

Arab Bank Group

FINANCIAL STATEMENTS FOR THE SIX-MONTHS
ENDED JUNE 30, 2009



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**BOARD OF DIRECTORS
AS AT 30/6/2009**

Mr. Abdel Hamid Abdul Majeed Shoman
Chairman and Chief Executive Officer

Mr. Sabih Taher Darwish Al-Masri
Deputy Chairman

Ministry of Finance and Economy, Saudi Arabia
(Represented by Mr. Saleh Saad A. Al-Muhanna)

Mrs. Nazik Odah Al Hariri

Social Security Corporation, Amman, Jordan
(Represented by Mr. Ibrahim Yusuf Ibrahim Izziddin)

Mr. Samir Farhan Khalil Kawar

Mr. "Mohammed Thabet" Abdulraouf S. Taher

Mr. Riad Burhan Taher Kamal

Mr. Mohammed Ahmad Mokhtar Al-Hariri

Mr. Wahbe A. WahbeTamari

Abdul Hameed Shoman Foundation
(Represented by Mr. Fares Sharaf)

Dr. "Mohammad Ghaith" Ali Mohammad Mismar
Legal Counsel / Secretary General of the Board of Directors

Deloitte & Touche (Middle East)
Independent Auditor

Summary Financial Performance for the period ended 30 June 2009

INTRODUCTION

Arab Bank Group's financial statements include the financial statements of Arab Bank plc , its sister company Arab Bank (Switzerland) , and includes the following subsidiaries: Europe Arab Bank plc , Arab Bank Australia Ltd, Islamic International Arab Bank plc , Arab National Leasing Company , Al-Arabi Investment Group , Arab Sudanese Bank Ltd , AB Capital Ltd , Arab Investment Bank S.A.L , Arab Tunisian Bank , Al Nisr Al Arabi Insurance Co , Arab Bank Syria and Wahda Bank.

RESULTS OF OPERATIONS

Arab Bank Group's net pretax and after provisions income amounted to \$452 million during the first half of 2009, while operational revenues dropped by 8 percent to \$898.8 million compared with \$977.7 million as a result of the global economic crisis that has affected all financial and credit markets all over the world. Net Interest income comprised 58% of operational revenue compared to 55.5% for the period ended 30 June 2008.

The drop in the net income, as compared to the same period last year, is mainly attributed to a non-recurring gain of \$37 million booked in 2008 as a result of selling the bank's branches in Cyprus and due to the booking of additional provisions of \$56 million against non-performing and watch list credits, in addition to booking of provisions to voluntarily compensate clients who invested indirectly through Arab Bank Switzerland in funds managed by Madoff.

FINANCIAL POSITION

Assets grew by 6 percent to reach \$48.5 billion at the end of June, compared with \$45.6 billion at the end of 2008. Meanwhile, customer deposits remained the key funding source, rising to \$32.9 billion, compared with \$31.4 billion at the end of last year and accounting for 68 percent of the Bank's total sources of funds. Total banks' deposits went up by 24 percent to \$6.5 billion compared with \$5.3 billion at the end of last year, reflecting the increasing confidence in Arab Bank and its Group entities in the different countries where it operates. On the other hand, cash and due from banks grew by 15 percent, from \$12.7 billion at the end of 2008 to \$14.6 billion at the end of June this year.

Shareholders' equity rose by 3 percent to \$7.7 billion, compared with \$7.5 billion, constituting 16 percent of total assets and strengthening further the capital adequacy ratio to reach 16.4 percent. Liquidity ratio (cash and quasi cash) grew to account for 47 percent of total assets, underlining the bank's strong capital base and liquidity.

ACHIEVEMENTS OF BUSINESS PLANS

The following table contains some of the main financial objectives for 2009 as well as the level of their achievement as at 30 June 2009:

Financial Targets	Objectives	Achievements as at 30 June 2009 (annual basis)
Return on equity	9.7%	8.9%
Return on assets	1.5%	1.41%
Liquidity	46%	47%
Cost: Income ratio	48.5%	49.7%

**ARAB BANK GROUP
FINANCIAL STATEMENTS**

ARAB BANK GROUP

(USD '000)	Note	30 June 2009	31 December 2008
Cash and balances with central banks	4	9 307 683	7 842 134
Balances with banks and financial institutions	5	5 155 425	4 405 665
Deposits with banks and financial institutions	6	116 522	464 494
Financial assets at fair value through P & L - held for trading		234 827	168 791
Financial assets at fair value through P & L - designated		132 867	231 138
Financial derivatives - positive fair value		147 500	179 009
Direct credit facilities	7	22 309 115	22 510 875
Financial assets - available for sale	8	5 135 785	4 018 816
Financial assets - held to maturity	9	2 655 437	2 586 965
Investments in associated companies		1 814 194	1 748 987
Fixed assets		554 859	540 937
Goodwill		227 323	238 342
Other assets	10	569 181	587 270
Deferred tax, assets		106 163	106 176
Total Assets		48 466 881	45 629 599
Banks and financial institutions' deposits		6 043 466	4 742 306
Customer deposits	11	30 048 320	28 580 709
Cash margins		2 852 756	2 829 885
Financial derivatives - negative fair value		148 816	169 468
Borrowed funds	12	500 000	535 250
Other provisions		130 880	147 615
Provision for income tax	13	173 333	251 176
Other liabilities	14	820 502	852 390
Deferred tax, liabilities		19 850	12 422
Total liabilities		40 737 923	38 121 221
Capital		776 027	776 027
Issuing premium		1 226 185	1 226 205
Treasury shares	15	(1 500)	(3 346)
Statutory reserve	16	403 305	403 305
Voluntary reserve	16	882 179	882 179
General reserve		1 811 065	1 811 065
General banking risk reserve		325 074	327 039
Reserves with associated companies		1 336 244	1 357 120
Translation adjustments		159 220	107 448
Cumulative change in fair value		(127 353)	(172 862)
Retained earnings	17	94 216	112 088
Income for the period		343 749	-
Proposed dividends	18	-	213 645
Total shareholders' equity (parent company)		7 228 411	7 039 913
Non-controlling interest		500 547	468 465
Total shareholders' equity		7 728 958	7 508 378
Total liabilities and shareholders' equity		48 466 881	45 629 599

ASSETS

LIABILITIES AND SHAREHOLDERS' EQUITY

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

ARAB BANK GROUP

		For the Six Months Ended June 30,		For the Three Months Ended June 30,		
(USD '000)		Note	2009	2008	2009	2008
REVENUE	Interest income	19	950 787	1 169 748	469 911	596 096
	Less: interest expense	20	429 864	627 499	197 985	311 508
	Net interest income		520 923	542 249	271 926	284 588
	Net commission income		135 901	140 932	72 012	75 261
	Net interest and commission income		656 824	683 181	343 938	359 849
	Foreign exchange trading		42 268	45 335	22 086	25 151
	Gains from financial assets - trading	21	4 219	1 491	4 975	3 477
	(Losses) from financial assets - designated	22	(13 283)	(5 664)	(13 700)	(4 923)
	Gains from financial assets - available for sale	23	10 665	15 558	8 618	14 392
	Bank's share of associated companies' profits		174 080	184 600	90 027	101 061
	Other revenue		24 057	53 215	9 145	7 787
	Net revenue		898 830	977 716	465 089	506 794
EXPENSES	Employees expenses		211 803	218 825	98 578	111 359
	Other expenses		149 635	154 174	74 677	96 212
	Depreciation and amortization		23 260	24 742	12 466	14 278
	Provision for impairment - direct credit facilities	7	56 347	11 132	34 859	9 894
	Provision for impairment - held to maturity investments		-	20 812	-	(37)
	Other provisions		5 776	1 153	8 237	26
Total expenses		446 821	430 838	228 817	231 732	
Income for the Period	Net income from continued operations		452 009	546 878	236 272	275 062
	Gain from discontinued operations / Sale of Cyprus branches	24	-	36 809	-	36 809
	Income for the period before Tax		452 009	583 687	236 272	311 871
	Less: Income tax	13	108 260	117 814	61 137	78 757
	Income for the Period		343 749	465 873	175 135	233 114
	Attributable to :					
	- Arab Bank shareholders		320 845	450 184	162 349	231 485
- Non-controlling interest		22 904	15 689	12 786	1 629	
Total		343 749	465 873	175 135	233 114	
Earning per share attributable to bank shareholders						
	- Basic and diluted (USD)	29	0.60	0.84		

ARAB BANK GROUP

For the Six Months Ended
June 30,

(USD '000)	2009	2008
Income for the period	343 749	465 873
Add: Other comprehensive income items, after tax		
Translation adjustments	51 772	104 477
Cumulative change in fair value	45 509	(39 854)
Adjustments during the period	(8 631)	77 410
Total Other Comprehensive Income Items, After Tax	88 650	142 033
Total comprehensive income for the period	432 399	607 906
Attributable to :		
- Arab Bank shareholders	400 317	592 217
- Non-controlling interests	32 082	15 689
	432 399	607 906

ARAB BANK GROUP

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Capital	Issuing Premium	Treasury shares	Statutory Reserve	Voluntary reserve	General reserve	General banking risk reserve
FOR THE SIX-MONTHS PERIOD ENDED JUNE 30, 2009							
Balance at the beginning of the period	776 027	1 226 205	(3 346)	403 305	882 179	1 811 065	327 039
Income for the period	-	-	-	-	-	-	-
Translation adjustments	-	-	-	-	-	-	-
Cumulative change in fair value	-	-	-	-	-	-	-
Adjustments during the period	-	-	-	-	-	-	(1 965)
Total comprehensive income for the period	-	-	-	-	-	-	(1 965)
Sale of treasury shares	-	(20)	1 846	-	-	-	-
Proposed dividends	-	-	-	-	-	-	-
Balance at the end of the period	776 027	1 226 185	(1 500)	403 305	882 179	1 811 065	325 074

