

**CAIRO AMMAN BANK**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**31 MARCH 2015 (UN-AUDITED)**



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**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO  
THE BOARD OF DIRECTORS OF  
CAIRO AMMAN BANK  
AMMAN - JORDAN**

We have reviewed the accompanying interim condensed consolidated financial statements of **Cairo Amman Bank** (a public shareholding company) and its subsidiaries ("the Bank") as of 31 March 2015, comprising of the interim consolidated statement of financial position as of 31 March 2015, the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-months period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34.

Amman – Jordan  
12 April 2015

**CAIRO AMMAN BANK**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF 31 MARCH 2015**

	<u>Notes</u>	31 March 2015	31 December 2014
		JD (Un-audited)	JD (Audited)
<b><u>ASSETS</u></b>			
Cash and balances with Central Banks	4	192,418,996	188,460,382
Balances at banks and financial institutions	5	226,950,355	466,269,945
Deposits at banks and financial institutions		356,799,984	107,399,984
Financial assets at fair value through profit or loss	6	26,076,493	28,575,734
Financial assets at fair value through other comprehensive income	7	43,833,707	25,130,993
Direct credit facilities, net	8	1,052,024,838	1,020,556,375
Financial assets at amortized cost, net	9	434,113,763	394,722,809
Financial assets pledged as collateral		42,842,224	17,994,351
Property and equipment, net		29,265,830	28,885,625
Intangible assets, net		9,711,949	9,144,718
Deferred tax assets		2,819,845	2,819,845
Other assets		53,047,355	63,178,353
<b>Total Assets</b>		<b>2,469,905,339</b>	<b>2,353,139,114</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>LIABILITIES -</b>			
Banks and financial institutions' deposits		341,426,300	256,347,863
Customers' deposits	10	1,595,469,404	1,587,403,083
Margin accounts		86,725,554	87,128,350
Loans and borrowings	11	77,006,762	50,401,488
Sundry provisions		13,338,001	13,086,103
Income tax liabilities	12	24,353,850	23,808,580
Deferred tax liabilities		365,149	2,592,612
Other liabilities		31,109,963	40,559,047
<b>Total Liabilities</b>		<b>2,169,794,983</b>	<b>2,061,327,126</b>
<b>EQUITY -</b>			
Paid in capital	19	125,000,000	125,000,000
Statutory reserve	20	54,539,179	54,539,179
General banking risk reserve		12,270,000	12,270,000
Other reserves		5,079,998	5,079,998
Fair value reserve (net)		1,547,163	2,323,033
Retained earnings		92,599,974	92,599,778
Profit for the period		9,074,042	-
<b>Total Equity</b>		<b>300,110,356</b>	<b>291,811,988</b>
<b>Total Liabilities and Equity</b>		<b>2,469,905,339</b>	<b>2,353,139,114</b>

The accompanying notes from 1 to 21 are an integral part of these interim condensed consolidated financial statements

**CAIRO AMMAN BANK**  
**INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2015 (UN-AUDITED)**

	<u>Notes</u>	31 March 2015 JD	31 March 2014 JD
Interest income		35,693,159	37,968,667
Interest expense		<u>10,950,018</u>	<u>12,920,733</u>
<b>Net interest income</b>		24,743,141	25,047,934
Net commission income		<u>4,834,561</u>	<u>4,864,343</u>
<b>Net interest and commission income</b>		29,577,702	29,912,277
<b>Other income –</b>			
Net gain from foreign currencies		776,845	723,474
Net (loss) gain from financial assets through profit or loss		(507,121)	2,036,986
Dividends from financial assets at fair value through other comprehensive income		621,612	675,884
Gain from financial assets at amortized cost		-	327,136
Other income		<u>1,249,826</u>	<u>1,286,296</u>
<b>Gross profit</b>		<u>31,718,864</u>	<u>34,962,053</u>
Employees' expenses		9,500,786	9,149,546
Depreciation and amortization		1,546,405	1,557,037
Other expenses		5,322,178	5,167,034
Impairment loss on direct credit facilities		850,000	2,106,550
Impairment loss on financial assets at amortized cost		-	886,250
Impairment loss on collaterals acquired by the bank		-	250,000
Sundry provisions		<u>466,043</u>	<u>469,471</u>
<b>Total expenses</b>		<u>17,685,412</u>	<u>19,585,888</u>
<b>Profit for the period before tax</b>		14,033,452	15,376,165
Income tax expense	12	<u>4,959,410</u>	<u>4,949,282</u>
<b>Profit for the period</b>		<u>9,074,042</u>	<u>10,426,883</u>
<b>Earnings per share for the period:</b>		<u>JD/ Fils</u>	<u>JD/ Fils</u>
Basic and diluted earnings per share	13	<u>0/073</u>	<u>0/083</u>

