

**CAIRO AMMAN BANK**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS**

**31 MARCH 2013 (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 2013, comprising of the interim consolidated statement of financial position as of 31 March 2013, the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-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 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  
21 April 2013



**CAIRO AMMAN BANK**  
**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF 31 MARCH 2013 (UN-AUDITED)**  
**(In Jordanian Dinars)**

	Notes	31 March 2013 (Unaudited)	31 December 2012 (Audited)
<b><u>ASSETS</u></b>			
Cash and balances with Central Banks	4	142,952,750	211,280,174
Balances at banks and financial institutions	5	237,759,215	189,873,760
Deposits at banks and financial institutions		25,971,000	18,500,000
Financial assets at fair value through profit or loss	6	27,078,061	26,858,142
Financial assets at fair value through other comprehensive income	7	24,743,682	26,593,505
Direct credit facilities	8	997,525,643	1,007,336,799
Financial assets at amortized cost	9	452,577,725	358,681,442
Financial assets pledged as collateral		136,142,962	108,360,282
Property and equipment		33,898,441	34,595,419
Intangible assets		7,713,777	7,313,881
Deferred tax assets		435,380	435,380
Other assets		84,913,649	34,507,030
<b>Total Assets</b>		<b><u>2,171,712,285</u></b>	<b><u>2,024,335,814</u></b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>LIABILITIES -</b>			
Banks and financial institutions' deposits		145,579,088	98,758,619
Customers' deposits	10	1,452,438,053	1,400,325,209
Margin accounts		45,502,965	41,973,787
Loans and borrowings	11	204,107,824	172,942,224
Sundry provisions		12,136,788	11,818,493
Income tax liabilities	12	23,436,658	23,064,940
Deferred tax liabilities		1,504,077	2,012,463
Other liabilities		54,998,892	32,203,322
<b>Total Liabilities</b>		<b><u>1,939,704,345</u></b>	<b><u>1,783,099,057</u></b>
<b>EQUITY</b>			
Paid in capital	19	100,000,000	100,000,000
Statutory reserve	20	42,947,195	42,947,195
Voluntary reserve		1,321,613	1,321,613
Other reserves		13,922,382	13,922,382
Fair Value reserve (net)		2,000,067	3,085,785
Profit for the period		8,599,832	-
Retained earnings		63,216,851	79,959,782
<b>Total Equity</b>		<b><u>232,007,940</u></b>	<b><u>241,236,757</u></b>
<b>Total Liabilities and Equity</b>		<b><u>2,171,712,285</u></b>	<b><u>2,024,335,814</u></b>

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 PERIOD ENDED 31 MARCH 2013 (UN-AUDITED)**  
**(In Jordanian Dinars)**

	<u>Notes</u>	<u>31 March 2013</u>	<u>31 March 2012</u>
Interest income		35,376,344	29,410,473
Interest expense		<u>13,024,496</u>	<u>8,380,948</u>
<b>Net interest income</b>		22,351,848	21,029,525
Net commission		<u>4,509,362</u>	<u>4,716,642</u>
<b>Net interest and commission income</b>		26,861,210	25,746,167
<b>Other income –</b>			
Net gain from foreign currencies		838,713	691,974
Net gain from financial assets through profit or loss		576,797	1,191,886
Dividends from financial assets at fair value through other comprehensive income		214,374	274,051
Other income		<u>788,781</u>	<u>983,543</u>
<b>Gross profit</b>		<u>29,279,875</u>	<u>28,887,621</u>
Employees' expenses		8,736,937	8,092,640
Depreciation and amortization		1,693,440	1,802,738
Other expenses		5,000,599	4,631,776
Impairment loss on direct credit facilities		1,114,150	1,684,150
Sundry provisions		<u>425,003</u>	<u>459,519</u>
<b>Total expenses</b>		<u>16,970,129</u>	<u>16,670,823</u>
<b>Profit for the period before tax</b>		12,309,746	12,216,798
Income tax expense	12	<u>3,709,914</u>	<u>3,824,834</u>
<b>Profit for the period</b>		<u>8,599,832</u>	<u>8,391,964</u>
<b>Earnings per share for the period:</b>		<u>JD/Fils</u>	<u>JD/Fils</u>
Basic and diluted earnings per share	13	<u>0/086</u>	<u>0/084</u>

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 PERIOD ENDED 31 MARCH 2013 (UN-AUDITED)**  
**(In Jordanian Dinars)**

