

بنك القدس
Quds Bank

2014

ANNUAL
REPORT
FIRM STEPS
TOWARDS
DISTINCTION

The background is a solid gold color with a fine, diagonal line pattern. On the left side, there are several overlapping, nested geometric shapes outlined in a lighter gold color, resembling a stylized architectural structure or a series of steps. On the right side, a large white triangle points towards the bottom right corner, with a thin gold border following its edges.

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The image shows the facade of a modern building, identified as Quds Bank. The building features a mix of light-colored stone cladding and large glass windows. The stone sections have the bank's name in Arabic 'بنك القدس' and English 'Quds Bank' mounted on them. To the right of the text is a circular logo composed of interlocking geometric shapes. The glass windows reflect the surrounding environment, including other buildings and trees. On the right side of the image, there is a decorative graphic element consisting of several parallel, slanted lines in shades of green and yellow, creating a sense of movement and modernity.

بنك القدس
Quds Bank

FIRM STEPS TOWARDS DISTINCTION

{ 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" }

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 50\$ million Dollars. The Bank practices its business activities through its general regional administration and its twenty-seven 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. Whereas, Quds Bank has established an independent department for developing the business projects of SMEs under the title "Quds Bank Businesses"; the department which is concerned with meeting the growing and developing banking needs of this significant sector.

Mission

Quds Bank aims at investing Palestine 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 Vision

We aspire, through our vision, 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

Our commitment to our basic values motivates us to apply the highest levels of professionalism and commit to the principle of transparency and rational and sound administration.

➤ We are distinguished
by a balanced and fair
financial system ◀

Year 2014 Outcomes

The outcomes have, in light of results achieved throughout years 2007-2014 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.





Corporate Governance

The Board of Directors is responsible for formulating the Bank's general strategy, following-up its operations and making sensitive decisions regarding other businesses. At the present time, the Board of Directors constitutes of eleven members, who come from different backgrounds and who are widely experienced and practice their powers individually and jointly, independently and objectively.

This touches on the general concept of corporate governance, which is embodied in the Bank's internal control and monitoring systems. Whereas, corporate governance is based on the just and fair organization of contractual relations between the Bank's administration and each of the shareholders and the concerned parties; a relationship based on integrity and transparency, accountability and liability, and independence and justice. This approach emanates from within the Bank, directing its businesses to meet the needs of all investors and concerned parties, by ensuring investments, sustainability, and profit growth. It also keeps pace with their expectations through just representation of their transactions with the Bank, away from the personal influences of any influential party.

The Board is also liable for the Bank's internal control and monitoring systems and their effectiveness thereof, and for introducing and applying the standards of accountability and governance which enables the executive administration to realize the objectives of the Bank. Moreover, the Bank has



approved and sustainable procedures used for diagnosing, assessing and managing the main risks encountered by the Bank. These procedures are regularly reviewed by the Board whereas; internal control by-laws demand the existence of documented sequencing that can be referred to determine liability, and is enforced on all operations of the Bank.

Rights and duties are distributed on the various parties of the Bank including, the Board of Directors, executive administration, and concerned shareholders whereas; required provisions and procedures are set in place for decision-making with respect to the Bank affairs. Furthermore, required objectives and strategies are set in view of being realized, and procedural bases are established to assess and monitor performance.

The Board conducts regular meetings (usually six times a year), and has an official schedule for matters over which it practices its authorities. It also considers the main aspects of the Bank's affairs transferred to it for making-decisions regarding such. The Board, also, reviews and approves financial plans and all essential suggested changes to financial policies, structure and organization, as it also assess the performance of the executive administration.



MAIN PERFORMANCE INDICATORS



The Bank has continued to realize distinctive outcomes in the year 2014, realizing more growth in its main 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.

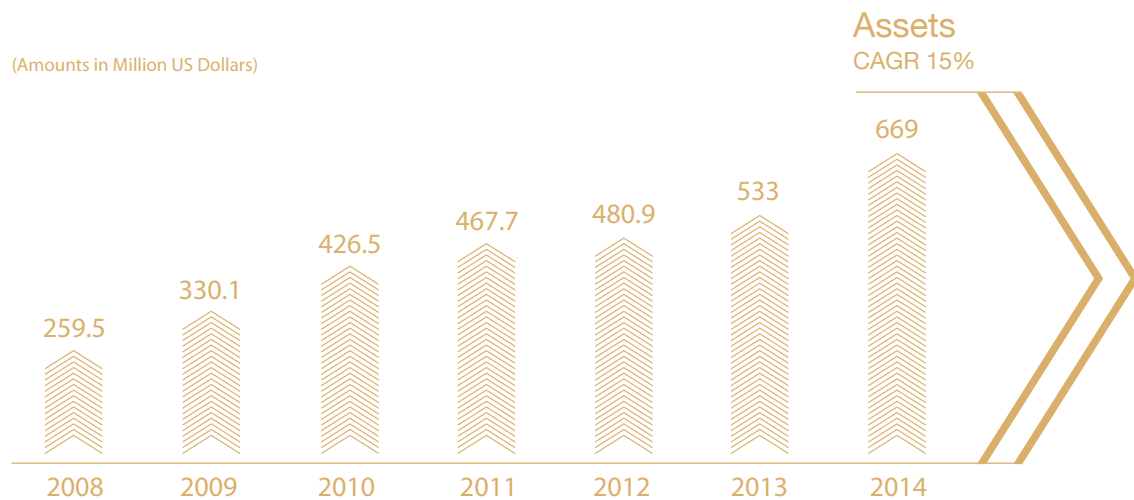
Prominent Financial Performance Indicators in Palestine

The bank's financial indicators have witnessed during 2014 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

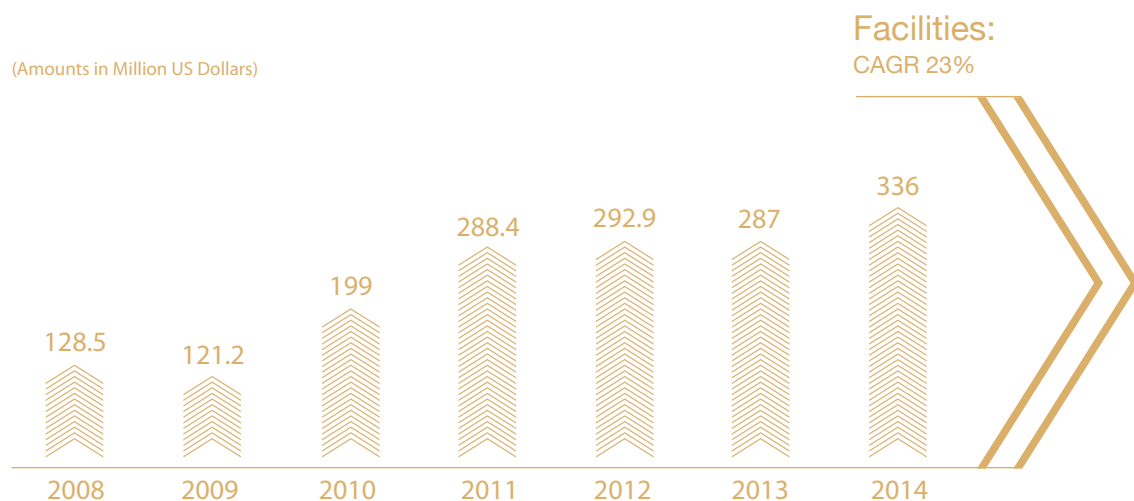
Total Assets:

The total assets as at 31 December 2014 have reached 669 million dollars against 533 million dollars as at 31 December 2013, at an increase estimated at 137 million dollars and with a growth rate of 26%. CAGR for the period between the years 2009-2014 has reached approximately 15%.



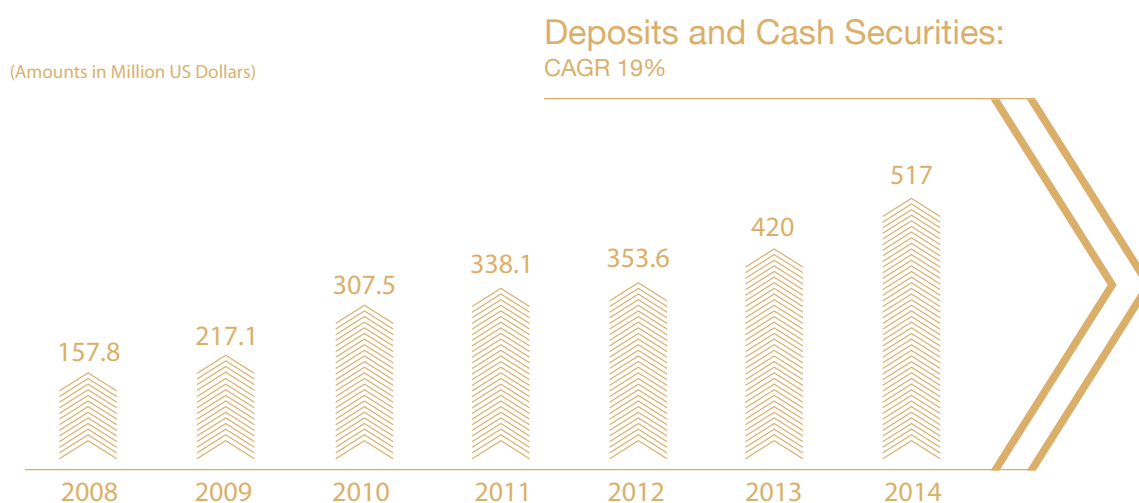
Credit Facilities Portfolio:

Net direct credit facilities as at 31 December 2014 has reached approximately 336 million dollars against 287 million dollars as at 31 December 2013, at an increase that reached approximately 49 million dollars and a percentage of 17%, whereas the CARG of net direct credit facilities for the period between years 2009-2014 has reached approximately 23%.



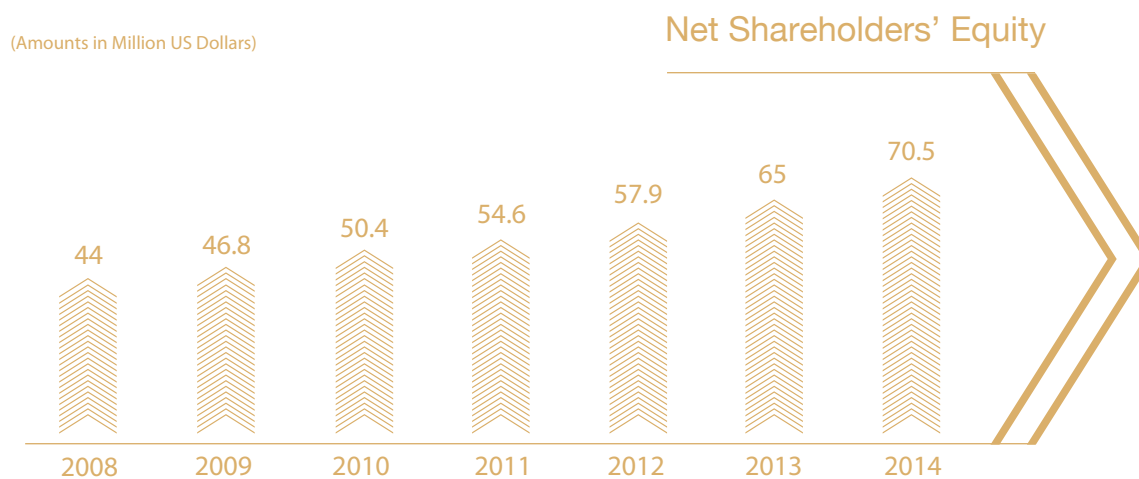
Client's Deposits and Cash Securities

Total client's deposits have reached approximately 517 million dollars as at 31 December 2014 against 420 million dollars as at 31 December 2013, at an increase that reached 97 million dollars and a growth rate of 23%. CAGR for the period between years 2009-2014 has reached approximately 19%.



Shareholders' Equity

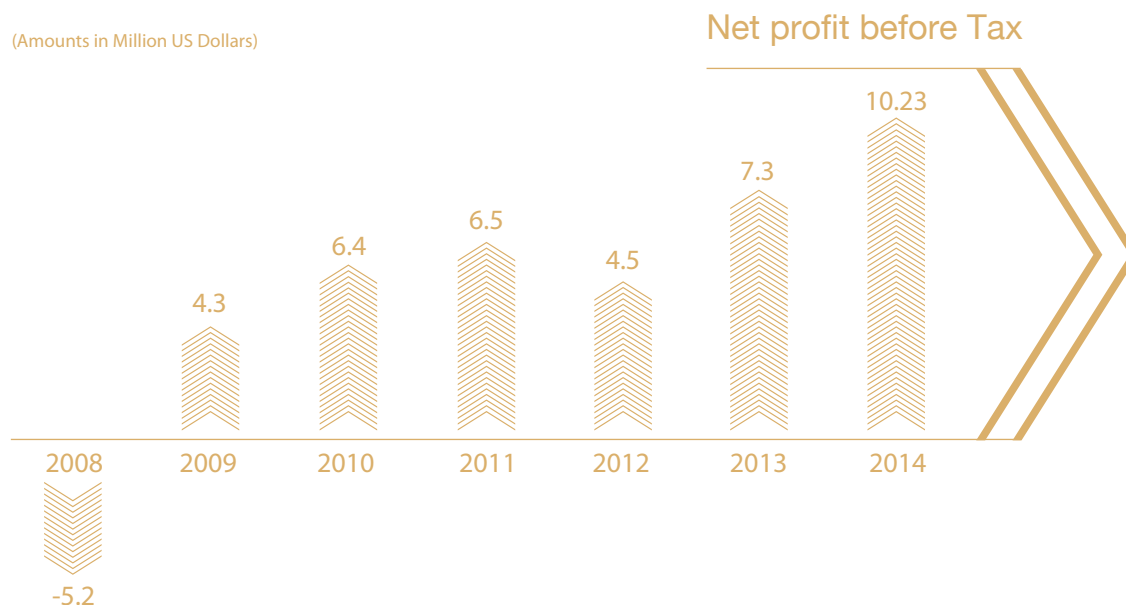
Shareholders' Equity as at 31/12/2014 has reached approximately 70.5 million dollars against 65 million dollars as at 31 December 2013 at an increase estimated at 5 million dollars and a growth rate that reached 8%. Revenue rate on shareholders' equity for year 2014 has reached approximately 14% compared to 8% in the year 2013. Total revenue rate per share has reached approximately 14.5% for year 2014 as compared to 9.5% for year 2013; a growth rate of 53%.



Statement of Income Items

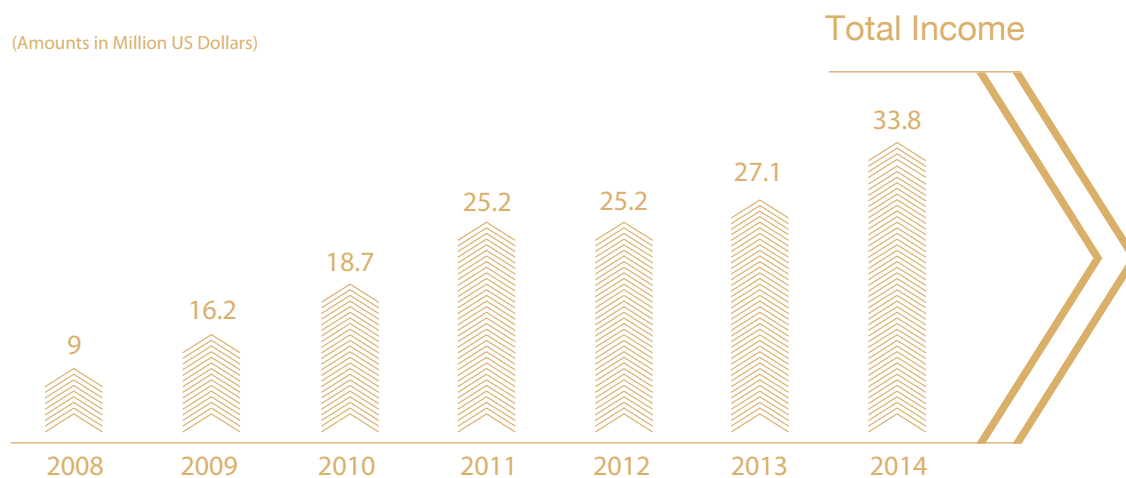
Net profit before Taxes

Net profit before taxes for the year 2014 has reached approximately 10.23 million dollars against 7.3 million dollars for the year 2013, at an increase estimated at 3 million dollars and a growth rate that reached 40%. The efficiency standard at the Bank has witnessed a considerable improvement as at 31 December 2014 whereas, total expenditure rate to total revenue has reached approximately 69% compared to 73% as at 31 December 2013.



Total Income

Achieved total income during the year 2014 has reached approximately 33.8 million dollars against 27.1 million dollars during the year 2013, at an increase estimated at 5.4 million dollars and a growth rate that reached 25%.



