بنك الاستثمار الفلسطيني

Palestine Investment Bank

تنمية و أمان

2013

التقرير السنوي

ANNUAL REPORT

بنك الاستثمار الفلسطيني
Palestine Investment Bank
تنمية و أمان

ANNUAL REPORT 2013
Results and Achievements

Contents:

Members of the Board of Directors As of December 31,2013

Mr. Abed Dayeh	Chairman of the Board of Directors
Dr. Farouq Zuiater	Vice-Chairman
Mr. Osama Khader	Member
Mr. Khalil Nasr	Member
Mr. Sami Ismail Sayed	Member
Mr. Jameel al-Mu'ti	Member
Mr. Mohammad Kamal Hassouneh	Representative of Al-Yazan Company for Financial Investments & Real Estate
Mr. Rajaye Al Dajjani *	Representative of Al-Yazan Company for Financial Investments & Real Estate
Dr. Adnan Estatieh /Member	Representative of Al-Salam Company, Qatar

*Mr. Rajaye Al Dajjani Representative of Al-Yazan Company for Financial Investments & Real Estate till October 5,2013.

Senior Executive Management

Mr. Fawzi Al Jawhari
Acting General Manager

Mr. Mahmud 'Awde
CEO – Branches and Central Operations

Mr. Salah El Din Fares
CEO – IT Department.

Mr. Ashraf Hassounh
Director of Treasury Department.

Mr. Burhan Hammad
Director of Risk Department.

Mr. Sami Al Aghbar
Director of Internal Audit Department.

Mr. Lutfi Khaseeb
Director of Central Accounting Department.

Mr. Feras Enaya
Director of Credit Department.

Advisors

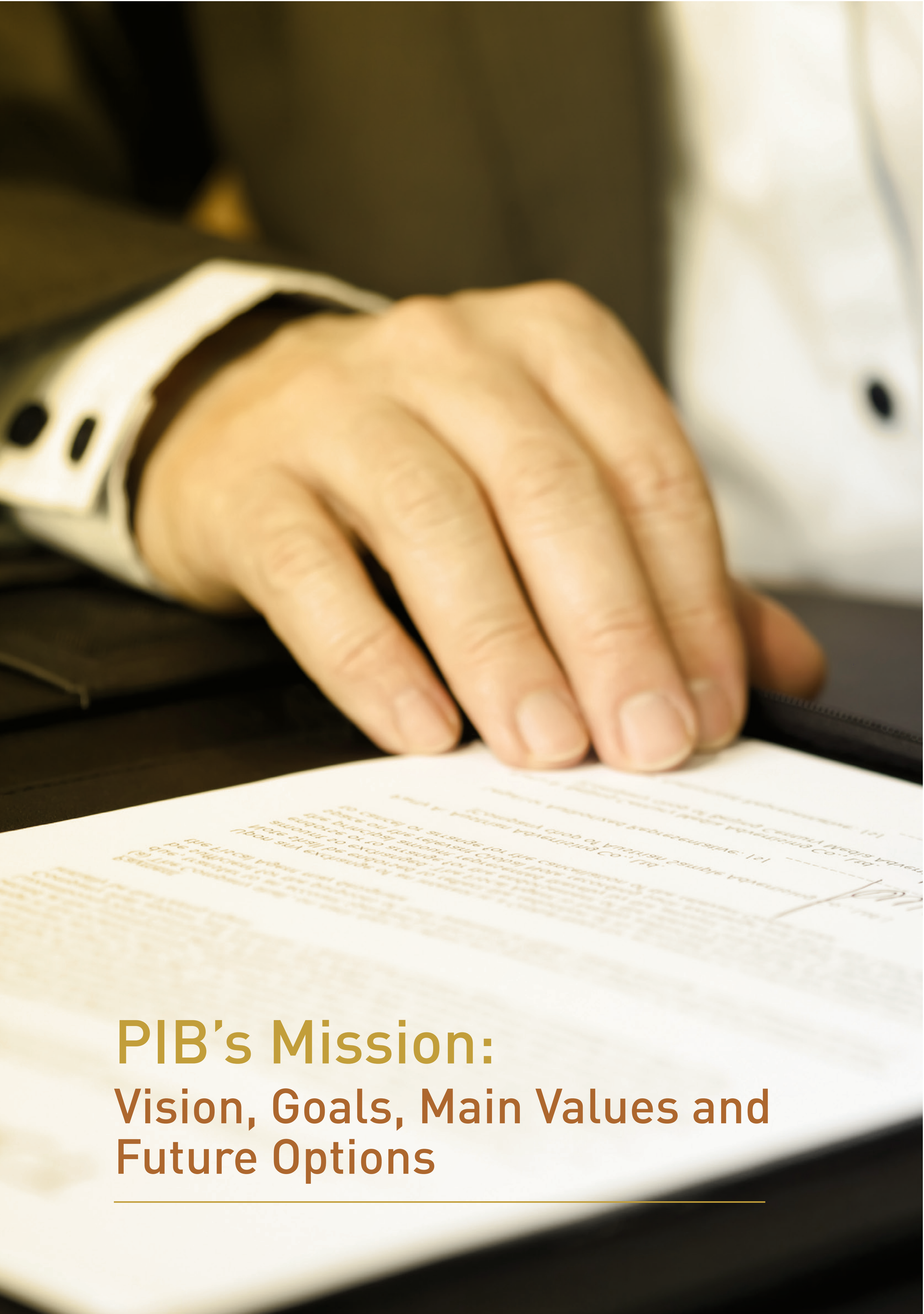
Mr. Diaa' El Din Abd El Fattah

Legal Counsel

Mr. Hussam El Din Al Atira

External Auditors

Ernst & Young



PIB's Mission:

Vision, Goals, Main Values and Future Options

We responsibly and vigorously strive to be a leading, prominent bank in Palestine through providing the finest financial services and banking excellence to our clients, presented by highly-qualified staff working in a motivating environment, supported by modern technology and carefully selected banking software applications and products. Our staff follows the highest standards of professional conduct and ethical values, and aims to achieve financial results reflect our status in the Palestinian banking system.

We uphold our responsibility and commitment to effectively contribute to the growth and development of the Palestinian economy.

The Bank's core values are honesty, integrity with oneself and others, continuous quest for excellence, along with honoring our promises, upholding the principles of corporate governance, committing to our social responsibility, in addition to carrying on with the challenge to discover the best ways to satisfy our clients.

Our future goals are to maintain our achievements continue to develop and grow efficiently meet our clients' needs and wishes increase the value of their money with the utmost care and responsibility and remain up to date with new products among the Palestinian banking market In addition we aim to enhance our financial position through monitoring risk factors, developing human resources, And using modern technology to sustain performance excellence and efficiency in dealing with our clients, while maintaining 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

Chairman of the Board of Director's Statement

Dear Fellow Shareholders,

On behalf of the Board of Directors, I would like to welcome you to the 19th General Assembly Meeting of Palestine Investment Bank, in order to present to you the Bank's annual report for the financial year ending 31/12/2013, which will provide you with an actual picture of the Bank's achievements.

Despite the difficulties faced by the Palestinian economy with all its sectors, the Bank's Management was able to provide the best to its customers and contribute to the growth of the Palestinian economy.

During last year, we have seen that the Bank's financial indicators continued their increase while strengthening the capital base. In addition, the Bank's share in the marketplace has improved. Assets and liabilities have been managed according to a designed policy, which balances between the needs and being cautious. Several banking services and products have been introduced in order to meet the needs of individual, institutional or corporate sectors. In addition to the contribution in the economic development of Palestinian population centers where branches of the Bank are located.

The year 2013 was exceptional whether globally, regionally or domestically. However, despite all of the challenges, the Bank was able to achieve growth in all of its basic financial indicators. This is an indication of the strength of the Bank's capital base, the increase in the confidence of its customers and the clear strategy pursued by the executive management, which resulted in achieving a balanced growth in the Bank,'svarious activities.

Bank's total assets increased 11.5% at the end of 2013, reaching $288 million compared with $259 at the end of 2012. Customers' deposits increased by 19.7% reaching $182 million at the end of 2013 compared with $152 million at the end of 2012. Net credit facilities grew by 4% reaching $99 million at the end of 2013 compared with $95 million at the end of 2012. Gross income from interest and commission grew by 16.2% reaching $11.8 million compared with $10.1 million at the end of at the end of 2012.

Shareholders' equity increased from $65.9 million by end of 2012 to $67.9 million by end of 2013. This came because of exceptional efforts by Bank's management despite the prevailing conditions.

During last year, the Bank continued its distinguished role in voluntary work by sponsoring social activities in the fields of healthcare, education, social and recreation. These efforts are in keeping with our Corporate Social Responsibility (CSR) toward our society. Fundamental financial indicators show that the return on shareholders' equity reached 2.9% in 2013. In the meantime, net profits reached $2 million after taxes and provisions. Income from interest and commission constituted 82% of gross income.

In general, the Bank's most important financial indicators for 2013 were stable. The ratio of net income to total assets was 0.68%, the ratio of shareholders' equity to total liabilities was 31%, net credit facilities to customers' deposit was 55%. Capital adequacy ratio reached 35.5%, which indicates an increase in Bank's activities and its effectiveness of its role in providing banking services diverse uses.

We are comfortable of what has been achieved in 2013 despite the circumstances that we have witnessed. We assure our public that we will continue in our efforts to achieve better results due to the efforts of the Bank's employees and the confidence of our customers in the Bank's mission and values and their interest in the Bank's progress.

Finally, for myself and on behalf of my fellow members of the Board of Directors, I would like to extend our gratitude and appreciation to our clients for their support, cooperation and confidence, and to the Bank's employees for their efforts, which will contribute to the Bank's growth, progress and success.

