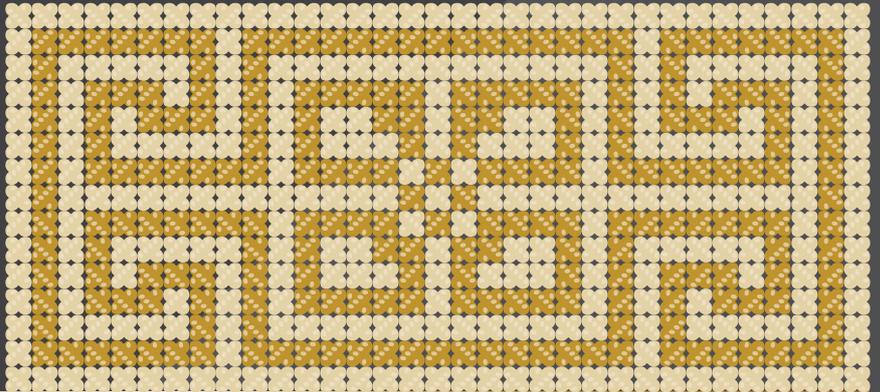


بنك الاستثمار الفلسطيني  
Palestine Investment Bank  
تنمية و أمن

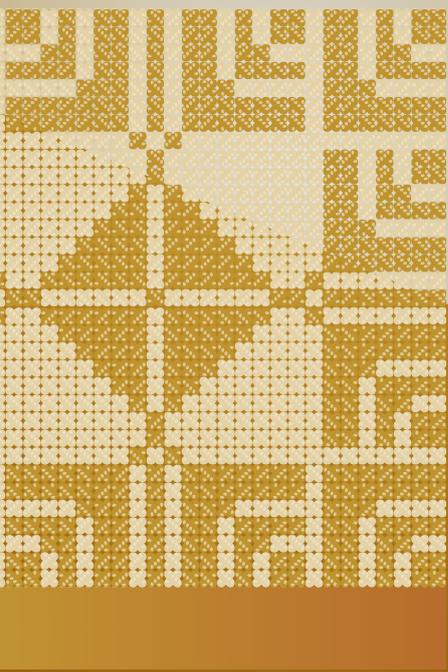


# Annual Report 2012



## Contents:

Board of Directors	3
Executive Management	5
Mission (Vision, Goals, Main Values and Future Options)	7
Products and Services	9
Chairman of the Board of Directors' Statement	10
Analysis of Financial Position and Results of 2012	13
Future Strategic Plan for 2013	24
Auditor's Report	30
Financial Statements	32
Notes on Financial Statements	37
Bank Branches and Subsidiaries	75

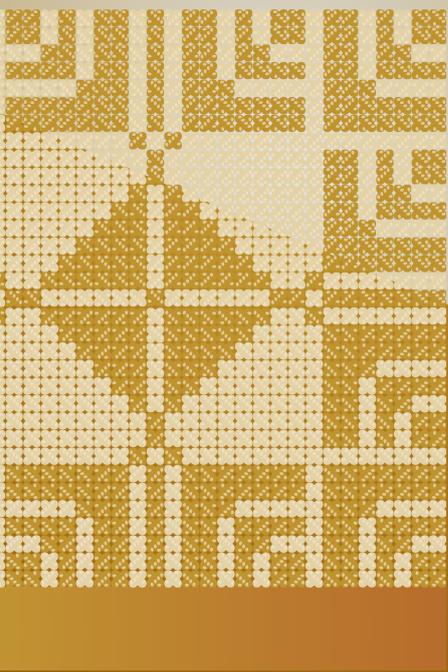


# **Board of Directors**



## Board of Directors

<b>Mr. Abed Dayeh</b>	Chairman of the Board of Directors
<b>Dr. Farouq Zuiater</b>	Vice-Chairman
<b>Mr. Osama Khader</b>	(Member)
<b>Mr. Kahleel Nasir</b>	(Member)
<b>Mr. Sami Ismail Sayed</b>	(Member)
<b>Mr. Jameel al-Mu'ti</b>	(Member)
<b>Mr. Mohammad Kmal Hassouneh</b>	(Representative of Al-Yazan Company for Financial Investments & Real Estate)
<b>Mr. Rajaye Al Dajjani</b>	(Representative of Al-Yazan Company for Financial Investments & Real Estate)
<b>Dr. Adnan Estatieh /Member</b>	(Representative of Al-Salam Company, Qatar)



# **Senior Executive Management**

## Senior Executive Management

Mr. Fawzi Al Jawhari	Acting General Manager
Mr. Mahmud 'Awde	CEO – Branches and Central Operations
Mr. Salah El Din Fares	CEO – IT Department
Mr. Burhan Hammad	Risk Manager
Mr. Sami Al Aghbar	Director of Internal Auditing
Mr. Lutfi Khaseeb	Director of Central Accounting Unit

### Advisors

Consultant to the Chairman of the Board of Directors

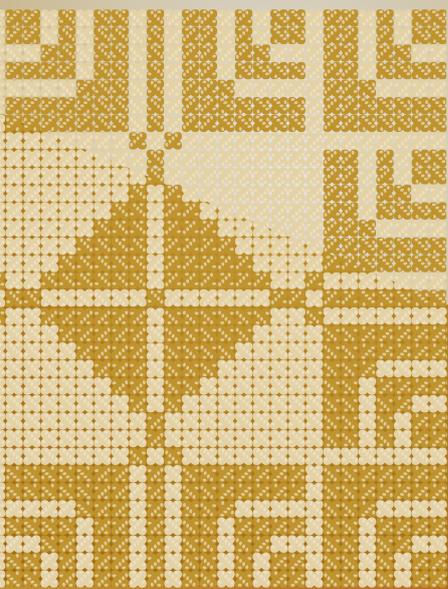
Mr Deya` El Din Abd El Fatah

### Legal Counsel

Attorney Mr. Hussan El Din Al Atira

### External Auditors

Ernst & Young

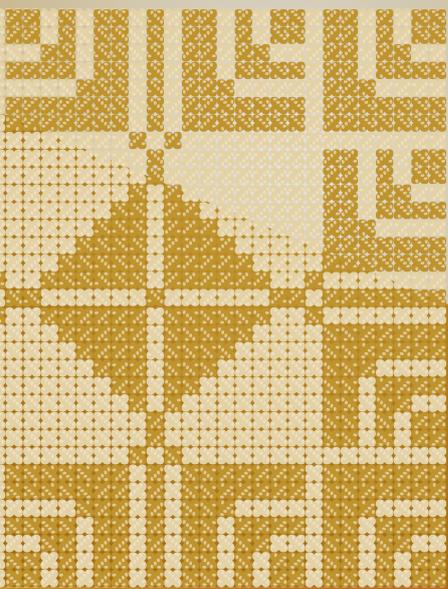


**Mission:  
Vision, Goals, Main Values  
and Future Plans**



## **Mission: Vision, Goals, Main Values and Future Plans**

- We responsibly and vigorously strive to be a leading, prominent bank in Palestine through providing the finest financial services and banking excellence to our clients, presented by a highly-qualified staff working in a motivating environment, supported by modern technology and carefully selected banking software applications and products. Our staff follows the highest standards of professional conduct and ethical values, and aims to achieve financial results matching our status in the Palestinian banking system.
- We uphold our responsibility and commitment to effectively contribute to the growth and development of the Palestinian economy.
- The Bank's core values are honesty, integrity with oneself and others, continuous quest for excellence, along with honoring our promises, upholding the principles of corporate governance, and committing to our social responsibility, in addition to carrying on with the challenge to discover the best ways to satisfy our clients.
- Our future goals are to maintain our achievements; continue to develop and grow; efficiently meet our clients' needs and wishes; grow their money with the utmost care and responsibility; remain up to date with new products among the Palestinian banking market; as well as enhance our financial position through: monitoring risk factors, developing human resources, in addition to using modern technology to sustain performance excellence and efficiency in dealing with our clients, all while maintain the utmost transparency.



# Products and Services



## Products and Services

### Financial Services

- Provide all types of current and savings accounts
- Accept all forms of deposits, across different currencies
- Offer Personal Revolving overdrafts, car, commercial and housing loans
- Export financing
- Project financing
- Financing for contractors
- Financing for manufacturers
- Financing for investments in real estate
- Financing for all types of small and medium enterprises (SMEs)
- Issuing gold and silver visa cards
- ATM services
- Payment of phone, electricity and water bills
- SWIFT services
- Online banking services (electronic banking services and SMS services)

### Commercial Services

- Letters of Credit
- Issuing all kinds of bank guarantees
- Execute all kinds of domestic and external transfers
- Accept all types of bills of collection

### Treasury and Investment Services

- Investing in securities traded in the global financial markets, including the Palestinian securities exchange
- Portfolio Management
- Buying and selling stocks and bonds through Global Securities Co. (GSC), PIB's subsidiary
- Buying and selling foreign currencies
- Trading future contracts for foreign currency

## Chairman of the Board of Director's Statement

In the Name of Allah, the Most Gracious

**Esteemed shareholders, members of the General Assembly,**

We are honored to welcome you to the 18<sup>th</sup> General Assembly Meeting of Palestine Investment Bank Company, and it gives me immense pleasure to present the 2012 Annual Report, through which we have highlighted PIB's progress in the last fiscal year ended 31 December 2012. We hope that this report provides you with a true description of PIB's work and achievements.

2012 was a difficult economic year for the Palestinian national economy across all sectors. PIB's management succeeded in persevering and realizing progress in order to provide the best for our clients, and to contribute to the advancement of our economy.

**Palestine's Economic Performance in 2012**

GDP increased by 6.1% in 2012 compared to 2011, representing a 5.5% increase in the West Bank and 7.7% in the Gaza Strip. Growth was concentrated in economic sectors related to physical outputs, including construction which constituted 14.4%, the industrial sector at 11.9% and the agricultural sector at 4.6%. The services sector recorded the highest growth rate during this period, growing by 10.2%.

This year witnessed major economic problems which had a profound impact on earnings and investment capacity. PIB's revenues decreased during the year, given that general interest rates fell.

**Dear Shareholders,**

PIB's financial indicators continued to grow. The capital base has strengthened, and activity increased in the deposits and loans markets. PIB's positioning in the financial sector has improved. Assets and liabilities have been managed according to the governance policies that balance between needs and caution, as required in light of current economic circumstances. A wider range of banking products and services have been offered to meet all individual, institutional, and commercial needs; as well as contributing to an accelerated rate of economic development in the Palestinian territories.

2012 was exceptional in the global, regional and local spheres, given the financial crisis faced by the Palestinian National Authority and its aftermath. Despite the magnitude of the challenges, the bank's management was able to achieve growth in basic indicators. This is reflected in the strength of PIB's capital base and growing consumer confidence in dealing with PIB, as well as safety strategies applied by senior management which began to show results and achieved balanced growth across all operations and activities.

### Dear Shareholders,

PIB's assets have increased by 6.25% as of the end of 2012, amounting to 258.7 million dollars, compared with 243.50 million dollars at the end of 2011. Growth in customer deposits reached 17.35%, amounting to 138 million dollars at the end of 2012. Net credit facilities amounted to 95.12 million dollars, showing a 20.76% growth. Total revenue from interest and commissions grew by 1.75%, reaching 10.1 million dollars, as opposed to 9.9 million dollars in 2011.

Exceptional operational efforts led to a rise in equity value, from 64.4 million dollars at end of 2011, to 65.9 million dollars at end of the 2012 fiscal year.

During 2012, PIB continued activities in the area of social responsibility, by supporting national and social activities. Support has been provided for many activities and events in the health, education, social, humanitarian and sports sectors.

### Dear Shareholders,

According to PIB's basic financial indicators for 2012, annualized return on equity is 2.77%, and net profits (after taxes and provisions) were 1.826 million dollars. Revenue from interest and commissions represented 80.17% of total revenues.

PIB's most important financial ratios for 2012 indicate consistency and stability. Net Income / Total Assets is 0.706%; Net equity / Liabilities is 34.21%; Net credit Facilities / Total Assets is 36.77%; and Net Credit Facilities / Customer Deposits is 62.5%, while the capital adequacy ratio is 31.76%. This clearly demonstrates the growth of PIB's activities and the effectiveness of our role in meeting the banking needs of different user groups.

### Dear Shareholders,

We are satisfied with our achievements in 2012, and promise to continue our efforts to achieve more, relying on the faith of PIB's family and clients in our mission, values and commitment to progress.

Finally, on behalf of myself and my fellow board members, I extend greetings and appreciation to all those who supported, cooperated with, and expressed a confidence in, PIB. I also extend this appreciation to PIB's family for their efforts and their sacrifices which contributed to further growth, steady progress and sustainable success. They adhered to the fulfillment of the planned strategy, based on achieving more profits and increasing PIB's market share. This allowed PIB to assume a distinctive position amongst banks operating in Palestine. We renew our pledges and continue our determined march to succeed and to elevate the status of PIB.

**Abed Dayeh**  
**Chairman of the Board of Directors**



# **Analysis of Financial Position and Results of 2012**

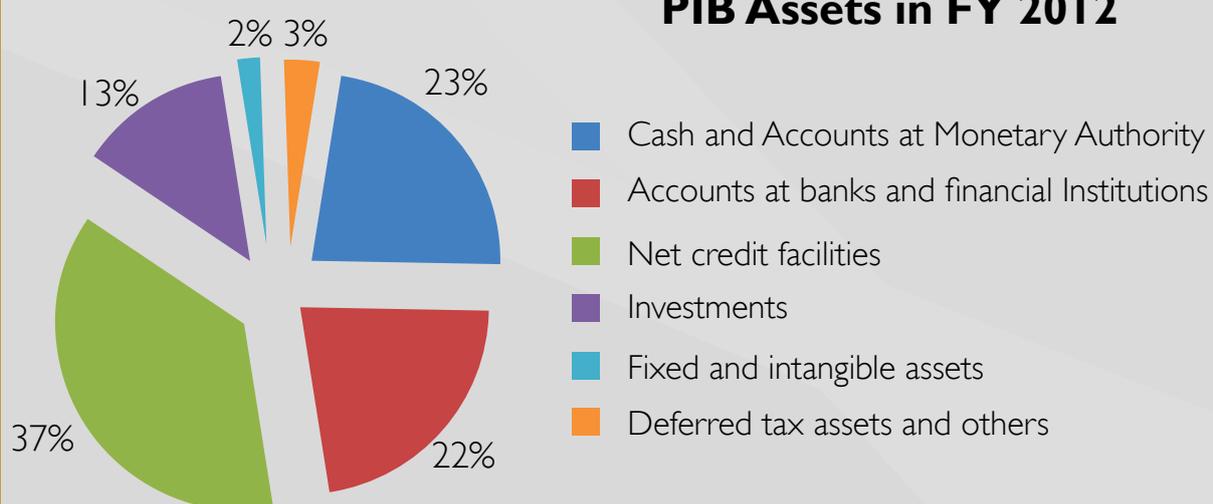
## Analysis of Financial Position and Results of 2012

The bank's management continued to work to increase shareholders equity, maintain a balance between profitability and safe investment, avoid high-risk investments, provide necessary cash flow to face short or long-term financial commitments, as well as efficiently and effectively use available funds to support the bank's financial position and maintain growth of the revenue streams.

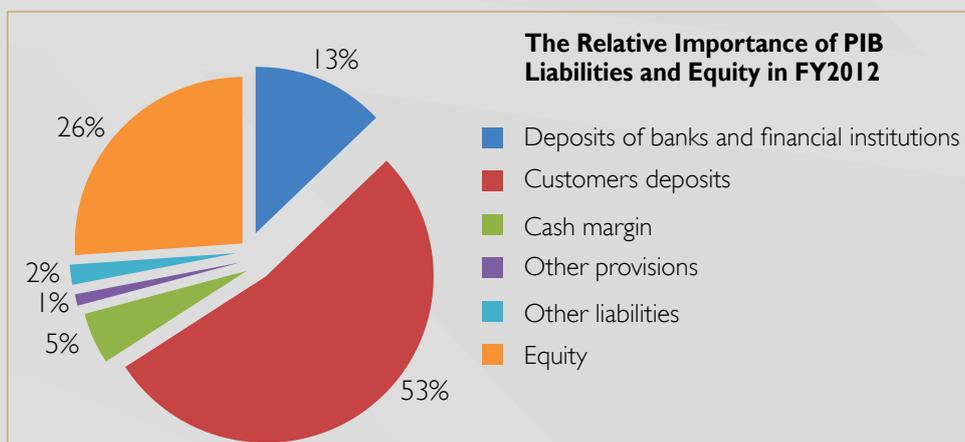
The relative importance of PIB Financial Position Elements

Assets	In Millions USD		%	
	2012	2011	2012	2011
Cash and Accounts at Monetary Authority	59.83	38.48	23.1%	15.8%
Accounts at banks and financial Institutions	56.88	84.45	22%	34.7%
Net credit facilities	95.12	78.77	36.8%	32.4%
Investments	33.21	21.58	12.8%	8.9%
Fixed and intangible assets	6.48	6.43	2.5%	2.6%
Deferred tax assets and others	7.16	13.76	2.8%	5.7%
Total	258.69	243.47	100%	100.0%

### PIB Assets in FY 2012



	Million Dollars		%	
	2012	2011	2012	2011
Liabilities and Equity				
Deposits of banks and financial institutions	33.24	36.96	12.85%	15.18%
Customers deposits	138.05	117.64	53.37%	48.32%
Cash margin	14.14	18.71	5.47%	7.68%
Other Provision	2.28	2.44	0.88%	1.02%
Other liabilities	5.04	3.32	1.95%	1.34%
equity	65.94	64.41	25.49%	26.45%
Total Assets	258.69	243.48	100%	100%



### Direct Credit Facilities

Under the supervision of the executive committee, the bank's management worked to develop the credit facilities portfolio by following a balanced credit policy, given changes to the interest rates and the return of facilities. This was done after studying the market, credit risks and credit portfolio quality; in addition to the work of PIB's management in the collection of outstanding loans. The percentage of non-performing credit facilities to total facilities decreased compared to last year and remained within standard percentage. The bank continued to work on financing various economic sectors, financing individuals' sector along with small, medium and large enterprises, as well as the public sector, in order to continue to distribute risk and effectively manage money.