FOR THE SIX-MONTHS PERIOD ENDED JUNE 30, 2008							
Balance at the beginning of the period	525 047	1 475 497	(423)	330 688	729 036	1 612 262	426 942
Income for the period	-	-	-	-	-	-	-
Translation adjustments	-	-	-	-	-	-	13 271
Cumulative change in fair value	-	-	-	-	-	-	-
Adjustments during the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	13 271
Sale of treasury shares	-	1 688	423	-	-	-	-
Capital increase	250 980	(250 980)	-	-	-	-	-
Proposed dividends	-	-	-	-	-	-	-
Balance at the end of the period	776 027	1 226 205	-	330 688	729 036	1 612 262	440 213

(USD `000)

Reserves with associated companies	Translation adjustments	Cumulative change in fair value	Retained earnings	Income for the period	Proposed dividends	Total shareholders' equity (parent company)	Non-Controlling interest	Total shareholders' equity
1 357 120	107 448	(172 862)	112 088	-	213 645	7 039 913	468 465	7 508 378
-	-	-	-	343 749	-	343 749	-	343 749
-	51 772	-	-	-	-	51 772	-	51 772
-	-	45 509	-	-	-	45 509	-	45 509
(20 876)	-	-	(17 872)	-	-	(40 713)	32 082	(8 631)
(20 876)	51 772	45 509	(17 872)	343 749	-	400 317	32 082	432 399
-	-	-	-	-	-	1 826	-	1 826
-	-	-	-	-	(213 645)	(213 645)	-	(213 645)
1 336 244	159 220	(127 353)	94 216	343 749	-	7 228 411	500 547	7 728 958
1 085 205	173 195	118 016	127 014	-	166 667	6 769 146	88 146	6 857 292
-	-	-	-	450 184	-	450 184	15 689	465 873
-	91 206	-	-	-	-	104 477	-	104 477
-	-	(39 854)	-	-	-	(39 854)	-	(39 854)
66 330	-	-	11 080	-	-	77 410	396 194	473 604
66 330	91 206	(39 854)	11 080	450 184	-	592 217	411 883	1 004 100
-	-	-	-	-	-	2 111	-	2 111
-	-	-	-	-	-	-	-	-
-	-	-	-	-	(166 667)	(166 667)	-	(166 667)
1 151 535	264 401	78 162	138 094	450 184	-	7 196 807	500 029	7 696 836

ARAB BANK GROUP

For the Six - Months
Ended June 30,

	(USD `000)	Note	2009	2008	
OPERATING ACTIVITIES	Income before tax		452 009	583 687	
	Adjustments:				
	- Depreciation and amortization		23 260	24 742	
	- Provision for impairment - direct credit facilities		56 347	11 132	
	- (Gains) losses from revaluation of financial assets - held for trading		(3 049)	694	
	- Loss from revaluation of financial assets - designated		19 212	5 664	
	- Provision for impairment - held to maturity investments		-	20 812	
	- Other provisions		5 776	1 153	
	Total			553 555	647 884
	(Increase) decrease in assets:				
	Balances with central banks (maturing after 3 months)			266 920	(865 466)
	Deposits with banks and financial institutions			347 972	(678 131)
	Direct credit facilities			171 306	(3 087 945)
	Financial assets - held for trading			(62 987)	81 954
	Financial assets at fair value through P & L - designated			79 059	(23 120)
	Other assets			26 089	(358 137)
	Increase (decrease) in liabilities:				
	Bank and financial institution deposits (maturing after 3 months)			387 086	(36 914)
	Customer deposits			1 467 611	5 540 819
	Cash margins			22 871	551 019
Other liabilities			(22 818)	800 296	
Net cash from (used in) operations before income tax			3 236 664	2,572 259	
Income tax paid			(185 411)	(140 765)	
Net cash provided from (used in) operations			3 051 253	2 431 494	
INVESTING ACTIVITIES	(Purchase) of financial assets - available for sale		(1 116 969)	(612 532)	
	(Purchase) maturity of financial assets - held to maturity		(68 472)	115 276	
	(Purchase) of investments in associated companies		(65 207)	(252 654)	
	(Purchase) of fixed assets		(37 233)	(113 163)	
	Net cash (used in) from investing activities			(1 287 881)	(863 073)
FINANCING ACTIVITIES	(Decrease) increase in borrowed funds		(35 250)	35 250	
	Dividends paid to shareholders		(213 645)	(166 667)	
	Proceeds from sale of treasury shares		1 826	2 111	
	Net cash (used in) provided from financing activities			(247 069)	(129 306)
	Translation adjustments		51 772	91 206	
	Net increase in cash and cash equivalents		1 568 075	1 530 321	
	Cash and cash equivalents at the beginning of the period		7 282 912	3 329 742	
	Cash and cash equivalents at the end of the period	30	8 850 987	4 860 063	

1- GENERAL

- Arab Bank was established in 1930, and is registered in Jordan as a public shareholding company. The head office of the Bank is in Amman, Jordan, and it operates worldwide through its branches, subsidiaries and sister company, Arab Bank (Switzerland).
- Arab Bank shares have a primary listing on Amman Stock Exchange. Arab Bank (Switzerland) shares are stapled to Arab Bank shares and traded together.
- The accompanying condensed consolidated interim financial statements were approved by the Board of Directors at its meeting held on 23 July 2009.

2- BASIS OF CONSOLIDATION

- The accompanying condensed consolidated interim financial statements of Arab Bank Group, reported in US dollars, include the financial statements of Arab Bank plc, its sister company Arab Bank (Switzerland), and the following subsidiaries:

Percentage of ownership as of 30 June 2009	%
Europe Arab Bank plc	100.00
Arab Bank Australia Limited	100.00
Islamic International Arab Bank plc	100.00
Arab National Leasing Company	100.00
Al-Arabi Investment Group	100.00
Arab Sudanese Bank Limited	100.00
Al-Arabi Capital Limited	80.18
Arab Investment Bank S.A.L	66.68
Arab Tunisian Bank	64.24
Al Nisr Al Arabi Insurance Company	50.00
Arab Bank-Syria	49.00
Wahda Bank	19.00

- Subsidiaries are the companies under the effective control of Arab Bank plc. Control is achieved when the Bank has the power to govern the financial and operating policies of subsidiaries so as to obtain benefits from its activities.
- The condensed consolidated interim financial statements reflect the consolidated financial position and the consolidated results of operations at the level of the single economic ownership of Arab Bank plc and the sister company, Arab Bank (Switzerland) which is considered an integral part of Arab Bank Group.
- The financial statements of subsidiaries for the same period are prepared using uniform accounting policies used by the Group. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

- The results of subsidiaries are included in the consolidated statement of income effective from the acquisition date, which is the date of transfer of control over the subsidiary. The results of subsidiaries disposed of during the year are included in the consolidated statement of income up to the date of disposal, which is the date of loss of control.
- Intergroup transactions and balances between Arab Bank plc, the sister company, Arab Bank (Switzerland) and other subsidiaries are eliminated. Items in transit are presented under other assets or other liabilities, as appropriate. Non-controlling interest (part not owned by the Bank in subsidiaries) is presented separately within shareholders' equity.
- In the separate financial statements of the Bank, investment in subsidiaries is stated at cost less any accumulated impairment losses.

3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

- The condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard 34 (Interim Financial Reporting).
- The condensed consolidated interim financial statements are prepared under the historical cost convention except financial assets and financial liabilities which are stated at fair value on the date of the consolidated financial statements.
- The accompanying condensed consolidated interim financial statements do not include all the information and notes to the financial statements required for the annual financial statements, which are prepared in accordance with the International Financial Reporting Standards. Accordingly, they should be read with the annual report of the Group as at December 31, 2008.
- The results of the Bank operations for the six months ended 30 June 2009 do not necessarily represent indications of the expected results for the financial year ending December 31, 2009.
- The accounting policies adopted for this period are consistent with those used in the preparation of the annual financial statements for the previous year except that no appropriation of interim results is performed for the six-month period ended on June 30, 2009; as such appropriation is performed at year end and also the application of the following standards:
 - IAS 1 (2007) Presentation of Financial Statements (effective for annual periods on or after 1 January 2009). The amendment on IAS 1 has led to some changes in terms including amended titles for the condensed consolidated interim financial statements in addition to some changes in the presentation and disclosures. However, this standard has had no effect on the results of operations and financial position of the Group.
 - IFRS 8 Operating segments, effective for annual periods beginning on or after 1 January 2009. IFRS 8 is a disclosure standard, whereby the Group's business segments, of which reports are presented, have been redefined. Furthermore, this standard has had no effect on the results of operations and financial position of the Group.

4 - CASH AND BALANCES WITH CENTRAL BANKS

- The mandatory cash reserve amounted to USD 2 149 million as of June 30, 2009 (USD 1 938 million as of December 31, 2008).
- Except the mandatory cash reserve, there are no restricted balances at central banks.
- Balances maturing after three months amounted to USD 218.8 million as of June 30, 2009 (USD 486 million as of December 31, 2008).

5 - BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS

- There are no non-interest bearing balances with banks and financial institutions as of June 30, 2009 and December 31, 2008.
- There are no restricted balances as of June 30, 2009 (nil as of December 31, 2008).

6 - DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

- Deposits with banks and financial institutions maturing after one year amounted to USD 2.9 million as of June 30, 2009 (USD 10 million as of December 31, 2008).

7- DIRECT CREDIT FACILITIES

	June 30, 2009						December 31, 2008
	Individuals	Corporates		Banks and financial institutions	Government and public sector	Total	Total
		Small & medium size enterprises	Large corporates				
Discounted bills *	89 769	208 389	476 411	53 324	-	827 893	914 190
Overdrafts *	167 449	736 791	2 636 596	-	226 468	3 767 304	3 832 339
Loans and advances *	2 373 541	1 465 100	11 747 768	544 103	1 369 269	17 499 781	17 308 824
Real-estate loans	916 166	176 287	-	-	-	1 092 453	1 303 703
Credit cards	59 143	-	-	-	-	59 143	58 824
Total	3 606 068	2 586 567	14 860 775	597 427	1 595 737	23 246 574	23 417 880
Less: Interest and commission in suspense	57 308	144 447	52 786	7	769	255 317	259 478
Provision for impairment - direct credit facilities	244 850	171 090	165 644	95 777	4 781	682 142	647 527
Total	302 158	315 537	218 430	95 784	5 550	937 459	907 005
Direct credit facilities, net	3 303 910	2 271 030	14 642 345	501 643	1 590 187	22 309 115	22 510 875

* Net of interest and commission received in advance, which amounted to USD 30 million as of June 30, 2009, (USD 25.5 million as at December 31, 2008).

