Tel. 5629400 - Fax 5694105
- **Abdali Branch:** Tel. 5662126/7 - Fax 5662374
- **Jabal Amman Branch:** Tel. 4641317- Fax 4611391
- **Wehdat Branch:** Tel. 4777174 - Fax 4750220
- **Commercial Center Branch:** Tel. 4624312 - Fax 4611381
- **Tla'a El'Ali Branch:** Tel. 5532168/9 - Fax 5518451
- **Al Mougablain Branch:** Tel. 4203723 – Fax 4203715
- **Jabal Al-Hussein Branch:** Tel. 5658664 - Fax 5658663
- **Abu-Alanda Branch:** Tel. 4162756 - Fax 4161841
- **Yarmouk Branch:** Tel. 4779102/3 - Fax 4750230
- **Wadi El-Seir Branch:** Tel. 5858864 - Fax 5810102
- **Jubaiha Branch:** Tel. 5346763 - Fax 5346761
- **Amra / Um Outhaina Branch:** Tel. 5535292 - Fax 5516561
- **Abdoun Branch:** Tel. 5924195 – Fax 5924194
- **Abu-Nsair Branch:** Tel. 5235223 - Fax 5235226
- **Marka Branch:** Tel. 4889531 - Fax 4889530
- **Ibn Khaldoun Branch:** Tel. 4613902/3 - Fax 4613901
- **Shmeissani Branch:** Tel. 5685403 - Fax 5685358
- **Central Vegetable Market:** Tel. 4127588 - Fax 4127593
- **Madinah Munawarah St. Branch:** Tel. 5533561 - Fax 5533560
- **Sweifiyyah Branch:** Tel. 5851027 - Fax 5851931
- **Nazzal Branch:** Tel. 4383906 - Fax 4383905
- **Mecca Mall Branch:** Tel. 5517967 - Fax 5517836
- **Petra University Office:** Tel. 5711283 - Fax 5713079
- **Sweileh Office:** Tel. 5359986 - Fax 5359964
- **Amman Central Post Office:** Tel. 4620253 - Fax 4620254
- **King Abdullah Bureau Office:** Tel. 4626990 – Fax 4626995
- **Abdullah Ghousheh St. – Jaber Center:** Under Construction

● Middle Region Branches

- **Baq'ah Branch:** Tel. 4725090 - Fax 4726101
- **Madaba Branch:** Tel. 05/3253568 - Fax 05/3253569
- **Al-Salt Office:** Tel. 05/3558995 - Fax 05/3558994
- **Al-Ahliyyah University Office:** Tel. 05/3500048 - Fax 05/3500029

● North Region Branches

- **Irbid Branch:** Tel. 02/7243665 - Fax 02/7247880
- **Al-Husson St. Office - Irbid:** Tel. 02/7248496/7 - Fax 02/7248498
- **Yarmouk University Office:** Tel. 02/7256065 - Fax 02/7255315
- **Al Mafraq Office:** Tel. 02/6235901 - Fax 02/6235902
- **Irbid Post Office:** Tel. 02/7259425 – Fax 02/7259563

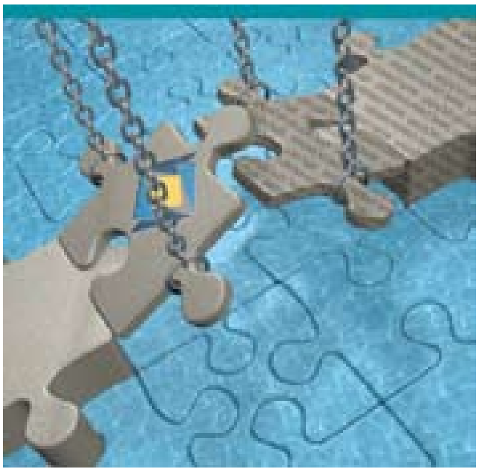
● South Region Branches

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

● ATM Machines locations

- Head Office (Drive Thru ATM)
- Abdali Branch
- Jabal Amman Branch
- Zarqa Branch
- Wehdat Branch
- Tla'a El'Ali Branch
- Jabal Al-Hussein Branch
- Aqaba Branch
- Abu-Alanda Branch
- Yarmouk Branch
- Wadi El-Seir Branch
- Jubaiha Branch
- Russaifeh Branch
- Amra Branch
- Marka Branch
- Ibn Khaldoun Branch
- Shmeissani Branch
- Madinah Munawarah St. Branch
- New Zarqa Branch
- Madaba Branch
- Nazal Branch
- Cyber Branch - Sweifiyyah (2)
- Baq'ah Branch
- Al Mougablain Branch
- Sweifiyyah Branch
- Abdoun Branch
- Abu – Nsair Branch
- Mecca Mall Branch
- Al Mafraq Office
- Salt Office
- Karak Office
- Al-Husson St Office. – Irbid
- Ahliyya University Office
- Aqaba Gate Office
- Petra University Office
- Sweileh Office
- Yarmouk University Office
- Amman Central Post Office
- Irbid Post Office
- Jabal Amman Post Office
- Jabal Al-Webdieh Post Office
- Safeway - Shmeissani
- Abdoun Mall
- Fastlink Headquarters
- Cozmo Center
- Amman Mall
- Mobile ATM

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



INDEPENDENT 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 Public Shareholding Company) as of December 31, 2005 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit. We have obtained the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Jordan Kuwait Bank as of December 31, 2005 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.

The Bank maintains proper accounting records, and the accompanying financial statements are in agreement therewith and with the financial data presented in the Board of Directors' report.

Deloitte & Touche (M.E) - Jordan

Amman – Jordan
January 17, 2006

CONSOLIDATED BALANCE SHEETS

IN US DOLLARS

ASSETS	Note	2005	2004 (Restated)
Cash and balances at central banks	4	**420,667,893**	311,374,984
Balances at banks and financial institutions	5	**316,508,166**	116,790,520
Deposits at banks and financial institutions	6	**11,941,193**	27,325,000
Trading financial assets	7	**3,887,961**	1,404,243
Direct credit facilities - net	8	**971,756,511**	628,247,247
Available-for-sale financial assets	9	**124,159,777**	118,632,309
Held-to-maturity investments - net	10	**62,059,238**	-
Fixed assets - net	11	**16,314,803**	13,456,502
Intangible assets	12	**1,820,683**	686,059
Other assets	13	**57,280,039**	31,110,439
Deferred tax assets	19	**1,573,539**	1,059,097
TOTAL ASSETS		**1,987,969,803**	1,250,086,400
LIABILITIES AND OWNERS› EQUITY			
LIABILITIES			
Banks and financial institutions deposits	14	**159,614,983**	127,768,834
Customers' deposits	15	**1,112,757,419**	757,621,305
Cash margins	16	**224,341,037**	155,944,457
Borrowed funds	17	**22,453,994**	24,333,200
Provisions	18	**13,587,645**	11,376,228
Provision for income tax	19	**16,229,495**	10,823,502
Deferred tax liabilities	19	**690,860**	529,695
Other liabilities	20	**285,392,133**	38,299,312
TOTAL LIABILITIES		**1,835,067,566**	1,126,696,533
OWNERS› EQUITY			
EQUITY - BANK SHAREHOLDERS:			
Paid-up capital *	21	**56,417,489**	44,076,164
Share premium reserve	21	**-**	-
Statutory reserve	22	**21,840,911**	16,498,783
Voluntary reserve	22	**36,459,779**	25,775,523
Foreign branches reserve	21	**-**	6,410,437
General banking risks reserve	22	**8,734,038**	5,440,331
Cumulative change in fair value - net	23	**928,708**	1,431,289
Retained earnings	24	**20,718,704**	9,986,855
Proposed dividends	25	**-**	8,815,233
TOTAL EQUITY - BANK SHAREHOLDERS		**145,099,629**	118,434,615
Minority interest	26	**7,802,608**	4,955,252
TOTAL OWNERS' EQUITY		**152,902,237**	123,389,867
TOTAL LIABILITIES AND OWNERS' EQUITY		**1,987,969,803**	1,250,086,400

* On March 1, 2006 the General Assembly of Shareholders approved raising the Bank's capital to JD 60 million, equivalent to USD 84.6 million.

THE ACCOMPANYING NOTES FROM 1 TO 51 CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS AND SHOULD BE READ WITH THEM.

CONSOLIDATED STATEMENTS OF INCOME

IN US DOLLARS

	Note	2005	2004 (Restated)
Interest income	27	**82,110,011**	59,445,018
Interest expense	28	**31,289,441**	21,278,556
Net Interest Income		**50,820,570**	38,166,462
Commission income-net	29	**8,649,560**	7,125,938
Net Interest and Commission		**59,470,130**	45,292,400
Foreign exchange income		**4,683,667**	2,835,006
Income from trading financial assets	30	**1,403,329**	546,351
Income from available-for-sale financial assets	31	**3,725,472**	2,639,983
Other income	32	**16,539,487**	8,862,233
Gross Income		**85,822,085**	60,175,973
Expenses:			
Employees' expenses	33	**15,790,417**	12,295,996
Depreciation and amortization	11 & 12	**2,960,010**	2,167,925
Other expenses	34	**9,994,973**	8,834,351
Provision (surplus) for impairment in credit facilities	8	**802,628**	(2,980,110)
Provision (surplus) for impairment in held-to-maturity			
investments	10	**-**	(282)
Other various provisions	18	**838,079**	831,804
Total Expenses		**30,386,107**	21,149,684
Income before Taxes		**55,435,978**	39,026,289
Income tax expense	19	**16,085,715**	11,550,173
Income for the Year		**39,350,263**	27,476,116
Pertains to:			
Bank Shareholders		**35,982,828**	26,186,068
Minority Interest	26	**3,367,435**	1,290,048
Earnings per Share	35	**0.90**	0.65

THE ACCOMPANYING NOTES FROM 1 TO 51 CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS AND SHOULD BE READ WITH THEM.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

IN US DOLLARS

	Bank Shareholders' Equity											
			Reserves									
	Paid-up Capital	Share Premium Reserve	Statutory Reserve	Voluntary Reserve	Foreign Branches Reserve	General Banking Risks Reserve	Cumulative Change in Fair Value	Retained Earnings	Proposed Dividends	Total	Minority Interest	Total Owners' Equity (Restated)
Year 2005												
Balance - beginning of the year	**44,076,164**	**-**	**16,498,783**	**25,775,523**	**6,410,437**	**5,440,331**	**1,431,289**	**9,986,855**	**8,815,233**	**118,434,615**	**4,955,252**	**123,389,867**
Change in fair value - net	**-**	**-**	**-**	**-**	**-**	**-**	**(502,581)**	**-**	**-**	**(502,581)**	**(169,233)**	**(671,814)**
Income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**35,982,828**	**-**	**35,982,828**	**3,367,434**	**39,350,262**
Total	**44,076,164**	**-**	**16,498,783**	**25,775,523**	**6,410,437**	**5,440,331**	**928,708**	**45,969,683**	**8,815,233**	**153,914,862**	**8,153,453**	**162,068,315**
Increase in paid-up capital	**12,341,325**	**-**	**-**	**-**	**(6,410,437)**	**-**	**-**	**(5,930,888)**	**-**	**-**	**-**	**-**
Transfers to reserves	**-**	**-**	**5,342,128**	**10,684,256**	**-**	**3,293,707**	**-**	**(19,320,091)**	**-**	**-**	**-**	**-**
Proposed dividends	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(8,815,233)**	**(8,815,233)**	**(350,845)**	**(9,166,078)**
Balance - End of the Year	**56,417,489**	**-**	**21,840,911**	**36,459,779**	**-**	**8,734,038**	**928,708**	**20,718,704**	**-**	**145,099,629**	**7,802,608**	**152,902,237**
Year 2004 (Restated)												
Balance - beginning of the year	35,260,931	70,522	12,721,817	18,221,592	6,410,437	-	2,179,490	13,824,300	7,052,186	95,741,275	3,956,025	99,697,300
The effect of changes of new and adjusted International Accounting Standards	-	-	-	-	-	-	(290,468)	4,307,659	-	4,017,191	-	4,017,191
Adjusted Beginning Balances	35,260,931	70,522	12,721,817	18,221,592	6,410,437	-	1,889,022	18,131,959	7,052,186	99,758,466	3,956,025	103,714,491
Change in fair value - net	-	-	-	-	-	-	(457,733)	-	-	(457,733)	(700)	(458,433)
Minority interest purchased by the Bank	-	-	-	-	-	-	-	-	-	-	(9,444)	(9,444)
Income for the year	-	-	-	-	-	-	-	26,186,068	-	26,186,068	1,290,048	27,476,116
Total	35,260,931	70,522	12,721,817	18,221,592	6,410,437	-	1,431,289	44,318,027	7,052,186	125,486,801	5,235,929	130,722,730
Increase in paid-up capital	8,815,233	(70,522)	-	-	-	-	-	(8,744,711)	-	-	-	-
Transfers to reserves	-	-	3,776,966	7,553,931	-	5,440,331	-	(16,771,228)	-	-	-	-
Proposed dividends	-	-	-	-	-	-	-	(8,815,233)	8,815,233	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(7,052,186)	(7,052,186)	(280,677)	(7,332,863)
Balance - End of the Year	44,076,164	-	16,498,783	25,775,523	6,410,437	5,440,331	1,431,289	9,986,855	8,815,233	118,434,615	4,955,252	123,389,867

- Included in retained earnings is an amount of USD 1,573,539 as of December 31, 2005 restricted by the Central Bank of Jordan against deferred tax assets (USD 1,059,097 as of December 31, 2004) .
- Use of the general banking risks reserve is restricted and requires the prior approval of the Central Bank of Jordan.

THE ACCOMPANYING NOTES FROM 1 TO 51 CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS AND SHOULD BE READ WITH THEM.

