

CAIRO AMMAN BANK

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 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 September 2012, comprising of interim consolidated statement of financial position as of 30 September 2012 and the related interim consolidated statements of income, comprehensive income, changes in equity, and cash flows for the nine 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
23 October 2012

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

	Notes	30 September 2012 (Unaudited)	31 December 2011 (Audited)
<u>ASSETS</u>			
Cash and balances with Central Banks	4	165,882,653	131,887,099
Balances at banks and financial institutions	5	203,786,439	287,130,970
Deposits at banks and financial institutions	6	7,090,000	3,500,000
Financial assets at fair value through profit or loss	7	26,154,129	24,640,456
Financial assets at fair value through other comprehensive income	8	26,718,123	25,910,213
Direct credit facilities	9	968,746,486	947,589,993
Financial assets at amortized cost	10	472,335,843	440,338,326
Property and equipment		34,627,833	36,455,613
Intangible assets		7,892,323	6,213,805
Other assets	11	48,770,990	36,696,786
Total Assets		1,962,004,819	1,940,363,261
<u>LIABILITIES AND EQUITY</u>			
LIABILITIES -			
Banks and financial institutions' deposits		85,134,327	170,128,471
Customers' deposits	12	1,393,955,458	1,375,134,365
Margin accounts		49,238,025	47,423,112
Loans and borrowings	13	136,281,936	62,224,224
Sundry provisions		11,748,544	11,803,397
Income tax provision	14	19,783,293	22,621,983
Deferred tax liabilities		2,108,883	2,270,355
Other liabilities	15	32,479,621	25,187,001
Total Liabilities		1,730,730,087	1,716,792,908
EQUITY			
Paid in capital		100,000,000	100,000,000
Statutory reserve	28	37,749,106	37,749,106
Voluntary reserve		1,321,613	1,321,613
General banking risk reserve		10,150,000	10,150,000
Cyclical fluctuation reserve		2,318,759	2,318,759
Fair value reserve (net)	16	3,116,143	3,850,718
Retained earnings	17	51,325,320	68,180,157
Profit for the period after general banking reserve		25,293,791	-
Total Equity		231,274,732	223,570,353
Total Liabilities and Equity		1,962,004,819	1,940,363,261

The accompanying notes from 1 to 29 form part of these interim condensed consolidated financial statements

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

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2012	2011	2012	2011
Interest income	18	31,969,228	28,330,637	92,072,773	82,457,996
Interest expense	19	10,005,431	7,860,876	27,789,923	22,905,092
Net interest income		21,963,797	20,469,761	64,282,850	59,552,904
Net commission		4,390,209	4,704,572	14,509,529	14,357,160
Net interest and commission income		26,354,006	25,174,333	78,792,379	73,910,064
Other income –					
Net gain from foreign currencies		526,229	731,461	1,944,785	2,162,647
Net gain from financial assets through profit or loss	20	583,521	3,994,468	486,072	5,473,066
Dividends from financial assets at fair value through other comprehensive income		-	390	989,171	870,152
Net gain from financial assets at amortized cost		-	38,996	68,188	1,626,985
Other income		740,759	761,999	2,497,963	2,537,857
Gross profit		28,204,515	30,701,647	84,778,558	86,580,771
Employees' expenses		8,183,595	7,916,547	24,490,252	23,389,573
Depreciation and amortization		1,846,820	1,909,022	5,495,056	5,639,554
Other expenses		4,875,848	4,651,834	14,325,153	13,963,250
Impairment losses on direct credit facilities	9	114,150	1,712,584	2,412,450	4,399,664
Impairment losses on financial assets at amortized cost		-	-	-	141,800
Sundry provisions		166,788	317,840	841,717	1,160,758
Total expenses		15,187,201	16,507,827	47,564,628	48,694,599
Profit for the period before tax		13,017,314	14,193,820	37,213,930	37,886,172
Income tax expense	14	(4,314,797)	(3,637,481)	(11,920,139)	(11,076,477)
Profit for the period		8,702,517	10,556,339	25,293,791	26,809,695
		<u>JD / Fils</u>	<u>JD / Fils</u>	<u>JD / Fils</u>	<u>JD / Fils</u>
Basic and diluted earnings per share	21	<u>0/087</u>	<u>0/106</u>	<u>0/253</u>	<u>0/268</u>

