

CAIRO AMMAN BANK

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2014 (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 2014, comprising of the interim consolidated statement of financial position as of 31 March 2014, 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
22 April 2014

ERNST & YOUNG
Amman - Jordan

CAIRO AMMAN BANK
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 MARCH 2014
(In Jordanian Dinars)

	<u>Notes</u>	31 March 2014	31 December 2013
		JD (Un-audited)	JD (Audited)
<u>ASSETS</u>			
Cash and balances with Central Banks	4	149,487,018	197,351,810
Balances at banks and financial institutions	5	151,695,309	180,633,848
Deposits at banks and financial institutions		258,100,000	138,200,000
Financial assets at fair value through profit or loss	6	28,585,747	29,155,168
Financial assets at fair value through other comprehensive income	7	25,610,226	25,219,930
Direct credit facilities	8	984,356,054	964,787,174
Financial assets at amortized cost	9	432,493,068	465,983,466
Financial assets pledged as collateral		80,496,298	110,142,962
Property and equipment		31,209,227	31,756,797
Intangible assets		8,344,749	8,573,950
Deferred tax assets		727,851	727,851
Other assets		69,995,577	60,436,264
Total Assets		2,221,101,124	2,212,969,220
<u>LIABILITIES AND EQUITY</u>			
LIABILITIES -			
Banks and financial institutions' deposits		260,643,979	213,941,737
Customers' deposits	10	1,431,587,426	1,426,018,472
Margin accounts		57,293,298	69,273,473
Loans and borrowings	11	124,921,955	164,420,379
Sundry provisions		12,731,677	12,526,199
Income tax liabilities	12	20,847,190	22,666,483
Deferred tax liabilities		2,361,571	2,321,405
Other liabilities		35,794,157	37,623,425
Total Liabilities		1,946,181,253	1,948,791,573
EQUITY			
Paid in capital	19	100,000,000	100,000,000
Statutory reserve	20	48,475,553	48,475,553
Voluntary reserve		1,321,613	1,321,613
General banking risk reserve		11,820,000	11,820,000
Other reserves		4,032,498	4,032,498
Fair value reserve (net)		2,399,858	2,107,043
Profit for the period		10,426,883	-
Retained earnings		96,443,466	96,420,940
Total Equity		274,919,871	264,177,647
Total Liabilities and Equity		2,221,101,124	2,212,969,220

The accompanying notes from 1 to 20 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 2014 (UN-AUDITED)
(In Jordanian Dinars)

	<u>Notes</u>	<u>31 March 2014</u>	<u>31 March 2013</u>
		JD	JD
Interest income		37,968,667	35,376,344
Interest expense		12,920,733	13,024,496
Net interest income		25,047,934	22,351,848
Net commission		4,864,343	4,509,362
Net interest and commission income		29,912,277	26,861,210
Other income –			
Net gain from foreign currencies		723,474	838,713
Net gain from financial assets through profit or loss		2,036,986	576,797
Dividends from financial assets at fair value through other comprehensive income		675,884	214,374
Gain from financial assets at amortized cost		327,136	-
Other income		1,286,296	788,781
Gross profit		34,962,053	29,279,875
Employees' expenses		9,149,546	8,736,937
Depreciation and amortization		1,557,037	1,693,440
Other expenses		5,167,034	5,000,599
Impairment loss on direct credit facilities		2,106,550	1,114,150
Impairment loss on financial assets at amortized cost		886,250	-
Impairment loss on collaterals acquired by the bank		250,000	-
Sundry provisions		469,471	425,003
Total expenses		19,585,888	16,970,129
Profit for the period before tax		15,376,165	12,309,746
Income tax expense	12	4,949,282	3,709,914
Profit for the period		10,426,883	8,599,832
Earnings per share for the period:		JD/Fils	JD/Fils
Basic and diluted earnings per share	13	0/104	0/086

The accompanying notes from 1 to 20 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 2014 (UN-AUDITED)
(In Jordanian Dinars)

	31 March 2014	31 March 2013
	<u>JD</u>	<u>JD</u>
Profit for the period	10,426,883	8,599,832
Other comprehensive income, which will not be transferred to profit or loss in future periods:		
Net movement on cumulative changes in fair value	315,341	(828,649)
Total comprehensive income for the period	<u>10,742,224</u>	<u>7,771,183</u>