CONSOLIDATED STATEMENTS OF CASH FLOWS

IN US DOLLARS

	Note	2005	2004 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income after minority interest and before tax		**52,068,543**	37,736,241
Adjustments:			
Depreciation and amortization		**2,960,010**	2,377,625
Provision (surplus) for impairment in credit facilities		**802,628**	(2,980,110)
Provision for employees' end-of-service indemnity		**774,309**	905,573
Provision (surplus) for lawsuits against the Bank		**63,770**	(73,769)
(Profit) on assets seized by the Bank		**(532,869)**	(328,137)
(Gain) loss on sale of fixed assets		**(10,715)**	23,137
Effect of exchange rate fluctuations on cash and cash equivalents		**(2,307,396)**	(1,759,066)
Surplus provisions returned to income		**-**	(282)
Net cumulative change in fair value		**(324,401)**	(390,858)
Subsidiary companies technical reserves		**1,769,035**	(8,464)
Total		**55,262,914**	35,501,890
Changes in Assets and Liabilities:			
Decrease (increase) in cash and balances at banks due after 3 months		**43,300,423**	(15,091,678)
Decrease (increase) in deposits at banks and financial institutions		**15,383,807**	(7,030,000)
(Increase) in direct credit facilities		**(344,311,891)**	(180,372,941)
Increase (decrease) in trading financial assets		**(2,483,718)**	234,293
(Increase) decrease in other assets		**(25,636,735)**	913,787
Increase in banks and financial institutions deposits due after three months		**5,531,735**	6,858,619
Increase in customers deposits		**355,136,114**	142,788,107
Increase in cash margins		**68,396,580**	42,240,188
Increase in other liabilities		**246,992,487**	11,387,470
Net Cash from Operating Activities before Tax, Staff Indemnities Paid, and Payments for Lawsuits		**417,571,716**	37,429,735
Staff indemnities paid		**(331,927)**	(243,104)
Provision for legal cases paid		**(63,770)**	(16,499)
Income tax paid		**(11,146,553)**	(7,412,291)
Net Cash from Operating Activities		**406,029,466**	29,757,841
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Increase) in held-to-maturity investments		**(62,059,238)**	-
Net (increase) in available-for-sale investments		**(5,592,094)**	(36,256,276)
Collections from held-to-maturity investments		**-**	282
Increase in fixed assets		**(4,915,082)**	(2,383,784)
Increase in intangible assets		**(2,027,137)**	(1,106,927)
Net Cash (used in) Investing Activities		**(74,593,551)**	(39,746,705)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in minority interest		**2,847,356**	999,227
(Decrease) in borrowed funds		**(1,879,206)**	(1,096,147)
Dividends paid		**(8,714,898)**	(7,150,334)
Net Cash (used in) Financing Activities		**(7,746,748)**	(7,247,254)
Effect of exchange rate fluctuations on cash and cash equivalents		**2,307,396**	1,759,066
Net (Decrease) Increase in Cash and Cash Equivalents		**325,996,563**	(15,477,052)
Cash and cash equivalents - beginning of the year		**243,309,224**	258,786,276
Cash and Cash Equivalents - End of the Year	36	**569,305,787**	243,309,224

THE ACCOMPANYING NOTES FROM 1 TO 51 CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS AND SHOULD BE READ WITH THEM.

JORDAN KUWAIT BANK

NOTES OF THE CONSOLIDATED FINANCIAL STATEMENTS

1- General

Jordan Kuwait Bank was established as a Jordanian public shareholding company in accordance with the Companies Law no. 13 for the year 1964. It was registered under number (108) on October 25, 1976 with an authorized capital of USD 7 million, represented by 5 million shares at a par value of one Jordanian Dinar per share. The Bank's authorized and paid-up capital was gradually increased to USD 56.4 million.

Moreover, the Bank is engaged in banking and related financial operations through its branches in the Hashemite Kingdom of Jordan totaling 43 branches and two overseas ones. In addition, two subsidiary companies, the Arab Orient Insurance Company and United Company for Financial Investments (a public shareholding company), are engaged in providing insurance services and financial brokerage.

The consolidated financial statements have been approved by the Bank's Board of Directors in their meeting No. (1/2006) held on January 17, 2006 and are subject to the approval of the General Assembly of Shareholders.

2- Significant Accounting Policies

Basis of presentation

- The accompanying consolidated financial statements of the Bank and its subsidiary companies are prepared in accordance with the standards issued by the International Accounting Standards Board (IASB), the interpretations issued by the Committee of the IASB, the prevailing rules of the countries where the Bank operates, and the instructions of the Central Bank of Jordan.
- The financial statements are prepared under the historical cost convention except for financial assets held for trading, financial assets available for sale, and financial derivatives stated at fair value on the date of the financial statements. Hedged assets and liabilities are also stated at fair value.
- The reporting currency of the financial statements is the Jordanian Dinar. However, the figures presented in this report were translated to U.S.Dollars at an exchange rate of U.S$1 = JD 0.709
- The accounting policies for the current year are consistent with those used in the previous year except for the following:

Changes in Accounting Policies

The IASB has issued amendments on the International Accounting Standards and new Financial Reporting Standards which became effective on January 1, 2005, and were applied retroactively. The following accounting policies were changed:

1- Deferred tax liabilities arising from the cumulative change in the fair value of financial assets are recognized in shareholders' equity in accordance with IAS 12. Moreover, unrealized gains on financial assets held for trading and shown in the income statement are treated as an obligation and shown within liabilities.

2- Starting from January, 1 2005, the new regulations of the Central Bank of Jordan were implemented regarding the transfer of the General Credit Provision to both the Provision for the Impairment in Direct Credit Facilities and the Provision for the General Banking Risks Reserve which appears within shareholders' equity. This will ensure consistency with the requirements of the new and modified International Financial Reporting Standards.

   The general banking risks reserve can not be used unless a prior approval from the Central Bank of Jordan is obtained.

3- Starting from January 1, 2005, goodwill is stated at cost as an intangible asset and subsequently reduced by any impairment loss in investment value. Previously the Bank used to amortize goodwill.

4- The following accounts have been reclassified to ensure consistency with the new and modified International Financial Reporting Standards (IFRS). These accounts are as follows:

   a- Jordanian Universities Fees, Scientific Research and Vocational Training Fees, Vocational and Technical Education and Training Fund Fees and Board of Directors remunerations are to be reclassified within the Bank's expenditures rather than appropriated from distributable income.

   b- Direct credit facilities are to be shown net after deducting interest and commissions received in advance.

   c- Minority interest is to be shown within shareholders' equity.

   d- The balance resulting from implementing IAS (39) in the year 2001 is to be transferred from retained earnings to become part of the cumulative change in fair value within shareholders' equity.

5- The full amount of the general provision associated with the off- balance sheet items is to be transferred to the banking risks reserve within owners' equity.

6- As per International Accounting Standard No. (8) associated with changes in accounting policies, the financial statements for the year 2004 have been restated retroactively to ensure conformity with the new and modified International Financial Reporting Standards which have become effective starting from January, 1 2005.

The table below summarizes the related financial impact:

Assets	For the Year 2004 Increase (Decrease)
Direct credit facilities – net	5.440.331
Liabilities	
Deferred tax liabilities	529.695
Shareholders' Equity	
General banking risks reserve	5.440.331
Cumulative change in fair value-net	(357.334)
Retained Earnings	(142.175)
Income Statement	
Provision for the impairment in direct credit facilities	923.622

In addition, interest received in advance amounted to USD 6,477,570 for the year 2005 (USD 7,282,185 for the year 2004) and has been re-classified as a deduction from direct credit facilities rather than to be shown within other liabilities.

Basis of Consolidation

- The consolidated financial statements include the financial statements of the Bank and companies controlled by it. Control exists when the Bank has the ability to control the financial and operating policies of the related companies in order to achieve financial benefits out of their operations. All inter-company transactions between the Bank and its subsidiaries are excluded.

The Bank owns the following subsidiaries as of December, 31 2005:

Company's Name	Paid-up Capital USD	Ownership	Nature of Operation	Location	Date of Acquisition
Arab Orient Insurance Co.	5,289,140	64.90%	Insurance	Amman	2001
United Financial Investments Co.	2,820,874	50.25%	Financial brokerage	Amman	2002

- Results of operations are consolidated in the income statement from the date of acquisition which represents the date when control was passed on to the Bank.
- Minority interest represents the portion of the subsidiaries' equity not owned by the Bank.

Financial Assets held for Trading

- Financial assets held for trading are initially recognized at fair value when purchased. They are subsequently re-measured to fair value, and the resulting change is included in the income statement in the period in which it arises. Moreover, fair value differences resulting from the translation of foreign currency non-monetary assets are taken to the statement of income.
- Distributed income or realized interest is recorded in the income statement.

Direct Credit Facilities

- A provision for the impairment in direct credit facilities is recognized when it is obvious that the financial assets of the Bank can not be recovered, there is an objective evidence of the existence of an event negatively affecting the future cash flows of the direct credit facilities, and the impairment amount can be estimated. The provision is taken to the statement of income.
- Interest and commission on non-performing credit facilities are suspended in accordance with the instructions of the Central Bank of Jordan.
- Impaired credit facilities, for which specific provisions have been taken, are written off by charging the provision after all the efforts have been made to recover the assets. Any surplus in the provisions is taken to the income statement, while debt recoveries are taken to income.

Available-for-Sale Financial Assets

- Available-for-sale financial assets are initially recorded at fair value including acquisition costs. They are subsequently re-measured to fair value as of the date of the financial statements. Moreover, changes in fair value are recorded in a separate account within shareholders' equity. When these assets are fully or partially sold, disposed of, or determined to be impaired, the income or losses are recorded in the income statement, including related amounts previously recorded within shareholders' equity. The loss resulting from the impaired value of the debt instruments is reversed when it is objectively evident that the increase in their fair value occurred after the losses had been recognized. Impairment losses resulting from the decline in the value of equity securities can not be reversed.

- Income and losses resulting from the foreign exchange of interest-bearing debt instruments are included in the income statement. The differences in the foreign currency of equity instruments are included in the cumulative change in fair value within shareholders' equity.
- Interest from available-for-sale financial instruments are recorded in the income statement using the effective interest method. Impairment in assets is recorded in the income statement when incurred.
- Financial instruments for which fair value can not be reliably determined are shown at cost. The decline in value is recorded in the income statement.

Held-to-Maturity Investments

Held-to-maturity investments are recorded at cost (fair value) plus acquisition costs. Premiums and discounts are systematically amortized in the income statement according to the "effective interest rate method". Provisions associated with irrecoverable impairment in their value are deducted.

Fair value

Fair value represents the closing market price of financial assets and derivatives on the date of the financial statements. In case declared market prices do not exist, or active trading of some financial assets and derivatives is not available, or the market is inactive, fair value is estimated by one of several methods including the following:

- Comparison with the fair value of another financial asset with similar terms and conditions.
- Analysis of the present value of expected future cash flows for similar instruments.
- Adoption of the option pricing models.

The valuation methods aim at providing a fair value reflecting the expectations of the market, expected risks and expected benefits.

Financial assets, the fair value of which can not be reliably measured, are stated at cost less any impairment.

Impairment in the Value of Financial Assets

The Bank reviews the values of financial assets on the date of the balance sheet in order to determine if there are any indications of impairment in their value individually or in the form of a portfolio. In case such indications exist, the recoverable value is estimated so as to determine the impairment loss.

The impairment is determined as follows:

- The impairment in financial assets recorded at amortized cost is determined on the basis of the present value of the cash flows discounted at the original interest rate.
- The impairment in the financial assets available for sale recorded at fair value represents the difference between the book value and fair value.
- The impairment in the financial assets recorded at cost is determined on the basis of the present value of the expected cash flows discounted at the market interest rate of similar instruments.
- The impairment in value is recorded in the income statement. Any surplus in the following period resulting from previous declines in the fair value of financial assets is taken to the income statement except for available-for-sale equity securities.

Fixed Assets

- Fixed assets are stated at cost net of accumulated depreciation. Fixed assets (except for land) are depreciated according to the straight-line method over their estimated useful lives using the following rates:

	%
Buildings	3
Equipment and furniture	9 – 15
Vehicles	15
Computers	20
Improvements on buildings	20

- When the carrying amounts of fixed assets exceed their recoverable values, assets are written down, and impairment losses are recorded in the income statement.
- The useful lives of fixed assets are reviewed at the end of each year. In case the expected useful life is different from what was determined before, the change in estimate is recorded in the following years, being a change in estimate.

Provisions

- Provisions are recognized when the Bank has an obligation on the date of the balance sheet as a result of past events, it is probable to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provision for Employees End-of-Service Indemnities

- The employees' end-of-service indemnities provision is estimated on the basis of one month salary for each year of service less the Bank's contribution for social security at 8% annually out of 11%
- The required provision for end-of-service indemnities for the year is recorded in the income statement while payments to departing employees are deducted from the provision amount.

Income Tax

- Income tax expenses represent accrued taxes and deferred taxes.
- Income tax expenses are accounted for on the basis of taxable income. Moreover, income subject to tax differs from income declared in the financial statements because the latter includes non-taxable revenue or tax un-deductible expenses in the current year but deductible in subsequent years, accumulated losses acceptable by the tax authorities, and items not accepted for tax purposes or subject to tax.
- Taxes are calculated on the basis of the tax rates prescribed according to the prevailing laws, regulations, and instructions of the countries where the Bank operates.
- Deferred taxes are taxes expected to be paid or recovered as a result of temporary timing differences between the value of the assets and liabilities in the financial statements and the value of the taxable amount.
- Deferred tax is calculated on the basis of the liability method in the balance sheet according to the rates expected to be applied when the tax liability is settled or tax assets are recognized. Deferred tax assets are reviewed as of the date of the balance sheet, and reduced in case it is expected that no benefit will arise there from, partially or totally.

Offsetting

Financial assets and financial liabilities are offset, and the net amount is reflected in the balance sheet only when there are legal rights to offset the recognized amounts, the Bank intends to settle them on a net basis, or assets are realized and liabilities settled simultaneously.

Realization of Income and Recognition of Expenses

- Income is realized and expenses are recognized on an accrual basis, except for interest and commission on non-performing loans which are not recognized as revenue but recorded in the interest and commission in suspense account until they are received in cash.
- Commission is recorded as revenue when the related services are provided. Moreover, dividends are recorded when realized (decided upon by the General Assembly).