The accompanying notes from 1 to 29 form part of these interim condensed consolidated financial statements

CAIRO AMMAN BANK
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2012 (UNAUDITED)
(In Jordanian Dinars)

	For the three months ended 30 September		For the nine months ended 30 September	
	2012	2011	2012	2011
Profit for the period	8,702,517	10,556,339	25,293,791	26,809,695
Other comprehensive income, net of tax:				
Net movement in fair value reserve for financial assets, after tax	490,674	(1,180,509)	(589,412)	(1,113,068)
Total comprehensive income for the period	<u>9,193,191</u>	<u>9,375,830</u>	<u>24,704,379</u>	<u>25,696,627</u>

The accompanying notes from 1 to 29 form part of these interim condensed consolidated financial statements

CAIRO AMMAN BANK
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (UNAUDITED)
(In Jordanian Dinars)

	Paid in capital	Statutory reserve	Voluntary reserve	General reserve risk	Cyclical fluctuation	Fair value reserve	Cumulative changes in fair values	Retained earnings	Profit for the period	Total equity
<u>Nine month ended 30 September 2012</u>										
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	-	-	-	-	-	(589,412)	-	-	25,293,791	24,704,379
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	-	-
Balance as of 30 September 2012	<u>100,000,000</u>	<u>37,749,106</u>	<u>1,321,613</u>	<u>10,150,000</u>	<u>2,318,759</u>	<u>3,116,143</u>	<u>-</u>	<u>51,325,320</u>	<u>25,293,791</u>	<u>231,274,732</u>
<u>Nine month ended 30 September 2011</u>										
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	-	-	-	-	-	(1,113,068)	-	-	26,809,695	25,696,627
Dividends paid	-	-	-	-	-	-	-	(15,000,000)	-	(15,000,000)
Gain from sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	(429,926)	-	429,926	-	-
Transfer to reserves	-	-	-	1,250,000	-	-	-	-	(1,250,000)	-
Balance as of 30 September 2011	<u>100,000,000</u>	<u>33,054,599</u>	<u>1,321,613</u>	<u>10,133,860</u>	<u>1,040,187</u>	<u>4,825,632</u>	<u>-</u>	<u>38,822,962</u>	<u>25,559,695</u>	<u>214,758,548</u>

- 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 September 2012 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 29 form part of these interim condensed consolidated financial statements

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

	<u>Note</u>	30 September 2012	30 September 2011
<u>OPERATING ACTIVITIES</u>			
Profit for the period before tax		37,213,930	37,886,172
Adjustments -			
Depreciation and amortisation		5,495,056	5,639,554
Impairment loss on direct credit facilities		2,412,450	4,399,664
Impairment loss on financial assets at amortized cost		-	141,800
Sundry provisions		841,717	1,160,758
Unrealized loss from financial assets at fair value through profit or loss		1,455,228	134,342
Impairment loss on repossessed assets		-	30,725
Loss (Gain) on sale of property and equipment		1,896	(74,629)
Gain from sale of repossessed assets		(9,891)	(153,104)
Effect of exchange rate changes on cash and cash equivalents		(1,674,676)	(1,913,567)
Operating profit before changes in operating assets and liabilities		45,735,710	47,251,715
Changes in assets and liabilities -			
(Increase) decrease in deposits at banks and financial institutions		(3,590,000)	56,374,750
(Increase) decrease in financial assets at fair value through profit or loss		(2,968,901)	6,105,685
(Increase) in direct credit facilities		(23,568,943)	(85,964,178)
(Increase) decrease in other assets		(12,064,313)	1,207,576
(Decrease) in banks and financial institutions deposits maturing after more than three months		(7,000,000)	(3,545,000)
Increase in customers' deposits		18,821,093	11,334,981
Increase in margin accounts		1,814,913	15,715,971
Sundry provisions paid		(896,570)	(1,425,761)
Increase (decrease) in other liabilities		7,292,620	(4,126,933)
Net cash from operating activities before income tax		23,575,609	42,928,806
Income tax paid		(14,820,999)	(12,449,696)
Net cash from operating activities		8,754,610	30,479,110
<u>INVESTING ACTIVITIES</u>			
(Purchase) of financial assets at fair value through OCI		(2,004,982)	(511,642)
Sale of financial assets at fair value through OCI		508,358	475,655
(Purchase) of financial assets at amortized cost		(239,891,250)	(86,273,416)
Sale of financial assets at amortized cost		207,893,733	30,943,295
Proceeds from sale of property and equipment		20,135	136,802
(Purchase) of property and equipment		(2,987,139)	(4,375,145)
(Purchase) of intangible assets		(2,380,686)	(2,278,194)
Net cash (used in) investing activities		(38,841,831)	(61,882,645)
<u>FINANCING ACTIVITIES</u>			
Cash dividends paid		(17,000,000)	(15,000,000)
Proceeds from loans and borrowings		93,057,712	-
Repayment for loans and borrowings		(19,000,000)	-
Net cash from (used in) financing activities		57,057,712	(15,000,000)
Effect of exchange rate changes on cash and cash equivalents		1,674,676	1,913,567
Net increase (decrease) in cash and cash equivalents		28,645,167	(44,489,968)
Cash and cash equivalents, beginning of the period		248,799,598	254,317,099
Cash and cash equivalents, end of the period	22	277,444,765	209,827,131