The accompanying notes from 1 to 20 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 2014 (UN-AUDITED)
(In Jordanian Dinars)

	Reserves																				
	Paid in capital		Statutory		Voluntary		General Banking Risk		Pro-cyclicality		Fair value Reserve		Retained earnings		Profit for the period		Total Equity				
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD		
31 March 2014																					
Balance as of 1 January 2014	100,000,000	-	48,475,553	1,321,613	11,820,000	4,032,498	2,107,043	96,420,940	-	-	264,177,647										
Total comprehensive income for the period	-	-	-	-	-	-	315,341	-	-	-	10,426,883										
Gain from sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(22,526)	22,526	-	-	-										
Balance as of 31 March 2014	100,000,000	-	48,475,553	1,321,613	11,820,000	4,032,498	2,399,858	96,443,466	10,426,883	-	274,919,871										
31 March 2013																					
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	-	-	-	-	-	-	(828,649)	-	-	-	8,599,832										
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	-	-	-										
Balance as of 31 March 2013	100,000,000	-	42,947,195	1,321,613	10,700,000	3,222,382	2,000,067	63,216,851	8,599,832	-	232,007,940										

- 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 2014 arising from the effect of the early implementation of IFRS (9) amounted to JD 13,295,438 and is not available for distribution.

- The retained earnings include deferred tax assets amounted to JD 727,851 and is restricted from use per the Central Bank of Jordan instructions.

The accompanying notes from 1 to 20 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 2014 (UN-AUDITED)
(In Jordanian Dinars)

	Note	31 March 2014 JD	31 March 2013 JD
OPERATING ACTIVITIES			
Profit for the period before income tax		15,376,165	12,309,746
Adjustments -			
Depreciation and amortisation		1,557,037	1,693,440
Impairment loss on direct credit facilities		2,106,550	1,114,150
Impairment loss on collaterals acquired by the bank		250,000	-
Impairment loss on financial assets at amortized cost		886,250	-
(Gain) on disposal of property and equipment		(1,450)	(2,383)
(Gain) on sale of assets seized by the Bank		(16,786)	(596)
Sundry provisions		469,471	425,003
Unrealized loss (gain) from financial assets at fair value through profit or loss		262,042	(534,434)
Effect of exchange rate changes on cash and cash equivalents		(671,680)	(708,660)
Operating profit before changes in operating assets and liabilities		20,217,599	14,296,266
Changes in assets and liabilities -			
(Increase) in deposits at banks and financial institutions maturing after three months		(119,900,000)	(7,471,000)
(Increase) decrease in direct credit facilities		(21,675,430)	8,697,006
Decrease in financial assets at fair value through profit or loss		307,379	314,515
(Increase) in other assets		(9,792,527)	(50,406,023)
Increase in bank deposit maturing after three months		17,090,000	-
Increase in customers' deposits		5,568,954	52,112,844
(Decrease) increase in margin accounts		(11,980,175)	3,529,178
(Decrease) increase in other liabilities		(1,829,268)	5,795,570
Sundry provisions paid		(263,993)	(106,708)
Net cash from (used in) operating activities before income tax		(122,257,461)	26,761,648
Income tax paid		(6,851,333)	(3,494,621)
Net cash from (used in) operating activities		(129,108,794)	23,267,027
INVESTING ACTIVITIES			
Proceeds from sale of financial assets at fair value through OCI		47,969	669,213
Purchase of other financial assets at amortized cost		(8,806,969)	(179,090,883)
Proceeds from maturity of other financial assets at amortized cost		50,400,585	57,411,920
Proceeds from sale of financial assets at amortized cost		20,657,196	-
Purchase of intangible assets		(185,894)	(791,046)
Purchase of property and equipment		(595,340)	(606,950)
Sale of property and equipment		2,418	4,021
Net cash from (used in) investing activities		61,519,965	(122,403,725)
FINANCING ACTIVITIES			
Proceeds from loans and borrowings		69,395,811	127,343,600
Payments of loans and borrowings		(108,894,235)	(96,178,000)
Net cash (used in) from financing activities		(39,498,424)	31,165,600
Effect of exchange rate changes on cash and cash equivalents		671,680	708,660
Net decrease in cash and cash equivalents		(106,415,573)	(67,262,438)
Cash and cash equivalents, beginning of the period		176,599,421	294,950,815
Cash and cash equivalents, end of the period	14	70,183,848	227,688,377

The accompanying notes from 1 to 20 are an integral part of these interim condensed consolidated financial statements

(1) GENERAL

Cairo Amman Bank was established as a public shareholding company registered and incorporated in Jordan 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 85 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 22 April 2014.

