CAIRO AMMAN BANK

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2012 (UN-AUDITED)

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 31 March 2012, comprising of the interim consolidated statement of financial position as of 31 March 2012, the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

Amman – Jordan
23 April 2012

CAIRO AMMAN BANK
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 MARCH 2012 (UN-AUDITED)
(In Jordanian Dinars)

	Notes	31 March 2012	31 December 2011 (Audited)
ASSETS			
Cash and balances with Central Banks	4	128,146,777	131,887,099
Balances at banks and financial institutions	5	224,886,236	287,130,970
Deposits at banks and financial institutions		-	3,500,000
Financial assets at fair value through profit or loss	6	28,721,248	24,640,456
Financial assets at fair value through other comprehensive income	7	26,325,960	25,910,213
Direct credit facilities, net	8	993,668,486	947,589,993
Other financial assets at amortized cost	9	446,654,757	440,338,326
Property and equipment, net		36,278,206	36,455,613
Intangible assets, net		6,681,448	6,213,805
Other assets		39,742,741	36,696,786
Total Assets		1,931,105,859	1,940,363,261
LIABILITIES AND EQUITY			
LIABILITIES -			
Banks and financial institutions' deposits		114,909,520	170,128,471
Customers' deposits	10	1,331,296,305	1,375,134,365
Margin accounts		54,425,596	47,423,112
Loans and borrowings	11	135,024,224	62,224,224
Sundry provisions		11,958,490	11,803,397
Income tax provision	12	22,816,700	22,621,983
Deferred tax liabilities		2,246,501	2,270,355
Other liabilities		43,222,748	25,187,001
Total Liabilities		1,715,900,084	1,716,792,908
EQUITY			
Paid in capital	19	100,000,000	100,000,000
Statutory reserve	20	37,749,106	37,749,106
Voluntary reserve		1,321,613	1,321,613
General banking risk reserve		10,450,000	10,150,000
Pro-cyclicality reserve		2,318,759	2,318,759
Fair value reserve, net		4,065,729	3,850,718
Retained earnings		51,208,604	68,180,157
Profit for the period after general banking reserve		8,091,964	-
Total Equity		215,205,775	223,570,353
Total Liabilities and Equity		1,931,105,859	1,940,363,261

The accompanying notes from 1 to 22 are an integral part of these interim condensed consolidated financial statements

CAIRO AMMAN BANK
INTERIM CONSOLIDATED INCOME STATEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2012 (UN-AUDITED)
(In Jordanian Dinars)

	Notes	31 March 2012	31 March 2011
Interest income		29,410,473	26,535,626
Interest expense		8,380,948	7,363,513
Net interest income		21,029,525	19,172,113
Net commission		4,716,642	4,847,721
Net interest and commission income		25,746,167	24,019,834
Other income –			
Net gain from foreign currencies		691,974	621,653
Net gain from financial assets through profit or loss		1,191,886	581,557
Dividends from financial assets at fair value through other comprehensive income		274,051	134,611
Net gain from other financial assets at amortized cost		-	769,095
Other income		983,543	916,539
Gross profit		28,887,621	27,043,289
Employees' expenses		8,092,640	7,512,886
Depreciation and amortization		1,802,738	1,832,028
Other expenses		4,631,776	4,669,810
Impairment loss on direct credit facilities		1,684,150	1,272,930
Sundry provisions		459,519	539,202
Total expenses		16,670,823	15,826,856
Profit for the period before tax		12,216,798	11,216,433
Income tax expense	12	3,824,834	3,010,217
Profit for the period		8,391,964	8,206,216
Earnings per share for the period:			
		JD/Fils	JD/Fils
Basic and diluted earnings per share	13	0/084	0/082

The accompanying notes from 1 to 22 are an integral part of these interim condensed consolidated financial statements

CAIRO AMMAN BANK
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2012 (UN-AUDITED)
(In Jordanian Dinars)

