

CAIRO AMMAN BANK

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2008 (UNAUDITED)

**REPORT ON REVIEW OF INTERIM CONDENSED 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 2008, comprising of interim consolidated balance sheet as of 30 June 2008 and the related interim consolidated statement of income, cash flows and changes in equity 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
27 July 2008

CAIRO AMMAN BANK
INTERIM CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2008 (UNAUDITED)
(In Jordanian Dinars)

	Notes	30 June 2008	31 December 2007 (Audited)
<u>ASSETS</u>			
Cash and balances with Central Banks	4	280,809,485	291,657,073
Balances at banks and financial institutions	5	194,486,713	198,686,651
Deposits at banks and financial institutions	6	-	177,250
Financial assets held for trading		294,212	329,405
Direct credit facilities	7	626,446,714	539,389,673
Financial assets available for sale		311,448,122	226,441,329
Property and equipment		33,517,447	30,981,739
Intangible assets		3,400,722	3,425,747
Other assets	8	<u>34,290,724</u>	<u>28,156,363</u>
Total Assets		<u>1,484,694,139</u>	<u>1,319,245,230</u>
<u>LIABILITIES AND EQUITY</u>			
Liabilities -			
Banks and financial institutions' deposits		54,408,220	52,468,652
Customers' deposits	9	1,120,674,564	994,859,431
Margin accounts		50,812,777	36,971,000
Loans and borrowings	10	23,393,814	23,449,475
Sundry provisions		8,487,806	8,193,998
Income tax liabilities	11	22,614,339	21,030,969
Deferred tax liabilities		15,177,948	12,373,360
Other liabilities	12	<u>32,592,257</u>	<u>24,854,673</u>
Total Liabilities		<u>1,328,161,725</u>	<u>1,174,201,558</u>
EQUITY			
Paid in capital		80,000,000	75,000,000
Statutory reserve	24	21,683,537	21,683,537
Voluntary reserve		1,321,613	1,321,613
General banking risk reserve		5,987,932	5,387,932
Cumulative changes in fair values		31,351,426	24,313,275
Retained earnings		4,837,315	4,837,315
Proposed issue of bonus shares	23	-	5,000,000
Proposed cash dividends	23	-	7,500,000
Profit for the period after tax		<u>11,350,591</u>	<u>-</u>
Total equity		<u>156,532,414</u>	<u>145,043,672</u>
Total Liabilities and Equity		<u>1,484,694,139</u>	<u>1,319,245,230</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
30 JUNE 2008 (UNAUDITED)
(In Jordanian Dinars)

	NOTES	Three months period ended		Six months period ended	
		June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Interest income	13	21,465,030	19,250,324	41,955,631	37,297,812
Interest expense and similar charges	14	<u>8,373,240</u>	<u>7,771,963</u>	<u>16,540,549</u>	<u>15,032,684</u>
Net interest income		13,091,790	11,478,361	25,415,082	22,265,128
Net commission		<u>3,861,842</u>	<u>3,154,964</u>	<u>7,444,402</u>	<u>5,877,808</u>
Net interest and commission income		16,953,632	14,633,325	32,859,484	28,142,936
Other income –					
Net gain from foreign currencies		766,149	614,380	1,679,962	1,365,995
Net gain (loss) from financial assets held for trading	15	41,368	(4,698)	68,123	18,230
Net realized gain from financial assets available for sale	16	4,279,123	574,812	4,627,236	3,359,417
Other income		<u>2,052,357</u>	<u>1,878,699</u>	<u>3,444,216</u>	<u>2,918,135</u>
Gross profit		24,092,629	17,696,518	42,679,021	35,804,713
Employees' expenses		6,579,830	5,770,547	12,982,863	11,718,546
Depreciation and amortization		1,104,393	582,193	2,136,701	1,169,695
Other expenses		4,368,085	3,510,442	7,952,728	6,167,037
Impairment losses on direct	7	95,100	1,485,841	190,200	3,725,926
Sundry provisions		<u>256,745</u>	<u>266,096</u>	<u>558,527</u>	<u>799,150</u>
Total expenses		<u>12,404,153</u>	<u>11,615,119</u>	<u>23,821,019</u>	<u>23,580,354</u>
Profit before tax		11,688,476	6,081,399	18,858,002	12,224,359
Income Tax expense	11	<u>4,345,840</u>	<u>1,806,670</u>	<u>6,907,411</u>	<u>4,113,434</u>
Profit for the period		<u>7,342,636</u>	<u>4,274,729</u>	<u>11,950,591</u>	<u>8,110,925</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>0/092</u>	<u>0/053</u>	<u>0/149</u>	<u>0/101</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
30 JUNE 2008 (UNAUDITED)
(In Jordanian Dinars)

