



بنك الاستثمار الفلسطيني
PALESTINE INVESTMENT BANK

Annual Report 2014



بنك الاستثمار الفلسطيني
PALESTINE INVESTMENT BANK

2014

The Twentieth Annual Report
Results and Achievements During

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Members of the Board of Directors As of December 31, 2014

Mr. Abed Dayeh Chairman of the Board of Directors
Mr. Khalil Nasr Vice-Chairman
Dr. Adnan Steitieh (Member)
Mr. Yousef Bazian (Member)
Mr. Sami Ismail Al-Sayed (Member)
Mr. Jameel al-Mu'ti (Member)
Mr. Mohammad Kamal Hassouneh (Representative of Al-Yazan Company for Financial Investments & Real Estate)
Mr. Marwan Abdul-Hameed (Representative of Al Yazan Company for Financial Investments & Real Estate)
Mr. Waleed Al-Najjar (Member)



Senior Executive Management

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

Advisors

Mr. Diao' El Din Abd El Fattah

Legal Counsel

Mr. Hussam El Din Al Atira

External Auditors

Ernst & Young



Bank message:

Visions and Tasks and the Core Values and Future Expectations

- We always strive to be the leading bank and ahead of banks in Palestine, by providing the finest financial services' 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.
- Our basic values are founded on truthfulness and honesty 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 are always committed to social responsibilities everywhere.
- Our future expectations are to maintain the achievements and sustainability of growth and development and to continue to respond efficiently and effectively to 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

- 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



The Chairman's Message

Dear Shareholders,

On my behalf and on the behalf of the members of the Board of Directors, I am very pleasure to welcome you to the twentieth meeting of the General Assembly of Palestine Investment Bank, in order to present to you the Bank's annual report for the year 2014, which you have at hand. The report presents the Bank's progress for the financial year ended on 12\31\2014. By that, we hope that we have been able to offer you a true picture of the Bank's achievements.

The management of the Bank has been able during the past year to stay steadfast and to continue forward in offering the best services to our clients and to contribute in pushing economic growth forward despite the difficulties that the Palestinian economy with all of its sectors have gone through and still do.

Including our meeting and with this annual report for 2014 submitted to you, the Bank has completed two decades of its operations. I would like to take this occasion to review some of the Bank's results, which some of you who were there since the establishment of the bank have already known them. The Bank has commenced its operations with a paid-up capital of UD\$20 million dollars in 1994. Its paid-up capital at the end of 2014 reached US\$55 million dollars or 55 million shares, an increase of 35 million shares. This represents 175% increase of the base capital, which your Assembly has been continuously distributing to you as stock dividend during the past two decades. During the same period, cash dividends of US\$ 14.05 were distributed to shareholders, which is equivalent to a ratio of 70.25% of the capital base twenty years ago. Also during the same period, shareholders' equity has increased by US\$13.61 million, representing 68.05% of the capital base in the form of reserves imposed by regulators on the Bank in order to strengthen its financial position.

The general operating policy of the Bank since its establishment is to exercise calculated caution in various banking activities, especially in its attracting of sources and in its uses of funds, and

always takes into consideration to avoid risk. Therefore, the growth in these areas is conservative with hedging against any risk that might be expected.

The Bank's financial indicators have continued to grow, and its capital base gained more strength. Activity in the deposits and facilities markets increased, and the Bank's share of the banking market improved. Assets and liabilities management was conducted in accordance with a precision to balance between the needs and the required reservation policy in light of the current economic conditions. More banking products and services were offered to meet the needs of individuals, institutions and companies, as well as to contribute to the accelerating pace of economic development in all areas of Palestinian population centers where the Bank is present.

Bank's assets rose by 11.23% at the end of 2014, which reached USD\$ 320.81 million, compared with 288.41 million at the end of the year 2013. Customers' deposits grew by 9.33% and reached US\$199.1 at the end of 2014, compared with USD\$182 million in 2013. Net credit facilities has increased by 3.03% and reached USD\$102.15 million at the end of 2014, compared with USD\$99.25 million in 2013. As for net profit after tax, it grew by 44.48% and reached USD\$ 2.83 million compared with USD\$1.96 million at the end of the year 2013.

The exceptional efforts, performed by the Board of Directors, and the Executive Management during the year 2014, in spite of the events that we went through, has led to increase shareholders' equity in the amount of USD\$ 0.667 million at the end of fiscal year 2014, after cash dividend of USD\$ 1.450 million has been distributed to the Bank's shareholders during 2014.

The bank has continued its role in the areas of social responsibility during the year 2014. The Bank has supported national and social activities in the fields of health and education, social, humanitarian and sports and events.

The year 2014 was another exceptional year at the various levels globally, regionally and locally. A significant economic decline in the Palestinian areas has been witnessed, especially during the second half of the year. The gross domestic product fell in 2014 by 2.5% compared with 2013. Per capita gross domestic product declined by 5% from its level in 2013. Gross Domestic Product per capita declined to USD\$1670 in 2014. Inflation in Palestine increased during 2014 by 2% from its 2013 level. Despite the enormous challenges, the management of the Bank was able to achieve growth in all key indicators, which demonstrates the strength of the capital base and the growing confidence of the Bank's clients. In addition to the safe strategy followed by senior management. The strategy began to show results through achieving balanced growth in all of the Bank's operations and activities.

Dear Shareholders,

We are satisfied at the progress we have achieved during the year 2014, in spite of the circumstances surrounding our country. We promise you to continue to make efforts by the Board of Directors and Executive Management to make greater achievements, relying on the efforts of the Bank's employees and clients and their conviction in the Bank's mission and values, and their eagerness to push for the Bank's progress.

I would like to stress that the biggest credit for our past, current and future successes is the continued support of the shareholders for us. On my behalf and on the behalf of the Board of directors, I would like to extend sincere thanks and gratitude to the shareholders, the Bank's clients and the Bank's employees.

We renew our pledge to you to continue the Bank's progress and success.

Thank you.

Abed Dayeh
Chairman of the Board of Directors

Analysis of the Financial Position and Results of Operations in 2014

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.

The Relative Importance of the Components the Bank's Financial Position				
	USD\$ Million		Percentage (%)	
Assets	2014	2013	2014	2013
Cash and Balances with the Monetary Authority	56.58	52.61	17.64	18.3
Balances with Banks and Banking institutions	124.99	92.73	38.96	32.2
Net Direct Credit Facilities	102.15	99.25	31.84	34.3
Various Financial Assets	22.42	25.81	6.98	8.9
Tangible and Intangible Fixed Assets	10.90	6.26	3.40	2.2
Deferred Tax Assets	03.77	11.75	1.18	4.1
Total Assets	320.81	288.41	100	100

* The capital investment of the bank as on 31/12/2014 amounted to USD\$ 9,981,012.

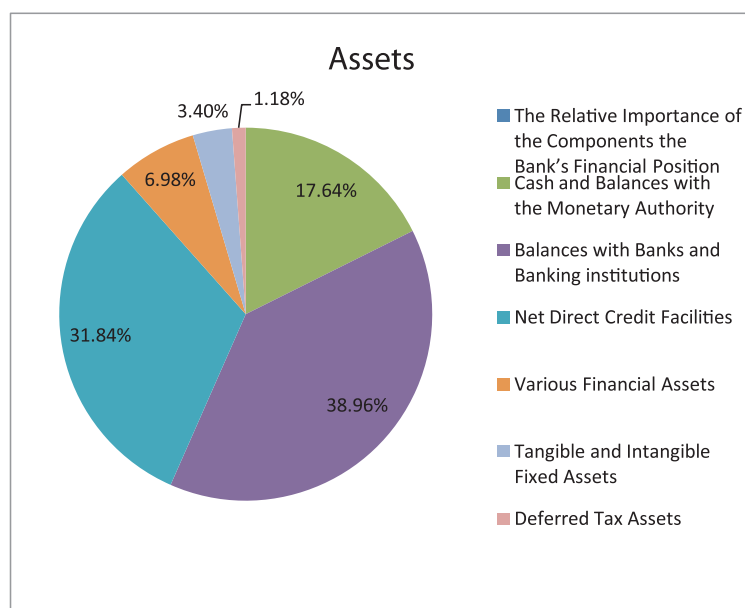


Figure 1Assets

	USD\$ Million		Relative Importance (%)	
Liabilities and Owner's Equity	2014	2013	2014	2013
Deposits of Banks and Financial Institutions	43.78	30.62	13.64	10.60
Customers' Deposits	184.28	167.29	57.44	58.00
Cash Margin	14.86	14.83	4.63	5.1
Provisions for Income Tax and Others	2.36	2.17	0.74	0.80
Other Liabilities	6.92	5.56	2.16	1.9
Equity	68.61	67.94	21.39	23.6
Total	320.81	288.41	100.00	100.00

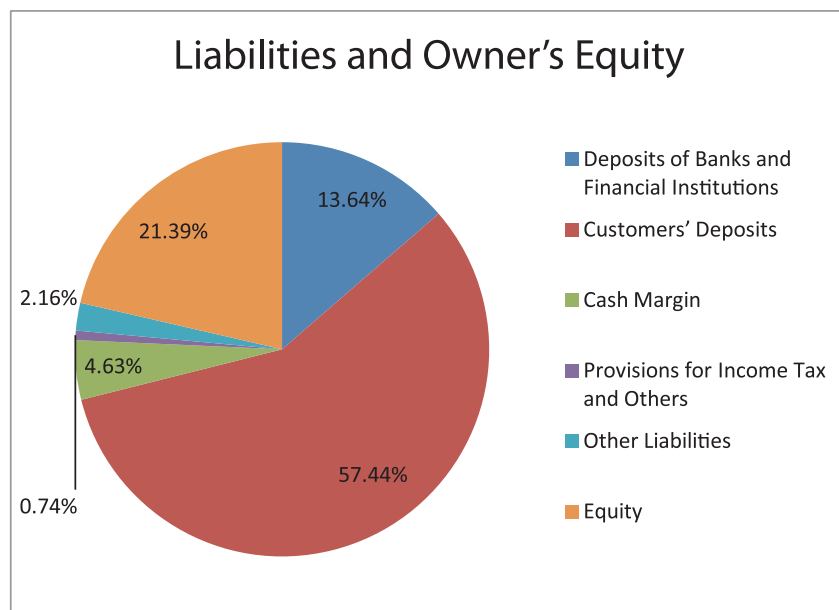


Figure 2 Assets

Direct credit facilities

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 working 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 are 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 40.83% for the year 2014 compared to 53.8% for the year 2013. The fair value of the collateral provided in exchange for credit facilities was 58.97\$ million for the year 2014 compared to 62.68 million in 2013.

Portfolio of financial assets

The balance of the portfolio decreased by the amount of 3.38\$ million in 2014, or the percentage of 13.1% for the year 2013, because of the administration's decision to sell some investments in unlisted companies in the financial market.

