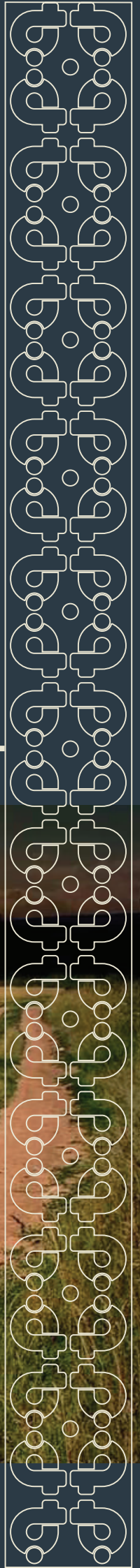




بنك الاستثمار الفلسطيني
PALESTINE INVESTMENT BANK
تنمية وأمان

The Twenty-First Annual Report

2015







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PALESTINE INVESTMENT BANK
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The Twenty-First Annual Report

Results and Achievements During 2015



Contents

Members of the Board of Directors

Executive Management

PIB's Mission (Vision, Goals, Main Values and Future Options)

PIB's Products and Services

Chairman of the Board of Directors' Statement

Analysis of Financial Position and Results of 2015

Future Strategic Plan for 2016

Corporate Governance

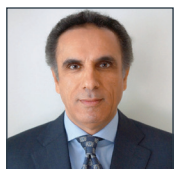
Auditor's Report

Financial Statements

Notes to the Financial Statements

Branches, Offices and Subsidiaries of the bank

Members of the Board of Directors As of December 31, 2015



Mr. Abed Dayeh

Chairman



Mr. Khalil Nasr

Vice-Chairman



Dr. Adnan Steitieh

Non-executive Director



Mr. Yousef Bazian

Non-executive Director



Mr. Sami Ismail Sayid

Non-executive Director



Mr. Jamil al-Muti

Non-executive Director



Mr. Marwan Abdul-Hameed

Non-executive Director



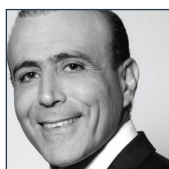
Mr. Walid Al-Najjar

Non-executive Director



Mr. Mohammad Kamal Hassouneh

Non-executive Director



Mr. Hanna (Johny) Abuaitah

Non-executive Director



Mr. Fadi Hamra

Non-executive Director

Senior Executive Management

Mr. Issa Kassis	General Manager
Mr. Fawzi Al Jawhari	Deputy General Manager
Mr. Mahmoud Odeh	Assistant General Manager – Branches Department
Mr. Salah El Din Fares	Assistant General Manager – IT Department
Mr. Sami Aghbar	Director of Internal Audit Department
Mr. Lutfi Khaseeb	Director of Central Accounting Department
Mr. Burhan Hammad	Director of Risk Department
Mr. Feras Enaya	Director of Credit Department
Mr. Ashraf Hassounh	Director of Treasury Department.



Advisors



- **Advisors**
Mr. Diaa' El Din Abd El Fattah
 - **Legal Counsel**
Mr. Hussam El Din Al Atira
 - **External Auditors**
Ernst & Young
- 

The Bank Message

Visions and Tasks

Basic Values

Future Expectations





► Visions and Tasks

* We always strive to be the leading bank and ahead of banks in Palestine, by providing the finest financial services and outstanding and superior banking products to our clients. Those services and products are provided by a highly- qualified staff who do their work in a stimulating environment, supported by modern technology, with products and services which are carefully selected, through the application of the highest professional and ethical standards, by aiming to achieve financial results suitable to our ranking in the Palestinian banking system.

* To contribute to the growth and development of the Palestinian economy, with the utmost responsibility and commitment.

► Core Values

* Our basic values are founded on honesty and truthfulness and honest with ourselves and with others, and the permanent pursuit of excellence and fulfilling of our promises. In addition to being committed to the foundations of corporate governance in all our business, and the continuing the challenge to find the best ways to satisfy our clients, we always committed to social responsibilities everywhere.

► Future Expectations

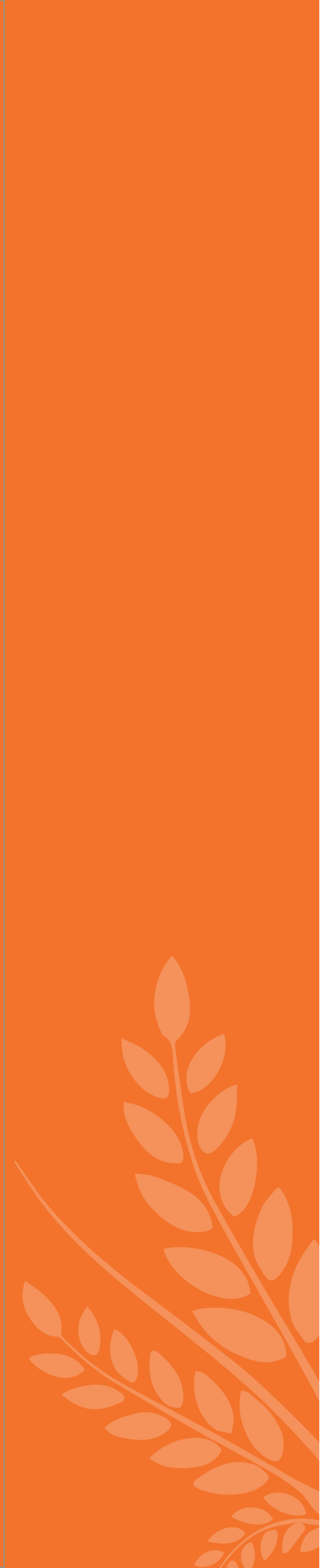
* Our future expectations are to maintain the achievements and sustainability of growth and development, and to continue to meet efficiently and effectively the needs and desires of our clients. In addition to help their assets grow with the utmost care and responsibility by continuing to introduce and develop new products within the Palestinian banking market. We will continue to reinforce our financial position through the application of risk management, human resource development, and effective use of modern technology for the continuity of excellence in performance, and increase in efficiency in dealing with our clients with the utmost transparency.

PIB's Products and Services

Financial Services

Commercial Services

Treasury and Investment Services





PIB's Products and Services



Financial Services

- Provide all types of current and savings accounts.
- Accept all forms of deposits, with 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 local 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 Message

Dear Shareholders,

On behalf of the Board of Directors and myself, it is my pleasure to present to you the bank's 21st Annual Report, which includes the consolidated financial statements, and the Bank's recent achievements.

Palestine economy Overview

GDP

At the end of 2015 Q3, Palestinian GDP totaled around USD 1.9 billion (2004 prices), a decline of 1.9 percent from Q2 (1.7 percent in the West Bank and 2.7 percent in Gaza), but a 9.6 percent increase over the third quarter a year earlier. Per capita GDP, meanwhile, reached USD 433, which is 2.6 percent lower than the figure in the previous quarter but 6.4 percent higher than the figure in the same quarter of 2014. Figures for spending on GDP show an persistent gap between domestic consumption and production, with final consumption expenditure reaching 125 percent of GDP during the quarter.

The banking sector

Total assets of banks during Q3 totaled USD 12.5 billion, a slight growth of 0.3 percent over the previous quarter. The total liabilities and the ratio of non-performing facilities to total facilities both remained unchanged. At the same time, the net profits of banks increased USD 4.2 million over the second quarter of the year to USD 36.4 million. During Q3 the difference between the average lending interest rate and the average deposit interest rate rose for the USD and the JD, but declined a little for the NIS.

Investment Indicators

The number of companies newly registered in the West Bank in 2015 Q3 was 340, down 78 from the previous quarter, but up 29 from the same quarter of 2014. The new companies registered in the quarter had a capital of JD 39 million, down 39 percent from the previous quarter.

Around 2225 building permits for new and existing housing units were issued during the quarter, a 5 percent decline from the figure in the previous quarter. Meanwhile, the amount of imported cement shrank 8.7 percent compared with the second quarter of the year.

Bank's overview,

The banks financial indicators in 2015 Annual report registered a growth in some segments of the financials, bolstered the capital base as well as improving the bank's market share in Palestine.

The net of total credit facilities rose up to 38.7 % over previous year, and the size of customer deposits increased by 4.97 % in 2015. The total bank's equity increased by 6.44% over previous year.

The bank's revenue of net interest rose by 9.8 %, although this increase was not evident in the grand income of 2015 as the largest bulk of the loan portfolio activity was in the last quarter of 2015. Two new branches were opened in 2015 (Ramallah and Bir Nabal) which adversely affected 2015 operating income with the establishment costs and overheads.



Dear Shareholders,

On behalf of my fellow Board members, I would like to express my gratitude and thanks to all of Palestine Investment Bank shareholders, and to our loyal customers and partners for their continued trust and support. I would like to express PIB's appreciation and thanks for the efforts of the regularity authorities in Palestine represented by PMA, to promote the services of this sector that achieves ongoing growth in the Palestinian economy, in addition, to implementing the prudential standards to protect shareholders and depositors.

Abed Dayeh
Chairman of the Board

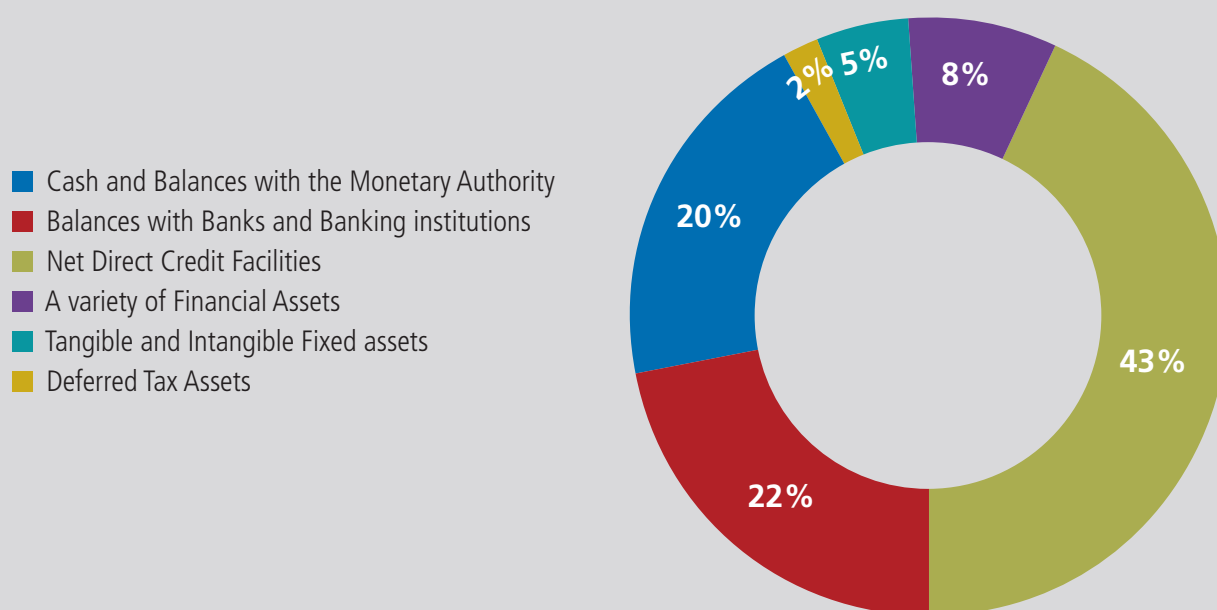
Analysis of the Financial Position and Results of Operations in 2015

The Bank's management continued the growth in shareholders' equity and to maintain a balance between profitability and safe investment, and to avoid high-risk investments. The management also continued providing the necessary liquidity to meet the financial obligations of different maturities and the optimal use of available funds efficiently and effectively in order to support the financial position, and to maintain the growth of revenue generating resources.

Relative Importance of the Elements of the Financial Position of the Bank				
	USD\$ Million		Relative Importance (%)	
	2015	2014	2015	2014
Assets				
Cash and Balances with the Monetary Authority	63.77	56.58	19.46	17.64
Balances with Banks and Banking institutions	72.67	124.99	22.17	38.96
Net Direct Credit Facilities	141.67	102.15	43.22	31.84
A variety of Financial Assets	25.96	22.42	7.92	6.98
Tangible and Intangible Fixed assets	17.31	10.90	5.28	3.40
Deferred Tax Assets	6.39	03.77	1.95	1.18
Total Assets	327.77	320.81	100	100

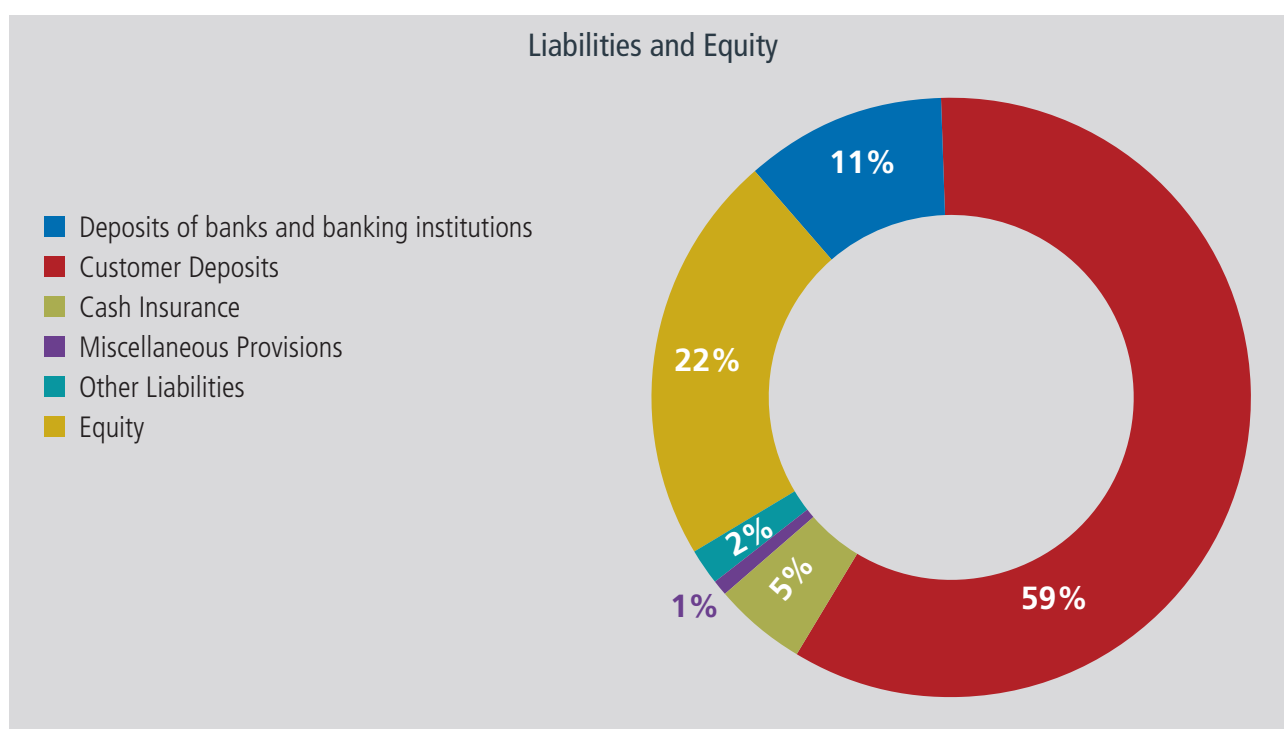
* The Capital Investment of the Bank amounted as on 31.12.2015 US \$ 16.303.406.