Recognition of Financial Assets

- Financial assets and financial liabilities are recognized on the trading date which is the date that the entity commits itself to purchase or sell the financial assets.

Financial Derivatives and Hedge Accounting

For hedge accounting purposes, the financial derivatives are stated at fair value.

Hedges are classified as follows:

- Fair value hedge: hedge for the change in the fair value exposures of the Bank's assets and liabilities.

When the conditions of effective fair value hedge are met, the resulting gain or loss from re-measuring the fair value hedge is recognized in the income statement.

When the conditions of effective portfolio hedge are met, the gain or loss resulting from the revaluation of the hedging instrument at fair value as well as the change in the fair value of the assets or liabilities portfolio are recorded in the income statement for the same period.

- Cash flow hedge: hedge for the change in the current and expected cash flows exposures of the Bank's assets and liabilities.
- When the conditions of effective cash flow hedge are met, the gain or loss of the hedging instruments is recognized in shareholders' equity. Such gain or loss is transferred to the income statement in the period in which the hedge transaction impacts the income statement.
- Hedge for net investment in foreign entities:
    - When the conditions of the hedge for net investment in foreign entities are met, fair value is measured for the hedging instrument of the hedged net assets. In case of an effective relationship, the effective portion of the loss or profit related to the hedging instrument is recognized in shareholders' equity. The ineffective portion is recognized in the income statement. The effective portion is recorded in the income statement when the investment in foreign entities is sold.
    - When the conditions of the effective hedge do not apply, gain or loss resulting from the change in the fair value of the hedging instrument is recorded in the income statement in the same period.

Financial Derivatives for Trading:

The fair value of financial derivatives for trading such as forward foreign currency contracts, future interest rate contracts, swap agreements, and foreign currency options is recorded in the balance sheet under other assets or other liabilities as the case may be. Fair value is measured according to the prevailing market prices, and if they are not available, the measurement method should be disclosed. The change in their fair value is recognized in the income statement.

Repurchase and Resale Agreements

- Assets sold with a simultaneous commitment to repurchase them at a future date continue to be recognized in the financial statements as a result of the Bank's continuous control over these assets and as the related risk and benefits are transferred to the Bank upon occurrence. They also continue to be measured in accordance with the adopted accounting policies. Amounts received against these contracts are recorded within liabilities under borrowed funds. The difference between the sale price and the repurchase price is recognized as an interest expense amortized over the contract period using the effective interest rate method.
- Purchased assets with corresponding commitment to sell at a specific future date are not recognized in the financial statements because the Bank has no control over such assets and the related risks and benefits are not transferred to the Bank upon occurrence. Payments related to these contracts are recorded under deposits with banks and other financial institutions or loans and advances in accordance with the nature of each case. The difference between the purchase price and resale price is recorded as interest revenue amortized over the life of the contract using the effective interest method.

Foreclosed Assets

Assets that have been the subject of foreclosure by the Bank are shown under "other assets" at the acquisition value or fair value, whichever is lower. As of the balance sheet date, these assets are revalued individually at fair value. Any decline in their market value is taken to the income statement whereas any such increase is not recognized. Subsequent increase is taken to the income statement to the extent it does not exceed the previously recorded impairment.

Intangible Assets

A- Goodwill:

- Goodwill is recorded at cost, and represents the excess of the amount paid to acquire or purchase the investment in an associate or a subsidiary on the date of the transaction over the fair value of the net assets of the associate or subsidiary at the acquisition date. Goodwill resulting from the investment in a subsidiary is recorded as a separate item as part of intangible assets, while goodwill resulting from the investment in an affiliated company constitutes part of the investment in that company. The cost of goodwill is reduced subsequently by any decline in the value of the investment.
- Goodwill is distributed over the cash generating unit(s) for the purpose of testing the impairment in its value.
- The value of goodwill is tested on the date of each balance sheet. Goodwill value is reduced when there is evidence that its value has declined or the recoverable value of the cash generating unit(s) is less than book value. The decline in value is recorded in the income statement as impairment loss.

B- Other Intangible Assets

- Other intangible assets purchased in an acquisition are stated at fair value at the date of acquisition. Other intangible assets purchased other than through acquisition are recorded at cost.
- Intangible assets are to be classified on the basis of either definite or indefinite useful life. Intangible assets with definite useful economic lives are amortized over their useful lives and recorded as an expense in the income statement. Intangible assets with indefinite lives are reviewed for impairment as of the financial statements date, and impairment loss is treated in the income statement as an expense for the period.
- No capitalization of intangible assets resulting from the Banks' operations is made. They are rather recorded as an expense in the income statement for the period.
- Any indications of impairment in the value of intangible assets as of the financial statements date are reviewed. Furthermore, the estimated useful lives of the impaired intangible assets are reassessed, and any adjustment is made in the subsequent period.
- The following are the accounting policies for each item of the intangible assets owned by the Bank:
- Software and computer programs are amortized over their estimated economic useful lives at a rate of 20%.

Foreign Currency

- Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the date of the transaction.
- Financial assets and financial liabilities denominated in foreign currencies are translated at the average rates prevailing on the balance sheet date and declared by the Central Bank of Jordan.
- Non-monetary assets and liabilities denominated in foreign currencies and recorded at fair value are translated on the date when their fair value is determined.
- Gains or losses resulting from foreign currency translation are recorded in the income statement.
- Translation differences for non-monetary assets and liabilities denominated in foreign currencies are recorded as part of the change in fair value.
- When consolidating the financial statements, assets and liabilities of the branches and subsidiaries abroad are translated from the primary currency to the currency used in the financial statement using the average rates prevailing on the balance sheet date and declared by the Central Bank of Jordan. Revenue and expense items are translated using the average rates during the year, and exchange differences (if any) are shown in a separate item within shareholders' equity.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances with central banks and balances with banks and financial institutions maturing within three months, less balances due to banks and financial institutions maturing within three months and restricted funds.

3- Accounting Estimates

Management, through applying the accounting policies, uses assumptions and estimates with material impacts on the recognition of the balances recorded in the financial statements. Some of these assumptions are as follows:

- A provision is set against lawsuits raised against the Bank. This provision is subject to an adequate legal study prepared by the Bank's legal advisor. Moreover, the study highlights potential risks that the Bank may encounter in the future. Such legal assessments are reviewed on a frequent basis.
- A provision for performing and non-performing loans is taken on the bases and estimates approved by management in conformity with International Financial Reporting Standards (IFRS). The outcome of these bases and estimates is compared against the adequacy of the provisions as per the Central Bank of Jordan instructions. The most strict outcome that conforms with the (IFRS) is used for the purpose of determining the provision.
- Impairment loss (if any) is taken after a sufficient and recent evaluation of the acquired properties has been conducted by approved surveyors. The impairment loss is reviewed periodically.
- Management periodically reassesses the economic useful lives of tangible and intangible assets for the purpose of calculating annual depreciation and amortization based on the general status of these assets and the assessment of their useful economic lives expected in the future. Impairment loss (if any) is taken to the income statement.
- The subsidiary company (Arab Orient Insurance Company) performs an assessment of the technical reserve associated with insurance activities according to the bases and assumptions approved by the Insurance Regulatory Commission in conformity with International Financial Reporting Standards effective during the year 2004. These provisions are reviewed frequently.
- Management performs a frequent review of the financial assets stated at cost to estimate any decline in their value. Impairment (loss) (if any) is taken to the income statement as an expense for the period.

4- Cash and Balances at Central Banks

This item consists of the following:

	2005	2004
Cash in vaults	**18,324,836**	12,865,632
Balances at central banks:		
Current accounts	**9,765,817**	21,404,560
Time and notice deposits	**21,383,693**	2,730,103
Mandatory cash reserve	**65,551,798**	44,896,551
Certificates of deposit *	**305,641,749**	229,478,138
Total	**420,667,893**	311,374,984

- Except for the mandatory cash reserve, there are no restricted balances as of December 31, 2005 and 2004.

* This item includes an amount of USD 21,156,558 due after 3 months against USD 64,456,982 as of December 31, 2004.

5- Balances at Banks and Financial Institutions

This item consists of the following:

	Local Banks & Financial Institutions		Banks & Financial Institutions Abroad		Total	
	2005	2004	2005	2004	2005	2004
Current accounts	**349,072**	448,946	**10,468,703**	11,501,905	**10,817,775**	11,950,851
Deposits due within 3 months	**-**	-	**305,690,391**	104,839,669	**305,690,391**	104,839,669
Total	**349,072**	448,946	**316,159,094**	116,341,574	**316,508,166**	116,790,520

- Non-interest bearing balances at banks and financial institutions amounted to USD 1,131,202 against USD 546,640 as of December 31, 2004.
- Balances restricted to the order of the Director of the Insurance Regulatory Commission amounted to USD 317,348 as of December 31, 2005 and December 31, 2004. These balances belong to the subsidiary company Arab Orient Insurance Company. Moreover, the restriction has been implemented in compliance with the provisions of the Insurance Control Law.

6- Deposits at Banks and Financial Institutions

This item consists of the following:

	Local Banks & Financial Institutions		Banks & Financial Institutions Abroad		Total	
	2005	2004	2005	2004	2005	2004
Maturity Period						
From 3 months to 6 months	-	-	204,881	25,000	204,881	25,000
From 6 months to 9 months	-	-	505,000	15,300,000	505,000	15,300,000
From 9 months to 12 months	-	-	-	5,000,000	-	5,000,000
More than a year	-	-	-	-	-	-
Certificates of deposit:						
From 3 months to 6 months	-	-	5,000,000	-	5,000,000	-
From 6 months to 9 months	-	-	-	2,000,000	-	2,000,000
From 9 months to 12 months	-	-	-	-	-	-
More than one year	4,231,312	-	2,000,000	5,000,000	6,231,312	5,000,000
Total	4,231,312	-	7,709,881	27,325,000	11,941,193	27,325,000

Restricted deposits amounted to USD 530,000 as of December 31, 2005 against USD 325,000 as of December 31, 2004.

7- Trading Financial Assets

This item consists of the following:

	2005	2004
Quoted shares	3,887,961	1,404,243
Total	3,887,961	1,404,243

8- Direct Credit Facilities - Net

This item consists of the following:

	2005	2004 (Restated)
Discounted bills *	2,940,721	2,708,083
Overdraft facilities	166,563,154	117,187,853
Loans and advances **	812,769,287	521,746,935
Credit Cards	2,655,491	1,370,003
Total	984,928,653	643,012,874
Less: Interest and commissions in suspense	1,686,241	3,242,853
Less: Provision for credit facilities	11,485,901	11,522,774
Net Credit Facilities	971,756,511	628,247,247

* Net after deducting interest and commissions received in advance of USD 94,039 against USD 91,853 as of December 31, 2004.

** Net after deducting interest and commissions received in advance of USD 6,383,530 against USD 7,190,331 as of December 31, 2004.

- Direct credit facilities are distributed according to economic activities and geographical areas as follows:

	Inside Jordan	Other Middle East Countries	Europe	Total	
				December 31, 2005	December 31, 2004 (Restated)
Agriculture	18,507,896	197,922	10,535	**18,716,353**	13,606,330
Manufacturing and mining	202,393,959	680,956	5,984,606	**209,059,521**	172,151,172
Construction	34,207,117	278,248	51,759	**34,537,124**	20,090,451
General trade	214,092,422	-	16,444,041	**230,536,463**	143,301,226
Transport services	40,079,480	-	18,076,653	**58,156,133**	25,077,179
Tourism, hotels and restaurants	42,455,392	299,815	24,165	**42,779,372**	31,129,984
Public utilities and services	51,017,234	15,820,970	16,457,515	**83,295,719**	63,879,880
Financial services	48,081,769	-	31,085,341	**79,167,110**	37,536,403
Stock purchase	47,513,217	5,518	5,770	**47,524,505**	1,626,550
Vehicle financing	115,232,770	-	40,238	**115,273,008**	33,594,299
Consumables financing	9,315,399	-	5,303	**9,320,702**	12,562,860
Residence and real estate	5,427,347	-	3,090	**5,430,437**	5,283,553
Other purposes	39,437,262	-	11,694,944	**51,132,206**	83,172,987
Total	867,761,264	17,283,429	99,883,960	**984,928,653**	643,012,874

- The credit facilities are distributed over the following sectors:

	2005	2004 (Restated)
Public sector	**48,491,353**	105,180,536
Private Sector:		
Companies and financial institutions	**534,155,044**	318,907,283
Individuals	**402,282,256**	218,925,055
	984,928,653	643,012,874

- Non-performing credit facilities amounted to USD 7,621,690, which is equivalent to 0.8% of total direct credit facilities against USD 11,817,524, which is equivalent to 1.8% of total direct credit facilities as of December 31, 2004.
- Non-performing credit facilities excluding interest and commissions in suspense amounted to USD 5,954,942, which is equivalent to 0.6% of total direct credit facilities against USD 8,608,822, which is equivalent to 1.3% of total direct credit facilities as of December 31, 2004
- Credit facilities granted / guaranteed by the Government of Jordan amounted to USD 8,562,183, which is equivalent to 0.9% of total direct credit facilities against USD 9,633,288, which is equivalent to 1.5% of total direct credit facilities as of December 31, 2004.
- Direct credit facilities granted against real estate collaterals amounted to USD 180,249,604 against USD 89,350,470 as of December 31, 2004.
- The fair value of guarantees presented as collateral against granted credit facilities amounted to USD 582,205,910 against USD 360,126,212 as of December 31, 2004.

Provision for Impairment in Credit Facilities :

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

	2005	2004 (Restated)
Balance - beginning of the year	**11,522,774**	20,451,265
The effects of implementing the amended standards	**-**	(4,516,709)
Opening Balance after Adjustment	**11,522,774**	15,934,556
Provision / (Surplus) for the year	**802,628**	(2,980,110)
Debts written-off	**(839,501)**	(1,431,672)
Balance - End of the Year	**11,485,901**	11,522,774

- Surplus provisions resulting from debt settlements and repayments amounted to USD 2,634,753 against USD 4,676,707 as of December 31, 2004.