The Components of the Bank's Diversified Financial Assets				
	USD\$ Million		Relative Importance (%)	
	2013	2014	2013	2014
Financial Assets from Income Statement	0.15	5.95	0.6	26.53
Financial Assets at Fair Value from Comprehensive Income	6.44	1.21	24.9	5.39
Financial Assets at Amortized Cost	19.22	15.27	74.5	68.08
Total	25.81	22.43	100.00	100.00

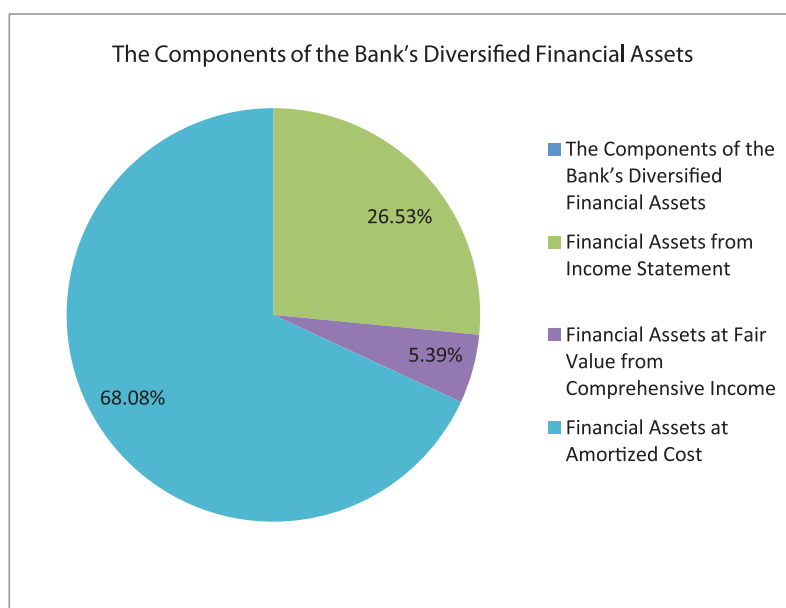


Figure 3 Assets

Customers' deposits

The Bank's management during last year worked toward attracting fixed time deposits call deposits which increased by 217% for the level of 2013. In addition, the management worked on the development of a campaign to increase the depositors' base for savings accounts. Deposits of

The Components of the Bank's Customers' Deposits				
	USD\$ Million		Relative Importance (%)	
	2013	2014	2013	2014
Current and Demand Deposits Accounts	85.98	74.28	51.4	40.30
Savings Deposits	50.75	47.19	30.4	25.61
Time Deposits	28.16	61.14	16.8	33.18
Others	2.40	1.67	1.4	0.91
Total Deposits	167.29	184.28	100.00	100.00

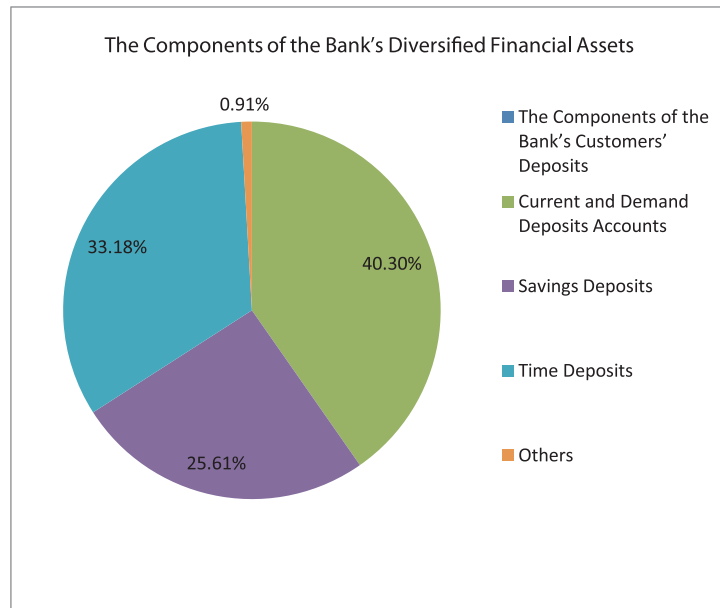


Figure 4Assets

all its components grew during 2014 by 10.15% from its level of 2013.

Shareholders' Equity

Based on the resolutions adopted by the General Assembly of Shareholders at its meeting, which was held on June 12, 2014, it has been decided:

1. The distribution of cash dividends to shareholders by 2.73% of the paid-up capital of USD\$ 53 million shares / dollar. An amount equal to USD 1.4469\$ million was distributed during 2014 to shareholders after the completion of the necessary approvals from the official concerned authorities.
2. Capitalization of the amount of USD\$ 2 million from retained earnings and distributing it to shareholders according to their contribution to the capital as stock dividends and so the paid-up capital increased to USD\$ 55 million.

Because of the net results of the Bank's operations and activities during the year 2014 shareholders' equity in the total, rose USD\$ 0.667 million on 31\12\2014 from its level that was on 31\12\2013.

Capital Adequacy

The capital adequacy ratio reached 34.6% in 2014 versus 35.5% in 2013. 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 35.34% in 2014, compared with 39.70% in 2013.

The Results of the Bank's Operations

Total expenses declined in 2014 to reach USD\$ 10.58 million, compared with USD\$ 11.39 million in 2013 with a percentage change of 7.11%.

Net profit before tax reached USD\$ 3,796 million in 2014 compared with USD\$ 2,868 million in 2013 a growth of 32.36% growth, after deducting after-tax expense, net profit becomes USD\$ 2,830 million for 2014 compared with USD\$ 1.96 million in 2013, a growth of 44.39%.

Net Profit Before and After Tax			
	USD\$ Million		
	2013	2014	Change (%)
Net Income Before Taxes	2.869	3.796	32.31
Income Tax	(0.910)	(0.967)	6.26
Net Profit After Tax	1.959	2.829	44.41
Others	2.40	1.67	1.4
Total Deposits	167.29	184.28	100.00

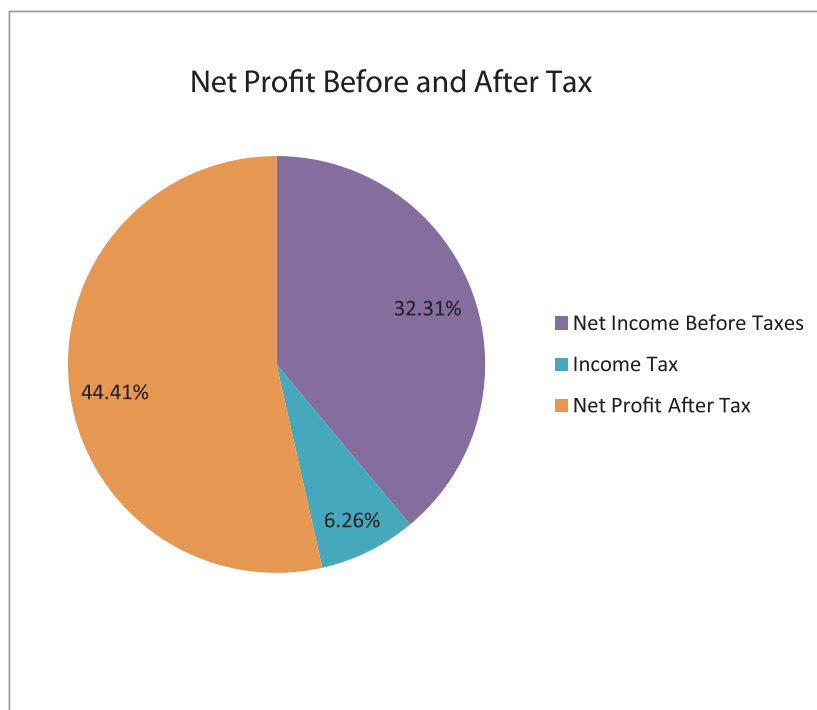


Figure 5 Assets

Components of Net Revenue				
	USD\$ Million		Relative Importance (%)	
	2013	2014	2013	2014
Net Interest Revenue	9.128	8.967	65.8	62.39
Net Commission Revenue	2.621	2.872	18.9	19.98
Financial Assets Revenue	0.771	0.512	5.6	3.56
Revenue from Foreign Exchange	0.509	0.430	3.70	2.99
Others	1.233	1.591	6.0	11.08
Total	14.262	14.372	100.00	100.00

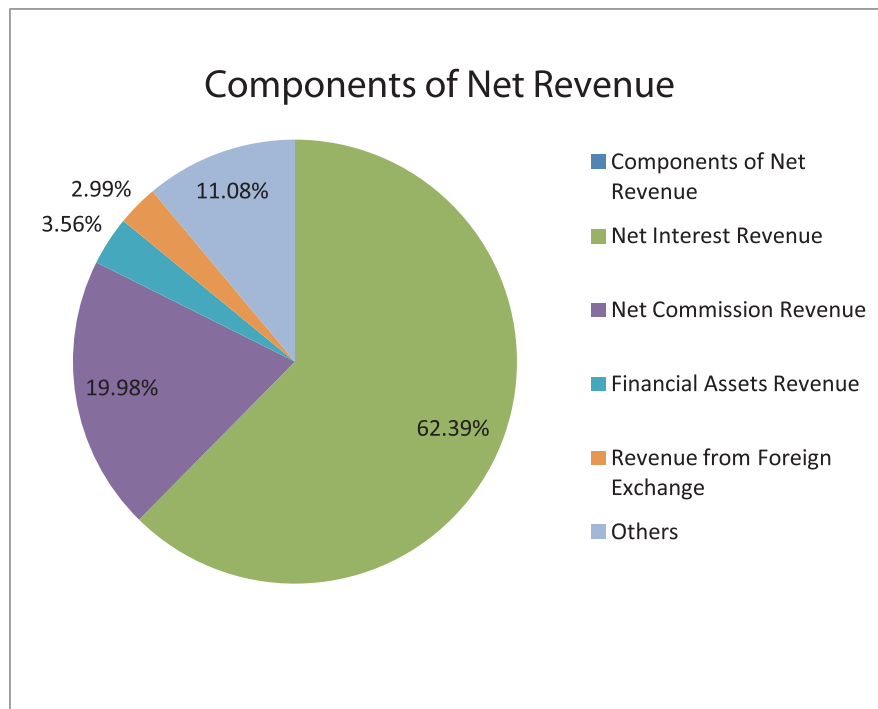


Figure 6 Assets

Expenses and provisions

Total expenses and provisions reached USD\$ 10,576 million in 2014 compared with USD\$ 11,393 million in 2013, representing a decrease of USD\$ 0.817 million, that is about 7.17% and was due to the decrease in provisions and other expenses.