Relative Importance of the Elements of the Financial Position of the Bank





Liabilities and Equity				
	USD\$ Million		Relative Importance (%)	
	2015	2014	2015	2014
Deposits of banks and banking institutions	35.94	43.78	10.97	13.64
Customer Deposits	193.44	184.28	59.02	57.44
Cash Insurance	15.11	14.86	4.61	4.63
Miscellaneous Provisions	2.37	2.36	0.32	0.74
Other Liabilities	7.88	6.92	2.40	2.16
Equity	73.03	68.61	22.28	21.39
Total Liabilities and Equity	327.77	320.81	100	100





Direct Credit Facilities

Over the last year 2015, the Bank management is working on the development of the credit facilities portfolio by following a balanced and cautious credit policy in light of the situation in Palestine under the supervision of the Executive Committee, in light of changes in interest rates and expected return on credit facilities, and after studying the market risk and credit risk and the quality of credit portfolio, as well as work to collect outstanding loans.

The proportion of non-performing credit facilities to the total also decreased from the same level in the past year and remained within the standard ratio. Work continued on financing the various economic sectors, and consumer finance sector as well as large companies and small and medium enterprises and the public sector. This has been done with a view to the continuity of risk allocation and management of available funds effectively and efficiently.

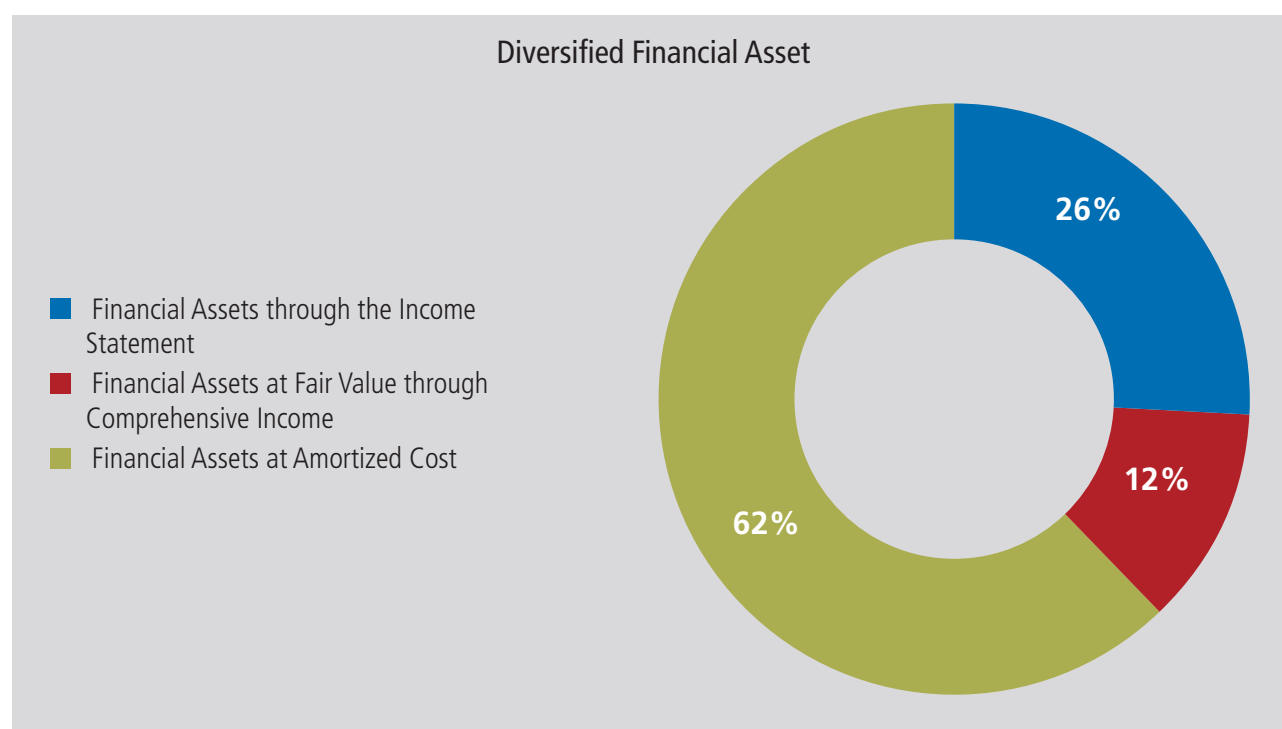
Provision of Loss in Direct Facilities

The Bank's policy is clear in the hedge for any unexpected loss. The provision of doubtful debts is taken individually for each debt and the portfolio in general, according to the International Accounting Standards and Monetary Authority standards and recommendations of the auditors of the Bank's accounts, and to strengthen the Bank's financial position. The ratio of coverage of provision loss for one client on the basis of non-performing portfolio facilities after deducting outstanding interest and before taking the collateral into account is 52.19% for the year 2015 compared to 48.83% for the year 2014. The fair value of the collateral provided in exchange for credit facilities was \$ 101.49 million for the year 2015 compared to 58.47 million in 2014.

Portfolio of Financial Assets

Balance of the portfolio increased by the amount of \$ 3.45 million in 2015, or the percentage of 15.78% for the year 2014, due to the administration's future vision of the existed elements of financial assets used in investments.

Diversified Financial Asset				
	USD\$ Million		Relative Importance (%)	
	2015	2014	2015	2014
Financial Assets through the Income Statement	6.78	5.95	26.11	26.53
Financial Assets at Fair Value through Comprehensive Income	3.05	1.21	11.74	5.39
Financial Assets at Amortized Cost	16.14	15.27	62.15	68.08
Total	25.97	22.43	100	100

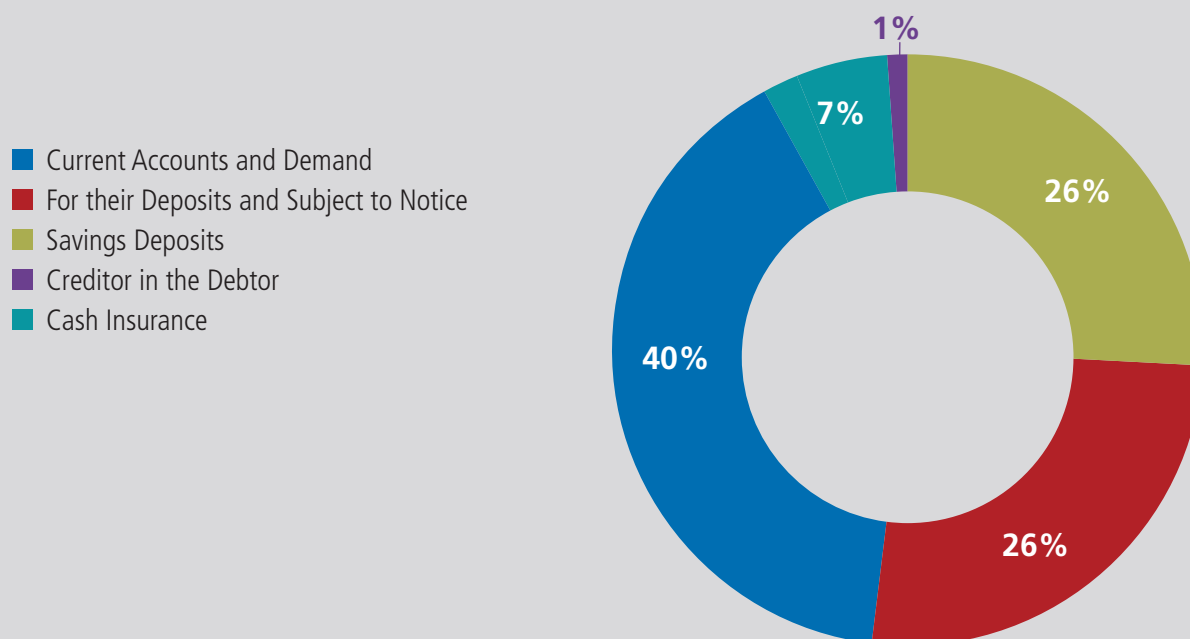


Customers' Deposits

Over the last year 2015, the Bank's management worked toward attracting fixed time deposits and call deposits. The management also worked on the development of a campaign to increase the depositors' base for savings accounts. Deposits of all its components grew during 2015 by 4.97% than it was in 2014.

Components of Customer Deposits				
	USD\$ Million		Relative Importance (%)	
	2015	2014	2015	2014
Current Accounts and Demand	82.67	75.45	39.64	37.89
Savings Deposits	54.42	47.19	26.09	23.70
For their Deposits and Subject to Notice	53.8	59.97	25.81	30.11
Creditor in the Debtor	2.55	1.67	1.22	0.84
Cash Insurance	15.11	14.86	7.24	7.46
Total Deposits	208.55	199.14	100	100

Components of Customer Deposits





Shareholders' Equity - The Company's Shareholders

Based on the resolutions adopted by the General Assembly of Shareholders at its meeting, which was held on May 14th, 2015, it has been decided:

- Capitalization of the amount of USD\$ 1.3 million from retained earnings and distributing it to shareholders according to his contribution to the capital as stock dividends and so the paid-up capital increased to USD\$ 56.3 million.

Capital Adequacy:

The capital adequacy ratio reached 32.27% in 2015 versus 34.6% in 2014. It is one of the highest ratios achieved in the banking sector in Palestine, and higher than the ratios assessed by the Supervisory Monetary Authority of 12%. It also higher than the Basel Committee on rates (Bank for International Settlements) of 8%. The total core capital ratio to risk weighted assets reached 32.05% in 2015, compared with 35.34% in 2014.

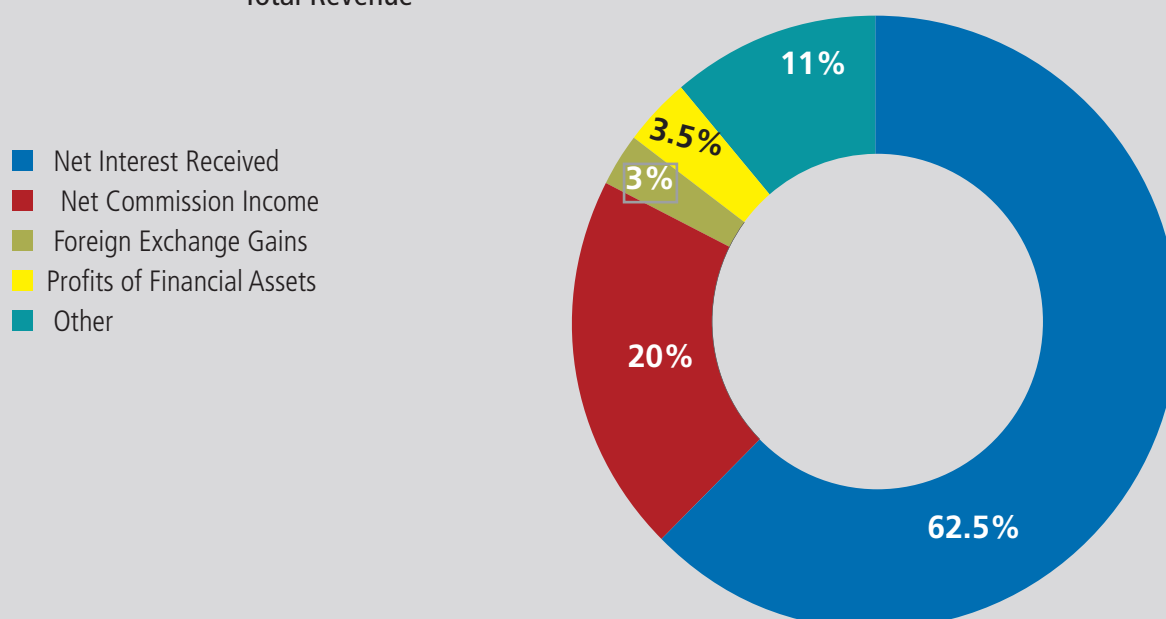
Bank's Operations Results

Net profit before tax reached USD\$ 2,986 million in 2015 compared with 3,796 in 2014, a total decrease of 21.34% , and after the deduction of tax, the net profit reached USD\$ 1,721 million in 2015 compared with USD\$2,829 million in 2014with a decrease of 39.17%.

Net Profit Before Tax and After			
	Thousands of Dollars		Change (%)
	2015	2014	
Net Profit Before Tax	2,986	3,796	21.34
Tax Expenses	(1,265)	(967)	30.82
Net Profit After /tax	1,721	2,829	39.17

Total Revenue				
	Thousands of Dollars		Relative Importance (%)	
	2015	2014	2015	2014
Net Interest Received	9,851	8,967	68.89	62.39
Net Commission Income	2,822	2,872	19.74	19.98
Profits of Financial Assets	178	512	0.94	3.56
Foreign Exchange Gains	611	430	4.27	2.99
Other	837	1,591	6.15	11.08
Total	14,299	14,372	100	100

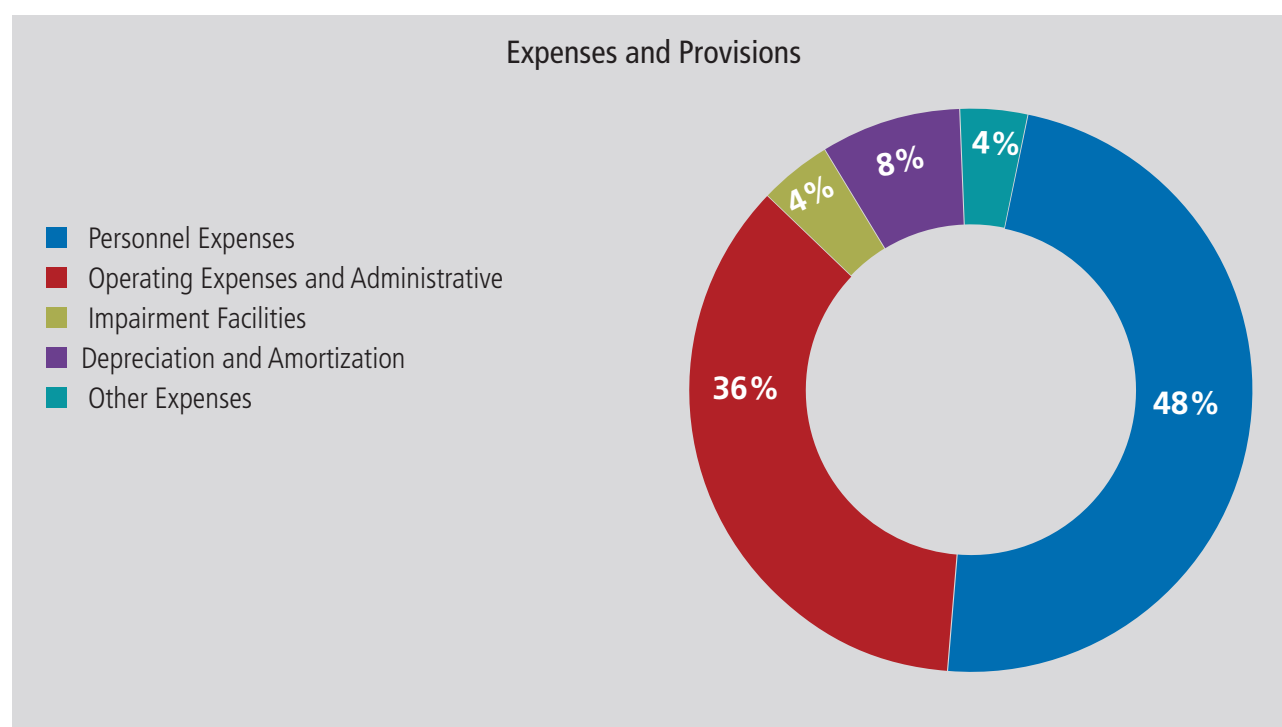
Total Revenue



Expenses and Provisions

Total expenses and provisions reached USD\$ 110,313 million in 2015 compared with USD\$ 10,567 million in 2014, with an increase of USD\$ 717,000, representing about 7% and was due to the increase in recruitment in the executive board and the new branches, as well as other expenses.