- Direct credit facilities granted to government and guaranteed by government as of June 30, 2009 amounted to USD 1 596 million, or 6.8% of total direct credit facilities (USD 1 541 million, or 6.6% of total direct credit facilities as of December 31, 2008).
- Non-performing credit facilities as of June 30, 2009 amounted to USD 1 046 million, or 4.5% of total direct credit facilities, (USD 960 million, or 4.1% of total direct credit facilities as of December 31, 2008).
- Non-performing credit facilities, net of interest and commission in suspense, as of June 30, 2009 amounted to USD 791 million, or 3.6% of direct credit facilities (USD 700.5 million, or 3.1% of direct credit facilities as at December 31, 2008).

USD ('000)

MOVEMENTS IN INTEREST AND
COMMISSION IN SUSPENSE:December
31, 2008

	June 30, 2009				Total
	Individuals	Corporates		Total	
		Small & medium size enterprises	Large corporates		
Balance at the beginning of the period	57 898	147 932	53 648	259 478	155 706
Interest and commissions in suspense during the period	6 299	5 497	24 705	36 501	27 651
Interest and commissions in suspense written off	(91)	(3 159)	(3 296)	(6 546)	(9 143)
Recoveries	(6 678)	(23 022)	(6 344)	(36 044)	(7 851)
Reclassifications	590	(7 278)	7 899	1 211	94 002
Translation adjustments	(238)	19	936	717	(887)
Balance at the end of the period	57 780	119 989	77 548	255 317	259 478

USD ('000)

Movements In The Provision For
Impairment Of The Direct Credit Facilities:December
31, 2008

	June 30, 2009				Total
	Individuals	Corporates		Total	
		Small & medium size enterprises	Large corporates		
Balance at the beginning of the period	238 469	171 711	237 347	647 527	454 230
Charged to income	24 341	12 650	152 409	189 400	109 727
Direct credit facilities written off	(401)	(1 954)	(15 694)	(18 049)	(4 764)
Recoveries	(11 089)	(19 077)	(102 887)	(133 053)	(69 303)
Reclassifications	439	(1 047)	(4 874)	(5 482)	156 989
Translation adjustments	(2 076)	10 593	(6 718)	1 799	648
Balance at the end of the period	249 683	172 876	259 583	682 142	647 527

* Impairment is determined as the present value of the future cash flows (on a customer level and individually) discounted at the original interest, or according to the instructions of the Central Bank of Jordan and other regulatory authorities in the countries where the Group operates, whichever is higher. Impairment losses are recognized in the statement of income.

8- FINANCIAL ASSETS - AVAILABLE FOR SALE

(USD '000)

	June 30, 2009	December 31, 2008
Treasury bills and bonds	987 817	882 282
Government bonds	2 046 010	1 246 176
Corporate bonds	1 638 234	1 379 319
Shares	463 724	511 039
Total	5 135 785	4 018 816
BONDS ACCORDING TO INTEREST:		
Fixed interest bonds	2 843 152	2 101 617
Variable interest bonds	1 828 909	1 406 160
Total	4 672 061	3 507 777
FINANCIAL ASSETS ACCORDING TO MARKET QUOTATION:		
Financial assets quoted in the market	2 600 233	1 887 632
Financial assets not quoted in the market	2 535 552	2 131 184
Total	5 135 785	4 018 816

9- FINANCIAL ASSETS - HELD TO MATURITY

The Group reclassified certain securities with a book value of USD 755 million out of "Held for trading" (fair value through profit or loss) to "Held to maturity" on July 1, 2008. The deterioration of the world's financial markets that occurred during 2008 was considered to be a rare circumstance, under the recently amended IAS 39 and IFRS 7, which permitted reclassification of these securities. The Group was able to apply fair values as at July 1, 2008 to determine the carrying value instead of the fair value prevailing at the date of reclassification.

If the reclassifications had not occurred, the profit or loss account would have included positive fair value movements of USD 5.6m (FY2008: negative USD 12.6 m).

The Group expects to recover the full par value against the reclassified securities on maturity. The average effective interest rate of these securities when reclassified was 5.6%.

10- OTHER ASSETS

(USD '000)

	June 30, 2009	December 31, 2008
Accrued Interest receivable	192 465	273 087
Expenses paid in advance	127 336	93 618
Foreclosed assets*	40 877	43 405
Miscellaneous assets	208 503	177 160
Total	569 181	587 270

* The Central Bank of Jordan regulations require the disposals of these assets in a maximum period of 2 years from the date of possession.

11- CUSTOMER DEPOSITS

USD ('000)

	June 30, 2009				
	Individuals	Corporates		Government and public sector	Total
		Small & medium size enterprises	Large corporates		
Current and demand	5 439 056	1 918 484	1 799 970	2 365 983	11 523 493
Savings	1 932 817	100 799	74 227	111 438	2 219 281
Time and notice	9 312 426	693 552	4 033 091	1 825 168	15 864 237
Certificates of deposit	272 448	15 320	42 140	111 401	441 309
Total	16 956 747	2 728 155	5 949 428	4 413 990	30 048 320

	December 31, 2008				
	Individuals	Corporates		Government and public sector	Total
		Small & medium size enterprises	Large corporates		
Current and demand	4 386 334	1 982 761	1 432 874	1 537 579	9 339 548
Savings	1 737 333	15 509	19 730	386	1 772 958
Time and notice	8 895 704	946 304	4 818 715	2 354 260	17 014 983
Certificates of deposit	250 021	12 249	50 979	139 971	453 220
Total	15 269 392	2 956 823	6 322 298	4 032 196	28 580 709

- Public sector deposits amounted to USD 4 414 million, or 14.7% of total customer deposits as of June 30, 2009 (USD 4 032 million, or 14.1% of total customer deposits as of December 31, 2008).
- Non-interest bearing deposits amounted to USD 9 936 million, or 33% of total customer deposits as of June 30, 2009 (USD 7 902 million, or 27.6% of total customer deposits as of December 31, 2008).
- Restricted deposits amounted to USD 191.6 million, or 0.64% of total customer deposits as at June 30, 2009 (USD 223 million, or 0.8% of total customer deposits as of December 31, 2008).
- Dormant deposits amounted to USD 177.2 million, or 0.6% of total customer deposits as at June 30, 2009 (USD 208.5 million, or 0.73% of total customer deposits as of December 31, 2008).

12- BORROWED FUNDS

(USD '000)

	June 30, 2009	December 31, 2008
From foreign banks and financial institutions *	500 000	500 000
From local banks and financial institutions	-	35 250
Total	500 000	535 250

* During the year 2007, the Bank issued a USD 500 million syndicated term loan with a tenure of five years and paying LIBOR plus 25 basis points.

Borrowed Funds According To Interest:

(USD '000)

	June 30, 2009	December 31, 2008
Fixed interest	-	35 250
Variable interest	500 000	500 000
Total	500 000	535 250

13- PROVISION FOR INCOME TAX

(USD '000)

	June 30, 2009	December 31, 2008
Balance at the beginning of the period	251 176	200 836
Accrued income tax	107 568	225 629
Income tax paid	(185 411)	(175 289)
Balance at the end of the period	173 333	251 176

Provision for income tax in the income statement comprises the following:

	June 30, 2009	June 30, 2008
Provision for income tax for the period	107 568	116 804
Income tax for previous years	173	140
Deferred taxes	519	870
Total	108 260	117 814

- Enacted income tax rate in Jordan amounts to 35% and it ranges from 0% to 40% in the countries where the Bank has investments and branches.

14- OTHER LIABILITIES

(USD'000)

	June 30, 2009	December 31, 2008
Accrued interest payable	127 183	154 477
Remittances in transit	198 380	97 327
Interest and commission received in advance	154 840	158 045
Due expenses	49 149	62 885
Items in transit	83 259	60 936
Miscellaneous	207 691	318 720
Total	820 502	852 390

15- TREASURY SHARES

During the first half of the year 2009, the Bank sold 85 005 treasury shares. The difference between the selling price and book value that amounted to USD 20 thousand was charged against the share premium in shareholders' equity.

16- LEGAL RESERVES

The Bank did not make any appropriations of the legal reserves in accordance with the Companies Law in the interim financial statements as such appropriations are performed at year end.

17- RETAINED EARNINGS

As on June 30, 2009, the amount of restricted retained earnings amounted to USD 7.6 million as a result of adoption of certain accounting Standards (USD 7.6 million as at December 31, 2008).

18- PROPOSED DIVIDENDS

Proposed dividends for the year 2008 amounted to USD 213.6 million. The dividends were approved by the General Assembly of shareholders and is being paid (2007 USD 166.7 million).