Interest in Suspense

- The movement on interest in suspense was as follows:

	2005	2004
Balance – beginning of the year	3,242,853	3,751,045
Add: Interest in suspense for the year	593,652	1,181,216
Less: Interest taken to income	948,068	790,639
Interest and commission in suspense written-off	1,202,196	898,769
Balance - End of the Year	1,686,241	3,242,853

9- Available-for-Sale Financial Assets

The details of this item are as follows:

	2005	2004 (restated)
Quoted Available-for-Sale Financial Assets:		
Governmental bonds or bonds guaranteed by the Government	32,502,735	21,221,836
Companies' bonds and debentures	63,112,661	80,501,874
Other bonds	9,441,652	3,172,484
Companies' shares	6,769,795	6,529,151
Total Quoted Available-for-Sale Financial Assets	111,826,843	111,425,345
Unquoted Available-for-Sale Financial Assets:		
Governmental bonds or bonds guaranteed by the Government	1,410,437	1,410,437
Companies' bonds and debentures	705,219	705,219
Other bonds	-	-
Companies' shares	10,217,278	5,091,308
Total Unquoted Available-for-Sale Financial Assets	12,332,934	7,206,964
Total Available-for-Sale Financial Assets	124,159,777	118,632,309
Bonds Analysis:		
Fixed return	75,616,753	70,453,300
Variable return	31,555,951	36,558,550
Total	107,172,704	107,011,850

- Some of the available-for-sale financial assets are recorded at cost/amortized cost as their fair values cannot be reliably determined. These assets amounted to USD 12,332,934 against USD 7,206,963 as of December 31, 2004.

10- Held-to-Maturity Investments - Net

This item consists of the following:

	2005	2004
Quoted Financial Assets:		
Treasury bills	-	-
Companies' bonds and debentures	-	-
Total Quoted Financial Assets	-	-
Unquoted Financial Assets:		
Treasury bills	62,059,238	-
Companies' bonds and debentures	148,519	148,519
Total Unquoted Financial Assets	62,207,757	148,519
Total Held-to-Maturity Financial Assets	62,207,757	148,519
Less: Provision	(148,519)	(148,519)
Net Held-to-Maturity Financial Assets	62,059,238	-
Bonds Return Analysis		
Fixed return	62,207,757	148,519
Variable return	-	-
Total	62,207,757	148,519

- During the year 2006 held-to-maturity bonds mature over several payments the last of which matures on May 16, 2006 except for companies bonds for USD 148,519 overdue since September 23, 1998 and for which adequate provision has been taken.

- The movement on impairment in held-to-maturity financial assets was as follows:

	2005	2004
Opening balance	**148,519**	148,801
Addition during the year	**-**	-
Deductions during the year	**-**	(282)
Ending Balance	**148,519**	148,519

11- Fixed Assets - Net

The details of this item are as follows:

	Land	Buildings	Furniture, Fixtures and Equipment	Vehicles	Computers	Buildings Improvements	Total
Year 2005							
Cost:							
Balance - beginning of the year	**1,829,887**	**4,660,632**	**6,046,245**	**450,231**	**7,864,188**	**3,588,581**	**24,439,764**
Additions	**-**	**500,570**	**1,131,793**	**314,815**	**1,347,533**	**1,598,568**	**4,893,279**
Disposals	**-**	**-**	**203,908**	**116,873**	**203,133**	**42,743**	**566,657**
Balance - End of the year	**1,829,887**	**5,161,202**	**6,974,130**	**648,173**	**9,008,588**	**5,144,406**	**28,766,386**
Accumulated Depreciation:							
Balance - beginning of the year	**-**	**995,807**	**3,169,152**	**234,220**	**5,180,636**	**1,856,028**	**11,435,843**
Additions	**-**	**152,846**	**674,408**	**62,592**	**1,084,465**	**538,715**	**2,513,026**
Disposals	**-**	**-**	**178,958**	**34,982**	**198,584**	**42,645**	**455,169**
Balance - End of the year	**-**	**1,148,653**	**3,664,602**	**261,830**	**6,066,517**	**2,352,098**	**13,493,700**
Net Book Value of Fixed Assets	**1,829,887**	**4,012,549**	**3,309,528**	**386,343**	**2,942,071**	**2,792,308**	**15,272,686**
Down payments on fixed assets purchases	**-**	**-**	**1,042,117**	**-**	**-**	**-**	**1,042,117**
Balance - End of the Year	**1,829,887**	**4,012,549**	**4,351,645**	**386,343**	**2,942,071**	**2,792,308**	**16,314,803**
Year 2004 (Restated)							
Cost:							
Balance - beginning of the year	1,829,887	4,679,543	4,770,227	427,203	7,177,134	2,416,296	21,300,290
Additions	-	-	1,426,862	61,886	768,059	1,172,285	3,429,092
Disposals	-	18,911	150,843	38,858	81,006	-	289,618
Balance - End of the year	1,829,887	4,660,632	6,046,246	450,231	7,864,187	3,588,581	24,439,764
Accumulated Depreciation:							
Balance - beginning of the year	-	850,482	2,739,499	234,684	4,347,551	1,497,228	9,669,444
Additions	-	146,173	556,621	49,632	910,043	358,800	2,021,269
Disposals	-	849	126,968	50,096	76,957	-	254,870
Balance - End of the year	-	995,806	3,169,152	234,220	5,180,637	1,856,028	11,435,843
Net Book Value of Fixed Assets	1,829,887	3,664,826	2,877,094	216,011	2,683,550	1,732,553	13,003,921
Down payments on fixed assets purchases	-	-	452,581	-	-	-	452,581
Balance - End of the Year	1,829,887	3,664,826	3,329,675	216,011	2,683,550	1,732,553	13,456,502

- Fixed assets as of December 31, 2005 include an amount of USD 4,852,475, representing fully depreciated fixed assets against USD 4,359,606 as of December 31, 2004.

12- Intangible Assets

This item consists of the following:

	2005		
	Computer Software and Applications	Other	Total
Balance-beginning of the year	**514,832**	**171,227**	**686,059**
Additions	**1,094,656**	**486,952**	**1,581,608**
Amortization for the year	**371,856**	**75,128**	**446,984**
Balance-End of the year	**1,237,632**	**583,051**	**1,820,683**
	2004		
	Computer Software and Applications	Other	Total
Balance-beginning of the year	212,464	-	212,464
Additions	397,402	222,849	620,251
Amortization for the year	95,034	51,622	146,656
Balance-End of the year	514,832	171,227	686,059

13- Other Assets

This item consists of the following:

	2005	2004 (Restated)
Accrued interest	**7,720,777**	3,688,721
Prepaid expenses	**598,006**	380,846
Assets seized by the Bank	**3,669,047**	4,466,542
Unrealized gains of financial derivatives (Note 37)	**17,714**	132,360
Accounts receivable *	**8,374,566**	6,170,281
Clearing house checks	**34,207,588**	13,551,810
Other *	**2,692,341**	2,719,879
Total	**57,280,039**	31,110,439

* Accounts receivable and other assets include balances relating to the subsidiary companies amounting to USD 9,388,544 against USD 6,915,359 as of December 31,2004.

- The movement on assets seized by the Bank was as follows:

	2005	2004
Balance - beginning of the year	**4,466,542**	5,831,307
Additions	**831,882**	582,748
Disposals	**1,629,377**	1,947,513
Balance - End of the year	**3,669,047**	4,466,542

14- Banks and Financial Institutions Deposits

This item consists of the following :

	2005			2004		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
Current accounts and demand deposits	**5,938,343**	**3,325,700**	**9,264,043**	927,986	2,322,470	3,250,456
Deposits:						
Deposits due within 3 months	**49,724,419**	**87,407,903**	**137,132,322**	16,343,110	100,488,385	116,831,495
Maturing:						
from 3 to 6 months	**-**	**8,000,000**	**8,000,000**	3,173,484	-	3,173,484
from 6 to 9 months	**705,219**	**-**	**705,219**	-	-	-
from 9 to 12 months	**-**	**-**	**-**	-	-	-
More than one year	**-**	**-**	**-**	-	-	-
Certificates of Deposit:						
due within 3 months	**-**	**-**	**-**	-	-	-
Maturing:						
from 3 to 6 months	**-**	**-**	**-**	-	-	-
from 6 to 9 months	**4,513,399**	**-**	**4,513,399**	-	-	-
from 9 to 12 months	**-**	**-**	**-**	-	-	-
More than one year	**-**	**-**	**-**	4,513,399	-	4,513,399
Total	**60,881,380**	**98,733,603**	**159,614,983**	24,957,979	102,810,855	127,768,834

15- Customers Deposits

This item consists of the following :

	2005	2004
Current accounts and demand deposits	**323,237,458**	194,430,377
Saving accounts	**71,259,684**	60,388,265
Time and notice deposits	**715,304,188**	496,495,023
Certificates of deposit	**2,956,089**	6,307,640
Total	**1,112,757,419**	757,621,305

a. Public sector deposits inside Jordan amounted to USD 185,267,797, which is equivalent to 16.6% of total customers deposits against 109,761,525, which is equivalent to14.5% of total customers deposits as of December 31, 2004.

b. Non-interest bearing deposits amounted to USD 246,094,553, which is equivalent to 22.1% of total customers deposits against USD 164,883,409 which is equivalent to 21.8% of total customers deposits as of December 31, 2004.

c. Dormant accounts amounted to USD 10,413,021, which is equivalent to 1% of total customers deposits against USD 3,664,522, which is equivalent to 0.5% of total customers deposits as of December 31, 2004.

d. Restricted deposits amounted to USD 11,930,444 against USD 6,214,784 as of December 31, 2004.

16- Cash Margins

This item consists of the following:

	2005	2004
Cash margins on direct credit facilities	**195,458,954**	121,290,718
Cash margins on indirect credit facilities	**28,393,626**	25,718,021
Marginal deposits	**484,707**	6,776,449
Other margins	**3,750**	2,159,269
Total	**224,341,037**	155,944,457

17- Borrowed Funds

This item consists of the following:

		Amount	Number of Installments		Frequency of Installments	Guarantees	Interest Rate
			Total	Remaining			
Year 2005							
Borrowings form Central Bank of Jordan	A	**3,340,381**	**11**	**11**	**Various**	**by the Bank**	**2.50%**
Borrowings form banks and financial institutions abroad	B	**3,127,488**		**One installment due on demand**		**by the Bank**	**Libor + 40 points**
Jordan Mortgage Refinance Company	C	**12,488,241**		**Set at the end of each period**		**by the Bank**	**5.91%**
Jordan Mortgage Refinance Company	C	**3,497,884**	**12**	**6**	**Semester based**	**by the Bank**	**3.70%**
Total		**22,453,994**					
Year 2004							
Borrowings form Central Bank of Jordan	A	1,684,570	10	10	Various	by the Bank	2.50%
Borrowings form banks and financial institutions abroad	B	4,292,970		One installment due on demand		by the Bank	Libor + 40 points
Jordan Mortgage Refinance Company	C	12,488,241		Set at the end of each period		by the Bank	6.25%
Jordan Mortgage Refinance Company	C	5,867,419	12	8	Semester based	by the Bank	3.70%
Total		24,333,200					

A- This amount represents several loans obtained from the Central Bank of Jordan at an interest rate ranging from 5% to 6.25% annually. These loans have various maturity dates, the first installment of which matured on February 16, 2006, and the last of which is due on May 10, 2006. The purpose of these loans is to encourage Jordanian exports by re-lending them to Jordanian companies at interest rates ranging from 5.75% to 7%.

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

C- On August 27, 2001, the Bank obtained a loan from Jordan Mortgage Refinance Company for USD 14,104,372 at an annual interest rate of 6.25% for the first three years to be reconsidered afterwards. The loan is to be repaid over a period of 10 years commencing from the date the agreement was signed, the first and last installments being due on August 27, 2004 and August 27, 2011, respectively. The purpose of this loan is to refinance the Jordanian Armed Forces Officers Housing Fund. On June 3, 2004, the Bank obtained a loan of USD 7,052,186 at an interest rate of 3.7%, the first installment of which matured on September 6, 2004, and the last is due on June 3, 2007.

18- Provisions

This item consists of the following:

Year 2005	Beginning Balance	Additions	Disposals	Returned to Income	Ending Balance
Provision for staff indemnity	**3,478,724**	**774,309**	**331,927**	**-**	**3,921,106**
Provision for lawsuits against the Bank and probable claims	**211,566**	**63,770**	**63,770**	**-**	**211,566**
Technical reserves relating to a subsidiary company	**7,685,938**	**1,769,035**	**-**	**-**	**9,454,973**
Total	**11,376,228**	**2,607,114**	**395,697**	**-**	**13,587,645**
Year 2004					
Provision for staff indemnity	2,816,255	905,573	243,104	-	3,478,724
Provision for lawsuits against the Bank and probable claims	301,834	-	16,499	73,769	211,566
Technical reserves relating to a subsidiary company	7,694,402	-	8,464	-	7,685,938
Total	10,812,491	905,573	268,067	73,769	11,376,228

19- Income Taxes

A) Provision for income tax:

The movement on the provision for income tax was as follows:

	2005	2004 (Restated)
Beginning balance	**10,823,502**	6,841,888
Income tax paid	**(10,999,206)**	(7,216,529)
Down payment	**(147,347)**	(195,762)
Prior years' income tax	**185,398**	412,155
Income tax for the year	**16,367,148**	10,981,750
Ending Balance	**16,229,495**	10,823,502

- Income tax for the year consists of the following:

	2005	2004 (Restated)
Income tax for the year	**16,367,148**	10,981,750
Accrued income tax - prior years	**185,398**	412,155
Deferred tax assets for the year *	**(653,770)**	(221,044)
Deferred tax liabilities for the year	**47,611**	30,176
Amortization of deferred tax assets	**139,328**	347,136
	16,085,715	11,550,173

* Deferred tax assets were reassessed at the end of the year 2005 to become 35% instead of 25%.

This reduced the income tax expense by USD 449,583 for the year 2005.