Expenses, Provisions, and Their Relative Importance				
	Thousands of Dollars		Relative Importance (%)	
	2015	2014	2015	2014
Personnel Expenses	5,400	4,963	47.73	46.93
Operating Expenses and Administrative	4,140	4,135	36.60	39.10
Impairment Facilities	474	524	4.19	4.95
Depreciation and Amortization	891	709	7.88	6.70
Other Expenses	408	245	3.60	2.32
Total	11,313	10,576	100	%100





The Most Important Financial Ratios for 2014 Compared with 2015		
	In Percent (%)	
Type of Ratio	2015	2014
Return on Equity	2.36	4.12
Return on Capital	3.06	5.14
Return on Assets	0.53	0.88
Facilities to Deposits	67.93	51.29
Facilities to Assets	43.22	31.84
Total Equity to Assets	22.28	21.39
Basic Quota Share of Profit for the Year	3.06	5.14



Internal Supervision and Internal Control and Risk Management and Compliance Systems (Compliance with Regulations)

The Bank intensified its efforts to strengthen the supervisor and internal control systems through the career staff of the Department of Internal Audit and the department of other services. This was done in order to measure the commitment of the various operational units with regulations governing banking operations, in order to ensure adherence to all applicable laws, regulations, and administrative instructions. In this context, audit operations and periodic inventory are conducted by the independent Internal Audit Department that is under the Audit and Review Committee that reports to the Board of the Accounts and Assets of the bank.

This procedure is done in order to determine the accuracy of the financial data and operational efficiency and compliance with laws and regulations applicable to preserve the assets and property of the Bank. In addition, to make sure that they are consistent with the legislation that governs it. This is done through the daily follow-ups by the Department of Compliance and Control. The Department reports Audit and Review Committee with the aim leading the Institution to a high degree of compliance with laws, legislation and regulations. Those regulations are issued by the local regulatory authorities, state agencies, and international institutions especially the Basel Committee.

Reports are produced through the Department of Risk Management in accordance with the requirements of the Monetary Authority and is based on the work of the Basel Committee and the Monetary Authority and the requirements of the reports and memos on a regular basis the results of the audit of the management and pursue operations.

Being under its responsibility, the Board of Directors accredited the general framework of internal control, and to ensure effective measures to send sufficient information to decision-makers at various levels, including information on the measurement of different risks, as well as ensure the independence of the control departments working in the bank.

Internal Audit

The Board of Directors fosters the role of the Internal Audit Department being the controlling authority that helps determine the efficiency of controlling systems, and adds value to them through:

- Fostering the independence of the role of the Internal Audit Department through subsidizing them to the Audit and Review Committee that emerged from the Board of Directors, and it periodically evaluates performance of the department and its staff.
- Adopting of the Internal Audit Charter which defines the functions and responsibilities of the Internal Audit Department and a plan of the department.
- Submitting periodical reports on the performance of the department as well as its findings and recommendations.
- The Audit and Review Committee adopts the plan of the Internal Audit Department that Risk Based Audit.



Risk Management

The Bank follows approved policies to manage the various risks within a clear and defined strategy in accordance with the requirements of (the Monetary Authority and standards of Basel). The Risk Management Department monitors and controls various risks and analyzes them for early recognition of the nature of the potential risks and dealing with those risks and submitting reports regarding those risks to the Board of Directors through the Risk Management Committee of the Board of Directors.

Methodologies and the Process of Risk Management

The methodologies of risk management are set according to the requirements of the Monetary Authority and the instructions of the Basel requirements. In this regard, the adoption of risk management policy goes through the application of software to manage and measure risk (LOXON).

Risk Management Works within the Following Framework:

- Adopting of risk management methodology based on identifying the best ways and means to deal with the potential internal and external risks according to clearly defined goals.
- Adopting of risk management policy by the Risk Management Committee emanating from the Board of Directors, including analysis to all risks at the bank, such as credit risk, market risk, liquidity risk, operational risk and any others.
- Reviewing the policy periodically and assess the extent of compliance in its application.
- Viewing the results of the Risk Management Committee emanating from the Board of Directors to the Board, besides its recommendations regarding the various activities.
- Using auto-program to measure the impact of the credit and operational risks, and providing appropriate elements of analysis to the effects of risks and their impact on the bank's capital and rate of its adequacy.
- Updating risks record to document the risks faced by the bank in order to refer to them and identify any potential losses, preparing plans to hedge their occurrence in addition to plans to limit their impact on outcomes of the bank's business.
- Executive Committees, Facilities Committee, Liability Committee and Human Resources Committee provide assistance to the Department of Risk Management to identify the risks faced the bank, and ways to ban their impact on all bank operations.



Anti-Money Laundering

The Bank is pursuing a policy to combat money laundering by following the policies and procedures approved by the Board of Directors and based on the law against Money Laundering, and to the requirements of the Basel Committee. Training has been provided to qualify concerned employees in the various departments, branches and offices of the bank on ways of early detection of money laundering and procedures for compliance with the laws in force and instructions.

External Audit

An external auditor authorized by the regulatory authority audits the Bank's activities of financial and banking operations. The external auditor is chosen annually by the General Assembly of Shareholders and reports to the Board of Directors and to the regulatory authorities. The auditor sends reports and recommendations to the Board of Directors and to the General Assembly that have to be addressed.



Branches

This year, branch number 15 was opened in the Ramallah city in the 1st half of the year 2015, thus, the bank now has 8 branches and 7 offices, moreover, works started to establish a main branch at the head-office at Al-Irsal street - Ramallah as well as establishing 2 offices in the Hebron and Bethlehem cities that will be opened in 2016, thus the bank's offices and branches become 18. Furthermore, periodic maintenance for other offices and branches of the bank have been made in order to maintaining appearance of those branches on the internal and external levels, in order to provide the clients all the services with convenience to customers and respond to their demands by offering comprehensive and distinguished banking services throughout major Palestinian towns.

During the past year, many manuals dealing with work regulation and internal supervision have been developed and modified. Those manuals now cover all the work and activities of branches and various offices. Updating the manuals meet the requirements of the Bank which helps increase efficiency and effectiveness of the service performed. In addition, to improving productivity in the entire Bank's branches. In addition to improving capacity utilization and the effectiveness of human potential actors and to benefit from the available technology potential available at the bank. This will also help save on operating costs in general. The number of the Bank's employees in the Bank's headquarters, branches and offices reached 256 employees on Dec. 31st, 2015.

Technological Development and Information Systems

Banking and financial operations are carried out through the automated system (BANKS). The Department of Information Systems continues to develop the automation of many of its banking and investment services. This is done through the expansion in the field of telecommunications in order to increase the ways to keep in contact with customers to offer additional services. Those services will lend speed and accuracy to banking operations in order to ensure their assistance and facilitate dealing with them to meet their needs.

In addition to contribute to their success and to achieve their highest satisfaction, the executive management is keen on keeping up with the latest technology and automated systems in all areas of the banking services, by implementing the comprehensive plan for the development of systems for services and banking procedures. In addition to the introduction of modern technologies of hardware and software to increase productivity and make it easier for clients to utilize the online service (Investment Online) and SMS messages as well as other electronic services offered by the bank and its subsidiary company Global Financial Market Securities.



Human Resources

Human resources is one the key elements and the essential one for success and excellence achieved by the Bank. In order to maintain this essential element, which is considered the human capital element, the Board of Directors is constantly working on developing the skills and capabilities of the Bank's staff capabilities. This is accomplished through sending the employees to attend seminars and the necessary specialized training courses inside Palestine and abroad.

Those courses are related to banking activities and investment in general, and the risks in banking and financial and credit analysis in particular. In addition, keeping the employees informed on the legal aspects that control banking operations. This is according to a plan put in place to help achieve excellence and provide the best service to Bank's customers and to keep up on developments and changes in the banking industry.

Executive management has been keen during the year 2015 on taking care of Bank's staff in response to the effort of each employee. Executive management organizes many activities and programs for staff in order to strengthen loyalty and affiliation because executive management is convinced the Bank's human resource is one of the most important of the links needed to achieve Bank's progress and the success. The Bank has sent 122 employees to attend training courses inside and outside Palestine in all of the disciplines necessary for the Bank.

Foreign Banking Services and Various Treasury Activities

The Bank's Executive Management is adamant about developing the Bank's services in the fields of treasury, investment, financial brokerage and foreign exchange. This includes investing and employing the Bank's financial resources denominated indifferent currencies in several money and capital markets, domestically and internationally.

This is done through deliberate and cautious policy in order to achieve an appropriate and reasonable return on those resources. The Bank has maintained its advanced ranking in the fields of treasury and banking services and trading in foreign currencies as the Bank continues to issue money orders, cashier's checks and the sale and purchase of foreign currencies through a correspondent bank network with banks financial institutions spread all over the world. Activities by the treasury has achieved during the year 2015 a good performance very close to what has been achieved in 2014 in the field of foreign currency trading which contributed to the development of total revenues for the bank by 4.27%.

Executive management continued to offer the Premier Savings Account through 2015. This Account has the advantage of offering prizes, and it has improved the widening of depositors' base of depositors and maintained their assets in savings accounts.



Subsidiaries

* Global Securities Co. (GSC)

Global Securities is a financial company engaged in financial intermediation for its own account and for the account of others. It is based in the city of Nablus, registered with the Companies Controller in Palestine in December, 1996 under registration No.563119148. The company commenced its operations in January 1998. The company's capital is USD\$ 3,526,093 fully paid.

The company is wholly owned subsidiary of Palestine Investment Bank, PLC, which owns 99.64% of its capital. The Bank's Board of Directors is keen on providing new investment services in the field of financial intermediation through the "Global Securities", its subsidiary. The services, which are provided by the company, include the sale and purchase of shares. It also acts as an intermediary on commission basis in Palestine Stock Exchange. In addition to acting as a financial consultant for investment in financial securities, it also acts as a mediator buying or selling for the Bank's own portfolio.

The Company provides periodic reports on the shares of companies they are traded on Palestine Stock Exchange. It also provides traders who work with it with these reports. The Company also provides customers with access to their accounts through the Company's website.

The Competitive Situation of the Bank

The Bank's Executive Management has worked all through 2015 to improve the quality of the Bank's share of deposits in the banking market of deposits as it reached 2.31, and so is the case with the credit facilities extended to various sectors of the economy to reach 2.49. The Bank also launches advertising and awareness campaigns on regular basis and with good planning to introduce the Bank and its services to the public.

The Bank's Development Policies

Since its inception to the present day, the Bank is permanently, constantly evolving, which is evidenced by the volume of operating assets, and the size of the profits realized during the past two decades.

In order for the Bank to occupy a leading position in the Palestinian banking industry, the vision of the Bank's Board is clear. It aims at keeping up with the continuing global developments in the field of banking services, in order to provide quality services to existing customers, and attract new customers.

The strategic vision for development policies that is pursued by Bank's Executive Management, will be put in several stages are as follows:

- Continue to follow-up and analysis of the Bank's results and compare them with other local banks.
- Assessment of banking competition in the Palestinian market from time to time.
- Develop goals constantly in the light of the results achieved and the services provided to the Bank's customers.
- Improve products and follow up the development of strategic plans and organizational structures and technology used in the Bank to achieve the desired results.
- Constantly work with the available means to the progress and prosperity of the Bank.

The Objectives of the Plan for 2016

- Continue to achieve a lasting and rising growth in profitability, assets and shareholders' equity and manage them efficiently to strengthen the competitive and financial position of the Bank in the Palestinian market and maintaining the financial ratios of the Bank within the regulatory requirements in Palestine.
- Increase the level of productive efficiency and the rationalization of non-productive expenditure in order to maximize revenue.
- Continue to develop products, services and programs offered by the Bank for its clients based on their needs and in line with the Palestinian economic situation which. In addition to focus on the retail sector through the creation and development of special products for individuals and to provide the financing needs of the small and medium-size institutions and manufacturers.
- Doing a follow-up of the network of branching of the Bank and making sure of its constant readiness to provide the best services to customers and in line with business requirements. In addition, to increase the Bank's presence in Palestinian population centers by pursuing deliberate strategies for branching enhanced by the competitive capabilities regarding other the banks.

- 
- Consolidating the marketing effort in various branches and offices of the Bank through organization and development of a distinctive and stimulating marketing campaign. In addition to organizing advertising and media campaigns regarding the programs and services the Bank. This in order to maintain the existing customer base by satisfying their needs and desires and to attract new customers in order to increase the Bank's market share in the banking market for the various banking activities.
 - Expansion of depositors' base and attract deposits in various currencies and at reasonable interest rates and incentive awards and the optimum exploitation of these deposits in various areas of investment permitted.
 - Promote positive image of the name of the Bank and its brand among all segments of society and its excellence in the banking market. This is done through continued interaction with the local community and through continuing to provide support for social projects, services whether educational or environmental.
 - Provide private and personal investment services to the investment portfolios of clients that keep pace with global developments in the capital markets and investment to achieve attractive returns.
 - Taking care the Bank's employees by working towards raising their competence and abilities through training and rewarding the outstanding ones, in addition to encouraging them to work as a team, and to develop policies and business systems to keep pace with developments in the global banking sector.
 - Maintaining liquidity at high rates to meet the needs of the Bank's at all times.
 - Work to increase the size of indirect credit facilities provided such as letters of credit, guarantees and banking services such as money transfers because of their importance maximizing the Bank's revenues from commissions.
 - Develop and diversify the performance of service in order to maintain the Bank's competitive advantage regarding other banks in Palestine by employing banking technology to strengthen the Bank's capacity.
 - Reduce all types of risk through the supervision system and self-assessment of the risks.
 - Continue to work to achieve customers' satisfaction, since it is one of the Bank's core values, to increase the size of shareholders' equity, and to achieve a good return to shareholders.



Corporate Governance



Governance:

The Bank's Board of Directors continued to work on the promotion and development of corporate governance based on the principles of transparency, accountability and responsibility.

This is done in order to increase depositors, shareholders, and other related authorities in their confidence in the Bank. In addition to ensure continuous monitoring that the Bank is complying with policies and limits approved and that they are compatible with the Bank's objectives set out in general. This comes from the commitment to the highest professional standards of performance, on all the Bank's activities that are in line with the regulatory authority instructions in Palestine, and with the best international practices.