	31 March 2012	31 March 2011
Profit for the period	8,391,964	8,206,216
Other Comprehensive Income, net of tax:		
Net movement in cumulative changes in fair value through other comprehensive income	243,458	(435,509)
Total Comprehensive income for the period	8,635,422	7,770,707

The accompanying notes from 1 to 22 are an integral part of these interim condensed consolidated financial statements

CAIRO AMMAN BANK
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2012 (UN-AUDITED)
(In Jordanian Dinars)

		Reserves								
	Paid in capital	Statutory	Voluntary	General Banking Risk	Pro-cyclicality	Fair value Reserve	Cumulative changes in fair value	Retained earnings	Profit for the period	Total Equity
31 March 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	-	-	-	-	-	243,458	-	-	8,391,964	8,635,422
Dividends distributed	-	-	-	-	-	-	-	(17,000,000)	-	(17,000,000)
Transfers to reserves	-	-	-	300,000	-	-	-	-	(300,000)	-
Gain from sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	(28,447)	-	28,447	-	-
Balance as of 31 March 2012	100,000,000	37,749,106	1,321,613	10,450,000	2,318,759	4,065,729	-	51,208,604	8,091,964	215,205,775
31 March 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)
Restated Balance at 1 January 2011	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	-	-	-	-	-	(435,509)	-	-	8,206,216	7,770,707
Dividends distributed	-	-	-	-	-	-	-	(15,000,000)	-	(15,000,000)
Transfers to reserves	-	-	-	250,000	-	-	-	-	(250,000)	-
Balance as of 31 March 2011	100,000,000	33,054,599	1,321,613	9,133,860	1,040,187	5,933,117	-	38,393,036	7,956,216	196,832,628

- The general banking risk reserve is restricted from use without a prior approval from Central Bank of Jordan.

- The unrealized gains included in retained earnings as at 31 March 2012 arising from the effect of the early implementation of IFRS (9) amounted to JD 14,859,280 and is not available for distribution.

The accompanying notes from 1 to 22 are an integral part of these interim condensed consolidated financial statements

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2012 (UN-AUDITED)
(In Jordanian Dinars)

	Note	31 March 2012	31 March 2011
OPERATING ACTIVITIES			
Profit for the period before income tax		12,216,798	11,216,433
Adjustments -			
Depreciation and amortisation		1,802,738	1,832,028
Impairment loss on direct credit facilities		1,684,150	1,272,930
Loss (gain) on disposal of property and equipment		1,435	(29,313)
Loss (gain) on sale of assets seized by the Bank		3,305	(24,568)
Impairment loss on assets seized by the Bank		-	30,725
Sundry provisions		459,519	539,202
Unrealized gains of financial assets at fair value through profit or loss		(1,179,763)	(336,584)
Effect of exchange rate changes on cash and cash equivalents		(623,363)	(539,572)
Operating profit before changes in operating assets and liabilities		14,364,819	13,961,281
Changes in assets and liabilities -			
Decrease in deposits at banks and financial institutions maturing after more than three months		3,500,000	28,629,750
Increase in direct credit facilities		(47,762,643)	(55,291,187)
(Increase) decrease in financial assets at fair value through profit or loss		(2,901,029)	147,720
Increase in other assets		(3,049,260)	(21,663,926)
Increase in banks and financial institutions deposits maturing after more than three months		-	1,563,505
(Decrease) in customers' deposits		(43,838,060)	(31,694,942)
Increase in margin accounts		7,002,484	14,585,579
Increase (decrease) in other liabilities		1,035,747	(4,181,553)
Sundry provisions paid		(304,426)	(965,319)
Net cash used in operating activities before income tax		(71,952,368)	(54,909,092)
Income tax paid		(3,642,308)	(1,088,436)
Net cash used in operating activities		(75,594,676)	(55,997,528)
INVESTING ACTIVITIES			
Purchase of financial assets at fair value through OCI		(355,973)	(8,859)
Proceeds from sale of financial assets at fair value through OCI		172,021	-
Purchase of other financial assets at amortized cost		(52,012,276)	(16,429,000)
Proceeds from maturity of other financial assets at amortized cost		45,695,845	11,938,007
Purchase of intangible assets		(704,007)	(756,248)
Proceeds from purchase of property and equipment		(1,388,965)	(1,831,966)
Sale of property and equipment		(1,437)	36,336
Net cash used in investing activities		(8,594,792)	(7,051,730)
FINANCING ACTIVITIES			
Proceeds from loans and borrowings		75,500,000	-
Payments of loans and borrowings		(2,700,000)	-
Net cash from financing activities		72,800,000	-
Effect of exchange rate changes on cash and cash equivalents		623,363	539,572
Net decrease in cash and cash equivalents		(10,766,105)	(62,509,686)
Cash and cash equivalents, beginning of the period		248,799,598	254,317,099
Cash and cash equivalents, end of the period	14	238,033,493	191,807,413

