



**JORDAN KUWAIT BANK**

"More than just a Bank"



**25<sup>th</sup> ANNUAL REPORT 2001**

**The science and art of managing money**

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**JORDAN KUWAIT BANK**

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

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

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**JORDAN KUWAIT BANK**  
"More than just a bank"



**البنك الأردني الكويتي**  
"أكثر من بنك"

## VISION

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

## Mission

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

## رؤيانا

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

## إسالتنا

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



## ORIGAMI...

### **an ancient art with modern meaning**

Origami, the art of paper folding, dates back to the invention of paper in China in the first century AD.

Some of the simple forms of the art of that time survive today.

In the sixth century AD, Buddhist monks introduced paper making to Japan, although the first written instructions for Origami appeared in Japan only in the late 18th century.

In 1880 the name Origami was coined from *oru* (to fold) and *kami* (paper).

The Arabs brought the secret of paper making to North Africa in the 8th century AD and then carried it to Spain where paper folding flourished. Spanish Origami experts developed the art of *papiroflexia*, which is still popular in Spain and Argentina. Modern creative paper folding owes its existence to *Akira Yoshizawa* who, since the 1930s, has created thousands of models of every possible subject and has worked with American *Sam Randlett* to develop paper folding instructions.

In this annual report we have used banknotes from around the world to demonstrate the possibilities of Origami.

The use of the Euro for the Crane bird model on page (11) brings together one of the world's ancient living arts with its most recent currency.



## BOARD OF DIRECTORS



### PEACOCK

One Sheet of 500 French Franc  
One Sheet of 100,000 Italian Lire  
(Total 60 Folds)

**H.E ABDEL KARIM KABARITI**

**CHAIRMAN & CEO**

Rep: Strategy Co. for Investments - Jordan

**Mr. MOH'D SUHAIL TAHBOUB**

**DEPUTY CHAIRMAN**

### MEMBERS

**Mr. FAISAL H. AL-AYAR**

Rep: United Gulf Bank - Bahrain

**H. E. NASSER AHMAD LOZI**

**Dr. YOUSEF MUSA GOUSSOUS**

Rep: United Gulf Bank - Bahrain

**Mr. ISSAM M. HASHEM**

Rep: Social Security Corporation - Jordan

**Mr. TAREQ M. ABDUL SALAM**

Rep: Kuwait Projects Co. (Holding) - Kuwait

**Mr. MASOUD JAWHAR HAYAT**

Rep: Al-Futouh Co. for Investment - Kuwait

**Mr. FAROUK A. AL-AREF**

**Mr. MOH'D YASER AL-ASMAR**

**GENERAL MANAGER**

**SABA & CO.**

**AUDITORS**

Member Firm of Deloitte Touche Tohmatsu

## CHAIRMAN'S MESSAGE

Dear Shareholders,

I am pleased to present you with the Board of Directors' Annual Report on the Bank's fiscal results, including financial statements as at December 31, 2001 and the achievements during the year, that commemorated the 25th anniversary of its establishment, and the fifth year since the new Board of Directors assumed its responsibilities.

As you well know, the year 2001 did not only mark the beginning of the new millennium, it also witnessed unprecedented events of global proportions, bringing about changes that could easily be described as a turning point in history. The magnitude of these events and developments had their negative impact on expectations worldwide. We hope this impact will be temporary and we remain optimistic that, under its wise and far-sighted leadership, our country will be able to overcome the prevailing adversities. We are confident that Jordan will charge ahead with determination to implement the ambitious development agenda and enhance our country's progress and prosperity.

In the year 2001, Jordan embarked on well-studied plans for an era of radical change and reform in its investment policies. The business community responded positively to His Majesty King Abdullah's vision and his strong personal commitment to national economic issues and a comprehensive program for socio-economic transformation. The development package will be implemented through active cooperation between the private and public sectors.

Throughout the year, there were several indications of improvement in the overall performance of the national economy as a number of sectors showed growth and prosperity.

The Central Bank of Jordan's sound policies were effective in stimulating commercial activities and investments. The Amman Stock Exchange registered a sharp increase in the volume of trade and a noticeable rise in the prices of most shares. As strong believers in the pivotal role that could be played by the private sector, we would like to reaffirm our total support for development plans designed to achieve progress for our dear country. We look forward with optimism and confidence towards the coming years, confident that Jordan will be able to take full advantage of the opportunities opened up by the Aqaba Special Economic Zone (ASEZ), the Free Trade Agreement between Jordan and the United States, The Jordan-EU Partnership Agreement, Jordan's membership in the Arab Free Trade Zone, and the expansion of Special and Qualified Industrial Zones.

Dear Shareholders,

This year, Jordan Kuwait Bank marked five years since it came under the current Board's management. This period has been the most distinguished in the Bank's history. It observed accomplishments of development programs and plans; diligent efforts to enhance the Bank's achievements, upgrade its performance and continuous development of its competitive capabilities. We rebuilt its image and reputation and achieved optimal utilization of its resources towards reaching its full potential. Our efforts have proven to be successful as our overall performance substantially improved, year after year, since 1997.

We are pleased to announce that the profits realized in the year 2001, were unprecedented. After allocating the required taxes, fees and provisions, net income for the year amounted to USD 10.390 million,



**CRANE**

One Sheet of 50 Euro (28 Folds)

representing an increase of USD 3.157 million and a growth rate of 43.7% in comparison with the previous year. Total Shareholders' Equity rose to USD 76 million, with an increase of USD 18 million and a growth rate of 31.2 % compared with the previous year's figures.

These results, together with the growth recorded by all the items on the balance sheet, highlight the efficiency of the Bank's management and the success of its policies for managing assets and liabilities and achieving optimal utilization of financial resources.

The steady growth in JKB's achievements over the past five years was the result of the consistent application of strategic planning in the management of all aspects of the Bank's work and the sustained effort in realizing set objectives. A notable efficiency has been achieved through the implementation of restructuring plans, the build-up and strengthening of the capital base and enhanced patterns of business administration and services. The development of risk management and monitoring tools and techniques, the development of the technological infrastructure and the improvement of the work environment and the organizational climate were also the subject of major attention.

Throughout this period, we have been keen to strengthen all elements of the Bank's capital base through focusing on supplementing Shareholders' Equity, which constitutes the basic element of the Organizational Capital. This was achieved through a balanced policy of profit allocation between dividends, retained profits and capitalization. The Bank distributed bonus shares of 50 % for the year 1997, retained profits in 1998, dividends of 10% in 1999 and bonus shares of 25% for the year 2000.

For 2001, the Board of Directors is pleased to recommend to the General Assembly the allocation of USD 5,290 million, equivalent to 15% of capital, to be distributed as cash dividends to the shareholders, and retaining the balance to strengthen the Bank's capital base. We believe this will enhance the Bank's ability to sustain the momentum of desirable growth rates and enhance our capability for funding and investment. It will also serve our plans to increase our activities abroad, either through direct branching or through partnership with overseas banks and financial institutions in promising areas.

A glance at the growth of the balance sheets between 1997 and 2001 provides a clear picture of our progress. During this period, net profits grew by 210%, shareholders' equity by 145%, total assets by 104%, and net operating income by 99%. Total customers deposits, including cash margins, have increased by 86% and net credit facilities by 75%. We believe that the momentum of growth and development over the past five years commensurate with the efforts made and we are determined to make this momentum a characteristic of our achievements in the years to come.

**Dear Shareholders,**

In the year 2001, the Bank carried out an ambitious plan for geographical expansion aimed at enlarging our retail client base and providing banking services for a larger number of citizens in different areas throughout the Kingdom.

Early in May, we opened a Cyber Branch in the Sweifiyya area in Amman, and six further branches and offices were

inaugurated in the second half of the year in the cities of Mafraq, Salt, Madaba, Kerak and in the Sweifiyya and Hai Nazzal areas in Amman. JKB's existing technological infrastructure and the Bank's high operational capacities enabled us to carry out these expansions smoothly.

From the beginning of 2001, the Bank's branches began to sell the insurance services of our subsidiary, Arab Orient Insurance Co. and made a substantial contribution to the wider marketing of its products.

Late in May, JKB's International Banking Unit (IBU) in Cyprus commenced its operations and now offers investment and banking services for the Bank's clients in Jordan and abroad. JKB's representative office in Algiers, a joint venture between JKB and Tunis International Bank, also started its operations early in August 2001. In the short period since their launch, both the IBU and the Algiers office have produced encouraging results.

We were hoping that the Bank's branch in Nablus would restore its performance, but the difficult circumstances prevailing in Palestine throughout the year 2001 mitigated against its ability to produce the desired results.

**Dear Shareholders,**

In as much as JKB's story of success over the past five years deepens our pride and satisfaction, it also imparts us with new challenges. The challenge to go beyond our current progress and achievements, to offer our clients the best services at all times, by upgrading and diversifying the products continuously. In this regard, and to ensure that all the Bank's departments

are well equipped to meet the challenges of the new era, we will continue with our restructuring program and all other necessary changes until we realize the optimal level of efficiency in all aspects of our work. And to highlight our motto, "More than just a Bank", we offer our clients all our facilities and expertise to help them succeed in their businesses, develop them and promote their services and products. Jordan Kuwait Bank will always be the faithful partner and the sincere protector of their interests.

Finally, I am grateful to our shareholders and clients for the trust they have shown us. I would like to thank my colleagues, the members of the board, for their sincere and constructive support and cooperation, which has been a key factor in the success we achieved over the past five years. I hold in great esteem the Central Bank of Jordan, which has exerted great efforts to develop and strengthen the position of the Jordanian banking sector. I also extend my thanks to all the Bank's employees for their efforts, their loyalty and the role they have played in the success of this dear establishment and the realization of its goals.

*Abdel Karim Kabariti*  
CHAIRMAN OF THE BOARD

## 2001 ACHIEVEMENTS



### FROG

One Sheet of 500 Yen (50 Folds)

### Financial Results

Jordan Kuwait Bank enjoyed the best results in its history during the year 2001. This remarkable performance coincided with the 25th anniversary of the Bank's foundation and the fifth anniversary of its revitalization under the direction of the new Board of Directors.

After allocating all required taxes, fees and provisions, JKB posted net profits for 2001 amounting to USD 10.390 million, an increase of USD 3.157 million or 43.7% compared to the previous year's figures, and 210% against those of 1997.

Total assets as at the end of 2001 reached USD 804 million, against USD 769 million in 2000, realizing growth of 4.5%. The enormous improvement in profit levels in relation to asset growth reflects the effectiveness of the Bank's policy of asset and liability management and its policy of directing investment towards productive sectors.

Shareholders equity rose to USD 76 million, an increase of USD 18 million, representing a growth rate of 31.2% compared with the previous year and, recording our highest ever equity growth.

These results reflected positively on all financial ratios and total performance indicators. The ROA (Return on average assets) rose to 1.8% from 1.6% in the previous year, and the RAE (Return on average equity) achieved the record of 21.4%, compared with 18.7% in 2000, and against the 16% forecast for the year. Capital adequacy recorded 17%, up from the previous year's figure of 16.4 %, surpassing both the requirements of the Basel International Committee and the regulations set by the Central Bank of Jordan (CBJ). The

ratio of administrative and general expenses to average assets improved to 1.5%, against 1.6 % for 2000; operating expenses also improved against net operating income, reaching 54%, compared with 63.4% in the previous year.

In summary, the results and achievements realized in 2001 have added new elements of strength and safety to JKB capital base and fiscal position and will facilitate the Bank's ability to move into a new phase of its development.