The accompanying notes from 1 to 29 form part of these interim condensed consolidated financial statements

CAIRO AMMAN BANK
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2012
(In Jordanian Dinars)

(1) GENERAL

Cairo Amman Bank was established as a public shareholding company during 1960 in accordance with the Jordanian laws and regulations. Its registered office is at Suleiman Arrar Street, Wadi Saqra, Amman-Jordan.

The Bank provides its banking services through 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 23 October 2012.

(2) BASIS OF PREPARATION

The interim condensed consolidated financial statements for the nine-month period of 30 September 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 nine - month period ended 30 September 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 September 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 September 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 reevaluates 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.

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 76,678,781 as of 30 September 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 September 2012 and 31 December 2011, respectively.

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

(5) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

Non interest bearing balances at banks and financial institutions amounted to JD 7,705,675 as of 30 September 2012 (31 December 2011: JD 21,194,536).

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

(6) DEPOSITS AT BANKS AND FINANCIAL INSTITUTIONS

Deposits mature more than three month amounted JD 7,090,000 as of 30 September 2012 (31 December 2011: JD 3,500,000).

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

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

	30 September 2012	31 December 2011
	JD	JD
	(Un-audited)	(Audited)
Equity instruments	24,243,728	22,928,930
Bonds	143,573	-
Funds	1,766,828	1,711,526
	<u>26,154,129</u>	<u>24,640,456</u>

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

	30 September 2012	31 December 2011
	JD (Un-audited)	JD (Audited)
Quoted Investments		
Quoted Equities	26,003,600	25,261,478
Total quoted investments	<u>26,003,600</u>	<u>25,261,478</u>
Unquoted Investments		
Unquoted Equities	714,523	648,735
Total unquoted investments	<u>714,523</u>	<u>648,735</u>
Total	<u><u>26,718,123</u></u>	<u><u>25,910,213</u></u>

(9) DIRECT CREDIT FACILITIES

	30 September 2012	31 December 2011
	JD (Un-audited)	JD (Audited)
Consumer lending		
Overdrafts	6,695,816	7,286,517
Loans and bills *	542,883,199	487,882,144
Credit cards	9,937,655	10,337,775
Others	7,021,128	6,915,578
Residential mortgages	125,165,185	123,994,676
Corporate lending		
Overdrafts	50,691,222	61,519,982
Loans and bills *	116,509,120	150,276,944
Small and medium enterprises lending "SMEs"		
Overdrafts	20,492,391	19,823,858
Loans and bills *	30,986,219	30,630,027
Lending to governmental sectors	116,654,905	104,686,198
Total	<u>1,027,036,840</u>	<u>1,003,353,699</u>
Less: Suspended interest	(10,842,135)	(10,528,884)
Less: Allowance for impairment losses	<u>(47,448,219)</u>	<u>(45,234,822)</u>
Direct credit facilities, net	<u><u>968,746,486</u></u>	<u><u>947,589,993</u></u>

* Net of interest and commission received in advance of JD 6,984,364 as of 30 September 2012 (31 December 2011: JD 7,909,985).

