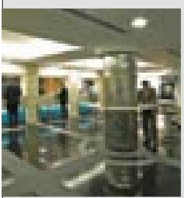
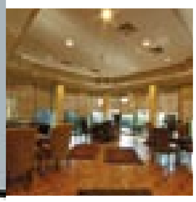
JORDAN
KUWAIT
BANK








30th Annual Report 2006

JORDAN KUWAIT BANK

Public Ltd. Company
Established 25/10/1976
Commercial Register Number 108
Paid-up Capital JD 75 Million (US$ 105.8 Million)

Contents

بسم الله الرحمن الرحيم

Our Vision

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

Our Mission

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

HIS MAJESTY
KING ABDULLAH II BIN AL-HUSSEIN

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

HIS MAJESTY
SHEIKH HAMAD BIN ISA AL KHALIFA
KING OF BAHRAIN

BOARD OF DIRECTORS

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

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

MEMBERS

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

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

- **H.E. Naser Ahmad louzi**

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

- **Mr. Issam M. Hashem** (Till 31/8/2006)
- **Mr. Emad J. Kodah** (From 1/9/2006)
  Rep.: Social Security Corporation- Jordan.

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

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

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

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

MAJOR FINANCIAL INDICATORS AND RATIOS 2006 & 2005

	Amounts in thousands USD		
	2006	**2005**	**change**
Major Operating Results			
Net interest and commission	93,251	59,470	56.8%
Income before taxes	78,906	55,436	42.3%
Income for the year-bank shareholders	55,198	35,983	53.4%
Gross income	112,416	85,822	31.0%
Earnings per share-bank shareholders	0.74	0.54	37.0%
Major Balance Sheet Items			
Total assets	2,326,886	1,986,420	17.1%
Direct credit facilities - net	1,352,856	971,756	39.2%
Customers deposits and cash margins	1,533,652	1,337,099	14.7%
Total equity-bank shareholders	264,691	145,100	82.4%
Major Financial Ratios			
Operating assets / Total assets	91.3%	92.2%	
Return on average assets	3.66%	3.43%	
Return on average owners' equity	36.77%	40.13%	
Capital adequacy ratio	15.61%	13.13%	
Financial leverage ratio	11.87%	7.7%	
Efficiency Indicators			
Gen. & Admin.expense / Average assets	1.53%	1.59%	
Gen. & Admin.expense / Average earnings	18.66%	22.02%	
Non – performing loans / Gross credit facilities	0.3%	0.6%	

Message from the Chairman

To the Shareholders,

On behalf of the Board of Directors, I am pleased to present the 30th Annual Report of Jordan Kuwait Bank including the consolidated financial statements and the achievements for the year ending December 31, 2006. I would like to take this opportunity to congratulate you on the Banker Magazine's Award: "Bank of the Year 2006 Jordan".

In 2006, the Jordanian economy was able to demonstrate its progressive activity despite an unstable political situation that dominated the region for a good part of the year. The Jordanian economy has also demonstrated its ability to adjust and to wither the impact of such circumstances benefiting from the Kingdom's privileged geographical position, its political stability, and security.

The GDP grew by more than 6% in 2006 measured by constant prices thus maintaining a high growth level – an indicator of sustainable and healthy economic growth, given Jordan's strong and unprecedented economic activity in 2005.

The year 2006 saw the fostering of Jordan's image as a renowned financial and commercial centre at the regional and international levels. Thanks to the encouraging and ever-evolving business environment, the stable, safe and opportunity-loaded investment climate. In this regard we cannot but praise His Majesty King Abdullah's efforts, directives, and his vision for a future Jordan, as well as his keenness to dedicate Jordan as a model for success in implementing reform programs, enhancing self-reliance, and his unrelenting efforts to achieve sustainable development and prosperity for all Jordanians, thus turning " the future-making" into a Jordanian public policy.

The JKB achievements in 2006 clearly reflect the strong performance of the Jordanian economy. The Bank's growth and achievements attest to the strength of the national economy and its potential to grow and develop further. In this respect, it is worth noting that JKB was one of the most important windows, through which, substantial portion of foreign direct investments benefiting from the investment encouragement law entered the country. In the year 2006 Jordan witnessed an outstanding FDI growth that has, by far, exceeded the total volume of investments recorded in the year 2005. The Bank managed to foster its image amongst investors and the largest local and foreign shareholding companies as the credible bank for managing IPO's subscriptions, payment of shareholders profits and other related activities. Providing this service has become one of the most important features characterizing the Bank. It also reflects the Bank's administrative and technological capability to carry out these operations efficiently.

The year 2006 saw a significant move towards enhancing the Bank's capital base and improving its financial leverage and capital adequacy in an effort to meet the targeted level of business growth, and the increasing finance and investment activity. The 2-phase capital raise in 2006, by means of capitalization and new shares issue, has brought the Bank's paid up capital to JD75 million (USD105.8m), an increase of USD49.4 million over the December 31, 2005 figures. This increase, in addition to USD42.3 million paid by new share subscribers, as share premium allowance, has provided the needed support for the capital base, and opened new horizons for future growth and enhanced the Bank's capability to meet the increasing demand for finance by the Bank clients. It has also enhanced the Bank's ability to meet the Basel II requirements. In accordance with the Central Bank of Jordan (CBJ) instructions, Basel II will be in force as of the beginning of 2008 provided that 2007 will be the year for unofficial parallel implementation.

By the end of 2006, the Bank's quantitative results exceeded the estimates contained in the approved strategic plan for the years 2004-2006, and the objectives targeted for this period, in terms of assets liabilities and profits. Consequently efficiency ratios and key performance indicators have recorded higher levels. Moreover, the qualitative goals contained in the plan have all been achieved.

Total assets as at December 31, 2006 amounted to USD2.33 billion an increase of USD340.5 million or 17.14% over the end of last year figures. Most of the balance sheet items have also witnessed high growth rates, led by a 39.2% growth in direct credit facilities which stood at USD1.35 billion by year end. Interestingly enough, this growth was accompanied by the remarkable decline of NPL's ratio to a new record-low of 0.3% of gross credits, down from its 0.6% record in 2005. This impressive ratio attests to the right approach adopted by the Bank and the management's prudent credit decision, as well as the solid structure of the credit portfolio, particularly if we take into consideration the outstanding growth achieved in 2005 and 2006.

On the other hand, customers' deposits and cash margins have also increased to USD1.53 billion, realizing an increase of USD196.6 million, or 14.7% growth over 2005.

These achievements made in the above items and other operations and activities have reflected on the year's profits. The after-tax profit pertaining to the Bank shareholders amounted to USD55.2 million, an increase of USD19.2 million, or a growth rate of 53.4 per cent, as compared with

the previous year, thus maintaining a consistent growth pattern characterizing the Bank profits over the past years. The year 2006 income components clearly indicate that such profits were mainly the outcome of the Bank's pure operational and core banking activities, thus offsetting the negative effects of the declining financial markets in the region.

Subsequent to the Bank's capital increase in 2006 and the add up of the year's profits, the total equity of the Bank shareholders has increased to USD264.7 million as at 31/12/2006, thus realizing a 82.4 per cent growth over the year 2005 figures.

These achievements, which conform to the objectives and targets set year after year, are indicative of this institution's success in maintaining growth and development, through enhancing the Bank's administrative technical and financial capacities and competencies. It is also indicative of the progress made in building and expanding a wide and multifaceted customer base capable of ensuring continuous and constructive relations with the Bank, taking into consideration the interests of all parties. These accomplishments are attributed to the genuine commitment by the various Bank departments to applying up-to-date management concepts, demonstrating professional customer' relationship, as well as adopting a prudent and conservative business approach that complies with risk management policies and controls.

The Bank made important strides and successes in terms of development and quality achievements. The Bank administration pursued the implementation of the approved branching plan and opened several branches in the Kingdom. Additionally a branch and a regional management office were opened in Ramallah-Palestine in the fourth quarter of 2006. The Bank representatives, who attended the branch inauguration ceremony, received warm welcome from political, official and economic Palestinian figures. It is our earnest hope that the prevailing situations there improve, so that the economy wheel start rolling and the development march kicks off.

By the end of 2006, the Bank has achieved a strategic qualitative leap. The Bank's technical team finalized a major project aimed at shifting the Bank's core banking system, and the supporting IT infrastructure from a proprietary closed systems to an open environment, thus entering 2007 with a major technological advantage utilizing state-of-the-art equipment new programs, development tools and databases, set to put JKB at par with the most advanced financial institutions worldwide. The new system provides better opportunities for expansion, development and for introducing new services, products and distribution channels.

In the third quarter of 2006, the Bank adopted a new strategic plan for the next five years (2007-2011). The plan was supplemented by general and detailed plans, set to achieve the strategy goals and follow up its progress.

To attend to the requirements of a large group of high net worth Bank customers, who are willing to diversify and expand their investments, and to create a proper working environment that meets this new business line, a Private Banking Unit was established at the beginning of 2006. The unit received a warm welcome and was highly appreciated by the interested customers. The department is currently working on formulating a network of relations with international banks, as well as financial and investment institutions in order to enhance its technical, investment and consultative capacity in this type of business.

Our efforts and achievements throughout 2006 and the years before have won our Bank the "Bank of the Year 2006, Jordan" Award from the distinguished British magazine "The Banker". The Bank also deserved the "Best Bank in Jordan 2005" Award from the US Global Finance magazine. Both magazines are credible, and their objective evaluation is recognized at the international level. Thanks to our customers shareholders and all those who do business with us. The Bank and its staff view this appreciation as a motivation to make the year 2007 "the year of distinctive service". Our major preoccupation is to achieve value added, and sufficient returns for our shareholders and provide the best service possible for our customers to safeguard their interests and support their businesses. We shall work hand in hand with all of them to achieve further economic progress for our country, as we truly believe that the private sector has an important and active role in pursuit of the aspired developments.

Based on the Bank's financial results for 2006, the Board of Directors will recommend to the General Assembly the distribution of JD15 million (USD21.2m) as cash dividend to shareholders at the rate of 20% of the capital and to retain the remaining profits.

Finally, we would like to present our thanks and appreciation to our customers who place their confidence in us and continue to bank with us. We extend our thanks to our dear shareholders for their ongoing support for the Bank, and their confidence in it. Special thanks go to our strategic partners in Kuwait Projects Company, its subsidiaries and affiliates, whose genuine support honest advice, and cooperation have contributed significantly to our achievements and results ever since the Bank was established. We also extend our thanks to our national strategic partner "the Social Security Corporation", and its administration for their constructive efforts, care and efficient management of the Corporation's investments in the various sectors, which support our national economy.

We also extend our appreciation to our colleagues at the Central Bank of Jordan (CBJ), for their efforts and concern to raise the performance of the Jordanian banking sector. We highly appreciate their ongoing drive to enhance the local banks capabilities to bring them in line with international best practices and meet global business and trade requirements including disclosure, transparency and sound corporate governance.

Special thanks go to our staff at all levels whose dedication, loyalty and support have all contributed to our Bank's success.

Abdel Karim Kabariti
Chairman

Corporate Governance

The Bank's Corporate Governance Committee convened several periodic meetings in 2006 with the ultimate goal of applying the international best practices of the Corporate Governance principles and enhancing the independent roles of the Board of Directors, Senior Management and the various Committees, in addition to the roles of internal and external auditors. To achieve the above goal the Corporate Governance Committee has performed the following tasks:

- Ensuring that the Board of Directors has set strategic goals for the Bank, identified corporate values, and communicated them throughout the Bank.
- Defining responsibilities, setting clear lines of reporting and accountability throughout the Bank.
- Ensuring proper oversight by the senior management on the Bank activities, thus achieving good return for shareholders, without jeopardizing the soundness of the Bank.
- Efficiently utilizing the audit programs conducted by internal and external auditors.
- Making sure that the remuneration scheme is in line with the Bank's values, objectives, strategy, and control environment.
- Ensuring that corporate governance is being conducted in conformity with transparency and disclosure norms.

Having observed the Bank's performance, the Committee assured the implementation of laws and regulations issued by the various regulators and auditors, and made sure that best practices are applied in all matters relating to corporate governance and risk management. In this respect, the Bank has played a prominent role in the surveys, studies and recommendations on the state of Corporate Governance in the banks in Jordan, conducted by specialized international institutions, in cooperation with the Central Bank of Jordan.

Risk Management

In line with the international banking developments and the subsequent new supervision requirements, as well as the trend towards further deregulation, and in order to apply the Enterprise Risk Management approach, starting with the Board of Directors, top management and the various work centers at the Bank, the Bank has drawn up clear frameworks and structures for risk management, and incorporated them within various committees and departments, supported by clear and comprehensive policies and procedures.

The Bank maintains policies, procedures and tools for risk management, commensurate with the nature, complexity and volume of the Bank activities. These are subject to a periodic review with a view to ensure the existence of a specialized quantitative risk management, thus coping with the Basel II requirements and complying with the advanced approaches thereof.

Risk Management in the Bank is based on three main principles:

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

Risk Management Objectives:

The Risk Management function is conducted through applying a comprehensive set of principles which are adaptive to the various activities of the Bank and are in line with the international best practices aimed at realizing the following objectives:

- Achieving financial soundness, thus reflecting positively on the Bank's credit rating.
- Transparency in disclosing risks and ensuring the clarity and full understanding thereof.
- Ensuring that prevailing risks are in line with the Bank's Risk Appetite.
- Complying with Basel II resolutions.

The Board of Directors, through its audit and corporate governance committees, exercises its role in ensuring that the Bank manages the various types of risks, adopts adequate policies and procedures for risk management and defines Risk Appetite. The independent Risk Management Department evaluates and controls risks and submits reports to the senior management, in an effort to provide objective-driven analyses of the risks.




JKB, similar to other banks, encounters, the following risks:

Credit Risks:

Credit Risks are defined as the losses that the Bank might incur, due to the failure by the other party to meet the credit terms and/or its deteriorated credit worthiness. The Bank Management deals with these risks through:

- Policies and procedures relating to the credit granting process. The Bank has various credit committees at both the Board of Directors and Senior Management levels.
- Clear and effective credit administration policies and procedures to execute and monitor the credit.
- Adequate and adhered to policies and procedures that are capable of evaluating, managing, and classifying problem assets, on monthly bases, and assessing the sufficiency of provisions and reserves, in accordance with the supervisory regulations.
- An independent department to follow up on non-performing loans prior to referring them to legal action.
- An internal credit rating system for Bank clients, approved by the Board of Directors.
- Well documented controls and limits supported by policies and procedures to ensure compliance therewith. These controls and limits are periodically reviewed and amended, if needed.
- Providing the Board of Directors with independent credit portfolio analysis, through the Risk Management Department.
- Complying with supervisory regulations governing credit concentration relating to connected counterparties and related parties transactions. These clients' accounts are dealt with jointly and are subjected to monitoring, control and full disclosure.

Market Risks

Market risks are defined as the losses that the Bank might incur as a result of changes in the market prices, affecting on- and of- balance sheet positions. The Bank management deals with these risks through:

- Adequate and adhered to policies and procedures approved by the Board of Directors, through which the market risks are identified, measured and controlled. These polices are periodically reviewed and their implementation is monitored.
- An investment policy approved by the Board of Directors. The Assets and Liabilities Committee (ALCO) monitors the policy implementation, taking into consideration supervisory authorities requirements.

Liquidity Risks

Liquidity risks are defined as the losses that the Bank might incur as a result of inability to fulfill its current obligations or to meet sources of funding as they fall due in a timely manner and at reasonable cost (This is considered as part of the Assets and Liabilities Management (ALM). The Bank management deals with these risks through:

- Adherence to the liquidity ratios specified by the Central Bank of Jordan and the supervisory authorities under which the bank branches abroad operate.
- Monitoring liquidity by the Assets and Liabilities Committee (ALCO), headed by the General Manager, through periodic reports.

Operational Risks:

Operational risks are defined as the losses that the Bank might incur as a result of inadequate or failed internal process, people and systems, or from external events. The Bank management deals with these risks through:

- Documented policy and procedures for identifying assessing, mitigating and controlling operational risks. To ensure compliance with the Basel requirements and enhance the efficiency of the control environment, the Bank applies the Control and Risk Self Assessment (CRSA) system, which covers self assessment and Event Collection aspects.
- Clear, documented, approved and tested Business Continuity Plan.
- Solid information security policies, procedures and software sufficient enough to meet the international standards in this area. For this purpose, a dedicated IT Security Officer position has been established to monitor and enforce JKB's acceptable security baseline.
- Supporting compliance function through creating a specialized compliance department to monitor non-compliance risks, as well as to combat money laundering and financing terrorism operations.