Main Financial Indicators

Statement	Historical Data (amount in million U.S. Dollars)						Growth from the previous year	CAGR
	2009	2010	2011	2012	2013	2014		
Total assets	330	427	468	481	533	669	26%	15%
Net credit facilities	121	199	288	293	287	336	17%	23%
Financial investments	6	8	8	8	21	32	52%	41%
Total clients' deposits	217	308	338	354	420	517	23%	19%
Net shareholders' equity	47	50	55	58	65	70	8%	8%
Net interest and commission	13	15	21	21	23	27	18%	17%
Total income	16	19	25	25	27	33	20%	15%
Total Expenses	12	12	21	19	20	22	13%	13%
Total profit after tax	2.7	4.4	3.3	4.6	4.7	7.2	53%	22%
Return rate on assets	0.91%	1.16%	0.74%	0.97%	0.94%	1.20%		
Return rate on net shareholders' equity	5.91%	9.06%	6.29%	8.14%	7.71%	10.72%		
Return rate on paid-in capital	5.36%	8.80%	6.60%	9.16%	9.48%	14.46%		
Capital adequacy ratio	25.79%	23.13%	21.98%	22.22%	23.71%	16.98%		
Efficiency criterion	73.61%	66.02%	81.98%	74.07%	73.16%	68.60%		

A photograph of a formal meeting room, likely a boardroom. The room features a large, dark conference table with several chairs. The walls are light-colored with decorative paneling and a large, ornate wall sculpture. The ceiling has a modern light fixture. A geometric pattern of overlapping lines is overlaid on the left side of the image.

Board Members



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



CHAIRMAN'S STATEMENT

**AKRAM
ABDEL-LATIF JIRAB**

Dear Shareholders,

On behalf of myself and Quds Bank Board members, I would like to cordially welcome you to peruse our annual report for year 2014, which summarizes the bank's work results as at 31 December 2014 and which had been prepared in accordance with the transparency and disclosure requirements bound by rules of governance. This also included the achieved during the concluded year, in addition to the Bank's budget, statement of income, cash flows and changes in shareholders' equity and the latest developments in terms of the growth and development of the bank's works.

The concluded year has constituted a milestone in Quds Bank journey, whereas it has celebrated its twentieth anniversary, with firm steps and a distinctive status in the Palestinian banking sector. Whereas, the bank continued to execute, with confidence, the strategic plan approved by the Board of Directors and which aims to achieve increasing growth and develop the bank's various businesses. These indicators wouldn't have come to be if it weren't for the ambitious work plan implemented by the bank's management, a translation of the discretionary budget items for the year, approved by the Board of directors, and which had been built on scientific and realistic basis and has taken into account the necessity to achieve realistic and ambitious growth rates.

The bank has achieved growth in the total deposits and client insurances during the year 2014 at an amount of approximately 97 million dollars and at a growth rate that reached 23% compared to 420 million dollars at the end of year 2013. Moreover, the bank had been able to achieve growth in its financial position during the year 2014 at an amount of 137 million dollars and a growth rate of 26%, whereas total assets have reached 669 million dollars at the end of 2014 compared to an amount of 533 million dollars at the end of the year 2013.

However, profits before tax have grown significantly at a growth rate that reached 40% and an amount of 2.95 million dollars, whereas profits before tax, during the year 2014, have reached an amount of 10.2 million dollars compared to an amount of 7.3 million dollars during the year 2013. Also, net profit has increased at an amount of 2.5 million dollars and at a rate of 53% compared to the year 2013. Consequently, owner's equity increased at an amount of 5.6 million dollars and at growth rate of 9.5%, to reach 70.5 million dollars at the end of the year 2014 compared to an amount of 65 million dollars at the end of the year 2013.

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 decreased to 2.6% in the year 2014 compared to a ratio of 4% in the year 2013 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.

Moreover, these indicators in their entirety indicate the bank's sound strategy in development, the strength of its credit and financial base and its ability to face any challenges encountered in the future through completing the application of Corporate Governance and occurring development in both the risk management and compliance departments to elevate to the best standards and levels and recruit all that in which these departments can do by working to the fullest, and in accordance with the board's vision and orientation.

In light of the competitive environment witnessed by the Palestinian banking market; the bank's management has worked on providing a wide range of financial services and banking products specifically for individuals,

corporations, investment activities and the treasury department in accordance with the latest modern technologies in the world of the advanced banking industry. Therefore, bank has also set its priorities to satisfy and fulfill its clients' needs in line with the new and aggressively competitive markets in accordance to the best standards.

Furthermore, in application of the best banking policies, our focus has continued to center on expanding in the field of funding of individuals and SMEs in order to serve a wider range of clients in a specialized manner, and to achieve the required revenues, and restrict credit concentration. Such will form a strong and powerful base for the credit portfolio and various other banking services in the future as well.

Additionally, the Board's plan has included operational risk control in a strategic banking context, and that is through a group of modern administrative concepts that aim to transfer various units of the bank from individual independent departments into a central integrated operations system in several fields, including execution of facilities and central banking operations so that the bank shall work within minute mechanisms that ensure the realization of the bank's annual objectives on the one hand, and on the other hand to enhance the principle of dual in a methodical and systematic manner in order to control and decrease risks to an acceptable limit.

Also, the Board of Directors follows a well-constructed plan to develop all the bank's businesses and operations, such as opening more branches in vital and suitable regions, whereas the number of offices and branches has reached (27 offices and branches) by the end of 2014. Furthermore, the bank will open, throughout the following year, other branches and offices in the cities of Jabalia and Rafah in the Gaza Strip, and Qublan and Jama'een in the West Bank, to reach a total of, during the first half of the year 2015 (31 offices and branches). Likewise, the ATM network has been expanded to cover more regions in order to enable clients to carry out their banking transactions with ease and effectiveness in all regions, whereas the number of ATMs has become (55 ATMs).

However, in terms of banking services and products, the bank has continued in its efforts to provide and develop all the comprehensive and competitive banking services and products, and has proved its success in this field, whereas the bank has launched, during 2014, a loan package for individuals under the name "hand in hand... to make life easier"; which includes the provision of distinctive facilitations pursuant to facilitated provisions. Moreover, business development centers "Quds Bank Businesses" has been updated to cover all regions in Palestine and which specialize in the service of SMEs and companies in accordance with the latest banking policies and practices. Such has had a positive effect in improving the quality of those services, and working in much closer proximity with our clients and meeting their demands effectively and with high quality, in addition to improving the quality of the bank's credit portfolio. Also, the bank has launched (MasterCard) credit cards in its new form and numerous advantages so as to meet the growing needs of the clients. The bank has also expanded its subsidiary agencies to the Western Union service to cover most the regions in Palestine. Moreover, Quds Bank has experienced prominent success in savings accounts, whereas it had launched, during 2014, the "Correct Savings" campaign (Tawferna Sah) for savings accounts prizes; which had been one of the largest banking prizes campaigns in Palestine. Assiduity on the policy of human capital development constitutes one of the Bank's present and future aspirations, which remains our main priority due to its significance. Training, developing and advancing the efficiency of the Bank's human cadre is in line with the Bank's great responsibilities. This role advances the Bank's developmental role through creating work opportunities and employing highly efficient youths.

Believing in its role in corporate social responsibility, 2014 has marked numerous initiatives and accomplishments which Quds Bank designed to support national and social activities, whereas, during the concluded year, the bank has provided support and donations to many health, educational, cultural, artistic, social and humanitarian, sports and environmental centers and organizations. Consequently, the bank has generated its role and status being an active agent in the community, and such is derived from the bank's active message in terms of social responsibility in its various types.

Dear Shareholders...

Finally, I would like to reiterate my gratitude and appreciation to our esteemed shareholders for joining us and for your trust in our beloved institution (Quds Bank) and I would also like to take this opportunity to thank the venerable Board members for their fruitful efforts as well as the Executive Management and all staff of Quds Bank for the loyalty, responsibility and sincere efforts exerted for the achievement of these outcomes. I would also like to thank the Palestinian Monetary Authority for its cooperation and support of the banking sector which contributed to maintaining its integrity and stability, as well as offer my extended gratitude to our dear clients who are the basis of our success and distinction.

أكرم عبد الباقى حبيب



AKRAM ABDEL-LATIF JIRAB

Masters in Business Administration
Durham University - UK

- 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



- Deputy Chairman of the Board, Quds bank
- Board Chairman, Dar Al Dawa' Comapany
- Board Chairman, Arab Pharmaceutical Manufacturing Company Ltd.
- 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

AHD FAYEQ 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
- Board Chairman, Grand Park Hotel

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, in numerous Charitable Societies
- Member, Business Women Forum (BWF)

RUBA MOHAMMAD MASROUJI

Masters in Business Administration,
Birzeit Universit - Palestine



- Board Member, Quds Bank
- Board Member and Deputy Board Chairman, Jerusalem Real Estate Investment Company

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
- Board Member, Dar Al Dawa' Company

DURIED AKRAM JERAB

Masters 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)



EXECUTIVE MANAGEMENT



"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
- Masters in Accounting –University of Jordan



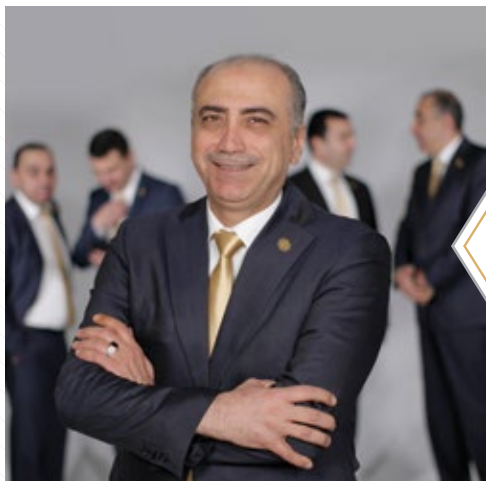
› MR. ZAID AL-JALAD

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



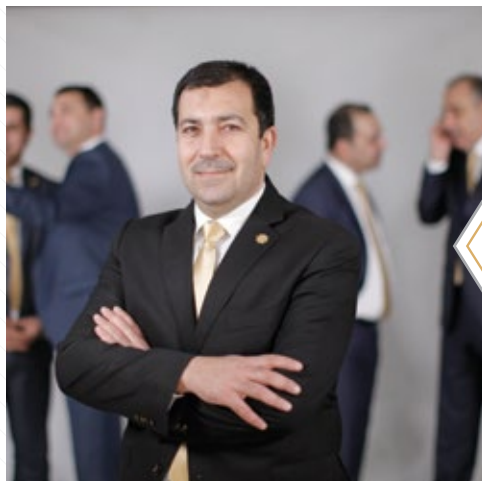
› MR. MUSTAFA ABU ZEID

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



› MR. MUNTHER ODEH

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



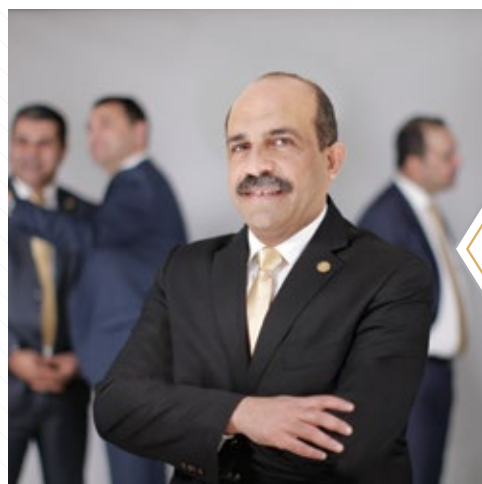
› MR. MOHAMMAD SALMAN

- Executive Manager of Department of Financial Control
- Masters in Administrative Sciences – University of Jordan



› MR. RAED NAJEB

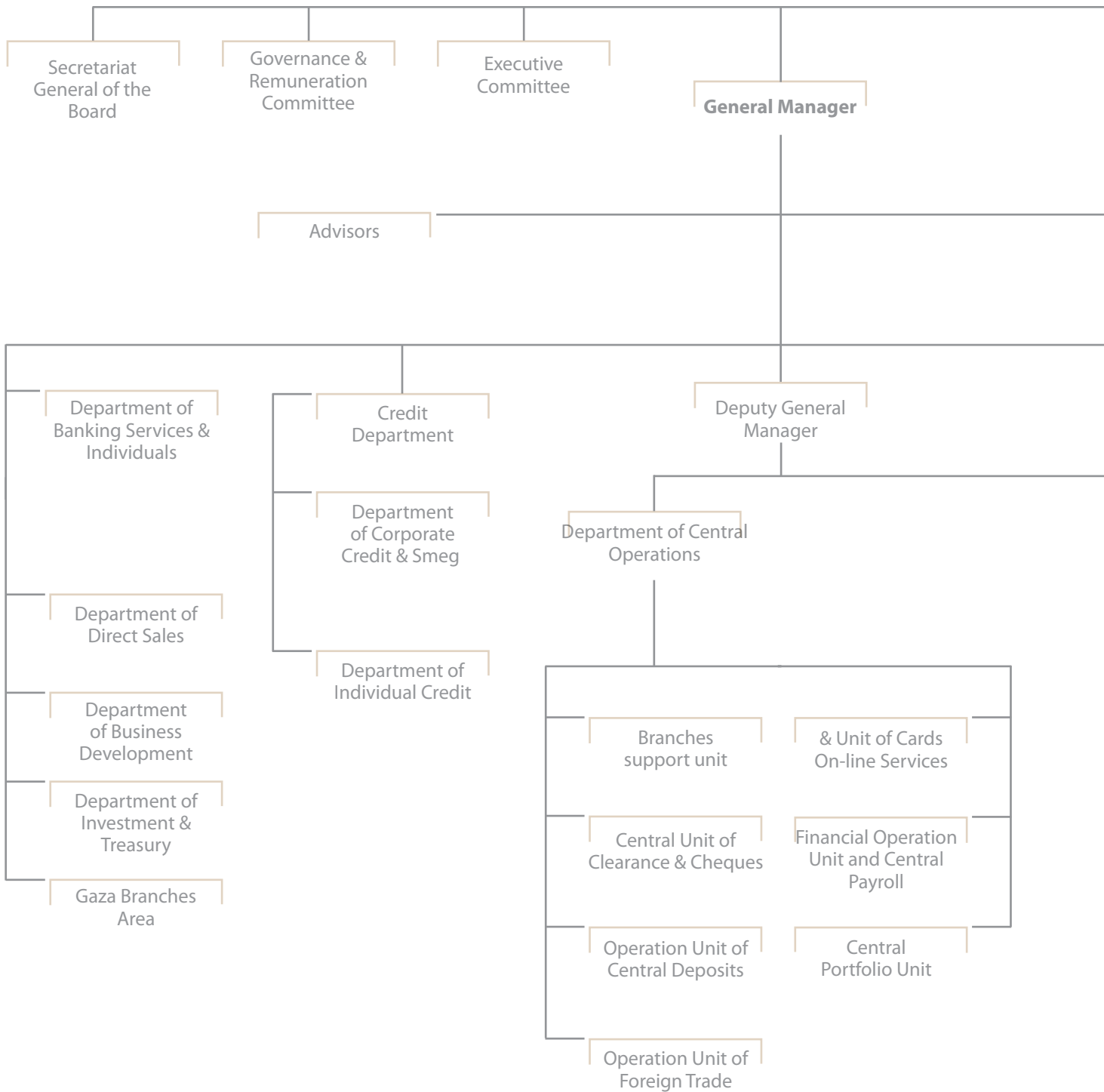
- Executive Manager Banking Operations
- Masters in Business Administration - Al Najah National University