Management is working to apply the principles of corporate governance issued by regulatory bodies in line with the guidance issued in order to avoid any discrepancies or deviations between these principles and the application. Based on the Bank's keenness on corporate governance, several specialized committees formed from the Board of Directors each with its own private and specific objectives and powers in working in an integrated manner with the Board to achieve the Bank's objectives. Those committees are the same as of Dec. 31, 2015:

1	The Investment and Facilities Committee	Abed Dayeh	Chairman	- Adopt the credit and investment policy and follow-up the extent of compliance with it. - Follow-up the performance of the credit and investment portfolios and their compatibility with the adopted policies. - Ensure obtaining a good return within acceptable risk and compatibility with legislation and in accordance with the designated policies.
		Khalil Nasr	Member	
		Sami Al-Sayid	Member	
2	Audit and Review Committee	Yousef Bazian	Chairman	- The nomination of the external auditor and determination of his fees. - Evaluation of the independence of the external auditor and the scope of his work. - Review of the accounting and financial practices. - A review of interim and annual financial statements. - To make recommendations regarding the selection and appointment and removal of the internal audit manager and the work of monitoring compliance and the extent of the administration's response to the recommendations and results of the Committee. - Assess the efficiency of employees in the Internal Audit Department. - Review the reports prepared by the Internal Audit Department and monitor compliance and the comprehensiveness of its work.
		Mohamed Kamal Hassouna	Member	
		Jamil Muti	Member	
3	Risk Management Committee	Mohamed Kamal Hassouna	Chairman	- Identify the risks associated with the Bank's business and develop a comprehensive strategy on the extent of the degree of tolerance for risk. - Exchange of liaison with the Department of Risk Management. - Provide the Governing Council with periodic reports on the risks faced by or exposed to the bank, as well as to ensure the presence of an appropriate risk management environment.
		Marwan Abdul Hamid	Member	
		Jamil Muti	Member	
4	Governance and Compensation Committee	Dr. Adnan Steitieh	Chairman	- Supervising the implementation of the framework of governance policy. - The preparation of rewards and incentives policy and the periodical evaluation of its adequacy and effectiveness. - The preparation of standards to be adopted by the Board to the conditions and qualifications that the members of the Board of Directors should have. - Overseeing the human resources policy in general.
		Yousef Bazian	Member	
		Marwan Abdul Hamid	Member	
		Walid Al-Najjar	Member	

The Board of Directors also formed several executive committees within the Executive Management of Bank. Those committees were composed of senior bank executives and employees according to the requirements and necessities of the work, and these committees are:

- Credit Facilities Committee.
- Human Resources Committee.
- Supplies and Purchases Committee.
- Assets and Liabilities Management Committee.

Transparency and Disclosure

In accordance with international standards in the field of disclosure, which is one of the third pillars of the Basel Convention requirements Part II, as the basis of the conviction of the Board of Directors to the principle of transparency and disclosure. It is the basic rule in the banking business and the way to earn the public's trust, regulators and investors. For that reason, the Board of Directors has adopted the disclosure policy to meet these requirements.

Rewards and Incentives

In order for the Board of Directors to apply the principles of corporate governance, a system of rewards and incentives has been provided by the bank for this purpose. The Governance and Compensation Committee was formed from the Board of Directors to achieve those goals.

The role and responsibilities of the Chairman of the Board

Chairman of the Board is the Company's president and he represents to the others and in front of all the authorities. His signature is considered the signature of the entire Board of Directors in dealing with third parties unless the Board decides otherwise. The Chairman cooperates with the Executive Management in the implementation of decisions of the Board and adheres to them.

The Practices of the Board of Directors& the Conflicts of Interest

The Board of Directors shall exercise its responsibilities in the planning and approval regulations that is followed by the Bank in its internal and external relations. The Board also oversees the safety of the Bank's business, and the work of the Executive Management represented by the General Manager. There is no conflict of interest in the practice of the Bank's activities with members of the Board, where all governance instructions applied in the exercise of its functions.

The Mechanism of Delivery of Information to Shareholders

The Board of Directors follows different ways to deliver data to the Bank's shareholders. This is done through publication on the Bank's website, Palestine Stock Exchange and the Palestine Capital Market. In addition to the distribution of the annual reports to shareholders by mail and the publication in local newspapers and advertising in the Bank's Head Office, branches and offices and through its subsidiaries in cities and Palestinian communities.

Strategic Investors with Shares More Than 10%				
Name	Number of Shares as of 31/12/2015	% of shares	Number of Shares as of 31/12/2014	% of Shares
Al-Yazan Co. for Real Estate & Financial Investments	11,260,012	20.00	11,000,012	20.00
Al-Shorooq Co. for Real Estate & Financial Investments	11,422,587	20.29	11,158,833	20.29

Name	Position	Number of Shares as of 31/12/2015	% of shares
Mr. Abed Dayeh	Chairman of Board of Directors	4,062,332	7.22
Mr. Khalil Nasr	Vice Chairman of Board of Directors	11,259	0.02
Dr. Adnan Steitieh	Member	11,312	0.02
Al-Yazan Co. for Real Estate & Financial Investments	Member	11,260,012	20.00
Mr. Yousef Bazian	Member	10,236	0.02
Mr. Sami Sayed	Member	14,074	0.03
Mr. Jameel Al-Muti	Member	398,349	0.71
Mr. Waleed Al-Najar	Member	10,236	0.02
Mr. Marwan Abdul Hameed	Member	10,622	0.02
A.Y. consultant	Member	1,407,501	2.50
Uni Brothers LMTD	Member	3,072,647	5.46

The company's share trading in the Palestine Exchange in 2015

Item	2014	2015
Highest Price	1.20	1.03
Lowest price	0.85	0.94
Opening price	0.88	1.00
Closing price	1.00	1.03

Number of traded shares	Number of transactions	Value in dollars
882,346	60	864,439

Transactions with related parties

- The total direct facilities granted to relevant parties as of Dec. 31st, 2015 was USD\$ 2,852,150.
- Indirect facilities provided to related parties as of Dec. 31st, 2015 amounted to USD\$ 1,453,687.
- No cases of abstention related to a conflict of interests in the board meetings.

Duties of the Board of Directors to the shareholders and Corporate Governance

The generally accepted principles of corporate governance applied to the Bank's various work and activities have been implemented during the year 2015.

Board Meetings:

The Board of Directors held six (6) meetings during the year 2015.

#	Name	Number of the Meetings of the Board of Directors	
		Actual	Percent of Attendance
1	Mr. Abed Dayeh	6	100%
2	Mr. Khalil Nasr	6	100%
3	Mr. Marwan Abdul Hameed	5	83.3%
4	Mr. Mohammed Hassouneh	6	100%
5	Mr. Yousef Bazian	5	83.3%
6	Mr. Waleed Al-Najar	6	100%
7	Mr. Sami Al-Sayid	6	100%
8	Dr. Adnan Steitieh	6	100%
9	Mr. Jameel Al-Mu'ti	5	83.3%
10	Dr. Fadi Hamra*	-	-
11	Mr. Hanna Abulaitah*	-	-

*joined the Board on 11/2/2016

The Company's Policy of Social Responsibility

According to its policy of social responsibility and donations approved by the Board of Directors. In order to achieve the goals set out in the policy, the Bank has continued its activities during the year 2015 to turn toward social responsibility anxious to interact with the various activities of the Palestinian society. In addition, the Bank extended its role in the social service of the environment in Palestine through sponsoring and care of many of the social, charitable, and cultural and sports activities. Financial support is being provided for many of the students, associations, charities, volunteer and support national programs that aims at the best interest of our Nation's young people. The Higher Committee, formed for this paper, has agreed to allocate the amount of USD\$ 46,824 for various activities, which is equivalent to 2.72% of the bank's profit net for 2015.

Academic Degrees held by the Members of the Board of Directors:

- Two members hold Doctorate Degree.
- Five members hold Master Degrees.
- Four members hold Bachelor Degrees.

Board of Directors' Remuneration:

During the year 2014, remunerations were dispersed to the member of the Board of Directors for the year 2015. These include membership allowance, allowance for attending board meetings and additional allowance detailed in the following table. None of the members of the Board of Directors has any salary for the year 2015.

Name	2014 (In USD\$)	2015 (In USD\$)
Mr. Abed Dayeh	89,000	12,000
Mr. Khalil Nasr	15,000	12,000
Mr. Marwan Abdul Hameed	6,000	10,000
Mr. Mohammed Hassouneh	10,000	12,000
Mr. Yousef Bazian	10,000	12,000
Mr. Waleed Al-Najar	6,000	12,000
Mr. Sami Al-Sayid	3,000	10,000
Dr. Adnan Steitieh	3,000	10,000
Mr. Jameel Al-Muti	3,000	12,000
Dr. Fadi Hamra*	-	-
Mr. Hanna Abuaitah*	-	-
Total	145,000	102,000

*joined the Board on 11/2/2016



Academic Degrees Held by Bank Employees

- 14 employees hold Master's Degrees
- 180 employees hold Bachelor Degrees
- 23 employees hold Diploma qualifications
- 11 employees hold High School Degrees
- 20 employees hold qualifications below a High School Degree.



PALESTINE INVESTMENT
BANK (P.L.C)

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015





Ernst & Young
P.O. Box 1373
7th Floor,
PADICO House Bldg.
Al-Masyoun
Ramallah-Palestine

Tel: +972 22421011
Fax: +972 22422324
www.ey.com



Independent Auditors' Report to the Shareholders of Palestine Investment Bank (P.L.C)

We have audited the accompanying consolidated financial statements of Palestine Investment Bank P.L.C (the Bank) which comprise the consolidated statement of financial position as at December 31, 2015, 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.

Management Responsibility for the Consolidated Financial Statements

Management 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 misstatements 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, 2015 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young - Middle East
License # 206/2012

March 30, 2016
Ramallah - Palestine

A member firm of Ernst & Young Global Limited

Consolidated Statement of Financial Position

As at December 31, 2015

		2015	2014
	Notes	U.S. \$	\$.U.S
ASSETS			
Cash and balances at Palestine Monetary Authority	3	63,772,991	56,585,215
Balances at banks and financial institutions	4	72,672,609	124,985,683
Direct credit facilities	5	141,670,501	102,149,259
Financial assets at fair value through profit or loss	6	6,776,914	5,945,220
Financial assets at fair value through other comprehensive income	7	3,048,817	1,209,891
Financial assets at amortized cost	8	16,135,589	15,267,067
Property, plant and equipment	9	16,313,406	9,981,012
Deferred tax assets	10	959,699	959,699
Intangible assets	11	994,639	923,894
Other assets	12	5,425,076	2,806,832
Total Assets		327,770,241	320,813,772
Liabilities and Equity			
Liabilities			
Banks and financial institutions' deposits	13	35,940,226	43,778,996
Customers' deposits	14	193,444,107	184,281,904
Cash margins	15	15,107,528	14,860,088
Sundry provisions	16	2,369,678	2,357,559
Other liabilities	18	7,433,231	6,924,837
Total Liabilities		254,294,770	252,203,384
Equity			
Paid-in share capital	21	56,300,000	55,000,000
Statutory reserve	19	7,825,093	7,625,485
Voluntarily reserve	19	2,291,000	-
General banking risks reserve	19	1,847,142	2,291,000
Pro-cyclicality reserve	7	(180,362)	1,549,392
Fair value reserve	9	3,212,555	(120,455)
Retained earnings		2,180,043	2,264,966
Net Equity		73,475,471	68,610,388
Total Liabilities and Equity		327,770,241	320,813,772

Consolidated Income Statement

For the year ended December 31, 2015

		2015	2014
	Notes	U.S. \$	U.S. \$
Interest income	22	11,573,807	10,884,373
Interest expense	23	(1,723,116)	(1,917,873)
Net interest income		9,850,691	8,966,500
Net commissions income	24	2,822,426	2,871,953
Net interest and commissions income		12,673,117	11,838,453
Net gains on foreign currencies trading		611,489	418,100
Net gains on foreign currencies revaluation		-	12,065
Dividends income		135,072	105,783
Recoveries of impairment allowance for direct credit facilities	5	614,266	1,393,101
income from sale of financial assets at amortized costs	25	43,192	406,523
Other revenues	26	222,341	197,876
Gross profit		14,299,477	14,371,901
Expenses			
Personnel expenses	27	5,400,194	4,962,854
Other operating expenses	28	4,140,465	4,135,414
Impairment allowance for direct credit facilities	5	474,249	524,197
Depreciation and amortization	9&11	891,105	708,707
Regulators fines	29	-	60,000
Losses on sale of financial assets at fair value through profit or loss s		397,760	155,980
net losses on foreign currencies revaluation		9,554	-
Other expenses and allowances		-	28,670
Total expenses		11,313,327	10,575,822
Profit before tax		2,986,150	3,796,079
Tax expense	17	(1,265,000)	(966,585)
Profit for the year		1,721,150	2,829,494
Basic and diluted earnings per share	31	0,031	0.051

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2015

	2015	2014
	U.S. \$	U.S. \$
Profit for the year	1,721,150	2,829,494
Other comprehensive income items:		
Items not to be reclassified to profit or loss in subsequent periods:		
Change in fair value of financial assets at fair value through comprehensive income	(68,622)	-
excess from assets revaluation	3,212,555	(715,343)
Other comprehensive income for the year	3,143,933	(715,343)
Net comprehensive income for the year	4,865,083	2,114,151

Consolidated Statement of Changes in Equity For the year ended December 31, 2015

	Paid-in share capital	Reserves					excess from as- sets revaluation	Retained earnings	Net Equity
		Statutory	Voluntarily	General banking risks	Pro- cyclicalty	Fair value			
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
2015									
Balance, beginning of the year	55,000,000	7,625,485	-	2,291,000	1,549,392	(120,455)	-	2,264,966	68,610,388
Profit for the year	-	-	-	-	-	-	-	1,721,150	1,721,150
Other comprehensive income for the year	-	-	-	-	-	(68,622)	3,212,555	-	3,143,933
Net comprehensive income for the year	-	-	-	-	-	(68,622)	3,212,555	1,721,150	4,865,083
Losses on sale of financial assets recognized directly in retained earnings (Note 7)	-	-	-	-	-	8,715	-	(8,715)	-
stock Dividends (Note 20)	1,300,000	-	-	-	-	-	-	(1,300,000)	-
Transferred to reserves	-	199,608	-	-	297,750	-	-	(497,358)	-
Balance, end of the year	56,300,000	7,825,093	-	2,291,000	1,847,142	(180,362)	3,212,555	2,180,043	73,475,471
2014									
Balance, beginning of the year	53,000,000	7,334,379	670,458	2,161,000	1,137,181	(99,536)	-	3,739,655	67,943,137
Profit for the year	-	-	-	-	-	-	-	2,829,494	2,829,494
Other comprehensive income for the year	-	-	-	-	-	(715,343)	-	-	(715,343)
Net comprehensive income for the year	-	-	-	-	-	(715,343)	-	2,829,494	2,114,151
Losses on sale of financial assets recognized directly in retained earnings (Note 7)	-	-	-	-	-	694,424	-	(694,424)	-
Cash and stock Dividends (Note 20)	2,000,000	-	(670,458)	-	-	-	-	(2,776,442)	(1,446,900)
Transferred to reserves	-	291,106	-	130,000	412,211	-	-	(833,317)	-
Balance, end of the year	55,000,000	7,625,485	-	2,291,000	1,549,392	(120,455)	-	2,264,966	68,610,388

Consolidated Statement of Cash Flows

For the year ended December 31, 2015

		2015	2014
	Notes	U.S. \$	U.S. \$
Operating activities			
Profit before tax		2,986,150	3,796,079
Adjustments:			
Impairment allowance on direct credit facilities		474,249	524,197
Depreciation and amortization		891,105	708,707
gain on financial assets		(13,781)	(408,391)
net losses on financial assets revaluation at fair value through profit or loss		358,003	155,980
Recovery of impairment allowance on direct credit facilities		(614,266)	(1,393,101)
Amortization of bonds premium		(18,585)	(42,617)
Losses on sale of property, plant and equipment		-	1,485
Sundry provisions		404,252	304,456
Dividends income from financial assets		(135,072)	(105,783)
Other non-cash items		30,576	123,138
		4,362,631	3,664,150
Changes in assets and liabilities:			
Direct credit facilities		(39,381,225)	(2,027,030)
Statutory cash reserve		(2,005,111)	(6,538,998)
Other assets		(2,639,584)	8,204,225
Customers' deposits		9,162,203	16,990,269
Cash margins		247,440	30,932
Other liabilities		(589,053)	(260,039)
Net cash flows from operating activities before taxes and provisions payments		(30,842,699)	20,063,509
Sundry provisions paid		(391,987)	(109,382)
Taxes paid		(1,274,382)	(1,334,705)
Net cash flows from operating activities		(32,509,068)	18,619,422
Investing activities:			
Deposits maturing within 3 months		1,410,438	(4,231,312)
Proceeds from sale of financial assets at fair value through other comprehensive income		89,663	4,514,778
Purchase of financial assets at fair value through comprehensive income		(1,988,496)	(3,730)
Proceeds from sale of financial assets at fair value through profit or loss		73,736	155,524
Purchase of financial assets at fair value through profit or loss		(1,266,711)	(6,101,200)
Purchase of financial assets at amortized cost		(10,072,905)	(3,071,000)



Sale of financial assets at amortized cost		-	7,476,030
financial assets due at amortized cost		9,231,312	-
Purchase of property, plant and equipment		(2,771,699)	(3,632,828)
Proceeds from sale of property, plant and equipment		-	2,145
Purchase of intangible assets		(212,543)	(124,120)
Cash dividends received		135,072	105,783
Net cash flows (used in) from investing activities		(5,372,133)	(4,909,930)
Financing activities:			
Cash dividends paid		-	(1,407,482)
Net cash flows used in financing activities		-	(1,407,482)
Net increase in cash and cash equivalents		(37,881,201)	12,302,010
Cash and cash equivalents, beginning of the year		103,916,173	91,614,163
Cash and cash equivalents, end of the year	30	66,034,972	103,916,173

Consolidated Statement of Cash Flows

For the year ended December 31, 2015

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. Starting Capital was U.S. \$ 20 million which was increased during the years 2006 to 2011 to U.S. \$ 53 million with par value of U.S. 1 dollar per share. During 2014, the Bank distributed stock dividends to its shareholders in the amount of U.S.\$ 2 million and the capital reached U.S. \$ 55 million. 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, its eight branches, and six offices, all of which are 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 the Bank employees as at December 31, 2015 and 2014 was (247) and (244) employees, respectively.

