

CAIRO AMMAN BANK

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2013 (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 2013, comprising of interim consolidated statement of financial position as of 30 September 2013 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
30 October 2013

CAIRO AMMAN BANK
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 SEPTEMBER 2013
(In Jordanian Dinars)

	Notes	30 September 2013 (Unaudited)	31 December 2012 (Audited)
<u>ASSETS</u>			
Cash and balances with Central Banks	4	158,531,024	211,280,174
Balances at banks and financial institutions	5	229,222,162	189,873,760
Deposits at banks and financial institutions	6	121,707,090	18,500,000
Financial assets at fair value through profit or loss	7	26,473,334	26,858,142
Financial assets at fair value through other comprehensive income	8	24,647,258	26,593,505
Direct credit facilities	9	976,482,892	1,007,336,799
Financial assets at amortized cost	10	466,177,852	358,681,442
Financial assets pledged as collateral		130,142,962	108,360,282
Property and equipment		32,357,275	34,595,419
Intangible assets		8,544,915	7,313,881
Deferred tax assets		488,325	435,380
Other assets	11	68,531,152	34,507,030
Total Assets		2,243,306,241	2,024,335,814
<u>LIABILITIES AND EQUITY</u>			
LIABILITIES -			
Banks and financial institutions' deposits		192,709,866	98,758,619
Customers' deposits	12	1,464,302,382	1,400,325,209
Margin accounts		58,265,690	41,973,787
Loans and borrowings	13	203,239,853	172,942,224
Sundry provisions		12,371,105	11,818,493
Income tax liabilities	14	22,155,218	23,064,940
Deferred tax liabilities		1,596,757	2,012,463
Other liabilities	15	37,882,225	32,203,322
Total Liabilities		1,992,523,096	1,783,099,057
EQUITY			
Paid in capital		100,000,000	100,000,000
Statutory reserve	27	42,947,195	42,947,195
Voluntary reserve		1,321,613	1,321,613
Other reserves		14,922,382	13,922,382
Fair value reserve (net)	16	2,144,293	3,085,785
Retained earnings		63,041,056	79,959,782
Profit for the period		26,406,606	-
Total Equity		250,783,145	241,236,757
Total Liabilities and Equity		2,243,306,241	2,024,335,814

The accompanying notes from 1 to 28 are an integral part of these interim condensed consolidated financial statements

CAIRO AMMAN BANK
INTERIM CONSOLIDATED INCOME STATEMENT
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2013 (UNAUDITED)
(In Jordanian Dinars)

	Notes	For the three months period ended 30 September		For the nine months period ended 30 September	
		2013	2012	2013	2012
Interest income	17	38,658,730	31,969,228	111,197,443	92,072,773
Interest expense	18	13,976,001	10,005,431	40,796,828	27,789,923
Net interest income		<u>24,682,729</u>	<u>21,963,797</u>	<u>70,400,615</u>	<u>64,282,850</u>
Net commission		<u>4,685,879</u>	<u>4,390,209</u>	<u>14,119,556</u>	<u>14,509,529</u>
Net interest and commission income		<u>29,368,608</u>	<u>26,354,006</u>	<u>84,520,171</u>	<u>78,792,379</u>
Other income –					
Net gain from foreign currencies		590,960	526,229	2,111,762	1,944,785
Net gain from financial assets through profit or loss	19	1,032,552	583,521	1,813,012	486,072
Dividends from financial assets at fair value through other comprehensive income		-	-	897,865	989,171
Net gain from financial assets at amortized cost		-	-	-	68,188
Other income		921,929	740,759	2,855,593	2,497,963
Gross profit		<u>31,914,049</u>	<u>28,204,515</u>	<u>92,198,403</u>	<u>84,778,558</u>
Employees' expenses		8,837,611	8,183,595	26,442,017	24,490,252
Depreciation and amortization		1,614,438	1,846,820	4,950,078	5,495,056
Other expenses		5,215,345	4,875,848	15,250,793	14,325,153
Impairment losses on direct credit facilities		1,614,150	114,150	4,442,450	2,412,450
Sundry provisions		140,441	166,788	996,756	841,717
Total expenses		<u>17,421,985</u>	<u>15,187,201</u>	<u>52,082,094</u>	<u>47,564,628</u>
Profit for the period before tax		<u>14,492,064</u>	<u>13,017,314</u>	<u>40,116,309</u>	<u>37,213,930</u>
Income tax expense	14	(4,521,863)	(4,314,797)	(12,709,703)	(11,920,139)
Profit for the period		<u>9,970,201</u>	<u>8,702,517</u>	<u>27,406,606</u>	<u>25,293,791</u>
		<u>JD / Fils</u>	<u>JD / Fils</u>	<u>JD / Fils</u>	<u>JD / Fils</u>
Basic and diluted earnings per share	20	<u>0/0997</u>	<u>0/087</u>	<u>0/274</u>	<u>0/253</u>