Expenses and Provisions and Its Relative Importance				
	USD\$ Million		Relative Importance (%)	
	2013	2014	2013	2014
Staff Expenses	4.915	4.963	65.8	46.93
General and Administrative Expenses	3.297	4.135	18.9	39.10
Provision of Credit Facilities	1.489	0.524	5.6	4.95
Depreciation and Amortization	0.667	0.709	3.70	6.70
Others	1.025	0.245	6.0	2.32
Total	11.393	10.576	100.00	100.00

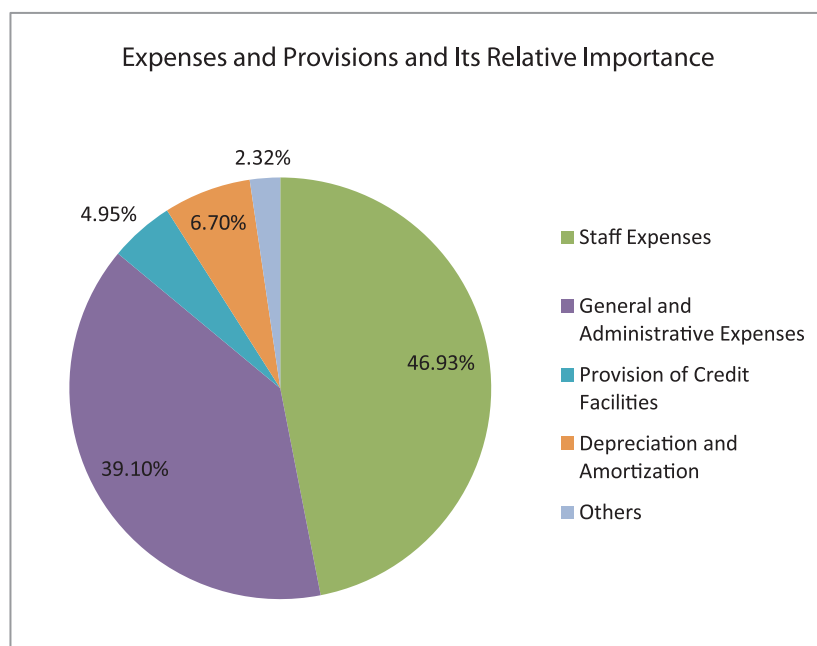


Figure 7Assets

The Most Important Financial Ratios for 2014 Compared with 2013		
	In Percent (%)	
Type of Ratio	2013	2014
Return on Equity	2.88	4.12
Return on Capital	3.70	5.13
Return on Assets	0.68	0.88
Credit Facilities to Customers' Deposits	54.50	51.29
Credit Facilities to Assets	34.41	31.84
Equity to Assets	23.56	21.39
Earnings per Share	3.70	5.14

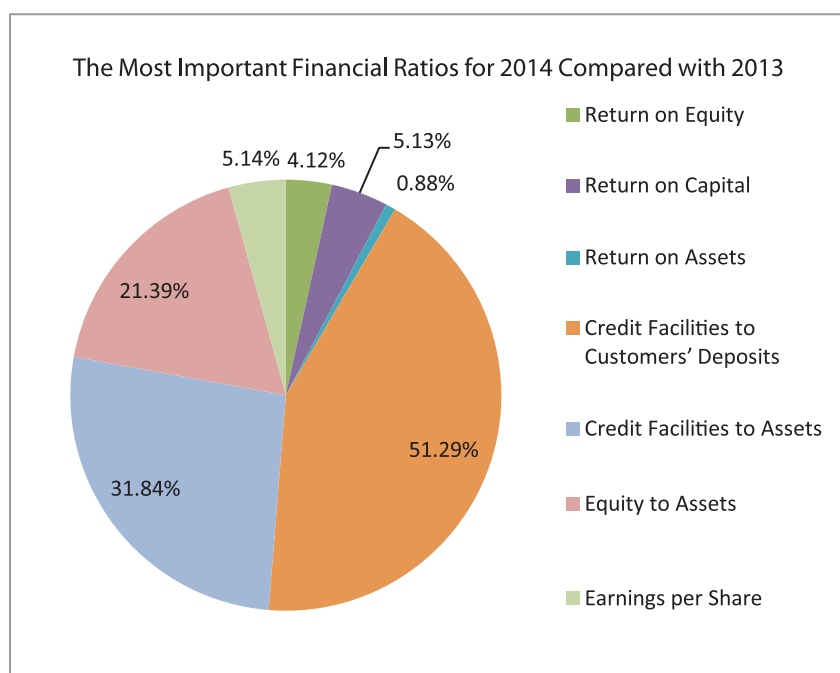


Figure 8Assets

Internal Supervision, Internal Control, 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 follow-up operations preparation.

- **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 analyze 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 a software to manage and measure risk (LOXON).

- **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

A new Bank's office in the town of Beir Nabala was opened during the past year. Another office will be opened in the city of Ramallah during the first half of the year 2015. The number of branches and offices the Bank has opened reached 15. In addition to the periodic maintenance of the headquarters of branches and offices. In particular, the renovation of the city of Hebron branch. The renovations are done in the interest of maintaining appearance of those branches on the internal and external levels, in order to provide with 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 potential technology 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 244 employees on 31\12\2014.

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. 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 2014 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 126 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 in different 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 have achieved during the year 2014 a good performance very close to what has been achieved in 2013 in the field of foreign currency trading which contributed to the development of total revenues for the bank.

Executive management continued to offer the Premier Savings Account through 2014. 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 are 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, includes 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 2014 to improve the quality of the Bank's share of deposits in the banking market of deposits, especially time deposits as well as credit facilities extended to various sectors of the economy. 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, which is pursued by Bank's Executive Management, will be put in several stages 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 2015

- 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:

1	Investments and Credit 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-Sayed	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.
		Mohammad Hassouneh	Member	
		Jameel Al-Mu'ti	Member	

3	Risk Management Committee	Mohammad Hassouneh	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.
		Jameel Al-Mu'ti	Member	
		Marwan Abdul Hameed	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 Hameed	Member	
		Waleed Al-Najjar	Member	

** The Committee was restructured by the Board of Directors at a meeting of the Council No. (1\2015), date: Feb,2,2015

*** The Risk Management Committee was restructured in the Board of Directors Meeting No. 2\2015, date: Apr,8,2015

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 have 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 adhere to it.

The Practices of the Board of Directors the Conflicts of Interest

The Board of Directors shall exercise their 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 of More Than 5%

Name	Number of Shares as of 31\12\2013	% of Total Shares	Number of Shares as of 31\12\2014	Percent of Total Shares (%)
Abdul Qader Al-Qadi	3,640,238	6.87	3,777,609	6.87
Abed Dayeh	3,824,217	7.22	3,968,531	7.22
Global Company for Real Estate Investments	-	-	5,207,557	9.47
Al-Yazan Co. for Real Estate & Financial Investments	10,600,00	20.00	11,000,012	20.00
Al-Shorooq Co. for Real Estate & Financial Investments	16,138,500	30.45	11,158,833	20.29
Uni Brothers Company Ltd.	1,590,500	3.00	3,001,698	5.46

Shares Owned by Members of the Board of Directors

Name	Position	Number of Shares at 31\12\2014	Percent of Total Shares (%)
Mr. Abed Dayeh	Chairman of the Board of Directors	3,968,531	7.22
Mr. Khalil Nasr	Vice Chairman of the Board of Directors	11,000	0.02
Dr. Adnan Steitieh	Member	11,051	0.02
Al-Yazan Co. for Real Estate & Financial Investments	Two Members	11,000,012	20.00
Mr. Yousef Bazian	Member	10,000	0.02
Mr. Sami Al -Sayed	Member	13,750	0.03
Mr. Jameel Al-Mu'ti	Member	389,151	0.71
Mr. Waleed Al-Najjar	Member	10,000	0.02

Senior Mangment

Name	Position	Number of Shares at 31\12\2014
Dia Abdul Fattah	Advisor to the Chairman of the Board of Director	20,763
Mahmoud Ali Odeh	Director of Branches and Central Operations Department	2,200
Mohammad Sami Aghbar	Manager of Internal Audit	1,037

The Company's Share Trading in the Palestine Exchange in 2014

Description (In USD\$)	2013	2014
Highest Price	1.00	1.20
Lowest Price	0.80	0.85
Opening Price	0.91	0.88
Closing Price	0.88	1.00

Number of Traded Shares	Number of Deals	Value of Traded Shares
8,307,690	131	8,190,831

Transactions with related parties

- The total direct facilities granted to related parties as of 12\31\2014 was USD\$ 2,816,209.
- Indirect facilities provided to related parties as of 12\31\2014 amounted to USD\$ 1,551,481.
- 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 2014.

Board Meetings

The Board of Directors held eight meetings during the year 2014.

#		Number of the Meetings of the Board of Directors	
		Actual	Percent of Attendance
1	Abed Dayeh	8	100%
2	Khalil Nasr	8	100%
3	Marwan Abdul Hameed*	4	100%
4	Mohammad Hassouneh	8	100%
5	Youssef Bazian**	0	-
6	Waleed Al-Najjar**	0	-
7	Sami Al-Sayed	8	100%
8	Dr. Adnan Steitieh	8	100%
9	Jameel Al-Mu'ti	8	100%

*Joined the Board on 11\05\2014

**Joined the Board on 29\12\2014

The Company's Policy of Social Responsibility:

According to its policy of social responsibility and donations that was 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 2014 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 aim 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\$ 76,747 for various activities, which is equivalent to 2.7% of the bank's Net profit for 2014.

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

One Member holds a Doctorate Degree.

Four Member hold Master's Degrees.

Four Member hold Bachelor's Degrees.

Board of Directors' Remuneration:

During the year 2014, remunerations were dispersed to the member of the Board of Directors for the year 2013. 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 2014.

Name	Director Fees and Additional Remuneration for 2013 Disbursed in 2014	Expenses Paid for Attending Board Meetings in 2014
	In USD\$	In USD\$
Mr. Abed Dayeh	38,677	12,000
Mr. Khalil Nasr	20,000	12,000
Mr. Jumeel Al-Mu'ti	20,000	12,000
Dr. Adnan Steitieh	12,000	12,000
Mr. Sami Sayed	20,000	12,000
Two Representative of Al-Yezan Co. for Real Estate & Financial Investments	30,000	12,000
Dr. Farouq Zuiater*	-	4,000
Mr. Osama Khader**	-	4,000
Mr. Marwan Abdul Hameed***	-	6,000
Mr. Yousef Bazian****	-	-
Mr. Waleed Al-Najjar****	-	-
Total	140,677	86,000

*Resigned from the Board on 23\03\2014.

**Resigned from the Board on 24\03\2014.

***He was replaced by one of the representatives of Al-Yazan Co. for Real Estate & Financial Investments on 11\05\2014.

****Join the Boards as members on 29\12\2014.

Academic Degrees Held by Bank's Employees

13 employees hold Master's of Arts degrees.

164 employees hold Bachelor's of Arts degrees.

28 employees hold College diplomas.

19 employees hold high school diplomas.

20 employees hold degrees in vocational training.