---

	<u>31 March 2013</u>	<u>31 March 2012</u>
<b>Profit for the period</b>	8,599,832	8,391,964
<b>Other Comprehensive Income, net of tax:</b>		
Net movement on cumulative changes in fair value	<u>(828,649)</u>	<u>243,458</u>
<b>Total Comprehensive income for the period</b>	<u>7,771,183</u>	<u>8,635,422</u>

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 PERIOD ENDED 31 MARCH 2013 (UN-AUDITED)**  
**(In Jordanian Dinars)**

	Reserves							Profit for the period	Total Equity
	Paid in capital	Statutory	Voluntary	General Banking Risk	Pro-cyclicality	Fair value Reserve	Retained earnings		
<b>31 March 2013</b>									
<b>Balance as of 1 January 2013</b>	100,000,000	42,947,195	1,321,613	10,700,000	3,222,382	3,085,785	79,959,782	-	241,236,757
Total comprehensive income for the period	-	-	-	-	-	(828,649)	-	8,599,832	7,771,183
Dividends distributed	-	-	-	-	-	-	(17,000,000)	-	(17,000,000)
Gain from sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	(257,069)	257,069	-	-
<b>Balance as of 31 March 2013</b>	<b>100,000,000</b>	<b>42,947,195</b>	<b>1,321,613</b>	<b>10,700,000</b>	<b>3,222,382</b>	<b>2,000,067</b>	<b>63,216,851</b>	<b>8,599,832</b>	<b>232,007,940</b>
<b>31 March 2012</b>									
<b>Balance as of 1 January 2012</b>	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	-	-
<b>Balance as of 31 March 2012</b>	<b>100,000,000</b>	<b>37,749,106</b>	<b>1,321,613</b>	<b>10,450,000</b>	<b>2,318,759</b>	<b>4,065,729</b>	<b>51,208,604</b>	<b>8,091,964</b>	<b>215,205,775</b>

- 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 2013 arising from the effect of the early implementation of IFRS (9) amounted to JD 14,496,909 and is not available for distribution.
- The retained earnings include deferred tax assets amounted to JD 435,380 and is restricted from use per the Central Bank of Jordan instructions.

**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 CASH FLOWS**  
**FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2013 (UN-AUDITED)**  
**(In Jordanian Dinars)**

	Note	31 March 2013	31 March 2012
<b><u>OPERATING ACTIVITIES</u></b>			
Profit for the period before income tax		12,309,746	12,216,798
<b>Adjustments -</b>			
Depreciation and amortisation		1,693,440	1,802,738
Impairment loss on direct credit facilities		1,114,150	1,684,150
Loss (gain) on disposal of property and equipment		(2,383)	1,435
Loss (gain) on sale of assets seized by the Bank		(596)	3,305
Sundry provisions		425,003	459,519
Unrealized gains from financial assets at fair value through profit or loss		(534,434)	(1,179,763)
Effect of exchange rate changes on cash and cash equivalents		(708,660)	(623,363)
<b>Operating profit before changes in operating assets and liabilities</b>		<b>14,296,266</b>	<b>14,364,819</b>
<b>Changes in assets and liabilities -</b>			
(Increase) decrease in deposits at banks and financial institutions maturing after three months		(7,471,000)	3,500,000
Decrease (increase) in direct credit facilities		8,697,006	(47,762,643)
(Increase) decrease in financial assets at fair value through profit or loss		314,515	(2,901,029)
Increase in other assets		(50,406,023)	(3,049,260)
Increase (decrease) in customers' deposits		52,112,844	(43,838,060)
Increase in margin accounts		3,529,178	7,002,484
Increase in other liabilities		5,795,570	1,035,747
Sundry provisions paid		(106,708)	(304,426)
<b>Net cash from (used in) operating activities before income tax</b>		<b>26,761,648</b>	<b>(71,952,368)</b>
Income tax paid		(3,494,621)	(3,642,308)
<b>Net cash from (used in) operating activities</b>		<b>23,267,027</b>	<b>(75,594,676)</b>
<b><u>INVESTING ACTIVITIES</u></b>			
Purchase of financial assets at fair value through OCI		-	(355,973)
Proceeds from sale of financial assets at fair value through OCI		669,213	172,021
Purchase of other financial assets at amortized cost		(179,090,883)	(52,012,276)
Proceeds from maturity of other financial assets at amortized cost		57,411,920	45,695,845
Purchase of intangible assets		(791,046)	(704,007)
Proceeds from purchase of property and equipment		(606,950)	(1,390,402)
Sale of property and equipment		4,021	-
<b>Net cash used in investing activities</b>		<b>(122,403,725)</b>	<b>(8,594,792)</b>
<b><u>FINANCING ACTIVITIES</u></b>			
Proceeds from loans and borrowings		127,343,600	75,500,000
Payments of loans and borrowings		(96,178,000)	(2,700,000)
<b>Net cash from financing activities</b>		<b>31,165,600</b>	<b>72,800,000</b>
Effect of exchange rate changes on cash and cash equivalents		708,660	623,363
<b>Net decrease in cash and cash equivalents</b>		<b>(67,262,438)</b>	<b>(10,766,105)</b>
Cash and cash equivalents, beginning of the period		295,305,315	248,799,598
<b>Cash and cash equivalents, end of the period</b>	14	<b>228,042,877</b>	<b>238,033,493</b>