Thank you,
Chairman of the Board of Directors

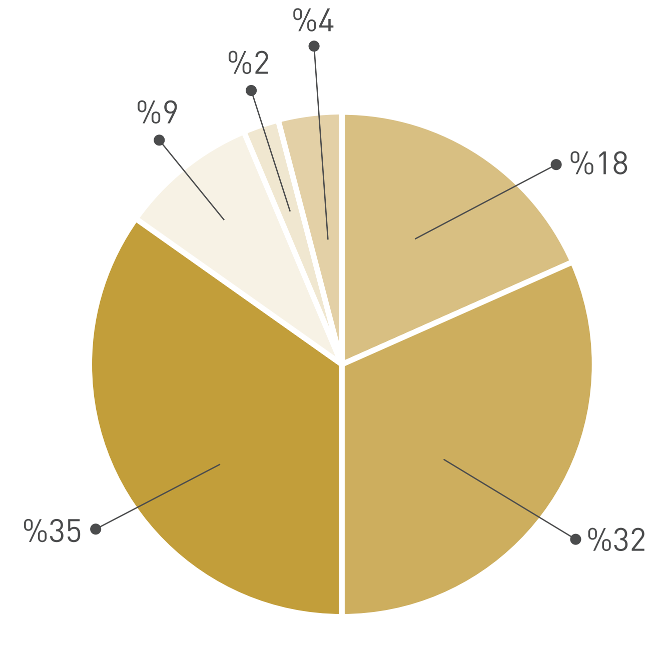
Analysis of Financial Position and Results of 2013

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

The relative significance of PIB Financial Position Elements				
	In million USD		%	
Assets	2013	2012	2013	2012
Cash and Accounts at Monetary Authority	52.61	59.83	18.3%	23.1%
Banks balances and financial institutions	92.73	56.88	32.2%	22%
Net credit facilities	99.25	95.12	34.3%	36.8%
Investment	25.81	33.21	8.9%	12.8%
Fixed and intangible assets	6.26	6.48	2.2%	2.5%
Deferred taxes and other assets	11.75	7.16	4.1%	2.8%
Total	**288.410**	**258.690**	**100%**	**100%**

PIB Assets in FY2013

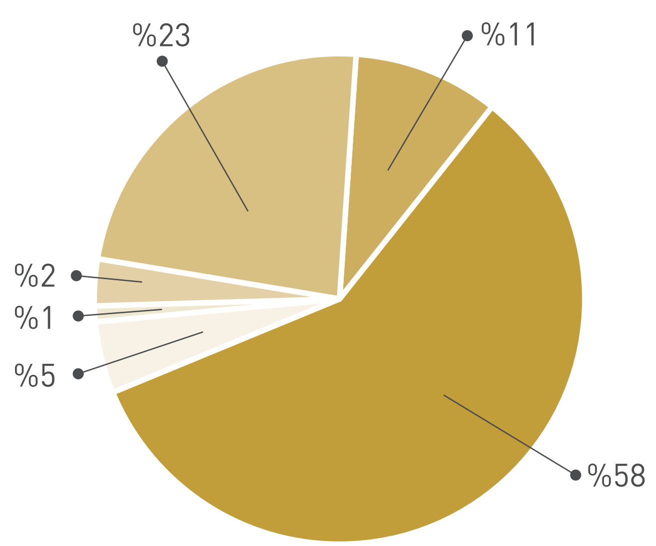
- Cash and Balances at PMA
- Banks balances and Financial Institutions
- Net credit facilities
- Investmnest
- Fixed and intangible assets
- Deferred taxes and other assets



	Million Dollars		%	
Liabilities and Owner's Equity	**2013**	**2012**	**2013**	**2012**
Deposits of banks and financial institutions	30.62	33.24	10.6%	12.85%
Customers deposits	167.29	138.05	58.0%	53.37%
Cash margin	14.83	14.14	5.1%	5.47%
Provisions for income tax and others	2.18	2.28	0.80%	0.88%
Other liabilities	5.55	5.04	1.9%	1.95%
Equity	67.94	65.94	23.6%	25.49%
Total	**288.41**	**258.69**	**100.0%**	**100%**

The Relative Importance of PIB Liabilities and Equity in FY2013

- Deposits of banks and PMA
- Cstomerst deposits
- Cash margin
- Other provisions
- Other liabilities
- Equity



Direct Credit Facilities

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

Provisions for Direct Facilities

The bank's management followed a clear policy to hedge for any expected losses and allocated an impairment loss on doubtful debts, at both the individual and portfolio levels. In accordance with International Accounting Standards, Monetary Authority regulations; and the recommendations from the bank's auditors; and in order to enhance the bank's financial position; the percentage of allowances for doubtful debts, based on a single client in the non-performing portfolio, after subtracting suspended interest and before accepting guarantees, reached 44.9% in 2012, compared to 53.8% in 2013. The monetary value of accepted guarantees for credit facilities reached 61.64 million dollars in the year 2012 compared to 62.68 million dollars in the year 2013.

Financial Asset Portfolio

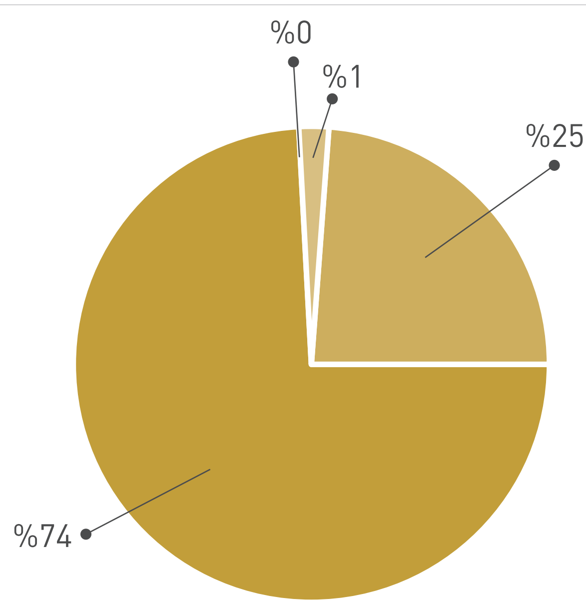
The bank's portfolio decreased by 7.4 million dollars in 2013, which is an Decrease of 22.3%compared to the year 2012. This is due to strategic policy to sell some investments.

The Relative Importance of PIB Financial Assets and Investments

	Million Dollars		%	
	2013	2012	2013	2012
Financial assets	0.15	0.48	0.6%	1.43%
Fair value of financial assets from comprehensive income	6.44	8.27	24.9%	24.91%
Fixed income securities	19.22	19.18	74.5%	57.76%
Investments in affiliated companies		5.28	0.0%	15.90%
Total	**25.81**	**33.21**	**100.0%**	**100%**

Composition of Financial Assets

- Fixed income securities
- Fair Value of financial assets (comprehensive income)
- Financial assets (income statement)
- Investment in affiliated companies

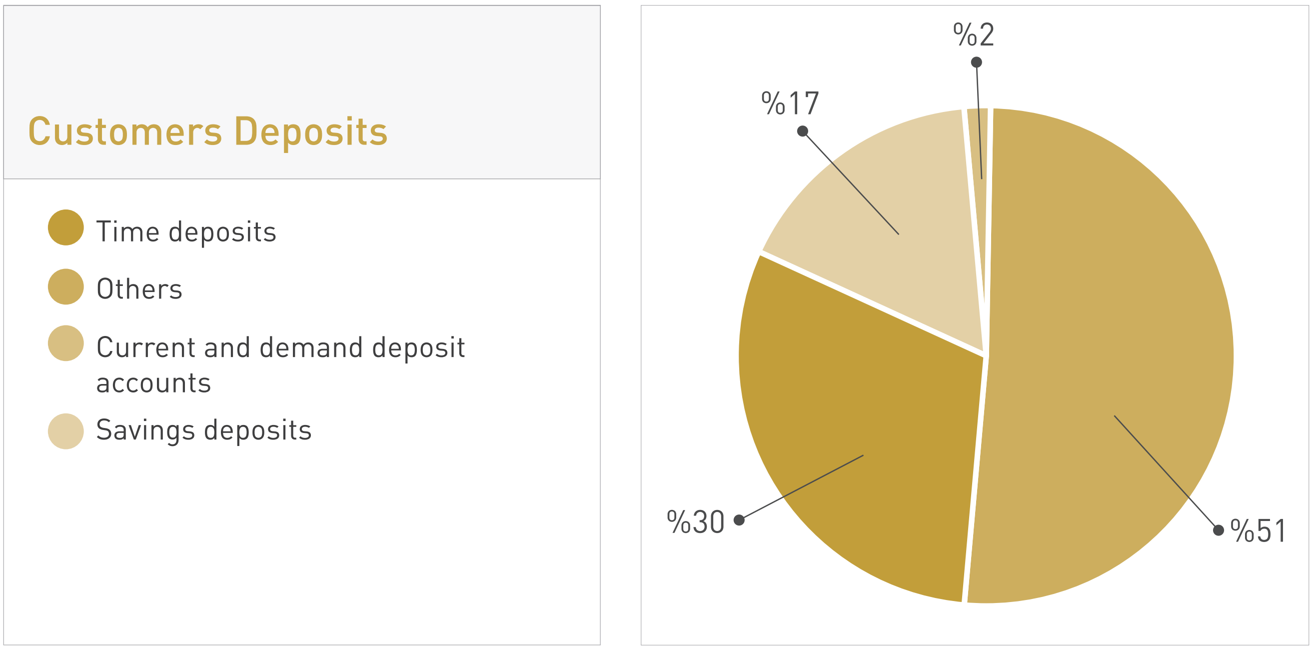


Customer Deposits

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

The relative importance PIB Clientele Deposits

	Million Dollars		%	
	2013	2012	2013	2012
Current and demand deposit accounts	85.98	76.50	%51.4	%55.41
Saving deposits	50.75	32.75	%30.4	%23.73
Time deposits	28.16	27.24	%16.8	%19.73
Others	2.40	1.56	%1.4	%1.13
Total Deposits	**167.29**	**138.05**	**%100.0**	**%100**



Owner's Equity – Shareholders

Shareholders' equity increased by 2 million dollars, or around 3%, to reach 67.94 million dollars in 2013 compared to 65.94 million dollars in the year 2012. Both the mandatory reserve and the pro-cyclicality reserve and general banking reserve ratios were strengthened in compliance with PIB's internal bylaws and regulator instructions, while surpluses were recycled as retinal earnings.

Capital Adequacy

Capital adequacy ratio reached 35.54% in 2013 compared to 31.55% in 2012, registering one of the highest ratios and is above the 12% required by the Palestine Monetary Authority. The bank's ratio was also higher than the 8% rate set by Basel (Bank for International Settlements).

The ratio of the core capital to the risk-carrying assets reached 39.67% in 2013 compared to 43.86% in 2012.

Bank's Business Results

The total bank's revenues for 2013 was 14.26 million dollars compared to 12.61 million dollars in 2012. The net revenues from interest and commissions were 11.75 million dollars in 2013 compared to 10.11 million dollars in 2012.

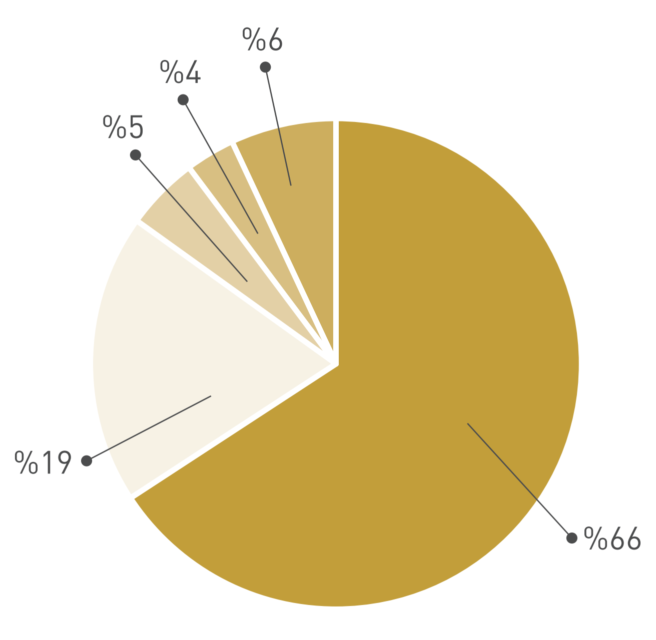
Income before taxes and provisions reached 4.358 million dollars in 2013 while it reached 4.257 million dollars in 2012. After deducting the impairment loss allocated for facilitators, other provisions, and income tax, the net income was 1.96 million dollars in 2013 compared to 1.83 million dollars in 2012.