## Impairment allowance on direct credit facilities

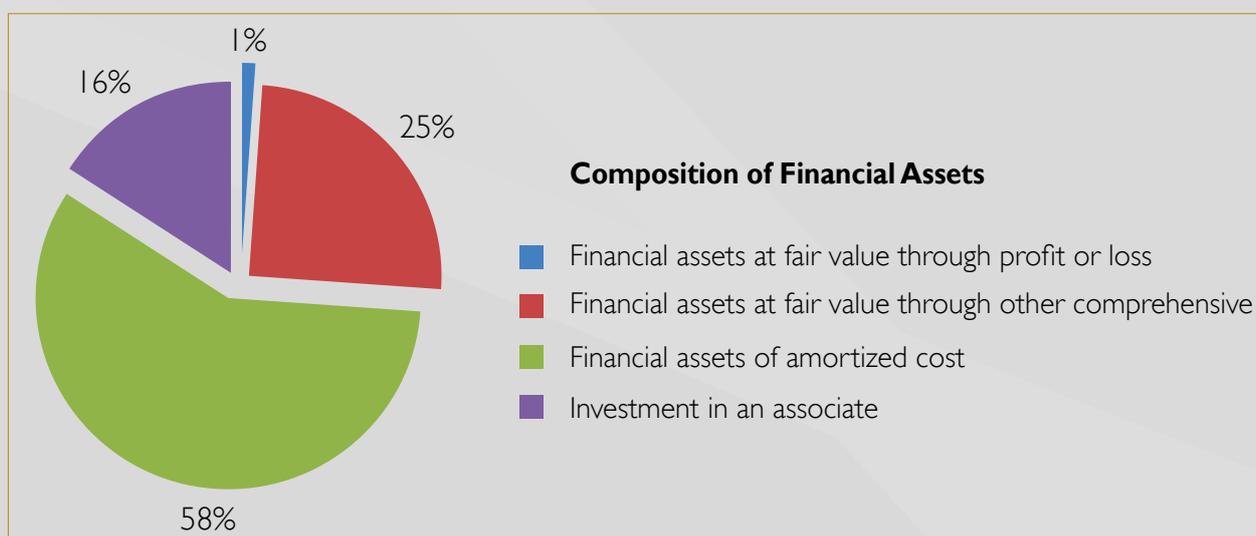
The bank's management followed a clear policy to hedge for any expected losses and allocated an impairment loss on doubtful debts, at both the individual and portfolio levels. In accordance with International Accounting Standards, Monetary Authority regulations; and the recommendations of the bank's auditors; and in order to enhance the bank's financial position; the percentage of allowances for doubtful debts, based on a single client in the non-performing portfolio, after subtracting suspended interest and before accepting guarantees, reached 44.9% in 2012, compared to 38% in 2011. The monetary value of accepted guarantees for credit facilities reached 61.64 million dollars in 2012 compared to 50.58 million dollars in 2011.

## Financial Asset Portfolio

The bank's portfolio increased by 11.62 million dollars in 2012, which is an increase of 53.85% compared to 2011. This is due to the advanced strategic policy which PIB adopt to enhance its assets employment in high-return financial tools.

The Relative Importance of PIB Financial Assets and Investments

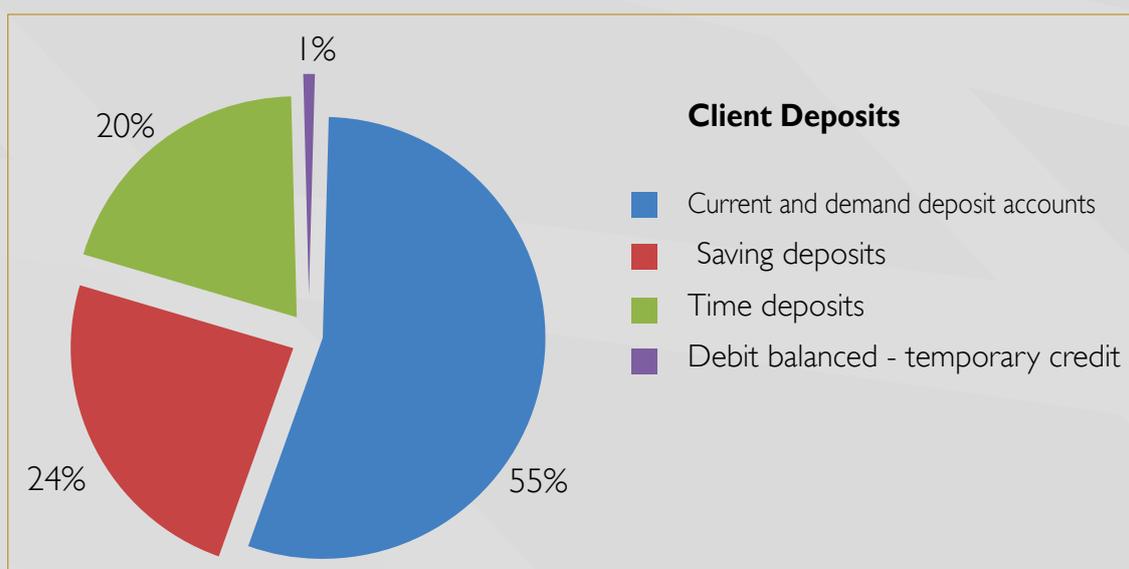
	Million Dollars		%	
	2012	2011	2012	2011
Financial assets at fair value through profit or loss	1.03	0.48	4.78%	1.43%
Financial assets at fair value through other comprehensive	9.34	8.27	43.28%	24.91%
Financial assets of amortized cost	5.43	19.18	26.77%	57.76%
Investment in an associate	5.78	5.28	25.19%	15.90%
total	21.58	33.21	100%	100%



## Customers Deposits

The bank's management continued to work to attract fixed and less expensive deposits, and develop a campaign for saving accounts to expand the depositors' base. The bank maintained its share of saving accounts and current deposits during the year despite aggressive competition with other banks.

The relative importance PIB Customers Deposits				
	Million Dollars		%	
	2012	2011	2012	2011
Current and demand deposit accounts	76.45	63.76	55.41%	54.2%
Saving deposits	32.75	30.03	23.73%	25.63%
Time deposits	27.24	22.96	19.73%	19.52%
Debit balanced - temporary credit	1.56	0.88	1.13%	0.75%
<b>Total Deposits</b>	<b>138.05</b>	<b>117.63</b>	<b>100%</b>	<b>100%</b>



## Owner's Equity – Shareholders

Shareholders' equity increased by 1.53 million dollars, or around 2.38%, to reach 65.94 million dollars in 2012 compared to 64.41 million dollars in 2011. Both the mandatory reserve and the periodical cyclicity reserve ratios were strengthened in compliance with PIB's internal system and auditing regulations, while surpluses were recycled as rotating dividends.

## Capital Adequacy

Capital adequacy ratio reached 31.76% in 2012 compared to 31.72% in 2011, registering one of the highest ratios and is above the 12% required by the Palestine Monetary Authority. The bank's ratio was also higher than the 8% rate set by Basel (Bank for International Settlements). The ratio of the core capital to the risk-carrying assets reached 43.86% in 2012 compared to 46.21% in 2011.

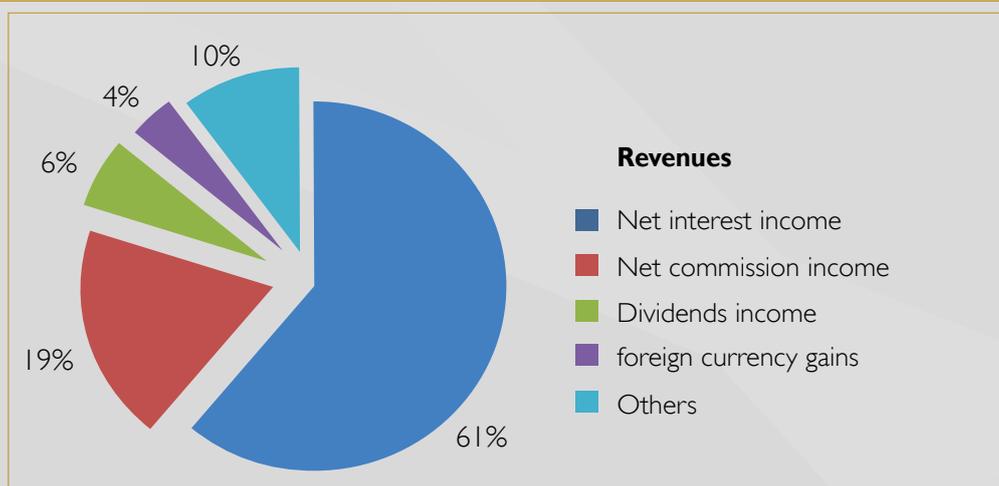
## Bank Business Results

The total bank's Gross Profit for 2012 was 12.609 million dollars compared to 12.891 million dollars in 2011. The net income from interest and commissions were 10.11 million dollars in 2012 compared to 9.93 million dollars in 2011.

Income before taxes and provisions reached 4.257 million dollars in 2012 while it reached 4.500 million dollars in 2011. After deducting the impairment loss allocated for facilitators, other provisions, and income tax, the net income was 1.83 million dollars in 2012 compared to 2.55 million dollars in 2011.

Net Profit Before/After Provisions and Taxes			
	2012 USD in Thousands	2011 USD in Thousands	% Change
Net income before provisions and taxes	4,257	4,500	-5.40%
Impairment loss for credit facilities	(1,717)	(1,474)	16.45%
Net income before taxes	2,541	3,026	-16.05%
Income tax provisions	(714)	(473)	50.93%
Net profit after tax	1,826	2,553	-28.47%

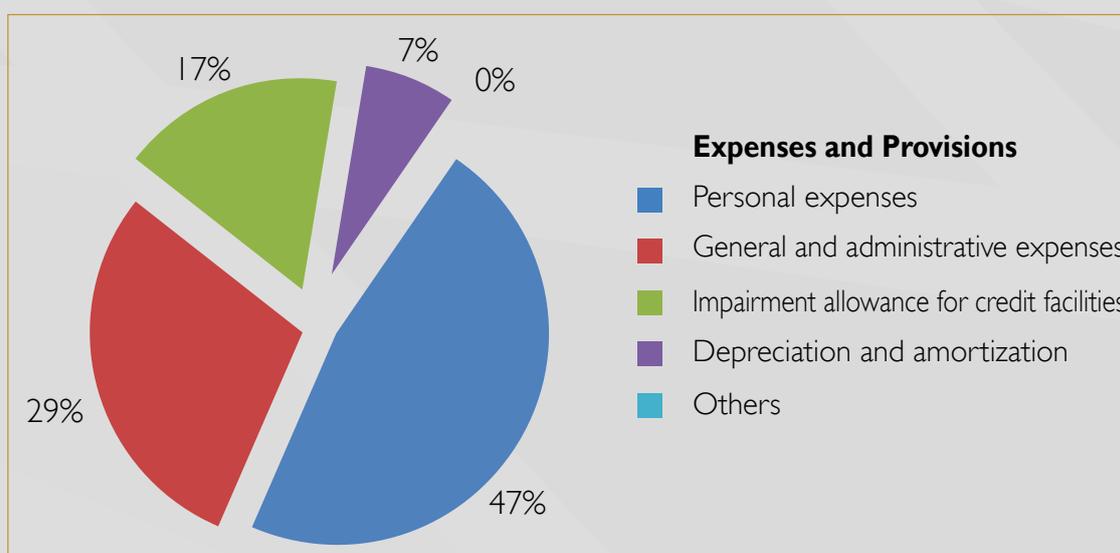
Total revenues and its relative importance				
	Thousand Dollars		%	
	2012	2011	2012	2011
Net interest income	7,746	7,765	61.42%	60.22%
Net commission income	2,364	2,170	18.74%	16.84%
Dividends income	742	742	5.88%	5.75%
foreign currency gains	462	660	3.66%	5.12%
Others	1,297	1,554	10.28%	12.06%
Total	12,610	12,891	100%	100.0%



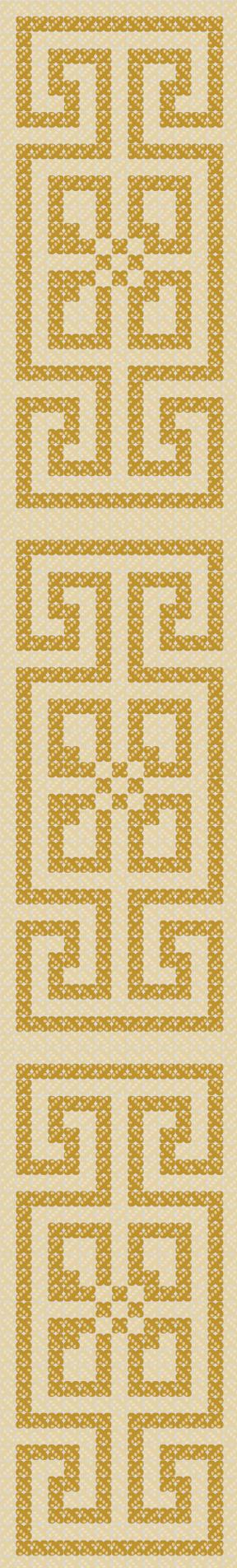
## Expenses and Provisions

The total expenditure and provisions in 2012 reached 10.069 million dollars compared to 9.865 million dollars in 2011. Staff salaries and rewards amounted to 4.690 million dollars in 2012 compared to 4.641 million dollars in 2011, registering an increase of 48 thousand dollars for new employees, the fifteenth month salary and other employee benefits.

Expenses and Provisions and its relative importance				
	Thousand Dollars		%	
	2012	2011	2012	2011
Personal expenses	4,641	4,690	47.20%	47.05%
General and administrative expenses	2,625	2,878	28.97%	26.61%
Impairment allowance for credit facilities	1,474	1,717	17.28%	14.94%
Depreciation and amortization	724	646	6.50%	7.34%
Others	400	5	0.05%	4.05%
Total	9,935	9,865	100%	100.0%



Most Important Financial Ratios of FY2012 Compared To FY2011		
	2012	2011
Return on equity	2.77%	3.96%
Return on Capital	3.45%	4.82%
Return on Assets	0.71%	1.05%
Credit Facilities to Deposits	62.50%	57.77%
Credit Facilities to Assets	36.77%	32.35%
Equity to assets	25.49%	26.45%
Earnings Per Share	3.45%	4.81%



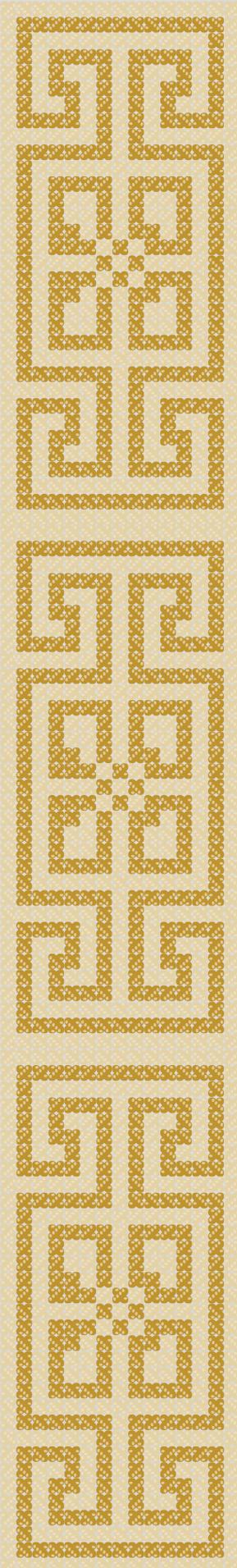
## Internal Auditing, Internal Control Systems and Compliance to Regulations

The Palestine Investment Bank continues its efforts to enhance its supervision and internal control systems through the Internal Audit Department and credit and operations controlling unit. The aim is to measure the level of compliance of the various operational departments to banking regulations, all laws, regulations and administrative instructions. To this end, periodic internal and inventory audits are conducted by the Internal Audit Department covering PIB's accounts and assets, to determine the accuracy and integrity of PIB's various operations and to make sure that they are consistent with governing legislation as stipulated on a daily basis by the Compliance Control Department. Periodic reports and memos are made available to management with the results of audits and compliance checks.

### Branches

The bank branches and offices underwent periodical renovation during the year, which included a refurbishment of the Nablus branch, in order to preserve them and maintain a proper interior and exterior appearance, which meets the needs of the bank's client. The management expressed great interest in updating and equipping the remaining branches and offices with appropriate technology that offers convenience and proper services to clients, as well as respond to their wishes by providing comprehensive and unique banking services covering the main Palestinian regions.

In addition, numerous work and internal control systems have been updated and altered during the year to support various branches' operations and activities in order to improve productivity, raise service efficiency, optimize human resources, benefit from available technology, and cut the overall operating cost.