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

**CAIRO AMMAN BANK**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**31 MARCH 2013**  
**(In Jordanian Dinars)**

---

**(1) GENERAL**

Cairo Amman Bank was established as a public shareholding company registered and incorporated in Jordan in 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 84 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 21 April 2013.

**(2) BASIS OF PREPARATION**

The interim condensed consolidated financial statements for the three-months period of 31 March 2013 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 policies 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 2012 except 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 2012. In addition, results for the three - months period ended 31 March 2013 do not necessarily indicate to the results that may be expected for the financial year ending 31 December 2013.



## **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 2012 except for the following:

### ***IFRS 10 Consolidated Financial Statements, IAS 27 Separate 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 addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities.

This standard became effective stating from 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 Ventures. 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.

This standard became effective starting from 1 January 2013.

### ***IFRS 12 Disclosure of Interests in 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.

This standard became effective stating from 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. This standard became effective for annual periods starting from 1 January 2013.

The application of the new standards did not have a significant impact on the financial position or performance of the bank.

### ***IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1***

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Bank's financial position or performance. The amendment became effective starting from 1 January 2013.

**IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7**

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation.

The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments had no impact on the Bank's financial position or performance and became effective starting from 1 January 2013.

**IAS 19 Employee Benefits (Revised)**

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 the amendments to have any impact on its financial position or performance as the Bank does not have employees benefit plans. The amendment became effective starting from 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 became effective stating from 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 became effective for annual periods starting from 1 January 2013.

**(3) BASIS OF CONSOLIDATION**

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries where the Bank holds control over the subsidiaries. The control exists when the Bank is managing the subsidiaries significant activities and is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. All balances, transactions income, and expenses between the Bank and subsidiaries are eliminated.

- Al-Watanieh Financial Services Company – Jordan, established in 1992; the Bank owned 100% of paid-up capital amounted to JD 5,000,000 as of 31 March 2013. The Company's main activity is investment brokerage and portfolio management.
- Al-Watanieh Securities Company – Palestine, established in 1995, the Bank owned 100% of paid-up capital amounted to JD 1,500,000 as of 31 March 2013. 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 2013, 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 policies 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 acquisition date where the 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 where the Bank is no longer holding control, as appropriate

**(4) CASH AND BALANCES WITH CENTRAL BANKS**

Restricted statutory cash reserve held at Central Banks amounted to JD 78,966,646 as of 31 March 2013 (31 December 2012: JD 77,323,728).

Except for statutory cash reserve held at Central Banks the restricted cash balances amounted to JD 7,090,000 as of 31 March 2013 and 31 December 2012.

**(5) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS**

Non interest bearing balances at banks and financial institutions amounted to JD 18,303,503 as of 31 March 2013 (31 December 2012: JD 20,016,403).

There are no restricted deposits as of 31 March 2013 and 31 December 2012.

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

	31 March 2013 <hr/> JD (Un-audited)	31 December 2012 <hr/> JD (Audited)
Quoted Equities	25,120,133	25,012,328
Bonds	108,856	111,245
Funds	<hr/> 1,849,072	<hr/> 1,734,569
	<hr/> <hr/> 27,078,061	<hr/> <hr/> 26,858,142

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

	31 March 2013	31 December 2012
	JD (Un-audited)	JD (Audited)
<b>Quoted Investments</b>		
Quoted Equities	24,029,323	25,876,821
<b>Total quoted investments</b>	<u>24,029,323</u>	<u>25,876,821</u>
<b>Unquoted Investments</b>		
Unquoted Equities	714,359	716,684
<b>Total unquoted investments</b>	<u>714,359</u>	<u>716,684</u>
<b>Total</b>	<u><u>24,743,682</u></u>	<u><u>26,593,505</u></u>