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**CAIRO AMMAN BANK**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2015 (UN-AUDITED)**

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	31 March 2015	31 March 2014
	JD	JD
<b>Profit for the period</b>	9,074,042	10,426,883
<b>Other comprehensive income, which will not be transferred to profit or loss in future periods:</b>		
Net movement on cumulative changes in fair value	(775,674)	315,341
<b>Total comprehensive income for the period</b>	<u>8,298,368</u>	<u>10,742,224</u>

The accompanying notes from 1 to 21 are an integral part of these interim condensed consolidated financial statements

**CAIRO AMMAN BANK**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2015 (UN-AUDITED)**

	Reserves									
	Paid in capital	Statutory	Voluntary	General Banking Risk	Pro-cyclically	Fair value Reserve	Retained earnings	Profit for the period	Total Equity	
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
<b>31 March 2015</b>										
Balance as of 1 January 2015	125,000,000	54,539,179	-	12,270,000	5,079,998	2,323,033	92,599,778	-	291,811,988	
Total comprehensive income for the period	-	-	-	-	-	(775,674)	-	9,074,042	8,298,368	
Gain from sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	(196)	196	-	-	
Balance as of 31 March 2015	125,000,000	54,539,179	-	12,270,000	5,079,998	1,547,163	92,599,974	9,074,042	300,110,356	
<b>31 March 2014</b>										
Balance as of 1 January 2014	100,000,000	48,475,553	1,321,613	11,820,000	4,032,498	2,107,043	96,420,940	-	264,177,647	
Total comprehensive income for the period	-	-	-	-	-	315,341	-	10,426,883	10,742,224	
Gain from sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	(22,526)	22,526	-	-	
Balance as of 31 March 2014	100,000,000	48,475,553	1,321,613	11,820,000	4,032,498	2,399,858	96,443,466	10,426,883	274,919,871	

- The general banking risk reserve is restricted from use without a prior approval from Central Bank of Jordan.
- The unrealized gains included in retained earnings as at 31 March 2015 arising from the effect of the early implementation of IFRS (9) amounted to JD 13,012,187 and is not available for distribution.
- The retained earnings include deferred tax assets amounted to JD 2,819,845 and is restricted from use per the Central Bank of Jordan instructions.

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**CAIRO AMMAN BANK**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2015 (UN-AUDITED)**

