CAIRO AMMAN BANK- PALESTINE

FOREIGN PUBLIC SHAREHOLDING COMPANY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013

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

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

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Independent Auditors' Report to the Chairman of Members of the Board of Directors
Cairo Amman Bank

We have audited the accompanying consolidated financial statements of Cairo Amman Bank (Foreign Public Shareholding Company)/ Palestine branches (the Bank) which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in Head Office equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate 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 consolidated financial statements.

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

Opinion

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

Ernst & Young – Middle East
License # 206/2012

A. M. Abushaaban
Ernst + Young

Maher Abushaaban
License # 155/1998

March 27, 2014
Ramallah – Palestine

Consolidated Statement of Financial Position
As at December 31, 2013

	Notes	2013	2012
		JOD	JOD
ASSETS			
Cash and balances at Palestine Monetary Authority	4	79,640,058	80,855,843
Balances at banks and financial institutions	5	54,632,720	74,959,737
Deposits at Head Office	6	87,843,533	55,958,992
Direct credit facilities	7	190,429,374	188,387,211
Financial assets at fair value through other comprehensive income	8	6,561,946	5,693,997
Financial assets at amortized cost	9	125,650,251	110,005,939
Property, plant and equipment	10	9,363,310	9,669,929
Intangible assets	11	500,141	471,693
Other assets	12	9,829,469	8,663,598
Total Assets		564,450,802	534,666,939
LIABILITIES AND HEAD OFFICE EQUITY			
Liabilities			
Banks and financial institutions' deposits	13	32,622,568	22,211,779
Customers' deposits	14	423,234,435	405,028,997
Cash margins	15	17,362,819	16,525,957
Borrowings	16	1,074,224	1,074,224
Sundry provisions	17	9,583,069	8,974,131
Tax provisions	18	8,584,013	11,159,412
Other liabilities	19	14,351,563	13,431,153
Total Liabilities		506,812,691	478,405,653
Head Office Equity			
Paid-in capital	1	35,450,000	35,450,000
Statutory reserve	20	6,632,384	6,092,306
General banking risks reserve	20	3,920,000	3,200,000
Pro-cyclicality reserve	20	4,032,498	3,222,382
Fair value reserve	8	2,778,532	2,811,620
Retained earnings		4,824,697	5,484,978
Total Head Office Equity		57,638,111	56,261,286
Total Liabilities and Head Office Equity		564,450,802	534,666,939

The accompanying notes from 1 to 40 form part of these consolidated financial statements

Consolidated Income Statement
For the year ended December 31, 2013

	Notes	2013	2012
		JOD	JOD
Interest income	21	25,232,182	23,537,624
Interest expense	22	(3,422,097)	(3,109,794)
Net interest income		21,810,085	20,427,830
Net commissions income	23	3,996,468	4,506,208
Net interest and commissions income		25,806,553	24,934,038
Foreign currencies gains		1,091,826	1,049,235
Gains from financial assets	24	384,941	446,760
Other revenues	25	629,848	527,914
Gross profit		27,913,168	26,957,947
Expenses			
Personnel expenses	26	11,174,249	10,586,163
Other operating expenses	27	6,068,675	5,647,325
Depreciation and amortization	10 & 11	1,602,245	1,745,897
Provision for legal cases	17	217,225	-
Total expenses		19,062,394	17,979,385
Profit before taxes		8,850,774	8,978,562
Taxes expense	18	(3,540,861)	(3,095,236)
Profit for the year		5,309,913	5,883,326

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

	Note	2013 JOD	2012 JOD
Profit for the year		5,309,913	5,883,326
Other comprehensive income items:			
Items not to be reclassified to income statement in subsequent periods:			
Change in fair value of financial assets at fair value through other comprehensive income	8	808,618	(162,743)
Deferred taxes	8	(841,706)	-
Other comprehensive income for the year		(33,088)	(162,743)
Total comprehensive income for the year		5,276,825	5,720,583

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

		Reserves					
	Paid-in capital	Statutory	General banking risks	Pro-cyclicality	Fair value	Retained earnings	Total
	JOD	JOD	JOD	JOD	JOD	JOD	JOD
December 31, 2013							
Balance, beginning of the year	35,450,000	6,092,306	3,200,000	3,222,382	2,811,620	5,484,978	56,261,286
Profit for the year	-	-	-	-	-	5,309,913	5,309,913
Other comprehensive income for the year	-	-	-	-	(33,088)	-	(33,088)
Transferred to reserves	-	540,078	720,000	810,116	-	(2,070,194)	-
Profits transferred to the Head Office	-	-	-	-	-	(3,900,000)	(3,900,000)
Balance, end of year	35,450,000	6,632,384	3,920,000	4,032,498	2,778,532	4,824,697	57,638,111
December 31, 2012							
Balance, beginning of the year	35,450,000	5,489,891	3,200,000	2,318,759	2,974,363	7,407,690	56,840,703
Profit for the year	-	-	-	-	-	5,883,326	5,883,326
Other comprehensive income for the year	-	-	-	-	(162,743)	-	(162,743)
Transferred to reserves	-	602,415	-	903,623	-	(1,506,038)	-
Profits transferred to Head Office	-	-	-	-	-	(6,300,000)	(6,300,000)
Balance, end of year	35,450,000	6,092,306	3,200,000	3,222,382	2,811,620	5,484,978	56,261,286

The accompanying notes from 1 to 40 form part of these consolidated financial statements

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

	Note	2013 JOD	2012 JOD
Operating activities			
Profit before tax		8,850,774	8,978,562
Adjustments:			
Depreciation and amortization		1,602,245	1,745,897
Gain on sale of financial assets		-	(68,188)
(Gain) loss on sale of property, plant and equipment		(133,197)	5,828
Recovery of Impairment allowance for credit facilities		(1,970)	(3,194)
Recovery of tax provisions		(100)	(167)
Sundry provisions		1,160,717	1,026,987
		11,478,469	11,685,725
Changes in assets and liabilities:			
Direct credit facilities		(2,042,163)	(1,284,444)
Statutory cash reserve		(1,860,614)	564,475
Other assets		(1,152,332)	(1,531,451)
Customers' deposits		18,205,438	(21,720,721)
Cash margins		836,862	517,210
Other liabilities		78,704	2,993,505
Net cash flows from (used in) operating activities before taxes and provisions		25,544,364	(8,775,701)
Taxes paid		(6,116,160)	(2,611,619)
Sundry provisions paid		(551,779)	(1,021,081)
Net cash flows from (used in) operating activities		18,876,425	(12,408,401)
Investing activities:			
Balances at banks and financial institutions maturing within 3 months or more		-	7,000,000
Redemption of financial assets at amortized cost		24,994,997	56,176,033
Purchase of financial assets at amortized cost		(40,639,309)	(67,990,324)
Purchase of financial assets at fair value through other comprehensive income		(70,900)	-
Sale of financial assets at amortized cost		-	13,064,499
Purchase of property, plant and equipment		(1,138,734)	(846,082)
Sale of property, plant and equipment		137,992	-
Purchase of intangible assets		(190,135)	(381,704)
Net cash flows (used in) from investing activities		(16,906,089)	7,022,422
Financing activities:			
Deposits at Head Office maturing in more than 3 months		(8,916,562)	32,523,148
Profits transferred to Head Office		(3,900,000)	(6,300,000)
Net cash flows (used in) from financing activities		(12,816,562)	26,223,148
Net (decrease) increase in cash and cash equivalents		(10,846,226)	20,837,169
Cash and cash equivalents, beginning of the year		97,655,960	76,818,791
Cash and cash equivalents, end of the year	28	86,809,734	97,655,960

The accompanying notes from 1 to 40 form part of these consolidated financial statements

Notes to the Consolidated Financial Statements
December 31, 2013

1. General

Cairo Amman Bank- (Head Office) was established in 1960 and registered as a Jordanian public shareholding company with Head Office in Jordan. The Head Office's capital is 100 million Jordanian Dinar (JOD) divided into 100 million shares of 1 Jordanian Dinar (JOD) par value for each share. During 1986, Cairo Amman Bank (the Bank) was registered in Palestine as a foreign public shareholding company according to the Articles of Association and the internal bylaws of the Head Office under the name of Cairo Amman Bank Limited Public Shareholding Company foreign public shareholders under registration no. 562800078.

The Bank is fully owned by the Head Office and is directed by the same Board of Directors. The Head Office prepares consolidated financial statements to present the financial statements for the Head Office and the Bank as a consolidated legal entity. The Bank's paid-in capital amounted to U.S. $ 50,000,000 equivalent to JOD 35,450,000.

Head Office's total assets and customers' deposits amounted to JOD 1,773,729,944 and JOD 1,008,950,369 as at December 31, 2013, respectively. The capital adequacy ratio of the Head Office was %17.10.

The Bank carries out all of its banking activities in Jordan and Palestine which include opening current account and letter of credit, accepting deposits and lending money through its 106 branches, which includes 19 branches and 2 offices in Palestine.

The number of employees working at the Head Office and the Bank as at December 31, 2013 was 1,589 and 572, respectively.

The consolidated financial statements were authorized for issuance by the Board of Directors on February 23, 2014.

2. Consolidated Financial Statements

The consolidated financial statements comprise of the assets, liabilities and the results of operations of the Bank (Palestine branches) and Al-Watanieh Securities Private Shareholding Company (the subsidiary), which is wholly owned by the Bank. The subsidiary was established in accordance with the companies' Law of 1964 as a private shareholding company with a capital amounted to JOD 1,500,000 as at December 31, 2013.