### Customer Deposits Portfolio

The customer deposits portfolio, including cash margins, improved by 5.8% against the previous year to reach USD 606 million. Throughout the year, JKB management was keen to create a sound balance between the components of the portfolio through diversifying and expanding the customer base. This was achieved by attracting small customers' deposits and reducing the concentration of large deposits which in general are characterized by their sensitivity to interest rates, a matter, which affects the stability of financial resources and the maturity scale.

JKB was able to expand its customer base in Jordan and abroad by building and promoting its new image and the tangible changes in its electronic and traditional services, and by introducing new concepts in the relationship between bank employees on the one hand and Bank clients and the public on the other.

As part of its expansion program and its efforts to enhance the base of retail clients and small customers in Jordan, branches were opened in six new areas, expanding the Bank's presence to the Mafraq, Madaba,

Kerak, and Salt governorates, and to the Sweifiyya and Hai Nazzal areas of Amman.

In order to further expand its investment and banking services to cover customers' activities inside the Kingdom and abroad, JKB opened an International Banking Unit in Cyprus, which commenced activities in the second half of the year 2001. The branch has been linked to the bank's headquarters via the Internet and has adopted an accounting system compatible with the general accounting system of the Bank. In addition, a representative office was established in Algeria in collaboration with Tunis International Bank and commenced its operations on August 1st, 2001.

### Credit and Facilities Portfolio

The year 2001 was notable in terms of the management of the Bank's credit portfolio. Direct net credit facilities reached USD 334.8 million, rising by 24% in comparison with the end of the previous year. The year also witnessed a change in the volume and quality of the facilities extended as a result of an increasing interest in financing productive sectors that have good potential for success and sustainability, and a proven availability of adequate resources to repay loans, sustain cash flow and provide satisfactory guarantees.

During 2001, the Bank focused on providing large credit facilities and syndicated loans. It was the lead manager of JD 30 million (USD 42.3 million) syndicated loan for Jordan Mobile Telephone Services Co. (Fastlink). Nine other Jordanian banks participated in this loan.

The Bank participated in a number of other syndicated loans to key economic sectors, in addition to financing the activities of leading institutions in the services, housing and education sectors

that are playing a key role in the development of the national economy.

Throughout the year 2001, the Bank continued to introduce new credit products and to develop its existing products in order to ensure its competitive edge within the local market. Loans were offered to members of the Armed Forces and to employees and teachers of the Ministry of Education. Terms for housing loans were eased and their recipient base was expanded. More flexibility was introduced regarding consumer and personal loans and the issuing of credit cards. In 2001, the Bank responded to instructions by the CBJ to all banks to lower interest rates on facilities in order to encourage investment and activate the economy.

The year 2001 witnessed tangible improvement in the volume of indirect facilities, which rose to USD 294.5 million, representing an increase of USD 64.7 million against 2000 and a growth rate of 28.2%. The Bank participated in issuing a USD 30 million joint guarantee in favor of the Jordanian government with a share of USD 5 million. A USD 6.5 million letter of credit was opened in favor of the Ministry of Industry and Trade.

Despite the CBJ's decision to reduce the period of credit classification from 150 days to 120 days, JKB was able to lower its ratio of non-performing loans to total facilities to 8.2%. This ratio is one of the best in Jordan's banking sector and stands two points below the maximum percentage accepted by international standards

### Banking Services

Management continued its efforts to provide clients with improved banking services by upgrading employee skills and qualifying them to deal with state-of-the-art equipment, software and automated systems. There has been an

increase in reliance on electronic methods in the provision of all services.

On May 1st, the Bank opened its first Cyber branch in Sweifiyya. The branch is equipped with the most up-to-date banking systems. Services provided by the Cyber branch include the Internet bank and hot telephone lines for direct calls to the services center at the head office as well as the Phone banking system. Under the same roof, bank customers have access to money exchange machines, ATMs supplied with safes for night deposits, in addition to Kiosk machines providing access to the bank's website. There are also internal and external screens displaying the latest quotes of stocks, securities and international currencies, in addition to round-the-clock financial and economic news from international markets.

At the beginning of 2001, JKB signed an agreement with the regional office of the International Air Transport Association (IATA). Under the agreement, the bank handles all payments and settlements between IATA and local travel agents. The process is done electronically and many of the agents use the Internet to settle their payments to IATA.

At the beginning of 2001, all JKB's branches began selling and marketing different insurance services on behalf of our subsidiary, Arab Orient Insurance Company. The Banks' employees succeeded in attracting a large number of clients for the company.

In the first quarter of the year, the Bank introduced a stock trading service on the Internet, in cooperation with its associate, the United Company for Financial Investments. JKB's clients are now able to trade on the Amman Stock Exchange and to settle from their accounts via JKB's Internet bank.

JKB's technical team completed a number of projects to upgrade the Bank's existing

applications and develop new electronic services. Its' enhanced Navigator system enables the Bank to handle greater volumes of operations and ensures that clients can carry out their transactions with speed and convenience. Transactions available through the system include paying sales tax, electricity, water, and telephone bills, issuing bank drafts, and issuing foreign currency checks. The Navigator system is now the core tool in all branches and enables JKB to offer one-stop banking services.

### Treasury and Investment Operations:

In the year 2001, treasury and investment operations recorded high performance rates in all activities and yielded good returns. Through a policy of diversifying investments, together with continuous monitoring of the risk and cost of funds in JD and foreign currencies and maturity scale, JKB was able to secure good returns despite the turbulence in international markets where prices hit new low levels.

During 2001, JKB introduced the service of trading and investment in capital markets and derivatives such as Futures and Options, a customer new service which produces good returns to the Bank.

In order to reduce mismatching between the activities of assets and liabilities of the Bank, JKB issued JD 15 million (USD 21.2 million) in certificates of deposit which were covered by Jordanian banks and public institutions. Also, the Bank invested in a total of JD 79 million (USD 111.4 million) in CDs issued by the CBJ and a number of local banks, it also enhanced its portfolio of Jordanian Treasury Bills and Bonds, as an investment tool providing high returns and an acceptable degree of risk. The portfolio now amounts to JD 37 million (USD 52.2 million).

In the area of foreign investment tools, the Bank invested in US dollar denominated

certificates of deposit of medium maturity dates to improve interest rate margins. In addition, JKB invested in international bonds with relatively higher yield in US dollars and other currencies. The portfolio of foreign currency bonds now stands at USD 43 million.

### Technological Development

Throughout the year 2001, the Bank continued to strengthen its technological capacities in order to maintain the high level it has achieved in recent years and to retain its position as a pioneer in this field. JKB's advanced technological capacities have enabled it to develop new services and products and to expand its client base. The efficient, speedy, smooth, and accurate processing of all the banking and administrative transactions, substantially increased client satisfaction over the past year.

By the end of 2001, the Bank had developed and applied the upgraded version of its comprehensive automated banking system, which involved several improvements to the previous version, with the aim of improving the work of all the Bank's units in the aspects of accounting, administration and client service. These improvements included: automated classification of accounts, automated linkage to the returned checks unit at the Central Bank, amending the shares system so that it meets the requirements of online communication with the Securities Depository Center. The comprehensive automated banking system at JKB has been developed entirely in-house. Its latest version is one of the best at the local level and meets the same standards as systems developed by specialized international software development companies.

To ensure the Bank's ability to maintain its services under all circumstances, an alternative computer center - the Disaster

Recovery Site - was established in the third quarter of the year in an area far from the Bank's headquarters. The alternative site is supplied with all the equipment, telecommunications network, and other facilities that will ensure the continuation of work in case of emergency. All output from the Bank's main computer is transferred immediately to the site through a Remote Data Base system.

In 2001, all branches were linked with an e-mail network to facilitate the exchange of correspondence and information between the different units of the Bank, and to minimize the use of paper and ordinary mail. The Bank's employees have been trained to use the e-mail and the Internet and all the branches have been supplied with dedicated PCs, to be used for the provision of the electronic banking services and to demonstrate their advantages and operating procedure to the clients.

JKB has played a pioneer role in introducing new banking services. It was the first bank to offer both Internet and Mobile phone banking, and was also the pioneer in introducing the SMS (short messaging system) service, which has received a very positive response from all clients. Through this service, the Bank sends short messages to its clients on their mobile phones, enabling them to follow up easily the movement of their accounts. Clients can select the transactions for which they require immediate notification and can also receive notices about their deposits, maturity and renewal dates, and other types of information.

To complement the development of the electronic services, the Bank's Internet banking website has been upgraded and clients can order bank account statements to be sent to them by e-mail. Clients can also send remarks and orders regarding their accounts through the Internet bank. The website guarantees confidentiality and security in all these processes.

### Personnel and Training

During the year 2001, the Bank continued its policy of upgrading the quality of its personnel. Special attention was paid to the appointment of new staff, with priority given to university graduates. In addition, the year witnessed intensified training activities designed to enhance the administrative and technical capabilities of employees in all matters related to the new technologies in banking services and the management of client relations to insure overall professional competence.

A special training program entitled "Advanced Bank Credit." was arranged in cooperation with the Arab Academy for Financial and Banking Sciences, and was attended by 30 employees from JKB's credit department. External and local experts, and a number of senior staff from the Bank have lectured in the program.

Several training courses were held in English language, e-mail and the Internet to enhance the staff's ability to handle the electronic and automated systems applied by the Bank. Overall, 2400 training opportunities were provided in the Bank's own Training Center and in local and international training institutes. Total number of Banks' employees reached 575 at year-end.

### Expansion and Upgrading of the Bank's Headquarters

In line with the new JKB image, a renovation project of the head office building started in the fourth quarter of 2001. Other than the expansion of the building with storeys for new offices and multistorey car park, the project will upgrade the facade of the building. This coincides with the major developments being planned for the Abdali area, which will transform it into a major commercial and business center in Amman.

### Community Service

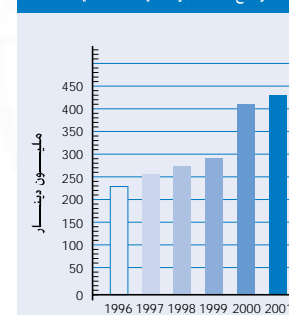
Community service and environmental protection are major objectives inherent in JKB's mission statement. In the year 2001, the Bank contributed to a number of activities in support of charity and social work. It offered financial and in-kind donations to some of these activities and participated in a number of them. JKB sponsored the National Population Campaign (Youth 21) and took part in the activities of Jordan Environment Society and a number of societies, cultural and sports clubs and other public interest activities. The Bank is studying sponsoring the "Mobile Internet" project in cooperation with the Ministry of Education and the United Nations Development Program (UNDP). The project is a part of the ministry's curriculum enrichment program and aims to spread computer awareness in government schools in remote areas.

