



بنك القدس
Quds Bank

ANNUAL REPORT

2015

“THE NATION’S & CITIZEN’S BANK”



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Quds Bank is one of the largest and most rapidly growing Banks operating in Palestine. Quds Bank was founded on the 2nd of April 1995, with its main headquarters located in Jerusalem and its temporary headquarters located in Ramallah. The city of Jerusalem had been selected as it is the independent capital of Palestine, and the Bank has been named "Quds Bank" so as to consolidate our slogan "the Nation's and Citizens' Bank". The operations of the Bank center on attracting the various types of clients' deposits. In addition, Quds Bank provides financial solutions which target individuals and corporations notwithstanding, SMEs in various sectors. The Bank also participates in and supports the national economy.

Quds Bank was founded as a limited public shareholding company, which practices its banking activities with a current capital of \$55 million Dollars. The Bank practices its business activities through its general regional administration and via 31 branches and offices. Over a period of twenty years of accomplishment and development, Quds Bank has sought to enhance its services and its branches' network in all the cities of the West Bank and the Gaza Strip; as it has also sought to employ financial resources in order to play an effective developmental role for all segments of its clients.

Quds Bank is regarded as one of the largest National Banks in Palestine. It has commenced in investing Palestinian capital in order to contribute in fulfilling the needs of all citizens, and increasing the revenue on shareholders' investments, as well as contribute in and support the national economy.



بنك القدس
Quds Bank

[THE NATION'S & CITIZEN'S BANK]

Quds Bank is amongst the largest banks operating in Palestine and is considered to be one of the rapidly growing leading financial institutions, which always aspires to be locally and regionally at the forefront of Palestinian banks, and to advance its slogan "THE NATION'S & CITIZEN'S BANK"

Our Vision


Quds Bank aims at investing the Palestinian capital so as to enhance and develop the national economy. It is also concerned with providing valuable banking solutions for various sectors, and improving social life. Therefore, Quds Bank is always present to service its clients and look after their interests.

Our Mission

Our mission is to be a distinctive Bank in providing developed and inclusive banking solutions through fulfilling the aspirations of our clients, leading them to realize success.

Our Values

Applying the highest levels of professional commitment and best banking standards of transparency, rational and sound administration.



**[We are distinguished
by a balanced and fair
financial system]**

Year 2015 Outcomes

The outcomes have, in light of results achieved throughout previous years up till 2015 and the resulting successes at various levels therefrom in line with the Palestinian economic reality, indicated the realization of achievements within what had been planned. Some of the most prominent outlines of the outcomes were: maintaining successes in various forms and shapes as an integral part of a sound vision represented in a prudent administration that did not hold back from providing various forms of support in order to create a stable financial and economic environment that opens horizons for this banking institution to focus on its work plans, and has managed to grow and prosper despite the crises in which the nation and the world are undergoing. As a leading financial institution operating in Palestine, Quds Bank has focused on the works strategies in accordance with the region's current economic reality, as it also focused its attention on servicing its clients whether they were individuals, corporations or institutions, regardless of their size; and that is through a diversified portfolio of exceptional banking services and products designed specifically to meet the aspirations and fulfill the needs of all sectors. Moreover, Quds Bank developed plans which focus on administration of the bank's assets through future investments.

[International Awards and Recognitions]

Quds Bank was awarded the 'Best Bank Award' based on the assessment of CPI Financial known to publish Banker Middle East; which also listed Quds Bank among the largest 100 banks in the Middle East. This award has come within the scope of the bank's consecutive successes in the banking sector in Palestine, as it is considered to be one of the largest and highly widespread banks operating in Palestine.

This award, which is overseen by experts and specialists in the world of finance and economy, further confirms the bank's prestigious status in the banking sector in Palestine and the Middle East. It also motivates the bank to provide its best banking services according to the highest international standards; whereas we constantly seek to supply the market with banking services and products that fulfill the growing needs of the Palestinian citizen. Via its numerous programs, Quds Bank also seeks to elevate the Palestinian economy given as it is one of its main pillars and foundations. The figures reflected by various indicators related to the bank's businesses emphasizes the bank's status as one of the pillars in the banking sector in Palestine; the constant growth of its revenues year after year has confirmed the appositeness of the bank's adopted methodology in running its businesses and its determination to realize further successes.

Moreover, the bank has recently been awarded the best bank award in terms of training and development from 'The Banking Executive' following the Arab Banking Conference, "Financing for Development", which was held via the participation of Quds Bank along with a number of Arab banks in Cairo. The conference was attended by representatives of Arab Banking Institutions, Bank Directors and other international Arab leading figures.



The Bank has continued to realize distinctive outcomes in the year 2015, realizing more growth in its key financial indicators according to its vision and its strategic plans; in which it had set into motion during the previous years, and which had led to the advancement of the Bank, assuming a leading banking status in Palestine.



[Key Performance Indicators]

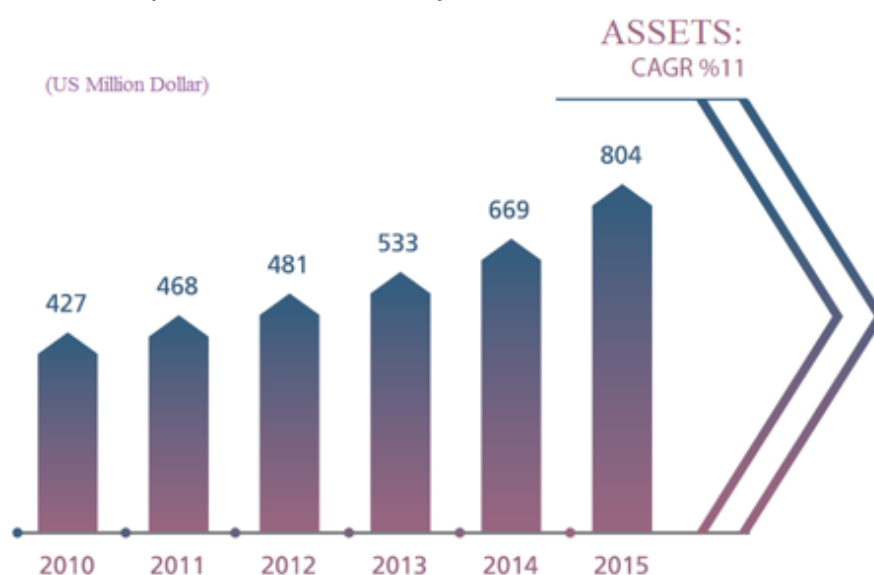
Bank's Prominent Financial Performance Indicators

The bank's financial indicators have witnessed during 2015 significant improvement compared to previous years, whereas the bank has maintained its competitive position among the banks operating in Palestine, and has continued to achieve high growth rates in various work aspects. Below is a summary of the bank's major financial indicators:

Financial Position Items

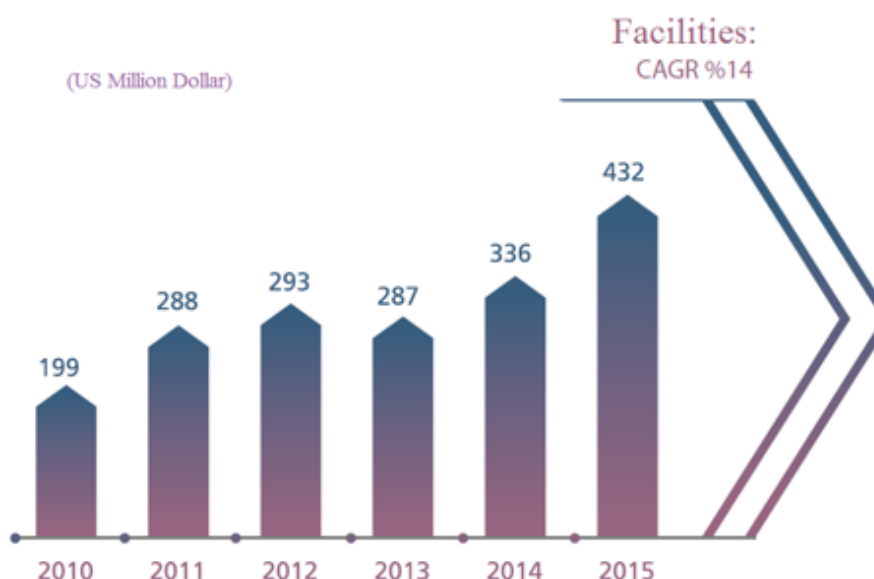
Total Assets:

The total assets as of 31 December 2015 have reached 804 Million Dollars against 669 Million Dollars as of 31 December 2014, at an increase estimated at 135 Million Dollars and with a growth rate of %20. CAGR for the period between the years 2015-2010 has reached approximately %11.



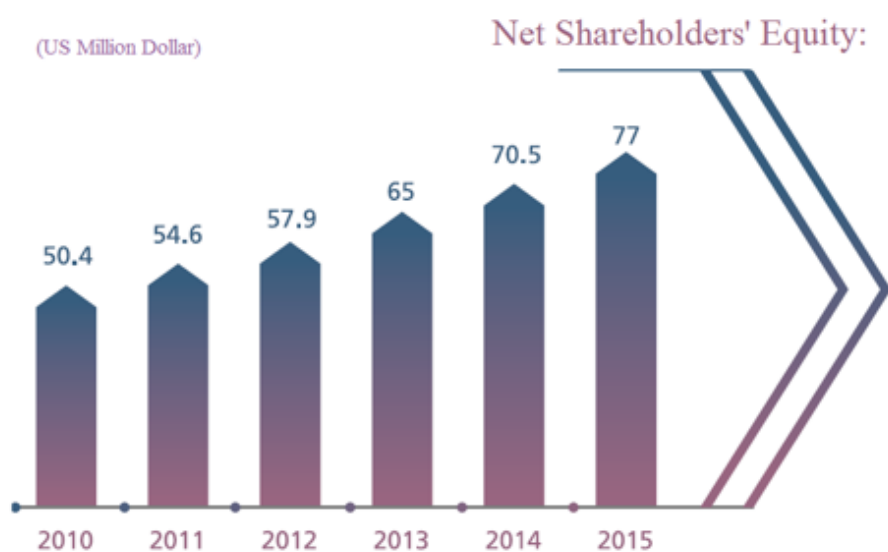
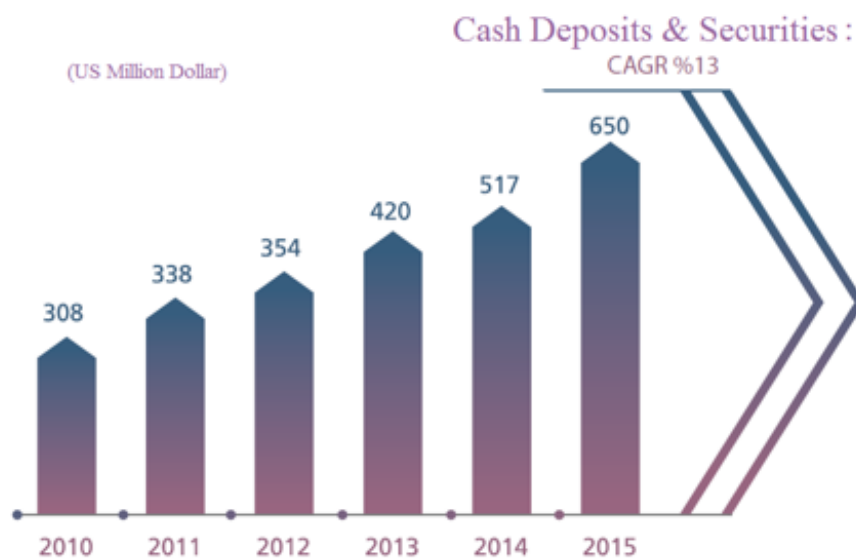
Credit Facilities Portfolio

Net direct credit facilities as at 31 December 2015 has reached approximately 432 million dollars against 336 million dollars as at 31 December 2014, at an increase that reached approximately 96 million dollars and a percentage of %29, whereas the CARG of net direct credit facilities for the period between years 2015-2010 has reached approximately %14.



Client's Deposits and Cash Securities

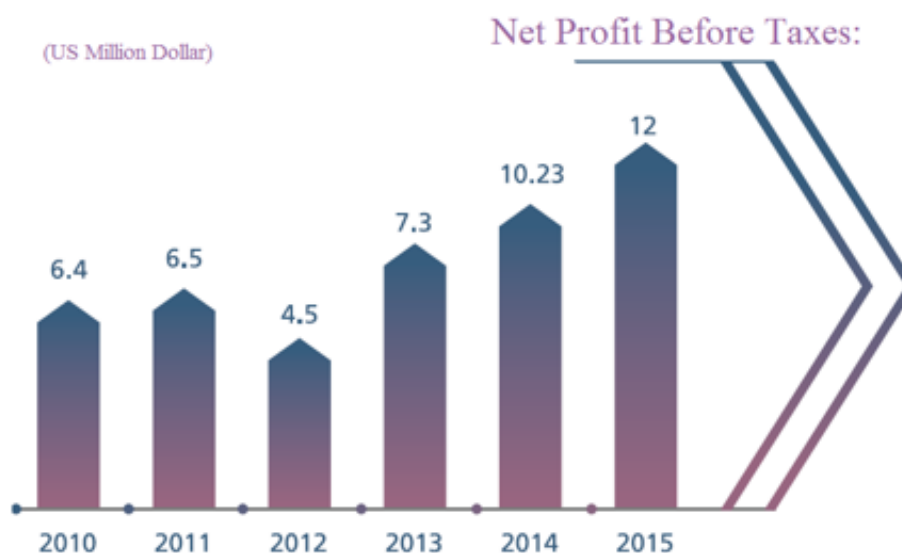
Total client's deposits have reached approximately 650 Million Dollars as of 31 December 2015 against 517 Million Dollars as of 31 December 2014, at an increase that reached 133 Million Dollars and a growth rate of %26. CAGR for the period between years 2015-2010 has reached approximately %13.



Statement of Income Items

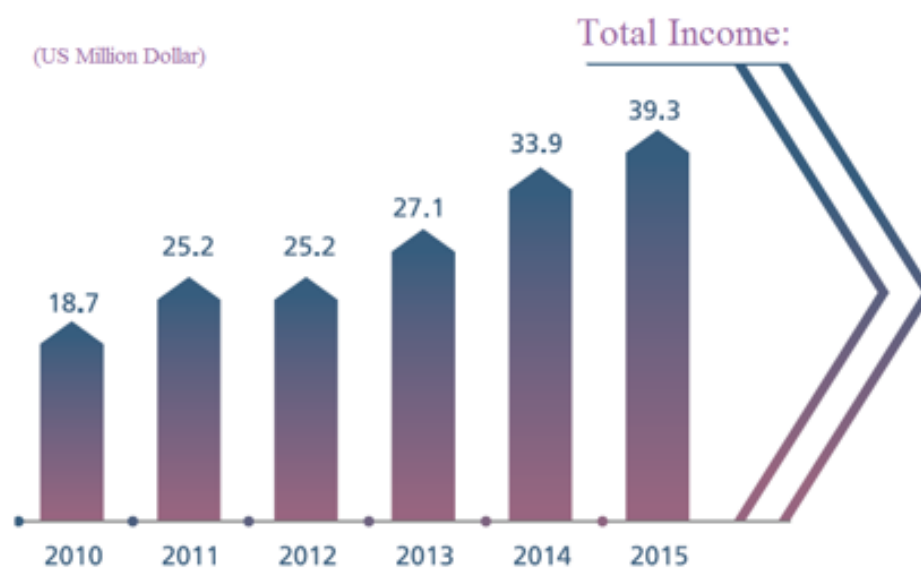
Net profit before Taxes

Net profit before taxes for the year 2015 has reached approximately 12 Million Dollars against 10.2 Million Dollars for the year 2014, at an increase estimated at 1.8 Million Dollars and a growth rate that reached %17. The efficiency standard at the Bank has witnessed a considerable improvement as of 31 December 2015 whereas, total expenditure rate to total revenue has reached approximately %69 compared to %70 as of 31 December 2014.



Total Income

Achieved total income during the year 2015 has reached approximately 39.3 Million Dollars against 33.9 Million Dollars during the year 2014, at an increase estimated at 5.5 Million Dollars and a growth rate that reached %16.



Key Financial Indicators

Description	Historical Data (In US Million Dollar)						Increase in Growth over the previous year	CAGR
	2010	2011	2012	2013	2014	2015		
Total Assets	427	468	481	533	669	804	%20.2	%11
Net Credit Facilities	199	288	293	287	336	432	%28.7	13.%8
Total Clients' Deposits	308	338	354	420	517	650	%25.8	%13.3
Net Owner's Equity	50	55	58	65	71	77	%9.2	%7.3
Net Interests and Commissions	15	21	21	23	28	32	%14.0	%13.8
Total Income	18.7	25.3	25.2	27.1	33.9	39.3	%16.1	%13.2
Total Expenses	12.3	20.7	18.7	19.8	23.6	27.3	%15.6	%14.2
Net Profit Before Tax	6.4	4.6	6.5	7.3	10.2	12.0	%17.3	%11.2
Net Profit After Tax	4.4	3.3	4.6	4.7	7.2	8.0	%10.9	%10.5
Credit Percentage to Deposits	%65	%85	%83	%68	%65	%66		
Return Rate On Assets	%1.16	%0.74	%0.97	%0.94	%1.20	%1.09		
Return Rate On Net Owner's Equity	%9.06	%6.29	%8.14	%7.71	%10.7	%10.9		
Efficiency Criterion	%66.02	%74.07	%82.21	%73.16	%69.8	%69.5		
Return On Paid-in Capital	0.088	0.092	0.066	0.095	0.145	0.146		
Capital Adequacy Percentage	%23.13	21.9%8	%22.22	%23.71	%16.98	%16.30		

TOTAL DEPOSITS		Amounts in US Currency (Rounded to close million)				
Description	2010	2011	2012	2013	2014	2015
Banking Sector	6,802.40	6,972.47	7,484.25	8,306.25	8,935.34	9,654.60
Quds Bank	307.50	338.08	353.70	420.46	517.00	650.25
FACILITIES		Amounts in US Currency (Rounded to close million)				
Description	2010	2011	2012	2013	2014	2015
Banking Sector	2,885.90	3,487.06	4,111.31	4,480.29	4,895.88	5,824.69
Quds Bank	198.95	288.38	292.86	287.35	336.00	432.40

Market Share of Deposits & Facilities					
Description	2011	2012	2013	2014	2015
Total Deposits	%4.85	%4.73	%5.06	%5.79	%6.74
Facilities	%8.27	%7.12	%6.41	%6.86	%7.42

Growth Ratios in Total Deposits Compared With Banking Sector					
Description	2011	2012	2013	2014	2015
Banking Sector	%3	%7	%11	%8	%8
Quds Bank	%21	%18	%9	%9	%19

Growth Ratios in Facilities Compared With Banking Sector					
Description	2011	2012	2013	2014	2015
Banking Sector	%21	%18	%9	%9	%19
Quds Bank	%45	%2	-%2	%17	%29

“The Board of Directors consists of eleven expert and qualified members who practice their powers, jointly and severally, independently and objectively”.



[Board Members]



Chairman's Statement

Akram Abdul-Latif Jerab

Dear Shareholders,

I wish to extend my warmest regards to you all and thank you on behalf of myself and Quds Bank Board members for accepting our invitation to attend the General Assembly's ordinary meeting wherein we present to you Quds Bank's twentieth annual report for year 2015. The report shall include the bank's financial position and work results for the concluded year, which was by all standards considered to be a very successful year whereas the bank was able to realize the best outcomes outstandingly.

I truly appreciate your continued confidence and support of Quds Bank, and your trust in our national mission as a leading bank in the Palestinian economy and a leading banking institution that plays a significant role in economic growth and redistribution of capital via the best methods. The bank shall continue its contribution in financing various projects that are intended to support the pillars of the Palestinian economy and the bank's recognition of further success. Additionally, Quds Bank shall keep pace with the aspirations of the shareholders and clients. I also wish to thank all our esteemed clients for their trust and loyalty to our bank, as they were always the center of our attention. Furthermore, I wish to extend my appreciation to the members of the Board for their professionalism and dedication in exerting their best efforts towards improving the bank, and to the executive administration and all the bank personnel for their continued hard work and loyalty in performing their duties; who enable the bank to realize growth in the budget's figures and achieve significant improvement in the financial safety indicators as a result of applying good methodological plans in dealing with the challenges of the economic and financial position and following up on all changes occurring thereof. Also, efficient management has resulted in improving the budget and has helped the continuity of work aimed at enhancing the quality of assets and managing profit margins using the best methods. In addition, sound management has led to the expansion of the bank's businesses and making its presence prominent in all desired fields.

The bank has continued to realize high growth rates in its different fields, whereas the total budget (total assets) as at 31 December 2015 has reached 804\$ Million Dollars compared to 669\$ Million Dollars as of 31 December 2014, at an increase of 135\$ Million Dollars and a rate of %20.

As for profits, net profit before tax has reached 12\$ Million Dollars for year 2015 as compared to 10.2\$ Million Dollars for year 2014, at an increase of 1.8\$ Million Dollars and a rate of %17.

Net direct credit facilities as of 31 December 2015 has reached 432\$ Million Dollars as compared to 336\$ Million Dollars as of 31 December 2014, at an increase of 96\$ Million Dollars and a growth rate of %29.

Total client deposits as of 31 December 2015 has reached 77\$ Million Dollars compared to 70.5\$ Million Dollars as of 31 December 2014, at an increase of 6.5\$ Million Dollars and a growth rate of %9.

Return rate on equity for year 2015 has reached %10.9 compared to %10.7 for year 2014. The return rate for each share has reached %14.16 for year 2015 compared to %14.5 for year 2014. Also, capital adequacy ratio for year 2015 has reached %16.3 compared to %16.98 for year 2014.

However, total income for year 2015 has reached 39\$ Million Dollars compared to 34\$ Million Dollars for year 2014, at an increase of approximately 5.5\$ Million Dollars and an increase rate of %16.

This development in performance was accompanied with improvement in the quality of the bank's portfolio and the general safety indicators, whereas the non-operating credit facilities ratio reached %2.14 in the year 2015 compared to %2.68 in the year 2014 due to the prudent credit policy represented in focusing on sustainable and promising sectors in terms of performance, growth and achieved outcomes. In addition to expanding the clientele base and seeking to devote balanced approach and direction to each of the individuals, SMEs and large new corporations, with giving special attention to risks and other interrelated factors – whether external or internal – of all types with respect to the bank's method in dealing with that orientation.



The bank has also witnessed distinctive improvement at the level of the clientele-base, whereas a steady increase of the bank's clients was remarkable thereby reflecting the people's demand for the services and products provided by the bank. Quds bank is keen on responding to such demands and expansions in the clientele-base through opening new branches and spreading the ATM network in various vital regions, in addition to updating its electronic channels such as internet banking and other contemporary channels in line with the clients' aspirations.

Moreover, the treasury and investment department has developed all its investment activities in the financial markets, as well as its customer and corporate services, thereby realizing significant growth parallel to that of the bank's growth in general. The treasury and investment department was able to realize the desired goals of 2015 by managing the activities of the treasury efficiently and maintaining a balance between risk and profit so as to increase its contribution in the bank's realized profits.

Furthermore, business development centers have intensified their support to SMEs which constitute %96-94 of establishments operating in Palestine. Business development centers have also developed inclusive banking solutions for SMEs owners via a specialized PR Director in all governorates in the West Bank and Gaza.

Additionally, during the year 2015, Quds Bank has opened four new branches and offices to have the number of branches and offices as at the end of the concluded year reach 31; thereby confirming the soundness of the strategic plans applied by the bank's higher management reflected in the realization of a balanced success in all the bank's operations and activities under the directions of the Board of Directors. Also, the expansion policy adopted by the bank has greatly affected the quality of banking services provision and access in all governorates, whereas the bank is planning to open two new offices in Tarqoumia and Dhaheria, and two offices in Al-Shajae'ia and Al-Zahra', Gaza Strip. Therefore, the total bank's offices and branches shall reach 35, thereby increasing the volume of banking operations and variety of services, and the bank's distinctiveness in providing distinguished offers and campaigns in the market known for their high quality and efficiency. The bank has also installed a group of ATMs in various locations so as to enable clients' access easily, whereas the bank is also working on installing additional ATMs in other locations. Moreover, a specialized department has been established for businessmen, and has been supplied with specialized cadres who serve as field-links for selling the bank's different products in all locations.

Furthermore, the development of human capitals is considered one of the bank's priorities due to its great importance in realizing distinction and success; whereas training, developing and building the capacities of human cadres is one of the bank's continuous strategies. This comes as a part of the bank's plan to advance in its developmental role through creating job opportunities and employing youthful and highly efficient cadres.

The bank has contributed efficiently in the field of social responsibility proceeding from its slogan "the nation's and citizen's bank". In this sense, the bank has never seized to extend its social support in several fields including cultural, educational, health, sports, economic, social and public facilities fields. Such was done according to plans and budgets that were prepared for such purposes, and which had had a positive effect in society in line with the bank's belief in its national role. Efficient contribution in economic development lies within the scope of the bank's strategic vision, whereas Quds Bank always seeks to attract investors who wish to enter into the Palestinian market thereby benefitting the industry, elevating its status and potentials, and enhancing the bank's capital.