Net Profit Before/After Provisions and Taxes			
	Million Dollars		
	2013	2012	% Change
Net income before provisions and taxes	4,358	4,257	%2.37
Provisions for credit facilities	(1,489)	(1,717)	%13.28-
Net income before taxes	**2,869**	**2,541**	**%12.91**
Income tax provisions	(910)	(714)	%27.45
Net profit after tax	**1,959**	**1,826**	**%7.28**

Net Profit Before/After Provisions and Taxes				
	Thousand Dollars		%	
	2013	2012	2013	2012
Net interest revenue	9,128	7,745	%64.1	%61.42
Net commission revenue	2,621	2,364	%18.38	%18.74
Financial asset revenue	771	742	%5.4	%5.88
revenues from foreign exchange	509	462	%3.57	%3.66
Others	1,233	1,297	%8.64	%10.28
Total	**14,262**	**12,610**	**%100.0**	**%100**

Revenues

- Others
- Revenue from foreign exchange
- Financial asset revenue
- Net commission revenue
- Net interest revenue



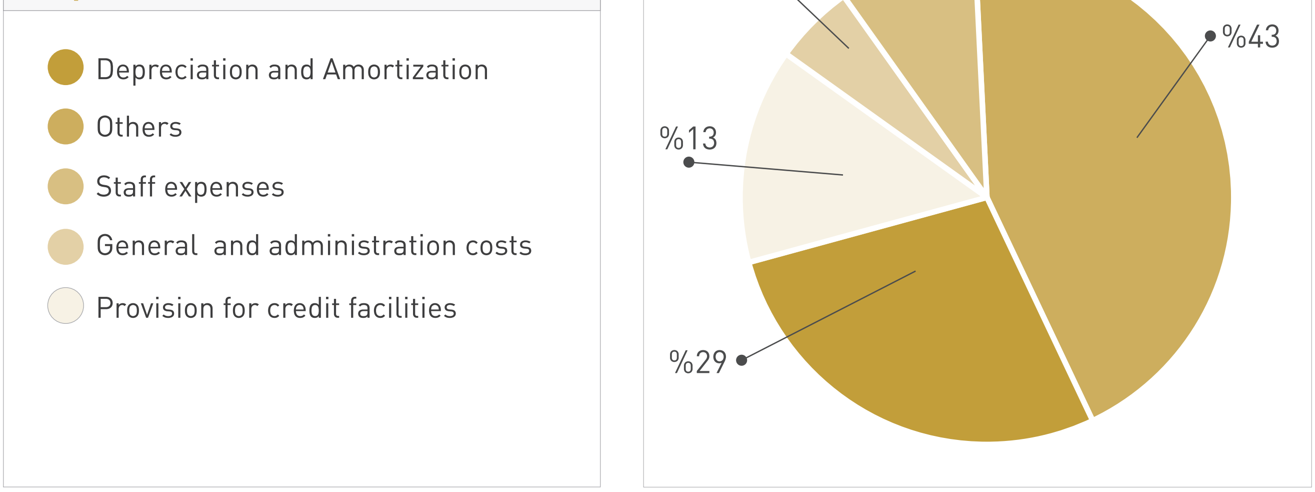
Expenses and Provisions

The total expenditure and provisions in 2013 reached 11.393 million dollars compared to 10.070 million dollars in 2012 Staff salaries and rewards amounted to 4.915 million dollars in 2013 compared to 4.690 million dollars in 2012, with an increase of 225 thousand dollars for new employees, the fifteenth month salary and other employee benefits.

Expenses and Provisions and its relative importance

	Thousand Dollars		%	
	2013	2012	2013	2012
Staff expenses	4,915	4,690	%43.14	%46.58
General and administrative expenses	3,297	2,878	%28.94	%28.58
Provision for credit facilities	1,489	1,717	%13.07	%17.05
Depreciation and amortization	667	646	%5.86	%6.42
Others	1,025	139	%8.99	%0.05
Total	**11,393**	**10.070**	**%100.0**	**%100**

Expenses and Allowances



Most Important Financial Ratios of FY2013 Compared To FY2012		
	2013	2012
Return on Equity	%2.88	%2.77
Return on Capital	%3.70	%3.45
Return on Assets	%0.68	%0.71
Credit Facilities to customer deposit	%54.50	%62.50
Credit Facilities to Assets	%34.41	%36.77
Equity to assets	%23.56	%25.49
Earnings Per Share	%3.70	%3.45

Internal Auditing, Internal Control Systems and Compliance to Regulations

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

Branches

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

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

Technological Advances and Information Systems

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

Human Resources

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

The management worked in 2013 to attract employees with desirable skills, and granted bonuses according to employees' efforts. The management organized numerous activities and special programs for employees aiming to boost their loyalty and sense of belonging, based on its absolute conviction that the staff is the bank's human capital and one of the most important elements to achieve progress and success.

Foreign Banking Services and Various Treasury Activities

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

PIB continues to maintain its advanced position in the treasury services and banking services in traded foreign currencies. PIB issued wire transfers and checks, as well as bought and sold foreign currencies through a network of the corresponding bank's with international banks and monetary institutions across the world. In 2013 the bank's treasury achieved better results that what was achieved in 2012 in foreign currencies trading and cash surplus management, which significantly contributed to raising the overall revenues of the bank.

PIB also launch Al-Momtaz savings account in 2013 with generous prizes and has a good base of depositors in savings accounts which increased by 56% compared to the year 2012.

Subsidiaries

* Global Securities Co. (GSC)

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

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

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

The following are the most important comparative financial statements: -

	2013 ($) Currency	2012 ($) Currency
Capital	3526093	3526093
Net Equity	4206877	3933463
Ownership Percentage	%99.64	%99.64
Total assets	6245015	4843384
Cash and cash equivalents	2786005	2450866
Net Profit	934779	23274

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

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

The Bank's Competitive Position

PIB's management worked in 2013 to improve its share in the financial market, particularly

its share in the credit of various sectors. PIB also implements awareness and advertising campaigns on a regular basis, to promote services to the public.

PIB's Development Policy

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

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

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

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

Future Strategic Plan 2014

- Continue to achieve a consistent and accelerating growth in profitability, assets, and owner's equity; efficiently manage them to enhance the bank's financial position within the banking system in Palestine, and maintain PIB's financial ratios within the requirements of regulatory authorities in Palestine.
- Increase level of production efficiency and reduce non-profitable expenditure to increase overall revenues.
- Continue to develop products, services and programs offered by PIB to clients, based on their needs and commensurate with economic conditions in Palestine; focus on the retail sector through the creation and development of appropriate products; develop products for private sector individuals and enterprises to meet the financing needs of institutions and manufacturers that are small and medium-sized enterprises.
- Directing PIB's branches network and ensure PIB's readiness to provide services to clients, with the desired level quality and in accordance with the requirements of services; increase the bank's presence in the Palestinian communities by pursuing deliberate strategies to increase the branch network, thus enhancing the bank's ability to compete with other banks.
- Continue to strengthen the marketing efforts of the bank's various branches and offices though organizing outstanding and motivating marketing campaigns to preserve existing clients by responding to their needs and desires, in addition to attract new clients to increase the bank's market share in various banking activities.
- Expand depositors' base and attract deposits in various currencies by offering reasonable interest rates and incentive rewards, along with achieving utmost use of these deposits in different available fields of investment.
- Continue to expand varieties in the corporate facilities portfolio and develop new services

and products in the personal/retail banking to fit with the lifestyle and desires of targeted clients.

- Enhance and distinguish the positive image of the bank's name and brand among all groups of society and in the banking system through continuing to interact with the local community and support social, service, educational, and environmental projects.
- Achieve a qualitative change in private and personal investment services of the clientele investment portfolios to keep pace with the global developments in the investment and financial markets for high returns.
- • Update the bank's organizational structure to fit the global developments in the banking sector.
- • Attend to the needs of the bank's staff and strive to raise their competence and efficiency; award the distinguished employees, promote spirit of team work, and attract special expertise for specific activities through a training plan for employees; reward excellence and foster group dynamics; develop human resource systems and policies.
- Maintain high liquidity level to face the demands of the bank's clients at any time.
- Work to increase the size of the bank's indirect facilities such as credits, guarantees, LCs and wire transfers, due to the great importance of the facilities in increasing the bank commission revenues.
- Develop and diversify the service performance to preserve the competitiveness with other banking institutions in Palestine through the use of banking technology to raise the bank's capacity.
- Reduce all sorts of risks by using a monitoring and risk self-assessment system.
- Work to achieve clientele satisfaction as one of the bank's core values.
- Increase the owner's equity and achieve revenue for shareholders.

Corporate Governance

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

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

- Investment and Facilities Committee
- Risk Committee
- Audit Committee
- Governance and Compensation Committee

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

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

Mechanism for Communicating Information to Shareholders

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

Strategic Investors with Shares More Than %5

Name	Number of Shares at 31/12/2013	of shares %	Number of Shares at 31/12/2012	of % Shares
Abdul Qader Al-Qadi	3,640,238	%6.87	3,640,238	%6.87
Abed Dayeh	3,824,217	%7.22	3,824,217	%7.22
Al-Shorooq Co. for Real Estate & Financial Investments	16,138,500	%30.45	16,138,500	%30.45
Al-Yazan Co. for Real Estate & Financial Investments	10,600,00	%20	10,600,000	%20.00

Shares Owned By Members of the Board of Directors

Name	Position	Number of Shares At 31/12/2013	of shares %
Mr. Abed Dayeh	Chairman of Board of Directors	3,824,217	%7.22
Dr. Farouq Zuiater	Vice Chairman of Board of Directors	29,812	%0.06
Al-Yazan Co. for Real Estate & Financial Investments	Two members	10,600,000	%20
Salam International *	Member	10,000	%0.02
Mr. Khalel Naser	Member	10,600	%0.02
Mr. Osama Khader	Member	21,200	%0.04
Mr. Sami Sayed	Member	13,250	%0.03
Mr. Jameel al-Mu'ti	Member	375,000	%0.71

* The company resigned from the Board of Directors on December 12,2013

The company's share trading in the Palestine Exchange in 2013

Item	2013	2012
Highest price	1.00	1.00
Lowest price	0.80	0.84
Opening price	0.91	0.97
Closing price	0.88	0.91

Number of traded shares	Number of transactions	Value in dollars
3,846,070	122	3,300,302

Duties of the Board of Directors towards Shareholders and Corporate Governance

During the year 2013, all recognized principles of governance were applied in PIB's various businesses and activities.

The Company's Corporate Social Responsibility Policy

In the year 2013, PIB continued to diversify its corporate social responsibility program out of its keenness to interact with the different activities of the Palestinian community by enhancing its role in the serving social development in Palestine. PIB adopted and sponsored various social, charitable, cultural and sports activities; funded students, associations, charities, and voluntary societies; as well as supported national programs with the best interest of Palestinians in heart.