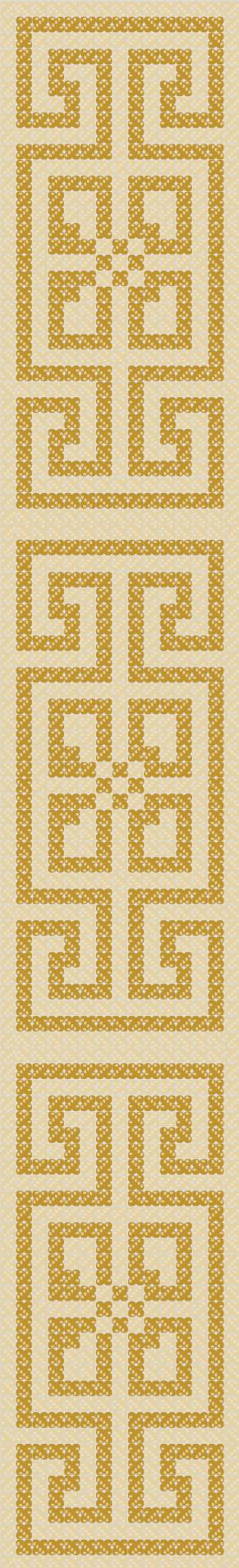
### Technological Advances and Information Systems

The bank uses the system (BANKS) in conducting financial and banking operations. The Information Systems Department continued to develop the automation of several banking and investment services, and expand the communications field. This will expand the communication channels with clients to provide additional services that would streamline operations, facilitate dealing procedure, fulfill their needs and achieve a higher degree of satisfaction. The bank management is keen to keep pace with the latest banking techniques and manuals as the bank implements a comprehensive plan to update the core banking system, as well as use the latest software and hardware technologies, including the internet (Online Banking) and SMS, and other electronic services, which are provided by the bank and the bank's affiliated financial securities company.

### Human Resources

The bank's staff is the prominent, key element to success and excellence. To preserve this element, the bank's management constantly works on developing the staff's skills and abilities through necessary seminars and workshops on banking and investment activities in general, banking risks, and financial and credit analysis in particular. The seminars help the staff monitor and take note of the legal aspects governing banking operations in order to provide the best possible service to our clients and keep up with the recent developments in the banking industry.

The management worked in 2012 to attract employees with desirable skills, and granted bonuses according to employees' efforts. The management organized numerous activities and special programs for employees aiming to boost their loyalty and sense of belonging, based on its absolute conviction that the staff is the bank's human capital and one of the most important tools to achieve progress and success.

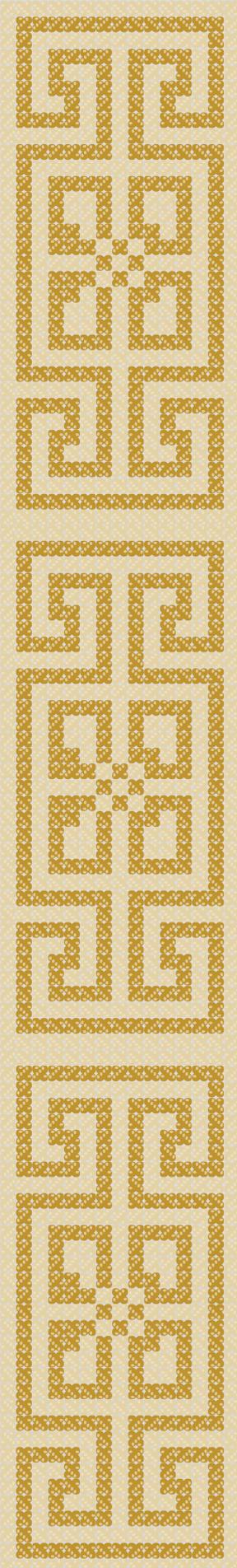


## Foreign Banking Services and Various Treasury Activities

The bank's management endeavors in treasury activities, investment, financial intermediation services, and foreign currency exchange to invest and employ PIB's financial resources in various currencies, across different capital and financial markets, both locally and internationally, in order to achieve reasonable financial returns within a calculated and conservative policy.

The Palestine Investment Bank continues to maintain its advanced position in the treasury services and banking services in traded foreign currencies. The bank issued wire transfers and checks, as well as bought and sold foreign currencies through a network of the corresponding bank's with international banks and monetary institutions across the world. In 2012 the bank's treasury achieved better results than what was achieved in 2011 in foreign currencies trading and cash surplus management, which significantly contributed to raising the overall revenues of the bank.

PIB also introduced software products for retail loans during 2012. The management also worked to study the launch of the super savings account, where generous prizes will be made available during the launch of this service in 2013.



## Subsidiaries

### \* Global Securities Co. (GSC)

A financial company engaged in financial brokerage, for its own benefit and for the benefit of account holders. Its headquarter is in Nablus. GSC was registered with the Companies Controller in Palestine in December 1996, Registration Number 563119148.

It commenced operations in January 1998. The share capital of the company is 3,526,093 dollars, paid in full.

The company is a fully-owned subsidiary of the Palestine Investment Bank Company PLC, which owns 99.64% of the shares.

The following are the most important comparative financial statements: -

	2012	2011
	Currency (\$)	Currency (\$)
Capital	3,526,093	3,526,093
Net Equity	3,933,463	3,919,984
Ownership Percentage	99.64%	99.64%
Total assets	4,843,384	5,835,750
Cash and cash equivalents	2,450,866	3,249,587
Net Profit / Loss	23,274	(82,121)

The bank's management is keen to provide new investment services in financial brokerage and investment services through its company Global Securities Co. (GSC). GSC provides services in buying and selling stocks, works as a commission broker in the Palestine Exchange, works as a financial advisor in securities investment, as well as works as a mediator buyer and seller of the portfolio.

GSC also issues periodical reports on stocks of traded companies and provides them to traders, as well as allows traders access to their accounts on the company's website.

### The Bank's Competitive Position

The Palestine Investment Bank's management worked in 2012 to improve its share in the financial market, particularly its share in the credit of various sectors. PIB also implements awareness and advertising campaigns on a regular basis, to promote services to the public.

### PIB's Development Policy

Since its inception and to the present times, PIB has realized continuous growth, as evidenced by the value of assets and operating profits during the past years.

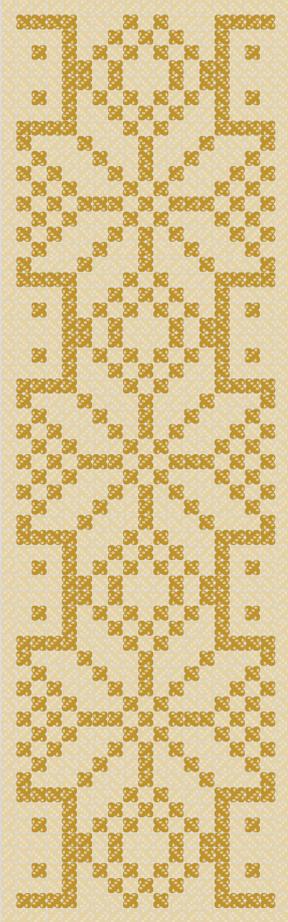
In order to allow PIB to assume a leading position in the Palestinian banking sector, the management has formulated a clear vision that aims to keep abreast of regulations in the field of banking services, in order to provide excellent, high-quality services to existing customers at PIB, and in order to attract new customers.

The strategic vision within the development policies pursued by PIB's senior management incorporates several stages, as follows:

- Comparative study and analysis of PIB's current situation relative to other local banks
- Analysis of the market and assessment of competition in the Palestinian banking sector
- Develop PIB's vision and goals in light of current results and services.
- Develop strategic plans for improving products and the development of credit and organizational structures at PIB
- Activate and implement strategies that aim to achieve the desired results

## Future Strategic Plan 2013

- Continue to achieve a consistent and accelerating growth in profitability, assets, and owner's equity; efficiently manage them to enhance the bank's financial position within the banking system in Palestine, and maintain PIB's financial ratios within the requirements of regulatory authorities in Palestine.
- Increase level of production efficiency and reduce non-profitable expenditure to increase overall revenues.
- Continue to develop products, services and programs offered by PIB to clients, based on their needs and commensurate with economic conditions in Palestine; focus on the retail sector through the creation and development of appropriate products; develop products for private sector individuals and enterprises to meet the financing needs of institutions and manufacturers that are small and medium-sized enterprises.
- Directing PIB's branches network and ensure PIB's readiness to provide services to clients, with the desired level quality and in accordance with the requirements of services; increase the bank's presence in the Palestinian communities by pursuing deliberate strategies to increase the branch network, thus enhancing the bank's ability to compete with other banks.
- Continue to strengthen the marketing efforts of the bank's various branches and offices through organizing outstanding and motivating marketing campaigns to preserve existing clients by responding to their needs and desires, in addition to attract new clients to increase the bank's market share in various banking activities.
- Expand depositors' base and attract deposits in various currencies by offering reasonable interest rates and incentive rewards, along with achieving utmost use of these deposits in different available fields of investment.
- Continue to expand varieties in the corporate facilities portfolio and develop new services and products in the personal/retail banking to fit with the lifestyle and desires of targeted clients.
- Enhance and distinguish the positive image of the bank's name and brand among all groups of society and in the banking system through continuing to interact with the local community and support social, service, educational, and environmental projects.
- Achieve a qualitative change in private and personal investment services of the clientele investment portfolios to keep pace with the global developments in the investment and financial markets for high returns.
- Update the bank's organizational structure to fit the global developments in the banking sector.
- Attend to the needs of the bank's staff and strive to raise their competence and efficiency; award the distinguished employees, promote spirit of team work, and attract special expertise for specific activities through a training plan for employees; reward excellence and foster group dynamics; develop human resource systems and policies.
- Maintain high liquidity level to face the demands of the bank's clients at any time.
- Work to increase the size of the bank's indirect facilities such as credits, guarantees, LCs and wire transfers, due to the great importance of the facilities in increasing the bank commission revenues.
- Develop and diversify the service performance to preserve the competitiveness with other banking institutions in Palestine through the use of banking technology to raise the bank's capacity.
- Reduce all sorts of risks by using a monitoring and risk self-assessment system.
- Work to achieve client satisfaction as one of the bank's core values.
- Increase the owner's equity and achieve revenue for shareholders.



## Corporate Governance

The bank is keen to work on developing and strengthening the corporate governance based on principles of transparency, accountability and responsibility to enhance the trust of depositors, shareholders and other relative parties in the bank, so as to insure a constant monitoring of the bank's compliance to policies and authorities which are in agreement with the bank's planned goals. The bank is also committed to impose the highest standards of professional conduct in all its activities in line with the Palestine Monetary Authority's instructions and best international practices.

The bank's Board of Directors has several specialized committees, each with specific goals and jurisdiction working hand in hand to achieve the bank goals. These committees are:

- Investment and Facilities Committee
- Risk Committee
- Audit Committee

The Board of Directors also established several General Management executive committees of senior bank executive employees in accordance to work demands and necessities. These committees are:

- Credit Facilities Committee
- Human Resources Committee
- Supplies and Procurement Committee
- Asset and Liabilities Management Committee

## Mechanism for Communicating Information to Shareholders

The bank's management follows several communication mechanisms to deliver bank-related information to shareholders through publishing on the bank's website, the Palestine Exchange, and the Palestine Capital Market Authority, in addition to mailing the reports to shareholders, publishing in local newspapers, and announcing information in the bank's branches, offices and affiliated companies in the Palestinian cities and local communities.

### Strategic Investors with Shares More Than 5%

Name	Number of Shares at 31/12/2012	% of shares	Number of Shares at 31/12/2011	% of Shares
Abedul Qader Al-Qadi	3,640,238	6.87%	3,640,238	6.87%
Abed Dayeh	3,824,217	7.22%	3,824,217	7.22%
Al-Shorooq Co. for Real Estate & Financial Investments	16,138,500	30.45%	16,138,500	30.45%
Al-Yazan Co. for Real Estate & Financial Investments	10,600,000	20%	10,600,000	20%

### Shares Owned By Members of the Board of Directors

Name	Position	Number of Shares At 31/12/2012	% of shares
Mr. Abed Dayeh	Chairman of Board of Directors	3,824,217	7.22%
Dr. Farouq Zuiater	Vice Chairman of Board of Directors	29,812	0.06%
Al-Yazan Co. for Real Estate & Financial Investments	Two members	10,600,000	20%
Salam International Company	Member	1,439,209	2.72%
Mr. Khalel Naser	Member	10,600	0.02%
Mr. Osama Khader	Member	21,200	0.04%
Mr. Sami Sayed	Member	13,250	0.03%
Mr. Jameel al-Musti	Member	375,000	0.71%

### Number of Banks Shareholders

The company's share trading in the Palestine Exchange in 2012

Item	2011	2012
Highest price	1.15	1.00
Lowest price	0.84	0.84
Opening price	1.00	0.97
Closing price	0.97	0.91

Number of traded shares	Number of transactions	Value in dollars
551,215	68	520,819

## Duties of the Board of Directors towards Shareholders and Corporate Governance

During the year 2012, all recognized principles of governance were applied in PIB's various businesses and activities.

## The Company's Corporate Social Responsibility Policy

In 2012, PIB continued to diversify its corporate social responsibility program out of its keenness to interact with the different activities of the Palestinian community by enhancing its role in the serving social development in Palestine. PIB adopted and sponsored various social, charitable, cultural and sports activities; funded students, associations, charities, and voluntary societies; as well as supported national programs with the best interest of Palestinians in heart.

## Degrees Held by Members of the Board of Directors

Two members hold PhD degrees.

Four members hold Master's Degrees.

Three members hold Bachelor degrees in different majors.

## Board of Directors' Remuneration:

Remuneration were paid to members of the Board of Directors in 2012 as detailed in the following table compared to 2011, noting that the directors did not receive any salaries or allowances during both years.

Name	2011 (dollars)	2012 (dollars)
Mr. Abed Dayeh	61,175	107,621
Dr. Farouq Zuiater	15,000	16,500
Mr. Jameel al-Muxti	10,000	12,000
Dr. Adnan Steitieh	15,500	15,000
Mr. Sami Ismail Sayed	12,000	13,000
Mr. Mohammad Kmal Hassouneh	12,000	12,000
Mr. Kahleel Naser *	-	17,000
Mr. Raja'i Al Dajani *	-	10,000
Mr. Osama Khader *	-	14,000
Mr. Ibrahim Abu Dayeh <sup>2</sup> **	10,000	-
Mr. Hani al-Qadi ***	25,000	-
Mr. Waxel al-Qadi **	10,000	-
Mr. Abdul Bari Awashreh **	10,000	-
Mr. Omar al-Hajj Abed ***	10,000	4,166
Total	190,675	221,287

### (setontoof)

\* Member of Board of Directors starting 27/6/2011

\*\* Member of Board of Directors until 27/11/2011

\*\*\* Member of Board of Directors until 27/11/2011

### Salaries and Compensation of PIB's Senior Management Team

Salaries for the senior executive management totaled 572,114 U.S. dollars in 2012.

### Number of Employees

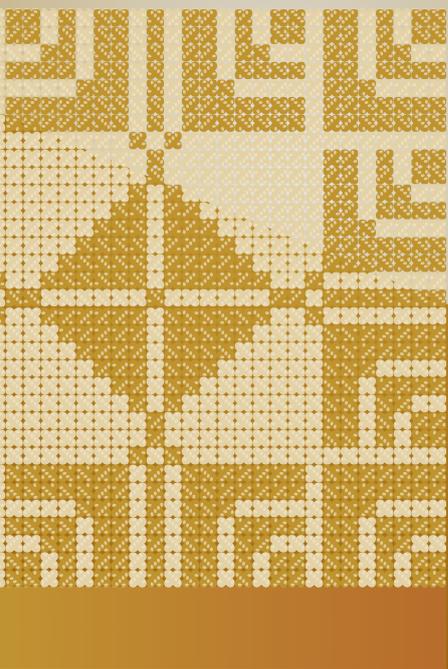
The number of employees at PIB and its affiliated company amounted to 236 employees on 31/12/2012, compared to 219 employees on 31/12/2011.

### Degrees Held by Bank Employees

- 16 employees hold Master's Degrees
- 148 employees hold Bachelor Degrees
- 26 employees hold Diploma qualifications
- 17 employees hold High School Degrees
- 20 employees hold qualifications below a High School Degree.

### Issues Brought to Vote by Shareholders

No issues were brought to vote by shareholders.



**PALESTINE INVESTMENT BANK  
CONSOLIDATED FINANCIAL  
STATEMENTS  
DECEMBER 31, 2012**



P.O. Box 1373  
7<sup>th</sup> Floor,  
PADICO House Bldg. – Al-Masyoun  
Ramallah-Palestine  
Tel: +972 22421011  
Fax: +972 22422324  
[www.ey.com](http://www.ey.com)

## **Independent Auditors' Report to the Shareholders of Palestine Investment Bank**

We have audited the accompanying consolidated financial statements of Palestine Investment Bank (the Bank) which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Board of Directors' Responsibility for the Consolidated Financial Statements**

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at December 31, 2012 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst and Young - Middle East

A stylized signature of the name 'Ernst + Young' in a blue, cursive font.