Changes in Major Financial Results (1997-2006)

In million US$

Income for the year- After Tax & Minority Interest

2006	56.6
2005	39.3
2004	27.5
2003	19.4
2002	14.2
2001	10.4
2000	7.2
1999	4.5
1998	3.5
1997	2.8

Direct Credit Facilities- net

2006	1353
2005	971.8
2004	628.2
2003	448.8
2002	372.9
2001	334.8
2000	270.1
1999	216.8
1998	209.2
1997	204.5

Customer Deposits & Cash Margins

2006	1534
2005	1337.1
2004	913.6
2003	728.6
2002	661.9
2001	606.1
2000	572.7
1999	414
1998	380.4
1997	356.8

Total Assets

2006	2327
2005	1986
2004	1250
2003	1012
2002	882
2001	804
2000	769
1999	535
1998	489
1997	440

Total Owners' Equity

2006	276.2
2005	152.9
2004	123.4
2003	95.7
2002	81.3
2001	75.9
2000	57.9
1999	50.6
1998	49
1997	45.1

The Banker
Bank of the Year 2006
Jordan

EXECUTIVE MANAGEMENT

- **Mr. Moh'd Yaser M. Al-Asmar** / General Manager
- **Mr.Tawfiq A/Q Mukahal** / Asst. General Manager, Credit Dept.
- **Mr. Majed F. Burjak**/ Asst. General Manager, Operations Dept.
- **Mr. William J. Dababneh** / Asst. General Manager, Treasury & Investment Dept.
- **Mr. Shaher E. Suleiman** / Asst. General Manager, Internal Audit Dept.
- **Ms. Hiyam S. Habash** / Asst. General Manager, Financial Dept.
- **Mr. Zuhair H. Idris** / Asst. General Manager, Branches Dept.
- **Dr. Nasser M. Khraishi** / Asst. General Manager, IT Dept.

- **Mr. Milad Y. Faraj** / Executive Manager, Commercial Services Dept.
- **Mr. Suhail M. Turki** / Executive Manager, Market Research & P.R Dept.
- **Mr. Ibrahim I. Kashet** / Executive Manager, Legal Dept.
- **Ismail A. Abu Adi** / Executive Manager, Credit Dept.
- **Jamal M. Baker** / Executive Manager, Branches
- **Abdel Hamid M. Al Ahwal** / Executive Manager, Branches
- **Haethum S. Buttikhi** / Executive Manager, Private Banking Unit

The 2006 Major Achievements

The year 2006 was the last of our 3-year Strategic Plan, adopted in 2004. The Bank's outstanding performance throughout the 3-year plan has clearly manifested our sound strategy and genuine efforts. Put together, these factors interacted to turn the year 2006 into a year of excellence in terms of business development, growth profitability, risk management and cost control. These achievements reflect the bank's sound planning and management capacities, and its ability to maintain a solid financial standing with a positive momentum for the 10th year in a row, thus meeting the expectations of both shareholders and clients.

The Financial Results:

Jordan Kuwait Bank intensified its efforts during the year 2006 to achieve the targeted growth rates, through the effective management of assets and liabilities, and further improving the returns on assets. The Bank managed to maintain a balance between its goals of achieving the required growth rates and providing a distinguished level of services and products, taking into consideration safety measures and risk management best practices.

Total assets stood at USD2.33 billion by the end of 2006 recording a 17.1 per cent increase over last year figures. The growth in credit facilities provided to various sectors of clients has contributed to increasing the total credit portfolio by 39.2 per cent, to reach USD1.35 billion, compared to USD971.8 million in 2005. The gross customers' deposits and cash margins increased by 14.7 per cent over the year 2005 figures to reach USD1.53 billion. As a result of the capital increase in 2006, and adding up the year's profits owners' equity-bank shareholders- reached USD264.7 million, an increase of 82.4 per cent over the year 2005 figures. Consequently, the ratio of owners' equity to total assets (the financial leverage) has increased to 11.87 per cent compared to 7.7 per cent in the last year. The Capital Adequacy ratio also improved and recorded 15.61 per cent compared to 13.13 per cent in the previous year.

The efforts made by the various business units of the Bank have led to achieving remarkable growth rates in terms of revenues and profits. Net interest and commission amounted to USD93.3 million, an increase of 56.8 per cent over last year. The after-tax profits pertaining to the bank shareholders increased to USD55.2 million, realizing an outstanding growth of 53.4 per cent over the year 2005 figure. This has resulted in raising the efficiency ratios and key performance indicators to higher levels. The Return on Average Assets ratio increased to 3.66 per cent, compared to 3.43 per cent in 2005. The Return on Average Equity ratio maintained its high level and recorded 36.77 per cent marginally lower than the previous year. This was due to the increase in owners' equity resulted from the 2-phase capital increase in 2006 from JD40 million (USD56.4m) to JD75 million (USD105.8m), aimed at further supporting the Bank's capital base.

As a result of the improved performance, and the enhanced productivity, JKB succeeded in accommodating the significant growth of its business in 2006, and recording higher efficiency indicators. The ratio of administrative and general expenses to the average assets dropped to 1.53 per cent down from 1.59 per cent, and so did the administrative and general expenses to gross earning which dropped to 18.66 per cent down from 22.02 per cent in the year 2005. These two ratios are amongst the best recorded in the banking sector, both locally and internationally.

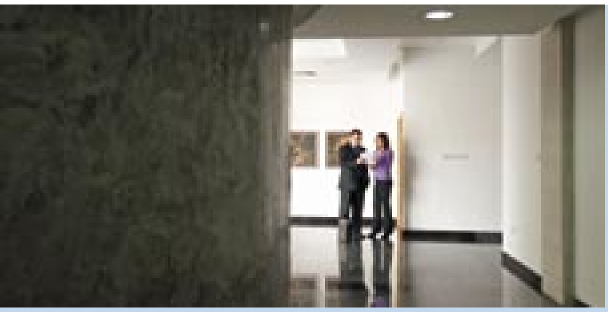
Credit Facilities

The year 2006 witnessed intensive credit activity, with the Bank continuing its direct and indirect financing and lending operations, either solely or through syndicated local and external arrangements.

The credit facilities granted in 2006 covered general trade investment and real estate sectors for both local clients and foreign investors, who were impressed by the Bank's sound reputation and the quality of its services. The Bank has now become in a better position to meet the financing and borrowing needs of large projects and to enhance its competitiveness in local and regional markets.

By the end of 2006, total credit facilities (net) amounted to USD1.35 billion, an increase of USD381.1 million over the year 2005, or 39.2 per cent growth. As the Bank credit activity progresses, the ratio of non-performing loans to total credits is on the decrease. It dropped to 0.3 per cent by the end of 2006, from 0.6 per cent in the year before. It is a very impressive rate, both at the local and international levels. The Bank however, has managed to reduce this ratio over the years, through the adoption of advanced methods for studying and analyzing credit, and applying internal rating system, while, at the same time, focusing on quality, credibility, financial soundness and clients' sources of income. This success is also attributed to the Bank's ability to monitor and promptly deal with the watch-listed debts, according to pre-defined internal procedures and the instructions set by supervisory authorities.

The Credit Management Department has intensified and directed its efforts toward commercial credit activities thus achieving growth rates that exceeded the targets. This was the outcome of a host of factors, including efforts aimed at expanding the clients' base and engaging in new credit operations, new markets, and introducing integrated



credit products and services to companies and individuals in both local and foreign currencies. While doing so, the credit administration took into consideration the changes in funding costs and interest rates and, at the same time focused on maximizing income from indirect facilities.

A significant part of the Bank's financing and lending in 2006 has been channelled to productive economic sectors and large companies that influence national economy. The list includes companies working in various sectors and industries such as: mining, transport, construction real estate, plastic, cables manufacturing, mills and telecommunications, in addition to the carefully-studied financing extended to the investment sector. The small and medium sized projects have received an adequate portion of the Bank credits in 2006. Consequently, the Bank managed to maintain its share of the total credit facilities of the banking sector in Jordan above 8 per cent.

In 2006, the Bank handled several specialized financing operations at the local and external levels, in addition to financing foreign trade activities. The Bank kept applying balanced credit approach taking into consideration the risk of each financing transaction, and always complying with the Central Bank of Jordan (CBJ) regulations, bearing in mind the Basel II requirements.

The Bank's competitive edge was further enhanced in 2006. Thanks to the Bank's notable success in managing IPO's operations on behalf of local and regional shareholding companies. These operations included the handling of subscriptions, payment of refunds and distribution of dividends. The credit department has played a major role in attracting such companies, marketing the service and negotiating contracts governing such operations.

Branches and Customer Service

The Branches Management Department and the branches managed in 2006 to develop and expand the Bank's retail services and products, and achieve sustainable growth in clients' deposits in Jordanian dinar and major foreign currencies. The total customers' deposits and cash margins reached USD1.534 billion by the end of 2006 thus achieving an increase of USD196.6 million or 14.7 per cent over the 2005 figures. The Bank branches have been actively involved in handling trade finance transactions such as documentary credits, bank guarantees and the like.

Consumer credit products witnessed a significant growth in 2006. The Bank branches activity and the efforts made have resulted in a 36 per cent growth in housing loans 38 per cent in consumer loans, 34.4 per cent in vehicles finance loans and 47.6 per cent in the revolving credit visa cards, as compared to the 2005 figures.

To enhance the branches network throughout the kingdom and ensure their proximity to the commercial activity centers and population concentrations, new branches have been opened in Abdullah Ghosheh street, Mouqablain,and Marj Al Hamam areas, in addition to cash offices at Mecca Mall and Prince Hamzah Hospital.

Work is currently underway to establish new branches in Rabia, City Mall, Wadi Saqra and Dabouq areas and to finalize set up of the new and better-located sites for the Bank's two branches in Irbid city.

Renovating other Bank branches is ongoing according to schedule. This step is aimed at improving and standardizing the inner and outer look of the various Bank branches to reflect the distinguished image of the Bank's HQ and its branches.

In November 2006, and in line with the Bank plans to expand outside Jordan, a regional office and a branch were opened in the West Bank city of Ramallah,. Chairman and CEO Mr. Abdel Karim Kabariti has inaugurated the branch in the presence of the Bank's Vice Chairman Mr. Faisal Al Ayyar, and a number of the Bank staff. Palestinian officials and businessmen also attended the inauguration ceremony. JKB branch in Ramallah, the latest and most advanced Jordanian bank in Palestine, is expected to attain a significant share of the market.

In the year 2006, the branches contributed intensely to reinforcing the distinguished image of the Bank, in terms of efficiency, ability to provide the best services and to deal positively with clients' requirements and needs.

The Bank branches were heavily involved in processing IPO's operations for some of the largest companies, involving thousands of citizens. The branches also paid share dividends on behalf of some of the national companies. The Bank's efficiency in handling such operations has been welcomed and appreciated by the Bank clients and beneficiaries.

Upon the request of our strategic partner "United Gulf Bank-Bahrain", the branches department has provided training for a group of staff from Bank of Baghdad in Iraq, of which UGB owns a significant share and has a management contract. The staff received basic training in the simulation branch followed by on-the-job training in various Bank branches and departments. Assigning this job to the Bank reflects UGB's confidence in JKB's, efficiency, excellent banking services and its staff competency.

The newly established Private Banking Unit assumed its functions in the beginning of 2006. Highly qualified and experienced staff were appointed and assigned to its various tasks. The department was well furnished and equipped to reflect the management's attention to this new and promising business line and its specialized nature, as well as to meet the expectations of investors and clients benefiting from the services of this unit.

Throughout the year, the PBU worked hard to build a selective client base, and embarked on providing some services to them. It also strived to establish and develop business relations with a group of international banks and financial institutions in order to utilize their products exchange expertise and help in designing investment products for the Jordanian market, taking into account the special needs of clients and their investment preferences.

Information Technology

After intensive and in-depth studies, and in coordination with expert groups, the Information Technology Department completed by the end of 2006 the conversion project of the Core Banking System, into an open environment platform using Java programming, UNIX/Solaris operating systems Sun Microsystems servers and Oracle database, thus adding up to the Bank's achievements in the IT domain. The new system provides the highest levels of efficiency scalability, expansion prospects and reliability. It will also allow the Bank to extend its operations to the future desired levels, without encountering any technological obstacles.

The year 2006 witnessed the accomplishment of another phase of upgrading the network infrastructure and the replacement of central servers, utilizing state-of-the-art Blade-technology, thus enabling the department to enhance its supporting role and to cope with the increasing volume of work in the various business centers of the Bank particularly in the branches.

The department maintained support for branching and branch renovation plan, through the provision of modern equipment and network facility. It also supported the installation of new ATMs, smart deposit and money exchange machines.

The third quarter of 2006 has seen the initial adoption of the customer relations management (CRM) system, and the implementation of SMS Push / Pull service. Regarding the National Payment Gateway through Internet, the Bank is fully prepared to be the first in applying this system in Jordan, immediately upon its release by the Visa Jordan Co.

Treasury and Investment

The Treasury and Investment Department maintained its investment activities in financial markets in 2006, providing services to individual and corporate customers, thus meeting their developing needs and achieving the Bank's strategic growth and development goals.

In the field of capital market, the Bank participated actively in government, companies and institutions' medium and long-term bonds issues. It was also involved in the bonds' secondary market, thus achieving excellent returns. The treasury department has managed to establish an investment portfolio in Jordanian dinar and foreign currency, with good returns and calculated risks. A study of the various international markets and price trends has helped identify components of that portfolio and ensure good returns thereof.

The Treasury and Investment Department conducted an assessment review for the Bank assets, focusing on quality and diversity, with a view to improving the returns thereof, and ensure its valid matching. While doing this, the treasury department has focused on diversifying sources of funds to be in line with the assets' quality and maturity thus improving profitability. The department carries out its tasks in accordance with the investment policy, approved by the Board of Directors, and guided by the Central Bank of Jordan (CBJ) regulations. While performing its functions the department takes into consideration the risks related to assets and liabilities, including market, credit and operational risks. In all cases, the prudent liquidity management policy is set to ensure safety and protection of the Bank's assets and liabilities.

The department has also provided investment services for individuals and corporate clients, thus meeting their needs beyond the mere provision of traditional bank services, and enhancing the Bank reputation as the best banking institution for those who seek comprehensive banking services. In another development, the department introduced derivatives trading service aimed at providing interested customers with the facility to trade in derivatives and to achieve worthy returns and also to hedge against changes in financial markets, interest rates, exchange rates and prices of commodities. The department further developed its relations with a worldwide network of correspondents to foster the Bank's presence at the largest possible scale and to channel its growing investment and banking needs.

Internal Audit

In order to provide a proper audit environment, the Bank's Board of Directors demonstrated keenness in enhancing the internal audit department's role to enable it to function in accordance with the best practices. In this respect, the Bank has updated its Internal Audit Charter to become in line with the best practices that are based on the CBJ's legislation, as well as on the Basel guidelines, and the International Standards for Professional Practice of Internal Auditing (ISPPIA).

The Department continued to apply its risk-based audit approach, with a view to achieving value-added, and improving the Bank operations through the evaluation and development of risk management, internal audit and corporate governance, thus helping the Bank to achieve its strategic objectives.

The consultative and supportive role of the department is ongoing through providing analysis, studies and recommendations on the Bank activities to the senior management, in addition to overseeing the internal audit controls.

As approved by the Bank's Board of Directors, and the Board Audit Committee (BAC), the internal audit department's programs and activities for the year 2006, have all been executed. These activities were scheduled to cover all work centers in the Bank, based on the risk level at each centre. The audit programmes also included ongoing follow up on the Bank branches abroad and the subsidiaries.

Regarding the IT audit, the department conducted audit missions on all operational systems at the Bank to assess its related risk, in addition to the on line audit covering the automated banking application and processes. The department was involved in the testing of modified and new automated applications. Additionally, the department is in the process of implementing an automated audit system to facilitate and enhance the audit function in accordance with the international best practices.

With a view to adapting information technology to serve the Bank objectives, initial preparation started in the third quarter of the year to implement the international best practices relating to IT management and control through applying (COBIT) methodology.

For the purpose of exchanging expertise, the department continued its cooperation and coordination with all subsidiaries of Kuwait Projects Company (KIPCO), which include banks and insurance companies, among other business activities.

During 2006, the department maintained its active participation in the special committee established by the CBJ to work out the process and implementation guidelines of Basel II resolutions in the Jordanian banking sector. In this regard, a number of the department staff has attended courses on these resolutions, in addition to several courses on internal audit held locally and abroad.

Centralized Operations

The Operations Management Department maintained its support for the Bank through its centralized departments and activities with a view to achieving its objectives in a manner consistent with the Bank strategy items.

The Card Operations Department: The Bank has seen a significant development through the supply and installation of state-of-the-art fully automated system, for issuing and managing all types of the new Visa Chip & Pin cards. The Bank was the first to introduce this product to Jordan market, and to apply the EMV technology, with the overall objective of ensuring full security for the cardholder and preventing counterfeit.

In September 2006, the cards department started to replace the old Visa Electron magnetic stripped cards with the new Chip cards. Arrangements are being finalized for issuing other distinguished debit and credit cards by the beginning of next year.

Commercial Services Department: In a serious bid to further develop the Bank activities and ensure the fast delivery of quality services to the Bank clients, the Bank has purchased an integrated system for foreign trade operations and has successfully implemented it, thus achieving a qualitative leap in the automation of incoming and outgoing L/Cs, bills of collection and money transfers. The system has been linked to the core banking system and to SWIFT application, while manual work has been completely discontinued. Moreover, the SWIFT system has been upgraded so that money transfers are automatically credited to the customers' accounts, without any manual intervention thus ensuring prompt and accurate delivery.

The Branches Services Centre: In preparation for implementing the Electronic clearing system, as required by the Central Bank of Jordan, the Bank has supplied all equipment and programs necessary to operate this system. The Bank has also participated in the initial and advanced system testing and completed the staff training. It should be noted that JKB was the first bank to complete these preparations ahead of schedule. The project is expected to be officially launched during the first quarter of 2007.

The Electronic Archiving Department: The electronic archiving system has been developed and linked with Internet banking system (Net Banker) in order to provide customers the facility to view and print monthly statements through the Internet, thus saving their time and effort. Work is currently underway to further enhance the system in order to allow customers to search for and retrieve other banking documents relating to their accounts.