Degrees Held by Members of the Board of Directors

Two members hold PhD degrees.

Four members hold Master's Degrees.

Three members hold Bachelor degrees in different majors.

Board of Directors' Remuneration:

Remuneration were paid to members of the Board of Directors in the year 2013 as detailed in the following table compared to the year 2012, noting that the directors did not receive any salaries or allowances during both years.

Name	2013 ($) Currency	2012 ($) Currency
Mr. Abed Dayeh	70,521	107,621
Dr. Farouq Zuiater	20,000	16,500
Mr. Jameel al-Mu'ti	15,000	12,000
Dr. Adnan Steitieh	15,000	15,000
Mr. Sami Ismail Sayed	15,000	13,000
Mr. Mohammad Kmal Hassouneh	15,000	12,000
Mr. Kahleel Naser	15,000	17,000
Mr. Raja'i Al Dajani *	15,000	10,000
Mr. Osama Khader	15,000	14,000
Total	**195,521**	**221,287**

* Mr. Rajaye Al Dajjani Representative till October 5,2013.

Salaries and Compensation of PIB’s Senior Management Team

Salaries for the senior executive management totaled U.S. $ 378,760 in 2013.

Number of Employees

The number of employees at PIB and its subsidiary amounted to 225 employees on 31/12/2013, compared to 236 employees on 31/12/2012.

Degrees Held by Bank Employees

14 employees hold Master’s Degrees

149 employees hold Bachelor Degrees

26 employees hold Diploma qualifications

18 employees hold High School Degrees

19 employees hold qualifications below a High School Degree.

Issues Brought to Vote by Shareholders

No issues were brought to vote by shareholders.

Global Securities Co. (GSC)
Financial intermediaries for buying and selling stocks

Headquarters and Central Administration

Nablus

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

Nablus, PO Box 1776

Tel: +970 (9) 2387880/1

Fax: +970(9) 2385060

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, 2013, 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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at December 31, 2013 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst and Young - Middle East

Ernst + Young

March 25, 2014
Ramallah - Palestine

Consolidated Statement of Financial Position
As at December 31, 2013

	Notes	2013 U.S. $	2012 U.S. $
Assets			
Cash and balances at Palestine Monetary Authority	3	52,613,803	59,829,380
Balances at banks and financial institutions	4	92,727,319	56,880,637
Direct credit facilities	5	99,253,325	95,120,970
Financial assets at fair value through Income statement	6	153,656	475,702
Financial assets at fair value through other comprehensive income	7	6,436,282	8,273,128
Investment in an associate	8	-	5,278,948
Financial assets at amortized cost	9	19,222,957	19,179,089
Property, plant and equipment	10	5,331,299	5,451,446
Deferred tax assets	11	959,699	959,699
Intangible assets	12	929,027	1,032,738
Other assets	13	10,787,610	6,208,028
Total Assets		**288,414,977**	**258,689,765**
Liabilities and Equity			
Liabilities			
Banks and financial institutions' deposits	14	30,621,540	33,243,745
Customers' deposits	15	167,291,635	138,053,319
Cash margins	16	14,829,156	14,140,954
Sundry provisions	17	2,165,934	1,815,486
Tax provisions	18	18,086	466,505
Other liabilities	19	5,545,489	5,035,229
Total Liabilities		**220,471,840**	**192,755,238**
Equity			
Paid-in share capital	21	53,000,000	53,000,000
Statutory reserve	20	7,334,379	7,076,614
Voluntarily reserve	20	670,458	670,458
General banking risks reserve	20	2,161,000	1,605,000
Pro-cyclicality reserve	20	1,137,181	890,752
Fair value reserve	7	(99,536)	(1,515,609)
Retained earnings		3,739,655	4,207,312
Net Equity		**67,943,137**	**65,934,527**
Total Liabilities and Equity		**288,414,977**	**258,689,765**

The accompanying notes from 1 to 40 are an integral part of these financial statements

Consolidated Income Statement
For the year ended December 31, 2013

	Notes	2013 U.S. $	2012 U.S. $
Interest income	22	10,058,183	8,420,300
Interest expense	23	(930,099)	(674,784)
Net interest income		**9,128,084**	**7,745,516**
Net commissions income	24	2,621,386	2,363,731
Net interest and commissions income		**11,749,470**	**10,109,247**
Foreign currency gains		509,080	462,059
Dividends income		770,916	742,000
Recoveries of impairment allowance fordirect credit facilities	5	990,321	859,342
Other revenues	25	242,186	437,322
Gross profit		**14,261,973**	**12,609,970**
Expenses			
Personnel expenses	26	4,915,394	4,689,639
Other operating expenses	27	3,297,255	2,878,166
Impairment allowance for direct credit facilities	5	1,489,002	1,716,670
Bank's share of an associate losses	8	287,951	134,247
Depreciation and amortization	10&12	667,197	646,083
Impairment losses on financial assets	8	621,955	-
Losses on sale of financial assets through profit or loss		27,672	4,577
Other expenses and allowances		86,963	-
Total expenses		**11,393,389**	**10,069,382**
Profit before tax		2,868,584	2,540,588
Tax expense	18	(910,010)	(714,311)
Profit for the year		**1,958,574**	**1,826,277**
Basic and diluted earnings per share	29	0.037	0.034

The accompanying notes from 1 to 40 are an integral part of these financial statements

Consolidated Statement of Comprehensive Income
For the year ended December 31, 2013

	2013	2012
	U.S. $	U.S. $
Profit for the year	**1,958,574**	**1,826,277**
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	(71,919)	(296,779)
Other comprehensive income for the year	**50,036**	**(296,779)**
Total comprehensive income for the year	**2,008,610**	**1,529,498**

The accompanying notes from 1 to 40 are an integral part of these financial statements

Consolidated Statement of Changes in Equity
For the year ended December 31, 2013

		Reserves						
	Paid-in share capital	Statutory	Voluntarily	General banking risks	Pro-cyclicality	Fair value	Retained earnings	Net Equity
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
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
Total 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
2012								
Balance, beginning of the year	53,000,000	6,881,214	670,458	1,605,000	601,142	(1,391,246)	3,038,461	64,405,029
Profit for the year	-	-	-	-	-	-	1,826,277	1,826,277
Other comprehensive income for the year	-	-	-	-	-	(296,779)	-	(296,779)
Total comprehensive income for the year	-	-	-	-	-	(296,779)	1,826,277	1,529,498
Losses on sale of financial assets recognized directly in retained earnings (Note 7)	-	-	-	-	-	172,416	(172,416)	-
Transferred to reserves	-	195,400	-	-	289,610	-	(485,010)	-
Balance, end 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

The accompanying notes from 1 to 40 are an integral part of these financial statements

Consolidated Statement of Cash Flows
For the year ended December 31, 2013

	Notes	2013 U.S. $	2012 U.S. $
Operating activities			
Profit before tax		2,868,584	2,540,588
Adjustments:			
Impairment allowance on direct credit facilities		1,489,002	1,716,670
Depreciation and amortization		667,197	646,083
Losses on financial assets at fair value through profit or loss		27,672	4,577
Recovery of impairment allowance on direct credit facilities		(990,321)	(859,342)
Bank's share of an associate losses		287,951	134,247
Amortization of bonds premium		(43,868)	-
Loss on sale of property, plant and equipment		3,506	-
Sundry provisions		431,586	340,868
Recovery of sundry provisions		-	(150,000)
Impairment loss on financial assets		621,955	-
Dividends income from financial assets		(770,916)	(742,000)
		4,592,348	3,631,691
Changes in assets and liabilities:			
Direct credit facilities		(4,631,036)	(17,206,628)
Statutory cash reserve		(4,160,366)	(6,509,488)
Other assets		(4,579,582)	6,364,136
Customers' deposits		29,238,316	20,415,866
Cash margins		688,202	(4,567,452)
Other liabilities		510,260	1,768,422
Net cash flows from operating activities before tax and provisions payments		**21,658,142**	**3,896,547**
Sundry provisions paid		(81,138)	(126,766)
Taxes paid		(1,358,429)	(990,399)
Net cash flows from operating activities		**20,218,575**	**2,779,382**
Investment activities:			
Proceeds from sale of financial assets at fair value through other comprehensive income		6,255,924	791,637
Proceeds from sale of financial assets at fair value through profit or loss		448,030	547,570
Purchase of financial assets through profit or loss		(153,656)	-
Purchase of financial assets at amortized cost		-	(13,401,706)
Purchase of property, plant and equipment		(512,838)	(420,223)
Proceeds from sale of property, plant and equipment		89,273	42,934
Purchase of intangible assets		(23,280)	(91,142)
Cash dividends received		770,916	742,000
Net cash flows from (used in) investing activities		**6,874,369**	**(11,788,930)**
Net increase (decrease) in cash and cash equivalents		27,092,944	(9,009,548)
Cash and cash equivalents, beginning of the year		64,521,219	73,530,767
Cash and cash equivalents, end of the year	28	**91,614,163**	**64,521,219**

The accompanying notes from 1 to 40 are an integral part of these financial statements

1. General

Palestine Investment Bank(the Bank)was founded and registered in Palestine on August 10, 1994 as a public shareholding company in accordance with the companies' law of 1929 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 share. The Bank started its activities in March 1995. The Bank is carrying out all of its Banking and financial activities through its Head Quarter in Al-Bireh,its eight branches, and five 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 Bank employees as at December 31, 2013 and 2012was (225) and (236) employees, respectively.

The Consolidated financial statements of Palestine Investment Bank for the year ended December 31, 2013 were authorized for issuance by the Bank's Board of Directors on March 25, 2014.

2. Accounting policies

2.1 Basis of preparation of consolidated financial statements

The accompanying consolidated financial statements as at 31 December 2013have 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 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 polices

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 January1,2013. The adoption will not have an effect on the financial position or performance of the Bank.

IFRS 10 - Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. IFRS 10 establishes a single control model that applies to all entities including special purpose entities.

IFRS 11 - Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Joint -controlled Entities – Non-monetary Contributions by Ventures.

IFRS 12 - Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28.

IFRS 13 - Fair Value Measurement

IFRS 13 provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future date would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Bank's financial position or performance.

The following amendments and interpretations 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.

- Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27, these amendments will become effective for annual periods beginning January 1, 2014.
- IAS 32 Amendment - Offsetting Financial Assets and Financial Liabilities .This standard will become effective for annual periods beginning on or after January 1, 2014.
- IFRIC Interpretation 21 Levies which will become effective for annual periods beginning on or after January 1, 2014.

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 31 December 31, 2013.

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 statement of comprehensive income 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.

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 acquisitions 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.

For the initial recognition the Bank could classify debt Instruments met the amortized conditions mentioned above as financial assets at fair value through income statement if that led to eliminate or significantly reduce the accounting mismatch. The Bank cannot undo this classification.

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.