The Consolidated financial statements of Palestine Investment Bank for the year ended December 31, 2015 were authorized for issuance by the Bank's Board of Directors on February 11, 2016.

2. Accounting policies

2.1 Basis of preparation of consolidated financial statements

The accompanying consolidated financial statements as at 31 December 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) and in conformity with Palestine Monetary Authority (PMA) instructions.

The consolidated financial statements have been prepared under the historical cost basis, except for financial assets at fair value 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 for the following new and amended standards effective , The adoption did not have an effect on the consolidated financial position or performance of bank .

IFRS 9 Financial Instruments

During July 2014, the IASB issued IFRS 9 "Financial Instruments" with all the three phases. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". The bank has adopted the first phase as issued during the year 2009, and the adoption of the first phase was on January 1, 2011. The bank will implement the new standard at the mandatory date on January 1, 2018, which will have an impact on the recognition and measurement of financial assets.



IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers; and SIC-31 Revenue—Barter Transactions Involving Advertising Services. The standard is effective for annual periods beginning on or after 1 January 2018, and early adoption is permitted.

IAS1 Disclosure Initiative -Amendment

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- the core
- Ratings and assembly
- Structure clarifications
- View other comprehensive income resulting from investments that track the equity method of accounting items.

Does not expect that these amendments affect the financial position or performance of the Bank, the Bank is not expected to have a material impact of these amendments on the financial statements Notes,

IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization –Amendment

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

IFRS 16 Leases

During January 2016, the IASB issued IFRS 16 “Leases” which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted.



2.3 Summary of significant accounting policies

Consolidated financial statements

The accompanying consolidated financial statements contains the financial statements of the Bank and the Global Securities Company for Financial Investment privately Ltd wholly owned subsidiary with capital of JOD 3,526,093 as at December 31, 2015.

Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investees.

The Bank re-assesses whether or not it controls investees if facts and circumstances indicate that there are changes to one or more of the elements of control. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses the control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Bank gains control until the date the Bank ceases to control the subsidiary. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

All intra-company balances, income and expenses, unrealized gains and losses resulting from intra-company transactions are eliminated in full.

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.

Interest and commission on non-performing credit facilities are suspended according to PMA instructions.

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 cannot 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.

At initial recognition, the Bank could classify debt Instruments which meet the amortized cost conditions mentioned above as financial assets at fair value through income statement if that led to eliminate or significantly reduce the accounting mismatch. This classification is irrevocable.

Financial assets at fair value

They are equity instruments and financial derivatives that are recognized at fair value through profit or loss. 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.



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.

Fair value of financial instruments

When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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.

Fair Value Measurement

The Bank measures most of its financial instruments at fair value at each reporting date. Also, fair values of financial instruments and nonfinancial assets measured at cost are disclosed in the notes to the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.



All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows:

- Level 1 — Quoted (unadjusted) market prices in active markets
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period .

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. All other repair and maintenance costs are recognized in the consolidated income statement as incurred. Land is not depreciated.

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
Computer hardware	4-10
Leasehold improvements	5
Motor vehicles	7

The carrying values of property, plant 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 of property, plant and equipment is recognized in the consolidated income statement.

Intangible assets

The costs of intangible assets acquired in a business combination are their fair value as at the date of acquisition. Intangible assets acquired separately are measured on initial recognition at cost.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and recorded the amortization expense in the consolidated income statement in the same period. Intangible assets with indefinite useful lives are tested for impairment annually at the reporting date and recorded the impairment in the consolidated income statement.

Any indications of impairment of intangible assets are reviewed annually at the date of the consolidated financial statements. The useful lives for those assets are reviewed, and any modifications are processed in the subsequent periods.

Intangible assets include computer software and banking systems. Bank's management estimates the useful lives of items of intangible assets. Intangible assets are amortized on a straight line method.



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 financial statements, 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.

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 IFRS 93.
- 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 equipment 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.
- Management reviews, on a regular basis, the financial assets that are stated at amortized cost to estimate impairments, if any. Impairment losses are reflected in the consolidated income statement.
- Lawsuits provision is established to provide for legal obligations, if any, based on the opinion of the Bank's lawyer.

3. Cash and balances at Palestine Monetary Authority

This item represents the following:

	2015	2014
	U.S. \$	U.S. \$
Cash on hand	31,047,728	23,201,298
Balances at PMA:		
Current and demand accounts	1,075,735	3,739,500
Statutory cash reserve	31,649,528	29,644,417
	63,772,991	56,585,215

- According to PMA Circular (67/2010), the Bank shall maintain statutory cash reserves with PMA at a percentage of total customers' deposits. Statutory reserves are calculated by the Bank at the end of each month. According to PMA circular (2/2012), the outstanding balance of credit facilities granted in Jerusalem for some sectors are deducted before statutory reserve is calculated. The statutory reserve percentage was 13%. Subsequently, the PMA increased the statutory reserve percentage to 15%.
- PMA doesn't pay interest on these cash reserves and current accounts.
- 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:

	2015	2014
	U.S. \$	U.S. \$
Local banks and financial institutions:		
Current accounts	7,824,773	7,782,220
Deposits maturing within three months	34,980,012	59,100,145
	42,804,785	66,882,365
Foreign banks and financial institutions:		
Current accounts	8,323,283	27,310,729
Deposits maturing within three months	18,723,667	26,561,277
Deposits maturing more than three months	2,820,874	4,231,312
	29,867,824	58,103,318
	72,672,609	124,985,683

- Non-interest bearing balances at banks and financial institutions amounted to U.S. \$ 16,148,056 and U.S. \$ 35,092,949 as at December 31, 2015 and 2014, respectively.
- Restricted cash balances amounted to U.S. \$ 8,452,022 and U.S. \$ 7,694,280 as at December 31, 2015 and 2014, respectively.

5. Direct credit facilities

This item represents the following:

	2015	2014
	U.S. \$	U.S. \$
Individuals		
Loans and discounted bills	43,494,982	34,075,265
Overdraft accounts	13,344,434	11,667,753
Credit cards	1,088,246	19,631
Corporate		
Loans and discounted bills	48,986,407	23,900,704
Overdraft accounts	15,746,303	12,678,160
Government and public sector	22,764,490	23,570,603
	145,424,862	105,912,116
Suspended interest and commission	(816,070)	(679,841)
Impairment Allowance for credit facilities	(2,938,291)	(3,083,016)
	141,670,501	102,149,259

- Downgraded credit facilities, net of suspended interest according to PMA regulations, amounted to U.S. \$ 5,629,901 and U.S. \$ 7,550,835 as at December 31, 2015 and 2014, respectively, representing (3.87%) and (7.13%) of total direct credit facilities as at December 31, 2015 and 2014, respectively.
- Non-performing direct credit facilities net of suspended interest according to PMA regulations amounted to U.S. \$ 5,452,983 and U.S. \$ 7,288,794 as at December 31, 2015 and 2014 respectively, representing (3.75%) and (6.9%) of total direct credit facilities as at December 31, 2015 and 2014, respectively.
- Credit facilities granted to Palestinian National Authority and by its guarantee amounted to U.S. \$ 22,764,490 representing (15.56%) of total direct credit facilities as at December 31, 2015 compared to U.S. \$ 23,570,603 representing (22.25%) of total direct credit facilities as at December 31, 2014.
- Credit facilities granted to non-residents amounted to U.S. \$ 186,689 and U.S. \$ 19,156 as at December 31, 2015 and 2014, respectively.
- Fair value of collaterals obtained in lieu of credit facilities, amounted to U.S. \$ 101,490,586 and U.S. \$ 58,469,803 as at December 31, 2015 and 2014, respectively.

Suspended interest and commission

Following is a summary movement on the suspended interest and commission during the year:

	2015	2014
	U.S. \$	U.S. \$
Balance, beginning of the year	679,841	488,858
Suspended interest during the year	278,737	307,501
Suspended interest transferred to revenues	(132,932)	(26,071)
Suspended interest written off	(5,072)	(51,802)
Write off of suspended interest of loans in default for more than 6 years	(4,504)	(38,645)
Balance, end of year	816,070	679,841

Impairment allowance for credit facilities

Following is a summary of movement on the impairment allowance for credit facilities during the year:

	2015	2014
	\$.U.S	\$.U.S
Balance, beginning of the year	3,083,016	4,186,509
Additions for the year	474,249	524,197
Recovery during the year	(614,266)	(1,393,101)
Written off	(5,223)	(89,552)
Foreign currency difference	515	(145,037)
Balance, end of year	2,938,291	3,083,016

Following is a summary of the movement on impairment allowance and suspended interest on credit facilities defaulted for more than 6 years:

	Impairment allowance for credit facilities		Suspended interest	
	2015	2014	2015	2014
	\$.U.S	\$.U.S	\$.U.S	\$.U.S
Balance, beginning of the year	1,752,243	1,755,564	544,024	593,208
Additions	5,223	89,552	4,504	38,645
Recovery during the year	(32,555)	(25,598)	(1,436)	(19,012)
Suspended interest written off	-	-	(11,489)	(39,695)
Foreign currency differences	(963)	(67,275)	(410)	(29,122)
Balance, end of year	1,723,948	1,752,243	535,193	544,024

In accordance with PMA instruction no. (1/2008), non-performing direct credit facilities defaulted more than six years were eliminated from the financial statements of the bank. Gross direct credit facilities that were eliminated from the financial statements are amounted to U.S. \$ 2,259,141 and U.S. \$ 2,296,267 as at December 31, 2015 and 2014, respectively.

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

	2015	2014
	U.S. \$	U.S. \$
Manufacturing and Mining		
Manufacturing	17,126,280	17,368,840
	17,126,280	17,368,840
Tourism, Restaurants, Hotels and Others		
Restaurants	3,607,240	2,878,867
	3,607,240	2,878,867
Financial services	4,859,986	762,698
	4,859,986	762,698
Public Sector		
Communications	316,692	315,592
Health	18,850	17,480
Education	320,120	294,034
Public utility	2,709,554	1,344,163
Professionals	2,520,320	2,471,526
Others	7,824,776	901,441
	13,710,312	5,344,236
Agriculture and livestock		
Agriculture	999,647	1,176,868
Livestock	2,905,320	2,060,281
	3,904,967	3,237,149
General Trade		
Internal trade	24,001,483	20,961,788
Foreign trade	7,601,049	8,621,459
	31,602,532	29,583,247
Real Estate and Construction		
Construction	9,587,507	8,890,298
Residence	1,826,612	3,137,735
Property	12,906,946	3,762,137
	24,321,065	15,790,170
Transportation		
Trade and shipping	1,111,520	1,418,088
	1,111,520	1,418,088
Consumer Goods Financing		
Others	12,570,716	2,842,676
	12,570,716	2,842,676

Investment in Shares and Financial Instruments		
Financial companies	-	769,875
Others	1,533,921	201,520
	1,533,921	971,395
	7,495,763	
Other in the Private Sector		1,464,306
Public Sector		
Palestinian National Authority	22,764,490	23,570,603
	22,764,490	23,570,603
	144,608,792	105,232,275

6. Financial assets at fair value through profit or loss

	December 31, 2015			December 31, 2014		
	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	194,606	1,043,192	1,237,798	-	-	-
Quoted bonds	-	5,539,116	5,539,116	-	5,945,220	5,945,220
	194,606	6,582,308	6,776,914	-	5,945,220	5,945,220

7. Financial assets at fair value through other comprehensive income

	2015	2014
	U.S. \$	U.S. \$
Quoted financial instruments traded in Palestine Stock Exchange	1,648,817	1,209,891
Unquoted financial instruments	1,400,000	-
	3,048,817	1,209,891

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

	2015	2014
	U.S. \$	U.S. \$
Balance, beginning of the year	(120,455)	(99,536)
Change in fair value	(68,622)	(715,343)
Losses from sale of financial assets at fair value through other comprehensive income recognized in retained earnings	8,715	694,424
Balance, end of the year	(180,362)	(120,455)

8. Financial assets at amortized cost

	2015	2014
	\$.U.S	\$.U.S
*Foreign government bonds	6,007,032	5,951,627
*Treasury bills	-	4,231,312
**Quoted foreign bonds	10,128,557	5,084,128
	16,135,589	15,267,067

*This item represents the Bank's Investment in bonds and treasury bills issued by the Central Bank of Jordan and Central Bank of Morocco. These investments have a maturity period ranged from three to ten years. Interest rates on these bonds and treasury bills ranges between 6.13% to 3.88%.

** 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 these bonds ranges between 3.88% to 6.95%.

9. Property, plant and equipment

	Land	Buildings and real estate	Furniture and equipment	Computer hardware	Leasehold improvements	Motor vehicles	Project under construction*	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
December 31, 2015								
Cost:								
Balance, Beginning of the year	1,989,749	1,250,990	2,761,317	2,740,481	1,097,204	440,190	3,506,341	13,786,272
excess from revaluation **	3,779,476	-	-	-	-	-	-	3,779,476
Additions	-	-	415,418	268,949	199,713	-	2,418,145	3,302,225
Balance, end of the year	5,769,225	1,250,990	3,176,735	3,009,430	1,296,917	440,190	5,924,486	20,867,973
Accumulated depreciation:								
Balance, Beginning of the year	-	151,861	1,268,144	1,805,441	444,362	135,452	-	3,805,260
Depreciation charge for the year	-	32,276	205,699	341,583	95,415	74,334	-	749,307
Balance, end of the year	-	184,137	1,473,843	2,147,024	539,777	209,786	-	4,554,567
Net book value	5,769,225	1,066,853	1,702,892	862,406	757,140	230,404	5,924,486	16,313,406

* The Bank is working on the construction of the new general administration building in Ramallah city. The cost for the project amounted to U.S. \$ 5,924,486 as at December 31, 2015 which is under the de-termined ceiling by the Board of Directors. The project is expected to be finished during 2016.