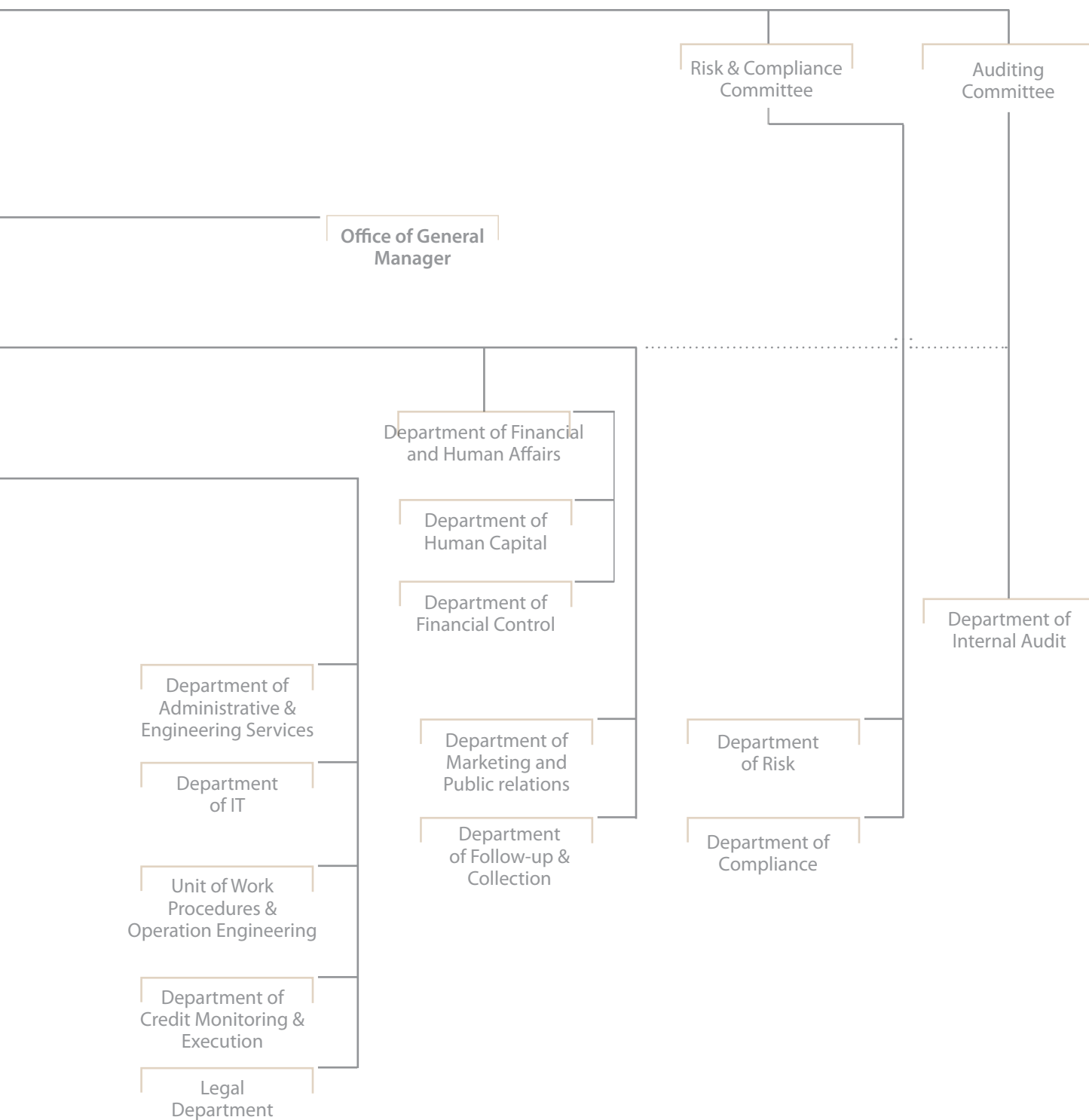
› MR. SHUKRI KARAZ

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

BOARD OF DIRECTORS

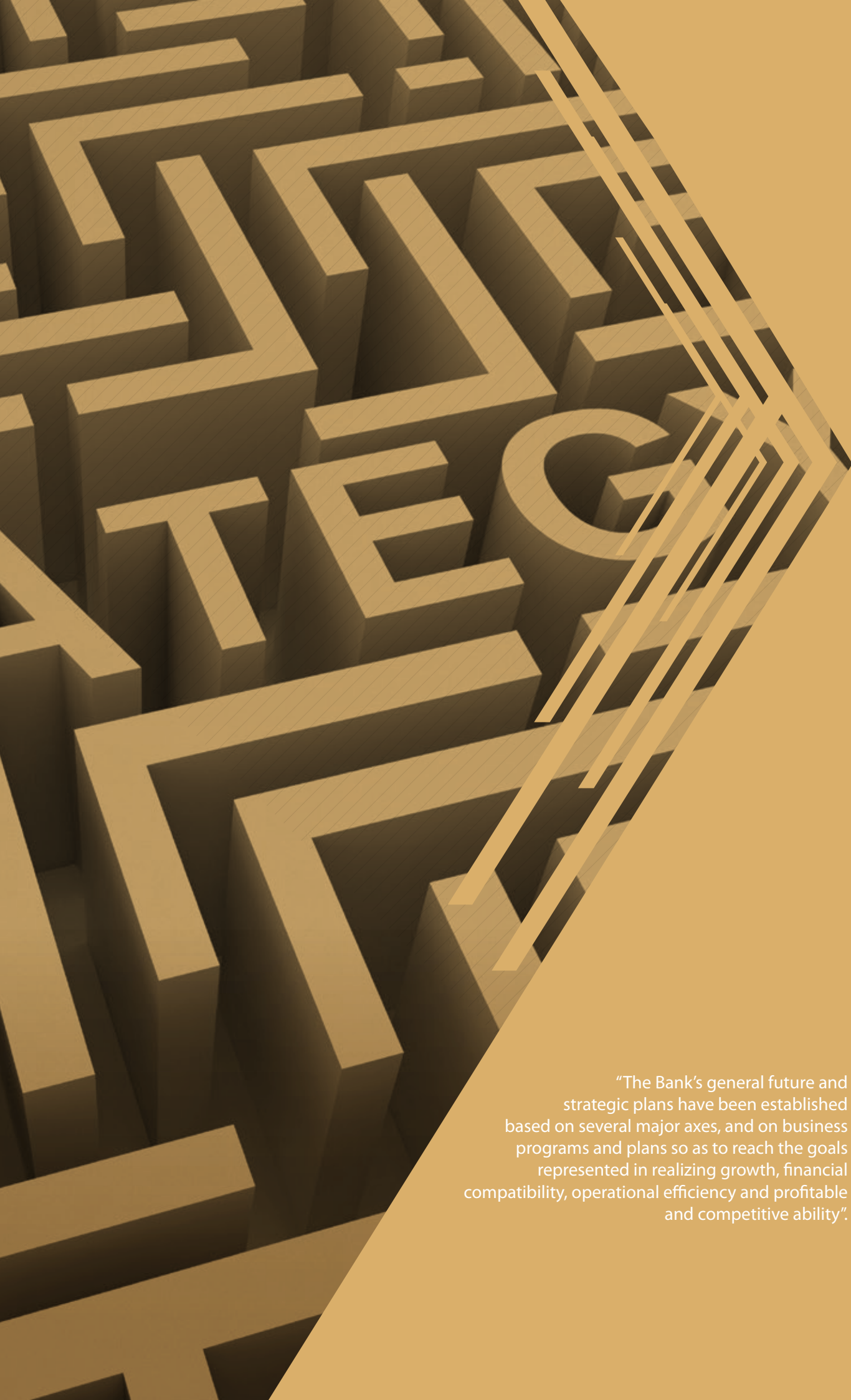


THE ORGANIZATIONAL STRUCTURE FOR 2014





FUTURE AND STRATEGIC PLANS



"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".



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 2015 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 2015.

Projected Businesses' Outcomes

The orientation of the Bank's administration for year 2015 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.

A hand is pointing at a document that contains financial charts and text. The document is partially visible, showing a pie chart and some text. The background is a warm, orange-brown color. A stylized, multi-lined geometric graphic, resembling a large arrow or a series of parallel lines, is overlaid on the left side of the image, pointing towards the right.

INNOVATIVE BANKING SERVICES AND PRODUCTS



"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".

Public sector employees' loans



Military personnel loans



Academics' loans



Private sector employees' loans



Bank employees' loans



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 2014.

Individuals' Loan Services "Our Hands in Yours...to Make Life Easier"

As for other direct credit products, Quds Bank has launched an Individuals' loan package including (Military Personnel, Civilians, Bank Employees, Academics and Public Sector Employees Loans), at high ceilings up to 100,000 dollars, competitive interest rate, and a suitable settlement period up to 12 years, in addition to a wide range of benefits. Moreover, the Bank shall launch credit facilities for both individuals and corporations, targeting sectors that are currently overlooked such as, women, children, education, and SMEs loans.

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.

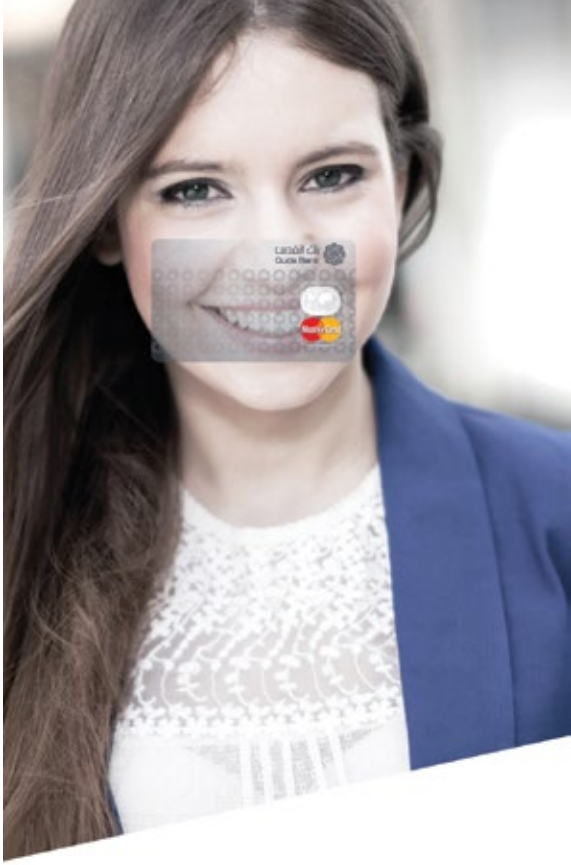
The concept of "Quds Bank Businesses" is based on providing a set of banking services in a developed unique and distinctive environment with accordance to the following standards:

- 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.

Quick Transfers (Western Union)

Quds Bank has continued, during 2014, 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 2015.





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.

Saving Accounts Prizes “Our Saving is Correct” (Tawferna Sah)

Saving Accounts Prizes campaign “Our Saving is Correct”, which was launched during the year 2014, 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 Hyundai Accent 2014 car, each week, and accustom-paid Jeep Compass 2014 car, every three months, in addition to, 50.000 shekels that was distributed on 5 winners at the end of every month.

“Our Saving is Correct” campaign has realized a considerable increase to the total saving deposits, at an increase that reached 26% as compared to year 2013. Also, Quds Bank attracted new accounts that reached approximately 28 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.



Quds Bank Website

Quds Bank website has been launched in its new form, which features an interactive design, and modern and comprehensive features, so as to keep pace with modern technological advancements and to correspond to the highest standards of quality applicable in the technologies and systems of comprehensive websites. The new websites offers browsers easy access to banking services, and browsing in line with all tablets, mobile devices and various smart systems, enhancing thereby ease of use. The website's new design proceeded from the Bank's orientation towards offering banking services that reflect rapidness and flexibility via modern means. The website presents its contents and offers services in manner consistent with all electronic devices without effecting the ease and consistency of the presentation of information and services. Such has included the website's interface so as to better respond to the needs of various browsers.

Saturday's Work Hours

Quds Bank, during the year 2014, has launched the service of Saturday work hours in all its branches under the slogan "On Saturdays too... We are With You"; whereas working hours commence from 9:30 – 1:30, in growing areas in need of banking services at all times. This step has been taken by Quds Bank towards making life easier to its clients and making its services available at all times.





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.

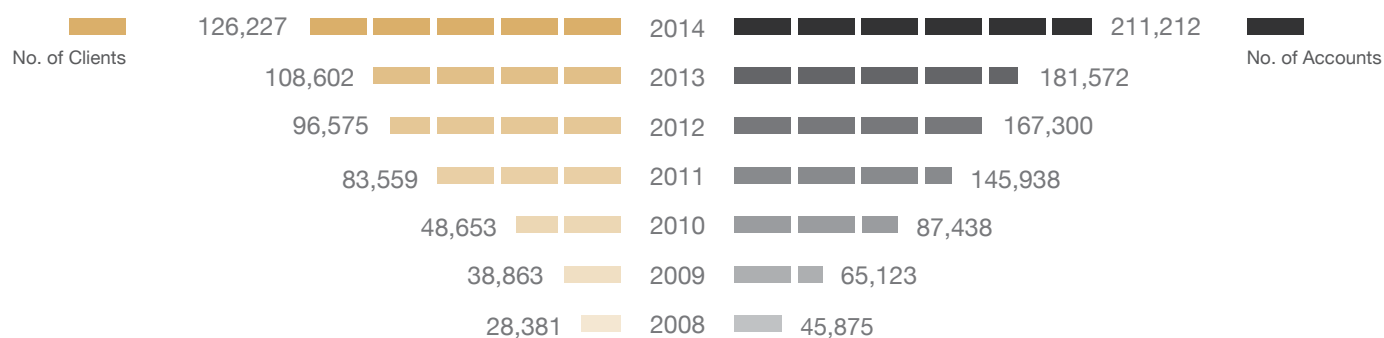
The Bank's current correspondent network includes a number of the world's most major banks in Germany, the United States, Jordan, Turkey and Italy:

- Commerzbank – Germany
- Bank of New York – United States
- The Housing Bank for Trade and Finance – Jordan
- Yapi Kredi Bank – Turkey
- UBI BANCA Bank – Italy

Number of the Bank's clients and growth in the year 2014

Growth rate in the bank's clients has reached as at 31 December 2014, approximately 13% as opposed to the year 2013. However, growth rate of accounts has reached approximately 14%.

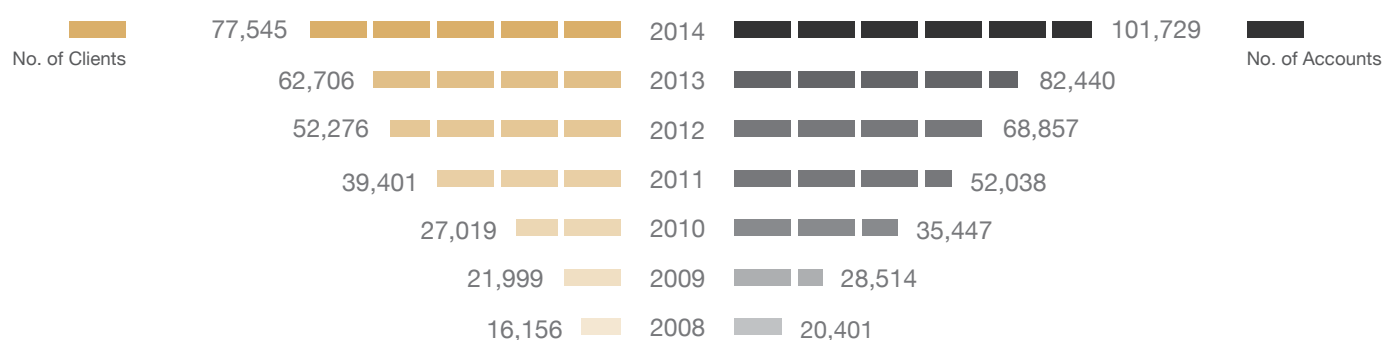
Growth rate of clients 2008-2014



Number of savings' clients and growth in the year 2014

Growth rate in savings' clients has reached as at 31 December 2014, approximately 19% as opposed to the year 2013. However, growth rate of accounts has reached approximately 18%.

Growth rate of accounts 2008-2014





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.

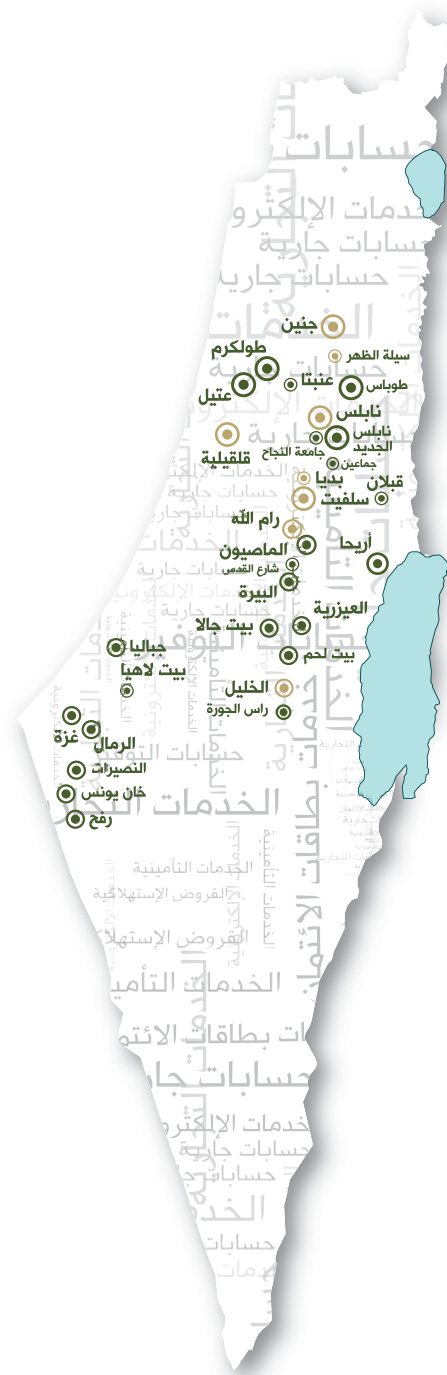
Branching and expanding Strategy in Palestine

Branching and expanding are regarded to be amongst the Bank's strategic goals which aim at increasing its market share and expand POS for clients so as to provide adequate banking services and increase deposits and other banking activities; our client is our main concern. In its endeavors, Quds Bank has continued to execute its strategic plan in branching and expanding, aiming to

establish new opportunities for carefully constructed growth and expansion so as to its products and services available to all segments of the society throughout Palestine. In particular, rural communities where there exists no other banking activities. This strategy – carried out with high administrative and technical readiness – takes into consideration new developments, market studies and any risks that encounter the banking business, in general, and the targeted regions, in particular. The strategy also ensures the realization of the branching objectives represented in increasing the market share and realizing escalating growth in revenue rates of equity shares and assets, as it also contributes in expanding POS and increasing deposits and other banking activities.