	Paid in capital	R e s e r v e s			Cumulative changes in fair values	Retained earnings	Proposed cash dividends	Proposed issue of bonus shares	Profit for the period	Total Equity
		Statutory	Voluntary	General banking risk						
Six month period 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	4,837,315	7,500,000	5,000,000	-	145,043,672
Cumulative changes in fair value	-	-	-	-	<u>7,038,151</u>	-	-	-	-	<u>7,038,151</u>
Total revenues and expenses recognised in equity	-	-	-	-	7,038,151	-	-	-	-	7,038,151
Profit for the period	-	-	-	-	-	-	-	-	<u>11,950,591</u>	<u>11,950,591</u>
Total revenues and expenses 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	-	-	-	<u>600,000</u>	-	-	-	-	<u>(600,000)</u>	-
Balance as of 30 June 2008	<u>80,000,000</u>	<u>21,683,537</u>	<u>1,321,613</u>	<u>5,987,932</u>	<u>31,351,426</u>	<u>4,837,315</u>	<u>-</u>	<u>-</u>	<u>11,350,591</u>	<u>156,532,414</u>
Six months period ended 30 June 2007										
Balance as of 1 January 2007	67,500,000	18,727,903	1,321,613	4,687,932	31,665,414	83,135	6,750,000	7,500,000	-	138,235,997
Cumulative changes in fair value	-	-	-	-	<u>(3,829,695)</u>	-	-	-	-	<u>(3,829,695)</u>
Total revenues and expenses recognized in equity	-	-	-	-	(3,829,695)	-	-	-	-	(3,829,695)
Profit for the period	-	-	-	-	-	-	-	-	<u>8,110,925</u>	<u>8,110,925</u>
Total revenues and expenses for the period	-	-	-	-	(3,829,695)	-	-	-	8,110,925	4,281,230
Increase in paid in capital	7,500,000	-	-	-	-	-	-	(7,500,000)	-	-
Dividends paid	-	-	-	-	-	-	(6,750,000)	-	-	(6,750,000)
Transfers to reserves	-	-	-	<u>500,000</u>	-	-	-	-	<u>(500,000)</u>	-
Balance as of 30 June 2007	<u>75,000,000</u>	<u>18,727,903</u>	<u>1,321,613</u>	<u>5,187,932</u>	<u>27,835,719</u>	<u>83,135</u>	<u>-</u>	<u>-</u>	<u>7,610,925</u>	<u>135,767,227</u>

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
30 JUNE 2008 (UNAUDITED)
(In Jordanian Dinars)

