CAIRO AMMAN BANK

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2012 (UNAUDITED)

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 2012, comprising of interim consolidated statement of financial position as of 30 June 2012 and the related interim consolidated statements 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
26 July 2012

CAIRO AMMAN BANK
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2012
(In Jordanian Dinars)

	Notes	30 June 2012	31 December 2011
		(Unaudited)	(Audited)
ASSETS			
Cash and balances with Central Banks	4	129,451,591	131,887,099
Balances at banks and financial institutions	5	196,095,543	287,130,970
Deposits at banks and financial institutions	6	3,500,000	3,500,000
Financial assets at fair value through profit or loss	7	25,482,022	24,640,456
Financial assets at fair value through other comprehensive income	8	24,313,889	25,910,213
Direct credit facilities	9	1,021,029,941	947,589,993
Financial assets at amortized cost	10	437,997,850	440,338,326
Property and equipment		35,625,002	36,455,613
Intangible assets		7,157,283	6,213,805
Other assets	11	32,848,377	36,696,786
Total Assets		1,913,501,498	1,940,363,261
LIABILITIES AND EQUITY			
LIABILITIES -			
Banks and financial institutions' deposits		78,722,883	170,128,471
Customers' deposits	12	1,412,416,068	1,375,134,365
Margin accounts		55,834,836	47,423,112
Loans and borrowings	13	80,524,224	62,224,224
Sundry provisions		11,674,648	11,803,397
Income tax provision	14	17,587,406	22,621,983
Deferred tax liabilities		1,931,093	2,270,355
Other liabilities	15	32,728,799	25,187,001
Total Liabilities		1,691,419,957	1,716,792,908
EQUITY			
Paid in capital	28	100,000,000	100,000,000
Statutory reserve		37,749,106	37,749,106
Voluntary reserve		1,321,613	1,321,613
General baking risk reserve		10,650,000	10,150,000
Cyclical fluctuation reserve		2,318,759	2,318,759
Fair value reserve (Net)	16	2,625,469	3,850,718
Retained earnings	17	51,325,320	68,180,157
Profit for the period after general banking reserve		16,091,274	-
Total Equity		222,081,541	223,570,353
Total Liabilities and Equity		1,913,501,498	1,940,363,261

The accompanying notes from 1 to 30 form part of these interim condensed consolidated financial statements

CAIRO AMMAN BANK
INTERIM CONSOLIDATED INCOME STATEMENT
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2012 (UNAUDITED)
(In Jordanian Dinars)

	Notes	For the three months ended 30 June 2012	For the three months ended 30 June 2011	For the six months ended 30 June 2012	For the six months ended 30 June 2011
Interest income	18	30,693,072	27,591,733	60,103,545	54,127,359
Interest expense	19	9,403,544	7,680,703	17,784,492	15,044,216
Net interest income		21,289,528	19,911,030	42,319,053	39,083,143
Net commission		5,402,678	4,804,867	10,119,320	9,652,588
Net interest and commission income		26,692,206	24,715,897	52,438,373	48,735,731
Other income –					
Net gain from foreign currencies		726,582	809,533	1,418,556	1,431,186
Net (loss) gain from financial assets through profit or loss	20	(1,289,335)	630,541	(97,449)	1,212,098
Dividends from financial assets at fair value through other comprehensive income		715,120	1,001,651	989,171	1,136,262
Net gain from financial assets at amortized cost		68,188	818,894	68,188	1,587,989
Other income		773,661	859,319	1,757,204	1,775,858
Gross profit		27,686,422	28,835,835	56,574,043	55,879,124
Employees' expenses		8,214,017	7,960,140	16,306,657	15,473,026
Depreciation and amortization		1,845,498	1,898,504	3,648,236	3,730,532
Other expenses		4,817,529	4,641,606	9,449,305	9,311,416
Impairment losses on direct credit facilities	9	614,150	1,414,150	2,298,300	2,687,080
Impairment losses on financial assets at amortized cost		-	141,800	-	141,800
Sundry provisions		215,410	303,716	674,929	842,918
Total expenses		15,706,604	16,359,916	32,377,427	32,186,772
Profit for the period before tax		11,979,818	12,475,919	24,196,616	23,692,352
Income tax expense	14	3,780,508	4,428,779	7,605,342	7,438,996
Profit for the period		8,199,310	8,047,140	16,591,274	16,253,356
		JD / Fils	JD / Fils	JD / Fils	JD / Fils
Basic and diluted earnings per share	21	0/082	0/080	0/166	0/163

The accompanying notes from 1 to 30 form 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 2012 (UNAUDITED)
(In Jordanian Dinars)

	For the three months ended 30 June		For the six months ended 30 June	
	2012	2011	2012	2011
Profit for the period	8,199,310	8,047,140	16,591,274	16,253,356
Other comprehensive income, net of tax:				
Net movement in fair value reserve for financial assets, after tax	(1,440,260)	210,120	(1,225,249)	(225,389)
Gain from sale of financial assets at fair value through other comprehensive income	116,716	292,830	145,163	292,830
Total comprehensive income for the period	6,875,766	8,550,090	15,511,188	16,320,797