** During 2015 the bank was change the accounting policies that related to land for prepared it at fair value as date of consolidated financial statement because it best for reflect the fair value of land . the excess from revaluation is \$3,779,476 as December 31,2015 . this excess was recorded through consolidated income statement at amount \$3,212,555 after deducted differed tax with amount \$566,921.

	Land	Buildings and real estate	Furniture and equipment	Computer hardware	Leasehold improvements	Motor vehicles	Project under construction*	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
December 31, 2014								
Cost:								
Balance, Beginning of the year	1,989,749	1,250,990	2,210,693	2,257,201	942,124	118,051	-	8,768,808
Additions	-	-	644,734	483,280	276,303	322,139	3,506,341	5,232,797
Disposals	-	-	(94,110)	-	(121,223)	-	-	(215,333)
Balance, end of the year	1,989,749	1,250,990	2,761,317	2,740,481	1,097,204	440,190	3,506,341	13,786,272
Accumulated depreciation:								
Balance, Beginning of the year	-	126,842	1,204,503	1,495,497	499,908	110,759	-	3,437,509
Depreciation charge for the year	-	25,019	155,223	309,944	64,575	24,693	-	579,454
Disposals	-	-	(91,582)	-	(120,121)	-	-	(211,703)
Balance, end of the year	-	151,861	1,268,144	1,805,441	444,362	135,452	-	3,805,260
Net book value	1,989,749	1,099,129	1,493,173	935,040	652,842	304,738	3,506,341	9,981,012

10. Deferred tax assets

Deferred tax assets are calculated based on temporary time differences between assets and liabilities, and the base value used for the purpose of taxable income calculation, such as allowance for impairment loss on direct credit facilities, the employees' end of service provision, provision for vacations and legal cases provision that the bank management expects 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.

11. Intangible assets

Intangible assets represent computer systems. Following is the movement on intangible assets during the year:

	2015	2014
	U.S. \$	U.S. \$
Balance, beginning of the year	923,894	929,027
Additions	212,543	124,120
Amortization	(141,798)	(129,253)
Balance, end of year	994,639	923,894

12. Other assets

This item includes the following:

	2015	2014
	U.S. \$	U.S. \$
assets transfer to bank from due receivable*	900,000	-
Accounts receivable	822,996	965,822
Accrued interest receivable	616,917	486,256
Checks under collection	1,786,704	399,519
Prepaid expenses	404,736	319,954
Tax advances (Note 17)	202,107	223,447
Advances for the purchase of software and the establishment of branches	166,500	173,186
Recovered margins	52,277	52,277
Others	472,839	186,371
	5,425,076	2,806,832

*this item present three trade store transfer to bank from due receivable.

13. Banks and financial institutions' deposits

This item includes the following:

	December 31, 2015	December 31, 2014
	U.S. \$	U.S. \$
Current and demand accounts	18,529	16,158
Deposits maturing within a period of three months or less	35,921,697	43,762,838
	35,940,226	43,778,996

14. Customers' deposits

This item includes the followings:

	2015	2014
	U.S. \$	U.S. \$
Current and demand deposits	82,668,835	75,453,825
Time deposits	53,805,484	59,967,598
Saving deposits	54,418,067	47,187,394
Debit balances – temporary credit	2,551,721	1,673,087
	193,444,107	184,281,904

- Public sector deposits amounted to U.S. \$ 8,548,254 and U.S. \$ 24,767,973 representing 4.42% and 13.44% of the total deposits as at December 31, 2015 and 2014, respectively,
- Non-interest bearing deposits amounted to U.S. \$ 82,668,835 and U.S. \$ 75,745,151 representing 42.74% and 41.10% of the total deposits as at December 31, 2015 and 2014, respectively.
- Dormant deposits amounted to U.S. \$ 6,463,049 and U.S. \$ 3,341,663 as at December 2015 and 2014 representing 3.34% and 1.81% of the total deposits as at December 31, 2015 and 2014, respectively.

15. Cash margins

This item represents cash margins against the following facilities:

	2015	2014
	\$.U.S	\$.U.S
Direct credit facilities	11,166,826	10,901,946
Indirect credit facilities	3,940,702	3,958,142
	15,107,528	14,860,088

16. Sundry provisions

This item represents the following:

	Balance, beginning of the year	Provided for during the year	Payments during the year	Currency variances	Balance, end of the year
December 31, 2015	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
End of Service and vacations provisions	2,327,195	404,252	(391,987)	-	2,339,460
Provisions for legal cases	30,364	-	-	(146)	30,218
	2,357,559	404,252	(391,987)	(146)	2,369,678

	Balance, beginning of the year	Provided for during the year	Payments during the year	Currency variances	Balance, end of the year
December 31, 2014	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
End of Service and vacations provisions	2,132,121	304,456	(109,382)	-	2,327,195
Provisions for legal cases	33,813	-	-	(3,449)	30,364
	2,165,934	304,456	(109,382)	(3,449)	2,357,559

17. Tax provisions

Movement on this item during the years ended December 31, 2014 and 2013 are as follows:

	2015	2014
	U.S. \$	U.S. \$
Balance, beginning of year	(223,447)	18,086
Current year provision	1,265,000	966,585
Advances paid during the year	(1,274,382)	(1,334,705)
Currency variances	30,722	126,587
	(202,107)	(223,447)
Net advances classified as other assets (Note 12)	202,107	223,447
Balance, end of year	-	-

The legal tax percentage of income 15%. and the VAT amount is n16% as December 31,2015. based on the provisions of the decision decree law No.(4) for the year 2014 to modifying resolution the decision decree law No.(8) for the year 2011 related to income tax. the income tax on profit result from finance small and medium projects is 10% from this gain.

The follow is summary of settlement accounting profit for the bank :

	2015	2014
	U.S. \$	U.S. \$
Accounting profit	3,796,079	5,926,383
Income subject to VAT	4,250,210	6,019,834
Income subject to income tax	3,400,012	4,749,003
VAT on profit for the year		
Income tax	510,002	830,322
Total taxes for the year	586,236	949,801
Provision for the year	1,096,238	1,780,123
	966,585	1,788,003
Effective tax rate	25,46%	30.17%

Until the date of financial statement , the bank has not reached to final settlement with the income tax department on the result of his work in 2014.

18. Other liabilities

This item includes the following:

	2015	2014
	U.S. \$	U.S. \$
Accounts payable and temporary deposits	2,516,018	2,313,979
Accrued construction costs	2,130,495	1,599,969
Certified checks	1,419,095	1,556,453
differed tax payable (note 9)	566,921	-
Accrued interest payable	330,070	1,096,946
Board of Directors remuneration	99,915	172,540
Accrued expenses	15,249	52,806
Unearned commissions revenue	137,429	-
Other credit balances	218,039	132,144
	7,433,231	6,924,837

19. 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,

Voluntarily reserve

The amounts accumulated represents appropriations from annual net profit, not exceeding 20% of annual net profit based on the Board of Directors decisions, This reserve could be used or distributed to shareholders based on General Assembly resolutions. The Bank transferred the Voluntarily Reserve balance amounted to U.S. \$ 670,458 to retained earnings as part of dividends distributed (Note 20).

General banking risk reserve

This item represents general banking reserve appropriated in accordance with PMA instruction (6/2015) based on 1.5% of direct credit facilities after deducting allowance for impairment losses and suspended interest and 0.5% of indirect credit facilities. After deducted checks under collection and discounted loans 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 (6/2015) 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 share capital.

20. Stock and Cash Dividends

The General Assembly on May 14, 2015 decided to distributed stock in amount \$1,300,000 as free stock.

In its meeting held on June 12, 2014, the General Assembly approved dividend distribution of an amount totaling U.S. \$ 3,446,900 to be distributed as follows: stock dividends in the amount of U.S.\$ 2,000,000 and cash dividends in the amount of U.S.\$ 1,446,900. The Bank utilized the balance in the voluntarily reserve amounting U.S. \$ 670,458 to be part of dividends distribution.

21. Paid-in share capital

	2015	2014
	U.S. \$	U.S. \$
Authorized capital	100,000,000	100,000,000
Subscribed and Paid-in share capital	56,300,000	55,000,000

22. Interest income

This item represents interest income on the following accounts:

	2015	2014
	U.S. \$	U.S. \$
Loans	4,815,991	3,509,374
Overdraft accounts	2,954,762	2,882,021
Government and public sector	1,531,574	1,730,630
Balances at banks and financial institutions	1,217,708	1,685,302
Financial assets at amortized cost	747,925	1,047,723
Financial assets at fair value through profit or loss	305,847	29,323
	11,573,807	10,884,373

23. Interest expense

	2015	2014
	U.S. \$	U.S. \$
Interest on customers' deposits:		
Time deposits	1,579,939	1,822,457
Saving deposits	26,620	30,472
Current and demand accounts	12,798	27,592
	1,619,357	1,880,521
Banks and financial institutions' deposits	62,001	3,678
Cash margins	41,758	33,674
	1,723,116	1,917,873

24. Net commission income

This item includes commissions against the following:

	2015	2014
	U.S. \$	U.S. \$
Direct credit facilities	1,061,259	898,424
Indirect credit facilities	547,424	618,237
Accounts management	397,927	431,324
Checks	287,703	360,432
Transfers	277,644	237,146
Others	366,932	471,146
	2,938,889	3,016,709
Less: Commission expense	(116,463)	(144,756)
Net Commission income	2,822,426	2,871,953

25. Income from financial assets

	2015	2014
	U.S. \$	U.S. \$
unrealized gain from revaluation of financial assets at fair value through income statement	43,192	-
gain from sale financial assets at amortized cost	-	406,523
	43,192	406,523

26. Other income

	2015	2014
	U.S. \$	U.S. \$
Checkbooks issuance fees	130,092	155,703
Swift and ATM's revenue	39,899	23,286
Mail and fax revenue	19,795	18,887
Sundry	32,555	-
	222,341	197,876

27. Personnel expenses

	2015	2014
	U.S. \$	U.S. \$
Salaries and related benefits	4,008,456	3,682,497
VAT on salaries	616,426	552,136
Provision for employees' indemnity	334,252	304,456
Medical expenses	195,414	217,386
Bank's contribution to the provident fund *	153,656	173,408
Training expenses	21,990	32,971
Vacations	70,000	-
	5,400,194	4,962,854

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

28. Other operating expenses

	2015	2014
	U.S. \$	U.S. \$
Fees, licenses and subscriptions	627,156	501,089
Telephone, fax, and postage	556,887	541,585
Palestine Deposit Insurance Corporation fees	479,917	400,479
Rent	420,397	384,633
Maintenance and repairs	417,570	446,125
Professional fees	228,947	315,906
Travel and seminars	258,565	253,925
Utilities	204,830	199,047
Board of Directors' remuneration	198,726	238,540
Advertisement and marketing	177,063	180,174
Stationery and printings	111,213	134,730
Money shipping fees	110,078	120,016
Cleaning expense	91,687	67,525
Savings accounts' promotional prizes	78,710	130,000
Insurance	53,762	71,449
Donations and charity*	46,824	76,747
Hospitality	41,498	37,061
Fuel and vehicle expenses	21,354	15,597
Sundry	15,281	20,786
	4,140,465	4,135,414

* The bank make donations to support social and sport activities as per the bank policy to build good relationships in the local community. Donations made represents (2.72%) and (2.71%) of net income as of December 31, 2015 and 2014, respectively.

29. Regulators Fines

This item represents fines imposed on the Bank by the Palestinian Monetary Authority as a result of observations related to the preliminary preparation procedures of the new general administration building and the Bank branching.

30. 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:

	2015	2014
	U.S. \$	U.S. \$
Cash and balances at PMA	63,772,991	56,585,215
Add: Balances at Banks and financial institutions	69,851,735	120,754,371
Less:		
Banks and financial institutions deposits	(35,940,226)	(43,778,996)
Statutory cash reserve	(31,649,528)	(29,644,417)
	66,034,972	103,916,173

31. Basic and Diluted Earnings Per Share

	2015	2014
	U.S. \$	U.S. \$
Profit for the year	1,721,150	2,829,494
	Shares	Shares
Weighted average number of subscribed shares	56,300,000	56,300,000
	U.S. \$	U.S. \$
Basic and diluted earnings per share	0.031	0.050

32. 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	2015	2014
		U.S. \$	U.S. \$
Consolidated statement of financial position items:			
Direct credit facilities	Key management personnel	2,852,150	2,816,202
Deposits	Key management personnel and shareholders	5,272,514	1,933,861
Board of Directors remuneration	Board of directors	99,915	172,540
Contingent Liabilities:			
Letters of guarantees	Key management personnel	53,687	73,106
	Nature of relationship	2015	2014
		U.S. \$	U.S. \$
Consolidated income statement items:			
Interest and commission income	Key management personnel	24,573	132,842
Interest and commission expense	Key management personnel	57,756	4,665
Board of Directors remuneration	Board of directors	198,726	238,540
Key Management personnel share in salaries and related expenses	Key management personnel	793,592	528,276
Key Management personnel share in the end of service benefits	Key management personnel	67,437	43,103

- Direct credit facilities granted to related parties as at December 31, 2015 and 2014 represent 2.01% and 2.76%, respectively, of the net direct credit facilities.
- Direct credit facilities granted to related parties as at December 31, 2015 and 2014 represent 4.40% and 4.59%, respectively, of the Bank's capital base.
- Interest rate on U.S. \$ on deposits ranges between 1.75% to 2.25%,
- Interest rate on Euro on deposits ranges between 1.5% to 2%,

33. Fair Value of Financial Instruments

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.

The Bank has not made any transfers between the levels mentioned above during 2015 and 2014.

The following table describes the hierarchy for determining and disclosing the fair value of its financial instruments for the years ended December 31, 2015 and 2014:

	Date of Valuation	Total U.S. \$	Fair value measurement using		
			Quoted prices in active mar- kets (level 1) U.S. \$	Significant ob- servable input (level 2) U.S. \$	Significant unobservable inputs (level 3) U.S. \$
2015					
Financial assets at fair value:					
Financial assets at fair value through profit or loss (note 6):					
Quoted	December 31, 2015	6,776,914	6,776,914	-	-
Financial assets at fair value through other comprehensive income (note 7):					
Quoted	December 31, 2015	1,648,817	1,648,817	-	-
unquoted	December 31, 2015	1,400,000	-	-	1,400,000
property plant and equipment at fair value	December 31, 2015	5,769,225	-	-	5,769,225

	Date of Valuation	Total U.S. \$	Fair value measurement using		
			Quoted prices in active mar- kets (level 1) U.S. \$	Significant ob- servable input (level 2) U.S. \$	Significant unobservable inputs (level 3) U.S. \$
2014					
Financial assets at fair value:					
Financial assets at fair value through profit or loss (note 6):					
Quoted	December 31, 2014	5,945,220	5,945,220	-	-
Financial assets at fair value through other comprehensive income (note 7):					
Quoted	December 31, 2014	1,209,891	1,209,891	-	-

The table below represents a comparison between the carrying amounts and fair values of financial instruments as at December 31, 2014 and 2013:

	Carrying amount		Fair value	
	2015	2014	2015	2014
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Financial assets				
Cash and balances at PMA	32,725,263	56,585,215	32,725,263	56,585,215
Balances at banks and financial institutions	72,672,609	124,985,683	72,672,609	124,985,683
Direct credit facilities	141,670,501	102,149,259	141,670,501	102,149,259
Financial assets through profit or loss	6,776,914	5,945,220	6,776,914	5,945,220
Financial assets at fair value through other comprehensive income:				
Quoted instruments traded in financial markets	1,648,817	1,209,891	1,648,817	1,209,891
Unquoted instruments	1,400,000	-	1,400,000	-
Financial assets at amortized cost	16,135,589	15,267,067	15,976,700	14,584,600
Other financial assets	3,226,617	1,560,709	3,226,617	1,560,709
Total assets	276,256,310	307,703,044	276,097,421	307,020,577
Financial liabilities				
Banks and financial institutions deposits	35,940,226	43,778,996	35,940,226	43,778,996
Customers' deposits	193,444,107	184,281,904	193,444,107	184,281,904
Cash margins	15,107,528	14,860,088	15,107,528	14,860,088
Other financial liabilities	6,728,881	6,924,837	6,728,881	6,924,837
Total liabilities	251,220,742	249,845,825	251,220,742	249,845,825

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.

Fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income that are actively traded in active financial markets is determined by reference to quoted prices at the date of the consolidated financial statements.

The fair value of the financial assets at amortized cost were based in price quotations at the date of the consolidated financial statements.

The fair value of the credit facilities were based through considering different variables like interest prices, risk factors and repayment ability. Credit facilities fair value don't differ from its carrying values as of December 31, 2015.

34. 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:

	2014							
Assets	Domestic	Jordan	Israel	Europe	USA	Others	Total	
Cash and balances at PMA	63,772,991	-	-	-	-	-	63,772,991	
Balances at Banks and financial institutions	42,804,785	6,274,308	2,986,187	4,800,516	2,178,828	13,627,985	72,672,609	
Direct credit facilities	141,483,812	186,689	-	-	-	-	141,670,501	
Financial assets at fair value through profit or loss	194,606	-	-	1,043,192	-	5,539,116	6,776,914	
Financial assets at fair value through other comprehensive income	3,048,817	-	-	-	-	-	3,048,817	
Financial assets at amortized cost	-	5,007,005	-	4,126,900	-	7,001,684	16,135,589	
Property, plant and equipment	16,313,406	-	-	-	-	-	16,313,406	
Deferred tax assets	959,699	-	-	-	-	-	959,699	
Intangible assets	994,639	-	-	-	-	-	994,639	
Other assets	5,209,099	209,860	-	-	-	6,117	5,425,076	
	274,781,854	11,677,862	2,986,187	9,970,608	2,178,828	26,174,902	327,770,241	
Liabilities								
Banks and financial institutions' deposits	35,940,226	-	-	-	-	-	35,940,226	
Customers' deposits	188,526,684	2,504,112	-	-	-	2,413,311	193,444,107	
Cash margins	15,107,528	-	-	-	-	-	15,107,528	
Sundry provisions	2,369,678	-	-	-	-	-	2,369,678	
Other liabilities	7,433,231	-	-	-	-	-	7,433,231	
	249,377,347	2,504,112	-	-	-	2,413,311	254,294,770	
Items outside the consolidated statement of financial position								
Letter of guarantees	17,028,903	-	-	-	-	-	17,028,903	
Letter of credits	4,037,336	-	-	-	-	-	4,037,336	
Acceptances	2,577,482	-	-	-	-	-	2,577,482	
Unutilized credit facilities limits	5,754,911	-	-	-	-	-	5,754,911	
	29,398,632	-	-	-	-	-	29,398,632	

	2014							
Assets	Domestic	Jordan	Israel	Europe	USA	Others	Total	
Cash and balances at PMA	56,585,215	-	-	-	-	-	56,585,215	
Balances at Banks and financial institutions	66,882,365	26,448,693	17,445,902	3,268,327	5,540,064	5,400,332	124,985,683	
Direct credit facilities	102,130,103	19,156	-	-	-	-	102,149,259	
Financial assets at fair value through profit or loss	-	-	-	1,004,950	-	4,940,270	5,945,220	
Financial assets at fair value through other comprehensive income	1,209,891	-	-	-	-	-	1,209,891	
Financial assets at amortized cost	-	9,186,211	-	4,081,718	-	1,999,138	15,267,067	
Property, plant and equipment	9,981,012	-	-	-	-	-	9,981,012	
Deferred tax assets	959,699	-	-	-	-	-	959,699	
Intangible assets	923,894	-	-	-	-	-	923,894	
Other assets	2,806,832	-	-	-	-	-	2,806,832	
	241,479,011	35,654,060	17,445,902	8,354,995	5,540,064	12,339,740	320,813,772	
Liabilities								
Banks and financial institutions' deposits	43,778,996	-	-	-	-	-	43,778,996	
Customers' deposits	180,876,424	3,405,480	-	-	-	-	184,281,904	
Cash margins	14,860,088	-	-	-	-	-	14,860,088	
Sundry provisions	2,357,559	-	-	-	-	-	2,357,559	
Other liabilities	6,924,837	-	-	-	-	-	6,924,837	
	248,797,904	3,405,480	-	-	-	-	252,203,384	
Items outside the consolidated statement of financial position								
Letter of guarantees	16,462,012	-	-	-	-	-	16,462,012	
Letter of credits	3,330,874	-	-	-	-	-	3,330,874	
Acceptances	5,111,423	-	-	-	-	-	5,111,423	
Unutilized credit facilities limits	7,273,809	-	-	-	-	-	7,273,809	
	32,178,118	-	-	-	-	-	32,178,118	



35. 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 are 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

	2015	2014
	U.S. \$	U.S. \$
Consolidated statement of financial position items		
Balances at PMA	32,725,263	33,383,917
Balances at Banks and financial institutions	72,672,609	124,985,683
Direct credit facilities		
Individuals	55,424,925	43,108,352
Corporate	63,481,086	35,470,304
Public sector	22,764,490	23,570,603
Financial assets at fair value through profit or loss	6,776,914	5,945,220
Financial assets at amortized cost	16,135,589	15,267,067
Other assets	3,226,617	1,560,709
	273,207,493	283,291,855
Off consolidated statement of financial position items		
Letter of guarantees	17,028,903	16,462,012
Letter of credits	4,037,336	3,330,874
Acceptances	2,577,482	5,111,423
Unutilized direct credit facilities limits	5,754,911	7,273,809
	29,398,632	32,178,118

Credit risk exposure for each risk rating:

Credit risk exposure for each risk rating distributed as follows:

December 31, 2015	Individuals	Corporate	Government and public sector	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
low risk	34,527,118	40,799,277	22,764,490	98,090,885
Acceptable risk	19,010,685	21,877,321	-	40,888,006
Watch list	169,342	7,576	-	176,918
Non-performing:				
Substandard	902,952	438,029	-	1,340,981
Doubtful	3,317,565	1,610,507	-	4,928,072
Total	57,927,662	64,732,710	22,764,490	145,424,862
Suspended interest and commissions	(483,716)	(332,354)	-	(816,070)
Allowance for impairment losses	(2,019,021)	(919,270)	-	(2,938,291)
	55,424,925	63,481,086	22,764,490	141,670,501

December 31, 2014	Individuals	Corporate	Government and public sector	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
low risk	25,718,020	18,208,466	23,570,603	67,497,089
Acceptable risk	13,459,387	16,724,964	-	30,184,351
Watch list	248,161	13,880	-	262,041
Non-performing:				
Substandard	1,639,689	625,471	-	2,265,160
Doubtful	4,697,392	1,006,083	-	5,703,475
Total	45,762,649	36,578,864	23,570,603	105,912,116
Suspended interest and commissions	(446,137)	(233,704)	-	(679,841)
Allowance for impairment losses	(2,208,160)	(874,856)	-	(3,083,016)
	43,108,352	35,470,304	23,570,603	102,149,259

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

December 31, 2015	Individuals	Corporate	Total
	U.S. \$	U.S. \$	U.S. \$
Collaterals against:			
low risk	39,298,209	17,342,885	56,641,094
Acceptable risk	13,767,875	26,466,947	40,234,822
Watch list	121,234	30,000	151,234
Non-performing:			
Substandard	1,333,584	580,000	1,913,584
Doubtful	2,107,294	442,558	2,549,852
Total	56,628,196	44,862,390	101,490,586
Comprising of:			
Cash margins	8,206,082	6,901,446	15,107,528
Quoted instruments	3,484,880	2,010,789	5,495,669
Vehicles and equipment	7,518,520	4,208,711	11,727,231
Real estate	40,758,611	28,401,547	69,160,158
	59,968,093	41,522,493	101,490,586

December 31, 2014	Individuals	Corporate	Total
	U.S. \$	U.S. \$	U.S. \$
Collaterals against:			
low risk	18,535,455	10,895,276	29,430,731
Acceptable risk	11,501,210	11,595,813	23,097,023
Watch list	386,299	30,000	416,299
Non-performing:			
Substandard	1,798,003	102,518	1,900,521
Doubtful	2,996,978	628,251	3,625,229
Total	35,217,945	23,251,858	58,469,803
Comprising of:			
Cash margins	10,789,534	4,070,554	14,860,088
Quoted instruments	4,488,506	-	4,488,506
Vehicles and equipment	1,545,613	1,250,441	2,796,054
Real estate	18,394,292	17,930,863	36,325,155
	35,217,945	23,251,858	58,469,803

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

	Domestic	Jordan	Israel	Europe	USA	Others	Total
2014	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Cash and balances at PMA	32,725,263	-	-	-	-	-	32,725,263
Balances at banks and financial institutions	42,804,785	6,274,308	2,986,187	4,800,516	2,178,828	13,627,985	72,672,609
Direct credit facilities	141,483,812	186,689	-	-	-	-	141,670,501
Financial assets at fair value through profit or loss	194,606	-	-	1,043,192	-	-	6,776,914
Financial assets at amortized cost	-	5,007,005	-	4,126,900	-	5,539,116	16,135,589
Other assets	3,010,640	209,860	-	-	-	6,117	3,226,617
Total as at December 31, 2015	220,219,106	11,677,862	2,986,187	9,970,608	2,178,828	26,174,902	273,207,493
Total as at December 31, 2014	203,957,094	35,654,060	17,445,902	8,354,995	5,540,064	12,339,740	283,291,855

Off consolidated statement of financial position items:							
Letter of guarantees	17,028,903	-	-	-	-	-	17,028,903
Letter of credits	4,037,336	-	-	-	-	-	4,037,336
Acceptances	2,577,482	-	-	-	-	-	2,577,482
Unutilized direct credit facilities limits	5,754,911	-	-	-	-	-	5,754,911
Total as at December 31, 2015	29,398,632	-	-	-	-	-	29,398,632
Total as at December 31, 2014	32,178,118	-	-	-	-	-	32,178,118

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

	Financial	Industrial and tourism	Trade	Real estate	Financial markets	Government and public sector	Other	Total
2015	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Cash and balances at PMA	32,725,263	-	-	-	-	-	-	32,725,263
Balances at Banks and financial institutions	72,672,609	-	-	-	-	-	-	72,672,609
Direct credit facilities	14,749,938	20,733,520	31,602,532	24,321,065	1,533,921	22,764,490	25,965,035	141,670,501
Financial assets at fair value through profit or loss	6,776,914	-	-	-	-	-	-	6,776,914
Financial assets at amortized cost	10,128,557	-	-	-	-	6,007,032	-	16,135,589
Other assets	3,226,617	-	-	-	-	-	-	3,226,617
Total as at December 31, 2015	140,279,898	20,733,520	31,602,532	24,321,065	1,533,921	28,771,522	25,965,035	273,207,493
Total as at December 31, 2014	164,898,452	20,097,707	28,991,582	15,474,367	11,986,172	33,753,542	8,090,033	283,291,855

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:

	2015			2014		
	Increase in interest rate		Interest income sensitivity (income statement)	Increase in interest rate		Interest income sensitivity (income statement)
Currency	basis points		\$.U.S	basis points		\$.U.S
\$.U.S	+10		55,722	+10		(10,709)
Jordanian Dinar	+10		(1,267)	+10		(12,109)
Israeli Shekel	+10		4,453	+10		(23,936)
EURO	+10		(904)	+10		492
Other currencies	+10		61	+10		184

December 31, 2015	Interest rate re-pricing sensitivity						
	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 items	Total
Assets	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Cash and balances at PMA	-	-	-	-	-	63,772,991	63,772,991
Balances at banks and financial institutions	-	12,545,441	43,979,112	-	-	16,148,056	72,672,609
Direct credit facilities	7,519,443	2,752,465	6,180,259	18,998,104	106,220,230	-	141,670,501
Financial assets at fair value through profit or loss	-	-	-	-	5,539,116	1,237,798	6,776,914
Financial assets at fair value through other comprehensive income	-	-	-	-	-	3,048,817	3,048,817
Financial assets at amortized cost	-	-	-	-	16,135,589	-	16,135,589
Property, plant and equipment	-	-	-	-	-	16,313,406	16,313,406
Deferred tax assets	-	-	-	-	-	959,699	959,699
Intangible assets	-	-	-	-	-	994,639	994,639
Other assets	-	-	-	-	-	5,425,076	5,425,076
Total assets	7,519,443	15,297,906	50,159,371	18,998,104	127,894,935	107,900,482	327,770,241
Liabilities							
Banks and financial institutions' deposits	28,475,530	7,446,167	-	-	-	18,529	35,940,226
Customers' deposits	49,092,789	7,989,508	6,270,062	29,310,742	18,112,171	82,668,835	193,444,107
Cash margins	9,405,235	2,153,734	1,355,340	980,869	1,212,350	-	15,107,528
Sundry provisions	-	-	-	-	-	2,369,678	2,369,678
Other liabilities	-	-	-	-	-	7,433,231	7,433,231
Total liabilities	86,973,554	17,589,409	7,625,402	30,291,611	19,324,521	92,490,273	254,294,770
Equity							
Paid in share capital	-	-	-	-	-	56,300,000	56,300,000
Statutory reserve	-	-	-	-	-	7,825,093	7,825,093
General Banking risks reserve	-	-	-	-	-	2,291,000	2,291,000
Pro- cyclicity reserve	-	-	-	-	-	1,847,142	1,847,142
Fair value reserve	-	-	-	-	-	(180,362)	(180,362)
excess revaluation assets	-	-	-	-	-	3,212,555	3,212,555
Retained Earnings	-	-	-	-	-	2,180,043	2,180,043
Net equity	-	-	-	-	-	73,475,471	73,475,471
Total liabilities and equity	86,973,554	17,589,409	7,625,402	30,291,611	19,324,521	165,965,744	327,770,241
Interest rate re-pricing sensitivity gap	(79,454,111)	(2,291,503)	42,533,969	(11,293,507)	108,570,414	(58,065,262)	-