Finally, I can now say that the year was a very success year, whereas we were able to accomplish many of our goals and build the foundation for future successes. Accordingly, I wish reiterate my appreciation and gratitude to our esteemed shareholders and to the members of the Board for their efforts and continued cooperation. I also wish to thank the executive management and all Quds Bank staff for their exerted efforts and loyalty in their work as well as for their unwavering dedication in realizing the bank's goals.

أكرم عبدالمعطي حجاب

- Board Chairman of Quds Bank
- Chairman of the Executive Committee
- Board Chairman, Arab Company for Science and Technology, (Qasyoun University) – Syria
- Shareholder and Board Member, Al-Jazeera Bank - Sudan
- Shareholder and Board Member, Dar Al Dawa' – Jordan
- Shareholder, Arab Hotels Company – Mövenpick Hotel
- Shareholder and Board Member, Jerusalem Real Estate Company
- Board Chairman and Owner, Cometa Scientific, UK
- Board Chairman and Owner, Cumberland Health Care Ltd., Nottingham, UK
- Founder and Chairman, Karmel Company, Jordan
- Shareholder and Board Member, Sunday Resort – Dead Sea, Jordan



Akram Abdul-Latif Jerab

(Master “MA” in Business Administration
Durham University, UK)

- Deputy Chairman of the Board, Quds bank
- Board Chairman, Dar Al Dawa' Comapany
- Board Member, Investment Bank
- Chairman, Dar Al-Ghidha' Company



Abdel-Rahim Nizar Jardaneh

(Bachelor of Science
Pharmaceutics - Minnesota
University, USA)

- Board Member, Quds Bank
- Board Chairman, Palestine Development Fund
- Board Member, Banks Association in Palestine
- Board Member, Palestine Electric Company
- Executive Committee Member, Arab Architects Critics Association (AACA)
- Board Member, Palestine Investment Fund
- Board Member, Spanish Palestinian High Training Institute (SPHTI)
- Board Member, Housing Loans Committee (SAKAN)
- Representative, Spanish Ulf Palm Foundation – Palestine



Ahed Fayege Bseiso

(Bachelor of Science in Architecture,
Cairo University, Egypt)

- Board Member, Quds Bank
- Chief Executive, Palestine Commercial Services Company (PCSC)
- Board Chairman, Tri Fitness Health Club
- Board Member, Amar Real Estate Group



Louai Bishara Kawas

(Palestine Investment Fund Representative)
(Bachelor of Science in Accounting
Bethlehem University, Palestine)

- Board Member, Quds Bank
- Chairman, Concorde Construction Company Group Ltd.
- Board Member, Al Jazeera Bank - Sudan
- Board Member, Building Information Modeling
- Former President, Federation of Contractors Islamic Countries (FOCIC)
- Former Board Member, Arab Assurers Company
- Former Member, Jordanian Contractors Union



Dr. Hamed Abdul Ghani Jaber

(Doctorate in Electronic Engineering)

- Board Member, Quds Bank
- CEO, United Securities Company
- Shareholder and Board Member, Al Masrouji Company
- Board Member, Al-Quds Holding.
- Founder and executive director of 'Dareb Al-Qada' Train the Leaders program.
- Member of Wattan News Agency advisory council.
- Board Member, in numerous Charitable Societies (Inash Al-Usra, Friends of Birzeit University, Consumer Protection, Jeel Al-Amal).
- Member, Business Women Forum (BWF)



Ruba Mohammad Masrouji

(Master in Business Administration
Birzeit University, Palestine)

- Board Member, Quds Bank
- A businessman with vast experience in the field of engineering and contracting.
- Vice Chairman of the Jerusalem real estate company and the company's general manager.
- Board Member, PADICO.



Walid Najib Al Ahmed

(Bachelor of Science in Electrical Engineering)

- Board Member, Quds Bank
- Chief Executive Officer , Investment Bank
- Certified Public Accountant, USA



Muntaser Izzat Abu Dawwas

(Investment Bank Representative)
(Bachelor of Science in Accounting and Finance
University of Buckingham, England)

- Board Member, Quds Bank
- Board Chairman and owner, Tea Factory, Sri Lanka
- Owner of Tea Exporting Company, Sri Lanka
- Associate in Companies, Kuwiat, Jordan Palestine
- Board Member, Arab Federation for Freight Forwarders and Logistics (AFFFAL)
- Board of Trustees Member, Qasyoun University, Syria



Saleh Jaber Ihmaid

(Bachelor of Science in Accounting)

- Board Member, Quds Bank
- Medical Department General Manager, Karmel Company Group, Jordan
- 14 years of experience in trading and marketing medical supplies and medicines.
- Has many investments in the Arab world.
- Board Member, Dar Al Dawa' Company – Jordan (-2007 2015)
- Board Member, Dar Al-Ghitha' Company – Jordan (-2011 2014)



Duried Akram Jerab

(Master in Business Administration
Durham University, UK)

- Board member, Quds Bank
- International arbitration adviser (Ain Shams University – Egypt)
- Deputy-Director of Jumeirah Real Estate Investment & General Trading Company
- Deputy-Director of Yazigi Exchange and real estate Company
- Member of the International Commission for Arab arbitrators
- Member of the Union of Palestinian business associations
- Member of the Chamber of Commerce and Industry – Gaza
- A member of the Palestinian Businessmen Association - Gaza



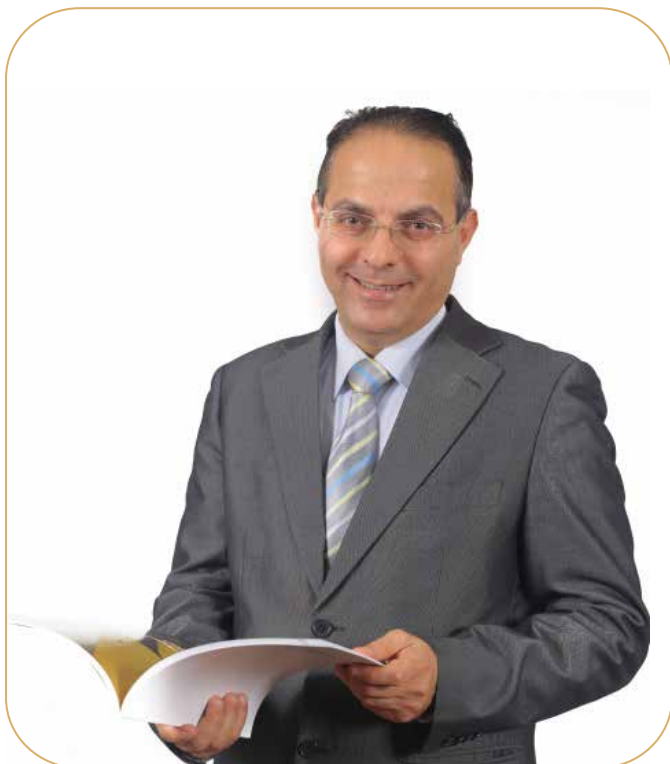
Badawi Mo'een Al-Yaziji

A representative of the Jumeirah
Real Estate Investment & General Trading Company
(Electronic Engineer)

“Quds Bank is led and managed by a group of distinguished, highly skilled, well-experienced and capable individuals. They are highly credible and enjoy extensive experience with academic degrees from prominent and prestigious universities.”



[Executive Management]



› Mr. Samih Sbaih

- General Manager
- Master in Accounting –University of Jordan

› Mr. Zaid Al-Jalad

- Deputy General Manager
- Bachelor of science in Banking and Financial Management - Al Ahliyya Amman University – Jordan

› Mr. Mustafa Abu Zeid

- Executive Manager Operations and Support
- Bachelor in Accounting – Al-Najjah National University

› Mr. Munther Odeh

- Executive Manager of Credit Affairs
- Master in Administrative Sciences – University of Jordan

› Mr. Mohammad Salman

- Deputy Manager General
- Master in Administrative Sciences – University of Jordan

› Mr. Raed Najeb

- Executive Manager Banking Operations
- Master in Business Administration - Al Najah National University

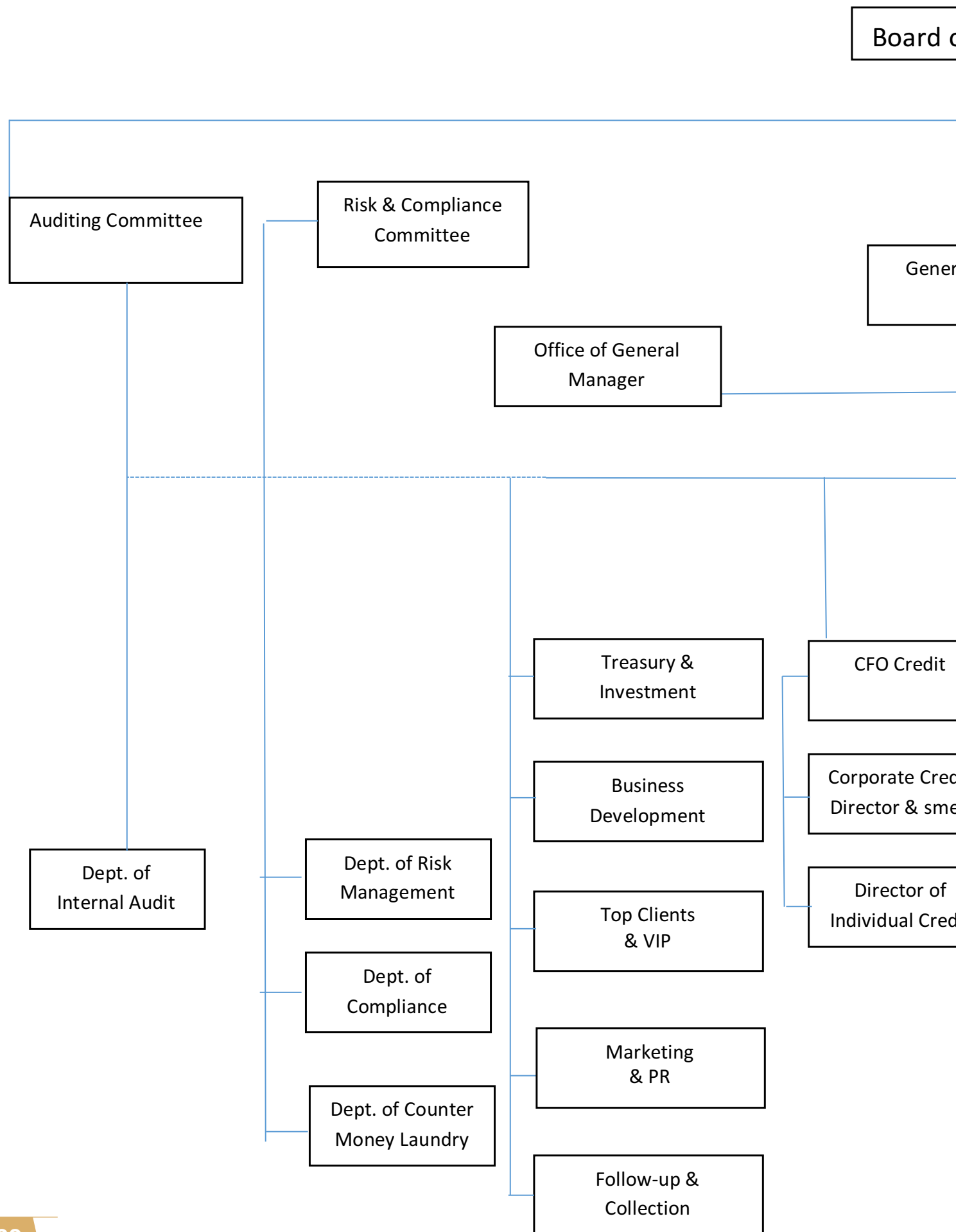
› Mr. Shukri Karaz

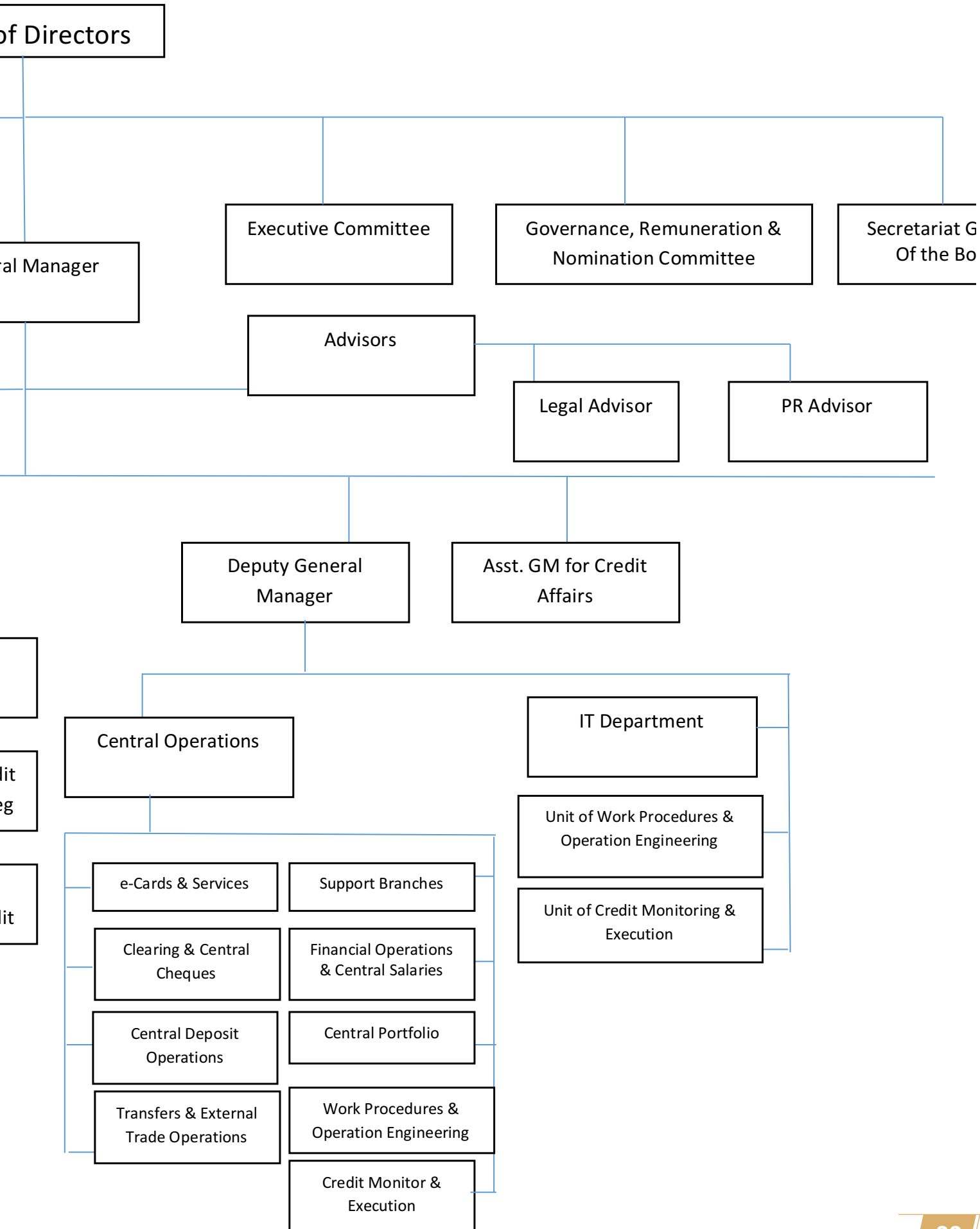
- Executive Manager – Gaza Strip Area
- MBA – Islamic University, Gaza

› Mr. Mohammad Salameh

- Executive Manager of the Investment and Treasury Department
- Bachelor in Finance – Quds Open University

Organizational Structure





“The Bank’s general future and strategic plans have been established based on several major axes, and on business programs and plans so as to reach the goals represented in realizing growth, financial compatibility, operational efficiency and profitable and competitive ability”.

A hand is pointing at a digital screen. The screen displays a blue-tinted image of a person in a business suit, overlaid with a grid pattern. Below the person, there is a bar chart and a line graph. The text 'Business Strategy' is prominently displayed in the center. At the bottom, there is a section titled 'Future and Strategic Plans' enclosed in large brackets, followed by a checkmark icon.

Business Strategy

[Future and Strategic Plans]





Quds Bank has laid out a three dimensional comprehensive strategic plan which aims at laying out the foundation of the entrepreneurship and the effectiveness of the Bank; thereby meeting the aspirations of shareholders. This has been realized through increasing the market share, entering new markets and sectors, and providing the best variety of updated services in order to maintain distinction and success. Consequently, through increasing the bank's profits and wealth of the shareholders the bank has managed to raise the level of competitiveness and adequacy so as to carry out its effective role. Furthermore, plans and programs have been set in order to reach the objectives represented in financial growth and stability, operative efficiency, and the profitable competitive capacity.

Quds Bank has distinguished itself through the products and services in which it had launched to its audience, whether individuals or corporations; including all sectors and segments of small and large business owners and SMEs, individuals, and employees of both the private and public sectors. In the field of SMEs, business development centers "Quds Bank Businesses" have excelled in providing the best and quickest services and facilitations to its clients. In addition, Quds bank has established a Product Development Department which seeks to develop the products of various categories of individuals including, loan programs, distinctive e-services as well as current and saving accounts, and money transfer service. That is in addition to its credit cards' service in its three types and its various and valuable benefits.

As for the philosophy adopted by Quds Bank in individual services; Quds Bank relies on (One Stop Banking), whereas the client may receive all the services in which he needs through visiting any of the Bank's branches.



It is anticipated that year 2016 will witness the launching of several basic initiatives and projects in view of realizing the Bank's future vision of developing the level of services, products and operations in line with the most recent banking operations, globally. Furthermore, the Bank anticipates increasing its share in the market, opening new branches and launching new and innovative services and products. The Bank's future plans and strategies revolve around the following axes:

SMEs Services:

The Bank will develop its services for this sector as it believes the significant role which it plays in economic growth; whereas a new set of products in line with the needs of operating corporations in this sector shall be developed through utilizing specialized sectoral studies and programs concerned with funding and ensuring credit products.

Individuals' Services

The Bank employs its efforts to develop a package of new products for the clients of this sector, which shall meet all their various banking needs; whereas credit cards shall be developed by addition of new and distinctive services. Also, new deposits and saving accounts programs and related benefits shall be launched. Housing and car loans as well as investment programs shall be developed as well.

Corporations' Services:

The Bank shall continue to provide its targeted and current clientele base of corporations with a high level of distinctive banking services in which it shall support, over the next year, with additional services that are currently under progress, and which shall be introduced to clients during the next year. The purpose of such is to enhance the Bank's competitive position, increase its market share and attract new clients.

Raise the efficiency of asset liabilities' management and corporate efficiency

The Bank shall enforce a number of by-laws and mechanisms that shall enable it to improve its performance and develop a better understanding of the effective utilization of funds in various assets' items. Moreover, the Bank shall enhance the level of liquid risk management and benefit rates to the best levels. This shall be done by enforcing the best systematic mechanisms to be ready by year 2016.

Projected Businesses' Outcomes

The orientation of the Bank's administration for year 2016 seeks to realize the Bank's future vision in developing the services and products provided to its clients and raising the market share though focusing on the supporting individuals' and SMEs' sectors. Also, by continuing to manage funds' resources and utilizing them efficiently and effectively in view of increasing profit while taking into consideration risk rates.

“Quds Bank works toward developing its products and services in line with the needs of clients of various strata, in addition to strengthening its financial stability and focusing on growth and following-up the banking developments”.



[Innovative Banking Services
and Products]

The Bank's policy sets out to develop and update new products and services according to scientific-based studies based on information, and primary and secondary data through a quantitative and qualitative analysis. This helps the Bank develop its services and products in line with the clients' current and future needs; whereas these products are distinguished by long-term innovation and development, with emphasis on being appropriately profitable.

Individuals' Services

The Department of Banking Services provides individuals with a set of comprehensive banking solutions which meet all the needs and demands of clients. Our relationship with clients (individuals) constitutes a focal point through which the Bank ensures provision of guidance and counseling important to clients in all financial matters that include research plans for purchase of residential apartments, cars and vacations. Notwithstanding, savings services and sound financial planning represented in the saving and deposits accounts under demand, and other tools concerned with their current and future needs.

However, on the level of credit facilitations, the continuously developing policy of the individuals' loan program has led to the increase of facilitations during the year 2015.

Corporations' Services

Quds Bank has realized a notable growth in the volume of facilities granted to major corporations in their various sectors; corporations which possess a strong financial position and sound settlement resources, ensuring thereof minimum risk and realization of acceptable revenues for the Bank, in line with the cash and credit policies. Such has resulted in an increase in the bank's presence in the Palestinian Banking Market at a share considered to be prominent and promising, in all the different services being provided. That is, in addition to other various services provided to corporations, such as business services, through the International Trade Department including, credits and other relevant financial planning services.

SMEs' Services

In light of the development and growth of the banking needs of the business sector in Palestine, department of "Quds Bank Businesses" has continued to play its leading role by providing various services to SMEs whereas; the Department has developed a package of services, ensuring thereof the accommodation of all the activities related to this sector, whether in terms of capital investment or its uses. This had been carried out by providing a package of services which targets all the economic, agricultural, tourism, industrial and services sectors, so as to obtain its rightful place in the Palestinian market. These centers, which are spread in all major governorates, are concerned with fulfilling the increasing banking needs of this major sector. In addition to increasing revenue resources, the Department of "Quds Bank Businesses" aims at diversifying these resources whilst reducing risks resulting from a certain sector.

The concept of "Quds Bank Businesses" is based on providing a set of banking services in a developed unique and distinctive environment with accordance to the following standards:

- The existence of a highly qualified cadre dedicated to serve this sector and fulfill its needs. This is a new concept to the principle of relationship management with the business sector in Palestine, whereas, the exclusivity in serving this sector is an extension of the bank's strategy in innovation and specialization, and in activation of possibilities to create a profitable and valuable relationship for all parties.
- Adopting the principle of Relationship Management with clients, in terms of the existence of a specialized relationship to manage this relationship.
- Rehabilitation of six specialized centers concerned with business development, whereas such shall be researched in terms of distribution in order to cover places that are highly concentrated and to be closer to the business sector wherever it where and wherever there is a need for it all over Palestine.
- Providing specialized profession consultations in order to help the business sector in managing the various establishments' activities professionally and with high quality.

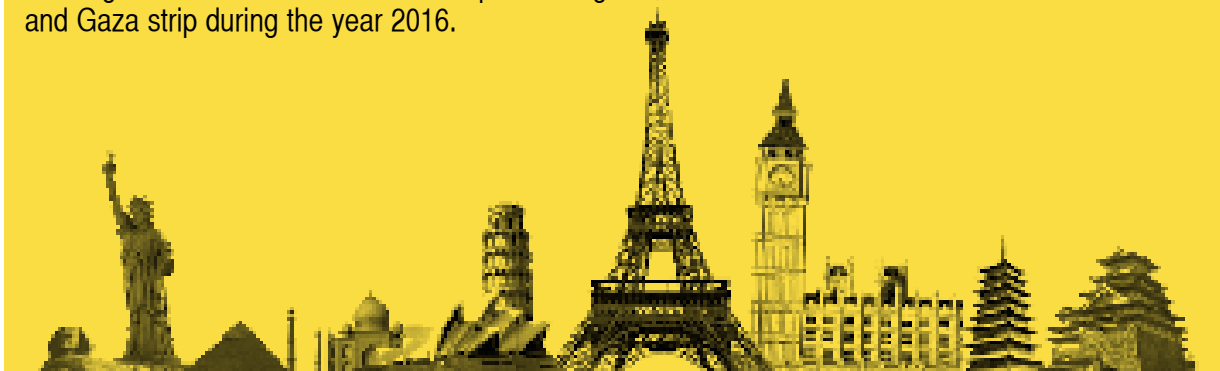
Quds Bank MasterCard

Quds Bank has launched during the year 2014 “Quds Bank MasterCard” cards in their new form to include (Platinum, Gold and Silver) under the slogan “A value which Pleases All”. Quds Bank offers you a new level and added value through MasterCard cards to suit your lifestyle and help you enjoy the highest standards of luxury and passion by further examination of the following benefits: Priority Pass card's service which allows you to enjoy your time in more than 600 distinctive airport waiting lounges worldwide, and an integrated set of Priceless Arabia offers which allow you to enjoy pleasurable experiences such as, shopping, foods, entertainment and sports...locally and globally. In addition to, emergency and urgent assistant services for the holder of the card, worldwide. MasterCard credit cards work round the clock to pay for purchases / services, allowing the client to purchase all his various needs and requirements, the possibility of cash withdrawals through POS and ATMs bearing the MasterCard and Maestro logo, globally. The client is also allowed to pay his credit card bill, at a later specified date and by installments (utilized amount). This has been made possible by a trained and specialized staff qualified to receive client inquires round the clock, given that new competitive and distinctive features are to be added in the future.