Process Development Department: The approved work procedures for the various Bank departments and branches have been revised using the ARIS system, and were electronically published through the Bank's Intranet.

Both the Process Development and the Quality Assurance departments jointly managed the project, which aims at providing on line reference to the applied Bank procedures. The department staff participated actively in the testing process of the new core banking system in cooperation with the Information Technology Department.

During the year 2006, departments and units of the centralized operations have contributed to the implementation of the following Bank projects:

- In cooperation with the Information Technology Department and the Branches Department, the Customers Relations Management (CRM) system has been supplied and put into customization phase in accordance with the plan jointly developed by the Bank and the suppliers. This project will be finalized in the first quarter of 2007.
- To realize the Central Bank requirements, the Bank has contracted an American company to work out an integrated document for business continuity plan (BCP) and a mechanism to ensure continuity of the Bank activities under all circumstances. This project, which was launched in December 2006, is expected to finish by end of April 2007.
- In cooperation with the Information Technology Department and the Treasury and Investment Department, work on several improvements to the "Quantum" treasury system has been accomplished. The new enhancements aim at meeting the automation process requirements by the treasury department and other business-related departments.
- In cooperation with the Information Technology Department, the SMS Push / Pull system has been implemented. This new service enables Bank customers to inquire about their account balances, receive details of transactions and make money transfers within their own accounts and to a third party, in addition to other services through cellular phones.

Human Resources

The Human Resources Department is pursuing its efforts to develop and upgrade the human resources function, by applying the E-HR model, using the intranet and Internet facilities. The E-HR model shall include E-Training, human resources development and planning and career path building. The model will also be used for conducting employees' satisfaction surveys, staff evaluation and employment candidates' assessment. Since the beginning of the year, the department organized a number of management training programs focusing on leadership development, managerial skills and second-line staff empowerment programs, in addition to the career path special training programs.

In the second quarter of 2006, the department introduced the Career Path program on sound and advanced bases. The program aims at developing staff personal and functional skills, and providing equal opportunities for all employees to advance and progress.

The year 2006 witnessed intensive training activities whereas more than 2200 training opportunities were offered. Topics of the training programs and workshops covered various fields such as customer service, financial

banking, administrative, marketing, services and products, in addition to specialized credit, computer, and e-training programs. A number of staff has been offered scholarships to acquire professional accreditation or to pursue their academic qualification.

The Legal Department

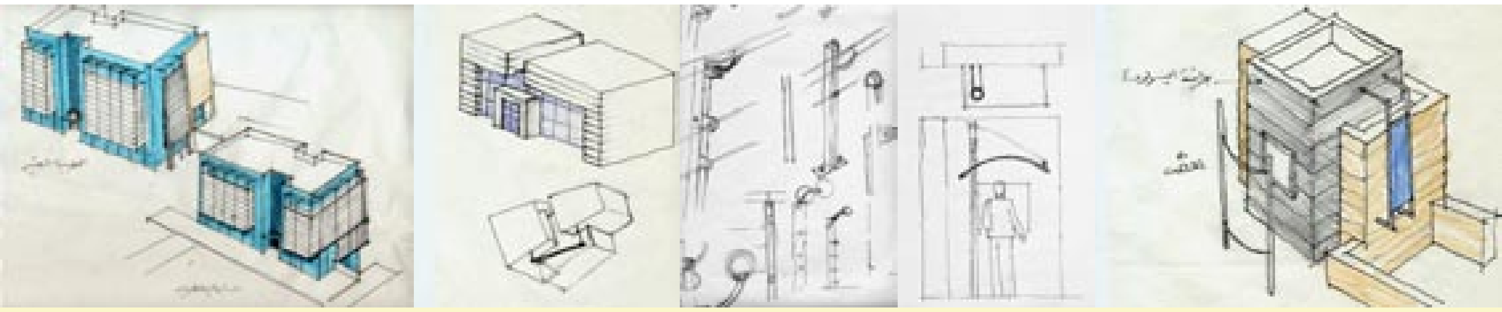
The Legal Department has continued providing its consultative and legal services for the Bank management and branches. It also intensified its follow up efforts to collect debt, be it a written-off or subjected to legal action.

In its effort to enhance communication and mutual understanding between the banking and legal entities, the department has organized three workshops for judges on banking-related issues. Within the same context the department issued the second edition of the book, entitled: "lawyers' Guide to Banking Operations".

Local Community and Environment Service

The local community and environment service constitutes one of the pillars of the Bank mission. Based on this, the Bank in 2006 kept providing direct financial support for several welfare and charitable societies. It also participated in sponsoring conferences and exhibitions with general developmental goals in the various economic, social, educational and environmental spheres. Furthermore, the Bank provided training for 44 male and female students from Jordanian universities, and community colleges to enable them practice what they have learnt in a real business environment.

2007 Business Plan



Pursuant to the endorsed Strategic Plan for the years 2007-2011, the Business Plan for 2007 will concentrate on the following:

1. Adoption of “2007, the Year of Distinctive Service”, as the Bank’s slogan for the year through utilizing all available resources to realize it in a manner that boosts shareholders’ and customers’ satisfaction. We believe that our distinguished service quality is the key to the Bank’s strength and the guarantee for its future development and growth.

2. Enforcing the departments, units and special committees entrusted with risk management, compliance, money laundering, business continuity functions, and upgrading their performance levels to cope with the international best practices.

3. Diversifying sources of income and increasing non-interest revenues through supplementary services, such as the private banking, insurance, financial brokerage, management of IPOs for shareholding companies and related services.

4. Enhancing the Customer Relations Management system (CRM), developing marketing tools, and introducing new products and services set to meet the customers’ requirements and market needs. This is to be backed by a Call Centre facility working around the clock.

5. Restructuring and developing the E- services with a view to enhancing and promoting the utilization thereof by the Bank customers. In doing so, the Bank counts on the high competencies of the New Core Banking system, which was implemented early in 2007.

6. Finalizing the branching and branch upgrading plan in a bid to enhance the bank presence in selected areas, and deploying more ATMs, including the most advanced 3 in 1 machines (cash withdrawal, cash deposits, and currency exchange).

7. Providing E-solutions for the human resources management. This includes: HR planning and development, career path structuring, performance evaluation, employment candidates testing, and E-training.

8. Issuing new types of credit and debit cards, utilizing high-tech specifications, and advanced features set to meet the needs of different categories of clients.

SUBSIDIARIES

Arab Orient Insurance Company

United Financial Investments Company

Visa International Service Association

PRINCIPAL MEMBER

ISSUER

ISSUER

Visa Jordan Card Services

PARTNER

AGENT

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Shareholders

Jordan Kuwait Bank

Amman – Jordan

Report on the Financial Statements

We have audited the accompanying financial statements of Jordan Kuwait Bank, which comprise the balance sheet as of December 31, 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Jordan Kuwait Bank as of December 31, 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

The Bank maintains proper accounting records and the accompanying financial statements are in agreement therewith and with the financial data presented in the Board of Directors' report. We recommend that the General Assembly of Shareholders approve these financial statements.

The accompanying financial statements are a translation of the statutory financial statements which are in the Arabic language to which reference should be made.

Deloitte & Touche (M.E.) – Jordan

Amman – Jordan
January 16, 2007

CONSOLIDATED BALANCE SHEETS

IN US DOLLARS

ASSETS	Note	2006	2005
Cash and balances at central banks	4	**253,367,433**	420,667,893
Balances at banks and financial institutions	5	**278,829,932**	316,508,166
Deposits at banks and financial institutions	6	**4,380,179**	11,941,193
Trading financial assets	7	**2,234,175**	3,887,961
Direct credit facilities - net	8	**1,352,855,739**	971,756,511
Available-for-sale financial assets	9	**263,126,842**	124,159,777
Held-to-maturity investments - net	10	**69,284,585**	60,510,003
Fixed assets - net	11	**17,326,938**	16,314,803
Intangible assets - net	12	**1,985,004**	1,820,682
Other assets	13	**81,685,007**	57,280,040
Deferred tax assets	20	**1,809,521**	1,573,538
TOTAL ASSETS		**2,326,885,355**	1,986,420,567
LIABILITIES AND OWNERS' EQUITY			
LIABILITIES			
Banks and financial institutions deposits	14	**144,529,846**	159,614,983
Customers deposits	15	**1,238,008,050**	1,112,757,419
Share capital payments on account for companies			
under establishment	16	**83,976,665**	223,333,698
Cash margins	17	**295,643,253**	224,341,037
Borrowed funds	18	**58,496,095**	22,453,994
Provisions	19	**15,679,122**	13,587,645
Provision for income tax	20	**23,044,822**	16,229,495
Deferred tax liabilities	20	**663,359**	690,860
Other liabilities	21	**190,608,660**	60,509,199
TOTAL LIABILITIES		**2,050,649,872**	1,833,518,330
OWNERS' EQUITY			
EQUITY - BANK SHAREHOLDERS:			
Paid-up capital	22	**105,782,793**	56,417,489
Share premium reserve	22	**42,313,117**	-
Statutory reserve	23	**29,590,664**	21,840,911
Voluntary reserve	23	**42,895,705**	36,459,779
General banking risks reserve	23	**12,522,423**	8,734,038
Cumulative change in fair value - net	24	**1,852,694**	928,708
Retained earnings	25&26	**29,733,186**	20,718,704
TOTAL EQUITY - BANK SHAREHOLDERS		**264,690,582**	145,099,629
Minority interest	27	**11,544,901**	7,802,608
TOTAL OWNERS' EQUITY		**276,235,483**	152,902,237
TOTAL LIABILITIES AND OWNERS' EQUITY		**2,326,885,355**	1,986,420,567

THE ACCOMPANYING NOTES FROM 1 TO 52 CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS AND SHOULD BE READ WITH THEM.

CONSOLIDATED STATEMENTS OF INCOME

IN US DOLLARS

	Note	2006	2005
Interest income	28	**144,759,011**	82,110,011
Interest expense	29	**64,083,962**	31,289,441
Net Interest Income		**80,675,049**	50,820,570
Commission income-net	30	**12,576,260**	8,649,560
Net Interest and Commission		**93,251,309**	59,470,130
Foreign exchange income		**4,247,561**	4,683,667
Income (loss) from trading financial assets	31	**(485,422)**	1,403,329
Income from available-for-sale financial assets	32	**712,879**	3,725,473
Other income	33	**14,689,061**	16,539,487
Gross Income		**112,415,388**	85,822,085
Expenses:			
Employees expenses	34	**20,411,664**	15,790,417
Depreciation and amortization	11 & 12	**4,596,931**	2,960,010
Other expenses	35	**12,514,748**	9,994,973
Provision (surplus) for impairment in credit facilities	8	**(5,165,694)**	802,628
Other various provisions	19	**1,152,688**	838,079
Total Expenses		**33,510,337**	30,386,107
Income before Taxes		**78,905,051**	55,435,977
Income tax expense	20	**22,300,238**	16,085,715
Income for the Year		**56,604,813**	39,350,262
Pertains to:			
Bank Shareholders		**55,197,292**	35,982,828
Minority Interest	27	**1,407,521**	3,367,434
Earnings per Share	36	**0.736**	0.537

THE ACCOMPANYING NOTES FROM 1 TO 52 CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS AND SHOULD BE READ WITH THEM.

CONSOLIDATED STATEMENTS OF CHANGES IN OWNERS' EQUITY

IN US DOLLARS

	Bank Shareholders' Equity									Minority Interest	Total Owners' Equity
	Capital	Share Premium Reserve	Reserves: Statutory Reserve	Reserves: Voluntary Reserve	Reserves: Foreign Branches Reserve	General Banking Risks Reserve	Cumulative Change in Fair Value	Retained Earnings	Total		
Year 2006											
Balance - beginning of the year	**56,417,489**	**-**	**21,840,911**	**36,459,779**	**-**	**8,734,038**	**928,708**	**20,718,704**	**145,099,629**	**7,802,608**	**152,902,237**
Change in fair value - net	**-**	**-**	**-**	**-**	**-**	**-**	**923,986**	**-**	**923,986**	**(44,085)**	**879,901**
Income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**55,197,292**	**55,197,292**	**1,407,520**	**56,604,812**
Total	**56,417,489**	**-**	**21,840,911**	**36,459,779**	**-**	**8,734,038**	**1,852,694**	**75,915,996**	**201,220,907**	**9,166,043**	**210,386,950**
Increase in capital and share premium reserve	**49,365,303**	**42,313,117**	**-**	**(9,063,580)**	**-**	**-**	**-**	**(19,145,165)**	**63,469,675**	**2,378,858**	**65,848,533**
Transfers to reserves	**-**	**-**	**7,749,753**	**15,499,506**	**-**	**3,788,385**	**-**	**(27,037,645)**	**-**	**-**	**-**
Balance - End of the Year	**105,782,792**	**42,313,117**	**29,590,664**	**42,895,705**	**-**	**12,522,423**	**1,852,694**	**29,733,186**	**264,690,582**	**11,544,901**	**276,235,483**
Year 2005											
Balance - beginning of the year	44,076,164	-	16,498,783	25,775,523	6,410,437	5,440,332	1,431,289	18,802,087	118,434,615	4,955,253	123,389,867
Change in fair value - net	-	-	-	-	-	-	(502,581)	-	(502,581)	(169,233)	(671,814)
Income for the year	-	-	-	-	-	-	-	35,982,828	35,982,828	3,367,434	39,350,262
Total	44,076,164	-	16,498,783	25,775,523	6,410,437	5,440,332	928,708	54,784,915	153,914,862	8,153,454	162,068,316
Increase in capital	12,341,326	-	-	-	(6,410,437)	-	-	(5,930,889)	-	-	-
Transfers to reserves	-	-	5,342,128	10,684,255	-	3,293,707	-	(19,320,090)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(8,815,233)	(8,815,233)	(350,846)	(9,166,079)
Balance - End of the Year	56,417,489	-	21,840,911	36,459,779	-	8,734,038	928,708	20,718,704	145,099,629	7,802,608	152,902,237

- Included in retained earnings is an amount of USD 1,809,521 as of December 31, 2006 restricted by the Central Bank of Jordan against deferred tax assets (USD 1,573,538 as of December 31, 2005).
- Use of the general banking risks reserve is restricted and requires the prior approval of the Central Bank of Jordan.

THE ACCOMPANYING NOTES FROM 1 TO 52 CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS AND SHOULD BE READ WITH THEM.

CONSOLIDATED STATEMENTS OF CASH FLOWS

IN US DOLLARS

	Note	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before tax		**78,905,051**	55,435,977
Adjustments:			
Depreciation and amortization		**4,596,931**	2,960,010
(Surplus) provision for impairment in credit facilities		**(5,165,694)**	802,628
Provision for employees end-of-service indemnity		**1,032,801**	774,307
Provision for lawsuits against the Bank		**119,887**	63,772
(Profit) on sale of assets seized by the Bank		**(420,086)**	(532,869)
(Gain) on sale of fixed assets		**(4,295)**	(10,715)
Effect of exchange rate fluctuations on cash and cash equivalents		**(2,481,367)**	(2,307,396)
Subsidiary companies technical reserves		**1,340,645**	1,769,035
Total		**77,923,873**	58,954,749
Changes in Assets and Liabilities:			
Decrease in cash and balances at banks due after 3 months		**3,894,173**	43,300,423
Decrease in deposits at banks and financial institutions		**7,561,014**	15,383,807
(Increase) in direct credit facilities		**(375,933,535)**	(344,311,891)
Decrease (increase) in trading financial assets		**1,653,786**	(2,483,718)
(Increase) in other assets		**(24,303,606)**	(25,636,732)
(Decrease) increase in banks and financial institutions deposits due after three months		**(10,397,743)**	5,531,735
Increase in customers deposits		**125,250,632**	355,136,114
(Decrease) increase in share capital payments on account for companies under establishment		**(139,357,034)**	223,333,698
Increase in cash margins		**71,302,216**	68,396,580
Increase in other liabilities		**130,099,461**	22,109,553
Net Cash (used in) from Operating Activities before Tax, Staff Indemnities Paid,			
and Payments for Lawsuits		**(132,306,763)**	419,714,317
Staff indemnities paid		**(323,901)**	(331,927)
Provision for legal cases paid		**(77,953)**	(63,772)
Income tax paid		**(15,720,893)**	(11,146,553)
Net Cash (used in) from Operating Activities		**(148,429,511)**	408,172,066
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Increase) in held-to-maturity investments		**(8,774,583)**	(60,510,003)
(Increase) in available-for-sale investments		**(138,070,581)**	(5,916,495)
(Increase) in fixed assets		**(4,127,200)**	(5,360,611)
(Increase) in intangible assets		**(1,323,168)**	(1,581,608)
Net Cash (used in) Investing Activities		**(152,295,532)**	(73,368,717)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in capital and premium		**63,469,676**	-
Increase (decrease) in minority interest		**2,334,773**	(520,079)
Increase (decrease) in borrowed funds		**36,042,100**	(1,879,206)
Dividends paid		**-**	(8,714,898)
Net Cash from (used in) Financing Activities		**101,846,549**	(11,114,183)
Effect of exchange rate fluctuations on cash and cash equivalents		**2,481,367**	2,307,396
Net (Decrease) Increase in Cash and Cash Equivalents		**(196,397,127)**	325,996,563
Cash and cash equivalents - beginning of the year		**569,305,787**	243,309,224
Cash and Cash Equivalents - End of the Year	37	**372,908,660**	569,305,787

THE ACCOMPANYING NOTES FROM 1 TO 52 CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS AND SHOULD BE READ WITH THEM.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1- General

- Jordan Kuwait Bank was established as a Jordanian public shareholding company in accordance with the Companies Law no. 13 for the year 1964. It was registered under number (108) on October 25, 1976 with an authorized capital of USD 7 million, represented by 5 million shares at a par value of one Jordanian Dinar per share. The Bank's authorized and paid-up capital was gradually increased to USD 105.8 million as of December 31, 2006.
- The Bank is engaged in banking and related financial operations through its branches in the Hashemite Kingdom of Jordan totaling 46 branches and three overseas ones. In addition, two subsidiary companies, the Arab Orient Insurance Company and United Company for Financial Investments (a public shareholding company), are engaged in providing insurance services and financial brokerage.
- The total number of employees was 894 of whom 120 employees belong to the subsidiary companies as of December 31, 2006 (795 employees of whom 108 employees belong to subsidiary companies as of December 31, 2005).
- The consolidated financial statements have been approved by the Bank's Board of Directors in their meeting No. (1/2007) held on January 16, 2007.