PALESTINE INVESTMENT BANK (P.L.C)

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

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, 2014, 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, 2014 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, 2015
Ramallah - Palestine

Palestine Investment Bank

Consolidated Statement of Financial Position

As at December 31, 2014

		2014	2013
	Notes	U.S. \$	U.S. \$
ASSETS			
Cash and balances at Palestine Monetary Authority	3	56,585,215	52,613,803
Balances at banks and financial institutions	4	124,985,683	92,727,319
Direct credit facilities	5	102,149,259	99,253,325
Financial assets at fair value through profit or loss	6	5,945,220	153,656
Financial assets at fair value through other comprehensive income	7	1,209,891	6,436,282
Financial assets at amortized cost	8	15,267,067	19,222,957
Property, plant and equipment	9	9,981,012	5,331,299
Deferred tax assets	10	959,699	959,699
Intangible assets	11	923,894	929,027
Other assets	12	2,806,832	10,787,610
Total Assets		320,813,772	288,414,977
LIABILITIES AND EQUITY			
Liabilities			
Banks and financial institutions' deposits	13	43,778,996	30,621,540
Customers' deposits	14	184,281,904	167,291,635
Cash margins	15	14,860,088	14,829,156
Sundry provisions	16	2,357,559	2,165,934
Tax provisions	17	-	18,086
Other liabilities	18	6,924,837	5,545,489
Total Liabilities		252,203,384	220,471,840
Equity			
Paid-in share capital	21	55,000,000	53,000,000
Statutory reserve	19	7,625,485	7,334,379
Voluntarily reserve	19	-	670,458
General banking risks reserve	19	2,291,000	2,161,000
Pro-cyclicality reserve	19	1,549,392	1,137,181
Fair value reserve	7	(120,455)	(99,536)
Retained earnings		2,264,966	3,739,655
Net Equity		68,610,388	67,943,137
Total Liabilities and Equity		320,813,772	288,414,977

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

Consolidated Income Statement
 For the year ended December 31, 2014

		2014	2013
	Notes	U.S. \$	U.S. \$
Interest income	22	10,884,373	10,058,183
Interest expense	23	(1,917,873)	(930,099)
Net interest income		8,966,500	9,128,084
Net commissions income	24	2,871,953	2,621,386
Net interest and commissions income		11,838,453	11,749,470
Net gains on foreign currencies trading		418,100	507,957
Net gains on foreign currencies revaluation		12,065	1,123
Dividends income		105,783	770,916
Recoveries of impairment allowance for direct credit facilities	5	1,393,101	990,321
Gains from sale of financial assets at amortized costs	8	406,523	-
Other revenues	25	197,876	242,186
Gross profit		14,371,901	14,261,973
Expenses			
Personnel expenses	26	4,962,854	4,915,394
Other operating expenses	27	4,135,414	3,297,255
Impairment allowance for direct credit facilities	5	524,197	1,489,002
Bank's share of an associate losses		-	287,951
Depreciation and amortization	9&11	708,707	667,197
Regulators fines	28	60,000	-
Impairment losses on financial assets	7	-	621,955
Losses on sale of financial assets at fair value through profit or loss		155,980	27,672
Other expenses and allowances		28,670	86,963
Total expenses		10,575,822	11,393,389
Profit before tax		3,796,079	2,868,584
Tax expense	17	(966,585)	(910,010)
Profit for the year		2,829,494	1,958,574
Basic and diluted earnings per share	30	0.051	0.036

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

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2014

	2014	2013
	U.S. \$	U.S. \$
Profit for the year	<u>2,829,494</u>	<u>1,958,574</u>
Other comprehensive income items:		
Losses transferred to the income statement	-	121,955
	-	121,955
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	<u>(715,343)</u>	<u>(71,919)</u>
Other comprehensive income for the year	<u>(715,343)</u>	<u>50,036</u>
Net comprehensive income for the year	<u><u>2,114,151</u></u>	<u><u>2,008,610</u></u>

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

Consolidated Statement of Changes in Equity

For the year ended December 31, 2014

	Paid-in share capital U.S. \$	Reserves					Retained earnings U.S. \$	Net Equity U.S. \$
		Statutory U.S. \$	Voluntarily U.S. \$	General banking risks U.S. \$	Pro-cyclicality U.S. \$	Fair value U.S. \$		
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
2013								
Balance, beginning of the year	53,000,000	7,076,614	670,458	1,605,000	890,752	(1,515,609)	4,207,312	65,934,527
Profit for the year	-	-	-	-	-	-	1,958,574	1,958,574
Other comprehensive income for the year	-	-	-	-	-	50,036	-	50,036
Net comprehensive income for the year	-	-	-	-	-	50,036	1,958,574	2,008,610
Losses on sale of financial assets recognized directly in retained earnings (Note 7)	-	-	-	-	-	1,366,037	(1,366,037)	-
Transferred to reserves	-	257,765	-	556,000	246,429	-	(1,060,194)	-
Balance, end 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

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

Consolidated Statement of Cash Flows

For the year ended December 31, 2014

	Notes	2014 U.S. \$	2013 U.S. \$
<u>Operating activities</u>			
Profit before tax		3,796,079	2,868,584
<u>Adjustments:</u>			
Impairment allowance on direct credit facilities		524,197	1,489,002
Depreciation and amortization		708,707	667,197
(Gains) losses on financial assets		(252,411)	649,627
Recovery of impairment allowance on direct credit facilities		(1,393,101)	(990,321)
Bank's share of an associate losses		-	287,951
Amortization of bonds premium		(42,617)	(43,868)
Losses on sale of property, plant and equipment		1,485	3,506
Sundry provisions		304,456	431,586
Dividends income from financial assets		(105,783)	(770,916)
Other non-cash items		123,138	-
		<u>3,664,150</u>	<u>4,592,348</u>
<u>Changes in assets and liabilities:</u>			
Direct credit facilities		(2,027,030)	(4,631,036)
Statutory cash reserve		(6,538,998)	(4,160,366)
Other assets		8,204,225	(4,579,582)
Customers' deposits		16,990,269	29,238,316
Cash margins		30,932	688,202
Other liabilities		(260,039)	510,260
<u>Net cash flows from operating activities before taxes and provisions payments</u>		<u>20,063,509</u>	<u>21,658,142</u>
Sundry provisions paid		(109,382)	(81,138)
Taxes paid		(1,334,705)	(1,358,429)
<u>Net cash flows from operating activities</u>		<u>18,619,422</u>	<u>20,218,575</u>
<u>Investing activities:</u>			
Deposits maturing within 3 months		(4,231,312)	-
Proceeds from sale of financial assets at fair value through other comprehensive income		4,514,778	6,255,924
Purchase of financial assets at fair value through comprehensive income		(3,730)	-
Proceeds from sale of financial assets at fair value through profit or loss		155,524	448,030
Purchase of financial assets at fair value through profit or loss		(6,101,200)	(153,656)
Purchase of financial assets at amortized cost		(3,071,000)	-
Sale of financial assets at amortized cost		7,476,030	-
Purchase of property, plant and equipment		(3,632,828)	(512,838)
Proceeds from sale of property, plant and equipment		2,145	89,273
Purchase of intangible assets		(124,120)	(23,280)
Cash dividends received		105,783	770,916
<u>Net cash flows (used in) from investing activities</u>		<u>(4,909,930)</u>	<u>6,874,369</u>
<u>Financing activities:</u>			
Cash dividends paid		(1,407,482)	-
<u>Net cash flows used in financing activities</u>		<u>(1,407,482)</u>	<u>-</u>
<u>Net increase in cash and cash equivalents</u>		<u>12,302,010</u>	<u>27,092,944</u>
Cash and cash equivalents, beginning of the year		91,614,163	64,521,219
<u>Cash and cash equivalents, end of the year</u>	29	<u>103,916,173</u>	<u>91,614,163</u>

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

Notes to the Consolidated Financial Statements

December 31, 2014

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, 2014 and 2013 was (244) and (225) employees, respectively.

The Consolidated financial statements of Palestine Investment Bank for the year ended December 31, 2014 were authorized for issuance by the Bank's Board of Directors on February 8, 2015.

2. Accounting policies

2.1 Basis of preparation of consolidated financial statements

The accompanying consolidated financial statements as at 31 December 2014 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 that the Bank has adopted the following amended IFRS as of January 1, 2014. The adoption did not have any effect on the financial position or performance of the Bank.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 fair value measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash –generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

The following standards have been issued but are not yet mandatory, and have not been adopted by the Bank. These amendments and interpretations will have no impact on financial position or performance when applied at a future date.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies the accounting treatment for all revenues 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. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets, such as property or equipment. The Group will assess the impact of the adoption of this standard on the financial statements to present a comprehensive picture. This new standard will become effective for the annual periods beginning on January 1, 2017.

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.

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 2,500,000 as at December 31, 2014.

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 non-financial 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 9.
- 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:

	2014	2013
	U.S. \$	U.S. \$
Cash on hand	23,201,298	24,521,785
Balances at PMA:		
Current and demand accounts	3,739,500	4,986,599
Statutory cash reserve	29,644,417	23,105,419
	<u>56,585,215</u>	<u>52,613,803</u>

- 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:

	2014	2013
	U.S. \$	U.S. \$
Local banks and financial institutions:		
Current accounts	7,782,220	8,685,595
Deposits maturing within three months	59,100,145	59,290,930
	<u>66,882,365</u>	<u>67,976,525</u>
Foreign banks and financial institutions:		
Current accounts	27,310,729	15,488,171
Deposits maturing within three months	26,561,277	9,262,623
Deposits maturing more than three months	4,231,312	-
	<u>58,103,318</u>	<u>24,750,794</u>
	<u>124,985,683</u>	<u>92,727,319</u>

- Non-interest bearing balances at banks and financial institutions amounted to U.S. \$ 35,092,949 and U.S. \$ 24,173,766 as at December 31, 2014 and 2013, respectively.
- Restricted cash balances amounted to U.S. \$ 7,694,280 and U.S. \$ 8,624,904 as at December 31, 2014 and 2013, respectively.

5. Direct credit facilities

This item represents the following:

	2014	2013
	U.S. \$	U.S. \$
Individuals		
Loans and discounted bills	34,075,265	34,338,585
Overdraft accounts	11,667,753	14,487,847
Credit cards	19,631	-
Corporate		
Loans and discounted bills	23,900,704	16,905,592
Overdraft accounts	12,678,160	11,340,357
Government and public sector	23,570,603	26,856,311
	105,912,116	103,928,692
Suspended interest and commission	(679,841)	(488,858)
Impairment Allowance for credit facilities	(3,083,016)	(4,186,509)
	<u>102,149,259</u>	<u>99,253,325</u>

- Downgraded credit facilities, net of suspended interest according to PMA regulations, amounted to U.S. \$ 7,550,835 and U.S. \$ 7,766,739 as at December 31, 2014 and 2013, respectively, representing (7.13%) and (7.47%) of total direct credit facilities as at December 31, 2014 and 2013, respectively.
- Non-performing direct credit facilities net of suspended interest according to PMA regulations amounted to U.S. \$ 7,288,794 and U.S. \$ 6,249,639 as at December 31, 2014 and 2013 respectively, representing (6.9%) and (6%) of total direct credit facilities as at December 31, 2014 and 2013, respectively.
- Credit facilities granted to Palestinian National Authority and by its guarantee amounted to U.S. \$ 23,570,603 representing (22.3%) of total direct credit facilities as at December 31, 2014 compared to U.S. \$ 26,856,311 representing (25.8%) of total direct credit facilities as at December 31, 2013.
- Credit facilities granted to non-residents amounted to U.S. \$ 19,156 and U.S. \$ 49,875 as at December 31, 2014 and 2013, respectively.
- Fair value of collaterals obtained in lieu of credit facilities, amounted to U.S. \$ 58,469,803 and U.S. \$ 62,177,589 as at December 31, 2014 and 2013, respectively.