A final settlement with the income tax authorities has been reached for Jordan branches up to the year 2004 and for the Bank branch in Palestine.

Moreover, the tax return for Cyprus branch has been submitted but no final tax settlement has been reached yet.

A final settlement with the Income Tax Department for Arab Orient Insurance Company was reached up to the year 2002 and for the United Financial Investment Company up to the year 2003. Moreover, the tax returns have been submitted up to the year 2004, and management believes that the income tax liability will not exceed the provisions taken.

b- Deferred Tax Assets / Liabilities:

The details of this item are as follows:

Accounts Included	2005 Amounts: Beginning Balance as of January 1, 2005	Amounts Released	Additions	Balance End of the Year	2005 Deferred Tax	2004 (Restated) Deferred Tax
1- Deferred Tax Assets						
Prior years' provision for non-performing loans	291,319	161,615	-	129,704	45,396	72,829
Provision for staff indemnity	3,383,265	331,927	752,976	3,804,314	1,331,511	845,817
Impairment loss in real estate	350,240	-	-	350,240	122,584	87,560
Provision for lawsuits against the Bank	211,566	63,772	63,772	211,566	74,048	52,891
	4,236,390	557,314	816,748	4,495,824	1,573,539	1,059,097
2- Deferred Tax Liabilities *						
Unrealized profit on trading financial assets	160,939	-	253,923	414,862	77,787	30,176
Cumulative change in fair value	2,230,532	312,856	245,794	2,163,470	613,073	499,519
	2,391,471	312,856	499,717	2,578,332	690,860	529,695

* Deferred tax liabilities include USD 690,860 against USD 529,695 for the previous year resulting on the revaluation gain from trading financial assets included in the statement of income and revaluation gains on available-for-sale financial assets presented at a net amount within the cumulative change in fair value under equity.

- The movement on deferred tax assets / liabilities was as follows:

	2005		2004 (Restated)	
Description	Assets	Liabilities	Assets	Liabilities
Beginning balance	1,059,097	529,695	1,185,189	-
Additions during the year	653,770	161,165	221,044	529,695
Deductions	139,328	-	347,136	-
Ending Balance	1,573,539	690,860	1,059,097	529,695

C- A summary of the reconciliation between declared income and taxable income:

	2005	2004
Declared income	55,435,978	39,026,289
Tax exempted income	5,556,505	6,970,361
Un-deductible expenses	2,368,151	3,831,003
Taxable income	52,247,624	35,886,931
Income Tax Rates:		
Bank- Jordan	35%	35%
Bank- Cyprus	4.25%	4.25%
Subsidiary companies	25%	25%
Percentage of deferred taxes	35%	25%

20- Other Liabilities

This item consists of the following:

	2005	2004 (Restated)
Accrued interest payable	**4,520,937**	4,535,076
Cash margins and accepted checks	**22,394,172**	10,558,962
Interest received in advance	**1,549,236**	-
Temporary advances	**730,764**	690,255
Shareholders payables	**762,159**	661,825
Accepted and certified checks	**10,081,391**	9,524,992
Deposits on safe deposit boxes	**83,935**	76,008
Down payments on real-estate sold	**428,488**	260,212
Unrealized losses on financial derivatives (Note 37)	**80,083**	330,347
Amounts in transit	**1,430,193**	1,405,298
Share capital payments on account for a company		
under establishment *	**223,333,698**	-
Other liabilities **	**19,997,077**	10,256,337
Total	**285,392,133**	38,299,312

* This amount includes incorporators' deposits to establish a public shareholding company. It is held in trust and is restricted until the completion of registration and a certificate from the Companies Controller is obtained.

** This item includes the accounts payable of subsidiary companies amounting to USD 14,284,633 as of December 31, 2005 (USD 4,996,962 as of December 31, 2004).

21- Paid-up Capital and Share Premium Reserve

Paid-up capital amounted to USD 56,417,489 and is distributed over 40 million shares at a par value of USD 1.41 per share after capitalizing USD 12,341,325 during the year 2005 according to the approval of the Ministry of Trade and Industry dated March 8, 2005. This was achieved through capitalizing USD 12,341,325 from retained earnings and the foreign branches reserves against USD 44,076,164 distributed over 31.25 million shares at a par value of USD 1.41 per share as of December 31, 2004 after capitalizing USD 8,815,233 during 2004 according to the approval of the Ministry of Trade and Industry dated February 24, 2004.

22- Reserves

The details of the reserves as of December 31, 2005 are as follows:

a- Statutory Reserve:

This account represents the accumulated amount of appropriation from income before tax at 10% per year according to the Banking Law. This amount is not to be distributed to shareholders.

b- Voluntary Reserve

This account represents the accumulated amount of appropriation from income before tax at a maximum of 20% per year. The voluntary reserve is to be used according to a resolution by the Board of Directors. The General Assembly has the right to distribute this reserve or any portion therefrom as dividends to shareholders.

c- General Banking Risks Reserve

This reserve represents the general banking risks reserve in accordance with the Central Bank of Jordan regulations as follows:

Description	2005	2004 (Restated)	Nature of Restriction
General banking risks reserve	**8,734,038**	5,440,331	According to the Central Bank of Jordan regulations

23- Cumulative Change in Fair Value - Net

This item consists of the following:

	2005			2004 (Restated)		
	Available-for-Sale Financial Assets		Total	Available-for-Sale Financial Assets		Total
	Shares	Bonds		Shares	Bonds	
Beginning balance	**1,607,437**	**(176,148)**	**1,431,289**	1,423,910	755,581	2,179,491
Effects of implementing the amended IAS 39	**-**	**-**	**-**	160,016	49,035	209,051
Unrealized net profits / (losses)	**2,664,279**	**(1,851,004)**	**813,275**	1,033,990	(222,202)	811,788
Deferred tax liabilities	**(507,937)**	**394,382**	**(113,555)**	(463,121)	(36,398)	(499,519)
Realized net (profit)-transferred to the income statement	**(917,519)**	**(284,782)**	**(1,202,301)**	(547,358)	(722,164)	(1,269,522)
Ending Balance *	**2,846,260**	**(1,917,552)**	**928,708**	1,607,437	(176,148)	1,431,289

* The cumulated change in fair value is presented as a net amount after deducting deferred tax liabilities of USD 613,074 against USD 499,519 for the previous year.

24- Retained Earnings

The details of this item are as follows:

	2005	2004 (Restated)
Beginning balance	**9,986,855**	13,824,300
The effect of implementing the new and amended standards	**-**	4,307,659
Adjusted balance-Beginning of the year	**9,986,855**	18,131,959
(Transferred) to paid-up capital	**(5,930,888)**	(8,744,711)
Income for the year	**35,982,828**	26,186,068
(Transferred) to legal reserves	**(5,342,128)**	(3,776,966)
(Transferred) to voluntary reserves	**(10,684,256)**	(7,553,931)
(Transferred) to general banking risks reserve	**(3,293,707)**	(5,440,331)
Proposed dividends	**-**	(8,815,233)
Ending Balance	**20,718,704**	9,986,855

Included in retained earnings is an amount of USD 1,573,539 restricted by the Central Bank of Jordan against deferred tax assets as of December 31, 2005 (USD 1,059,097 as December 31, 2004).

25- Proposed Dividends

The Board of Directors decided to recommend to the General Assembly of Shareholders to increase the Bank's capital by an amount of (JD 20 million) which is equivalent to USD 28.2 million, which is equivalent to 50% of paid-up capital, being half share per share through capitalizing the retained earnings and part of reserves.

The percentage of proposed dividends for the year 2004 is 20% of paid-up capital following the approval of the General Assembly of Shareholders in their ordinary meeting held on February 23, 2005.

The General Assembly of Shareholders resolved in their extraordinary meeting dated February 23, 2005 to increase the Bank's capital by 28%, (JD 8,75 million) which is equivalent to USD 12.34 million, through capitalizing the foreign branches reserve and part of retained earnings according to item (2) article (113) of the Companies Law No (22) for the year 1997 and its amendments. The Bank obtained the related approval from the Ministry of Trade and Industry on March 8, 2005.

26- Minority Interest

This item represents the minority interest's share in the net assets and results of operations of the subsidiary companies.

27- Interest Income

This item consists of the following:

	2005	2004
Direct credit facilities:		
Discounted bills	**267,096**	312,522
Overdraft accounts	**12,776,858**	9,055,333
Loans and advances	**41,472,152**	29,974,695
Credit cards	**293,327**	149,364
Balances at central banks	**10,360,595**	4,814,547
Balances and deposits at banks and financial institutions	**10,076,045**	9,558,178
Available-for-sale financial assets	**5,816,804**	4,420,257
Held-to-maturity financial assets	**681,357**	-
Other	**365,777**	1,160,122
Total	**82,110,011**	59,445,018

28- Interest Expense

This item consists of the following:

	2005	2004
Deposits at banks and financial institutions	**5,871,361**	3,988,052
Customers' deposits:		
Current and demand deposits	**966,106**	644,687
Saving accounts	**684,769**	600,051
Time and notice deposits	**16,213,351**	9,279,502
Certificates of deposit	**176,661**	86,289
Cash margins	**4,531,614**	2,568,058
Borrowed funds	**1,150,566**	1,048,295
Loan guarantee fees	**1,192,178**	1,004,100
Other	**502,835**	2,059,522
Total	**31,289,441**	21,278,556

29. Commission Income - Net

This item consists of the following:

	2005	2004
Direct credit facilities	**3,631,262**	2,998,224
Indirect credit facilities	**4,976,793**	4,079,365
Other commissions	**41,505**	48,349
Net Commissions	**8,649,560**	7,125,938

30- Income from Trading Financial Assets

This item consists of the following:

	Realized Profit	Unrealized Profit	Total
Year 2005			
Companies' shares	**988,467**	**414,862**	**1,403,329**
Total	**988,467**	**414,862**	**1,403,329**
Year 2004			
Companies' shares	385,412	160,939	546,351
Total	385,412	160,939	546,351

31. Income from Available-for-Sale Financial Assets

This item consists of the following:

	2005	2004
Dividend income	**400,157**	348,877
Income from the sale of available-for-sale financial assets	**3,325,315**	2,291,106
Total	**3,725,472**	2,639,983

32- Other Income

This item consists of the following:

	2005	2004 (Restated)
Rental of safe deposit boxes	**55,320**	48,017
Stamp income	**98,904**	75,525
Credit cards income	**988,941**	673,752
Recovery of debts previously written-off	**861,157**	407,351
Trading in shares and bonds revenue - subsidiary company	**6,524,937**	1,611,953
Profit from sale of property	**10,715**	-
Profit from sale of properties seized by the Bank	**532,869**	328,137
Rental income	**77,116**	191,240
Telecommunication income	**285,339**	227,121
Transfers income	**618,855**	473,090
Insurance income-subsidiary company	**4,851,693**	3,242,447
Other	**1,633,641**	1,583,600
Total	**16,539,487**	8,862,233

33- Employees' Expenses

This item consists of the following:

	2005	2004
Salaries, bonuses and employees' benefits	**13,977,652**	10,811,694
Bank's share in social security	**851,935**	713,168
Medical expenses	**463,317**	329,416
Staff training expenses	**30,877**	63,942
Travel expenses	**374,897**	300,496
Employees' life insurance	**60,487**	50,982
Value added tax	**31,252**	26,298
Total	**15,790,417**	12,295,996

34- Other Expenses

This item consists of the following:

	2005	2004 (Restated)
Rent	628,688	560,405
Stationery	367,709	290,597
Advertisements	952,309	925,182
Subscriptions	122,008	93,702
Telecommunication expenses	695,592	610,309
Maintenance and repair	1,135,468	924,907
Insurance expenses	528,894	503,396
Legal fees	117,735	124,760
Water, electricity and heating	380,262	344,937
Fees, taxes and stamps	499,746	547,158
Professional fees	125,296	78,502
Visa services expenses	433,392	210,903
Hospitality	64,010	59,092
Goodwill amortization – net	-	209,714
Loss incurred on sale of properties	-	23,137
Donations	208,463	129,292
Jordanian Universities Fees	530,654	352,841
Scientific Research and Vocational Training Fees	530,654	352,841
Vocational and Technical Education and Training Fund Fees	150,956	110,877
Board of Directors' remunerations	140,480	140,480
Other *	2,382,657	2,241,319
	9,994,973	8,834,351

* This item includes other expenses from subsidiary companies in the amount of USD 1,494,920 for the year 2005 against USD 1,107,189 for the previous year.

35. Earnings Per Share - Bank Shareholders

The details of this item are as follows:

	2005	2004 (Restated)
Income for the year	35,982,828	26,186,068
Weighted average number of shares	40,000,000	40,000,000
Earnings Per Share - Bank Shareholders	0.90	0.65

The weighted average number of shares for the year 2004 has been calculated based on 40,000,000 shares instead of 31,250,000 shares as the increase represents bonus shares .

36. Cash and Cash Equivalents

The details of this item are as follows:

	2005	2004
Balances at central banks due within 3 months	399,511,334	246,918,003
Add: Balances at banks and financial institutions due within 3 months	316,508,166	116,790,520
Less: Banks and financial institutions deposits due within 3 months	146,396,365	120,081,951
Less: Restricted balances	317,348	317,348
	569,305,787	243,309,224

37- Financial Instruments

This item consists of the following:

	Positive Fair Value	Negative Fair Value	Maturity of Nominal Value: Total Nominal Amounts	Within 3 Months	More than 3 Months up to 12 Months	Frorm 1 Year up to 3 Years	More than 3 Years
Year 2005							
Trading Derivatives:							
Forward sales contracts in foreign currencies	**-**	**(80,083)**	**(26,455,502)**	**(26,455,502)**	**-**	**-**	**-**
	-	**(80,083)**	**(26,455,502)**	**(26,455,502)**	**-**	**-**	**-**
Forward purchase contracts in foreign currencies	**17,714**	**-**	**26,393,133**	**26,393,133**	**-**	**-**	**-**
	17,714	**-**	**26,393,133**	**26,393,133**	**-**	**-**	**-**
Total	**17,714**	**(80,083)**	**(62,370)**	**(62,370)**	**-**	**-**	**-**
Year 2004							
Trading Derivatives:							
Forward sales contracts in foreign currencies	-	(330,347)	(57,724,056)	(57,724,056)	-	-	-
Forward contracts to sell bonds	-	-	(11,192,188)	(11,192,188)	-	-	-
	-	(330,347)	(68,916,244)	(68,916,244)	-	-	-
Forward purchase contracts in foreign currencies	107,360	-	57,501,069	57,501,069	-	-	-
Forward contracts to buy bonds	25,000	-	11,217,188	11,217,188	-	-	-
Total	132,360	(330,347)	(197,987)	(197,987)	-	-	-

- The nominal value represents the deals value outstanding at year-end and does not represent market risks or credit risks.