## MAJOR FINANCIAL INDICATORS AND RATIOS

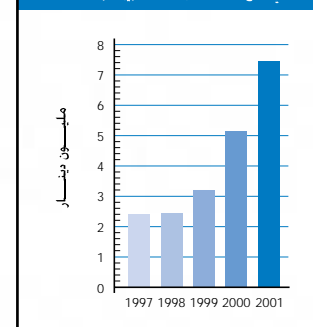
Amounts in Thousand USD

	2001	2000	Change %
<b>Major Operating Results</b>			
Net interest and commission	28515	25510	+11.8%
Net operating income	33562	28893	+16.2%
Net income before provisions, tax and fees	14319	10401	+37.7%
Net income after provisions, tax and fees	10391	7233	+43.7%
Earning per share	0.42	0.29	+43.9%
<b>Major Balance Sheet Items</b>			
Assets	803924	769178	+4.5%
Credit facilities - net	334793	270130	+23.9%
Customers deposits and cash margins	606106	572688	+5.8%
Shareholders equity	75924	57874	+31.2%
<b>Major Financial Ratios</b>			
Operating assets / Total assets	88.5%	87.5%	
Return on average assets	1.8%	1.6%	
Return on average equity	21.4%	18.7%	
Operating expense / Net operating income	54.1%	63.4%	
Gen.& admin. expense / Average assets	1.5%	1.6%	
Capital adequacy ratio	17%	16.4%	
Non — performing loans / Gross credit facilities	8.2%	9.1%	
<b>Contra Accounts</b>			
	294494	229772	+28.2%

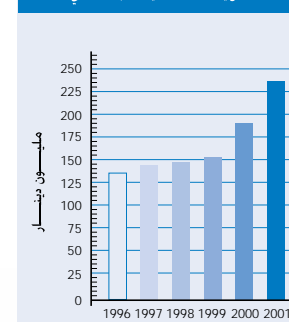
ودائع العملاء والتأمينات النقدية



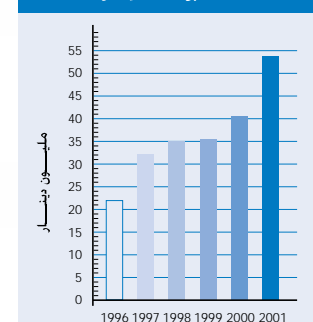
صافي ربح السنة (بعد الضريبة والمخصصات)



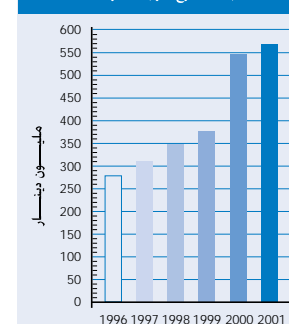
التسهيلات الائتمانية - بالصافي



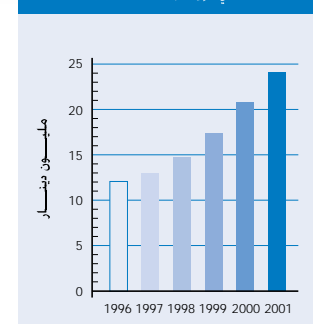
حقوق المساهمين



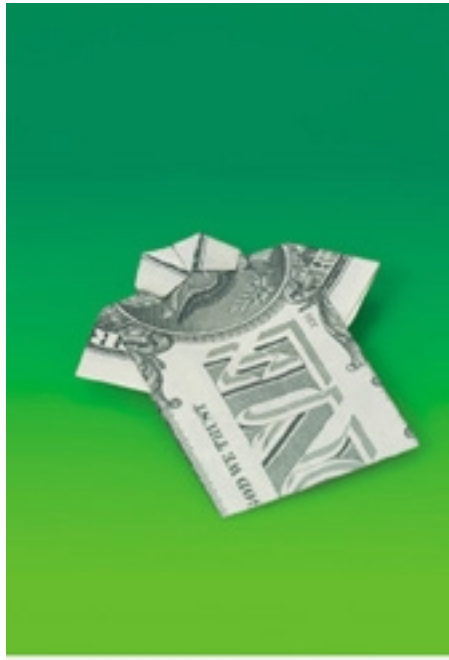
مجموع الموجودات



صافي الإيرادات التشغيلية



## EXECUTIVE MANAGEMENT

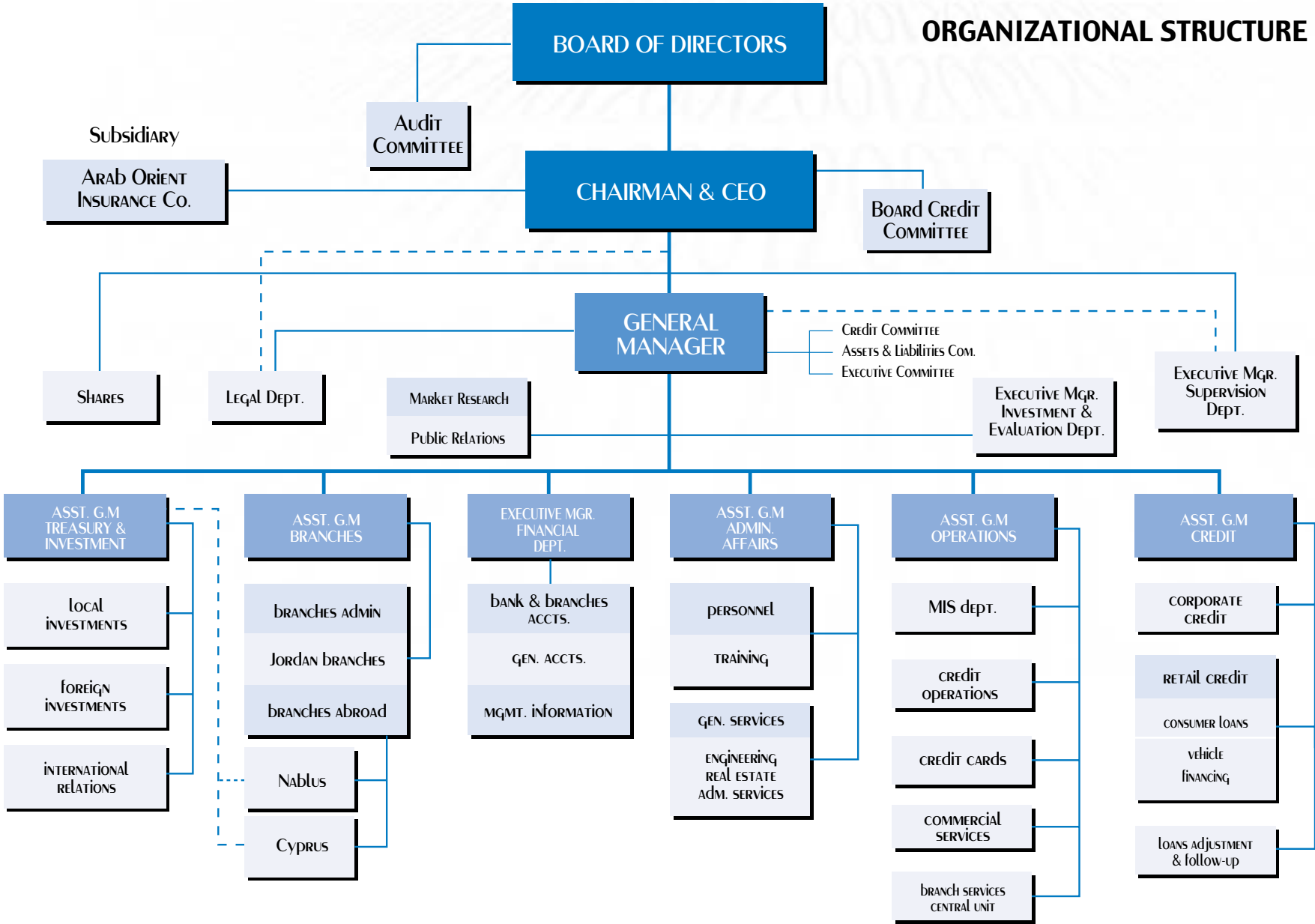


### SHIRT

One Sheet of 1 USD (12 Folds)

■ <b>Mr. MOH'D YASER M. AL-ASMAR</b>	
GENERAL MANAGER	Tel. 5672617 , E-mail:al-asmar@jkbank.com.jo
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■ <b>Mr. TAWFIQ A/Q MUKAHAL</b>	
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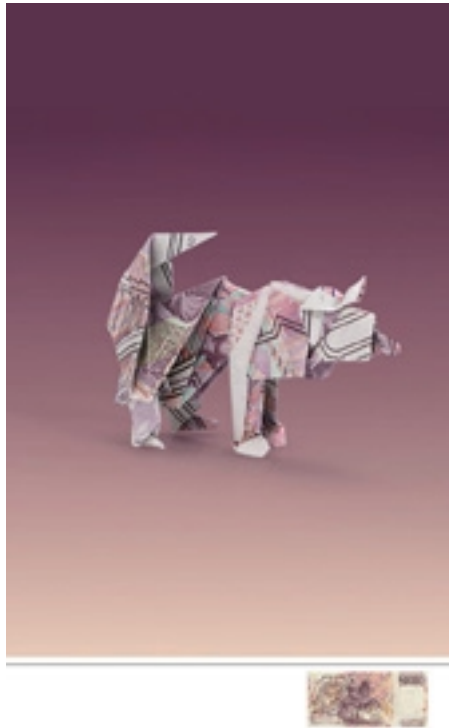
# ORGANIZATIONAL STRUCTURE



## 2002 BUSINESS PLAN

In continuation of the 2001-2003 Strategic Plan, the 2002 business plan will focus on the following:

- A continued effort to enhance the competitive edge of the Bank by raising performance ratios and competence indicators, together with the optimal utilization of our human and material resources in line with Total Quality Management standards.
- The development of asset and liability, and risk management policies to achieve suitable returns while preserving the sound financial position of the Bank.
- Achievement of the year 2002 growth rate for both assets and liabilities as targeted in the strategic plan through a focus on quality and on directing investments towards sectors of potential growth and major development projects.
- The development of a long-term strategy to maximize the strength factors of the Bank's capital base. In addition, the development of a comprehensive business methodology to include policies and strategies that will protect the Bank from the impact of any unexpected circumstances.
- Boosting the non-interest income through introducing new services and products such as "Western Union" money transfer, issuing MasterCard and selling pre-paid mobile phone cards through ATMs, Internet banking and at branches.
- Continuous enhancement of the Bank's electronic delivery channels and automated systems to be in line with the latest developments and to maintain the Bank's leading position in this field.
- Realization of a return on Shareholders' Equity of no less than 10 percent.



**FOX**  
Two Sheets of 50,000 Italian Lire  
(Total 62 Folds)

## BRANCHES & OFFICES

● **MAIN BRANCH**

Tel: 5621310 — Fax: 5694105

● **AMRA / UM-OUTHAINAH**

Tel: 5535292 — Fax: 5516561

● **Irbid**

Tel: 02/7243665/6 — Fax: 02/7247880

● **Al Salt Office**

Tel: 05/3558995 — Fax: 05/3558994

● **Abdali**

Tel: 5662126/7 — Fax: 5662374

● **Marka**

Tel: 4889530/4879065 — Fax: 4889531

● **Al-HUSSON ST. - Irbid**

Tel: 02/7248496/7 — Fax: 02/7248498

**BRANCHES ABROAD**

● **Jabal AMMAN**

Tel: 4644868 — Fax: 4611391

● **IBEN KHALDOUN**

Tel: 4613902/3 — Fax: 4613901

● **HAKAMA ST. Office - Irbid**

Tel: 02/7409937 — Fax: 02/7409936

● **Nablus BRANCH**

Tel: 2376413/4 — Fax: 2377181

● **WEHDAT**

Tel: 4777174 — Fax: 4750220

● **SHMEISSANI**

Tel: 5685403 — Fax: 5685358

● **AL-HASSAN INDUSTRIAL ESTATE**

Tel: 02/7395335 — Fax: 02/7395337

● **CYPRUS BRANCH (IBU)**

Tel: +3575 875555 — Fax: +3575 875560

● **COMMERCIAL CENTER**

Tel: 4624312 — Fax: 4611381

● **CENTRAL VEGETABLE MARKET**

Tel: 4127595 — Fax: 4127593

● **MAFRAQ Office**

Tel: 02/6235901 — Fax: 021/6235902

● **ALGERIA REPRESENTATIVE Office**

Tel: +213 21 916890 — Fax: +213 21 914108

● **Tla'a El'ali**

Tel: 5532168/9 — Fax: 5518451

● **MADINAH MUNAWARAH ST.**

Tel: 5533561 — Fax: 5533560

● **KERAK Office**

Tel: 03/2396102 — Fax: 03/2396103

● **Jabal Al-Hussein**

Tel: 4638750 — Fax: 4611402

● **RAS EL-AIN**

Tel: 4731420 — Fax: 4731421

● **Aqaba**

Tel: 03/2015188/9 — Fax: 03/2016188

● **Abu Alanda**

Tel: 4162756 — Fax: 4161841

● **Sweifiyya**

Tel: 5851028 — Fax: 5851931

● **ZARQA**

Tel: 05/3983855/6 — Fax: 05/3998677

● **YARMOUK**

Tel: 4779102/3 — Fax: 4750230

● **Hai Nazzal Office**

Tel: 4383906 — Fax: 4383905

● **RUSSAIFEH**

Tel: 05/3744151 — Fax: 05/3744152

● **Wadi El-Seir**

Tel: 5858864 — Fax: 5810102

● **BAK'AH**

Tel: 4725090 — Fax: 4726101

● **FREE ZONE - ZARQA**

Tel: 05/3826196 — Fax: 05/3826195

● **Jubaiha**

Tel: 5346763 — Fax: 5346761

● **Madaba Office**

Tel: 05/3253568 — Fax: 05/3253569

● **NEW ZARQA**

Tel: 05/3864556/9 — Fax: 05/3864557

## AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheet of Jordan Kuwait Bank (a Jordanian Public Shareholding Company) as of December 31, 2001 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit. We have obtained the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit. We have previously audited the financial statements for the year 2000, the figures of which are presented for the purposes of comparison, and issued our unqualified report thereon dated January 10, 2001.