	Note	31 March 2015 JD	31 March 2014 JD
<b>OPERATING ACTIVITIES</b>			
Profit for the period before income tax		14,033,452	15,376,165
<b>Adjustments -</b>			
Depreciation and amortisation		1,546,405	1,557,037
Impairment loss on direct credit facilities		850,000	2,106,550
Impairment loss on collaterals acquired by the bank		-	250,000
Impairment loss on financial assets at amortized cost		-	886,250
Gain on disposal of property and equipment		(34,073)	(1,450)
Gain on sale of assets seized by the Bank		(237,959)	(16,786)
Sundry provisions		466,043	469,471
Unrealized loss from financial assets at fair value through profit or loss		2,462,710	262,042
Effect of exchange rate changes on cash and cash equivalents		(757,686)	(671,680)
<b>Operating profit before changes in operating assets and liabilities</b>		<b>18,328,892</b>	<b>20,217,599</b>
<b>Changes in assets and liabilities -</b>			
(Increase) in deposits at banks and financial institutions maturing after three months		(249,400,000)	(119,900,000)
(Increase) in direct credit facilities		(32,318,463)	(21,675,430)
Decrease in financial assets at fair value through profit or loss		36,531	307,379
(Increase) in other assets		(9,423,923)	(9,792,527)
Increase in bank deposit maturing after three months		-	17,090,000
Increase in customers' deposits		8,066,321	5,568,954
(Decrease) in margin accounts		(402,796)	(11,980,175)
(Decrease) in other liabilities		(9,449,084)	(1,829,268)
Sundry provisions paid		(214,145)	(263,993)
<b>Net cash used in operating activities before income tax</b>		<b>(274,776,667)</b>	<b>(122,257,461)</b>
Income tax paid		(6,321,942)	(6,851,333)
<b>Net cash (used in) operating activities</b>		<b>(281,098,609)</b>	<b>(129,108,794)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of financial assets at fair value through OCI		(14,509)	-
Proceeds from sale of financial assets at fair value through OCI		9,340	47,969
Purchase of other financial assets at amortized cost		(140,349,440)	(8,806,969)
Proceeds from maturity of other financial assets at amortized cost		76,110,613	50,400,585
Proceeds from sale of financial assets at amortized cost		-	20,657,196
Purchase of intangible assets		(2,202,932)	(185,894)
Purchase of property and equipment		(320,129)	(595,340)
Sale of property and equipment		63,293	2,418
<b>Net cash (used in) from investing activities</b>		<b>(66,703,764)</b>	<b>61,519,965</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans and borrowings		32,277,274	69,395,811
Payments of loans and borrowings		(5,672,000)	(108,894,235)
<b>Net cash from (used in) financing activities</b>		<b>26,605,274</b>	<b>(39,498,424)</b>
Effect of exchange rate changes on cash and cash equivalents		757,686	671,680
<b>Net decrease in cash and cash equivalents</b>		<b>(320,439,413)</b>	<b>(106,415,573)</b>
Cash and cash equivalents, beginning of the period		411,572,964	176,599,421
<b>Cash and cash equivalents, end of the period</b>	14	<b>91,133,551</b>	<b>70,183,848</b>

The accompanying notes from 1 to 21 are an integral part of these interim condensed consolidated financial statements

**(1) GENERAL**

Cairo Amman Bank was established as a public shareholding company registered and incorporated in Jordan in 1960 in accordance with the Companies Law No. (12) of 1964. Its registered office is at Amman-Jordan.

The Bank provides its banking services through its main branch located in Amman and through its 84 branches in Jordan, 21 branches in Palestine, one branch in Bahrain and its subsidiaries.

The Bank's shares are listed on the Amman Stock Exchange.

The interim condensed consolidated financial statements were authorized for issue by the Bank's Board of Directors in their meeting held on 12 April 2015.

**(2) BASIS OF PREPARATION**

The interim condensed consolidated financial statements for the three-months period of 31 March 2015 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Bank's annual financial statements as of 31 December 2014. In addition, results for the three - months period ended 31 March 2015 do not necessarily indicate to the results that may be expected for the financial year ending 31 December 2015.

The financial statements have been presented in Jordanian Dinars ("JD"), which is the functional currency of the Bank.

**CHANGE IN ACCOUNTING POLICIES**

The accounting policies used in preparing the interim consolidated financial statement are consistent with those followed in the preparation of the consolidated financial statement for the year ended 31 December 2014.



### **(3) BASIS OF CONSOLIDATION**

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries where the Bank holds control over the subsidiaries. The control exists when the Bank controls the subsidiaries significant and relevant activities and is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. All balances, transactions income, and expenses between the Bank and subsidiaries are eliminated.

Consolidated subsidiaries are:

- Al-Watanieh for Financial Services Company – Jordan (established 1992): Owned 100% by the Bank, with a paid-up capital of JD 5,000,000 as of 31 March 2015. The company's main activity is investment brokerage.
- Al-Watanieh Securities Company – Palestine (established 1995): Owned 100% by the Bank, with a paid-up capital of JD 1,500,000 as of 31 March 2015. The company's main activity is investment brokerage.
- Tamalak For Financial Leasing- Jordan (established 2013) owned 100% by the Bank with a paid up capital of JD 1,000,000 as of 31 March 2015, however this company did not start its operation yet.
- The financial statements of Cairo Real Estate Company – LL-Jordan, of which the Bank owns 100% of the paid-up capital of JD 50,000 as of 31 March 2015, were not consolidated due to the fact that on July 31, 2002 all assets and liabilities of the company were transferred to the Bank. The Bank is in the process of completing legal procedures to liquidate the company.