19- INTEREST INCOME

(USD '000)

	June 30, 2009	June 30, 2008
Direct credit facilities*	593 438	717 524
Central banks	71 737	103 892
Banks and financial institutions	65 359	124 608
Financial assets - held for trading	20 487	66 440
Financial assets at fair value through P & L - designated	3 252	8 660
Financial assets - available for sale	113 606	79 912
Financial assets - held to maturity	82 908	68 712
Total	950 787	1 169 748

* The interest income on the direct credit facilities is as follows:

	June 30, 2009						June 30, 2008
	Individuals	Corporates			Banks and financial institutions	Government and public sector	Total
Small & medium size enterprises		Large corporates					
Discounted bills	4 076	9 573	18 258	1 133	9 232	42 272	33 908
Overdrafts	4 669	24 309	88 137	17	-	117 132	130 330
Loans and advances	74 354	38 401	227 748	18 572	29 339	388 414	499 903
Real-Estate loans	31 344	8 235	-	-	-	39 579	47 974
Credit cards	6 041	-	-	-	-	6 041	5 409
Total	120 484	80 518	334 143	19 722	38 571	593 438	717 524

20- INTEREST EXPENSE

(USD '000)

	June 30, 2009	June 30, 2008
Customer deposits	327 876	391 400
Banks and financial institutions	41 897	143 291
Cash margins	48 767	75 419
Borrowed funds	4 621	12 272
Deposit insurance fees	6 703	5 117
Total	429 864	627 499

* Interest expense on customer deposits is as follows:

(USD '000)

	June 30, 2009					June 30, 2008
	Individuals	Corporates		Government and public sector	Total	Total
Small & medium size enterprises		Large corporates				
Current and demand	5 937	4 506	3 135	533	14 111	11 678
Savings	13 578	95	147	-	13 820	23 593
Time and notice	134 011	14 298	123 366	12 766	284 441	339 122
Certificates of deposit	12 190	1 049	1 511	754	15 504	17 007
Total	165 716	19 948	128 159	14 053	327 876	391 400

21- GAINS FROM FINANCIAL ASSETS - HELD FOR TRADING

(USD '000)

	June 30, 2009			
	Realized gains	Unrealized gains	Dividends	Total
Treasury bills and bonds	531	2 996	-	3 527
Shares	536	53	103	692
Total	1 067	3 049	103	4 219

	June 30, 2008			
	Realized gains (losses)	Unrealized (losses)	Dividends	Total
Treasury bills and bonds	1 952	(416)	-	1 536
Shares	(438)	(278)	671	(45)
Total	1 514	(694)	671	1 491

22- (LOSSES) FROM FINANCIAL ASSETS - DESIGNATED

(USD '000)

	June 30, 2009			
	Realized gains	Unrealized (losses)	Dividends	Total
Treasury bills and bonds	5 929	(19 212)	-	(13 283)
Shares	-	-	-	-
Total	5 929	(19 212)	-	(13 283)

(USD '000)

	June 30, 2008			Total
	Realized gains	Unrealized (losses)	Dividends	
Treasury bills and bonds	-	(5 664)	-	(5 664)
Shares	-	-	-	-
Total	-	(5 664)	-	(5 664)

23- GAINS FROM FINANCIAL ASSETS - AVAILABLE FOR SALE

(USD '000)

	June 30, 2009	June 30, 2008
Gain from sale of financial assets	5 468	8 410
Dividends	8 726	7 345
Less: impairment in the value of securities	(3 529)	(197)
Total	10 665	15 558

24- GAIN FROM SALE OF CYPRUS BRANCHES

This item represents a discontinued gain resulting from the sale of the Bank's branches in Cyprus during the first quarter of the year 2008.

25- CONTINGENT LIABILITIES AND COMMITMENTS

(USD '000)

	June 30, 2009	December 31, 2008
Letters of credit	2 663 558	3 757 802
Acceptances	520 181	567 734
Letters of guarantee:		
- Payment	1 734 499	1 863 153
- Performance	3 739 061	3 260 988
- Other	7 804 961	7 534 397
Un-utilized credit facilities	3 215 272	4 287 984
Total	19 677 532	21 272 058

26- CAPITAL ADEQUACY

Capital adequacy ratio is calculated in accordance with the instructions of Central Bank of Jordan which are based on the recommendation of Basel committee. The following table shows capital adequacy ratio as of June 30, 2009 compared to December 31, 2008:

(USD'000)

A- CORE CAPITAL:	June 30, 2009	December 31, 2008
Paid up share capital	776 027	776 027
Statutory reserve	403 305	403 305
Voluntary reserve	882 179	882 179
Share premium	1 226 185	1 226 205
General reserve	1 811 065	1 811 065
Retained earnings *	(20 172)	5 912
Treasury shares	(1 500)	(3 346)
Goodwill	(227 323)	(238 342)
Total core capital	4 849 766	4 863 005
B- SUPPLEMENTARY CAPITAL		
Translation adjustments	159 220	107 448
Revaluation reserves	(127 353)	(172 862)
General banking risk reserve	317 939	314 684
Total supplementary capital	349 806	249 270
C- INVESTMENTS IN BANKS AND FINANCIAL INSTITUTIONS	497 519	433 475
Regulatory capital (A+B-C)	4 702 053	4 678 800
Risk-weighted assets (RWA)	28 721 209	28 803 881
Regulatory capital/ Risk-weighted assets	%16.37	%16.24
Core capital/ Risk-weighted assets	%16.02	%16.13

* Net of deferred tax assets.

27- BUSINESS SEGMENTS

A- Description of Segment's Activities:

The bank has an integrated group of products and services dedicated to serve the Bank's customers and constantly developed in response to the ongoing changes in the banking business environment.

The following is a summary of these groups' activities stating their business nature and future plans:

1. Banking Activities Group

This group provides banking services and finances the following: corporate sector, private projects, foreign trading, small and medium sized activities, and banks and financial institutions.

2. Treasury Group

This group is considered the main source of financing for the Bank, in general, and for the strategic business units in particular. It steers the financing of the Bank, and manages both the Bank's cash liquidity and market risks. Moreover, this group is responsible of the management of the Bank's assets and liabilities within the frameset by the High Assets and Liabilities Committee. This group is considered the main source in determining the internal conversion prices within the Bank's departments, in addition to being a central unit for the financial organization and main dealing in the following:

- Foreign exchange.
- Foreign exchange derivatives.
- Money market instruments.
- Certificates of deposits.
- Interest rate swaps.
- Other various derivatives.
- Stocks.

3. Private Banking Group

Wealth management and Private Banking Service aim at achieving the utmost return for customers' medium and long-term investments, while maintaining their initial capital. Moreover, Wealth Management provides two significant services: specialized consultancy services, and in-depth knowledge in different types of investments. This group provides high net worth clients with personal banking services tailored to their needs. One of this group's main objectives is to create a balance between the future investing needs of customers, and a focus on their everyday needs.

4. Retail Banking Group

This group provides banking services to individuals, and endeavors to meet their financial services needs using the best methods, most effective distributing channels, and a variety of products and services. Moreover, this group is in direct and close contact with the customers in order to provide them with timely and continuous services through different electronic channels, such as direct phone calls, the internet, and text messaging via cellular phones. Expansion of the communication center to cover all locations for incoming and outgoing services will provide exceptional services to customers.

B- Concentration of assets, liabilities, revenue's and expenses in accordance to Business segments

(USD '000)

Business lines are segmented according to banking activities as follows:

	June 30, 2009						December 31, 2008
	Banking	Treasury	Private banking	Retail Banking	Other	Total	Total
Assets							
Cash and balances with banks and financial institutions	567 145	13 648 757	34 319	270 976	58 433	14 579 630	12 712 293
Financial investments	1 948 702	5 945 568	790	-	2 225 550	10 120 610	8 933 706
Direct credit facilities	18 001 045	606 650	464 216	3 152 414	84 790	22 309 115	22 510 875
Other assets	211 658	569 968	1 824	6 618	667 458	1 457 526	1 472 725
Total	20 728 550	20 770 943	501 149	3 430 008	3 036 231	48 466 881	45 629 599
Liabilities & shareholders' equity							
Banks and financial institutions	1 388 004	4 521 101	52 989	-	81 372	6 043 466	4 742 306
Customer deposits	12 740 649	1 022	5 400 898	11 905 751	-	30 048 320	28 580 709
Cash margins	2 533 489	-	171 835	147 246	186	2 852 756	2 829 885
Other liabilities	239 754	717 707	7 606	69 546	758 768	1 793 381	1 968 321
Shareholders' equity	-	-	-	-	7 728 958	7 728 958	7 508 378
Total	16 901 896	5 239 830	5 633 328	12 122 543	8 569 284	48 466 881	45 629 599
	June 30, 2009						June 30, 2008
Revenue							
Net interest income	228 065	135 339	8 712	124 014	24 793	520 923	542 249
Commission income, net	97 742	(272)	8 163	26 198	4 070	135 901	140 932
Other revenue	(10 511)	43 029	4 963	5 950	198 575	242 006	294 535
Net revenue	315 296	178 096	21 838	156 162	227 438	898 830	977 716
Expenses							
Employees expenses	95 241	21 778	14 518	67 434	12 832	211 803	218 825
Provision for impairment - direct credit facilities	46 985	-	-	8 883	479	56 347	11 132
Other expenses	58 899	18 941	11 476	71 843	17 512	178 671	200 881
Total expenses	201 125	40 719	25 994	148 160	30 823	446 821	430 838
Income for the Period							
Net income from continued operations	114 171	137 377	(4 156)	8 002	196 615	452 009	546 878
Gain from discontinued operations / sale of Cyprus branches	-	-	-	-	-	-	36 809
Income for the period before tax	114 171	137 377	(4 156)	8 002	196 615	452 009	583 687
Less: Income tax expense	24 348	28 667	67	3 806	51 372	108 260	117 814
Income after tax	89 823	108 710	(4 223)	4 196	145 243	343 749	465 873

C- Geographical distribution of assets and revenue

The Group operates worldwide through its branches in Jordan and abroad and its subsidiaries. The table below shows the geographical distribution of the assets and revenue:

(USD '000)

		June 30, 2009	December 31, 2008
ASSETS	Inside Jordan	7 584 480	8 196 245
	Outside Jordan	40 882 401	37 433 354
	Total	48 466 881	45 629 599

		June 30, 2009	June 30, 2008
REVENUE	Inside Jordan	243 606	286 109
	Outside Jordan	1 085 088	1 364 304
	Total	1 328 694	1 650 413

28- TRANSACTIONS WITH RELATED PARTIES

(USD '000)

Associated companies	June 30, 2009	December 31, 2008
Due from associated companies	196 060	448 002
Deposits from associated companies	338 763	76 593
Guarantees, acceptances and letters of credit - associated companies	43 775	5 908

	June 30, 2009	June 30, 2008
Interest income from associated companies	977	7 624
Interest expense paid to associated companies	467	1 250

MAJOR SHAREHOLDERS AND MEMBERS OF THE BOARD OF DIRECTORS:	June 30, 2009	December 31, 2008
Direct credit facilities	327 002	587 873
Letters of Credit	63 872	43 857
Guarantees	108 220	75 598

- Credit facilities granted to related parties are performing.
- Interest on facilities granted to major shareholders and members of the Board of Directors in at arm's length.
- The salaries and compensation of key management personnel of the Bank in Jordan and abroad amounted to USD 11.7 million for the period ended June 30, 2009, (USD 11.4 million for the period ended June 30, 2008).