Quick Transfers (Western Union)

Quds Bank has continued, during 2015, to expand its agents' network for the quick transfer service (Western Union) as a Super-agent whereas; its subsidiary agents have reached 14 distributors across the West Bank and the Gaza Strip, in order to meet the needs of the Palestinian people with regards to sending and receiving money. Thus, the bank has sought to develop and improve work mechanisms in the field of quick transfers pursuant to the best international practices applicable in the provision of Western Union money transfers. This ensured distinctive solutions in line with the international practices and compliance requirements needed for transferring money and increasing the number of banking services. The bank will also expand its agents' network to include the cities of the West Bank and Gaza strip during the year 2016.





Correspondent Banks

Strategic plans of external business departments seek to expand Quds Bank's correspondent network, globally. Contact has been made with several banks worldwide including, the Arabian Gulf, Europe, China and Turkey, so as to open new relations with them. The Department's activity revolves around meeting the needs of financial institutions through a network of correspondents which covers large areas worldwide, whilst committing to all the compliance provisions required globally. Recently, Quds Bank has been registered with the IRS regarding FATCA laws.

The Department assumes the organization of banking relations with the bank correspondents and international financial institutions abroad, management of external accounts opened with correspondents, organization of foreign transactions with international banks and cash markets, investment of the bank's assets abroad, and import and export of foreign banknotes.

The Bank's current correspondent network includes a number of the world's most major banks in Europe, United States, Asia and the Middle East.



Saving Accounts Prizes “Joy of Saving Every Two Days” (Farhet Al-Tawfeer Kol Yomeen)

Saving Accounts Prizes campaign “Joy of Saving Every Two Days”, which was launched during the year 2015, is considered to be one of the largest campaigns to be launched for saving accounts in Palestine. Quds Bank success in saving accounts was realized by granting its clients a golden opportunity to win valuable prizes. The campaign included draws on a custom-paid Opel Corsa 2015 car, every two days, and a salary of \$500 every two days, payable once. In addition, a prize of \$20,000 to be distributed on the winners every three months.

“Joy of Saving Every Two Days” campaign has realized a considerable increase to the total saving deposits, at an increase that reached %22.8 as compared to year 2014. Also, Quds Bank attracted new accounts that reached approximately 34,500 thousand accounts. The bank shall also work on developing and creating new saving products so as to enhance the culture of saving in new groups such as, youths and children.

Treasury and Currency Exchange

The Treasury and Exchange Department offers a set of consultancy services and products, aiming at protecting banking transactions from risks and fluctuations in currency rates. Moreover, the Treasury and Exchange Department has contributed in risk management of fluctuation interest and currency rates through using the latest financial strategies; it has covered and managed these risks by utilizing its best available methods. The Department has also contributed in developing its correspondents' network and has worked with financial institutions with high financial solvency. The Department has also managed to expand its financial operations taking a quantum leap in terms of making it possible to cover its business operations, transfers and rapidness in their execution thereof, handling protection products, and enabling clients to cover risks which they are subject to. By adopting these practices, the Department was able to provide financial services at the required international qualitative level. Furthermore, it has contributed in providing the required liquidity to cover its operations, and has maintained the stability of its cash liquidity at good levels in a fluctuating financial environment.

The treasury and Currency Exchange Department has also sought to manage the liquidity gap resulting from different dates of maturity, as it has also managed funds' resources, and the distribution and re-investment of liquidity surplus via utilizing the best methods that correspond between the availability of liquidity in a volatile financial environment and realizing the best revenues within the banking regulations and instructions of the PMA. The Treasury and Currency Exchange Department has realized outstanding and stable outcomes for its operations, and has developed its performance, enhancing its ability to invest in available opportunities and improve performance so as to protect and serve the Bank's future interests. This was made possible through the management of a specialized group of knowledgeable experts who possess the ability to provide consultation and advice regarding any of these products available in local and global markets.

Number of the Bank's clients and growth in the year 2015

Growth rate in the bank's clients has reached as at 31 December 2015, approximately %21 as opposed to the year 2014. However, growth rate of accounts has reached approximately %28.

Growth rate of clients 2015-2008



Number of savings' clients and growth in the year 2015

Growth rate in savings' clients has reached as at 31 December 2015, approximately %28 as opposed to the year 2013. However, growth rate of accounts has reached approximately %33.

Growth rate of accounts 2015-2008





Quality Service and Customer Care “We Listen and Care”

Quds Bank focuses on quality service and customer care, which aims primarily at devoting the culture of quality of service to all our products and services and researching the service provision mechanism and the extent of its efficiency and time-frame. Subsequently, Quds bank has conducted a comprehensive review and minute evaluation of the applicable procedures and mechanisms in order to update them to reflect positively on the provided services in a manner which not only meets but exceeds the client's expectations.

Incoming complaints and suggestions from branches are looked into via the available outlets of various types, such as the free number meant specifically for receiving them and the suggestion / complaints boxes available in offices and branches, or through e-mail. These complaints and suggestions are regarded as an essential source in the process of identifying and resolving shortcomings, and are considered to be a fundamental element for the objective evaluation and improvement of quality service by use of training programs that specialize in cooperation and coordination with the Department of Human Capital and laying out comprehensive training plans of relevance to enhance and strengthen the culture of quality service and fulfillment of the clients.

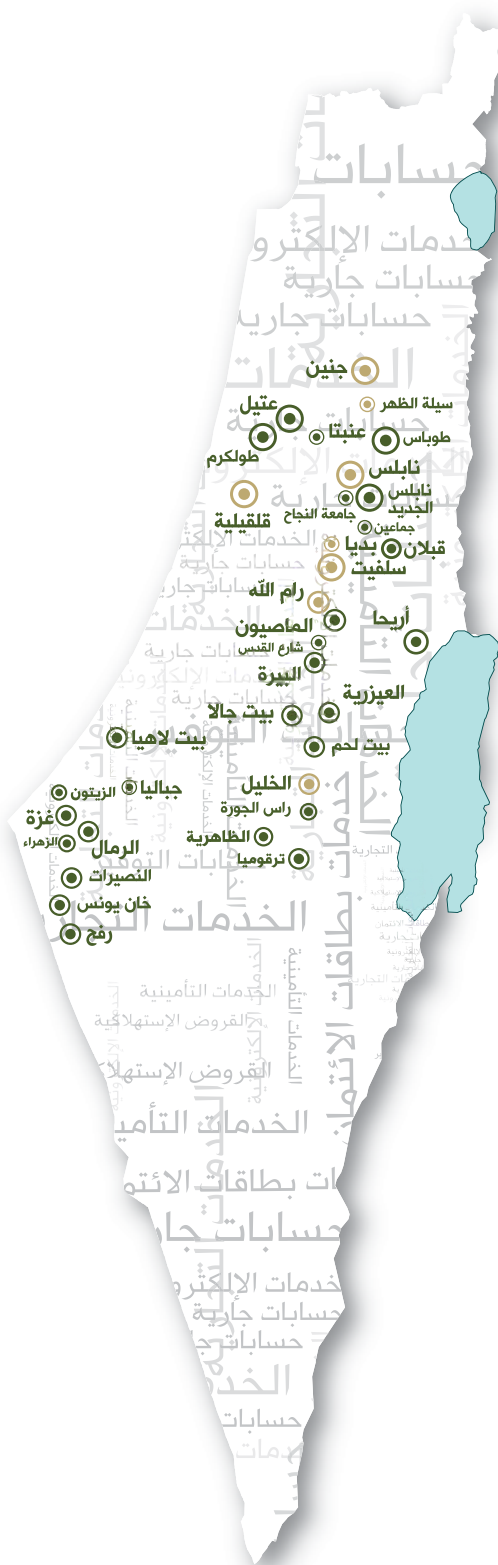
Branching and expanding Strategy in Palestine

Proceeding from the branching and expanding plan in which the bank seeks to apply so as to facilitate matters for the citizens, the bank constantly works within clear strategic frameworks that are established in light of the economic analysis in line with the strategy of the PMA which aims at encouraging banks to branch out in different regions so as to make good use of Quds Bank's distinctive services in all locations, especially rural areas which do not benefit from banking services.

Moreover, Quds Bank seeks to be present in all shopping centers which are considered to be ideal in terms of location for shoppers, thereby providing them with all the services they may require in one place. Accordingly, the bank intends to provide its banking services and products for visitors of the mall and within flexible hours so as to enable them to complete their transactions and have access to the bank's services during all times. This feature gives the bank a competitive edge at the level of the Palestinian banking sector and enhances the banks image, as well as increases the level of trust among citizens.

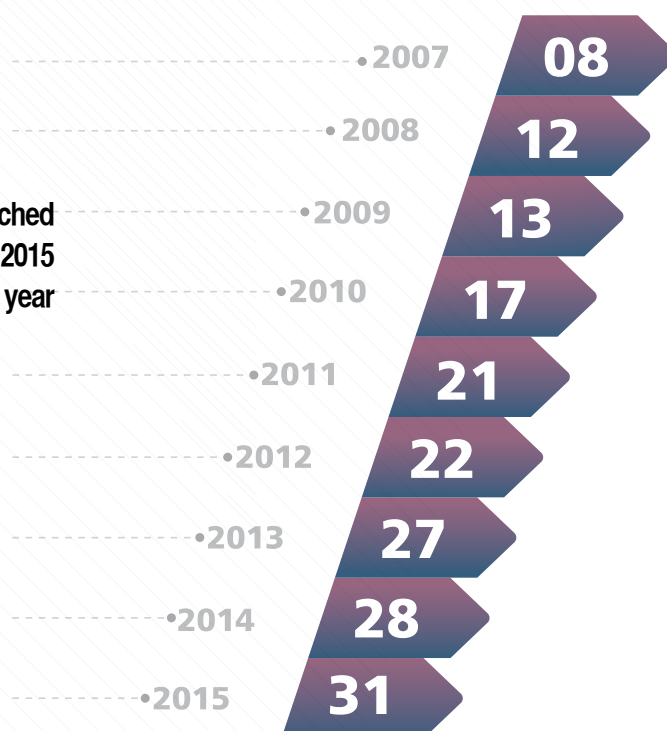
Furthermore, in order to enhance the bank's status in the field of branching, year 2015 has witnessed the opening of two new branches: Rafah and Jabalia branches in Gaza Strip, in addition to two new offices: Jama'een and Qabalia in Nablus governorate; thereby increasing the number of the bank's operating branches in Palestine to 31 offices and branches spread throughout different regions. Additionally, the bank has obtained approvals to open three new branches in Tarkoumia and Dhaheria, Hebron, as well as Al-Shaja'eia in the Gaza Strip. Notwithstanding, three other approvals to branch out in shopping centers:

Berzeit shopping center, Bravo Mall, and Nablus Mall in Bait Wazen; to have our offices and branches network reach 37 during the year 2015. In the same context, the bank has maintained its leading status in the banking market by having an ATM network that reached 54 ATMs by the end of the year 2015.





Quds Bank branches and offices have reached (31 offices and branches) in the year 2015 compared to 8 offices and branches in the year 2007.



“Quds Bank strongly believes in its human capital, being the most valuable asset that drives continuous and sustainable growth and success.”



[Human Capital]



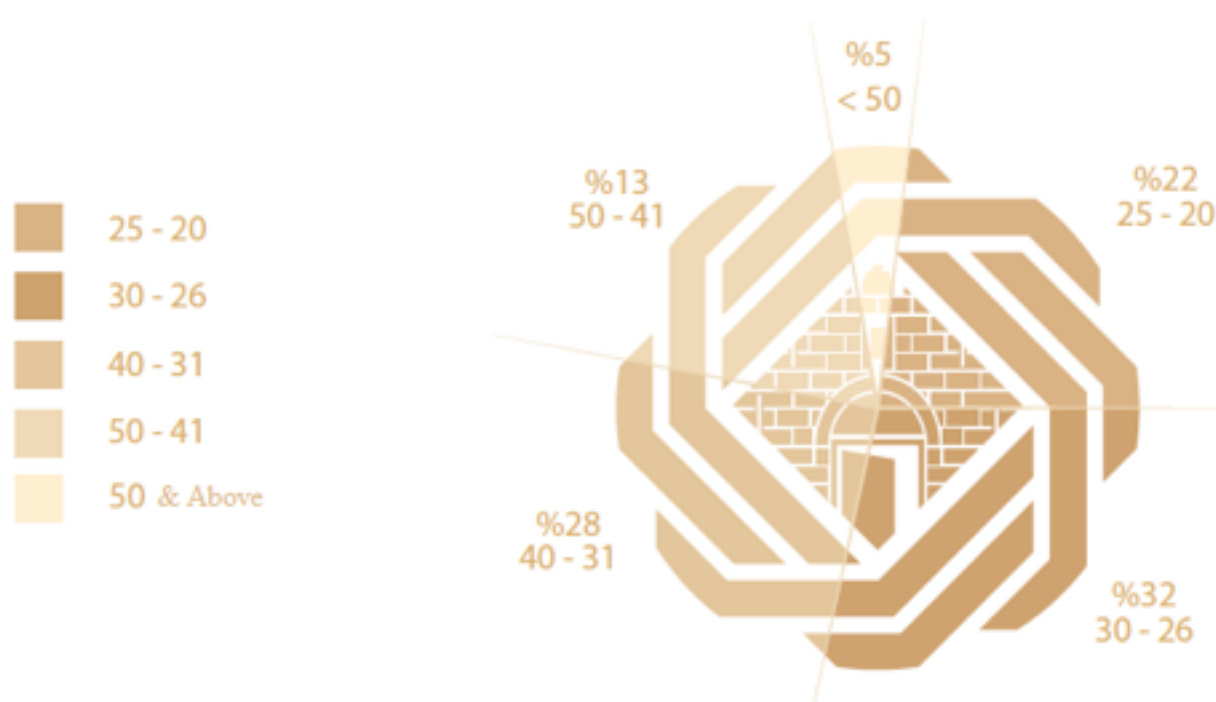
The Department of Human Capital is considered to be a cornerstone in Quds bank and one of the most important departments therein; whereas it aims at enhancing professional and behavioral capacities, skills and knowledge of all the bank's staff. The Department of Human Capital is also keen on developing the skilled of the bank's staff and creating appropriate organizational conditions in terms of quantity and quality so as to extract the staff's best efforts and encourage them to work hard and relentlessly. Quds Bank believes that it has to realize distinction in terms of quality and diversity of services. In order to realize such distinction, Quds Bank is well aware that it has to be distinctive in a well-qualified and trained human cadre; given that the human element is considered as one of the bank's most valuable resources and the most influential in terms of realizing the bank's mission and vision. Given as the human cadre is the true influential element in realizing the bank's growth, profits and goals, the bank's management was keen on attracting and training the required human capacities who are able to keep pace with current and future challenges.

Quds Bank is known for its uniqueness in terms of the procedures it follows in hiring human cadres, given as it holds a major status that enables it to attract and select the best expertise and talents for hire. Therefore, Quds Bank abounds with highly experienced staff from both sexes, whereas the percentage of females constitutes %28 of the bank's staff. Moreover, within its branching and expansion plan, the Department of Human Capital in Quds Bank has sought out serious capacities and talents to be hired in the bank's new offices and branches which were opened in 2015; whereas distinctive cadres have been employed, and the bank is now in the process of hiring new cadres to take position within the bank's plan of branching and expanding.

Employee classification based on age, gender and scientific qualifications:

Age in years	Number	Percentage %
20-25	140	%22
26-30	205	%32
31-40	176	%28
41-50	82	%13
Over 50	30	%5
Total	633	%100

The above-table shows that a high percentage of the Bank's employees are between 30-26 years of age, and is followed by those who are between the ages of 40-31.



Distribution of employees according to age:

Gender	Number		Percentage %
	Administration	Branches	
Male	229	230	%72
Female	74	100	%28
Total	303	330	%100

The above-table indicates that the total number of male and female employees in each of the general administration, branches and offices of the bank; whereas the total number of employees at the end of year 2014 has reached 633 employees.

Distribution of employees in the Bank's general administration, branches and offices



Scientific qualifications	Number	Percentage %
Masters	25	%4
Bachelors	423	%65
Diploma	90	%15
High School and below	95	%16
Total	633	%100

The above-table indicates the distribution of employees according to their scientific qualifications.





Training Center

The importance of training is not limited to developing the capacities of the bank's staff through information and skills related to performance only. The importance of training extends to include improving and developing the conduct of staff in work as well as their behavior towards their supervisors, subordinates and clients of the bank. In other words, training benefits staff in terms of rationalization of their behavioral patterns and habits and development of precious values and attitudes so as to ensure that they maintain their psychological balance. Proceeding from such, the bank's management has established a training center on 2015/04/01 as confirmation that the human capital symbolizes the foundation of the bank's success.

Therefore, since its inception, the training center was keen on fostering training and its culture to become a requirement for all the bank's staff so as to develop their level of performance; thus reflecting positively on the level of service quality provided to the bank's clients. After which, the training center set out to enable and prepare the talented staff to advance in their work and assume higher supervisory duties in line with a training methodology consistent with the supervisory, intermediate and basic levels. Following this process, the bank was able to create a qualified cadre of banking executives and administrators capable of leading the bank. Furthermore, training is considered a cornerstone that distinguishes the both the bank and its staff; it is a forceful competitive weapon through which staff become capable of realizing their own aspirations and improving their overall level of satisfaction by improving their performance to reach the required level of performance for any job.

The training center has sought to select a set of quality and professional programs and has selected a number of experienced and professional trainers from Palestine and abroad so as to provide the required training.

During the year 2015, the center held and organized (108) training activities wherein (919) participants from the bank's various offices and branches had participated. The center has also selected a number of trainers from within the bank and worked on training and motivating them.

Approximately (40) employees participated in specialized banking diplomas programs: Professional project management, and management of bank branches, banking qualification, and certification of a certified internal controls, and CICS, Technical Analysis and other quality programs.

Approximately (12) employees represented the bank in a number of annual meetings, seminars and conferences as well as specialized exhibitions around the world.

Moreover, a number of employees participated in a (Study Tour) with a number of institutions and banks abroad.

Additionally, the bank held a number of training programs on E-learning, and is yet working on advancing these programs during the year 2016 to become an integral part of its training activities.

Furthermore, the training center has supervised the training of (176) students from various universities, colleges and institutes, proceeding from its social responsibility towards the nation's educational institutions.

“To ensure the adherence to the principles of transparency, governance and professionalism, our goal is to constantly develop and improve communication with our shareholders.”



[Shareholders' Relations]



Quds Bank spared no effort to maintain regular communication with its shareholders by all means possible. Through our competent Shareholders' Department and branches throughout Palestine, Quds Bank maintained positive relations with shareholders through communicating with them and sharing with them our updated copy of the Annual Report which is sent to every. In fact, Quds Bank encourages shareholders to partake in the annual General Assembly meeting and vote either in person or by proxy in case of their absence.

The following takes place in the Quds Bank's General Assembly meetings:

- Heads of Board's Committees attend the meeting.
- Representatives of external auditors attend the General Assembly Annual meeting and attend to questions relevant to auditing and auditor's Report.
- PMA representatives are also invited to attend the meeting in order to be updated with the latest developments.
- Qualified Board members are elected during the General Assembly Annual Meeting.
- An external auditor is elected whose fees are determined and agreed upon (or the Board of Directors determines the fees).
- All documents, reports and proceedings of all sessions pertaining to the General Assembly Meeting including results of voting and questions posed by shareholders on their shares- are documented and validated.
- To keep pace with recent developments, Quds Bank webpage has been further developed to include a full version of the Annual Report, in addition to communicating round the clock with our shareholders through our Facebook account.

Below is a list of investors with more than %5 ownership as at 31 December 2015:

Name	End of 2014		End of 2013	
	Shares	(%) Subscription	Shares	(%) Subscription
Akram Abdul Latif Hasan Jerab	12,197,002	22.18	11,088,202	21.18
Palestinian Pension Agency	5,500,000	10.00	-	-
Abdul Rahim Jardanah & Sons Co.	4,400,000	8.00	4,000,000.00	8.00
Palestine Investment Fund Co.	2,865,474	5.21	2,604,977	5.21

In comparison to 2014, Board members ownership as at 31 December 2015 is as follows:

Name	Position	Nationality	Number of Owned Shares	
			End of 2015	End of 2014
Akram Abdul Latif Hasan Jerab	Chairman	Palestinian	12,197,022	11,088,202
Abdul Rahim Nizar Abdul Rahim Jardanah	Deputy Chairman	Jordanian	441,689	1,337,154
Palestine Investment Fund Co.	Member	Palestinian	2,865,474	2,604,977
Duraid Akram Abdul Latif Jerab	Member	Jordanian	2,184,146	1,985,588
Hamed Abdul Ghani Mahmoud Jaber	Member	Jordanian	1,650,000	1,500,000
Saleh Jaber Ahmad Hmaid Investment Bank Co.	Member	Palestinian	1,486,100	1,351,000
	Member	Jordanian	1,207,303	1,097,549.00
Jumeirah real estate investment and general trading Co.	Member	Palestinian	1,258,250	967,210.00
Walid Najib Mustafa Ahmad	Member	Palestinian	100,000	131,850.00
Ahed Fayege A'tef Bseiso	Member	Palestinian	81,400	74,000.00
Ruba Mohammad Mahmoud Masrouji	Member	Palestinian	44,385	30,000.00

amounts are in U.S. Dollar

Executive Management members' ownership as at 31 December 2015 compared to 31 December 2014:

Name	Kinship	Nationality	Number of Owned Shares	
			End of 2015	End of 2014
Muhanadf Akram Abdul Latif Jerab	Mr. Akram Jerab's son	Jordanian	2,204,875.00	2,004,432.00
Duraïd Akram Abdul Latif Jerab	Mr. Akram Jerab's son	Jordanian	2,184,146.00	1,985,588.00
Yazan Akram Abdul Latif Jerab	Mr. Akram Jerab's son	Jordanian	2,068,801.00	1,880,729.00
Zaid Akram Abdul Latif Jerab	Mr. Akram Jerab's son	Jordanian	2,063,190.00	1,875,628.00
Jamileh Mohammad Youssef Mussallam	Mr. Saleh Hmeid's Wife	Palestinian	11,000.00	10,000.00
Lina Abdul Rahim Ridda Irsheid	Mr. Saleh Hmeid's Wife	Palestinian	11,000.00	10,000.00

amounts are in U.S. Dollar

Board members' relatives shares as at 31 December 2015 compared to 31 December 2014:

Name	Position	Nationality	Number of Owned Shares	
			End of 2015	End of 2014
Samih Mohammad Yousef Subaih	Manager-General	Palestinian	5,610.00	5,100.00
Alber Admon Emeil Habbash	Manager of Corporate Facilities Department	Palestinian	4,700.00	-

amounts are in U.S. Dollar

Highest Trading Price 2015	Lowest Trading Price 2015	Closing Price 2015	Closing Price 2014	Change Rate
1.30 US\$	0.91 US\$	1.30 US\$	0.97 US\$	34.02%

Quds Bank is currently working on a design to maintain a fruitful relationship with shareholders and investors, and proceeding from such, we are glad respond to their inquiries, maintain their records and set out to meet all their needs.

Information-Delivery Mechanism to Shareholders:

1. Quds Bank Website (www.qudsbank.ps).
2. Bank's Account on Facebook (www.facebook.com/qudsbank).
3. The Annual Report which is sent each year with the General Assembly invitation via mail.
4. The Quds Bank branches diffused all over Palestine with qualified teams to provide services for all clients.

Higher Executive Administration Remuneration and Expenditures

Board Members' Remuneration and Expenditures have amounted to 862,925 US dollars for the year 2015 compared to 682,925 US dollars for the year 2014. They are classified as follows:

Name	Remuneration and Expenditures in year 2015
General Manger	223,352\$
Higher Executive Administration	639,573 \$
Total	862,925\$

Issues referred to Voting by Shareholders

N/A.

Contracts with relevant parties

N/A

Financial Statements

There is a difference between the initial financial statements and the audited financial statements. There is also a difference between the initial and final disclosure resulting from the bank's commitment to the instructions of the PMA with regards to circulation No. 171/2015 regarding the realization of revenue from fees and commissions and the net effect on the income statement at an amount of \$167,636 dollars.

External Auditor

Press Waterhouse audited Quds Bank 2015 accounts. Fees of external auditor amounted to 37,120 dollars.

Number of Board meetings and attendance percentage

The Board convenes 6 times a year; whereas the percentage of attendance has reached %95 for 2015 total sessions.

General Assembly Convention

The General Assembly is scheduled to convene in April.