As of 30 September 2012, non-performing credit facilities amounted to JD 60,662,385 (31 December 2011: JD 58,288,553), representing 5,91% (31 December 2011: 5,81%) of gross facilities granted.

As of 30 September 2012, non-performing credit facilities, net of suspended interest, amounted to JD 49,936,084 (31 December 2011: JD 47,956,902), representing 4,91% (31 December 2011: 4,83%) of gross facilities granted after excluding the suspended interest.

As of 30 September 2012, credit facilities granted to the Government of Jordan amounted to JD 55,312,151 (31 December 2011: JD 48,717,355), representing 5,39% (31 December 2011: 4,86%) of gross facilities granted.

As of 30 September 2012, credit facilities granted to the public sector in Palestine amounted to JD 49,117,784 (31 December 2011: JD 42,330,087), representing 4,78% (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:

<u>Industry sector</u>			30 September	31 December
	Inside	Outside	2012	2011
	JD	JD	JD	JD
Financial	3,086,899	-	3,086,899	299,642
Industrial	35,662,430	6,526,885	42,189,315	35,952,398
Commercial	93,534,339	65,198,328	158,732,667	198,489,809
Real estate	131,529,823	3,208,561	134,738,384	145,257,895
Agriculture	2,439,690	120,255	2,559,945	3,117,434
Trading	8,849,385	708,670	9,558,055	10,043,887
Consumer	490,742,875	68,773,795	559,516,670	505,506,436
Public and Government	67,537,121	49,117,784	116,654,905	104,686,198
Total	<u>833,382,562</u>	<u>193,654,278</u>	<u>1,027,036,840</u>	<u>1,003,353,699</u>

Direct facilities impairment provision:

The movement of the provision for impairment is as follows :

	30 September	31 December
	2012	2011
	JD	JD
	(Un-audited)	(Audited)
Balance beginning of the period/ year	45,234,822	44,284,861
Charge during the period/ year	2,412,450	1,707,073
Amount written off	(157,806)	(666,350)
Revaluation differences	(41,247)	(90,762)
Balance at the end of the period/ year	<u>47,448,219</u>	<u>45,234,822</u>

Interest in suspense

The movement of interest in suspense is as follows:

	30 September 2012	31 December 2011
	JD (Un-audited)	JD (Audited)
Balance beginning of the period/ year	10,528,884	10,904,297
Suspended interest during the period/ year	875,112	544,461
Amount transferred to income on recovery	(179,211)	(653,497)
Amount written off	(382,650)	(266,377)
Balance at the end of the period/ year	<u>10,842,135</u>	<u>10,528,884</u>

(10) FINANCIAL ASSETS OF AMORATIZED COST

	30 September 2012	31 December 2011
	JD (Un-audited)	JD (Audited)
Quoted Investments		
Treasury bills	1,750,774	1,745,491
Corporate debt securities	20,235,404	26,552,764
Total quoted investments	<u>21,986,178</u>	<u>28,298,255</u>
Unquoted Investments		
Treasury bills	356,525,930	291,485,054
Government debt securities	60,154,589	81,737,869
Corporate debt securities	33,772,764	38,915,621
Other debt securities	38,182	43,327
Impairment losses	(141,800)	(141,800)
Total unquoted investments	<u>450,349,665</u>	<u>412,040,071</u>
Total financial assets at amortized cost	<u>472,335,843</u>	<u>440,338,326</u>

(11) OTHER ASSETS

	30 September 2012	31 December 2011
	JD (Un-audited)	JD (Audited)
Accrued interest and revenue	6,957,568	9,623,611
Prepaid expenses	6,454,389	5,088,302
Assets seized by the Bank against non-performing loans	10,950,525	11,040,584
Accounts receivable - net	928,493	713,529
Clearing checks	20,104,651	7,444,350
Trading settlement account	25,000	25,000
Refundable deposits	282,926	197,509
Deposit at Visa International	1,042,230	1,042,230
Others	2,025,208	1,521,671
	<u>48,770,990</u>	<u>36,696,786</u>