The accompanying notes from 1 to 22 are an integral part of these interim condensed consolidated financial statements

(1) GENERAL

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

The Bank provides its banking services through its main branch located in Amman and through its 74 branches in Jordan, 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 23 April 2011.

(2) BASIS OF PREPARATION

The interim condensed consolidated financial statements for the three-month period of 31 March 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 accounting polices used in preparing the interim consolidated financial statement are consistent with those followed in the preparation of the consolidated financial statement for the year ended 31 December 2011except for the application of standards and interpretations listed below .

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 three - month period ended 31 March 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: Disclosure*s — *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.

(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 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 31 March 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 31 March 2012. The Company's main activity is investment brokerage.

No consolidation has been made for the financial statements of Cairo for Real Estate Investment Company- LL -Jordan, of which the Bank owns 100% of the paid-up capital of JD 50,000 as of 31 March 2012, due to the fact that on 31 July 2002 all assets and liabilities of the Company were transferred to the Bank. The Bank is in the process of completing legal procedures to liquidate the Company.

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

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

(4) CASH AND BALANCES WITH CENTRAL BANKS

Restricted statutory cash reserve held at Central Banks amounted to JD 76,520,565 as of 31 March 2012 (31 December 2011: JD 72,585,518).

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

(5) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

Non interest bearing balances at banks and financial institutions amounted to JD 8,587,846 as of 31 March 2012 (31 December 2011: JD 21,194,536).

There are no restricted deposit as of 31 March 2012 and 31 December 2011.

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

	31 March 2012	31 December 2011
	JD	JD
	(Un-audited)	(Audited)
Quoted Equities	26,892,028	22,928,930
Funds	1,829,220	1,711,526
	28,721,248	24,640,456

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

	31 March 2012	31 December 2011
	JD	JD
	(Un-audited)	(Audited)
Quoted Investments		
Quoted Equities	25,683,305	25,261,478
Total quoted investments	25,683,305	25,261,478
Unquoted Investments		
Unquoted Equities	642,655	648,735
Total unquoted investments	642,655	648,735
Total	26,325,960	25,910,213

(8) DIRECT CREDIT FACILITIES, NET

	31 March 2012	31 December 2011
	JD	JD
	(Un-audited)	(Audited)
Consumer lending		
Overdrafts	6,654,453	7,286,517
Loans and bills *	503,487,626	487,882,144
Credit cards	10,149,103	10,337,775
Others	7,116,787	6,915,578
Residential mortgages	124,671,114	123,994,676
Corporate lending		
Overdrafts	72,022,650	61,519,982
Loans and bills *	142,779,196	150,276,944
Small and medium enterprises lending "SMEs"		
Overdrafts	21,337,166	19,823,858
Loans and bills *	30,811,345	30,630,027
Lending to governmental sectors	132,166,530	104,686,198
Total	1,051,195,970	1,003,353,699
Less: Suspended interest	(10,652,539)	(10,528,884)
Less: Allowance for impairment losses	(46,874,945)	(45,234,822)
Direct credit facilities, net	993,668,486	947,589,993

* Net of interest and commission received in advance of JD 7,309,819 as of 31 March 2012 (31 December 2011: JD 7,909,985).