The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies. If different accounting policies were applied by the subsidiaries, adjustments shall be made on their financial statements in order to comply with those of the Bank.

Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal, as appropriate.

### **(4) CASH AND BALANCES WITH CENTRAL BANKS**

Restricted statutory cash reserve held at Central Banks amounted to JD 83,389,372 as of 31 March 2015 (31 December 2014: JD 84,897,594).

Except for statutory cash reserve held at Central Banks the restricted cash balances amounted to JD 7,444,500 as of 31 March 2015 and 31 December 2014.

**(5) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS**

Non interest bearing balances at banks and financial institutions amounted to JD 40,782,450 as of 31 March 2015 (31 December 2014: JD 39,069,145).

There are no restricted deposits as of 31 March 2015 and 31 December 2014.

**(6) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<u>31 March 2015</u>	<u>31 December 2014</u>
	JD (Un-audited)	JD (Audited)
Quoted Equities	23,376,310	25,830,751
Bonds	214,429	211,372
Funds	2,485,754	2,533,611
	<u>26,076,493</u>	<u>28,575,734</u>

**(7) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<u>31 March 2015</u>	<u>31 December 2014</u>
	JD (Un-audited)	JD (Audited)
<b>Quoted Investments</b>		
Quoted Equities	42,791,488	24,330,363
<b>Total quoted investments</b>	<u>42,791,488</u>	<u>24,330,363</u>
<b>Unquoted Investments</b>		
Unquoted Equities	1,042,219	800,630
<b>Total unquoted investments</b>	<u>1,042,219</u>	<u>800,630</u>
<b>Total</b>	<u>43,833,707</u>	<u>25,130,993</u>

**(8) DIRECT CREDIT FACILITIES, NET**

	31 March 2015	31 December 2014
	JD (Un-audited)	JD (Audited)
<b>Consumer lending</b>		
Overdrafts	14,066,253	12,805,508
Loans and bills *	564,862,852	561,080,236
Finance leasing	4,274,439	2,438,678
Credit cards	10,608,057	10,709,855
Others	6,635,707	6,326,800
<b>Residential mortgages</b>	143,382,994	136,781,446
<b>Corporate lending</b>		
Overdrafts	59,492,741	79,200,211
Loans and bills *	155,185,044	124,671,383
<b>Small and medium enterprises lending "SMEs"</b>		
Overdrafts	14,718,469	18,098,316
Loans and bills *	43,327,297	37,925,891
<b>Lending to governmental sectors</b>	93,699,685	88,127,869
<b>Total</b>	1,110,253,538	1,078,166,193
Less: Suspended interest	(10,078,224)	(10,259,482)
Less: Allowance for impairment losses	(48,150,476)	(47,350,336)
<b>Direct credit facilities, net</b>	1,052,024,838	1,020,556,375

\* Net of interest and commission received in advance of JD 5,485,741 as of 31 March 2015 (31 December 2014: JD 5,271,107).

At 31 March 2015, non-performing credit facilities, net of suspended interest, amounted to JD 48,120,773 (31 December 2014: JD 47,972,194), representing 4.37% (31 December 2014: 4.49%) of gross facilities granted net of suspended interest.

**Allowance for impairment losses**

The movement of the allowance for impairment losses for direct credit facilities is as follows:

	31 March 2015	31 December 2014
	JD (Un-audited)	JD (Audited)
Balance beginning of the period/ year	47,350,336	50,960,953
Charge for the period/ year	850,000	5,488,203
Amounts written off	-	(8,842,679)
Revaluation differences	(49,860)	(256,141)
<b>Balance at the end of the period/ year</b>	48,150,476	47,350,336

### **Interest in suspense**

The movement of interest in suspense is as follows:

	31 March 2015	31 December 2014
	JD (Un-audited)	JD (Audited)
Balance beginning of the period/ year	10,259,482	11,387,288
Suspended interest during the period/ year	70,227	187,623
Amounts transferred to income on recovery	(506)	(287,494)
Amounts written off	(250,979)	(1,027,935)
Balance at the end of the period/ year	<u>10,078,224</u>	<u>10,259,482</u>