(2) BASIS OF PREPARATION

The interim condensed consolidated financial statements for the three-months period of 31 March 2014 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 2013 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 2013. In addition, results for the three - months period ended 31 March 2014 do not necessarily indicate to the results that may be expected for the financial year ending 31 December 2014.

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 2013 except for the following:

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. Application of the new amendments did not have any impact on the Bank’s financial position or performance and became effective for annual periods which started on or after 1 January 2014.

Investment entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods which started on or after 1 January 2014. The amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The application of the new amendments did not have any impact on the Bank’s financial position or performance.

(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 controls the subsidiaries significant and relevant 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.

Consolidated subsidiaries are:

- Al-Watanieh for Financial Services Company – Jordan (established 1992): Owned 100% by the Bank, with a paid-up capital of JD 5,000,000 as of 31 March 2014. The company's main activity is investment brokerage.
- Al-Watanieh Securities Company – Palestine (established 1995): Owned 100% by the Bank, with a paid-up capital of JD 1,500,000 as of 31 March 2014. The company's main activity is investment brokerage.
- Tamalak For Financial Leasing- Jordan (established 2013) owned 100% by the Bank with a paid up capital of JD 500,000 as of 31 March 2014, however this company did not start its operation yet.
- The financial statements of Cairo Real Estate Company – LL-Jordan, of which the Bank owns 100% of the paid-up capital of JD 50,000 as of 31 March 2014, were not consolidated due to the fact that on July 31, 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 date on which control is transferred to the Bank. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal, as appropriate.

If separate financial statements are prepared for the Bank, the investments in subsidiaries will be shown at cost in the balance sheet.

(4) CASH AND BALANCES WITH CENTRAL BANKS

Restricted statutory cash reserve held at Central Banks amounted to JD 81,721,124 as of 31 March 2014 (31 December 2013: JD 78,067,477).

Except for statutory cash reserve held at Central Banks the restricted cash balances amounted to JD 7,444,500 as of 31 March 2014 and 31 December 2013.

(5) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

Non interest bearing balances at banks and financial institutions amounted to JD 18,638,076 as of 31 March 2014 (31 December 2013: JD 22,171,352).

There are no restricted deposits as of 31 March 2014 and 31 December 2013.

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

	31 March 2014	31 December 2013
	JD (Un-audited)	JD (Audited)
Quoted Equities	26,142,887	27,050,501
Funds	2,442,860	2,104,667
	<u>28,585,747</u>	<u>29,155,168</u>

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

	31 March 2014	31 December 2013
	JD (Un-audited)	JD (Audited)
Quoted Investments		
Quoted Equities	24,806,782	24,416,217
Total quoted investments	<u>24,806,782</u>	<u>24,416,217</u>
Unquoted Investments		
Unquoted Equities	803,444	803,713
Total unquoted investments	<u>803,444</u>	<u>803,713</u>
Total	<u>25,610,226</u>	<u>25,219,930</u>

(8) DIRECT CREDIT FACILITIES, NET

	31 March 2014	31 December 2013
	JD (Un-audited)	JD (Audited)
Consumer lending		
Overdrafts	4,686,899	5,693,576
Loans and bills *	544,765,343	541,666,808
Credit cards	10,447,703	10,199,846
Others	6,534,202	5,487,169
Residential mortgages	130,207,437	128,484,249
Corporate lending		
Overdrafts	74,481,581	63,825,074
Loans and bills *	114,915,688	109,340,181
Small and medium enterprises lending "SMEs"		
Overdrafts	17,964,199	17,423,084
Loans and bills *	36,508,842	32,100,879
Lending to governmental sectors	108,251,663	112,914,549
Total	1,048,763,557	1,027,135,415
Less: Suspended interest	(11,346,306)	(11,387,288)
Less: Allowance for impairment losses	(53,061,197)	(50,960,953)
Direct credit facilities, net	984,356,054	964,787,174

* Net of interest and commission received in advance of JD 6,192,067 as of 31 March 2014 (31 December 2013: JD 6,553,129).