The accompanying notes from 1 to 30 form 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 2012 (UNAUDITED)
(In Jordanian Dinars)

	Paid in capital	Statutory	Voluntary	General banking risk	Cyclical fluctuation	Fair value reserve	Cumulative changes in fair values	Retained earnings	Profit for the period	Total equity
Six month ended 30 June 2012										
Balance as of 1 January 2012	100,000,000	37,749,106	1,321,613	10,150,000	2,318,759	3,850,718	-	68,180,157	-	223,570,353
Total comprehensive income for the period	-	-	-	-	-	(1,080,086)	-	-	16,591,274	15,511,188
Dividends paid	-	-	-	-	-	-	-	(17,000,000)	-	(17,000,000)
Gain from sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	(145,163)	-	145,163	-	-
Transfer to reserves	-	-	-	500,000	-	-	-	-	(500,000)	-
Balance as of 30 June 2012	100,000,000	37,749,106	1,321,613	10,650,000	2,318,759	2,625,469	-	51,325,320	16,091,274	222,081,541
Six month ended 30 June 2011										
Balance as of 1 January 2011	100,000,000	33,054,599	1,321,613	8,883,860	1,040,187	-	24,903,151	36,722,851	-	205,926,261
Effect of implementation of IFRS 9	-	-	-	-	-	6,368,626	(24,903,151)	16,670,185	-	(1,864,340)
	100,000,000	33,054,599	1,321,613	8,883,860	1,040,187	6,368,626	-	53,393,036	-	204,061,921
Total comprehensive income for the period	-	-	-	-	-	67,441	-	-	16,253,356	16,320,797
Dividends paid	-	-	-	-	-	-	-	(15,000,000)	-	(15,000,000)
Gain from sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	(292,830)	-	292,830	-	-
Transfer to reserves	-	-	-	1,150,000	-	-	-	-	(1,150,000)	-
Balance as of 30 June 2011	100,000,000	33,054,599	1,321,613	10,033,860	1,040,187	6,143,237	-	38,685,866	15,103,356	205,382,718

- The general banking risk reserve and revaluation reserve of financial assets is restricted from use without a prior approval from the Central Bank of Jordan.

- The retained earnings balance as at 30 June 2011 include a restricted amount of JD 14,859,280 which resulted from the effect of the early implementation of IFRS (9).

The accompanying notes from 1 to 30 form part of these interim condensed consolidated financial statements

CAIRO AMMAN BANK
INTERIM CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2012 (UNAUDITED)
(In Jordanian Dinars)

	Note	30 June 2012	30 June 2011
OPERATING ACTIVITIES			
Profit for the period before tax		24,196,616	23,692,352
Adjustments -			
Depreciation and amortisation		3,648,236	3,730,532
Impairment loss on direct credit facilities		2,298,300	2,687,080
Impairment loss on financial assets at amortized cost		-	141,800
Sundry provisions		674,929	842,918
Unrealized loss from financial assets at fair value through profit or loss		2,022,330	280,078
Impairment loss on repossessed assets		-	30,725
Loss (Gain) on sale of property and equipment		1,896	(67,223)
Gain from sale of repossessed assets		(9,891)	(27,138)
Effect of exchange rate changes on cash and cash equivalents		(1,224,841)	(1,261,871)
Operating profit before changes in operating assets and liabilities		31,607,575	30,049,253
Changes in assets and liabilities -			
Decrease in deposits at banks and financial institutions		-	70,129,750
(Increase) in financial assets at fair value through profit or loss		(2,863,896)	(213,667)
(Increase) in direct credit facilities		(75,738,248)	(88,493,801)
Decrease (increase) in other assets		3,858,300	(2,316,012)
(Decrease) in banks and financial institutions deposits maturing after more than three months		700,000	-
(Decrease) Increase in customers' deposits		37,281,703	(26,651,680)
Increase in margin accounts		8,411,724	18,983,425
Sundry provisions paid		(803,678)	(1,258,091)
Increase (decrease) in other liabilities		7,541,798	(3,636,835)
Net cash from (used in) operating activities before income tax		9,995,278	(3,407,658)
Income tax paid		(12,702,089)	(11,141,093)
Net cash (used in) operating activities		(2,706,811)	(14,548,751)
INVESTING ACTIVITIES			
(Purchase) of financial assets at fair value through OCI		(267,875)	(280,065)
Sale of financial assets at fair value through OCI		507,020	240,000
(Purchase) of financial assets at amortized cost		(148,740,000)	(15,739,008)
Sale of financial assets at amortized cost		151,080,477	25,309,731
Proceeds from sale of property and equipment		3,329	129,396
(Purchase) of property and equipment		(2,349,865)	(4,233,701)
(Purchase) of intangible assets		(1,416,463)	(867,214)
Net cash from (used in) investing activities		(1,183,377)	4,559,139
FINANCING ACTIVITIES			
Cash dividends paid		(17,000,000)	(15,000,000)
Proceeds from loans and borrowings		22,300,000	-
Repayment for loans and borrowings		(4,000,000)	-
Net cash (used in) from financing activities		1,300,000	(15,000,000)
Effect of exchange rate changes on cash and cash equivalents		1,224,841	1,261,871
Net (decrease) in cash and cash equivalents		(1,365,347)	(23,727,741)
Cash and cash equivalents, beginning of the period		248,799,598	254,317,099
Cash and cash equivalents, end of the period	23	247,434,251	230,589,358

The accompanying notes from 1 to 30 form part of these interim condensed consolidated financial statements

(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 77 branches and offices located in Jordan and 21 branches in Palestine, and its subsidiaries.