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	Notes	30 June 2008	30 June 2007	
Profit before income tax		18,858,002	12,224,359	
Adjustments -				
Depreciation and amortisation		2,136,701	1,169,695	
Impairment loss on direct credit facilities		190,200	3,725,926	
Sundry provisions		558,527	799,150	
Gain from sale of financial assets available for sale	(8,355,499)	(1,688,087)
Impairment of financial assets available for sale		6,164,123	293,740	
Unrealised gains from financial assets held for trading		1,494	4,050	
Unrealized gain from collaterals		135,541	-	
Gain on sale of property and equipment	(51,000)	(17,583)
Gain from sale of collateral	(94,625)	(831,416)
Effect of exchange rate changes		1,366,873	(1,195,697)
Operating profit before changes in operating assets and liabilities		20,910,337	14,484,137	
Changes in assets and liabilities -				
Decrease in balances with Central Banks maturing after more than three months		6,000,667	26,705,306	
Decrease in deposits at banks and financial institutions maturing after more than three months		177,250	500,000	
(Increase) in direct credit facilities	(87,247,241)	(43,900,551)
Decrease in trading investments		33,699	56,403	
(Increase) Decrease in other assets	(6,175,277)	4,301,630	
(Increase) in banks and financial institutions deposits maturing after more than three months	(2,000,000)	-	
Increase in customers' deposits		125,815,133	71,704,882	
Increase in margin accounts		13,841,777	589,574	
Sundry provisions paid	(264,719)	(122,223)
Increase in other liabilities		7,737,584	7,646,936	
Net cash from operating activities before income tax		78,829,210	81,966,094	
Income tax paid	(5,324,041)	(7,224,989)
Net cash from operating activities		73,505,169	74,741,105	
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
(Purchase) of available for sale investments	(139,491,098)	(55,707,808)
Sale of available for sale investments		66,518,420	41,452,013	
Sale of property and equipment		301,402	44,787	
(Purchase) of premises and equipment & project in progress	(4,517,199)	(5,023,830)
(Purchase) of intangible assets	(380,587)	(388,778)
Net cash used in investing activities	(77,569,062)	(19,623,616)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>				
Cash dividends	(7,500,000)	(6,750,000)
Proceeds from loans and borrowings		-	4,000,000	
Repayment of Loans and borrowings	(55,661)	(15,950)
Net cash used in financing activities	(7,555,661)	(2,765,950)
Effect of exchange rate changes on cash and cash equivalents	(1,366,873)	1,195,697	
Net (decrease) increase in cash and cash equivalents	(12,986,427)	53,547,236	
Cash and cash equivalents, beginning of the period		<u>395,785,072</u>	<u>311,257,577</u>	
Cash and cash equivalents, end of the period		<u>382,798,645</u>	<u>364,804,813</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 2008
(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 60 branches and offices located in Jordan and 17 branches in Palestine, and its subsidiary companies located in Jordan and Palestine.

All Bank's shares are listed at Amman Stock Exchange Market.

The interim condensed financial statements were authorized for issue by the Bank's Board of Directors in their meeting number 1/4/2008 held on 27 July 2008.

(2) Basis of preparation

The interim condensed consolidated financial statements of the Bank are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. 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 2007.

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 2007. In addition, results for the 6 months ended 30 June 2008 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2008.

(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 2008. 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 2008. 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 2008. 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 2008, 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

Restricted statutory cash reserve held at Central Banks amounted to JD 77,762,011 as of 30 June 2008 (31 December 2007: JD 70,522,300).

Except for statutory cash reserve held at the Central Banks the restricted cash balances amounted to JD 7,090,000 as of 30 June 2008 and 31 December 2007.

Certificates of Deposit maturing after more than three months amounted to JD 30,999,333 as of 30 June 2008 (31 December 2007: JD 37,000,000).

(5) Balances At Banks And Financial Institutions

Non interest bearing balances at banks and financial institutions amounted to JD 4,133,541 as of 30 June 2008 (31 December 2007: JD 6,620,992).

There are no restricted balances as of 30 June 2008 and 31 December 2007.

(6) Deposits at Banks and Financial Institutions

There are no deposits maturing after more than one year as of 30 June 2008 and 31 December 2007.

(7) Direct Credit Facilities

	<u>30 June 2007</u> JD	<u>31 December 2007</u> JD
Consumer lending		
Overdrafts	13,695,055	14,598,977
Loans and bills *	261,785,534	223,540,261
Credit cards	7,744,975	7,891,113
Others	12,797,743	8,175,209
Residential mortgages	99,599,692	95,625,033
Corporate lending		
Overdrafts	41,889,175	26,279,658
Loans and bills *	68,953,440	62,471,684
Small and medium enterprises lending "SMEs"		
Overdrafts	17,714,117	21,136,890
Loans and bills *	30,872,226	21,798,718
Lending to governmental sectors	<u>127,732,218</u>	<u>113,693,447</u>
Total	682,784,175	595,210,990
Less: Suspended interest	13,907,993	13,391,972
Less: Allowance for impairment losses	<u>42,429,468</u>	<u>42,429,345</u>
Direct credit facilities, net	<u>626,446,714</u>	<u>539,389,673</u>

* Net of interest and commission received in advance of JD 13,026,150 as of 30 June 2008 (31 December 2007: JD 12,789,200).

At 30 June 2008, non-performing credit facilities amounted to JD 45,374,096 (31 December 2007: JD 46,150,378), representing 6.65% (31 December 2007: 7.75%) of gross facilities granted.

At 30 June 2008, non-performing credit facilities, net of suspended interest, amounted to JD 34,032,231 (31 December 2007: JD 35,175,307), representing 5.07% (31 December 2007: 6.05%) of gross facilities granted after excluding the suspended interest.