Suspended interest and commission

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

	2014	2013
	U.S. \$	U.S. \$
Balance, beginning of the year	488,858	341,826
Suspended interest during the year	307,501	221,115
Suspended interest transferred to revenues	(26,071)	(34,715)
Suspended interest written off	(51,802)	(509)
Write off of suspended interest of loans in default for more than 6 years	(38,645)	(38,859)
Balance, end of year	<u>679,841</u>	<u>488,858</u>

Impairment allowance for credit facilities

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

	2014	2013
	U.S. \$	U.S. \$
Balance, beginning of the year	4,186,509	3,668,502
Additions for the year	524,197	1,489,002
Recovery during the year	(1,393,101)	(990,321)
Written off	(89,552)	(74,234)
Foreign currency difference	(145,037)	93,560
Balance, end of year	3,083,016	4,186,509

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	
	2014	2013	2014	2013
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	1,755,564	1,647,058	593,208	546,867
Additions	89,552	74,234	38,645	38,859
Recovery during the year	(25,598)	(6,048)	(19,012)	-
Suspended interest written off	-	-	(39,695)	(7,997)
Foreign currency differences	(67,275)	40,320	(29,122)	15,479
Balance, end of year	1,752,243	1,755,564	544,024	593,208

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. \$ 2,296,267 and U.S. \$ 2,348,769 as at December 31, 2014 and 2013, respectively.

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

	2014 U.S. \$	2013 U.S. \$
Manufacturing and Mining		
Manufacturing	17,368,840	15,211,382
	<u>17,368,840</u>	<u>15,211,382</u>
Tourism, Restaurants, Hotels and Others		
Restaurants	2,878,867	2,920,479
	<u>2,878,867</u>	<u>2,920,479</u>
Financial services	762,698	-
	<u>762,698</u>	<u>-</u>
Public Sector		
Communications	315,592	315,592
Health	17,480	17,480
Education	294,034	294,034
Public utility	1,344,163	189,564
Professionals	2,471,526	2,471,526
Others	901,441	942,637
	<u>5,344,236</u>	<u>4,230,833</u>
Agriculture and livestock		
Agriculture	1,176,868	516,350
Livestock	2,060,281	2,536,258
	<u>3,237,149</u>	<u>3,052,608</u>
General Trade		
Internal trade	20,961,788	18,329,533
Foreign trade	8,621,459	9,325,685
	<u>29,583,247</u>	<u>27,655,218</u>
Real Estate and Construction		
Construction	8,890,298	9,582,024
Residence	3,137,735	5,223,599
Property	3,762,137	3,518,734
	<u>15,790,170</u>	<u>18,324,357</u>
Transportation		
Trade and shipping	1,418,088	323,320
	<u>1,418,088</u>	<u>323,320</u>
Consumer Goods Financing		
Others	2,842,676	2,076,457
	<u>2,842,676</u>	<u>2,076,457</u>
Investment in Shares and Financial Instruments		
Financial companies	769,875	311,677
Others	201,520	418,747
	<u>971,395</u>	<u>730,424</u>
Other in the Private Sector	<u>1,464,306</u>	<u>2,058,445</u>
Public Sector		
Palestinian National Authority	23,570,603	26,856,311
	<u>23,570,603</u>	<u>26,856,311</u>
	<u>105,232,275</u>	<u>103,439,834</u>

6. Financial assets at fair value through profit or loss

	2014			2013		
	Local U.S. \$	Foreign U.S. \$	Total U.S. \$	Local U.S. \$	Foreign U.S. \$	Total U.S. \$
Quoted financial instruments traded in financial markets	-	-	-	-	153,656	153,656
Quoted bonds*	-	5,945,220	5,945,220	-	-	-
	<u>-</u>	<u>5,945,220</u>	<u>5,945,220</u>	<u>-</u>	<u>153,656</u>	<u>153,656</u>

* This item represents the Bank's investments in quoted financial instruments listed in International financial markets.

7. Financial assets at fair value through other comprehensive income

	2014 U.S. \$	2013 U.S. \$
Quoted financial instruments traded in Palestine Stock Exchange*	1,209,891	2,045,134
Unquoted financial instruments**	-	4,391,148
	<u>1,209,891</u>	<u>6,436,282</u>

* During 2014, the bank sold part of its quoted financial instrument traded in Palestine Stock Exchange resulting in a total gain of U.S. \$ 115,761. The gain was recognized directly in the retained earnings.

**This item represents an investment in Al-Shurooq for financial and real estate investment (the Company). By the end of 2013, the investment was reclassified from investment in associate to financial assets at fair value through other comprehensive income. During 2014, the Bank sold its investment in the Company and recognized the differences directly in the retained earnings.

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

	2014 U.S. \$	2013 U.S. \$
Balance, beginning of the year	(99,536)	(1,515,609)
Change in fair value	(715,343)	(71,919)
Losses transferred to consolidated Income statement	-	121,955
Losses from sale of financial assets at fair value through other comprehensive income recognized in retained earnings	694,424	1,366,037
Balance, end of the year	<u>(120,455)</u>	<u>(99,536)</u>

8. Financial assets at amortized cost

	2014 U.S. \$	2013 U.S. \$
Foreign government bonds*	5,951,627	4,746,000
Treasury bills*	4,231,312	4,231,312
Quoted foreign bonds**	5,084,128	10,245,645
	<u>15,267,067</u>	<u>19,222,957</u>

* 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 3.88% to 7.25%.

** 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 3.63% to 6.95%.

During the year, the bank sold part of its financial assets at amortized costs resulting in a total gain of U.S. \$ 406,523. The gain was recognized in the consolidated income statement.

9. Property, plant and equipment

December 31, 2014

Cost:

	Land U.S. \$	Buildings and real estate U.S. \$	Furniture and equipment U.S. \$	Computer hardware U.S. \$	Leasehold improvements U.S. \$	Motor vehicles U.S. \$	Project under construction* U.S. \$	Total U.S. \$
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:

	Land	Buildings and real estate	Furniture and equipment	Computer hardware	Leasehold improvements	Motor vehicles	Project under construction*	Total
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
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*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. \$ 3,506,341 as at December 31, 2014 which is under the determined ceiling by the Board of Directors. The project is expected to be finished during 2016.

December 31, 2013**Cost:**

Balance, Beginning of the year
Additions
Disposals
Balance, end of the year

Land	Buildings and real estate	Furniture and equipment	Computer hardware	Leasehold improvements	Motor vehicles	Total
U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
1,989,749	1,250,990	2,065,915	2,287,885	866,913	221,914	8,683,366
-	-	253,548	90,558	168,732	-	512,838
-	-	(108,770)	(121,242)	(93,521)	(103,863)	(427,396)
1,989,749	1,250,990	2,210,693	2,257,201	942,124	118,051	8,768,808

Accumulated depreciation:

Balance, Beginning of the year
Depreciation charge for the year
Disposals
Balance, end of the year

Buildings and real estate	Furniture and equipment	Computer hardware	Leasehold improvements	Motor vehicles	Total
U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
101,823	1,154,959	1,324,078	538,571	112,489	3,231,920
25,019	156,763	288,298	54,854	15,272	540,206
-	(107,219)	(116,879)	(93,517)	(17,002)	(334,617)
126,842	1,204,503	1,495,497	499,908	110,759	3,437,509

Net book value

1,989,749	1,124,148	1,006,190	761,704	442,216	7,292	5,331,299
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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:

	2014	2013
	U.S. \$	U.S. \$
Balance, beginning of the year	929,027	1,032,738
Additions	124,120	23,280
Amortization	(129,253)	(126,991)
Balance, end of year	923,894	929,027

12. Other assets

This item includes the following:

	2014	2013
	U.S. \$	U.S. \$
Accounts receivable	965,822	447,879
Accrued interest receivable	486,256	421,914
Checks under collection	399,519	9,507,851
Prepaid expenses	319,954	244,347
Tax advances (Note 17)	223,447	-
Advances for the purchase of software and the establishment of branches	173,186	50,323
Recovered margins	52,277	12,843
Others	186,371	102,453
	2,806,832	10,787,610

13. Banks and financial institutions' deposits

This item includes the following:

	2014			2013		
	Local	Foreign	Total	Local	Foreign	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Current and demand accounts	16,158	-	16,158	53,852	-	53,852
Deposits maturing within a period of three months or less	43,762,838	-	43,762,838	30,567,688	-	30,567,688
	43,778,996	-	43,778,996	30,621,540	-	30,621,540

14. Customers' deposits

This item includes the followings:

	2014	2013
	U.S. \$	U.S. \$
Current and demand deposits	75,453,825	85,975,576
Time deposits	59,967,598	28,162,138
Saving deposits	47,187,394	50,753,452
Debit balances – temporary credit	1,673,087	2,400,469
	<u>184,281,904</u>	<u>167,291,635</u>

– Public sector deposits amounted to U.S. \$ 24,767,973 and U.S. \$ 3,124,577 representing 13.44% and 1.87% of the total deposits as at December 31, 2014 and 2013, respectively,

– Non-interest bearing deposits amounted to U.S. \$ 75,745,151 and U.S. \$ 85,482,267 representing 41.10% and 51.10% of the total deposits as at December 31, 2014 and 2013, respectively.

– Dormant deposits amounted to U.S. \$ 3,341,663 and U.S. \$ 962,029 as at December 2014 and 2013 representing 1.81% and 0.58% of the total deposits as at December 31, 2014 and 2013, respectively.

15. Cash margins

This item represents cash margins against the following facilities:

	2014	2013
	U.S. \$	U.S. \$
Direct credit facilities	10,901,946	11,328,386
Indirect credit facilities	3,958,142	3,500,770
	<u>14,860,088</u>	<u>14,829,156</u>

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
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
December 31, 2014					
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
	<u>2,165,934</u>	<u>304,456</u>	<u>(109,382)</u>	<u>(3,449)</u>	<u>2,357,559</u>
	Balance, beginning of the year	Provided for during the year	Payments during the year		Balance, end of the year
	U.S. \$	U.S. \$	U.S. \$		U.S. \$
December 31, 2013					
End of Service and vacations provisions	1,815,486	397,773	(81,138)		2,132,121
Provisions for legal cases	-	33,813	-		33,813
	<u>1,815,486</u>	<u>431,586</u>	<u>(81,138)</u>		<u>2,165,934</u>

17. Tax provisions

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

	2014	2013
	U.S. \$	U.S. \$
Balance, beginning of year	18,086	466,505
Current year provision	966,585	910,010
Advances paid during the year	(1,334,705)	(1,358,429)
Currency variances	126,587	-
	(223,447)	18,086
Net advances classified as other assets (Note 12)	223,447	-
Balance, end of year	-	18,086

Until the financial statements date, the bank did not reach a settlement with the income tax authority to the operating results of the years 2012 and 2013.