### **(9) FINANCIAL ASSETS AT AMORTIZED COST, NET**

	31 March 2015	31 December 2014
	JD (Un-audited)	JD (Audited)
<b>Quoted Investments</b>		
Treasury bills	12,404,078	1,766,629
Corporate debt securities	13,508,330	17,052,930
<b>Total quoted investments</b>	<u>25,912,408</u>	<u>18,819,559</u>
<b>Unquoted Investments</b>		
Treasury bills	384,924,108	352,518,965
Government debt securities	11,664,370	11,665,326
Corporate debt securities	11,737,050	11,843,400
Other debt securities	17,627	17,359
Less impairment losses	(141,800)	(141,800)
<b>Total unquoted investments</b>	<u>408,201,355</u>	<u>375,903,250</u>
<b>Total financial assets at amortized cost</b>	<u>434,113,763</u>	<u>394,722,809</u>
<b>Analysis of debt instruments</b>		
Fixed rate	432,695,763	393,304,809
Floating rate	1,418,000	1,418,000
<b>Total</b>	<u>434,113,763</u>	<u>394,722,809</u>

## (10) CUSTOMERS' DEPOSITS

	31 March 2015	31 December 2014
	JD	JD
	(Un-audited)	(Audited)
Current and demand deposits	399,983,259	402,662,457
Saving deposits	343,518,521	345,753,785
Time and notice deposits	851,967,624	838,986,841
<b>Total</b>	<b>1,595,469,404</b>	<b>1,587,403,083</b>

Governmental institutions' deposits amounted to JD 404,479,701 as of 31 March 2015 (31 December 2014: JD 371,517,375) representing 25.35% (31 December 2014: 23.40%) of total customers' deposits.

Non-interest bearing deposits amounted to JD 587,202,796 as of 31 March 2015 (31 December 2014: JD 586,672,309) representing 36.80% (31 December 2014: 36.96%) of total deposits.

There are no restricted deposits as of 31 March 2015 and 31 December 2014.

## (11) LOANS AND BORROWINGS

	Amount	Total no. of instalments	Outstanding instalments	Payable Every	Maturity Date	Collaterals	Interest rate
31 March 2015 (Un – audited)	JD					JD	%
Amounts borrowed from overseas investment company (OPIC)	15,598,000	1	1	At maturity	2034	None	-4.145% 4.895%
Amounts borrowed from French Development Agency	3,545,000	1	1	At maturity	2025	None	3.358%
Amounts borrowed from Central Bank of Jordan*	9,500,000	10	10	Semi-annually	2028	None	2.5%
Amounts borrowed from Central Bank of Jordan	1,200,000	14	14	Semi-annually	2028	None	2.5%
Amounts borrowed from Central Bank of Jordan	14,099,538	25	25	At maturity	2015	Treasury Bills	2%- 2.75%
Amounts borrowed from Central Bank of Jordan**	24,900,000	2	2	At maturity	2015	Treasury Bills	2.75%
Amounts borrowed from European Bank for Reconstruction and Development (EBRD)	7,090,000	7	7	Semi-annually	2019	None	3.25%
Amounts borrowed from International financial markets	1,074,224	1	1	-	-	None	-
<b>Total</b>	<b>77,006,762</b>						

	<u>Amount</u>	<u>Total no. of instalments</u>	<u>Outstanding instalments</u>	<u>Payable Every</u>	<u>Maturity Date</u>	<u>Collaterals</u>	<u>Interest rate</u>
31 December 2014 (Audited)	JD					JD	%
Amounts borrowed from overseas investment company (OPIC)	21,270,000	1	1	At maturity	2034	None	-4.145%
Amounts borrowed from French Development Agency	3,545,000	1	1	At maturity	2025	None	4.895%
Amounts borrowed from Central Bank of Jordan	9,500,000	10	10	Semi-annually	2028	None	3.358%
Amounts borrowed from Central Bank of Jordan	1,200,000	14	14	Semi-annually	2028	None	2.5%
Amounts borrowed from Central Bank of Jordan	13,812,264	21	21	At maturity	2015	Treasury Bills	-2.25%
Amounts borrowed from International financial markets	1,074,224	1	1	-	-	None	2.75%
<b>Total</b>	<b>50,401,488</b>						

\* The borrowed amount from CBJ for SMEs loans were re-lent on an average interest rate of 6% and the loan repayment to CBJ will start after 5 years from granting day.