3. Summary of Significant Accounting Policies

3.1 Basis of preparation of consolidated financial statements

The accompanying consolidated financial statements as at December 31, 2013 have been prepared in accordance with International financial Reporting Standards (IFRS), as issued by International Accounting Standards Board (IASB), and in conformity with Palestine Monetary Authority (PMA) regulations.

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income that have been measured at fair value at the date of the consolidated financial statements.

The consolidated financial statements have been presented in JOD, which is the functional currency of the Bank.

3.2 Basis of consolidation of financial statements

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary as at December 31, 2013. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee

The Bank re-assesses whether or not it controls investees if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

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

3.3 Changes in accounting polices

The accounting policies adopted are consistent with those used in the previous year except that the Bank has adopted the following amended standards during the year:

IAS 1 Presentation of Items of Other Comprehensive Income (Amended)

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

IFRS 10 Consolidated Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes, compared to the requirements of IAS 27 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, and associates. A number of new disclosures are also required, but has no impact on the Bank's financial position or performance.

IFRS 13 Fair Value Measurement

IFRS 13 provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Bank is currently assessing the impact that this standard will have on the financial position and performance.

The adoption of these standards have no impact on the Bank's financial position or performance.

The following standards have been issued but are not yet mandatory, and have not been adopted by the Bank. These standards are those that the Bank reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after January 1, 2014.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments are effective for annual periods beginning on or after January 1, 2014.

IFRIC Interpretation 21 Levies (IFRIC 21)

This Interpretation will be effective for annual periods beginning on or after January 1, 2014.

3.4 Summary of significant accounting policies

Revenues and expenses recognition

Interest income is recognized as the interest accrues using the effective interest method except for interest and commission income on non-performing facilities.

Commission income is recognized when the services are rendered. Dividends income is recognized when the right to receive dividends is established.

Expenses are recognized when incurred based on the accrual basis of accounting

Credit facilities

Credit facilities are carried at cost net of allowance for impairment losses and interest in suspense.

Allowance for impairment losses is made when collection of amounts due to the Bank is not possible and when there is objective evidence that one or more events occurred after the initial recognition of the facilities that has a negative impact on the estimated future cash flows of the facilities and can be reliably estimated. Impairment loss is recognized in the consolidated income statement.

Credit facilities and related impairment provision are written off when collection procedures become ineffective, according to PMA regulations. The excess in the provision for impairment losses, if any, is transferred to the consolidated income statement. Collections of previously written off credit facilities are recognized as revenues.

In accordance with PMA regulations, credit facilities that are in default for more than 6 years together with related interest in suspense and impairment provisions are excluded from the consolidated financial statements.

Financial assets investments

Financial assets investments are initially measured at fair value plus cost of acquisition if they are not classified at fair value through profit or loss (FVTPL). Subsequent to initial recognition all financial assets are stated at fair value or amortized cost as follows:

Financial assets at fair value

They are equity instruments and financial derivatives that are recognized at FVTPL. The entity can irrevocably elect to designate equity instruments not held for trading through other comprehensive income.

If the Bank elects to designate equity instruments at fair value through other comprehensive income (FVOCI), the Bank recognizes change in fair value in a fair value reserve account in equity. Where the asset is disposed of, the gain or loss is not reclassified to the consolidated income statement, but is reclassified directly to retained earnings.

Dividends on these investments in equity instruments are recognized in the consolidated income statement when the Bank's right to receive the dividends is established.

Financial assets at amortized cost

Debt instruments are measured at amortized cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either or both of the two conditions are not met, the financial instrument is classified as at FVTPL. Even if the instrument meets the two conditions, the Bank has the option to classify the financial asset as at FVTPL if this designation reduces any inconsistency recognition.

Subsequent to initial recognition, debt instruments are measured at amortized cost using the effective interest method net of impairment losses, if any. The Bank determines whether there is any evidence that the financial assets are impaired. If this is the case, the Bank calculates the amount of impairment and recognizes the amount in the consolidated income statement. Interest revenue from the financial assets at amortized cost is recognized in the consolidated income statement.

Derecognition of financial assets

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for the amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset.

Fair value measurement

The Bank measures financial instruments, such as, derivatives, and non-financial assets at fair value at each financial statements date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External appraisers are involved for valuation of significant assets. The Bank decides, after discussions with the external appraisers, which valuation techniques and inputs to use for each case.
For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. All other costs are recognized in the consolidated income statement as incurred. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets (except for land) as follows:

	Useful life (Years)
Real estate property	50
Furniture, equipment and leasehold improvements	6 - 13
Vehicles	6
Computers	5

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Intangible assets

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

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

Intangible assets results from the Bank's operations are not capitalized and expenditure is reflected in the consolidated income statement in the year in which the expenditure is incurred.

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

Intangible assets include computer software and banking systems. Bank's management estimates the useful lives of items of intangible assets. Intangible assets are amortized on a straight line method over a period of 3-5 years.

Assets obtained by the Bank by calling on collateral

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

Provisions

Provisions are recognized when the Bank has obligation at the date of the consolidated financial statements arising from a past event and the costs to settle the obligation are both probable and can be reliably measured.

Taxes provision

The Bank provides for income tax in accordance with Palestinian Income Tax Law and IAS (12) which requires recognizing the temporary differences, at the consolidated statement of financial position date, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, as a deferred tax.

Income tax expense represents the accrued income tax which is calculated based in the Bank's taxable income. Taxable income may differ from accounting income as the later includes non-taxable revenues or non-deductible expenses, such income/expense might be taxable/deductible in the following years.

Deferred income tax is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets or liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and the Bank intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances at PMA, banks and financial institutions maturing within three months, less balances with banks and financial institutions maturing after three months and banks and financial institutions' deposits and restricted balances.

Segments information

A business segment consists of assets and operations providing goods or services that are exposed to risks and returns different from those of other business segments.

A geographic segment relates to goods or services within an economic environment exposed to risks and returns different from those of other segments working in other economic environments.

Foreign currencies

Transactions dominated in foreign currencies occurring during the year are recorded at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at reporting date.

Non-monetary items measured at fair value and denominated in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Any foreign currency exchange gains or losses are recognized in the consolidated income statement.

Use of estimates

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

Bank's management believes that estimates used in the preparation of the consolidated financial statements are reasonable and are as follows:

- The Bank reviews the impairment allowance for credit facilities according to PMA's regulations and IAS (39).
- The Bank recognizes the impairment of the assets obtained by calling on collateral based on updated valuations performed by certified appraisers. These impairments are reviewed periodically.
- Tax provisions are calculated based on prevailing tax laws in the territories in which the Bank operates and the accounting standards that the Bank follows.
- Management reviews the useful lives of tangible and intangible assets on regular basis; in order to assess the depreciation and amortizations for the year, based on the assets' condition, useful lives and future economic benefits. Impairment, if any, is recognized in the consolidated income statement.
- Management reviews, on a regular basis, the financial assets at amortized cost to estimate impairments, if any. Impairment losses are recorded in the consolidated income statement.
- Provision for legal cases is established to provide for legal obligations, if any, based on the opinion of the Bank's lawyer.

4. Cash and Balances at Palestine Monetary Authority

This item comprises the following:

	2013	2012
	JOD	JOD
Cash on hand	31,388,939	29,015,817
Balances at PMA:		
Current and demand accounts	230,369	5,679,890
Statutory cash reserve	40,576,250	38,715,636
Capital deposit	7,444,500	7,444,500
	79,640,058	80,855,843

- According to PMA circular number (67/2010), the Bank shall maintain statutory cash reserves with PMA at 9% of total customers' deposits. PMA does not pay interest on statutory cash reserves. According to PMA circular number (2/2012), the outstanding balance of credit facilities granted in Jerusalem for some sectors are deducted before the statutory reserve is calculated. PMA does not pay interest on current accounts.
- The restricted balances excluding statutory cash reserves amounted to JOD 7,444,500 as at December 31, 2013 and 2012.
- PMA pays interest on time deposits and the capital deposit according to the market interest rate after deducting a commission of 0.025

5. Balances at Banks and Financial Institutions

This item comprises the following:

	2013	2012
	JOD	JOD
Local banks and financial institutions:		
Current and demand accounts	207,983	197,783
Deposits maturing within 3 months or less	12,433,957	10,774,506
	12,641,940	10,972,289
Foreign banks and financial institutions:		
Current and demand accounts	6,186,536	8,843,209
Deposits maturing within 3 months or less	35,804,244	55,144,239
	41,990,780	63,987,448
	54,632,720	74,959,737

- Non-interest bearing balances at banks and financial institutions as at December 31, 2013 and 2012 amounted to JOD 6,394,519 and JOD 9,040,992, respectively.
- There are no restricted balances as at December 31, 2013 and 2012.