At 30 June 2008, credit facilities granted to the Government of Jordan amounted to JD 43,840,714 (31 December 2007: JD 47,638,624), representing 6.42% (31 December 2007: 8%) of gross facilities granted.

At 30 June 2008, credit facilities granted to the public sector in Palestine amounted to JD 47,886,714 (31 December 2007: JD 30,359,374), representing 7.01% (31 December 2007: 5.1%) of gross facilities granted.

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

30 June 2008	Residential				
	Consumer	mortgages	Corporate	SMEs	Total
	JD	JD	JD	JD	JD
At 1 January 2008	25,634,642	316,949	13,976,283	2,501,471	42,429,345
Charge (surplus) for the year	1,514,474	36,986	(1,309,110)	(52,150)	190,200
Amounts written off	-	-	(190,077)	-	(190,077)
At 30 June 2008	27,149,116	353,935	12,477,096	2,449,321	42,429,468

31 December 2007	Residential				
	Consumer	mortgages	Corporate	SMEs	Total
	JD	JD	JD	JD	JD
At 1 January 2007	24,748,154	409,881	15,375,079	3,951,773	44,484,887
Charge (surplus) for the year	2,442,393	(89,831)	(768,917)	(697,022)	886,623
Amounts written off	(1,555,905)	(3,101)	(629,879)	(753,280)	(2,942,165)
At 31 December 2007	25,634,643	316,948	13,976,283	2,501,471	42,429,345

Individual impairment amounted to JD 30,490,462 as of 30 June 2008 (31 December 2007: JD 32,125,934). Collective impairment amounted to JD 11,939,066 as of 30 June 2008 (31 December 2007: JD 10,303,411).

Allowance for impairment related to non-performing credit facilities that were settled or collected amounted to JD 2,337,528 as of 30 June 2008 (31 December 2007: JD 2,816,924).

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

30 June 2008	Residential				
	Consumer	mortgages	Corporate	SMEs	Total
	JD	JD	JD	JD	JD
At 1 January 2008	5,538,885	44,560	6,757,475	1,051,052	13,391,972
Add: Suspended interest during the year	769,565	-	560,498	106,127	1,436,190
Less: Amount transferred to income on recovery	(368,899)	(3,306)	(196,382)	(24,696)	(593,283)
Less: Amounts written off	(25,894)	-	(297,592)	(3,400)	(326,886)
At 30 June 2008	5,913,657	41,254	6,823,999	1,129,083	13,907,993

31 December 2007	Consumer	Residential mortgages	Corporate	SMEs	Total
	JD	JD	JD	JD	JD
At 1 January 2007	5,058,785	87,830	7,587,021	1,328,836	14,062,472
Add: Suspended interest during the year	1,941,285	-	503,932	106,037	2,551,254
Less: Amount transferred to income on recovery	(562,070)	(42,923)	(289,803)	(102,205)	(997,001)
Less: Amounts written off	(899,115)	(347)	(1,043,675)	(281,616)	(2,224,753)
At 31 December 2007	5,538,885	44,560	6,757,475	1,051,052	13,391,972

(8) Other Assets

	30 June 2008	31 December 2007
	JD	JD
Accrued interest and revenue	4,953,741	5,114,989
Prepaid expenses	6,017,485	4,575,323
Clearing checks	7,630,524	7,584,443
Refundable deposits	90,899	70,352
Deposit at Visa International	613,285	613,285
Real estates obtained by the Bank by calling on collateral	12,140,500	7,856,432
Assets obtained by the bank by power of attorney	620,529	621,843
Shares obtained by the Bank by calling on collateral	142,099	142,099
Real estates on installment sales	92,854	48,424
Timely expenses	74,701	37,926
Accounts receivable - net	746,025	619,499
Others	1,168,082	871,748
	34,290,724	28,156,363

(9) Customers' Deposits

30 June 2008	Consumer	Corporate	SMEs	Governmental sectors	Total
	JD	JD	JD	JD	JD
Current and demand deposits	220,667,380	33,054,214	29,256,870	35,465,039	318,443,503
Saving accounts	217,730,125	885,175	2,535,546	258,910	221,409,756
Time and notice deposits	253,378,600	127,759,673	13,986,904	185,696,128	580,821,305
Total	691,776,105	161,699,062	45,779,320	221,420,077	1,120,674,564