2- Significant Accounting Policies

Basis of presentation

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

Basis of Consolidation

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

The Bank owns the following subsidiaries as of December, 31 2006:

Company's Name	Paid-up Capital USD	Ownership %	Nature of Operation	Location	Date of Acquisition
Arab Orient Insurance Co.	14,104,372	65.70%	Insurance	Amman	2001
United Financial Investments Co.	7,052,186	50.69%	Financial brokerage	Amman	2002

- Results of operations are consolidated in the income statement from the date of acquisition which represents the date when control is passed on to the Bank. Moreover, results of operations of the disposed of subsidiaries are consolidated in the income statement until the disposal date which represents the date when the bank loses controls over the subsidiaries.
- Minority interest represents the portion of the subsidiaries' equity not owned by the Bank.

Financial Assets Held for Trading

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

Direct Credit Facilities

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

Available-for-Sale Financial Assets

- Available-for-sale financial assets are initially recorded at fair value including acquisition costs. They are subsequently re-measured to fair value as of the date of the financial statements. Moreover, changes in fair value are recorded in a separate account within shareholders' equity. When these assets are fully or partially sold, disposed of, or determined to be impaired, the income or losses are recorded in the income statement, including related amounts previously recorded within shareholders' equity. The loss resulting from the impaired value of the debt instruments is reversed when it is objectively evident that the increase in their fair value occurred after the losses had been recognized. Impairment losses resulting from the decline in the value of equity securities can not be reversed.
- Income and losses resulting from the foreign exchange of interest-bearing debt instruments are included in the income statement. The differences in the foreign currency of equity instruments are included in the cumulative change in fair value within shareholders' equity.
- Interest from available-for-sale financial instruments are recorded in the income statement using the effective interest method. Impairment in assets is recorded in the income statement when incurred.
- Financial instruments for which fair value can not be reliably determined are shown at cost. The decline in value is recorded in the income statement.

Held-to-Maturity Investments

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

Fair Value

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

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

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

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

Impairment in the Value of Financial Assets

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

The impairment is determined as follows:

- The impairment in financial assets recorded at amortized cost is determined on the basis of the present value of the cash flows discounted at the original interest rate.
- The impairment in the financial assets available for sale recorded at fair value represents the difference between the book value and fair value.

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

Fixed Assets

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

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

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

Provisions

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

Provision for Employees End-of-Service Indemnities

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

Income Tax

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

Offsetting

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

Realization of Income and Recognition of Expenses

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

Recognition of Financial Assets

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

Financial Derivatives and Hedge Accounting

For hedge accounting purposes, the financial derivatives are stated at fair value.
Hedges are classified as follows:
- Fair value hedge: hedge for the change in the fair value exposures of the Bank's assets and liabilities.

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

Financial Derivatives for Trading:

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

Repurchase and Resale Agreements

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

Foreclosed Assets

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

Intangible Assets

A- Goodwill:

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

B- Other Intangible Assets

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

Foreign Currency

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

Cash and Cash Equivalents

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

Accounting Estimates

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

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

3. New International Financial Reporting Standards

The International Accounting Standards Board issued amendments to the International Accounting Standards and new International Accounting Standards which have become effective from January 1, 2006. In the opinion of the Bank's management, the application of these standards and their interpretations has had no material impact on the consolidated financial statements. The following are the significant new and amended standards:
- International Accounting Standard No. 39 (amendments) relating to the fair value option. This amendment changes the definition of financial instruments classified according to fair value, and is charged to the consolidated statement of income. Furthermore, it restricts the determination of financial instruments as part of their classification.
- IFRIC 4 which requires determination of whether the agreements include leasing depending on the gest of the agreement.

In addition, the International Accounting Standards Board issued International Financial Reporting Standard No. 7 (Financial Instruments Disclosures) which replaced International Accounting Standard No. 30 (Notes to the Financial Statements of Banks and Financial Institutions) and amended some disclosure requirements in International Accounting Standard No. 32 (Financial Instruments – Presentation and Disclosure). The requirements of this standard are to be applied effective from January 1, 2007.

4- Cash and Balances at Central Banks:

This item consists of the following:

	2006	2005
Cash in vaults	**23,373,368**	18,324,836
Balances at central banks:		
Current accounts	**8,224,932**	9,765,817
Time and notice deposits	**23,293,276**	21,383,693
Mandatory cash reserve	**77,601,386**	65,551,798
Certificates of deposit *	**120,874,471**	305,641,749
Total	**253,367,433**	420,667,893

- Except for the mandatory cash reserve, there are no restricted balances as of December 31, 2006 and 2005.

* This item includes an amount of USD 16,502,116 due after 3 months as of December 31, 2006 against USD 21,156,559 as of December 31, 2005.

* This item includes certificates of deposit of USD 42,313,117 purchased on September 24, 2006 and due on March 25, 2007 at an interest rate of 6.914%. These certificates were sold to the Central Bank of Jordan according to a repurchase agreement on December 28, 2006 (Note 18).

5. Balances at Banks and Financial Institutions

This item consists of the following:

	Local Banks & Financial Institutions		Banks & Financial Institutions Abroad		Total	
	2006	2005	2006	2005	2006	2005
Current accounts	**270,787**	349,072	**2,604,814**	10,468,704	**2,875,601**	10,817,776
Deposits due within 3 months	**-**	-	**273,954,331**	305,690,391	**273,954,331**	305,690,391
Certificates of deposit due within 3 months	**-**	-	**2,000,000**	-	**2,000,000**	-
Total	**270,787**	349,072	**278,559,145**	316,159,095	**278,829,932**	316,508,167

- Non-interest bearing balances at banks and financial institutions amounted to USD 896,691 as of December 31, 2006 against USD 1,131,202 as of December 31, 2005.
- Restricted balances amounted to USD 760,269 as of December 31, 2006 against nothing as of December 31, 2005.
- Balances restricted to the order of the Director of the Insurance Regulatory Commission amounted to USD 317,348 as of December 31, 2006 and December 31, 2005. These balances belong to the subsidiary company Arab Orient Insurance Company. Moreover, the restriction has been implemented in compliance with the provisions of the Insurance Control Law.

6. Deposits at Banks and Financial Institutions

This item consists of the following:

	Local Banks & Financial Institutions		Banks & Financial Institutions Abroad		Total	
	2006	2005	2006	2005	2006	2005
Maturity Period						
From 3 months to 6 months	**-**	-	**148,867**	204,881	**148,867**	204,881
From 6 months to 9 months	**-**	-	**-**	505,000	**-**	505,000
From 9 months to 12 months	**-**	-	**-**	-	**-**	-
More than a year	**-**	-	**-**	-	**-**	-
Certificates of deposit:			**-**	-	**-**	-
From 3 months to 6 months	**4,231,312**	-	**-**	5,000,000	**4,231,312**	5,000,000
From 6 months to 9 months	**-**	-	**-**	-	**-**	-
From 9 months to 12 months	**-**	-	**-**	-	**-**	-
More than one year	**-**	4,231,312	**-**	2,000,000	**-**	6,231,312
Total	**4,231,312**	4,231,312	**148,867**	7,709,881	**4,380,179**	11,941,193

Restricted deposits amounted to USD 25,000 as of December 31, 2006 against USD 530,000 as of December 31, 2005.

7. Trading Financial Assets

This item consists of the following:

	2006	2005
Quoted treasuries	**798,449**	-
Quoted shares	**1,435,726**	3,887,961
Total	**2,234,175**	3,887,961

8 . Direct Credit Facilities - Net

This item consists of the following:

	2006	2005
Discounted bills *	**4,468,126**	2,940,720
Overdraft facilities	**201,150,568**	166,563,154
Loans and advances **	**1,149,634,704**	812,769,288
Credit Cards	**3,987,811**	2,655,491
Total	**1,359,241,209**	984,928,653
Less: Provision for impairment in credit facilities	**5,407,721**	11,485,901
Less: Suspense interest	**977,749**	1,686,241
Net Direct Credit Facilities	**1,352,855,739**	971,756,511

* Net after deducting interest and commissions received in advance of USD 232,780 as of December 31, 2006 against USD 94,039 as of December 31, 2005.

** Net after deducting interest and commissions received in advance of USD 6,303,708 as of December 31, 2006 against USD 6,383,530 as of December 31, 2005.

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

	Inside Jordan	Other Middle East Countries	Europe	Total	
				2006	2005
Agriculture	56,618,654	-	-	**56,618,654**	18,716,353
Manufacturing and mining	216,597,712	3,304,464	-	**219,902,176**	209,059,522
Construction	119,041,581	148,310	18,168	**119,208,059**	34,537,124
General trade	362,354,078	9,664,234	-	**372,018,312**	230,536,463
Transport services	71,786,457	-	-	**71,786,457**	58,156,133
Tourism, hotels and restaurants	63,037,887	-	-	**63,037,887**	42,779,372
Public utilities and services	89,655,980	26,247,808	631,381	**116,535,169**	83,295,719
Financial services	93,044,865	30,428,835	3,021,718	**126,495,418**	79,167,110
Stock purchase	72,705,800	2,093,296	8,387,434	**83,186,530**	47,524,505
Residence and real estate	80,754,255	-	-	**80,754,255**	115,273,008
Vehicle financing	11,733,453	-	-	**11,733,453**	9,320,702
Consumables financing	6,585,611	-	-	**6,585,611**	5,430,437
Other purposes	15,053,842	16,325,386	-	**31,379,228**	51,132,205
Total	1,258,970,175	88,212,333	12,058,701	**1,359,241,209**	984,928,653

Direct credit facilities are distributed over the following sectors:

	2006	2005
Public sector	**45,835,049**	48,491,352
Private Sector:		
Companies and financial institutions	**850,625,724**	534,155,044
Individuals	**462,780,436**	402,282,257
	1,359,241,209	984,928,653

- Non-performing credit facilities amounted to USD 5,419,069, which is equivalent to 0.4% of total direct credit facilities, as of December 31, 2006 against USD 7,621,690, which is equivalent to 0.8% of total direct credit facilities as of December 31, 2005.
- Non-performing credit facilities excluding interest and commissions in suspense amounted to USD 4,457,714, which is equivalent to 0.3% of total direct credit facilities, as of December 31, 2006 against USD 5,654,942, which is equivalent to 0.6% of total direct credit facilities as of December 31, 2005.
- Credit facilities granted to / guaranteed by the Government of Jordan amounted to USD 22,020,870 , which is equivalent to 1.6% of total direct credit facilities, as of December 31, 2006 against USD 20,562,183 , which is equivalent to 2.1% of total direct credit facilities as of December 31, 2005.
- Direct credit facilities granted against real estate collaterals amounted to USD 288,303,597 , as of December 31, 2006 against USD 180,249,604 as of December 31, 2005.
- The fair value of guarantees presented as collateral against granted credit facilities amounted to USD 781,885,446, as of December 31, 2006 against USD 582,205,910 as of December 31, 2005.

Provision for Impairment in Credit Facilities :

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

	2006	2005
Balance - beginning of the year	**11,485,902**	11,522,774
Provision/(Surplus) for the year	**(5,165,694)**	802,628
Debts written-off	**(912,487)**	(839,501)
Balance - End of the Year	**5,407,721**	11,485,901

- Surplus provisions resulting from debt settlements and repayments amounted to USD 2,794,935, as of December 31, 2006 against USD 2,634,753 as of December 31, 2005.

Interest in Suspense

- The movement on interest in suspense was as follows:

	2006	2005
Balance – beginning of the year	**1,686,241**	3,242,853
Add: Interest in suspense for the year	**486,042**	593,652
Less: Interest taken to income	**607,559**	948,068
Less: Interest and commission in suspense written-off	**586,975**	1,202,196
Balance - End of the Year	**977,749**	1,686,241

9. Available-for-Sale Financial Assets

The details of this item are as follows:

	2006	2005
Quoted Available-for-Sale Financial Assets:		
Governmental bonds or bonds guaranteed by the Government	**54,268,434**	32,502,735
Companies bonds and debentures	**77,309,924**	63,112,661
Other bonds	**6,541,694**	9,441,652
Companies shares	**12,793,917**	6,769,795
Total Quoted Available-for-Sale Financial Assets	**150,913,969**	111,826,843
Unquoted Available-for-Sale Financial Assets:		
Local treasury bills *	**92,922,121**	-
Governmental bonds or bonds guaranteed by the Government	**1,410,437**	1,410,437
Companies bonds and debentures	**6,810,364**	705,219
Companies shares	**11,069,951**	10,217,278
Total Unquoted Available-for-Sale Financial Assets	**112,212,873**	12,332,934
Total Available-for-Sale Financial Assets	**263,126,842**	124,159,777
Bonds Analysis:		
Fixed return	**205,797,506**	75,616,753
Variable return	**33,465,468**	31,555,951
	239,262,974	107,172,704

- Some of the available-for-sale financial assets are recorded at cost/amortized cost as their fair values cannot be reliably determined. These assets amounted to USD 112,212,873 as of December 31, 2006 against USD 12,332,934 as of December 31, 2005.

* This item represents treasury bills amounting to USD 92,922,121 of which bills of USD 62,828,568 mature on September 17, 2007 at a discount rate of 6.528% and bills of USD 35,260,931 mature on December 17, 2007 at a discount rate of 6.468% pledged for sale to the Social Security Corporation by the Bank according to a sale agreement shown in Note (21).

10. Held-to-Maturity Investments - Net

This item consists of the following:

	2006	2005
Quoted Financial Assets:		
Treasury bills	**-**	-
Companies bonds and debentures	**9,916,000**	-
Total Quoted Financial Assets	**9,916,000**	-
Unquoted Financial Assets:		
Treasury bills	**59,230,395**	60,510,003
Companies bonds and debentures	**286,709**	148,519
Total Unquoted Financial Assets	**59,517,104**	60,658,522
Total Held-to-Maturity Financial Assets	**69,433,104**	60,658,522
Less: Provision	**(148,519)**	(148,519)
Net Held-to-Maturity Financial Assets	**69,284,585**	60,510,003
Bonds Return Analysis:		
Fixed return	**59,517,104**	60,658,522
Variable return	**9,916,000**	-
Total	**69,433,104**	60,658,522

- Held-to-maturity bonds mature over several payments the last of which matures on October 13, 2016 except for companies bonds of USD 148,519 overdue since September 23, 1998 and for which full provision has been taken.

11. Fixed Assets - Net

The details of this item are as follows:

	Land	Buildings	Furniture, Fixtures and Equipment	Vehicles	Computers	Buildings Improvements	Total
Year 2006							
Cost:							
Balance - beginning of the year	**1,829,887**	**5,161,202**	**6,974,130**	**648,174**	**9,008,588**	**5,144,406**	**28,766,387**
Additions	**-**	**140,159**	**1,236,877**	**158,216**	**1,290,979**	**1,510,554**	**4,336,785**
Disposals	**-**	**-**	**131,946**	**19,757**	**56,116**	**-**	**207,829**
Balance - End of the year	**1,829,887**	**5,301,361**	**8,079,061**	**786,633**	**10,243,451**	**6,654,960**	**32,895,353**
Accumulated Depreciation:							
Balance - beginning of the year	**-**	**1,148,653**	**3,664,602**	**261,831**	**6,066,518**	**2,352,097**	**13,493,701**
Additions	**-**	**158,704**	**783,110**	**89,907**	**1,218,313**	**869,326**	**3,119,360**
Disposals	**-**	**-**	**105,200**	**19,757**	**12,006**	**-**	**136,963**
Balance - End of the year	**-**	**1,307,357**	**4,342,512**	**331,981**	**7,272,825**	**3,221,423**	**16,476,098**
Net Book Value of Fixed Assets	**1,829,887**	**3,994,004**	**3,736,549**	**454,652**	**2,970,626**	**3,433,537**	**16,419,255**
Down payments on fixed assets purchases	**-**	**-**	**907,683**	**-**	**-**	**-**	**907,683**
Balance - End of the Year	**1,829,887**	**3,994,004**	**4,644,232**	**454,652**	**2,970,626**	**3,433,537**	**17,326,938**
Year 2005							
Cost:							
Balance - beginning of the year	1,829,887	4,660,632	6,046,245	450,232	7,864,188	3,588,581	24,439,765
Additions	-	500,570	1,131,793	314,815	1,347,533	1,598,568	4,893,279
Disposals	-	-	203,908	116,873	203,133	42,743	566,657
Balance - End of the year	1,829,887	5,161,202	6,974,130	648,174	9,008,588	5,144,406	28,766,387
Accumulated Depreciation:							
Balance - beginning of the year	-	995,807	3,169,152	234,220	5,180,636	1,856,028	11,435,843
Additions	-	152,846	674,408	62,593	1,084,465	538,714	2,513,026
Disposals	-	-	178,958	34,982	198,583	42,645	455,168
Balance - End of the year	-	1,148,653	3,664,602	261,831	6,066,518	2,352,097	13,493,701
Net Book Value of Fixed Assets	1,829,887	4,012,549	3,309,528	386,343	2,942,070	2,792,309	15,272,686
Down payments on fixed assets purchases	-	-	1,042,117	-	-	-	1,042,117
Balance - End of the Year	1,829,887	4,012,549	4,351,645	386,343	2,942,070	2,792,309	16,314,803

- Fixed assets as of December 31, 2006 include an amount of USD 5,370,870, representing fully depreciated fixed assets against USD 4,852,475 as of December 31, 2005.