6. Deposits at Head Office

Deposits at Head Office are presented after deducting Head Office deposits at the Bank. The interest on these deposits is computed based on determined rates. The Bank may transfer its annual net income or losses to the Head Office account after obtaining PMA approval. The following is a summary of Head Office transactions and the paid and received interest:

	2013	2012
	JOD	JOD
Deposits at Head Office		
Deposits maturing within 3 months or less	33,868,774	11,051,755
Deposits maturing after 3 months	54,663,259	45,746,697
	88,532,033	56,798,452
Head Office deposits		
Deposits maturing within 3 months or less	(688,500)	(839,460)
Net deposits	87,843,533	55,958,992
Interest received from Head Office deposits	3,708,690	4,142,484
Interest paid to Head Office	7,924	97,102
Bank's share of Head Office expenses	82,000	82,000

7. Direct Credit Facilities

This item comprises the following:

	2013	2012
	JOD	JOD
Retail		
Loans and discounted bills*	59,735,937	63,158,521
Overdraft accounts	3,015,439	4,437,832
Corporate		
Large companies:		
Loans and discounted bills*	34,407,630	36,771,071
Overdraft accounts	14,311,611	11,418,960
Small and medium:		
Loans and discounted bills*	3,986,723	3,684,921
Overdraft accounts	7,937,555	7,654,414
Real estate loans	17,080,514	14,326,063
Public sector	55,117,710	51,583,984
	195,593,119	193,035,766
Suspended interest and commission	(813,281)	(607,938)
Impairment allowance for direct credit facilities	(4,350,464)	(4,040,617)
	190,429,374	188,387,211

* Loans and discounted bills are presented net of their related interest and commission received in advance which amounted to JOD 2,212,918 and JOD 2,107,790 as at December 31, 2013 and 2012, respectively.

- Downgraded direct credit facilities net of suspended interest and commissions according to PMA regulations as at December 31, 2013 and 2012 amounted to JOD 7,813,951 and JOD 5,540,644 representing (4.01%) and (2.88%) of credit facilities net of suspended interest and commissions, respectively.

- Defaulted credit facilities net of suspended interest and commissions as at December 31, 2013 and 2012 amounted to JOD 7,148,873 and JOD 5,540,644 representing (3.67%) and (2.88%) of credit facilities net of suspended interest and commissions, respectively.
- According to PMA circular number (1/2008), defaulted credit facilities for more than 6 years were excluded from the Bank's consolidated financial statements. These defaulted facilities amounted to JOD 13,290,681 as at December 31, 2013 and the balance of impairment allowance and suspended interest for defaulted accounts as at December 31, 2013 amounted to JOD 5,514,296 and JOD 7,569,934, respectively.
- Direct credit facilities granted to the public sector as at December 31, 2013 and 2012 amounted to JOD 55,117,710 and JOD 51,583,984 representing (29%) and (27%) of net direct credit facilities, respectively.
- The fair value of collaterals obtained in lieu of direct credit facilities amounted to JOD 99,236,917 and JOD 67,105,119 as at December 31, 2013 and 2012, respectively.
- Credit facilities granted to non-residents amounted to JOD 11,721,145 and JOD 12,716,295 as at December 31, 2013 and 2012, respectively.

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

		Corporate		
	Retail	Large	Small and medium	Total
2013	JOD	JOD	JOD	JOD
Balance, beginning of the year	2,297,701	1,291,073	451,843	4,040,617
Recovered during the year	439,388	41,683	194,001	675,072
Credit facilities in default for more than 6 years	(273,625)	(7,957)	(54,591)	(336,173)
Foreign currency exchange differences	(29,052)	-	-	(29,052)
Balance, end of year	2,434,412	1,324,799	591,253	4,350,464

		Corporate		
	Retail	Large	Small and medium	Total
2012	JOD	JOD	JOD	JOD
Balance, beginning of the year	2,321,172	739,174	474,012	3,534,358
Recovered during the year	163,957	558,140	39,440	761,537
Credit facilities in default for more than 6 years	(124,791)	(6,241)	(61,609)	(192,641)
Foreign currency exchange differences	(62,637)	-	-	(62,637)
Balance, end of year	2,297,701	1,291,073	451,843	4,040,617

Following is a summary of impairment allowance for direct credit facilities in default for more than 6 years:

	2013	2012
	JOD	JOD
Balance, beginning of the year	5,889,172	6,458,068
Additions	336,173	192,641
Deductions	(675,072)	(761,537)
Impairment allowance for credit facilities written off	(36,424)	-
Foreign currency exchange differences	447	-
Balance, end of year	5,514,296	5,889,172

Summary of movement on suspended interest is as follows:

<u>**2013**</u>

		Corporate		
	Retail	Large	Small and medium	Total
	JOD	JOD	JOD	JOD
Balance, beginning of the year	264,623	313,271	30,044	607,938
Suspended interest during the year	329,720	18,666	53,130	401,516
Suspended interest transferred to revenues	(75,038)	-	(19,278)	(94,316)
Suspended interest written off	(22,070)	-	(1,220)	(23,290)
Suspended interest transferred to credit facilities being default for more than 6 years	(42,648)	-	(35,919)	(78,567)
Balance, end of year	454,587	331,937	26,757	813,281

<u>**2012**</u>

		Corporate		
	Retail	Large	Small and medium	Total
	JOD	JOD	JOD	JOD
Balance, beginning of the year	212,691	247,573	41,144	501,408
Suspended interest during the year	229,349	69,213	1,146	299,708
Suspended interest transferred to revenues	(98,338)	(3,515)	(1,914)	(103,767)
Suspended interest written off	(14,251)	-	-	(14,251)
Suspended interest transferred to credit facilities being default for more than 6 years	(64,828)	-	(10,332)	(75,160)
Balance, end of year	264,623	313,271	30,044	607,938

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

	2013	2012
	JOD	JOD
Industrial and Trade		
Manufacturing	11,935,830	12,041,275
	11,935,830	12,041,275
Services		
Telecommunication	2,836,000	8,508,000
Public facilities	8,721,145	11,440,095
Others	9,605,774	6,867,358
	21,162,919	26,815,453
Wholesale and Retail		
Internal trade	24,345,848	16,255,176
External trade	3,546,327	2,024,006
	27,892,175	18,279,182
Real Estate and Construction		
Permanent residence and homes improvement	17,080,514	14,326,063
Constructions	3,471,517	1,670,746
	20,552,031	15,996,809
Consumers' Financing		
Cars	5,699,776	5,949,795
Consumable Goods	348,126	374,531
Other personal loans in private and public sectors	51,041,180	59,605,609
	57,089,082	65,929,935
Transportation	-	18,210
	-	18,210
Tourism, restaurants and hotels	1,030,091	1,762,980
	1,030,091	1,762,980
Public sector		
Palestinian National Authority	55,053,208	51,583,984
Local authorities	64,502	-
	55,117,710	51,583,984
	194,779,838	192,427,828

8. Financial Assets at Fair Value Through Other Comprehensive Income

This item comprises the following:

	2013			2012		
	Local	Foreign	Total	Local	Foreign	Total
	JOD	JOD	JOD	JOD	JOD	JOD
Quoted shares	6,070,997	50,955	6,121,952	5,247,566	65,767	5,313,333
Unquoted shares	439,994	-	439,994	380,664	-	380,664
	6,510,991	50,955	6,561,946	5,628,230	65,767	5,693,997

The financial securities portfolio includes investments amounted to JOD 342,465 and JOD 292,560 as at December 31, 2013 and 2012, respectively, which are restricted against Bank's membership in the Board of Directors of the investees.

Movement on fair value reserve during the year was as follows:

	2013	2012
	JOD	JOD
Balance, beginning of the year	2,811,620	2,974,363
Change in fair value	808,618	(162,743)
Deferred taxes	(841,706)	-
Balance, end of year	2,778,532	2,811,620

9. Financial Assets at Amortized Cost

Financial assets at amortized cost include the following:

	2013	2012
	JOD	JOD
Quoted foreign bonds	15,586,153	4,941,851
Unquoted foreign bonds*	98,826,448	93,826,438
Unquoted local bonds**	11,237,650	11,237,650
	125,650,251	110,005,939

* This item represents the Bank's investment in the Central Bank of Jordan bonds.

** This item represents the Bank's investment in Palestine Development and Investment Company and Arab Palestinian Investment Company bonds.

10. Property, Plant and Equipment

December 31, 2013	Buildings and real estate	Furniture, equipment and leasehold improvements	Vehicles	Computers	Total
	JOD	JOD	JOD	JOD	JOD
Cost:					
Balance, beginning of the year	654,075	12,169,104	520,617	6,844,971	20,188,767
Additions	-	109,951	-	479,173	589,124
Disposals	-	(82,164)	(237,480)	(187,104)	(506,748)
Balance, end of year	654,075	12,196,891	283,137	7,137,040	20,271,143
Accumulated depreciation:					
Balance, beginning of the year	17,078	6,845,113	486,439	5,133,241	12,481,871
Depreciation charge	10,570	798,979	8,150	622,859	1,440,558
Disposals	-	(80,033)	(237,474)	(184,446)	(501,953)
Balance, end of year	27,648	7,564,059	257,115	5,571,654	13,420,476
Net book value	626,427	4,632,832	26,022	1,565,386	6,850,667
Project in progress*	-	-	-	2,512,643	2,512,643
December 31, 2013	626,427	4,632,832	26,022	4,078,029	9,363,310

December 31, 2012	Buildings and real estate	Furniture, Equipment and leasehold improvements	Vehicles	Computers	Total
	JOD	JOD	JOD	JOD	JOD
Cost:					
Balance, beginning of the year	633,825	11,834,241	520,617	6,414,841	19,403,524
Additions	20,250	473,770	-	924,929	1,418,949
Disposals	-	(138,907)	-	(494,799)	(633,706)
Balance, end of year	654,075	12,169,104	520,617	6,844,971	20,188,767
Accumulated depreciation:					
Balance, beginning of the year	6,777	6,212,023	472,820	4,882,806	11,574,426
Depreciation charge	10,301	768,112	13,619	743,292	1,535,324
Disposals	-	(135,022)	-	(492,857)	(627,879)
Balance, end of year	17,078	6,845,113	486,439	5,133,241	12,481,871
Net book value	636,997	5,323,991	34,178	1,711,730	7,706,896
Project in progress*	-	-	-	1,963,033	1,963,033
December 31, 2012	636,997	5,323,991	34,178	3,674,763	9,669,929

* This item represents the value of the new banking software and new computers as at December 31, 2013. Total estimated costs to complete these projects is JOD 1,113,600.