March 27, 2013  
Ramallah - Palestine

## **Consolidated Statement of Financial Position**

**Consolidated Statement of Financial Position**

As at December 31, 2012

	Notes	2012 U.S. \$	2011 U.S. \$
<b>ASSETS</b>			
Cash and balances at Palestine Monetary Authority	3	59,829,380	38,481,528
Balances at banks and financial institutions	4	56,880,637	84,448,263
Direct credit facilities	5	95,120,970	78,771,670
Financial assets at fair value through profit or loss	6	475,702	1,027,849
Financial assets at fair value through other comprehensive income	7	8,273,128	9,339,436
Investment in an associate	8	5,278,948	5,435,301
Financial assets at amortized cost	9	19,179,089	5,777,383
Property, plant and equipment	10	5,451,446	5,368,856
Deferred tax assets	11	959,699	959,699
Intangible assets	12	1,032,738	1,062,295
Other assets	13	6,208,028	12,802,851
<b>Total Assets</b>		<b>258,689,765</b>	<b>243,475,131</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Banks and financial institutions' deposits	14	33,243,745	36,963,459
Customers' deposits	15	138,053,319	117,637,453
Cash margins	16	14,140,954	18,708,406
Sundry provisions	17	1,815,486	1,751,384
Tax provisions	18	466,505	742,593
Other liabilities	19	5,035,229	3,266,807
<b>Total Liabilities</b>		<b>192,755,238</b>	<b>179,070,102</b>
<b>Equity attributable to the Bank's shareholders</b>			
Paid-in share capital	21	53,000,000	53,000,000
Statutory reserve	20	7,076,614	6,881,214
Voluntary reserve	20	670,458	670,458
General banking risks reserve	20	1,605,000	1,605,000
Pro-cyclicality reserve	20	890,752	601,142
Fair value reserve	7	(1,515,609)	(1,391,246)
Retained earnings		4,207,312	3,038,461
<b>Net Equity</b>		<b>65,934,527</b>	<b>64,405,029</b>
<b>Total Liabilities and Equity</b>		<b>258,689,765</b>	<b>243,475,131</b>

The accompanying notes from 1 to 41 are an integral part of these financial statements

**Consolidated Income Statement**

For the year ended December 31, 2012

		2012	2011
	Notes	U.S. \$	U.S. \$
Interest income	22	8,420,300	9,209,107
Interest expense	23	(674,784)	(1,444,239)
<b>Net interest income</b>		<b>7,745,516</b>	<b>7,764,868</b>
Net commission income	24	2,363,731	2,170,244
<b>Net interest and commission income</b>		<b>10,109,247</b>	<b>9,935,112</b>
Foreign currency gains		462,059	659,879
Dividends income from investments in financial assets		742,000	741,725
Share of profits of an associate	8	-	240,988
Recoveries of impairment allowance for direct credit facilities	5	859,342	1,129,168
Other revenues	25	437,322	184,199
<b>Gross profit</b>		<b>12,609,970</b>	<b>12,891,071</b>
<b>Expenses</b>			
Personnel expenses	26	4,689,639	4,641,367
Other operating expenses	27	2,878,166	2,625,129
Impairment allowance for credit facilities	5	1,716,670	1,474,230
Share of losses of an associate	8	134,247	-
Depreciation and amortization	10&12	646,083	724,159
Palestine Monetary Authority fines	28	-	247,313
Other losses		4,577	152,610
<b>Total expenses</b>		<b>10,069,382</b>	<b>9,864,808</b>
<b>Profit before tax</b>		<b>2,540,588</b>	<b>3,026,263</b>
Tax expense	18	(714,311)	(473,279)
<b>Profit for the year</b>		<b>1,826,277</b>	<b>2,552,984</b>
<b>Basic and diluted earnings per share</b>	30	<b>0.034</b>	<b>0.048</b>

The accompanying notes from 1 to 41 are an integral part of these financial statements

**Consolidated Statement of Comprehensive Income**  
For the year ended December 31, 2012

	2012	2011
	U.S. \$	U.S. \$
<b>Profit for the year</b>	<b>1,826,277</b>	<b>2,552,984</b>
<b>Other comprehensive income:</b>		
Change in fair value reserve	(296,779)	94,263
Loss from sale of financial assets at fair value through other comprehensive income	172,416	-
<b>Other comprehensive income for the year</b>	<b>(124,363)</b>	<b>94,263</b>
<b>Total comprehensive income for the year</b>	<b>1,701,914</b>	<b>2,647,247</b>

---

The accompanying notes from 1 to 41 are an integral part of these financial statements

**Consolidated Statement of Changes in Equity**  
For the year ended December 31, 2012

	Paid-in share capital U.S. \$	Reserves					Retained earnings U.S. \$	Net Equity U.S. \$
		Statutory U.S. \$	Voluntary U.S. \$	General banking risks U.S. \$	Pro-cyclicality U.S. \$	Fair value U.S. \$		
<b>2012</b>								
<b>At January 1, 2012</b>	53,000,000	6,881,214	670,458	1,605,000	601,142	(1,391,246)	3,038,461	64,405,029
Profit for the year	-	-	-	-	-	-	1,826,277	1,826,277
Other comprehensive income for the year	-	-	-	-	-	(124,363)	(172,416)	(296,779)
Total comprehensive income for the year	-	-	-	-	-	(124,363)	1,653,861	1,529,498
Transferred to reserves	-	195,400	-	-	289,610	-	(485,010)	-
<b>At December 31, 2012</b>	<b>53,000,000</b>	<b>7,076,614</b>	<b>670,458</b>	<b>1,605,000</b>	<b>890,752</b>	<b>(1,515,609)</b>	<b>4,207,312</b>	<b>65,934,527</b>
<b>2011</b>								
<b>At January 1, 2011</b>	50,000,000	6,607,501	3,670,458	1,605,000	242,024	(1,485,509)	1,118,308	61,757,782
Profit for the year	-	-	-	-	-	-	2,552,984	2,552,984
Other comprehensive income for the year	-	-	-	-	-	94,263	-	94,263
Total comprehensive income for the year	-	-	-	-	-	94,263	2,552,984	2,647,247
Transferred to capital (Note 20)	3,000,000	-	(3,000,000)	-	-	-	-	-
Transferred to reserves	-	273,713	-	-	359,118	-	(632,831)	-
<b>At December 31, 2011</b>	<b>53,000,000</b>	<b>6,881,214</b>	<b>670,458</b>	<b>1,605,000</b>	<b>601,142</b>	<b>(1,391,246)</b>	<b>3,038,461</b>	<b>64,405,029</b>

The accompanying notes from 1 to 41 are an integral part of these financial statements



**Notes to the Consolidated Financial Statements**

December 31, 2012

**1. General**

Palestine Investment Bank (the Bank) was founded and registered in Gaza-Palestine on August 10, 1994 as a public shareholding company in accordance with the companies' law of 1929 prevailing in Gaza under registration number 563200864, with a capital of U.S. \$ 20 million which was increased during the years from 2006 to 2011 to become U.S. \$ 53 million with par value of U.S. 1 dollar per each share. The Bank started its activities in March 1995. The Bank is carrying out all of its Banking and financial activities through its Head Quarter in Al-Bireh, and its eight branches and five offices located in Palestine.

The Bank aims to offer all Banking services, these services includes opening of current accounts and credits and the acceptance of deposits, trusteeships, and lending money.

The number of Bank employees as at December 31, 2012 and 2011 was (236) and (219) employees, respectively.

The Consolidated financial statements of Palestine Investment Bank for the year ended December 31, 2012 were authorized for issuance by the Bank's Board of Directors on March 27, 2013.

**2. Accounting policies**

**2.1 Basis of preparation of consolidated financial statements**

The accompanying consolidated financial statements as at 31 December 2012 have been prepared in accordance with International Financial Reporting Standards (IFRS) and in conformity with local laws and Palestine Monetary Authority (PMA) laws and regulations.

The consolidated financial statements have been prepared under the historical cost basis, except for financial assets through profit or loss and financial assets at fair value through other comprehensive income that have been measured at fair value.

The consolidated financial statements have been presented in U.S. Dollars, which is the functional currency of the Bank.

**2.2 Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous financial year except that the Bank has adopted the following amended standards, effective January 1, 2012:

IFRS 1 First-Time Adoption of IFRS (Amendments)

IAS 12 - Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements

Adoption of these standards and interpretations did not have any effect on the results of operations or financial position of the Bank.

The following standards have been issued but are not yet mandatory, and have not been adopted by the Bank:

- IAS 1 - Financial Statement Presentation – Presentation of Items of Other Comprehensive Income\*
- IAS 28 - Investment in associates and Joint Ventures\*\*
- IFRS 10 - Consolidated Financial Statements\*\*\*
- IFRS 12 - Disclosure of Involvement with Other Entities\*\*\*\*
- IFRS 13 - Fair Value Measurement\*\*\*\*\*

\* The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future date would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Bank's financial position or performance. This amendment is effective for annual periods beginning on or after July 1, 2012.

\*\* As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures. The revised standard is effective for annual periods beginning on or after January 1, 2013.

\*\*\* IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent. This new standard is effective for annual periods beginning on or after January 1, 2013.

\*\*\*\* IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. A number of new disclosures are also required, but has no impact on the Bank's financial position or performance. This new standard is effective for annual periods beginning on or after January 1, 2013.

\*\*\*\*\* IFRS 13 provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Bank is currently assessing the impact that this standard will have on the financial position and performance. This new standard is effective for annual periods beginning on or after January 1, 2013.

## **2.3 Summary of significant accounting policies**

### **Consolidated financial statements**

The consolidated financial statements comprise of the financial statements of the Bank and its subsidiary over which the Bank has the power to control the financial and operating policies of so as to obtain benefits from its activities. All transactions, balances, income and expenses between the Bank and its subsidiary and are eliminated.

The accompanying consolidated financial statements contains the assets and liabilities and results operations of the Bank and the Global Securities Company for Financial Investment privately Ltd wholly owned subsidiary with capital of JOD 2,500,000 as at 31 December 31, 2012.

The consolidated financial statements for the subsidiary company are prepared for the same reporting year of the Bank and by using the same accounting policies used by the Bank.

The results of operations of the subsidiary are consolidated in the consolidated income statement for the date of acquisition which is the date in which the Bank gain control over the subsidiary, and the results of operations of the subsidiary that has been disposed of are consolidated in the consolidated income statement until the date of disposal, the date on which the Bank loses control over the subsidiary.

### **Revenues and expenses recognition**

Interest income is recognized as the interest accrues using the effective interest method except for interest and commission income on non-performing facilities.

Commission income is recognized when the services are rendered. Dividends income is recognized when the right to receive dividends is established.

Expenses are recognized when incurred based on the accrual basis of accounting.

### **Credit facilities**

Credit facilities are presented net of allowance for impairment losses and interest in suspense.

Allowance for impairment losses is made to cover impairment for direct credit facilities when there are one or more events that occurred after the initial recognition of the facilities that has an impact on the estimated future cash flows of the facilities that can be reliably estimated. Impairment losses are recognized in the consolidated income statement.

Credit facilities and related allowance are written off when collection procedures become ineffective according to PMA regulations. The excess in the allowance for impairment losses, if any, is transferred to the consolidated income statement. Collections of previously written off credit facilities are recognized as revenues.

According to PMA instructions, non- performing direct credit facilities defaulted for more than 6 years along with the related suspended interest, and allowances are excluded from the Bank's consolidated financial statements.

### **Investment in financial assets**

Purchases and sales of financial assets are recognized on the trade date, (which is the date that the Bank commits to purchase or sell the financial assets). The normal purchases and sales of financial assets are those in which the transfer of financial assets during the period determined in accordance with the laws or as is customary in the market systems. Financial assets are recognized at fair value at purchase, and the expenses of acquisition is directly added to them, except for financial assets at fair value through comprehensive income and that are recorded initially at fair value. And subsequently all financial assets are recorded at either amortized cost or fair value.

### **Financial assets at amortized cost**

A debt instrument that meets the following two conditions can be measured at amortized cost:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debts instruments meeting these criteria are initially measured at fair value plus transaction costs (Except if the bank chose to classify these assets through profit or loss as explained below). Subsequently they are amortized using the effective interest rate method, less allowance for impairment. The losses arising from impairment are recognized in the income statement.

The Bank reclassification of debt instruments from amortized cost to financial assets at fair value through income statement if the objective of the business model changes for the recognition of initial and therefore the amortized cost method can not be suitable.

The effective interest rate is the interest rate that is used to discount future cash flows on the life of the

debt instruments, or a shorter period in certain cases, to equal the book value at the date of initial recognition.

For the initial recognition the Bank could classify debt Instruments met the amortized conditions mentioned above as financial assets at fair value through income statement if that led to eliminate or significantly reduce the accounting mismatch.

The Bank can not later undo this classification.

#### **Financial assets at fair value**

They are equity instruments and financial derivatives that are recognized at FVTPL. The entity can irrevocably elect to designate equity instruments not held for trading through other comprehensive income.

If the Bank elects to designate equity instruments at fair value through other comprehensive income (FVOCI), the Bank recognizes change in fair value in a special account in equity. Where the asset is disposed of, the gain or loss is not reclassified to the income statement, but is reclassified directly to retained earnings.

Dividends on these investments in equity instruments are recognized in the consolidated income statement when the Bank's right to receive the dividends is established.

#### **Impairment of financial assets at amortised cost**

Financial assets that are measured at amortised cost, including receivables, are assessed for indicators of impairment at the date of the consolidated financial statements. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

#### **Derecognition of financial assets**

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for the amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset.

### **Offsetting**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if there is a currently enforceable legal right to offset the recognized amounts and the Bank intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

### **Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets (except for land) as follows:

	Useful life (Years)
Buildings and real estate	50
Furniture and equipment	6-17
Computers	5 - 10
Leasehold improvements	5
Motor vehicles	7

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount being the higher of their fair value less costs to sell and their value in use. Impairment in property and equipment is recognized in the consolidated income statement.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditures are capitalized only when they increase future economic benefits of the related item of property and equipment. All other expenditures are recognized in the consolidated income statement as the expense is incurred.

### **Investment in associates**

The Bank's investment in associates is accounted for using the equity method of accounting. An associate is an entity in which the Bank has significant influence.

Under the equity method, the investment in the associate is carried on the consolidated statement of financial position at cost plus post acquisition changes in the Bank's share of the associates net assets. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The financial statements of the associate are prepared for the same reporting period as the Bank. When necessary, adjustments are made to bring the accounting policies in line with those of the Bank.

### **Assets obtained by the Bank by calling on collateral**

Assets obtained by the Bank by calling on collateral are stated in the consolidated statement of financial position under "Other assets" at the lower of the carrying value or fair value. These assets are revaluated individually at the date of the consolidated financial statements at fair value. Any impairment loss is recorded in the consolidated income statement. However, any appreciation in the assets' value is not recorded as income. Subsequently, the increase resulting from the appreciation of the assets value is recorded in the consolidated income statement to the extent of the impairment loss previously recorded.

### **Provisions**

Provisions are recognized when the Bank has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and can be reliably measured.

### **Tax provision**

The Bank provides for income tax in accordance with Palestinian Income Tax Law and IAS 12 which requires recognizing the temporary differences, at the consolidated statement of financial position date, as deferred taxes.

Income tax expense is calculated on the basis of taxable income. Taxable income differs from the accounting income declared in the consolidated financial statements because the accounting income includes non-taxable revenues or non-deductible expenses in the current year but deductible in subsequent years, accumulated losses acceptable by the tax law, and items not accepted for tax purposes or subject to tax.

Deferred income tax is provided using the liability method on temporary differences at the consolidated statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the consolidated statement of financial position date.

### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, balances at Palestine Monetary Authority, balances with Banks and financial institutions maturing within three months, less Banks and financial institutions' deposits maturing within three months and restricted deposits.

### **Segments information**

A segment is a distinguished component of the Bank that is engaged either in providing products and/or services (business segment) or in providing products and/or services within a particular economic environment (geographic segment) which is subject to risks and rewards that are different from those of other segments.

### **Foreign currencies**

- Transactions dominated in foreign currencies occurring during the year, are recorded at the exchange rate ruling at the date of the transaction.
- Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling at the consolidated statement of financial position date.
- Non-monetary items measured at fair value and denominated in a foreign currency are translated using the exchange rates at the date when the fair value was determined.
- Foreign currency exchange gains or losses are recognized in the consolidated income statement.

### **Use of estimates**

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and the disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions as well as fair value changes reported in equity. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty. Therefore, actual results may differ resulting in future changes in such provisions.

Management believes that estimates are reasonable and are as follows:

- Allowance for impairment losses: The Bank reviews its provision for credit facilities according to Palestine Monetary Authority regulations and IAS 39.
- Tax provisions are calculated based on prevailing tax laws and regulations in Palestine and IFRS.
- Management reviews, on a regular basis, the useful lives of the property, plant and equipments and intangibles in order to assess the depreciation for the year based on the asset's condition, useful life and future economic benefits. Any impairment loss is recognized in the consolidated income statement.
- Lawsuits provision is established to provide for any legal obligation, if any, based on the opinion of the Bank's lawyer.

### **3. Cash and balances at Palestine Monetary Authority**

This item represents the followings:

	2012	2011
	U.S. \$	U.S. \$
Cash on hand	39,434,421	19,372,081
Balances at PMA:		
Current and demand accounts	1,449,906	6,673,882
Statutory cash reserve	18,945,053	12,435,565
	<u>59,829,380</u>	<u>38,481,528</u>

According to PMA Circular (67/2010), the Bank shall maintain statutory cash reserves with PMA at 9% on total customers' deposits. Statutory reserves are calculated by the bank at the end of each month. This percentage was raised to 13% based on PMA instructions. PMA doesn't pay interest on these cash reserves.