38- Transactions with Related Parties

The Bank entered into transactions with sister companies, major shareholders, Board of Directors, and executive management within the normal banking practice and according to the normal interest rates. All of the credit facilities granted to related parties are considered to be performing facilities and no impairment provisions have been taken.

The following is a summary of the transactions with related parties during the year:

	Related Party			Total	
	Major Shareholders	Board of Directors Members	Executive Managers	2005	2004
On-Balance Sheet Items:					
Credit facilities	-	26,392,031	561,298	**26,953,329**	29,710,092
Available-for-sale financial assets	8,381,649	-	-	**8,381,649**	9,851,395
Banks and financial institutions deposits	10,028,133	-	-	**10,028,133**	26,677,592
Deposits	52,499,068	20,393,164	628,523	**73,520,755**	75,698,605
Cash margins	-	20,000,000	683,625	**20,683,625**	20,350,000
Off-Balance Sheet Items:					
Letters of guarantee	-	8,688	1,410	**10,098**	9,168

				Total	
				2005	2004
Statement of Income:					
Interest and commission received	-	1,573,994	15,992	**1,589,986**	637,147
Interest and commission paid	1,790,772	1,952,221	11,320	**3,754,313**	1,785,394
Minimum and Maximum Interest and Commissions Rates					
	%	%	%		
Credit rates	-	2.9-8.5	0-7.0		
Debit rates	1.5-5.0	0.5-4.0	1.0-4.3		

The Bank has two members on the Board of Directors of the subsidiary companies Arab Orient Insurance Company and United Financial Investment Company.

Executive Management Remuneration:
Executive management remunerations for the Bank and the subsidiary companies amounted to USD 1,789,017 for 2005 against USD 1,555,389 for 2004, in addition to performance bonuses.

39- Fair Value Financial Instruments

Financial instruments include instruments on- and off- the consolidated balance sheet.

The financial instruments include the cash balances and deposits at banks and central banks, direct credit facilities, other financial assets, customers' deposits, banks deposits, and other financial liabilities.

There are available-for-sale financial assets which appear at cost / amortized cost. The fair value of these assets can not be reliably measured, and they amounted to USD 12,332,934 against USD 7,206,964 as as of December 31, 2004.

40- Risks Management Policies

The Bank's assets in regards to recognitions, measurement, management, and control are managed through the Bank's application of the best international practices concerning risks management, organization, and risks management instruments congruent with the Bank's size, the complexity of its operations, and the types of risks it is exposed to.
The Bank's organizational structures integrate in regards to risks management each according to its level. The Corporate Governance Committee, on the level of the Board of Directors, decides on the strategies and special risks policies of the Bank. It ensures that executive management performs risks management. This entails ascertaining the proper setting and controlling of the risks to which the Bank is exposed until achievement of the return accepted by shareholders without affecting the Bank's financial strength. In this context, the work of the Risks Management Directorate complements the work of the committees ensuing from executive management. These committees are the Assets and Liabilities Committee, Credit Facilities Committee, and Quality Assurance Committee.
Notes from (41) to (46) represent the most significant banking risks to which the Bank is exposed and their management method.

41- Assets and Liabilities Credit Concentration Risks

The daily banking practices expose the Bank to many risks including credit risks resulting from the default of the other party to the financial instrument to pay its obligations to the Bank. This causes losses.

The most significant duties of the Bank and its management are to make sure that these risks do not exceed the limits predetermined by the Bank in its credit policy and to maintain their level within the balanced relationship among risks, returns, and liquidity. The Bank›s credit risks are managed by several committees from upper and executive management. Ceilings for credit facilities to be granted to individuals or corporations are determined in addition to other related accounts in compliance with the rates approved by the Central Bank of Jordan. This is conducted through relying on the distribution of credit facilities into credit portfolios to credit managers and sectors taking into consideration geographical areas in a manner that achieves a proper balance among returns, risks, and optimal uses of available resources. Moreover, the Bank›s ability to diversify lending to customers and economic activities is enhanced.

The Bank monitors credit risks. Moreover, customers' credit standings are evaluated periodically according to the customers› risks valuation system to the based on credit risk factors and non-payment probabilities for administrative, financial, or competition reasons. In addition, proper guarantees are obtained from customers for certain cases according to the risk level of each customer and each credit facilities transaction.

The Bank restricts concentration of the assets and liabilities through distributing its activities over various sectors and various geographical areas inside and outside Jordan. Furthermore, the Bank depends on a specified policy which shows the ceilings granted to the banks and countries with high credit standings and reviews them constantly through the Assets and Liabilities Department for the Distribution of Risks and Approval of the Credit Assessment. The investment policy specifies the distribution rates for investments and the specifications for those investments so as to distribute them in a manner that achieves a high return and reduces risks.

The details of the direct credit facilities portfolio are shown in Note (8). Furthermore, the Bank's off-balance sheet liabilities exposed to credit risks are shown in Note (49).

The concentration of assets, liabilities and off-balance sheet items according to geographical areas and sectors is as follows:

	2005			2004 (Restated)		
	Assets	Liabilities	Off-Balance Sheet Items	Assets	Liabilities	Off-Balance Sheet Items
A. According to Geographical Areas:						
Within the Kingdom	**1,541,638,469**	**1,874,230,358**	**332,717,175**	1,025,461,741	1,135,873,609	309,889,833
Other Middle East countries	**128,771,317**	**98,970,920**	**20,962,182**	86,997,584	95,901,179	10,480,279
Europe	**273,029,254**	**3,252,093**	**62,246,034**	118,114,329	13,985,563	37,111,368
Asia *	**12,032,097**	**7,265,323**	**23,699,925**	1,899,958	810,233	16,269,394
Africa *	**-**	**4,496**	**-**	-	1,185	326,059
America	**32,465,856**	**4,245,944**	**34,675,542**	14,292,265	3,514,017	7,391,090
Other countries	**32,810**	**669**	**20,000**	3,320,523	614	-
Total	**1,987,969,803**	**1,987,969,803**	**474,320,858**	1,250,086,400	1,250,086,400	381,468,023

* Excluding Middle East countries

	2005			2004 (Restated)		
	Assets	Liabilities	Off-Balance Sheet Items	Assets	Liabilities	Off-Balance Sheet Items
B. According to Sectors:						
Public sector	**545,191,164**	**185,267,797**	**12,278,111**	403,689,889	109,761,525	7,423,977
Private sector						
Companies' accounts	**950,514,267**	**710,371,587**	**418,220,684**	568,293,728	473,992,573	295,343,394
Personal accounts	**396,950,472**	**623,528,049**	**43,822,063**	218,925,055	481,873,614	78,700,652
Others	**95,313,900**	**468,802,370**	**-**	59,177,728	184,458,688	-
Total	**1,987,969,803**	**1,987,969,803**	**474,320,858**	1,250,086,400	1,250,086,400	381,468,023

42- Market Risks

According to the Bank's approved investment policies, the amount of acceptable risks is specified. Such risks are controlled monthly by an Assets and Liabilities Committee which provides its recommendations thereon. Moreover, the available systems calculate the impact of the fluctuations in interest rates, foreign currency rates, and stock prices.

43- Interest Rate Risk

The Bank adopts the assets - liabilities compatibility principle and the suitability of maturities to narrow gaps through categorizing assets and liabilities into various maturities or price review maturities, whichever are nearer, to lower risks in interest rates studying gaps in the related interest rates, and using hedging policies through the adoption of advanced financial instruments such as derivatives.

Interest rate sensitivity is as follows :

	Interest Rate Sensitivity								
	Less than One 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	From 1 Year Up to 3 Years	More than 3 Years	Non-Interest Bearing	Total	%
Year 2005									
Assets:									
Balances at central banks	72,128,152	235,119,887	21,156,559	-	-	-	92,263,295	420,667,893	3,53
Balances at banks and financial institutions	312,110,465	3,266,500	-	-	-	-	1,131,201	316,508,166	4,35
Deposits at banks and financial institutions	2,000,000	5,000,000	204,882	505,000	4,231,311	-	-	11,941,193	5,64
Trading financial assets	-	-	-	-	-	-	3,887,961	3,887,961	
Direct credit facilities - net	130,986,836	136,292,248	143,906,529	295,330,566	76,098,485	189,141,847	-	971,756,511	7,17
Available-for-sale financial assets	-	9,498,152	-	6,185,530	43,469,450	48,019,576	16,987,069	124,159,777	5,77
Held-to-maturity financial assets	-	-	62,059,238	-	-	-	-	62,059,238	6,75
Fixed assets - net	-	-	-	-	-	-	16,314,803	16,314,803	
Intangible assets	-	-	-	-	-	-	1,820,683	1,820,683	
Other assets	-	-	-	-	-	-	57,280,039	57,280,039	
Deferred tax assets	-	-	-	-	-	-	1,573,539	1,573,539	
Total Assets	517,225,453	389,176,787	227,327,208	302,021,096	123,799,246	237,161,423	191,258,590	1,987,969,803	
Liabilities:									
Banks and financial institutions deposits	125,378,254	18,335,684	8,000,000	5,218,618	-	-	2,682,427	159,614,983	3,58
Customers' deposits	664,590,352	123,916,093	30,487,465	45,685,655	1,983,300	-	246,094,554	1,112,757,419	2,15
Cash margins	141,360,319	56,471,908	8,757,405	15,141,838	291,769	-	2,317,798	224,341,037	2,03
Borrowed funds	3,127,488	3,060,790	1,464,358	1,184,767	6,540,903	7,075,688	-	22,453,994	5,31
Provisions	-	-	-	-	-	-	13,587,645	13,587,645	
Income tax provision	-	-	-	-	-	-	16,229,495	16,229,495	
Deferred tax liabilities	-	-	-	-	-	-	690,860	690,860	
Other liabilities	-	-	-	-	-	-	285,392,133	285,392,133	
Total Liabilities	934,456,413	201,784,475	48,709,228	67,230,878	8,815,972	7,075,688	566,994,912	1,835,067,566	
Shareholders' Equity:									
Bank shareholders' equity	-	-	-	-	-	-	145,099,629	145,099,629	
Minority interest	-	-	-	-	-	-	7,802,608	7,802,608	
Total Liabilities, Minority Interest, and Shareholders' Equity	934,456,413	201,784,475	48,709,228	67,230,878	8,815,972	7,075,688	719,897,149	1,987,969,803	
Sensitivity Difference of Balance Sheet Items	(417,230,960)	187,392,312	178,617,980	234,790,218	114,983,274	230,085,735	(528,638,559)	-	

	Less than One 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	From 1 Year Up to 3 Years	More than 3 Years	Non-Interest Bearing	Total	%
Interest Rate Sensitivity									
Year 2004 (Restated)									
Assets:									
Balances at central banks	94,140,880	73,342,736	64,456,982	-	-	-	79,434,386	311,374,984	2,62
Balances at banks and financial institutions	111,243,880	5,000,000	-	-	-	-	546,640	116,790,520	4,53
Deposits at banks and financial institutions	-	-	7,025,000	20,300,000	-	-	-	27,325,000	4,5
Trading financial assets	-	-	-	-	-	-	1,404,243	1,404,243	
Direct credit facilities - net	58,127,099	147,905,643	114,314,137	81,974,560	154,495,973	71,429,835	-	628,247,247	7,21
Available-for-sale financial assets	-	11,750,001	5,692,472	900,000	35,700,729	52,968,649	11,620,458	118,632,309	6,52
Fixed assets - net	-	-	-	-	-	-	13,456,502	13,456,502	
Intangible assets	-	-	-	-	-	-	686,059	686,059	
Other assets	-	-	-	-	-	-	31,110,439	31,110,439	
Deferred tax assets	-	-	-	-	-	-	1,059,097	1,059,097	
Total Assets	186,829,908	237,998,380	191,488,591	103,174,560	190,196,702	124,398,484	139,317,824	1,250,086,400	
Liabilities:									
Banks and financial institutions deposits	104,325,980	13,989,977	3,173,484	-	4,513,399	-	1,765,994	127,768,834	2,05
Customers' deposits	399,122,161	141,402,258	20,744,591	25,862,942	5,605,944	-	164,883,409	757,621,305	1,68
Cash margins	35,639,038	31,824,752	20,787,463	8,607,849	38,330,258	-	20,755,097	155,944,457	2,36
Borrowed funds	6,636,965	543,890	559,732	1,763,047	14,829,566	-	-	24,333,200	5,37
Provisions	-	-	-	-	-	-	11,376,228	11,376,228	
Income tax provision	-	-	-	-	-	-	10,823,502	10,823,502	
Deferred tax liabilities	-	-	-	-	-	-	529,695	529,695	
Other liabilities	-	-	-	-	-	-	38,299,312	38,299,312	
Total Liabilities	545,724,144	187,760,877	45,265,270	36,233,838	63,279,167	-	248,433,237	1,126,696,533	
Shareholders' Equity:									
Bank shareholders' equity	-	-	-	-	-	-	118,434,615	118,434,615	
Minority interest	-	-	-	-	-	-	4,955,252	4,955,252	
Total Liabilities, Minority Interest, and Shareholders' Equity	545,724,144	187,760,877	45,265,270	36,233,838	63,279,167	-	371,823,104	1,250,086,400	
Sensitivity Difference of Balance Sheet Items	(358,894,236)	50,237,503	146,223,321	66,940,722	126,917,535	124,398,484	(232,505,280)	-	

44- Liquidity Risk:

The Bank adopts the policy of diversifying financial resources within the various economic and geographical areas in addition to diversifying customers. The policy concentrates on analyzing the maturities of the assets and liabilities to achieve congruence and monitor liquidity risks and control gaps. It is also concerned with maintaining an adequate balance of liquidity and easily liquefiable balances to meet withdrawals.