**(8) DIRECT CREDIT FACILITIES, NET**

	31 March 2013	31 December 2012
	JD (Un-audited)	JD (Audited)
<b>Consumer lending</b>		
Overdrafts	6,365,017	7,166,317
Loans and bills *	532,479,276	540,883,927
Credit cards	9,642,620	10,199,715
Others	6,820,030	6,018,584
<b>Residential mortgages</b>	127,035,145	128,094,176
<b>Corporate lending</b>		
Overdrafts	69,476,409	64,046,782
Loans and bills *	119,524,229	119,902,929
<b>Small and medium enterprises lending "SMEs"</b>		
Overdrafts	17,843,343	18,960,249
Loans and bills *	30,382,478	30,774,674
<b>Lending to governmental sectors</b>	<u>135,993,467</u>	<u>138,057,561</u>
<b>Total</b>	<u>1,055,562,014</u>	<u>1,064,104,914</u>
Less: Suspended interest	(11,196,802)	(10,994,072)
Less: Allowance for impairment losses	<u>(46,839,569)</u>	<u>(45,774,043)</u>
<b>Direct credit facilities, net</b>	<u><u>997,525,643</u></u>	<u><u>1,007,336,799</u></u>

\* Net of interest and commission received in advance of JD 7,186,332 as of 31 March 2013 (31 December 2012: JD 7,228,384).

At 31 March 2013, non-performing credit facilities, net of suspended interest, amounted to JD 48,017,034 (31 December 2012: JD 47,630,071), representing 4.6% (31 December 2012: 4.52%) 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 2013	31 December 2012
	JD (Un-audited)	JD (Audited)
Balance beginning of the period/ year	45,774,043	45,234,822
Charge for the period/ year	1,114,150	3,373,406
Amounts written off	-	(2,771,588)
Revaluation differences	(48,624)	(62,597)
Balance at the end of the period/ year	<u>46,839,569</u>	<u>45,774,043</u>

### **Interest in suspense**

The movement of interest in suspense is as follows :

	31 March 2013	31 December 2012
	JD (Un-audited)	JD (Audited)
Balance beginning of the period/ year	10,994,072	10,528,884
Suspended interest during the period/ year	249,973	1,094,562
Amounts transferred to income on recovery	(35,898)	(200,509)
Amounts written off	(11,345)	(428,865)
Balance at the end of the period/ year	<u>11,196,802</u>	<u>10,994,072</u>

**(9) OTHER FINANCIAL ASSETS AT AMORTIZED COST**

	31 March 2013	31 December 2012
	JD (Un-audited)	JD (Audited)
<b>Quoted Investments</b>		
Treasury bills	1,754,298	1,752,536
Corporate debt securities	20,237,659	20,236,531
<b>Total quoted investments</b>	<u>21,991,957</u>	<u>21,989,067</u>
<b>Unquoted Investments</b>		
Treasury bills	379,111,049	283,668,554
Government debt securities	34,848,473	35,147,968
Corporate debt securities	16,737,050	17,987,050
Other debt securities	30,996	30,603
Impairment losses	(141,800)	(141,800)
<b>Total unquoted investments</b>	<u>430,585,768</u>	<u>336,692,375</u>
<b>Total financial assets at amortized cost</b>	<u>452,577,725</u>	<u>358,681,442</u>
<b>Analysis of debt instruments</b>		
Fixed rate	450,982,475	357,086,192
Floating rate	1,595,250	1,595,250
<b>Total</b>	<u>452,577,725</u>	<u>358,681,442</u>

**(10) CUSTOMERS' DEPOSITS**

	31 March 2013	31 December 2012
	JD (Un-audited)	JD (Audited)
Current and demand deposits	420,053,441	399,946,863
Saving deposits	314,920,328	316,329,488
Time and notice deposits	717,464,284	684,048,858
<b>Total</b>	<u>1,452,438,053</u>	<u>1,400,325,209</u>

Governmental institutions' deposits amounted to JD 193,539,857 as of 31 March 2013 (31 December 2012: JD 195,059,636) representing 13,33% (31 December 2012: 13,93%) of total customers' deposits.

Non-interest bearing deposits amounted to JD 532,550,151 as of 31 March 2013 (31 December 2012: JD 534,747,304) representing 36,67% (31 December 2012: 38,19%) of total deposits.

There are no restricted deposits as of 31 March 2013 and 31 December 2012.