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

The interim condensed consolidated financial statements were authorized for issue by the Bank's Board of Directors in their meeting held on 26 July 2012.

(2) BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six-month period of 30 June 2012 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

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

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 2011. In addition, results for the six - month period ended 30 June 2012 do not necessarily indicate to the results that may be expected for the financial year ending 31 December 2012.

Changes in accounting policies:

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2011 except for the following:

IFRS 7 *Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements*
The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Bank's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Bank's financial position or performance.

IAS 12 *Income Taxes – Recovery of Underlying Assets*
The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

BASIS OF CONSOLIDATION

The interim condensed 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 of the subsidiaries so as to obtain benefits from their activities. All balances, transactions income, and expenses between the Bank and subsidiaries are eliminated.

- 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 2012. The Company's main activity is investment brokerage and portfolio management.

- Al-Watanieh Securities Company – Palestine, established during 1995, the Bank owned 100% of paid-up capital amounted to JD 1,500,000 as of 30 June 2012. The Company's main activity is investment brokerage.

The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies.

(3) USE OF ESTIMATES

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions as well as fair value changes reported in equity. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions. The management believes that their estimates are reasonable:

Provision for credit losses: The Bank reviews and provides for its loan portfolios according to the Central Bank of Jordan regulations and IFRS.

Impairment losses on the valuation of possessed real estate properties are determined based on appraisal reports prepared by certified appraisers and reviewed periodically.

The income tax provision is calculated based on the applications of relevant laws.

Management periodically revaluates the useful life's of tangible and intangible assets in order to assess the amortization and depreciation for the year based on the useful life and future economic benefits. Any impairment is taken to the income statement.

Management reviews periodically financial assets that are carried at cost to assess impairment, any recognized impairment is recorded in the income statement.

Legal provisions are provided for lawsuits raised against the Bank based on the Bank's legal advisors' opinion.

(4) CASH AND BALANCES WITH CENTRAL BANKS

Restricted statutory cash reserve held at Central Banks amounted to JD 74,882,403 as of 30 June 2012 (31 December 2011: JD 72,585,518).

Except for statutory cash reserve held at the Central Banks the restricted cash balances amounted to JD 7,090,000 as of 30 June 2012 and 31 December 2011, respectively.

There are no balances which mature more than three months as of 30 June 2012 and 31 December 2011.

(5) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

Non interest bearing balances at banks and financial institutions amounted to JD 7,371,386 as of 30 June 2012 (31 December 2011: JD 21,194,536).

There are no restricted balances as of 30 June 2012 and 31 December 2011.

(6) DEPOSITS AT BANKS AND FINANCIAL INSTITUTIONS

Deposits mature more than Three month amounted JD 3,500,000 as of 30 June 2012 and 31 December 2011.

There are no restricted balances as of 30 June 2012 and 31 December 2011.

(7) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2012	31 December 2011
	JD	JD
	(Un-audited)	(Audited)
Equity instruments	23,591,473	22,928,930
Bonds	143,573	-
Funds	1,746,976	1,711,526
	25,482,022	24,640,456

(8) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2012	31 December 2011
	JD	JD
	(Un-audited)	(Audited)
Quoted Investments		
Quoted Equities	23,671,695	25,261,478
Total quoted investments	23,671,695	25,261,478
Unquoted Investments		
Unquoted Equities	642,194	648,735
Total unquoted investments	642,194	648,735
Total	24,313,889	25,910,213

(9) DIRECT CREDIT FACILITIES

	30 June 2012	31 December 2011
	JD	JD
	(Un-audited)	(Audited)
Consumer lending		
Overdrafts	9,304,310	7,286,517
Loans and bills *	525,272,013	487,882,144
Credit cards	10,111,294	10,337,775
Others	5,829,495	6,915,578
Residential mortgages	125,036,531	123,994,676
Corporate lending		
Overdrafts	80,398,334	61,519,982
Loans and bills *	137,877,787	150,276,944
Small and medium enterprises lending "SMEs"		
Overdrafts	22,394,311	19,823,858
Loans and bills *	31,372,089	30,630,027
Lending to governmental sectors	131,491,633	104,686,198
Total	1,079,087,797	1,003,353,699
Less: Suspended interest	(10,755,291)	(10,528,884)
Less: Allowance for impairment losses	(47,302,565)	(45,234,822)
Direct credit facilities, net	1,021,029,941	947,589,993

* Net of interest and commission received in advance of JD 7,091,727 as of 30 June 2012 (31 December 2011: JD 7,909,985).