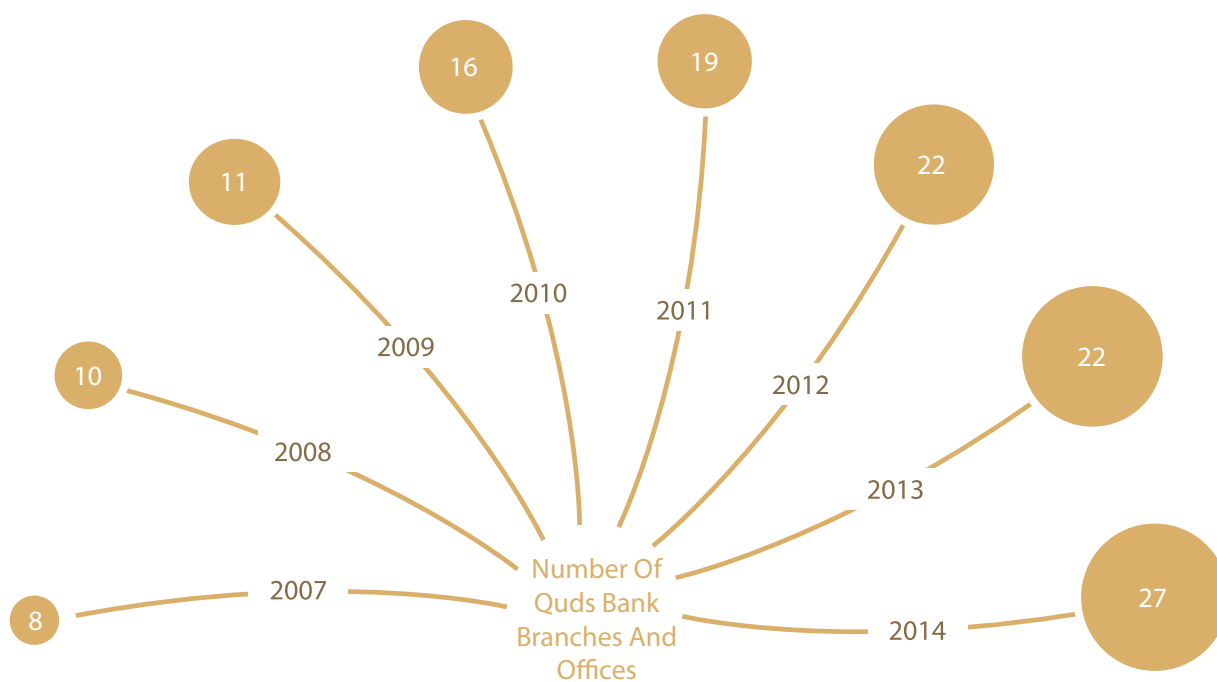
Expansion of the bank's branches and offices network constitutes as attraction factor for current and future clients. New branches have been opened in Khan Younes / Gaza, Al-Nsirrat / Gaza, Ras AL-Joura / Hebron, and a branch in Bethlehem. In addition to two new offices: Jerusalem Street Office / Ramallah and Silit Al-Thaheer Office / Jenin; to reach a total number of 27 branches and offices operating in Palestine. That is, in addition to the approvals granted for opening two new branches in Rafah and Jabalia, and two banking offices in the cities of Qublan and Jama'een. Thus, Quds Bank branches and offices, including those which shall be opened during 2015, will reach 31 branches and offices. During 2014, the Bank continued to update and improve its branches and offices, and has also opened its new HQ for Ateel branch, enhancing its distinctive image.

The Bank has maintained its position at the forefront of the banking market with a network of ATMs, whose number has reached 55 ATMs at the end of year 2014; an increase of 7 ATMs: Jerusalem Street ATM, Bethlehem ATM, Sarafeen ATM at Nsirrat branch, Ras Al-Joura ATM, ATM inside Jenin branch, and Silat Al-Thaheer office ATM.





{ Quds Bank branches and offices have reached (27 offices and branches) in the year 2014 compared to 8 offices and branches in the year 2007. }





HUMAN CAPITAL



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



Quds Bank is aware of the fact that its sustainable growth depends on developing and training its employees; it does not spare any efforts in investments directed at building, developing and enhancing the capacities of its employees. Quds bank has launched, during 2014, numerous training courses in all banking fields, in view of enhancing client service-centered culture and ensuring excellence and distinction in the provision of services. Moreover, the Bank went on to develop its expertise in the field of risk management and compliance so as to maintain continuous readiness and knowledge of all new developments to applicable administrative procedures, in line the PMA's concern in these fields, and to ensure the application of appropriate financial monitoring systems which reduce risks and acts of fraud. Furthermore, the internal training programs, regularly conducted and led by a team of the Bank's experts, have witnessed tangible advancement during year 2014 whereas, these programs have dealt with various and numerous fields in need of periodical development and enhancement.

Quds Bank believes that more economic development and growth in the Palestinian society is due to the role in which banks play in their contribution to building this economy. In order to rise in this major role, Quds Bank believes in excellence at the level of the quality and quantity of services provided via its trained and qualified human cadre. Human capital is regarded as the Bank's most valuable resource and the most influential in realizing the Bank's mission, vision and objectives. Therefore, Quds Bank is keen on attracting and qualifying required competencies capable of keeping pace with current and future developments.

Quds Bank abounds numerous experts; there are those who work on a season-basis, devoting their pioneering expertise in directing and training a specialized team of employees. The employees of the Bank are known for their unique skills and knowledge, leading the Bank to assume its rightful place at the forefront of banks operating in Palestine. The percentage of females in the Bank constitutes 29% of its total employees, and the average age of employees is 32.

The Bank was keen on conducting numerous training programs and workshops for its employees, whether in the West Bank or the Gaza Strip; whereas the number of participants in the fourth quarter of year 2014 had reached approximately 278 participants. (The following tables illustrate the subjects of the courses conducted in the year 2014).

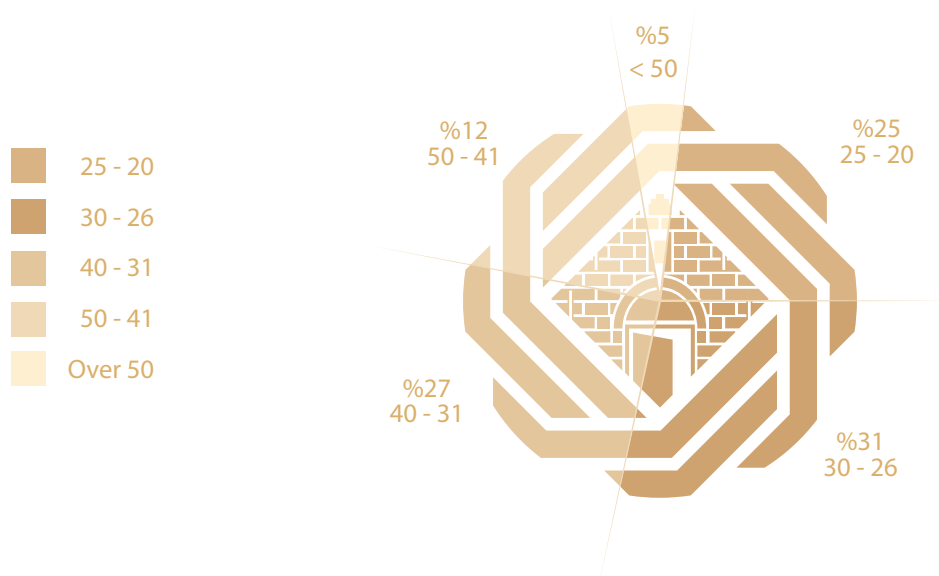
Training Course	Targeted group and No. of participants	No. of Participants
Distinction in service provision	Services and Sales employees and officials in the West Bank	33
Distinction in service provision	Services and Sales employees and officials in the Gaza Strip	42
Legal aspects of disbursement of cheques	Treasurers, and Services and Sales employees in the Gaza Strip	42
Fundamentals of banking	Services and Sales employees in the branches of the West Bank	45
Fundamentals of banking	Services and Sales employees in the branches of the Gaza Strip	24
Detection of counterfeiting and forgery	Treasurers in the branches of the West Bank	44
Detection of counterfeiting and forgery	Treasurers in the branches of the Gaza Strip	23
Comprehensive banking culture	A group of employees in the branches of the West Bank	25

Workshop	Targeted group
Western Union workshop	Transfer employees
MasterCard workshop	Customer service employees
Electronic archiving	Central operations employees
Compliance and anti-laundering	Employees of the branches in the Gaza Strip
Facilities' and accounts amendment system	Facilities' employees
Western Union transfers	Quds Bank agents
Advanced MasterCard workshop	Branches' employees
Banking operations	Operations' employees / Gaza Strip
Banking operations	Operations' employees / Gaza Strip
Individuals' credit facilities	Employees of the branches in the Gaza Strip
Procedure open accounts and Management	Facilities' employees/Gaza Strip
Cash withdrawals via MasterCard	Branches' employees
Training on Individuals' Loans Program	Facilities' employees
Cash withdrawals via POS	Branches' employees
Training on the MIPS system	Call center employees

Employee classification based on age, gender and scientific qualifications:

Age in years	Number	Percentage %
25 – 20	141	25 %
26 – 30	166	31 %
31 – 40	151	27 %
41 – 50	69	12 %
Over 50	28	0.5 %
Total	555	100 %

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

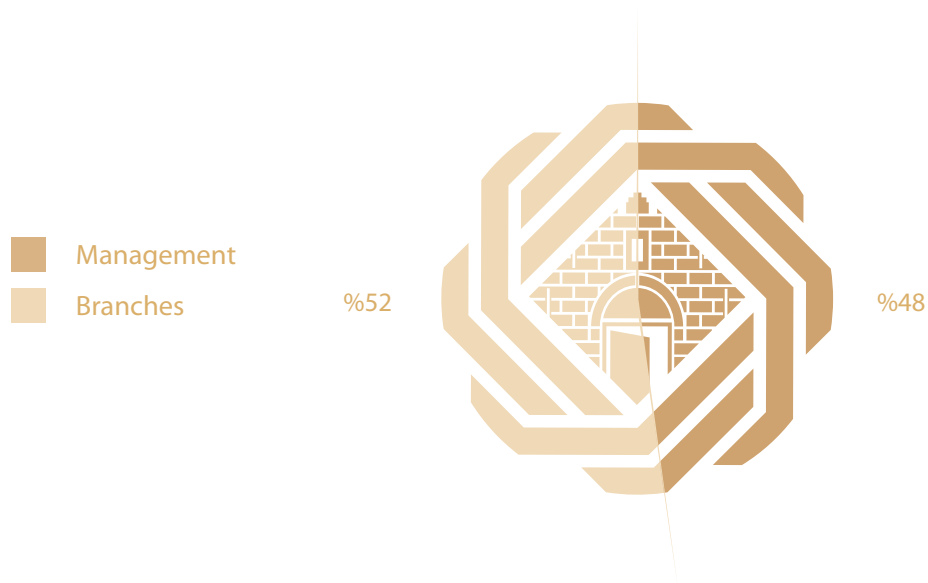


Distribution of employees according to age:

Gender	Number		Percentage %
	Administration	Branches	
Male	193	198	71 %
Female	68	96	29 %
Total	261	294	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 561 employees.

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



Scientific qualifications	Number	Percentage %
Masters	22	4 %
Bachelors	362	65 %
Diploma	84	15 %
High School and below	87	16 %
Total	555	100 %

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

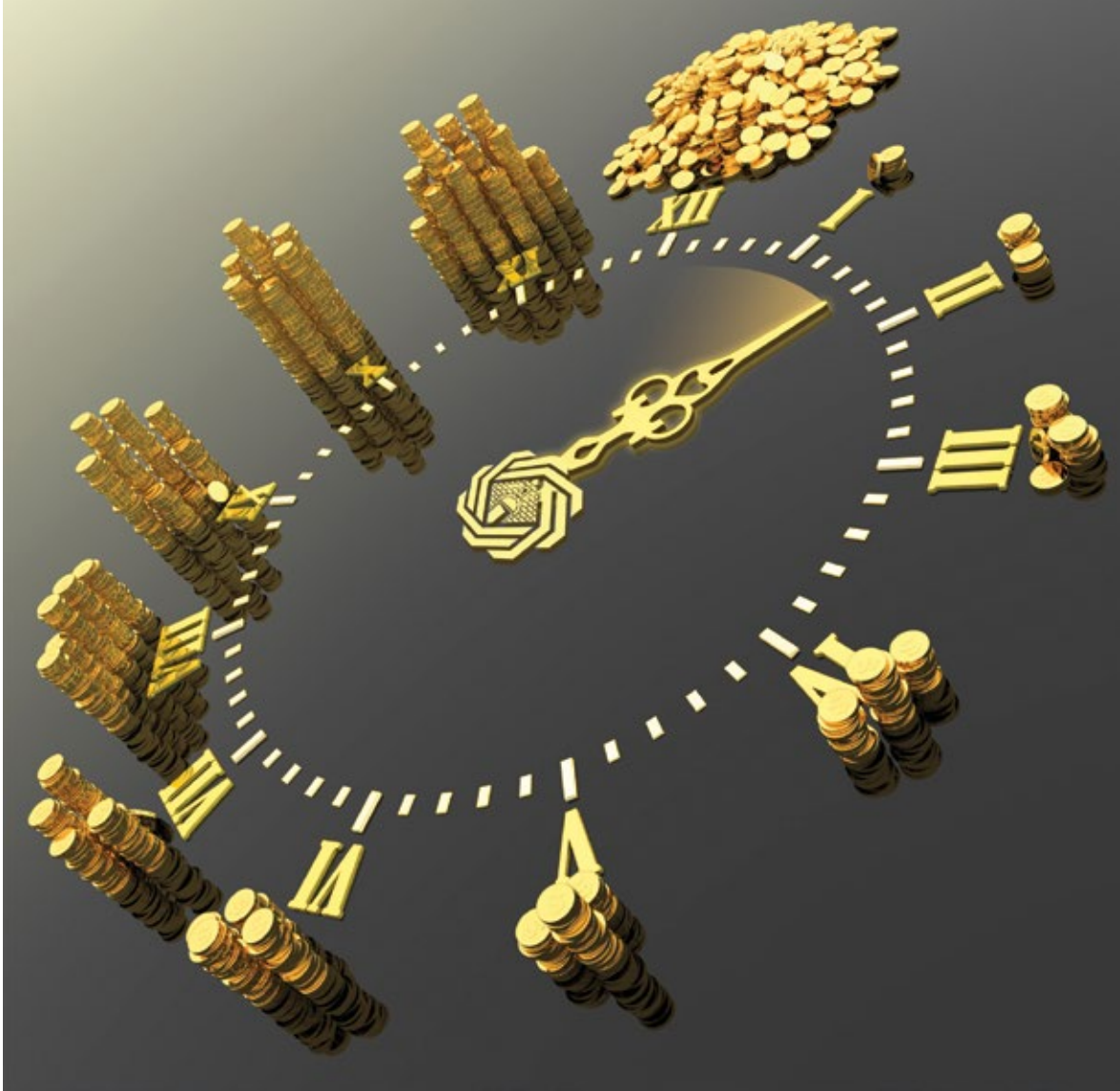




SHAREHOLDERS' RELATIONS



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



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 2014:

Name	End of 2014		End of 2013	
	Shares	(%) Subscription	Shares	(%) Subscription
Akram Abdul Latif Hasan Jerab	11,088,202.00	22.18	10,588,202.00	21.18
Abdul Rahim Jardanah & Sons Co	4,000,000.00	8.00	4,000,000.00	8.00
Palestine Investment Fund Co.	2,604,977.00	5.21	2,604,977.00	5.21

*amounts are in U.S. Dollar

In comparison to 2013, Board members ownership as at 31 December 2014 is as follows:

Name	Position	Nationality	Number of Owned Shares	
			End of 2014	End of 2013
Akram Abdul Latif Hasan Jerab	Chairman	Palestinian	11,088,202.00	10,588,202.00
Abdul Rahim Nizar Abdul Rahim Jardanah	Deputy Chairman	Jordanian	1,337,154.00	1,337,154.00
Palestine Investment Fund Co.	Member	Palestinian	2,604,977.00	2,604,977.00
Duraïd Akram Abdul Latif Jerab	Member	Jordanian	1,985,588.00	1,500,000.00
Hamed Abdul Ghani Mahmoud Jaber	Member	Jordanian	1,500,000.00	1,485,588.00
Saleh Jaber Ahmad Hmaid	Member	Jordanian	1,351,000.00	1,349,870.00
Investment Bank Co.	Member	Jordanian	1,097,549.00	1,097,549.00
Jumeirah real estate investment and general trading Co.	Member	Palestinian	967,210.00	1,000,000.00
Walid Najib Mustafa Ahmad	Member	Palestinian	131,850.00	137,100.00
Ahed Faye'q A'tef Bseiso	Member	Palestinian	74,000.00	74,000.00
Ruba Mohammad Mahmoud Masrouji	Member	Palestinian	40,000.00	30,000.00
Palestinian Banking Corporation	Member	Palestinian	1,163,000.00	1,300,000.00

*amounts are in U.S. Dollar

Board members' relatives shares as at 31 December 2014 compared to 31 December 2013:

Name	Kinship	Nationality	Number of Owned Shares	
			End of 2014	End of 2013
Muhanadf Akram Abdul Latif Jerab	Mr. Akram Jerab's son	Jordanian	2,004,432.00	1,497,832.00
Duraidd Akram Abdul Latif Jerab	Mr. Akram Jerab's son	Jordanian	1,985,588.00	1,485,588.00
Yazan Akram Abdul Latif Jerab	Mr. Akram Jerab's son	Jordanian	1,880,729.00	1,368,929.00
Zaid Akram Abdul Latif Jerab	Mr. Akram Jerab's son	Jordanian	1,875,628.00	1,368,928.00
Jamileh Mohammad Youssef Mussallam	Mr. Saleh Hmeid's Wife	Palestinian	10,000.00	10,000.00
Lina Abdul Rahim Ridda Irsheid	Mr. Saleh Hmeid's Wife	Palestinian	10,000.00	10,000.00

*amounts are in U.S. Dollar

Executive Management members' ownership as at 31 December 2014 compared to 31 December 2013:

Name	Position	Nationality	Number of Owned Shares	
			End of 2014	End of 2013
Samih Mohammad Yousef Subaih	General Manager	Palestinian	5,100.00	5,100.00

*amounts are in U.S. Dollar

Quds Bank is currently working on a design to maintain a fruitful relationship with shareholders and investors, and proceeding from such, we are glad to inform you that we shall create a Relation Management / Shareholders Centered-Department in the year 2015, in order to provide our shareholders with the best services. Such shall be done by responding to their inquiries, maintaining their records and through diligence to meet all their needs.