At 31 March 2012, non-performing credit facilities, net of suspended interest, amounted to JD 48,260,600 (31December 2011: JD 47,956,902), representing 4.64% (31 December 2011: 4.83%) of gross facilities granted net of suspended interest.

Allowance for impairment losses

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

	31 March 2012	31 December 2011
	JD	JD
	(Un-audited)	(Audited)
Balance beginning of the period/ year	45,234,822	44,284,861
Charge for the period/ year	1,684,150	1,707,073
Amounts written off	(29,242)	(666,350)
Revaluation differences	(14,785)	(90,762)
Balance at the end of the period/ year	46,874,945	45,234,822

Interest in suspense

The movement of interest in suspense is as follows :

	31 March 2012	31 December 2011
	JD	JD
	(Un-audited)	(Audited)
Balance beginning of the period/ year	10,528,884	10,904,297
Suspended interest during the period/ year	205,887	544,461
Amounts transferred to income on recovery	(57,468)	(653,497)
Amounts written off	(24,764)	(266,377)
Balance at the end of the period/ year	10,652,539	10,528,884

(9) OTHER FINANCIAL ASSETS AT AMORTIZED COST

	31 March 2012	31 December 2011
	JD	JD
	(Un-audited)	(Audited)
Quoted Investments		
Government guaranteed foreign bills and bonds	1,747,251	1,745,491
Corporate debt securities	25,131,436	26,552,764
Total quoted investments	26,878,687	28,298,255
Unquoted Investments		
Government treasury bills and bonds	298,975,289	291,485,054
Government debt securities	82,054,600	81,737,869
Corporate debt securities	38,844,193	38,915,621
Other debt securities	43,788	43,327
Less: impairment losses	(141,800)	(141,800)
Total unquoted investments	419,776,070	412,040,071
Total other financial assets at amortized cost	446,654,757	440,338,326
Analysis of debt instruments		
Fixed rate	440,338,157	427,070,101
Floating rate	6,316,600	13,268,225
Total	446,654,757	440,338,326

(10) CUSTOMERS' DEPOSITS

	31 March 2012	31 December 2011
	JD	JD
	(Un-audited)	(Audited)
Current and demand deposits	417,658,921	439,472,964
Saving deposits	300,562,880	294,318,361
Time and notice deposits	613,074,504	641,343,040
Total	1,331,296,305	1,375,134,365

Governmental institutions' deposits amounted to JD 194,227,443 as of 31 March 2012 (31 December 2011: JD 161,714,335) representing 14.58% (31 December 2011: 11.76%) of total customers' deposits.

Non-interest bearing deposits amounted to JD 529,709,459 as of 31 March 2012 (31 December 2011: JD 529,779,047) representing 39.78% (31 December 2011: 38.53%) of total deposits.

There are no restricted deposits as of 31 March 2012 (31 December 2011: JD 51,906,816).

(11) LOANS AND BORROWINGS

31 March 2012	Amount	Total no. of payments	Outstanding payments	Payable Every	Collaterals	Interest rate
	JD					
Amounts borrowed from local institutions	23,000,000	3	3	At maturity	Mortgage securities endorsement	5.3% – 8.6 %
Amounts borrowed from local institutions	15,000,000	1	1	At maturity	Treasury bonds	4.55%
Amounts borrowed from local banks	60,500,000	1	1	At maturity	None	3.35% – 3.75 %
Amounts borrowed from international institutions	35,450,000	1	1	At maturity	None	4.845% – 4.895%
Amounts borrowed from foreign institutions	1,074,224			Monthly	None	5.5%
Total	135,024,224					
31 December 2011						
Amounts borrowed from local institutions	23,000,000	3	3	At maturity	Mortgage securities endorsement	5.3% – 8.6 %
Amounts borrowed from international institutions	35,450,000	1	1	At maturity	None	4.845% – 4.895%
Amounts borrowed from Central Bank of Jordan	2,700,000	1	1	At maturity	Treasury bonds	4.25%
Amounts borrowed from foreign institutions	1,074,224			Monthly	None	5.5%
Total	62,224,224					