Impairment of financial assets at amortized cost

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

recognition of financial assets

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

Investment in associates

The Bank's investment in associates is accounted for using the equity method of accounting. An associate is an entity in which the Bank has significant influence, which is the ability to participate in the decisions related to the accounting and operations policies, not to control these policies.
Under the equity method, the investment in the associate is carried on the consolidated statement of financial position at cost plus post acquisition changes in the Bank's share of the associates net assets. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.
The financial statements of the associate are prepared for the same reporting period as the Bank. When necessary, adjustments are made to bring the accounting policies in line with those of the Bank.

Assets obtained by the Bank by calling on collateral

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

Provisions

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

Tax provision

The Bank provides for income tax in accordance with Palestinian Income Tax Law and IAS 12 which requires recognizing the temporary differences, at the consolidated statement of financial position date, as deferred taxes.
Income tax expense is calculated on the basis of taxable income. Taxable income differs from the accounting income declared in the consolidated financial statements because the accounting income includes non-taxable revenues or non-deductible expenses in the current year but deductible in subsequent years, accumulated losses acceptable by the tax law, and items not accepted for tax purposes or subject to tax.
Deferred income tax is provided using the liability method on temporary differences at the consolidated statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

Cash and cash equivalents

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

Segments information

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

Foreign currencies

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

Use of estimates

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

Management believes that estimates are reasonable and are as follows:

- Allowance for impairment losses: The Bank reviews its provision for credit facilities according to Palestine Monetary Authority regulations and IAS 39.
- Tax provisions are calculated based on prevailing tax laws and regulations in Palestine and IFRS.
- Management reviews, on a regular basis, the useful lives of the property, plant and 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.

3. Cash and balances at Palestine Monetary Authority

This item represents the following:

	2013	2012
	U.S. $	U.S. $
Cash on hand	24,521,785	39,434,421
Balances at PMA:		
Current and demand accounts	4,986,599	1,449,906
Statutory cash reserve	23,105,419	18,945,053
	52,613,803	59,829,380

According to PMA Circular (67/2010), the Bank shall maintain statutory cash reserves with PMA at percentage of total customers' deposits. Statutory reserves are calculated by the Bank at the end of each month .

PMA doesn't pay interest on these cash reserves.

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

4. Balances atbanks and financial institutions
This item represents the following:

	2013	2012
	U.S. $	U.S. $
Local banks and financial institutions:		
Current accounts	8,685,595	12,119,588
Deposits maturing within three months	59,290,930	29,038,459
	67,976,525	41,158,047
Foreign banks and financial institutions:		
Current accounts	15,488,171	11,639,121
Deposits maturing within three months	9,262,623	4,083,469
	24,750,794	15,722,590
	92,727,319	56,880,637

- Non-interest bearing balances at banks and financial institutions amounted to U.S. $24,164,635andU.S. $ 23,758,709 as at December 31, 2013 and 2012, respectively.
- There is no restricted balance as at December 31, 2013 or 2012.

5. Direct credit facilities

This item represents the following:

	2013	2012
	U.S. $	U.S. $
Individuals		
Loans and discounted bills	34,338,585	33,135,271
Overdraft accounts	14,487,847	14,087,542
Corporate		
Loans and discounted bills	16,905,592	15,622,664
Overdraft accounts	11,340,357	10,983,998
Government and public sector	26,856,311	25,301,823
	103,928,692	99,131,298
Suspended interest and commission	(488,858)	(341,826)
Allowance for impairment losses	(4,186,509)	(3,668,502)
	99,253,325	95,120,970

- Downgraded credit facilities, net of suspended interest according to PMA regulations, amounted to U.S. $ 7,776,739 and U.S. $ 8,336,368as at December 31, 2013 and 2012, respectively. Representing (7.4%) and (8.4%) of total direct credit facilities net of suspended interest as at December 31, 2013 and 2012, respectively.
- Non-performing direct credit facilities net of suspended interest according to PMA regulations amounted to U.S. $ 6,249,639and U.S. $ 8,166,140as at December 31, 2013 and 2012, respectively. Representing (6%) and (8.2%) of total direct credit facilities net of suspended interest as at December 31, 2013 and 2012, respectively.
- Credit facilities granted to Palestinian National Authority and by its guarantee amounted to U.S. $ 26,856,311representing (25.8%) of total direct credit facilities as at December 31, 2013compared to U.S. $ 25,301,823 representing (25.5%) of total direct credit facilities as at December 31, 2012.
- Credit facilities granted to non-residents amounted to U.S. $ 49,875 and U.S. $ 21,577as at December 31, 2013 and 2012, respectively.
- Fair value of collaterals obtained in lieu of credit facilities, amounted to U.S. $ 62,677,589 and U.S. $ 61,637,550as at December 31, 2013 and 2012, respectively.

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

	2013	2012
	U.S. $	U.S. $
Balance, beginning of the year	341,826	260,434
Suspended interest during the year	221,115	152,768
Suspended interest transferred to revenues	(34,715)	(37,102)
Suspended interest written off	(509)	(29,894)
Write off of suspended interest of loans in default for more than 6 years	(38,859)	(4,380)
Balance, end of year	488,858	341,826

Allowance for impairment losses

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

	2013	2012
	U.S. $	U.S. $
Balance, beginning of the year	3,668,502	2,818,976
Addition for the year	1,489,002	1,716,670
Recovery during the year	(990,321)	(859,342)
Written off	(74,234)	(24,405)
Foreign currency difference	93,560	16,603
Balance, end of year	4,186,509	3,668,502

Following is a summary of the movementon the allowance for impairment losses of loans defaulted for more than 6 years is as follows:

	2013	2012
	U.S. $	U.S. $
Balance, beginning of the year	1,647,058	1,614,871
Additions	74,234	24,405
Recovery during the year	(6,048)	(335)
Foreign currency differences	40,320	8,117
Balance, end of year	1,755,564	1,647,058

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

	2013 U.S. $	2012 U.S. $
Manufacturing and Mining		
Manufacturing	15,211,382	8,722,992
	15,211,382	8,722,992
Tourism, Restaurants, Hotels and Others		
Restaurants	2,920,479	513,705
	2,920,479	513,705
Public Sector		
Communications	315,592	222,623
Health	17,480	125,556
Education	294,034	13,029
Public utility	189,564	2,725,700
Professionals	2,471,526	3,218,271
Others	942,637	3,100,106
	4,230,833	9,405,285
Agriculture and livestock		
Agriculture	516,350	31,805
Livestock	2,536,258	1,987,075
	3,052,608	2,018,880
General Trade		
Internal trade	18,329,533	13,843,676
Foreign trade	9,325,685	7,909,996
	27,655,218	21,753,672
Real Estate and Construction		
Construction	9,582,024	8,361,237
Residence	5,223,599	5,858,792
Property	3,518,734	6,512,740
	18,324,357	20,732,769
Transportation		
Trade and shipping	323,320	29,505
	323,320	29,505
Consumer Goods Financing		
Others	2,076,457	1,976,457
	2,076,457	1,976,457
Investment in Shares and Financial Instruments		
Financial companies	311,677	1,673,923
Others	418,747	6,121,245
	730,424	7,795,168
Other in the Private Sector	2,058,445	539,216
Public Sector		
Palestinian National Authority	26,856,311	25,301,823
	26,856,311	25,301,823
	103,439,834	98,789,472

6. Financial assets at fair value through profit and loss

	2013			2012		
	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	475,702	-	475,702
	-	153,656	153,656	475,702	-	475,702

The bank sold part of its financial assets during the year resulting is a total loss of U.S. $27,672. The loss was recognized in the consolidated Income Statement.

* This item represents the Bank's investments in quoted financial instruments traded in Qatar Stock Exchange.

7. Financial assets at fair value through other comprehensive income

	2013	2012
	U.S. $	U.S. $
Quoted financial instruments traded in Palestine Stock Exchange	2,045,134	8,250,200
Unquoted financial instruments	4,391,148	22,928
	6,436,282	8,273,128

Following is the movement on the fair value reserveduring the year:

	2013	2012
	U.S. $	U.S. $
Balance, beginning of the year	(1,515,609)	(1,391,246)
Change in fair value	(71,919)	(296,779)
Losses transferred to consolidated Income statement	121,955	-
Loss from sale of financial assets at fair value through other comprehensive income recognized in retained earnings	1,366,037	172,416
Balance, end of the year	(99,536)	(1,515,609)

8. Investments in an associate

During 2013, the Bank performed a comprehensive review on its investment in associate "Al-Shurooq for financial and real estate investment", including the review of the Bank's goals of this investment and evaluated the Bank's significant influence on the associate.

Consequently, the investment was reclassified from an investment in associate to financial assets at fair value through other comprehensive income (Note 7)as at December 31, 2013. This reclassification resulted in a loss of U.S. $ 621,955 recognized in the consolidated income statement.

Furthermore, a loss of U.S. $287,951 was recorded in the consolidated income statement representing the Bank's share in the results of the associate.

9. Financial assets at amortized cost

	2013	2012
	U.S. $	U.S. $
Foreign government bonds*	4,746,000	4,829,547
Treasury bills*	4,231,312	4,231,312
Quoted foreign bonds**	10,245,645	10,118,230
	19,222,957	19,179,089

* This item represents the Bank's Investment in bonds and treasury bills issued by the Central Bank of Jordan. These investments have a maturity period ranged from two to three years.

** This item represents the Bank's investment in bonds listed in international financial markets with a maturity period from three to ten years.

- Interest on U.S. $financial assets at amortized cost ranges between 3.88%to 6.95%.
- Interest on JD financial assets at amortized costis 7.25%.

10. Property, plantand equipment

	Land	Buildings and real estate	Furniture and equipment	Computer hardware	Leasehold improvements	Motor vehicles	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
December 31, 2013							
Cost:							
Balance, Beginning of the year	1,989,749	1,250,990	2,065,915	2,287,885	866,913	221,914	8,683,366
Additions	-	-	253,548	90,558	168,732	-	512,838
Disposals	-	-	(108,770)	(121,242)	(93,521)	(103,863)	(427,396)
Balance, end of the year	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	-	101,823	1,154,959	1,324,078	538,571	112,489	3,231,920
Depreciation charge for the year	-	25,019	156,763	288,298	54,854	15,272	540,206
Disposals	-	-	(107,219)	(116,879)	(93,517)	(17,002)	(334,617)
Balance, end of the year	-	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

	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. $
December 31, 2012							
Cost:							
Balance, Beginning of the year	1,989,749	977,990	2,323,209	2,692,638	1,015,581	204,451	9,203,618
Additions	-	-	62,998	225,731	27,631	103,863	420,223
Reclassification from other assets*	-	273,000	-	-	-	-	273,000
Disposals	-	-	(320,292)	(630,484)	(176,299)	(86,400)	(1,213,475)
Balance, end of the year	1,989,749	1,250,990	2,065,915	2,287,885	866,913	221,914	8,683,366
Accumulated depreciation:	-						
Balance, Beginning of the year	-	34,434	1,336,977	1,636,865	671,937	154,549	3,834,762
Depreciation charge for the year	-	25,074	137,993	290,148	42,932	29,237	525,384
Reclassification from other assets*	-	42,315	-	-	-	-	42,315
Disposals	-	-	(320,011)	(602,935)	(176,298)	(71,297)	(1,170,541)
Balance, end of the year	-	101,823	1,154,959	1,324,078	538,571	112,489	3,231,920
Net book value	1,989,749	1,149,167	910,956	963,807	328,342	109,425	5,451,446

* During2012, the Bank obtained approval from PMA to reclassify a real estate property obtained by the Bank by calling on it as collateral against credit facilities from other assets to Property, plant and equipment. The Bank uses this real estate as an office in Gaza.