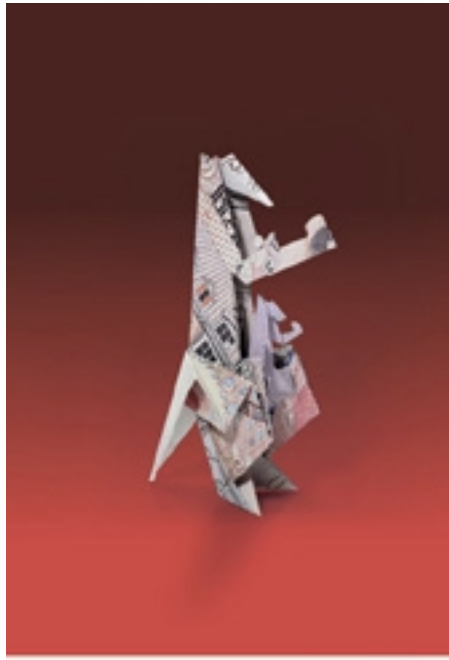
We conducted our audit in accordance with the International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jordan Kuwait Bank as of December 31, 2001 and the results of its operations and its cash flows for the year then ended, in conformity with the law and with the International Accounting Standards, and we recommend that the General Assembly approve these financial statements.

**Saba & Co.**

Amman - Jordan  
January 9, 2002



### **KANGAROO**

One Sheet of 50 Sterling Pound  
(26 Folds)

## BALANCE SHEET AS OF DECEMBER 31, 2001 AND 2000

(IN US DOLLARS)

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS.

ASSETS		Notes	2001	2000	LIABILITIES		Notes	2001	2000
Cash and balances at Central Banks	4	168,712,915	195,693,422	Banks and financial institutions deposits	14	64,835,907	97,530,508		
Balances at banks and financial institutions	5	161,799,427	169,725,914	Customers deposits	15	504,672,515	478,794,777		
Deposits at banks and financial institutions	6	26,791,996	16,643,159	Cash margins	16	101,433,048	93,892,932		
Direct credit facilities - net	7	334,792,434	270,130,076	Borrowed funds	17	14,436,939	329,102		
Available-for-sale financial assets	8	61,904,027	76,397,214	Provisions	18	5,871,238	2,353,868		
Held-to-maturity investments-net	9	16,995,178	12,548,102	Other liabilities	19	32,965,371	35,686,291		
Investment in associate company	10	1,275,701	-	Income tax provision	20	2,503,240	2,715,091		
Fixed assets-net	11	9,769,484	7,350,587	<b>TOTAL LIABILITIES</b>		<b>726,718,258</b>	<b>711,302,569</b>		
Other assets	12	19,706,993	20,689,031	Minority interest	21	1,281,472	-		
Deferred tax assets	13	2,175,911	-	<b>SHAREHOLDERS' EQUITY</b>					
				Paid-up capital	22	35,260,931	28,208,745		
				Share premium reserve	22	70,522	7,122,708		
				Statutory reserve		8,027,659	6,601,681		
				Voluntary reserve	23	8,833,276	5,981,322		
				Foreign branches reserve		6,410,437	5,000,000		
				Cumulative change in fair value	24	4,831,577	-		
				Retained earnings	25	7,200,794	4,960,480		
				Proposed dividends	26	5,289,140	-		
				<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>75,924,336</b>	<b>57,874,936</b>		
<b>TOTAL ASSETS</b>		<b>803,924,066</b>	<b>769,177,505</b>	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>803,924,066</b>	<b>769,177,505</b>		

# STATEMENT OF INCOME

(IN US DOLLARS)

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS.

	Notes	2001	2000
Interest income	27	58,423,533	55,451,932
Interest expense	28	(34,086,117)	(34,179,173)
Net Interest Income		24,337,416	21,272,759
Commission income-net	29	4,177,203	4,237,113
Net Interest and Commission		28,514,619	25,509,872
Non-Interest and Commission Income:			
Share of associate company's profits		194,780	-
Income from financial assets and instruments	30	1,517,038	1,081,090
Other operating income	31	3,334,670	2,301,780
Total Non-interest and Commission Income		5,046,488	3,382,870
Operating Income		33,561,107	28,892,742
Expenses:			
Employees expenses	32	7,327,708	6,580,241
Other operating expenses	33	4,277,296	3,573,434
Depreciation and amortization		2,543,061	2,102,425
Provision for credit facilities		3,901,759	5,269,434
Provision for held-to-maturity investments		-	353,849
Surplus investments provision previously taken		(346,322)	(68,119)
Other various provisions		465,928	504,179
Total Operating Expenses		18,169,430	18,315,443
Net Operating Income		15,391,677	10,577,299
Non-Operating Income (Expenses)	34	(1,073,312)	(176,375)
Net Income before Tax and Fees		14,318,365	10,400,924
Less: Income Tax	20	3,522,224	2,909,860
Universities fees		141,901	104,475
Scientific research & vocational training		141,901	104,475
Board of Directors remuneration		63,470	49,365
Net Income after Tax and Fees		10,448,869	7,232,749
Less: Minority interest		(58,578)	-
<b>Net Income for the Year</b>		<b>10,390,291</b>	<b>7,232,749</b>
Earnings per Share (Note 35)		0.42	0.29
Weighted Average Number of Shares		25,000,000	25,000,000

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(IN US DOLLARS)

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS.

	Paid-up Capital	Share Premium	Statutory Reserve	Voluntary Reserve	Reserve for Foreign Branches	Cumulative Change in Fair Value	Retained Earnings (Note 25)	Proposed Dividends (Note 26)	Total
<b>2001</b>									
Balance - beginning of the year	28,208,745	7,122,708	6,601,681	5,981,322	5,000,000	-	4,960,480	-	57,874,936
Increase in paid-up capital	7,052,186	(7,052,186)	-	-	-	-	-	-	-
Cyprus branch paid-up capital	-	-	-	-	1,410,437	-	(1,410,437)	-	-
The effect of adopting IAS (39)	-	-	-	-	-	-	411,693	-	411,693
Deferred tax benefits-(Note 13)	-	-	-	-	-	-	2,415,840	-	2,415,840
Cumulative change in fair value	-	-	-	-	-	4,831,577	-	-	4,831,577
Net income after tax and fees	-	-	1,425,978	2,851,954	-	-	823,218	5,289,140	10,390,290
<b>Balance - End of the Year</b>	<b>35,260,931</b>	<b>70,522</b>	<b>8,027,659</b>	<b>8,833,276</b>	<b>6,410,437</b>	<b>4,831,577</b>	<b>7,200,794</b>	<b>5,289,140</b>	<b>75,924,336</b>
<b>2000</b>									
Balance - beginning of the year	28,208,745	7,122,708	5,561,588	3,901,139	4,936,530	-	911,477	-	50,642,187
Changes during the year	-	-	1,040,093	2,080,183	63,470	-	4,049,003	-	7,232,749
<b>Balance - End of the Year</b>	<b>28,208,745</b>	<b>7,122,708</b>	<b>6,601,681</b>	<b>5,981,322</b>	<b>5,000,000</b>	<b>-</b>	<b>4,960,480</b>	<b>-</b>	<b>57,874,936</b>

■ Included in the retained earnings balance is an amount of USD 2,175,911 restricted by the Central Bank of Jordan against deferred tax assets and an amount of USD 411,693 being the effect of implementing IAS (39) on the retained earnings balance at the beginning of the year.

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

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

# STATEMENT OF CASH FLOWS

(IN US DOLLARS)

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS.

	Notes	2001	2000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income after minority interest and before tax		14,259,787	10,400,925
Adjustments for :			
Share of associate company's profits		(194,780)	-
Goodwill-net		518,533	-
Provision for the Held-to-Maturity investments		-	353,849
Depreciation and amortization		2,581,142	2,102,422
Provision for credit facilities		3,901,759	5,269,436
Provision for employees end of service indemnity		465,928	405,450
Provision for lawsuits		-	98,731
Loss on assets seized by the bank		1,273,265	267,983
(Loss) gain on sale of fixed assets		(21,076)	5,766
Effect of exchange rate fluctuations on cash and cash equivalents		(846,010)	(289,306)
Net cumulative change in fair value		5,243,269	-
Various provisions		-	56,417
Surplus provisions returned to income		(92,346)	(97,295)
Provisions for income tax and subsidiary company's technical reserves		3,416,496	-
Gain from sale of investments		(1,005,475)	(737,853)
Total		29,500,492	17,836,525
Changes in Assets and Liabilities :			
(Increase) in deposits at banks and financial institutions		(10,148,836)	(16,643,159)
(Increase) in direct credit facilities		(68,564,117)	(58,619,096)
(Increase) decrease in other assets		(1,509,475)	(5,267,203)
Increase in banks and financial institutions deposits due after three months		14,104,372	-
Increase in customers deposits		25,877,738	105,869,230
Increase in cash margins		7,540,117	51,587,711
(Decrease) increase in other liabilities		(3,769,528)	24,097,890
Net Cash (used in) from Operating Activities before Tax and Staff Indemnities Paid		(6,969,237)	118,861,898
Staff indemnities paid		(222,640)	(190,794)
Income tax paid		(3,544,216)	(2,987,434)
Net Cash from (used in) from Operating Activities		(10,736,093)	115,683,670
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Net decrease (increase) in available-for-sale investments		15,498,663	(38,732,882)
Increase in minority interest		1,281,473	-
Net (increase) in Held-to-Maturity investments		(4,447,076)	-
(Increase) in investment in associate company		(1,152,346)	-
Net (increase) in fixed assets		(3,501,818)	(1,186,768)
Net Cash from (used in) Investing Activities		7,678,896	(39,919,650)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Increase (decrease) in borrowed funds		14,107,838	(658,205)
Dividends paid		(4,670)	(2,771,039)
Net Cash from (used in) Financing Activities		14,103,168	(3,429,244)
Effect of exchange rate fluctuations on cash and cash equivalents		846,009	289,306
Net Increase in Cash and Cash Equivalents		11,891,980	72,624,082
Cash and cash equivalents - beginning of the year	36	267,888,828	195,264,746
Cash and Cash Equivalents - End of the Year	36	279,780,808	267,888,828

## NOTES TO THE FINANCIAL STATEMENTS

### 1. General

- Jordan Kuwait Bank was established as a public shareholding limited company under registration number (108) on October 25, 1976 with authorized capital of JD 5 million (USD 7 million), represented by 5 million shares at a par value of one Jordanian Dinar per share. The authorized and paid - up capital was gradually increased to JD 25 million (USD 35.261 million).