(12) INCOME TAX PROVISION

The movement on the income tax provision is as follows:

	31 March 2012	31 December 2011
	JD	JD
	(Un-audited)	(Audited)
Balance at the beginning of the period/year	22,621,983	21,913,042
Income tax paid	(3,642,308)	(14,401,383)
Income tax charge for the year *	3,837,025	15,110,324
Balance at the end of the period/year	22,816,700	22,621,983

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

	31 March 2012	31 March 2011
	JD	JD
	(Un-audited)	(Un-audited)
Provision for income tax charge for the period *	3,824,834	2,915,526
Deferred tax liabilities amortization	-	94,691
Income tax expense	3,824,834	3,010,217

* The difference between the income tax recorded as income tax provision and the income tax expense for the period amounted to JD 12,191 which represents income tax on gain from sale of financial assets at fair value through other comprehensive income.

- The statutory income tax rate on banks in Jordan is 30% and the statutory tax rate on foreign branches and subsidiaries range between 15% - 34.5% .

- The Bank reached a final settlement with the Income and Sales Tax Department for the year 2010, while 2011 records were not reviewed yet by the Income Tax Department.

- A final settlement was reached with the tax authorities for Palestine branches up to the year 2007. The Income Tax Department is claiming from the Bank an additional amount for the years 2006 and 2007. The Bank has appealed against the court decision. Also a tax assessment was issued from the Tax Department for this year 2008 but the Bank disputed this assessment. For the years 2009, 2010 and 2011 no reviews took place up to the date of preparing the financial statement.

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

- Al-Watanieh Securities Company – Palestine reached a final settlement with the Income Tax Department for the year 2010. The Income Tax Department did not review 2011 records.

- The Income Tax Department did not review the records of Cairo Real Estate Investments Company for the years from 1997 to 2011.

- In the opinion of the Bank's management, income tax provision as of 31 March 2012 is sufficient.

(13) BASIC AND DILUTED EARNINGS PER SHARE

	31 March 2012	31 March 2011
	JD (Un-audited)	JD (Un-audited)
Profit for the period	8,391,964	8,206,216
Weighted average number of shares	100,000,000	100,000,000
Basic and diluted earnings per share (JD/Fils)	0/084	0/082

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

(14) CASH AND CASH EQUIVALENTS

	31 March 2012	31 March 2011
	JD (Un-audited)	JD (Un-audited)
Cash and balances with Central Banks maturing within 3 months	128,146,777	175,253,617
Add: Balances at banks and financial institutions maturing within 3 months	224,886,236	188,938,960
Less: Banks and financial institutions' deposits maturing within 3 months	107,909,520	165,295,164
Restricted cash balances	7,090,000	7,090,000
	238,033,493	191,807,413

(15) RELATED PARTY TRANSACTIONS

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

		Paid in capital	
Company name	Ownership	31 March 2012	31 December 2011
	%	JD	JD
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 is a summary of related party transactions which took place during the period:

	Related parties			Total	
	Board of Directors	Executive management	Others *	31 March 2012	31 December 2011
	JD	JD	JD	JD	JD
				(Un-audited)	(Audited)
Financial position items:					
Direct credit facilities	12,517,108	2,888,494	15,314,647	30,720,249	30,332,987
Deposits at the Bank	1,800,070	1,930,957	5,245,189	8,976,216	10,803,735
Margin accounts	834,731	-	78,454	913,185	920,692
Off financial position items:					
Indirect credit facilities	3,159,009	-	173,990	3,332,999	2,481,681