Property, plant and equipment include JOD 8,920,920 and JOD 8,750,493 of fully depreciated assets that are still operational as at December 31, 2013 and 2012, respectively.

11. Intangible Assets

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

	2013	2012
	JOD	JOD
Balance, beginning of the year	471,693	300,562
Additions	190,135	381,704
Amortization	(161,687)	(210,573)
Balance, end of year	500,141	471,693

12. Other Assets

This item comprises the following:

	2013	2012
	JOD	JOD
Clearing checks	3,532,636	3,136,578
Accrued interest and commissions	3,370,153	2,845,080
Accounts receivables	1,825,561	1,415,932
Prepayments and temporary accounts	788,387	777,498
Stationery and printings	187,475	107,814
Assets obtained by the Bank by calling on collateral *	93,257	359,767
Others	32,000	20,929
	9,829,469	8,663,598

* This item represents lots of land obtained by the Bank by calling on collateral; the details of these lots are as follows:

	Ownership date	Last appraisal date	Market value 2013	Book value 2013	Book value 2012
			JOD	JOD	JOD
Land lot number (20073) and land lot number (20096) in Jenin	August 28, 2007	January 16, 2014	93,750	93,257	118,433
Land lot number (15) in Jenin	August 28, 2007	June 1, 2011	-	-	241,334
			93,750	93,257	359,767

13. Banks and Financial Institutions' Deposits

This item comprises the following:

	2013			2012		
	Local	Foreign	Total	Local	Foreign	Total
	JOD	JOD	JOD	JOD	JOD	JOD
Current and demand deposits	248,008	274,560	522,568	3,849,615	412,164	4,261,779
Deposits maturing within 3 months or less	32,100,000	-	32,100,000	17,950,000	-	17,950,000
	32,348,008	274,560	32,622,568	21,799,615	412,164	22,211,779

14. Customers' Deposits

This item comprises the following:

December 31, 2013	Retail	Corporate Large	Corporate Small and medium	Public sector	Total
	JOD	JOD	JOD	JOD	JOD
Current and demand deposits	82,137,618	28,437,429	8,306,602	9,368,668	128,250,317
Saving deposits	202,599,030	-	-	-	202,599,030
Time deposits	46,309,923	24,850,198	7,106,533	14,118,434	92,385,088
	331,046,571	53,287,627	15,413,135	23,487,102	423,234,435

December 31, 2012	Retail	Corporate Large	Corporate Small and medium	Public sector	Total
	JOD	JOD	JOD	JOD	JOD
Current and demand deposits	85,447,247	38,838,197	7,172,311	10,524,572	141,982,327
Saving deposits	185,910,535	-	-	-	185,910,535
Time deposits	38,398,600	15,795,847	6,408,033	16,533,655	77,136,135
	309,756,382	54,634,044	13,580,344	27,058,227	405,028,997

- Public sector deposits amounted to JOD 23,487,102 and JOD 27,058,227 representing 5.5% and 6.7% of total deposits as at December 31, 2013 and 2012, respectively.
- Non-interest bearing deposits amounted to JOD 333,965,391 and JOD 327,265,202 representing 78.9% and 80.8% of total deposits as at December 31, 2013 and 2012, respectively.
- Dormant deposits amounted to JOD 28,973,905 and JOD 18,567,132 representing 6.9% and 4.6% of total deposits as at December 31, 2013 and 2012, respectively.

15. Cash Margins

This item represents cash margins against:

	2013	2012
	JOD	JOD
Direct credit facilities	14,616,506	14,264,852
Indirect credit facilities	2,485,605	2,236,998
Others	260,708	24,107
	17,362,819	16,525,957

16. Borrowings

Following are the details of this account:

December 31, 2013	Balance in JOD	Installment due date	Collateral	Interest rate (%)
International Financial Markets Company	1,074,224	Monthly	None	None

December 31, 2012	Balance in JOD	Installment due date	Collateral	Interest rate (%)
International Financial Markets Company	1,074,224	Monthly	None	None

17. Sundry Provisions

	Balance, beginning of the year	Provided during the year	Used during year	Balance, end of year
	JOD	JOD	JOD	JOD
December 31, 2013				
Employees' end of service provision	5,960,303	943,492	(510,594)	6,393,201
Lawsuits provision	2,950,785	217,225	(41,185)	3,126,825
Other provisions	63,043	-	-	63,043
	8,974,131	1,160,717	(551,779)	9,583,069
December 31, 2012				
Employees' end of service provision	5,907,844	1,026,987	(974,528)	5,960,303
Lawsuits provision	2,997,338	-	(46,553)	2,950,785
Other provisions	63,043	-	-	63,043
	8,968,225	1,026,987	(1,021,081)	8,974,131

18. Tax Provisions

Movement on tax provisions during the year 2013 and 2012 are as follows:

	2013	2012
	JOD	JOD
Balance, beginning of the year	11,159,412	10,675,962
Provision for the year	3,540,861	3,095,236
Payments during the year	(6,116,160)	(2,611,619)
Recovery during the year	(100)	(167)
Balance, end of the year	8,584,013	11,159,412

Reconciliation between accounting income and taxable income is as follows:

	2013	2012
	JOD	JOD
Accounting profit	8,850,774	8,978,562
Net income subject to Value Added Tax	8,062,855	(2,247,629)
Value Added Tax	(1,102,115)	288,199
Revenues subject to income tax	-	9,466,394
Head Office expenses	-	(82,000)
Income subject to income tax	6,960,740	7,424,964
Income tax	1,390,870	1,483,807
Taxes expense	2,492,985	1,195,608
Provision computed for the year	3,540,861	3,095,236
Effective tax rate	40%	34%

The Bank reached final tax settlements for Bank's results of operations for the years from 2009 to 2012. In addition, the Bank did not reach final tax settlement for the results of operations for the year 2008 since it is still pending in the income tax appeals court; and the Bank is following up with Ministry of Finance to reach a settlement out of the court.

19. Other Liabilities

This item comprises the following:

	2013	2012
	JOD	JOD
Due to employees' provident fund *	6,097,759	5,314,980
Temporary deposits and intermediary accounts	2,453,015	2,808,855
Accrued expenses	2,167,560	1,677,133
Deferred tax liability **	841,706	-
Certified checks	772,483	1,235,625
Accounts payable	1,168,932	455,777
Inward transfers	84,838	1,620,620
Accrued interests	742,229	302,820
Others	23,041	15,343
	14,351,563	13,431,153

* This item represents the Bank's commitment against the employee's provident fund; the Bank deducts 5% from the employees' monthly basic salary and contributes an additional 10% of employees' monthly basic salary.

** This item represents the deferred tax liability resulted from the revaluation of financial assets through other comprehensive income, which was presented as part of the fair value reserve in the Head Office equity.

20. Reserves

- **Statutory reserve**

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

- **General banking risks reserve**

  This item represents the amount of general banking risk reserve deducted in accordance with PMA's regulations number (5/2008) based on 1.5% of direct credit facilities after deducting impairment allowance for credit facilities and suspended interest and 0.5% of indirect credit facilities. According to PMA's regulations number (3/2013), the percentage of general banking risks reserve on direct credit facilities has been amended to become 2% starting December 1, 2013. The percentage of the reserve on indirect credit facilities remained unchanged. The reserve is not to be utilized or reduced without PMA's prior approval.

- **Pro-cyclicality reserve**

  This reserve represents 15% of annual net profit in accordance with PMA's instruction (1/2011) to support Banks' capital against banking risks. The reserve is not to be utilized or reduced without PMA's prior approval.

21. Interest Income

This item comprises interest earned on the following accounts:

	2013	2012
	JOD	JOD
Retail		
Loans and discounted bills	4,525,696	4,688,547
Overdraft accounts	195,648	165,843
Companies		
Large companies		
Loans and discounted bills	1,993,781	2,103,256
Overdraft accounts	606,910	628,360
Small and medium organizations		
Loans and discounted bills	112,978	142,371
Overdraft accounts	220,541	206,574
Public sector	3,904,318	3,434,593
Real estate loans	776,942	646,277
	12,336,814	12,015,821
Financial assets	8,444,072	6,337,127
Balances at Head Office	3,708,690	4,142,484
Balances at banks and financial institutions	728,375	1,029,434
Balances at PMA	14,231	12,758
	25,232,182	23,537,624

22. Interest Expense

This item comprises interest expense incurred on the following accounts:

	2013	2012
	JOD	JOD
Interest on customers' deposits		
Time deposits	2,298,478	1,600,495
Saving accounts	253,208	925,423
Current and demand accounts	20,614	32,725
	2,572,300	2,558,643
Interest on banks and financial institutions' deposits	841,873	454,049
Interest on Head Office deposits	7,924	97,102
	3,422,097	3,109,794

23. Net Commissions

This item comprises commissions against the following:

	2013	2012
	JOD	JOD
Direct credit facilities	792,186	1,078,431
Indirect credit facilities	127,868	194,866
Accounts management	1,265,186	1,316,979
Transfers	663,902	666,927
Checks	427,642	596,700
ATM services	110,126	106,755
Post and mail	249,104	244,090
Salaries	44,727	45,248
Dormant accounts	57,915	65,680
Securities exchange*	198,239	149,622
Other banking services	59,573	40,910
	3,996,468	4,506,208

* This item represents the net commissions earned by the subsidiary for its securities trading and brokerage services.