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

- The number of the Bank's employees was 575 as of December 31, 2001, compared to 554 as of December 31, 2000.

- The Consolidated financial statements were approved by the Board of Directors in its meeting no. 1/2002 which was held on January 9, 2002.

### 2. Basis of Consolidation

The accompanying consolidated financial statements include the accounts of:

- Jordan branches,
- Nablus branch,
- Cyprus offshore banking unit,
- The subsidiary company, Arab Orient Insurance Co. (a public shareholding company), of which the Bank owns 59.93 % of its JD 2 million (USD 2.8 million) paid-up capital as of December 31, 2001.

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

Inter-company transactions and balances are eliminated from the consolidated financial statements.

Transactions in transit at year-end are shown under other assets in the accompanying consolidated balance sheet.

The difference between the subsidiary's acquisition cost and the Bank's share of the subsidiary's shareholders' equity is recognized as goodwill under other assets and amortized at the rate of 20% annually.

### 3. Significant Accounting Policies

a. The consolidated financial statements have been prepared in accordance with the forms determined by the Central Bank of Jordan, the laws and regulations of the Central Bank of Jordan and the banking regulations prescribed by the regulatory authorities in the countries in which the Bank operates.

b. Basis of preparation:

The consolidated financial statements have been prepared in accordance with

International Accounting Standards (IAS) and related interpretations and on the historical cost basis, except for available-for-sale financial assets which are stated at their fair values at year end.

c. Sale and purchase transactions are recognized on the dates of settlement.

d. The Bank adopted IAS (39) "Financial Instruments: Recognition and Measurement" as of January 1, 2001. The principal effect of the adoption of IAS (39) has been that investments available-for-sale are now carried at fair value and investments held-to-maturity are carried at amortized cost, and the effects of the measurement to fair value have been recognized in shareholders' equity. In the previous year, investments were carried at cost and a provision for the decline in their value taken.

Comparative figures for financial assets and liabilities have not been restated in line with IAS (39).

e. Revenue Recognition:

Revenue and expenses are accounted for according to the accrual basis, except for commission and companies dividends which are recognized according to the cash basis. Interest on non-performing loans are recognized as interest in suspense and recorded as revenue when received. Prior years income tax differences are recognized when paid.

f. Investment Portfolio:

1. Investments available-for-sale are initially recognized at cost and remeasured to their fair values. Gains or losses resulting therefrom are taken to shareholders' equity, until the investments are sold, disposed of or determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in net profit or loss for the period.

2. Investments held-to-maturity are measured at amortized cost less impairment losses. Amortized cost is calculated using the effective interest rate method. Premiums and discounts are included in the carrying amount of the related investment and amortized based on the effective interest rate of the investment.

3. Investment in the associate company is initially recorded at cost and the carrying amount is revalued using the equity method. The Bank's share of the associate company's net income or loss is recognized in the income statement.

4. Gains or losses arising from the sale of investments are taken to the income statement in the period which the sale occurs.

g. Credit Facilities:

1. Credit facilities are stated at cost, net of provisions and interest in suspense.

2. A specific provision for non-performing credit facilities is taken when it is evident to the management that these facilities can not be recovered in part or in full. Such a provision is calculated based on the difference between the book value and recoverable amount, which is the present value of the expected future cash flows including recoverable guarantees discounted at the effective interest rate in accordance with IAS (39), or the amount calculated in accordance with Central Bank of Jordan regulations, whichever is higher. The resultant provision is recorded in the statement of income.

3. Interest and commissions in suspense on non-performing direct credit facilities are

computed in accordance with the regulations of the Central Bank of Jordan.

4. A general provision for other direct and indirect credit facilities against unforeseen future losses is computed in accordance with the instructions of the Central Bank of Jordan.
5. Loans and advances which cannot be recovered, are written-off and charged against the provision for losses. Any surplus in the provision is credited to the income statement. Recovery of bad debts previously written-off is taken to the statement of income.

h. Fair Value:

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

i. Fixed Assets:

1. Fixed assets are stated at cost net of accumulated depreciation. Depreciation is computed (except for land) according to the straight-line method at annual rates ranging from 3% to 20%.
2. Fixed assets are recorded at cost or net realizable value, whichever is lower. The difference is recorded in the income statement.

j. Income Tax:

Provision for income tax is computed according to the laws, regulations and prevalent banking practices either in Jordan or in the countries where the Bank branches operate. Deferred taxes are computed and recorded in accordance with IAS (12). Provision for income tax is taken based on the future expected tax liabilities. Prior years income tax is taken to income when it is paid and after a final settlement has been reached with the Income Tax Department.

k. Decorations and Key money:

Decorations and Key money are amortized at the rate of 20% annually.

l. Assets Seized by the Bank:

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

m. Provision for Staff Indemnity:

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

n. Foreign Currency Transactions:

- Transactions in foreign currencies are recorded at the exchange rates prevailing at the transaction date. Assets and liabilities denominated in foreign currencies are translated to Jordanian Dinar according to the average selling and buying exchange rates published by the Central Bank of Jordan prevailing at year end. Exchange gains and losses resulting therefrom are taken to the statement of income.

- Foreign currency forward contracts are translated to the Jordanian Dinar using the average exchange rates published by the Central Bank of Jordan prevailing at year

end. Exchange gains and losses resulting therefrom are taken to the statement of income.

- In translating the assets and liabilities of the Bank's branches and the subsidiary company for incorporation in the consolidated financial statements, the exchange rates published by the Central Bank of Jordan at year end are used. Income and expenses denominated in foreign currencies are translated using the average exchange rates during the year. Translation differences resulting therefrom are taken to the shareholders equity.

o. Cash and Cash Equivalents:

Cash and cash equivalents consists of cash on hand and balances with banks and financial institutions with maturity of 3 months or less (including balances with Central Bank of Jordan), less banks and financial institutions deposits due within 3 months.

p. Risk Management:

The Bank adopts certain financial policies in managing its different risk exposures, in line with a specified strategy, through a responsible committee for the management of the Bank's financial assets and liabilities. The Committee monitors and controls the risks exposures and performs the ultimate strategic allocation for all assets and liabilities, whether on-balance sheet or off-balance sheet. These risks include the following:

1. Interest rate risk that may occur due to the value of a financial instrument fluctuating as a result of changes in market interest rates.
2. Exchange rate risk that may occur due to the fluctuation in foreign currency prices. Note 38 represents the Bank's net assets and liabilities in foreign currencies.
3. Market risk that may occur due to the value of a financial instrument fluctuating as a result of changes in market prices.
4. Credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

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

**4. Cash and Balances at Central Banks**

This item represents the following:

	2001	2000
Cash in vaults	20,709,053	16,241,308
Balances at Central Banks:		
Current accounts	1,224,872	872,772
Time and notice deposits	11,285,815	5,649,573
Mandatory cash reserve	33,940,790	44,498,032
Certificates of deposit	101,551,481	128,349,788
Other	904	81,949
Total Balances at Central Banks	148,003,862	179,452,114
Total Cash and Balances at Central Banks	168,712,915	195,693,422

Restricted balances, excluding mandatory cash reserve, amounted to USD 904 as of December 31, 2001 (USD 81,949 as of December 31, 2000).

## 5. Balances at Banks and Financial Institutions

This amount represents the following:

	2001	2000
Local Banks & Financial Institutions:		
Current accounts	402,952	210,997
Deposits due within 3 months	15,179,471	18,361,681
	<b>15,582,423</b>	18,572,678
Banks & Financial Institutions Abroad:		
Current accounts	8,178,102	18,939,123
Deposits due within 3 months	138,038,902	132,214,113
	<b>146,217,004</b>	151,153,236
	<b>161,799,427</b>	169,725,914

- Non-interest bearing balances at banks and financial institutions amounted to USD 3,825,939 (USD 3,046,810 in Jordan only) as of December 31, 2001, compared with USD 12,295,405 (USD 11,700,333 in Jordan only) as of December 31, 2000.

- Balances restrained in favour of the Minister of Industry & Trade amounted to USD 317,348 as of December 31, 2001, which relates to the subsidiary Company.

## 6. Deposits at Banks and Financial Institutions

	Local Banks & Financial Institutions		Banks & Financial Institutions Abroad		Total	
	2001	2000	2001	2000	2001	2000
<b>Maturity Period</b>						
From 3 months to 6 months	-	-	-	-	-	-
From 6 months to 9 months	11,283,498	-	225,000	-	11,508,498	-
More than a year	-	11,283,498	-	-	-	11,283,498
Certificates of deposit	11,283,498	5,359,661	4,000,000	-	15,283,498	5,359,661
	<b>22,566,996</b>	16,643,159	<b>4,225,000</b>	-	<b>26,791,996</b>	16,643,159

Restricted deposits amounted to USD 225,000 as of December 31, 2001 compared with (USD 190,000 as of December 31, 2000).

## 7. Direct Credit Facilities - Net

This item consists of the following:

	2001	2000
Overdraft facilities	103,067,766	87,506,460
Loans and advances	246,649,931	193,045,476
Discounted bills	8,356,097	8,997,690
	<b>358,073,794</b>	289,549,626
Less: Provision for credit facilities	19,631,392	16,765,405
Interest and commissions in suspense	3,649,968	2,654,145
	<b>334,792,434</b>	270,130,076

- The credit facilities are distributed over the following sectors:

	2001	2000
Agriculture	10,602,181	11,537,165
Manufacturing and mining	39,644,382	57,887,138
Construction	22,347,523	22,624,819
General trade	63,022,035	63,781,986
Transport services	15,744,721	5,594,975
Tourism, hotels and restaurants	12,001,409	8,135,790
Public utilities and services	74,108,687	42,116,447
Financial services	1,655,024	1,191,907
Stock purchase	307,164	503,243
Vehicle financing	13,060,471	11,957,278
Consumables financing	2,813,298	2,213,131
Residence and real estate	25,206,907	10,735,557
Other purposes	77,559,992	51,270,190
	<b>358,073,794</b>	289,549,626

- The non-performing credit facilities, according to the Central Bank of Jordan's regulations, amounted to USD 29,516,563 for Jordan and abroad, equivalent to 8.2% of total credit facilities (USD 28,044,581 for Jordan, equivalent to 7.9%) as of December 31, 2001 against USD 26,458,175 for Jordan and abroad, equivalent to 9.1% (USD 25,684,437 for Jordan equivalent to 9%) as of December 31, 2000.

- Credit facilities granted to or guaranteed by the Government amounted to USD 2,379,680 equivalent to 0.7% of credit facilities as of December 31, 2001 against USD 4,529,231 equivalent to 1.6% as of December 31, 2000.

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

- The Bank adopts a policy of not recording interest in suspense and commissions relating to credit facilities which are non-performing and the subject of litigation. The amount of such commissions and interest in suspense was USD 3,088,258 for Jordan and abroad (USD 3,003,656 for Jordan) as of December 31, 2001 against USD 1,853,858 for Jordan and abroad as of December 31, 2000.

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

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

	December 31, 2001		December 31, 2000	
	Specific Provision	General Provision	Specific Provision	General Provision
Balance - beginning of the year	12,258,197	4,507,208	9,520,347	3,718,611
Provision for the year	3,414,660	487,099	4,480,837	788,597
Debts written-off	(1,035,772)	-	(1,742,987)	-
	<b>14,637,085</b>	<b>4,994,307</b>	12,258,197	4,507,208

Surplus provisions resulting from debt settlements and repayments amounted to USD 1,988,608 for Jordan and abroad (USD 1,937,496 for Jordan) as of December 31, 2001, against USD 783,519 for Jordan and abroad as of December 31, 2000.