At 31 March 2014, non-performing credit facilities, net of suspended interest, amounted to JD 49,255,988 (31 December 2013: JD 48,557,975), representing 4.74% (31 December 2013: 4.78%) 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 2014	31 December 2013
	JD (Un-audited)	JD (Audited)
Balance beginning of the period/ year	50,960,953	45,774,043
Charge for the period/ year	2,106,550	6,800,000
Amounts written off	(2,593)	(1,584,486)
Revaluation differences	(3,713)	(28,604)
Balance at the end of the period/ year	<u>53,061,197</u>	<u>50,960,953</u>

Interest in suspense

The movement of interest in suspense is as follows:

	31 March 2014	31 December 2013
	JD (Un-audited)	JD (Audited)
Balance beginning of the period/ year	11,387,288	10,994,072
Suspended interest during the period/ year	88,358	806,292
Amounts transferred to income on recovery	(83,155)	(199,427)
Amounts written off	(46,185)	(213,649)
Balance at the end of the period/ year	<u>11,346,306</u>	<u>11,387,288</u>

(9) FINANCIAL ASSETS AT AMORTIZED COST

	31 March 2014	31 December 2013
	JD	JD
	(Un-audited)	(Audited)
Quoted Investments		
Treasury bills	1,761,343	1,759,582
Corporate debt securities	20,242,175	20,241,046
Total quoted investments	<u>22,003,518</u>	<u>22,000,628</u>
Unquoted Investments		
Treasury bills	378,145,446	396,034,498
Government debt securities	31,398,223	46,400,076
Corporate debt securities	1,949,750	1,666,150
Other debt securities	24,181	23,914
Impairment losses	(1,028,050)	(141,800)
Total unquoted investments	<u>410,489,550</u>	<u>443,982,838</u>
Total financial assets at amortized cost	<u>432,493,068</u>	<u>465,983,466</u>
Analysis of debt instruments		
Fixed rate	431,854,968	464,459,116
Floating rate	638,100	1,524,350
Total	<u>432,493,068</u>	<u>465,983,466</u>

(10) CUSTOMERS' DEPOSITS

	31 March 2014	31 December 2013
	JD	JD
	(Un-audited)	(Audited)
Current and demand deposits	415,308,897	418,594,017
Saving deposits	335,765,293	331,423,322
Time and notice deposits	680,513,236	676,001,133
Total	<u>1,431,587,426</u>	<u>1,426,018,472</u>

Governmental institutions' deposits amounted to JD 224,898,744 as of 31 March 2014 (31 December 2013: JD 187,784,256) representing 15.71% (31 December 2013: 13.17%) of total customers' deposits.

Non-interest bearing deposits amounted to JD 566,516,559 as of 31 March 2014 (31 December 2013: JD 584,817,896) representing 39.57% (31 December 2013: 41.01%) of total deposits.

There are no restricted deposits as of 31 March 2014 and 31 December 2013.

(11) LOANS AND BORROWINGS

	<u>Amount</u>	<u>Total no. of instalments</u>	<u>Outstanding instalments</u>	<u>Payable Every</u>	<u>Maturity Date</u>	<u>Collaterals</u>	<u>Interest rate</u>
31 March 2014	JD					JD	%
Amounts borrowed from Jordan Mortgage Refinancing company	5,000,000	1	1	At maturity	2014	Pledged bonds	6.85 %
Amounts borrowed from overseas investment company (OPIC)	35,450,000	1	1	At maturity	2034	None	4.845-4.895%
Amounts borrowed from French Development Agency	3,545,000	1	1	At maturity	2015	None	1.22%
Amounts borrowed from Central Bank of Jordan	66,454,611	2	2	At maturity	2014	Repo	3.5%
Amounts borrowed from Central Bank of Jordan	9,500,000	10	10	Semi-annually	2028	None	2.5%
Amounts borrowed from Central Bank of Jordan	77,000	12	4	Monthly	2014	Treasury Bills	2.75%
Amounts borrowed from Central Bank of Jordan	3,821,120	10	10	At maturity	2014	Treasury Bills	2.25%-3%
Amounts borrowed from International financial markets	1,074,224	1	1	Monthly	2014	None	-
Total	<u>124,921,955</u>						