Time and Capital deposits at PMA are interest-bearing deposits with interest rates based on current market interest rates less PMA's commission of 2.5%.

#### 4. Balances at banks and financial institutions

This item represents the following:

	2012	2011
	U.S. \$	U.S. \$
<b>Local banks and financial institutions:</b>		
Current accounts	12,119,588	11,788,230
Deposits maturing within three months	29,038,459	37,769,394
	<u>41,158,047</u>	<u>49,557,624</u>
<b>Foreign banks and financial institutions:</b>		
Current accounts	11,639,121	8,385,035
Deposits maturing within three months	4,083,469	26,505,604
	<u>15,722,590</u>	<u>34,890,639</u>
	<u>56,880,637</u>	<u>84,448,263</u>

- Non-interest bearing balances at Banks and financial institutions amounted to U.S. \$ 23,758,709 and U.S. \$ 20,173,265 as at December 31, 2012 and 2011, respectively.
- There is no restricted balance as at December 31, 2012.

#### 5. Direct credit facilities

This item represents the following:

	2012	2011
	U.S. \$	U.S. \$
<b>Individuals</b>		
Loans and discounted bills	33,135,271	25,585,871
Overdraft accounts	14,087,542	14,929,437
<b>Corporate</b>		
Loans and discounted bills	15,622,664	15,471,556
Overdraft accounts	10,983,998	12,374,526
<b>Government and public sector</b>	25,301,823	13,489,690
	<u>99,131,298</u>	<u>81,851,080</u>
Suspended interest and commission	(341,826)	(260,434)
Allowance for impairment losses	(3,668,502)	(2,818,976)
	<u>95,120,970</u>	<u>78,771,670</u>

- Downgraded credit facilities, net of suspended interest according to PMA regulations, amounted to U.S. \$ 8,336,368 and U.S. \$ 9,122,932 as at December 31, 2012 and 2011, respectively. Representing (8.4%) and (11.1%) of total direct credit facilities net of suspended interest as at December 31, 2012 and 2011, respectively.
- Non-performing direct credit facilities net of suspended interest according to PMA regulations amounted to U.S. \$ 8,166,086 and U.S. \$ 7,677,360 as at December 31, 2012 and 2011, respectively. Representing (8.2%) and (9.4%) of total direct credit facilities net of suspended interest as at December 31, 2012 and 2011, respectively.
- Credit facilities granted to Palestinian National Authority and by its guarantee amounted to U.S. \$ 25,301,823, representing (25.5%) of total direct credit facilities as at December 31, 2012 compared to U.S. \$ 13,489,690 representing (16.5%) of total direct credit facilities as at December 31, 2011.
- Credit facilities granted to non-residents amounted to U.S. \$ 21,577 and U.S. \$ 823,255 as at December 31, 2012 and 2011, respectively.
- Fair value of collaterals obtained in lieu of credit facilities, amounted to U.S. \$ 61,637,550 and U.S. \$ 50,854,877 as at December 31, 2012 and 2011, respectively.

#### Suspended interest

Summary movement on the suspended interest during the year is as follows:

	2012	2010
	U.S. \$	U.S. \$
Balance, beginning of the year	260,434	100,173
Suspended interest during the year	152,768	173,189
Recovery of suspended interest	(37,102)	(9,413)
Suspended interest written off	(29,894)	-
Write off of suspended interest of loans defaulted for more than 6 years	(4,380)	(3,515)
Balance, end of year	<u>341,826</u>	<u>260,434</u>

#### **Allowance for impairment losses**

Summary of movement on the allowance for impairment losses during the year is as follows:

	2012	2011
	U.S. \$	U.S. \$
Balance, beginning of the year	2,818,976	2,619,246
Provision for the year	1,716,670	1,474,230
Recovery during the year	(859,342)	(1,129,168)
Written off	(24,405)	-
Foreign currency difference	16,603	(145,332)
Balance, end of year	<u>3,668,502</u>	<u>2,818,976</u>

Summary of the movement on the allowance for impairment losses of loans defaulted for more than 6 years is as follows:

	2012	2011
	U.S. \$	U.S. \$
Balance, beginning of the year	1,614,871	1,657,717
Additions	24,405	-
Recovery during the year	(335)	(12,660)
Foreign currency differences	8,117	(30,186)
Balance, end of year	<u>1,647,058</u>	<u>1,614,871</u>

Following is the distribution of credit facilities net of suspended interest by economic sector:

	2012	2011
	U.S. \$	U.S. \$
<b>Manufacturing and Mining</b>		
Manufacturing	8,722,992	4,136,677
	<u>8,722,992</u>	<u>4,136,677</u>
<b>Tourism, Restaurants, Hotels and Others</b>		
Restaurants	513,705	567,033
	<u>513,705</u>	<u>567,033</u>
<b>Public Sector</b>		
Communications	222,623	222,623
Health	125,556	125,556
Education	13,029	13,029
Public utility	2,725,700	2,653,319
Professionals	3,218,271	3,218,271
Others	3,100,106	3,009,814
	<u>9,405,285</u>	<u>9,242,612</u>
<b>Agriculture and livestock</b>		
Agriculture	31,805	1,528,851
Livestock	1,987,075	252,154
	<u>2,018,880</u>	<u>1,781,005</u>
<b>General Trade</b>		
Internal trade	13,843,676	10,521,764
Foreign trade	7,909,996	3,922,381
	<u>21,753,672</u>	<u>14,444,145</u>
<b>Real Estate and Construction</b>		
Construction	8,361,237	8,361,237
Residence	5,858,792	5,858,792
Property	6,512,740	6,512,740
	<u>20,732,769</u>	<u>20,732,769</u>
<b>Transportation</b>		
Trade and shipping	29,505	29,505
	<u>29,505</u>	<u>29,505</u>
<b>Consumer Goods Financing</b>		
Others	1,976,457	3,345,913
	<u>1,976,457</u>	<u>3,345,913</u>
<b>Investment in Shares and Financial Instruments</b>		
Financial companies	1,673,923	1,673,923
Others	6,121,245	9,120,318
	<u>7,795,168</u>	<u>10,794,241</u>
<b>Other in the Private Sector</b>	<u>539,216</u>	<u>3,027,056</u>
<b>Public Sector</b>		
Palestinian National Authority	25,301,823	13,489,690
	<u>25,301,823</u>	<u>13,489,690</u>
	<u>98,789,472</u>	<u>81,590,646</u>

## 6. Financial Assets at Fair Value Through Profit and Loss

This item represents the Bank's investments in quoted financial instruments traded in Palestine exchange.

## 7. Financial assets at fair value through other comprehensive income

	2012			2011		
	Local	Foreign	Total	Local	Foreign	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Quoted financial instruments traded in financial markets	8,250,200	-	8,250,200	9,316,508	-	9,316,508
Unquoted financial instruments	22,928	-	22,928	22,928	-	22,928
	<b>8,273,128</b>	-	<b>8,273,128</b>	<b>9,339,436</b>	-	<b>9,339,436</b>

Following is the movement on the fair value reserve during the year:

	2012	2011
	U.S. \$	U.S. \$
Balance, beginning of the year	(1,391,246)	(1,485,509)
Change in fair value	(296,779)	94,263
Loss from sale of financial assets at fair value through other comprehensive income recognized in retained earnings	172,416	-
Balance, end of year	<b>(1,515,609)</b>	<b>(1,391,246)</b>

## 8. Investments in an associate

This item represents the Bank's investment at El-Shorouq company for Financial and Real Estate Investments (Palestinian Private Shareholding company), in which the Bank holds 33.06% of its share capital as at 31 December 2012 and 2011.

	2012	2011
	U.S. \$	U.S. \$
Bank's share of the associate's assets and liabilities		
Non-current assets	9,121,062	6,630,209
Current assets	545,332	1,937,130
Non-current liabilities	(911,762)	(2,411,076)
Current liabilities	(2,445,688)	(1,416,876)
Bank's share of the associates revenue, profit and loss		
Revenues	524,401	372,845
Profit (loss)	(134,247)	240,988

Following is the movement on the investment in associate during the years ended December 31, 2012 and 2011:

	2012	2011
	U.S. \$	U.S. \$
Balance, beginning of the year	5,435,301	5,194,313
Bank's share of the associate results	(134,247)	240,988
Bank's share of the associate's other comprehensive income	(22,106)	-
Balance, end of year	<b>5,278,948</b>	<b>5,435,301</b>

## 9. Financial assets at amortized cost

	2012	2011
	U.S. \$	U.S. \$
Foreign government bonds*	4,829,547	4,777,383
Treasury bills*	4,231,312	-
Quoted foreign bonds**	10,118,230	1,000,000
	<b>19,179,089</b>	<b>5,777,383</b>

- \* This item represents the Bank's Investment in bonds and treasury bills issued by the Central Bank of Jordan. These investments have a maturity period ranged from two to three years.
- \*\* This item represents the Bank's investment in bonds listed in international financial markets with a maturity period from three to ten years.
- Interest on U.S. \$ financial assets at amortized cost ranges between 3.88% to 6.95%.
- Interest on JD financial assets at amortized cost is 7.25%.

## 10. Property, plant and equipment

	Land	Buildings and real estate	Furniture and equipment	Computer hardware	Leasehold improvements	Motor vehicles	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>2012</b>							
<b>Cost:</b>							
At January 1, 2012	1,989,749	977,990	2,323,209	2,692,638	1,015,581	204,451	9,203,618
Additions	-	-	62,998	225,731	27,631	103,863	420,223
Reclassification from other assets	-	273,000	-	-	-	-	273,000
Disposals	-	-	(320,292)	(630,484)	(176,299)	(86,400)	(1,213,475)
At December 31, 2012	1,989,749	1,250,990	2,065,915	2,287,885	866,913	221,914	8,683,366
<b>Accumulated depreciation:</b>							
At January 1, 2012	-	34,434	1,336,977	1,636,865	671,937	154,549	3,834,672
Depreciation charge for the year	-	25,074	137,993	290,148	42,932	29,237	525,384
Disposals	-	42,315	-	-	-	-	42,315
At December 31, 2012	-	101,823	(320,011)	(602,935)	(176,298)	(71,297)	(1,170,541)
<b>Net book value</b>	<b>1,989,749</b>	<b>1,149,167</b>	<b>910,956</b>	<b>963,807</b>	<b>328,342</b>	<b>109,425</b>	<b>5,451,446</b>

\* During 2012, the Bank obtained approval from PMA to reclassify a real estate property obtained by the Bank by calling on at as collateral against credit facilities from other assets to Property, plant and equipment. The Bank uses this real estate as an office in Gaza.

	Land U.S. \$	Buildings and real estate U.S. \$	Furniture and equipment U.S. \$	Computer Hardware U.S. \$	Leasehold improvements U.S. \$	Motor vehicles U.S. \$	Total U.S. \$
<b>2011</b>							
<b>Cost:</b>							
At January 1, 2011	1,989,749	977,990	2,070,799	2,610,175	950,872	204,451	8,804,036
Additions	-	-	263,531	170,072	64,765	-	498,368
Disposals	-	-	(11,121)	(87,609)	(56)	-	(98,786)
At December 31, 2011	1,989,749	977,990	2,323,209	2,692,638	1,015,581	204,451	9,203,618
<b>Accumulated depreciation:</b>							
At January 1, 2011	-	14,874	1,194,427	1,365,431	625,758	123,880	3,324,370
Depreciation charge for the year	-	19,560	152,555	359,043	46,207	30,669	608,034
Disposals	-	-	(10,005)	(87,609)	(28)	-	(97,642)
At December 31, 2011	-	34,434	1,336,977	1,636,865	671,937	154,549	3,834,762
<b>Net book value</b>	1,989,749	943,556	986,232	1,055,773	343,644	49,902	5,368,856

### 11. Deferred tax assets

Deferred tax assets are calculated based on temporary time differences, such as allowance for impairment loss on direct facilities and the employees' end of service provision that the bank management expect to be recovered in the future. The deferred taxes are calculated based on rates that are expected to apply in the year when these deferred tax assets are realized.

### 12. Intangible assets

Intangible assets represent computer systems. The movements during the years ended December 31, 2012 and 2011 are as follows:

	2012	2011
	U.S. \$	U.S. \$
Balance, beginning of the year	1,062,295	1,053,887
Additions	91,142	119,073
Amortizations	(120,699)	(110,665)
Balance, end of year	<u>1,032,738</u>	<u>1,062,295</u>

### 13. Other assets

This item includes the followings:

	2012	2011
	U.S. \$	U.S. \$
Checks under collection	4,436,057	10,964,397
Prepaid expenses	191,436	614,527
Accounts receivable	972,595	475,085
Advances for the purchase of software and the establishment of branches	46,096	90,460
Assets obtained by the Bank by calling on collateral	-	230,685
Accrued interest receivable	402,379	305,045
Others	159,465	122,652
	<u>6,208,028</u>	<u>12,802,851</u>

### 14. Banks and financial institutions' deposits

This item includes the followings:

	2012			2011		
	Local U.S. \$	Foreign U.S. \$	Total U.S. \$	Local U.S. \$	Foreign U.S. \$	Total U.S. \$
Deposits at the Palestinian Monetary Authority	393,513	-	393,513	9,215,854	-	9,215,854
Current and demand accounts	15,115	663,005	678,120	268,374	118,258	386,632
Deposits maturing within a period of three months or less	32,172,112	-	32,172,112	18,360,348	9,000,625	27,360,973
	<u>32,580,740</u>	<u>663,005</u>	<u>33,243,745</u>	<u>27,844,576</u>	<u>9,118,883</u>	<u>36,963,459</u>

## 15. Customers' deposits

This item includes the followings:

	2012	2011
	U.S. \$	U.S. \$
Current and demand deposits	76,496,100	63,759,980
Saving deposits	32,754,401	30,032,699
Time deposits	27,242,787	22,962,403
Debit balances - temporary credit	1,560,031	882,371
	<u>138,053,319</u>	<u>117,637,453</u>

- Public sector deposits amounted to U.S. \$ 3,602,772 and U.S. \$ 1,032,563 representing 2.61% and 0.88% of the total deposits as at December 31, 2012 and 2011, respectively.
- Non-interest bearing deposits amounted to U.S. \$ 78,076,308 and U.S. \$ 65,930,760 representing 56.56% and 56.05% of the total deposits as at December 31, 2012 and 2011, respectively.
- Dormant deposits amounted to U.S. \$ 962,029 and U.S. \$ 6,133,229 representing 0.70% and 5.21% of the total deposits as at December 31, 2012 and 2011, respectively.

## 16. Cash margins

This item represents cash margins against the following facilities:

	2012	2011
	U.S. \$	U.S. \$
Direct credit facilities	10,119,078	14,020,519
Indirect credit facilities	4,021,876	4,687,887
	<u>14,140,954</u>	<u>18,708,406</u>

## 17. Sundry provisions

This item represents employees' end of services and vacations provisions. Movements during the year was as follows:

	2012	2011
	U.S. \$	U.S. \$
Balance, beginning of the year	1,751,384	1,463,175
Current year provision	316,206	439,416
Recoveries	(150,000)	-
Payments during the year	(102,104)	(151,207)
Balance, end of year	<u>1,815,486</u>	<u>1,751,384</u>

## 18. Tax provisions

Movements on this item during the years ended December 31, 2012 and 2011 are as follows:

	2012	2011
	U.S. \$	U.S. \$
Balance, beginning of year	742,593	840,756
Current year provision	454,685	473,279
Payment for prior years*	316,330	-
Discount on Advances paid during the year	(49,330)	-
Recovery of prior years	(7,374)	-
Balance, end of year	714,311	473,279
Advances paid during the year	(990,399)	(571,442)
	<u>466,505</u>	<u>742,593</u>

\*Subsequent to date of the financial statements, the Bank has obtained final settlement with income tax department for its results of operations for the years 2010 and 2011, which resulting in recording an additional provision of U.S. \$ 454,685 is recorded during the year.

– The reconciliation between accounting profit versus tax profit is summaries as the following:

	2012	2011
	U.S. \$	U.S. \$
Accounting profit	2,540,588	3,026,263
Non-taxable income	(1,471,530)	(1,863,091)
Non-deductible expenses	589,154	1,112,690
Gross income subject to VAT	<b>1,658,212</b>	2,275,862
Less: VAT	(232,211)	(252,479)
VAT on payroll	(507,093)	(459,325)
Income subject to income tax	918,908	1,564,058
Income tax	212,660	198,461
	<u>444,871</u>	<u>450,940</u>
Provision for the year	454,685	473,279
Effective tax rate	<u>17,90%</u>	<u>15,64%</u>

## 19. Other liabilities

This item includes the followings:

	2012	2011
	U.S. \$	U.S. \$
Accrued interest payable	213	209
Accrued expenses	95,725	274,104
Board of Directors remuneration	195,521	237,121
Accounts payable and temporary deposits	1,344,806	1,993,316
Certified checks	2,295,643	405,525
Checks and transfers under collection	629,378	9,871
Dividends payable	171,526	24,109
Other credit balances	302,417	322,552
	<u>5,035,229</u>	<u>3,316,807</u>

## 20. Reserves

### Statutory reserve

As required by the Companies' Law and Banking Law, 10% of the net profit is transferred to the statutory reserve and shall continue until the total reserve balance equals the Bank's paid-in share capital. The reserve is not to be utilized without PMA's prior approval.

**Voluntary reserve**

The amounts accumulated represents appropriations from annual net profit based on the Board of Directors decisions. This reserve could be used or distributed to shareholders based on General Assembly resolutions.