## **(11) LOANS AND BORROWINGS**

<b>31 March 2013</b>	<u>Amount</u>	<u>Total no. of payments</u>	<u>Outstanding payments</u>	<u>Payable Every</u>	<u>Maturity Date</u>	<u>Collaterals</u>	<u>Interest rate</u>
	JD						
Amounts borrowed Jordan Mortgage Refinancing company	40,000,000	3	3	At maturity	2013	Pledged bonds	5.3 – 8.6 %
Amounts borrowed from overseas investment company (OPIC)	35,450,000	1	1	At maturity	2034	None	4.145– 4.895%
Amounts borrowed French Development Agency	3,545,000	1	1	At maturity	2015	None	1.22%
Amounts borrowed from Central Bank of Jordan	123,100,000	2	2	At maturity	2013	Repo	4.25%
Amounts borrowed from Central Bank of Jordan	938,600	1	1	At maturity	2013	Treasury Bills	3%
Amounts borrowed from Palestine Mortgage Refinancing company	1,074,224	4	4	Monthly	2013	None	5.5%
<b>Total</b>	<u>204,107,824</u>						

<b>31 December 2012</b>	<u>Amount</u>	<u>Total no. of payments</u>	<u>Outstanding payments</u>	<u>Payable Every</u>	<u>Maturity Date</u>	<u>Collaterals</u>	<u>Interest rate</u>
	JD	JD	JD	JD		JD	%
Amounts borrowed from Jordan Mortgage Refinancing company	40,000,000	3	3	At maturity	2013	Pledged bonds	5.3 – 8.6 %
Amounts borrowed from overseas investment company (OPIC)	35,450,000	1	1	At maturity	2034	None	4.145– 4.895%
Amounts borrowed from Central Bank of Jordan	96,178,000	2	2	At maturity	2013	Repo	4.25%
Amounts borrowed from Central Bank of Jordan	240,000	1	1	At maturity	2013	Treasury Bills	3%
Amounts borrowed from Palestine Mortgage Refinancing company	1,074,224	1	1	Monthly	2013	None	5.5%
<b>Total</b>	<u>172,942,224</u>						

## **(12) INCOME TAX PROVISION**

The movement on the income tax provision is as follows:

	<u>31 March 2013</u>	<u>31 December 2012</u>
	JD	JD
	(Un-audited)	(Audited)
Balance at the beginning of the period/year	23,064,940	22,621,983
Income tax paid	(3,494,621)	(15,120,795)
Income tax charge for the period/ year	3,709,914	15,563,752
Deferred tax liabilities amortization/ income tax on gain from sale of financial assets at fair value through OCI*	156,425	-
Balance at the end of the period/year	<u>23,436,658</u>	<u>23,064,940</u>

\* This amount represents income tax on gain from sale of financial assets at fair value through other comprehensive income which is not recorded in the income statement, instead the income tax is recorded directly in the statement of changes in equity in the retained earning account in accordance with IFRS 9.

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

	31 March 2013	31 March 2012
	JD (Un-audited)	JD (Un-audited)
Provision for income tax charge for the period	3,709,914	3,824,834

- The statutory income tax rate on banks in Jordan is 30% and the statutory tax rate on foreign branches and subsidiaries range between 20% - 34.5% .
- The Bank reached a final settlement with the Income and Sales Tax Department for the year 2011, while 2012 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 the year 2008 but the Bank disputed this assessment. For the years 2009, 2010, 2011 and 2012 no reviews took place up to the date of preparing the interim financial statements.
- 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 , 2011 and 2012 records yet.
- Al-Watanieh Securities Company – Palestine reached a final settlement with the Income Tax Department for the year 2011. The Income Tax Department did not review 2012 records.
- The Income Tax Department did not review the records of Cairo Real Estate Investments Company for the years from 1997 to 2012.
- In the opinion of the Bank's management, income tax provision as of 31 March 2013 is sufficient.