Traded Shares throughout year 2015

Summary of Quds Bank traded shares throughout 2015:

Trading 2015	Value 2015	Order 2015	Remarks	As compared to 2014
No. of Traded Shares	14,444,220	4	8.243% of total trading	156.62%
Value of Traded Shares (USD)	15,705,762	5	4.902% of total trading	187.85%
No. of Executed Transactions	2,049	5	6.607% of total transactions	390.19%
Share Turnover Ratio (%)	26.262%	2	Turnover ratio for corporations: 10.48%	133.29%
No. of share trading sessions	211	7	85.772% of sessions	83.48%
Company Market Value as at 31 December 2015 (USD)	71,500,00	8	2.141% of amount of total market value	47.42%
Free Float	39.20%	19	Corporations' free float ratio: 42.39%	-17.65%
No. of shareholders	496	30	0.48% of total No. of shareholders	35.89%

Board Members' Expenditures for 2015

Name	Amount of the Board remunerations (2015)	Attendance and paid transportation / JD	Total in U.S. Dollars
Akram Abdel -Latif Jerab	10,000	2,400	17,489
Abdel -Rahim Nizar Jaradneh	10,000	1,500	16,220
Waleed Najib Al -Ahmad	10,000	5,200	21,439
Jumeara Real Estate Invetment Co.	10,000	4,100	19,877
Ahed Faeq Beseso	10,000	6,900	23,836
Ruba Masrouji Al -Alami	10,000	4,900	21,016
Palestine Investment Fund	10,000	5,000	21,157
Saleh Jaber Humaid	10,000	4,900	21,016
Hamed Abdel-Ghani Jaber	10,000	1,800	16,643
Investment Bank	10,000	2,100	17,066
Dureid Akram Jerab	10,000	1,800	16,643
Total	110,000	40,600	212,412
Unpaid surplus provisions for year 2015			(7,052)
Actual expenses for 2015			205,360

Board members' remunerations and expenditures by the end of 2015 has reached \$205,360 dollars.

Disbursements are made according to the ratio of the Board's sessions' attendance, and after the approval of the general assembly on the final financial statements.

The (twenty-first) projected work schedule of the Ordinary General Assembly meetings – Quds Bank

- Read the meeting minutes of the former General Assembly (2015/04/23) and approve it thereof.
- Discuss the Board's report for year 2015 and approve it thereof.
- Present the auditor's report and discuss the company's financial statement for year 2015, and approve them thereof.
- Absolve the liability of the Board for the concluded year as at 31 December 2015.
- Elect and assign the Bank's auditor for the year 2016 and authorize the board of directors to determine their fees.
- Certify the remunerations of the Board members for year 2015.
- Approve the recommendations of the Board to distribute dividends to registered shareholders with the Palestinian Exchange at the date of the General Assembly's convention and at a rate of %11, and make a decision thereof.
- Elect a new Board of Directors for the period between 2019-2016.
- Any other matters in which the General Assembly suggests to include in the work schedule pursuant to the provisions of the law.

Board's Approvals

Pursuant to instructions of disclosure and the instructions of the PMA and Palestine Capital Market Authority:

- Quds Bank Board confirms, pursuant to its knowledge and belief, the non-existence of any essential matters that might affect the sustainability of the Bank's businesses during the financial year 2016.
- Quds Bank confirms its responsibility to prepare the financial statements for year 2015, and that there exists in the Bank an effective monitoring system.
- The Chairman of the Board, General Manager and the Financial Manager confirm the validity, accuracy and completeness of the information and data stated in Quds Bank annual report for year 2015.
- Quds Bank abides to the principles of applicable governance and to the formulation of Board's committees. As for independent members, Quds bank shall work with the PMA to right such.

Volume of Capital Investment

Volume of capital investment as at 31 December 2015 has amounted to 2,200,500 million dollars compared to 5,709,271 as at 31 December 2014.

“In line with the Palestine Monetary Authority’s course of direction, Quds Bank defines corporate governance as sets of relations, regulations, rules, processes and principles that ensure a prudent management of the Bank’s operations to satisfy stakeholders’ interests whilst attending and conforming to the applicable banking laws of relevance, instructions and best practices, and hence promote the Bank and its development.”



[Governance]



1. Commitment to Corporate Governance

Proceeding from the Bank's strategy and the Board's belief in the importance of the practices and applications of sound corporate governance, legislations governing banking businesses, instructions of the PMA, the international practices included by Basel Committee on corporate governance, the best practices derived from the code of corporate governance in Palestine, and proceeding from the Bank's mission to provide the best banking services on a modern-basis to all segments of the Palestinian society, Quds Bank Board abides to applying corporate governance in line with the Palestinian banking business environment, and according to legislations and regulations governing bank businesses, and directives of the Palestine Capital Market and Stock Exchange Authority. Furthermore, the Bank reviews, improves and amends this manual, from time to time, so as to keep pace with the latest developments and instructions regarding such, and in order to publish it within the annual report on the Bank's website for its audience.

2. Board Chairman's Role

The Board Chairman's position is subject to the following conditions:

- Full separation in roles between the Chairman and the General Manager.
- The Chairman should not be related (up to the third degree) to the General Manager.
- Full separation in responsibilities between the Chairman and the General Manager pursuant to written documents verified by the Board of Directors, and reviewed periodically whenever the need for such arises.
- The Board Chairman exercises all tasks and assignments by virtue of the authority vested in him under applicable laws applicable in Palestine and the directives of the PMA. The Board Chairman also exercises his tasks and duties based on powers vested in him by the Board of Directors.

The Board Chairman carries out the following main duties and responsibilities:

- The Board Chairman supervises all the Bank's operations. He is responsible before the Board of Directors for materializing the Bank's goals and objectives and following up the Bank's performance, as well as ensuring compliance and adherence to predetermined projections and financial plans. The Board Chairman also monitors and evaluates the general performance of the Bank in line with the strategies, plans, goals, policies and budgets preapproved by the Board of Directors.
- The Board Chairman ensures the application of high-level, effective and efficient corporate governance in the Bank. He also builds and maintains good, constructive and corporate governed relations between the members of the Board of Directors and Executive Management members. In addition, the Board Chairman contributes to promoting a corporate culture within the Board by instilling a feedback exchange mechanism to express constructive criticism, exchange of opinion, and an adequate and timely communication of information to all Board members and shareholders.



3. Board's Responsibilities

- The Board is responsible for overseeing the Bank's operations, safeguarding its financial position, and approving of the periodic financial statements that are reviewed by the external auditor. The Board also nominates and recommends to the general Assembly the hiring of an external auditor, assures meeting PMA's requirements and guiding principles, and caters for the interests of shareholders, depositors, creditors, staff, and other parties of interest. Furthermore, the Board ensures a prudent Bank management in line with the relevant rules and regulations in force as well as internal Bank policies.
- The Board formulates the Bank's general policy/ orientation, regulations, processes, and regularly reviews the implementation of the Bank's strategies, goals and objectives. The Board also makes sure that the Bank's Executive Management complies with the applicable policies, rules and regulations.
- The Bank's Board is the sole authorized party to approve the organizational structure (or any changes to it) and job descriptions across all levels at the Bank. It also approves the Bank's policy and relevant course of action including assessing risk policy and its standard operating procedures to ensure that a sound mechanism is in place to gauge and assess. In addition to assessing internal control policies, the Board endorses and approves the Bank's credit, investment, recruitment policy, performance assessment, and internal control policy.
- The Board selects the Bank's Higher Executive Management members as well as the hiring of any experts and advisors/ consultants in line with the recruitment policy approved by the Board. Besides performance measurement and appraisals, the Board sets and annually reviews the Executive Management members' packages in terms of salaries and remuneration. In this context, the Board ensures a proper succession plan is in place to facilitate a smooth flow of operations and hence avoid any disruptions to the Bank or its operations resulting from the lack of proper substitutes to run the Bank and/or its operations and different functions.
- The Board supervises and controls the Bank's activities in accordance with applicable laws and bylaws set by the Bank, in addition to the sound corporate governance. Moreover, the Board requests and reviews follow-up reports from the Executive Management on a timely basis.
- The Board develops a guiding framework, including an appropriate organizational structure that sets forth lines of authority, responsibilities and reporting lines across all levels. In addition, the Board compiles integrated regulations on corporate governance, internal control and inspection and risk management, policies of compliance control, anti-money laundering and treasury operations management, code of ethics, and anti-fraud rules and regulations.
- The Board members exercise their duties towards the Bank in good faith whilst exercising their utmost in terms of due diligence and developing mechanisms that ensure a consistent operational flow that adheres with all relevant laws and regulations. The Board members exert all efforts to avoid any conflict of interest when performing their duties. They are also obliged to dedicate the necessary time and efforts to fulfill their assigned duties and responsibilities towards the Bank.
- The Board evaluates its performance at least once a year through the Nomination, Honorarium and Corporate Governance Committee.
- The Board evaluates the performance of the General Manager at least once a year.
- The Board evaluates the Risk and Compliance Department(s) as well as the Internal Audit Department.

- The Board holds periodic meetings in line with applicable laws and instructions at least once every two months. Main topics are identified and outlined in the agenda prior to every meeting.
- The Bank provides adequate information to Board members to assist them make informed and sound decisions. Signed by all Board members, a draft of meeting minutes, including conclusions and decisions, is distributed within seven days as of the date on which the meeting took place. The PMA is also provided with meeting minutes within one month as of the date on which the meeting was convened.
- The Board defines formally in writing the tasks and responsibilities of the Secretary-General. The appointment or discharge of the Secretary-General takes place by a decision from the Board. In order to perform well and execute assigned tasks efficiently, the Secretary-General must have adequate experience and necessary knowledge. The tasks of the Secretary-General include, but are not restricted to, documenting meeting minutes and decisions taken by the Board and committees.

5. Board Committees

- The Board bears ultimate responsibility for managing and overlooking the Bank's operations and affairs. To enhance an effective performance and sound management, committees were established to assist the Board perform duties and tasks transparently and competently. Committees submit reports to the Board per applicable rules and regulations. The Board on its part identifies in writing the committees' tasks, obligations, authorities, responsibilities and timelines.
- Members on the Board committees are appointed in a formal, transparent fashion. In addition to the names of committee members, an abstract of relevant responsibilities and tasks is incorporated in the Bank's Annual Report. Each Board committee is entitled to directly communicate with the Bank's Executive Management of interest through the Board Chairman and General Manager.
- The Board established for major committees: Executive Committee, Review and Auditing Committee, Risk Management and Compliance Committee, Nomination, Honorarium and Corporate Governance Committee. To be determined by the Board, each committee carries out tasks in line with applicable laws and instructions. When needed, Board members can form ad hoc committees to deal with specific issues. If appropriate, several committees can be merged.

Executive Committee:

This Committee was elected and is comprised of four Board members to ensure the commitment and adherence of the Executive Management to the credit and investment policies in addition to the limits approved earlier by the Board. All committee members possess due qualification, knowledge and expertise. The Committee reports to and submits its recommendations to the Board. It convenes regularly in the presence of the General Manager or the person whom s/he delegates, and meeting minutes are compiled in due form. The duties and responsibilities of this Committee stem from applicable rules and regulations, PMA's directives, Basel Committee on Banking for Banking Supervision guidance, and best practices derived from the code of corporate governance which entitles it the right to call on any executive manager for information or clarifications. Headed by the Board Chairman and the following members: Mr. Dureid Jerab, Saleh Humeid, Waleed Al-Ahmad and Ruba Al-Masrouji.

The Committee carries out the following major tasks:

- Reviewing and endorsing credit and investment facilities that exceed the executive Management's limits.
- Developing the Bank's credit policy, credit lending procedures, collaterals, credit ceilings, and limits of the Executive Committees in consistence with applicable regulations and PMA's instructions. Upon final approval by the Board, this policy is reviewed and updated periodically in line with recent developments in the economic environment, banking policies and changes in the Bank's position.
- Ensuring the Executive Management Committee's compliance with credit policies and limits set by the Board.
- Examining the status of existing delinquent facilities and non-performing loans (NPLs), devising necessary plans to minimize them, and ensure providing for them adequately per PMA's instructions. The Committee is also in charge of setting relevant recommendations to write-off these facilities.
- Submitting to the Board periodic reports on the status of the Bank's credit portfolio, including its volume, current developments, classified facilities, and provisions set to reflect potential versus actual losses, follow up collection efforts as well as the Bank's investment portfolios and any other changes occurring to the status of these investments.

Review and Audit Committee:

The Review and Audit Committee includes three non-executive Board members, who are well-qualified, knowledgeable and have obtained their academic qualifications and following experience in accounting and financial management. The Committee reports to and submits its recommendations and reports to the Board. It convenes regularly in the presence of the Audit Department Manager, and meeting minutes are compiled in due form. The Committee carries out assigned tasks in line with applicable regulations, PMA's instructions, Basel Committee on Banking Supervision guidance, and best practices derived from the code of corporate governance which entitles it the right to call on any executive manager for information or clarifications of relevance. The Committee shall be headed by Mr. Ahed Bseiso and members Montaser Abu Dawas and Louai Qawas.

The Committee assumes the following main tasks:

- Supervises external and internal auditors, monitors the inclusivity of their operations as well as the authenticity and accuracy of their financial findings, and reports to the Board, shareholders, and other users of information.
- Reviews reports and relevant comments made by PMA, the external and internal auditors, and follows up on measures taken in this regard.
- Ensures an adequate, effective and efficient internal control implementation processes within the Bank, verifying Bank's compliance vis-à-vis laws, regulations, PMA instructions, Board recommendations and rules, and legislations in force in Palestine.
- Reviews periodic financial statements and other financial information before they are presented to the Board, ensuring sound preparation in line with applicable accounting principles, PMA requirements, and relevant laws. The Committee further ensures that provisions made are adequate and sufficient to reflect real financial position(s).
- Ensures independence to help the Internal Audit Department carry out assigned tasks. The Committee also approves the nomination of the Audit Department Manager, termination of his/her service, monitors and evaluates performance, and reviews annual appraisal. To maintain due performance of assigned tasks and responsibilities, the Committee sets forth clear mechanisms to hold the Audit Department to account and approves authorities and relevant responsibilities assigned to the Audit Department.
- Reviews and submits recommendations on financial reports before they are presented to the Board. These include reports on any change introduced to applicable accounting policies or to Bank accounts due to audit inspections and/or relevant recommendations. The Committee also verifies and monitors adherence to applicable accounting principles and decides/ reviews the soundness of these principles and control measures from time to time.
- Nominates to the Board the appointment termination of service or remuneration of the external auditor and auditor selection to be elected by the General Assembly. The Committee makes sure that the auditor meets PMA terms and conditions as well as rules and regulations of relevance.
- Develops disclosure and transparency criteria and submits them to the Board for endorsement.
- Coordinates with the Risk Management Committee, ensuring a full disclosure of the Bank's financial position and performance.
- Examines any issue referred by the Bank's Board or any other issues it deems urgent to scrutinize and report on.

Risk Management and Compliance Committee:

This committee is comprised of three Board members, who have the necessary qualifications, knowledge and expertise. The Committee reports to and submits its recommendations and reports to the Board. It convenes regularly in presence of the General Manager or the person whom s/he delegates. Meeting minutes are compiled in due form. The Committee carries out assigned tasks and responsibilities in line with valid regulations and legislations, PMA's instructions, Basel Committee on Banking Supervision guidance, and best practices derived from the code of corporate governance which entitles it the right to call on any person as it deems necessary. The Committee is headed by Mr. Louai Qawas and members Muntaser Abu Dawwas and Hamed Jaber.

The Risk Management and Compliance Committee is responsible for the following assignments:

- Review the Bank's risk management policies and strategies including, inter alia, credit risks, market risks, operational risks, liquidity risks, credit concentrations risks, before they are finally approved by the Board.
- Identify risk mitigation techniques and mechanisms in line with applicable oversight requirements to reduce the impact of risks on the Bank's financial safety and integrity.
- Under the supervision of the Risk Management and Compliance Committee, the Executive Management is tasked with the implementation of policies, strategies and techniques referred to above. Obtain proposals from the Bank's Executive Management on Risk Department's structure and its development process. The Committee reviews and amends the proposals, and submits them to the Board for approval.
- Follow up on all developments and increasing complexities affecting risk management within the Bank. The Committee also submits regular reports on this to the Board.
- Obtain all information of relevance to any of its tasks.
- Review reports submitted by the Bank's Compliance Department and ensure its adherence to the work procedures manual. The Committee also ensures the inclusion of all operational aspects in those reports in line with PMA instructions with the view of achieving maximum compliance with the laws, instructions, regulations and sound banking practices.

Corporate Governance, Nominations and Honorariums Committee:

The Corporate Governance Committee includes three non-executive Board members, who possess due qualification, skills and expertise that assist them make independent and objective decisions. The Committee reports to and submits its recommendations to the Board. It convenes regularly in the presence of the General Manager or the person whom s/he delegates. Meeting minutes are compiled in due form. The Committee carries out tasks in line with applicable regulations, PMA instructions, Basel Committee on Banking Supervision Guidance and best practices. The Committee has the right to call on any executive manager for information and/ or clarifications. The Committee is headed by Dr. Hamed Jabber and members Ahed Beseiso and Louai Qawas.

The Committee carries out the following major tasks:

- Develop the Corporate Governance Guidance Manual/Code and Financial Honorarium Policy in accordance with relevant regulations and instructions and submit them to the Board for approval.
- Reinforce effective corporate governance principles and sound practices of relevance, build a vibrant relationship

between the Bank Management and Board members, promote a corporate culture that encourages constructive criticism and exchange of opinions, and define responsibilities as well as make clear lines of communication in terms of reporting references for staff of various levels.

- Ensure the Executive Management carries out assigned duties whilst exercising proper control over the Bank's operations, develop tailored regulations and processes as well as an effective and efficient supervision mechanism in line with PMA instructions and principles and standards set by the Basel Committee on Banking Supervision.
- Conduct an annual review of the Corporate Governance Guidance Manual/Code and Financial Honorarium Policy by independent bodies and ensure that the Executive related rules and practices as well as with the PMA instructions.
- Ensure that the remuneration policy is adequate to recruit qualified people to work for the Bank and retain those qualified, skilled and experienced employees.
- Recommend to the Board the remuneration and allowances of the Board Chairman and members and senior officials at the Bank.
- Recommend to the Board the appointment of the General Manager provided s/he satisfies the Bank's requirements in terms of qualities sought and preconditions set by the PMA. This also applies to the executive management level.
- Ensure that the remuneration policy takes into account all arising risks and strike a balance between sustained profit and arising risk levels. The Committee liaises with the Risk Committee and/or Risk Department in assessing proposed incentives.
- Ensure independence of the Risk, Compliance and internal Audit Departments as well as respective structure of financial rewards or incentives.
- Make sure that the Bank Management discloses in the annual financial report the information on financial remuneration/rewards of the Board Chairman, Board members, Senior Executive Management members, Control Departments, and subcontracted staff members.
- Provide information and abstracts to the Board on a continuous basis about the most recent developments in the field of banking operations and industry as a whole.

6. Internal Control and Inspection Environment System

- The Bank's Internal Control and Inspection System is designed in line with the general framework of the Internal control regulation(s), PMA directives, and relevant operational laws and regulations.
- The structure of the internal control and inspection regulations are reviewed by the internal and external auditors at least once annually.
- The Bank supplements to the Annual Report a statement on the adequacy of the internal control procedures applicable to financial reporting.
- The Board implements relevant responsibilities in accordance with the general framework of internal control to ensure effective and efficient operations, reliable financial reports, and compliance with applicable laws and regulations.
- The Board sets processes that ensure timely delivery of information, including contingency plans, to decision-makers.
- The Board safeguards the independence of the Audit, Compliance and Risk Management Departments.

1. Internal audit

Quds Bank believes that an effective and efficient internal audit department contributes to promoting an internal control system. It further supports comprehensive banking control as a frontline defense in relation to the Bank's various activities.

Below are the major goals and assignments of the Internal Audit Department:

- Develop the Internal Audit Charter and submit it to the Board for approval.
- Set forth internal audit procedures and practices.
- Examine and assess adequate and effective internal controls as well as the mechanism by which tasks of the Bank's departments and sections/units are implemented.
- Develop an annual report on the adequacy of internal control and inspection parameters with a view to reduce potential risks.
- Compile an annual audit plan to be approved by the Control and Inspection Committee.
- The Internal Audit Department submits reports to the Review and Audit Committee.

2. Compliance Department:

The Compliance Department was established to ensure that the Bank's operations are in line with the requirements of Basel Committee on Banking Supervision. It also ensures the compliance of the Bank and internal policies with the laws, regulations, legislations, instructions, resolutions, guidance, Charter of Professional Ethics and sound banking practices set by local and international regulatory and control bodies. Moreover, the Compliance Committee ensures the Bank employs qualified personnel and invests in the latest international automated systems, namely Filtering and Profiling systems. It also organizes awareness workshops and training sessions on compliance related issues for Bank employees. Furthermore, the Compliance Department develops anti-money laundering policy in line with the Anti-Money Laundering Law No. (9) of 2007.

The Compliance Department exercises operations in line with the following general framework:

- Compile, develop and review regularly the Compliance Policy (at least once annually and whenever the need arises).
- Implement Compliance Policy within the Bank.
- Develop an effective and efficient approach to ensure the Bank's compliance with all operative laws of relevance, regulations and any other relevant guidance manuals.
- Submit periodic (semi-annual) reports on operational outcomes/ results and compliance supervision to the Risk and Compliance Committee/Executive which in turn will submit the reports to the Board's Risk and Compliance Committee.
- The Compliance department is further tasked with following-up everything related to corporate governance within the Bank.

3. Risk Management:

In order to consolidate and enhance the Bank's capability to upgrade its control and monitoring environment and confront all kinds of risks, the Bank's Management gave importance to the requirements of Basel Committee on Banking Supervision and the PMA instructions. Due to the extraordinary, unstable and volatile political and security situation in Palestine, the Bank's Management took practical measures to implement the requirements of Basel Committee and the PMA instructions. Consequently, the Bank's Management established specialized departments staffed with qualified personnel for the management of the various risks including credit risks, operational risks, market risks, and liquidity risks. In addition, the Bank's Management invested in the latest systems and equipment, and set up alternative sites for the management of daily operations in emergency situations. Moreover, plans to encounter risks and deal with emergency situations were developed based on sound and correct principles. The Bank's Management also invested in the CARE system for the management of operational risks, developed the Risk Profile for all the Bank's branches, and established a database for all operational errors.

In this context, the Bank enhanced the frameworks governing credit risks to safeguard separation of roles and responsibilities among corporate credit, SMEs, and individual credit departments. Credit control, follow-up and collection departments were strengthened, and risk management policies and procedures for maintaining the credit portfolio quality and type were developed.

The Bank formed the Risk Management and Compliance Committee on the level of the Executive Management to review and appraise the operations of the various risk departments. The Committee submits periodic reports to the Board's Risk Management and Compliance Committee.

The Risk Management exercises operations in line with the following general framework:

1. The Bank's Risk Management submits periodic reports to the Risk and Compliance Executive Committee, and liaises with the General Manager for its daily operations.
2. The Risk management responsibilities include the following:
 - Develop a risk policy, covering all types of risk, and submit to the Board for approval.
 - Analyze all risks, including credit risks, market risks, liquidity risks and operational risks.
 - Develop- measurement and control methods of each risk type.

- Submit reports and recommendations on risk ceilings, approvals and Risk Management exceptional cases to the Risk and Compliance Committee/Executive.
- Provide the Board and Senior Executive Management with sufficient information about risk measurement and risk profiling within the Bank.
- Devise risk management methods and techniques including
 1. Self-assessment of risks and developing risk indicators
 2. Developing a historic database for losses, identifying their sources and classifying them according to type of risk.
 3. Providing necessary equipment and automated systems suitable for risk management within the Bank.
 4. The Bank's committees, including credit committees or assets and liabilities management/treasury and operational risks committees, assist the Risk Management in performing its tasks in accordance with the powers vested in these committees.
 5. Incorporate within the Annual Report adequate information on risk management, particularly risk structure, operations and recent developments.
 6. Provide information on risks within the Bank for the purpose of disclosure and publication.

7. External Audit

External audit is another level of control to ensure a reliable financial reporting system is produced and generated by the Bank's accounting and IT systems, especially in relation to expressing a clear and transparent perspective of how fair these statements are and how much they reflect the real financial position over a particular period of time. To select one, an external auditor should be certified by the PMA. They should not have received any direct or indirect credit facilities from the Bank. The latter should change the auditor at least once every five years.

External Auditor's Tasks and Responsibilities:

1. Audit financial statements and accounting records in line with international Financial reporting Standards (IFRS) and International Accounting Standards (IAS).
2. Abide by minimum requirements of financial statement disclosure standards issued by the PMA.
3. Adhere to full confidentiality in accordance with the Charter/Code of Professional Ethics.
4. Provide a copy of the auditor's report to the Review and Audit Committee.
5. Take part in the Bank's General Assembly meetings to respond to relevant inquiries raised by shareholders.
6. Provide the PMA with a copy of the Annual Report within two months from expiration of the fiscal year. The Report will include the following:
 - Any violations or breaches of laws and directives in force, including the Bank's internal instructions.
 - The auditor's opinion re adequacy of audit regulations, internal control systems, and provisions earmarked in response to arising risks.
 - Verification of fairness of statements provided during the audit process.

8. Charter of Professional Ethics

Quds Bank has adopted the Charter of Professional Ethics, which the Board duly approved. The Bank's Board members and staff of various administrative positions have undertaken to be committed to this Code. In addition to setting consequences of impingements, the Charter of professional Ethics identifies four major components of professional ethics, values and principles: Integrity, Compliance with Laws, Transparency, and Allegiance to the Bank.