**General banking risk reserve**

This reserve is appropriated in accordance with PMA instruction (5/2008) based on 1.5% of direct credit facilities after deducting allowance for impairment losses and suspended interest and 0.5% of indirect credit facilities. The reserve is not to be utilized in any manner without PMA's prior approval.

**Pro- cyclical reserve**

This reserve is appropriated in accordance with PMA instruction (1/2011) based on 15% of net profit after tax, to strengthen the Bank's capital against the risks surrounding the Banking business. The reserve is not to be utilized or reduced without PMA prior approval. The reserve shall continue until total reserve balance equal 20% of paid-in capital.

**21. Paid-in share capital**

	2012	2011
	U.S. \$	U.S. \$
Authorized capital	53,000,000	53,000,000
Subscribed capital	53,000,000	53,000,000
Paid in capital	53,000,000	53,000,000

Based on the Board of Directors recommendation at the General Assembly meeting held on June 27, 2011, the Bank has distributed 6% of its capital being U.S. 3,000,000 as stock dividends. This stock dividend was covered from the voluntary reserve.

**22. Interest income**

This item represents interest income on the following accounts:

	2012	2011
	U.S. \$	U.S. \$
Loans	2,869,480	2,461,834
Overdraft accounts	2,628,061	3,950,651
Government and public sector	1,188,167	1,287,136
Balances at banks and financial institutions	1,143,234	1,294,167
Financial assets at amortized cost	591,253	214,861
Balances at the PMA	105	458
	<u>8,420,300</u>	<u>9,209,107</u>

**23. Interest expense**

	2012	2011
	U.S. \$	U.S. \$
Customers' deposits:		
Time deposits	437,351	410,831
Saving deposits	32,184	34,143
Current and demand accounts	4,010	11,412
	<u>473,545</u>	<u>456,386</u>
Banks and financial institutions' deposits	151,433	472,459
Interest paid to the PMA	979	413,969
Cash margins	48,827	101,425

<u>674,784</u>	<u>1,444,239</u>
----------------	------------------

**24. Net commission income**

This item includes commissions against the following:

	2012	2011
	U.S. \$	U.S. \$
Direct credit facilities	475,281	425,208
Indirect credit facilities	639,916	639,436
Others	1,323,011	1,160,047
	<u>2,438,208</u>	<u>2,224,691</u>
Less: Commission expense	(74,477)	(54,447)
	<u>2,363,731</u>	<u>2,170,244</u>

**25. Other income**

	2012	2011
	U.S. \$	U.S. \$
Checkbooks	123,438	120,809
Mail and fax revenue	38,249	51,733
Swift and ATM's revenue	1,333	918
Provision no longer needed	267,000	-
Sundry	7,302	10,739
	<u>437,322</u>	<u>184,199</u>

**26. Personnel expenses**

	2012	2011
	U.S. \$	U.S. \$
Salaries and related benefits	3,607,886	3,390,996
VAT on salaries	507,093	459,325
Provision for employees' indemnity	190,868	439,416
Health insurance	198,377	190,543
Bank's contribution to the provident fund *	171,534	150,908
Training expenses	13,881	10,179
	<u>4,689,639</u>	<u>4,641,367</u>

\* The Bank deducts %5 of each employee's monthly salary and contributed 10% of the employee salary.

## 27. Other operating expenses

	2012	2011
	U.S. \$	U.S. \$
Telephone and postage	534,550	443,920
Establishing new branches expenses	401,257	450,015
Rent	326,450	273,597
Fees, licenses and subscriptions	304,502	248,907
Maintenance and repairs	235,519	157,984
Board of Directors' remuneration	179,687	148,296
Utilities	168,379	193,334
Professional fees	155,533	116,217
Stationery and printings	125,289	152,415
Travel and transportation	120,740	127,052
Sundry	68,459	43,213
Cleaning expense	62,731	71,939
Advertisements and marketing	54,410	73,718
Insurance	50,753	33,070
Hospitality	33,858	41,071
Donations	26,237	27,925
Fuel and vehicle expenses	22,438	22,456
Sundry	7,374	-
	<u>2,878,166</u>	<u>2,625,129</u>

## 28. Palestine Monetary Authority fines

This item represents the fines imposed by PMA result of the following violations:

	2012	2011
	U.S. \$	U.S. \$
Violation of Banking Law and PMA Regulations	-	205,000
Violation of the Financial Securities Law	-	42,313
	<u>-</u>	<u>247,313</u>

## 29. Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows comprise items presented in the consolidated statement of financial position as follows:

	2012	2011
	U.S. \$	U.S. \$
Cash and balances at PMA	59,829,380	38,481,528
Add:		
Balances at Banks and financial institutions	56,880,637	84,448,263
Less:		
PMA deposits	393,513	9,215,854
Due to Banks and financial institutions	32,850,232	27,747,605
Statutory cash reserve	18,945,053	12,435,565
	<u>64,521,219</u>	<u>73,530,767</u>

### 30. Basic and Diluted Earnings Per Share

	2012	2011
	U.S.\$	U.S.\$
Profit for the year	1,826,277	2,552,984
	Shares	Shares
Weighted average subscribed shares	53,000,000	53,000,000
	U.S.\$	U.S.\$
Basic and diluted earnings per share	0.034	0.048

### 31. Related party transactions

Related parties represent major shareholders, directors and key management personnel of the Bank, and entities controlled, jointly controlled or significantly influenced by such parties. Transactions with related parties during the year represented by deposits and credit facilities are as follows:

	Nature of relationship	2012 U.S. \$	2011 U.S. \$
<b>Consolidated statement of financial position items</b>			
Direct credit facilities	Key management personnel	2,786,785	3,112,473
Deposits	Associate	258,920	57,615
Deposits	Key management personnel and shareholders	552,296	928,170
Board of Directors remuneration	Board of directors	195,521	237,121
Cash margins	Key management personnel	-	14,255
	Nature of relationship	2012 U.S. \$	2011 U.S. \$
<b>Consolidated income statement items</b>			
Interest and commission income	Key management personnel	159,344	168,774
Interest and commission income	Associate	46	-
Interest and commission expense	Key management personnel	543	10,703
Interest and commission expense	Associate	-	774
Board of Directors remuneration*	Board of directors	179,687	148,296
Key Management personnel share in salaries and related expenses	Key management personnel	349,103	250,446
Key Management personnel share in the end of service benefits	Key management personnel	215,443	67,579

\* According to article (52) of the Bank's bylaws, Members of the Board of Director's are granted an annual bonus of U.S. \$ 10,000, in addition to a percentage of 5% of net income is distributed to executive members each in accordance to their efforts and additional participation in the bank's committees, and other activities.

- Direct credit facilities granted to related parties as at December 31, 2012 and 2011 represent 2.93% and 3.95%, respectively, of the total direct credit facilities.
- Direct credit facilities granted to related parties as at December 31, 2012 and 2011 represent 6.44% and 7.59%, respectively, of the Bank's capital base.

- Interest rate on U.S. \$ direct credit facilities ranges between 5% to 8%.
- Interest rate on ILS direct credit facilities ranges between 7% to 14%.

### 32. Fair Value of Financial Instruments

The table below represents a comparison between the carrying amounts and fair values of financial instruments as at December 31, 2012 and 2011:

	Carrying amount		Fair value	
	2012	2011	2012	2011
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Financial assets</b>				
Cash and balances at PMA	59,829,380	38,481,528	59,829,380	38,481,528
Balances at banks and financial institutions	56,880,637	84,448,263	56,880,637	84,448,263
Direct credit facilities	95,120,970	78,771,670	95,120,970	78,771,670
Financial assets through profit or loss	475,702	1,027,849	475,702	1,027,849
Financial assets at fair value through other comprehensive income:				
Quoted instruments traded in financial markets	8,250,200	9,316,508	8,250,200	9,316,508
Unquoted instruments	22,928	22,928	22,928	22,928
Investment in an associate	5,278,948	5,435,301	5,278,948	5,435,301
Financial assets at amortized cost	19,179,089	5,777,383	19,700,562	5,777,383
Other financial assets	4,838,436	11,867,179	4,838,436	11,867,179
<b>Total assets</b>	<b>249,876,290</b>	<b>235,148,609</b>	<b>250,397,763</b>	<b>235,148,609</b>
<b>Financial liabilities</b>				
Banks and financial institutions deposits	33,243,745	36,963,459	33,243,745	36,963,459
Customers' deposits	138,053,319	117,637,453	138,053,319	117,637,453
Cash margins	14,140,954	18,708,406	14,140,954	18,708,406
Other financial liabilities	5,035,229	3,266,807	5,035,229	3,266,807
<b>Total liabilities</b>	<b>190,473,247</b>	<b>176,576,125</b>	<b>190,473,247</b>	<b>176,576,125</b>

The fair value of the financial assets and liabilities are included at the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair values of balances at PMA, balances at banks and financial institutions and other financial assets, banks and financial institutions' deposits, customers' deposits, cash margins, and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets through profit or loss and financial assets at fair value through other comprehensive income were based in price quotations at the date of the consolidated financial statements.

**The hierarchy of fair values:**

The Bank uses the following hierarchy for determining and disclosing the fair value of its financial instruments:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Using inputs other than quoted prices that are observable, either directly or indirectly.
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the year, the Bank used only Level 1 to determine and disclose the fair values of financial assets through profit or loss and financial assets at fair value through other comprehensive income. Levels 2 and 3 were not used during the year.

**33. Concentration of assets and liabilities**

Following is breakdown of the Bank's assets, liabilities and items out of consolidated statement of financial position by geographical area:

	2012						Total
	Domestic	Jordan	Israel	Europe	America	Others	
<b>Assets</b>							
Cash and balances at PMA	598,293,380	-	-	-	-	-	59,829,380
Balances at Banks and financial institutions	41,158,047	685,855	9,238,416	1,477,542	4,197,636	123,141	56,880,637
Direct credit facilities	95,099,393	21,577	-	-	-	-	95,120,970
Financial assets through profit or loss	475,702	-	-	-	-	-	475,702
Financial assets at fair value through other comprehensive income	8,273,128	-	-	-	-	-	8,273,128
Investments in an associate	5,278,948	-	-	-	-	-	5,278,948
Financial assets at amortized cost	-	9,060,859	-	4,045,085	1,017,101	5,056,044	19,179,089
Property, plant and equipment	5,451,446	-	-	-	-	-	5,451,446
Deferred tax assets	959,699	-	-	-	-	-	959,699
Intangible assets	1,032,738	-	-	-	-	-	1,032,738
Other assets	6,208,028	-	-	-	-	-	6,208,028
	<u>223,766,509</u>	<u>9,768,291</u>	<u>9,238,416</u>	<u>5,522,627</u>	<u>5,214,737</u>	<u>5,179,185</u>	<u>258,689,765</u>
<b>Liabilities</b>							
Banks and financial institutions' deposits	32,580,740	-	-	258	-	662,747	33,243,745
Customers' deposits	135,289,886	2,763,433	-	-	-	-	138,053,319
Cash margins	14,140,954	-	-	-	-	-	14,140,954
Sundry provisions	1,815,486	-	-	-	-	-	1,815,486
Tax provisions	466,505	-	-	-	-	-	466,505
Other liabilities	5,035,229	-	-	-	-	-	5,035,229
	<u>189,328,800</u>	<u>2,763,433</u>	<u>-</u>	<u>258</u>	<u>-</u>	<u>662,747</u>	<u>192,755,238</u>
<b>Items out of the consolidated statement of financial position</b>							
Letter of guarantees	16,519,002	-	-	-	-	-	16,519,002
Letter of credits	40,39,701	-	-	-	-	-	4,039,701
Acceptances	4,964,689	-	-	-	-	-	4,964,689
Unutilized credit facilities limits	5,044,501	-	-	-	-	-	5,044,501
	<u>30,567,893</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,567,893</u>

	2011						
<b>Assets</b>	Domestic	Jordan	Israel	Europe	America	Others	Total
Cash and balances at PMA	38,481,528	-	-	-	-	-	38,481,528
Balances at Banks and financial institutions	49,557,624	291,654	6,976,850	16,776,131	575,539	10,270,465	84,448,263
Direct credit facilities	71,251,225	7,520,445	-	-	-	-	78,771,670
Financial assets through profit or loss	1,027,849	-	-	-	-	-	1,027,849
Financial assets at fair value through other comprehensive income	9,339,436	-	-	-	-	-	9,339,436
Investments in associate	5,435,301	-	-	-	-	-	5,435,301
Financial assets at amortized cost	-	4,777,383	-	1,000,000	-	-	5,777,383
Property, plant and equipment	5,368,856	-	-	-	-	-	5,368,856
Deferred tax assets	959,699	-	-	-	-	-	959,699
Intangible assets	1,062,295	-	-	-	-	-	1,062,295
Other assets	12,802,851	-	-	-	-	-	12,802,851
	<u>201,983,854</u>	<u>5,892,292</u>	<u>6,976,850</u>	<u>17,776,131</u>	<u>575,539</u>	<u>10,270,465</u>	<u>243,475,131</u>
<b>Liabilities</b>							
Banks and financial institutions' deposits	27,844,576	-	-	9,118,883	-	-	36,963,459
Customers' deposits	115,264,345	2,373,108	-	-	-	-	117,637,453
Cash margins	18,020,005	688,401	-	-	-	-	18,708,406
Sundry provisions	1,751,384	-	-	-	-	-	1,751,384
Tax provisions	742,593	-	-	-	-	-	742,593
Other liabilities	3,266,807	-	-	-	-	-	3,266,807
	<u>166,889,710</u>	<u>3,061,509</u>	<u>-</u>	<u>9,118,883</u>	<u>-</u>	<u>-</u>	<u>179,070,102</u>
<b>Items out of statement of financial position</b>							
Letter of guarantees	15,541,490	-	-	-	-	-	15,541,490
Letter of credits	1,656,705	-	-	-	-	-	1,656,705
Acceptances	5,621,760	-	-	-	-	-	5,621,760
Unutilized credit facilities limits	3,518,525	-	-	-	-	-	3,518,525
	<u>1,402,436</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,402,436</u>
	<u>27,740,916</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,740,916</u>

### 34. Risk management

The Bank discloses information to help the consolidated financial statements users to assess the nature and level of risk the Bank is exposed to as a result of its financial instruments as of the date of the consolidated financial statements as follows:

#### **Risk management framework**

Risk related to the Bank's activities are measured and monitored continuously to keep within acceptable limits. Due to sensitivity of risk management on the Bank results of operations, risk management roles and controls activities are distributed among the Bank's personnel.

#### **Risk management process**

The Board of Directors and the risk management committee are responsible for identifying and controlling risks; in addition, there are several parties which are responsible for managing and monitoring risks in the area in which the Bank operates.

### **Risk measurement and reporting system**

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk the Bank is willing to accept. Information is collected from different departments and analyzed for early identification of potential risks. This information is presented to the Bank's board of directors, the and the executive departments responsible for risk management.

### **Risks**

The Bank follows different policies in managing various risks as part of determined strategies. The Bank's risk departments monitor and control risks and optimize strategic diversification of financial assets and financial liabilities. Risks include credit risk, market risk (Interest rate risk, foreign currency risk, equity price risk) and liquidity risk.

#### **I. Credit risks**

Credit risks are those risks resulting from the default of counterparties to the financial instruments to repay their commitment to the Bank. The Bank, through credit risk management, sets ceilings for direct credit facilities (retail or corporate) and total loans granted to each sector and each geographical area. The Bank also monitors credit risks and continuously evaluates the credit standing of customers. The Bank also obtains appropriate collaterals from customers.

