



CAIRO AMMAN BANK

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2009 (UNAUDITED)

 **ERNST & YOUNG**

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

Introduction

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 30 June 2009, comprising of interim consolidated statement of financial position as of 30 June 2009 and the related interim consolidated statement of income, comprehensive income, changes in equity, and cash flows for the six 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 Financial Reporting Standard IAS 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 the 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
21 July 2009



CAIRO AMMAN BANK
 INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2009
 (UNAUDITED)
 (In Jordanian Dinars)

	Notes	30 June 2009	31 December 2008 (Audited)
ASSETS			
Cash and balances with Central Banks	4	225,416,799	229,532,870
Balances at banks and financial institutions	5	136,625,603	171,735,707
Deposits at banks and financial institutions		139,840,000	-
Financial assets held for trading		174,451	69,637
Direct credit facilities	6	656,327,721	632,853,802
Financial assets available for sale	7	350,258,917	355,685,181
Property and equipment		34,150,425	34,569,924
Intangible assets		3,732,899	3,627,508
Other assets	8	<u>39,976,399</u>	<u>34,169,837</u>
Total Assets		<u>1,586,503,214</u>	<u>1,462,244,466</u>
LIABILITIES AND EQUITY			
LIABILITIES -			
Banks and financial institutions' deposits		139,570,846	44,448,203
Customers' deposits	9	1,140,039,054	1,125,347,862
Margin accounts		50,747,501	48,782,874
Loans and borrowings	10	23,921,380	23,790,129
Sundry provisions		8,904,468	8,572,960
Income tax liabilities	11	16,296,887	22,513,296
Deferred tax liabilities		8,211,431	9,249,139
Other liabilities	12	<u>32,854,953</u>	<u>28,039,079</u>
Total Liabilities		<u>1,420,546,520</u>	<u>1,310,743,542</u>
EQUITY			
Paid in capital		88,000,000	80,000,000
Statutory reserve	25	24,152,279	24,152,279
Voluntary reserve		1,321,613	1,321,613
General banking risk reserve		6,717,932	6,337,932
Cumulative changes in fair value		24,308,035	17,975,688
Retained earnings		9,713,412	21,713,412
Profit for the period		<u>11,743,423</u>	<u>-</u>
Total Equity		<u>165,956,694</u>	<u>151,500,924</u>
Total Liabilities and Equity		<u>1,586,503,214</u>	<u>1,462,244,466</u>

The accompanying notes from 1 to 25 are an integral part of these interim condensed consolidated financial statements

CAIRO AMMAN BANK
INTERIM CONSOLIDATED INCOME STATEMENT
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2009 (UNAUDITED)
(In Jordanian Dinars)

	NOTES	For the three months ended		For the six months ended	
		30 June		30 June	
		2009	2008	2009	2008
Interest income	13	23,307,802	21,465,030	45,463,688	41,955,631
Interest expense	14	<u>10,272,199</u>	<u>8,373,240</u>	<u>19,929,715</u>	<u>16,540,549</u>
Net interest income		13,035,603	13,091,790	25,533,973	25,415,082
Net commission		<u>4,804,240</u>	<u>3,861,842</u>	<u>8,272,941</u>	<u>7,444,402</u>
Net interest and commission income		17,839,843	16,953,632	33,806,914	32,859,484
Other income –					
Net gain from foreign currencies		666,946	766,149	1,402,279	1,679,962
Net gain from financial assets held for trading	15	20,796	41,368	12,125	68,123
Net realized gain from financial assets available for sale	16	2,355,278	4,279,123	4,312,090	4,627,236
Other income		<u>1,318,543</u>	<u>2,052,357</u>	<u>2,307,861</u>	<u>3,444,216</u>
Gross profit		22,201,406	24,092,629	41,841,269	42,679,021
Employees' expenses		6,736,649	6,579,830	13,545,824	12,982,863
Depreciation and amortization		1,553,797	1,104,393	3,044,592	2,136,701
Other expenses		3,907,184	4,368,085	7,618,936	7,952,728
Impairment losses on direct credit facilities	6	95,100	95,100	154,733	190,200
Sundry provisions		<u>272,589</u>	<u>256,745</u>	<u>726,355</u>	<u>558,527</u>
Total expenses		<u>12,565,319</u>	<u>12,404,153</u>	<u>25,090,440</u>	<u>23,821,019</u>
Profit for the period before tax		9,636,087	11,688,476	16,750,829	18,858,002
Income Tax expense	11	<u>2,690,806</u>	<u>4,345,840</u>	<u>4,627,406</u>	<u>6,907,411</u>
Profit for the period		<u>6,945,281</u>	<u>7,342,636</u>	<u>12,123,423</u>	<u>11,950,591</u>
		<u>JD / Fils</u>	<u>JD / Fils</u>	<u>JD / Fils</u>	<u>JD / Fils</u>
Basic and diluted earnings per share	17	<u>0/079</u>	<u>0/083</u>	<u>0/138</u>	<u>0/136</u>