- The movement on interest in suspense was as follows:

	2001	2000
Balance — beginning of the year	2,654,145	2,054,200
<b>Add:</b> Interest in suspense for the year	<b>1,497,613</b>	1,244,334
<b>Less:</b> Settled interest in suspense	<b>294,853</b>	222,189
Interest in suspense written-off	206,937	422,200
	<b>3,649,968</b>	2,654,145

#### 8. Available for-Sale Financial Assets

The details of this item is as follows:

	December 31, 2001			December 31, 2000		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Shares	17,221,439	5,409,116	22,630,555	11,807,972	5,736,439	17,544,411
Bonds	30,831,300	8,442,172	39,273,472	48,989,250	9,863,553	58,852,803
Total	48,052,739	13,851,288	61,904,027	60,797,222	15,599,992	76,397,214

- Available-for-sale financial assets include investments held by the associate company, United Company for Financial Investments, on behalf of the Bank at a book value of USD 4,413,302 and market value of USD 5,106,470 as of December 31, 2001.

- As a result of revaluing available-for-sale financial assets as of January 1, 2001 in line with IAS (39), a revaluation surplus of USD 832,013 resulted and has been added to the retained earnings balance at the beginning of year 2001 (Note 25).

- Some of the available-for-sale financial assets at an amount of USD 12,056,810 for Jordan and abroad (USD 11,829,953 for Jordan) as of December 31, 2001 have not been measured at their fair values and recorded at cost/amortized cost.

#### 9. Held-to-Maturity Investments

This item consists of the following:

	2001	2000
Treasury bills	14,004,719	-
Governmental bonds and bonds guaranteed by the Government	3,157,628	3,699,822
Companies bonds and debentures	2,083	9,158,576
<b>Less: Provision</b>	<b>169,252</b>	310,296
	<b>16,995,178</b>	12,548,102

#### 10. Investments in Associate Company

This item represents the Bank's share in the shareholders equity of the associate company, United Company for Financial Investments (a public shareholding company), of which the Bank owns 37.45% of its capital as of December 31, 2001. The main objective of this company is financial brokerage.

	No. of Shares Share	Percentage Ownership %	Amount USD
Investment - at cost	749,001	37.45	1,080,921
Bank's share of the associate company's profit for year 2001			194,780
			<b>1,275,701</b>

#### 11. Fixed Assets-Net

This item consists of the following:

	December 31, 2001					
	Land	Buildings	Furniture Fixtures and Equipment	Vehicles	Others	Total
Balance-beginning of the year *	1,576,375	2,345,966	9,517,777	336,963	78,557	13,855,638
Additions	113,307	-	2,484,267	21,437	88,243	2,707,254
Disposals	-	-	(313,914)	-	-	(313,914)
Accumulated depreciation	-	(625,931)	(6,186,264)	(185,014)	(57,678)	(7,054,887)
Down payments on fixed assets purchases	-	-	461,276	-	114,117	575,393
<b>Balance-End of the Year</b>	<b>1,689,682</b>	<b>1,720,035</b>	<b>5,963,142</b>	<b>173,386</b>	<b>223,239</b>	<b>9,769,484</b>

	December 31, 2000					
	Land	Buildings	Furniture Fixtures and Equipment	Vehicles	Others	Total
Balance-beginning of the year	1,214,966	2,016,575	8,812,412	305,952	-	12,349,905
Additions	361,409	19,449	734,714	43,581	-	1,159,153
Disposals	-	-	(294,810)	(65,814)	-	(360,624)
Accumulated depreciation	-	(557,102)	(5,454,357)	(136,051)	-	(6,147,510)
Down payments on fixed assets purchases	-	-	349,663	-	-	349,663
Balance-End of the Year	1,576,375	1,478,922	4,147,622	147,668	-	7,350,587

\* The beginning balances for the year 2001 include the cost of the subsidiary's fixed assets.

## 12. Other Assets

This item consists of the following:

	2001	2000
Net assets seized by the bank	7,041,920	10,064,374
Accrued interest	4,822,955	5,901,623
Prepaid expenses	278,724	221,288
Accounts receivable*	3,907,434	661,859
Decoration expenses and key money	1,302,219	1,661,450
Goodwill-net	518,533	-
Unrealized gains of financial derivatives	353,003	-
Other *	1,482,205	2,178,437
	19,706,993	20,689,031

\* These items include accounts receivable and other assets relating to the subsidiary company.

## 13. Deferred Tax Assets

This item consists of the following:

Items Giving Rise to Deferred Tax	Beginning Balance as of January 1, 2001	Additions	Amounts Released	Balance End of the Year	Deferred Tax Assets as of December 31, 2001
Prior years provision for non-performing loans	6,869,912	-	1,456,520	5,413,392	1,353,349
Provision for staff indemnity	2,115,656	438,800	213,130	2,341,326	585,331
Impairment loss in real estate	438,020	1,202,604	1,001,994	638,630	159,657
Impairment loss in electrical equipments	141,044	70,522	-	211,566	52,891
Provision for lawsuits against the Bank	98,731	-	-	98,731	24,683
	9,663,363	1,711,926	2,671,644	8,703,645	2,175,911

- The movement on deferred taxes were as follows:

Description	For the Year Ended December 31, 2001
Beginning balance — January 2001	2,415,840
Amount amortized during the year (income tax expense) (Note 20)	(239,929)
Ending Balance	2,175,911

- Deferred taxes in the amount of USD 2,415,840 have resulted from temporary timing differences in taxes paid on provisions in previous years. The resulting difference is multiplied by the average tax rate of 25% in Jordan as of January 1, 2001, and taken to retained earnings in shareholders equity in accordance with International Accounting Standard No. (12).

- During the year 2001, amounts released and additions to deferred tax assets amounted to USD 2,671,644 and USD 1,711,926 respectively. The related amortization for these balances amounted to USD 239,929 for the year 2001, which is included in the provision for income tax for the year.

- No deferred tax liabilities were due on the Bank as of December 31, 2001.

## 14. Banks and Financial Institutions Deposits

	December 31, 2001			December 31, 2000		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
Current accounts and demand deposits	199,928	4,407,087	4,607,015	857,638	3,441,628	4,299,266
Deposits due within:						
3 months	28,598,330	17,526,189	46,124,519	53,677,652	39,553,590	93,231,242
Over than 3 months up to 1 year	-	-	-	-	-	-
Certificates of deposit	14,104,373	-	14,104,373	-	-	-
	42,902,631	21,933,276	64,835,907	54,535,290	42,995,218	97,530,508

## 15. Customers Deposits

This item consists of the following :

	2001	2000
Current accounts and demand deposits	69,565,790	62,763,357
Saving accounts	44,642,114	56,159,207
Time and notice deposits	383,412,425	359,872,213
Certificates of deposit	7,052,186	-
	504,672,515	478,794,777

a. Government deposits amounted to USD 181,067,999 which is equivalent to 35.87% of customers total deposits (USD 138,175,008 for the Social Security Corporation) as of December 31, 2001, against USD 167,963,752 which is equivalent to 35.08% of customers total deposits, (USD 123,196,054 for the Social Security Corporation) as of December 31, 2000.

b. Non-interest bearing deposits amounted to USD 52,902,911 which is equivalent to 10.48% of customers total deposits as of December 31, 2001 against USD 47,117,439 which is equivalent to 9.8% as of December 31, 2000.

c. Dormant accounts amounted to USD 5,377,779 as of December 31, 2001 against USD 4,967,433 as of December 31, 2000.

d. Restricted deposits amounted to USD 3,499,688 which is equivalent to 0.7% of total customer deposits as of December 31, 2001.

## 16. Cash Margins

This item consists of the following:

	2001	2000
Cash margins on direct credit facilities *	90,788,121	86,130,862
Cash margins on indirect credit facilities	6,070,346	6,559,392
Marginal deposits	2,768,972	1,202,678
Other	1,805,609	-
	<b>101,433,048</b>	93,892,932

\* Cash margins on direct credit facilities include an amount of USD 21,197,111 for indirect credit facilities granted to customers whom also have direct and indirect credit facilities as of December 31, 2001 (USD 14,149,608 as of December 31, 2000).

## 17. Borrowed Funds

This item consists of the following:

	2001	2000
Jordan Mortgage Refinance Company	14,104,372	-
Central Banks	332,567	329,102
	<b>14,436,939</b>	329,102

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

## 18. Provisions

This item consists of the following:

	December 31, 2001			
	Beginning Balance	Additions	Disposals	Ending Balance
Provision for staff indemnity	2,162,791	465,929	222,640	2,406,080
Provision for possible lawsuits against the Bank	98,731	-	-	98,731
Other provisions *	92,346	3,366,427	92,346	3,366,427
	<b>2,353,868</b>	<b>3,832,356</b>	<b>314,986</b>	<b>5,871,238</b>

\* This amount includes the additional technical reserves relating to the subsidiary company in the amount of USD 3,366,427 as of December 31, 2001.

	December 31, 2000			
	Beginning Balance	Additions	Disposals	Ending Balance
Provision for staff indemnity	1,948,137	405,450	190,794	2,162,791
Provision for possible lawsuits against the Bank	-	98,731	-	98,731
Other provisions	325,367	92,346	325,367	92,346
	<b>2,273,504</b>	<b>596,527</b>	<b>516,161</b>	<b>2,353,868</b>

## 19. Other Liabilities

This item consists of the following:

	2001	2000
Accepted checks margins	9,205,355	19,611,409
Unearned interest and commission	10,324,468	6,954,052
Accrued interest payable	8,793,685	6,060,945
Temporary deposits	261,907	230,907
Shareholders deposits	21,394	7,014
Dividends payable	170,372	199,649
Accepted and certified checks	1,517,944	1,490,554
Safe boxes deposits	67,142	66,911
Sold real estate margins	137,362	159,513
Financial derivatives unrealized losses	340,822	-
Other liabilities	2,124,920	905,337
	<b>32,965,371</b>	<b>35,686,291</b>

**20. Provision for Income Tax**

This item consists of the following:

	2001	2000
Balance - beginning of the year	2,715,091	2,792,666
Income tax paid	(2,486,388)	(2,651,622)
Down payment on year 2001	(1,057,827)	-
Accrued income tax	3,282,295	2,574,047
Ending Balance	2,453,171	2,715,091
Subsidiary's income tax provision	50,069	-
Ending Balance	2,503,240	2,715,091

- The income tax consists of the following:

	2001	2000
Accrued income tax for the year	3,282,295	2,574,048
Accrued income tax - prior years	-	335,812
Deferred tax asset amortization (note 13)	239,929	-
	3,522,224	2,909,860

A final settlement with the income tax department has been reached for Jordan branches for the year 2000, and for Nablus branch for the year 1999.

**21. Minority Interest**

This item represents the minority interests share in the net assets and results of Arab Orient Insurance Company as of December 31, 2001.

**22. Paid-up Capital and Share Premium Reserve**

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

b. The balance of the share premium account after capitalization was USD 70,522 as of December 31, 2001.

**23. Statutory Reserve**

The statutory reserve amounted to USD 8,833,276 as of December 31, 2001 (USD 5,981,322 as of December 31, 2000).