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

(12) CUSTOMERS' DEPOSITS

	30 September 2012	31 December 2011
	JD (Un-audited)	JD (Audited)
Current and demand deposits	422,790,910	439,472,964
Saving deposits	306,009,395	294,318,361
Time and notice deposits	665,155,153	641,343,040
Total	<u>1,393,955,458</u>	<u>1,375,134,365</u>

- Governmental institutions' deposits amounted to JD 189,286,150 as of 30 September 2012 (31 December 2011: JD 161,714,335) representing 13,58% (31 December 2010: 11,76%) of total customers' deposits.
- There are no restricted deposits as of 30 September 2012 and 31 December 2011.
- Non-interest bearing deposits amounted to JD 554,990,650 as of 30 September 2012 (31 December 2011: JD 529,779,047) representing 39,81% (31 December 2011: 38,53%) of total deposits.
- Dormant accounts amounted to JD 33,854,785 as of 30 September 2012 (31 December 2011: JD 20,954,967).

(13) LOANS AND BORROWINGS

	<u>Amount</u> JD	<u>Total no. of</u> <u>instalments</u>	<u>Outstanding</u> <u>instalments</u>	<u>Payable</u> <u>Every</u>	<u>Collaterals</u> JD	<u>Interest rate</u> %
30 September 2012 – (un-audited)						
Amounts borrowed from local institutions*	34,000,000	4	4	At maturity	Mortgage endorsement	5.3 – 8.5 %
Amounts borrowed from Central Bank of Jordan	58,757,712	-	1	At maturity	Treasury bills	3.75%
Amounts borrowed from public Banks	7,000,000			At maturity	None	3.75%
Amounts borrowed from international institutions**	35,450,000	1	1	At maturity	None	4.145–4.895%
Amounts borrowed from foreign institutions***	<u>1,074,224</u>			Monthly	None	5.5%
Total	<u>136,281,936</u>					
31 December 2011- (audited)	<u>Amount</u> JD	<u>Total no. of</u> <u>payments</u> JD	<u>Outstanding</u> <u>payments</u> JD	<u>Payable</u> <u>Every</u> JD	<u>Collaterals</u> JD	<u>Interest rate</u> %
Amounts borrowed from local institution*	23,000,000	3	3	At maturity	Mortgage endorsement	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	Treasury bills	4.25%
Amounts borrowed from foreign institution***	<u>1,074,224</u>			Monthly	None	5.5%
Total	<u>62,224,224</u>					

* Represents fixed interest loans borrowed from Jordan Mortgage Refinancing Company amounted to JD 34,000,000 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:

	<u>30 September</u> <u>2012</u> JD (Un-audited)	<u>31 December</u> <u>2011</u> JD (Audited)
Beginning of the period / year	22,621,983	21,913,042
Income tax paid	(14,820,999)	(14,401,383)
Income tax payable	<u>11,982,309</u>	<u>15,110,324</u>
End of the period / year	<u>19,783,293</u>	<u>22,621,983</u>

Income tax appearing in the statement of income represents following:

	30 September 2012	30 September 2011
	JD	JD
	(Un-audited)	(Un-audited)
Provision for income tax for the period	11,982,309	11,076,477
Amortization of deferred tax liabilities	<u>(62,170)</u>	<u>-</u>
Income tax charge for the period	<u><u>11,920,139</u></u>	<u><u>11,076,477</u></u>

The statutory tax rate on banks in Jordan is 30% and the statutory tax rates on foreign branches and subsidiaries range between 15% to 34,5% (Banks in Palestine are subject to 20% income tax and value added tax by 14.5%).

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 years 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 September 2012 are sufficient.