	<u>Amount</u>	<u>Total no. of instalments</u>	<u>Outstanding instalments</u>	<u>Payable Every</u>	<u>Maturity Date</u>	<u>Collaterals</u>	<u>Interest rate</u>
31 December 2013	JD					JD	%
Amounts borrowed from Jordan Mortgage Refinancing company	5,000,000	1	1	At maturity	2014	Pledged bonds	6.85 %
Amounts borrowed from overseas investment company (OPIC)	35,450,000	1	1	At maturity	2034	None	4.845-4.895%
Amounts borrowed from French Development Agency	3,545,000	1	1	At maturity	2015	None	1.22%
Amounts borrowed from Central Bank of Jordan	108,880,435	3	3	At maturity	2014	Repo	3.75%
Amounts borrowed from Central Bank of Jordan	9,500,000	10	10	Semi-annually	2028	None	2.5%
Amounts borrowed from Central Bank of Jordan	90,800	12	7	Monthly	2014	Treasury Bills	2.75%
Amounts borrowed from Central Bank of Jordan	879,920	5	5	At maturity	2014	Treasury Bills	2.75%-3%
Amounts borrowed from International financial markets	1,074,224	1	1	Monthly	2014	None	-
Total	<u>164,420,379</u>						

(12) INCOME TAX PROVISION

The movement on the income tax provision is as follows:

	<u>31 March 2014</u>	<u>31 December 2013</u>
	JD	JD
	(Un-audited)	(Audited)
Balance at the beginning of the period/year	22,666,483	23,064,940
Income tax paid	(6,851,333)	(18,808,237)
Income tax charge for the period/ year	5,022,388	18,409,780
Deferred tax liabilities amortization/ income tax on gain from sale of financial assets at fair value through OCI*	9,652	-
Balance at the end of the period/year	<u>20,847,190</u>	<u>22,666,483</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 realised gains are 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 2014	31 March 2013
	JD	JD
	(Un-audited)	(Un-audited)
Provision for income tax charge for the period	5,022,388	3,709,914
Amortization of deferred tax liabilities	(73,106)	-
	<u>4,949,282</u>	<u>3,709,914</u>

- The statutory tax rate on banks in Jordan is 30% and the statutory tax rate on foreign branches and subsidiaries range between 15%-36% (income tax rate for banks in Palestine is 20% plus VAT of 16%).
- The Bank reached a final settlement with the Income and Sales Tax Department for the year ended 31 December 2012.
- A final settlement was reached with the tax authorities for Palestine branches for the years from 2009 to 2012. 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 assessment was issued from the tax department for the year 2008 but the Bank disputed the assessment.
- Al-Watanieh Financial Services Company reached a final settlement with the Income Tax Department up to the year 2009. The Income and sales Tax Department did not review 2010 , 2011, 2012 and 2013 records.
- Al-Watanieh Securities Company – Palestine reached a final settlement with the Income Tax Department for the year 2012.
- The Income Tax Department did not review the records of Cairo Real Estate Investments Company for the years from 1997 to 2013.
- In the opinion of the Bank's management, income tax provision as of 31 March 2014 is sufficient.

(13) BASIC AND DILUTED EARNINGS PER SHARE

	31 March 2014	31 March 2013
	JD	JD
	(Un-audited)	(Un-audited)
Profit for the period	10,426,883	8,599,832
Weighted average number of shares	<u>100,000,000</u>	<u>100,000,000</u>
Basic and diluted earnings per share (JD/Fils)	<u>0/104</u>	<u>0/086</u>

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

(14) CASH AND CASH EQUIVALENTS

	31 March 2014	31 March 2013
	JD	JD
	(Un-audited)	(Un-audited)
Cash and balances with Central Banks maturing within 3 months	149,487,018	142,952,750
Add: Balances at banks and financial institutions maturing within 3 months	151,695,309	237,759,215
Less: Banks and financial institutions' deposits maturing within 3 months	223,553,979	145,579,088
Restricted cash balances	7,444,500	7,444,500
	<u>70,183,848</u>	<u>227,688,377</u>