24. Gain from Financial Assets

This item comprises the following:

	2013	2012
	JOD	JOD
Dividends from financial assets through other comprehensive income	384,941	378,572
Proceeds from sale of financial assets	-	68,188
	384,941	446,760

25. Other Revenues

	2013	2012
	JOD	JOD
Recovery of suspend interest	142,046	176,564
Visa cards issuance fees	135,177	160,298
Sold checks commissions	99,260	123,488
Safe boxes rental	35,092	35,342
Gains on disposal of fixed assets	132,956	-
Gain on sale of assets obtained by the Bank by calling on collateral	63,790	-
Recovery of impairment allowance	1,970	3,194
Sundry	19,557	29,028
	629,848	527,914

26. Personnel Expenses

	2013	2012
	JOD	JOD
Salaries and related benefits	7,775,373	7,262,004
End of service provisions	943,492	1,026,987
Value Added Tax on salaries	1,075,451	941,310
Bonuses and rewards	446,350	440,026
Medical expenses	415,577	364,586
Bank's contribution to saving fund	423,180	418,016
Secondment allowance	57,996	50,031
Training	36,830	83,203
	11,174,249	10,586,163

27. Other Operating Expenses

	2013	2012
	JOD	JOD
Information technology and computer expenses	1,291,211	1,138,644
Rent	956,166	952,928
Advertising	549,005	520,111
License and subscriptions fees	563,910	430,334
Professional fees	483,992	479,492
Utilities	419,279	419,705
Maintenance and cleaning	307,423	317,314
Telephone, postage and fax	305,239	269,414
Cash shipping expense	255,380	182,512
Insurance	208,734	226,509
Uniform	192,000	82,638
Stationery and printings	153,394	167,627
Vehicles expense	133,793	148,706
Travel and transportation	95,110	97,258
Share of Head Office expenses	82,000	82,000
Hospitality	44,028	45,458
Security	600	13,929
Sundry	27,411	72,746
	6,068,675	5,647,325

28. Cash and Cash Equivalents

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

	2013	2012
	JOD	JOD
Cash and balances at PMA	79,640,058	80,855,843
Add:		
Balances at banks and financial institutions maturing within three months or less	54,632,720	74,959,737
Balances at Head Office maturing within three months or less	33,868,774	11,051,755
Less:		
Banks and financial institutions' deposits matures within three months or less	(32,622,568)	(22,211,779)
Head Office deposits matures within three months or less	(688,500)	(839,460)
Capital deposit at PMA	(7,444,500)	(7,444,500)
Statutory cash reserve	(40,576,250)	(38,715,636)
	86,809,734	97,655,960

29. Related Party Transactions

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

	Nature of relation	2013 JOD	2012 JOD
Consolidated statement of financial position items:			
Deposits at Head Office	Head Office	87,843,533	55,958,992
Direct credit facilities	Sister companies and key management personnel	20,210,495	23,955,826
Customers deposit	Sister companies and key management personnel	8,750,928	9,631,523
Commitments and contingencies			
Letters of guarantees	Sister companies and key management personnel	119,805	367,557
Letters of credit	Sister companies and key management personnel	418,410	727,745
Consolidated Income statement items:			
Interest and commissions earned	Head Office, Sister companies and key management personnel	4,785,836	5,501,685
Interest and commissions paid	Head Office, Sister companies and key management personnel	24,841	137,292
Bank's share of Head Office expenses	Head Office	82,000	82,000

- Net direct credit facilities granted to related parties as at December 31, 2013 and 2012 represent 10.6% and 12.7%, respectively, from the net direct credit facilities.
- Net direct credit facilities granted to related parties as at December 31, 2013 and 2012 represent 44.5% and 54.3%, respectively, from the Bank's capital base.
- Interest on JOD direct credit facilities ranges between 4.75% to 8.75%.

- Interest on U.S. $ direct credit facilities ranges between 3% to 6.5%.
- Interest on JOD deposits ranges between 2.5% to 6%.

Compensation of key management personnel:

	2013	2012
	JOD	JOD
Salaries and related benefits	883,858	818,364
End of service benefit expense	69,183	79,707

30. Fair Value Measurement

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

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Other techniques for which all inputs, which have a significant effect on the recorded fair value, are observable, either directly or indirectly.
- Level 3: Techniques which use inputs, which have a significant effect on the recorded fair value, that are not based on observable market data.

The Bank has not made any transfer between the levels mentioned above during the years 2013 and 2012.

The following table provides the fair value measurement hierarchy of the Bank's assets as at December 31, 2013 and 2012:

			Measurement of Fair Value by		
	Date of Evaluation	Total	Quoted prices in active markets (Level 1)	Significant observable input (Level 2)	Significant non-observable inputs (Level 3)
2013		JOD	JOD	JOD	JOD
Financial assets at fair value:					
Financial assets at fair value through other comprehensive income (note 8):					
Quoted	December 31, 2013	6,121,952	6,121,952	-	-
Unquoted	December 31, 2013	439,994	-	-	439,994
2012					
Financial assets at fair value:					
Financial assets at fair value through other comprehensive income (note 8):					
Quoted	December 31, 2012	5,313,333	5,313,333	-	-
Unquoted	December 31, 2012	380,664	-	-	380,664

31. Fair Value of Financial Instruments

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

	Carrying amount		Fair value	
	2013	2012	2013	2012
	JOD	JOD	JOD	JOD
Financial assets				
Cash and balances at PMA	79,640,058	80,855,843	79,640,058	80,855,843
Balances at banks and financial institutions	54,632,720	74,959,737	54,632,720	74,959,737
Deposits at Head Office	87,843,533	55,958,992	87,843,533	55,958,992
Direct credit facilities	190,429,374	188,387,211	190,429,374	188,387,211
Financial assets at fair value through other comprehensive income:				
Quoted shares	6,121,952	5,313,333	6,121,952	5,313,333
Unquoted shares	439,994	380,664	439,994	380,664
Financial assets at amortized cost:	125,650,251	110,005,939	125,759,820	110,331,483
Other financial assets	8,728,350	7,397,590	8,728,350	7,397,590
Total assets	553,486,232	523,259,309	553,595,801	523,584,853
Financial liabilities				
Banks and financial institutions' Deposits	32,622,568	22,211,779	32,622,568	22,211,779
Customers' deposits	423,234,435	405,028,997	423,234,435	405,028,997
Cash margins	17,362,819	16,525,957	17,362,819	16,525,957
Borrowings	1,074,224	1,074,224	1,074,224	1,074,224
Other financial liabilities	7,412,098	8,116,173	7,412,098	8,116,173
Total liabilities	481,706,144	452,957,130	481,706,144	452,957,130

The fair value of the financial assets and liabilities are included at the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair values of balances at PMA, balances at banks and financial institutions, balance at Head Office, direct credit facilities, other financial assets, PMA deposits, due to banks and financial institutions, customers' deposits, cash margins, and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

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

Fair value of financial assets at fair value through other comprehensive income that are not actively traded in active financial markets is determined based on appropriate valuation methods.

Fair value of financial assets at amortized cost and borrowings were assessed by discounting expected cash flows using interest rates for items with similar terms and risk characteristics.

32. Concentration of Assets and Liabilities

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

	2013			2012		
	Assets	Liabilities and Head Office equity	Items out of statement of financial position	Assets	Liabilities and Head Office equity	Items out of statement of financial position
By geographical area	JOD	JOD	JOD	JOD	JOD	JOD
Palestine	308,431,788	564,176,291	21,735,897	301,367,750	534,254,962	18,730,765
Jordan	210,836,663	-	31,086	165,912,916	–	1,444,004
Europe	109,417	274,511	9,224,466	21,710,118	411,977	8,876,091
USA	4,880,981	-	-	7,302,402	–	–
Others	40,191,953	-	1,277,626	38,373,753	–	1,579,620
Total	564,450,802	564,450,802	32,269,075	534,666,939	534,666,939	30,630,480
By sector						
Corporate, and Public sector	113,486,483	110,624,907	30,091,829	109,027,119	95,272,615	27,959,641
Retail	76,942,891	331,046,571	972,017	79,360,092	309,756,382	972,922
Treasury	354,328,508	32,622,568	1,205,229	327,474,508	22,211,779	1,697,917
Others	19,692,920	90,156,756	-	18,805,220	107,426,163	–
Total	564,450,802	564,450,802	32,269,075	534,666,939	534,666,939	30,630,480

33. Risk Management

I. Credit Risk

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

1. Exposure to credit risk

	2013	2012
	JOD	JOD
Consolidated statement of financial position items		
Balances at PMA	48,251,119	51,840,026
Balances at banks and financial institutions	54,632,720	74,959,737
Deposits at Head Office	87,843,533	55,958,992
Direct credit facilities:		
Retail	60,395,136	65,606,025
Large companies	47,062,505	46,585,687
Small and medium	11,306,268	10,857,448
Real estate loans	16,547,755	13,754,067
Public sector	55,117,710	51,583,984
Financial assets at amortized cost	125,650,251	110,005,939
Other assets	5,195,714	4,261,012
	512,002,711	485,412,917
Commitments and contingencies		
Letters of credit	8,465,356	8,430,023
Acceptances	451,338	284,392
Letters of guarantees	6,138,880	6,136,447
Unutilized credit facilities limits	17,213,501	15,779,618
	32,269,075	30,630,480