29- EARNINGS PER SHARE

(USD '000)

	June 30, 2009	June 30, 2008
Income after tax attributed to the shareholders' of the parent company	320 845	450 184
Average number of shares (thousand shares)	533 873	533 998
Basic and Diluted earnings per-share (USD)	0.60	0.84

30- CASH AND CASH EQUIVALENTS

(USD '000)

	June 30, 2009	June 30, 2008
Cash and balances with central banks maturing within 3 months	9 088 867	6 214 609
Plus: balances with banks and financial institutions maturing within 3 months	5 155 416	5 082 278
Less: bank and financial institution deposits maturing within 3 months	5 393 296	6 436 824
Total	8 850 987	4 860 063

31- LEGAL CASES**Lawsuits filed against the bank**

A- Lawsuits have been filed against Arab Bank in which it was alleged that Arab Bank has, through its New York branch, channeled funds to persons and entities described as "terrorists" and "terrorist organizations in Palestine" respectively. Based on such alleged acts, the Bank, it was claimed, has aided and abetted acts of terrorism which led to the death or the injury of the family members of the claimants. Consequently, the claimants in the said lawsuits are requesting compensation for the damages that have befallen them as a result of the alleged acts of the Bank. No substantial new developments have occurred.

Arab Bank, in the opinion of its management, has been and is still fully respectful of and compliant with all anti terrorism legislation in all countries in which it operates.

B- The Bank in New York has entered into an agreement with the Office of the Controller of Currency pursuant to which the branch was converted into a federal agency with limited operations in compliance with the provisions of the US Federal Banking Act. It was also agreed that the federal agency shall be allowed to maintain financial assets in the amount of USD 420 million mostly in available for sale assets.

C- There are other lawsuits filed against the Bank in relation to transactions carried out in the normal course of business and in the total amount of USD 64.3 million as at June 30, 2009, in comparison to USD 26.7 million as at December 31, 2008. In the management's opinion, the Bank will not be held liable for any amount in excess of the provision made for lawsuits and which is in the amount of USD 26.9 million as of June 30, 2009.

32- COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to correspond with the current period presentation.

Review Report on Interim Financial Information

AM/ 218

**To the Chairman and members of the Board of Directors
Arab Bank
Amman – Jordan**

Introduction

We have reviewed the accompanying condensed consolidated interim financial position of Arab Bank Group as at June 30, 2009, and the related condensed consolidated interim statements of income, comprehensive income, changes in owners' equity and cash flows for the six-months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagement 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 condensed consolidated interim financial information does not present fairly, in all material respects, the financial position of Arab Bank Group as of June 30, 2009, and its consolidated financial performance and consolidated cash flows for the six-month period then ended in accordance with International Accounting Standard No. (34) related to interim financial reporting.

The fiscal year of the Group ends on December 31 of each year. However, the accompanying consolidated condensed interim financial statements were prepared for purposes of the Jordan Securities Commission and the Central Bank of Jordan.

Amman – Jordan
July 23, 2009

Deloitte & Touche (M.E.) - Jordan

**ARAB BANK PLC
FINANCIAL STATEMENTS**

ARAB BANK PLC

(JOD `000)

	Note	June 30, 2009	December 31, 2008
Cash and balances with central banks	4	2 969 042	3 026 127
Balances with banks and financial institutions	5	3 774 491	3 263 567
Deposits with banks and financial institutions	6	159 023	369 429
Financial assets at fair value through P & L - held for trading		37 093	71 779
Financial assets at fair value through P & L - designated		48 411	108 940
Financial derivatives-positive fair value		55 509	48 558
Direct credit facilities	7	10 501 948	10 839 672
Financial assets - available for sale	8	2 804 990	2 384 205
Financial assets - held to maturity		1 087 309	939 893
Investment in subsidiaries and associated companies		1 260 811	1 241 646
Fixed assets		187 587	184 221
Other assets	9	251 846	253 940
Deferred tax assets		18 031	19 025
Total assets		23 156 091	22 751 002
Banks and financial institutions' deposits		4 050 030	3 211 174
Customer deposits	10	12 800 054	13 252 243
Cash margins		1 810 078	1 786 917
Financial derivatives - negative fair value		60 468	59 045
Borrowed funds	11	354 610	379 610
Other provisions		65 154	67 200
Provision for income tax	12	63 013	102 916
Other liabilities	13	296 158	303 385
Deferred tax liabilities		10 322	8 558
Total liabilities		19 509 887	19 171 048
Capital		534 000	534 000
Issuing premium		859 937	859 951
Treasury shares	14	(1 064)	(2 373)
Statutory reserve	15	253 000	253 000
Voluntary reserve	15	550 000	550 000
General reserve		1 066 674	1 066 674
General banking risk reserve		175 114	175 347
Translation adjustments		108 359	104 681
Cumulative change in fair value		(78 024)	(113 466)
Income for the period		159 528	-
Retained earnings	16	18 680	18 640
Proposed dividends	17	-	133 500
Total shareholders' equity		3 646 204	3 579 954
Total liabilities and shareholders' equity		23 156 091	22 751 002

ASSETS

LIABILITIES AND SHAREHOLDERS' EQUITY

ARAB BANK PLC

(JOD `000)		Note	For the Six Months Ended June 30,		For the Three Months Ended June 30,	
			2009	2008	2009	2008
REVENUE	Interest income	18	491 734	566 869	238 495	275 934
	Less: interest expense	19	228 161	288 881	104 716	138 945
	Net interest income		263 573	277 988	133 779	136 989
	Commission income, net		64 986	65 539	34 981	33 128
	Net interest and commission income		328 559	343 527	168 760	170 117
	Foreign exchange trading		17 646	23 338	8 314	12 658
	Gains from financial assets - trading	20	947	2 121	1 070	1 144
	(Losses) Gains from financial assets - designated	21	6 319	(1 963)	6 644	(3 337)
	Gains from financial assets - available for sale	22	7 256	12 045	6 032	11 555
	Dividends from subsidiaries and associates		28 141	20 696	11 594	13 533
	Other revenue		7 458	16 497	1 379	16 473
	Net revenue		396 326	416 261	203 793	222 143
EXPENSES	Employees expenses		95 286	94 908	40 693	41 892
	Other expenses		79 348	75 696	44 197	48 157
	Depreciation and amortization		10 473	10 909	5 297	5 974
	Provision (surplus) for impairment - direct credit facilities	7	15 767	(56)	13 042	1 751
	Other provisions		1 456	705	539	143
	Total expenses		202 330	182 162	103 768	97 917
Income for the Period	Net income from continued operations		193 996	234 099	100 025	124 226
	Gain from discontinued operations/ Sale of Cyprus branches	23	-	26 106	-	-
	Income for the period before tax		193 996	260 205	100 025	124 226
	Income tax	12	34 468	44 639	20 636	29 277
Income for the period		159 528	215 566	79 389	94 949	

ARAB BANK PLC

(JOD `000)	For the Six Months Ended June 30,	
	2009	2008
Income for the period	159 528	215 566
Add: Other comprehensive income items, after tax		
Translation adjustment	3 678	44 500
Cumulative change in fair value	35 442	(9 519)
Adjustments during the period	(233)	465
Total other comprehensive income items	38 887	35 446
Total comprehensive income for the period	198 415	251 012

ARAB BANK PLC

	Capital	Issuing Premium	Treasury shares	Statutory reserve	Voluntary reserve	
For the Six Months Period Ended June 30, 2009	Balance at the beginning of the period	534 000	859 951	(2 373)	253 000	550 000
	Translation adjustments	-	-	-	-	-
	Cumulative change in fair value	-	-	-	-	-
	Adjustments during the period	-	-	-	-	-
	Income for the period	-	-	-	-	-
	Total comprehensive income	-	-	-	-	-
	Sale of treasury shares	-	(14)	1 309	-	-
	Proposed dividends	-	-	-	-	-
	Balance at the end of the period	534 000	859 937	(1 064)	253 000	550 000
For the Six Months Period Ended June 30, 2008	Balance at the beginning of the period	356 000	1 036 754	(300)	208 000	460 000
	Income for the period	-	-	-	-	-
	Translation adjustments	-	-	-	-	-
	Cumulative change in fair value	-	-	-	-	-
	Adjustments during the period	-	-	-	-	-
	Total comprehensive income	-	-	-	-	-
	Sale of treasury shares	-	1 197	300	-	-
	Capital increase	178 000	(178 000)	-	-	-
	Proposed dividends	-	-	-	-	-
Balance at the end of the period	534 000	859 951	-	208 000	460 000	

(JOD `000)

General reserve	General banking risk reserve	Translation adjustments	Cumulative change in fair value	Income for the period	Retained earnings	Proposed dividends	Total shareholders' equity
1 066 674	175 347	104 681	(113 466)	-	18 640	133 500	3 579 954
-	-	-	-	159 528	-	-	159 528
-	-	3 678	-	-	-	-	3 678
-	-	-	35 442	-	-	-	35 442
-	(233)	-	-	-	-	-	(233)
-	(233)	3 678	35 442	159 528	-	-	198 415
-	-	-	-	-	40	-	1 335
-	-	-	-	-	-	(133 500)	(133 500)
1 066 674	175 114	108 359	(78 024)	159 528	18 680	-	3 646 204
900 000	249 980	148 481	62 672	-	19 607	106 800	3 547 994
-	-	-	-	215 566	-	-	215 566
-	-	44 500	-	-	-	-	44 500
-	-	-	(9 519)	-	-	-	(9 519)
-	3 594	-	-	-	(3 129)	-	465
-	3 594	44 500	(9 519)	215 566	(3 129)	-	251 012
-	-	-	-	-	-	-	1 497
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(106 800)	(106 800)
900 000	253 574	192 981	53 153	215 566	16 478	-	3 693 703