18. Other liabilities

This item includes the following:

	2014	2013
	U.S. \$	U.S. \$
Accounts payable and temporary deposits	2,313,979	2,310,702
Accrued construction costs	1,599,969	-
Certified checks	1,556,453	2,329,645
Accrued interest payable	1,096,946	157,294
Board of Directors remuneration	172,540	160,677
Accrued expenses	52,806	169,104
Unearned commissions revenue	-	257,501
Other credit balances	132,144	160,566
	6,924,837	5,545,489

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 for year 2013 general banking reserve appropriated in accordance with PMA instruction (3/2013) based on 2% of direct credit facilities after deducting allowance for impairment losses and suspended interest and 0.5% of indirect credit facilities . According to PMA instructions number (2014/8), the general banking reserve percentage of direct credit facilities was adjusted to 1.5% for 2014, Indirect credit facilities reserve percentage remained the same. The reserve is not to be utilized in any manner without PMA's prior approval.

Pro- cyclical reserve

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

20. Stock and Cash Dividends

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

	2014	2013
	U.S. \$	U.S. \$
Authorized capital	100,000,000	100,000,000
Subscribed and Paid-in share capital	55,000,000	53,000,000

22. Interest income

This item represents interest income on the following accounts:

	2014	2013
	U.S. \$	U.S. \$
Loans	3,509,374	3,240,315
Overdraft accounts	2,882,021	2,863,911
Government and public sector	1,730,630	1,663,706
Balances at banks and financial institutions	1,685,302	1,236,332
Financial assets at amortized cost	1,047,723	1,053,919
Financial assets at fair value through profit or loss	29,323	-
	10,884,373	10,058,183

23. Interest expense

	2014	2013
	U.S. \$	U.S. \$
Interest on customers' deposits:		
Time deposits	1,822,457	603,745
Saving deposits	30,472	29,221
Current and demand accounts	27,592	33,773
	1,880,521	666,739
Banks and financial institutions' deposits	3,678	212,764
Interest paid to PMA	-	331
Cash margins	33,674	50,265
	1,917,873	930,099

24. Net commission income

This item includes commissions against the following:

	2014	2013
	U.S. \$	U.S. \$
Direct credit facilities	898,424	523,007
Indirect credit facilities	618,237	601,158
Accounts management	431,324	426,625
Checks	360,432	419,471
Transfers	237,146	354,333
Others	471,146	449,152
	3,016,709	2,773,746
Less: Commission expense	(144,756)	(152,360)
Net Commission income	2,871,953	2,621,386

25. Other income

	2014	2013
	U.S. \$	U.S. \$
Checkbooks issuance fees	155,703	187,608
Swift and ATM's revenue	23,286	19,389
Mail and fax revenue	18,887	21,035
Sundry	-	14,154
	197,876	242,186

26. Personnel expenses

	2014	2013
	U.S. \$	U.S. \$
Salaries and related benefits	3,682,497	3,608,618
VAT on salaries	552,136	510,112
Provision for employees' indemnity	304,456	297,773
Medical expenses	217,386	208,328
Bank's contribution to the provident fund *	173,408	161,630
Training expenses	32,971	28,933
Vacations	-	100,000
	<u>4,962,854</u>	<u>4,915,394</u>

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

27. Other operating expenses

	2014	2013
	U.S. \$	U.S. \$
Telephone, fax, and postage	541,585	445,196
Fees, licenses and subscriptions	501,089	462,928
Maintenance and repairs	446,125	331,731
Palestine Deposit Insurance Corporation fees	400,479	100,000
Rent	384,633	308,434
Professional fees	315,906	354,993
Travel and seminars	253,925	132,479
Board of Directors' remuneration	238,540	160,677
Utilities	199,047	194,060
Advertisement and marketing	180,174	108,606
Stationery and printings	134,730	116,098
Savings accounts' promotional prizes	130,000	95,004
Money shipping fees	120,016	210,203
Donations and charity*	76,747	32,189
Insurance	71,449	78,305
Cleaning expense	67,525	70,476
Hospitality	37,061	28,355
Fuel and vehicle expenses	15,597	14,324
Sundry	20,786	53,197
	<u>4,135,414</u>	<u>3,297,255</u>

*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 (2.7%) and (1.6%) of net income as of December 31, 2014 and 2013, respectively.

28. 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.

29. Cash and cash equivalents

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

	2014	2013
	U.S. \$	U.S. \$
Cash and balances at PMA	56,585,215	52,613,803
Add:		
Balances at Banks and financial institutions	120,754,371	92,727,319
Less:		
Banks and financial institutions deposits	(43,778,996)	(30,621,540)
Statutory cash reserve	(29,644,417)	(23,105,419)
	<u>103,916,173</u>	<u>91,614,163</u>

30. Basic and Diluted Earnings Per Share

	2014	2013
	U.S. \$	U.S. \$
Profit for the year	<u>2,829,494</u>	<u>1,958,574</u>
	Shares	Shares
Weighted average number of subscribed shares	<u>55,000,000</u>	<u>55,000,000</u>
	U.S. \$	U.S. \$
Basic and diluted earnings per share	<u>0.051</u>	<u>0.036</u>

31. Related party transactions

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

		2014 U.S. \$	2013 U.S. \$
Consolidated statement of financial position items:			
Direct credit facilities	Key management personnel	2,816,202	2,176,425
Deposits	Key management personnel and shareholders	1,933,861	4,514,558
Board of Directors remuneration	Board of directors	172,540	160,677
Contingent Liabilities:			
Letters of guarantees	Key management personnel	73,106	77,584
		2014 U.S. \$	2013 U.S. \$
Consolidated income statement items:			
Interest and commission income	Key management personnel	132,842	135,736
Interest and commission expense	Key management personnel	4,665	2,516
Board of Directors remuneration	Board of directors	238,540	160,677
Key Management personnel share in salaries and related expenses	Key management personnel	528,276	447,835
Key Management personnel share in the end of service benefits	Key management personnel	43,103	45,449

- Direct credit facilities granted to related parties as at December 31, 2014 and 2013 represent 2.76% and 2.19%, respectively, of the net direct credit facilities.
- Direct credit facilities granted to related parties as at December 31, 2014 and 2013 represent 4.59% and 4%, respectively, of the Bank's capital base.
- Interest rate on U.S. \$ direct credit facilities ranges between 5% to 8%,
- Interest rate on ILS direct credit facilities ranges between 7% to 14%,

32. Fair Value of Financial Instruments

The 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 2014 and 2013.

The following table describes the hierarchy for determining and disclosing the fair value of its financial instruments for the years ended December 31, 2014 and 2013:

		Fair value measurement using			
		Total	Quoted prices in active markets (level 1)	Significant observable input (level 2)	Significant unobservable inputs (level 3)
		U.S. \$	U.S. \$	U.S. \$	U.S. \$
Date of Valuation					
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	-	-
		Total	Quoted prices in active markets (level 1)	Significant observable input (level 2)	Significant unobservable inputs (level 3)
		U.S. \$	U.S. \$	U.S. \$	U.S. \$
Date of Valuation					
2013					
Financial assets at fair value:					
Financial assets at fair value through profit or loss (note 6):					
Quoted	December 31, 2013	153,656	153,656	-	-
Financial assets at fair value through other comprehensive income (note 7):					
Quoted	December 31, 2013	2,045,134	2,045,134	-	-
Unquoted	December 31, 2013	4,391,148	-	-	4,391,148

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	
	2014	2013	2014	2013
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Financial assets				
Cash and balances at PMA	56,585,215	52,613,803	56,585,215	52,613,803
Balances at banks and financial institutions	124,985,683	92,727,319	124,985,683	92,727,319
Direct credit facilities	102,149,259	99,253,325	102,149,259	99,253,325
Financial assets through profit or loss	5,945,220	153,656	5,945,220	153,656
Financial assets at fair value through other comprehensive income:				
Quoted instruments traded in financial markets	1,209,891	2,045,134	1,209,891	2,045,134
Unquoted instruments	-	4,391,148	-	4,391,148
Financial assets at amortized cost	15,267,067	19,222,957	14,584,600	19,516,022
Other financial assets	1,560,709	10,273,833	1,560,709	10,273,833
Total assets	<u>307,703,044</u>	<u>280,681,175</u>	<u>307,020,577</u>	<u>280,974,240</u>
Financial liabilities				
Banks and financial institutions deposits	43,778,996	30,621,540	43,778,996	30,621,540
Customers' deposits	184,281,904	167,291,635	184,281,904	167,291,635
Cash margins	14,860,088	14,829,156	14,860,088	14,829,156
Other financial liabilities	6,924,837	5,545,489	6,924,837	5,545,489
Total liabilities	<u>249,845,825</u>	<u>218,287,820</u>	<u>249,845,825</u>	<u>218,287,820</u>

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, 2014.