**24. Cumulative Change in Fair Value**

This item consists of the following:

Beginning balance	-
Unrealized net profit	4,412,323
Less: realized net profit- transferred to income statement	(1,016,350)
Ending Balance	3,395,973

For the Year Ended December 31, 2001

Shares	Bonds	Total
-	-	-
4,412,323	997,158	5,409,481
1,016,350	(438,446)	577,904
3,395,973	1,435,604	4,831,577

**25. Retained Earnings**

The movement on this account has been as follows:

Beginning balance	4,960,480
The effect of implementing IAS 39 on available for sale financial assets	411,693
The effect of implementing IAS 12 on deferred tax assets	2,415,841
Cyprus branch paid-up capital	(1,410,437)
Other retained earnings	823,217
Ending Balance	7,200,794

For the Year Ended December 31, 2001	For the Year Ended December 31, 2000
4,960,480	911,477
411,693	-
2,415,841	-
(1,410,437)	-
823,217	4,049,003
7,200,794	4,960,480

**26. Proposed Dividends**

The percentage of the proposed dividends to shareholders for the current year is 15% of paid-up capital. This percentage is subject to the approval of the shareholders General Assembly. This is in comparison with one bonus share distributed to last year's shareholders for every four shares held.

**27. Interest Income**

This item consists of the following:

Direct credit facilities:	
Bills	874,984
Current accounts	10,892,398
Loans and advances	20,126,803
Balances at central banks	5,266,860
Balances and deposits at banks & financial institutions	15,778,783
Available-for-sale financial assets	4,164,533
Held-to-maturity financial assets	1,201,339
Margins	117,833

2001	2000
874,984	1,002,322
10,892,398	9,212,351
20,126,803	18,650,606
5,266,860	8,453,564
15,778,783	11,841,997
4,164,533	5,681,755
1,201,339	363,577
117,833	245,760
58,423,533	55,451,932

**28. Interest Expense**

This item consists of the following:

	2001	2000
Deposits at banks and financial institutions	5,508,616	5,744,512
Customers deposits:		
Current and demand deposits	1,162,207	937,660
Saving accounts	1,466,474	1,644,690
Time and notice deposits	18,438,685	20,249,199
Certificates of deposit	167,850	-
Cash margins	5,988,241	4,971,458
Borrowed funds	323,109	162,685
Deposit guarantee fees	839,144	273,073
Margins	191,791	195,896
	<b>34,086,117</b>	<b>34,179,173</b>

**29. Net Commission**

This item consists of the following:

	2001	2000
Credit commission :		
Direct credit facilities	1,973,333	2,119,538
Indirect credit facilities	2,082,427	1,819,103
Other commission	121,443	298,472
	<b>4,177,203</b>	<b>4,237,113</b>

**30. Income from Financial Assets and Instruments**

	2001	2000
Income from the sale of available-for-sale investments	1,005,475	737,853
Dividends Income	511,563	343,237
Total	<b>1,517,038</b>	<b>1,081,090</b>

**31. Other Operating Income**

	2001	2000
Subsidiary's net income after tax and fees	146,200	-
Rental of safe deposit boxes	40,470	42,903
Rental of real estates	60,821	40,890
Stamp Income	56,185	61,446
Foreign currencies differences	1,481,913	895,001
Credit card Income	334,148	274,154
Other Income	1,214,933	987,386
Total	<b>3,334,670</b>	<b>2,301,780</b>

**32. Employees Expenses**

This item consists of the following:

	2001	2000
Salaries, bonuses and employees benefits	6,184,818	5,763,230
The Bank's share in social security	498,004	440,262
Medical expenses	508,575	269,893
Staff training expenses	28,128	26,903
Travel expenses	108,183	79,953
	<b>7,327,708</b>	<b>6,580,241</b>

**33. Other Operating Expenses**

	2001	2000
Rent	502,963	397,553
Stationery	237,530	239,815
Advertisements	548,640	471,654
Subscriptions	66,302	51,346
Telecommunication expenses	465,573	444,783
Maintenance and repair	423,640	362,742
Insurance expenses	268,463	208,746
Legal fees	201,685	155,484
Water, electricity and heating	271,377	251,357
Fees, taxes and stamps	256,852	193,135
Professional fees	153,243	286,147
Donations	151,068	86,477
Visa services expenses	133,564	86,563
Hospitality	70,891	43,396
Goodwill amortization - net	111,777	-
Other expenses	413,728	294,236
	<b>4,277,296</b>	<b>3,573,434</b>

**34. Non - Operating Expenses**

This item consists of the following:

	2001	2000
(Loss) gain on sale of fixed assets	(21,076)	5,766
(Loss) on sale of real estate	(1,001,995)	-
Impairment Loss of fixed assets	(271,130)	(324,402)
Recovery of debts previously written-off	220,889	142,261
	<b>(1,073,312)</b>	<b>(176,375)</b>

**35. Earnings per Share**

Earnings per share has been computed by dividing the net income after tax and fees by the weighted average number of shares as of December 31, 2001 and December 31, 2000 as follows:

	2001	2000
Net income after tax and fees	10,390,291	7,232,749
Weighted average number of shares	25,000,000	25,000,000
Earnings per Share	0.42	0.29

**36. Cash and Cash Equivalent**

Cash and cash equivalent shown in the statement of cash flows consists of the following:

	2001	2000
Cash and balances at Central Banks	168,712,915	195,693,422
<b>Add:</b> Balances at banks and financial institutions due within 3 months	161,799,427	169,725,914
<b>Less:</b> Banks and financial institutions deposits due within 3 months	50,731,534	97,530,508
Total	279,780,808	267,888,828

**37. Fair Value of Financial Instruments**

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

	December 31, 2001			December 31, 2000		
	Book Value	Fair Value	Difference	Book Value	Fair Value	Difference
<b>Financial Assets</b>						
Cash and balances at central banks	168,712,915	168,712,915	-	195,693,422	195,693,422	-
Balances at banks and financial institutions	161,799,427	161,799,427	-	169,725,914	169,725,914	-
Deposits at banks and financial institutions	26,791,996	26,791,996	-	16,643,159	16,643,159	-
Held-to-maturity investments - net	16,995,178	17,006,804	11,626	12,548,102	12,577,766	29,664
Investment in associate company	1,275,701	1,373,344	97,643	-	-	-
<b>Financial Liabilities</b>						
Banks and financial institutions deposits	64,835,907	64,835,907	-	97,530,508	97,530,508	-
Customers deposits	504,672,515	504,672,515	-	478,794,777	478,794,777	-
Cash margins	101,433,048	101,433,048	-	93,892,932	93,892,932	-

**38. Foreign Currencies Risk**

The table herebelow shows the exposure in foreign currencies as of December 31, 2001 and December 31, 2000:

	December 31, 2001		December 31, 2000	
	Amount	Equivalent in USD	Amount	Equivalent in USD
US Dollar	4,683,929	4,683,929	14,566,878	14,566,863
Sterling Pound	1,551,068	2,255,021	1,469,031	2,165,306
Euro	246,288	218,642	11,858,876	10,964,774
French Franc	-	-	( 6,436,821)	(909,598)
Deutch Mark	-	-	(19,789,686)	(9,348,186)
Swiss Franc	87,732	52,614	19,044	11,601
Japanese Yen	(282,343)	(2,157)	(173,088)	(1,536)
Other currencies	-	1,995,992	-	(632,791)

**39. Interest Rate Risk**

The following shows the interest rate fluctuations that the Bank could face as of December 31, 2001:

Subject to Interest Rate Risk								
	Up to 3 Months	More than 3 Months Up to 6 Months	More than 6 Months	From 1 Year Up to 3 Years	More than 3 Years	Non-Interest	Total	Actual Interest Rate %
<b>Assets</b>								
Cash in vaults	-	-	-	-	-	20,709,053	20,709,053	-
Mandatory cash reserve	-	-	-	-	-	33,940,790	33,940,790	-
Balances at Central Banks	101,551,481	-	-	-	-	12,511,591	114,063,072	5.22
Balances and deposits at banks and financial institutions	141,480,045	36,791,996	-	-	-	10,319,382	188,591,423	6.55
Credit facilities - net	95,763,082	59,701,023	70,878,251	75,508,707	32,941,371	-	334,792,434	8.64
Investments	37,984,482	-	5,821,470	-	36,368,954	-	80,174,906	7.55
Deferred tax assets	-	-	-	-	-	2,175,911	2,175,911	-
Other assets	-	-	-	-	-	19,706,993	19,706,993	-
Fixed assets	-	-	-	-	-	9,769,484	9,769,484	-
Total Assets	376,779,090	96,493,019	76,699,721	75,508,707	69,310,325	109,133,204	803,924,066	
<b>Liabilities</b>								
Customers deposits	357,992,405	40,884,482	40,508,955	10,772,134	1,611,598	52,902,941	504,672,515	4.3
Banks and financial institutions deposits	17,826,217	15,558,194	-	16,853,654	-	14,597,842	64,835,907	4.98
Cash margins	69,632,955	3,599,148	4,121,326	3,103	-	24,076,516	101,433,048	5.16
Borrowed funds	332,567	-	-	1,763,047	12,341,325	-	14,436,939	6.25
Other liabilities	-	-	-	-	-	32,965,371	32,965,371	-
Provisions	-	-	-	-	-	8,374,478	8,374,478	-
Total Liabilities	445,784,144	60,041,824	44,630,281	29,391,938	13,952,923	132,917,148	726,718,258	
Minority interest	-	-	-	-	-	1,281,472	1,281,472	
Shareholders equity	-	-	-	-	-	75,924,336	75,924,336	
Total Liabilities and Stockholders Equity	445,784,144	60,041,824	44,630,281	29,391,938	13,952,923	210,122,956	803,924,066	
Sensitivity difference of balance sheet items	(69,005,054)	36,451,195	32,069,440	46,116,769	55,357,402	(100,989,752)	-	
Sensitivity difference of off-balance sheet items	37,923,516	25,119,939	28,459,847	-	-	-	91,503,302	
Cumulative Sensitivity Difference	(31,081,538)	30,489,596	91,018,883	137,135,652	192,493,054	91,503,302	-	

The following shows the interest rate fluctuations that the Bank could face as of December 31, 2000:

Subject to Interest Rate Risk								
	Up to 3 Months	More than 3 Months Up to 6 Months	More than 6 Months	From 1 Year Up to 3 Years	More than 3 Years	Non-Interest Bearing	Total	Weighted Interest Rate %
<b>Assets</b>								
Cash in vaults	-	-	-	-	-	16,241,308	16,241,308	-
Mandatory cash reserve	-	-	-	-	-	44,498,032	44,498,032	-
Balances at Central Banks	134,954,082	-	-	-	-	-	134,954,082	6.28
Balances and deposits at banks and financial institutions	186,369,073	-	-	-	-	-	186,369,073	5
Credit facilities - net	64,274,173	39,591,403	59,909,667	106,354,833	-	-	270,130,076	10.01
Investments	-	25,821,917	4,907,343	7,227,948	27,422,173	23,565,935	88,945,316	8.70
Other assets	-	-	-	-	-	20,689,031	20,689,031	-
Fixed assets	-	-	-	-	-	7,350,587	7,350,587	-
Total Assets	385,597,328	65,413,320	64,817,010	113,582,781	27,422,173	112,344,893	769,177,505	
<b>Liabilities</b>								
Customers' deposits	364,682,128	81,446,121	32,613,924	52,604	-	-	478,794,777	5.22
Banks and financial institutions deposits	92,859,610	5,000,000	-	-	-	-	97,859,610	6.12
Cash margins	31,011,845	37,015,505	12,645,608	13,219,974	-	-	93,892,932	4.75
Other liabilities	-	-	-	-	-	35,686,291	35,686,291	-
Provisions	-	-	-	-	-	5,068,959	5,068,959	-
Total Liabilities	488,553,583	123,461,626	45,259,532	13,272,578	-	40,755,250	711,302,569	
Shareholders equity	-	-	-	-	-	57,874,936	57,874,936	
Total Liabilities and Stockholders Equity	488,553,583	123,461,626	45,259,532	13,272,578	-	98,630,186	769,177,505	
Sensitivity difference of balance sheet items	(102,956,255)	(58,048,306)	19,557,478	100,310,203	27,422,173	13,714,707	-	
Sensitivity difference of off-balance sheet items	13,312,547	22,187,580	8,875,251	-	-	-	44,375,378	
Cumulative Sensitivity Difference	(89,643,708)	(125,504,434)	(97,071,705)	3,238,498	30,660,671	44,375,378	-	