12. Intangible Assets

This item consists of the following:

	2006			
	Computer Software and Applications	Goodwill	Other	Total
Balance-beginning of the year	**1,237,632**	**-**	**583,050**	**1,820,682**
Additions	**1,165,904**	**318,725**	**157,265**	**1,641,894**
Amortization for the year	**737,257**	**-**	**740,315**	**1,477,572**
Balance-End of the year	**1,666,279**	**318,725**	**-**	**1,985,004**

	2005			
	Computer Software and Applications	Goodwill	Other	Total
Balance-beginning of the year	514,832	-	171,226	686,058
Additions	1,094,656	-	486,952	1,581,608
Amortization for the year	371,856	-	75,128	446,984
Balance-End of the year	1,237,632	-	583,050	1,820,682

13. Other Assets

This item consists of the following:

	2006	2005
Accrued interest	**10,780,138**	7,720,777
Prepaid expenses	**650,566**	598,006
Assets seized by the Bank	**2,517,543**	3,669,047
Unrealized gains of financial derivatives (Note 38)	**55,516**	17,714
Accounts receivable *	**10,532,260**	8,374,566
Clearing checks	**52,493,254**	34,207,588
Other *	**4,655,730**	2,692,342
Total	**81,685,007**	57,280,040

* Accounts receivable and other assets include balances relating to the subsidiary companies amounting to USD 13,084,962 as of December 31, 2006 against USD 9,388,544 as of December 31, 2005.

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

	2006	2005
Balance - beginning of the year	**3,669,047**	4,466,542
Additions	**296,534**	831,882
Disposals	**1,448,038**	1,629,377
Balance - End of the year	**2,517,543**	3,669,047

14. Banks and Financial Institutions Deposits

This item consists of the following :

	2006			2005		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
Current accounts and						
demand deposits	**5,470,216**	**9,293,100**	**14,763,316**	5,938,344	3,325,700	9,264,044
Deposits:						
Deposits due within 3 months	**26,857,734**	**100,087,922**	**126,945,656**	49,724,419	87,407,902	137,132,321
Maturing:						
from 3 to 6 months	**2,820,874**	-	**2,820,874**		8,000,000	8,000,000
from 6 to 9 months	-	-	-	705,219		705,219
from 9 to 12 months	-	-	-	-	-	-
More than one year	-	-	-	-	-	-
Certificates of Deposit:	-	-				
due within 3 months	-	-	-	-	-	-
Maturing:	-	-				
from 3 to 6 months	-	-	-	-	-	-
from 6 to 9 months	-	-	-	4,513,399	-	4,513,399
from 9 to 12 months	-	-	-	-	-	-
More than one year	-	-	-	-	-	-
Total	**35,148,824**	**109,381,022**	**144,529,846**	60,881,381	98,733,602	159,614,983

15. Customers Deposits

This item consists of the following :

	2006	2005
Current accounts and demand deposits	**323,473,696**	323,237,458
Saving accounts	**74,657,432**	71,259,684
Time and notice deposits	**839,876,922**	715,304,188
Certificates of deposit	-	2,956,089
Total	**1,238,008,050**	1,112,757,419

a. Public sector deposits inside Jordan amounted to USD 168,857,261, which is equivalent to 13.6% of total customers deposits as of December 31, 2006 against USD 185,267,797, which is equivalent to 16.6% of total customers deposits as of December 31, 2005.

b. Non-interest bearing deposits amounted to USD 285,709,752, which is equivalent to 23.1% of total customers deposits as of December 31, 2006 against USD 246,094,553 which is equivalent to 22.1% of total customers deposits as of December 31, 2005.

c. Restricted accounts amounted to USD 13,406,829, which is equivalent to 1.08% of total customers deposits as of December 31, 2006 against USD 10,413,021, which is equivalent to 1% of total customers deposits as of December 31, 2005.

d. Dormant deposits amounted to USD 15,976,488 as of December 31, 2006 against USD 11,930,444 as of December 31, 2005.

16. Share Capital Payments on Account for Companies under Establishment

This item represents payments of USD 83,976,665 on account of setting up the capital of two companies as of December 31, 2006 against USD 223,333,698 for one company as of December 31, 2005.

17. Cash Margins

This item consists of the following:

	2006	2005
Cash margins on direct credit facilities	**269,250,129**	195,458,954
Cash margins on indirect credit facilities	**26,004,072**	28,393,626
Marginal deposits	**359,997**	484,707
Other margins	**29,055**	3,750
Total	**295,643,253**	224,341,037

18. Borrowed Funds

This item consists of the following:

	Amount	Number of Installments		Frequency of Installments	Guarantees	Interest Rate
		Total	Remaining			
Year 2006						
a- Borrowings from Central Bank of Jordan	-	-	-	-	-	-
b- Borrowings from banks and financial institutions abroad	**2,566,387**		**One installment**		**by the Bank**	**Libor + 40 points**
c- Jordan Mortgage Refinance Company	**12,488,241**		**Set at the end of each period**		**Endorsement of real estate bonds**	**5.91%**
c- Jordan Mortgage Refinance Company	**1,128,350**	**12**	**2**	**Semester based**	**Endorsement of real estate bonds**	**3.70%**
d- Borrowing from Central Bank of Jordan	**42,313,117**	-	-	-		**6.91%**
Total	**58,496,095**					
Year 2005						
a- Borrowings from Central Bank of Jordan	3,340,381	11	11	Various	by the Bank	2.50%
b- Borrowings from banks and financial institutions abroad	3,127,488		One installment due on demand		by the Bank	Libor + 40 points
c- Jordan Mortgage Refinance Company	12,488,241		Set at the end of each period		Endorsement of real estate bonds	5.91%
c- Jordan Mortgage Refinance Company	3,497,884	12	6	Semester based	Endorsement of real estate bonds	3.70%
Total	22,453,994					

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

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

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

d. The maturity of the amount borrowed from the Central Bank of Jordan extends up to January 6, 2007 according to the certificates of deposits repurchase agreement at an interest rate of 6.914% and for a period of 9 days starting from December 28, 2006 (Note 4).

19. Provisions

This item consists of the following:

	Beginning Balance	Additions	Disposals	Returned to Income	Ending Balance
Year 2006					
Provision for staff indemnity	**3,921,106**	**1,032,800**	**323,901**	**-**	**4,630,005**
Provision for lawsuits against the Bank and probable claims	**211,566**	**119,887**	**77,954**	**-**	**253,499**
Technical reserves relating to a subsidiary company	**9,454,973**	**1,340,645**	**-**	**-**	**10,795,618**
Total	**13,587,645**	**2,493,332**	**401,855**	**-**	**15,679,122**
Year 2005					
Provision for staff indemnity	3,478,725	774,308	331,927	-	3,921,106
Provision for lawsuits against the Bank and probable claims	211,566	63,772	63,772	-	211,566
Technical reserves relating to a subsidiary company	7,685,938	1,769,035	-	-	9,454,973
Total	11,376,229	2,607,115	395,699	-	13,587,645

20. Income Taxes

A) Provision for income tax:

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

	2006	2005
Beginning balance	**16,229,495**	10,823,502
Income tax paid	**(15,169,014)**	(10,999,206)
Down payment	**(551,876)**	(147,347)
Prior years' income tax	**-**	185,398
Income tax for the year	**22,536,220**	16,367,148
Ending Balance	**23,044,822**	16,229,495

- Income tax for the year consists of the following:

	2006	2005
Income tax for the year	**22,536,220**	16,367,148
Accrued income tax - prior years (settlements)	**-**	185,398
Deferred tax assets for the year	**(397,614)**	(653,770)
Deferred tax liabilities for the year	**-**	47,611
Amortization of deferred tax assets	**161,632**	139,328
	22,300,238	16,085,715

- A final settlement with the income tax authorities has been reached for Jordan branches up to the year 2004 and for the Bank branches in Palestine. Moreover, the tax returns for the Bank and its foreign branches have been submitted and tax paid thereon for the year 2005 but no final tax settlement has been reached yet.
- A final settlement with the Income Tax Department for Arab Orient Insurance Company has been reached up to the year 2005 and for the United Financial Investment Company up to the year 2003. Moreover, the tax returns of the subsidiary companies have been submitted up to the year 2005, and management believes that the income tax liability will not exceed the provisions taken.

b- Deferred Tax Assets / Liabilities:

The details of this item are as follows:

Accounts Included	2006 Amounts: Beginning Balance as of January 1, 2006	2006 Amounts: Amounts Released	2006 Amounts: Additions	2006 Amounts: Balance End of the Year	2006 Deferred Tax	2005 Deferred Tax
1- Deferred Tax Assets						
Prior years' provision for non-performing loans	**129,704**	**59,951**	**-**	**69,753**	**24,413**	45,396
Provision for staff indemnity	**3,804,315**	**323,901**	**1,016,152**	**4,496,566**	**1,573,798**	1,331,511
Impairment loss in real estate	**350,240**	**-**	**-**	**350,240**	**122,585**	122,585
Provision for lawsuits against the Bank	**211,566**	**77,954**	**119,887**	**253,499**	**88,725**	74,046
	4,495,825	**461,806**	**1,136,039**	**5,170,058**	**1,809,521**	1,573,538
2- Deferred Tax Liabilities *						
Unrealized profit on trading financial assets **	**414,862**	**52,983**	**-**	**361,879**	**77,787**	77,787
Cumulative change in fair value	**1,750,832**	**2,280,931**	**3,046,151**	**2,516,052**	**585,571**	613,073
	2,165,694	**2,333,914**	**3,046,151**	**2,877,931**	**663,358**	690,860

* Deferred tax liabilities include USD 663,358 as of December 31, 2006 against USD 690,860 for the previous year resulting from the revaluation gain on trading financial assets included in the statement of income and revaluation gains on available-for-sale financial assets presented at a net amount within the cumulative change in fair value under equity.

** The tax surplus of USD 11,887 resulting from releasing the unrealized losses of the trading securities of USD 52,983 has not been taken during the year 2006 as management is not certain that it would benefit from it in the future.

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

	2006		2005	
Description	Assets	Liabilities	Assets	Liabilities
Beginning balance	**1,573,539**	**690,860**	1,059,097	529,695
Additions during the year	**397,614**	**936,886**	653,770	161,165
Deductions	**(161,632)**	**(964,388)**	(139,329)	-
Ending Balance	**1,809,521**	**663,358**	1,573,539	690,860

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

	2006	2005
Declared income	**78,905,051**	55,435,977
Tax exempted income	**(8,078,035)**	(5,556,505)
Un-deductible expenses	**3,077,085**	2,368,151
Taxable income	**73,904,101**	52,247,623
Income Tax Rates:		
Bank- Jordan	**35%**	35%
Bank- Cyprus	**10%**	4.25%
Subsidiary companies	**25%**	25%
Percentage of deferred taxes	**35%**	35%

21. Other Liabilities

This item consists of the following:

	2006	2005
Accrued interest	6,990,426	4,520,937
Cash margins and accepted checks	13,284,970	22,394,172
Temporary deposits	2,008,212	730,764
Public shareholding companies deposits *	44,760,453	-
Shareholders' deposits **	4,698,715	4,317
Time deposits - treasury bills sale agreement ***	92,663,846	-
Accepted and certified checks	6,062,141	10,081,391
Down payments on safe deposit boxes	89,175	83,935
Down payments on real estates sold	85,625	428,488
Unrealized losses on financial derivatives (Note 38)	2,384	80,083
Amounts in transit	595,578	1,430,193
Other liabilities ****	19,367,135	20,754,919
Total	190,608,660	60,509,199

* This item represents temporary payment deposits to public shareholding companies.

** This item represents the total amounts resulting from selling unsubscribed shares totaling 1,602,955 shares at market price. The difference between the market price and issue price of the share of USD 4 has been recorded as shareholders' deposits.

*** This item represents the total amounts borrowed from the Social Security Corporation as a result of the treasury bills sale agreement (Note 9) at an interest rate ranging from 6.723% to 6.9%.

**** Other liabilities include the accounts payable of the subsidiary companies of USD 9,016,137 as of December 31, 2006 against USD 14,284,633 as of December 31, 2005.

22. Paid-up Capital and Share Premium Reserve

In an extraordinary meeting held on March 1, 2006, the General Assembly of Shareholders resolved to increase the Bank's capital to become share 84,626,234 through capitalizing USD 28,208,745 from retained earnings and the reserves. Moreover, the Bank obtained the approval of the Ministry of Industry and Trade on that increase on March 6, 2006. The shares have been listed effective from April 5, 2006. Additionally, on April 13, 2006, the General Assembly of Shareholders approved the offering of share 21,156,559 for private subscription at a par value of USD 1.41 and share premium of USD 2.82 per share. The Bank obtained the approvals of the Ministry of Industry and Trade and the Securities Commission to complete the private subscription procedures on April 20, 2006 and May 24, 2006, respectively. Moreover, the subscription process started from June 19, 2006 up to July 10, 2006. The unsubscribed stares totaling share 1,602,955 were sold on September 18, 2006 at the market value of the share. The difference between the market value and issue price of the share of USD 4.23 was registered as shareholders' deposits within other liabilities. Consequently, paid-up capital became USD 105,782,793 and premium reserve USD 42,313,117 as of December 31, 2006.

23. Reserves

The details of the reserves as of December 31, 2006 are as follows:

a- Statutory Reserve:

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

b- Voluntary Reserve

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

c- General Banking Risks Reserve

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

Description	2006	2005	Nature of Restriction
General banking risks reserve	**12,522,423**	8,734,038	According to the Central Bank of Jordan regulations

24. Cumulative Change in Fair Value - Net

This item consists of the following:

	2006			2005		
	Available-for-Sale Financial Assets			Available-for-Sale Financial Assets		
	Shares	Bonds	Total	Shares	Bonds	Total
Beginning balance	**2,846,259**	**(1,917,551)**	**928,708**	1,607,436	(176,147)	1,431,289
Unrealized profits (losses)	**2,198,780**	**847,371**	**3,046,151**	2,664,279	(1,851,004)	813,275
Deferred tax liabilities	**161,372**	**(211,657)**	**(50,285)**	(507,937)	394,383	(113,554)
Realized (profit) losses- transferred to the income statement	**(811,591)**	**(1,260,289)**	**(2,071,880)**	(917,519)	(284,783)	(1,202,302)
Ending Balance *	**4,394,820**	**(2,542,126)**	**1,852,694**	2,846,259	(1,917,551)	928,708

* The cumulative change in fair value is presented as a net amount after deducting deferred tax liabilities of USD 663,358 against USD 690,860 for the previous year.

25. Retained Earnings

The details of this item are as follows:

	2006	2005
Beginning balance	**20,718,704**	18,802,087
(Transferred) to increase the capital	**(19,145,165)**	(5,930,889)
Net income for the year	**55,197,292**	35,982,828
Proposed dividends	**-**	(8,815,233)
(Transferred) to statutory reserve	**(7,749,753)**	(5,342,128)
(Transferred) to voluntary reserve	**(15,499,507)**	(10,684,254)
(Transferred) to general banking risks reserve	**(3,788,385)**	(3,293,707)
Ending Balance	**29,733,186**	20,718,704

- Included in retained earnings is an amount of USD 1,809,520 restricted by the Central Bank of Jordan against deferred tax assets as of December 31, 2006 (USD 1,573,539 as December 31, 2005).

26. Proposed Dividends

The Board of Directors decided to recommend to the General Assembly of Shareholders to distribute 20% of paid-up capital (equivalent to USD 21,156,599) as dividends. Moreover, the Board of Directors decided to recommend to the General Assembly of Shareholders to increase the Bank's capital by an 'amount of USD 28,208,745 which is equivalent to 50% of paid-up capital, being half share per share through capitalizing the retained earnings and part of reserves for the year 2005.