(15) OTHER LIABILITIES

	30 September 2012	31 December 2011
	JD (Un-audited)	JD (Audited)
Accrued interest expense	2,568,674	2,301,745
Accounts payable	6,087,263	2,880,611
Accrued expenses	6,038,987	5,184,193
Temporary deposits	7,963,176	6,750,662
Checks and withdrawals	7,144,124	6,424,887
Settlement guarantee fund	157,170	15,242
Others	2,520,227	1,629,661
	<u>32,479,621</u>	<u>25,187,001</u>

(16) FAIR VALUE RESERVE

The movement is as follows:

	30 September 2012	31 December 2011
	JD (Un-audited)	JD (Audited)
Beginning balance	3,850,718	-
Effect of implementation IFRS 9	-	6,368,626
Unrealized loss	(750,884)	(2,913,206)
Gain from sale financial assets at fair value through other comprehensive income	(145,163)	(429,926)
Deferred tax liability	161,472	825,224
Ending balance	<u>3,116,143</u>	<u>3,850,718</u>

(17) RETAINED EARNING

The movement is as follows:

	30 September 2012	31 December 2011
	JD (Un-audited)	JD (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)
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
	<u>51,325,320</u>	<u>68,180,157</u>

The balance of the retained earnings as of 30 September 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 September 2012	30 September 2011
	JD (Un-audited)	JD (Un-audited)
Overdrafts	7,911,832	7,587,000
Loans and bills	58,554,647	51,831,131
Credit cards	1,900,898	1,859,250
Others	181,293	262,444
Balances at Central Banks	77,786	217,775
Balances at banks and financial institutions	3,625,906	5,802,886
Financial assets at fair value through profit or loss	4,225	-
Financial assets at amortized cost	19,816,186	14,897,510
Total	<u>92,072,773</u>	<u>82,457,996</u>

(19) INTEREST EXPENSE

	30 September 2012	30 September 2011
	JD (Un-audited)	JD (Un-audited)
Banks and financial institutions deposits	1,720,225	1,145,591
Customers' deposits -		
Current accounts and deposits	2,137,026	2,681,858
Saving accounts	1,889,276	1,919,783
Time and notice placements	16,829,912	12,791,515
Margin accounts	318,163	554,823
Loans and borrowings	3,386,077	2,436,169
Deposits guarantee fees	1,509,244	1,375,353
	<u>27,789,923</u>	<u>22,905,092</u>

**(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 September 2012				
Equity instruments	16,435	(1,510,530)	1,924,865	430,770
Investment funds	-	55,302	-	55,302
Total	<u>16,435</u>	<u>(1,455,228)</u>	<u>1,924,865</u>	<u>486,072</u>
30 September 2011				
Equity instruments	3,822,553	59,265	1,784,855	5,666,673
Investment funds	-	(193,607)	-	(193,607)
Total	<u>3,822,553</u>	<u>(134,342)</u>	<u>1,784,855</u>	<u>5,473,066</u>

(21) EARNINGS PER SHARE

	For the three months ended 30 September		For the nine months ended 30 September	
	2012	2011	2012	2011
Profit for the period	8,702,517	10,556,339	25,293,791	26,809,695
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)	<u>0/087</u>	<u>0/106</u>	<u>0/253</u>	<u>0/268</u>

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

(22) 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:

	<u>30 September 2012</u>	<u>30 September 2011</u>
	JD	JD
	(Un-audited)	(Un-audited)
Cash and balances with Central Banks maturing within three months	165,882,653	139,552,443
Add: Balances at banks and financial institutions maturing within three months	203,786,439	205,347,543
Less: Banks and financial institutions' deposits maturing within three months	85,134,327	127,982,855
Restricted cash balances	<u>7,090,000</u>	<u>7,090,000</u>
Cash and cash equivalents	<u>277,444,765</u>	<u>209,827,131</u>