Information-Delivery Mechanism to Shareholders:

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

Name	Remuneration and Expenditures in year 2014
General Manger	177,244 \$
Higher Executive Administration	505,681 \$
Total	682,925 \$

Higher Executive Administration Remuneration and Expenditures

Board Members' Remuneration and Expenditures have amounted to 682,925 US dollars for the year 2014 compared to 817,580 US dollars for the year 2013. They are classified as follows:

Issues referred to Voting by Shareholders
N/A.

Contracts with relevant parties
N/A

Financial Statements

Preliminary financial statements are not different from those audited by the external auditor.

External Auditor

Press Waterhouse audited Quds Bank 2014 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 82% for 2014 total sessions.

General Assembly Convention

The General Assembly is scheduled to convene in April.

Traded Shares throughout year 2014

Summary of Quds Bank traded shares throughout 2014:

Trading 2014	Value 2014	Order 2014	Remarks	As compared to 2013
No. of Traded Shares(#)	5,628,623	9	3.10% of total trading	%78.24
Value of Traded Shares (\$)	5,456,320	10	1.4% of total trading	%98.48
Value of Traded Shares	418	17	10.1% of total transactions	- 30.79 %
Share Turnover Ratio(%)	11.26%	14	Turnover ratio for corporations: 11.08%	78.24 %
No. of share-trading sessions	115	18	46.94% of sessions	- 18.44 %
Company Market Value as at 31 December 2014 (\$)	48,500,000	15	1.52% of amount of total market value	- 2.02 %
(Free Float)	4%7.60	15	Corporations' free float ratio: 42.36%	7.64%
No. of shareholders	365	37	0.35% of total No. of shareholders	0.00%

Highest and lowest share price is as follows:

Highest Trading Price 2014	Lowest Trading Price 2014	Closing Price 2014	Closing Price 2013	Change Rate
1.04 US\$	0.80 US\$	0.97 US\$	0.99 US\$	2.02-%

بلغت مكافآت ونفقات أعضاء مجلس الإدارة 175,740 دولار أمريكي حتى نهاية عام 2014.

Board Members' Remuneration and Expenditures 2014

Name	Amount of the Board remunerations (2014)	Attendance and paid-transportation / JD	Total in U.S. Dollars
Akram Abdel-Latif Jerab	10,000	1,200	15,796.90
Abdel-Rahim Nizar Jaradneh	10,000	600	14,950.63
Waleed Najib Al-Ahmad	10,000	3,500	19,040.90
Jumeara Real Estate Invetment Co.	10,000	800	15,232.72
Ahed Faeq Beseso	10,000	2,800	18,053.60
Ruba Masrouji Al-Alami	10,000	3,200	18,617.77
Palestine Investment Fund	10,000	5,000	21,156.56
Saleh Jaber Humaid	10,000	2,400	17,489.42
Hamed Abdel-Ghani Jaber	10,000	1,200	15,796.90
Investment Bank	10,000	2,400	17,489.42
Dureid Akram Jerab	10,000	1,500	16,220.03
Total	110,000	24,600	189,845
Unpaid surplus provisions for year 2013	10,000		(14,104)
Actual expenses for 2014			175,740

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 (twentieth) projected work schedule of the Ordinary General Assembly meetings – Quds Bank

- Read the meeting minutes of the former General Assembly (29/04/2014) and approve it thereof.
- Discuss the Board's report for year 2014 and approve it thereof.
- Approve the company's auditor report for the financial year 2014, and discuss the general budget and final accounts for the concluded year as at 31 December 2014, and approve it thereof.
- Absolve the liability of the Board for the concluded year 2014.
- Elect and assign the Bank's auditor for the year 2015.
- Approve the recommendations of the Board to distribute dividends to shareholders and make a decision thereof.
- Approve to extend and confirm the decision of the former General Assembly to increase capital to 100 million dollars, and approve the plan to execute the decision.
- 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 2015.
- Quds Bank confirms its responsibility to prepare the financial statements for year 2014, 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 2014.
- 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 has amounted to 5,709,271 million dollars as at 31 December 2014.

The image features a wooden gavel positioned diagonally across the upper half, resting on a thick stack of papers. The background is a warm, golden-brown color with a subtle pattern of fine, parallel lines. On the left side, there is a stylized graphic consisting of several parallel, slightly curved lines that form a large, open 'V' or arrow-like shape pointing towards the center. The word 'GOVERNANCE' is written in a clean, white, sans-serif font, centered horizontally and partially overlaid by the graphic and the stack of papers.

GOVERNANCE



"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."



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.

4 Board's Operating Mechanism

- 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.

The image features a hand holding a pile of gold coins. A small plant with several leaves is growing out of the coins. A stylized geometric logo is also visible on the coins. The background is a warm, golden-brown color with abstract geometric lines on the left side.

CORPORATE SOCIAL RESPONSIBILITY (CSR)



"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".



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	31,077
Relief	40,804
Culture and education	87,068
Health and environment	12,686
Sports	12,746
Economy	37,500
Others	15,396
Total	237,276

Culture and 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 87,068\$.



Culture and Education

Donation to Al-Aqsa Fund

Donation to Al-Najjah National University – student aid

Donation to Khadury Palestine Technical University

Donation to Berzeit University

Sponsorship of Palestinian Forum – Khadury University

Sponsorship of the Palestinian convention – Berzeit University

Sponsorship of honoring outstanding students ceremony

Qarawat bani Hassan School

Sponsorship of Sports Committee meetings – Teachers Association

Sponsorship of Security Forces contest – Salfeet

Sponsorship of the Reading Project – Ataa' Association

Supporting Afakar Foundation for Educational Development

Donation to Palestine Cinema Forum – Gaza

Donation to Palestine Talents Club – Gaza

Sponsorship of Jerusalem Intellectuals Forum

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 12,686\$.



Health and Environment

Donation to Patients Friend Society – Abu Raya

Donation to the European Hospital

Sponsorship of Pharmaceutical Conference in Palestine – Red Crescent – Al-Bireh

Donation to perform a surgical operation

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 40,804\$.



Relief

Donation to the Red Crescent – victims of Yarmouk Refugee Camp

Donation to relief the citizens of Gaza during the recent attack

Donations to relief the unfortunate

Aid to affected Bank employees during the recent attack on 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 31,077\$.



Development

- Donation to Tulkarem Municipality workers
- Donation to Rural Development Society – Rida
- Donation of a computer to the Civil Defense
- Donation to workers in need – General Union
- Donation of a car to the Civil Defense
- Purchase of a copy machine for the Joint Service Council – Salfeet
- Donation of a laptop to Sabri Company for computer systems
- Donation of computers to the General Federation of Trade Unions
- Donation of a copy machine to Kufur Deik Municipality

Economy

Through sponsoring economic events and activities, Quds Bank aims at enhancing the wheel of Palestinian economy on the one hand, and support community development on the other hand, within a studied set of strategic frameworks. Therefore, Quds Bank has never seized to carry its responsibilities and participate in these activities; it has contributed in numerous activities in this field at an amount of 37,500\$.



Economy

- Sponsorship of Palestine Business Finance
- Sponsorship of Hebron Food Trade Association
- Sponsorship of National Shopping Festival – Al-Najjah University
- Sponsorship of Tubas and the Jordan Valley Festival

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 12,746\$.



Sports

Donation to Muay Tai Championship

Donation to Ama'ri Youth Center

Donation to Community Youth Center – Qalandia Refugee Camp

Donation to Al-Bireh Youth Center

Sponsorship of the International Palestine Marathon – Higher Council of Youth

Sponsorship of Qalqilya Civil Club

Donation to the National Security Sports Team

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 15,396\$.



Social

- Donation to Working Women's Society for Development
- Donation to Rawan Society for Children Development
- Donation to Women's Union
- Donation to Berzeit Friends Association
- Sponsorship of Attil Society for the Care of the Old
- Sponsorship of Palestine Orphan Child Society
- Sponsorship of Berzeit Women's Association
- Donation to the Family Relief Association
- Sponsorship of Tulkarem Engineers Syndicate Introduction Ceremony
- Sponsorship of Ramadan Iftar for Al-Najjah University staff union
- Donation to the Blind Association
- Donation to Basira Forum for the Blind
- Donation to the Rural Women's Association – Qaffin

The background of the cover features a warm, golden-brown color palette. On the right side, there is a blurred image of a pair of black-rimmed glasses resting on a stack of US dollar bills, with a \$20 bill clearly visible at the bottom. On the left side, several parallel, diagonal lines in a lighter shade of gold create a sense of movement and depth. The text 'FINANCIAL STATEMENT' is centered in the lower half of the image.

FINANCIAL STATEMENT



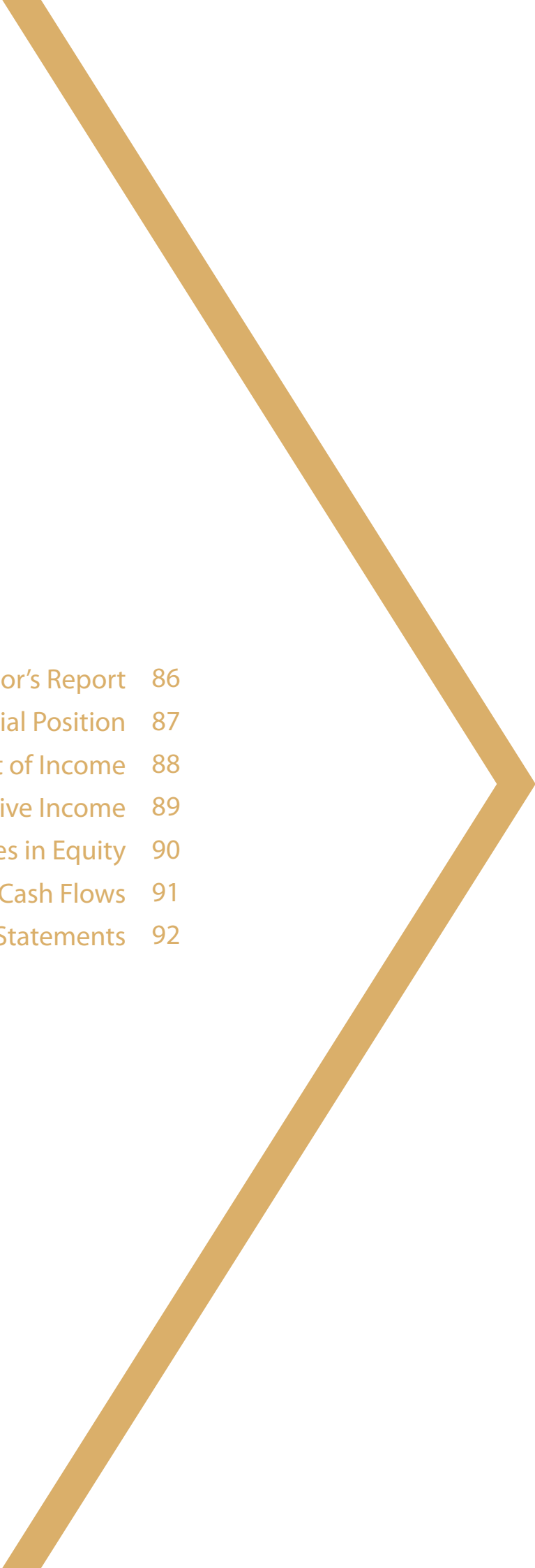


بنك القدس
Quds Bank

(PUBLIC SHAREHOLDING COMPANY, Ltd.)

(Ramallah - Palestine)

Financial Statements
For the year ended December 31, 2014
AND INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF QUDS BANK

Report on the Financial Statements

We have audited the accompanying financial statements of Quds Bank- Public Shareholding Company, Ltd (hereinafter "the Bank"), which comprise the statement of financial position as of December 31, 2014 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.

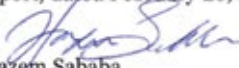
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2014 and the results of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters

The financial statement for the year ended December 31, 2013 were audited by another auditor whose report, dated February 26, 2014, expressed an unmodified opinion on those statements.


Hazem Sababa
License number 115/2003
PricewaterhouseCoopers Palestine Limited
March 26, 2015
Ramallah, Palestine

QUDS BANK

(PUBLIC SHAREHOLDING COMPANY, Ltd.)

Financial statements for the year ended December 31, 2014

STATEMENT OF FINANCIAL POSITION

(All amounts are in US Dollars unless otherwise stated)

	Note	2014	2013
Assets			
Cash and balances with Palestine Monetary Authority	(4)	119,167,254	84,740,545
Balances at banks and financial institutions	(5)	131,010,848	99,103,413
Financial assets at fair value through statement of income	(6)	89,974	116,043
Direct credit facilities , net	(7)	336,171,649	287,349,992
Financial assets at fair value through other comprehensive income	(8)	8,632,547	9,198,469
Financial assets at amortized cost	(9)	23,104,089	10,857,303
Property, plant and equipment	(10)	22,515,085	18,927,250
Projects under construction		2,355,923	2,584,101
Intangible assets	(11)	27,769	29,533
Deferred tax assets	(12)	1,066,727	1,066,727
Other assets	(13)	25,220,307	18,608,999
Total assets		669,362,172	532,582,375
Liabilities And Equity			
Liabilities			
Palestine Monetary Authority deposits	(14)	-	10,000,000
Banks and financial institutions deposits	(15)	70,396,313	24,207,792
Customers' deposits	(16)	494,228,499	401,177,301
Cash margins	(17)	22,752,072	19,278,569
Provision for end-of-service indemnity	(18)	3,349,099	3,027,091
Litigation provision	(19)	102,767	130,000
Provision for income tax	(20)	662,257	2,155,462
Other liabilities	(21)	7,323,882	7,614,240
Total Liabilities		598,814,889	467,590,455
Equity			
Paid -in- capital	(22,1)	50,000,000	50,000,000
Premium issuance excess of par value		3,000,000	3,000,000
Statutory reserve	(23)	3,481,177	2,757,887
Optional reserve	(23)	224,912	224,912
General banking risks reserve	(23)	5,100,037	5,805,055
Reserve of cyclical fluctuations	(23)	3,633,963	2,549,028
Fair value reserve	(24)	(732,512)	945,029
Retained earnings		5,839,706	(289,991)
Total equity		70,547,283	64,991,920
Total liabilities and equity		669,362,172	532,582,375

The notes on pages from (3) to (50) are an integral part of these financial statements.

QUDS BANK

(PUBLIC SHAREHOLDING COMPANY, Ltd.)
Financial statements for the year ended December 31, 2014

STATEMENT OF INCOME

(All amounts are in US Dollars unless otherwise stated)

	Note	2014	2013
Interest income	(25)	27,363,606	24,459,774
Interest expense	(26)	(5,602,841)	(5,872,769)
Net Interest Income		21,760,765	18,587,005
Net commissions income	(27)	6,612,220	4,291,050
Net Interest and Commissions Income		28,372,985	22,878,055
Gain from foreign currency exchange		3,063,958	2,067,852
Gains from financial assets through statement of income	(28)	241,457	85,355
Gain from disposal of property, plant, and equipment		-	10,836
Recovery of provision for impairment in credit facilities	(7)	951,795	1,324,387
Other income	(29)	1,242,201	755,440
Gross income		33,872,396	27,121,925
Expenses			
Personnel costs	(30)	10,996,508	10,244,375
Depreciation and amortization	(11,10)	2,023,485	1,780,260
Provision for impairment in direct credit facilities	(7)	1,523,411	1,049,276
Other operating expenses	(31)	8,130,969	5,901,912
Provision for end-of-service indemnity	(18)	958,656	693,880
Litigation provision		-	80,000
Impairment on assets acquired in settlement of debt		-	87,573
Loss from disposal of property, plant, and equipment		6,463	-
Total expenses		23,639,492	19,837,276
Profit before taxes		10,232,904	7,284,649
Deferred income tax		-	135,000
Income tax	(20)	(3,000,000)	(2,500,583)
Prior year income tax		-	(179,417)
Profit for the year		7,232,904	4,739,649
Basic and diluted earnings per share	(38)	0.145	0.095

The notes on pages from (3) to (50) are an integral part of these financial statements.