The accompanying notes from 1 to 25 are an integral part of these interim condensed consolidated financial statements

CAIRO AMMAN BANK
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2009 (UNAUDITED)
(In Jordanian Dinars)

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>30 June</u>		<u>30 June</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Profit for the period	6,945,281	7,342,636	12,123,423	11,950,591
Other comprehensive income, net of tax:				
Net change in fair value of financial assets available for sale	<u>3,113,800</u>	<u>2,692,495</u>	<u>6,332,347</u>	<u>7,038,151</u>
Total comprehensive income for the period	<u>10,059,081</u>	<u>10,035,131</u>	<u>18,455,770</u>	<u>18,988,742</u>

The accompanying notes from 1 to 25 are an integral part of these interim condensed consolidated financial statements

CAIRO AMMAN BANK
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2009 (UNAUDITED)
(In Jordanian Dinars)

	Paid in capital	R e s e r v e s			Cumulative changes in fair values	Retained earnings	Profit for the period	Total Equity
		Statutory	Voluntary	General banking risk				
Six months ended 30 June 2009								
Balance as of 1 January 2009	80,000,000	24,152,279	1,321,613	6,337,932	17,975,688	21,713,412	-	151,500,924
Total comprehensive income for the period	-	-	-	6,332,347	-	-	12,123,423	18,455,770
Increase in capital	8,000,000	-	-	-	(8,000,000)	-	-	-
Dividends paid	-	-	-	-	(4,000,000)	-	-	(4,000,000)
Transfer to reserves	-	-	-	380,000	-	-	(380,000)	-
Balance as of 30 June 2009	88,000,000	24,152,279	1,321,613	6,717,932	24,308,035	9,713,412	11,743,423	165,956,694
Six months ended 30 June 2008								
Balance as of 1 January 2008	75,000,000	21,683,537	1,321,613	5,387,932	24,313,275	17,337,315	-	145,043,672
Total comprehensive income for the period	-	-	-	7,038,151	-	-	11,950,591	18,988,742
Increase in paid in capital	5,000,000	-	-	-	(5,000,000)	-	-	-
Dividends paid	-	-	-	-	(7,500,000)	-	-	(7,500,000)
Transfers to reserves	-	-	-	600,000	-	-	(600,000)	-
Balance as of 30 June 2008	80,000,000	21,683,537	1,321,613	5,987,932	31,351,426	4,837,315	11,350,591	156,532,414

The accompanying notes from 1 to 25 are an integral part of these interim condensed consolidated financial statements

CAIRO AMMAN BANK
 INTERIM CONSOLIDATED CASH FLOW STATEMENT
 FOR THE SIX MONTHS ENDED 30 JUNE 2009 (UNAUDITED)
 (In Jordanian Dinars)