The accompanying notes from 1 to 28 are an integral part of these interim condensed consolidated financial statements

CAIRO AMMAN BANK
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2013 (UNAUDITED)
(In Jordanian Dinars)

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2013	2012	2013	2012
Profit for the period	9,970,201	8,702,517	27,406,606	25,293,791
Other comprehensive income, which will not be transferred to profit or loss in future periods:				
change in fair value reserve for financial assets, after tax	456,554	490,674	(860,218)	(589,412)
Total comprehensive income for the period	10,426,755	9,193,191	26,546,388	24,704,379

The accompanying notes from 1 to 28 are an integral part of these interim condensed consolidated financial statements

CAIRO AMMAN BANK
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2013 (UNAUDITED)
(In Jordanian Dinars)

	Paid in capital	Statutory reserve	Voluntary reserve	General reserve risk	Cyclical fluctuation reserve	Fair value reserve	Retained earnings	Profit for the period	Total equity
<u>Nine months period ended 30 September 2013</u>									
Balance as of 1 January 2013	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	-	-	-	-	-	(860,218)	-	27,406,606	26,546,388
Dividends paid							(17,000,000)	-	(17,000,000)
Gain from sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	(81,274)	81,274	-	-
Transfers to reserves	-	-	-	1,000,000	-	-	-	(1,000,000)	-
Balance as of 30 September 2013	100,000,000	42,947,195	1,321,613	11,700,000	3,222,382	2,144,293	63,041,056	26,406,606	250,783,145
<u>Nine months period 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	100,000,000	37,749,106	1,321,613	10,150,000	2,318,759	3,116,143	51,325,320	25,293,791	231,274,732

- 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 14,450,633 which resulted from the effect of the early implementation of IFRS (9).
- The retained earnings include deferred tax assets amounted to JD 488,325 and is restricted from use as per the Central Bank of Jordan instructions.

The accompanying notes from 1 to 28 are an integral part of these interim condensed consolidated financial statements

CAIRO AMMAN BANK
INTERIM CONSOLIDATED CASH FLOW STATEMENT
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2013 (UNAUDITED)
(In Jordanian Dinars)

	Note	30 September 2013	30 September 2012
<u>OPERATING ACTIVITIES</u>			
Profit for the period before tax		40,116,309	37,213,930
Adjustments -			
Depreciation and amortisation		4,950,078	5,495,056
Impairment loss on direct credit facilities		4,442,450	2,412,450
Sundry provisions		996,756	841,717
Dividends from financial assets at fair value through other comprehensive income		(897,865)	(989,171)
Unrealized loss from financial assets at fair value through profit or loss		378,895	1,455,228
(Gain) loss on sale of property and equipment		(156,408)	1,896
Gain from sale of repossessed assets		(113,372)	(9,891)
Effect of exchange rate changes on cash and cash equivalents		(992,072)	(1,674,676)
Operating profit before changes in operating assets and liabilities		48,724,771	44,746,539
Changes in assets and liabilities -			
(Increase) in deposits at banks and financial institutions		(103,207,090)	(3,590,000)
(Increase) decrease in financial assets at fair value through profit or loss		5,913	(2,968,901)
Decrease (increase) in direct credit facilities		26,411,457	(23,568,943)
(Increase) in other assets		(33,910,750)	(12,064,313)
Increase (decrease) in banks and financial institutions deposits maturing after more than three months		10,000,000	(7,000,000)
Increase in customers' deposits		63,977,173	18,821,093
Increase in margin accounts		16,291,903	1,814,913
Increase in other liabilities		5,678,903	7,292,620
Sundry provisions paid		(444,144)	(896,570)
Net cash from operating activities before income tax		33,528,136	22,586,438
Income tax paid		(13,753,477)	(14,820,999)
Net cash from operating activities		19,774,659	7,765,439
<u>INVESTING ACTIVITIES</u>			
(Purchase) of financial assets at fair value through OCI		(442,385)	(2,004,982)
Sale of financial assets at fair value through OCI		1,193,815	508,358
Dividends from financial assets at fair value through OCI		897,865	989,171
(Purchase) of financial assets at amortized cost		(254,105,234)	(239,891,250)
Proceeds from maturity of financial assets at amortized cost		124,826,144	207,893,733
(Purchase) of property and equipment		(2,033,721)	(2,987,139)
Proceeds from sale of property and equipment		163,496	20,135
(Purchase) of intangible assets		(1,916,335)	(2,380,686)
Net cash (used in) investing activities		(131,416,355)	(37,852,660)
<u>FINANCING ACTIVITIES</u>			
Cash dividends paid		(17,000,000)	(17,000,000)
Proceeds from loans and borrowings		141,515,829	93,057,712
Repayment for loans and borrowings		(111,218,200)	(19,000,000)
Net cash from financing activities		13,297,629	57,057,712
Effect of exchange rate changes on cash and cash equivalents		992,072	1,674,676
Net (decrease) increase in cash and cash equivalents		(98,344,067)	26,970,491
Cash and cash equivalents, beginning of the period		295,305,315	248,799,598
Cash and cash equivalents, end of the period	21	197,953,320	277,444,765