QUDS BANK

(PUBLIC SHAREHOLDING COMPANY, Ltd.)

Financial statements for the year ended December 31, 2014

STATEMENT OF COMPREHENSIVE INCOME

(All amounts are in US Dollars unless otherwise stated)

	2014	2013
Profit for the year	7,232,904	4,739,649
Other comprehensive income:		
Changes in value of financial assets at fair value through comprehensive income	(1,677,541)	2,266,585
Other comprehensive income for the year	(1,677,541)	2,266,585
Total comprehensive income	5,555,363	7,006,234

The notes on pages from (3) to (50) are an integral part of these financial statements.

QUDS BANK

(PUBLIC SHAREHOLDING COMPANY, Ltd.)
Financial statements for the year ended December 31, 2014

STATEMENT OF CHANGES IN EQUITY

(All amounts are in US Dollars unless otherwise stated)

	Paid-in capita	Premium issuance excess of par value	Statutory reserve	Optional reserve	General banking risks reserve	Reserve of cyclical fluctuations	Fair value reserve	Retained earnings	Total
December 31, 2014									
Balance as of January 2014, 1	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 fair value for financial assets 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 2014, 31	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
December 31, 2013									
Balance as of January 2013, 1	50,000,000	3,000,000	2,283,922	224,912	4,491,253	1,838,081	(1,321,556)	(2,530,926)	57,985,686
Changes during the year:									
Profit for the year	-	-	-	-	-	-	-	4,739,649	4,739,649
Other comprehensive income:									
Changes in financial assets at fair value through comprehensive income	-	-	-	-	-	-	2,266,585	-	2,266,585
Total comprehensive income	-	-	-	-	-	-	2,266,585	4,739,649	7,006,234
Transferred to reserves	-	-	473,965	-	1,313,802	710,947	-	(2,498,714)	-
Balance as of December 2013, 31	50,000,000	3,000,000	2,757,887	224,912	5,805,055	2,549,028	945,029	(289,991)	64,991,920

The notes on pages from (3) to (50) are an integral part of these financial statements.

QUDS BANK

(PUBLIC SHAREHOLDING COMPANY, Ltd.)

Financial statements for the year ended December 31, 2014

STATEMENT OF CASH FLOWS

(All amounts are in US Dollars unless otherwise stated)

	Note	2014	2013
Cash flows from operating activities			
Profit for the year before income tax		10,232,904	7,284,649
Adjustments for:			
Depreciation and amortisation	(10,11)	2,023,485	1,780,260
Provision for impairment on direct credit facilities	(7)	1,523,411	1,049,276
Provision for end-of-service indemnity	(18)	958,656	693,880
Releases from vacations provision		-	(23,544)
Litigations provision	(19)	(27,233)	80,000
Impairment on assets acquired in settlement of debt		-	87,573
Unrealised gain from financial assets through statement of income	(28)	26,070	12,250
Loss (gain) from disposal of property, plant and equipment		6,463	(10,836)
		14,743,756	10,953,508
Change in:			
Cash statutory reserve	(4)	(7,688,013)	(6,844,786)
Deposits at banks and financial institutions (more than 3 months)	(5)	2,750,000	(2,750,000)
Direct credit facilities	(7)	(50,345,068)	4,463,742
Other assets	(13)	(6,611,308)	(2,523,933)
Banks and financial institutions deposits (more than 3 months)	(15)	20,997	514,133
Customers' deposits	(16)	93,051,198	66,920,524
Cash margins	(17)	3,473,503	(71,765)
Other liabilities	(21)	(290,358)	2,212,739
End of service payments	(18)	(636,648)	(413,241)
Income tax paid	(20)	(4,493,205)	(3,111,159)
Net cash from operating activities		43,974,854	69,349,762
Cash flows from investing activities			
Purchase of financial assets through comprehensive income	(8)	(1,111,618)	(772,064)
Purchase of financial assets at amortized cost	(9)	(12,246,786)	(9,877,301)
Projects under construction		-	(1,370,534)
Purchase of property, plant and equipment	(10)	(5,481,093)	(1,408,550)
Proceeds from sale of financial assets through statement of income		-	10,000
Proceeds from sale of property, plant and equipment		93,251	33,983
Net cash used in investing activities		(18,746,246)	(13,384,466)
Net increase in cash and cash equivalents		25,228,608	55,965,296
Cash and cash equivalents at beginning of year	(36)	111,122,663	55,157,367
Cash and cash equivalents at end of year	(36)	136,351,271	111,122,663

The notes on pages from (3) to (50) are an integral part of these financial statements.

QUDS BANK

(PUBLIC SHAREHOLDING COMPANY, Ltd.)
Financial statements for the year ended December 31, 2014

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in US Dollars unless otherwise stated)

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 appointed the Bank's Board of Directors to execute this decision during the subsequent years.

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 (21) branches in Palestine, in addition to (6) offices.

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

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

The number of Bank's employees (Headquarter and branches) as of December 31, 2014 was (555), and (447) employee as of December 31, 2013.

These financial statements have been approved by the Board of Directors in its meeting held on March 12, 2015.

2. BASIS OF PREPARATION

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

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 financial statements are presented in U.S 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 inter-bank accounts between headquarter and the branches are included in other assets and liabilities in the statement of financial position.

The preparation of financial statements in conformity with IFRS 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 greatly impact on 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).

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, 2013 except for the information presented in note (42).

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.

a. New and amended standards adopted by the Bank

- Amendment to IAS 32, «Financial instruments Presentation» on offsetting financial assets and financial liabilities.

This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment had no significant impact on the Bank's financial statements.

- The Bank early adapted IAS 9, "Financial Instruments" starting on July 1, 2012, which addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.
 - Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. The amendment had no significant impact on the Bank's financial statements.
 - Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The amendment had no significant impact on the Bank's financial statements.
 - IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised.
- b. New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2014 and not early applied by the Bank
- Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. This standard is not expected to have an impact on the Bank's financial statements.
 - IFRS 15, 'Revenue from contracts with customers' (effective from 1 January 2017) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. This standard is not expected to have an impact on the Bank's financial statements.

Management anticipates that these IFRSs and amendments will be adopted in the financial statements in the initial period when they become mandatorily effective.

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 related to each segment are used to determine the performance of operating sectors. Moreover, internal reports are concerned with credit concentration and outcomes' analysis according to business, economic and geographic sectors. (Note 32).

3-3 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 interest and commissions in suspense.

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 taken to the statement of income.

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

Impaired credit facilities, for which specific provisions have been taken, are written off by charging the provision after all efforts have been made to recover the assets. Collections of written off debts are included in the revenues.

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 i. 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 in these items.

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 owner's equity. Gain or loss from the sale of these investments should be recognized in the statement of comprehensive income and within owner's equity, and the balance of the evaluation reserve for these 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.

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.

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 registered 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 at 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 account 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 using effective interest rate, premiums and discounted are amortized within interest revenue 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 an investment cannot be measured reliably, it is stated at cost less any impairment.

3-8 Impairment of the value in Financial Assets

The Bank reviews the values of financial assets on 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 change in the market conditions are very likely.

Impairment provisions cover losses that may result from individual operating 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 which are 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 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. As well, 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. Any financial instruments that cannot be measured reliably are reported at cost less any impairment.

3-9 Property, plant and equipment

Property, plant and equipment are stated at cost net of accumulated depreciation and any impairment in value. Cost includes expenditures that are directly attributable to the acquisition of the items; all expenditures are charged to 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:

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.

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.

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 five years from acquisition date, and this period can be extended by the Palestine Monetary Authority in accordance with the Banking Act and relevant instructions.

3-12 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 indemnities

End-of-service indemnities are provided for in accordance with the labor law in effect 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.

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 settled simultaneously.

3-16 Realization of Income and Recognition of Expenses

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 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:

Fair value hedge:

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.

Cash flow hedge:

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 in 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.

Hedge 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 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 balances maturing within three months, such includes: cash and balances with the Palestinian Monetary Authority deposits at banks and financial institutions, and is reduced by deposits from banks and financial institutions maturing within three months and restricted balances including the statutory reserve with the Palestine Monetary Authority.

3-21 Related parties

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

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 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 necessarily 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.
- Tax expenses are calculated yearly according to the laws and regulations and International Financial Reporting Standards (IFRS).
- 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.

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

4.CASH AND BALANCES WITH PALESTINE MONETARY AUTHORITY

Details:

	2014	2013
Cash in boxes and treasury	49,934,842	46,509,133
Balances at PMA		
Current and demand accounts	24,759,109	1,446,122
Statutory cash reserve *	44,473,303	36,785,290
	119,167,254	84,740,545

According to Palestine Monetary Authority (PMA) instructions No. (67/2010) the Bank is required to maintain statutory cash reserves of 9% with Palestine Monetary Authority of all customer deposits for all currencies. Palestine Monetary Authority is not to pay the interest on these statutory reserves. According to circulate No. (2/2012) the outstanding balance of the facilities granted in Jerusalem are reduced 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 a 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.

5. BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS

Details:

	2014	2013
Local banks and financial institutions		
Deposit maturing within 3 months	49,629,354	22,270,097
	49,629,354	22,270,097
snoitutitsni laicnanfi dna sknab ngieroF		
Current and demand accounts	25,033,764	15,096,153
Deposit maturing within (3) months	56,347,730	58,987,163
Deposit maturing more than (3) months	-	2,750,000
	81,381,494	76,833,316
	131,010,848	99,103,413

Non-interest bearing balances at banks and financial institutions amounted to USD 25,033,764 as of December 31, 2014 and USD 15,096,153 as of December 31, 2013.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH STATEMENT OF INCOME

Details:

	2014	2013
Quoted stocks in Palestine Exchange	89,974	116,043
	89,974	116,043

7.DIRECT CREDIT FACILITIES, NET

Details:

	2014	2013
Loans	298,652,926	254,472,921
Overdraft accounts	39,361,062	35,140,366
Discounted bills	1,694,373	2,000,385
	339,708,361	291,613,672
Less:		
Interest in suspense	(555,142)	(1,110,004)
Provision for impairment of direct credit facilities	(2,981,570)	(3,153,676)
	336,171,649	287,349,992

Loans and bills represents the net amount after deducting net interest and commissions received in advance, in the amount of USD 436,140 as at December 31, 2014 (USD 32,211 as at December 31, 2013).

The gross non-performing direct credit facilities in accordance with the instructions of the Palestine Monetary Authority, the amount of USD 9,669,074 representing 2.85% of the total direct credit facilities as of December 31, 2014 compared to USD 13,035,561 representing 4.47% of the total direct credit facilities as of December 31, 2013.

The gross of non-performing credit facilities excluding interest and commissions in suspense amounted to USD 9,113,935 which is equivalent to (2.68%) of total direct credit facilities as of December 31, 2014 compared to USD 11,925,556 representing (4.09%) of the balance of the direct credit facilities as of December 31, 2013 after excluding interest in suspense.

Bad debts as of December 31, 2014 have reached USD 8,803,899 compared to USD 11,042,048 as of December 31, 2013.

The value of the non-performing credit facilities for a period more than 6 years amounted to USD 7,406,108 as of December 31, 2014 compared to USD 8,441,585 as of 31 December 2013.

Total loans and bank overdrafts granted to the Palestine National Authority and its ministries amounted to USD 130,436,514 as of December 31, 2014 representing (38.40%) of direct credit facilities compared to USD 137,992,987 as of December 31, 2013 representing (47.32%) of direct credit facilities.

The fair value of collateral against the credit facilities amounted to USD 54,819,349 as of December 31, 2014 compared to USD 51,480,180 as of December 31, 2013.

Total credit facilities granted to public sector employees of USD 52,507,276 as of December 31, 2014 compared to USD 67,107,681 as of December 31, 2013.

Total credit facilities granted to non-residents of USD 424,157 as of December 31, 2014 compared to USD 5,804,546 as of December 31, 2013.

The movement on interest in suspense was as follows:

	2014	2013
Balance at beginning of the year	1,110,004	1,068,268
Add: Interest in suspense for the year	23,452	169,755
Less: Interest transferred to revenue	(850)	(51,030)
Interest in suspense written-off	(37,686)	(5,948)
Interest rescheduled and disposed during the year	(71,102)	(41,727)
Suspended interest over facilities non-performed more than 6 years	(436,588)	(29,314)
Currency variance	(32,088)	-
Balance at end of the year	555,142	1,110,004

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

	2014	2013
Balance at beginning of the year	3,153,676	2,939,878
Add: Additions for the year	1,523,411	1,049,276
Less: Provision transferred to revenue	(757,086)	(816,589)
Written-off during the year	(62,395)	(16,215)
Provisions over facilities non-performed more than 6 years	(731,400)	(84,629)
Currency variance	(144,636)	81,955
Balance at end of the year	2,981,570	3,153,676

The movement on the provision for impairment in direct credit facilities, which past to over 6 years was as follows:

	2014	2013
Balance at beginning of the year	8,434,815	9,378,804
Transferred from provisions over facilities non-performed more than 6 years	731,400	84,629
Bad debt	(1,154,985)	(849,023)
Disposals	(194,708)	(507,798)
Currency variance	(433,884)	328,203
Balance at end of the year	7,382,638	8,434,815

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

	2014	2013
Public sector		
Palestinian National Authority	130,436,514	137,992,987
Palestinian Local Authorities	21,119	19,465
Other public sector non-financial institutions	-	48,265
	130,457,633	138,060,717
Private sector		
Constructions and real state		
Constructions	15,926,304	8,729,730
Establish and improve the housing conditions	5,118,204	3,519,820
Real estate, business and investment	1,178,848	2,284,106
	22,223,356	14,533,656
Land		
Investment	1,928,226	-
	1,928,226	-
Industry and mineral sector		
Industry	12,237,381	5,217,673
Mines and mineral	-	2,350,263
	12,237,381	7,567,936
Public trade sector		
Internal trade	68,027,331	26,644,624
	68,027,331	26,644,624
Agriculture and livestock sector		
Agriculture	9,730,435	1,197,424
livestock	1,128,588	-
	10,859,023	1,197,424
Tourism and other restaurants and hotels sector	4,596,618	2,614,064
Transportation	10,551,688	2,338,427
Services sector		
Financial services	10,090,577	8,998,463
Public services sector		
Communications	284,006	286,835
Health	240,122	-
Education	1,035,920	-
Public utilities	4,766,115	7,927,538
Professionals	4,071,125	-
	20,487,865	17,212,836
Cars Financing	4,403,794	1,925,000
Finance consumer goods		
Credit cards	1,600,276	-
Other	18,020,922	4,357,795
Others in the private sector	33,759,106	74,051,189
	53,380,304	78,408,984
Total public and private sector facilities	339,153,219	290,503,668

Facilities secured by the loan guarantee institutions

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
2013				
Facility Type	Amount	Outstanding balance	Carrying Percentage	Non-Performing
Direct Facilities	3,246,357	1,677,640	30 %	291,786
	3,246,357	1,677,640	30 %	291,786

8.FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Details:

	2014	2013
Quoted shares	8,351,047	8,963,469
Unquoted shares	281,500	235,000
	8,632,547	9,198,469

9.FINANCIAL ASSETS AT AMORTIZED COSTS

Details:

	2014	2013
Local bonds	980,000	980,000
Foreign bonds	22,124,089	9,877,303
	23,104,089	10,857,303

- These financial assets are matured from 10 months to 5 years.