9. Relations with Shareholders

- Quds Bank continuously develops positive relations with all shareholders. With all possible means, the Bank encourages shareholders, particularly smaller ones, to take part on the annual General Assembly meeting as well as to vote either in person or by proxy in the event they are absent.
- Copies of the Annual Report are sent to shareholders' mail addresses. The Bank also sends to shareholders the invitation and agenda of the General Assembly meeting, together with all relevant information and media materials.
- Representatives of external auditors attend the annual General Assembly meeting in order to answer any questions about auditing and auditor's report.
- The Bank invites PMA representatives to participate and view proceedings of the meeting.
- Board members, who are qualified and meet all terms and conditions, are elected in the annual General Assembly meeting upon the end of the Board's term.
- The external auditor is elected and his/her fees are agreed. Otherwise the Board is authorized to decide on the auditor's fees.
- Proceedings and reports on the annual General Assembly meeting are duly documented. Meeting minutes also include questions raised by shareholders in relation to shares or issues of relevance.

10. Transparency and Disclosure

Quds Bank's corporate governance is based on impartiality, integrity, trustworthiness and objectivity in regards to decisions made by relevant bodies of the Bank. Corporate governance further implies transparent operations, disclosure, and openness to the society. Transparency, disclosure and openness are indispensable elements of good corporate governance at Quds Bank. To help users attain accurate assessment of the Bank's financial position, achievements, activities and risks, Quds Bank is committed to a general, timely disclosure of information in a reliable fashion. The Bank also works relentlessly to provide regular, accessible and integrated information on its activities and operations to all respective shareholders, including the PMA, shareholders, depositors and general public. In this, the Bank focuses on issues reflecting a substantial effect on the Bank.



“Quds Bank takes pride in its continuous successes at the level of community development, and believes in the individual’s contribution to the development process; through participating in initiatives that aim to realize sustainable community development”.



[Corporate Social Responsibility (CSR)]



Quds Bank has been keen on being present, constantly, to support activities within the framework of social responsibility. It has distinguished itself amongst the most influential financial and economic institutions in this field, at a national level. Quds Bank considers social responsibility as a priority, proceeding from such, the Bank has adopted a balanced policy through which it dedicates its efforts and capacities for servicing the society in which it operates. Most prominently, the sectors of culture and development, education and health, in addition to supporting disabled persons, sports and other institutions; highlighting its distinguished and bountiful journey, mainly in supporting the wheel of development and economy in Palestine.

In the field of contributing in social responsibility, which represents one of its strategic frameworks, Quds Bank has enhanced its role in supporting aid, development and educational activities, whilst focusing on realizing sustainable growth in various sectors such as, health, culture, and education, and supporting disabled persons and many others as well.

In line with its continuous contribution, Quds Bank has sought to realize a positive effect in all sectors of the Palestinian community, particularly, educational, health and developmental sectors. Such was consistent with the Bank's strategic vision, emphasizing its contribution in enhancing the wheel of production in Palestine and bringing about tangible changes at the level of the nation; exercising its national duty. Investment in developing the community reflects the extent to which the people contribute in raising the livelihood of the Palestinian community and improving the performance of its sectors.

Field	Amount of contribution (\$)
Development	85,119.60
Relief	11,250.00
Education	32,197.00
Culture and arts	29,780.00
Health and environment	3,500.00
Social (Care for disabled persons)	24,238.00
Sports	45,308.00
Total	231,393.00

Education

Life is a combination of education and work. Education grants the community a level of liberation from ignorance, poverty and disease; and in order to reach this level we must exert organized efforts towards development of knowledge and information through education, reading and awareness. Therefore, the Bank was focused on school, knowledge, culture and reading activities, and has contributed in several of these activities in this field.

Through its interest in and support of cultural institutions and relevant parties, Quds Bank aims at enhancing the participation of individuals in the community. Quds Bank has contributed in several of these activities in these fields at an amount of \$32,197.



Education

Hatha Haqi (This is my Right) Society – donated a PC and a printer

Baseera Forum for Blind

Friends of Berzeit University – library project for loaning books

Silet Al-Dhaher Boys' School – Sponsored an open day

Dukkan Al-Marifa – Partners for Sustainable Development

The Palestinian Forum for Israeli Studies – Madar

Fifth Mathematics Forum

Ateel Boys' School

Ateel Charitable Society

Teachers and staff of universities and institutes union / An-Najah National University Branch

Bait Led Municipality – contributed in honoring graduate students

Student A.A.

Qafeen Municipality – sponsored a graduation ceremony

Hebron's Education Directorate – Honoring students

Silet Al-Dhaher Municipality – sponsored a graduation ceremony

Jenin – donated 30 tablets

Der Al-Hattab village council – sponsored a graduation ceremony

Tulkarem – sponsored a graduation ceremony

Kufur Al-Libid Municipality – sponsored a graduation ceremony

Consolidate parents' council for Silet Al-Dhaher schools

Health and Environment

Increase in diseases is related to lifestyle, lack of physical activity and bad nutritional habits. Therefore, Quds bank encourages various Palestinian sports and clubs, and provides all the support in which it can offer to realize a better healthy life for everyone. Whereas, Quds Bank contributed in supporting numerous activities in this field at an amount of \$3,500.



Health and Environment

Tulkarem's Education Directorate – sponsored a school health festival

Palestinian Nursing and Midwifery Association – central ceremony for northern governorates

Tubas Area Electricity Company – donated to open a generating station project

Relief

Quds Bank is aware of its role in relief of affected groups in community as a result of the current situation. Therefore, Quds Bank has provided services and immediate aid to those in need, and has contributed in several activities in this field at an amount of \$11,250.



Relief

Welfare Association – donated to relief refugees in Gaza

Development

Quds Bank participation in these activities aims at realizing the highest level of social welfare, and bringing about changes as well as encouraging investment of all available human and physical resources. Quds Bank has therefore contributed in many activities in this field at an amount of \$85,119.00.



Development

Sponsored Al-Takhet Al-Sharqi band

Chamber of Commerce and Industry of Nablus – sponsored Jerusalem Exhibition for Palestinian Industries

Fara'a Camp's Public Committee – sponsored the establishment of an entry gate

Rawan for Child Development Association

Salfeet Municipality

Al-Najada Palestinian Charitable Society – a financial donation for a recreational day

Arab Society for Disabled Persons

Gaza Rosary School

Agricultural Commerce and Industrial Chamber – internal tourism has been activated

Engineers Syndicate, Hebron Branch – sponsored the annual meeting ceremony

Kufur Aqab village council – donated to establish a conference hall

Quds Open University – Gaza

Qrawet Bani Hassan Municipality

Der El-Ghosoun Municipality

Quds Open University, Ramallah & Al-Bireh Branch – developed the university

Donated to Khalil Al-Wazeer Association

Lawyers Syndicate

National Security Leadership – planning division

Sports

Quds Bank activities in sports has varied, whether recreational or skills development or support of sports clubs. Thus, it has contributed in many activities in this field at an amount of \$45,308.



Sports

Tamer Khaled Mohammad Baker

Gaza Sports Club

Palestinian Olympic Committee – sponsored the Olympics week

Sinjel Club – uniforms

Bethlehem Islamic Club – sponsored Bethlehem's cultural sports week

The charitable Orthodox League of the Arab Organization for the families of Beit Sahour

Al-Jalaa' Sports Club – sponsored a football team

Culture and Arts

The bank has contributed in numerous artistic activities and in the development of skills through contributing in artistic activities and sponsoring local bands at an amount of \$29,780.



Culture and Arts

Palestine's Children Relief Fund

Al-Bireh Youth Center – sponsored Al-Bireh's Fourth Festival

Berzeit University – sponsored Lyali Berzeit festival

Bait Jala Municipality – sponsored Bait Jala's international festival

Hanthala Cultural Center / Safa / sponsored Safa' festival

Sponsored Masarat Center's fourth annual conference

Social (women, children, disabled persons)

CSR has received special interest whereas, during 2014 Quds Bank has contributed in supporting various sectors through a set of projects and activities distributed among the children and women, education, trade unions and other sectors, at an amount of \$24,237.



Social

A.M.M – financial donation

Allied Social Cultural Association

Isra'a Charitable Society – donated to four people

Z.M. – financial donation

Palestinian Association for Development / Bid – sponsored woman's day

W.N.S. – financial donation

Paid a debt and transferred it to the deceased A.M.

Anabta Sports Club – sponsored a group Iftar

**QUDS BANK
PUBLIC SHAREHOLDING COMPANY, LTD.**

FINANCIAL STATEMENTS

For the year ended December 31, 2015

AND INDEPENDENT AUDITOR'S REPORT

(Translated from the Original Arabic Version)

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**Independent Auditor's Report
To the Shareholders of Quds Bank
Ramallah, Palestine**

We have audited the accompanying financial statements of Quds Bank (a public shareholding company) hereinafter "the Bank", which comprise the statement of financial position as of December 31, 2015 and the statement of income, statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these 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 whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate in 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 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 accompanying financial statements present fairly, in all material respects, the financial position of Quds Bank as of December 31, 2015 and the results of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Hazem Sababa
License number 115/2003
PricewaterhouseCoopers Palestine Limited
March 24, 2016
Ramallah, Palestine

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Note: From Arab Countries Please dial 970 instead of 972

QUDS BANK**(PUBLIC SHAREHOLDING COMPANY, LTD.)**

Financial statements for the year ended December 31, 2015

STATEMENT OF FINANCIAL POSITION

(All amounts are in US Dollars unless otherwise stated)

	Note	2015	2014
ASSETS			
Cash and balances with Palestine Monetary Authority	(4)	155,817,736	119,167,254
Balances at banks and financial institutions	(5)	135,682,637	131,010,848
Financial assets at fair value through statement of income	(6)	96,650	89,974
Direct credit facilities	(7)	432,396,576	336,171,649
Financial assets at fair value through other comprehensive income	(8)	9,382,636	8,632,547
Financial assets at amortized cost	(9)	21,099,666	23,104,089
Property, plant and equipment	(10)	22,267,051	22,515,085
Projects under construction		3,394,078	2,355,923
Intangible assets	(11)	26,007	27,769
Deferred tax assets	(12)	1,066,727	1,066,727
Other assets	(13)	22,930,371	25,220,307
Total assets		804,160,135	669,362,172
LIABILITIES AND EQUITY			
Liabilities			
Banks and financial institutions deposits	(14)	61,933,816	70,396,313
Customers' deposits	(15)	616,676,911	491,282,620
Cash margins	(16)	30,332,561	22,752,072
Borrowed funds	(17)	3,237,471	2,945,879
Sundry provisions	(18)	4,209,224	3,451,866
Taxes provision	(19)	640,823	662,257
Other liabilities	(20)	10,176,878	7,323,882
Total Liabilities		727,207,684	598,814,889
Equity			
Paid -In- capital	(21)	55,000,000	50,000,000
Premium issuance excess of par value	(22)	-	3,000,000
Statutory reserve	(23)	4,283,052	3,481,177
Optional reserve	(23)	-	224,912
General banking risks reserve	(23)	6,598,177	5,100,037
Reserve of cyclical fluctuations	(23)	4,836,775	3,633,963
Fair value reserve	(8)	153,909	(732,512)
Retained earnings		6,080,538	5,839,706
Total equity		76,952,451	70,547,283
Total liabilities and equity		804,160,135	669,362,172

- The notes from (1) to (42) are an integral part of these financial statements.

- The financial statements were authorized for issue by the Bank's Board of Directors on March 2, 2016 and were signed on its behalf.

Mr. Samih Sbaih
General Director

Mr. Akram Jerab
Chairman of the Board

QUDS BANK**(PUBLIC SHAREHOLDING COMPANY, LTD.)**

Financial statements for the year ended December 31, 2015

STATEMENT OF INCOME

(All amounts are in US Dollars unless otherwise stated)

	Note	2015	2014
Interests income	(24)	32,406,955	27,256,357
Interests expense	(25)	(6,985,449)	(5,495,592)
Net Interests Income		25,421,506	21,760,765
Net commissions income	(26)	6,837,801	6,612,220
Net Interests and Commissions Income		32,259,307	28,372,985
Gain from foreign currency exchange		4,198,788	3,063,958
Net gains from financial assets	(27)	403,809	241,457
Recovery of provision for impairment in credit facilities	(7)	1,295,030	951,795
Other revenues	(28)	1,169,343	1,242,201
Gross income		39,326,277	33,872,396
Expenses			
Personnel costs	(29)	12,962,777	10,820,768
Provision for impairment in direct credit facilities	(7)	1,384,993	1,523,411
Other operating expenses	(30)	9,587,110	8,313,172
Depreciation and amortization	(11,10)	2,387,178	2,023,485
Provision for end-of-service indemnity	(18)	987,920	958,656
Palestine Monetary Authority fines	(37)	5,000	-
Total expenses		27,314,978	23,639,492
Profit before taxes		12,011,299	10,232,904
Taxes expense	(19)	(3,992,552)	(3,000,000)
Profit for the year		8,018,747	7,232,904
Basic and diluted earnings per share	(38)	0.146	0.132

- The notes from (1) to (42) are an integral part of these financial statements.

QUDS BANK**(PUBLIC SHAREHOLDING COMPANY, LTD.)**

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STATEMENT OF COMPREHENSIVE INCOME

(All amounts are in US Dollars unless otherwise stated)

	<u>2015</u>	<u>2014</u>
Profit for the year	<u>8,018,747</u>	<u>7,232,904</u>
Other comprehensive income:		
Changes in value of financial assets at fair value through comprehensive income	<u>886,421</u>	<u>(1,677,541)</u>
Other comprehensive income for the year	<u>886,421</u>	<u>(1,677,541)</u>
Total comprehensive income for the year	<u>8,905,168</u>	<u>5,555,363</u>

- The notes from (1) to (42) are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

(All amounts are in US Dollars unless otherwise stated)

	Paid-in capital	Premium issuance excess of par value	Reserves					Retained earnings	Total
			Statutory reserve	Optional reserve	General banking risks reserve	Reserve of cyclical fluctuations	Fair value reserve		
December 31, 2015									
Balance as of January 1, 2015	50,000,000	3,000,000	3,481,177	224,912	5,100,037	3,633,963	(732,512)	5,839,706	70,547,283
Changes during the year:									
Profit for the year	-	-	-	-	-	-	-	8,018,747	8,018,747
Other comprehensive income:									
Changes in fair value for financial assets through comprehensive income	-	-	-	-	-	-	886,421	-	886,421
Total comprehensive income	-	-	-	-	-	-	886,421	8,018,747	8,905,168
Cash dividends (Note 22)	5,000,000	(3,000,000)	-	(224,912)	-	-	-	(2,500,000)	(2,500,000)
Stock dividends (Note 22)	-	-	-	-	-	-	-	(1,775,088)	-
Transferred to reserves	-	-	801,875	-	1,498,140	1,202,812	-	(3,502,827)	-
Balance as of December 31, 2015	55,000,000	-	4,283,052	-	6,598,177	4,836,775	153,909	6,080,538	76,952,451
December 31, 2014									
Balance as of January 1, 2014	50,000,000	3,000,000	2,757,887	224,912	5,805,055	2,549,028	945,029	(289,991)	64,991,920
Changes during the year:									
Profit for the year	-	-	-	-	-	-	-	7,232,904	7,232,904
Other comprehensive income:									
Changes in financial assets at fair value through comprehensive income	-	-	-	-	-	-	(1,677,541)	-	(1,677,541)
Total comprehensive income	-	-	-	-	-	-	(1,677,541)	7,232,904	5,555,363
Transferred to reserves	-	-	723,290	-	(705,018)	1,084,935	-	(1,103,207)	-
Balance as of December 31, 2014	50,000,000	3,000,000	3,481,177	224,912	5,100,037	3,633,963	(732,512)	5,839,706	70,547,283

- The notes on pages from (1) to (42) are an integral part of these financial statements.

QUDS BANK**(PUBLIC SHAREHOLDING COMPANY, LTD.)**

Financial statements for the year ended December 31, 2015

STATEMENT OF CASH FLOWS

(All amounts are in US Dollars unless otherwise stated)

	Note	2015	2014
<u>Operating activities</u>			
Profit for the year before income tax		12,011,299	10,232,904
Adjustments for:			
Depreciation and amortisation	(10,11)	2,387,178	2,023,485
Provision for impairment on direct credit facilities	(7)	1,384,993	1,523,411
Provision for end-of-service indemnity	(18)	987,920	958,656
Litigations provision	(18)	-	(27,233)
Unrealised gain from financial assets through statement of income	(27)	(6,676)	26,070
Loss from disposal of property, plant and equipment		8,960	6,463
		16,773,674	14,743,756
Change in assets and liabilities:			
Cash statutory reserve	(4)	(11,496,770)	(7,688,013)
Deposits at banks and financial institutions (more than 3 months)	(5)	-	2,750,000
Direct credit facilities	(7)	(97,609,920)	(50,345,068)
Other assets	(13)	2,289,936	(6,611,308)
Banks and financial institutions deposits (more than 3 months)	(14)	(1,042,784)	20,997
Customers' deposits	(15)	125,394,291	93,823,077
Cash margins	(16)	7,580,489	3,473,503
Other liabilities	(20)	2,773,786	(290,358)
Net cash from operating activities before tax and provision		44,662,702	49,876,586
End-of-service indemnity paid	(18)	(230,562)	(636,648)
Taxes paid	(19)	(4,013,987)	(4,493,205)
Net cash flows from operating activities		40,418,153	44,746,733
<u>Investing activities</u>			
Sale (purchase) of financial assets through comprehensive income	(8)	136,332	(1,111,618)
Sale (purchase) of financial assets at amortized cost	(9)	2,004,423	(12,246,786)
Purchase of property, plant and equipment	(10)	(3,238,705)	(5,481,093)
Proceeds from sale of property, plant and equipment		54,208	93,251
Net cash used in investing activities		(1,043,742)	(18,746,246)
<u>Financing activities</u>			
Borrowed funds	(17)	291,592	(771,879)
Cash dividends		(2,420,790)	-
Net cash flows used in financing activities		(2,129,198)	(771,879)
Net increase in cash and cash equivalents		37,245,213	25,228,608
Cash and cash equivalents at beginning of year	(35)	136,351,271	111,122,663
Cash and cash equivalents at end of year	(35)	173,596,484	136,351,271

- The notes on pages from (1) to (42) are an integral part of these financial statements.

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(PUBLIC SHAREHOLDING COMPANY, LTD.)

Financial statements for the year ended December 31, 2015

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in US Dollars unless otherwise stated)

NOTE (1) GENERAL

Quds Bank (hereinafter "the Bank") was established on April 2, 1995 in Gaza as a public shareholding company, Ltd under registration number (563200880) according to the Companies Law of the year 1929 with a capital of USD 20,000,000 divided into 20,000,000 shares at a par value of USD 1 per share. The Bank increased its capital on August 20, 2005 to become USD 25,000,000 with the same par value. The Bank increased its capital again in 2006 to reach USD 50,000,000 with a par value of USD 1 per share. On June 5, 2011, the General Assembly decided in its extraordinary meeting to raise the Bank's capital to USD 100,000,000 and assigned the Bank's Board of Directors to execute this decision during the subsequent years.

The Bank increased its capital on April 27, 2015 to become USD 55,000,000 with a par value of USD 1 per share.

The Bank commenced its activities in Palestine on January 18, 1997. The Bank's main objectives are providing banking and related financial services through lending, financing, opening accounts and letters of credit, accepting deposits, and trading in different currencies through its (23) branches in Palestine, in addition to (8) offices.

The Bank is subject to the Banks Law and the instructions of the Palestine Monetary Authority (PMA).

The Bank's shares were listed for trading in Palestine Exchange Market in the year 2005.

The number of the Bank's employees (Headquarter and branches) as of December 31, 2015 was (633) employee, and (555) employee as of December 31, 2014.

These financial statements have been approved by the Board of Directors in its meeting held on March 2, 2016 and are subject to Palestine Monetary Authority and General Shareholders Assembly approvals.

NOTE (2) BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards "IFRSs" and IFRS Interpretations Committee (IFRS IC), Local prevailing laws and the instructions of the Palestine Monetary Authority (PMA).

The financial statements have been prepared under the historical cost convention except for the financial assets that have been measured at fair value at the date of the financial statements.

The reporting currency of these financial statements is the US Dollars which is the functional currency of the Bank.

The financial statements include the financial statements of the branches of the Bank and the financial statements of the headquarter in Ramallah. The financial statements were combined after offsetting the inter-bank accounts between headquarter and the branches. The outstanding inter-bank transactions between headquarter and the branches are included under the other assets and liabilities in the statement of financial position.

The preparation of financial statements in conformity with International Financial Reporting Standards "IFRSs" requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Any change in those estimates could materially impact the financial statements in the period in which the change occurred. The management believes that the used estimates and underlying assumptions are appropriate, and that the financial statements present the Bank's financial position fairly. The areas that involve high degree of judgment or complexity, or the areas involving estimates significant to the financial statements are disclosed in Note (3-22).

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Financial statements for the year ended December 31, 2015

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in US Dollars unless otherwise stated)

NOTE (3) ACCOUNTING POLICIES

The accounting policies applied in the preparation of the financial statements are consistent with those used in the preparation of the Bank's annual financial statements for the year ended December 31, 2014 except for the information presented in note (3-1).

3-1 Changes in accounting policies and disclosures

The accounting policies used in the preparation of the financial statements are consistent with those used in the previous year except for the implementations of new standards and amendments on existing standards as mentioned below, which doesn't have material effect on the financial statements for the year ended 31 December 2015.

(a) New and amended standards adopted by the Bank

- Annual Improvements to IFRSs – 2010-2012 Cycle and 2011 – 2013 Cycle
- Annual Improvements to IFRSs 2012-2014 Cycle, and
- Disclosure Initiative: Amendments to IAS 1.

As these amendments and improvements merely clarify the existing requirements, they do not affect the Bank's accounting policies or any of the disclosures.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2015 and not early applied by the Bank

IFRS 15 Revenue from Contracts with Customer: The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18, which covers contracts for goods and services, and IAS 11, which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. The standard should be adopted mandatory for financial years commencing on or after 1 January 2018.

IFRS 9 Financial Instruments: IFRS 9 addresses the classification, measurement, derecognition of financial assets and financial liabilities, and introduces new rules for hedge accounting. In July 2014, the IASB made further changes to the classification and measurement rules and introduced a new impairment model. These latest amendments now complete the new financial instruments standard and must be applied for financial years commencing on or after 1 January 2018.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Bank in the current or future reporting periods and on foreseeable future transactions.

3-2 Segment information

Statements of operating segments are presented in consistency with the internal reports given to the operating decision maker. The operating decision maker is the Board of Directors and is responsible for allocating the resources on the operating segments and evaluating its performance.

The revenues and expenses directly related to each segment are used to determine the performance of operating segments. Moreover, internal reports are concerned with credit concentration and outcomes' analysis according to business, economic and geographic sectors as disclosed in Note (31).

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Financial statements for the year ended December 31, 2015

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in US Dollars unless otherwise stated)

3-3 Direct credit facilities

Direct credit facilities represents financial assets with fixed or determinable payments and fixed maturities that are not traded in active markets. They are not entered with the intention of immediate or short-term resale.

Direct credit facilities are recorded at amortized cost after deducting the provision for impairment in direct credit facilities and suspended interest and commissions.

A provision for the impairment in direct credit facilities is recognized when it is obvious that the financial assets of the Bank cannot be recovered, there is an objective evidence of the existence of an event negatively affecting the future cash flows of the direct credit facilities, and the impairment amount can be estimated. The provision is recorded in the statement of income.

Interest and commissions on non-performing credit facilities are suspended in accordance with the regulations of the Palestine Monetary Authority.

Interest and commissions are suspended for classified facilities.

Impaired credit facilities, for which specific provisions have been recorded, are written off by charging the provision after all efforts have been made to recover the assets. Any surplus in the provisions is taken to the statement of income, while debt recoveries are recorded as income.

3-4 Financial assets at fair value through statement of income

It is the financial assets held by the Bank for the purpose of trading in the near future and achieving gains from the fluctuations in market prices in the short term or trading margins.

Financial assets at fair value through statement of income are initially stated at fair value at acquisition date (purchase costs are recorded at the statement of income upon acquisition) and subsequently measured at fair value. Moreover, changes in fair value are recorded in the statement of income. Gains or losses resulting from the sale of these financial assets are taken to the statement of income.

Dividends and interests from these financial assets are recorded in the statement of income.

It is not allowed to reclassify any financial assets to / from this category except for the cases specified in International Financial Reporting Standards.

It is not allowed to classify any financial assets that do not have prices in active markets and active dealings under this item.

3-5 Financial assets at fair value through other comprehensive income

Those financial assets represent the investments in equity instruments held for long term.

Financial assets at fair value through other comprehensive income are initially stated at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in the statement of other comprehensive income and within equity. Gain or loss from the sale of these investments should be recognized in the statement of comprehensive income and within equity, and the balance of the evaluation reserve for these sold financial assets should be transferred directly to the retained earnings not to the statement of income.