The accompanying notes from 1 to 28 are an integral part of these interim condensed consolidated financial statements

CAIRO AMMAN BANK
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2013 (UNAUDITED)
(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 84 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 30 October 2013.

(2) BASIS OF PREPARATION

The interim condensed consolidated financial statements for the nine-months period of 30 September 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 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 nine - month period ended 30 September 2013 do not necessarily indicate 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:

New Standards

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 starting 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 starting 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.

Amended Standards

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 starting 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.

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 30 September 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 30 September 2013. 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. 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.

(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 79,264,084 as of 30 September 2013 (31 December 2012: JD 77,323,728).

Except for statutory cash reserve held at the Central Banks the restricted cash balances amounted to JD 7,090,000 as of 30 September 2013 and 31 December 2012, respectively.

There are no balances which mature more than three months as of 30 September 2013 and 31 December 2012.

(5) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

Non interest bearing balances at banks and financial institutions amounted to JD 12,428,752 as of 30 September 2013 (31 December 2012: JD 20,016,403).

There are no restricted balances as of 30 September 2013 and 31 December 2012.

(6) DEPOSITS AT BANKS AND FINANCIAL INSTITUTIONS

Deposits mature more than three months and less than six months amounted JD 80,307,090 as of 30 September 2013 (31 December 2012: JD 18,500,000).

Deposits mature more than six months and less than nine months amounted JD 41,400,000 as of 30 September 2013 (31 December 2012: Zero).

There are no restricted balances as of 30 September 2013 and 31 December 2012.

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

	30 September 2013	31 December 2012
	JD (Unaudited)	JD (Audited)
Equity instruments	24,465,800	25,012,328
Bonds	-	111,245
Funds	2,007,534	1,734,569
	<u>26,473,334</u>	<u>26,858,142</u>

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

	30 September 2013	31 December 2012
	JD (Unaudited)	JD (Audited)
Quoted Investments		
Quoted Equities	23,833,792	25,876,821
Total quoted investments	<u>23,833,792</u>	<u>25,876,821</u>
Unquoted Investments		
Unquoted Equities	813,466	716,684
Total unquoted investments	<u>813,466</u>	<u>716,684</u>
Total	<u>24,647,258</u>	<u>26,593,505</u>

(9) DIRECT CREDIT FACILITIES

	30 September 2013	31 December 2012
	JD (Unaudited)	JD (Audited)
Consumer lending		
Overdrafts	5,494,679	7,166,317
Loans and bills *	544,808,224	540,883,927
Credit cards	9,709,637	10,199,715
Others	6,173,899	6,018,584
Residential mortgages	127,302,379	128,094,176
Corporate lending		
Overdrafts	61,890,865	64,046,782
Loans and bills *	120,290,714	119,902,929
Small and medium enterprises lending "SMEs"		
Overdrafts	16,912,868	18,960,249
Loans and bills *	33,139,395	30,774,674
Lending to governmental sectors	112,279,847	138,057,561
Total	1,038,002,507	1,064,104,914
Less: Suspended interest	(11,371,018)	(10,994,072)
Less: Allowance for impairment losses	(50,148,597)	(45,774,043)
Direct credit facilities, net	976,482,892	1,007,336,799

* Net of interest and commission received in advance of JD 7,067,960 as of 30 September 2013 (31 December 2012: JD 7,228,384).