10.PROPERTY, PLANT AND EQUIPMENT

Details:

January 1, 2014	Lands	Buildings	Fixtures and furniture	Computers and software	Vehicles	Improve ments	Total
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

January 1, 2013	Lands	Buildings	Fixtures and furniture	Computers and software	Vehicles	Improve ments	Total
Cost							
January 1, 2013	5,513,219	4,059,034	2,441,297	7,738,669	706,538	6,845,093	27,303,850
Additions	-	-	105,439	606,431	144,978	551,702	1,408,550
Disposals	-	-	-	(10,627)	(63,428)	-	(74,055)
December 31, 2013	5,513,219	4,059,034	2,546,736	8,334,473	788,088	7,396,795	638,34528,
Accumulated depreciation							
January 1, 2013	-	317,083	874,144	4,151,684	160,592	2,480,003	7,983,506
Additions	-	81,181	218,064	725,245	81,677	672,330	1,778,497
Disposals	-	-	-	(4,396)	(46,512)	-	(50,908)
December 31, 2013	-	398,264	1,092,208	4,872,533	195,757	3,152,333	9,711,095
Net book value December 31, 2013	5,513,219	3,660,770	1,454,528	3,461,940	592,331	4,244,462	18,927,250

11. INTANGIBLE ASSETS

Details:

	2014	2013
Balance at beginning of the year	29,533	31,296
Less: Amortization for the year	(1,764)	(1,763)
Balance at end of the year	27,769	29,533

12. DEFERRED TAX ASSETS

Details:

	2014	2013
Balance at beginning of the year	1,066,727	944,921
Provision for end-of-service indemnity	-	94,780
Litigation provision	-	27,026
Balance at end of the year	1,066,727	1,066,727

13. OTHER ASSETS

Details:

	2014	2013
Stationery and publications inventory	126,328	94,472
Claims under collections	14,005,133	12,033,123
Prepaid expenses	1,197,125	2,132,182
Interest receivable	1,044,113	1,001,911
Refundable legal fees	361,734	368,842
Transactions between the centre and branches - Clearing	321,790	-
Assets acquired against settlement of customer debts*	3,177,721	1,749,830
Due from shareholders	1,137,117	772,064
Debit forward deals, net **	3,849,246	456,575
	25,220,307	18,608,999

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

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

	2014	2013
Balance at beginning of the year	1,749,830	1,519,053
Add: Assets (properties) seized during the year	1,427,891	318,350
Less: Impairment on assets (properties) seized by the Bank	-	(87,573)
Balance at end of the year	3,177,721	1,749,830

** The following is forward deals summary as of December 31, 2014:

	Net debit forward deals	Net credit forward deals	Total nominal value
Forward Deals			
Forward deals (Buy)	3,849,246	-	82,266,168
Forward deals (Sell)	-	541,697	78,958,619
	3,849,246	541,697	3,307,549

14. PALESTINE MONETARY AUTHORITY DEPOSITS

Details:

	2014	2013
PMA deposits/ mature during 3 months	-	10,000,000
	-	10,000,000

15. BANKS AND FINANCIAL INSTITUTIONS DEPOSITS

Details:

	2014	2013
Local banks and financial institutions		
Overdraft and demand accounts	97,134	22,253
Term deposits maturing within three months	69,256,395	21,185,539
Deposits maturing in more than three months	1,042,784	-
Foreign banks and financial institutions		
Term deposits maturing within three months	-	1,978,213
Deposits maturing in more than three months	-	1,021,787
	70,396,313	24,207,792

16. CUSTOMERS' DEPOSITS

Details:

	2014	2013
Current and demand deposits	176,700,377	129,012,569
Saving deposits	176,842,512	139,528,763
Time deposits subject to notes	140,685,610	132,635,969
	494,228,499	401,177,301

- Total public sector deposits amounted to USD 13,053,465 which is equivalent to (3%) of total customer's deposits as of 31 December 2014 against USD 16,040,281 which is equivalent to (4%) of total customer's deposits as of 31 December 2013.
- Total non-interest bearing deposits amounted to USD 161,202,657 which is equivalent to (32.62%) of total customers deposits as of 31 December 2014 against USD 128,501,668, which is equivalent to (32.06%) of total customers deposits as of 31 December 2013.
- Total dormant deposits amounted to USD 8,819,245 which is equivalent to (1.8%) of total customers deposits as of 31 December 2014 against USD 6,418,837 which is equivalent to (1.6%) of total customers deposits as of 31 December 2013.
- Total deposits in foreign currencies amounted to USD 301,450,638 as of 31 December 2014 against USD 246,097,795 as of 31 December 2013.
- Total non-resident deposits amounted to USD 7,915,206 as of 31 December 2014 against USD 7,264,789 as of 31 December 2013.

17. CASH MARGINS

Details:

	2014	2013
Cash margins against direct facilities	14,803,467	11,898,333
Cash margins against indirect facilities	3,280,829	3,950,555
Other cash margins	4,667,776	3,429,681
	22,752,072	19,278,569

18. PROVISION FOR END-OF-SERVICE INDEMNITY

Following is a summary of movement on provision for end of service for the years ended December 31, 2014 and 2013:

	2014	2013
Beginning balance	3,027,091	2,746,452
Add: provision made during the year	958,656	693,880
Less: payments made during the year	(636,648)	(413,241)
Ending balance	3,349,099	3,027,091

19. LITIGATIONS PROVISION

Following is a summary of movement on provision for end of service for the years ended December 31, 2014 and 2013:

2013	2014	
50,000	130,000	رصيد بداية السنة
80,000	(27,233)	المخصص (المدفوع) خلال السنة
130,000	102,767	رصيد نهاية السنة

20. PROVISION FOR INCOME TAX

Following is a summary of movement on provision for income tax for the year ended December 31, 2014 and 2013:

	2014	2013
Beginning balance	2,155,462	2,586,621
Add: provision made during the year	3,000,000	2,680,000
Less: payments made during the year	(4,493,205)	(3,111,159)
Ending balance	662,257	2,155,462

The Bank has obtained a final settlement with the income tax department till the end of 2010. As of the financial statement date, the Bank has not obtained a final settlement with the income tax department for the years 2011, 2012 and 2013. The tax consultant is currently working for a final settlement with income tax department for the years 2011, 2012 and 2013.

Income tax provision for the year ended 31 December 2014 and 2013 was calculated according to applicable laws, regulations and International Financial Reporting Standards.

The following settlement between accounting and tax profit:

	2014	2013
Accounting profit	10,232,904	7,284,649
VAT taxable profit	9,277,340	7,763,321
Less:		
VAT	(1,279,633)	(1,187,144)
VAT on salaries	(1,068,649)	-
Add:		
Revenues from outside Palestine and subject to income tax	799,986	-
Taxable profit for income tax, net of VAT	7,729,044	6,576,177
Income Tax	1,535,535	1,313,439
Total calculated VAT and income tax	2,815,168	2,500,583
Income tax allocated for the year	3,000,000	2,680,000

21. OTHER LIABILITIES

Details:

	2014	2013
Accrued interest	1,117,536	1,641,293
Accrued expenses	138,300	299,123
Checks and money orders payment	3,444,029	3,258,723
Temporary margins	227,924	430,938
Transactions between management and branches (Checks Clearing)	-	647,747
Board of Directors' remunerations	155,148	155,148
Due to suppliers	1,119,251	39,560
Taxes deducted from customers and employees salaries	89,592	180,243
Credit forward deals, net (Note 13**)	541,697	709,020
Forward deals (Clients)	490,405	252,445
	7,323,882	7,614,240

22. PAID-IN CAPITAL

Capital 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.

There are no changes to the capital management policy during the period ended as of December 31, 2014 than it was in 2013. The primary and regulatory capital details are as follows:

	2014			2013		
	USD	Ratio to assets	Ratio to assets by weighted risk	USD	Ratio to assets	Ratio to assets by weighted risk
Primary capital	60,312,282	%9.01	%18.65	57,280,576	%10.76	%26.72
Regulatory capital	54,899,053	%8.2	%16.98	50,819,122	%9.54	%23.71

23. RESERVES

The details of the reserves are as follows:

a. Statutory Reserve

In accordance with the Corporate Law and Banking law in Palestine, all Banks deduct 10% of the annual net income and allocate it to the statutory reserve account. The deduction will be continued till the accumulated balance equal the Bank paid in capital. This reserve must not be distributed to the Bank's shareholders without prior consent by 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. (3/2013) of 1.5% of the direct credit facilities after the impairment provision of direct credit outstanding benefits and 0.5% of indirect credit facilities after deduct checks under collection, guarantees and acceptable drafts guaranteed relating to documentary credits received. This reserve may not use or reduced without prior approval from PMA. Excluding facilities granted to small businesses in accordance with Circular No. (53/2013).

Based on the instructions of the Palestine Monetary Authority No. (80/2014) issued on September 3, 2014 has amended general banking risks reserve ratio of net direct facilities from 2% to be 1.5%.

d. Reserve for Cyclical Fluctuations

This item represents provision that is deducted according to the instructions of the Palestine Monetary Authority No. reserve (1/2011) 15% of the annual net profit after tax in order to improve the Bank's capital to face the surrounding banking risks and continue deduction till its balance reach 20% of the Bank's capital paid share. This reserve may not use or reduced without prior approval from Palestine Monetary Authority.

24. FAIR VALUE RESERVE

Details:

	2014	2013
Balance at beginning of the year	945,029	(1,321,556)
Unrealized (Loss) gain	(1,677,541)	2,266,585
Balance at end of the year	(732,512)	945,029

25. INTEREST INCOME

Details:

	2014	2013
Loans	21,232,620	19,592,280
Overdraft and uncovered demand	3,661,016	2,832,998
Discounted bills	235,810	149,629
Balances and deposits with banks and financial institutions	1,110,123	1,424,649
Credit cards	264,902	131,091
Financial assets at amortized cost	859,135	329,127
	27,363,606	24,459,774

26. INTEREST EXPENSE

Details:

	2014	2013
Clients deposits		
Clients time deposits	4,030,041	3,692,615
Clients saving deposits	543,643	533,229
Clients current and demand deposits	76,190	32,149
	4,649,874	4,257,993
Banks and financial institutions		
Local banks and financial institutions	356,620	415,559
Foreign banks and financial institutions	290	23,148
	356,910	438,707
Palestine Monetary Authority deposits		
Palestine Monetary Authority	78,172	200,573
	78,172	200,573
Other		
Cash margins	102,780	59,998
Cost of swaps financing	296,152	849,832
Other	118,953	65,666
	517,885	975,496
	5,602,841	5,872,769

27. COMMISSIONS INCOME, NET

Details:

	2014	2013
Interest income		
Direct facilities	3,380,942	1,389,729
Indirect facilities	327,291	415,712
Other interest income	3,192,146	2,754,521
	6,900,379	4,559,962
Interest expense		
Palestine Monetary Authority	-	-
Local banks and financial institutions	60,885	27,871
Foreign banks and financial institutions	227,274	241,041
	288,159	268,912
	6,612,220	4,291,050

28. GAIN FROM FINANCIAL ASSETS THROUGH STATEMENT OF INCOME

Details:

	2014	2013
Quoted shares		
Unrealized loss from financial assets through statement of income	(26,070)	(12,250)
Cash dividends	267,527	97,605
	241,457	85,355

29. GAIN FROM FINANCIAL ASSETS THROUGH STATEMENT OF INCOME

Details:

	2014	2013
Checkbooks	293,979	268,991
Postal revenue	113,050	66,335
Credit cards movements	98,021	8,958
Deposit boxes rent	26,470	15,342
Telecommunication	29,410	23,605
Income tax and value-added promotional discount	204,923	-
Shareholders receivables revenues	75,053	29,486
Received compensation	72,516	-
Local companies memberships	24,778	37,509
Other revenues	297,152	302,001
Increase in cash boxes	6,849	3,213
	1,242,201	755,440

30.PERSONNEL COSTS

Details:

	2014	2013
Salaries, benefits, bonuses and employees' increments	8,527,242	7,734,523
Value added taxes on salaries	1,068,649	1,067,399
Medical expenses	541,679	497,709
Bank's contribution in provident fund(*)	240,164	344,134
Travel expenses	197,122	109,069
Board of directors benefits and bonuses	175,740	206,724
Employees vacations expense	77,063	22,687
Training and research	71,014	70,945
Employees life insurance	51,800	49,236
Employees uniform	46,035	141,949
	10,996,508	10,244,375

* 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%.

Bank's indebtedness to the provident fund is disclosed in the customers' deposit account.

31.OTHER OPERATING EXPENSES

Details:

	2014	2013
Rent	1,319,764	1,093,405
Deposit Insurance Fee*	1,283,555	50,000
Mail, phone, and swift	998,846	889,562
Cleaning	210,964	186,205
Maintenance	668,780	539,045
Subscriptions and licenses fees	408,680	352,054
Water, electricity and heating	627,351	518,803
Advertisements	691,384	645,085
Stationery, printing and check books	302,745	335,734
Donations and sponsorships **	237,276	115,317
Insurance expenses	150,587	147,661
Professional and legal fees	124,802	184,127
Computer Software	72,846	105,757
Hospitality	166,490	122,930
Services	226,913	200,248
Taxes and fees	241,762	167,807
Vehicle expenses	123,892	121,508
Foreign credit card expenses	70,624	9,631
Bad debts	-	18,028
Miscellaneous	203,708	99,005
	8,130,969	5,901,912

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

**Total Bank's contribution for social responsibility amounted to USD 237,276 during the year 2014, which represent 3.3% of the net income and USD 115,317 during the year 2013 which represents for 2.4% of the net income.

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

32. OTHER OPERATING EXPENSES

Details:

Bank's business is divided into three major business segments:

- Individuals sector: banking business for individuals 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: Treasury works include the provision of trading services and financial market and foreign exchange transactions and management of bank resources and investment.

	Individuals	Companies and institutions	Treasury	Other	2014	2013
Gross income	15,065,316	10,329,031	5,300,744	8,142,582	38,837,673	31,939,219
Facilities impairment	(374,931)	(196,685)	-	-	(571,616)	275,111
Business sector Results	14,690,385	10,132,346	5,300,744	8,142,582	38,266,057	32,214,330
Unallocated expenses	-	-	-	-	(28,033,153)	(24,929,681)
Profit before taxes	-	-	-	-	10,232,904	7,284,649
Taxes on income	-	-	-	-	(3,000,000)	(2,545,000)
Net profit for the year	-	-	-	-	7,232,904	4,739,649
Other information:						
Sector's assets	123,809,638	84,885,950	282,004,713	178,661,871	669,362,172	532,582,375
Sector's liabilities	370,939,549	129,776,315	70,396,313	27,702,712	598,814,889	467,590,455
Capital expenses					5,709,271	1,408,550
Depreciation and amortization					2,023,485	1,780,260

Concentration of credit exposures in terms of geographical distribution

	Inside Palestine		Outside Palestine		Total	
	2014	2013	2014	2013	2014	2013
Net profit for the year	5,420,840	3,436,429	1,812,064	1,303,220	7,232,904	4,739,649
Assets	565,856,588	445,869,677	103,505,584	86,712,698	669,362,172	532,582,375
Capital expenses	5,709,272	1,408,550	-	-	5,709,272	1,408,550

33.CONCENTRATION OF CREDIT EXPOSURES IN TERMS OF GEOGRAPHICAL DISTRIBUTION

Details for the year 2014:

	Palestine	Jordan	Israel	Other	Total
Cash and balances with Palestine Monetary Authority and Banking Institutions	168,796,614	46,775,194	10,520,916	24,085,378	250,178,102
Financial assets at fair value through statement of income	89,974	-	-	-	89,974
Direct credit facilities, net	336,171,649	-	-	-	336,171,649
Financial assets at fair value through other comprehensive income	8,632,547	-	-	-	8,632,547
Financial assets carried at amortized cost	980,000	11,283,734	-	10,840,355	23,104,089
Property, plant and equipment	22,515,085	-	-	-	22,515,085
Projects under construction	2,355,923	-	-	-	2,355,923
Deferred tax assets	1,066,727	-	-	-	1,066,727
Intangible assets	27,769	-	-	-	27,769
Other assets	25,220,307	-	-	-	25,220,307
	565,856,595	58,058,928	10,520,916	34,925,733	669,362,172
Unutilised credit limits	13,541,534	-	-	-	13,541,534
Letters of Guarantee	11,306,765	-	-	-	11,306,765
Letters of Credit	2,059,956	-	-	-	2,059,956
Acceptances	623,992	-	-	-	623,992
	27,532,247	-	-	-	27,532,247

Details for the year 2013:

	Palestine	Jordan	Israel	Other	Total
Cash and balances with Palestine Monetary Authority and Banking Institutions	107,010,642	43,723,268	10,545,107	22,564,941	183,843,958
Financial assets at fair value through statement of income	116,043	-	-	-	116,043
Direct credit facilities, net	287,349,992	-	-	-	287,349,992
Financial assets at fair value through other comprehensive income	9,198,469	-	-	-	9,198,469
Financial assets carried at amortized cost	980,000	9,877,303	-	-	10,857,303
Property, plant and equipment	18,927,250	-	-	-	18,927,250
Projects under construction	2,584,101	-	-	-	2,584,101
Deferred tax assets	1,066,727	-	-	-	1,066,727
Intangible assets	29,533	-	-	-	29,533
Other assets	18,608,999	-	-	-	18,608,999
	445,871,756	53,600,571	10,545,107	22,564,941	532,582,375

Unutilised credit limits	6,105,626	-	-	-	6,105,626
Letters of Guarantee	9,875,918	-	-	-	9,875,918
Letters of Credit	2,340,077	-	-	-	2,340,077
Acceptances	3,243,351	-	-	-	3,243,351
	21,564,972	-	-	-	21,564,972

34.CONTINGENCIES (OFF BALANCE SHEET)

Details:

	2014	2013
Unutilised credit limits	13,541,534	6,105,626
Letters of Guarantee	11,306,765	9,875,918
Letters of Credit	2,059,956	2,340,077
Acceptances	623,992	3,243,351
	27,532,247	21,564,972

35.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 policies related to transactions with related parties are adopted by the board of directors of the Bank.