#### **Exposures to credit risks**

	<u>2012</u>	<u>2011</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
<b><u>Consolidated statement of financial position Items</u></b>		
Balances at PMA	20,394,959	19,109,447
Balances at Banks and financial institutions	56,880,637	84,448,263
Direct credit facilities		
Retail	43,995,288	36,778,380
Corporate	25,823,859	28,503,600
Public sector	25,301,823	13,489,690
Financial assets at amortized cost	19,179,089	5,777,383
Other assets	4,838,436	11,867,179
	<u>196,414,091</u>	<u>199,973,942</u>
<b><u>Commitments and Contingencies</u></b>		
Letter of guarantees	16,519,002	15,541,490
Letter of credits	4,039,701	4,768,351
Acceptances	4,964,689	2,510,114
Unutilized direct credit facilities limits	5,044,501	3,518,525
	<u>30,567,893</u>	<u>26,338,480</u>

**Credit risk exposure for each risk rating:**

Credit risk exposure for each risk rating distributed as follows:

<b>December 31, 2012</b>	Retail	Corporate	Government and public sector	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Performing	17,820,510	10,453,709	25,301,823	53,576,042
Acceptable risk	24,405,893	12,471,169	-	36,877,062
Watch list	131,012	39,216	-	170,228
Non-performing:				
Substandard	1,561,371	955,540	-	2,516,911
Doubtful	3,304,027	2,687,028	-	5,991,055
<b>Total</b>	<b>47,222,813</b>	<b>26,606,662</b>	<b>25,301,823</b>	<b>99,131,298</b>
Suspended interest and commissions	(222,867)	(118,959)	-	(341,826)
Allowance for impairment losses on credit facilities	(3,004,658)	(663,844)	-	(3,668,502)
	<u>43,995,288</u>	<u>25,823,859</u>	<u>25,301,823</u>	<u>95,120,970</u>

<b>December 31, 2011</b>	Retail	Corporate	Government and public sector	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Performing	12,486,231	13,128,153	13,489,690	39,104,074
Acceptable risk	19,950,899	13,412,741	-	33,624,074
Watch list	954,586	490,986	-	1,445,572
Non-performing:				
Substandard	2,969,338	1,253,881	-	4,223,219
Doubtful	2,327,324	1,387,251	-	3,714,575
<b>Total</b>	<b>38,688,378</b>	<b>29,673,012</b>	<b>13,489,690</b>	<b>81,851,080</b>
Suspended interest and commissions	(144,921)	(115,513)	-	(260,434)
Allowance for impairment losses on credit facilities	(1,765,077)	(1,053,899)	-	(2,818,976)
	<u>36,778,380</u>	<u>28,503,600</u>	<u>13,489,690</u>	<u>78,771,670</u>

**Distribution of collaterals fair value against credit facilities is as follows:**

**December 31, 2012**

	Retail	Corporate	Government and public sector	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Collaterals against:</b>				
Performing	15,897,214	7,446,019	-	23,343,233
Acceptable risk	20,858,735	8,950,858	-	29,809,593
Watch list	1,226,984	471,098	-	1,698,082
Non-performing:				
Substandard	1,938,635	744,335	-	2,682,970
Doubtful	3,996,629	107,043	-	4,103,672
<b>Total</b>	<b>43,918,197</b>	<b>17,719,353</b>	<b>-</b>	<b>61,637,550</b>
Comprising of:				
Cash margins	9,914,345	2,871,682	-	12,786,027
Letters of Guarantees	3,360,574	973,387	-	4,333,961
Quoted instrument	9,174,455	585,604	-	9,760,059
Vehicles and equipment	15,89,630	1,104,658	-	2,694,288
Real estate	19,879,193	12,184,022	-	32,063,215
	<b>43,918,197</b>	<b>17,719,353</b>	<b>-</b>	<b>61,637,550</b>

**December 31, 2011**

	Retail	Corporate	Government and public sector	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Collaterals against:</b>				
Performing	10,575,807	10,271,410	-	20,847,217
Acceptable risk	10,360,445	13,334,055	-	23,694,500
Watch list	493,550	1,237,576	-	1,731,126
Non-performing:				
Substandard	1,218,899	1,150,441	-	2,369,340
Doubtful	1,126,950	1,085,744	-	2,212,694
<b>Total</b>	<b>23,775,651</b>	<b>27,079,226</b>	<b>-</b>	<b>64,344,567</b>
Comprising of:				
Cash margins	9,317,280	9,391,126	-	18,708,406
Letters of Guarantees	640,115	689,509	-	1,329,624
Real estate	7,047,683	6,627,019	-	13,674,702
Quoted instrument	1,072,899	3,202,517	-	4,275,416
Vehicles and equipment	5,697,674	7,169,055	-	12,866,729
	<b>23,775,651</b>	<b>27,079,226</b>	<b>-</b>	<b>50,854,877</b>

**Concentration in risk exposures according to the geographical area are as follows:**

2012	Domestic	Jordan	Israel	Europe	America	Others	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Cash and balances at PMA	20,394,959	-	-	-	-	-	20,394,959
Balances at banks and financial institutions	41,158,047	685,855	9,238,416	1,477,542	4,197,636	123,141	56,880,637
Direct credit facilities	95,099,393	21,577	-	-	-	-	95,120,970
Financial assets at amortized cost	-	9,060,859	-	4,045,085	1,017,101	5,056,044	19,179,089
Other assets	4,838,436	-	-	-	-	-	4,838,436
Total as at December 31, 2012	161,490,835	9,768,291	9,238,416	5,522,627	5,214,737	5,179,185	196,414,091
Total as at December 31, 2011	158,482,665	5,892,292	6,976,850	17,776,131	575,539	10,270,465	199,973,942

**Concentration in risk exposures according to economic sectors are as follows:**

2012	Industrial and tourism			Financial markets		Government and public sector		Total
	Financial	Commerce	Real estate	Financial markets	Government and public sector	Other	Total	
U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	
Cash and balances at PMA	20,394,959	-	-	-	-	-	20,394,959	
Balances at Banks and financial institutions	56,880,637	-	-	-	-	-	56,880,637	
Direct credit facilities	1,673,923	9,236,697	20,732,769	6,121,245	25,301,823	10,300,841	95,120,970	
Financial assets at amortized cost	-	-	-	19,179,089	-	-	19,179,089	
Other assets	4,838,436	-	-	-	-	-	4,838,436	
Total as at December 31, 2012	83,787,955	9,236,697	20,732,769	25,300,334	25,301,823	10,300,841	196,414,091	
Total as at December 31, 2011	117,098,812	3,976,344	20,304,618	14,257,586	13,489,690	16,577,957	199,973,942	

## II. **Market risk**

Market risk arises from changes in interest rates, exchange rates of foreign currencies and stock prices. The Bank's Board of Directors sets the limits for acceptable risks. This is periodically monitored by the Bank's management.

### **Interest rate risk**

Interest rate risk arises from the effects of changes in interest rates on the value of financial instruments. The Bank is exposed to interest rate risk as a result of mismatch or the existence of a gap between assets and liabilities according to their maturities, or re-pricing interest rates in certain periods. The Bank manages this risk by reviewing the interest rate on assets and liabilities through its strategy on risk management.

Interest rates on assets and liabilities are reviewed periodically and the Bank regularly follows up the actual cost of funds and takes appropriate decisions regarding pricing based on the prevailing prices.

The effect of decreases in interest rate is expected to be equal and opposite to the effect of the increase shown below:

Currency	2012		2011	
	Increase in interest rate	Interest income sensitivity (profit and loss)	Increase in interest rate	Interest income sensitivity (profit and loss)
	basis points	U.S.\$	basis points	U.S.\$
U.S. \$	+10	78,638	+10	65,038
Jordanian Dinar	+10	(8,218)	+10	(10,861)
Israeli Shekel	+10	8,517	+10	22,840
EURO	+10	3,035	+10	(1,518)
Other currencies	+10	44	+10	4,696

**December 31, 2012****Interest rate re-pricing sensitivity**

	Interest rate re-pricing sensitivity					Total U.S. \$
	Less than 1 Month U.S. \$	From 1 month to 3 months U.S. \$	More than 3 months to 6 months U.S. \$	More than 6 months to 1 year U.S. \$	More than 1 year U.S. \$	
<b>Assets</b>						
Cash and balances at PMA	40,884,327	-	-	-	-	59,829,380
Balances at banks and financial institutions	29,121,928	4,000,000	-	-	-	56,880,637
Direct credit facilities	26,679,474	1,308,323	8,775,908	7,178,474	51,178,791	95,120,970
Financial assets through profit or loss	-	-	-	-	-	475,702
Financial assets at fair value through other comprehensive income	-	-	-	-	-	8,273,128
Investment in an associate	-	-	-	-	-	5,278,948
Financial assets at amortized cost	-	-	-	-	19,179,089	19,179,089
Property, plant and equipment	-	-	-	-	-	5,451,446
Deferred tax assets	-	-	-	-	-	959,699
Intangible assets	-	-	-	-	-	1,032,738
Other assets	-	-	-	-	-	6,208,028
<b>Total assets</b>	<b>96,685,729</b>	<b>5,308,323</b>	<b>8,775,908</b>	<b>7,178,474</b>	<b>70,357,880</b>	<b>258,689,765</b>
<b>Liabilities</b>						
Banks and financial institutions' deposits	25,818,225	6,353,887	-	-	-	1,071,633
Customers' deposits	33,598,482	7,989,508	3,733,863	3,915,380	10,739,778	138,053,319
Cash margins	7,439,364	1,653,029	355,340	480,869	4,212,352	14,140,954
Sundry provisions	-	-	-	-	-	1,815,486
Tax provisions	-	-	-	-	-	466,505
Other liabilities	-	-	-	-	-	5,035,229
<b>Total liabilities</b>	<b>66,856,071</b>	<b>15,996,424</b>	<b>4,089,203</b>	<b>4,396,249</b>	<b>14,952,130</b>	<b>192,755,238</b>
<b>Equity</b>						
Paid in share capital	-	-	-	-	-	53,000,000
Statutory reserve	-	-	-	-	-	7,076,614
Voluntary reserve	-	-	-	-	-	670,458
General Banking risks reserve	-	-	-	-	-	1,605,000
Pro-cyclicality reserve	-	-	-	-	-	890,752
Fair value reserve	-	-	-	-	-	(1,515,609)
Retained Earnings	-	-	-	-	-	4,207,312
<b>Net equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>65,934,527</b>
<b>Total liabilities and equity</b>	<b>66,856,071</b>	<b>15,996,424</b>	<b>4,089,203</b>	<b>4,396,249</b>	<b>14,952,130</b>	<b>258,689,765</b>
<b>Interest rate re-pricing sensitivity gap</b>	<b>29,829,658</b>	<b>(10,688,101)</b>	<b>4,686,705</b>	<b>2,782,225</b>	<b>55,405,750</b>	<b>-</b>
<b>December 31, 2011</b>	<b>Interest rate re-pricing sensitivity</b>					

	Less than 1 Month	From 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year	Non-interest bearing	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Assets</b>							
Cash and balances at PMA	38,481,528	-	-	-	-	-	38,481,528
Balances at banks and financial institutions	61,274,998	-	3,000,000	-	-	20,173,265	84,448,263
Direct credit facilities	5,096,781	3,507,547	8,130,664	24,151,403	37,885,275	-	78,771,670
Financial assets through profit or loss	-	-	-	-	-	1,027,849	1,027,849
Financial assets at fair value through other comprehensive income	-	-	-	-	-	9,339,436	9,339,436
Investment in an associate	-	-	-	-	-	5,435,301	5,435,301
Financial assets at amortized cost	-	-	-	-	5,777,383	-	5,777,383
Property, plant and equipment	-	-	-	-	-	5,368,856	5,368,856
Deferred tax assets	-	-	-	-	-	959,699	959,699
Intangible assets	-	-	-	-	-	1062,295	1,062,295
Other assets	-	-	-	-	-	12,802,851	12,802,851
<b>Total assets</b>	<b>104,853,307</b>	<b>3,507,547</b>	<b>11,130,664</b>	<b>24,151,403</b>	<b>43,662,658</b>	<b>56,169,552</b>	<b>243,475,131</b>
<b>Liabilities</b>							
Banks and financial institutions' deposits	36,695,085	-	-	-	-	268,374	36,963,459
Customers' deposits	26,655,309	5,417,707	7,002,191	11,875,130	756,356	65,930,760	117,637,453
Cash margins	1,790,789	836,033	596,472	6,160,497	9,324,615	-	18,708,406
Sundry provisions	-	-	-	-	-	1,751,384	1,751,384
Tax provisions	-	-	-	-	-	742,593	742,593
Other liabilities	-	-	-	-	-	3,266,807	3,266,807
<b>Total liabilities</b>	<b>65,141,183</b>	<b>6,253,740</b>	<b>7,598,663</b>	<b>18,035,627</b>	<b>10,080,971</b>	<b>71,959,918</b>	<b>179,070,102</b>
<b>Equity</b>							
Paid-in share capital	-	-	-	-	-	53,000,000	53,000,000
Statutory reserve	-	-	-	-	-	6,881,214	6,881,214
Voluntary reserve	-	-	-	-	-	670,458	670,458
General banking risks reserve	-	-	-	-	-	1,605,000	1,605,000
Pro-cyclical reserve	-	-	-	-	-	601,142	601,142
Fair value reserve	-	-	-	-	-	(1,391,246)	(1,391,246)
Retained Earnings	-	-	-	-	-	3,038,461	3,038,461
<b>Net equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>64,405,029</b>	<b>64,405,029</b>
<b>Total liabilities and equity</b>	<b>65,141,183</b>	<b>6,253,740</b>	<b>7,598,663</b>	<b>18,035,627</b>	<b>10,080,971</b>	<b>136,364,947</b>	<b>243,475,131</b>
<b>Interest rate re-pricing sensitivity gap</b>	<b>39,712,124</b>	<b>(2,746,193)</b>	<b>3,532,001</b>	<b>6,115,776</b>	<b>33,581,687</b>	<b>(80,195,395)</b>	<b>-</b>

### Foreign currency risk

These are the risks of the change in value of financial instruments resulting from the change in foreign exchange rates. The U.S \$ is the functional currency of the Bank. The Board of Directors sets the limit of the financial position for each currency at the Bank annually, and such position is monitored on a daily basis and hedging strategies are used to ensure maintaining the foreign currency position within the approved limits.

The Jordanian Dinar (JOD) exchange rate is pegged to US Dollar exchange rate, so foreign currency risk of (JOD) is not material on the Bank's consolidated financial statements.

The effect of the expected decrease in exchange rates is equal and opposite to the effect of the increase stated below:

Currency	2012		2011	
	Increase in currency %	Effect on profit and loss U.S.	Increase in currency %	Effect on profit and loss U.S.
EURO	+10	6,119	+10	(580,299)
Israeli Shekels (ILS)	+10	13,7975	+10	24,889
Other currencies	+10	113,882	+10	582,478

Following is the foreign currencies position of the Bank:

	JOD	EURO	ILS	Others	Total
	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$
<b>December 31, 2012</b>					
<b>Assets</b>					
Cash and balances with PMA	5,627,375	941,908	42,846,837	-	49,416,120
Balances at banks and financial institutions	3,256,685	4,843,354	17,255,290	53,712	25,409,041
Direct credit facilities	4,718,432	664,551	36,889,210	47	42,272,240
Financial assets at fair value through other comprehensive income	8,273,126	-	-	-	8,273,126
Other assets	1,398,214	5,225	2,518,414	1,110,000	5,031,853
<b>Total assets</b>	<b>23,273,832</b>	<b>6,455,038</b>	<b>99,509,751</b>	<b>1,163,759</b>	<b>130,402,380</b>
<b>Liabilities</b>					
Banks and financial institutions' deposits	2,002,821	1,398,882	29,179,036	-	32,580,739
Customers' deposits	23,752,759	4,308,197	62,668,406	24,938	90,754,300
Cash margins	2,103,821	686,104	6,054,332	-	8,844,257
Other liabilities	300,907	663	228,228	-	529,798
<b>Total liabilities</b>	<b>28,160,308</b>	<b>6,393,846</b>	<b>98,130,002</b>	<b>24,938</b>	<b>132,709,094</b>
<b>Statement of financial position concentration</b>	<b>(4,886,476)</b>	<b>61,192</b>	<b>1,379,749</b>	<b>1,138,821</b>	<b>(2,306,714)</b>
<b>Commitments and contingencies</b>	<b>6,552,409</b>	<b>2,434,743</b>	<b>5,571,976</b>	<b>-</b>	<b>14,559,128</b>
	JOD	EURO	ILS	Others	Total
	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$
<b>December 31, 2011</b>					
<b>Total assets</b>	<b>23,534,537</b>	<b>1,356,164</b>	<b>74,495,731</b>	<b>5,870,601</b>	<b>105,257,033</b>
<b>Total liabilities and equity</b>	<b>26,335,450</b>	<b>7,159,155</b>	<b>74,246,844</b>	<b>45,822</b>	<b>107,787,271</b>
<b>Statement of financial position concentration</b>	<b>(2,800,913)</b>	<b>(5,802,991)</b>	<b>248,887</b>	<b>5,824,779</b>	<b>(2,530,238)</b>
<b>Commitments and contingencies</b>	<b>2,889,413</b>	<b>4,384,480</b>	<b>5,697,607</b>	<b>-</b>	<b>12,971,500</b>

### Equity price risk

Equity price risk results from changes in fair value of equity instruments. The effect of the expected decrease in equity instrument prices is equal and opposite to the effect of the increase stated below:

Market	2012			2011	
	Increase in indicator (%)	Effect on profit and loss U.S.	Effect on equity U.S.	Effect on profit and loss U.S.	Effect on equity U.S.
Palestine Securities Exchange	+10	47,571	827,313	102,785	931,651

### III. Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors future cash flows and liquidity and maintains sufficient amount of cash and cash equivalents and liquid financial investments.