11. Deferred tax assets

Deferred tax assets are calculated based on temporary time differences, such as allowance for impairment loss on direct credit facilities and the employees' end of service 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.

12. Intangible assets

Intangible assets represent computer systems. The movements during the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
	U.S. $	U.S. $
Balance, beginning of the year	1,032,738	1,062,295
Additions	23,280	91,142
Amortizations	(126,991)	(120,699)
Balance, end of year	929,027	1,032,738

13. Other assets

This item includes the following:

	2013	2012
	U.S. $	U.S. $
Checks under collection	9,507,851	4,436,057
Accrued interest receivable	421,914	402,379
Accounts receivable	344,068	972,595
Prepaid expenses	244,347	191,436
Advances for the purchase of software and the establishment of branches	50,323	46,096
Others	219,107	159,465
	10,787,610	6,208,028

14. Banks and financial institutions' deposits

This item includes the following:

	2013			2012		
	Local	Foreign	Total	Local	Foreign	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Deposits at the Palestinian Monetary Authority	-	-	-	393,513	-	393,513
Current and demand accounts	53,852	-	53,852	15,115	663,005	678,120
Deposits maturing within a period of three months or less	30,567,688	-	30,567,688	32,172,112	-	32,172,112
	30,621,540	-	30,621,540	32,580,740	663,005	33,243,745

15. Customers' deposits

This item includes the followings:

	2013	2012
	U.S. $	U.S. $
Current and demand deposits	85,975,576	76,496,100
Saving deposits	50,753,452	32,754,401
Time deposits	28,162,138	27,242,787
Debit balances – temporary credit	2,400,469	1,560,031
	167,291,635	138,053,319

- Public sector deposits amounted to U.S. $ 3,124,577 and U.S. $ 3,602,772representing 1.87% and 2.61% of the total deposits as at December 31, 2013 and 2012, respectively.
- Non-interest bearing deposits amounted to U.S. $ 90,652,919 and U.S. $ 78,076,306 representing 54.19% and 56.56% of the total deposits as at December 31, 2013 and 2012, respectively.
- Dormant deposits amounted to U.S. $ 962,029as at December 2013 and 2012 representing 0.58% and 0.70% of the total deposits as at December 31, 2013 and 2012, respectively.

16. Cash margins

This item represents cash margins against the following facilities:

	2013	2012
	U.S. $	U.S. $
Direct credit facilities	11,328,386	10,119,078
Indirect credit facilities	3,500,770	4,021,876
	14,829,156	14,140,954

17. Sundry provisions

This item represents the following:

	Balance, beginning of the year	Provided for during the year	Payments during the year	Balance, end of the year
December 31, 2013	U.S. $	U.S. $	U.S. $	U.S. $
End of Service and vacations provisions	1,815,486	397,773	(81,138)	2,132,121
Provisions for legal cases	-	33,813	-	33,813
	1,815,486	431,586	(81,138)	2,165,934

	Balance, beginning of the year	Provided for during the year	Recovery during the year	Payments during the year	Balance, end of the year
December 31, 2012	U.S. $	U.S. $	U.S $	U.S. $	U.S. $
End of Service and vacations provisions	1,751,384	340,868	(150,000)	(126,766)	1,815,486
	1,751,384	340,868	(150,000)	(126,766)	1,815,486

18. Tax provisions

Movements on this item during the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
	U.S. $	U.S. $
Balance, beginning of year	466,505	742,593
Current year provision	910,010	454,685
Provision for prior years	-	316,330
Discount on Advances paid during the year	-	(49,330)
Recovery of prior years	-	(7,374)
Balance, end of year	1,376,515	1,456,904
Advances paid during the year	(1,358,429)	(990,399)
	18,086	466,505

Until the financial statements date, the bank had not reached a settlement with the income tax authority to the operating results of year 2012.

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

	2013	2012
	U.S. $	U.S. $
Accounting profit	2,868,584	2,540,588
Non-taxable income	(1,421,381)	(1,471,530)
Non-deductible expenses	755,354	589,154
Gross income subject to VAT	**2,202,557**	**1,658,212**
Less: VAT	(295,581)	(232,211)
VAT on payroll	(510,112)	(507,093)
Income subject to income tax	1,396,864	918,908
Income tax	279,373	212,660
	574,954	**444,871**
Provision for the year	910,010	454,685
Effective tax rate	36.71%	17.90%

19. Other liabilities

This item includes the following:

	2013	2012
	U.S. $	U.S. $
Certified checks	2,329,645	2,295,643
Accounts payable and temporary deposits	2,310,702	1,344,806
Unearned commissions revenue	257,501	171,230
Accrued expenses	169,104	95,725
Board of Directors remuneration	160,677	195,521
Accrued interest payable	157,294	171,739
Checks and transfers under collection	-	629,378
Other credit balances	160,566	131,187
	5,545,489	5,035,229

20. Reserves

Statutory reserve

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

Voluntarily reserve

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

General banking risk reserve

This reserve is appropriated in accordance with PMA instruction (5/2008) based on 1.5% of direct credit facilities after deducting allowance for impairment losses and suspended interest and 0.5% of indirect credit facilities. According to PMA instructions number (2013/3), the general banking reserve percentage of direct credit facilities was increased to 2% starting from January 1, 2013. Indirect credit facilities reserve percentage remained the same until year end. The reserve is not to be utilized in any manner without PMA's prior approval.

Pro- cyclicality 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 againstthe 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.

21. Paid-in share capital

	2013	2012
	U.S. $	U.S. $
Authorized capital	100,000,000	100,000,000
Subscribed and Paid-in share capital	53,000,000	53,000,000

22. Interest income

This item represents interest income on the following accounts:

	2013	2012
	U.S. $	U.S. $
Loans	3,240,315	2,869,480
Overdraft accounts	2,863,911	2,628,061
Government and public sector	1,663,706	1,188,167
Balances at banks and financial institutions	1,236,332	1,143,234
Financial assets at amortized cost	1,053,919	591,253
Balances atPMA	-	105
	10,058,183	8,420,300

23. Interest expense

	2013	2012
	U.S. $	U.S. $
Interest customers' deposits:		
Time deposits	603,745	437,351
Saving deposits	29,221	32,184
Current and demand accounts	33,773	4,010

	666,739	473,545
Banks and financial institutions' deposits	212,764	151,433
Interest paid to PMA	331	979
Cash margins	50,265	48,827
	930,099	674,784

24. Net commission income

This item includes commissions against the following:

	2013	2012
	U.S. $	U.S. $
Direct credit facilities	523,007	475,281
Indirect credit facilities	601,158	639,916
Others	1,649,581	1,323,011
	2,773,746	2,438,208
Less: Commission expense	(152,360)	(74,477)
Net Commission income	2,621,386	2,363,731

25. Other income

	2013	2012
	U.S. $	U.S. $
Checkbooks issuance fees	187,608	123,438
Mail and fax revenue	21,035	38,249
Swift and ATM's revenue	19,389	1,333
Provisions no longer needed	-	267,000
Sundry	14,154	7,302
	242,186	437,322

26. Personnel expenses

	2013	2012
	U.S. $	U.S. $
Salaries and related benefits	3,608,618	3,607,886
VAT on salaries	510,112	507,093
Vacations	100,000	-
Provision for employees' indemnity	297,773	190,868
Medical expenses	208,328	198,377
Bank's contribution to the provident fund *	161,630	171,534
Training expenses	28,933	13,881
	4,915,394	4,689,639

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

27. Other operating expenses

	2013 U.S. $	2012 U.S. $
Telephone, fax, and postage	655,399	534,550
Fees, licenses and subscriptions	562,928	304,502
Professional fees	354,993	155,533
Maintenance and repairs	331,731	235,519
Rent	308,434	326,450
Utilities	194,060	168,379
Board of Directors' remuneration	160,677	179,687
Travel and seminars	132,479	120,740
Stationery and printings	116,098	125,289
Advertisement and marketing	108,606	54,410
Savings accounts' promotional prizes	95,004	-
Insurance	78,305	50,753
Cleaning expense	70,476	62,731
Donations and charity	32,189	26,237
Hospitality	28,355	33,858
Fuel and vehicle expenses	14,324	22,438
Establishment of new branches expenses	-	401,257
Sundry	53,197	75,833
	3,297,255	2,878,166

28. 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:

	2013 U.S. $	2012 U.S. $
Cash and balances at PMA	52,613,803	59,829,380
Add:		
Balances at Banks and financial institutions	92,727,319	56,880,637
Less:		
PMA deposits	-	(393,513)
Banks and financial institutions deposits	(30,621,540)	(32,850,232)
Statutory cash reserve	(23,105,419)	(18,945,053)
	91,614,163	64,521,219

29. Basic and Diluted Earnings Per Share

	2013	2012
	U.S.$	U.S.$
Profit for the year	1,958,574	1,826,277
	Shares	Shares
Weighted average number of subscribed shares	53,000,000	53,000,000
	U.S.$	U.S.$
Basic and diluted earnings per share	0.037	0.034

30. Related party transactions

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

	Nature of relationship	2013 U.S. $	2012 U.S. $
Consolidated statement of financial position items:			
Direct credit facilities	Key management personnel	2,176,425	2,786,785
Deposits	Associate	-	258,920
Deposits	Key management personnel and shareholders	4,514,558	552,296
Board of Directors remuneration	Board of directors	160,677	195,521
Contingent Liabilities:			
Letters of guarantees	Key management personnel	77,584	-

	Nature of relationship	2013 U.S $	2012 U.S. $
Consolidated income statement items:			
Interest and commission income	Key management personnel	135,736	159,344
Interest and commission income	Associate	-	46
Interest and commission expense	Key management personnel	2,516	543
Board of Directors remuneration*	Board of directors	160,677	179,687
Key Management personnel share in salaries and related expenses	Key management personnel	447,835	495,473
Key Management personnel share in the end of service benefits	Key management personnel	45,449	41,074

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

– Direct credit facilities granted to related parties as at December 31, 2013 and 2012represent2.19% and 2.93%, respectively, of the net direct credit facilities.

– Direct credit facilities granted to related parties as at December 31, 2013 and 2012represent4% and6.44%,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%.

31. 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 2013 and 2012.