2. Credit risk exposure for each risk rating

Credit risk exposure for each risk rating is distributed as follows:

		Corporate			
	Retail	Large	Small and medium	Public sector	Total
	JOD	JOD	JOD	JOD	JOD
December 31, 2013					
Low risk	879,871	6,135,598	1,272,637	55,117,710	63,405,816
Acceptable risk	74,764,661	39,792,562	9,002,848	-	123,560,071
From which is due:					
Until 30 days	476,704	-	144,696	-	621,400
Watch list	14,445	101,064	549,569	-	665,078
Non-performing:					
Substandard	-	1,735,724	-	-	1,735,724
Doubtful	24,559	-	-	-	24,559
Defaulted	4,148,354	954,293	1,099,224	-	6,201,871
Total	79,831,890	48,719,241	11,924,278	55,117,710	195,593,119
Suspended interest and commissions	(454,587)	(331,937)	(26,757)	-	(813,281)
Impairment allowance for credit facilities	(2,434,412)	(1,324,799)	(591,253)	-	(4,350,464)
	76,942,891	47,062,505	11,306,268	55,117,710	190,429,374

		Corporate			
	Retail	Large	Small and medium	Public sector	Retail
	JOD	JOD	JOD	JOD	JOD
December 31, 2012					
Low risk	265,601	4,096,081	1,990,691	51,583,984	57,936,357
Acceptable risk	78,875,018	41,950,627	7,280,341	-	128,105,986
From which is due:					
Until 30 days	-	-	187,618	-	187,618
Watch list	-	-	844,841	-	844,841
Non-performing:					
Defaulted	2,781,797	2,143,323	1,223,462	-	6,148,582
Total	81,922,416	48,190,031	11,339,335	51,583,984	193,035,766
Suspended interest and commissions	(264,623)	(313,271)	(30,044)	-	(607,938)
Impairment allowance for credit facilities	(2,297,701)	(1,291,073)	(451,843)	-	(4,040,617)
	79,360,092	46,585,687	10,857,448	51,583,984	188,387,211

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

		Corporate			
	Retail	Large	Small and medium	Public sector	Total
December 31, 2013	JOD	JOD	JOD	JOD	JOD
Collaterals against:					
Low risk	880,580	6,135,598	1,272,637	6,293,155	14,581,970
Acceptable risk	25,869,910	44,236,728	10,068,305	-	80,174,943
Watch list	-	101,064	427,797	-	528,861
Non-performing:					
Substandard	-	1,735,724	-	-	1,735,724
Defaulted	1,375,332	543,308	296,779	-	2,215,419
Total	28,125,822	52,752,422	12,065,518	6,293,155	99,236,917
Comprising:					
Cash margins	880,580	6,135,598	1,272,637	6,293,155	14,581,970
Letter of credit	-	70,900	-	-	70,900
Deposit insurance corporation	-	1,723,424	2,347,479	-	4,070,903
Real estate	22,047,628	26,500,000	4,316,678	-	52,864,306
Quoted stocks	-	12,432,500	1,980,285	-	14,412,785
Vehicles and equipment	5,197,614	5,890,000	2,148,439	-	13,236,053
	28,125,822	52,752,422	12,065,518	6,293,155	99,236,917

		Corporate			
	Retail	Large	Small and medium	Public sector	Total
December 31, 2012	JOD	JOD	JOD	JOD	JOD
Collaterals against:					
Low risk	265,601	4,096,081	1,990,691	7,983,379	14,335,752
Acceptable risk	16,161,140	25,302,315	9,674,572	-	51,138,027
Non-performing:					
Defaulted	294,360	868,456	468,524	-	1,631,340
Total	16,721,101	30,266,852	12,133,787	7,983,379	67,105,119
Comprising:					
Cash margins	265,601	4,025,181	1,990,691	7,983,379	14,264,852
Letter of credit	-	70,900	-	-	70,900
Deposit insurance corporation	-	842,212	4,772,532	-	5,614,744
Real estate	13,235,000	11,645,625	3,245,221	-	28,125,846
Quoted stocks	-	11,320,129	1,012,145	-	12,332,274
Vehicles and equipment	3,220,500	2,362,805	1,113,198	-	6,696,503
	16,721,101	30,266,852	12,133,787	7,983,379	67,105,119

4. **Concentration of risk exposures according to the geographical area is as follows:**

	Palestine	Arab Countries	Israel	Europe	USA	Others	Total
	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Cash and balances at PMA	48,251,119	–	–	–	–	–	48,251,119
Balances at banks and financial institutions	12,641,940	11,344,000	25,656,382	109,417	4,880,981	–	54,632,720
Deposits at Head Office	–	87,843,533	–	–	–	–	87,843,533
Direct credit facilities:							
Retail	60,395,136	–	–	–	–	–	60,395,136
Corporate and institutions:							
Large Companies	35,341,360	11,721,145	–	–	–	–	47,062,505
Small and medium organizations	11,306,268	–	–	–	–	–	11,306,268
Real estate loans	16,547,755	–	–	–	–	–	16,547,755
Public sector	55,117,710	–	–	–	–	–	55,117,710
Financial assets at amortized cost	11,237,650	114,412,601	–	–	–	–	125,650,251
Other assets	5,195,714	–	–	–	–	–	5,195,714
Total as at December 31, 2013	256,034,652	225,321,279	25,656,382	109,417	4,880,981	–	512,002,711
Total as at December 31, 2012	253,981,893	167,443,576	34,974,928	21,710,118	7,302,402	–	485,412,917
Off balance sheet items as at December 31, 2013	21,735,897	31,086	753,326	9,224,466	–	524,300	32,269,075

5. **Concentration of risk exposures according to economic sectors is as follows:**

	Financial	Industrial	Commerce	Real estate	Financial securities	Public sector	Others	Total
	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Cash and balances at PMA	48,251,119	–	–	–	–	–	–	48,251,119
Balances at banks and financial institutions	54,632,720	–	–	–	–	–	–	54,632,720
Deposits at Head Office	87,843,533	–	–	–	–	–	–	87,843,533
Direct credit facilities	–	11,000,950	26,466,120	20,019,272	–	55,117,710	77,825,322	190,429,374
Financial assets at amortized cost	–	–	–	–	125,650,251	–	–	125,650,251
Other assets	5,195,714	–	–	–	–	–	–	5,195,714
Total as at December 31, 2013	195,923,086	11,000,950	26,466,120	20,019,272	125,650,251	55,117,710	77,825,322	512,002,711
Total as at December 31, 2012	187,019,767	12,038,409	16,640,330	13,754,067	110,005,939	51,583,984	94,370,421	485,412,917
Off balance sheet items as at December 31, 2013	18,146,862	599,294	7,620,817	7,090	–	–	5,895,012	32,269,075

II. Market risk

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

1. Interest rate risk

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

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

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

	2013		2012	
Currency	Increase in interest rate (basis points)	Effect on consolidated income statement JOD	Increase in interest rate (basis points)	Effect on consolidated income statement JOD
Jordanian Dinar	+10	95,141	+10	94,207
US Dollar	+10	133,846	+10	129,487
Israeli Shekels	+10	86,102	+10	86,165
Other currencies	+10	5,735	+10	5,531

2. Interest rate re-pricing sensitivity gap

	Interest rate re-pricing sensitivity gap						
	Up to 1 Month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than a year	Non-interest bearing items	Total
December 31, 2013	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Assets							
Cash and balances at PMA	7,444,500	-	-	-	-	72,195,558	79,640,058
Balances at banks and financial institutions	36,894,201	11,344,000	-	-	-	6,394,519	54,632,720
Deposits at Head Office	33,180,274	-	-	-	54,663,259	-	87,843,533
Direct credit facilities	13,080,886	7,184,984	54,439,827	14,948,634	100,775,043	-	190,429,374
Financial assets at fair value through other comprehensive income	-	-	-	-	-	6,561,946	6,561,946
Financial assets at amortized cost	-	34,127,659	-	9,283,381	82,239,211	-	125,650,251
Property, plant and equipment	-	-	-	-	-	9,363,310	9,363,310
Intangible assets	-	-	-	-	-	500,141	500,141
Other assets	-	-	-	-	-	9,829,469	9,829,469
Total Assets	90,599,861	52,656,643	54,439,827	24,232,015	237,677,513	104,844,943	564,450,802
Liabilities							
Banks and financial institutions' deposits	31,150,004	1,000,000	-	-	-	472,564	32,622,568
Customers' deposits	40,205,574	19,918,453	13,329,282	12,062,152	3,753,583	333,965,391	423,234,435
Cash margins	700,613	770,594	3,865,954	1,932,524	10,093,134	-	17,362,819
Loans	-	-	-	-	-	1,074,224	1,074,224
Sundry provisions	-	-	-	-	-	9,583,069	9,583,069
Tax provisions	-	-	-	-	-	8,584,013	8,584,013
Other liabilities	-	-	-	-	-	14,351,563	14,351,563
Total Liabilities	72,056,191	21,689,047	17,195,236	13,994,676	13,846,717	368,030,824	506,812,691
Head Office Equity							
Paid-in share capital	-	-	-	-	-	35,450,000	35,450,000
Statutory reserve	-	-	-	-	-	6,632,384	6,632,384
General banking risks reserve	-	-	-	-	-	3,920,000	3,920,000
Pro-cyclicality reserve	-	-	-	-	-	4,032,498	4,032,498
Fair value reserve	-	-	-	-	-	2,778,532	2,778,532
Retained earnings	-	-	-	-	-	4,824,697	4,824,697
Total Head Office Equity	-	-	-	-	-	57,638,111	57,638,111
Total Liabilities and Head Office Equity	72,056,191	21,689,047	17,195,236	13,994,676	13,846,717	425,668,935	564,450,802
Interest rate re-pricing sensitivity gap	18,543,670	30,967,596	37,244,591	10,237,339	223,830,796	(320,823,992)	-
Cumulative gap	18,543,670	49,511,266	86,755,857				