As of 30 September 2013, non-performing credit facilities amounted to JD 61,373,158 (31 December 2012: JD 58,563,507), representing 5.91% (31 December 2012: 5.50%) of gross facilities granted.

As of 30 September 2013, non-performing credit facilities, net of suspended interest, amounted to JD 50,002,140 (31 December 2012: JD 47,569,435), representing 4.88% (31 December 2012: 4.52%) of gross facilities granted after excluding the suspended interest.

As of 30 September 2013, credit facilities granted to the Government of Jordan amounted to JD 47,000,728 (31 December 2012: JD 53,855,727), representing 4.53% (31 December 2012: 5.06%) of gross facilities granted.

As of 30 September 2013, credit facilities granted to the public sector in Palestine amounted to JD 54,083,995 (31 December 2012: JD 51,583,984), representing 5.21% (31 December 2012: 4.85%) 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>	Jordan	Outside Jordan	30 September 2013	31 December 2012
	JD	JD	JD	JD
Financial	12,851,113	-	12,851,113	969,020
Industrial	49,675,084	5,521,741	55,196,825	50,585,076
Commercial	77,024,831	58,647,013	135,671,844	153,595,512
Real estate	135,192,717	16,208,887	151,401,604	156,438,037
Agriculture	2,322,730	92,105	2,414,835	2,511,405
Trading	7,434,088	739,811	8,173,899	8,576,630
Consumer	494,122,313	65,890,227	560,012,540	553,371,673
Public and Government	58,195,852	54,083,995	112,279,847	138,057,561
Total	<u>836,818,728</u>	<u>201,183,779</u>	<u>1,038,002,507</u>	<u>1,064,104,914</u>

Direct facilities impairment provision:

The movement of the provision for impairment is as follows:

	30 September 2013	31 December 2012
	JD (Unaudited)	JD (Audited)
Balance beginning of the period/ year	45,774,043	45,234,822
Charge during the period/ year	4,442,450	3,373,406
Amount written off	(46,983)	(2,771,588)
Revaluation differences	(20,913)	(62,597)
Balance at the end of the period/ year	<u>50,148,597</u>	<u>45,774,043</u>

Interest in suspense

The movement of interest in suspense is as follows:

	30 September 2013	31 December 2012
	JD (Unaudited)	JD (Audited)
Balance beginning of the period/ year	10,994,072	10,528,884
Suspended interest during the period/ year	599,432	1,094,562
Amount transferred to income on recovery	(158,009)	(200,509)
Amount written off	(64,477)	(428,865)
Balance at the end of the period/ year	<u>11,371,018</u>	<u>10,994,072</u>

(10) FINANCIAL ASSETS OF AMORATIZED COST

	30 September 2013	31 December 2012
	JD (Unaudited)	JD (Audited)
Quoted Investments		
Treasury bills	1,757,821	1,752,536
Corporate debt securities	20,239,917	20,236,531
Total quoted investments	<u>21,997,738</u>	<u>21,989,067</u>
Unquoted Investments		
Treasury bills	397,241,421	283,668,554
Government debt securities	30,388,873	35,147,968
Corporate debt securities	16,666,150	17,987,050
Other debt securities	25,470	30,603
Impairment losses	(141,800)	(141,800)
Total unquoted investments	<u>444,180,114</u>	<u>336,692,375</u>
Total financial assets at amortized cost	<u><u>466,177,852</u></u>	<u><u>358,681,442</u></u>
Analysis of debt instruments		
Fixed rate	464,653,502	357,086,192
Floating rate	1,524,350	1,595,250
Total	<u><u>466,177,852</u></u>	<u><u>358,681,442</u></u>

(11) OTHER ASSETS

	30 September 2013	31 December 2012
	JD (Unaudited)	JD (Audited)
Accrued interest and revenue	13,282,775	8,270,987
Prepaid expenses	6,217,345	4,759,818
Assets seized by the Bank against non-performing loans	10,728,207	10,799,390
Accounts receivable - net	904,778	1,234,040
Clearing checks	33,254,701	5,149,311
Trading settlement account	25,000	25,000
Refundable deposits	276,811	290,526
Refunded deposits at Visa International	1,063,500	1,042,230
Others	2,778,035	2,935,728
	<u><u>68,531,152</u></u>	<u><u>34,507,030</u></u>