The table below summarizes the assets and liabilities on the basis of the remaining contractual maturities as at December 31, 2012 and 2011, respectively:

	Less than 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months up to 1 year	More than 1 year to 3 years	More than 3 years	Without maturity	Total
<b>December 31, 2012</b>	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$
<b>Assets</b>								
Cash and balances with PMA	59,829,380	-	-	-	-	-	-	59,829,380
Balances at banks and financial institutions	52,880,637	4,000,000	-	-	-	-	-	56,880,637
Direct credit facilities	26,679,474	1,308,323	8,775,908	7,178,474	25,101,081	26,077,710	-	95,120,970
Financial assets through profit or loss	-	-	-	-	-	-	475,702	475,702
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	8,273,128	8,273,128
Investment in an associate	-	-	-	-	-	-	5,278,948	5,278,948
Financial assets at amortized cost	-	-	-	-	-	19,179,089	-	19,179,089
Property, plant and equipment	-	-	-	-	-	-	5,451,446	5,451,446
Deferred tax assets	-	-	-	-	-	-	959,699	959,699
Intangible assets	-	-	-	-	-	-	1,032,738	1,032,738
Other assets	1,273,349	4,743,243	-	191,436	-	-	-	6,208,028
<b>Total assets</b>	<b>140,662,840</b>	<b>10,051,566</b>	<b>8,775,908</b>	<b>7,369,910</b>	<b>25,101,081</b>	<b>45,256,799</b>	<b>21,471,661</b>	<b>258,689,765</b>
<b>Liabilities:</b>								
Banks and financial institutions' deposits	26,889,858	6,353,887	-	-	-	-	-	33,243,745
Customers' deposits	109,250,499	10,413,799	3,733,863	3,915,380	10,739,778	-	-	138,053,319
Cash margins	7,439,364	2,153,734	2,854,634	480,869	1,212,353	-	-	14,140,954
Sundry provisions	-	-	-	-	-	-	1,815,486	1,815,486
Tax provisions	-	-	466,505	-	-	-	-	466,505
Other liabilities	1,818,961	2,925,021	291,247	-	-	-	-	5,035,229
<b>Total liabilities</b>	<b>145,398,682</b>	<b>21,846,441</b>	<b>7,346,249</b>	<b>4,396,249</b>	<b>11,952,131</b>	<b>-</b>	<b>1,815,486</b>	<b>192,755,238</b>
<b>Equity</b>								
Paid-in share capital	-	-	-	-	-	-	53,000,000	53,000,000
Statutory reserve	-	-	-	-	-	-	7,076,614	7,076,614
Voluntarily reserve	-	-	-	-	-	-	670,458	670,458
General Banking risks reserve	-	-	-	-	-	-	1,605,000	1,605,000
Pro- cyclical reserve	-	-	-	-	-	-	890,752	890,752
Fair value reserve	-	-	-	-	-	-	(1,515,609)	(1,515,609)
Retained earnings	-	-	-	-	-	-	4,207,312	4,207,312
<b>Total equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>65,934,527</b>	<b>65,934,527</b>
<b>Total liabilities and equity</b>	<b>145,398,682</b>	<b>21,846,441</b>	<b>7,346,249</b>	<b>4,396,249</b>	<b>11,952,131</b>	<b>-</b>	<b>67,750,013</b>	<b>258,689,765</b>
<b>Maturity gap</b>	<b>(4,735,842)</b>	<b>(11,794,875)</b>	<b>1,429,659</b>	<b>2,973,661</b>	<b>13,148,950</b>	<b>45,256,799</b>	<b>(46,278,352)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>(4,735,842)</b>	<b>(16,530,717)</b>	<b>(15,101,058)</b>	<b>(12,127,397)</b>	<b>1,021,553</b>	<b>46,278,352</b>	<b>-</b>	<b>-</b>

	Less than 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months up to 1 year	More than 1 year to 3 years	More than 3 years	Without maturity	Total
<b>December 31, 2011</b>	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$
<b>Assets</b>								
Cash and balances with PMA	38,481,528	-	-	-	-	-	-	38,481,528
Balances at banks and financial institutions	61,274,998	-	3,000,000	-	-	-	20,173,265	84,448,263
Direct credit facilities	5,096,781	3,507,547	8,130,664	24,151,403	37,885,275	-	-	78,771,670
Financial assets through profit or loss	-	-	-	-	-	-	1,027,849	1,027,849
Financial assets at fair value through other comprehensive income	9,339,436	-	-	-	-	-	-	9,339,436
Investment in an associate	-	-	-	-	-	-	5,435,301	5,435,301
Financial assets at amortized cost	-	-	-	-	5,777,383	-	-	5,777,383
Property, plant and equipment	-	-	-	-	-	-	5,368,856	5,368,856
Deferred tax assets	-	-	-	-	-	-	959,699	959,699
Intangible assets	-	-	-	-	-	-	1,062,295	1,062,295
Other assets	9,821,340	-	613,548	1,681,796	455,482	-	230,685	12,802,851
<b>Total assets</b>	<b>124,014,083</b>	<b>3,507,547</b>	<b>11,744,212</b>	<b>25,833,199</b>	<b>44,118,140</b>	<b>-</b>	<b>34,257,950</b>	<b>243,475,131</b>
<b>Liabilities:</b>								
Banks and financial institutions' deposits	36,695,085	-	-	-	-	-	268,374	36,963,459
Customers' deposits	92,586,069	5,417,707	7,002,191	11,875,130	756,356	-	-	117,637,453
Cash margins	1,790,789	836,033	596,472	6,160,497	2,625,473	6,699,142	-	18,708,406
Sundry provisions	-	-	-	-	-	-	1,751,384	1,751,384
Tax provisions	-	-	742,593	-	-	-	-	742,593
Other liabilities	2,496,039	549,070	271,698	-	-	-	-	3,266,807
<b>Total liabilities</b>	<b>133,517,982</b>	<b>6,802,810</b>	<b>8,612,954</b>	<b>18,035,627</b>	<b>3,381,829</b>	<b>6,699,142</b>	<b>2,019,758</b>	<b>179,070,102</b>
<b>Equity</b>								
Paid-in share capital	-	-	-	-	-	-	53,000,000	53,000,000
Statutory reserve	-	-	-	-	-	-	6,881,214	6,881,214
Voluntarily reserve	-	-	-	-	-	-	670,458	670,458
General banking risks reserve	-	-	-	-	-	-	1,605,000	1,605,000
Pro- cyclical reserve	-	-	-	-	-	-	601,142	601,142
Fair value reserve	-	-	-	-	-	-	(1,391,246)	(1,391,246)
Retained earnings	-	-	-	-	-	-	3,038,461	3,038,461
<b>Total equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>64,405,029</b>	<b>64,405,029</b>
<b>Total liabilities and equity</b>	<b>133,517,982</b>	<b>6,802,810</b>	<b>8,612,954</b>	<b>18,035,627</b>	<b>3,381,829</b>	<b>6,699,142</b>	<b>66,424,787</b>	<b>243,475,131</b>
<b>Maturity gap</b>	<b>(9,503,899)</b>	<b>(3,295,263)</b>	<b>3,131,258</b>	<b>7,797,572</b>	<b>40,736,311</b>	<b>(6,699,142)</b>	<b>(32,166,837)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>(9,503,899)</b>	<b>(12,799,162)</b>	<b>(9,667,904)</b>	<b>(1,870,332)</b>	<b>38,865,979</b>	<b>32,166,837</b>	<b>-</b>	<b>-</b>

### 35. Segment Information

#### Information on the Bank's business segments

For management purposes, the Bank is organized into three major business segments:

**Retail Banking:** Includes handling individual customers' deposits, and providing consumer type loans, overdrafts, credit cards facilities and other services;

**Corporate Banking:** Includes handling loans, credit facilities, deposits and current accounts for corporate and institutional customers;

**Treasury:** Includes providing trading and treasury services and the management of the Bank's funds.

Following is the Bank's business segments according to operations:

	Retail	Corporate	Treasury	Other	Total	
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	2012 U.S. \$	2011 U.S. \$
Gross revenues	7,457,260	3,501,441	464,943	1,935,587	13,359,231	14,335,310
Recovery of impairment of credit facilities	(1,012,835)	(703,835)	-	-	(1,716,670)	(1,474,230)
Segment results	6,444,425	2,797,606	464,943	1,935,587	11,642,561	12,861,080
Unallocated expenses					(9,101,973)	(9,834,817)
Profit before tax					2,540,588	3,026,263
Tax expense					(714,311)	(473,279)
Profit for the year					1,826,277	2,552,984
<b>Other segment information:</b>						
Depreciation and amortization					646,083	724,159
Capital expenditures					511,365	617,441
Segment assets	47,222,813	26,606,660	152,916,884	31,943,408	258,689,765	243,475,131
Segment liabilities	122,799,966	27,449,950	33,361,745	9,143,577	192,755,238	179,070,102

#### Geographical distribution information

The following is the geographical distribution of the Bank's businesses. The Bank mainly carries out its business in Palestine, in addition to foreign operations.

The following is the distribution of the Bank's revenues and assets according to geographical sector:

	Domestic		Foreign		Total	
	2012 U.S. \$	2011 U.S. \$	2012 U.S. \$	2011 U.S. \$	2012 U.S. \$	2011 U.S. \$
Gross revenues	12,312,807	13,047,239	1,046,424	1,288,071	13,359,231	14,335,310
Total assets	223,766,508	195,286,664	34,923,257	48,188,467	258,689,765	243,475,131
Capital expenditures	511,365	617,441	-	-	511,365	617,441

### 36. Maturities of assets and liabilities

The following table depicts the analysis of assets and liabilities according to their maturities:

<b>December 31, 2012</b>	Up to 1 year	More than 1 year	Without maturity	Total
<b>ASSETS</b>	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Cash and balances at PMA	59,829,380	-	-	59,829,380
Balances at banks and financial institutions	56,880,637	-	-	56,880,637
Direct credit facilities	43,942,179	51,178,791	-	95,120,970
Financial assets through profit or loss	-	-	475,702	475,702
Financial assets at fair value through other comprehensive income	-	-	8,273,128	8,273,128
Investment in an associate	-	-	5,278,948	5,278,948
Financial assets at amortized cost	-	19,179,089	-	19,179,089
Property, plant and equipment	-	-	5,451,446	5,451,446
Deferred tax assets	-	-	959,699	959,699
Intangible assets	-	-	1,032,738	1,032,738
Other assets	6,208,028	-	-	6,208,028
<b>Total Assets</b>	<b>166,860,224</b>	<b>70,357,880</b>	<b>21,471,661</b>	<b>258,689,765</b>
<b>LIABILITIES</b>				
Banks and financial institutions' deposits	33,243,745	-	-	33,243,745
Customers' deposits	127,313,541	10,739,778	-	138,053,319
Cash margins	12,928,601	1,212,353	-	14,140,954
Sundry Provisions	-	-	1,815,486	1,815,486
Tax provisions	466,505	-	-	466,505
Other liabilities	5,035,229	-	-	5,035,229
<b>Total Liabilities</b>	<b>178,987,621</b>	<b>11,952,131</b>	<b>1,815,486</b>	<b>192,755,238</b>
<b>EQUITY</b>				
Paid in share capital	-	-	53,000,000	53,000,000
Statutory reserve	-	-	7,076,614	7,076,614
Voluntary reserve	-	-	670,458	670,458
General Banking risks reserve	-	-	1,605,000	1,605,000
Pro- cyclical reserve	-	-	890,752	890,752
Fair value reserve	-	-	(1,515,609)	(1,515,609)
Retained earnings	-	-	4,207,312	4,207,312
<b>Net Equity</b>	<b>-</b>	<b>-</b>	<b>65,934,527</b>	<b>65,934,527</b>
<b>Total Liabilities and Equity</b>	<b>178,987,621</b>	<b>11,952,131</b>	<b>67,750,013</b>	<b>258,689,765</b>
Maturity gap	(12,127,397)	58,405,749	(46,278,352)	-
Cumulative maturity gap	(12,127,397)	46,278,352	-	-

<b>December 31, 2011</b>	Up to 1 year	More than 1 year	Without maturity	Total
<b>ASSETS</b>	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Cash and balances at PMA	38,481,528	-	-	38,481,528
Balances at banks and financial institutions	84,448,263	-	-	84,448,263
Direct credit facilities	40,886,395	37,885,275	-	78,771,670
Financial assets through profit or loss	-	-	1,027,849	1,027,849
Financial assets at fair value through other comprehensive income	-	-	9,339,436	9,339,436
Investment in an associate	-	-	5,435,301	5,435,301
Financial assets at amortized cost	-	5,777,383	-	5,777,383
Property, plant and equipment	-	-	5,368,856	5,368,856
Deferred tax assets	-	-	959,699	959,699
Intangible assets	-	-	1,062,295	1,062,295
Other assets	12,116,684	455,482	230,685	12,802,851
<b>Total Assets</b>	<b>175,932,870</b>	<b>44,118,140</b>	<b>23,424,121</b>	<b>243,475,131</b>
<b>LIABILITIES</b>				
Banks and financial institutions' deposits	36,963,459	-	-	36,963,459
Customers' deposits	116,881,097	756,356	-	117,637,453
Cash margins	9,383,791	9,324,615	-	18,708,406
Sundry Provisions	-	-	1,751,384	1,751,384
Tax provisions	742,593	-	-	742,593
Other liabilities	3,266,807	-	-	3,266,807
<b>Total Liabilities</b>	<b>167,237,747</b>	<b>10,080,971</b>	<b>1,751,384</b>	<b>179,070,102</b>
<b>EQUITY</b>				
Paid in share capital	-	-	53,000,000	53,000,000
Statutory reserve	-	-	6,881,214	6,881,214
Voluntary reserve	-	-	670,458	670,458
General banking risks reserve	-	-	1,605,000	1,605,000
Pro- cyclical reserve	-	-	601,142	601,142
Fair value reserve	-	-	(1,391,246)	(1,391,246)
Retained earnings	-	-	3,038,461	3,038,461
<b>Net Equity</b>	<b>-</b>	<b>-</b>	<b>64,405,029</b>	<b>64,405,029</b>
<b>Total Liabilities and Equity</b>	<b>167,237,747</b>	<b>10,080,971</b>	<b>66,156,413</b>	<b>243,475,131</b>
Maturity gap	8,695,123	34,037,169	(42,732,292)	-
Cumulative maturity gap	8,695,123	42,732,292	-	-

### 37. Development policies

The Bank's policy mainly depends on an ongoing approach for research and development of all aspects for improving and diversifying banking services. Furthermore, the Bank continually works on developing personnel and provides new services for the customers in additions to keeping on developing information technology.

### 38. Capital management

The primary objective of the Bank's capital management is to ensure that it maintains adequate capital ratios in order to support its business and maximize shareholder value.

The Bank manages the capital structure and makes the necessary adjustments in light of changes in economic conditions and the nature of the work. Bank does not have to make any amendments to the objectives, policies and procedures relating to the structuring of capital during the current year.

The capital adequacy ratio is computed in accordance with the PMA's instructions no. (7/2009) derived from Basel Committee regulations computed as follows:

	2012			2011		
	Amount U.S. \$	Percentage to assets %	Percentage to risk - weighted assets %	Amount U.S. \$	Percentage to assets U.S. \$	Percentage to risk - weighted assets %
Regulatory capital	43,285,071	16,73	31,55	40,957,952	16.82	31.72
Basic capital	60,182,356	23,26	43,86	59,670,117	24.51	46.21

### 39. Commitments and contingent liabilities

The total outstanding commitments and contingent liabilities as at the consolidated financial statements date are as follows:

	2012	2011
	U.S. \$	U.S. \$
Letter of guarantees	16,519,002	15,541,490
Letters of credits	4,039,701	4,768,351
Acceptances	4,964,689	2,510,114
Contract obligations	-	1,402,436
Unutilized direct credit facilities limits	5,044,501	3,518,525
	30,567,893	27,740,916

### 40. Legal cases against the Bank

The number of lawsuits against the Bank as at December 31, 2012 was 4 and 5 in the normal course of business with a total amount of U.S. \$ 1,857,651 and U.S. \$ 2,065,191 as of 31 December 2012 and December 31, 2011, respectively.

The Bank's management and its legal advisor believes that the Bank maintain adequate provisions against the lawsuits.

### 41. Concentration of risk in geographical area

The Bank carries out its activities in Palestine. The political and economical destabilization in the area increases the risk of carrying out business and could adversely affect performance.

the risk of carrying out business and could adversely affect performance.

## Bank Branches and Offices

### Main Branch and Headquarters

Al-Bireh / Ramallah  
Al-Nahda Roundabout, Al Hilal St.  
Dirar Altawil Bld.  
P.O. Box 3675

Tel : +970 (2) 2407880/2/3

Fax: +970 (2) 24078871/7

### Gaza Branch

Al-Rimal - Omar al-Mokhtar St.  
PO Box 4045 – 4047, Gaza

Tel: +970 (8) 2822105/6

Fax: +970 (8) 2822107

### Beit Sahour Office

Souq Al Sha`eb St.

P.O. Box 169, Beit Sahur

Tel: +970 (2) 2774702/3

Fax: +970 (2) 2774705

### Beitommarr Office – Hebron

Main St. PO Box 682, Hebron

Tel: +970 (2) 2521402/4

Fax: +970 (2) 2521408

### Huwwara Office

Main St. PO Box 725

Nablus

Tel: +970 (9) 2591041/6

Fax: +970 (9) 2591045

### Bani Naim Office

Main St. PO Box 782, Hebron

Tel: +970 (2) 2219626/5

Fax: +970 (2) 2216982

### Housan Office

Main St. PO Box 275, Bethlehem

Tel: +970 (2) 2759615

Fax: +970 (2) 2759616

### Subsidiaries

### Nablus Branch

Hamdi Kanaan St. (Branches out of Palestine St.)

Gallery Center Bld. – 2<sup>nd</sup> Floor

P.O. Box 725, Nablus

Tel: +970 (9) 2385051/6

Fax: +970 (9) 2385057

### Hebron Branch

Al-Manara Roundabout

PO Box 782

Tel: +970 (2) 2252701/5

Fax: +970 (2) 225-2706

### Bethlehem Branch

Al-Jabal St. – Central Market Road

P.O. Box 275, Bethlehem

Tel: +970 (2) 2770888

Fax: +970 (2) 2770889

### Jericho Branch

Hisham Palace St.

P.O. Box 46, Jericho

Tel: +970 (2) 2321035/6

Fax: +970 (2) 2323602

### Beitunia Branch

Ramallah - Industrial Zone, Main St.

PO Box 3675, Al-Bireh

Tel: +970 (2) 2901682/3

Fax: +970 (2) 2901686

### Jenin Branch

City Center - Abu-Baker Street Entrance

Al Anis Bld.

PO Box 120, Jenin

Tel: +970 (4) 2436560

Fax: +970 (4) 2436567

### Global Securities Co. (GSC)

Financial intermediaries for buying and selling stocks  
Headquarters and Central Administration, Nablus  
Hamdi Kanaan St. (Branches out of Palestine St.)  
Nablus, PO Box 1776

Tel: +970 (9) 2387880/1 - Fax: +970(9) 2385060