December 31, 2012	Interest rate re-pricing sensitivity gap						
	Up to 1 Month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than a year	Non-interest bearing items	Total
	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Assets							
Cash and balances at PMA	7,444,500	–	–	–	–	73,411,343	80,855,843
Balances at banks and financial institutions	65,918,745	–	–	–	–	9,040,992	74,959,737
Deposits at Head Office	10,212,295	–	–	–	45,746,697	–	55,958,992
Direct credit facilities	16,000,751	5,856,941	54,548,938	7,586,023	104,394,558	–	188,387,211
Financial assets at fair value through other comprehensive income	–	–	–	–	–	5,693,997	5,693,997
Financial assets at amortized cost	5,000,067	19,999,785	–	–	85,006,087	–	110,005,939
Property, plant and equipment	–	–	–	–	–	9,669,929	9,669,929
Intangible assets	–	–	–	–	–	471,693	471,693
Other assets	–	–	–	–	–	8,663,598	8,663,598
Total Assets	104,576,358	25,856,726	54,548,938	7,586,023	235,147,342	106,951,552	534,666,939
Liabilities							
Banks and financial institutions' deposits	17,735,329	300,000	–	–	–	4,176,450	22,211,779
Customers' deposits	47,788,389	12,944,955	7,339,743	8,855,546	835,162	327,265,202	405,028,997
Cash margins	1,862,594	660,114	3,762,542	820,571	9,420,136	–	16,525,957
Loans	–	–	–	–	–	1,074,224	1,074,224
Sundry provisions	–	–	–	–	–	8,974,131	8,974,131
Tax provisions	–	–	–	–	–	11,159,412	11,159,412
Other liabilities	–	–	–	–	–	13,431,153	13,431,153
Total Liabilities	67,386,312	13,905,069	11,102,285	9,676,117	10,255,298	366,080,572	478,405,653
Head Office Equity							
Paid-in share capital	–	–	–	–	–	35,450,000	35,450,000
Statutory reserve	–	–	–	–	–	6,092,306	6,092,306
General banking risks reserve	–	–	–	–	–	3,200,000	3,200,000
Pro-cyclicality reserve	–	–	–	–	–	3,222,382	3,222,382
Fair value reserve	–	–	–	–	–	2,811,620	2,811,620
Retained earnings	–	–	–	–	–	5,484,978	5,484,978
Total Head Office Equity	–	–	–	–	–	56,261,286	56,261,286
Total Liabilities and Head Office Equity	67,386,312	13,905,069	11,102,285	9,676,117	10,255,298	422,341,858	534,666,939
Interest rate re-pricing sensitivity gap	37,190,046	11,951,657	43,446,653	(2,090,094)	224,892,044	(315,390,306)	–
Cumulative gap	37,190,046	49,141,703	92,588,356	90,498,262	315,390,306	–	–

3. Foreign currency risk

These are the risks of the change in value of financial instruments resulting from the change in foreign exchange rates. The Bank's management annually sets the limits of the financial position for each currency, and such position is monitored on a daily basis and hedging strategies are used to ensure maintaining the foreign currency position within the set limits.

The Jordanian Dinar (JOD) exchange rate is pegged to U.S. $ exchange rate, so foreign currency risk of U.S. $ is not material on the Bank's consolidated financial statements.

The effect of the expected decrease in exchange rates is equal and opposite to the effect of the increase stated below:

	2013		2012	
Currency	Increase in currency rate (%)	Effect on consolidated income statement JOD	Increase in currency rate (%)	Effect on consolidated income statement JOD
EURO	+10	(45,541)	+10	13,051
ILS	+10	410,890	+10	747,340
Other currencies	+10	(13,120)	+10	9,016

Following is the foreign currencies position of the Bank:

	U.S. $	EURO	ILS	Others	Total
December 31, 2013	JOD	JOD	JOD	JOD	JOD
Assets					
Cash and balances at PMA	24,403,453	1,189,813	42,961,493	71	68,554,830
Balances at banks and financial institutions	16,468,771	116,155	27,431,952	912	44,017,790
Deposits at Head Office	6,573,375	6,751,207	2,095	(628,903)	12,697,774
Direct credit facilities	86,575,753	44,185	65,671,099	687,909	152,978,946
Financial assets at fair value through other comprehensive income	1,337,465	-	-	-	1,337,465
Financial assets at amortized cost	26,823,803	-	-	-	26,823,803
Property, plant and equipment	29,225	-	-	-	29,225
Other assets	2,269,134	10,286	2,577,449	64,056	4,920,925
Total Assets	164,480,979	8,111,646	138,644,088	124,045	311,360,758
Liabilities					
Banks and financial institutions' deposits	1,015,507	1,453	183,329	-	1,200,289
Customers' deposits	121,119,946	7,980,230	126,877,650	254,844	256,232,670
Cash margins	5,162,295	514,239	7,782,187	-	13,458,721
Sundry provisions	-	-	(1,161,862)	-	(1,161,862)
Other liabilities	1,430,757	71,238	853,881	405	2,356,281
Total Liabilities	128,728,505	8,567,160	134,535,185	255,249	272,086,099
Paid in capital	35,450,000	-	-	-	35,450,000
Fair value reserve	146,320	-	-	-	146,320
Total Head Office Equity	35,596,320	-	-	-	35,596,320
Total Head Office Equity and Liabilities	164,324,825	8,567,160	134,535,185	255,249	307,682,419
Statement of financial position concentration	156,154	(455,514)	4,108,903	(131,204)	3,678,339
Commitments and contingencies	17,225,060	382,906	11,674,960	-	29,282,926

	U.S. $	EURO	ILS	Others	Total
December 31, 2012	JOD	JOD	JOD	JOD	JOD
Total assets	159,001,398	10,162,355	141,040,364	201,176	310,405,293
Total liabilities and Head Office Equity	165,288,000	10,031,847	133,566,965	111,016	308,997,828
Statement of financial position concentration	(6,286,602)	130,508	7,473,399	90,160	1,407,465
Commitments and contingencies	14,951,441	382,906	11,569,816	-	26,904,163

4. Equity price risk

Equity price risk results from changes in fair value of equity instruments. The effect of the expected decrease in equity instrument prices is equal and opposite to the effect of the increase stated below:

	2013		2012	
	Increase in Indicator	Effect on equity	Increase in Indicator	Effect on equity
Market	(%)	JOD	(%)	JOD
Palestine Securities Exchange	+10	607,100	+10	524,757
Amman Securities Exchange	+10	5,096	+10	6,577

III. Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors future cash flows and liquidity and maintains sufficient amount of cash and cash equivalents.

Liquidity management policy at the Bank aims to maximize sources of liquidity at the lowest possible cost. Liquidity management aims to maintain stable sources of funding that is considered reliable with an appropriate cost.

Liquidity is measured, controlled and managed on the basis of normal and emergency conditions. This includes the use of analysis of the maturities of the assets and liabilities and various financial ratios.

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

December 31, 2013	Up to 1 Month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months up to 1 year	More than 1 year to 3 years	More than 3 years	Without maturity	Total
	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Assets								
Cash and balances at PMA	72,285,802	-	-	-	-	-	7,556,168	79,841,970
Balances at banks and financial institutions	43,342,831	11,386,540	-	-	-	-	-	54,729,371
Deposits at Head Office	33,299,170	-	-	-	57,013,779	-	-	90,312,949
Direct credit facilities	13,146,290	7,292,759	56,073,022	15,845,552	21,054,937	85,766,609	-	199,179,169
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	6,561,946	6, 561,946
Financial assets at amortized cost	-	34,212,978	-	9,747,550	81,996,139	4,355,033	-	130,311,700
Property, plant and equipment	-	-	-	-	-	-	9,363,310	9,363,310
Intangible assets	-	-	-	-	-	-	500,141	500,141
Other assets	1,132,726	849,588	1,010,605	1,716,587	4,636,769	-	483,194	9,829,469
Total assets	163,206,819	53,741,865	57,083,627	27,309,689	164,701,624	90,121,642	24,464,759	580,630,025
Liabilities:								
Banks and financial institutions' deposits	31,659,461	1,002,500	-	-	-	-	-	32,661,961
Customers' deposits	170,441,660	76,069,391	59,768,206	48,898,567	70,456,279	-	-	425,634,103
Cash margins	70,0671	770,787	3,867,887	1,934,457	2,304,845	7,798,383	-	17,377,030
Loans	-	-	-	-	-	-	1,074,224	1,074,224
Sundry provisions	25,947	76,487	85,241	199,413	9,195,981	-	-	9,583,069
Tax provisions	-	709,000	2,831,361	5,043,652	-	-	-	8,584,013
Other liabilities	2,833,266	850,784	2,865,862	1,365,975	1,989,658	3,962,824	483,194	14,351,563
Total liabilities	205,661,005	79,478,949	69,418,557	57,442,064	83,946,763	11,761,207	1,557,418	509,265,963
Equity								
Head Office Paid-in share capital	-	-	-	-	-	-	35,450,000	35,450,000
Statutory reserve	-	-	-	-	-	-	6,632,384	6,632,384
General banking risks reserve	-	-	-	-	-	-	3,920,000	3,920,000
Pro-cyclicality reserve	-	-	-	-	-	-	4,032,498	4,032,498
Fair value reserve	-	-	-	-	-	-	2,778,532	2,778,532
Retained earnings	-	-	-	-	-	-	4,824,697	4,824,697
	-	-	-	-	-	-		
Total Head Office Equity	-	-	-	-	-	-	57,638,111	57,638,111
Total liabilities and Head Office Equity	205,661,005	79,478,949	69,418,557	57,442,064	83,946,763	11,761,207	59,195,529	566,904,074
Maturity gap	(42,454,186)	(25,737,084)	(12,334,930)	(30,132,375)	80,754,861	78,360,435	(34,730,770)	13,725,951
Cumulative gap	(42,454,186)	(68,191,270)	(80,526,200)	(110,658,575)	(29,903,714)	48,456,721	13,725,951	27,451,902