No impairment testing is required for those assets. Dividends are recorded in the statement of income.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in US Dollars unless otherwise stated)

3-6 financial assets at amortized cost

Financial assets at amortized cost are the financial assets which the Bank's management intends according to its business model to hold for the purpose of collecting the contractual cash flows which comprise the contractual cash flows that are solely payments of principal and interest on the principal outstanding balance.

Financial assets are recorded at cost upon purchase plus acquisition expenses. Moreover, the issue premium/ discount is amortized using the effective interest rate method, and recorded to interest account. Provisions associated with the decline in value of these investments leading to the inability to recover the investment or parts thereof are deducted. Any impairment is recorded in the statement of income and should be presented subsequently at amortized cost less any impairment losses.

The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

It is not allowed to reclassify any financial assets from / to this category except for certain cases specified in the International Financial Reporting Standards (and in the case of selling those assets before its maturity date, the results should be recorded in a separate item in the statement of income, disclosures should be made in accordance to the requirements of International Financial Reporting Standards).

3-7 Fair Value

Fair value represents the closing market price (Acquisition of assets/ Sale of liabilities) of financial assets and derivatives on the date of the financial statements. In case the declared market prices do not exist, active trading of some financial assets and derivatives is not available, or the market is inactive, fair value is estimated by one of several methods including the following:

- Comparison with the fair value of another financial asset with similar terms and conditions.
- Analysis of the estimated future cash flows and discounted cash flows at current rates applicable for items with similar terms and risk characteristics.

Evaluation of long term assets and liabilities that bears no interest in accordance to discounted cash flows and using effective interest rate, premiums and discounted are amortized within interest income or expense in the statement of income.

The evaluation methods aim to provide a fair value reflecting the expectations of the market, and take into consideration market factors, risks and expected benefits, at the time of evaluation of the financial instruments. In case the fair value of financial instruments cannot be measured reliably, it is stated at cost less any impairment.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in US Dollars unless otherwise stated)

3-8 Impairment of the value in Financial Assets

The Bank reviews the values of financial assets at the date of the statement of financial position in order to determine if there are any indications of impairment in their value individually or in the form of a portfolio. In case such indications exist, the recoverable value is estimated in order to determine the impairment loss.

Impairment is determined as follows:

Collective valuation of credit facilities

When the value of individually assessed credit facilities have been re-estimated and when there is no existing evidence of impairment, the possibility of losses based on risk estimates and changes in the market conditions are very likely.

Impairment provisions cover losses that may result from individual performing loans whose value has declined on the reporting date of statement of financial position, but has not been identified separately as impaired value except during subsequent periods.

Expected impairment in value is calculated by the Bank's management for each distinctive portfolio in accordance with the Palestine Monetary Authority's requirements and based on previous experiences, credit classification and expected change in loan conditions in addition to estimated implied losses that reflects the reality of the economic environment and credit status.

Impairment of financial assets at amortized cost

Impairment in financial assets recorded at amortized cost represents the difference between the book value and the present value of the expected cash flows discounted at the original effective interest rate.

The impairment loss is recorded in the statement of income, and any surplus in subsequent years resulting from impairment loss is recorded in the statement of income for debt instruments and in the statement of comprehensive income for equity instruments. Long term non-interest bearing financial assets and liabilities are evaluated based on discounted cash flows and effective interest rate, and the premium/discount is amortized in interest received/paid in the statement of income.

The evaluation methods aim to reach a fair value that reflects the market's expectations taking into consideration market factors and any risks or expected benefits when evaluating the financial instruments.

3-9 Property, plant and equipment

Property, plant and equipment are stated at cost net of accumulated depreciation (except for land) and any impairment in value. Cost includes expenditures that are directly attributable to the acquisition of the items; all other expenditures are recorded in the statement of income when incurred. Moreover, property, plant and equipment (except for land) are depreciated according to the straight-line method over their estimated useful lives using the following rates:

	<u>%</u>
Buildings	2%
Fixtures and furniture	10%
Computers and software	20%
Vehicles	10%
Improvements	10%

When the carrying values of these assets exceed their recoverable values, assets are written down to the recoverable value, and impairment losses are recorded in the statement of income.

The useful lives of these assets are reviewed at the end of each year. In case the expected useful life is different from what was determined before, the change in estimate is recorded in the following years, being a change in estimate.

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These assets are derecognized when disposed of or when there is no expected future benefit from their use or disposal.

3-10 Intangible assets

Intangible assets are to be classified on the basis of either definite or indefinite useful life. Intangible assets with definite useful economic lives are amortized over their useful lives and recorded as an expense in the statement of income. Intangible assets with indefinite lives are reviewed for impairment as of the financial statements date, and impairment loss is treated in the statement of income as an expense for the period.

No capitalization of internally generated intangible assets resulting from the Bank's operations is made. They are rather recorded as an expense in the statement of income for the period.

Any indications of impairment in the value of intangible assets as of the financial statements date are reviewed. Furthermore, the estimated useful lives of the impaired intangible assets are reassessed, and any adjustment is made in the subsequent period.

The Bank's management estimates the useful lives of items of intangible assets as of the financial statements date. Intangible assets are amortized on a straight line method.

3-11 Assets acquired in settlement of debt

Assets acquired by the Bank are stated in the statement of financial position under "other assets" and is stated at the lower of acquired value or fair value. Assets are re-assessed on the date of the financial statements at individual fair value; any impairment in the value is recorded in the statement of income and any gain shall not be recorded as revenue. Subsequent increase is included in the statement of income to the extent of the impairment in value which was previously recorded.

In accordance with Palestine Monetary Authority instructions, all properties and real-estates that are acquired as settlement of debts are retained for a period of 2 years from acquisition date, and this period can be extended for another 3 years.

3-12 Other provisions

Provisions are recognized when the Bank has obligations on the date of the financial position as a result of past events, and it is probable that the Bank will settle the obligations, and a reliable estimate can be made for the amount of the obligation. The Bank provides in the statement of income for any obligation or probable commitments in accordance with expected value and probability to be realized on the date of financial position.

3-13 End of service indemnity

End-of-service indemnity are provided for in accordance with the labour law in Palestine. Amounts provided for are recorded in the statement of income and the paid amounts for terminated employees are reduced from the provision for end of service indemnity.

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NOTES TO THE FINANCIAL STATEMENTS

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3-14 Income tax

Tax expense represents the amounts of accrued and deferred taxes.

Accrued tax expense is calculated on the basis of taxable profit. Taxable profit differs from what is reported in the financial statements, because the reported profit include a non-taxable revenues, or expenses that are not allowed in the financial year but in subsequent years, or the accumulated losses that are acceptable for tax set off, or items that are non-taxable or are not allowed for tax purposes.

Taxes are calculated on the basis of the tax rates prescribed according to the prevailing laws, regulations, and instructions in Palestine.

Deferred taxes are taxes expected to be paid or recovered as a result of temporary timing differences between the value of the assets and liabilities in the financial statements and the value of the taxable amount. Deferred tax is calculated on the basis of the liability method in the statement of financial position according to the rates expected to be applied when the tax liability is settled or deferred tax assets are recognized.

Deferred tax assets are reviewed as of the date of the financial statements, and reduced in case it is expected that no benefit will arise therefrom, partially or totally.

3-15 Offsetting

Financial assets and financial liabilities are offset, and the net amount is reflected in the statement of financial position only when there are legal rights to offset the recognized amounts, the Bank intends to settle them on a net basis, or assets are realized and liabilities are settled simultaneously.

3-16 Income and expenses recognition

Interest income is realized by using the effective interest rate method, except for interest and commission on non-performing loans which are not recognized as revenue but recorded in the interest and commission in suspense account until they are received in cash.

Expenses are recognized on the accrual basis. Commission's income is recorded as revenue when the related services are provided. Dividends are recorded when realized (decided upon by the General Assembly of Shareholders).

3-17 Recognition of Financial Assets

Financial assets are recognized on the trading date which is the date the Bank commits itself to purchase or sell the financial assets.

3-18 Financial derivatives and hedge accounting

For hedge accounting purposes, financial derivatives are stated at fair value. Hedges are classified as follows:

Hedging for fair value:

Hedge for the change in the fair value exposures of the Bank's assets and liabilities.

When the conditions of effective fair value hedge are met, the resulting gain or loss from re-measuring the fair value hedge is recognized in the statement of income.

When the conditions of effective portfolio hedge are met, the gain or loss resulting from the revaluation of the hedging instrument at fair value as well as the change in the fair value of the assets or liabilities portfolio are recorded in the statement of income for the same period.

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Hedging for cash flows:

Hedge for the change in the current and expected cash flows exposures of the Bank's assets and liabilities.

When the conditions of effective cash flow hedge are met, the gain or loss of the hedging instruments is recognized in the statement of other comprehensive income and within equity. Such gain or loss is transferred to the statement of income in the period in which the hedge transaction impacts the statement of income.

Hedging for net investment in foreign entities:

When the conditions of the hedge for net investment in foreign entities are met, fair value is measured for the hedging instrument of the hedged net assets. In case of an effective relationship, the effective portion of the loss or profit related to the hedging instrument is recognized in the statement of other comprehensive income and in owner's equity. The ineffective portion is recognized in the statement of income. The effective portion is recorded in the statement of income when the investment in foreign entities is sold.

When the conditions of the effective hedge do not apply, gain or loss resulting from the change in the fair value of the hedging instrument is recorded in the statement of income in the same period.

3-19 Foreign currency

Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the date of the transaction.

Financial assets and financial liabilities denominated in foreign currencies are translated at the average rates prevailing on the statement of financial position date and using the rates declared by the Palestine Monetary Authority.

Non-monetary assets and liabilities denominated in foreign currencies and recorded at fair value are translated on the date when their fair value is determined. Gains or losses resulting from foreign currency translation are recorded in the statement of income.

Translation differences on non-monetary assets and liabilities denominated in foreign currencies are recorded as part of the change in fair value.

3-20 Cash and cash equivalents

Cash and cash equivalents are the cash and cash balances maturing within three months. Cash and cash equivalents comprise cash balances with the Palestine Monetary Authority, deposits at banks and financial institutions and is reduced by banks and financial institutions deposits maturing within three months and restricted balances including the statutory reserve with the Palestine Monetary Authority.

3-21 Related parties

The Board of Directors members and administrative officers are considered related parties.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in US Dollars unless otherwise stated)

3-22 Accounting Estimates

Preparation of the financial statements and the application of the accounting policies require the Bank's management to perform assessments and assumptions that affect the amounts of the financial assets and liabilities, fair value reserve and the disclosure of contingent liabilities. Moreover, these assessments and assumptions affect revenues, expenses, provisions, and changes in the fair value shown within the statement of other comprehensive income. In particular, this requires from Bank's management to make significant judgments and assumptions to assess future cash flow amounts and their timing. Moreover, the said assessments are based on assumptions and factors with varying degrees of consideration and uncertainty. In addition, actual results may differ from assessments due to the changes resulting from the conditions and circumstances of those assessments in the future.

The management of the bank believes that the assumptions and estimates in the financial statements were reasonable and they are as follows:

- A provision is set against the lawsuits raised against the Bank. This provision is subject to an adequate legal study prepared by the Bank's legal advisors. Moreover, the study highlights potential risks that the Bank may encounter in the future. Such legal assessments are reviewed periodically.
- A provision for performing and non-performing loans is taken on the bases and estimates approved by the Bank's management in conformity with International Financial Reporting Standards (IFRS). The outcome of these bases and estimates is compared against the adequacy of the provisions as per the Palestine Monetary Authority's instructions. The strictest outcome that conforms to International Financial Reporting Standards is used for determining the provision.
- Impairment loss is booked after a sufficient and recent evaluation of the assets seized by the Bank has been conducted by approved surveyors. The impairment loss is reviewed periodically.
- Management periodically reassesses the economic useful lives of tangible and intangible assets for the purpose of calculating annual depreciation and amortization based on the general condition of these assets and the assessment of their useful economic lives expected in the future. Impairment loss (if any) is taken to the statement of income.
- Management records the annual taxes expenses according to the local laws and regulations and the accounting standards. The Management also calculates the deferred tax assets and liabilities and income tax provision as required.
- Provision for End-of-Service indemnity is calculated according to the Palestinian Labor law.
- Management frequently reviews the financial assets stated at cost to estimate any decline in their value. Impairment loss (if any) is taken to the statement of income as an expense for the year.
- The Bank determines and discloses the level in the fair value hierarchy into which the fair value measurements are categorized in their entirety, segregating fair value measurements in accordance with the levels defined in IFRS. Differentiating between Level 2 and Level 3 fair value measurements, i.e., assessing whether inputs are observable and whether the unobservable inputs are significant, may require judgment and a careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability.

Management believes that the estimates used in the preparation of the financial statements are reasonable and appropriate.

QUDS BANK**(PUBLIC SHAREHOLDING COMPANY, LTD.)**

Financial statements for the year ended December 31, 2015

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in US Dollars unless otherwise stated)

NOTE (4) CASH AND BALANCES WITH PALESTINE MONETARY AUTHORITY

Details:

	2015	2014
Cash in boxes and treasury	85,347,718	49,934,842
Balances at PMA		
Current and demand accounts	14,499,945	24,759,109
Statutory cash reserve *	55,970,073	44,473,303
	155,817,736	119,167,254

According to Palestine Monetary Authority (PMA) instructions No. (67/2010), the Bank is required to maintain a 9% statutory cash reserve with Palestine Monetary Authority of all customer deposits for all currencies. According to circulate No. (2/2012) the outstanding balance of the facilities granted in Jerusalem are deducted for some sectors before calculating the statutory cash reserve.

- Palestine Monetary Authority does not pay interest on these reserves based on the above instructions.

- Palestine Monetary Authority pay interest on capital deposits according to the prevailing interest rates in the market after deducting commission.

- According to the above instructions, the Bank is required to transfer 20% of the statutory reserve to a non-fixed balance and is added to the current accounts with PMA and the remaining 80% is maintained as fixed account.

NOTE (5) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

Details:

	2015	2014
<u>Local banks and financial institutions</u>		
Deposit maturing within (3) months	58,710,024	49,629,354
	58,710,024	49,629,354
<u>Foreign banks and financial institutions</u>		
Current and demand accounts	40,574,560	25,033,764
Deposit maturing within (3) months	36,398,053	56,347,730
	76,972,613	81,381,494
	135,682,637	131,010,848

The non-interest bearing balances at banks and financial institutions amounted to USD 40,574,560 as of December 31, 2015 and USD 25,033,764 as of December 31, 2014.

The restricted balances as of December 31, 2015 amounted to USD 141,813.

QUDS BANK**(PUBLIC SHAREHOLDING COMPANY, LTD.)**

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NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in US Dollars unless otherwise stated)

NOTE (6) FINANCIAL ASSETS AT FAIR VALUE THROUGH STATEMENT OF INCOME

This item represents quoted stocks in Palestine Exchange at fair value amounted to USD 96,650 and USD 89,974 as of December 31, 2015 and 2014 respectively.

NOTE (7) DIRECT CREDIT FACILITIES

Details:

	2015	2014
Loans	385,845,924	298,652,926
Overdraft accounts	48,147,851	39,361,062
Discounted bills	2,238,804	1,694,373
	436,232,579	339,708,361
Less:		
Suspended interest and commissions	(512,870)	(555,142)
Provision for impairment of direct credit facilities	(3,323,133)	(2,981,570)
	432,396,576	336,171,649

- Loans and bills represents the net amount after deducting interest and commissions received in advance, in the amount of USD 655,072 as at December 31, 2015 (USD 436,140 as at December 31, 2014).
- The amount of the gross non-performing direct credit facilities in accordance with the instructions of the Palestine Monetary Authority, is USD 9,854,273 representing (2.26%) of the total direct credit facilities as of December 31, 2015 compared to USD 9,669,074 as of December 31, 2014 representing (2.85%) of the total direct credit facilities.
- The gross of non-performing credit facilities excluding interest and commissions in suspense amounted to USD 9,341,402 which is equivalent to (2.14%) of total direct credit facilities as of December 31, 2015 compared to USD 9,113,935 representing (2.68%) of the balance of the direct credit facilities as of December 31, 2014 after excluding interest in suspense.
- The non-performing facilities as of December 31, 2015 amounted to USD 8,497,659 compared to USD 8,803,899 as of December 31, 2014.
- The value of the non-performing credit facilities for a period more than 6 years amounted to USD 6,962,273 as of December 31, 2015 compared to USD 7,406,108 as of December 31, 2014.
- Total loans and bank overdrafts granted to the Palestine National Authority and its ministries amounted to USD 137,545,957 as of December 31, 2015 representing (31.53%) of direct credit facilities compared to USD 130,436,514 as of December 31, 2014 representing (38.40%) of direct credit facilities.
- The fair value of collateral against the credit facilities amounted to USD 63,336,630 as of December 31, 2015 compared to USD 54,819,349 as of December 31, 2014.
- The total credit facilities granted to public sector employees amounted to USD 109,529,492 as of December 31, 2015 compared to USD 52,507,276 as of December 31, 2014.
- The total credit facilities granted to non-residents amounted to USD 2,940,212 as of December 31, 2015 compared to USD 424,157 as of December 31, 2014.

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The movement on suspended interests is as follows:

	2015	2014
Balance at beginning of the year	555,142	1,110,004
Add: suspended interests for the year	32,726	23,452
Interests transferred to revenue	(2,802)	(850)
Suspended interests written-off	(4,986)	(37,686)
Interest rescheduled and disposed during the year	(62,944)	(71,102)
Suspended interest over facilities non-performing for more than 6 years	(1,812)	(436,588)
Currency variance	(2,454)	(32,088)
Balance at end of the year	512,870	555,142

The movement on the provision for impairment in direct credit facilities is as follows:

	2015	2014
Balance at beginning of the year	2,981,570	3,153,676
Add: Additions for the year	1,384,993	1,523,411
Provision transferred to revenue	(989,414)	(757,086)
Written-off during the year	(45,144)	(62,395)
Provisions over facilities non-performing for more than 6 years	(4,710)	(731,400)
Currency variance	(4,162)	(144,636)
Balance at end of the year	3,323,133	2,981,570

The movement on the provision for impairment in direct credit facilities, for more than (6) years is as follows:

	2015	2014
Balance at beginning of the year	7,382,638	8,434,815
Transferred from provisions over facilities non- performing for more than 6 years	4,710	731,400
Bad debt	(133,587)	(1,154,985)
Disposals	(305,616)	(194,709)
Currency variance	(4,605)	(433,883)
Balance at end of the year	6,943,540	7,382,638

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NOTES TO THE FINANCIAL STATEMENTS

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Distribution of credit facilities (before allowance for doubtful accounts) on the economic sectors:

	2015	2014
<u>Public sector</u>		
Palestinian National Authority	137,545,957	130,436,514
Palestinian Local Authorities	-	21,119
Other public sector non-financial institutions	26,748	-
	137,572,705	130,457,633
<u>Private sector</u>		
<u>Constructions and real estate</u>		
Constructions	40,645,203	15,926,304
Establish and improve the housing conditions	10,325,134	5,118,204
Real estate, business and investment	1,352,680	1,178,848
	52,323,017	22,223,356
<u>Lands</u>		
For Investment	3,312,668	1,928,226
	3,312,668	1,928,226
<u>Industry and mineral sector</u>		
Industry	19,773,746	12,237,381
	19,773,746	12,237,381
<u>Public trade sector</u>		
Internal trade	92,061,152	68,027,331
	92,061,152	68,027,331
<u>Agriculture and livestock sector</u>		
Agriculture	24,711,376	9,730,435
livestock	6,537,579	1,128,588
	31,248,955	10,859,023
<u>Tourism and other restaurants and hotels sector</u>	4,720,790	4,596,618
<u>Transportation</u>	2,340,886	10,551,688
<u>Services sector</u>		
Financial services	7,152,503	10,090,577
<u>Public services sector</u>		
Communications	315,950	284,006
Health	302,077	240,122
Education	1,133,982	1,035,920
Public utilities	5,639,567	4,766,115
Professionals	5,051,702	4,071,125
	19,595,781	20,487,865
<u>Financing investment and financial instruments</u>		
Other	230,000	-
<u>Cars Financing</u>	530,404	4,403,794
<u>Finance consumer goods</u>		
Credit cards	1,416,216	1,600,276
Other	25,222,434	18,020,922
Others in the private sector	45,370,955	33,759,106
	72,009,605	53,380,304
Total public and private sector facilities	435,719,709	339,153,219

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Financial statements for the year ended December 31, 2015

NOTES TO THE FINANCIAL STATEMENTS

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Credit facilities guaranteed by the loans guarantee institutions are as follows:

2015

Facility Type	Amount	Outstanding balance	Carrying Percentage	Non-Performing
Direct Facilities	7,975,121	5,203,172	30%	-
Direct Facilities	430,000	349,573	15% - 40%	-
	8,405,121	5,552,745		-

2014

Facility Type	Amount	Outstanding balance	Carrying Percentage	Non-Performing
Direct Facilities	7,456,472	5,138,586	30%	226,935
	7,456,472	5,138,586	30%	226,935

NOTE (8) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Details:

	<u>2015</u>	<u>2014</u>
Quoted shares	9,111,136	8,351,047
Unquoted shares	271,500	281,500
	9,382,636	8,632,547

The movement on fair value reserve is as follow:

	<u>2015</u>	<u>2014</u>
Balance at beginning of the year	(732,512)	945,029
Unrealised gain (loss)	886,421	(1,677,541)
Balance at end of the year	153,909	(732,512)

NOTE (9) FINANCIAL ASSETS AT AMORTIZED COSTS

Details:

December 31, 2015	Governmental Bonds	Quoted bonds	Total
Financial asset at amortized cost (local)	-	980,000	980,000
Financial asset at amortized cost (Foreign)	12,183,355	7,936,311	20,119,666
	12,183,355	8,916,311	21,099,666
December 31, 2014	Governmental Bonds	Quoted bonds	Total
Financial asset at amortized cost (local)	-	980,000	980,000
Financial asset at amortized cost (Foreign)	13,692,820	8,431,269	22,124,089
	13,692,820	9,411,269	23,104,089

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NOTE (10) PROPERTY, PLANT AND EQUIPMENT

Details:

<u>Cost</u>	<u>Lands</u>	<u>Buildings</u>	<u>Fixtures and furniture</u>	<u>Computers and software</u>	<u>Vehicles</u>	<u>Improvements</u>	<u>Total</u>
January 1, 2015	5,513,219	4,059,034	3,230,412	10,036,738	721,410	10,651,867	34,212,680
Additions	-	-	186,446	928,079	25,000	1,061,025	2,200,550
Disposals	-	-	(3,462)	(253,190)	-	(35,866)	(292,518)
December 31, 2015	5,513,219	4,059,034	3,413,396	10,711,627	746,410	11,677,026	36,120,712

Accumulated depreciation

January 1, 2015	-	479,444	1,353,424	5,648,331	259,973	3,956,423	11,697,595
Additions	-	81,181	301,001	873,358	72,764	1,057,112	2,385,416
Disposals	-	-	(3,290)	(193,100)	-	(32,960)	(229,350)
December 31, 2015	-	560,625	1,651,135	6,328,589	332,737	4,980,575	13,853,661
Net book value December 31, 2015	5,513,219	3,498,409	1,762,261	4,383,038	413,673	6,696,451	22,267,051

Cost

January 1, 2014	5,513,219	4,059,034	2,546,736	8,334,473	788,088	7,396,795	28,638,345
Additions	-	-	683,676	1,722,806	20,300	3,282,489	5,709,271
Disposals	-	-	-	(20,541)	(86,978)	(27,417)	(134,936)
December 31, 2014	5,513,219	4,059,034	3,230,412	10,036,738	721,410	10,651,867	34,212,680

Accumulated depreciation

January 1, 2014	-	398,264	1,092,208	4,872,533	195,757	3,152,333	9,711,095
Additions	-	81,180	261,216	781,249	74,362	823,714	2,021,721
Disposals	-	-	-	(5,451)	(10,146)	(19,624)	(35,221)
December 31, 2014	-	479,444	1,353,424	5,648,331	259,973	3,956,423	11,697,595
Net book value December 31, 2014	5,513,219	3,579,590	1,876,988	4,388,407	461,437	6,695,444	22,515,085

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NOTE (11) INTANGIBLE ASSETS

Details:

	2015	2014
Balance at beginning of the year	27,769	29,533
Less: Amortization for the year	(1,762)	(1,764)
Balance at end of the year	26,007	27,769

NOTE (12) DEFERRED TAX ASSETS

Details:

	2015	2014
Balance at beginning of the year	1,066,727	1,066,727
Provision for end-of-service indemnity	-	-
Litigation provision	-	-
Balance at end of the year	1,066,727	1,066,727

NOTE (13) OTHER ASSETS

Details:

	2015	2014
Claims under collections	13,401,207	14,005,133
Interest accrued	1,998,963	1,044,113
Assets acquired against settlement of customer debts *	1,746,241	3,177,721
Properties held for sale *	1,431,480	-
Prepaid expenses	1,321,897	1,197,125
Payments to investment account	1,214,580	1,137,117
Net debit forward deals **	971,636	3,849,246
Refundable legal fees	351,240	361,734
Forward deals (Clients)	341,354	-
Stationery and publications inventory	151,773	126,328
Others	-	321,790
	22,930,371	25,220,307

* According to the Palestine Monetary Authority instructions, the Bank must sell the buildings and land that reverted to the Bank for the settlement of customers' debts within two years from the date of its acquisition, and can be extended up to another 3 years as a maximum.