As of 30 June 2012, non-performing credit facilities amounted to JD 59,271,846 (31 December 2011: JD 58,288,553), representing 5.49% (31 December 2011: 5.81%) of gross facilities granted.

As of 30 June 2012, non-performing credit facilities, net of suspended interest, amounted to JD 48,566,219 (31 December 2011: JD 47,956,902), representing 4,55% (31 December 2010: 4.83%) of gross facilities granted after excluding the suspended interest.

As of 30 June 2012, credit facilities granted to the Government of Jordan amounted to JD 56,284,288 (31 December 2011: JD 48,717,355), representing 5,22% (31 December 2011: 4.86%) of gross facilities granted.

As of 30 June 2012, credit facilities granted to the public sector in Palestine amounted to JD 48,803,635 (31 December 2011: JD 42,330,087), representing 4.52% (31 December 2011: 4.22%) of gross facilities granted.

The following table shows the distribution by the geographical area and economic sector for the direct credit facilities:

Industry sector	Inside	Outside	30 June 2012	31 December 2011
	JD	JD	JD	JD
Financial	2,831,726	-	2,831,726	299,642
Industrial	33,514,280	7,529,006	41,043,286	35,952,398
Commercial	144,129,457	59,213,539	203,342,996	198,489,809
Real estate	133,095,579	11,153,034	144,248,613	145,257,895
Agriculture	3,102,647	-	3,102,647	3,117,434
Trading	7,976,550	362,729	8,339,279	10,043,887
Consumer	478,039,527	66,648,090	544,687,617	505,506,436
Public and Government	82,687,998	48,803,635	131,491,633	104,686,198
Total	885,377,764	193,710,033	1,079,087,797	1,003,353,699

Direct facilities impairment provision:

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

	Consumer	Residential mortgages	Corporate	SMEs	Total
2012- (un audited)	JD	JD	JD	JD	JD
At 1 January 2012	22,320,080	565,674	20,261,874	2,087,194	45,234,822
Charge for the period	485,741	36,762	1,744,885	30,912	2,298,300
Amounts written off	(157,506)	-	-	-	(157,506)
Revaluation difference	(73,051)	-	-	-	(73,051)
At 30 June 2012	22,575,264	602,436	22,006,759	2,118,106	47,302,565
Specific impairment on individual loans	17,605,810	591,175	21,851,456	2,082,248	42,130,689
Watch list	223,999	11,261	155,303	35,858	426,421
Collective impairment	4,745,455	-	-	-	4,745,455
At 30 June 2012	22,575,264	602,436	22,006,759	2,118,106	47,302,565

	Consumer	Residential mortgages	Corporate	SMEs	Total
	JD	JD	JD	JD	JD
2011- (Audited)					
At 1 January 2011	28,439,784	452,524	13,596,656	1,795,897	44,284,861
Charge (surplus) for the year	(5,366,194)	113,150	6,665,218	294,899	1,707,073
Amounts written off	(662,748)	-	-	(3,602)	(666,350)
Revaluation difference	(90,762)	-	-	-	(90,762)
At 31 December 2011	22,320,080	565,674	20,261,874	2,087,194	45,234,822
Specific impairment on Individual loans	17,808,142	534,269	20,158,473	2,064,354	40,565,238
Watch list	184,826	31,405	103,401	22,840	342,472
Collective impairment	4,327,112	-	-	-	4,327,112
At 31 December 2011	22,320,080	565,674	20,261,874	2,087,194	45,234,822

Allowance for impairment related to non-performing credit facilities that were settled or collected amounted to JD 2,713,282 as of 30 June 2012 (31 December 2011: 4,660,046).

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

	Consumer	Residential mortgages	Corporate	SMEs	Total
2012- (non audited)	JD	JD	JD	JD	JD
At 1 January 2012	4,836,561	48,330	4,681,387	962,606	10,528,884
Add: Suspended interest during the period	111,820	-	612,314	29,370	753,504
Less: Amount transferred to income on recovery	(101,269)	-	-	(52,743)	(154,012)
Less: Amounts written off	(182,710)	(15,152)	(119,888)	(55,335)	(373,085)
At 30 June 2012	4,664,402	33,178	5,173,813	883,898	10,755,291

	Consumer	Residential mortgages	Corporate	SMEs	Total
2011- (Audited)	JD	JD	JD	JD	JD
At 1 January 2011	4,821,309	49,376	4,967,089	1,066,523	10,904,297
Add: Suspended interest during the year	317,538	-	110,710	116,213	544,461
Less: Amount transferred to income on recovery	(227,593)	(1,046)	(252,085)	(172,773)	(653,497)
Less: Amounts written off	(74,693)	-	(144,327)	(47,357)	(266,377)
At 31 December 2011	4,836,561	48,330	4,681,387	962,606	10,528,884