\*\* The borrowed amount from CBJ for industrial and energy financing loans were re-lent on an average interest rate of 6.5%.

## (12) INCOME TAX PROVISION

The movement on the income tax provision is as follows:

	31 March 2015 JD (Un-audited)	31 December 2014 JD (Audited)
Balance at the beginning of the period/year	23,808,580	22,666,483
Income tax paid	(6,321,942)	(18,695,449)
Income tax charge for the period/ year	6,867,106	19,812,862
Amortization of deferred tax liabilities	106	24,684
<b>Balance at the end of the period/year</b>	<b>24,353,850</b>	<b>23,808,580</b>

Income tax appearing in the statement of comprehensive income represents the following:

	31 March 2015 JD (Un-audited)	31 March 2014 JD (Un-audited)
Provision for income tax charge for the period	6,867,106	5,022,388
Amortization of deferred tax liabilities	(1,907,696)	(73,106)
	<b>4,959,410</b>	<b>4,949,282</b>

- The statutory tax rate on banks in Jordan is 35% and the statutory tax rate on foreign branches and subsidiaries range between 15%-36% (income tax rate for banks in Palestine is 20% plus VAT of 16%).
- The Bank reached a final settlement with the Income and Sales Tax Department in Jordan for the year ended 31 December 2013.
- A final settlement was reached with the tax authorities for Palestine branches for the years from 2009 to 2012. The Income Tax Department had a re-claim for the Bank with extra amount for the year 2006 and 2007. The Bank had appealed against the court decision. The income tax department did not review 2013 records up to the date of these financial statements.
- Al-Watanieh Financial Services Company reached a final settlement with the Income Tax Department up to the year 2009. The Income and sales Tax Department had reviewed 2010 , 2011 records. The company had appealed against the court decision.
- Al-Watanieh Securities Company – Palestine reached a final settlement with the Income and Sales Tax Department up for the year 2013.
- Cairo Real Estate Investments Company reached a final settlement with the income and Sales Tax Department to 2013.
- In the opinion of the Bank's management, income tax provision as of 31 March 2015 is sufficient.

**(13) BASIC AND DILUTED EARNINGS PER SHARE**

	31 March 2015	31 March 2014
	JD	JD
	(Un-audited)	(Un-audited)
Profit for the period	9,074,042	10,426,883
Weighted average number of shares	125,000,000	125,000,000
Basic and diluted earnings per share (JD/Fils)	<u>0/073</u>	<u>0/083</u>

Diluted earnings per share equals basic earnings per share for the profit of the period.

**(14) CASH AND CASH EQUIVALENTS**

	31 March 2015	31 March 2014
	JD	JD
	(Un-audited)	(Un-audited)
Cash and balances with Central Banks maturing within 3 months	192,418,996	149,487,018
Add: Balances at banks and financial institutions maturing within 3 months	226,950,355	151,695,309
Less: Banks and financial institutions' deposits maturing within 3 months	320,791,300	223,553,979
Restricted cash balances	<u>7,444,500</u>	<u>7,444,500</u>
	<u>91,133,551</u>	<u>70,183,848</u>

## **(15) RELATED PARTY TRANSACTIONS**

The accompanying interim condensed consolidated financial statements of the Bank include the following subsidiaries:

<u>Company name</u>	<u>Ownership</u> %	<u>Paid in capital</u>	
		<u>31 March</u> <u>2015</u>	<u>31 December</u> <u>2014</u>
		<u>JD</u>	<u>JD</u>
Al-Watanieh Financial Services Co.	100	5,000,000	5,000,000
Al-Watanieh Securities Company	100	1,500,000	1,500,000
Tamalak For Financial Leasing	100	1,000,000	1,000,000

The Bank entered into transactions with major shareholders, directors, senior management and their related concerns in the ordinary course of business at commercial interest and commission rates. All the loans and advances to related parties are performing advances and are free of any provision for credit losses.