Following is a summary of movement on assets acquired against settlement of customer debts by the Bank:

	2015	2014
Balance at beginning of the year	3,177,721	1,749,830
Add: Seized properties during the year	-	1,427,891
Less: Transferred to properties held for sale	(1,431,480)	-
Balance at end of the year	1,746,241	3,177,721

** The following is forward deals summary as of December 31, 2015:

	Net credit forward deals	Net debit forward deals	Total nominal value
Forward Deals			
Forward deals (Buy)	-	(971,636)	(41,666,445)
Forward deals (Sell)	12,734	-	40,707,543
	12,734	(971,636)	(958,902)

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NOTE (14) BANKS AND FINANCIAL INSTITUTIONS DEPOSITS

Details:

	2015	2014
<u>Local banks and financial institutions</u>		
Overdraft and demand accounts	320,536	97,134
Term deposits maturing within three months	58,613,280	69,256,395
Deposits maturing in more than three months	-	1,042,784
<u>Foreign banks and financial institutions</u>		
Term deposits maturing within three months	3,000,000	-
	<u>61,933,816</u>	<u>70,396,313</u>

NOTE (15) CUSTOMERS' DEPOSITS

Details:

	2015	2014
Current and demand deposits	209,860,975	173,754,498
Saving deposits	217,314,971	176,842,512
Time deposits subject to notes	189,500,965	140,685,610
	<u>616,676,911</u>	<u>491,282,620</u>

- The total public sector deposits as of December 31, 2015 amounted to USD 27,923,494 equivalent to (4.5%) of total customer's deposits against USD 13,053,465 equivalent to (2.7%) of total customer's deposits as of December 31, 2014.
- The total non-interest bearing deposits as of December 31, 2015 amounted to USD 212,011,895 which is equivalent to (34.38%) of total customers' deposits against USD 158,256,778 which is equivalent to (32.21%) of total customers' deposits as of December 31, 2014.
- The total dormant deposits as of December 31, 2015 amounted to USD 8,256,508 which is equivalent to (1.3%) of total customers' deposits against USD 8,819,245 which is equivalent to (1.8%) of total customers' deposits as of December 31, 2014.
- The total deposits in foreign currencies as of December 31, 2015 amounted to USD 387,461,451 against USD 301,450,638 as of December 31, 2014.
- The total non-resident deposits as of December 31, 2015 amounted to USD 8,434,077 against USD 7,915,206 as of December 31, 2014.

NOTE (16) CASH MARGINS

Details:

	2015	2014
Cash margins against direct facilities	18,493,249	14,803,467
Cash margins against indirect facilities	4,190,670	3,280,829
Other cash margins	7,648,642	4,667,776
	<u>30,332,561</u>	<u>22,752,072</u>

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NOTE (17) BORROWED FUNDS

This amount represents the outstanding balance of the Palestine Mortgage and Housing Corporation as of December 31, 2015 to finance the housing loans granted by Quds Bank for a period up to five years. According to the agreement between Quds Bank and Palestine Mortgage and Housing Corporation dated June 4, 2014, the interest rate is determined upon the request of the refinancing loans.

NOTE (18) SUNDRY PROVISIONS

Details:

December 31, 2015	Balance at beginning of the year	Provision for the year	Paid during the year	Balance at end of the year
Provision for end-of-service indemnity	3,349,099	987,920	(230,562)	4,106,457
Litigations provision	102,767	-	-	102,767
	<u>3,451,866</u>	<u>987,920</u>	<u>(230,562)</u>	<u>4,209,224</u>
December 31, 2014	Balance at beginning of the year	Provision for the year	Paid during the year	Balance at end of the year
Provision for end-of-service indemnity	3,027,091	958,656	(636,648)	3,349,099
Litigations provision	130,000	-	(27,233)	102,767
	<u>3,157,091</u>	<u>958,656</u>	<u>(663,881)</u>	<u>3,451,866</u>

NOTE (19) Taxes provision

Following is a summary of movement on the provision for income tax for the year ended December 31, 2015 and 2014:

	2015	2014
Beginning balance, beginning of the year	<u>662,257</u>	<u>2,155,462</u>
Provision for the year	3,992,552	3,000,000
Prior year's taxes	(338,872)	-
Paid during the year	<u>(3,675,114)</u>	<u>(4,493,205)</u>
Ending balance, end of the year	<u>640,823</u>	<u>662,257</u>

The Bank has obtained a final settlement with the income tax department till the end of the year 2012. As of the financial statements date, the Bank has not reached a final settlement with the income tax department for the years 2013 and 2014. The Bank's tax consultant is currently working for a final settlement with income tax department for the years 2013 and 2014.

Income tax provision for the year ended December 31, 2015 and 2014 was calculated according to applicable laws and regulations and International Financial Reporting Standards.

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The following is a reconciliation between accounting and tax profit:

	2015	2014
Accounting profit	12,011,299	10,232,904
VAT taxable profit	6,619,674	9,277,340
<u>Less:</u>		
Value added tax (VAT)	(913,058)	(1,279,633)
Value added tax (VAT) on salaries	(1,736,736)	(1,068,649)
<u>Add:</u>		
Revenues from outside Palestine and subject to income tax	902,508	799,986
Taxable profit for income tax, net of VAT	4,872,388	7,729,044
Income Tax	730,858	1,535,535
Total calculated VAT and income tax	1,643,916	2,815,168
Income tax allocated for the year	3,653,680	3,000,000

NOTE (20) OTHER LIABILITIES

Details:

	2015	2014
Accrued interests	1,960,452	1,117,536
Accrued expenses	263,136	138,300
Checks and money orders payment	4,670,751	3,444,029
Temporary funds	765,071	227,924
Board of Directors' bonuses	155,148	155,148
Due to suppliers	1,541,161	1,119,251
Taxes deducted from customers and employees salaries	98,474	89,592
Unpaid cash dividends	79,210	-
Net credit forward deals (Note 13**)	12,734	541,697
Forward deals (Clients)	-	490,405
Deferred facilities commissions income	259,060	-
Other	371,681	-
	10,176,878	7,323,882

NOTE (21) PAID-IN CAPITALCapital risk management

The main objective of the Bank's capital management is to maintain capital ratios that supports the Bank's activities and works to achieve the highest levels to shareholders' equity. The Bank did not make any modifications to the objectives and policies relating to the structure of the capital during the current year or the previous year.

During the year 2015, the Bank increased the paid in capital in an amount of USD 5,000,000 to become USD 55,000,000 through capitalizing the balance of the optional reserve of an amount USD 224,912, the Premium issuance excess of par value balance of an amount USD 3,000,000 and capitalizing an amount of USD 1,775,088 from the retained earnings.

The basic and regulatory capital details are as follows:

	2015			2014		
	USD	Ratio to assets	Ratio to assets by weighted risk	USD	Ratio to assets	Ratio to assets by weighted risk
Basic capital	64,093,820	7.97%	15.90%	60,312,282	9.01%	18.65%
Regulatory capital	65,686,740	8.17%	16.30%	54,899,053	8.2%	16.98%

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NOTE (22) DIVIDENDS

The Bank's General Assembly approved dividends distribution of an amount of USD 7,500,000 during its meeting dated on April 23, 2015 for the results of the Bank's operations in the year 2014. The dividends distribution consisted of cash dividends of USD 2,500,000 and stock dividends of USD 5,000,000 based on pro-rata ownership of the Bank's share through capitalizing the voluntary reserve balance of an amount of USD 224,912, the premium issuance excess of par value balance of an amount USD 3,000,000 and capitalizing an amount of USD 1,775,088 from the retained earnings.

NOTE (23) RESERVES

The details of the reserves are as follows:

a- Statutory Reserve

In accordance with the Corporate Law and Banking law in Palestine, it is mandatory to retain 10% of the annual net income as a statutory reserve, until this reserve reaches 25% of the paid-in-share capital as a minimum. This reserve must not be distributed to the Bank's shareholders without prior approval from Palestine Monetary Authority.

b- Optional Reserve

This amount represents what has been transferred from the annual net income up to 20% of the annual net income for the year till the end of 2008, to the extent permitted by the relevant laws. This reserve is used for the purposes decided by the Board of Directors. The general assembly is entitled to fully or partially distribute it as dividends to shareholders.

c- General Banking Risks Reserve

This item represents a general banking risks reserves and calculated according to the instructions of the Palestine Monetary Authority Circular No. (6/2015) as 1.5% of the direct credit facilities after the impairment provision of direct credit outstanding benefits and 0.5% of indirect credit facilities after deducting checks under collection, guarantees and acceptable drafts guarantees relating to documentary credits received. This reserve may not be use or reduced without prior approval from Palestine Monetary Authority. Excluding facilities granted to small businesses in accordance with Circular No. (53/2013).

d- Reserve for Cyclical Fluctuations

This item represents provision that is deducted according to the instructions of the Palestine Monetary Authority No. (6/2015) 15% of the annual net profit after tax in order to improve the Bank's capital to face the surrounding banking risks and the deduction will continued till its balance reach 20% of the Bank's capital paid share. This reserve may not be use or reduced without prior approval from Palestine Monetary Authority.

NOTE (24) INTERESTS INCOME

Details:

	2015	2014
Loans	25,443,352	21,125,371
Overdraft and current overdraft accounts	3,969,649	3,661,016
Discounted bills	215,846	235,810
Balances and deposits with banks and financial institutions	1,136,621	1,110,123
Credit cards	684,980	264,902
Financial assets at amortized cost	956,507	859,135
	32,406,955	27,256,357

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NOTE (25) INTERESTS EXPENSE

This item consists of the following:

	2015	2014
<u>Customers' deposits</u>		
Clients time deposits	5,330,207	4,030,041
Clients saving deposits	715,538	543,643
Clients current and demand deposits	144,320	76,190
	6,190,065	4,649,874
<u>Banks and financial institutions</u>		
Banks and financial institutions	423,892	356,910
	423,892	356,910
<u>Palestine Monetary Authority deposits</u>		
Palestine Monetary Authority	-	78,172
	-	78,172
<u>Other</u>		
Cash margins	267,449	102,780
Cost of swaps financing	99,325	296,152
Other	4,718	11,704
	371,492	410,636
	6,985,449	5,495,592

NOTE (26) NET COMMISSIONS INCOME

Details:

	2015	2014
<u>Commission income</u>		
Direct facilities	3,105,624	3,380,942
Indirect facilities	295,965	327,291
Others	3,832,194	3,192,146
	7,233,783	6,900,379
<u>Commission expense</u>		
Local banks and financial institutions	93,371	60,885
Foreign banks and financial institutions	302,611	227,274
	395,982	288,159
	6,837,801	6,612,220

NOTE (27) NET GAIN FROM FINANCIAL ASSETS

Details:

	2015	2014
<u>Quoted shares</u>		
Unrealized losses from financial assets at fair value through statement of income	(6,676)	(26,070)
Dividends income	410,485	267,527
	403,809	241,457

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NOTE (28) OTHER REVENUES

Details:

	2015	2014
Checkbooks	332,430	293,979
Postal revenue	121,339	113,050
Credit cards movements	139,719	98,021
Safe boxes rental	33,217	26,470
Telecommunication	47,832	29,410
Other revenues	494,806	681,271
	1,169,343	1,242,201

NOTE (29) PERSONNEL COSTS

Details:

	2015	2014
Salaries and related benefits	9,917,243	8,527,242
Value added taxes on salaries	1,397,864	1,068,649
Medical expenses	578,740	541,679
Bank's contribution in provident fund (*)	450,783	240,164
Travel expenses	240,142	197,122
Employees vacations expense	52,094	77,063
Training and research	186,859	71,014
Employees' life insurance	62,886	51,800
Employees' uniform	76,166	46,035
	12,962,777	10,820,768

* This item represents Bank's contribution in provident fund which represents 10% of the employees' basic salary. As for the employees' contribution, 5% of their salary is deducted monthly, and contribution can be increased up to 10%.

Deductions to the provident fund are presented in the customers' deposit account.

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NOTE (30) OTHER OPERATING EXPENSES

Details:

	2015	2014
Rent	1,275,660	1,319,764
Deposit insurance fee *	1,615,872	1,283,555
Mail, phone, and swift	1,140,191	998,846
Cleaning	224,589	210,964
Maintenance	754,188	668,780
Subscriptions and licenses fees	465,327	408,680
Water, electricity and heating	604,990	627,351
Advertisements	930,490	691,384
Stationery, printing and check books	289,235	302,745
Donations and sponsorships **	231,393	237,276
Insurance expenses	277,054	150,587
Professional and legal fees	165,660	124,802
Computer Software	117,224	72,846
Hospitality	205,522	166,490
Board of director expenses	205,360	175,740
Services	352,423	226,913
Taxes and fees	263,265	241,762
Vehicle expenses	121,141	123,892
Foreign credit card expenses	36,071	70,624
Losses on disposal of property and equipment	8,960	6,463
Miscellaneous	302,495	203,708
	9,587,110	8,313,172

* According to the Palestinian Deposit Insurance Corporation law No. (7) for the year 2013, the Bank has deducted 0.3% of the total deposits for the Palestinian Deposit Insurance Corporation; all banks records the annual subscription fee starting from the year 2014.

** Total Bank's contribution for social responsibility amounted to USD 231,393 during the year 2015, which represent 2.88% of the net income and USD 237,276 during the year 2014 which represents for 3.3% of the net income.

Contribution for social responsibility aims to support and assist segments of society through sponsoring and supporting deliberate, organized and diversified activities which derive strength from the discretionary nature, taking into consideration that the three pillars defined by the World Business Council for Sustainability is economic growth, social progress and environmental protection.

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NOTE (31) BUSINESS SECTORS

Bank's businesses are divided into three major business segments:

- Individuals sector: banking business for individuals consists of personal current accounts and savings accounts, deposits, credit cards and loans made up.
- Companies and institutions sector: Includes follow-up of deposits and credit facilities and other banking services.
- Treasury business sector: Includes the trading services and financial market and foreign exchange transactions and management of bank resources and investment.

	Companies and institutions			
	Individuals	Treasury	Other	2014
Gross income	17,723,912	6,699,050	12,146,907	38,837,673
Impairment allowance for direct credit facilities	97,404	-	-	(571,616)
Business sector Results				38,266,057
Unallocated expenses	-	-	-	(28,033,153)
Profit before taxes	-	-	-	10,232,904
Taxes expense	-	-	-	(3,000,000)
Net profit for the year	-	-	-	7,232,904
Other information:				
Sector's assets	194,767,299	322,103,990	187,232,274	669,362,172
Sector's liabilities	441,279,715	61,958,481	42,925,754	598,814,889
Capital expenditures	-	-	-	5,709,271
Depreciation and amortization	-	-	-	2,023,485

Concentration of credit exposures in terms of geographical distribution

	Inside Palestine		Outside Palestine		Total	
	2015	2014	2015	2014	2015	2014
Net profit for the year	6,213,999	5,420,840	1,804,748	1,812,064	8,018,747	7,232,904
Assets	707,067,856	565,856,588	97,092,279	103,505,584	804,160,135	669,362,172
Capital expenditures	2,200,550	5,709,271	-	-	2,200,550	5,709,271

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NOTE (32) CONCENTRATION OF CREDIT EXPOSURES IN TERMS OF GEOGRAPHICAL DISTRIBUTION

Details for the year 2015:

	Palestine	Jordan	Israel	Others	Total
Cash and balances with Palestine Monetary Authority and financial institutions	155,817,736	-	-	-	155,817,736
Balances with banks and financial institutions	58,710,024	33,383,972	14,196,474	29,392,167	135,682,637
Financial assets at fair value through statement of income	96,650	-	-	-	96,650
Direct credit facilities	432,396,576	-	-	-	432,396,576
Financial assets at fair value through other comprehensive income	9,382,636	-	-	-	9,382,636
Financial assets carried at amortized cost	980,000	9,870,456	-	10,249,210	21,099,666
Property, plant and equipment	22,267,051	-	-	-	22,267,051
Projects under construction	3,394,078	-	-	-	3,394,078
Intangible assets	26,007	-	-	-	26,007
Deferred tax assets	1,066,727	-	-	-	1,066,727
Other assets	22,930,371	-	-	-	22,930,371
	707,067,856	43,254,428	14,196,474	39,641,377	804,160,135
Unutilised credit facilities limits	17,969,249	-	-	-	17,969,249
Letters of Guarantee	17,225,382	-	-	-	17,225,382
Letters of Credit	3,908,231	-	-	-	3,908,231
Acceptances	2,339,223	-	-	-	2,339,223
	41,442,085	-	-	-	41,442,085

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Details for the year 2014:

Cash and balances with Palestine Monetary Authority and financial

Institutions

Financial assets at fair value through statement of income

Direct credit facilities

Financial assets at fair value through other comprehensive income

Financial assets carried at amortized cost

Property, plant and equipment

Projects under construction

Intangible assets

Deferred tax assets

Other assets

Unutilised credit facilities limits

Letters of Guarantee

Letters of Credit

Acceptances

	Palestine	Jordan	Israel	Others	Total
	168,796,607	46,775,194	10,520,916	24,085,385	250,178,102
	89,974	-	-	-	89,974
	336,171,649	-	-	-	336,171,649
	8,632,547	-	-	-	8,632,547
	980,000	11,283,734	-	10,840,355	23,104,089
	22,515,085	-	-	-	22,515,085
	2,355,923	-	-	-	2,355,923
	27,769	-	-	-	27,769
	1,066,727	-	-	-	1,066,727
	25,220,307	-	-	-	25,220,307
	565,856,588	58,058,928	10,520,916	34,925,740	669,362,172
	13,541,534	-	-	-	13,541,534
	11,306,765	-	-	-	11,306,765
	2,059,956	-	-	-	2,059,956
	623,992	-	-	-	623,992
	27,532,247	-	-	-	27,532,247

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NOTE (33) CONTINGENT LIABILITIES (OFF BALANCE SHEET)

Details:

	2015	2014
Unutilised credit facilities limits	17,969,249	13,541,534
Letters of Guarantee	17,225,382	11,306,765
Letters of Credit	3,908,231	2,059,956
Acceptances	2,339,223	623,992
	41,442,085	27,532,247

NOTE (34) RELATED PARTIES TRANSACTIONS

This represents the operations that are made with related parties, which include major shareholders, board members and senior management, and any companies controlled by them or have ability to influence them. The prices and conditions related to transactions with related parties are approved by the board of directors of the Bank.

Transactions during the year with these parties represented as follows:

	2015		
	Executive Management and Board of directors	Other	Total
<u>Statement of financial position items</u>			
Direct facilities	6,280,478	4,838,523	11,119,001
Deposits	1,553,691	45,132	1,598,823
Cash margins	155,148	-	155,148
<u>Contingences</u>			
Indirect facilities	198,812	16,800	215,612
<u>Statement of income items</u>			
Interests and commissions income	301,809	274,541	576,350
Interests and commissions expense	11,907	-	11,907
Salaries and benefits	862,925	-	862,925
Board of Directors meeting attendance fees and bonuses	205,360	-	205,360

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2014				
		Executive Management and Board of directors	Other	Total
Statement of financial position items				
Direct facilities		3,025,305	3,976,622	7,001,927
Deposits		893,634	-	893,634
Cash margins		155,148	-	155,148
Contingences				
Indirect facilities		218,749	19,084	237,833
Statement of income items				
Interests and commissions income		240,092	63,365	303,457
Interests and commissions expense		8,853	-	8,853
Salaries and benefits		682,925	-	682,925
Board of Directors meeting attendance fees and bonuses		175,740	-	175,740
Related parties' facilities:				
	% of net facilities	% of Paid-In- Capital	Classified	Related provisions
For the year ended December 31, 2015				
Related parties facilities:				
Related parties				
Board of director and executive management	1.50%	9.86%	1,170,413	31,000
Others	1.12%	7.39%	-	-
Total			1,170,413	31,000
For the year ended December 31, 2014				
Related parties facilities:				
Related parties				
Board of director and executive management	0.9%	5.51%	1,238,646	-
Others	1.18%	7.24%	-	-
Total			1,238,646	

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NOTE (35) CASH AND CASH EQUIVALENTS

Details:

	2015	2014
Cash and balances with Palestine Monetary Authority	155,817,736	119,167,254
Balances with banks and financial institutions maturing within three months	135,682,637	131,010,848
	291,500,373	250,178,102
<u>Less:</u>		
Deposits of banks and banking institutions and PMA maturing within three months	(61,933,816)	(69,353,528)
Statutory cash reserve requirements	(55,970,073)	(44,473,303)
	173,596,484	136,351,271

NOTE (36) LITIGATIONS AGAINST THE BANK

There are lawsuits against the Bank to revoke the Bank's claims against others and / or to claim damage and / or labour and other claims. As of December 31, 2015 there were 25 lawsuits amounted to USD 4,816,213. The recorded litigation provision amounted to USD 102,767 and according to the Bank's legal counsel's opinion, this provision is sufficient to cover these lawsuits.

NOTE (37) PALESTINE MONETARY AUTHORITY FINES

This amount represents fines due to non-compliance with Palestinian Monetary Authority Instruction No. (70/2011) regarding life insurance of borrowers.

NOTE (38) BASIC AND DILUTED EARNING PER SHARE

Basic earnings per share profit is calculated by dividing profit on the average number of ordinary shares tradable during the year according to International Accounting Standard No. (33) - Basic earnings per share.

	2015	2014
Profit for the year	8,018,747	7,232,904
Weighted average of outstanding shares	55,000,000	55,000,000
Earnings per share for the year attributable Bank shareholders	0.146	0.135

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NOTE (39) FINANCIAL INSTRUMENTS**FINANCIAL INSTRUMENTS**Financial instruments details and classification

The financial instruments of the Bank are financial assets and liabilities. Financial assets includes cash balances, current accounts, deposits of Palestine Monetary Authority and banks, financial investments, and loans to customers and banks. Financial liabilities include customer deposits, due to banks. Also financial instruments include rights and obligations included in the items outside the statement of financial position.

The fair value of financial assets and liabilities that are not carried at fair value in the financial statements are not different from their carrying values, which are as follows:

	2015		2014	
	Book Value	Fair Value	Book Value	Fair Value
Assets				
Cash and balances with Palestine Monetary Authority	155,817,736	155,817,736	119,167,254	119,167,254
Balances at banks and financial institutions	135,682,637	135,682,637	131,010,848	131,010,848
Direct credit facilities	432,396,576	432,396,576	336,171,649	336,171,649
Financial assets at amortized cost	21,099,666	21,099,666	23,104,089	23,104,089
Liabilities				
Banks and financial institutions deposits	61,933,816	61,933,816	70,396,313	70,396,313
Customers' deposits	616,676,911	616,676,911	491,282,620	491,282,620
Cash margins	30,332,561	30,332,561	22,752,072	22,752,072
Borrowed funds	3,237,471	3,237,471	2,945,879	2,945,879

Below is a description of the methods and assumptions used to determine the fair value of financial instruments not at fair value in the financial statements:

- Financial instruments whose fair value approximates carrying value:

The financial assets and liabilities that have short-term maturities (less than three months) and its book value approximates to fair value.

- Financial instruments with fixed interest rate:

The fair value of financial assets and liabilities that have a fixed interest rate is evaluated by comparing market interest rates when listed at the first time with the current market prices for similar instruments.

Fair value measurement

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

- Level I: Using quoted prices (unadjusted) completely for similar instruments in active markets for financial instruments.
- Level II: Using the data other than trading price but can be observed directly or indirectly.
- Level III: Using the data not based on observable market data.

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The table below represents fair value and its distribution according to a hierarchy as at the date of the financial statements:

<u>As of December 31, 2015</u>	Level I	Level II	Level III	Total
<i>Financial assets at fair value through comprehensive income</i>				
Quoted shares	9,111,136	-	-	9,111,136
Unquoted shares	-	-	271,500	271,500
	9,111,136	-	271,500	9,382,636
<i>Financial assets at fair value through statement of income</i>				
Local quoted shares	96,650	-	-	96,650
	96,650	-	-	96,650
	9,207,786	-	271,500	9,479,286
 <u>As of December 31, 2014</u>	 Level I	 Level II	 Level III	 Total
<i>Financial assets at fair value through comprehensive income</i>				
Quoted shares	8,351,047	-	-	8,351,047
Unquoted shares	-	-	281,500	281,500
	8,351,047	-	281,500	8,632,547
<i>Financial assets at fair value through statement of income</i>				
Local quoted shares	89,974	-	-	89,974
	89,974	-	-	89,974
	8,441,021	-	281,500	8,722,521

NOTE (40) RISK MANAGEMENT

General framework of risk management

The Bank determines the regulatory levels (lines of defense) to manage the risks on the Bank level through the development of the general framework of these levels as follows:

Business units: Represents employees that are part of first line defense, which are responsible for risk management and related control procedures.