(10) FINANCIAL ASSETS OF AMORATIZED COST

	30 June 2012	31 December 2011
	JD	JD
	(Un-audited)	(Audited)
Quoted Investments		
Treasury bills	1,749,013	1,745,491
Corporate debt securities	24,848,794	26,552,764
Total quoted investments	26,597,807	28,298,255
Unquoted Investments		
Treasury bills	314,864,561	291,485,054
Government debt securities	61,795,365	81,737,869
Corporate debt securities	34,844,193	38,915,621
Other debt securities	37,724	43,327
Impairment losses	(141,800)	(141,800)
Total unquoted investments	411,400,043	412,040,071
Total financial assets at amortized cost	437,997,850	440,338,326
Analysis of debt instruments		
Fixed rate	431,965,324	427,070,101
Floating rate	6,032,526	13,268,225
Total	437,997,850	440,338,326

(11) OTHER ASSETS

	30 June 2012	31 December 2011
	JD	JD
	(Un-audited)	(Audited)
Accrued interest and revenue	6,386,992	9,623,611
Prepaid expenses	7,394,771	5,088,302
Assets seized by the Bank against non-performing loans	11,037,001	11,040,584
Accounts receivable - net	822,825	713,529
Clearing checks	4,278,981	7,444,350
Trading settlement account	119,000	25,000
Refundable deposits	282,926	197,509
Deposit at Visa International	1,042,230	1,042,230
Others	1,483,651	1,521,671
	32,848,377	36,696,786

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

(12) CUSTOMERS' DEPOSITS

30 June 2012-	Consumer	Corporate	SMEs	Governmental sectors	Total
	JD	JD	JD	JD	JD
Current and demand deposits	202,719,508	112,362,634	31,172,157	73,220,302	419,474,601
Saving accounts	307,797,926	1,299,576	1,279,463	1,564	310,378,529
Time and notice deposits	237,691,627	270,022,372	15,672,822	159,176,117	682,562,938
Total	748,209,061	383,684,582	48,124,442	232,397,983	1,412,416,068
31 December 2011-					
Current and demand deposits	222,045,253	141,680,200	33,879,881	41,867,630	439,472,964
Saving accounts	291,839,758	567,080	1,909,960	1,563	294,318,361
Time and notice deposits	221,681,356	276,639,977	15,351,218	127,670,489	641,343,040
Total	735,566,367	418,887,257	51,141,059	169,539,682	1,375,134,365

- Governmental institutions' deposits amounted to JD 209,381,820 as of 30 June 2012 (31 December 2011: JD 161,714,335) representing 14,82% (31 December 2010: 11.76%) of total customers' deposits.

- There are no restricted deposits as of 30 June 2012 and 31 December 2011.

- Non-interest bearing deposits amounted to JD 531,635,716 as of 30 June 2012 (31 December 2011: JD 529,779,047) representing 37,64% (31 December 2011: 38,53%) of total deposits.

- Dormant accounts amounted to JD 32,595,409 as of 30 June 2012 (31 December 2011: JD 20,954,967).

(13) LOANS AND BORROWINGS

30 June 2012 – (un-audited)	Amount	Total no. of instalments	Outstanding instalments	Payable Every	Collaterals	Interest rate
	JD				JD	%
Amounts borrowed from local institutions*	29,000,000	3	3	At maturity	None	5.3 – 8.5 %
Amounts borrowed from public institutions	15,000,000	1	1	At maturity	None	4,55 %
Amounts borrowed from international institutions**	35,450,000	1	1	At maturity	None	4.145–4.895%
Amounts borrowed from foreign institutions***	1,074,224			Monthly	None	5.5%
Total	80,524,224					

31 December 2011- (audited)	Amount	Total no. of payments	Outstanding payments	Payable Every	Collaterals	Interest rate
	JD	JD	JD	JD	JD	%
Amounts borrowed from local institution*	23,000,000	3	3	At maturity	None	5.3 – 8.6 %
Amounts borrowed from international institution**	35,450,000	1	1	At maturity	None	4.145–4.895%
Amounts borrowed from Central Bank of Jordan	2,700,000	1	1	At maturity	None	4.25%
Amounts borrowed from foreign institution***	1,074,224			Monthly	None	5.5%
Total	62,224,224					

* Represents fixed interest loans borrowed from Jordan Mortgage Refinancing Company amounted to JD 29,000,000 with fixed bearing interest, with maturity between 2012 and 2013.The Bank lends the borrowed funds for the purposes of housing loans at an interest rate 8.1%.

** Represents fixed interest loans borrowed from OPIC and is due on the maturity date 10 May 2034.

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

(14) INCOME TAX

(A) Income Tax provision

The movement on the income tax provision was as follows:

	30 June 2012	31 December 2011
	JD (Un-audited)	JD (Audited)
Beginning of the period / year	22,621,983	21,913,042
Income tax paid	(12,702,089)	(14,401,383)
Income tax payable	7,667,512	15,110,324
End of the period / year	17,587,406	22,621,983

Income tax appearing in the statement of income represents following:

	30 June 2012	30 June 2011
	JD (Un-audited)	JD (Un-audited)
Provision for income tax for the period	7,667,512	7,438,996
Amortization of deferred tax liabilities	(62,170)	-
Income tax charge for the period	7,605,342	7,438,996

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

	30 June 2012	30 June 2011
	JD (Un-audited)	JD (Un-audited)
Accounting profit	24,196,616	23,692,352
Non-taxable profit	(4,478,205)	(4,632,213)
Non deductible expenses in determining taxable profit	4,009,537	5,634,074
Taxable profit	23,727,948	24,694,213
Effective rate of income tax	31.43%	31.40%

The statutory tax rate on banks in Jordan is 30% and the statutory tax rates on foreign branches and subsidiaries range between 15% to 34%.