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

(12) CUSTOMERS' DEPOSITS

	30 September 2013	31 December 2012
	JD (Unaudited)	JD (Audited)
Current and demand deposits	444,312,480	399,946,863
Saving deposits	311,962,911	316,329,488
Time and notice deposits	708,026,991	684,048,858
Total	1,464,302,382	1,400,325,209

- Governmental institutions' deposits amounted to JD 211,488,465 as of 30 September 2013 (31 December 2012: JD 195,059,636) representing 14.44% (31 December 2012: 13.93%) of total customers' deposits.
- There are no restricted deposits as of 30 September 2013 and 31 December 2012.
- Non-interest bearing deposits amounted to JD 585,835,493 as of 30 September 2013 (31 December 2012: JD 534,747,304) representing 40.01% (31 December 2012: 38.19%) of total deposits.
- Dormant accounts amounted to JD 41,958,266 as of 30 September 2013 (31 December 2012: JD 28,271,232).

(13) LOANS AND BORROWINGS

	Amount	Total no. of instalments	Outstanding instalments	Payable Every	Maturity Date	Collaterals	Interest rate
30 September 2013 – (unaudited)	JD					JD	%
Amounts borrowed from Jordan Mortgage Refinancing company	30,000,000	3	3	At maturity	2013-2014	Pledged bonds	5.255 – 8.1 %
Amounts borrowed from overseas investment company (OPIC)	35,450,000	1	1	At maturity	2034	None	4.895%
Amounts borrowed from French Development Agency	3,545,000	1	1	At maturity	2015	None	1.22%
Amounts borrowed from Central Bank of Jordan	122,772,229	2	2	At maturity	2013	Repo	4.25%
Amounts borrowed from Central Bank of Jordan	898,400	4	4	At maturity	2013	Treasury Bills	3%
Amounts borrowed from Central Bank of Jordan	9,500,000	1	1	Half Yearly	2028	None	2.5%
Amounts borrowed from Financial markets international company	1,074,224	1	1	Monthly		None	3%
Total	203,239,853						
31 December 2012 – (Audited)	JD					JD	%
Amounts borrowed from Jordan Mortgage Refinancing company	40,000,000	4	4	At maturity	2013	Pledged bonds	5.3 – 8.6 %
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 overseas investment company (OPIC)	35,450,000	1	1	At maturity	2034	None	4.145–4.895%
Amounts borrowed from Financial markets international company	1,074,224	1	1			None	3%
Total	172,942,224						

(14) INCOME TAX

(A) Income Tax provision

The movement on the income tax provision was as follows:

	30 September 2013	31 December 2012
	JD (Unaudited)	JD (Audited)
Beginning of the period / year	23,064,940	22,621,983
Income tax paid	(13,753,477)	(15,120,795)
Income tax payable	12,843,755	15,563,752
End of the period / year	22,155,218	23,064,940

Income tax appearing in the statement of income represents following:

	30 September 2013	30 September 2012
	JD (Unaudited)	JD (Unaudited)
Provision for income tax for the period	12,843,755	11,982,309
Amortization of deferred tax liabilities	(81,107)	(62,170)
Deferred tax Assets Net	(52,945)	-
Income tax charge for the period	12,709,703	11,920,139

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%. (The Banks in Palestine are subject to 20% income tax and VAT tax of 14.5%).

The Bank reached a final settlement with the Income Tax Department for the year ended 31 December 2011, while 2012 was reviewed by the Income Tax Department but a final clearance was not obtained yet.

A final settlement has been reached with the tax authorities for Palestine branches for the year up to 2007. The Income tax Department had a re-claim for the bank with extra amount for the year 2006 and 2007. The Bank had appealed against the court decision. Also a tax assessments was issued from the tax department for the year 2008 but the Bank disputed the assessment. For the years 2009, 2010, 2011 and 2012 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. The Income Tax Department did not review 2010, 2011 and 2012 records.

Al-Watanieh Financial Services Company - Palestine has reached a final settlement with the Income Tax Department up to the year 2012.

In the opinion of the Bank's management, income tax provisions as of 30 September 2013 are sufficient.