<u>OPERATING ACTIVITIES</u>	<u>Note</u>	<u>30 June 2009</u>	<u>30 June 2008</u>
Profit for the period before tax		16,750,829	18,858,002
Adjustments -			
Depreciation and amortisation		3,044,592	2,136,701
Impairment loss on direct credit facilities		154,733	190,200
Sundry provisions		726,355	558,527
Gain from sale of financial assets available for sale		(2,252,041)	(8,355,499)
Impairment on financial assets available for sale		755,808	6,164,123
Unrealised (gain) loss from financial assets held for trading		(3,831)	1,494
Impairment loss on repossessed asset		30,095	135,541
Gain on sale of property and equipment		(12,476)	(51,000)
Gain from sale of repossessed asset		(15,370)	(94,625)
Effect of exchange rate changes on cash and cash equivalents		(1,170,234)	(1,366,873)
Operating profit before changes in operating assets and liabilities		18,008,460	18,176,591
Changes in assets and liabilities -			
Decrease in balances with Central Banks maturing after more than three months		-	6,000,667
(Increase) Decrease in deposits at banks and financial institutions maturing after more than three months		(139,840,000)	177,250
Increase in direct credit facilities		(23,628,652)	(87,247,241)
(Increase) Decrease in trading investments		(100,983)	33,699
Increase in other assets		(5,821,287)	(6,175,277)
Increase (Decrease) in banks and financial institutions deposits maturing after more than three months		71,550,000	(2,000,000)
Increase in customers' deposits		14,691,192	125,815,133
Increase in margin accounts		1,964,627	13,841,777
Sundry provisions paid		(394,847)	(264,719)
Increase in other liabilities		4,815,874	7,737,584
Net cash (used in) from operating activities before income tax		(58,755,616)	76,095,464
Income tax paid		(10,843,815)	(5,324,041)
Net cash (used in) from operating activities		(69,599,431)	70,771,423
INVESTING ACTIVITIES			
Purchase of available for sale investments		(105,545,984)	(139,491,098)
Sale of available for sale investments		117,763,120	66,518,420
Sale of property and equipment		29,868	301,402
Purchase of property and equipment		(1,919,292)	(4,517,199)
Purchase of intangible assets		(828,584)	(380,587)
Net cash from (used in) investing activities		9,499,128	(77,569,062)
FINANCING ACTIVITIES			
Cash dividends paid		(4,000,000)	(7,500,000)
Proceeds (Repayment) of Loans and borrowings		131,251	55,661
Net cash used in financing activities		(3,868,749)	(7,555,661)
Effect of exchange rate changes on cash and cash equivalents		1,170,234	1,366,873
Net (decrease) in cash and cash equivalents		(62,798,818)	(12,986,427)
Cash and cash equivalents, beginning of the period		<u>349,730,374</u>	<u>395,785,072</u>
Cash and cash equivalents, end of the period	18	<u>286,931,556</u>	<u>382,798,645</u>

The accompanying notes from 1 to 25 are an integral part of these interim condensed consolidated financial statements

CAIRO AMMAN BANK
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2009
(In Jordanian Dinars)

(1) GENERAL

Cairo Amman Bank was established as a public shareholding company during 1960 in accordance with the Jordanian laws and regulations. Its registered office is at Suleiman Arrar Street, Wadi Saqra, Amman-Jordan.

The Bank provides its banking services through 62 branches and offices located in Jordan and 17 branches in Palestine, and its subsidiaries.

The Bank's shares are listed in 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 21 July 2009.

(2) BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six-month period ended 30 June 2009 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

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

The consolidated financial statements are prepared on the historical cost basis except for the financial assets held for trading and financial assets available for sale that have been measured at fair value.

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 report as of 31 December 2008. In addition, results for the six-months period ended 30 June 2009 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2009.

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2008 except for the adoption of new Standards noted below:

IAS 1 Presentation of Financial Statements (Revised)

The revised standard requires only owner changes in equity to be presented in the statement of changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented separately from owner changes in equity in a performance statement (statement of comprehensive income). Components of

comprehensive income are not permitted to be presented in the statement of changes in equity.

IFRS 8 Operating Segments

The new standard, which replaced IAS 14 Segment Reporting, requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

(3) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries where the Bank has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank controls another entity.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Bank obtains control, and continue to be consolidated until the date that such control ceases. Following are the subsidiaries of the Bank:

- Al-Watanieh Financial Services Company – Jordan: established during 1992; the Bank owned 100% of paid-up capital amounted to JD 5,000,000 as of 30 June 2009. The company's main activity is investment brokerage.
- Al-Watanieh Financial Securities Company – Palestine established during 1995, the bank owned 100% of paid-up capital amounted to JD 1,500,000 as of 30 June 2009. The company's main activity is investment brokerage.
- Cairo Amman Company - Marshall Islands: established during 1999; the Bank owned 100% of paid-up capital amounted to JD 5,000 as of 30 June 2009. The company's main activity is the investment in securities. The Bank is in the process of completing legal procedures to liquidate the Company.
- No consolidation has been made of the financial statements of Cairo for Real Estate Investment Company-Jordan, of which the Bank owns 100% of the paid-up capital of JD 50,000 as of 30 June 2009, due to the fact that on 31 July 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 the subsidiary company follows accounting policies that are different than those followed by the bank, then the necessary adjustments are made on the financial statements of the subsidiaries to conform with the accounting policies followed by the bank.

The results of operation of the subsidiary are consolidated in the consolidation income statement from the date of ownership which is the date on which the actual control of the bank on the subsidiaries is taking place. The results of operation of the subsidiaries that are eliminated in the consolidated income statement are consolidated until the date of release, which is the date the bank loses control on the subsidiaries.

Investments in subsidiaries are shown at cost in separate financial statements prepared by the bank on a standalone basis.

(4) CASH AND BALANCES WITH CENTRAL BANKS

Restricted statutory cash reserve held at Central Banks amounted to JD 77,472,778 as of 30 June 2009 (31 December 2008: JD 88,944,363).

Except for statutory cash reserve held at the Central Banks the restricted cash balances amounted to JD 7,090,000 as of 30 June 2009 and 31 December 2008, respectively.

(5) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

Non interest bearing balances at banks and financial institutions amounted to JD 4,471,678 as of 30 June 2009 (31 December 2008: JD 4,270,454).

(6) DIRECT CREDIT FACILITIES

	<u>30 June 2009</u> JD	<u>31 December 2008</u> JD
Consumer lending		
Overdrafts	13,051,131	12,329,469
Loans and bills *	294,879,180	272,119,444
Credit cards	8,421,409	7,664,162
Others	7,964,215	6,703,967
Residential mortgages	102,098,637	102,434,609
Corporate lending		
Overdrafts	36,863,043	37,703,714
Loans and bills *	73,789,253	85,419,868
Small and medium enterprises lending "SMEs"		
Overdrafts	14,570,286	14,070,514
Loans and bills *	23,341,895	23,783,761
Lending to governmental sectors	<u>136,025,024</u>	<u>125,246,422</u>
Total	711,004,073	687,475,930
Less: Suspended interest	12,622,237	12,926,691
Less: Allowance for impairment losses	<u>42,054,115</u>	<u>41,695,437</u>
Direct credit facilities, net	<u>656,327,721</u>	<u>632,853,802</u>

* Net of interest and commission received in advance of JD 13,026,150 as of 30 June 2009 (31 December 2008: JD 12,789,200).

As of 30 June 2009, non-performing credit facilities amounted to JD 46,285,826 (31 December 2008: JD 44,134,672), representing 6.51% (31 December 2008: 6.42%) of gross facilities granted.

As of 30 June 2009, non-performing credit facilities, net of suspended interest, amounted to JD 35,793,342 (31 December 2008: JD 33,462,422), representing 5.11% (31 December 2008: 4.94%) of gross facilities granted after excluding the suspended interest.

As of 30 June 2009, credit facilities granted to the Government of Jordan amounted to JD 37,110,306 (31 December 2008: JD 40,118,620), representing 5.22% (31 December 2008: 5.84%) of gross facilities granted.

As of 30 June 2009, credit facilities granted to the public sector in Palestine amounted to JD 40,877,121 (31 December 2008: JD 42,641,737), representing 5.75% (31 December 2008: 6.19%) of gross facilities granted.

A reconciliation of the allowance for impairment losses for direct credit facilities by class is as follows:

	<u>Consumer</u>	<u>Residential mortgages</u>	<u>Corporate</u>	<u>SMEs</u>	<u>Total</u>
	JD	JD	JD	JD	JD
30 June 2009-					
At 1 January 2009	26,590,184	389,578	12,760,246	1,955,429	41,695,437
Charge (surplus) for the period	(84,537)	45,926	260,506	(67,162)	154,733
Amounts written off	(15,019)	-	-	-	(15,019)
Valuation differences	56,585	-	162,379	-	218,964
Balance at the end of the period	<u>26,547,213</u>	<u>435,504</u>	<u>13,183,131</u>	<u>1,888,267</u>	<u>42,054,115</u>
Individual impairment	23,815,801	417,378	12,928,542	1,856,520	39,018,241
Collective impairment	<u>2,731,412</u>	<u>18,126</u>	<u>254,589</u>	<u>31,747</u>	<u>3,035,874</u>
Balance at the end of the period	<u>26,547,213</u>	<u>435,504</u>	<u>13,183,131</u>	<u>1,888,267</u>	<u>42,054,115</u>
31 December 2008-					
At 1 January 2008	25,634,642	316,949	13,976,283	2,501,471	42,429,345
Charge (surplus) for the year	1,498,455	72,629	(1,216,037)	(355,047)	-
Amounts written off	(542,913)	-	-	(190,995)	(733,908)
Balance at the end of the year	<u>26,590,184</u>	<u>389,578</u>	<u>12,760,246</u>	<u>1,955,429</u>	<u>41,695,437</u>
Individual impairment	23,118,320	375,123	12,550,475	1,935,515	37,979,433
Collective impairment	<u>3,471,864</u>	<u>14,455</u>	<u>209,771</u>	<u>19,914</u>	<u>3,716,004</u>
Balance at the end of the year	<u>26,590,184</u>	<u>389,578</u>	<u>12,760,246</u>	<u>1,955,429</u>	<u>41,695,437</u>

Allowance for impairment related to non-performing credit facilities that were settled or collected amounted to JD 1,678,673 as of 30 June 2009 (31 December 2008: JD 3,920,011).

A reconciliation of suspended interest on direct credit facilities by class is as follows:

30 June 2009-	<u>Consumer</u> JD	<u>Residential mortgages</u> JD	<u>Corporate</u> JD	<u>SMEs</u> JD	<u>Total</u> JD
Balance at the beginning of the period	5,742,510	49,735	5,994,758	1,139,688	12,926,691
Add: Suspended interest during the period	253,868	683	175,829	85,223	515,603
Less: Amount transferred to income on recovery	(88,424)	(1,367)	(309,695)	(13,411)	(412,897)
Less: Amounts written off	(98,301)	-	(308,859)	-	(407,160)
End of the period	<u>5,809,653</u>	<u>49,051</u>	<u>5,552,033</u>	<u>1,211,500</u>	<u>12,622,237</u>
31 December 2008-					
Balance at the beginning of the year	5,538,885	44,560	6,757,475	1,051,052	13,391,972
Add: Suspended interest during the year	1,099,477	5,175	221,121	157,010	1,482,783
Less: Amount transferred to income on recovery	(674,501)	-	(484,777)	(66,938)	(1,226,216)
Less: Amounts written off	(221,351)	-	(499,061)	(1,436)	(721,848)
Balance at the end of the year	<u>5,742,510</u>	<u>49,735</u>	<u>5,994,758</u>	<u>1,139,688</u>	<u>12,926,691</u>

(7) FINANCIAL ASSETS AVAILABLE FOR SALE

Included in financial assets available for sale are investments carried at cost of JD 1,183,284 as at 30 June 2009 (31 December 2008: JD 1,491,289).

The investments were stated at cost since the fair value could not be reliably measured.

(8) OTHER ASSETS

	<u>30 June</u> <u>2009</u> JD	<u>31 December</u> <u>2008</u> JD
Accrued interest and revenue	5,737,725	4,151,808
Prepaid expenses	6,204,411	4,829,512
Clearing checks	11,496,075	8,042,772
Refundable deposits	106,246	64,489
Deposit at Visa International	662,915	613,285
Repossessed assets *	12,834,823	12,710,293
Trading settlement account	25,000	1,078,546
Settlement guarantee fund	450,078	683,965
Accounts receivable - net	1,891,965	826,368
Others	567,161	1,168,799
	<u>39,976,399</u>	<u>34,169,837</u>

* Central Bank of Jordan instructions require that the repossessed assets are sold within two years of repossession.

(9) CUSTOMERS' DEPOSITS

<u>30 June 2009</u>	Consumer	Corporate	SMEs	Governmental sectors	Total
	JD	JD	JD	JD	JD
Current and demand deposits	205,599,930	58,683,915	30,540,904	26,774,402	321,599,151
Saving accounts	220,268,139	492,202	3,234,286	8,458	224,003,085
Time and notice deposits	235,422,136	180,215,662	21,533,960	157,265,060	594,436,818
Total	661,290,205	239,391,779	55,309,150	184,047,920	1,140,039,054
31 December 2008					
Current and demand deposits	189,808,490	50,308,276	26,407,130	25,778,326	292,302,222
Saving accounts	208,711,598	574,190	2,816,647	57,217	212,159,652
Time and notice deposits	229,428,170	180,277,633	24,471,244	186,708,941	620,885,988
Total	627,948,258	231,160,099	53,695,021	212,544,484	1,125,347,862

- Governmental institutions' deposits amounted to JD 159,229,716 as of 30 June 2009 (31 December 2008: JD 171,875,460) representing 13.97% (31 December 2008: 15.27%) of total customers' deposits.
- Non-interest bearing deposits amounted to JD 385,851,364 as of 30 June 2009 (31 December 2008: JD 274,927,118) representing 33.85% (31 December 2008: 24.43%) of total deposits.
- Dormant accounts amounted to JD 46,715,052 as of 30 June 2009 (31 December 2008: JD 38,555,031).

(10) LOANS AND BORROWINGS

<u>30 June 2009</u>	Amount	Total no. of instalments	Outstanding instalments	Frequency of instalments	Collaterals	Interest rate
	JD				JD	%
Amounts borrowed from local institutions*	23,000,000	3	3	At maturity	None	8.5 – 9.57 %
Amounts borrowed from foreign institutions**	921,380			Monthly	None	5.5 %
Total	23,921,380					
31 December 2008						
Amounts borrowed from local institutions*	23,000,000	3	3	At maturity	None	8.5 – 9.57 %
Amounts borrowed from foreign institutions**	790,129			Monthly	None	5.5 %
Total	23,790,129					

* Represents fixed interest loans borrowed from Jordan Mortgage Refinancing Company amounted to JD 23,000,000 with fixed bearing interest, with maturity between 2010 and 2012.

** Represents amounts borrowed from Mortgage Refinancing Company – Palestine, bearing fixed interest of 5.5% and repayable in monthly installments.

(11) INCOME TAX

(A) Income Tax provision

The movement on the income tax provision was as follows:

	<u>30 June 2009</u>	<u>31 December 2008</u>
Beginning balance	22,513,296	21,030,969
Income tax paid	(10,843,815)	(5,376,609)
Income tax charged for the period / year	<u>4,627,406</u>	<u>6,858,936</u>
Ending balance	<u>16,296,887</u>	<u>22,513,296</u>

(B) A reconciliation between tax expense and the accounting profit is as follows:

	<u>30 June 2009 JD</u>	<u>30 June 2008 JD</u>
Accounting profit	16,750,829	18,858,002
Non-taxable profit	(6,672,842)	(4,768,507)
Expenses not deductible in determining taxable profit	<u>3,637,211</u>	<u>6,486,933</u>
Taxable profit	<u>13,715,198</u>	<u>20,576,428</u>
Effective rate of income tax	<u>27.62%</u>	<u>36.63%</u>

The statutory tax rate on banks in Jordan is 35% and the statutory tax rates on foreign branches and subsidiaries range between 15% to 31%.

The Bank reached a final settlement with the Income Tax Department for the year ended 31 December 2006, while 2007 was reviewed by the Income Tax Department, but did not reach to a final settlement.

The Income Tax Department did not review the Bank's records for the year ended 31 December 2008.

A final settlement has been reached for Palestine branches from the Income Tax Departments for the year ended 31 December 2007.

A final settlement has been reached for Al-Watanieh Financial Services Company from the Income Tax Department for the year 2007 except for the year 1996 which is at court. the Income Tax Department did not review 2008 records.

Al-Watanieh Financial Services Company - Palestine has reached a final settlement with the Income Tax Department for the year ended 31 December 2007.

The Income Tax Department has not reviewed the accounts of Cairo Real Estate Company for the years from 1997 to 2008.

No income tax was due on Cairo Amman Company – Marshall Islands as of 30 June 2009.

In the opinion of the Bank's management, income tax provisions as of 30 June 2009 are sufficient.

(12) OTHER LIABILITIES

	30 June 2009 <u>JD</u>	31 December 2008 <u>JD</u>
Accrued interest expense	4,684,049	2,708,615
Interest and commissions received in advance	106,222	161,650
Accounts payable	5,862,272	4,103,216
Accrued expenses	3,555,199	4,125,046
Temporary deposits	7,355,879	8,219,040
Checks and withdrawals	5,995,029	3,540,062
Employees saving fund	4,004,643	3,561,148
Negative fair value of forward contract	145,867	195,006
Others	<u>1,145,793</u>	<u>1,425,296</u>
	<u>32,854,953</u>	<u>28,039,079</u>

(13) INTEREST INCOME

	30 June 2009 <u>JD</u>	30 June 2008 <u>JD</u>
Consumer lending		
Overdrafts	352,935	415,622
Loans and bills	15,638,153	11,913,111
Credit cards	918,067	901,839
Others	212,889	286,059
Residential mortgages	4,026,654	3,837,782
Corporate lending		
Overdrafts	1,217,754	945,543
Loans and bills	3,623,162	2,115,764
Small and medium enterprises lending		
Overdrafts	618,678	692,312
Loans and bills	954,263	939,225
Public and governmental sectors	4,064,635	5,412,843
Balances at Central Banks	2,108,146	4,813,399
Balances at banks and financial institutions	2,716,967	3,201,172
Financial assets available for sale	<u>9,011,385</u>	<u>6,480,960</u>
	<u>45,463,688</u>	<u>41,955,631</u>

(14) INTEREST EXPENSE

	30 June 2009 <u>JD</u>	30 June 2008 <u>JD</u>
Banks and financial institution deposits	2,111,697	1,025,645
Customers' deposits -		
Current accounts and deposits	777,708	387,325
Saving accounts	886,057	1,028,778
Time and notice placements	13,755,759	11,928,018
Margin accounts	648,915	540,475
Loans and borrowings	1,079,229	1,100,556
Deposit guarantee fees	<u>670,350</u>	<u>529,752</u>
	<u>19,929,715</u>	<u>16,540,549</u>

(15) NET GAIN (LOSS) FROM FINANCIAL ASSETS HELD FOR TRADING

	<u>Realized gain</u>	<u>Unrealized gain (loss)</u>	<u>Total</u>
30 June 2009			
Equities	<u>8,294</u>	<u>3,831</u>	<u>12,125</u>
30 June 2008			
Equities	<u>69,617</u>	<u>(1,494)</u>	<u>68,123</u>

(16) NET REALIZED GAIN FROM FINANCIAL ASSETS AVAILABLE FOR SALE

	30 June 2009 <u>JD</u>	30 June 2008 <u>JD</u>
Dividend income	2,815,857	2,435,860
Gain from sale of financial assets available for sale	2,252,041	8,355,499
Amount reversed from impairment loss	1,587,096	-
Less: impairment losses on investments	<u>(2,342,904)</u>	<u>(6,164,123)</u>
	<u>4,312,090</u>	<u>4,627,236</u>

(17) EARNINGS PER SHARE

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>30 June</u>		<u>30 June</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Profit for the year	6,945,281	7,342,636	12,123,423	11,950,591
Weighted average number of shares	<u>88,000,000</u>	<u>88,000,000</u>	<u>88,000,000</u>	<u>88,000,000</u>
Basic and diluted earnings per share (JD/Fils)	<u>0/079</u>	<u>0/083</u>	<u>0/138</u>	<u>0/136</u>

Diluted earnings per share equal basic earnings per share as the Bank has not issued any potentially convertible instruments to shares which would have an impact on earnings per share.

(18) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD

Cash and cash equivalents appearing in the statement of cash flows consist of the following balance sheet items:

	<u>30 June</u>	<u>30 June</u>
	<u>2009</u>	<u>2008</u>
	<u>JD</u>	<u>JD</u>
Cash and balances with Central Banks maturing within three months	225,416,799	260,657,740
Add: Balances at banks and financial institutions maturing within three months	136,625,603	194,309,463
Less: Banks and financial institutions' deposits maturing within three months	68,020,846	65,078,558
Restricted cash balances	<u>7,090,000</u>	<u>7,090,000</u>
Cash and cash equivalents	<u>286,931,556</u>	<u>382,798,645</u>

(19) CAPITAL ADEQUACY

Capital adequacy ratio is calculated according to Central Bank of Jordan regulation that is compliant with BIS rules as follows:

	30 June 2009	31 December 2008
	JD	JD
Primary capital		
Paid in capital	88,000,000	80,000,000
Statutory reserve	24,152,279	24,152,279
Voluntary reserve	1,321,613	1,321,613
Retained earnings	9,713,412	17,713,412
Less: investment in banks and financial institutions*	89,752	189,752
Intangible assets	3,732,899	3,627,508
Total primary capital	<u>119,264,653</u>	<u>119,370,044</u>
Additional capital		
IAS (39) net effect and cumulative changes in fair value	10,938,616	8,089,060
General banking risk reserve	6,717,932	6,337,932
Total additional capital	<u>17,656,548</u>	<u>14,426,992</u>
Less:		
Investment in banks and financial institutions*	<u>189,752</u>	<u>189,752</u>
Total regulatory capital	136,731,449	133,607,284
Total risk weighted assets	934,413,826	858,617,887
Capital adequacy ratio (%)	14.63	15.56
Primary capital ratio (%)	12.76	13.90

* According to Basel II regulations, 50% of the value of the investments in banks and subsidiaries is eliminated from the total primary capital and 50% from regulatory capital.

(20) SEGMENTAL INFORMATION

1. Primary segment information

For management purposes the Bank is organized into three major business segments:

- 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 by use of treasury bills, government securities and placements and acceptances with other Banks, through treasury and wholesale banking.

These segments are the basis on which the bank reports its primary segment information.

	<u>Retail Banking</u>	<u>Corporate Bank</u>	<u>Treasury</u>	<u>Other</u>	<u>30 June 2009</u>	<u>30 June 2008</u>
Gross income	<u>28,535,643</u>	<u>12,724,929</u>	<u>19,498,734</u>	<u>1,011,678</u>	<u>61,770,984</u>	<u>59,219,570</u>
Provision for credit losses	<u>(38,611)</u>	<u>193,344</u>	<u>-</u>	<u>-</u>	<u>154,733</u>	<u>190,200</u>
Segment result	22,303,131	8,989,495	9,382,232	1,011,678	41,686,536	42,488,821
Unallocated costs					<u>24,935,707</u>	<u>23,630,819</u>
Profit before tax					16,750,829	18,858,002
Income tax					<u>4,627,406</u>	<u>6,907,411</u>
Profit for the period					<u>12,123,423</u>	<u>11,950,591</u>
Other information						
Segment assets	<u>400,082,401</u>	<u>256,245,319</u>	<u>852,315,770</u>	<u>77,859,724</u>	<u>1,586,503,214</u>	<u>1,484,694,139</u>
Segment liabilities	<u>371,863,488</u>	<u>237,469,139</u>	<u>752,236,205</u>	<u>58,977,688</u>	<u>1,420,546,520</u>	<u>1,328,161,725</u>
Capital expenditure					2,747,876	4,897,786
Depreciation and amortization					3,044,592	2,136,701

2. Geographical Information

The following table shows the distribution of the Bank's profit assets and capital expenditure by geographical segment:

	<u>Jordan</u>		<u>Outside Jordan</u>		<u>Total</u>	
	<u>30 June 2009</u>	<u>30 June 2008</u>	<u>30 June 2009</u>	<u>30 June 2008</u>	<u>30 June 2009</u>	<u>30 June 2008</u>
Total Revenue	49,807,206	44,319,973	11,963,778	14,899,597	61,770,984	59,219,570
Capital expenditure	2,171,662	3,882,128	576,214	1,015,658	2,747,876	4,897,786

	<u>Jordan</u>		<u>Outside Jordan</u>		<u>Total</u>	
	<u>30 June 2009</u>	<u>31 December 2008</u>	<u>30 June 2009</u>	<u>31 December 2008</u>	<u>30 June 2009</u>	<u>31 December 2008</u>
Total assets	1,135,306,244	1,035,922,451	451,196,970	426,322,015	1,586,503,214	1,462,244,466

(21) RELATED PARTY TRANSACTIONS

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

<u>Company name</u>	<u>Ownership</u>	<u>Paid in capital</u>	
		<u>30 June 2009</u>	<u>31 December 2008</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
Cairo Amman Company	100 %	5,000	5,000

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 related party transactions took place during the period:

	Board of Directors and Management	Total	
		30 June 2009	31 December 2008
Balance sheet items:			
Direct credit facilities	7,779,402	7,779,402	11,352,475
Deposits at the Bank	11,369,284	18,818,021	15,792,413
Margin accounts	2,943,040	2,943,040	2,905,928
Off balance sheet items:			
Indirect credit facilities	4,356,072	4,384,072	5,672,644
Income statement items:			
Interest and commission income	214,228	214,228	402,717
Interest and commission expense	89,034	181,298	408,601
Portfolio management fees	-	192,111	382,228

Credit interest rates on credit facilities in Jordanian Dinar range between 4% - 9.25%

Credit interest rates on credit facilities in foreign currency range between 7.4% - 8.3%

Debit interest rates on deposits in Jordanian Dinar range between 0% - 6.5%

Debit interest rates on deposits in foreign currency range between 0% - 0.85%

Compensation of the key management personnel was as follows:

	30 June 2009 JD	30 June 2008 JD
Benefits (Salaries, wages, and bonuses) of senior management	1,203,936	897,942

(22) COMMITMENTS AND CONTINGENT LIABILITIES

a) The total outstanding commitments and contingent liabilities are as follows:

	30 June 2009 JD	31 December 2008 JD
Letters of credit:		
Issued	50,006,436	54,356,998
Received	53,245,821	35,357,899
Acceptances	708,955	1,463,351
Letters of guarantee:		
Payments	12,339,456	12,865,045
Performance	12,354,747	12,325,655
Other	18,269,275	15,414,669
Irrevocable commitments to extend credit	<u>60,023,788</u>	<u>62,812,319</u>
	<u>206,948,478</u>	<u>194,595,936</u>

b) The contractual commitments of the Bank are as follows:

	<u>30 June 2009</u> JD	<u>31 December 2008</u> JD
Contracts to purchase property and equipment	<u>665,756</u>	<u>612,052</u>

(23) LITIGATION

In the normal course of business, the Bank appears as a defendant in a number of lawsuits amounting to JD 24,214,881 as of 30 June 2009 (31 December 2008: JD 27,532,408). In the opinion of the Bank's management and law consultant , provisions for these lawsuits are sufficient.

An amount of JD 17,889,740 out of the total lawsuits represents four cases filed against the Bank by the customers of Wadi Al-Tuffah Branch.

(24) DIVIDENDS AND RETAINED EARNINGS

The distributed shares to shareholders for the period amounted to JD 8,000,000 which is equivalent to 10% of paid in capital.

The distributed cash dividends to shareholders for 2008 amounted to JD 4,000,000 which is equivalent to 5% of paid in capital.

(25) RESERVES

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