The Bank reached a final settlement with the Income Tax Department for the year ended 31 December 2010, while 2011 was not reviewed yet by the Income Tax Department.

A final settlement has been reached with the tax authorities for Palestine branches for the year up 2007. The Income tax Department had a re-claim for the bank with extra amount for the year 2006 and 2007. The Bank had appealed against the court decision. Also a tax assessments was issued from the tax department for the year 2008 but the Bank disputed the assessment. For the years 2009, 2010 and 2011 no reviews took place up to the date of preparing these interim financial statements.

Al-Watanieh Financial Services Company has reached a final settlement with the Income Tax Department up to the year 2009 except for the year 1996 which is at court. the Income Tax Department did not review 2010 and 2011 records.

Al-Watanieh Financial Services Company - Palestine has reached a final settlement with the Income Tax Department up to the year 2011.

The Income Tax Department has not reviewed the accounts of Cairo Real Estate Company for the years from 1997 to 2011.

In the opinion of the Bank's management, income tax provisions as of 30 June 2012 are sufficient.

(15) OTHER LIABILITIES

	30 June 2012	31 December 2011
	JD	JD
	(Un-audited)	(Audited)
Accrued interest expense	1,687,068	2,301,745
Accounts payable	4,718,020	2,880,611
Accrued expenses	5,257,918	5,184,193
Temporary deposits	9,757,692	6,750,662
Checks and withdrawals	8,748,807	6,424,887
Settlement guarantee fund	176,784	15,242
Others	2,382,510	1,629,661
	32,728,799	25,187,001

(16) FAIR VALUE RESERVE

The movement is as follows:

	30 June 2012	31 December 2011
	JD	JD
	(Un-audited)	(Audited)
Beginning balance	3,850,718	-
Effect of implementation IFRS 9	-	6,368,626
Unrealized loss	(1,419,348)	(2,913,206)
Gain from sale financial assets at fair value through other comprehensive income	(145,163)	(429,926)
Deferred tax liability	339,262	825,224
Ending balance	2,625,469	3,850,718

(17) RETAINED EARNING

The movement is as follows:

	30 June 2012	31 December 2011
	JD	JD
	(Un-audited)	(Audited)
Balance at 1 January	68,180,157	36,722,851
Effect of implementation of IFRS 9	-	16,670,185
Profit for the year	-	36,596,414
Transferred to statutory reserve	-	(4,694,507)
Transferred to general banking risk reserve	-	(1,266,140)
Transferred to cyclical fluctuation reserve	-	(1,278,572)
Increase in capital	-	-
Cash dividends	(17,000,000)	(15,000,000)
Net gain from sale of financial assets at fair value through other comprehensive income	145,163	429,926
	51,325,320	68,180,157

The balance of the retained earnings as of 30 June 2012 contains restricted amount JD 14,859,280 which resulted from the early adoption of the IFRS 9, this balance represents unrealized gains which can not be distributed.

(18) INTEREST INCOME

	30 June 2012 JD (Un-audited)	30 June 2011 JD (Audited)
Consumer lending		
Overdrafts	372,628	198,876
Loans and bills	27,018,684	23,798,199
Credit cards	1,272,454	1,225,604
Others	122,439	187,565
Residential mortgages	4,323,919	4,278,928
Corporate lending		
Overdrafts	2,270,110	1,842,763
Loans and bills	3,693,382	4,397,052
Small and medium enterprises lending		
Overdrafts	584,513	512,156
Loans and bills	1,116,497	1,067,820
Public and governmental sectors	3,990,092	2,803,055
Balances at Central Banks	53,619	147,075
Balances at banks and financial institutions	2,691,554	3,985,038
Financial assets at fair value through profit or loss	4,225	-
Financial assets at amortized cost	12,589,429	9,685,228
Total	60,103,545	54,127,359

(19) INTEREST EXPENSE

	30 June 2012 JD (Un-audited)	30 June 2011 JD (Audited)
Banks and financial institutions deposits	827,422	779,359
Customers' deposits -		
Current accounts and deposits	1,672,038	1,868,177
Saving accounts	1,256,717	1,278,243
Time and notice placements	10,540,212	8,306,242
Margin accounts	210,364	280,006
Loans and borrowings	2,271,299	1,615,287
Deposits guarantee fees	1,006,440	916,902
	17,784,492	15,044,216

(20) NET GAIN (LOSS) FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (UN-AUDITED)