(15) OTHER LIABILITIES

	30 September 2013	31 December 2012
	JD (Unaudited)	JD (Audited)
Accrued interest expense	5,700,344	4,029,683
Accounts payable	4,717,203	4,200,579
Accrued expenses	6,544,388	5,295,382
Temporary deposits	10,002,591	8,612,481
Checks and withdrawals	7,397,694	7,662,906
Currency forward contracts	21,900	97,000
Others	3,498,105	2,305,291
	<u>37,882,225</u>	<u>32,203,322</u>

(16) FAIR VALUE RESERVE

The movement is as follows:

	30 September 2013	31 December 2012
	JD (Unaudited)	JD (Audited)
Beginning balance	3,085,785	3,850,718
Unrealized loss	(1,229,647)	(877,662)
Gain from sale of financial assets at fair value through other comprehensive income	(81,274)	(145,163)
Deferred tax liability	369,429	257,892
Ending balance	<u>2,144,293</u>	<u>3,085,785</u>

(17) INTEREST INCOME (UNAUDITED)

	30 September 2013	30 September 2012
	JD	JD
Overdrafts	9,115,243	7,911,832
Loans and bills	64,186,634	58,554,647
Credit cards	1,823,867	1,900,898
Others	172,048	181,293
Balances at Central Banks	218,496	77,786
Balances at banks and financial institutions	6,781,448	3,625,906
Financial assets at fair value through profit or loss	-	4,225
Financial assets at amortized cost	28,899,707	19,816,186
Total	<u>111,197,443</u>	<u>92,072,773</u>

(18) INTEREST EXPENSE (UNAUDITED)

	30 September 2013	30 September 2012
	JD	JD
Banks and financial institutions deposits	2,935,618	1,720,225
Customers' deposits -		
Current accounts and deposits	2,340,335	2,137,026
Saving accounts	1,833,954	1,889,276
Time and notice placements	25,252,820	16,829,912
Margin accounts	414,385	318,163
Loans and borrowings	6,534,941	3,386,077
Deposits guarantee fees	1,484,775	1,509,244
	<u>40,796,828</u>	<u>27,789,923</u>

(19) NET GAIN (LOSS) FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (UNAUDITED)

	Realized gain (loss)	Unrealized gain (loss)	Dividends	Total
30 September 2013				
Equity instruments	70,935	(651,860)	2,120,972	1,540,047
Investment funds	-	272,965	-	272,965
Total	<u>70,935</u>	<u>(378,895)</u>	<u>2,120,972</u>	<u>1,813,012</u>
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>

(20) EARNINGS PER SHARE (UNAUDITED)

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2013	2012	2013	2012
Profit for the period	9,970,201	8,702,517	27,406,606	25,293,791
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>0/0997</u>	<u>0/087</u>	<u>0/274</u>	<u>0/253</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.

(21) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (UNAUDITED)

Cash and cash equivalents appearing in the statement of cash flows consist of the following balance sheet items:

	30 September 2013	30 September 2012
	JD	JD
Cash and balances with Central Banks maturing within three months	158,531,024	165,882,653
Add: Balances at banks and financial institutions maturing within three months	229,222,162	203,786,439
Less: Banks and financial institutions' deposits maturing within three months	182,709,866	85,134,327
Restricted cash balances	7,090,000	7,090,000
Cash and cash equivalents	197,953,320	277,444,765

(22) 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>	
		30 September 2013	31 December 2012
		JD	JD
		(unaudited)	(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:

	<u>Board of Directors</u> JD	<u>Executive management</u> JD	<u>Others</u> JD	<u>30 September 2013</u> JD (Unaudited)	<u>31 December 2012</u> JD (Audited)
<u>Balance sheet items:</u>					
Direct credit facilities	9,894,923	3,016,513	15,541,796	28,453,232	27,347,504
Bonds	7,090,000	-	-	7,090,000	7,090,000
Deposits at the Bank	23,629,412	1,802,667	7,102,528	32,534,607	18,202,059
Margin accounts	76,054	-	131,013	207,067	780,151
<u>Off balance items:</u>					
Indirect credit facilities	747,500	-	171,800	919,300	1,838,505
				<u>For the nine months period ended 30 September</u>	
				<u>2013</u> JD (Unaudited)	<u>2012</u> JD (Unaudited)
<u>Income statements items</u>					
Interest and commission income	773,644	120,661	760,557	1,654,862	1,565,571
Interest and commission expense	253,336	46,826	277,123	577,285	238,788

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% - 7.25%
 Debit interest rates on deposits in foreign currency range between 0% - 1.25%

Compensation of the key management personnel was as follows:

	<u>30 September 2013</u> JD (Unaudited)	<u>30 September 2012</u> JD (Unaudited)
Benefits (Salaries, wages, and bonuses)	1,644,429	1,475,870

(23) 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.