27. Minority Interest

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

28. Interest Income

This item consists of the following:

	2006	2005
Direct credit facilities:		
Discounted bills	**333,278**	267,096
Overdraft accounts	**19,129,324**	12,776,858
Loans and advances	**84,260,601**	41,472,152
Credit cards	**546,827**	293,327
Balances at central banks	**11,657,815**	10,360,595
Balances and deposits at banks and financial institutions	**17,658,669**	10,076,045
Available-for-sale financial assets	**7,391,952**	5,816,804
Held-to-maturity financial assets	**3,715,161**	681,357
Other	**65,384**	365,777
Total	**144,759,011**	82,110,011

29. Interest Expense

This item consists of the following:

	2006	2005
Deposits at banks and financial institutions	**6,701,588**	5,871,361
Customers deposits:		
Current and demand deposits	**1,162,337**	966,106
Saving accounts	**744,197**	684,769
Time and notice deposits	**35,118,619**	16,213,351
Certificates of deposit	**65,721**	176,661
Cash margins	**17,001,499**	4,531,614
Borrowed funds	**1,025,330**	1,150,566
Loan guarantee fees	**1,619,805**	1,192,178
Other	**644,866**	502,835
Total	**64,083,962**	31,289,441

30. Commission Income - Net

This item consists of the following:

	2006	2005
Direct credit facilities	**5,370,574**	3,631,262
Indirect credit facilities	**5,482,546**	4,976,793
Other commissions	**1,723,140**	41,505
Net Commissions	**12,576,260**	8,649,560

31. Income (loss) from Trading Financial Assets

This item consists of the following:

	Realized Profit	Unrealized Profit	Total
Year 2006			
Companies shares	**(432,439)**	**(52,983)**	**(485,422)**
Total	**(432,439)**	**(52,983)**	**(485,422)**
Year 2005			
Companies shares	988,467	414,862	1,403,329
Total	988,467	414,862	1,403,329

32. Income from Available-for-Sale Financial Assets

This item consists of the following:

	2006	2005
Dividends income	**284,469**	400,157
Income from the sale of available-for-sale financial assets	**428,410**	3,325,316
Total	**712,879**	3,725,473

33. Other Income

This item consists of the following:

	2006	2005
Rental of safe deposit boxes	**60,821**	55,320
Stamps income	**107,663**	98,904
Credit cards income	**1,413,104**	988,941
Recovery of debts previously written-off	**825,102**	861,157
Trading in shares and bonds revenue - subsidiary company	**3,193,083**	6,524,937
Profit from sale of property	**4,295**	10,715
Profit from sale of properties seized by the Bank	**420,086**	532,869
Rental income	**92,999**	77,116
Telecommunication income	**381,997**	285,339
Transfers income	**803,908**	618,855
Insurance income-subsidiary company	**5,490,465**	4,851,693
Other	**1,895,538**	1,633,641
Total	**14,689,061**	16,539,487

34. Employees Expenses

This item consists of the following:

	2006	2005
Salaries, bonuses and employees' benefits	18,041,811	13,977,652
Bank's share in social security	993,419	851,935
Medical expenses	544,567	463,317
Staff training expenses	87,968	30,877
Travel expenses	513,860	374,897
Employees life insurance	62,540	60,487
Value added tax	28,818	31,252
Employees benefits - subsidiary company *	138,681	-
Total	20,411,664	15,790,417

* Employees expenses include an amount of USD 138,631 representing the period's portion from payments on a share basis. In an extraordinary meeting of the General Assembly of Shareholders, the United Financial Investments Company, the subsidiary company, resolved to grant its senior employees 3% from the shares of the grant of USD 4,231,312. According to International Financial Reporting Standard No. (2) relating to payments on a share basis, this expense has been recognized on the basis of the fair value of shares when granted and upon the approval of the Securities Exchange Commission to increase capital. The details are as follows:

Number of shares due to senior employees	90,000 shares *	(Due after 4 years effective from January 1, 2006)
Fair value of share	USD 6.16	As of June 14, 2006
Full shares expense to be incurred by the subsidiary company	USD 554,725	
Expense recognized for the period	USD 138,631	
Date of ownership by senior employees		January 1, 2010

According to a resolution by the General Assembly of Shareholders, these shares are restricted for a period of four years.

35. Other Expenses

This item consists of the following:

	2006	2005
Rent	**894,045**	721,794
Stationery	**676,408**	506,388
Advertisements	**1,428,162**	1,302,640
Subscriptions	**163,532**	128,430
Telecommunication expenses	**955,542**	825,487
Maintenance and repair	**1,499,636**	1,249,368
Insurance expenses	**506,714**	533,832
Legal fees	**212,093**	182,948
Water, electricity and heating	**459,498**	405,150
Fees, taxes and stamps	**1,238,395**	800,542
Professional fees	**149,185**	146,384
Visa services expenses	**580,441**	433,392
Hospitality	**126,133**	90,718
Transportation	**184,078**	140,008
Correspondents services	**206,063**	220,704
Security	**116,759**	96,591
Donations	**235,317**	208,463
Jordanian universities fees	**734,498**	530,654
Scientific research and vocational training fees	**734,498**	530,654
Vocational and Technical Education and Training Fund fees	**244,772**	150,956
Board of Directors' remunerations	**140,480**	140,480
Other	**1,028,499**	649,390
Total	**12,514,748**	9,994,973

36. Earnings Per Share - Bank Shareholders

The details of this items are as follows:

	2006	2005 Adjusted	2005 (Before Adjustment)
Income for the year	**55,197,292**	35,982,828	35,982,828
Weighted average number of shares	**75,000,000**	67,021,227	40,000,000
Earnings Per Share - Bank Shareholders	**0.736**	0.537	0.900

The weighted average number of shares as of December 31, 2005 has been calculated based on 67,021,227 shares instead of 40,000,000 shares as part of the increase in the number of shares during the year 2006 is due to the distribution of grant shares and has resulted from the adoption of the new and amended International Financial Reporting Standards.

37. Cash and Cash Equivalents

The details of this items are as follows:

	2006	2005
Balances at central banks due within 3 months	**236,865,317**	399,511,334
Add: Balances at banks and financial institutions due within 3 months	**278,829,932**	316,508,166
Less: Banks and financial institutions deposits due within 3 months	**141,708,972**	146,396,365
Less: Restricted balances	**1,077,617**	317,348
Cash and Cash Equivalents - End of year	**372,908,660**	569,305,787

38. Financial Instruments

This item consists of the following:

	Positive Fair Value	Negative Fair Value	Total Nominal Amounts	Within 3 Months	More than 3 Months up to 12 Months	From 1 Year up to 3 Years	More than 3 Years
			Maturity of Nominal Value				
Year 2006							
As of December 31, 2006							
Trading Derivatives:							
Forward sales contracts in foreign currencies	**-**	**(1,690)**	**(13,347,711)**	**(13,347,711)**	**-**	**-**	**-**
	-	**(1,690)**	**(13,347,711)**	**(13,347,711)**	**-**	**-**	**-**
Forward purchase contracts in foreign currencies	**39,361**	**-**	**13,310,040**	**13,310,040**	**-**	**-**	**-**
	39,361	**-**	**13,310,040**	**13,310,040**	**-**	**-**	**-**
Total	**39,361**	**(1,690)**	**(37,671)**	**(37,671)**	**-**	**-**	**-**
Year 2005							
As of December 31, 2005							
Trading Derivatives:							
Forward sales contracts in foreign currencies	-	(80,083)	(26,455,502)	(26,455,502)	-	-	-
	-	(80,083)	(26,455,502)	(26,455,502)	-	-	-
Forward purchase contracts in foreign currencies	12,559	-	26,393,133	26,393,133	-	-	-
	12,559	-	26,393,133	26,393,133	-	-	-
Total	12,559	(80,083)	(62,369)	(62,369)	-	-	-

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

39. Transactions with Related Parties

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

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

	Related Party			Total	
	Major Shareholders	Board of Directors Members	Executive Managers	2006	2005
On-Balance Sheet Items:					
Credit facilities *	-	31,024,619	726,068	**31,750,687**	26,953,329
Available-for-sale financial assets	8,470,632	-	-	**8,470,632**	8,381,649
Held-to-maturity financial assets	9,916,000	-	-	**9,916,000**	-
Banks and financial institutions deposits	109,980	-	-	**109,980**	10,028,133
Deposits	21,078,694	24,595,243	695,121	**46,369,058**	73,520,755
Cash margins	-	20,000,000	550,000	**20,550,000**	20,683,625
Off-Balance Sheet Items:					
Letters of guarantee *	-	392,207	1,410	**393,617**	10,099

				Total	
				2006	2005
Statement of Income:					
Interest and commission received	208,996	1,114,877	30,752	**1,354,625**	1,589,986
Interest and commission paid	1,268,949	1,611,258	12,855	**2,893,062**	3,754,313
Minimum and Maximum Interest and Commissions Rates	%	%	%		
Credit rates	5.9 - 6	2.9-12.0	0-7.0		
Debit rates	1.5-5.0	2.0 - 5.2	1.5-5.25		

* Included in the direct and indirect credit facilities granted to the Board of Directors members is an amount of USD 2,829,076 representing credit facilities granted to the subsidiary companies board of directors and their related parties.

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

Executive Management Remunerations:

Executive management remunerations for the Bank and the subsidiary companies amounted to USD 2,481,069 for 2006 against USD 1,789,017 for 2005, excluding performance bonuses and productivity - related incentives.

40. Fair Value Financial Instruments

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

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

There are available-for-sale financial assets which appear at cost / amortized cost. The fair value of these assets can not be reliably measured, and they amounted to USD 112,212,873 as of December 31, 2006 against USD 12,332,934 as of December 31, 2005.

41. Risks Management Policies

The Bank's assets with regards to recognition, measurement, management, and control are managed through the Bank's application of the best international practices concerning risks management, organization, and risks management instruments congruent with the Bank's size, the complexity of its operations, and the types of risks it is exposed to.

The Bank's organizational structures integrate with regards to risks management each according to its level.

The Corporate Governance Committee, on the level of the Board of Directors, decides on the strategies and special risks policies of the Bank. It ensures that executive management performs risks management.

This entails ascertaining the proper setting and controlling of the risks to which the Bank is exposed until achievement of the return accepted by shareholders without affecting the Bank's financial strength.

In this context, the work of the Risks Management Directorate complements the work of the committees ensuing from executive management. These committees are the Assets and Liabilities Committee, Credit Facilities Committee, and Quality Assurance Committee.

Notes from (42) to (47) represent the most significant banking risks to which the Bank is exposed and their management method.

42. Assets and Liabilities Credit Concentration Risks

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

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

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

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

The details of the direct credit facilities portfolio are shown in Note (8). Furthermore, the Bank's off-balance sheet liabilities exposed to credit risks are shown in Note (50).

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

	December 31, 2006			December 31, 2005		
	Assets	Liabilities	Off-Balance Sheet Items	Assets	Liabilities	Off-Balance Sheet Items
A. According to Geographical Areas:						
Within the Kingdom	**1,855,653,893**	**2,103,731,606**	**430,106,676**	1,540,089,233	1,872,681,123	332,717,176
Other Middle East countries	**176,304,295**	**218,398,470**	**19,790,271**	128,771,317	98,970,920	20,962,182
Europe	**285,906,477**	**2,191,714**	**6,321,891**	273,029,254	3,252,093	62,246,034
Asia *	**3,869,432**	**-**	**7,702,628**	12,032,097	7,265,323	23,699,925
Africa *	**-**	**-**	**12,271**	-	4,496	-
America	**5,099,193**	**2,563,565**	**21,922,358**	32,465,856	4,245,944	34,675,542
Other countries	**52,065**	**-**	**-**	32,810	668	20,000
Total	**2,326,885,355**	**2,326,885,355**	**485,856,095**	1,986,420,567	1,986,420,567	474,320,859

* Excluding Middle East countries.

	December 31, 2006			December 31, 2005		
	Assets	Liabilities	Off-Balance Sheet Items	Assets	Liabilities	Off-Balance Sheet Items
B. According to Sectors:						
Public sector	**412,820,172**	**225,160,567**	**13,445,564**	543,641,928	183,718,561	12,278,111
Private sector						
Companies accounts	**1,336,575,671**	**819,780,680**	**409,906,862**	950,514,267	710,371,587	418,220,684
Personal accounts	**465,998,568**	**833,381,520**	**62,503,669**	396,950,472	623,528,049	43,822,064
Others	**111,490,944**	**448,562,588**	**-**	95,313,900	468,802,370	-
Total	**2,326,885,355**	**2,326,885,355**	**485,856,095**	1,986,420,567	1,986,420,567	474,320,859

43. Market Risks

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

44. Interest Rate Risk

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

	Interest Rate Sensitivity								
	Less than One Month	More than 1 Month Up to 3 Months	More than 3 Months Up to 6 Months	More than 6 Months Up to 1 Year	From 1 Year Up to 3 Years	More than 3 Years	Non-Interest Bearing	Total	%
Year 2006									
Assets:									
Balances at central banks	50,320,515	80,394,922	16,502,116	-	-	-	106,149,880	253,367,433	5,63
Balances at banks and financial institutions	267,879,460	10,053,781	-	-	-	-	896,691	278,829,932	4,66
Deposits at banks and financial institutions	-	-	4,380,179	-	-	-	-	4,380,179	6,61
Trading financial assets	-	-	-	-	798,449	-	1,435,726	2,234,175	
Direct credit facilities - net	85,268,423	108,128,929	169,448,804	393,318,058	218,010,127	378,681,398	-	1,352,855,739	8,37
Available-for-sale financial assets	-	18,353,037	-	106,467,628	65,084,058	49,358,252	23,863,867	263,126,842	6,8
Held-to-maturity financial assets	14,047,501	4,196,086	23,648,696	17,476,302	-	9,916,000	-	69,284,585	6,75
Fixed assets - net	-	-	-	-	-	-	17,326,938	17,326,938	
Intangible assets	-	-	-	-	-	-	1,985,004	1,985,004	
Other assets	-	-	-	-	-	-	81,685,007	81,685,007	
Deferred tax assets	-	-	-	-	-	-	1,809,521	1,809,521	
Total Assets	417,515,899	221,126,755	213,979,795	517,261,988	283,892,634	437,955,650	235,152,634	2,326,885,355	
Liabilities:									
Banks and financial institutions deposits	129,811,176	6,414,484	2,820,874	-	-	-	5,483,312	144,529,846	3,13
Customers' deposits	711,511,872	170,060,290	43,134,615	27,245,590	345,932	-	285,709,752	1,238,008,050	4,43
Share capital payments on account for companies under establishment	48,715,734	35,260,931	-	-	-	-	-	83,976,665	
Cash margins	200,551,640	44,321,283	7,975,258	14,757,228	681,445	-	27,356,398	295,643,253	3,54
Borrowed funds	44,879,504	592,384	535,966	12,488,241	-	-	-	58,496,095	5,64
Provisions	-	-	-	-	-	-	15,679,122	15,679,122	
Income tax provision	-	-	-	-	-	-	23,044,822	23,044,822	
Deferred tax liabilities	-	-	-	-	-	-	663,359	663,359	
Other liabilities	-	-	-	92,663,846	-	-	97,944,814	190,608,660	
Total Liabilities	1,135,469,926	256,649,372	54,466,713	147,154,906	1,027,377	-	455,881,578	2,050,649,872	
Shareholders' Equity:									
Bank shareholders' equity	-	-	-	-	-	-	264,690,582	264,690,582	
Minority interest	-	-	-	-	-	-	11,544,901	11,544,901	
Total Liabilities, Minority Interest, and Shareholders' Equity	1,135,469,926	256,649,372	54,466,713	147,154,906	1,027,377	-	732,117,061	2,326,885,355	
Sensitivity Difference of Balance Sheet Items	(717,954,027)	(35,522,617)	159,513,082	370,107,082	282,865,256	437,955,650	(496,964,427)	-	

Interest rate sensitivity is as follows :

	Interest Rate Sensitivity								
	Less than One Month	More than 1 Month Up to 3 Months	More than 3 Months Up to 6 Months	More than 6 Months Up to 1 Year	From 1 Year Up to 3 Years	More than 3 Years	Non-Interest Bearing	Total	%
Year 2005									
Assets:									
Balances at central banks	72,128,152	235,119,887	21,156,559	-	-	-	92,263,295	420,667,893	3,53
Balances at banks and financial institutions	312,110,464	3,266,501	-	-	-	-	1,131,202	316,508,166	4,35
Deposits at banks and financial institutions	2,000,000	-	5,204,882	505,000	4,231,311	-	-	11,941,193	5,64
Trading financial assets	-	-	-	-	-	-	3,887,961	3,887,961	
Direct credit facilities - net	130,986,836	136,292,248	143,906,529	295,330,566	76,098,485	189,141,847	-	971,756,510	7,17
Available-for-sale financial assets	-	9,498,152	-	6,185,530	43,469,450	48,019,576	16,987,069	124,159,777	5,77
Held-to-maturity financial assets	-	-	60,510,003	-	-	-	-	60,510,003	6,75
Fixed assets - net	-	-	-	-	-	-	16,314,803	16,314,803	
Intangible assets	-	-	-	-	-	-	1,820,683	1,820,683	
Other assets	-	-	-	-	-	-	57,280,040	57,280,040	
Deferred tax assets	-	-	-	-	-	-	1,573,539	1,573,539	
Total Assets	517,225,452	384,176,788	230,777,973	302,021,096	123,799,246	237,161,422	191,258,589	1,986,420,567	
Liabilities:									
Banks and financial institutions deposits	125,378,254	18,335,684	8,000,000	5,218,618	-	-	2,682,427	159,614,983	3,58
Customers' deposits	664,590,353	123,916,093	30,487,465	45,685,654	1,983,300	-	246,094,553	1,112,757,419	2,15
Share capital payments on account for companies under establishment	-	-	-	-	-	-	223,333,698	223,333,698	
Cash margins	141,360,319	56,471,908	8,757,405	15,141,838	291,769	-	2,317,798	224,341,037	2,03
Borrowed funds	3,127,488	3,060,790	1,464,358	1,184,767	6,540,903	7,075,688	-	22,453,994	5,31
Provisions	-	-	-	-	-	-	13,587,645	13,587,645	
Income tax provision	-	-	-	-	-	-	16,229,495	16,229,495	
Deferred tax liabilities	-	-	-	-	-	-	690,860	690,860	
Other liabilities	-	-	-	-	-	-	60,509,199	60,509,199	
Total Liabilities	934,456,414	201,784,475	48,709,228	67,230,877	8,815,972	7,075,688	565,445,675	1,833,518,330	
Shareholders' Equity:									
Bank shareholders' equity	-	-	-	-	-	-	145,099,629	145,099,629	
Minority interest	-	-	-	-	-	-	7,802,608	7,802,608	
Total Liabilities, Minority Interest, and Shareholders' Equity	934,456,414	201,784,475	48,709,229	67,230,877	8,815,972	7,075,688	718,347,912	1,986,420,567	
Sensitivity Difference of Balance Sheet Items	(417,230,962)	182,392,313	182,068,744	234,790,219	114,983,274	230,085,734	(527,089,323)	-	