31 December 2007	Consumer	Corporate	SMEs	Governmental sectors	Total
	JD	JD	JD	JD	JD
Current and demand deposits	200,115,005	28,246,837	24,239,671	14,943,076	267,544,589
Saving accounts	203,787,078	554,460	2,893,671	927,829	208,163,038
Time and notice deposits	234,099,859	91,323,199	18,008,097	175,720,649	519,151,804
Total	638,001,942	120,124,496	45,141,439	191,591,554	994,859,431

- Governmental institutions' deposits amounted to JD 191,417,230 as of 30 June 2008 (31 December 2007: JD 168,988,381) representing 17.08% (31 December 2007: 16.99%) of total customers' deposits.
- Non-interest bearing deposits amounted to JD 289,020,489 as of 30 June 2008 (31 December 2007: JD 243,632,276) representing 25.79% (31 December 2007: 24.49%) of total deposits.
- There are no restricted deposits as of 30 June 2008 and 31 December 2007.
- Dormant accounts amounted to JD 39,801,458 as of 30 June 2008 (31 December 2007: JD 36,714,885).

(10) LOANS AND BORROWINGS

<u>30 June 2008</u>	<u>Amount</u>	<u>Total no. of payments</u>	<u>Outstanding payments</u>	<u>Payable every</u>	<u>Collaterals</u>	<u>Interest rate</u>
	JD				JD	%
Amounts borrowed from local institution*	23,000,000	3	3	At maturity	None	8.5 – 9.57 %
Amounts borrowed from foreign institution**	<u>393,814</u>			Monthly	None	5.5 %
Total	<u>23,393,814</u>					

<u>31 December 2007</u>	<u>Amount</u>	<u>Total no. of payments</u>	<u>Outstanding payments</u>	<u>Payable every</u>	<u>Collaterals</u>	<u>Interest rate</u>
	JD					%
Amounts borrowed from local institutions*	23,000,000	3	3	At maturity	None	8,5 – 9.57 %
Amounts borrowed from foreign institutions**	<u>449,475</u>			Monthly	None	5,5 %
Total	<u>23,449,475</u>					

* Represents fixed interest loans borrowed from Jordan Mortgage Refinancing Company and is due on the maturity date of each loan (2010-2012)

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

(11) Income Tax

Income Tax liabilities

The movements on the income tax provision were as follows:

	<u>30 June 2008</u>	<u>31 December 2007</u>
At January 1,	21,030,969	18,585,457
Income tax paid	(5,324,041)	(7,240,652)
Provision for income tax for the period/year	<u>6,907,411</u>	<u>9,686,164</u>
At the end of the period/year	<u>22,614,339</u>	<u>21,030,969</u>

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

	<u>30 June 2008</u> JD	<u>30 June 2007</u> JD
Provision for income tax for the period	6,907,411	4,109,021
Previous years income tax charges	<u>-</u>	<u>4,413</u>
	<u>6,907,411</u>	<u>4,113,434</u>

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

	<u>30 June 2008</u> JD	<u>30 June 2007</u> JD
Accounting profit	18,858,002	12,224,359
Non-taxable profit	(4,768,507)	(5,837,162)
Expenses not deductible in determining taxable profit	<u>6,486,933</u>	<u>5,558,602</u>
Taxable profit	<u>20,576,428</u>	<u>11,945,799</u>
Effective rate of income tax	<u>36.63 %</u>	<u>33.65 %</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 2003. The Bank appealed Income Tax Department assessment for the years 2004 and 2005, while 2006 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 2007.

A final settlement has been reached for Palestine branches from the Income Tax Departments for the year 2006, while no final settlement has been reached for 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 2007.

No income tax was due on Cairo Amman Company – Marshall Islands as of 31 December 2007.

In the opinion of the Bank's management, income tax provisions as of 31 December 2007 are sufficient.