Liquidity risk is as follows:

	Less than One 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	From 1 Year Up to 3 Years	More than 3 Years	Non-Interest Bearing	Total
Year 2005								
Assets:								
Balances at central banks	164,391,447	235,119,887	21,156,559	-	-	-	-	420,667,893
Balances at banks and financial institutions	313,241,666	3,266,500	-	-	-	-	-	316,508,166
Deposits at Banks and financial institutions	-	-	5,204,882	505,000	6,231,311	-	-	11,941,193
Trading financial assets	-	-	-	-	-	-	3,887,961	3,887,961
Direct credit facilities - net	102,353,183	114,960,956	144,347,952	314,298,420	89,191,267	206,604,733	-	971,756,511
Available- for-sale financial assets	-	-	-	6,185,530	46,117,599	54,869,578	16,987,070	124,159,777
Held-to-maturity financial assets	-	-	62,059,238	-	-	-	-	62,059,238
Fixed assets - net	-	-	-	-	-	-	16,314,803	16,314,803
Intangible assets	-	-	-	-	-	-	1,820,683	1,820,683
Other assets	45,318,319	1,712,695	1,242,396	2,705,152	4,436,712	1,864,765	-	57,280,039
Deferred tax assets	-	-	-	-	1,573,539	-	-	1,573,539
Total Assets	625,304,615	355,060,038	234,011,027	323,694,102	147,550,428	263,339,076	39,010,517	1,987,969,803
Liabilities:								
Banks and financial institutions deposits	128,060,681	18,335,684	8,000,000	5,218,618	-	-	-	159,614,983
Customers' deposits	910,684,906	123,916,093	30,487,465	45,685,655	1,983,300	-	-	1,112,757,419
Cash margins	143,678,117	56,471,908	8,757,405	15,141,838	291,769	-	-	224,341,037
Borrowed funds	-	3,060,790	1,464,358	1,184,767	9,668,391	7,075,688	-	22,453,994
Provisions	-	-	-	-	-	-	13,587,645	13,587,645
Income tax provision	16,229,495	-	-	-	-	-	-	16,229,495
Deferred tax liabilities	-	-	-	-	690,860	-	-	690,860
Other liabilities	23,882,540	234,716,683	9,017,371	17,683,546	8,058	83,935	-	285,392,133
Total Liabilities	1,222,535,739	436,501,158	57,726,599	84,914,424	12,642,378	7,159,623	13,587,645	1,835,067,566
Shareholders' Equity:								
Bank shareholders' equity	-	-	-	-	-	-	145,099,629	145,099,629
Minority interest	-	-	-	-	-	-	7,802,608	7,802,608
Total Liabilities, Minority Interest, and Shareholders' Equity	1,222,535,739	436,501,158	57,726,599	84,914,424	12,642,378	7,159,623	166,489,882	1,987,969,803
Gap Per Category	(597,231,124)	(81,441,120)	176,284,428	238,779,678	134,908,050	256,179,453	(127,479,365)	-
Cumulative Gap	(597,231,124)	(678,672,244)	(502,387,816)	(263,608,138)	(128,700,088)	127,479,365	-	-

	Less than One 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	From 1 Year Up to 3 Years	More than 3 Years	Non-Interest Bearing	Total
Year 2004 (Restated)								
Assets:								
Balances at central banks	173,575,266	73,342,736	64,456,982	-	-	-	-	311,374,984
Balances at banks and financial institutions	116,418,915	371,605	-	-	-	-	-	116,790,520
Deposits at Banks and financial institutions	-	-	25,000	22,300,000	-	5,000,000	-	27,325,000
Trading financial assets	-	-	-	-	-	-	1,404,243	1,404,243
Direct credit facilities - net	57,087,535	151,354,719	85,824,461	91,535,271	166,109,790	76,335,471	-	628,247,247
Available- for-sale financial assets	-	-	3,363,724	5,900,000	38,450,729	59,297,399	11,620,457	118,632,309
Fixed assets - net	-	-	-	-	-	-	13,456,502	13,456,502
Intangible assets	-	-	-	-	-	-	686,059	686,059
Other assets	22,104,965	1,532,642	556,961	594,021	5,544,516	777,334	-	31,110,439
Deferred tax assets	-	-	-	-	1,059,097	-	-	1,059,097
Total Assets	369,186,681	226,601,702	154,227,128	120,329,292	211,164,132	141,410,204	27,167,261	1,250,086,400
Liabilities:								
Banks and financial institutions deposits	106,091,974	13,989,977	3,173,484	-	4,513,399	-	-	127,768,834
Customers' deposits	564,005,570	141,402,258	20,744,591	25,862,942	5,605,944	-	-	757,621,305
Cash margins	48,372,228	31,824,752	21,854,712	15,562,506	38,330,259	-	-	155,944,457
Borrowed funds	580,948	1,136,274	1,152,116	592,384	13,672,378	7,199,100	-	24,333,200
Provisions	-	-	-	-	-	-	11,376,228	11,376,228
Income tax provision	10,823,502	-	-	-	-	-	-	10,823,502
Deferred tax liabilities	-	-	-	-	529,695	-	-	529,695
Other liabilities	13,252,188	6,305,285	5,145,770	13,486,339	33,722	76,008	-	38,299,312
Total Liabilities	743,126,410	194,658,546	52,070,673	55,504,171	62,685,397	7,275,108	11,376,228	1,126,696,533
Shareholders' Equity:	-	-	-	-	-	-	118,434,615	118,434,615
Bank shareholders' equity	-	-	-	-	-	-	4,955,252	4,955,252
Minority interest								
Total Liabilities, Minority Interest, and Shareholders' Equity	743,126,410	194,658,546	52,070,673	55,504,171	62,685,397	7,275,108	134,766,095	1,250,086,400
Gap Per Category	(373,939,729)	31,943,156	102,156,455	64,825,121	148,478,735	134,135,096	(107,598,834)	-
Cumulative Gap	(373,939,729)	(341,996,573)	(239,840,118)	(175,014,997)	(26,536,262)	107,598,834	-	-

45- Foreign Currencies Risk

The Bank's Board of Directors, within the framework of the approved investment policy, sets the limits on all currencies positions at the Bank. These positions are monitored daily through the Investment and Treasury Department which reports matters to upper management to ensure maintaining positions within the approved limits. Moreover, the Bank adopts the hedging policy to reduce the foreign currencies risks through using advanced financial derivatives.
The following are the net positions of major currencies at the Bank:

	2005	2004
US Dollar	**21,946,113**	20,169,849
Pound Sterling	**1,912,388**	1,884,007
Euro	**(81,633)**	286,489
Swiss Franc	**33,109**	10,557
Japanese Yen	**70,394**	83,485
Other currencies *	**5,874,705**	3,001,615

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

46- Shares Price Risks

The Board of Directors adopts a specified policy in diversifying investments in shares relying on various sectors and geographical areas according to predetermined rates. These investments are monitored daily. Moreover, this policy recommends investing in shares listed in international financial markets that have a good reputation. Such investments are concentrated in the Jordanian market, American market, and European markets, which enjoy high liquidity ratios to face any risks that may arise.

47- Information on the Bank's Business Activities

1. The Bank is organized for managerial purposes into three major sectors. Moreover, the Bank owns two subsidiaries in the insurance and financial brokerage sectors:

- Individual accounts: include following up on individual customers accounts, granting them loans, credit, credit cards, and other services.
- Corporate accounts: include following up on deposits, credit facilities, and other banking services related to customers.
- Treasury: include providing dealing services and management of the Bank's funds.
- Insurance services: include most insurance services.
- Financial brokerage services: include practicing most of financial brokerage and consultation services.

The following table represents the Bank sectors information:

	Individuals	Corporations	Treasury	Insurance Services *	Brokerage *	Others	2005	2004
Gross income	16,007,288	24,172,948	30,313,982	5,668,216	7,860,886	1,798,765	**85,822,085**	60,175,973
Provision for credit facilities	(475,915)	(326,712)	-	-	-	-	**(802,627)**	2,980,110
impairment in the value of financial assets	-	-	-	-	-	-	**-**	282
Results of Business Sector	15,531,373	23,846,236	30,313,982	5,668,216	7,860,886	1,798,765	**85,019,458**	63,156,365
Undistributed Expenditures	-	-	-	(2,949,738)	(1,054,258)	(25,579,484)	**(29,583,480)**	(24,130,076)
Income before Taxes	15,531,373	23,846,236	30,313,982	2,718,478	6,806,628	(23,780,719)	**55,435,978**	39,026,289
Income tax	-	-	-	(702,987)	(1,460,052)	(13,922,676)	**(16,085,715)**	(11,550,173)
Income for the Year	15,531,373	23,846,236	30,313,982	2,015,491	5,346,576	(37,703,395)	**39,350,263**	27,476,116
Additional Information:								
Sector's Assets	396,950,472	574,806,038	933,773,103	22,373,016	21,632,176	-	**1,949,534,805**	1,228,902,606
Assets not distributed over sectors	-	-	-	-	-	66,183,715	**66,183,715**	35,226,227
Disposals of assets and liabilities among sectors	-	-	5,451,126	(14,890,777)	(18,309,066)	-	**(27,748,717)**	(14,042,433)
Total Assets	396,950,472	574,806,038	939,224,229	7,482,239	3,323,110	66,183,715	**1,987,969,803**	1,250,086,400
Sector's Liabilities	623,528,049	762,249,013	162,742,471	22,373,016	21,632,176	-	**1,592,524,725**	1,090,796,099
Liabilities not distributed over sectors	-	-	-	-	-	288,555,162	**288,555,162**	48,410,217
Disposals of assets and liabilities	-	(29,352,100)	-	(8,081,080)	(9,981,592)	1,402,451	**(46,012,321)**	(12,509,783)
Total liabilities	623,528,049	732,896,913	162,742,471	14,291,936	11,650,584	289,957,613	**1,835,067,566**	1,126,696,533
Capital Expenditures						4,893,279	**4,893,279**	3,429,092
Depreciation				159,767	48,969	2,751,274	**2,960,010**	2,167,925

* After the elimination of inter-company balances between the Bank and its subsidiaries.

b. Information on the geographical allocation:

This sector represents the geographical distribution of the Bank›s operations. The Bank performs its operations mainly in the Kingdom, these operations represent the local operations. Moreover, the Bank conducts international operations through its branches in Palestine and Cyprus.

Information on the geographical allocation

	Inside Jordan		Outside Jordan		Total	
	2005	2004 (Restated)	2005	2004 (Restated)	2005	2004 (Restated)
Total Revenue	**96,957,891**	64,997,126	**20,153,635**	16,457,403	**117,111,526**	81,454,529
Total Assets	**1,491,006,758**	954,819,462	**496,963,045**	295,266,938	**1,987,969,803**	1,250,086,400
Capital expenditures	**4,893,279**	3,429,092	**-**	-	**4,893,279**	3,429,092

48- Capital Adequacy:

Capital adequacy ratio is calculated according to the instructions of the Central Bank of Jordan based on Basel Committee's decisions. Market risk has been included for the purposes of calculating this ratio during the year 2005. The following table shows the capital adequacy ratio in comparison with that of the year 2004:

	2005		2004	
	Amount	Percentage to Assets Weighted by Risks and Market Risks	Amount	Percentage to Assets Weighted by Risks and Market Risks
	'000 USD	%	'000 USD	%
Regulatory capital	**150,217**	**13.13%**	116,787	15,57%
Primary capital	**141,522**	**12.37%**	108,097	14,47%

49- Commitments and Contingent Liabilities

a- Credit commitment and contingencies:

	2005	2004
Letters of credit	**86,809,698**	37,572,963
Acceptances	**25,000,364**	21,833,984
Letters of guarantee:		
Payments	**75,401,815**	49,299,656
Performance bonds	**52,855,917**	36,012,570
Other	**49,833,103**	79,745,907
Unutilized credit facilities	**184,419,961**	157,002,943
Total	**474,320,858**	381,468,023

b- Contractual obligations:

	2005	2004
Contracts to purchase fixed assets	**301,148**	130,927
Construction contracts	**55,946**	72,839
Other contracts	**341,182**	559,834
	698,276	763,600

c- No guarantees are provided by the Bank
d- Operating leases amounted to USD 1,696,048 with periods ranging from 1 to 9 years.
e- Unpaid investment participations amounted to USD 1,021,227.
f- The Bank has no capital guaranteed portfolios managed by the Bank on behalf of its customers.

50- Lawsuits Against the Bank

The Bank is a defendant in lawsuits amounting to USD 2,569,001 as of December 31, 2005, compared to USD 2,580,470 as of December 31, 2004. According to the Bank's management and legal advisor, the existing provision of USD 211,566 as of December 31, 2005 is sufficient to cover any resultant losses.
As of December 31,2005 and 2004, there were no lawsuits against the subsidiary company United Company for Financial Investments. Furthermore, there were lawsuits against the subsidiary company Arab Orient Company in relation to various accidents.
The total of the lawsuits with specified values at courts amounted to USD 1,032,454 as of December 31, 2005 (USD 803,928 as of December 31, 2004). In the opinion of management and legal advisor, no liabilities exceeding the provisions within the net claims provision are likely to arise.

51- Comparative Figures

- Some of the comparative figures of the year 2004 have been reclassified to correspond with this year presentation.
- As stated in (Note 2) some of the comparative figures have been adjusted to comply with the requirements of the new and amended International Financial Reporting Standards.

Jordan Kuwait Bank

Statement of Disclosure for the Financial Year ending 31/12/2005, in accordance with article (4) of the disclosure regulations, the accounting and auditing standards issued by the Securities Commission.