45- Liquidity Risk:

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

	Less than One Month	More than 1 Month Up to 3 Months	More than 3 Months up to 6 Months	More than 6 Months up to 1 Year	From 1 Year Up to 3 Years	More than 3 Years	Non-Interest Bearing	Total
Year 2006								
Assets:								
Balances at central banks	156,470,395	80,394,922	16,502,116	-	-	-	-	253,367,433
Balances at banks and financial institutions	268,776,151	10,053,781	-	-	-	-	-	278,829,932
Deposits at banks and financial institutions	-	-	4,380,179	-	-	-	-	4,380,179
Trading financial assets	-	2,234,175	-	-	-	-	-	2,234,175
Direct credit facilities - net	84,904,566	115,031,753	166,978,907	409,759,788	221,488,657	354,692,068	-	1,352,855,739
Available- for-sale financial assets	-	11,437,236	6,915,801	106,467,628	59,905,058	54,537,252	23,863,867	263,126,842
Held-to-maturity financial assets	14,047,500	4,196,086	23,648,697	17,476,302	-	9,916,000	-	69,284,585
Fixed assets - net	-	-	-	-	-	-	17,326,938	17,326,938
Intangible assets	-	-	-	-	-	-	1,985,004	1,985,004
Other assets	53,479,917	2,270,001	2,613,032	3,078,257	2,902,425	2,717,856	14,623,519	81,685,007
Deferred tax assets	-	-	-	-	1,809,521	-	-	1,809,521
Total Assets	577,678,529	225,617,954	221,038,732	536,781,975	286,105,661	421,863,176	57,799,328	2,326,885,355
Liabilities:								
Banks and financial institutions deposits	135,294,488	6,414,484	2,820,874	-	-	-	-	144,529,846
Customers' deposits	997,221,623	170,060,291	43,134,615	27,245,590	345,931	-	-	1,238,008,050
Cash margins	227,908,038	44,321,283	7,975,258	14,757,228	681,446	-	-	295,643,253
Share capital payments on account for companies under establishment	48,715,734	35,260,931	-	-	-	-	-	83,976,665
Borrowed funds	42,313,118	592,384	535,966	5,289,140	2,566,385	7,199,102	-	58,496,095
Provisions	-	-	-	-	-	-	15,679,122	15,679,122
Income tax provision	23,044,822	-	-	-	-	-	-	23,044,822
Deferred tax liabilities	-	-	-	-	663,359	-	-	663,359
Other liabilities	46,868,511	19,071,188	6,550,928	99,559,993	4,539,353	3,724,097	10,294,590	190,608,660
Total Liabilities	1,521,366,334	275,720,561	61,017,641	146,851,951	8,796,474	10,923,199	25,973,712	2,050,649,873
Shareholders' Equity:	-	-	-	-	-	-	264,690,582	264,690,582
Bank shareholders' equity	-	-	-	-	-	-	11,544,901	11,544,901
Minority interest								
Total Liabilities, Minority Interest and Shareholders' Equity	1,521,366,334	275,720,561	61,017,641	146,851,951	8,796,474	10,923,199	302,209,195	2,326,885,356
Gap Per Category	(943,687,805)	(50,102,607)	160,021,091	389,930,024	277,309,187	410,939,977	(244,409,867)	-
Cumulative Gap	(943,687,805)	(993,790,412)	(833,769,321)	(443,839,297)	(166,530,110)	244,409,867	-	-

Liquidity risk is as follows:

	Less than One Month	More than 1 Month Up to 3 Months	More than 3 Months up to 6 Months	More than 6 Months up to 1 Year	From 1 Year Up to 3 Years	More than 3 Years	Non-Interest Bearing	Total
Year 2005								
Assets:								
Balances at central banks	164,391,447	235,119,887	21,156,559	-	-	-	-	420,667,893
Balances at banks and financial institutions	313,241,666	3,266,500	-	-	-	-	-	316,508,166
Deposits at banks and financial institutions	-	-	5,204,881	505,000	6,231,312	-	-	11,941,193
Trading financial assets	-	-	-	-	-	-	3,887,961	3,887,961
Direct credit facilities - net	102,353,183	114,960,957	144,347,952	314,298,421	89,191,267	206,604,732	-	971,756,511
Available-for-sale financial assets	-	-	-	6,185,530	46,117,600	54,869,578	16,987,069	124,159,777
Held-to-maturity financial assets	-	-	60,510,003	-	-	-	-	60,510,003
Fixed assets - net	-	-	-	-	-	-	16,314,803	16,314,803
Intangible assets	-	-	-	-	-	-	1,820,682	1,820,682
Other assets	45,318,319	1,712,695	1,242,397	2,705,152	4,436,712	1,864,765	-	57,280,040
Deferred tax assets	-	-	-	-	1,573,538	-	-	1,573,538
Total Assets	625,304,615	355,060,039	232,461,792	323,694,103	147,550,428	263,339,075	39,010,515	1,986,420,567
Liabilities:								
Banks and financial institutions deposits	128,060,681	18,335,684	8,000,000	5,218,618	-	-	-	159,614,983
Customers' deposits	910,684,906	123,916,093	30,487,465	45,685,654	1,983,300	-	-	1,112,757,419
Cash margins	143,678,117	56,471,908	8,757,405	15,141,838	291,769	-	-	224,341,037
Share capital payments on account for companies under establisment	-	223,333,698	-	-	-	-	-	223,333,698
Borrowed funds	-	3,060,790	1,464,358	1,184,767	9,668,391	7,075,688	-	22,453,994
Provisions	-	-	-	-	-	-	13,587,645	13,587,645
Income tax provision	16,229,495	-	-	-	-	-	-	16,229,495
Deferred tax liabilities	-	-	-	-	690,860	-	-	690,860
Other liabilities	23,882,540	11,382,984	7,468,135	17,683,546	8,058	83,935	-	60,509,199
Total Liabilities	1,222,535,739	436,501,157	56,177,364	84,914,423	12,642,378	7,159,623	13,587,645	1,833,518,330
Shareholders' Equity:								
Bank shareholders' equity	-	-	-	-	-	-	145,099,629	145,099,629
Minority interest	-	-	-	-	-	-	7,802,608	7,802,608
Total Liabilities, Minority Interest, and Shareholders' Equity	1,222,535,739	436,501,157	56,177,364	84,914,423	12,642,378	7,159,623	166,489,882	1,986,420,567
Gap Per Category	(597,231,124)	(81,441,118)	176,284,428	238,779,680	134,908,050	256,179,452	(127,479,367)	-
Cumulative Gap	(597,231,124)	(678,672,242)	(502,387,815)	(263,608,135)	(128,700,085)	127,479,367	-	-

46. Foreign Currencies Risk

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

The following are the net positions of major currencies at the Bank:

	2006	2005
US Dollar	**14,177,094**	21,946,113
Pound Sterling	**2,014,903**	1,912,388
Euro	**200,970**	(81,633)
Swiss Franc	**84,801**	33,109
Japanese Yen	**(17,037)**	70,394
Other currencies *	**6,979,908**	5,874,705

* This amount represents the equivalent in U.S. Dollars for a basket of other foreign currencies.

47. Shares Price Risks

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

48. Information on the Bank's Business Activities

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

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

The following table represents information on the Bank's sectors according to activities:

	Individuals	Corporations	Treasury	Insurance Services *	Brokerage*	Others	Total 2006	Total 2005
Gross income	19,874,323	40,082,367	37,318,738	6,337,652	2,858,354	5,943,955	**112,415,388**	85,822,085
Provision for credit facilities	1,843,171	3,322,523	-	-	-	-	**5,165,694**	(802,628)
Results of Business Sector	21,717,494	43,404,890	37,318,738	6,337,652	2,858,354	5,943,955	**117,581,082**	85,019,457
Undistributed Expenditures	-	-	-	(3,795,212)	(1,154,148)	(33,726,671)	**(38,676,031)**	(29,583,480)
Income before Taxes	21,717,494	43,404,890	37,318,738	2,542,440	1,704,206	(27,782,716)	**78,905,051**	55,435,977
Income tax	-	-	-	(687,824)	(139,959)	(21,472,456)	**(22,300,238)**	(16,085,715)
Income for the Year	21,717,494	43,404,890	37,318,738	1,854,616	1,564,247	(49,255,172)	**56,604,813**	39,350,262
Additional Information:								
Sector's Assets	377,049,714	779,352,784	1,036,449,712	33,489,973	16,801,615	-	**2,243,143,798**	1,947,985,570
Assets not distributed over sectors	-	-	-	-	-	83,741,557	**83,741,557**	66,183,715
Disposals of assets and liabilities among sectors	-	-	-	-	-	-	**-**	(27,748,718)
Total Assets	377,049,714	779,352,784	1,036,449,712	33,489,973	16,801,615	83,741,557	**2,326,885,355**	1,986,420,567
Sector's Liabilities	838,727,076	812,102,567	306,869,054	16,630,608	5,117,093	-	**1,979,446,398**	1,590,975,489
Liabilities not distributed over sectors	-	-	-	-	-	71,203,474	**71,203,474**	288,555,162
Disposals of assets and liabilities	-	-	-	-	-	-	**-**	(46,012,321)
Total liabilities	838,727,076	812,102,567	306,869,054	16,630,608	5,117,093	71,203,474	**2,050,649,872**	1,833,518,330
Capital Expenditures						3,769,852	**3,769,852**	4,893,279
Depreciation				-	-	4,596,931	**4,596,931**	2,960,010

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

b. Information on the geographical allocation:

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

Information on the geographical allocation

	Inside Jordan		Outside Jordan		Total	
	2006	2005	2006	2005	2006	2005
Total Revenue	**134,824,024**	96,957,891	**41,660,762**	20,153,635	**176,484,786**	117,111,526
Total Assets	**1,730,042,993**	1,491,006,757	**596,842,362**	496,963,045	**2,326,885,355**	1,986,420,567
Capital expenditures	**3,438,608**	4,893,279	**331,244**	-	**3,769,852**	4,893,279

49. Capital Adequacy:

Capital adequacy ratio is calculated according to the instructions of the Central Bank of Jordan based on Basel Committee's decisions. The following table shows the capital adequacy ratio in comparison with that of the year 2005:

	December 31, 2006	
	Amount	Percentage to Assets Weighted by Risks and Market Risks
	USD	%
Regulatory capital	**249,948**	**15,61%**
Primary capital	**236,592**	**14,78%**
	December 31, 2005	
	Amount	Percentage to Assets Weighted by Risks and Market Risks
	USD	%
Regulatory capital	150,217	13.13%
Primary capital	141,065	12.33%

50. Commitments and Contingent Liabilities

a- Credit commitments and contingencies:

	2006	2005
Letters of credit	**102,371,058**	86,809,698
Acceptances	**16,357,116**	25,000,364
Letters of guarantee:		
Payments	**81,735,515**	75,401,815
Performance bonds	**69,588,614**	52,855,917
Other	**57,824,540**	49,833,103
Unutilized credit facilities	**157,979,252**	184,419,962
Total	**485,856,095**	474,320,859

b- Contractual obligations:

	2006	2005
Contracts to purchase fixed assets	**1,268,769**	301,148
Construction contracts	**1,054,997**	55,946
Other contracts	**1,446,086**	341,182

c- No guarantees are provided by the Bank

d- Operating leases amounted to USD 2,564,740 with periods ranging from 1 to 10 years.

e- Unpaid investment participations amounted to USD 1,523,492.

f- The Bank has no capital guaranteed portfolios managed by the Bank on behalf of its customers.

51. Lawsuits Against the Bank

a- The Bank is a defendant in lawsuits amounting to USD 2,795,769 as of December 31, 2006, compared to USD 2,569,001 as of December 31, 2005. According to the Bank's management and legal advisor, the existing provision of USD 253,499 as of December 31, 2006 is sufficient to cover any resultant losses.

b- As of December 31, 2006 and 2005, there were no lawsuits against the subsidiary company United Company for Financial Investments.

c- Furthermore, the lawsuits against the subsidiary company Arab Orient Company in relation to various accidents with specified values at courts amounted to USD 1,031,206 as of December 31, 2006 (USD 1,032,454 as of December 31, 2005). In the opinion of the Management and its legal advisor, no liabilities exceeding the allotted amounts within the net claims provision are likely to arise.

52. Comparative Figures

- Some of the comparative figures of the year 2005 have been reclassified to correspond with this year presentation.

Statement of Disclosure for the Financial Year ending 31/12/2006, in accordance with article (4) of the disclosure regulations, the accounting and auditing standards issued by the Securities Commission.

Item

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

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

The Bank operates through its head office and 47 branches and cash offices in Jordan, in addition to two branches in Palestine and an international banking unit in Cyprus. Total capital expenditure for the year 2006 amounted to USD 3,769,852. The table below shows the Bank's locations and the number of staff at each.

Location	No. of Staff	Location	No. of Staff	Location	No. of Staff
Head Office / Abdali	426	Shmaisani Branch	11	Irbid Branch	13
Main Branch	16	Central Post Office- Amman	2	Irbid Post Office	2
Abdali Branch	15	Vegitables Market Branch	6	Al Husson St. Branch	4
Jabal Amman Branch	8	Madina Munawwara St. Branch	8	Yarmouk University	5
Wehdat Branch	10	Sweifiyah Branch	11	Mafraq Office	4
Tla' Al Ali Branch	12	Nazzal Branch	6	Karak Office	4
Jabal Al Hussein Branch	11	Mecca Mall Branch	10	Aqaba Branch	8
Commercial Center Branch	9	Petra University Office	3	Aqaba Gate Office	2
Abu Alanda Branch	9	Abdulla Ghousheh St. Branch	6	Zarqa Branch	10
Yarmouk Branch	8	Mugablain Branch	5	Russaifa Branch	7
Wadi AlSeir Branch	9	Marj Al Hamam Branch	4	Free Zone Branch	7
Jubaiha Branch	14	Swaileh Office	3	New Zarqa Branch	6
Amra Branch	7	Amman Ahliya University Office	4	Pr.Hamza Hosp. Office	2
Abdoun Branch	5	Baq'a Branch	6	Nablus Branch	14
Abu Nsair Branch	4	Madaba Branch	5	Ramallah Branch	10
Marka Branch	8	Al Salt Office	3	Cyprus (IBU)	4
Ibn Khaldoun Branch	6	King Abdulla Center Office	2	Subsidiaries	120

4b /2 **Subsidiaries:**

1- Arab Orient Insurance Company:

Arab Orient Insurance Company was established in 1996. The company writes all general insurance classes and enjoys a reputable and leading position amongst the local insurance market in terms of premium and market share. AOIC is the first and only insurance company in Jordan to be rated (B+ Very Good with Stable Outlook) by the international rating agency "A.M. Best". The company serves more than 2900 corporate accounts enjoying first class reinsurance security. Furthermore, AOIC provides the market with fifteen unique individual schemes that meet clients' needs and requirements. AOIC is the pioneer company in launching both bancassurance and e-insurance projects in Jordan.

In 2001 the company became a subsidiary of Jordan Kuwait Bank. The Bank holds 65.7% of the company's capital of JD 10 million (USD14.1m) as at December 2006.

2- United Financial Investments Company:

United Financial Investments (UFICO) was established in 1980. In 1995 the company was restructured as a public shareholding company with a capital of JD2 million (USD 2.82 m).

Backed with the latest technologies of modern finance and markets, the company enjoys a leading position among the major top firms operating in the ASE. UFICO provides financial services, which are directly connected with local and international financial markets.

In 2002, UFICO became a subsidiary of Jordan Kuwait Bank. The Bank holds 50.69% of the company's capital of JD 5 million (USD 7.05m) as at December 2006.

4b/3 Executives' Biography:

1- Board of Directors:

1- H. E. Mr. Abdel Karim Kabariti

Chairman & CEO

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

2-Mr. Faisal H. Al -Ayyar

Deputy Chairman/ Representative of United Gulf Bank - Bahrain.

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

3- Mr. Masoud Jawhar Hayat

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

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

4- Mr. Tareq M. Abdul Salam

Representative of Kuwait Projects Company (Holding) – Kuwait.