The following is a summary of related party transactions which took place during the period:

	<u>Related parties</u>			<u>Total</u>	
	<u>Board of</u> <u>Directors</u>	<u>Executive</u> <u>management</u>	<u>Others *</u>	<u>31 March</u> <u>2015</u>	<u>31 December</u> <u>2014</u>
	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>
				(Un-audited)	(Audited)
<b><u>Financial position items:</u></b>					
Direct credit facilities	42,844,829	3,881,334	11,986,979	58,713,142	56,119,744
Deposits at the Bank	18,502,116	1,420,856	14,630,809	34,553,781	39,034,536
Margin accounts	34,779,352	-	240,346	35,019,698	36,179,463
<b><u>Off financial position items:</u></b>					
Indirect credit facilities	1,946,744	-	184,042	2,130,786	2,392,780
				For the three months ended 31 March	
				<u>2015</u>	<u>2014</u>
				<u>JD</u>	<u>JD</u>
				(Un-audited)	(Un-audited)
<b><u>Income statement items</u></b>					
Interest and commission income	854,689	46,251	192,842	1,093,782	422,700
Interest and commission expense	88,045	28,352	127,873	244,270	173,184

\* Other parties include the rest of the Bank's employees and relatives to the third degree.

- Credit interest rates on deposits in Jordanian Dinar range between 4% - 8.85%.
- Credit interest rates on deposits in foreign currency range between 1.98% - 7%.
- Debit interest rates on credit facilities in Jordanian Dinar range between 0% - 5.25%.
- Debit interest rates on credit facilities in foreign currency range between 0% - 1.25%.

Compensation of the key management personnel is as follows:

	<u>31 March</u> <u>2015</u>	<u>31 March</u> <u>2014</u>
	<u>JD</u>	<u>JD</u>
	(Un-audited)	(Un-audited)
Salaries, wages and other benefits	<u>591,224</u>	<u>535,591</u>



## (16) SEGMENTAL INFORMATION

For management purposes the Bank is organized into four major business segments in accordance with the reports sent to the chief operating decision maker:

- Retail banking:** Principally handling individual customers' deposits, and providing consumer type loans, overdrafts, credit cards facilities and funds transfer facilities;
- Corporate banking:** Principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers;
- Treasury:** Principally providing money market, trading and treasury services, as well as the management of the Bank's funding operations.
- Others:** Includes income from assets seized by the Bank and other activities.

The following table shows the Bank's segment information:

	<u>Retail Banking</u>	<u>Corporate Banking</u>	<u>Treasury</u>	<u>Other</u>	<u>31 March 2015</u>	<u>31 March 2014</u>
	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>
					(Un-audited)	(Un-audited)
Total revenues	21,590,432	6,696,240	13,637,042	745,168	42,668,882	47,882,786
Impairment loss on credit facilities	(360,079)	(489,921)	-	-	(850,000)	(2,106,550)
Impairment loss on financial assets at amortized cost	-	-	-	-	-	(886,250)
<b>Segmental results</b>	<u>16,714,285</u>	<u>4,241,949</u>	<u>9,167,462</u>	<u>745,168</u>	<u>30,868,864</u>	<u>31,969,253</u>
Unallocated expenses					16,835,412	16,593,088
Profit before tax					14,033,452	15,376,165
Income tax					(4,959,410)	(4,949,282)
<b>Profit for the period</b>					<u>9,074,042</u>	<u>10,426,883</u>
					<u>31 March 2015</u>	<u>31 December 2014</u>
					<u>JD</u>	<u>JD</u>
					(Un-audited)	(Audited)
Total assets	<u>707,748,682</u>	<u>344,276,156</u>	<u>1,325,855,367</u>	<u>92,025,134</u>	<u>2,469,905,339</u>	<u>2,353,139,114</u>
Total liabilities	<u>744,526,282</u>	<u>389,310,474</u>	<u>967,156,413</u>	<u>68,801,814</u>	<u>2,169,794,983</u>	<u>2,061,327,126</u>
					<u>31 March 2015</u>	<u>31 March 2014</u>
					<u>JD</u>	<u>JD</u>
					(Un-audited)	(Un-audited)
Capital expenditure					2,523,061	781,234
Depreciation and amortization					1,546,405	1,557,037