ARAB BANK PLC

For the six months period
ended June 30,

	(JOD `000)	Note	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:	Income before tax		193 996	260 205
	Adjustments:			
	- Depreciation and amortization		10 473	10 909
	- Provision for impairment - direct credit facilities		15 767	(56)
	- (Gain) from revaluation of financial assets - held for trading		(187)	(19)
	- (Gain) loss from revaluation of financial assets - designated		(2 155)	1 963
	- Other provisions		1 456	705
	Total		219 350	273 707
	(Increase) decrease in assets:			
	Balances with central banks (maturing after 3 months)		88 711	(317 014)
	Deposits with banks and financial institutions (maturing after 3 months)		210 406	(41 174)
	Direct credit facilities		321 004	(739 854)
	Financial assets at fair value through P & L - held for trading		34 873	81 410
	Financial assets at fair value through P & L - designated		62 684	(2 257)
	Other assets		2 094	(26 925)
	(Decrease) increase in liabilities:			
	Bank and financial institution deposits (maturing after 3 months)		233 722	(71 851)
	Customer deposits		(452 189)	1 162 094
	Cash margins		23 161	180 331
	Other liabilities		(12 708)	25 648
	Net cash from (used in) operations before income tax		731 108	524 115
Income tax paid		(74 454)	(69 589)	
Net cash provided from (used in) operations		656 654	454 526	
INVESTING ACTIVITIES	(Purchase) of financial assets - available for sale		(385 343)	(447 297)
	(Purchase) maturity of financial assets - held to maturity		(147 416)	127 128
	(Purchase) of investments in subsidiaries and associates		(19 165)	(449 314)
	(Purchase) of fixed assets		(13 839)	(2 527)
	Net cash (used in) investing activities		(565 763)	(772 010)
FINANCING ACTIVITIES	(Decrease) increase in borrowed funds		(25 000)	25 000
	Dividends paid to shareholders		(133 500)	(106 800)
	Sale of treasury shares		1 295	1 497
	Net cash (used in) from financing activities		(157 205)	(80 303)
	Translation adjustments		3 678	44 500
	Net (Decrease) in cash and cash equivalent		(62 636)	(353 287)
	Cash and cash equivalent at the beginning of the period		2 912 701	2 840 800
	Cash and cash equivalent at the end of the period	28	2 850 065	2 487 513

1- GENERAL

- Arab Bank was established in 1930, and is registered in Jordan as a public shareholding company. The head office of the Bank is in Amman, Jordan, and it operates worldwide through its branches, subsidiaries and its sister company, Arab Bank (Switzerland).
- Arab Bank shares have a primary listing on Amman Stock Exchange. Arab Bank (Switzerland) shares are stapled to Arab Bank shares and traded together.
- The accompanying condensed interim financial statements were approved by the Board of Directors at its meeting held on 23 July 2009.

2- BASIS OF FINANCIAL STATEMENTS PRESENTATION

- The accompanying condensed interim financial statements of Arab Bank include the financial statements of Arab Bank Jordan and abroad branches after excluding balances and transactions between branches. Items in transit are presented under other assets or other liabilities, as appropriate, financial statements for the bank branches abroad are translated to Jordanian Dinar according to exchange rates at the date of financial statements.
- The condensed consolidated interim financial statements reflect the consolidated financial position and the consolidated results of operations at the level of the single economic ownership of Arab Bank plc and the sister company, Arab Bank (Switzerland) which is considered an integral part of Arab Bank Group.

3- SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

- The accompanying condensed interim financial statements have been prepared in accordance with the International Accounting Standard (IAS) no. 34 relating to Interim Financial Reporting.
- The condensed interim financial statements are prepared under the historical cost convention except for financial assets and financial liabilities which are stated at fair value on the date of the financial statements.
- The accompanying condensed interim financial statements do not include all the information and notes to the financial statements required for the annual financial statements, which are prepared in accordance with the International Financial Reporting Standards. Accordingly, they should be read with the annual report of the Group as December 31, 2008.
- The results of the Bank operations for the six months ended 30 June 2009 do not necessarily represent indications of the expected results for the financial year ending December 31, 2009.
- The accounting policies adopted for this period are consistent with those followed in the preparation of the annual financial statements for the year ended December 31, 2008 except that no appropriation of interim results is performed for the six-month period ended on June 30, 2009; as such appropriation is performed at year end, and also the application of the following standards:

- IAS 1 Presentation of Financial Statements - amended

Presentation of Financial Statements (effective for annual periods on or after 1 January 2009). The amendment on IAS 1 led to some changes in terms including amended titles for the condensed consolidated interim financial statements in addition to some changes in the presentation and disclosures. However, this standard has had no effect on the results of operations and financial position of the Bank.

- IFRS 8 - Operating segments

Effective for annual periods beginning on or after 1 January 2009. IFRS 8 is a disclosure standard, whereby the Bank's business segments, of which reports are presented, have been redefined. Furthermore, this standard has had no effect on the results of operations and financial position of the Bank.

4- CASH AND BALANCES WITH CENTRAL BANKS

- The mandatory cash reserve amounted to JD 721 million as at 30 June 2009 (JD 820 million as at 31 December 2008).
- Except for the mandatory cash reserve, there are no restricted balances at the central banks.
- Balances maturing after three months amounted to JD 155.2 million as at June 30, 2009 (JD 243.9 million as at December 31, 2008).

5- BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS

- There are no non-interest bearing balances with banks and financial institutions as of June 30, 2009 and December 31, 2008.
- There are no restricted balances as of June 30, 2009 and December 31, 2008.

6- DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

- There are no deposits with banks and financial institutions maturing after one year as at June 30, 2009 (JD 141 Thousand as at December 31, 2008).

7- DIRECT CREDIT FACILITIES

(JOD'000)

	June 30, 2009						December 31, 2008
	Individuals	Corporates Small & medium size enterprises	Large corporates	Banks and financial institutions	Government and public sector	Total	Total
Discounted bills *	59 834	92 395	224 304	32 560	-	409 093	464 062
Overdrafts *	27 924	347 045	1 718 964	-	124 733	2 218 666	2 255 561
Loans and advances *	742 928	261 373	5 510 218	554 002	640 456	7 708 977	7 935 295
Real-estate loans	441 174	1 215	1 503	-	-	443 892	446 016
Credit cards	40 841	-	-	-	-	40 841	41 539
Total	1 312 701	702 028	7 454 989	586 562	765 189	10 821 469	11 142 473
Less: Interest and commission in suspense	4 974	64 897	17 919	5	545	88 340	85 532
Provision for impairment - direct credit facilities	39 896	72 516	47 451	67 927	3 391	231 181	217 269
Total	44 870	137 413	65 370	67 932	3 936	319 521	302 801
Direct credit facilities, net	1 267 831	564 615	7 389 619	518 630	761 253	10 501 948	10 839 672

* Net of interest and commission received in advance, which amounted to JD 14.6 million as at 30 June 2009, (JD 18.1 million as at 31 December 2008).

- Direct credit facilities granted to government and guaranteed by government as of 30 June 2009 amounted to JD 765 million, or 7% of total direct credit facilities (JD 745.5 million, or 6.7% of total direct credit facilities as of 31 December 2008).
- Non-performing credit facilities as of 30 June 2009 amounted to JD 309 million, or 2.9% of total direct credit facilities, (JD 288.9 million, or 2.6% of total credit facilities as of 31 December 2008).
- Non-performing credit facilities, net of interest and commission in suspense, as of 30 June 2009, amounted to JD 221 million, or 2.1% of direct credit facilities, (JD 203.4 million, or 1.9% of direct credit facilities as of December 31, 2008).

MOVEMENT IN INTEREST AND COMMISSION IN SUSPENSE:

(JOD '000)

December 31,
2008

	June 30, 2009					Total
	Individuals	Corporates		Banks and Financial Institutions	Total	
		Small & medium size enterprises	Large corporates			
Balance at the beginning of the period	1 766	57 614	26 152	-	85 532	91 647
Interest and commission in suspense during the period	4 022	3 810	12 684	-	20 516	12 817
Interest and commission in suspense written off	(51)	(2 240)	(2 339)	-	(4 630)	(6 433)
Recoveries	(429)	(11 647)	(1 002)	-	(13 078)	(5 441)
Adjustments during the period	-	-	-	-	-	(7 058)
Translation adjustments	-	14	(14)	-	-	-
Balance at the end of the period	5 308	47 551	35 481	-	88 340	85 532

MOVEMENTS IN THE PROVISION FOR IMPAIRMENT OF THE DIRECT CREDIT FACILITIES:

(JOD '000)

December 31,
2008

	June 30, 2009					Total
	Individuals	Corporates		Banks and Financial Institutions	Total	
		Small & medium size enterprises	Large corporates			
Balance at the beginning of the period	37 339	74 657	105 273	-	217 269	234 192
Charged to income	15 251	6 491	80 621	7 768	110 131	44 978
Direct credit facilities written off	(227)	(1 236)	(845)	-	(2 308)	(3 371)
Recoveries	(7 864)	(13 530)	(72 715)	(255)	(94 364)	(48 427)
Adjustments during the period	-	-	-	-	-	(12 680)
Translation adjustments	(1 175)	7 402	(5 774)	-	(453)	(2 577)
Balance at the end of the period	43 324	73 784	106 560	7 513	231 181	217 269

* Impairment is determined as the present value of the future cash flows (on a customer level and individually) discounted at the original interest rate, or according to the instructions of the Central Bank of Jordan or other regulatory authorities in the countries where the Bank operates (whichever is higher). Impairment losses are recognized in the statement of income.

8- FINANCIAL ASSETS - AVAILABLE FOR SALE

(JOD'000)

	June 30, 2009	December 31, 2008
Treasury bills and bonds	688 996	617 622
Government bonds	1 020 865	657 474
Corporate bonds	908 434	886 682
Shares	186 695	222 427
Total	2 804 990	2 384 205

BONDS ACCORDING TO INTEREST:	June 30, 2009	December 31, 2008
Fixed interest bonds	1 580 691	1 221 508
Variable interest bonds	1 037 604	940 270
Total	2 618 295	2 161 778

FINANCIAL ASSETS ACCORDING TO MARKET QUOTATION:	June 30, 2009	December 31, 2008
Financial assets quoted in the market	1 486 046	1 315 906
Financial assets not quoted in the market	1 318 944	1 068 299
Total	2 804 990	2 384 205

9- OTHER ASSETS

(JOD'000)

	June 30, 2009	December 31, 2008
Accrued Interest receivable	84 554	130 527
Expenses paid in advance	70 847	50 972
Foreclosed assets *	26 759	28 096
Items in transit	22 151	2 307
Miscellaneous assets	47 535	42 038
Total	251 846	253 940

* The Central Bank of Jordan regulations require the disposals of these assets in a maximum period of 2 years from the possession date.