(15) RELATED PARTY TRANSACTIONS

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

<u>Company name</u>	<u>Ownership</u>	<u>Paid in capital</u>	
		31 March 2014	31 December 2013
	%	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
Tamalak For Financial Leasing	100	500,000	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 2014	31 December 2013
	JD	JD	JD	JD (Un-audited)	JD (Audited)
<u>Financial position items:</u>					
Direct credit facilities	9,461,339	3,210,949	13,159,717	25,832,005	26,534,057
Deposits at the Bank	20,575,624	1,622,784	13,157,708	35,356,116	25,804,020
Margin accounts	69,385	-	212,446	281,831	217,571
<u>Off financial position items:</u>					
Indirect credit facilities	664,146	-	137,654	801,800	1,495,122
				For the three months ended 31 March	
				2014	2013
				JD (Un-audited)	JD (Un-audited)
<u>Income statement items</u>					
Interest and commission income	190,400	30,720	201,580	422,700	412,551
Interest and commission expense	105,104	12,770	55,310	173,184	165,842

* 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 2014 JD (Un-audited)	31 March 2013 JD (Un-audited)
Salaries, wages and other benefits	535,591	535,216

(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:

	<u>Retail Banking</u>	<u>Corporate Banking</u>	<u>Treasury</u>	<u>Other</u>	<u>31 March 2014</u>	<u>31 March 2013</u>
	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>
					<u>(Un-audited)</u>	<u>(Un-audited)</u>
Total revenues	22,473,308	7,494,875	17,213,226	701,377	47,882,786	42,304,371
Impairment loss on credit facilities	(2,552,119)	445,569	-	-	(2,106,550)	(1,114,150)
Impairment loss on financial assets at amortized cost	-	-	(886,250)	-	(886,250)	-
Segmental results	<u>13,997,440</u>	<u>5,944,906</u>	<u>11,325,530</u>	<u>701,377</u>	<u>31,969,253</u>	<u>28,165,725</u>
Unallocated expenses					16,593,088	15,855,979
Profit before tax					15,376,165	12,309,746
Income tax					4,949,282	3,709,914
Profit for the period					<u>10,426,883</u>	<u>8,599,832</u>
					<u>31 March 2014</u>	<u>31 December 2013</u>
					<u>JD</u>	<u>JD</u>
					<u>(Un-audited)</u>	<u>(Audited)</u>
Total assets	<u>659,080,539</u>	<u>325,275,515</u>	<u>1,126,467,666</u>	<u>110,277,404</u>	<u>2,221,101,124</u>	<u>2,212,969,220</u>
Total liabilities	<u>725,692,391</u>	<u>338,048,892</u>	<u>813,066,946</u>	<u>69,373,024</u>	<u>1,946,181,253</u>	<u>1,948,791,573</u>
					<u>31 March 2014</u>	<u>31 March 2013</u>
					<u>JD</u>	<u>JD</u>
					<u>(Un-audited)</u>	<u>(Un-audited)</u>
Capital expenditure					<u>781,234</u>	<u>1,397,996</u>
Depreciation and amortization					<u>1,557,037</u>	<u>1,693,440</u>

(17) COMMITMENTS AND CONTINGENT LIABILITIES

The total outstanding commitments and contingent liabilities are as follows:

	<u>31 March 2014</u>	<u>31 December 2013</u>
	JD (Un-audited)	JD (Audited)
Letters of credit:		
Received	251,629,856	279,059,985
Issued	107,708,862	143,870,776
Acceptances	8,191,895	15,278,187
Letters of guarantee:		
Payments	15,739,361	15,696,517
Performance	18,243,820	17,860,124
Other	25,816,217	24,832,446
Irrevocable commitments to extend credit	84,033,326	89,790,169
	<u>511,363,337</u>	<u>586,388,204</u>

(18) LAWSUITS

In the normal course of business, the Bank appears as a defendant in a number of lawsuits amounting to approximately JD 39,731,972 as of 31 March 2014 (31 December 2013: JD 39,798,169).

The provision for possible legal obligations amounted to JD 5,512,979 as of 31 March 2014 (31 December 2013: JD 5,518,223).

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 2014 and 31 December 2013 .

The General Assembly decided in its ordinary meeting held on 22 April 2014 to distribute cash dividends to shareholders amounting to JD 17,000,000 representing 17% of paid in capital, and the General Assembly decided in its extra ordinary meeting held in the same date to increase the capital to JD 125,000,000 by capitalising an amount of JD 1,321,613 from the voluntary reserve and an amount of JD 23,678,387 from the retained earnings and to distribute the increase as 25% stock dividends to the shareholders.

(20) RESERVES

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