(12) Other Liabilities

	30 June 2008 <u>JD</u>	31 December 2007 <u>JD</u>
Accrued interest expense	1,759,010	1,723,264
Interest and commissions received in advance	197,062	347,909
Accounts payable	5,758,648	2,454,888
Accrued expenses	4,724,373	4,720,571
Temporary deposits	9,146,003	5,416,713
Checks and withdrawals	5,822,643	5,238,510
Employees saving fund	3,501,900	3,175,813
Others	<u>1,682,618</u>	<u>1,777,005</u>
	<u>32,592,257</u>	<u>24,854,673</u>

(13) Interest Income

	30 June 2008	30 June 2007
	<u>JD</u>	<u>JD</u>
Consumer lending		
Overdrafts	415,622	311,089
Loans and bills *	11,913,111	9,162,798
Credit cards	901,839	805,982
Others	286,059	166,274
Residential mortgages	3,837,782	3,607,949
Corporate lending		
Overdrafts	945,543	960,770
Loans and bills *	2,115,764	1,956,092
Small and medium enterprises lending		
Overdrafts	692,312	554,914
Loans and bills *	939,225	422,301
Public and governmental sectors	5,412,843	5,682,230
Balances at Central Banks	4,813,399	5,702,755
Balances at banks and financial institutions	3,201,172	4,029,627
Financial assets available for sale	<u>6,480,960</u>	<u>3,935,031</u>
	<u>41,955,631</u>	<u>37,297,812</u>

(14) Interest Expense and Similar Charges

	30 June 2008	30 June 2007
	<u>JD</u>	<u>JD</u>
Banks and financial institution deposits	1,025,645	910,956
Customers' deposits -		
Current accounts and deposits	387,325	323,816
Saving accounts	1,028,778	945,686
Time and notice placements	11,928,018	11,345,378
Margin accounts	540,475	279,583
Loans and borrowings	1,100,556	753,781
Deposit guarantee fees	<u>529,752</u>	<u>473,484</u>
	<u>16,540,549</u>	<u>15,032,684</u>

(15) Net Gain (Loss) From Financial Assets Held For Trading

	<u>Realised gain (loss)</u>	<u>Unrealised gain (loss)</u>	<u>Total</u>
30 June 2008			
Equities	<u>69,617</u>	<u>(1,494)</u>	<u>68,123</u>
	<u>69,617</u>	<u>(1,494)</u>	<u>68,123</u>
31 December 2007			
Equities	<u>22,280</u>	<u>(4,050)</u>	<u>18,230</u>
	<u>22,280</u>	<u>(4,050)</u>	<u>18,230</u>

(16) Net Gain From Financial Assets Available For Sale

	<u>30 June 2008 JD</u>	<u>30 June 2007 JD</u>
Dividend income	2,435,860	1,965,070
Gain from sale of financial assets available for sale	8,355,499	1,688,087
Less: impairment losses on investments	<u>(6,164,123)</u>	<u>(293,740)</u>
	<u>4,627,236</u>	<u>3,359,417</u>

(17) Earnings Per Share

	<u>Three months period ended June 30,</u>		<u>Six months period ended June 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Profit for the year	7,342,636	4,274,729	11,950,591	8,110,925
Weighted average number of shares	<u>80,000,000</u>	<u>80,000,000</u>	<u>80,000,000</u>	<u>80,000,000</u>
Basic and diluted earnings Per share (JD/Fils)	<u>0.092</u>	<u>0.053</u>	<u>0.149</u>	<u>0.101</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) Capital Adequacy

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

	30 June 2008	31 December 2007
	JD	JD
Primary capital		
Paid in capital	80,000,000	75,000,000
Statutory reserve	21,683,537	21,683,537
Voluntary reserve	1,321,613	1,321,613
Retained earnings	4,837,315	9,837,315
Retained earnings	(189,752)	-
Less: investment in banks and financial companies	107,652,713	107,842,465
Additional capital		
Cumulative changes in fair value	14,108,142	10,940,974
General banking risk reserve	5,987,932	5,387,932
	20,096,074	16,328,906
Less:		
Investment in banks and financial company	(189,752)	(2,979)
Total regulatory capital	127,559,035	124,168,392
Total risk weighted assets	866,918,963	731,004,118
Capital adequacy ratio (%)	14.71%	16.99%
Primary capital ratio (%)	12.42%	14.75%

Capital adequacy ratio as of 30 June 2008 was calculated based on Basel II regulations, while capital adequacy ratio as of 31 December 2007 was calculated based on Basel I regulations.