10- CUSTOMER DEPOSITS

(JOD'000)

	June 30, 2009				
	Individuals	Corporates			Total
		Small & medium size enterprises	Large corporates	Government and public sector	
Current and demand	1 977 528	753 330	754 994	148 514	3 634 366
Savings	1 014 255	14 918	4 652	212	1 034 037
Time and notice	4 620 445	458 257	1 934 372	821 987	7 835 061
Certificates of deposit	193 223	10 336	14 023	79 008	296 590
Total	7 805 451	1 236 841	2 708 041	1 049 721	12 800 054

	December 31, 2008				
	Individuals	Corporates			Total
		Small & medium size enterprises	Large corporates	Government and public sector	
Current and demand	1 691 359	759 661	701 458	226 858	3 379 336
Savings	948 055	10 735	4 119	274	963 183
Time and notice	4 490 715	498 385	2 479 501	1 136 264	8 604 865
Certificates of deposit	177 320	8 687	19 582	99 270	304 859
Total	7 307 449	1 277 468	3 204 660	1 462 666	13 252 243

- Public sector and governmental deposits amounted to JD 1 049.7 million, or 8.2% of total customer deposits as at 30 June 2009, (JD 1 462.7 million, or 11% of total customer deposits as at 31 December 2008).
- Non-interest bearing deposits amounted to JD 2 943.6 million, or 23% of total customer deposits as at 30 June 2009 (JD 2 738.9 million, or 20.7% of total customer deposits as at 31 December 2008).
- Restricted deposits amounted to JD 10.7 million, or 0.08% of total customer deposits as at 30 June 2009 (JD 10.5 million, or 0.08% of total customer deposits as at 31 December 2008).
- Dormant deposits amounted to JD 69.5 million, or 0.5% of total customer deposits as at 30 June 2009 (JD 63.3 million, or 0.5% of total customer deposits as at 31 December 2008).

11- BORROWED FUNDS

(JOD'000)

	June 30, 2009	December 31, 2008
From foreign banks and financial institutions *	354 610	354 610
From local banks and financial institutions	-	25 000
Total	354 610	379 610

* During 2007, the Bank issued a USD 500 million syndicated term loan with a tenure of five years and paying LIBOR + 25 basis points.

BORROWED FUNDS ACCORDING TO INTEREST	June 30, 2009	December 31, 2008
Variable interest	354 610	354 610
Fixed interest	-	25 000
Total	354 610	379 610

12- PROVISION FOR INCOME TAX

(JOD'000)

This item consists of the following:	June 30, 2009	December 31, 2008
Balance at the beginning of the period	102 916	94 088
Income tax for the period	34 551	91 501
Income tax paid	(74 454)	(82 673)
Balance at the end of the period	63 013	102 916

Provision for Income tax in the income statement comprises the following:	June 30, 2009	June 30, 2008
Income tax provision for the period	34 551	44 116
Income tax for previous years	117	100
Deferred taxes	(200)	423
Total	34 468	44 639

Reconciliation between the reported profit and the taxable profit for the period ended June 30, 2009:	June 30, 2009	June 30, 2008
Accounting profit	193 996	260 205
Revenue exempt from income tax	(41 435)	(39 154)
Non - deductible expenses	24 522	25 730
Other adjustments	(14 680)	(4 868)
Taxable Profit	162 403	241 913
Effective tax rate	21.2%	18.5%

* Enacted income tax rate in Jordan amounts to 35% and it ranges from 0% to 40% in the countries where the Bank has branches.

13- OTHER LIABILITIES

(JOD '000)

This item consists of the following:	June 30, 2009	December 31, 2008
Accrued interest payable	52 622	68 245
Remittances in transit	71 844	68 888
Interest and commission received in advance	69 492	69 626
Due expenses	14 072	21 752
Miscellaneous	88 128	74 874
Total	296 158	303 385

14- TREASURY SHARES

During the first half of the year 2009, the Bank sold 85,005 treasury shares. The difference between the selling price and book value that amounted JD 14 thousand was charged to the shares premium in shareholders equity.

15- LEGAL RESERVES

The Bank did not make any appropriations of the legal reserves in accordance with the Companies Law in the interim financial statements as such appropriations are performed at year end.

16- RETAINED EARNINGS

As on June 30, 2009, the amount of restricted retained earnings amounted to JD 5.4 million as a result of adoption of certain accounting Standards (JD 5.4 million for the year ended 2008).

17- PROPOSED DIVIDENDS

Proposed dividends for the year 2008 amounted to JD 133.5 million. The dividends were approved by the General Assembly of shareholders and is being paid (2007 JD 106.8 million).

18- INTEREST INCOME

(JOD '000)

	June 30, 2009	June 30, 2008
Direct credit facilities*	315 038	326 980
Central banks	29 403	67 470
Banks and financial institutions	29 131	74 587
Financial assets - held for trading	1 498	11 226
Financial assets at fair value through P & L - designated	1 579	3 707
Financial assets - available for sale	66 892	39 994
Financial assets - held to maturity	48 193	42 905
Total	491 734	566 869

* The interest income on the direct credit facilities is as follows:

(JOD'000)

	June 30, 2009						June 30, 2008
	Individuals	Corporates		Banks and financial institutions	Government and public sector	Total	Total
Small & medium size enterprises		Large corporates					
Discounted bills	2 642	3 680	6 978	627	-	13 927	15 166
Overdrafts	1 525	13 732	63 302	12	5 930	84 501	78 995
Loans and advances	31 044	13 324	128 792	9 952	11 577	194 689	211 870
Real-Estate loans	17 379	173	121	-	-	17 673	17 113
Credit cards	4 248	-	-	-	-	4 248	3 836
Total	56 838	30 909	199 193	10 591	17 507	315 038	326 980

19- INTEREST EXPENSE

(JOD'000)

	June 30, 2009	June 30, 2008
Customer deposits *	170 494	187 169
Banks and financial institutions	25 093	61 818
Cash margins	26 275	29 618
Borrowed funds	1 548	6 647
Deposit insurance fees	4 751	3 629
Total	228 161	288 881

* Interest expense on the customer deposits is as follows:

(JOD'000)

	June 30, 2009					June 30, 2008
	Individuals	Corporates		Government and public sector	Total	Total
Small & medium size enterprises		Large corporates				
Current and demand	476	604	2 033	350	3 463	3 593
Savings	6 470	60	-	24	6 554	8 709
Time and notice	67 030	9 271	61 906	8 946	147 153	162 866
Certificates of deposit	7 664	730	1 211	3 719	13 324	12 001
Total	81 640	10 665	65 150	13 039	170 494	187 169

20- GAINS FROM FINANCIAL ASSETS - HELD FOR TRADING

(JOD '000)

This item consists of the following:

	June 30, 2009			
	Realized gains	Unrealized gains (losses)	Dividends	Total
Treasury bills and bonds	307	286	-	593
Shares	380	(99)	73	354
Total	687	187	73	947

	June 30, 2008			
	Realized gains	Unrealized gains (losses)	Dividends	Total
Treasury bills and bonds	1 383	83	-	1 466
Shares	501	(64)	218	655
Total	1 884	19	218	2 121

21- GAINS (LOSSES) FROM FINANCIAL ASSETS - DESIGNATED

(JOD '000)

This item consists of the following:

	June 30, 2009			
	Realized gains	Unrealized gains	Dividends	Total
Treasury bills and bonds	4 164	2 155	-	6 319
Shares	-	-	-	-
Total	4 164	2 155	-	6 319

	June 30, 2008			
	Realized gains	Unrealized (losses)	Dividends	Total
Treasury bills and bonds	-	(1 963)	-	(1 963)
Shares	-	-	-	-
Total	-	(1 963)	-	(1 963)

22- GAINS FROM FINANCIAL ASSETS - AVAILABLE FOR SALE

(JOD'000)

This item consists of the following:	June 30, 2009	June 30, 2008
Gain from sale of financial assets	1 527	7 496
Dividends	5 729	4 628
Less: Impairment in the value of securities	-	(79)
Total	7 256	12 045

23- GAIN FROM SALE OF CYPRUS BRANCHES

This item represents a discontinued gain resulting from the sale of the Bank's branches in Cyprus during the first quarter of the year 2008.

24- CONTINGENT LIABILITIES AND COMMITMENTS

(JOD'000)

	June 30, 2009			
	Within 1 year	After 1 year and before 5 years	After 5 years	Total
Letters of credit	1 172 648	13 976	9 358	1 195 982
Acceptances	243 957	161	-	244 118
Letters of guarantee:				
- Payment guarantees	516 381	13 042	7	529 430
- Performance guarantees	1 268 918	462 165	34 215	1 765 298
- Other guarantees	2 609 853	1 787 830	542 215	4 939 898
Un-utilized credit facilities	1 141 144	252 155	251 002	1 644 301
Total	6 952 901	2 529 329	836 797	10 319 027
	December 31, 2008			
	Within 1 year	After 1 year and before 5 years	After 5 years	Total
Letters of credit	1 026 199	54 905	9 359	1 090 463
Acceptances	278 484	1 574	54	280 112
Letters of guarantee:				
- Payment guarantees	518 207	23 824	7	542 038
- Performance guarantees	1 168 636	595 667	41 080	1 805 383
- Other guarantees	2 523 096	2 012 720	419 309	4 955 125
Un-utilized credit facilities	1 446 638	331 155	211 479	1 989 272
Total	6 961 260	3 019 845	681 288	10 662 393

(JOD '000)

June 30, 2009

Constructions projects contracts	15 437	2 246	-	17 683
Procurement contracts	3 775	1 176	1 807	6 758
Rent contracts	-	674	-	674
Total	19 212	4 096	1 807	25 115

25- CAPITAL ADEQUACY

Capital adequacy ratio is calculated in accordance with the instructions of Central Bank of Jordan which are based on the recommendation of Basel committee. The following table shows capital adequacy ratio as of June 30, 2009 compared to December 31, 2008:

(JOD '000)

	June 30, 2009	December 31, 2008
A- CORE CAPITAL		
Paid-up share capital	534 000	534 000
Statutory reserve	253 000	253 000
Voluntary reserve	550 000	550 000
Share premium	859 937	859 951
General reserve	1 066 674	1 066 674
Retained earnings*	(4 768)	(385)
Treasury shares	(1 064)	(2 373)
Total core capital	3 257 779	3 260 867
B- SUPPLEMENTARY CAPITAL		
Translation adjustments	108 359	104 681
Revaluation reserves	(78 024)	(113 466)
General banking risk reserve	142 046	145 905
Total supplementary capital	172 381	137 120
C- INVESTMENTS IN BANKS AND FINANCIAL INSTITUTIONS	1 479 482	1 434 177
Regulatory capital (A+B - C)	1 950 678	1 963 810
Risk-weighted assets (RWA)	13 034 253	13 763 261
Regulatory capital/ risk weighted assets	14.97%	14.27%
Core capital/ risk weighted assets	19.32%	18.48%

* Net of deferred tax assets

26 - BUSINESS SEGMENTS

A- Description of Segment's Activities

The bank has an integrated group of products and services dedicated to serve the Bank's customers and constantly developed in response to the ongoing changes in the banking business environment.