33. Concentration of assets and liabilities

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

	2014						Total
	Domestic	Jordan	Israel	Europe	USA	Others	
Assets							
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
	<u>241,479,011</u>	<u>35,654,060</u>	<u>17,445,902</u>	<u>8,354,995</u>	<u>5,540,064</u>	<u>12,339,740</u>	<u>320,813,772</u>
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
	<u>248,797,904</u>	<u>3,405,480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>252,203,384</u>
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
	<u>32,178,118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,178,118</u>

	2013						Total
	Domestic	Jordan	Israel	Europe	USA	Others	
Assets							
Cash and balances at PMA	52,613,803	-	-	-	-	-	52,613,803
Balances at Banks and financial institutions	67,976,525	6,445,191	6,900,148	3,232,251	2,420,130	5,753,074	92,727,319
Direct credit facilities	99,203,450	49,875	-	-	-	-	99,253,325
Financial assets at fair value through profit or loss	-	-	-	-	-	153,656	153,656
Financial assets at fair value through other comprehensive income	6,436,282	-	-	-	-	-	6,436,282
Financial assets at amortized cost	-	8,977,312	-	7,083,769	1,015,356	2,146,520	19,222,957
Property, plant and equipment	5,331,299	-	-	-	-	-	5,331,299
Deferred tax assets	959,699	-	-	-	-	-	959,699
Intangible assets	929,027	-	-	-	-	-	929,027
Other assets	10,787,610	-	-	-	-	-	10,787,610
	<u>244,237,695</u>	<u>15,472,378</u>	<u>6,900,148</u>	<u>10,316,020</u>	<u>3,435,486</u>	<u>8,053,250</u>	<u>288,414,977</u>
Liabilities							
Banks and financial institutions' deposits	30,621,540	-	-	-	-	-	30,621,540
Customers' deposits	159,335,098	7,956,537	-	-	-	-	167,291,635
Cash margins	14,805,848	23,308	-	-	-	-	14,829,156
Sundry provisions	2,165,934	-	-	-	-	-	2,165,934
Tax provisions	18,086	-	-	-	-	-	18,086
Other liabilities	5,545,489	-	-	-	-	-	5,545,489
	<u>212,491,995</u>	<u>7,979,845</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>220,471,840</u>
Items outside the consolidated statement of financial position							
Letter of guarantees	13,953,099	-	-	-	-	-	13,953,099
Letter of credits	4,962,745	-	-	-	-	-	4,962,745
Acceptances	4,064,794	-	-	-	-	-	4,064,794
Unutilized credit facilities limits	4,883,356	-	-	-	-	-	4,883,356
	<u>27,863,994</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,863,994</u>

34. Risk management

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

Risk management framework

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

Risk management process

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

Risk measurement and reporting system

Monitoring and controlling risks 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

	2014	2013
	U.S. \$	U.S. \$
<u>Consolidated statement of financial position items</u>		
Balances at PMA	33,383,917	28,092,018
Balances at Banks and financial institutions	124,985,683	92,727,319
Direct credit facilities		
Individuals	43,108,352	45,179,975
Corporate	35,470,304	27,217,039
Public sector	23,570,603	26,856,311
Financial assets at fair value through profit or loss	5,945,220	-
Financial assets at amortized cost	15,267,067	19,222,957
Other assets	1,560,709	10,273,833
	<u>283,291,855</u>	<u>249,569,452</u>
<u>Off consolidated statement of financial position items</u>		
Letter of guarantees	16,462,012	13,953,099
Letter of credits	3,330,874	4,962,745
Acceptances	5,111,423	4,064,794
Unutilized direct credit facilities limits	7,273,809	4,883,356
	<u>32,178,118</u>	<u>27,863,994</u>

Credit risk exposure for each risk rating:

Credit risk exposure for each risk rating distributed as follows:

<u>December 31, 2014</u>	Individuals	Corporate	Government and public sector	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Performing	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)
	<u>43,108,352</u>	<u>35,470,304</u>	<u>23,570,603</u>	<u>102,149,259</u>

<u>December 31, 2013</u>	Individuals	Corporate	Government and public sector	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Performing	20,221,076	12,154,011	26,856,311	59,231,398
Acceptable risk	24,176,623	12,265,074	-	36,441,697
Watch list	531,066	986,034	-	1,517,100
Non-performing:				
Substandard	226,549	426,515	-	653,064
Doubtful	3,671,118	2,414,315	-	6,085,433
Total	48,826,432	28,245,949	26,856,311	103,928,692
Suspended interest and commissions	(293,063)	(195,795)	-	(488,858)
Allowance for impairment losses	(3,353,394)	(833,115)	-	(4,186,509)
	<u>45,179,975</u>	<u>27,217,039</u>	<u>26,856,311</u>	<u>99,253,325</u>

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

December 31, 2014	Individuals U.S. \$	Corporate U.S. \$	Total U.S. \$
Collaterals against:			
Performing	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
December 31, 2013	Individuals U.S. \$	Corporate U.S. \$	Total U.S. \$
Collaterals against:			
Performing	15,197,554	8,716,412	23,913,966
Acceptable risk	19,940,711	11,079,049	31,019,760
Watch list	1,172,983	583,108	1,756,091
Non-performing:			
Substandard	1,853,313	921,310	2,774,623
Doubtful	1,860,332	852,817	2,713,149
Total	40,024,893	22,152,696	62,177,589
Comprising of:			
Cash margins	8,514,411	6,314,745	14,829,156
Quoted instrument	8,137,131	-	8,137,131
Vehicles and equipment	2,635,708	1,250,441	3,886,149
Real estate	20,737,643	14,587,510	35,325,153
	40,024,893	22,152,696	62,177,589

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

2014	Domestic U.S. \$	Jordan U.S. \$	Israel U.S. \$	Europe U.S. \$	USA U.S. \$	Others U.S. \$	Total U.S. \$
Cash and balances at PMA	33,383,917	-	-	-	-	-	33,383,917
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 amortized cost	-	9,186,211	-	4,081,718	-	1,999,138	15,267,067
Other assets	1,560,709	-	-	-	-	-	1,560,709
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
Total as at December 31, 2013	205,545,826	15,472,378	6,900,148	10,316,020	3,435,486	7,899,594	249,569,452

Off consolidated statement of financial position items:

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 direct credit facilities limits	7,273,809	-	-	-	-	-	7,273,809
Total as at December 31, 2014	32,178,118	-	-	-	-	-	32,178,118
Total as at December 31, 2013	27,863,994	-	-	-	-	-	27,863,994

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
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
2014								
Cash and balances at PMA	33,383,917	-	-	-	-	-	-	33,383,917
Balances at Banks and financial institutions	124,985,683	-	-	-	-	-	-	124,985,683
Direct credit facilities	4,968,143	20,097,707	28,991,582	15,474,367	956,824	23,570,603	8,090,033	102,149,259
Financial assets at fair value through profit or loss	-	-	-	-	5,945,220	-	-	5,945,220
Financial assets at amortized cost	-	-	-	-	5,084,128	10,182,939	-	15,267,067
Other assets	1,560,709	-	-	-	-	-	-	1,560,709
Total as at December 31, 2014	<u>164,898,452</u>	<u>20,097,707</u>	<u>28,991,582</u>	<u>15,474,367</u>	<u>11,986,172</u>	<u>33,753,542</u>	<u>8,090,033</u>	<u>283,291,855</u>
Total as at December 31, 2013	<u>135,352,962</u>	<u>17,872,559</u>	<u>26,747,622</u>	<u>15,900,821</u>	<u>19,710,853</u>	<u>26,856,311</u>	<u>7,128,324</u>	<u>249,569,452</u>

II. **Market risk**

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

Interest rate risk

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

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

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

Currency	2014		2013	
	Increase in interest rate	Interest income sensitivity (income statement)	Increase in interest rate	Interest income sensitivity (income statement)
	basis points	U.S.\$	basis points	U.S.\$
U.S. \$	+10	(10,709)	+10	(14,779)
Jordanian Dinar	+10	(12,109)	+10	(11,671)
Israeli Shekel	+10	(23,936)	+10	(32,792)
EURO	+10	492	+10	(1,422)
Other currencies	+10	184	+10	294

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
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Assets							
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)	-

December 31, 2013**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
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Assets							
Cash and balances at PMA	-	-	-	-	-	52,613,803	52,613,803
Balances at banks and financial institutions	58,673,116	9,880,437	-	-	-	24,173,766	92,727,319
Direct credit facilities	7,332,979	3,769,635	10,668,322	25,195,159	52,287,230	-	99,253,325
Financial assets at fair value through profit or loss	-	-	-	-	-	153,656	153,656
Financial assets at fair value through other comprehensive income	-	-	-	-	-	6,436,282	6,436,282
Financial assets at amortized cost	-	-	-	-	19,222,957	-	19,222,957
Property, plant and equipment	-	-	-	-	-	5,331,299	5,331,299
Deferred tax assets	-	-	-	-	-	959,699	959,699
Intangible assets	-	-	-	-	-	929,027	929,027
Other assets	-	-	-	-	-	10,787,610	10,787,610
Total assets	66,006,095	13,650,072	10,668,322	25,195,159	71,510,187	101,385,142	288,414,977
Liabilities							
Banks and financial institutions' deposits	23,175,373	7,446,167	-	-	-	-	30,621,540
Customers' deposits	40,104,220	5,824,774	4,914,722	4,629,601	26,336,051	85,482,267	167,291,635
Cash margins	6,339,468	2,153,734	1,355,340	1,480,869	2,899,847	599,898	14,829,156
Sundry provisions	-	-	-	-	-	2,165,934	2,165,934
Tax provisions	-	-	-	-	-	18,086	18,086
Other liabilities	-	-	-	-	-	5,545,489	5,545,489
Total liabilities	69,619,061	15,424,675	6,270,062	6,110,470	29,235,898	93,811,674	220,471,840
Equity							
Paid in share capital	-	-	-	-	-	53,000,000	53,000,000
Statutory reserve	-	-	-	-	-	7,334,379	7,334,379
Voluntarily reserve	-	-	-	-	-	670,458	670,458
General Banking risks reserve	-	-	-	-	-	2,161,000	2,161,000
Pro- cyclicity reserve	-	-	-	-	-	1,137,181	1,137,181
Fair value reserve	-	-	-	-	-	(99,536)	(99,536)
Retained Earnings	-	-	-	-	-	3,739,655	3,739,655
Net equity	-	-	-	-	-	67,943,137	67,943,137
Total liabilities and equity	69,619,061	15,424,675	6,270,062	6,110,470	29,235,898	161,754,811	288,414,977
Interest rate re-pricing sensitivity gap	(3,612,966)	(1,774,603)	4,398,260	19,084,689	42,274,289	(60,369,669)	-

Foreign currency risk

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

The Jordanian Dinar (JOD) exchange rate is pegged to US Dollar exchange rate, so foreign currency risk of (JOD) is not material on the Bank's consolidated financial statements, The effect of the expected decrease in exchange rates is equal and opposite to the effect of the increase stated below:

Currency	2014		2013	
	Increase in currency	Effect on income statement	Increase in currency	Effect on income statement
	%	U.S. \$	%	U.S. \$
EURO	+10	11,694	+10	2,178
Israeli Shekels	+10	2,877	+10	(34,950)
Other currencies	+10	(643)	+10	1,180

Following is the foreign currencies position of the Bank:

	JOD	EURO	ILS	Others	Total
December 31, 2014	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Assets					
Cash and balances with PMA	10,075,276	875,192	24,588,749	-	35,539,217
Balances at banks and financial institutions	27,465,372	3,838,399	42,441,480	269,855	74,015,106
Direct credit facilities	8,672,477	1,433,464	51,837,906	-	61,943,847
Other assets	138,687	59,105	290,841	-	488,633
Total assets	46,351,812	6,206,160	119,158,976	269,855	171,986,803
Liabilities					
Banks and financial institutions' deposits	10,906,911	1,726,152	26,145,933	-	38,778,996
Customers' deposits	35,155,970	3,835,738	86,021,896	276,284	125,289,888
Cash margins	1,535,404	517,522	5,070,779	-	7,123,705
Other liabilities	551,782	9,812	1,891,603	-	2,453,197
Total liabilities	48,150,067	6,089,224	119,130,211	276,284	173,645,786

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:

Indicator	2014		2013	
	Increase in indicator (%)	Effect on income statement	Effect on income statement	Effect on equity
		U.S. \$	U.S. \$	U.S. \$
Palestine Securities Exchange	+10	-	120,989	204,513
Foreign Markets	+10	594,522	-	15,366