**40. Liquidity Risk**

The table herebelow illustrates the maturities of assets and liabilities as of December 31, 2001:

	Subject to Interest Rate Risk							
	Up to 1 Month	From 1 Month Up to 3 Months	More than 3 Months Up to 6 Months	From 6 Months Up to a Year	From 1 Year Up to 3 Years	More than 3 Years	With no Maturity Dates	Total
<b>Assets</b>								
Cash in vaults	20,709,053	-	-	-	-	-	-	20,709,053
Mandatory cash reserve	33,940,790	-	-	-	-	-	-	33,940,790
Balances at Central Banks	53,414,271	60,648,801	-	-	-	-	-	114,063,072
Balances and deposits at banks and financial institutions	126,622,695	25,176,732	36,791,996	-	-	-	-	188,591,423
Credit facilities - net	47,489,278	68,077,430	53,159,643	64,366,436	70,827,591	30,872,056	-	334,792,434
Investments	23,977,679	14,006,804	-	5,821,470	-	36,368,953	-	80,174,906
Deferred tax assets	-	-	-	-	-	2,175,911	-	2,175,911
Other assets	353,003	-	-	-	-	-	19,353,990	19,706,993
Fixed assets	-	-	-	-	-	-	9,769,484	9,769,484
Total Assets	306,506,769	167,909,767	89,951,639	70,187,906	70,827,591	69,416,920	29,123,474	803,924,066
<b>Liabilities</b>								
Customers' deposits	225,806,342	168,055,082	50,961,348	41,519,945	18,329,798	-	-	504,672,515
Banks and financial institutions deposits	11,962,471	5,641,749	15,558,193	13,409,402	18,264,092	-	-	64,835,907
Cash margins	51,242,403	42,363,289	3,466,584	3,004,007	3,103	-	1,353,661	101,433,047
Borrowed funds	-	332,567	-	-	1,763,047	12,341,326	-	14,436,940
Other liabilities	340,822	-	-	-	-	-	32,624,549	32,965,371
Provisions	2,503,240	-	-	-	-	-	5,871,238	8,374,478
Total Liabilities	291,855,278	216,392,687	69,986,125	57,933,354	38,360,040	12,341,326	39,849,448	726,718,258
Minority interest	-	-	-	-	-	-	1,281,472	1,281,472
Shareholders equity	-	-	-	-	-	-	75,924,336	75,924,336
Total Liabilities and Shareholders' Equity	291,855,278	216,392,687	69,986,125	57,933,354	38,360,040	12,341,326	117,055,256	803,924,066
Gap per category	14,651,491	(48,482,920)	19,965,514	12,254,552	32,467,551	57,075,594	(87,931,782)	-
Cumulative Gap	14,651,491	(33,831,429)	(13,865,915)	(1,611,363)	30,856,188	87,931,782	-	-

The table herebelow illustrates the maturities of assets and liabilities as of December 31, 2000:

	Subject to Interest Rate Risk							
	Up to 1 Month	From 1 Month Up to 3 Months	More than 3 Months Up to 6 Months	From 6 Months Up to a Year	From 1 Year Up to 3 Years	More than 3 Years	With no Maturity Dates	Total
<b>Assets</b>								
Cash in vaults	16,241,308	-	-	-	-	-	-	16,241,308
Mandatory cash reserve	44,498,032	-	-	-	-	-	-	44,498,032
Balances at Central Banks	6,604,294	128,349,788	-	-	-	-	-	134,954,082
Balances and deposits at banks and financial institutions	186,369,073	-	-	-	-	-	-	186,369,073
Credit facilities - net	47,456,405	32,664,082	42,521,082	53,987,465	86,462,417	7,038,625	-	270,130,076
Investments	-	25,821,917	4,907,343	7,227,948	27,422,173	23,565,935	-	88,945,316
Other assets	-	-	-	-	-	-	20,689,031	20,689,031
Fixed assets	-	-	-	-	-	-	7,350,587	7,350,587
Total Assets	301,169,112	186,835,787	47,428,425	61,215,413	113,884,590	30,604,560	28,039,618	769,177,505
<b>Liabilities</b>								
Customers' deposits	211,144,427	120,984,944	98,797,316	47,868,090	-	-	-	478,794,777
Banks and financial institutions deposits	69,784,387	22,746,121	5,329,102	-	-	-	-	97,859,610
Cash margins	39,172,419	23,509,810	12,266,959	11,862,317	7,081,427	-	-	93,892,932
Other liabilities	-	-	-	-	-	-	35,686,291	35,686,291
Provisions	2,715,091	-	-	-	-	-	2,353,869	5,068,959
Total Liabilities	322,816,324	167,240,875	116,393,377	59,730,407	7,081,427	-	38,040,160	711,302,569
Shareholders equity	-	-	-	-	-	-	57,874,935	57,874,936
Total Liabilities and Shareholders' Equity	322,816,324	167,240,875	116,393,377	59,730,407	7,081,427	-	95,915,095	769,177,505
Gap per category	(21,647,212)	19,594,912	(68,964,952)	1,485,006	106,803,163	30,604,560	(67,875,477)	-
Cumulative Gap	(21,647,212)	(2,052,300)	(71,017,252)	(69,532,246)	37,270,917	67,875,477	-	-

#### 41. Financial Derivatives

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

	Positive Fair Value	Negative Fair Value	Total Par Value	Maturities of Par Value			
				Within 3 Months	From 3 Months up to One Year	From One year up to 3 years	More than 3 Years
<b>As of December 31, 2001</b>							
Financial derivatives for trading purposes:							
Foreign currencies - forward contracts (selling)	-	(3,098,299)	(3,115,536)	(3,115,536)	-	-	-
Future contracts (selling)	-	(15,197,501)	(15,521,000)	(15,521,000)	-	-	-
	-	(18,295,800)	(18,636,536)	(18,636,536)	-	-	-
Foreign currency forward contract (purchasing)	2,544,983	-	2,574,487	2,574,487	-	-	-
Future contracts (purchasing)	15,197,501	-	15,521,000	15,521,000	-	-	-
	17,742,484	-	18,095,487	18,095,487	-	-	-
<b>Total</b>	<b>17,742,484</b>	<b>(18,295,800)</b>	<b>(541,049)</b>	<b>(541,049)</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

The Geographical distribution of assets, liabilities and off - balance sheet items as of December 31, 2001 were as follows:

	December 31, 2001			December 31, 2000		
	Assets	Liabilities	Off-Balance Sheet items	Assets	Liabilities	Off-Balance Sheet items
<b>A. According to Geographical Areas</b>						
- Within the Kingdom	600,744,889	740,015,255	262,147,414	516,624,116	729,857,839	176,612,640
- Other Arab countries	82,475,254	51,653,822	11,111,583	137,850,864	34,969,666	20,898,693
- Asia *	765,931	-	13,183,499	40,088,264	-	-
- Europe	119,140,166	12,254,989	75,063	65,450,625	4,350,000	20,097,549
- Africa *	-	-	7,955,305	-	-	-
- America	757,819	-	20,968	9,163,636	-	407,066
- Other countries	40,007	-	-	-	-	11,756,141
<b>Total</b>	<b>803,924,066</b>	<b>803,924,066</b>	<b>294,493,832</b>	<b>769,177,505</b>	<b>769,177,505</b>	<b>229,772,089</b>
<b>B. According to Sectors</b>						
- Personal accounts	88,571,225	392,266,794	183,282,881	130,211,953	506,803,962	52,847,580
- Companies accounts	267,150,271	218,070,080	106,210,951	159,337,673	66,106,574	165,435,905
- Others	448,202,570	193,587,192	5,000,000	479,627,879	196,266,969	11,488,604
	803,924,066	803,924,066	294,493,832	769,177,505	769,177,505	229,772,089

\* Excluding Arab countries.

#### 43. Transactions with Related Parties (Including Transactions with Subsidiary and Associate Companies)

	2001	2000
On-Balance Sheet Items:		
Credit facilities	3,103,564	5,007,220
Deposits	143,938,495	123,196,054
Cash margins	1,121,783	-
Off-Balance Sheet Items:		
Letters of guarantee	148,096	-
Statement of Income:		
Interest & commission received	144,401	172,326
Interest & commission paid	7,074,496	5,100,248

#### 44. Commitments and Contingent Liabilities

	2001	2000
Letters of credit	40,080,118	29,498,676
Acceptances	26,864,408	21,325,491
Letters of guarantee:		
Payments	78,225,786	78,563,850
Performance bonds	20,801,083	15,790,959
Other	37,019,135	40,217,735
Unutilized credit facilities	91,503,302	44,375,378
<b>Total</b>	<b>294,493,832</b>	<b>229,772,089</b>

#### 45. Lawsuits Against the Bank

The Bank is defendant in lawsuits amounting to USD 1,307,475 as of December 31, 2001, compared to USD 1,763,657 as of December 31, 2000. According to the Bank's management, the existing provision of USD 98,731 as of December 31, 2001 is sufficient for any losses resulting from these lawsuits.

#### 46. Comparative Figures

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

## ADDITIONAL DISCLOSURE AS REQUIRED BY JORDAN SECURITIES COMMISSION

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

Shareholder	Nationality	Shares	%
United Gulf Bank	Bahraini	11,022,725	44.091
Social Security Corporation	Jordanian	5,316,666	21.267
C.I. De Participation Et Financieres	French	1,026,931	4.108
Kameros Trading Limited	Cypriot	864,021	3.456
Strategy Co. for Investments	Jordanian	798,082	3.192
Sheikh Salem Al Ali Al Sabah	Kuwaiti	274,312	1.097

### Shares owned by the Board of Directors

Shareholder Name	Nationality	No. of shares 31/12/2000	No. of shares 31/12/2001
United Gulf Bank	Bahraini	8,827,268	11,022,725
Social Security Corp.	Jordanian	4,253,333	5,316,666
Strategy Co. for Investments	Jordanian	338,894	798,082
Kuwait Projects Co.(Holding)	Kuwaiti	10,200	12,750
Al-Futouh Co. for Investments	Kuwaiti	5,000	6,250
H. E Nasser Ahmad Lozi	Jordanian	-	1,250
Mr. Moh'd Suhail Tahboub	Jordanian	19,609	24,511
Mr. Farouk A. AL -Aref	Jordanian	2,802	3,502

### Shares owned by Management Executives in 2001

Name	Position	No. of Shares
Mr. Moh'd Yaser Al - Asmar	General Manager	16,250
Mr. Ahmad A. Jaber	Asst. G.M - Branches	3,843

### Changes in share price during the last five years

Year	Closing Price US\$/Share
31/12/1997	3.02
31/12/1998	2.26
31/12/1999	2.26
31/12/2000	2.09
31/12/2001	4.73

### Changes in profits and Shareholders equity (In thousand US \$)

Year	Net Income before Tax	Total Shareholders Equity
31/12/1997	4,416	45,461
31/12/1998	6,244	48,966
31/12/1999	7,989	50,642
31/12/2000	10,401	57,875
31/12/2001	14,319	75,924

- Auditors fees in 2001 amounted to USD 35,063.
- Total Donations of the bank in 2001 amounted to USD 151,068.
- Total remuneration, salaries, allowances, and travel expenses paid to the Chairman, the Board members, and senior executives in 2001 amounted to USD 968,151.

### STATEMENT OF GOING CONCERN

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