	<u>Retail Banking</u>	<u>Corporate Bank</u>	<u>Treasury</u>	<u>Others</u>	<u>30 September 2013</u>	<u>30 September 2012</u>
	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>
					(Unaudited)	(Unaudited)
Gross income	<u>68,048,595</u>	<u>23,773,500</u>	<u>40,406,924</u>	<u>766,212</u>	<u>132,995,231</u>	<u>112,568,481</u>
Provision for credit losses	<u>(3,401,279)</u>	<u>(1,041,171)</u>	<u>-</u>	<u>-</u>	<u>(4,442,450)</u>	<u>(2,412,450)</u>
Segment result	<u>44,669,599</u>	<u>19,205,368</u>	<u>23,114,774</u>	<u>766,212</u>	<u>87,755,953</u>	<u>82,366,108</u>
Unallocated costs					<u>(47,639,644)</u>	<u>(45,152,178)</u>
Profit before tax					<u>40,116,309</u>	<u>37,213,930</u>
Income tax					<u>(12,709,703)</u>	<u>(11,920,139)</u>
Profit for the period					<u>27,406,606</u>	<u>25,293,791</u>
Other information						
Capital expenditure					3,950,056	5,367,825
Depreciation and amortization					4,950,078	5,495,056
					<u>30 September 2013</u>	<u>31 December 2012</u>
					<u>JD</u>	<u>JD</u>
					(Unaudited)	(Audited)
Segment assets	<u>661,065,017</u>	<u>315,417,875</u>	<u>1,159,087,165</u>	<u>107,736,184</u>	<u>2,243,306,241</u>	<u>2,024,335,814</u>
Segment liabilities	<u>747,624,138</u>	<u>331,146,014</u>	<u>841,344,396</u>	<u>72,408,548</u>	<u>1,992,523,096</u>	<u>1,783,099,057</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 2013	30 September 2012	30 September 2013	30 September 2012	30 September 2013	30 September 2012
	JD	JD	JD	JD	JD (Unaudited)	JD (Unaudited)
Total Revenue	116,380,185	97,195,648	16,615,046	15,372,833	132,995,231	112,568,481
Capital expenditure	2,720,449	4,365,754	1,229,607	1,002,071	3,950,056	5,367,825

	Jordan		Outside Jordan		Total	
	30 September 2013	31 December 2012	30 September 2013	31 December 2012	30 September 2013	31 December 2012
	JD	JD	JD	JD	JD (Unaudited)	JD (Audited)
Total assets	1,843,532,033	1,587,269,018	399,774,208	437,066,796	2,243,306,241	2,024,335,814

(24) COMMITMENTS AND CONTINGENT LIABILITIES

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

	30 September 2013	31 December 2012
	JD (Unaudited)	JD (Audited)
Letters of credit:		
Received	330,744,254	253,031,284
Issued	175,141,082	81,071,972
Acceptances	3,055,366	799,970
Letters of guarantee:		
Payments	15,329,228	16,662,911
Performance	16,934,295	17,582,720
Other	25,824,186	21,457,125
Irrevocable commitments to extend credit	87,784,248	83,504,548
	<u>654,812,659</u>	<u>474,110,530</u>

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

	30 September 2013 <u>JD</u> (Unaudited)	31 December 2012 <u>JD</u> (Audited)
Contracts to purchase property and equipment	1,106,417	1,325,292
	<u>1,106,417</u>	<u>1,325,292</u>

(25) LITIGATION

In the normal course of business, the Bank appears as a defendant in a number of lawsuits amounting to JD 38,407,346 as of 30 September 2013 (31 December 2012: JD 35,898,261). 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 5,519,207 as of 30 September 2013 and (31 December 2012: JD 5,343,415).

(26) 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 2013 and 31 December 2012.

The General Assembly has approved in its ordinary meeting held on 31 March 2013 distributing cash dividends to shareholders amounted to JD 17,000,000 which is equivalent to 17% of paid in capital.

(27) RESERVES

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

(28) STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Bank's interim 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:

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.