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

5- H. E Mr. Naser Ahmad Louzi

- Bachelor degree in Civil Engineering with Honors from Texas University, Arlington -USA, 1979.
- Chairman of the Board, Royal Jordanian Airlines.
- Chairman of the Board, Arab Orient Insurance Company.
- Member of the Board, United Financial Investment Company.
- Member of the Board, Jordan Steel Company.
- Member of the Board, New Cables Company.
- Member of "All Jordan" committee.
- Member of the Board of Trustees, King Hussein Institution.
- Occupied several ministerial positions between 1996 and 1999.
- Holder of the Al Kawkab Medal of the first order and the Independence Medal of the Second Order.

6- Mr. Mohammad Ahmad Abu Ghazaleh

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

7- Mr. Emad J. Kodah

Representative of the Social Security Corporation- Jordan.

- MBA, Sul Ross State University, Texas, 1985.
- Manager, Treasury and Fixed Income Securities Dept. - Social Security Investment Unit (2002 – Present).
- Acting Chief Executive Officer, Social Security Investment Unit (2005-2006).
- Member of the Board, Al-Damam for Investment (2004-2005).
- Portfolio Manager, Foreign Investment Dept., Central Bank of Jordan (2000-2002).
- Chief Dealer, Foreign Investment Dept., Central Bank of Jordan (1996-2000).
- Deputy Head, Central Accounting Division, Central Bank of Jordan (1989-1991).
- Member at the Jordanian FOREX Association.

8- Dr. Yousef Musa Goussous

Representative of United Gulf Bank – Bahrain.

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

9- Mr. Farouk Aref Al- Aref

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

2. Executive Management

Name	Date of Joining	Academic Qualifications	Current Position
Moh'd Yaser Al-Asmar	15/9/1990	BSc. Business Administration	General Manager
Tawfiq A/Q Mukahal	12/10/1991	Tawjihi	Asst. General Manager, Credit
Majed F. Burjak	18/7/1998	BSc. Economics & Commerce	Asst. General Manager, Operations
William J. Dababneh	27/8/1994	Tawjihi	Asst. General Manager, Treasury & Investment
Shaher E. Suleiman	16/5/1999	MSc. International Banking	Asst. General Manager, Internal Audit Department
Hiyam S. Habash	6/2/1999	Diploma Business Administration	Asst. General Manager, Financial Department
Zuhair H. Idris	1/12/1991	BSc. Commerce	Asst. General Manager, Branches
Nasser M. Al-Khraishi	26/9/2004	PhD. Engineering	Asst. General Manager, IT Department
Milad Y. Faraj	2/9/2001	BSc. Business Administration	Executive Manager, Commercial Services Department.
Suhail M. Turki	19/10/1991	Tawjihi	Executive Manager, Market Research & P.R
Ibrahim I. Kashet	1/4/1989	BA. Law	Executive Manager, Legal Department
Ismail A. Abu-Adi	3/9/2000	MSc. Accounting	Executive Manager, Credit Department
Jamal M. Baker	2/8/1986	Banking & Finance Diploma	Executive Manager, Branches
Abdul Hamid Al-Ahwal	1/4/1990	BSc. Banking & Finance	Executive Manager, Branches
Haethum S. Buttikhi	1/6/2003	BSc. Political Science	Executive Manager, Private Banking Unit

4b/4 Names of shareholders who own 5% or more of the Bank's shares as on 31/12/2006 & 2005.

Shareholder	Nationality	No. of Shares 2006	%	No. of Shares 2005	%
United Gulf Bank - Bahrain	Bahraini	**33,068,172**	**44.091**	17, 636, 359	44.091
Social Security Corporation	Jordanian	**15,843,725**	**21.125**	8, 000, 000	20

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

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

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

4b/8 There has been no material effect on the Bank's operations, products or competitiveness as a result of any government or international organizations' decisions during 2006.

4b /9 Human Resourses and Training:

The number of employees as on 31/12/2006 was 894 of whom 14 are employed at Nablus branch, 10 at Ramallah branch and 4 at IBU-Cyprus. In addition, there were 120 employee at the Subsidiaries.

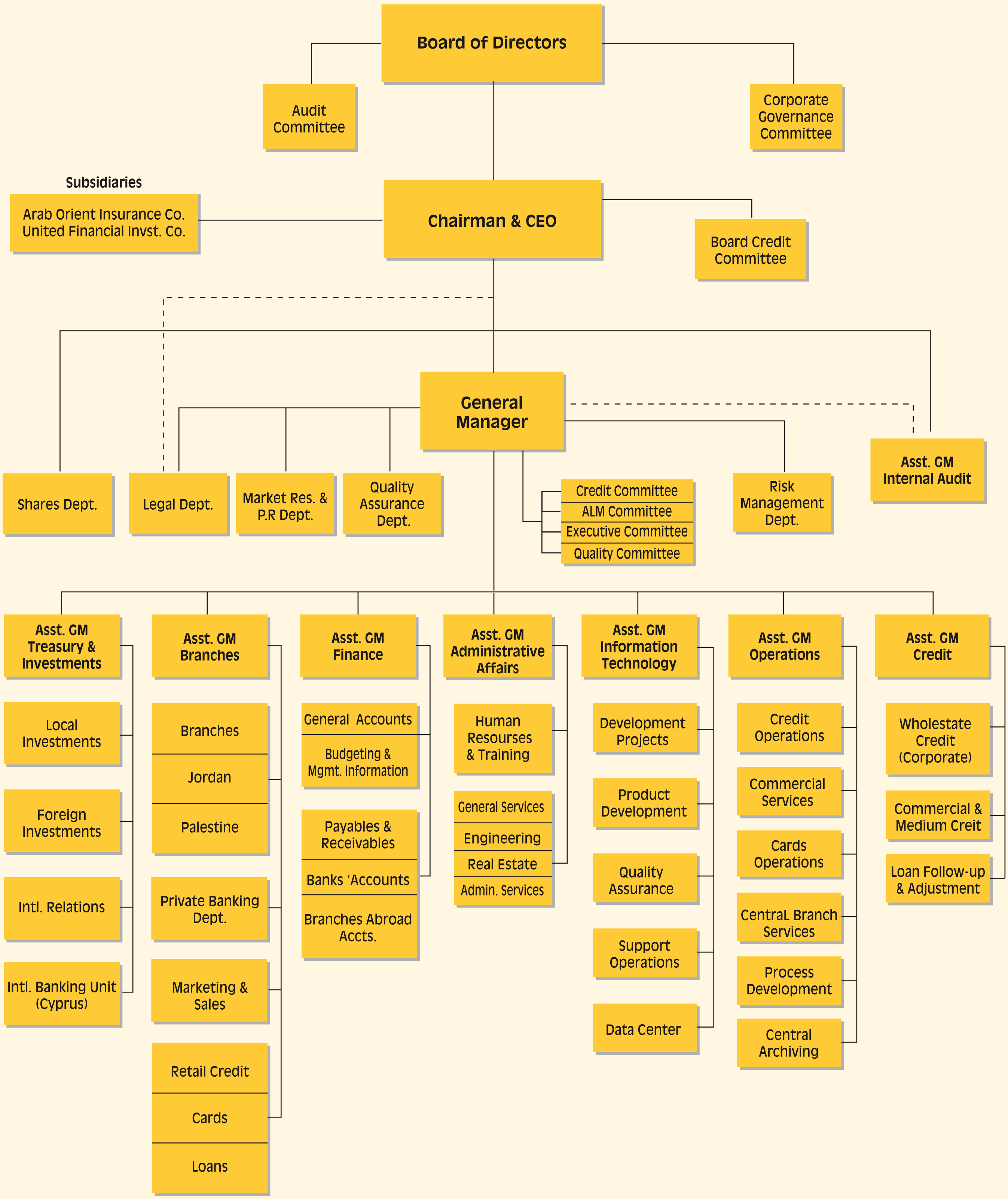
Staff qualifications:

Qualification	Number
PhD	2
Masters	34
Bachelor	451
Higher Diploma	8
Diploma	178
Secondary School Certificate	52
Below Secondary School Certificate	49

Staff training during 2006 according to work centers:

Description	Participants	Branches Emplys.	Head Office Emplys.
Training organized by the Bank's Training Center	1890	1188	702
Institute of Banking Studies	42	22	20
Local training courses	238	85	153
External training courses	41	4	37
Total	2211	1299	912

Organizational Structure



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

4b /11 **Achievements during 2006: Included in the report**

4b /12 **There has been no financial effect of non-recurring operations that do not fall within the Bank's core business activity during 2006.**

4b/13 **Changes in Net Profit, Dividend, Shareholders' equity and Share price (2002 -2006)**

Amounts in Thousand US Dollars

Year	Profit before tax	Dividend		Bank Shareholders' Equity	Share / $
		Bonus Shares	Cash		
2002	19,549	-	16%	81,347	5.46
2003	28,794	25%	20%	95,742	12.06
2004	39,025	28%	20%	118,434	16.64
2005	55,435	50%	-	145,100	14.95
2006	**78,905**	-	**%20**	**264,690**	**9.21**

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

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

4b/16 **Auditors' Fees: Audit fees for the Bank and the subsidiaries for 2006 amounted to USD 149,185.**

4b/17 **Shares owned by the Board Members during 2006 & 2005**

Board Member	Nationality	No. of Shares 2006	No. of Shares 2005
United Gulf Bank	Bahraini	**33,068,172**	17,636,359
Social Security Corporation	Jordanian	**15,843,725**	8,000,000
Strategic Company for Investment	Jordanian	**781,568**	416,837
Kuwait Projects Company (Holding)	Kuwaiti	**38,247**	20,399
Al Futouh Co. for Investment / Naser Sabah Al Ahmad & Brothers	Kuwaiti	**33,747**	17,999
H. E. Mr. Naser Ahmad Louzi	Jordanian	**3,747**	1,999
Mr. Farouk Aref Al Aref	Jordanian	**10,503**	5,602
Mr. Mohammad A. Abu Ghazaleh	Jordanian	**605,906**	305,983

Shares owned by the Bank executives and their families during 2006 & 2005

Name	Position	No. of Shares 2006	No. of Shares 2005
Mr. Mohammad Yaser Al Asmar	General Manager	**46,625**	24,200
Mr. Tawfiq Abdel Qader Mukahal	Asst. G.M / Credit	**20,000**	10,000
Mrs. Hiyam Saleem Habash	Asst. G.M / Finance	**1,200**	640
Mr. Suhail Mohammad Turki	Executive Manager	**3,819**	1,386
Mr. Ibrahim Issa Kashet	Executive Manager	**1,875**	1,000
Mr. Ismail Ahmad Abu-Adi	Executive Manager	**468**	250

4b/18 **Total salaries, allowances and travel expenses paid to the Chairman and to the Board Members, the Executive Managers at the Bank and its subsidiaries during 2006 amounted to USD 2,481,069 in addition to performance related incentives.**

4b/19 **Donations**: Total donations made by the Bank and its subsidiaries during 2006 amounted to USD 235,317. Details of which are listed below:

Recipient	Amount USD
Charities	151,340
Clubs	8,886
Social Activities	9,126
Research and Conferences	33,427
Others	19,286
Subsidiaries' Donations	13,252
Total	**235,317**

4b/20 **The Bank had contracted with its subsidiary (Arab Orient Insurance Company) for general insurance coverage including health and accident insurance for its staff. The value of such contracts amounted to USD 688,788 . Apart from that, the Bank did not conclude any contracts, projects or commitments neither with any of the subsidiaries, sister companies, affiliates, nor with the Board Chairman, Board Members, the General Manager, or any other staff members or their relatives.**

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

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

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

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

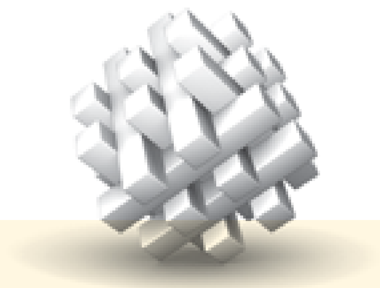
In compliance with Paragraph (E) of article (4) of the disclosure regulations, the accounting and auditing standards for 2004 issued by the Board of Commissioners of the Securities Commission number 53/2004 and later amended by resolution of the Board of Commissioners number 257/2005, the Board of Directors hereby declares that there are no material issues that could hinder the business continuity of the Bank during the financial year 2007.

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

Chairman and Members of the Board	Signature
1- H. E. Mr. Abdel Karim Kabariti	
2- Mr. Faisal H. Al -Ayyar	
3- Mr. Masoud Jawhar Hayat	
4- Mr. Tareq M. Abdul Salam	
5- H. E Mr. Naser Ahmad Louzi	
6- Mr. Mohammad Ahmad Abu Ghazaleh	
7- Mr. Emad J. Kodah	
8- Dr. Yousef Musa Goussous	
9- Mr. Farouk Aref Al- Aref	

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

Chairman of the Board	General Manager	Financial Manager



BRANCHES & OFFICES

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

Amman Branches

- **Main Branch**
  Tel. 5629400 - Fax 5694105
- **Abdali Branch**
  Tel. 5662126/7 - Fax 5662374
- **Jabal Amman Branch**
  Tel. 4641317- Fax 4611391
- **Wehdat Branch**
  Tel. 4777174 - Fax 4750220
- **Commercial Center Branch**
  Tel. 4624312 - Fax 4611381
- **Tla'a El'Ali Branch**
  Tel. 5532168/9 - Fax 5518451
- **Al Mougablain Branch**
  Tel. 4203723 – Fax 4203715
- **Jabal Al-Hussein Branch**
  Tel. 5658664 - Fax 5658663
- **Abu-Alanda Branch**
  Tel. 4162756 - Fax 4161841
- **Yarmouk Branch**
  Tel. 4779102/3 - Fax 4750230
- **Wadi El-Seir Branch**
  Tel. 5858864 - Fax 5810102
- **Jubaiha Branch**
  Tel. 5346763 - Fax 5346761
- **Amra / Um Outhaina Branch**
  Tel. 5535292 - Fax 5516561
- **Abdoun Branch**
  Tel. 5924195 – Fax 5924194
- **Abu-Nsair Branch**
  Tel. 5235223 - Fax 5235226
- **Marka Branch**
  Tel: 4889531 – Fax: 4889530
- **Ibn Khaldoun Branch**
  Tel. 4613902/3 - Fax 4613901
- **Shmeissani Branch**
  Tel. 5685403 - Fax 5685358
- **Vegetable Market Branch**
  Tel. 4127588 - Fax 4127593
- **Madinah Munawarah St. Branch**
  Tel. 5533561 - Fax 5533560
- **Sweifiyyah Branch**
  Tel. 5851027 - Fax 5851931
- **Nazzal Branch**
  Tel. 4383906 - Fax 4383905
- **Mecca Mall Branch**
  Tel. 5517967 - Fax 5517836
- **Marj El-Hamam Branch**
  Tel. 5731053 - Fax 5716832
- **Mecca Mall Office**
  Tel. 5813954 - Fax 5814239
- **City Mall Branch**
  Tel. 5824698 - Fax 5825426
- **Petra University Office**
  Tel. 5711283 - Fax 5713079
- **Sweileh Office**
  Tel. 5359986 - Fax 5359964
- **Amman Central Post Office**
  Tel. 4620253 - Fax 4620254
- **King Abdullah Bureau Office**
  Tel. 4626990 – Fax 4626995
- **Abdullah Ghousheh St. Branch**
  Tel. 5850392 – Fax 5850327
- **Amir Hamzeh Hospital Office**
  Tel. 5055691 – Fax 5055689

Middle Region Branches

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

North Region Branches

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

South Region Branches

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

Zarqa Area Branches

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

Branches outside Jordan

- **Nablus Branch**
  Tel. +970 92 376413/4 - Fax +970 92 377181
- **Ramalla Branch**
  Tel. +970 22 406724 - Fax +970 22 406728
- **I.B.U Cyprus**
  Tel. +357 25 875555 - Fax +357 25 582339

ATM Machines locations

- Head Office (Drive Thru ATM)
- Head Office / near the theater
- Jabal Amman Branch
- Zarqa Branch
- Wehdat Branch
- Tla'a El'Ali Branch
- Jabal Al-Hussein Branch
- Aqaba Branch
- Abu-Alanda Branch
- Yarmouk Branch
- Wadi El-Seir Branch
- Jubaiha Branch
- Russaifeh Branch
- Amra Branch
- Marka Branch
- Ibn Khaldoun Branch
- Shmeissani Branch
- Madinah Munawarah Branch
- New Zarqa Branch
- Madaba Branch
- Nazal Branch
- Cyber Branch - Sweifiyyah
- Baq'ah Branch
- Al Mogabalain Branch
- Sweifiyyah Branch
- Abdoun Branch
- Abu – Nsair Branch
- Mecca Mall Branch
- Abdalla Ghousheh St. Branch
- Marj El-Hamam Branch
- Amir Hamzeh Hospital Office
- Al Mafraq Office
- Salt Office
- Karak Office
- Al-Husson St Office. – Irbid
- Ahliyya University Office
- Aqaba Gate Office
- Petra University Office
- Sweileh Office
- Yarmouk University Office
- Amman Central Post Office
- Irbid Post Office
- Jabal Amman Post Office
- Jabal Al-Webdieh Post Office
- Safeway - Shmeissani
- Abdoun Mall
- Fastlink Headquarters
- Cozmo Center
- Amman Mall
- City Mall Branch
- Mobile ATM
- Al- Manaseer Gas Station / Tabarbour
- Al- Manaseer Gas Station / Wadi El-Seer
- Al- Manaseer Gas Station / Zarqa
- Marka Airport