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:

	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. \$
December 31, 2014								
Assets								
Cash and balances with PMA	56,585,215	-	-	-	-	-	-	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	179,711,926	22,619,009	16,899,632	38,378,386	16,801,198	30,522,293	15,881,328	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- cyclical 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	11,208,685	6,616,537	8,724,780	22,905,837	(17,966,676)	30,522,293	(62,011,456)	-
Cumulative gap	11,208,685	17,825,222	26,550,002	49,455,839	31,489,163	62,011,456	-	-

	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
December 31, 2013	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Assets								
Cash and balances with PMA	52,613,803	-	-	-	-	-	-	52,613,803
Balances at banks and financial institutions	82,846,882	9,880,437	-	-	-	-	-	92,727,319
Direct credit facilities	7,332,979	3,769,635	10,668,322	25,195,159	21,297,429	30,989,801	-	99,253,325
Financial assets at fair value through profit or loss	-	-	-	-	-	-	153,656	153,656
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	6,436,282	6,436,282
Financial assets at amortized cost	-	-	-	-	10,123,950	9,099,007	-	19,222,957
Property, plant and equipment	-	-	-	-	-	-	5,331,299	5,331,299
Deferred tax assets	-	-	-	-	-	-	959,699	959,699
Intangible assets	-	-	-	-	-	-	929,027	929,027
Other assets	10,787,610	-	-	-	-	-	-	10,787,610
Total assets	153,581,274	13,650,072	10,668,322	25,195,159	31,421,379	40,088,808	13,809,963	288,414,977
Liabilities:								
Banks and financial institutions' deposits	23,175,373	7,446,167	-	-	-	-	-	30,621,540
Customers' deposits	125,586,487	5,824,774	4,914,722	4,629,601	25,492,891	843,160	-	167,291,635
Cash margins	6,939,366	2,153,734	1,355,340	1,480,869	2,899,847	-	-	14,829,156
Sundry provisions	-	-	-	-	-	-	2,165,934	2,165,934
Tax provisions	-	-	-	-	-	-	18,086	18,086
Other liabilities	5,545,489	-	-	-	-	-	-	5,545,489
Total liabilities	161,246,715	15,424,675	6,270,062	6,110,470	28,392,738	843,160	2,184,020	220,471,840
Equity								
Paid-in share capital	-	-	-	-	-	-	53,000,000	53,000,000
Statutory reserve	-	-	-	-	-	-	7,334,379	7,334,379
Voluntarily reserve	-	-	-	-	-	-	670,458	670,458
General Banking risks reserve	-	-	-	-	-	-	2,161,000	2,161,000
Pro- cyclical reserve	-	-	-	-	-	-	1,137,181	1,137,181
Fair value reserve	-	-	-	-	-	-	(99,536)	(99,536)
Retained earnings	-	-	-	-	-	-	3,739,655	3,739,655
Total equity	-	-	-	-	-	-	67,943,137	67,943,137
Total liabilities and equity	161,246,715	15,424,675	6,270,062	6,110,470	28,392,738	843,160	70,127,157	288,414,977
Maturity gap	(7,665,441)	(1,774,603)	4,398,260	19,084,689	3,028,641	39,245,648	(56,317,194)	-
Cumulative gap	(7,665,441)	(9,440,044)	(5,041,784)	14,042,905	17,071,546	56,317,194	-	-

35. Segment information

Information on the Bank's business segments

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

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

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

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

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

	Retail	Corporate	Treasury	Other	Total	
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	2014 U.S. \$	2013 U.S. \$
Gross revenues	4,276,662	5,368,935	430,165	4,965,667	15,041,429	14,354,111
Impairment of direct credit facilities	878,780	(9,876)	-	-	868,904	(498,681)
Segment results	5,155,442	5,359,059	430,165	4,965,667	15,910,333	13,855,430
Unallocated expenses					(10,051,625)	(9,904,387)
Profit before tax					3,796,079	2,868,584
Tax expense					(966,585)	(910,010)
Profit for the year					2,829,494	1,958,574
Other segment information:						
Depreciation and amortization					708,707	667,197
Capital expenditures					5,356,917	536,118
					2014 U.S. \$	2013 U.S. \$
Segment assets	43,108,352	35,470,304	202,783,185	39,451,931	320,813,772	288,414,977
Segment liabilities	139,389,871	59,752,121	43,778,996	9,282,396	252,203,384	220,471,840

Geographical distribution information

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

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

	Domestic		Foreign		Total	
	2014 U.S. \$	2013 U.S. \$	2014 U.S. \$	2013 U.S. \$	2014 U.S. \$	2013 U.S. \$
Gross revenues	12,928,868	12,992,932	2,112,561	1,361,179	15,041,429	14,354,111
Total assets	241,479,011	244,237,694	79,334,761	44,177,283	320,813,772	288,414,977
Capital expenditures	5,356,917	536,118	-	-	5,356,917	536,118

36. Maturities of assets and liabilities

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

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	56,585,215	-	-	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 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	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	257,608,953	47,323,491	15,881,328	320,813,772
LIABILITIES				
Banks and financial institutions' deposits	43,778,996	-	-	43,778,996
Customers' deposits	155,050,445	29,231,459	-	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	208,232,397	34,688,591	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	208,232,397	34,688,591	77,892,784	320,813,772
Maturity gap	49,376,556	12,634,900	(62,011,456)	-
Cumulative maturity gap	49,376,556	62,011,456	-	-

December 31, 2013	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	52,613,803	-	-	52,613,803
Balances at banks and financial institutions	92,727,319	-	-	92,727,319
Direct credit facilities	46,966,095	52,287,230	-	99,253,325
Financial assets at fair through profit or loss	-	-	153,656	153,656
Financial assets at fair value through other comprehensive income	-	-	6,436,282	6,436,282
Financial assets at amortized cost	-	19,222,957	-	19,222,957
Property, plant and equipment	-	-	5,331,299	5,331,299
Deferred tax assets	-	-	959,699	959,699
Intangible assets	-	-	929,027	929,027
Other assets	-	-	10,787,610	10,787,610
Total Assets	192,307,217	71,510,187	24,597,573	288,414,977
LIABILITIES				
Banks and financial institutions' deposits	30,621,540	-	-	30,621,540
Customers' deposits	140,955,584	26,336,051	-	167,291,635
Cash margins	11,929,309	2,899,847	-	14,829,156
Sundry Provisions	-	-	2,165,934	2,165,934
Tax provisions	-	-	18,086	18,086
Other liabilities	-	-	5,545,489	5,545,489
Total Liabilities	183,506,433	29,235,898	7,729,509	220,471,840
EQUITY				
Paid in share capital	-	-	53,000,000	53,000,000
Statutory reserve	-	-	7,334,379	7,334,379
Voluntarily reserve	-	-	670,458	670,458
General Banking risks reserve	-	-	2,161,000	2,161,000
Pro- cyclical reserve	-	-	1,137,181	1,137,181
Fair value reserve	-	-	(99,536)	(99,536)
Retained earnings	-	-	3,739,655	3,739,655
Net Equity	-	-	67,943,137	67,943,137
Total Liabilities and Equity	183,506,433	29,235,898	75,672,646	288,414,977
Maturity gap	8,800,784	42,274,289	(51,075,073)	-
Cumulative maturity gap	8,800,784	51,075,073	-	-

37. 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.

38. Capital management

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

The Bank manages the capital structure and makes the necessary adjustments in light of changes in economic conditions and the nature of the work. 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 2014 compared to 2013:

	2014			2013		
	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	61,410,983	19,14	34,60	54,389,096	18,86	35,54
Basic capital	62,718,474	19,55	35,34	60,696,781	21,04	39,67

39. Commitments and contingent liabilities

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

	2014	2013
	U.S. \$	U.S. \$
Letter of guarantees	16,462,012	13,953,099
Letters of credits	3,330,874	4,962,745
Acceptances	5,111,423	4,064,794
Unutilized direct credit facilities limits	7,273,809	4,883,356
	<u>32,178,118</u>	<u>27,863,994</u>

Outstanding forward contracts as of December 31, 2014 amounted to U.S. \$ 4,950,000, which were not listed in commitments and contingent liabilities as the bank covering the risks of these deals by hedging with other banks, in addition of deducting cash margin by 2% from each deal in order to cover unforeseen price changes and customers noncompliance with the signed contracts.

40. Legal cases against the Bank

In the normal course of business, there were 9 and 7 lawsuits against the Bank as at December 31, 2014 and 2013, respectively, with a total amount of U.S. \$ 2,037,804 and U.S. \$ 2,043,260 as at December 31, 2014 and December 31, 2013, respectively.

The Bank's management and its legal advisor believes that the Bank maintain adequate provisions against the lawsuits (Note 16).

41. Concentration of risk in geographical area

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

Branches, Offices and Subsidiaries of the bank

Main Branch

(Ramallah & Al Bireh)
Al Bireh –Ramallah/Al Nahda Square - Al Hilal Street
Derar Al Tawil Building - P.O. Box 3675 Al Bireh
Phone: +970 2 2407880\2\3
Free of Charge Number:1800 888 888
Fax: +970 2 2407881
E-mail: info@pibc.ps

Nablus Branch

Hamdi Kanan sub-street, Palestine
Galaxy Center Building – 2nd floor- POX. 725 Nablus
Phone: +970 9 2385051
Fax: +970 9 2385057
E-mail: info@pibc.ps

Jenin Branch

City Center – Abubaker street Entrance
Alanis Building- ground floor – P.O. Box 120 Jenin
Phone: +970 4 2436560\2\3
Fax: +970 4 2436567
E-mail: info@pibc.ps

Beitunia Branch

Ramallah Industrial Zone – Main Street
Al Quds Building- P.O. Box 3675 Al Bireh
Phone: +970 2 2901682\3\4
Fax: +970 2 2901686
E-mail: info@pibc.ps

Housan Office- Bethlehem

Main Street-P.O. Box: 275 Bethlehem
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Fax: +970 2 2759616
E-mail: info@pibc.ps

Bier Nabala office

Bier Nabala – Main St.
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Fax: +970 2 2441115

Ramallah Office

Yasser Arafat square – al-khatib Center
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Fax: +970 2 2984490

Beit Sahor Office

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E-mail: info@pibc.ps

Bethlehem Branch

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E-mail: info@pibc.ps

Gaza Branch

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E-mail: info@pibc.ps

Jericho Branch

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Fax: +970 2 2323602
E-mail: info@pibc.ps

Bani Neim Office – Hebron

Main Street- P.O. Box 782 Hebron
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E-mail: info@pibc.ps

Beit Umar Office-Hebron

Main Street- POB. 682 Hebron
Phone: +970 2 1402252
Fax: +970 2 2521408
E-mail: info@pibc.ps

Huwara Office

Main Street- P.O. Box 725 Nablus
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Call us

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