				For the three months ended 31 March	
				2012	2011
				JD	JD
Income statement items				(Un-audited)	(Un-audited)
Interest and commission income	85,790	23,207	35,788	144,785	237,863
Interest and commission expense	25,020	28,725	25,411	79,156	95,316

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

- Credit interest rates on deposits in Jordanian Dinar range between 4% - 8.85%.
- Credit interest rates on deposits in foreign currency range between 1.98% - 7%.
- Debit interest rates on credit facilities in Jordanian Dinar range between 0% - 4.75%.
- Debit interest rates on credit facilities in foreign currency range between o% - 1.25%.

Compensation of the key management personnel is as follows:

	31 March 2012	31 March 2011
	JD	JD
	(Un-audited)	(Un-audited)
Benefits (Salaries, wages, and bonuses)	1,178,625	1,125,816

(16) Segmental Information

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

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

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

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

Others: Includes income from assets seized by the Bank and other activities.

The following table shows the Bank's segment information:

	Retail Banking	Corporate Banking	Treasury	Other	31 March 2012	31 March 2011
	JD	JD	JD	JD	JD (Un-audited)	JD (Un-audited)
Total revenues	20,685,955	6,803,220	9,604,348	175,046	37,268,569	34,406,802
Impairment loss on credit facilities	(114,150)	(1,570,000)	-	-	(1,684,150)	(1,272,930)
Segmental results	15,642,605	3,320,631	8,065,189	175,046	27,203,471	25,770,359
Unallocated expenses					14,986,673	14,553,926
Profit before tax					12,216,798	11,216,433
Income tax					3,824,834	3,010,217
Net profit for the period					8,391,964	8,206,216

					31 March 2012	31 December 2011
					JD (Un-audited)	JD (Audited)
Other information						
Total assets	624,114,660	369,553,826	854,734,978	82,702,395	1,931,105,859	1,940,363,261
Total liabilities	698,403,750	379,563,130	559,935,266	77,997,938	1,715,900,084	1,716,792,908

	31 March 2012	31 March 2011
	JD (Un-audited)	JD (Un-audited)
Capital expenditure	2,092,972	2,588,214
Depreciation and amortization	1,802,738	1,832,028

(17) COMMITMENTS AND CONTINGENT LIABILITIES

The total outstanding commitments and contingent liabilities are as follows:

	31 March 2012	31 December 2011
	JD (Un-audited)	JD (Audited)
Letters of credit:		
Received	85,445,384	114,135,834
Issued	38,408,403	55,382,633
Acceptances	6,296,183	4,282,350
Letters of guarantee:		
Payments	16,824,522	16,682,141
Performance	11,513,810	11,502,952
Other	20,244,957	23,222,081
Irrevocable commitments to extend credit	71,603,111	79,575,208
	250,336,370	304,783,199

(18) LAWSUITS

In the normal course of business, the Bank appears as a defendant in a number of lawsuits amounting to approximately JD 23,067,360 as of 31 March 2012 (31 December 2011: JD 38,330,746).

The provision for possible legal obligations amounted to JD 5,346,913 as of 31 March 2012 (31 December 2011: JD 5,394,378).

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

(19) PAID IN CAPITAL

The Bank's paid capital is JD 100,000,000 divided into 100,000,000 shares at a par value of JD 1 per share as of 31 March 2012 and 31 December 2011 .

The General Assembly decided in its ordinary meeting held on 25 March 2012 to distribute cash dividends to shareholders amounting to JD 17,000,000 representing 17% of paid in capital.

(20) RESERVES

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

(21) COMPARATIVE FIGURES

Some of balances were reclassified to correspond with those of 31 March 2012 presentation. The reclassification has no effect on the profit for the year and equity.

(22) 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. **OR** The Bank is currently assessing the full impact of the remaining amendments. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

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.