	Realized gain (loss)	Unrealized gain (loss)	Dividends	Total
30 June 2012				
Equity instruments	16	(2,061,021)	1,924,865	(136,140)
Bonds	-	3,241	-	3,241
Investment funds	-	35,450	-	35,450
Total	16	(2,022,330)	1,924,865	(97,449)
30 June 2011				
Equity instruments	(25,734)	(198,140)	1,517,910	1,294,036
Investment funds	-	(81,938)	-	(81,938)
Total	(25,734)	(280,078)	1,517,910	1,212,098

(21) EARNINGS PER SHARE

	For the three months ended 30 June		For the six months ended 30 June	
	2012	2011	2012	2011
Profit for the period	8,199,310	8,047,140	16,591,274	16,253,356
Weighted average number of shares	100,000,000	100,000,000	100,000,000	100,000,000
Basic and diluted earnings per share (JD/Fils)	0/082	0/080	0/166	0/163

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.

(22) CAPITAL ADEQUACY

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios") and adopted by the Central Bank of Jordan.

According to Central Bank of Jordan regulation (52/2010), the minimum paid in capital of Jordanian banks should be JD 100 million before the end of 2011. In addition, the regulation requires a minimum leverage ratio of 6%.

The Bank, since its inception, has always maintained an adequate capital adequacy ratio that exceeds the minimum required by the Central Bank of Jordan of 12% (8% as per BIS rules/ratios).

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. No changes were made in the objectives, policies and processes from previous years.

Capital Description

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, reserves, retained earnings including current year profit, less accrued dividends. Certain adjustments are made to IFRS-based results and reserves, as prescribed by the Central Bank of Jordan. The other component of regulatory capital is Tier 2 capital, which includes subordinated long term debt, preference shares and revaluation reserves which should not exceed 45% of the full amount if it was positive and deducted in full if it was negative. The third component of capital is Tier 3 which is used against market risk. Investments in the capital of banks and other financial institutions are deducted from regulatory capital if not consolidated in addition to investments in the capital of insurance companies. Also, excess over 10% of the Bank's capital if invested in an individual company investee and excess over 50% of the Bank's capital for aggregate investments is deducted from regulatory capital.

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

	30 June 2012	31 December 2011
	JD	JD
	(Unaudited)	(Audited)
Primary capital		
Paid in capital	100,000,000	100,000,000
Statutory reserve	37,749,106	37,749,106
Voluntary reserve	1,321,613	1,321,613
Cyclical fluctuation reserve	2,318,759	2,318,759
Retained earnings	43,152,716	43,007,553
Less:		
Investment in banks and financial companies	152,540	15,943
Assets obtained by the Bank by calling on collateral more than four years	9,557,777	4,749,145
Intangible assets	7,157,283	6,213,805
Total Primary capital	167,674,594	173,418,138
Additional capital		
Fair value reserve	1,181,461	1,732,823
General banking risk reserve	10,650,000	10,150,000
Less:		
Investment in banks and financial companies	152,540	15,943
Total additional capital	11,678,921	11,866,880
Total regulatory capital	179,353,515	185,285,018
Total risk weighted assets	1,266,973,969	1,234,897,462
Capital adequacy (regulatory capital) (%)	14.16	15.00
Capital adequacy (primary capital) (%)	13.23	14.04

*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.

(23) 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:

	30 June 2012	30 June 2011
	JD	JD
	(Un-audited)	(Un-audited)
Cash and balances with Central Banks maturing within three months	129,451,591	131,227,729
Add: Balances at banks and financial institutions maturing within three months	196,095,543	233,178,423
Less: Banks and financial institutions' deposits maturing within three months	71,022,883	126,726,794
Restricted cash balances	7,090,000	7,090,000
Cash and cash equivalents	247,434,251	230,589,358

(24) RELATED PARTY TRANSACTIONS

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

		Paid in capital	
Company name	Ownership	30 June 2012	31 December 2011
	%	JD	JD
		(un audited)	(audited)
Al-Watanieh Financial Services Co.	100 %	5,000,000	5,000,000
Al-Watanieh Securities Company	100 %	1,500,000	1,500,000

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	Executive management	Others	30 June 2012	31 December 2011
	JD	JD	JD	JD (Unaudited)	JD (Audited)
Balance sheet items:					
Direct credit facilities	17,378,531	2,939,876	15,479,240	35,797,647	30,332,987
Deposits at the Bank	38,114,980	1,969,696	9,395,160	49,479,836	10,803,735
Margin accounts	887,260	-	73,059	960,319	920,692
Off balance items:					
Indirect credit facilities	2,359,399	-	63,822	2,423,221	2,481,681
				For the six months ended 30 June	
				2012	2011
				JD	JD
Income statements items				(Unaudited)	(Unaudited)
Interest and commission income	995,490	19,088	145,104	1,159,682	250,167
Interest and commission expense	108,064	2,838	65,979	176,881	208,166

Credit interest rates on credit facilities in Jordanian Dinar range between 4% - 8,85%
Credit interest rates on credit facilities in foreign currency range between 1,98% - 7%
Debit interest rates on deposits in Jordanian Dinar range between 0% - 5,25%
Debit interest rates on deposits in foreign currency range between 0% - 1,25%

Compensation of the key management personnel was as follows:

	30 June 2012	30 June 2011
	JD	JD
	(Unaudited)	(Unaudited)
Benefits (Salaries, wages, and bonuses)	1,769,810	1,618,580

(25) SEGMENTAL INFORMATION

1. Primary segment information

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

Retail banking - Principally handling individual customers' deposits, and providing consumer type loans, overdrafts, credit cards facilities and funds transfer facilities;

Corporate banking - Principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers;

Treasury - Principally providing money market, trading and treasury services, as well as the management of the Bank's funding operations 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.