December 31, 2014	Interest rate re-pricing sensitivity						
	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 items	Total
Assets	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Cash and balances at PMA	-	-	-	-	-	56,585,215	56,585,215
Balances at banks and financial institutions	66,812,048	18,849,374	-	4,231,312	-	35,092,949	124,985,683
Direct credit facilities	21,221,714	3,769,635	12,668,320	28,195,447	36,294,143	-	102,149,259
Financial assets at fair value through profit or loss	-	-	-	-	5,945,220	-	5,945,220
Financial assets at fair value through other comprehensive income	-	-	-	-	-	1,209,891	1,209,891
Financial assets at amortized cost	-	-	4,231,312	5,951,627	5,084,128	-	15,267,067
Property, plant and equipment	-	-	-	-	-	9,981,012	9,981,012
Deferred tax assets	-	-	-	-	-	959,699	959,699
Intangible assets	-	-	-	-	-	923,894	923,894
Other assets	-	-	-	-	-	2,806,832	2,806,832
Total assets	88,033,762	22,619,009	16,899,632	38,378,386	47,323,491	107,559,492	320,813,772
Liabilities							
Banks and financial institutions' deposits	36,332,829	7,446,167	-	-	-	-	43,778,996
Customers' deposits	53,733,317	7,989,508	6,270,062	11,233,124	29,310,742	75,745,151	184,281,904
Cash margins	2,691,944	566,797	1,904,790	4,239,425	5,457,132	-	14,860,088
Sundry provisions	-	-	-	-	-	2,357,559	2,357,559
Other liabilities	-	-	-	-	-	6,924,837	6,924,837
Total liabilities	92,758,090	16,002,472	8,174,852	15,472,549	34,767,874	85,027,547	252,203,384
Equity							
Paid in share capital	-	-	-	-	-	55,000,000	55,000,000
Statutory reserve	-	-	-	-	-	7,625,485	7,625,485
General Banking risks reserve	-	-	-	-	-	2,291,000	2,291,000
Pro- cyclicity reserve	-	-	-	-	-	1,549,392	1,549,392
Fair value reserve	-	-	-	-	-	(120,455)	120,455-
Retained Earnings	-	-	-	-	-	2,264,966	2,264,966
Net equity	-	-	-	-	-	68,610,388	68,610,388
Total liabilities and equity	92,758,090	16,002,472	8,174,852	15,472,549	34,767,874	153,637,935	320,813,772
Interest rate re-pricing sensitivity gap	(4,724,328)	6,616,537	8,724,780	22,905,837	12,555,617	(46,078,443)	-

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:

	2015		2014	
	Increase in currency	Effect on income statement	Increase in currency	Effect on income statement
Currency	%	U.S. \$	%	U.S. \$
EURO	+10	(6,693)	+10	11,694
Israeli Shekels	+10	(22,277)	+10	2,877
Other currencies	+10	(4)	+10	(643)

Following is the foreign currencies position of the Bank:

	JOD	EURO	ILS	Others	Total
December 31, 2015	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Assets					
Cash and balances with PMA	8,472,553	1,670,510	37,039,512	-	47,182,575
Balances at banks and financial institutions	23,744,645	3,328,891	15,702,390	317,478	43,093,404
Direct credit facilities	11,252,525	5,530,780	56,563,722	-	73,347,027
Other assets	203,656	72,203	2,513,339	-	2,789,198
Total assets	43,673,379	10,602,384	111,818,963	317,478	166,412,204
Liabilities					
Banks and financial institutions' deposits	12,368,124	3,016,956	15,255,146	-	30,640,226
Customers' deposits	28,135,237	6,903,400	90,317,196	317,324	125,673,157
Cash margins	1,645,560	744,739	6,013,309	-	8,403,608
Other liabilities	335,477	4,221	456,086	196	795,980
Total liabilities	42,484,398	10,669,316	112,041,737	317,520	165,512,971
Statement of financial position concentration	1,188,981	(66,932)	(222,774)	(42)	899,233
Off-statement of financial position commitments and contingencies	658,766	1,447,944	3,486,120	-	5,592,830

	JOD	EURO	ILS	Others	Total
December 31, 2014	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Total assets	46,351,812	6,206,160	119,158,976	269,855	171,986,803
Total liabilities	48,150,067	6,089,224	119,130,211	276,284	173,645,786
Statement of financial position concentration	(1,798,255)	116,936	28,765	(6,429)	(1,658,983)
Off-statement of financial position commitments and contingencies	1,920,465	3,660,735	4,619,466	-	10,200,666

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:

	2015			2014	
Indicator	Increase in indicator	Effect on income statement	Effect on equity	Effect on income statement	Effect on equity
	(%)	\$.U.S	\$.U.S	\$.U.S	\$.U.S
Palestine Securities Exchange	+10	123,780	164,882	-	120,989
Foreign Markets	+10	553,912	-	594,522	-

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.

The table below summarizes the assets and liabilities on the basis of the remaining contractual maturities as at December 31, 2014 and 2013, respectively:

December 31, 2015	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
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Assets								
Cash and balances with PMA	32,123,463	-	-	-	-	-	31,649,528	63,772,991
Balances at banks and financial institutions	16,148,056	53,703,679	2,820,874	-	-	-	-	72,672,609
Direct credit facilities	7,519,443	2,752,465	6,180,259	18,998,104	106,220,230	-	-	141,670,501
Financial assets at fair value through profit or loss	-	-	-	-	-	5,539,116	1,237,798	6,776,914
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	3,048,817	3,048,817
Financial assets at amortized cost	-	-	-	-	-	16,135,589	-	16,135,589
Property, plant and equipment	-	-	-	-	-	-	16,313,406	16,313,406
Deferred tax assets	-	-	-	-	-	-	959,699	959,699
Intangible assets	-	-	-	-	-	-	994,639	994,639
Other assets	-	-	-	-	-	-	5,425,076	5,425,076
Total assets	55,790,962	56,456,144	9,001,133	18,998,104	106,220,230	21,674,705	59,628,963	327,770,241
Liabilities:								
Banks and financial institutions' deposits								
Customers' deposits	28,494,059	7,446,167	-	-	-	-	-	35,940,226
Cash margins	139,745,710	7,989,508	6,270,062	29,310,742	10,128,085	-	-	193,444,107
Sundry provisions	9,405,235	2,153,734	1,355,340	1,480,869	712,350	-	-	15,107,528
Other liabilities	-	-	-	-	-	-	2,369,678	2,369,678
Total liabilities	177,645,004	17,589,409	7,625,402	30,791,611	10,840,435	-	9,802,909	254,294,770
Equity								
Paid-in share capital	-	-	-	-	-	-	56,300,000	56,300,000
Statutory reserve	-	-	-	-	-	-	7,825,093	7,825,093
General Banking risks reserve	-	-	-	-	-	-	2,291,000	2,291,000
Pro- cyclical reserve	-	-	-	-	-	-	1,847,142	1,847,142
Fair value reserve	-	-	-	-	-	-	(180,362)	(180,362)
Retained earnings	-	-	-	-	-	-	3,212,555	3,212,555
Total equity	-	-	-	-	-	-	2,180,043	2,180,043
Total liabilities and equity	177,645,004	17,589,409	7,625,402	30,791,611	10,840,435	-	73,475,471	73,475,471
Maturity gap	(121,854,042)	38,866,735	1,375,731	(11,793,507)	95,379,795	21,674,705	83,278,380	327,770,241
Cumulative gap	(121,854,042)	(82,987,307)	(81,611,576)	(93,405,083)	1,974,712	23,649,417	(23,649,417)	-

December 31, 2014	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
	\$.U.S	\$.U.S	\$.U.S	\$.U.S	\$.U.S	\$.U.S	\$.U.S	\$.U.S
Assets								
Cash and balances with PMA	26,940,798	-	-	-	-	-	29,644,417	56,585,215
Balances at banks and financial institutions	101,904,997	18,849,374	-	4,231,312	-	-	-	124,985,683
Direct credit facilities	21,221,714	3,769,635	12,668,320	28,195,447	14,783,188	21,510,955	-	102,149,259
Financial assets at fair value through profit or loss	-	-	-	-	-	5,945,220	-	5,945,220
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	1,209,891	1,209,891
Financial assets at amortized cost	-	-	4,231,312	5,951,627	2,018,010	3,066,118	-	15,267,067
Property, plant and equipment	-	-	-	-	-	-	9,981,012	9,981,012
Deferred tax assets	-	-	-	-	-	-	959,699	959,699
Intangible assets	-	-	-	-	-	-	923,894	923,894
Other assets	-	-	-	-	-	-	2,806,832	2,806,832
Total assets	150,067,509	22,619,009	16,899,632	38,378,386	16,801,198	30,522,293	45,525,745	320,813,772
Liabilities								
Banks and financial institutions' deposits	36,332,829	7,446,167	-	-	-	-	-	43,778,996
Customers' deposits	129,478,468	7,989,508	6,270,062	11,233,124	29,310,742	-	-	184,281,904
Cash margins	2,691,944	566,797	1,904,790	4,239,425	5,457,132	-	-	14,860,088
Sundry provisions	-	-	-	-	-	-	2,357,559	2,357,559
Other liabilities	-	-	-	-	-	-	6,924,837	6,924,837
Total liabilities	168,503,241	16,002,472	8,174,852	15,472,549	34,767,874	-	9,282,396	252,203,384
Equity								
Paid-in share capital	-	-	-	-	-	-	55,000,000	55,000,000
Statutory reserve	-	-	-	-	-	-	7,625,485	7,625,485
General Banking risks reserve	-	-	-	-	-	-	2,291,000	2,291,000
Pro- cyclicity reserve	-	-	-	-	-	-	1,549,392	1,549,392
Fair value reserve	-	-	-	-	-	-	(120,455)	(120,455)
Retained earnings	-	-	-	-	-	-	2,264,966	2,264,966
Total equity	-	-	-	-	-	-	68,610,388	68,610,388
Total liabilities and equity	168,503,241	16,002,472	8,174,852	15,472,549	34,767,874	-	77,892,784	320,813,772
Maturity gap	(18,435,732)	6,616,537	8,724,780	22,905,837	(17,966,676)	30,522,293	(32,367,039)	-
Cumulative gap	(18,435,732)	(11,819,195)	(3,094,415)	19,811,422	1,844,746	32,367,039	-	-

36. 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	
					2015	2014
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Gross revenues	5,958,813	7,180,708	1,708,453	676,816	15,524,790	15,041,429
Impairment of direct credit facilities	252,922	(112,905)	-	-	140,017	868,904
Segment results	6,211,735	7,067,803	1,708,453	676,816	15,664,807	15,910,333
Unallocated expenses					(10,839,078)	(10,051,625)
Profit before tax					2,986,150	3,796,079
Tax expense					(1,265,000)	(966,585)
Profit for the year					1,721,150	2,829,494
Other segment information:						
Depreciation and amortization					891,105	708,707
Capital expenditures					3,514,768	5,356,917
					2015	2014
					U.S. \$	U.S. \$
Segment assets	43,108,352	35,470,304	202,783,185	39,451,931	327,770,241	320,813,772
Segment liabilities	139,389,871	59,752,121	43,778,996	9,282,396	254,294,770	252,203,384

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.

	Domestic		Foreign		Total	
	2015	2014	2015	2014	2015	2014
	\$.U.S	\$.U.S	\$.U.S	\$.U.S	\$.U.S	\$.U.S
Gross revenues	13,284,538	12,928,868	2,240,252	2,112,561	15,524,790	15,041,429
Total assets	274,781,854	241,479,011	52,988,387	79,334,761	327,770,241	320,813,772
Capital expenditures	3,514,768	5,356,917	-	-	3,514,768	5,356,917

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

37. Maturities of assets and liabilities

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

December 31, 2015	Up to 1 year	More than 1 year	Without maturity	Total
Assets	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Cash and balances at PMA	32,123,463	-	31,649,528	63,772,991
Balances at banks and financial institutions	72,672,609	-	-	72,672,609
Direct credit facilities	35,450,271	106,220,230	-	141,670,501
Financial assets at fair value through profit or loss	-	5,539,116	1,237,798	6,776,914
Financial assets at fair value through other comprehensive income	-	-	3,048,817	3,048,817
Financial assets at amortized cost	-	16,135,589	-	16,135,589
Property, plant and equipment	-	-	16,313,406	16,313,406
Deferred tax assets	-	-	959,699	959,699
Intangible assets	-	-	994,639	994,639
Other assets	-	-	5,425,076	5,425,076
Total Assets	140,246,343	127,894,935	59,628,963	327,770,241
LIABILITIES				
Banks and financial institutions' deposits	35,940,226	-	-	35,940,226
Customers' deposits	183,316,022	10,128,085	-	193,444,107
Cash margins	14,395,178	712,350	-	15,107,528
Sundry Provisions	-	-	2,369,678	2,369,678
Other liabilities	-	-	7,433,231	7,433,231
Total Liabilities	233,651,426	10,840,435	9,802,909	254,294,770
EQUITY				
Paid in share capital	-	-	56,300,000	56,300,000
Statutory reserve	-	-	7,825,093	7,825,093
General Banking risks reserve	-	-	2,291,000	2,291,000
Pro- cyclicity reserve	-	-	1,847,142	1,847,142
Fair value reserve	-	-	(180,362)	(180,362)
excess from revaluation financial assets	-	-	3,212,555	3,212,555
Retained earnings	-	-	2,180,043	2,180,043
Net Equity	-	-	73,475,471	73,475,471
Total Liabilities and Equity	233,651,426	10,840,435	83,278,380	327,770,241
Maturity gap	(93,405,083)	117,054,500	(23,649,417)	-
Cumulative maturity gap	(93,405,083)	23,649,417	-	-

December 31, 2014	Up to 1 year	More than 1 year	Without maturity	Total
Assets	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Cash and balances at PMA	26,940,798	-	29,644,417	56,585,215
Balances at banks and financial institutions	124,985,683	-	-	124,985,683
Direct credit facilities	65,855,116	36,294,143	-	102,149,259
Financial assets at fair through profit or loss	-	5,945,220	-	5,945,220
Financial assets at fair value through other comprehensive income	-	-	1,209,891	1,209,891
Financial assets at amortized cost	10,182,939	5,084,128	-	15,267,067
Property, plant and equipment	-	-	9,981,012	9,981,012
Deferred tax assets	-	-	959,699	959,699
Intangible assets	-	-	923,894	923,894
Other assets	-	-	2,806,832	2,806,832
Total Assets	227,964,536	47,323,491	45,525,745	320,813,772
LIABILITIES				
Banks and financial institutions' deposits	43,778,996	-	-	43,778,996
Customers' deposits	154,971,162	29,310,742	-	184,281,904
Cash margins	9,402,956	5,457,132	-	14,860,088
Sundry Provisions	-	-	2,357,559	2,357,559
Other liabilities	-	-	6,924,837	6,924,837
Total Liabilities	208,153,114	34,767,874	9,282,396	252,203,384
EQUITY				
Paid in share capital	-	-	55,000,000	55,000,000
Statutory reserve	-	-	7,625,485	7,625,485
General Banking risks reserve	-	-	2,291,000	2,291,000
Pro- cyclical reserve	-	-	1,549,392	1,549,392
Fair value reserve	-	-	(120,455)	(120,455)
Retained earnings	-	-	2,264,966	2,264,966
Net Equity	-	-	68,610,388	68,610,388
Total Liabilities and Equity	208,153,114	34,767,874	77,892,784	320,813,772
Maturity gap	19,811,422	12,555,617	(32,367,039)	-
Cumulative maturity gap	19,811,422	32,367,039	-	-

38. Development policies

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

39. 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. The 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. Following is capital adequacy rates for 2015 compared to 2014:

	2015			2014		
	Amount	Percentage to assets	Percentage to risk – weighted assets	Amount	Percentage to assets	Percentage to risk – weighted assets
	U.S. \$	%	%	U.S. \$	U.S. \$	%
Regulatory capital	64,876,817	19,78	32,27	61,410,983	19,14	34,60
Basic capital	64,443,979	19,66	32,05	62,718,474	19,55	35,34

40. Commitments and contingent liabilities

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

	2015	2014
	\$.U.S	\$.U.S
Letter of guarantees	17,028,903	16,462,012
Letters of credits	4,037,336	3,330,874
Acceptances	2,577,482	5,111,423
Unutilized direct credit facilities limits	5,754,911	7,273,809
	29,398,632	32,178,118



41. Legal cases against the Bank

In the normal course of business, there were 9 and 10 lawsuits against the Bank as at December 31, 2015 and 2014, respectively, with a total amount of U.S. \$ 2,106,133 and U.S. \$ 2,037,804 as at December 31, 2015 and December 31, 2014, respectively.

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

42. 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.

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