(23) RELATED PARTY TRANSACTIONS

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

<u>Company name</u>	<u>Ownership</u> %	<u>Paid in capital</u>	
		<u>30 September 2012</u>	<u>31 December 2011</u>
		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 managem ent	Others	30 September 2012	31 December 2011
	JD	JD	JD	JD (Unaudited)	JD (Audited)
<u>Balance sheet items:</u>					
Direct credit facilities	15,881,209	3,133,843	15,849,708	34,864,760	30,332,987
Deposits at the Bank	20,118,351	1,172,912	7,740,450	29,031,713	10,803,735
Margin accounts	1,107,505	-	73,813	1,181,318	920,692
<u>Off balance items:</u>					
Indirect credit facilities	2,910,109	-	60,300	2,970,409	2,481,681
For the six months ended 30 September					
				2012	2011
				JD	JD
				(Unaudited)	(Unaudited)
<u>Income statements items</u>					
Interest and commission income	1,343,912	25,769	195,890	1,565,571	336,923
Interest and commission expense	145,886	3,831	89,071	238,788	266,266

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 September 2012	30 September 2011
	JD (Unaudited)	JD (Unaudited)
Benefits (Salaries, wages, and bonuses)	2,165,870	2,091,662

(24) 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 September 2012	30 September 2011
	JD	JD	JD	JD	JD (Un audited)	JD (Un audited)
Gross income	63,758,940	21,576,620	26,709,478	523,443	112,568,481	109,485,863
Provision for credit losses	(636,653)	(1,775,797)	-	-	(2,412,450)	(4,399,664)
Impairment losses on investments	-	-	-	-	-	(141,800)
Segment result	47,720,361	15,210,899	18,911,405	523,443	82,366,108	82,039,307
Unallocated costs					(45,152,178)	(44,153,135)
Profit before tax					37,213,930	37,886,172
Income tax					(11,920,139)	(11,076,477)
Profit for the period					25,293,791	26,809,695
Other information						
Capital expenditure					5,367,825	6,653,339
Depreciation and amortization					5,495,056	5,639,544
					30 September 2012	31 December 2011
					JD (Un audited)	JD (Audited)
Segment assets	<u>663,633,833</u>	<u>305,112,653</u>	<u>901,967,187</u>	<u>91,291,146</u>	<u>1,962,004,819</u>	<u>1,940,363,261</u>
Segment liabilities	<u>749,386,059</u>	<u>318,351,772</u>	<u>598,980,798</u>	<u>64,011,458</u>	<u>1,730,730,087</u>	<u>1,716,792,908</u>

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 September 2012	30 September 2011	30 September 2012	30 September 2011	30 September 2012	30 September 2011
	JD	JD	JD	JD	JD (Un-audited)	JD (Un-audited)
Total Revenue	97,195,648	90,986,331	15,372,833	18,499,532	112,568,481	109,485,863
Capital expenditure	4,365,754	3,945,489	1,002,071	2,707,850	5,367,825	6,653,339

	Jordan		Outside Jordan		Total	
	30 September 2012	31 December 2011	30 September 2012	31 December 2011	30 September 2012	31 December 2011
	JD	JD	JD	JD	JD (Un-audited)	JD (Audited)
Total assets	1,505,648,926	1,495,364,439	456,355,893	444,998,822	1,962,004,819	1,940,363,261

(25) COMMITMENTS AND CONTINGENT LIABILITIES

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

	30 September 2012	31 December 2011
	JD	JD
	(Un audited)	(Audited)
Letters of credit:		
Received	174,907,258	114,135,834
Issued	35,164,454	55,382,633
Acceptances	1,440,070	4,282,350
Letters of guarantee:		
Payments	16,030,332	16,682,141
Performance	8,657,211	11,502,952
Other	23,873,480	23,222,081
Irrevocable commitments to extend credit	74,932,323	79,575,208
	<u>335,005,128</u>	<u>304,783,199</u>

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

	30 September 2012	31 December 2011
	JD (Un audited)	JD (Audited)
Contracts to purchase property and equipment	1,743,013	1,951,911
	<u>1,743,013</u>	<u>1,951,911</u>

(26) LITIGATION

In the normal course of business, the Bank appears as a defendant in a number of lawsuits amounting to JD 23,244,633 as of 30 September 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 5,344,977 as of 30 September 2012 and (31 December 2011: JD 5,394,378).

(27) ISSUED AND PAID IN CAPITAL

Paid in capital amounted to JD 100,000,000 divided to 100,000,000 shares, at a par value of JD 1 per shares as at 30 September 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.

(28) RESERVES

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

(29) 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. 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 Bank 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.