(19) 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 2007</u>	<u>30 June 2006</u>
Gross income	<u>23,563,118</u>	<u>12,760,288</u>	<u>20,827,020</u>	<u>2,069,144</u>	<u>59,219,570</u>	<u>50,837,397</u>
Provision for credit losses	<u>1,660,794</u>	<u>(1,470,594)</u>	<u>-</u>	<u>-</u>	<u>190,200</u>	<u>3,725,926</u>
Segment result	17,336,380	10,492,882	12,590,415	2,069,144	42,488,821	32,078,787
Unallocated costs	-	-	-	-	<u>23,630,819</u>	<u>19,854,428</u>
Profit before tax	-	-	-	-	18,858,002	12,224,359
Income tax	-	-	-	-	<u>6,907,411</u>	<u>4,113,434</u>
Profit for the period	-	-	-	-	<u>11,950,591</u>	<u>8,110,925</u>
Other information						
Segment assets	<u>353,274,646</u>	<u>273,172,068</u>	<u>787,038,532</u>	<u>71,208,893</u>	<u>1,484,694,139</u>	<u>1,251,541,428</u>
Segment liabilities	<u>346,383,879</u>	<u>264,744,397</u>	<u>652,945,233</u>	<u>64,088,216</u>	<u>1,328,161,725</u>	<u>1,115,774,201</u>
Capital expenditure					<u>4,897,786</u>	<u>5,412,608</u>
Depreciation					<u>2,136,701</u>	<u>1,169,695</u>

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 2008</u>	<u>30 June 2007</u>	<u>30 June 2008</u>	<u>30 June 2007</u>	<u>30 June 2008</u>	<u>30 June 2007</u>
Total Revenue	44,319,973	35,820,431	14,899,597	15,016,966	59,219,570	50,837,397
Total assets	1,011,911,051	831,217,928	472,783,088	420,323,500	1,484,694,139	1,251,541,428
Capital expenditure	3,882,128	3,635,721	1,015,658	1,776,887	4,897,786	5,412,608

(20) 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>2007</u>	<u>2006</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 year:

	Total		30 June 2008	31 December 2007
	Subsidiary company	Board of Directors and Management		
			JD	JD
<u>Balance sheet items:</u>				
Direct credit facilities	277,977	4,248,339	4,526,316	6,467,320
Deposits at the Bank	2,307,319	6,831,384	9,138,703	10,599,133
Margin accounts	-	1,871,985	1,871,985	1,838,036
<u>Off balance sheet items:</u>				
Indirect credit facilities	21,000	11,147,675	11,168,675	7,379,974
<u>Income statement items:</u>				
Interest and commission income	18,653	125,189	143,842	478,459
Interest and commission expense	33,013	131,991	165,004	245,100
Portfolio management fees	169,803	-	169,803	334,735

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

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

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

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

Compensation of the key management personnel is as follows:

	30 June 2008	30 June 2007
	JD	JD
Benefits (Salaries, wages, and bonuses) of senior management	334,040	279,891

(21) Commitments And Contingent Liabilities

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

	30 June 2008	31 December 2007
	JD	JD
Letters of credit		
Issued	106,134,651	56,840,620
Received	40,878,662	35,021,578
Acceptances	1,663,513	1,303,451
Letters of guarantee:		
Payments	5,563,259	6,888,876
Performance	9,018,522	8,552,506
Others	15,907,733	10,468,759
Irrevocable commitments to extend credit	<u>57,005,807</u>	<u>57,564,521</u>
	<u>236,172,147</u>	<u>176,640,311</u>

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

	<u>30 June</u> <u>2008</u> JD	<u>31 December</u> <u>2007</u> JD
Contracts to purchase property and equipment	<u>1,825,623</u>	<u>3,628,634</u>
	<u>1,825,623</u>	<u>3,628,634</u>

(22) Litigation

In the normal course of business, the Bank appears as a defendant in a number of lawsuits amounting to approximately JD 22,042,347 as of 30 June 2008 (31 December 2007: JD 28,840,018).

An amount of JD 18,605,300 out of the total lawsuits represents cases filed against the Bank by the customers of Wadi Al-Tuffah Branch.

(23) Distributed Profits

The General Assembly has approved in its extra-ordinary meeting held on 20 April 2008 increasing the Bank's paid in capital by JD 5,000,000 through the issue of bonus shares which is equivalent to 6.67% of paid in capital.

The General Assembly has approved in its ordinary meeting held on 20 April 2008 distributing cash dividends to shareholders amounted to JD 7,500,000 which is equivalent to 10% of paid in capital.

(24) Reserves

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

(25) Comparative Figures

Some of 2007 balances were reclassified to correspond with those of 30 June 2008 presentation. The reclassification has no effect on the profit for the period and equity.