	Retail Banking	Corporate Bank	Treasury	Others	30 June 2012	30 June 2011
	JD	JD	JD	JD	JD (Un audited)	JD (Un audited)
Gross income	42,262,647	14,260,181	17,510,440	325,267	74,358,535	70,923,340
Provision for credit losses	522,503	1,775,797	-	-	2,298,300	2,687,080
Impairment losses on investments	-	-	-	-	-	141,800
Segment result	31,818,172	8,711,035	13,421,269	325,267	54,275,743	53,050,244
Unallocated costs					30,079,127	29,357,892
Profit before tax					24,196,616	23,692,352
Income tax					7,605,342	7,438,996
Profit for the period					16,591,274	16,253,356
Other information						
Capital expenditure					3,766,328	5,100,915
Depreciation and amortization					3,648,236	3,730,532
					30 June 2012	31 December 2011
					JD (Un audited)	JD (Audited)
Segment assets	647,678,362	373,351,578	816,889,217	75,582,341	1,913,501,498	1,940,363,261
Segment liabilities	729,476,568	387,190,402	512,768,801	61,984,186	1,691,419,957	1,716,792,908

2. Geographical Information

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

	Jordan		Outside Jordan		Total	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	JD	JD	JD	JD	JD (Un-audited)	JD (Un-audited)
Total Revenue	64,464,466	57,668,507	9,894,069	13,254,833	74,358,535	70,923,340
Capital expenditure	3,085,845	3,078,245	680,483	2,022,670	3,766,328	5,100,915

	Jordan		Outside Jordan		Total	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011
	JD	JD	JD	JD	JD (Un-audited)	JD (Audited)
Total assets	1,488,624,536	1,495,364,439	424,876,962	444,998,822	1,913,501,498	1,940,363,261

(26) COMMITMENTS AND CONTINGENT LIABILITIES

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

	30 June 2012	31 December 2011
	JD	JD
	(Un audited)	(Audited)
Letters of credit:		
Received	174,907,258	114,135,834
Issued	35,445,522	55,382,633
Acceptances	1,129,240	4,282,350
Letters of guarantee:		
Payments	17,400,710	16,682,141
Performance	10,269,726	11,502,952
Other	21,242,659	23,222,081
Irrevocable commitments to extend credit	73,376,899	79,575,208
	333,772,014	304,783,199

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

	30 June 2012	31 December 2011
	JD	JD
	(Un audited)	(Audited)
Contracts to purchase property and equipment	2,011,130	1,951,911
	2,011,130	1,951,911

(27) LITIGATION

In the normal course of business, the Bank appears as a defendant in a number of lawsuits amounting to JD 23,582,627 as of 30 June 2012 (31 December 2011: JD 38,330,746). In the opinion of the Bank's management and law consultant, provisions for these lawsuits are sufficient.

Provision for possible legal cases amounted to JD 5,346,913 as of 30 June 2012 and JD 5,394,378 31 December 2011.

(28) ISSUED AND PAID IN CAPITAL

Paid in capital amounted by JD 100,000,000 divided to 100,000,000 shares, at a par value of JD 1 per shares as at 30 June 2012 and 31 December 2011.

The General Assembly has approved in its ordinary meeting held on 25 March 2012 distributing cash dividends to shareholders amounted to JD 17,000,000 which is equivalent to 17% of paid in capital.

(29) RESERVES

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

(30) STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Bank's financial statements are listed below. This listing of standards and interpretations issued are those that the Bank reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Bank intends to adopt these standards when they become effective.

New standards:

IFRS 10 *Consolidated Financial Statements*
IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 *Consolidation — Special Purpose Entities*.
IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 *Joint Arrangements*
IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*.
IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will impact the financial position of the Company. This is due to the cessation of proportionate consolidating the joint venture in to equity accounting for this investment **or** the new strandard will have no impact on the Company's financial position of performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 ***Disclosure of Involvement with Other Entities***
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 ***Fair Value Measurement***
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

Amended standards:

IAS 1 ***Financial Statement Presentation – Presentation of Items of Other Comprehensive Income***
The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Bank's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 19 ***Employee Benefits*** **(Amendment)**
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Bank does not expect any impact and the financial position of financial statements.

IAS 27 ***Separate Financial Statements*** **(as revised in 2011)**
As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Bank does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 ***Investments in Associates and Joint Ventures*** **(as revised in 2011)**
As a consequence of the new IFRS 11 and IFRS 12 IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.