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

			Fair value measurement using		
	Date of Valuation	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 $
Financial assets at fair value:					
Financial assets at fair value through profit and loss(note 6):					
Quoted	December 31, 2013	153,656	153,656	-	-
Financial assets at fair value through 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 following table describes the hierarchy for determining and disclosing the fair value of its financial instruments for the year ended December 31, 2012:

			Fair value measurement using		
	Date of Valuation	Total	Quoted prices in active markets (level 1)	Significant observable input (level 2)	Significant unobservable input (level 3)
		U.S $	U.S $	U.S $	U.S $
Financial assets at fair value:					
Financial assets at fair value through profit and loss (note6):					
Quoted	December 31, 2013	475,702	475,702	-	-
Financial assets at fair value through comprehensive income (note7):					
Quoted	December 31, 2013	8,250,200	8,250,200	-	-

During2013, no transfers occurred between level 1 and level 2, and no transfers occurred to or from level 3.

The table below represents a comparison between the carrying amounts and fair values of financial instruments as at December 31, 2013 and 2012:

	Carrying amount		Fair value	
	2013	2012	2013	2012
	U.S. $	U.S. $	U.S. $	U.S. $
Financial assets				
Cash and balances at PMA	52,613,803	59,829,380	52,613,803	59,829,380
Balances at banks and financial institutions	92,727,319	56,880,637	92,727,319	56,880,637
Direct credit facilities	99,253,325	95,120,970	99,253,325	95,120,970
Financial assets through profit or loss	153,656	475,702	153,656	475,702
Financial assets at fair value through other comprehensive income:				
Quoted instruments traded in financial markets	2,045,134	8,250,200	2,045,134	8,250,200
Unquoted instruments	4,391,148	22,928	4,391,148	22,928
Financial assets at amortized cost	19,222,957	19,179,089	19,516,022	19,700,562
Other financial assets	10,273,833	5,811,031	10,273,833	5,811,031
Total assets	280,681,175	245,569,937	280,974,240	246,091,410
Financial liabilities				
Banks and financial institutions deposits	30,621,540	33,243,745	30,621,540	33,243,745
Customers' deposits	167,291,635	138,053,319	167,291,635	138,053,319
Cash margins	14,829,156	14,140,954	14,829,156	14,140,954
Other financial liabilities	5,545,489	5,035,229	5,545,489	5,035,229
Total liabilities	218,287,820	190,473,247	218,287,820	190,473,247

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

The fair value of the financial assetsthrough profit or loss and financial assetsat fair value through other comprehensive incomewere based in price quotations at the date of the consolidated financial statements.

32. 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:

	2013						
Assets	Domestic	Jordan	Israel	Europe	USA	Others	Total
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 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
	244,237,695	15,472,378	6,900,148	10,316,020	3,435,486	8,053,250	288,414,977
Liabilities							
Banks and financial institutions' deposits	30,621,540	-	-	-	-	-	30,621,540
Customers' deposits	159,396,651	7,894,984	-	-	-	-	167,291,635
Cash margins	14,724,114	105,042	-	-	-	-	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
	212,471,814	8,000,026	-	-	-	-	220,471,840
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
	27,863,994	-	-	-	-	-	27,863,994

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

33. Risk management

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

Risk management framework

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

Risk management process

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

Risk measurement and reporting system

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

Risks

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

I. Credit risks

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

Exposures to credit risks

	2013	2012
	U.S. $	U.S. $
Consolidated statement of financial positionitems		
Balances at PMA	28,092,018	20,394,959
Balances at Banks and financial institutions	92,727,319	56,880,637
Direct credit facilities		
Individuals	45,179,975	43,995,288
Small-middle size companies	27,217,039	25,823,859
Public sector	26,856,311	25,301,823
Financial assets at amortized cost	19,222,957	19,179,089
Other assets	10,273,833	5,811,031
	249,569,452	197,386,686
Offconsolidated statement of financial position items		
Letter of guarantees	13,953,099	16,519,002
Letter of credits	4,962,745	4,039,701
Acceptances	4,064,794	4,964,689
Unutilized direct credit facilities limits	4,883,356	5,044,501
	27,863,994	30,567,893

Credit risk exposure for each risk rating:

Credit risk exposure for each risk rating distributed as follows:

December 31, 2013	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)
	45,179,975	27,217,039	26,856,311	99,253,325

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

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

December 31, 2013	Individuals	Corporate	Total
	U.S. $	U.S. $	U.S. $
Collaterals against:			
Performing	15,197,554	9,216,412	24,413,966
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	22,652,696	62,677,589
Comprising of:			
Cash margins	8,514,411	6,814,743	15,329,154
Quoted instruments	8,137,131	-	8,137,131
Vehicles and equipment	2,635,708	1,250,441	3,886,149
Real estate	20,737,643	14,587,512	35,325,155
	40,024,893	22,652,696	62,677,589

December 31, 2012	Individuals	Corporate	Total
	U.S. $	U.S. $	U.S. $
Collaterals against:			
Performing	15,897,214	7,446,019	23,343,233
Acceptable risk	20,858,735	8,950,858	29,809,593
Watch list	1,226,984	471,098	1,698,082
Non-performing:			
Substandard	1,938,635	744,335	2,682,970
Doubtful	3,996,629	107,043	4,103,672
Total	43,918,197	17,719,353	61,637,550
Comprising of:			
Cash margins	9,914,345	2,871,682	12,786,027
Letters of Guarantees	3,360,574	973,387	4,333,961
Quoted instrument	9,174,455	585,604	9,760,059
Vehicles and equipment	1,589,630	1,104,658	2,694,288
Real estate	19,879,193	12,184,022	32,063,215
	43,918,197	17,719,353	61,637,550

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

2013	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	28,092,018	-	-	-	-	-	28,092,018
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 amortized cost	-	8,977,312	-	7,083,769	1,015,356	2,146,520	19,222,957
Other assets	10,273,833	-	-	-	-	-	10,273,833
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
Total as at December 31, 2012	162,463,430	9,768,291	9,238,416	5,522,627	5,214,737	5,179,185	197,386,686
Off consolidated statement of financial position items:							
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 direct credit facilities limits	4,883,356	-	-	-	-	-	4,883,356
Total as at December 31, 2013	27,863,994	-	-	-	-	-	27,863,994
Total as at December 31, 2012	30,567,893	-	-	-	-	-	30,567,893

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

2013	Financial U.S. $	Industrial and tourism U.S. $	Trade U.S. $	Real estate U.S. $	Financial markets U.S. $	Government and public sector U.S. $	Other U.S. $	Total U.S. $
Cash and balances at PMA	28,092,018	-	-	-	-	-	-	28,092,018
Balances at Banks and financial institutions	92,727,319	-	-	-	-	-		92,727,319
Direct credit facilities	4,259,792	17,872,559	26,747,622	15,900,821	487,896	26,856,311	7,128,324	99,253,325
Financial assets at amortized cost	-	-	-	-	19,222,957	-	-	19,222,957
Other assets	10,273,833	-	-	-	-	-	-	10,273,833
Total as at December 31, 2013	135,352,962	17,872,559	26,747,622	15,900,821	19,710,853	26,856,311	7,128,324	249,569,452
Total as at December 31, 2012	84,760,550	9,236,697	21,753,672	20,732,769	25,300,334	25,301,823	10,300,841	197,386,686

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:

	2013		2012	
	Increase in interest rate	Interest income sensitivity (income statement)	Increase in interest rate	Interest income sensitivity (income statement)
Currency	basis points	U.S.$	basis points	U.S.$
U.S. $	+10	(19,958)	+10	(44,510)
Jordanian Dinar	+10	(11,671)	+10	(8,218)
Israeli Shekel	+10	(32,792)	+10	8,517
EURO	+10	(1,422)	+10	3,035
Other currencies	+10	294	+10	44

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	Total
Assets	U.S. $	U.S. $	U.S. $	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	58,682,247	9,880,437	-	-	-	24,164,635	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 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	66,015,226	13,650,072	10,668,322	25,195,159	71,510,187	101,376,011	288,414,977
Liabilities							
Banks and financial institutions' deposits	23,175,373	7,446,167	-	-	-	-	30,621,540
Customers' deposits	34,933,568	5,824,774	4,914,722	4,629,601	26,336,051	90,652,919	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	64,448,409	15,424,675	6,270,062	6,110,470	29,235,898	98,982,326	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- cyclicality 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	64,448,409	15,424,675	6,270,062	6,110,470	29,235,898	166,925,463	288,414,977
Interest rate re-pricing sensitivity gap	1,566,817	(1,774,603)	4,398,260	19,084,689	42,274,289	(65,549,452)	-

December 31, 2012

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	Total
Assets	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Cash and balances at PMA	-	-	-	-	-	59,829,380	59,829,380
Balances at banks and financial institutions	29,121,928	4,000,000	-	-	-	23,758,709	56,880,637
Direct credit facilities	26,679,474	1,308,323	8,775,908	7,178,474	51,178,791	-	95,120,970
Financial assets through profit or loss	-	-	-	-	-	475,702	475,702
Financial assets at fair value through other comprehensive income	-	-	-	-	-	8,273,128	8,273,128
Investment in an associate	-	-	-	-	-	5,278,948	5,278,948
Financial assets at amortized cost	-	-	-	-	19,179,089	-	19,179,089
Property, plant and equipment	-	-	-	-	-	5,451,446	5,451,446
Deferred tax assets	-	-	-	-	-	959,699	959,699
Intangible assets	-	-	-	-	-	1,032,738	1,032,738
Other assets	-	-	-	-	-	6,208,028	6,208,028
Total assets	55,801,402	5,308,323	8,775,908	7,178,474	70,357,880	111,267,778	258,689,765
Liabilities							
Banks and financial institutions' deposits	25,818,225	6,353,887	-	-	-	1,071,633	33,243,745
Customers' deposits	33,598,482	7,989,508	3,733,863	3,915,380	10,739,778	78,076,308	138,053,319
Cash margins	7,439,364	1,653,029	355,340	480,869	4,212,352	-	14,140,954
Sundry provisions	-	-	-	-	-	1,815,486	1,815,486
Tax provisions	-	-	-	-	-	466,505	466,505
Other liabilities	-	-	-	-	-	5,035,229	5,035,229
Total liabilities	66,856,071	15,996,424	4,089,203	4,396,249	14,952,130	86,465,161	192,755,238
Equity							
Paid in share capital	-	-	-	-	-	53,000,000	53,000,000
Statutory reserve	-	-	-	-	-	7,076,614	7,076,614
Voluntarily reserve	-	-	-	-	-	670,458	670,458
General Banking risks reserve	-	-	-	-	-	1,605,000	1,605,000
Pro- cyclicality reserve	-	-	-	-	-	890,752	890,752
Fair value reserve	-	-	-	-	-	(1,515,609)	(1,515,609)
Retained Earnings	-	-	-	-	-	4,207,312	4,207,312
Net equity	-	-	-	-	-	65,934,527	65,934,527
Total liabilities and equity	66,856,071	15,996,424	4,089,203	4,396,249	14,952,130	152,399,688	258,689,765
Interest rate re-pricing sensitivity gap	(11,054,669)	(10,688,101)	4,686,705	2,782,225	55,405,750	(41,131,910)	-

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:

	2013		2012	
	Increase in currency	Effect on income statement	Increase in currency	Effect on income statement
Currency	%	U.S.	%	U.S.
EURO	+10	2,178	+10	6,119
Israeli Shekels (ILS)	+10	(34,950)	+10	137,975
Other currencies	+10	1,180	+10	113,882

Following is the foreign currencies position of the Bank:

	JOD	EURO	ILS	Others	Total
December 31, 2013	U.S.$	U.S.$	U.S.$	U.S.$	U.S.$
Assets					
Cash and balances with PMA	7,957,659	1,300,785	28,440,358	-	37,698,802
Balances at banks and financial institutions	26,123,700	4,548,105	18,550,850	293,692	49,516,347
Direct credit facilities	2,704,865	1,498,660	41,414,790	-	45,618,315
Other assets	302,275	150,552	6,836,816	-	7,289,643
Total assets	37,088,499	7,498,102	95,242,814	293,692	140,123,107
Liabilities					
Banks and financial institutions' deposits	9,802,539	1,847,860	18,971,142	-	30,621,541
Customers' deposits	29,060,800	5,021,989	67,588,240	281,890	101,952,919
Cash margins	1,635,989	599,322	6,198,721	-	8,434,032
Other liabilities	244,554	7,154	2,834,215	-	3,085,923
Total liabilities	40,743,882	7,476,325	95,592,318	281,890	144,094,415
Statement of financial position concentration	(3,655,383)	21,777	(349,504)	11,802	(3,971,308)
Off-statement of financial position commitments and contingencies	1,920,465	3,661,407	7,162,299	-	12,744,171

	JOD	EURO	ILS	Others	Total
December 31, 2012	U.S.$	U.S.$	U.S.$	U.S.$	U.S.$
Total assets	26,799,925	6,455,038	99,509,751	1,163,759	133,928,473
Total liabilities	28,160,308	6,393,846	98,130,002	24,938	132,709,094
Statement of financial position concentration	(1,360,383)	61,192	1,379,749	1,138,821	1,219,379
Off-statement of financial position commitments and contingencies	6,552,409	2,434,743	5,571,976	-	14,559,128

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:

	2013			2012	
Indicator	Increase in indicator (%)	Effect on income statement U.S. $	Effecton equity U.S. $	Effect on income statement U.S. $	Effect on equity U.S. $
Palestine Securities Exchange	+10	-	204,513	47,570	825,020
Foreign Markets	+10	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 and liquid financial investments.

The table below summarizes the assets and liabilities on the basis of the remaining contractual maturities as at December 31, 2013 and 2012, respectively:

December 31, 2013	Less than 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months up to 1 year	More than 1 year to 3 years	More than 3 years	Without maturity	Total
	U.S.$	U.S.$	U.S.$	U.S.$	U.S.$	U.S.$	U.S.$	U.S.$
Assets								
Cash and balances with PMA	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 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- cyclicality 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	-	-

December 31, 2012	Less than 1 month U.S.$	More than 1 month to 3 months U.S.$	More than 3 months to 6 months U.S.$	More than 6 months up to 1 year U.S.$	More than 1 year to 3 years U.S.$	More than 3 years U.S.$	Without maturity U.S.$	Total U.S.$
Assets								
Cash and balances with PMA	59,829,380	-	-	-	-	-	-	59,829,380
Balances at banks and financial institutions	52,880,637	4,000,000	-	-	-	-	-	56,880,637
Direct credit facilities	26,679,474	1,308,323	8,775,908	7,178,474	25,101,081	26,077,710	-	95,120,970
Financial assets through profit or loss	-	-	-	-	-	-	475,702	475,702
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	8,273,128	8,273,128
Investment in an associate	-	-	-	-	-	-	5,278,948	5,278,948
Financial assets at amortized cost	-	-	-	-	-	19,179,089	-	19,179,089
Property, plant and equipment	-	-	-	-	-	-	5,451,446	5,451,446
Deferred tax assets	-	-	-	-	-	-	959,699	959,699
Intangible assets	-	-	-	-	-	-	1,032,738	1,032,738
Other assets	1,273,349	4,743,243	-	191,436	-	-	-	6,208,028
Total assets	140,662,840	10,051,566	8,775,908	7,369,910	25,101,081	45,256,799	21,471,661	258,689,765
Liabilities:								
Banks and financial institutions' deposits	26,889,858	6,353,887	-	-	-	-	-	33,243,745
Customers' deposits	111,674,790	7,989,508	3,733,863	3,915,380	10,739,778	-	-	138,053,319
Cash margins	7,439,364	2,153,734	2,854,634	480,869	1,212,353	-	-	14,140,954
Sundry provisions	-	-	-	-	-	-	1,815,486	1,815,486
Tax provisions	-	-	466,505	-	-	-	-	466,505
Other liabilities	1,818,961	2,925,021	291,247	-	-	-	-	5,035,229
Total liabilities	147,822,973	19,422,150	7,346,249	4,396,249	11,952,131	-	1,815,486	192,755,238
Equity								
Paid-in share capital	-	-	-	-	-	-	53,000,000	53,000,000
Statutory reserve	-	-	-	-	-	-	7,076,614	7,076,614
Voluntarily reserve	-	-	-	-	-	-	670,458	670,458
General Banking risks reserve	-	-	-	-	-	-	1,605,000	1,605,000
Pro- cyclicality reserve	-	-	-	-	-	-	890,752	890,752
Fair value reserve	-	-	-	-	-	-	(1,515,609)	(1,515,609)
Retained earnings	-	-	-	-	-	-	4,207,312	4,207,312
Total equity	-	-	-	-	-	-	65,934,527	65,934,527
Total liabilities and equity	147,822,973	19,422,150	7,346,249	4,396,249	11,952,131	-	67,750,013	258,689,765
Maturity gap	(7,160,133)	(9,370,584)	1,429,659	2,973,661	13,148,950	45,256,799	(46,278,352)	-
Cumulative gap	(7,160,133)	(16,530,717)	(15,101,058)	(12,127,397)	1,021,553	46,278,352	-	-

34. 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 2013	Total 2012
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Gross revenues	5,972,030	3,512,798	509,081	5,350,523	15,344,432	13,359,231
Impairment of direct credit facilities	(1,101,900)	(387,102)	-	-	(1,489,002)	(1,716,670)
Segment results	4,870,130	3,125,696	509,081	5,350,523	13,855,430	11,642,561
Unallocated expenses					(10,986,846)	(9,101,973)
Profit before tax					2,868,584	2,540,588
Tax expense					(910,010)	(714,311)
Profit for the year					1,958,574	1,826,277
Other segment information:						
Depreciation and amortization					667,197	646,083
Capital expenditures					536,118	511,365
					2013	**2012**
Segment assets	44,669,884	27,727,130	164,554,948	51,463,015	288,414,977	258,689,765
Segment liabilities	142,415,273	36,383,452	30,621,540	11,051,575	220,471,840	192,755,238

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 2013	Domestic 2012	Foreign 2013	Foreign 2012	Total 2013	Total 2012
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Gross revenues	13,983,253	12,312,807	1,361,179	1,046,424	15,344,432	13,359,231
Total assets	244,237,694	223,766,509	44,177,283	34,923,256	288,414,977	258,689,765
Capital expenditures	536,118	511,365	-	-	536,118	511,365

35. Maturities of assets and liabilities

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

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 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	203,094,827	71,510,187	13,809,963	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	189,070,008	29,235,898	2,165,934	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- cyclicality 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	189,070,008	29,235,898	70,109,071	288,414,977
Maturity gap	14,024,819	42,274,289	(56,299,108)	-
Cumulative maturity gap	14,024,819	56,299,108	-	-

December 31, 2012	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	59,829,380	-	-	59,829,380
Balances at banks and financial institutions	56,880,637	-	-	56,880,637
Direct credit facilities	43,942,179	51,178,791	-	95,120,970
Financial assets through profit or loss	-	-	475,702	475,702
Financial assets at fair value through other comprehensive income	-	-	8,273,128	8,273,128
Investment in an associate	-	-	5,278,948	5,278,948
Financial assets at amortized cost	-	19,179,089	-	19,179,089
Property, plant and equipment	-	-	5,451,446	5,451,446
Deferred tax assets	-	-	959,699	959,699
Intangible assets	-	-	1,032,738	1,032,738
Other assets	6,208,028	-	-	6,208,028
Total Assets	166,860,224	70,357,880	21,471,661	258,689,765
LIABILITIES				
Banks and financial institutions' deposits	33,243,745	-	-	33,243,745
Customers' deposits	127,313,541	10,739,778	-	138,053,319
Cash margins	12,928,601	1,212,353	-	14,140,954
Sundry Provisions	-	-	1,815,486	1,815,486
Tax provisions	466,505	-	-	466,505
Other liabilities	5,035,229	-	-	5,035,229
Total Liabilities	178,987,621	11,952,131	1,815,486	192,755,238
EQUITY				
Paid in share capital	-	-	53,000,000	53,000,000
Statutory reserve	-	-	7,076,614	7,076,614
Voluntarily reserve	-	-	670,458	670,458
General Banking risks reserve	-	-	1,605,000	1,605,000
Pro- cyclicality reserve	-	-	890,752	890,752
Fair value reserve	-	-	(1,515,609)	(1,515,609)
Retained earnings	-	-	4,207,312	4,207,312
Net Equity	-	-	65,934,527	65,934,527
Total Liabilities and Equity	178,987,621	11,952,131	67,750,013	258,689,765
Maturity gap	(12,127,397)	58,405,749	(46,278,352)	-
Cumulative maturity gap	(12,127,397)	46,278,352	-	-

36. Development policies

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

37. Capital management

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

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

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

	2013			2012		
	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	54,389,096	18.86	35.54	43,285,071	16,73	31,55
Basic capital	60,696,781	21.04	39.67	60,182,356	23,26	43,86

38. Commitments and contingent liabilities

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

	2013	2012
	U.S. $	U.S. $
Letter of guarantees	13,953,099	16,519,002
Letters of credits	4,962,745	4,039,701
Acceptances	4,064,794	4,964,689
Unutilized direct credit facilities limits	4,883,356	5,044,501
	27,863,994	30,567,893

39. Legal cases against the Bank

In the normal course of business, there were 7and4lawsuits againstthe Bank as at December 31, 2013 and 2012 respectively, with a total amount of U.S. $ 2,043,260 and U.S. $ 1,857,651 as at December 31, 2013 and December 31, 2012, respectively.

The Bank's management and its legal advisor believes that the Bank maintain adequate provisions against the lawsuits(Note 17).

40. 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.

Bank Branches and Offices

Main Branch and Headquarters
Al-Bireh / Ramallah
Al-Nahda Roundabout, Al Hilal St.
Dirar Altawil Bld.
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Fax: +970 (2) 24078871/7

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Fax: +970 (8) 2822107

Beit Sahour Office
Souq Al Sha`eb St.
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Beitommar Office – Hebron
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Huwwara Office
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Bani Naim Office
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Tel: +970 (2) 2219626/5
Fax: +970 (2) 2216982

Housan Office
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Gallery Center Bld. – 2nd Floor
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Hebron Branch
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