**(13) BASIC AND DILUTED EARNINGS PER SHARE**

	31 March 2013	31 March 2012
	JD (Un-audited)	JD (Un-audited)
Profit for the period	8,599,832	8,391,964
Weighted average number of shares	100,000,000	100,000,000
Basic and diluted earnings per share (JD/Fils)	0/086	0/084

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



**(14) CASH AND CASH EQUIVALENTS**

	31 March 2013	31 March 2012
	JD	JD
	(Un-audited)	(Un-audited)
Cash and balances with Central Banks maturing within 3 months	142,952,750	128,146,777
Add: Balances at banks and financial institutions maturing within 3 months	237,759,215	224,886,236
Less: Banks and financial institutions' deposits maturing within 3 months	145,579,088	107,909,520
Restricted cash balances	7,090,000	7,090,000
	<u>228,042,877</u>	<u>238,033,493</u>

**(15) RELATED PARTY TRANSACTIONS**

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

<u>Company name</u>	Ownership %	Paid in capital	
		31 March 2013	31 December 2012
		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 2013	31 December 2012
	JD	JD	JD	JD (Un-audited)	JD (Audited)
<b><u>Financial position items:</u></b>					
Direct credit facilities	7,330,786	3,171,528	16,046,150	26,548,464	27,347,504
Bonds	7,090,000	-	-	7,090,000	7,090,000
Deposits at the Bank	10,077,426	861,045	5,430,540	16,369,011	18,202,059
Margin accounts	302,900	-	122,833	425,733	780,151
<b><u>Off financial position items:</u></b>					
Indirect credit facilities	2,357,478	-	104,073	2,461,551	1,838,505
				For the three months ended 31 March	
				2013	2012
				JD	JD
				(Un-audited)	(Un-audited)
<b><u>Income statement items</u></b>					
Interest and commission income	180,260	31,715	200,576	412,551	144,785
Interest and commission expense	100,774	10,763	54,305	165,842	79,156

\* 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% - 7,25%.
- Debit interest rates on credit facilities in foreign currency range between 0% - 1.25%.

Compensation of the key management personnel is as follows:

	31 March 2013	31 March 2012
	JD	JD
	(Un-audited)	(Un-audited)
Salaries, wages and other benefits	535,216	489,638

## **(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 2013	31 March 2012
	JD	JD	JD	JD	JD (Un-audited)	JD (Un-audited)
Total revenues	22,480,149	7,798,141	11,860,889	165,192	42,304,371	37,268,569
Impairment loss on credit facilities	(895,348)	(218,802)			(1,114,150)	(1,684,150)
Segmental results	<u>15,016,173</u>	<u>5,263,302</u>	<u>7,721,058</u>	<u>165,192</u>	<u>28,165,725</u>	<u>27,203,471</u>
Unallocated expenses					15,855,979	14,986,673
Profit before tax					12,309,746	12,216,798
Income tax					3,709,914	3,824,834
<b>Profit for the period</b>					<u>8,599,832</u>	<u>8,391,964</u>
<b>Other information</b>					31 March 2013	31 December 2012
Total assets	<u>652,532,881</u>	<u>344,992,762</u>	<u>1,047,225,395</u>	<u>126,961,247</u>	JD (Un-audited)	JD (Audited)
Total liabilities	<u>746,022,424</u>	<u>360,401,387</u>	<u>741,633,972</u>	<u>91,646,562</u>	<u>2,171,712,285</u>	<u>2,024,335,814</u>
					<u>1,939,704,345</u>	<u>1,783,099,057</u>
					31 March 2013	31 March 2012
Capital expenditure					JD (Un-audited)	JD (Un-audited)
Depreciation and amortization					1,397,996	2,094,409
					<u>1,693,440</u>	<u>1,802,738</u>

## **(17) COMMITMENTS AND CONTINGENT LIABILITIES**

The total outstanding commitments and contingent liabilities are as follows:

	31 March 2013	31 December 2012
	JD	JD
	(Un-audited)	(Audited)
<b>Letters of credit:</b>		
Received	331,877,844	253,031,284
Issued	186,618,339	81,071,972
Acceptances	2,826,684	799,970
<b>Letters of guarantee:</b>		
Payments	27,512,124	16,662,911
Performance	13,714,362	17,582,720
Other	16,747,071	21,457,125
Irrevocable commitments to extend credit	56,318,983	83,504,548
	<u>635,615,407</u>	<u>474,110,530</u>

## **(18) LAWSUITS**

In the normal course of business, the Bank appears as a defendant in a number of lawsuits amounting to approximately JD 24,611,649 as of 31 March 2013 (31 December 2012: JD 24,583,722).

The provision for possible legal obligations amounted to JD 5,343,167 as of 31 March 2013 (31 December 2012: JD 5,343,415).

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 2013 and 31 December 2012 .

The General Assembly decided in its ordinary meeting held on 31 March 2013 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 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 2013 presentation. The reclassification has no effect on profit and equity.

## **(22) STANDARDS ISSUED BUT NOT YET EFFECTIVE**

### ***IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32***

These amendments clarify the meaning of “currently has a legally enforceable right to set-off”. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Bank's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.