## **(17) COMMITMENTS AND CONTINGENT LIABILITIES**

The total outstanding commitments and contingent liabilities are as follows:

	31 March 2015	31 December 2014
	JD (Un-audited)	JD (Audited)
<b>Letters of credit:</b>		
Received	220,547,038	261,523,492
Issued	88,859,664	82,161,566
Acceptances	14,008,258	13,766,063
<b>Letters of guarantee:</b>		
Payments	17,198,356	16,767,845
Performance	17,985,104	18,359,541
Other	15,991,252	17,550,096
Irrevocable commitments to extend credit	94,437,589	89,235,760
	<u>469,027,261</u>	<u>499,364,363</u>

## **(18) LAWSUITS**

In the normal course of business, the Bank appears as a defendant in a number of lawsuits amounting to approximately JD 38,266,481 as of 31 March 2015 (31 December 2014: JD 38,784,252).

The provision for possible legal obligations amounted to JD 5,501,190 as of 31 March 2015 (31 December 2014: JD 5,511,669).

In the opinion of the Bank's management and legal counsel, the Bank maintains adequate provisions against the lawsuits.

## **(19) PAID IN CAPITAL**

The Bank's paid capital is JD 125,000,000 divided into 125,000,000 shares at a par value of JD 1 per share as of 31 March 2015 and 31 December 2014 .

The General Assembly decided in its ordinary meeting held on 12 April 2015 to distribute cash dividends to shareholders amounting to JD 16,250,000 representing 13% of paid in capital, and the General Assembly decided in its extra ordinary meeting held in the same date to increase the capital to JD 160,000,000 by capitalising an amount of JD 35,000,000 from the retained earnings and to distribute the increase as 28% stock dividends to the shareholders. As for prior year's dividends the General Assembly decided the distribution of JD 17,000,000 to the shareholders representing 17% of the paid capital at the meeting held on 22 April 2014 and decided in its extra ordinary meeting held on 22 April 2014 to increase the capital to JD 125,000,000 by capitalising an amount of JD 1,321,613 from the voluntary reserve and an amount of JD 23,678,387 from the retained earnings and to distribute the increase as 25% stock dividends to the shareholders.

## **(20) RESERVES**

The Bank did not appropriate legal reserves according to Companies' Law since these are interim financial statements.

## **(21) STANDARDS ISSUED BUT NOT YET EFFECTIVE**

### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers; and SIC-31 Revenue—Barter Transactions Involving Advertising Services. The standard is effective for annual periods beginning on or after 1 January 2017, and early adoption is permitted.

### ***IFRS 9 Financial Instruments***

During July 2014, the IASB issued IFRS 9 "Financial Instruments" with all the three phases. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". The Bank has implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011. The new version of IFRS 9 will be implemented at the mandatory date on 1 January 2018, which will have an impact on the recognition and measurement of financial assets.

### **Equity Method in Separate Financial Statements (Amendments to IAS 27 and IFRS 1)**

In August 2014, the IASB amended IAS 27 Separate Financial Statements which restore the option for entities, in the separate financial statements, to account for investments in subsidiaries, associates and joint ventures using the equity method as described in IAS 28 Investments in Associates and Joint Ventures. A consequential amendment was also made to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment.

The amendments are effective for annual periods beginning on or after 1 January 2016, must be applied retrospectively and earlier adoption is permitted.

## **IAS 1 *Presentation of Financial Statements – Amendments to IAS 1***

The amendments to IAS 1 include narrow-focus improvements related to :

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income (OCI) arising from equity accounted investments

These amendments are not expected to impact the Bank's financial position or performance. The application of the amendments are not expected to have a significant impact on the Bank's disclosures.

The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

## **Investment entities (Amendments to IFRS 10 and IAS 28)**

The amendments address the issues arising in practice in the application of the investment entities consolidation exception and clarify that:

- The exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.
- Subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.
- Application of the equity method by a non-investment entity that has an interest in an associate or joint venture that is an investment entity: The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted.