

CAIRO AMMAN BANK

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

31 MARCH 2009 (UNAUDITED)

CAIRO AMMAN BANK
INTERIM CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2009 (UNAUDITED)
(In Jordanian Dinars)

	Notes	31 March 2009	31 December 2008 (Audited)
<u>ASSETS</u>			
Cash and balances with Central Banks	4	319,941,191	229,532,870
Balances at banks and financial institutions	5	223,869,133	171,735,707
Deposits at banks and financial institutions		59,800,000	-
Trading investments		45,001	69,637
Direct credit facilities, net	6	642,152,903	632,853,802
Available for sale investments	7	304,670,062	355,685,181
Premises and equipment, net		34,328,344	34,569,924
Intangible assets, net		3,442,278	3,627,508
Other assets		34,020,994	34,169,837
Total Assets		<u>1,622,269,906</u>	<u>1,462,244,466</u>
<u>LIABILITIES AND EQUITY</u>			
Liabilities -			
Banks and financial institutions' deposits		184,177,703	44,448,203
Customers' deposits	8	1,138,013,176	1,125,347,862
Margin accounts		55,946,969	48,782,874
Loans and borrowings		23,857,069	23,790,129
Sundry provisions		8,750,319	8,572,960
Income tax liabilities	9	15,266,714	22,513,296
Deferred tax liabilities		7,794,782	9,249,139
Other liabilities		28,565,561	28,039,079
Total Liabilities		<u>1,462,372,293</u>	<u>1,310,743,542</u>
EQUITY			
Equity attributable to the Bank's shareholders			
Paid in capital		80,000,000	80,000,000
Statutory reserve		24,152,279	24,152,279
Voluntary reserve		1,321,613	1,321,613
General banking risk reserve		6,437,932	6,337,932
Cumulative changes in fair values, net		21,194,235	17,975,688
Retained earnings		21,713,412	21,713,412
Profit for the period		5,078,142	-
Total equity attributable to the Bank's shareholders		<u>159,897,613</u>	<u>151,500,924</u>
Total Liabilities and Equity		<u>1,622,269,906</u>	<u>1,462,244,466</u>

The accompanying notes from 1 to 17 are an integral part of these interim condensed consolidated financial statements

CAIRO AMMAN BANK
INTERIM CONSOLIDATED INCOME STATEMENT
31 MARCH 2009 (UNAUDITED)
(In Jordanian Dinars)

	Notes	31 March 2009	31 March 2008
Interest income		22,155,886	20,490,601
Interest expense		<u>9,657,516</u>	<u>8,167,309</u>
Net interest income		12,498,370	12,323,292
Net commission		<u>3,468,701</u>	<u>3,582,560</u>
Net interest and commission income		15,967,071	15,905,852
Other income –			
Net gain from foreign currencies		735,333	913,813
Net gain (loss) from financial assets held for trading		(8,671)	26,755
Net gain from financial assets available for sale		1,956,812	348,113
Other income		<u>989,318</u>	<u>1,391,859</u>
Gross profit		19,639,863	18,586,392
Employees' expenses		6,809,175	6,403,033
Depreciation and amortisation		1,490,795	1,032,308
Other expenses		3,711,752	3,584,643
Impairment loss on direct credit facilities		59,633	95,100
Sundry provisions		<u>453,766</u>	<u>301,782</u>
Total expenses		12,525,121	11,416,866
Profit before tax		7,114,742	7,169,526
Income tax expense	9	<u>1,936,600</u>	<u>2,561,571</u>
Profit for the period		<u>5,178,142</u>	<u>4,607,955</u>
Earnings per share for the year:		<u>JD/Fils</u>	<u>JD/Fils</u>
Basic and diluted earnings per share	10	<u>0/065</u>	<u>0/058</u>

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CAIRO AMMAN BANK
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
31 MARCH 2009 (UNAUDITED)
(In Jordanian Dinars)

	<u>Notes</u>	<u>31 March 2009</u>	<u>31 March 2008</u>
Profit for the period		5,178,142	4,607,955
Other comprehensive income, net of tax:			
Net movement in cumulative changes in fair value		<u>3,218,547</u>	<u>4,345,656</u>
Other comprehensive income for the period, net of tax		<u>3,218,547</u>	<u>4,345,656</u>
Total Comprehensive income for the period		<u>8,396,689</u>	<u>8,953,611</u>

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CAIRO AMMAN BANK
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
31 MARCH 2009 (UNAUDITED)
(In Jordanian Dinars)

	<u>R e s e r v e s</u>							Total Equity
	Paid in capital	Statutory	Voluntary	General banking risk	Cumulative changes in fair values	Retained earnings	Profit for the period	
<u>Three months period ended 31 March 2009</u>								
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	-	-	-	-	3,218,547	-	5,178,142	8,396,689
Transfers to reserves	-	-	-	100,000	-	-	(100,000)	-
Balance as of 31 March 2009	<u>80,000,000</u>	<u>24,152,279</u>	<u>1,321,613</u>	<u>6,437,932</u>	<u>21,194,235</u>	<u>21,713,412</u>	<u>5,078,142</u>	<u>159,897,613</u>
<u>Three months period ended 31 March 2008</u>								
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	-	-	-	-	4,345,656	-	4,607,955	8,953,611
Transfers to reserves	-	-	-	200,000	-	-	(200,000)	-
Balance as of 31 March 2008	<u>75,000,000</u>	<u>21,683,537</u>	<u>1,321,613</u>	<u>5,587,932</u>	<u>4,837,315</u>	<u>17,337,315</u>	<u>4,407,955</u>	<u>153,997,283</u>

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CAIRO AMMAN BANK
INTERIM CONSOLIDATED CASH FLOW STATEMENT
31 MARCH 2009 (UNAUDITED)
(In Jordanian Dinars)

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	Notes	<u>31 March 2009</u>	<u>31 March 2008</u>
Profit before income tax		7,114,742	7,169,526
Adjustments -			
Depreciation and amortisation		1,490,795	1,032,308
Provision for credit losses		59,633	95,100
Sundry provisions		453,766	301,782
Gain from sale of available for sale investments		(1,181,756)	(2,624,149)
Impairment of available for sale investments		1,606,209	3,013,147
Unrealised loss (gain) from trading investments		10,955	(4,239)
(Gain) on sale of premises and equipment		(31)	(9,001)
(Gain) from sale of collateral pending sale		(10,921)	(40,805)
Impairment of property held for resale		30,095	-
Effect of exchange rate changes		(615,522)	(662,053)
Operating profit before changes in operating assets and liabilities		8,957,965	8,271,616
Changes in assets and liabilities -			
Increase in balances with Central Banks that mature after three months		-	(46,000,626)
(Increase) in deposits at banks and financial institutions that mature after three months		(59,800,000)	(3,722,250)
Increase in direct credit facilities		(9,358,734)	(27,419,924)
Decrease (increase) in trading investments		13,681	(11,181)
Decrease (increase) in other assets		129,669	(15,269,751)
Increase in banks and financial institutions deposits that mature after three months		71,550,000	(2,000,000)
Increase in customers' deposits		12,665,314	99,008,999
Increase (decrease) in margin accounts		7,164,095	6,702,411
Sundry provisions paid		(276,407)	(156,004)
Increase on other liabilities		526,482	3,816,880
Net cash from operating activities before income tax		31,572,065	23,220,170
Income tax paid		(9,183,182)	(5,239,520)
Net cash from operating activities		<u>22,388,883</u>	<u>17,980,650</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Purchase of available for sale investments		(39,179,585)	(91,919,206)
Sale of available for sale investments		91,534,441	44,102,129
Purchase of premises and equipment & project in progress		(630,806)	(1,417,716)
Purchase of intangible assets		(433,148)	(176,107)
Net cash (used in) from investing activities		<u>51,290,902</u>	<u>(49,410,900)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from loans and borrowings		66,940	-
Repayment of Loans and borrowings		-	(10,181)
Net cash (used in) from financing activities		<u>66,940</u>	<u>(10,181)</u>
Effect of exchange rate changes on cash and cash equivalents		615,522	660,053
Net increase (decrease) in cash and cash equivalents		<u>74,362,247</u>	<u>(30,778,378)</u>
Cash and cash equivalents, beginning of the period		349,730,374	395,785,072
Cash and cash equivalents, end of the period	11	<u>424,092,621</u>	<u>365,006,694</u>

The accompanying notes from 1 to 17 are an integral part of these interim condensed consolidated financial statements

CAIRO AMMAN BANK
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 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 Arar 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 subsidiary companies located in Jordan and Palestine.

(2) Basis of preparation

The interim condensed financial statements for the three-month period to 31 March 2009 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 2008. In addition, results for the three-month period ended 31 March 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 financial statements are consistent with those used in the preparation of the annual 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 (ie. comprehensive income) are required to be presented separately from owner changes in equity in a performance statement (consolidated 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. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more 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 31 March 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 31 March 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 31 March 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 31 March 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.

All intra-company balances, transactions, income and expenses and profits and losses resulting from intra-company transactions that are recognised in assets, are eliminated in full.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Bank. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

(4) CASH AND BALANCES WITH CENTRAL BANKS

Statutory cash reserve held at the Central Banks amounted to JD 83,344,231 as of 31 March 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 31 March 2009 and 31 December 2008.

(5) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

Non interest bearing balances at banks and financial institutions amounted to JD 6,169,752 as of 31 March 31, 2009 (31 December 2008: JD 4,270,454).

(6) DIRECT CREDIT FACILITIES

	<u>31 March 2009</u>	<u>31 December 2008</u>
Consumer lending		
Overdrafts	11,749,394	12,329,469
Loans and bills *	275,162,118	272,119,444
Credit cards	7,108,259	7,664,162
Others	8,541,238	6,703,967
Residential mortgages	101,921,144	102,434,609
Corporate lending		
Overdrafts	40,973,698	37,703,714
Loans and bills *	82,024,121	85,419,868
Small and medium enterprises lending "SMEs"		
Overdrafts	13,765,621	14,070,514
Loans and bills *	23,028,207	23,783,761
Lending to governmental sectors	<u>131,972,892</u>	<u>125,246,422</u>
Total	696,246,692	687,475,930
Less: Suspended interest	12,338,720	12,926,691
Less: Allowance for impairment losses	<u>41,755,069</u>	<u>41,695,437</u>
Direct credit facilities, net	<u>642,152,903</u>	<u>632,853,802</u>

* Net of interest and commission received in advance of JD 12,507,108 as of 31 March 2009 (31 December 2008: JD 12,789,200).

(7) FINANCIAL ASSETS AVAILABLE FOR SALE

Included in financial assets available for sale investments carried at cost with value of JD 1,490,807 as of 31 March 2009 (31 December 2008: JD 1,491,289). The investments were stated at cost since the fair value could not be measured reliably and there is no indication of impairment in the values as of the balance sheet date.

(8) CUSTOMERS' DEPOSITS

	<u>31 March 2009</u>	<u>31 December 2008</u>
Current and demand deposits	308,596,015	292,302,222
Saving deposits	210,445,103	212,159,652
Time and notice deposits	<u>618,972,058</u>	<u>620,885,988</u>
	<u>1,138,013,176</u>	<u>1,125,347,862</u>

Governmental institutions' deposits amounted to JD 186,848,611 as of 31 March 2009 (31 December 2008: JD 171,875,460) representing 16.4% (2008: 15.27%) of total customers' deposits.

Non-interest bearing deposits amounted to JD 438,791,541 as of 31 March 2009 (31 December 2008: JD 274,927,118) representing 38.56% (2008: 24.43%) of total deposits.

(9) INCOME TAX**Income Tax liabilities**

The movements on the income tax provision were as follows:

	<u>31 March 2009</u>	<u>31 December 2008</u>
At January 1,	22,513,296	21,030,969
Income tax paid	(9,183,182)	(5,376,609)
Provision for income tax for the period/year	<u>1,936,600</u>	<u>6,858,936</u>
At the end of the period/year	<u>15,266,714</u>	<u>22,513,296</u>

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

	<u>31 March 2009</u>	<u>31 March 2008</u>
Provision for income tax for the year	<u>1,936,600</u>	<u>2,561,571</u>
	<u>1,936,600</u>	<u>2,561,571</u>

The Bank reached a final settlement with the Income Tax Department for the year ended 31 December 2006. The year 2006 was reviewed by the Income Tax Department but no final settlement has been reached yet.

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

Al-Watanieh Financial Services Company has reached a final settlement with the Income Tax Department for the years ended 31 December 2006 except for the year 1996 which is at court. The Income Tax Department did not review 2007 records.

Al-Watanieh Securities Company – Palestine has reached a final settlement for the year 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 31 March 2009.

In the opinion of the Bank's management, income tax provisions as of 31 March 2009 are sufficient.

(10) BASIC EARNINGS PER SHARE

	<u>31 March 2009</u>	<u>31 March 2008</u>
Profit for the period	5,178,142	4,607,955
Weighted average number of shares	<u>80,000,000</u>	<u>80,000,000</u>
Basic and diluted earnings per share (JD/Fils)	<u>0/065</u>	<u>0/058</u>

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

(11) CASH AND CASH EQUIVALENTS

Cash and cash equivalent balances in the statement of cash flows consist of the following balance sheet items:

	<u>31 March 2008</u>	<u>31 March 2007</u>
Cash and balances with Central Banks	319,941,191	310,945,577
Add: Balances at banks and financial institutions maturing within 3 months	223,869,133	203,560,350
Less: Banks and financial institutions' deposits maturing within 3 months	112,627,703	59,408,607
Certificate of deposit maturing after 3 months	-	83,000,626
Restricted cash balances	<u>7,090,000</u>	<u>7,090,000</u>
Net cash and cash equivalents	<u><u>424,092,621</u></u>	<u><u>365,006,694</u></u>

(12) RELATED PARTY TRANSACTIONS

The Bank enters 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.

	<u>31 March 2009</u>	<u>31 December 2008</u>
Balance sheet items:		
Direct credit facilities	10,976,857	11,352,475
Deposits at the bank	10,514,860	10,484,727
Margin accounts	2,911,067	2,905,928
Off- balance sheet items:		
Indirect credit facilities	5,911,519	5,644,644
Income statement items:		
Interest and commission income	134,678	63,685
Interest and commission expense	65,950	15,099

Compensation of the executive management personnel amounted to JD 501,882 as of 31 March 2009 (2008: JD 522,940)

(13) SEGMENTAL INFORMATION

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 Banking</u>	<u>Treasury</u>	<u>Other</u>	<u>31 March 2009</u>	<u>31 March 2008</u>
Gross income	13,580,073	6,256,276	9,088,906	372,124	29,297,379	29,912,768
Provision for credit losses	(357,778)	298,145	-	-	(59,633)	(95,100)
Segment result	10,320,211	4,927,473	3,960,422	372,124	19,580,230	18,491,292
Unallocated costs					<u>12,465,488</u>	<u>11,321,766</u>
Profit before tax					7,114,742	7,169,526
Income tax					<u>1,936,600</u>	<u>2,561,571</u>
Profit for the period					<u>5,178,142</u>	<u>4,607,955</u>
Other information						
Segment assets	377,756,847	264,396,054	908,325,387	71,791,618	1,622,269,906	1,444,747,271
Segment liabilities	344,925,436	237,999,437	826,007,757	53,439,663	1,462,372,293	1,310,743,542
Capital expenditure					1,063,954	1,593,823
Depreciation					1,490,795	1,031,308

(14) COMMITMENTS AND CONTINGENT LIABILITIES

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

	<u>31 March 2009</u>	<u>31 December 2008</u>
Letters of credit		
Issued	54,963,096	54,356,998
Received	26,682,238	35,357,899
Acceptances	2,122,368	1,463,351
Letters of guarantee:		
Payments	13,399,605	12,865,045
Performance	13,237,766	12,325,655
Others	14,507,125	15,414,669
Irrevocable commitments to extend credit	<u>67,610,955</u>	<u>62,812,319</u>
	<u>192,523,153</u>	<u>194,595,936</u>

(15) LITIGATION

In the normal course of business, the Bank appears as a defendant in a number of lawsuits amounting to approximately JD 27,552,817 as of 31 March 2008 (31 December 2008: JD 27,532,408).

Provision for possible legal obligations amounted to JD 2,905,193 as of 31 March 2008 and 31 December 2007.

An amount of JD 17,523,920 out of the total lawsuits represents cases filed against the Bank by the customers of Wadi Al-Tuffah Branch.

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

(16) DISTRIBUTED PROFITS

The General Assembly has approved in its extra-ordinary meeting held on 26 April 2009 increasing the Bank's paid in capital by JD 8,000,000 through the issue of bonus shares which is equivalent to 10% of paid in capital.

The General Assembly has approved in its ordinary meeting held on 26 April 2009 distributing cash dividends to shareholders amounted to JD 4,000,000 which is equivalent to 5% of paid in capital.

(17) RESERVES

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