Transactions during the year with these parties represented as follows:

	2014			
	Executive Management	Board of directors	Other	Total
Balance sheet items				
Direct facilities	1,750,058	1,275,247	3,976,622	7,001,927
Deposits	618,096	275,538	-	893,634
Cash margin	-	-	-	-
Contingences				
Indirect facilities	-	218,749	19,084	237,833
Income statement items				
Interest and commission income	65,862	174,230	63,365	303,457
Interest and commission expense	(6,195)	(2,658)	-	(8,853)
Salaries and benefits	682,925	-	-	682,925
Board of Directors meeting attendance fees and bonuses	-	175,740	-	175,740

	2013			
	Executive Management	Board of directors	Other	Total
Balance sheet items				
Direct facilities	158,951	3,956,978	890,932	5,006,861
Deposits	168,187	418,165	955,016	1,541,368
Cash margin	-	113,989	-	113,989
Contingences				
Indirect facilities	-	381,229	-	381,229
Income statement items				
Interest and commission income	1,225	232,738	59,698	293,661
Interest and commission expense	(4,325)	(9,761)	(8,678)	(22,764)
Salaries and benefits	817,580	-	-	817,580
Board of Directors meeting attendance fees and bonuses	-	206,724	-	206,724

Related parties facilities:

	Percentage to net facilities	Percentage to Paid-In-Capital	Classified	Related provisions
For year ended December 31, 2014				
Related parties facilities:				
Related parties				
Board of director and executive management	0.9 %	5.51 %	1,238,646	-
Other related parties	1.18 %	7.24 %	-	-
Total			-	-
For year ended December 31, 2013				
Related parties facilities:				
Related parties				
Board of director and executive management	%2.58	%14.58	1,704,795	-
Other related parties	%0.36	%2.03	-	-
Total			-	-

36.CASH AND CASH EQUIVALENTS

Details:

	2014	2013
Cash and balances with Palestine Monetary Authority	119,167,254	84,740,545
Balances with banks and financial institutions maturing within three months	131,010,848	96,353,413
	250,178,102	181,093,958
Less:		
Deposits of banks and banking institutions and PMA maturing within three months	(69,353,529)	(33,186,005)
Statutory cash reserve requirements	(44,473,302)	(36,785,290)
	136,351,271	111,122,663

37.CASH AND CASH EQUIVALENTS

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, 2014 there were 17 lawsuits amounted to USD 5,411,191. 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.

38.EARNINGS PER SHARE FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK

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.

	2014	2013
Profit for the year	7,232,904	4,739,649
Weighted average of outstanding shares	50,000,000	50,000,000
Earnings per share for the year attributable Bank shareholders	0.145	0.095

39.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:

	2014		2013	
	Book Value	Fair Value	Book Value	Fair Value
Assets				
Cash and balances with Palestine Monetary Authority	119,167,254	119,167,254	84,740,545	84,740,545
Balances at banks and financial institutions	131,010,848	131,010,848	99,103,413	99,103,413
Direct credit facilities	336,171,649	336,171,649	287,349,992	287,349,992
Financial assets at amortized cost	23,104,089	23,104,089	10,857,303	10,857,303
Liabilities				
Palestine Monetary Authority deposits			10,000,000	10,000,000
Banks and financial institutions deposits	70,396,313	70,396,313	24,207,792	24,207,792
Customers' deposits	494,228,499	494,228,499	401,177,301	401,177,301
Cash margin	22,752,072	22,752,072	19,278,569	19,278,569

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 measurements

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

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

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

As of December 31, 2014	Level I	Level II	Level III	Total
Financial assets at fair value through comprehensive income				
Quoted shares	8,397,547	-	-	8,397,547
Unquoted shares	-	-	235,000	235,000
	8,397,547	-	235,000	8,632,547
Financial assets at fair value through statement of income				
Local quoted shares	89,974	-	-	89,974
	89,974	-	-	89,974
	8,487,521	-	235,000	8,722,521
As of December 31, 2013	Level I	Level II	Level III	Total
Financial assets at fair value through comprehensive income				
Quoted shares	8,963,469	-	-	8,963,469
Unquoted shares	-	-	235,000	235,000
	8,963,469	-	235,000	9,198,469
Financial assets at fair value through statement of income				
Local quoted shares	116,043	-	-	116,043
	116,043	-	-	116,043
	9,079,512	-	235,000	9,314,512

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.

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.

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:

- 1 .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.
- 2 .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.
- 3 .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 credit policy. The Credit Facilities Committee study all credit requests separately from the reality of the data provided by the client easing of 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 measures to protect the Bank money measures.

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

	Individuals	Real estate loans	Large Companies	Small and medium companies	Government and Public Sector	Total
2014/ USD						
Low risk	6,115,664	1,091,380	2,478,710	3,492,468	130,457,633	143,635,855
Acceptable risk	152,372,908	12,567,263	26,464,420	4,667,914	-	196,072,505
Of which is due:						
within 30 days						
from 31 to 60 days						
Watch list	81,033	-	229,003	-	-	310,036
Non-performing:						
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	28,943,130	8,160,382	130,457,633	339,708,361
Less: Interest in suspense	(192,422)	-	(362,720)	-	-	(555,142)
Less: Impairment provision	(1,550,194)	-	(1,431,376)	-	-	(2,981,570)
Net	156,745,959	13,658,643	27,149,034	8,160,382	130,457,633	336,171,649

2013/ USD						
Low risk	4,446,303	1,559,643	2,959,741	2,932,646	138,060,717	149,959,050
Acceptable risk	97,620,990	6,272,518	33,227,203	4,533,911	-	141,654,622
Of which is due:						
within 30 days						
from 31 to 60 days						
Watch list	637,705	-	245,804	-	-	883,509
Non-performing:						
Substandard	613,020	-	26,536	-	-	639,556
Doubtful	1,331,298	-	60,605	-	-	1,391,903
Bad debt	3,709,585	-	5,301,003	-	-	9,010,588
Total	102,067,293	7,832,161	36,186,944	7,466,557	138,060,717	291,613,672
Less: Interest in suspense	(687,910)	-	(422,094)	-	-	(1,110,004)
Less: Impairment provision	(1,868,020)	-	(1,285,656)	-	-	(3,153,676)
Net	99,511,363	7,832,161	34,479,194	7,466,557	138,060,717	287,349,992

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

	Individuals	Real estate loans	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 estate	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
2013				
Low risk	4,446,303	1,559,643	5,892,387	11,898,333
Acceptable risk	21,289,688	563,937	13,629,188	35,482,813
watch list	1,821,771	-	245,804	2,067,575
Non-performing:				
Substandard	613,020	-	26,536	639,556
Doubtful	1,331,298	-	60,605	1,391,903
Total	29,502,080	2,123,580	19,854,520	51,480,180
Of it:				
Cash margins	4,446,303	1,559,643	5,892,387	11,898,333
Real estate	18,849,488	563,937	12,002,389	31,415,814
Trade stocks	6,206,289	-	1,959,744	8,166,033
Total	29,502,080	2,123,580	19,854,520	51,480,180

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.

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 risk.

Quds Bank has implemented a Control and Risk Self-Evaluation process for the management of operational risk at the Bank through the use of an automated system named CARE. The Bank manages operational Risk on the basis of the following:

- Preparation of operational risk policy.
- Creation 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 (violate / transgress) the prevailing laws, regulations, instructions, banks laws, and code of ethics issued by international and local regulatory authorities.

Compliance with the regulations and prevailing laws 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, liabilities and its maturities, and maintains an adequate balance of cash and cash equivalents and marketable securities. In addition, the Palestine Monetary Authority's monitor the liquidity situation in the banks on timely basis by setting a percentage of deposits that the Banks should keep them constantly and not decrease 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, 2014 and 2013:

December 2014, 31	Less than one month	More than 1 month up to 3 months	More than 3 month 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	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	-	-	-	-	-	-	89,974	89,974
Direct credit facilities	19,294,278	7,060,858	9,146,878	19,867,737	29,820,406	248,928,415	2,053,077	336,171,649
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	8,632,547	8,632,547
Financial assets at amortized cost	-	-	1,410,437	-	-	21,693,652	-	23,104,089
Property, plant and equipment	-	-	-	-	-	-	22,515,085	22,515,085
Projects under construction	-	-	-	-	-	-	2,355,923	2,355,923
Deferred tax assets	-	-	-	-	-	1,066,727	-	1,066,727
Intangible assets	-	-	-	-	-	-	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

December 2013, 31	Less than one month	More than 1 month up to 3 months	More than 3 month 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	47,955,255	-	-	-	-	-	36,785,290	84,740,545
Balances at banks and financial institutions	92,853,413	3,500,000	2,750,000	-	-	-	-	99,103,413
Financial assets at fair value through statement of income	116,043	-	-	-	-	-	-	116,043
Direct credit facilities	17,875,792	4,492,655	3,533,613	12,607,776	16,729,968	223,331,536	8,778,652	287,349,992
Financial assets at fair value through other comprehensive income	-	-	-	-	9,198,469	-	-	9,198,469
Financial assets at amortized cost	-	-	-	-	9,877,303	980,000	-	10,857,303
Property, plant and equipment	-	-	-	-	-	-	18,927,250	18,927,250
Deferred tax assets	-	-	-	-	1,066,727	-	-	1,066,727
Intangible assets	-	-	-	-	-	-	29,533	29,533
Other assets	12,487,619	1,001,911	94,472	5,723,347	135,921	-	1,749,830	21,193,100
Total assets	171,288,122	8,994,566	6,378,085	18,331,123	37,008,388	224,311,536	66,270,555	532,582,375

NOTES TO THE FINANCIAL STATEMENTS (All amounts are in US Dollars unless otherwise stated)

Liabilities									
Palestine Monetary Authority									
Deposits and Banks and financial institutions deposits	31,711,738	1,474,265	1,021,789	-	-	-	-	-	34,207,792
Customers deposits	152,825,498	69,389,746	55,435,157	42,797,059	80,729,841	-	-	-	401,177,301
Cash margins	1,017,016	255,603	201,039	717,300	951,826	12,706,104	3,429,681		19,278,569
Provisions	-	-	-	-	3,157,091	-	-	-	3,157,091
Provision for income tax	-	-	-	2,155,462	-	-	-	-	2,155,462
Other liabilities	3,003,259	4,024,895	155,148	430,938	-	-	-	-	7,614,240
Total Liabilities	188,557,511	75,144,509	56,813,133	46,100,759	84,838,758	12,706,104	3,429,681		467,590,455
Gap in the financial statement	(17,269,389)	(66,149,943)	(50,435,048)	(27,769,636)	(47,830,370)	211,605,432	62,840,874		64,991,920
Accumulated gap in liquidity risks	(17,269,389)	(83,419,332)	(133,854,380)	(161,624,016)	(209,454,386)	2,151,046	64,991,920		-

40-3 Credit risk and concentration in assets and liabilities

Market risk is the potential losses that may arise from the changes in market prices such as the change in interest rates, foreign currency exchange rates, and prices of shares 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 to measure market risks semiannually.

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.

Interest rate sensitivity gap

31 December 2014	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 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
الموجودات								
Cash and balances with the Palestine Monetary Authority	-	-	-	-	-	-	119,167,254	119,167,254
Balances at banks and financial institutions	78,755,963	8,000,000	-	-	-	-	44,254,885	131,010,848
Financial assets at fair value through statement of income	-	-	-	-	-	-	89,974	89,974
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	8,632,547	8,632,547
Financial assets at amortized cost	-	-	-	-	-	-	23,104,089	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	336,171,649
Property, plant and equipment	-	-	-	-	-	-	22,515,085	22,515,085
Projects under construction	-	-	-	-	-	-	2,355,923	2,355,923
Deferred tax assets	-	-	-	-	-	-	1,066,727	1,066,727
Intangible assets	-	-	-	-	-	-	27,769	27,769
Other assets	-	-	-	-	-	-	25,220,307	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	669,362,172

Liabilities									
Palestine Monetary Authority Deposits and Banks and financial institutions deposits	66,259,217	2,997,179	1,042,784	-	-	-	97,133		70,396,313
Customers deposits	410,553,013	26,342,067	36,730,407	20,603,012	-	-	-		494,228,499
Cash margins	-	-	-	-	-	-	22,752,072		22,752,072
Provisions	-	-	-	-	-	-	3,451,866		3,451,866
Provision for income tax	-	-	-	-	-	-	662,257		662,257
Other liabilities	-	-	-	-	-	-	7,323,882		7,323,882
Total Liabilities	476,812,230	29,339,246	37,773,191	20,603,012	-	-	34,287,210		598,814,889
Owners' equity							70,547,283		669,362,172
Total liabilities and owners' equity	476,812,230	29,339,246	37,773,191	20,603,012	-	-	104,834,493		
Interest rate sensitivity gap	(378,761,989)	(14,278,388)	(28,626,313)	(735,275)	29,820,406	241,867,557	(150,714,002)		70,547,283
Accumulated gap	(378,761,989)	(393,040,377)	(421,666,690)	(422,401,965)	(392,581,559)	(150,714,002)	-		-

NOTES TO THE FINANCIAL STATEMENTS (All amounts are in US Dollars unless otherwise stated)

December 2013 ,31	Interest rate sensitivity gap						
	Less than one month	More than 1 month up to 3 months	More than 3 month 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
	USD	USD	USD	USD	USD	USD	USD
Assets:							
Cash and balances with the Palestine Monetary Authority	-	-	-	-	-	-	84,740,545
Balances at banks and financial institutions	77,757,261	3,500,000	2,750,000	-	-	-	15,096,152
Financial assets at fair value through statement of income	-	-	-	-	-	-	116,043
Direct credit facilities	17,875,792	4,492,655	3,533,613	12,607,776	16,729,968	232,110,188	-
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	9,198,469
Financial assets at amortized cost	-	-	-	-	-	980,000	9,877,303
Property, plant and equipment	-	-	-	-	-	-	18,927,250
Projects under construction	-	-	-	-	-	-	2,584,101
Deferred tax assets	-	-	-	-	-	-	1,066,727
Intangible assets	-	-	-	-	-	-	29,533
Other assets	-	-	-	-	-	-	18,608,999
Total assets	95,633,053	7,992,655	6,283,613	12,607,776	16,729,968	233,090,188	160,245,122
							532,582,375

Liabilities									
Palestine Monetary Authority Deposits and Banks and financial institutions deposits	31,689,487	1,474,265	1,021,787	-	-	-	22,253		34,207,792
Customers deposits	193,504,870	31,793,959	25,895,611	21,313,753	167,440	-	128,501,668		401,177,301
Cash margins	3,000,000	-	-	-	-	-	16,278,569		19,278,569
Provisions	-	-	-	-	-	-	3,157,091		3,157,091
Provision for income tax	-	-	-	-	-	-	2,155,462		2,155,462
Other liabilities	-	-	-	-	-	-	7,614,240		7,614,240
Total Liabilities	228,194,357	33,268,224	26,917,398	21,313,753	167,440	-	157,729,283		467,590,455
Interest rate sensitivity gap	(132,561,304)	(25,275,569)	(20,633,785)	(8,705,977)	16,562,528	233,090,188	2,515,839		64,991,920
Accumulated gap	(132,561,304)	(157,836,873)	(178,470,658)	(187,176,635)	(170,614,107)	62,476,081	64,991,920		-

41. ASSETS AND LIABILITIES MATURITIES ANALYSIS

31 December 2014	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	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	-	-	-	-	-	-	89,974	89,974
Direct credit facilities	19,294,278	7,060,858	9,146,878	19,867,737	29,820,406	248,928,415	2,053,077	336,171,649
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	8,632,547	8,632,547
Financial assets at amortized cost	-	-	1,410,437	-	-	21,693,652	-	23,104,089
Property, plant and equipment	-	-	-	-	-	-	22,515,085	22,515,085
Projects under construction	-	-	-	-	-	-	2,355,923	2,355,923
Deferred tax assets	-	-	-	-	-	1,066,727	-	1,066,727
Intangible assets	-	-	-	-	-	-	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	410,553,013	26,342,067	36,730,407	-	20,603,012	-	494,228,499
Cash margins	1,306,038	480,138	621,988	-	1,351,006	16,965,114	22,752,072
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	16,965,114	-	598,814,889
Owners' equity	-	-	-	-	-	70,547,283	70,547,283
Total liabilities and owners' equity	481,664,430	33,316,166	38,550,327	22,839,198	16,965,114	70,547,283	669,362,172
Gap in the financial statement	(204,668,002)	(13,361,949)	(27,866,684)	(2,971,461)	254,723,680	(34,051,110)	

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 Shares Prices

Equity 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 shares 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:

	Change in indicator	Impact on income statement	Impact on Owners' Equity
December 2014 ,31			
Securities through the statement of comprehensive income	%10	-	863,255
Securities through the income statement	%10	8,997	-
December 2013 ,31			
Securities through the statement of comprehensive income	%10	-	896,347
Securities through the income statement	%10	11,604	-

42. COMPARATIVE FIGURES

Certain comparative figures were reclassified for the year ended December 31, 2013 to match the International Financial Reporting Standards:

The following are adjustments impact on the statement of financial position as of December 31, 2013:

	Before adjustments	Impact on the statement of financial position	After adjustments
Projects under construction	-	2,584,101	2,584,101
Financial assets at fair value through other comprehensive income	8,963,469	235,000	9,198,469
Other assets	21,426,021	(2,817,022)	18,608,999
Balances at banks and financial institutions	98,396,472	706,941	99,103,413
Other liabilities	6,905,220	(709,020)	7,614,240

بالإضافة إلى ذلك، تم إعادة تبويب بعض أرقام المقارنة للسنة المنتهية في 31 كانون الأول 2013 لتتناسب مع التبويب للبيانات المالية للسنة المنتهية في 31 كانون الأول 2014. إن هذه التبويبات لا تؤثر على أرباح السنوات السابقة أو حقوق الملكية.

43. SUBSEQUENT EVENTS TO THE FINANCIAL STATEMENTS

On March 12, 2015, the Bank's Board of Directors decided to submit a recommendation for the General Assembly's meeting to distribute cash dividends (5% of the par values of share), approximately USD 2.5 Million, and stock dividends (10% of the par value of share), approximately USD 5 Million. The financial statements for the year ended December 31, 2014 do not reflect these distributions. These distributions will be reflected upon the approval of the General Assembly's meeting.