Item

4a **Chairman's Statement: Included in the report.**

4b /1 **Description of main activities: Included in the report.**

4b /2 **Subsidiaries: Included in the report.**

4b/3 **Executives' Biography:**

1- Board of Directors:

1- H.E. Mr. Abdel Karim Kabariti
Chairman & CEO

- Bachelor degree in Business and Finance with Honors from St. Edwards University-USA, 1973.
- Member of the Jordanian Senate (2005-present).
- Chief of the Royal Court, (4/3/1999 - 13/1/2000).
- Member of the Jordanian Senate / First Deputy to the Speaker (2000-2002).
- Prime Minister, Minister of Foreign Affairs and Minister of Defense (4/2/1996 - 20/3/1997).
- Minister of Foreign Affairs (8/1/1995 - 4/2/1996).
- Member of the House of Parliament (1989 - 1995).
- Minister of Labor (1992 - 1993).
- Minister of Tourism (1989 - 1991).
- Chairman of the Board, United Financial Investments Co.
- Chairman of the Board, Gulf Algeria Bank - Algiers.
- Member of the Board, Jordan Dairy Company.
- Member of the Board, Burgan Bank - Kuwait.
- Member of the Board, Arab Pharmaceutical Manufacturing Company.
- Member of the Board, Amwal Invest Company.

2- Mr. Faisal H. Al -Ayar
Deputy Chairman
Representative of United Gulf Bank - Bahrain.

- Studied Aviation and worked as fighter pilot at Kuwaiti Air Force.
- Chairman of the Board, United Gulf Bank- Bahrain.
- Managing Director, Saudi Danish Dairy and Food Products Group.
- Chairman of the Board, Gulf Insurance Company - Kuwait, United Asset Management Company- Luxembourg, the American Real Estate Company - USA.
- Member of the Board, National Mobile Telecommunications Company- Kuwait.
- Chairman of the Executive Committee, Zak Sat and Zak Net.
- Member of the Board, Gulf Egypt Tourism and Hotels Company, Swiss Food - Egypt.
- Holder of the Jordanian Medal of Independence of the First Order.
- Winner of the Best Achievement Award of the Arab Bankers Association in North America 2005.

3- H.E. Mr. Naser Ahmad Louzi

- Bachelor degree in Civil Engineering with Honors from Arlington University, Texas-USA, 1979.
- Chairman of the Board, Arab Orient Insurance Company
- Occupied several ministerial positions between 1996 and 1999.
- Member of the Board of Trustees, Applied Science University (1990 - 1994).
- Deputy Chairman of the Board, Al Ahlia Abela (1993 - 1996).
- Member of the Board, Philadelphia Investment Bank (1990 -1996).
- Member of the Board, Ready-Mix Concrete Company (2001 -2003).
- Member of the Board, Jordan Steel Company.
- Holder of the Al Kawkab Medal and the Independence Medal of the Second Order.

4- Dr. Yousef Musa Goussous

Representative of United Gulf Bank - Bahrain

- Graduated from the collage of medicine, Ain Shams University-Egypt, 1965.
- Completed his specialization in heart diseases at Houston University, Texas-USA, 1973.
- Fellow of the Royal College of Medicine-London.
- Fellow of several distinguished British and American medical institutions.
- Lecturer on heart disease at the University of Jordan and at the Jordan University for Science and Technology.
- Manager of Al Hussein Medical Center, Chief of the Royal Medical Services.
- Senior consultant at Queen Alia Center for Heart Disease and Surgery.
- Holder of several elite medals of achievement in Jordan and abroad.

5- Mr. Issam Mohammad Hashem

Representative of the Social Security Corporation.

- Bachelor degree in Economics, 1980.
- Manager, Finance and Banking Relations Dept. - Social Security Corporation (25/5/1999)
- Investment Expert, Arab Labor Association.
- Investment Expert, State of Oman (25/5/1998 - 24/5/1999).
- Member of the Board, Jordan Dead Sea Industries Co.
- Chairman of the Board, Duty Free Markets Co.
- General Manager, National Hotels Co.

6- Mr. Tareq M. Abdul Salam

Representative of Kuwait Projects Company - Kuwait

- Bachelor degree in Accounting.
- Assistant CEO, Trading and Investment Portfolio Management.
- Manager, Trading and Investment Portfolio Management, Kuwait Projects Co.-Kuwait (1992-1996)
- Accounting Manager, International Financial Investment Company (1987-1989).
- Chairman of the Board, Kuwait Clearing Co.
- Member of the Board, Gulf Insurance Company.
- Member of the Board and deputy CEO, Burgan Bank- Kuwait.
- General Manager, United Real Estate Company-Kuwait.

7- Mr. Masoud Jawhar Hayat

Representative of Al- Futouh Co. for Investment / Naser Sabah Al Ahmad & Brothers- Kuwait.

- Bachelor degree in Economics, Kuwait University, 1973.
- Managing Director, United Gulf Bank-Bahrain since 1997.
- Consultant to the Board, National Bank of Kuwait up to 1996.
- Deputy General Manager, National Bank of Kuwait until 1993.
- Several positions at National Bank of Kuwait until 1974.
- Chairman of the Board, Kuwait Project Company for Asset Management.
- Member of the Board, Gulf Insurance Company plc.
- Member of the Board, Kuwait Fisheries Company.
- First Deputy, Chairman of the Executive Committee - Tunis International Bank-Tunis.

8- Mr. Farouk Aref Al- Aref

- Bachelor degree in International Relations, University of Chicago-USA.
- Deputy General Manger, Al Razi Pharmaceutical Company (1993-1999).
- Deputy General Manager, Jordan Kuwait Bank (1988-1993).
- Administration Manager, Ministry of Public Works-Kuwait (1961-1966).
- General Manager, Nayef Al Dabbous & Sons-Kuwait (1970-1988)
- Chairman of the Board, Gulfcom Telecommunications.
- Chairman of the Board, Jordan SADAFCO Food Company.
- Member of the Board, Arab Orient Insurance Company.

9- Mr. Mohammad Ahmad Abu Ghazaleh

- Bachelor degree in Business Administration, American University- Cairo, 1964
- Chairman of the Board and CEO, Del Monte Fresh Produce (NYSE).
- Chairman of the Board, National Poultry Company.
- Chairman of the Board, Royal Jordanian Aviation Academy.
- Member of the Board, Eastern Insurance Brokers.
- Member of the Board, International General Insurance Co.

2- Members of Executive Management

Name	Date of Joining	Academic Qualifications	Experience before joining the Bank	Current Position
Moh'd Yaser Al-Asmar	15/9/1990	BSc. / Business Administration	20 years Banking	General Manager
Tawfiq A/Q Mukahal	12/10/1991	Tawjihi	20 years Banking	Asst. General Manager, Credit
Ahmad A. Jabar	1/10/1980	Banking Diploma	13 years Banking	Asst. General Manager, Administrative Affairs
Majed F. Burjak	18/7/1998	BSc. Economics & Commerce	27 years Banking	Asst. General Manager, Operations
William J. Dababneh	27/8/1994	Tawjihi	17 years Banking	Asst. General Manager, Treasury & Investment
Shaher E. Suleiman	16/5/1999	MSc / International Banking	10 years Banking	Asst. General Manager, Internal Audit Department
Hiyam S. Habash	6/2/1999	Diploma / Business Administration	12 years Banking	Asst. General Manager, Financial Department
Zuhair H. Idris	1/12/1991	BSc. / Commerce	3 years Banking	Asst. General Manager, Branches
Nasser M. Al-Khraishi	26/9/2004	PhD / Engineering	20 years non -Banking	Asst. General Manager, IT Department
Samia Kh. Hunaidi	15/7/2001	BSc. / Business Administration	14 years Banking	Executive Manager, Quality Assurance Dept.
Milad Y. Faraj	2/9/2001	BSc. / Business Administration	27 years Banking	Executive Manager, Commercial Services Dept.
Suhail M. Turki	19/10/1991	Tawjihi	12 years Banking 12 years non- Banking	Executive Manager, Market Research & PR
Ibrahim I. Kashet	1/4/1989	BA. / Law	-	Executive Manager, Legal Department
Ismail A. Abu-Adi	3/9/2000	MSc / Accounting	9 years Banking	Executive Manager, Credit Department
Jamal M. Baker	2/8/1986	Banking & Finance Diploma	11 years Banking	Executive Manager, Branches
Abdul Hamid Al-Ahwal	1/4/1990	BSc. Banking & Finance	7 years Banking 3 years non-Banking	Executive Manager, Main Branch

4b/4 **Names of shareholders who own 5% or more of the Bank's shares as on 31/12/2005.**

Shareholder	Nationality	Number of shares	Percentage %
United Gulf Bank - Bahrain	Bahraini	17,636.,359	44,.090
Social Security Corporation	Jordanian	8,000,000	20,000

4b/5 **Competitive position: Included in the report.**

4b /6 **The Bank did not conclude any deal/s with specific supplier/s and/or major client (in Jordan or abroad) of 10% or more of total Bank's purchases, sales or revenue.**

4b/7 **The Bank does not enjoy any government's concessions or protection in accordance with the prevailing rules and regulations.**

4b/8 **There has been no material effect on the Bank's operations, products or competitiveness as a result of any government or international organizations' decision during 2005.**

4b /9 **Human Recourses and Training:**

The number of employees as on 31/12/2005 was 643 of whom 13 are employed in Nablus branch and 4 in Cyprus branch.

Staff qualifications:

Qualification	Number
PhD	2
Masters	29
Bachelor	321
Higher Diploma	8
Diploma	179
Secondary School Certificate	52
Below Secondary School Certificate	52

Staff Training during 2005 according to work centers:

Description	Number of Participants	Branches		Head Office	
		Number	%	Number	%
Training organized by the Bank's Training center	500	284	57	216	43
Institute of Banking Studies	264	183	69	81	31
Local Training courses (Paid for)	185	46	25	139	75
External Training courses	25	2	8	23	92
Local Training (Free)	24	9	38	15	62
Total	998	524	53	474	47

4b /10 **Description of risks: Included in the report.**

4b /11 **Achievements during 2005: Included in the report.**

4b /12 **There has been no financial effect of non-recurring operations that do not fall within the Bank's core business activity during 2005.**

4b/13 **Changes in Profit, Dividends, Shareholders' equity and Share price (2001 -2005)**

Amounts in Thousand US Dollars

Year	Profit Before Tax	Dividend		Equity-Bank Shareholders	Share price $
		Bonus Shares	Cash		
2001	14.,318	-	15%	75,924	4.73
2002	19.,549	-	16%	81,347	5.46
2003	28.,794	25%	20%	95,742	12.06
2004	39.,025	28%	20%	118,434	16.64
2005	55.,435	50%	-	145,100	14.95

4b/14 **Financial Position: Included in the report.**

4b/15 **Future Plan: Included in the report.**

4b/16 **Audit Fees: Auditors' fees for the Bank and the subsidiaries for 2005 amounted to USD 146, 382**

4b/17 **Shares owned by members of the Board during 2004 and 2005:**

Board Member	Nationality	Number of shares 31/12/2004	Number of shares 31/12/2005
United Gulf Bank	Bahraini	13,778,406	17,636,359
Social Security Corporation	Jordanian	6,426,077	8,000,000
Strategic Company for Investment	Jordanian	325,654	416,837
Kuwait Projects Company (Holding)	Kuwaiti	15,937	20,399
Al Futouh Co. for Investment / Naser Sabah Al Ahmad & Brothers	Kuwaiti	14,062	17,999
H.E. Mr. Naser Ahmad Louzi	Jordanian	1,562	1,999
Mr. Farouk Aref Al Aref	Jordanian	4,377	5,602
Mr. Mohammad A. Abu Ghazaleh	Jordanian	438,780	305,983

Shares owned by the Bank's executives and their families during 2005:

Name	Position	Number of shares owned
Mr. Mohammad Yaser Al Asmar	General Manager	24,200
Mr. Tawfiq Abdel Qader Mukahal	Assistant General Manager / Credit	10,000
Mrs. Hiyam Saleem Habash	Assistant General Manager / Finance	640
Mr. Suhail Mohammad Al Turki	Executive Manager	1,386
Mr. Ibrahim Issa Kashet	Executive Manager	1,000
Mr. Ismail Ahmad Abu-Adi	Executive Manager	250

4b/18 **Total salaries, allowances and travel expenses paid to the Chairman and to the Board Members, the Executive Managers at the Bank and its subsidiaries during 2005 amounted to USD 1,888,029 in addition to performance related incentives.**

4b/18 **Donations: Total donations made by the Bank and its subsidiaries during 2005 amounted to USD 208,462 details of which are listed below:**

Recipients	Amount USD
Charities	151,565
Clubs	5,430
Social Activities	7,898
Research and Conferences	28,279
Others	3,561
Subsidiaries' Donations	11,727
Total	208,462

4b/20 **The Bank had contracted with its subsidiary (Arab Orient Insurance Company) through which the Bank received general insurance coverage including health and accident insurance for its staff. The value of such contracts amounted to USD 546,737. Apart from that, the Bank did not conclude any contract, project or commitment neither with any of the subsidiaries, sister companies, affiliates, nor with the Chairman of the Board, Board Members, the General Manager, or any other staff members or their relatives.**

4b/21 **The Bank contributes towards the welfare of the local community and the environment; this was explained in the achievements section of this report.**

4c/1-5 **Financial Statements: Included in the report.**

4d **Auditor's Report: Included in the report.**

4e/1&2 **Declaration by the Board of Directors:**

In compliance with Paragraph (E) of article (4) of the rules of disclosure, accounting and auditing standards for 2004 issued by the Board of Commissioners of the Securities Commission number 53/2004 and later amended by resolution of the Board of Commissioners number 257/2005, the Board of Directors of Jordan Kuwait Bank hereby declares that there are no material issues that could hinder the business continuity of the Bank during the financial year 2006.

The Board of Directors also declares its responsibility for the Financial Statements and that the Bank has an effective control system.

Chairman of the Board

4e/3 **The Chairman of the Board, the General Manager and the Financial Manager hereby declare that all information and data provided in this report are accurate and comprehensive.**

Chairman of the Board | General Manager | Financial Manager

JORDAN
KUWAIT
BANK

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