The following is a summary of these groups' activities stating their business nature and future plans:

1. Banking Activities Group

This group provides banking services and finances the following: corporate sector, private projects, foreign trading, small and medium sized activities, and banks and financial institutions.

2. Treasury Group

This group is considered the main source of financing for the Bank, in general, and for the strategic business units in particular. It steers the financing of the Bank, and manages both the Bank's cash liquidity and market risks. Moreover, this group is responsible of the management of the Bank's assets and liabilities within the frameset by the High Assets and Liabilities Committee. This group is considered the main source in determining the internal conversion prices within the Bank's departments, in addition to being a central unit for the financial organization and main dealing in the following:

- Foreign exchange.
- Foreign exchange derivatives.
- Money market instruments.
- Certificates of deposits.
- Interest rate swaps.
- Other various derivatives.
- Stocks.

3. Private Banking Group

Wealth management and Private Banking Service aim at achieving the utmost return for customers' medium and long-term investments, while maintaining their initial capital. Moreover, Wealth Management provides two significant services: specialized consultancy services, and in-depth knowledge in different types of investments. This group provides high net worth clients with personal banking services tailored to their needs. One of this group's main objectives is to create a balance between the future investing needs of customers, and a focus on their everyday needs.

4. Retail Banking Group

This group provides banking services to individuals, and endeavors to meet their financial services needs using the best methods, most effective distributing channels, and a variety of product services. Moreover, this group is in direct and close contact with the customers in order to provide them with timely and continuous services through different electronic channels, such as direct phone calls, the internet, and text messaging via cellular phones. Expansion of the communication center to cover all locations for incoming and outgoing services will provide exceptional services to customers.

B- Concentration of assets, liabilities, revenue's and expenses in accordance to Business segments

Business lines are segmented according to banking activities as follows:

(JOD'000)

December 31,
2008

	June 30, 2009						Total
	Banking	Treasury	Private banking	Retail Banking	Other	Total	
Assets							
Cash and balances with banks and financial institutions	-	6 710 941	-	191 615	-	6 902 556	6 659 123
Financial investments	722 869	3 101 771	-	-	1 469 483	5 294 123	4 795 021
Direct credit facilities	9 448 247	-	17 984	1 035 717	-	10 501 948	10 839 672
Other assets	58 819	393 945	5	4 695	-	457 464	457 186
Total	10 229 935	10 206 657	17 989	1 232 027	1 469 483	23 156 091	22 751 002
Liabilities & shareholders' equity							
Banks and financial institutions	-	4 050 030	-	-	-	4 050 030	3 211 174
Customer deposits	4 983 858	-	2 081 739	5 734 457	-	12 800 054	13 252 243
Cash margins	1 585 013	-	121 869	103 196	-	1 810 078	1 786 917
Other liabilities	119 293	466 164	2 214	49 270	212 784	849 725	920 714
Shareholders' equity	-	-	-	-	3 646 204	3 646 204	3 579 954
Total	6 688 164	4 516 194	2 205 822	5 886 923	3 858 988	23 156 091	22 751 002
	June 30, 2009						June 30, 2008
Revenue							
Net interest income	121 028	58 323	3 110	67 474	13 638	263 573	277 988
Commission income, net	48 306	(187)	277	14 211	2 379	64 986	65 539
Other revenue	3 810	20 117	172	2 768	40 900	67 767	72 734
Net revenue	173 144	78 253	3 559	84 453	56 917	396 326	416 261
Expenses							
Employees expenses	44 306	9 936	3 719	37 325	-	95 286	94 908
Provision for impairment - direct credit facilities	11 783	-	-	3 984	-	15 767	(56)
Depreciation and amortization	3 029	745	272	6 427	-	10 473	10 909
Other provisions	(517)	1 647	6	320	-	1 456	705
Other expenses	25 157	7 567	1 819	39 134	5 671	79 348	75 696
Total expenses	83 758	19 895	5 816	87 190	5 671	202 330	182 162
Income for the period							
Net income from continued operations	89 386	58 358	(2 257)	(2 737)	51 246	193 996	234 099
Gain from discontinued operations/ sale of Cyprus branches	-	-	-	-	-	-	26 106
Income for the period before tax	89 386	58 358	(2 257)	(2 737)	51 246	193 996	260 205
Less: Income tax	13 483	11 686	(547)	2 097	7 749	34 468	44 639
Income after tax	75 903	46 672	(1 710)	(4 834)	43 497	159 528	215 566

C- Geographical distribution of assets and revenue

The Group operates worldwide through its branches in Jordan, abroad subsidiaries and sister company. The table below shows the geographical distribution of the assets and revenue:

(JOD'000)

	June 30, 2009	December 31, 2008
ASSETS		
Inside Jordan	5 379 064	5 075 403
Outside Jordan	17 777 027	17 675 599
Total	23 156 091	22 751 002

	June 30, 2009	June 30, 2008
REVENUE		
Inside Jordan	172 770	168 479
Outside Jordan	455 048	566 381
Total	627 818	734 860

27- TRANSACTIONS WITH RELATED PARTIES

(JOD'000)

This item consist of the following:

SISTER, SUBSIDIARY AND ASSOCIATED COMPANIES

	June 30, 2009	December 31, 2008
Due from sister and subsidiary companies	2 387 682	2 126 674
Due from associated companies	107 283	296 092
Deposits from sister and subsidiary companies	1 604 640	1 190 464
Deposits from associated companies	186 544	12 951
Guarantees and letters of credit - sister and subsidiary companies	167 257	158 093
Guarantees, acceptances and letters of credit - associated companies	2 353	4 190
Un - used credit facilities - sister and subsidiary companies	987	-

	June 30, 2009	June 30, 2008
Interest income from sister and subsidiary companies	18 317	37 618
Interest expense paid to sister and subsidiary companies	10 370	17 671
Interest income from associated companies	692	5 348
Interest expense paid to associated companies	331	879

	June 30, 2009	December 31, 2008
MAJOR SHAREHOLDERS AND MEMBERS OF THE BOARD OF DIRECTORS:		
Direct credit facilities	231 912	416 931
Letters of Credit	45 299	31 104
Guarantees	76 538	53 611

- Credit facilities granted to related parties are considered performing.
- Interest on facilities granted to major shareholders and members of the Board of Directors in at arm's length.
- The salaries and other fringe benefits of the Bank's senior executives in Jordan and abroad amounted to JD 8.3 million for the period ended 30 June 2009, (JD 8.1 million for the period ended 30 June 2008).

28- CASH AND CASH EQUIVALENT

(JOD '000)

	June 30, 2009	June 30, 2008
Cash and balances with central banks maturing within 3 months	2 813 853	2 749 954
Plus: balances with banks and financial institutions maturing within 3 months	3 774 491	3 425 322
Less: banks and financial institutions deposits maturing within 3 months	(3 738 279)	(3 687 763)
Total	2 850 065	2 487 513

29- LEGAL CASES

Lawsuits filed against the Bank:

A- Lawsuits have been filed against Arab Bank in which it was alleged that Arab Bank has, through its New York branch, channeled funds to persons and entities described as "terrorists" and "terrorist organizations in Palestine" respectively. Based on such alleged acts, the Bank, it was claimed, has aided and abetted acts of terrorism which led to the death or the injury of the family members of the claimants. Consequently, the claimants in the said lawsuits are requesting compensation for the damages that have befallen them as a result of the alleged acts of the Bank. No substantial new developments have occurred.

Arab Bank, in the opinion of its management, has been and is still fully respectful of and compliant with all anti terrorism legislation in all countries in which it operates.

B- The Bank in New York has entered into an agreement with the Office of the Controller of Currency pursuant to which the branch was converted into a federal agency with limited operations in compliance with the provisions of the US Federal Banking Act. It was also agreed that the federal agency shall be allowed to maintain assets in the amount of USD 420 million mostly in available for sale assets.

C- There are other lawsuits filed against the Bank in relation to transactions carried out in the normal course of business and in the total amount of JD 26.3 million as at 30 June 2009, in comparison to JD 16.2 million as at 31 December 2008. In the management's opinion, the Bank will not be held liable for any amount in excess of the provision made for lawsuits and which is in the amount of JD 3.6 million as at 30 June 2009.

30- COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to correspond with the current presentation.

Review Report on Interim Financial Information

AM/ 218

**To the Chairman and members of the Board of Directors
Arab Bank
Amman – Jordan**

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Arab Bank plc (Public Shareholding Company) as at June 30, 2009, and the related condensed interim statements of income, comprehensive income, changes in shareholders' equity and cash flows for the six-months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this condensed interim financial information in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagement 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 condensed interim financial information does not present fairly, in all material respects, the financial position of Arab Bank plc as of June 30, 2009, and its financial performance and cash flows for the six-months period then ended in accordance with International Accounting Standard No. (34) related to interim financial reporting.

The fiscal year of the bank ends on December 31 of each year. However, the accompanying condensed interim financial statements were prepared for purposes of the Jordan Securities Commission and the Central Bank of Jordan.

Amman – Jordan
July 23, 2009

Deloitte & Touche (M.E.) - Jordan