Risk Management (Risk Management Department): Risk management employees' elements are the second line of defense, and so they are responsible for coordinating the efforts of the risk management process and facilitate the supervision of the mechanisms used and applied by the Bank to manage the risks.

Compliance Management (Compliance Department): Compliance employees represent another element of the second line of defense. Compliance management employees ensure compliance with laws and regulations and instructions issued by the Palestine Monetary Authority and other regulatory bodies and sound banking practices.

Internal Audit (Internal Audit Department): The internal audit employees represents the third line of defense and are responsible for conducting an independent review of the regulatory procedures, processes and systems associated with the risk management process at the bank level.

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The Bank has established a risk management committee which branches out from the Board of Directors to manage the risks. The function of this committee is ensure that all of risks which the Bank faces or could be exposed to, are efficiently managed to decrease its impact on various activities of the Bank and to ensure the sound management of risks and have it be in line with the Bank's strategy in order to maximize shareholders equity and to maintain the Bank's growth within the approved risk framework. The committee carries out the following key tasks:

- Oversee the policies and risk management strategy and ensure that the risk management group functions are according to the strategic policies adopted.
- Provide adequate and appropriate support for risk management group in order to perform its functions in accordance with the adopted policies and procedures and the Palestine Monetary Authority's instructions.
- Ensure using modern methods of management and evaluation of the Bank's risk.
- Review the periodic reports of risk management committee.
- Review the acceptable risks levels adopted by the Bank.
- Review internal evaluation document of the adequacy of the Bank's capital and submit it to the Board of Directors for approval, taking into account the Bank's strategic and capital plans.
- Ensure the independence of risk management committee.
- Ensure the Bank's commitment to the instructions of the Palestine Monetary Authority.

In addition, the Bank has established the Executive Risk Management Committee, which supervises the management of all risks which the bank may face in addition to the general framework of risk management. The Executive Risk Management Committee shall also issue the necessary reports to the risk management.

On daily basis, the Risk Management manages the Bank's various risks (credit risk, operating risk, market risk, compliance risk, and other risks) within the general framework of risks management through the following:

- Risk Identification.
- Risk Assessment.
- Risk Control / Mitigation.
- Risk Monitoring.

Risk mitigation

As part of the risk management process, the Bank uses derivatives and other financial instruments to manage the positions arising from changes in interest and foreign exchange rates, capital and credit risks. Risks are assessed before entering into hedging operations. The risk department monitors the effectiveness of the hedging operations on a monthly basis, and in case there is ineffective hedging operations the Bank implement appropriate operations to decrease the impact of these hedging operations.

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40-1 Credit risk and concentration in assets and liabilities

Credit risks are defined as the probability of recovering the debt or interest on the time and not in full which cause financial losses to the Bank.

Moreover, credit risk represents the major portion of risks banks are exposed to in general. In recognition of this reality, the Bank has accorded credit risk management great significance through managing credit risks at the portfolio.

To achieve this, based on the risk management strategy, the Bank has performed the following:

The risk appetite and ceilings are based on credit risk commensurate with the acceptable risk limits, in order to mitigate the Bank's exposure to credit risk concentrations.

Credit risk is mitigated through credit risk factors (collaterals such as real estate, shares or other) commensurate with the credit risk faced by the Bank to cover any unexpected subsequent events.

Proper legal and credit documentation is applied for all conditions associated with the credit facilities.

The granting of credit facilities is the responsibility of the Credit Facilities Committee of the Bank in accordance with the requirements of the Bank's credit policy. The Credit Facilities Committee study all credit requests separately from the reality of the data provided by the clients such as audited financial statements and other explanatory data on client's financial solvency and guarantees can be obtained and economic feasibility studies for projects subject of funding required and the size of the credit.

The Credit Facilities Committee of the Bank also collaborates with the internal audit team to monitor credit facilities granted to customers on a regular basis to identify any deviations that would expose the Bank to the risk of non-fulfillment of the commitments made by the client, and thus take the required procedures to protect the Bank's money.

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Credit facilities distributed based on exposures by the degree of risk in accordance with the following table:

2015/ USD	Individuals	Real estate	Large Companies	Small and medium companies	Government and Public Sector	Total
Low risk	3,340,252	1,102,368	1,239,924	12,810,706	137,545,957	156,039,207
Acceptable risk	147,104,809	14,289,019	55,523,887	63,275,657	-	280,193,372
<u>Of which is due:</u>						
Watch list	374,332	158,770	-	310,641	-	843,743
<u>Non-performing:</u>						
Substandard	415,048	-	-	1,033,648	-	1,448,696
Doubtful	345,422	349,956	-	23,657	-	719,035
Bad debt	1,394,834	1,473,795	656,639	2,804,660	-	6,329,928
Total	150,445,061	15,391,387	56,763,811	76,086,363	137,545,957	436,232,579
Less: Suspended interests	(103,125)	(43,029)	(3,776)	(362,940)	-	(512,870)
Less: Impairment provision	(1,206,444)	-	(72,403)	(2,044,286)	-	(3,323,133)
Net	149,135,492	15,348,358	56,687,632	73,679,137	137,545,957	432,396,576
2014/ USD						
Low risk	6,115,664	1,091,380	2,478,711	3,492,468	130,457,633	143,635,856
Acceptable risk	152,372,908	12,567,263	26,464,420	4,667,914	-	196,072,505
<u>Of which is due:</u>						
Watch list	81,033	-	229,003	-	-	310,036
<u>Non-performing:</u>						
Substandard	443,995	-	132,041	-	-	576,036
Doubtful	727,293	-	59,636	-	-	786,929
Bad debt	3,646,038	-	3,794,896	-	-	7,440,934
Total	158,488,572	13,658,643	28,943,131	8,160,382	130,457,633	339,708,361
Less: Suspended interests	(192,422)	-	(362,720)	-	-	(555,142)
Less: Impairment provision	(1,550,194)	-	(1,431,376)	-	-	(2,981,570)
Net	156,745,956	13,658,643	27,149,035	8,160,382	130,457,633	336,171,649

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The following table breaks down the fair value of collaterals held as security for credit facilities:

	Individuals	Real estate	Corporate	Total
2015				
Low risk	3,340,252	1,102,368	14,050,630	18,493,250
Acceptable risk	8,980,893	10,559,676	23,197,967	42,738,536
watch list	-	280,000	251,440	531,440
Non-performing:				
Substandard	6,520	-	692,024	698,544
Doubtful	98,700	713,160	63,000	874,860
Total	12,426,365	12,655,204	38,255,061	63,336,630
Of it:				
Cash margins	3,340,252	1,102,368	14,050,630	18,493,250
Real estates	8,646,113	11,552,836	19,785,271	39,984,220
Trade stocks	440,000	-	4,419,160	4,859,160
Total	12,426,365	12,655,204	38,255,061	63,336,630
	Individuals	Real estate	Corporate	Total
2014				
Low risk	3,571,002	955,884	10,276,581	14,803,467
Acceptable risk	15,277,675	7,859,871	15,587,300	38,724,846
watch list	-	-	150,750	150,750
Non-performing:				
Substandard	153,143	110,028	-	263,171
Doubtful	482,194	-	394,921	877,115
Total	19,484,014	8,925,783	26,409,552	54,819,349
Of it:				
Cash margins	3,571,002	955,884	10,276,581	14,803,467
Real estates	11,632,894	7,101,596	13,189,316	31,923,806
Trade stocks	4,280,118	868,303	2,943,655	8,092,076
Total	19,484,014	8,925,783	26,409,552	54,819,349

The applied framework at the Bank, to classify credit facilities and acceptable guarantees when calculating and determining the amounts and provisions for credit facilities to cover the credit risk arising from bad debts, is the Palestine Monetary Authority's circular No. (1) issued on January 20, 2008. This circular requires all banks operating in Palestine to make an evaluation of the credit portfolio once every three months at least and to make the required provision.

NOTES TO THE FINANCIAL STATEMENTS

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40-2 Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed processes, people and systems or from external events. This definition includes legal risks.

Quds Bank has applied a Control and Risk Self-Evaluation process to manage the operational risk at the Bank by using an automated system named CARE system. The Bank manages operational Risk on the following basis:

- Preparation of operational risk policy.
- Preparation of Risk Profiles to identify all risks and controls for key units. Furthermore, a time frame and action plan has been made to cover the entire Bank.
- Use of an automated system (CARE System) to implement the Control and Risk Self-Evaluation process.
- Reviewing all the Bank procedures for risks and the effectiveness of related controls.
- Reporting to the Risk Management Committee.

Compliance Risk

Compliance risk is defined as the risk that arise from the probability that the Bank may not comply with the applicable prevailing laws, regulations, instructions, code of ethics and the correct Banking practices regulatory authorities.

Compliance with the laws and regulations issued by the regulatory authorities represents one of the most important risks which the Bank might be exposed to, due to the major financial losses resulting from the violation of the laws and instructions that affect the Bank's reputation. Moreover, the past few years witnessed many new regulations, instructions and laws organizing the work of the various institutions. Accordingly, the need for managing the compliance risk of the Bank is necessary. Moreover, compliance enhances the efficiency of managing risks and decreases the risk the Bank might be exposed to as a result of noncompliance with the prevailing laws and instructions.

Liquidity Risk

Liquidity risk represents the Bank's inability to provide the necessary funding to perform its obligations on maturity dates. to avoid these risks, Management has diversified funding sources, managing of assets and liabilities and its maturities, and maintaining a sufficient balance of cash and cash equivalents and marketable securities. In addition, the Palestine Monetary Authority's monitors the liquidity situation in the Banks on timely basis by setting a percentage of deposits that the Banks should keep them constantly and do not drop them, as well as assessments by the Palestine Monetary Authority for the recommended percentages through the Assets and Liabilities Committee at the Bank.

The following are details of the assets and liabilities of the Bank based on the remaining period to maturity dates as of December 31, 2015 and 2014:

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Below are the details of the Bank assets and liabilities based on the remaining maturity period as at December 31, 2015 and 2014:

December 31, 2015	Less than one month	More than 1 month up to 3 months	More than 3 months up to 6 months	More than 6 month up to 1 year	From 1 year up to 3 years	More than 3 years	Non-interest bearing items	Total
	USD	USD	USD	USD	USD	USD	USD	USD
Assets								
Cash and balances with the Palestine Monetary Authority	155,817,736	-	-	-	-	-	-	155,817,736
Balances at banks and financial institutions	133,682,637	2,000,000	-	-	-	-	-	135,682,637
Financial assets at fair value through statement of income	-	-	-	-	-	-	96,650	96,650
Direct credit facilities	19,423,892	10,557,841	14,043,855	39,026,874	35,831,719	304,170,993	9,341,402	432,396,576
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Financial assets at amortized cost	-	-	-	-	-	-	9,382,636	9,382,636
Property, plant and equipment	-	-	4,232,713	-	9,265,062	7,601,891	-	21,099,666
Projects under construction	-	-	-	-	-	-	22,267,051	22,267,051
Intangible assets	-	-	-	3,394,078	-	-	-	3,394,078
Deferred tax assets	-	-	-	-	-	-	26,007	26,007
Other assets	14,723,103	3,311,958	151,773	1,911,332	734,724	1,066,727	-	1,066,727
Total assets	323,647,368	15,869,799	18,428,341	44,332,284	45,831,505	312,839,611	43,211,227	804,160,135
Liabilities								
Palestine Monetary Authority	-	-	-	-	-	-	-	61,933,816
Deposits and Banks and financial institutions deposits	59,938,048	1,995,768	43,679,495	24,392,133	2,198,197	-	-	616,676,911
Customers deposits	511,378,515	35,028,571	1,006,928	2,798,181	2,569,092	21,808,705	-	30,332,561
Cash margins	1,392,670	756,985	-	-	-	-	-	3,237,471
Borrowed funds	3,237,471	-	-	-	-	-	-	4,209,224
Provisions	-	-	-	-	4,209,224	-	-	640,823
Provision for income tax	-	-	-	640,823	-	-	-	10,176,878
Other liabilities	4,571,708	4,472,130	155,148	977,892	-	-	-	727,207,684
Total Liabilities	580,518,412	42,253,454	44,841,571	28,809,029	8,976,513	21,808,705	-	76,952,451
Equity								
Total liabilities and equity	580,518,412	42,253,454	44,841,571	28,809,029	8,976,513	21,808,705	76,952,451	804,160,135
Gap in the financial statements	(256,871,044)	(26,383,655)	(26,413,230)	15,523,255	36,854,992	291,030,906	(33,741,224)	-
Accumulated gap in liquidity risks	(256,871,044)	(283,254,699)	(309,667,929)	(294,144,674)	(257,289,682)	33,741,224	-	-

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December 31, 2014	Less than one month USD	More than 1 month up to 3 months USD	More than 3 months up to 6 months USD	More than 6 month up to 1 year USD	From 1 year up to 3 years USD	More than 3 years USD	Non-interest bearing items USD	Total USD
Assets								
Cash and balances with the Palestine Monetary Authority	119,167,254	-	-	-	-	-	-	119,167,254
Balances at banks and financial institutions	123,010,848	8,000,000	-	-	-	-	-	131,010,848
Financial assets at fair value through statement of income	19,294,278	7,060,858	9,146,878	19,867,737	29,820,406	248,928,415	89,974	336,171,649
Direct credit facilities	-	-	-	-	-	-	2,053,077	2,053,077
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Financial assets at amortized cost	-	-	1,410,437	-	-	-	8,632,547	8,632,547
Property, plant and equipment	-	-	-	-	-	21,693,652	-	23,104,089
Projects under construction	-	-	-	-	-	-	22,515,085	22,515,085
Intangible assets	-	-	-	-	-	-	2,355,923	2,355,923
Deferred tax assets	-	-	-	-	-	1,066,727	27,769	27,769
Other assets	15,524,048	4,893,359	126,328	-	3,854,774	-	821,798	25,220,307
Total assets	276,996,428	19,954,217	10,683,643	19,867,737	33,675,180	271,688,794	36,496,173	669,362,172
Liabilities								
Palestine Monetary Authority	-	-	-	-	-	-	-	-
Deposits and Banks and financial institutions deposits	66,356,350	2,997,179	1,042,784	-	-	-	-	70,396,313
Customers deposits	407,607,134	26,342,067	36,730,407	20,603,012	-	-	-	491,282,620
Cash margins	1,306,038	480,138	621,988	1,351,006	2,027,788	16,965,114	-	22,752,072
Borrowed funds	2,945,879	-	-	-	-	-	-	2,945,879
Provisions	-	-	-	-	3,451,866	-	-	3,451,866
Provision for income tax	-	-	-	662,257	-	-	-	662,257
Other liabilities	3,449,029	3,496,782	155,148	222,923	-	-	-	7,323,882
Total Liabilities	481,664,430	33,316,166	38,550,327	22,839,198	5,479,654	16,965,114	-	598,814,889
Equity								
Total liabilities and equity	481,664,430	33,316,166	38,550,327	22,839,198	5,479,654	16,965,114	70,547,283	70,547,283
Gap in the financial statements	(204,668,002)	(13,361,949)	(27,866,684)	(2,971,461)	28,195,526	254,723,680	(34,051,110)	-
Accumulated gap in liquidity risks	(204,668,002)	(218,029,951)	(245,896,635)	(248,868,096)	(220,672,570)	34,051,110	-	-

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40-3 Market Risk

Market risk is the risk that may effect on the investments value and the financial assets of the Bank resulted from the changes in market prices such as the change in interest rates, foreign currency exchange rates, and prices of stocks and products.

The Bank periodically applies the appropriate methodology to evaluate market risks and sets estimates for the probable economic losses based on a set of assumptions and changes in market conditions. The Bank use Stress Testing methods semiannually to measure market risks.

Interest Rate Risk

Interest rate risk results from the potential change in interest rates, and consequently, the potential impact on the cash flows or the fair value of financial instruments. The Bank is exposed to interest rate risks as a result of the timing gaps of assets and liabilities. These gaps are periodically monitored by the Assets and Liabilities Committee (ALCO). Moreover, various hedging methods are used to remain within the acceptable interest rate gap limits.

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Interest rate sensitivity gap

31 December 2015	Interest rate sensitivity gap						Non-interest bearing items	Total
	Less than one month	More than 1 month up to 3 months	More than 3 months up to 6 months	More than 6 month up to 1 year	From 1 year up to 3 years	More than 3 years		
Assets								
Cash and balances with the Palestine Monetary Authority	-	-	-	-	-	-	155,817,736	155,817,736
Balances at banks and financial institutions	92,966,264	2,000,000	-	-	-	-	40,716,373	135,682,637
Financial assets at fair value through statement of income	-	-	-	-	-	-	96,650	96,650
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Financial assets at amortized cost	-	-	4,232,714	-	980,000	15,886,952	9,382,636	9,382,636
Direct credit facilities	19,423,892	10,557,841	14,043,855	39,026,874	35,831,719	304,170,993	9,341,402	21,099,666
Property, plant and equipment	-	-	-	-	-	-	22,267,051	432,396,576
Projects under construction	-	-	-	-	-	-	3,394,078	22,267,051
Intangible assets	-	-	-	-	-	-	26,007	3,394,078
Deferred tax assets	-	-	-	-	-	-	1,066,727	26,007
Other assets	-	-	-	1,214,580	-	-	21,715,791	1,066,727
Total assets	112,390,156	12,557,841	18,276,569	40,241,454	36,811,719	320,057,945	263,824,451	22,930,371
								804,160,135
Liabilities								
Palestine Monetary Authority Deposits								
and Banks and financial institutions deposits								
Customers deposits	47,289,561	14,299,054	-	-	-	-	345,201	61,933,816
Cash margins	332,936,651	35,028,571	43,679,495	24,392,133	2,198,197	-	178,441,864	616,676,911
Borrowed funds	-	-	-	-	-	-	30,332,561	30,332,561
Provisions	-	-	-	-	-	-	3,237,471	3,237,471
Provision for income tax	-	-	-	-	-	-	4,209,224	4,209,224
Other liabilities	-	-	-	-	-	-	640,823	640,823
Total Liabilities	380,226,212	49,327,625	43,679,495	24,392,133	2,198,197	-	10,176,878	10,176,878
Equity								
Total liabilities and equity	-	-	-	-	-	-	227,384,022	727,207,684
Interest rate sensitivity gap	380,226,212	49,327,625	43,679,495	24,392,133	2,198,197	-	76,952,451	76,952,451
Accumulated gap	(267,836,056)	(36,769,784)	(25,402,926)	15,849,321	34,613,522	320,057,945	304,336,473	804,160,135
	(267,836,056)	(304,605,840)	(330,008,766)	(314,159,445)	(279,545,923)	40,512,022	(40,512,022)	-
							-	-

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	Interest rate sensitivity gap						
	Less than one month	More than 1 month up to 3 months	More than 3 months up to 6 months	More than 6 months up to 1 year	From 1 year up to 3 years	More than 3 years	Non-interest bearing items
	USD	USD	USD	USD	USD	USD	
31 December 2014							Total USD
Assets							
Cash and balances with the Monetary Authority	-	-	-	-	-	-	119,167,254
Balances at banks and financial institutions	78,755,963	8,000,000	-	-	-	-	44,254,885
Financial assets at fair value through statement of income	-	-	-	-	-	-	89,974
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	8,632,547
Financial assets at amortized cost	-	-	-	-	-	-	23,104,089
Direct credit facilities	19,294,278	7,060,858	9,146,878	19,867,737	29,820,406	241,867,557	9,113,935
Property, plant and equipment	-	-	-	-	-	-	22,515,085
Projects under construction	-	-	-	-	-	-	2,355,923
Intangible assets	-	-	-	-	-	-	27,769
Deferred tax assets	-	-	-	-	-	-	1,066,727
Other assets	-	-	-	-	-	-	25,220,307
Total assets	98,050,241	15,060,858	9,146,878	19,867,737	29,820,406	241,867,557	255,548,495
Liabilities							
Palestine Monetary Authority deposits	66,259,217	2,997,179	1,042,784	-	-	-	97,133
and Banks and financial institutions	410,553,013	26,342,067	36,730,407	17,657,133	-	-	-
Customers deposits	-	-	-	-	-	-	22,752,072
Cash margins	-	-	-	-	-	-	2,945,879
Borrowed funds	-	-	-	-	-	-	3,451,866
Provisions	-	-	-	-	-	-	662,257
Provision for income tax	-	-	-	-	-	-	7,323,882
Other liabilities	-	-	-	-	-	-	37,233,089
Total Liabilities	476,812,230	29,339,246	37,773,191	17,657,133	-	-	598,814,889
Equity							
Total liabilities and equity	476,812,230	29,339,246	37,773,191	17,657,133	-	-	70,547,283
Interest rate sensitivity gap	(378,761,989)	(14,278,388)	(28,626,313)	2,210,604	29,820,406	241,867,557	107,780,372
Accumulated gap	(378,761,989)	(393,040,377)	(421,666,690)	(419,456,086)	(389,635,680)	(147,768,123)	-
							669,362,172
							-
							70,396,313
							491,282,620
							22,752,072
							2,945,879
							3,451,866
							662,257
							7,323,882
							598,814,889
							70,547,283
							669,362,172
							-
							-

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NOTE (41) ASSETS AND LIABILITIES MATURITIES ANALYSIS

31 December 2015	Less than one month USD	More than 1 month up to 3 months USD	More than 3 month up to 6 months USD	More than 6 month up to 1 year USD	From 1 year up to 3 years USD	More than 3 years USD	Non-interest bearing items USD	Total USD
Assets								
Cash and balances with the Palestine Monetary Authority	155,817,736	-	-	-	-	-	-	155,817,736
Balances at banks and financial institutions	133,682,637	2,000,000	-	-	-	-	-	135,682,637
Financial assets at fair value through statement of income	-	-	-	-	-	-	96,650	96,650
Direct credit facilities	19,423,892	10,557,841	14,043,855	39,026,874	35,831,719	304,170,993	9,341,402	432,396,576
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	9,382,636	9,382,636
Financial assets at amortized cost	-	-	4,232,713	-	9,265,062	7,601,891	-	21,099,666
Property, plant and equipment	-	-	-	-	-	-	22,267,051	22,267,051
Projects under construction	-	-	-	3,394,078	-	-	-	3,394,078
Intangible assets	-	-	-	-	-	-	26,007	26,007
Deferred tax assets	-	-	-	-	-	1,066,727	-	1,066,727
Other assets	14,723,103	3,311,958	151,773	1,911,332	734,724	-	2,097,481	22,930,371
Total assets	323,647,368	15,869,799	18,428,341	44,332,284	45,831,505	312,839,611	43,211,227	804,160,135
Liabilities								
Palestine Monetary Authority Deposits and Banks and financial institutions deposits	59,938,048	1,995,768	-	-	-	-	-	61,933,816
Customers deposits	511,378,515	35,028,571	43,679,495	24,392,133	2,198,197	-	-	616,676,911
Cash margins	1,392,670	756,985	1,006,928	2,798,181	2,569,092	21,808,705	-	30,332,561
Borrowed funds	3,237,471	-	-	-	-	-	-	3,237,471
Provisions	-	-	-	-	4,209,224	-	-	4,209,224
Provision for income tax	-	-	-	640,823	-	-	-	640,823
Other liabilities	4,571,708	4,472,130	155,148	977,892	-	-	-	10,176,878
Total liabilities	580,518,412	42,253,454	44,841,571	28,809,029	8,976,513	21,808,705	-	727,207,684
Equity	-	-	-	-	-	-	76,952,451	76,952,451
Total liabilities and equity	580,518,412	42,253,454	44,841,571	28,809,029	8,976,513	21,808,705	76,952,451	804,160,135
Gap in the financial statements	(256,871,044)	(26,383,655)	(26,413,230)	15,523,255	36,854,992	291,030,906	(33,741,224)	-
Accumulated gap in liquidity risks	(256,871,044)	(283,254,699)	(309,667,929)	(294,144,674)	(257,289,682)	33,741,224	-	-

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Foreign currencies risk

Foreign currency risk is the risk that the value of financial instruments changes as a result of changes in foreign currency exchange rates. The US dollar is the base currency of the Bank. The Board of Directors sets limits on the financial position for each currency. The foreign exchange center is monitored on a daily basis. Hedging strategies is followed to be sure foreign currencies centers are within the approved limits.

Risks of Changes in Stocks Prices

Stocks price risk results from the change in fair value of investments in stocks. The Bank works to manage this risk by diversifying investments in various geographic regions and economic sectors. Most of the stocks investments owned by the Bank are listed on the Palestine Exchange market.

The following table shows the unrealized profit or loss as a result of potential and possible changes in stock prices by 10%, with all other variables constant:

	<u>Change in indicator</u>	<u>Impact on statement of income</u>	<u>Impact on Equity</u>
December 31, 2015			
Securities through the statement of comprehensive income	10%	-	938,263
Securities through statement of income	10%	9,665	-
December 31, 2014			
Securities through the statement of comprehensive income	10%	-	863,255
Securities through statement of income	10%	8,997	-

NOTE (42) COMPARATIVE FIGURES

Certain comparative figures were reclassified for the year ended December 31, 2014 in order to confirm to the presentation for the current year.