December 31, 2012	Up to 1 Month JOD	More than 1 month to 3 months JOD	More than 3 months to 6 months JOD	More than 6 months up to 1 year JOD	More than 1 year to 3 years JOD	More than 3 years JOD	Without maturity JOD	Total JOD
Assets								
Cash and balances at PMA	73,503,107	–	–	–	–	–	7,556,168	81,059,275
Balances at banks and financial institutions	75,053,437	–	–	–	–	–	–	75,053,437
Deposits at Head Office	10,248,889	–	–	–	47,713,805	–	–	57,962,694
Direct credit facilities	16,080,755	5,944,795	56,185,406	8,041,184	31,469,610	79,188,622	–	196,910,372
Financial assets at fair value through other comprehensive income	–	–	–	–	–	–	5,693,997	5,693,997
Financial assets at amortized cost	5,004,234	20,049,784	–	–	76,709,708	12,546,683	–	114,310,409
Property, plant and equipment	–	–	–	–	–	–	9,669,929	9,669,929
Intangible assets	–	–	–	–	–	–	471,693	471,693
Other assets	770,978	958,475	1,390,894	1,859,584	3,212,546	–	471,121	8,663,598
Total assets	180,661,400	26,953,054	57,576,300	9,900,768	159,105,669	91,735,305	23,862,908	549,795,404
Liabilities:								
Banks and financial institutions' deposits	21,937,343	300,750	–	–	–	–	–	22,238,093
Customers' deposits	375,209,863	12,990,262	7,391,121	8,979,524	846,854	–	–	405,417,624
Cash margins	1,862,749	660,279	3,764,423	821,392	2,984,527	6,445,030	–	16,538,400
Loans	–	–	–	–	–	–	1,074,224	1,074,224
Sundry provisions	715,845	442,841	614,236	1,025,446	6,175,763	–	–	8,974,131
Tax provisions	–	–	1,532,751	3,596,545	6,030,116	–	–	11,159,412
Other liabilities	1,517,071	2,148,538	1,865,754	1,101,047	2,415,214	3,440,353	471,121	12,959,098
Total liabilities	401,242,871	16,542,670	15,168,285	15,523,954	18,452,474	9,885,383	1,545,345	478,360,982
Equity								
Head Office Paid-in share capital	–	–	–	–	–	–	35,450,000	35,450,000
Statutory reserve	–	–	–	–	–	–	6,092,306	6,092,306
General banking risks reserve	–	–	–	–	–	–	3,200,000	3,200,000
Pro-cyclicality reserve	–	–	–	–	–	–	2,811,620	2,811,620
Fair value reserve	–	–	–	–	–	–	3,222,382	3,222,382
Retained earnings	–	–	–	–	–	–	5,484,978	5,484,978
Total Head Office Equity	–	–	–	–	–	–	56,261,286	56,261,286
Total Liabilities and Head Office Equity	401,242,871	16,542,670	15,168,285	15,523,954	18,452,474	9,885,383	57,806,631	534,622,268
Maturity gap	(220,581,471)	10,410,384	42,408,015	(5,623,186)	140,653,195	81,849,922	(33,943,723)	15,173,136
Cumulative gap	(220,581,471)	(210,171,087)	(167,763,072)	(173,386,258)	(32,733,063)	49,116,859	15,173,136	30,346,272

34. Segment Information

a. Information on the Bank's business segments

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

Retail banking: Includes handling individual customers' deposits, and providing consumer type loans, overdrafts, credit cards facilities and other services.
Corporate: Includes handling loans, credit facilities, deposits and current accounts for corporate and institutional customers.
Treasury: Includes providing trading and treasury services and managing Bank's funds and investment.

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

	Retail	Corporate	Treasury	Others	Total 2013	Total 2012
	JOD	JOD	JOD	JOD	JOD	JOD
Gross revenues	7,379,863	9,584,587	14,370,815	–	31,335,265	30,067,741
Segment results	5,186,315	9,205,890	13,520,963	–	27,913,168	26,957,947
Unallocated expenses					(19,062,394)	(17,979,385)
Profit before taxes					8,850,774	8,978,562
Taxes expense					(3,540,861)	(3,095,236)
Profit for the year					5,309,913	5,883,326
Other segment information:						
Total segment assets	76,942,891	113,486,483	354,328,508	19,692,920	564,450,802	534,666,939
Total segment liabilities	331,046,571	110,624,907	32,622,568	32,518,645	506,812,691	478,405,653
Capital expenditures					1,328,869	1,227,786
Depreciation and amortization					1,602,245	1,745,897

b. Geographical distribution information

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

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

	Domestic		Foreign		Total	
	2013	2012	2013	2012	2013	2012
	JOD	JOD	JOD	JOD	JOD	JOD
Gross revenues	18,427,154	18,573,096	12,908,111	11,494,645	31,335,265	30,067,741
Total assets	308,482,743	301,367,750	255,968,059	233,299,189	564,450,802	534,666,939
Capital expenditures	1,328,869	1,227,786	-	-	1,328,869	1,227,786

35. Maturities of Assets and Liabilities

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

	December 31, 2013			
	Up to 1 year	More than 1 year	Without maturity	Total
	JOD	JOD	JOD	JOD
Assets				
Cash and balances at PMA	72,195,558	-	7,444,500	79,640,058
Balances at banks and financial institutions	54,632,720	-	-	54,632,720
Deposits at Head Office	33,180,274	54,663,259	-	87,843,533
Direct credit facilities	89,654,331	100,775,043	-	190,429,374
Financial assets at fair value through other comprehensive income	-	-	6,561,946	6,561,946
Financial assets at amortized cost	43,411,040	82,239,211	-	125,650,251
Property, plant and equipment	-	-	9,363,310	9,363,310
Intangible assets	-	-	500,141	500,141
Other assets	4,709,506	4,636,769	483,194	9,829,469
Total Assets	297,783,429	242,314,282	24,353,091	564,450,802
Liabilities				
Banks and financial institutions' deposits	32,622,568	-	-	32,622,568
Customers' deposits	353,750,925	69,483,510	-	423,234,435
Cash margins	7,269,685	10,093,134	-	17,362,819
Loans	-	-	1,074,224	1,074,224
Sundry Provisions	387,088	9,195,981	-	9,583,069
Tax provisions	8,584,013	-	-	8,584,013
Other liabilities	7,915,887	5,952,482	483,194	14,351,563
Total Liabilities	410,530,166	94,725,107	1,557,418	506,812,691
Head Office Equity				
Paid-in share capital	-	-	35,450,000	35,450,000
Statutory reserve	-	-	6,632,384	6,632,384
General banking risks reserve	-	-	3,920,000	3,920,000
Pro-cyclicality reserve	-	-	4,032,498	4,032,498
Fair value reserve	-	-	2,778,532	2,778,532
Retained earnings	-	-	4,824,697	4,824,697
Total Head Office Equity	-	-	57,638,111	57,638,111
Total Liabilities and Head Office Equity	410,530,166	94,725,107	59,195,529	564,450,802
Maturity gap	(112,746,737)	147,589,175	(34,842,438)	-
Cumulative maturity gap	(112,746,737)	34,842,438	-	-

	December 31, 2012			
	Up to 1 year	More than 1 year	Without maturity	Total
	JOD	JOD	JOD	JOD
Assets				
Cash and balances at PMA	73,411,343	–	7,444,500	80,855,843
Balances at banks and financial institutions	74,959,737	–	–	74,959,737
Deposits at Head Office	10,212,295	45,746,697	–	55,958,992
Direct credit facilities	83,992,653	104,394,558	–	188,387,211
Financial assets at fair value through other comprehensive income	–	–	5,693,997	5,693,997
Financial assets at amortized cost	24,999,852	85,006,087	–	110,005,939
Property, plant and equipment	–	–	9,669,929	9,669,929
Intangible assets	–	–	471,693	471,693
Other assets	4,979,931	3,212,546	471,121	8,663,598
Total Assets	272,555,811	238,359,888	23,751,240	534,666,939
Liabilities				
Banks and financial institutions' deposits	22,211,779	–	–	22,211,779
Customers' deposits	404,193,835	835,162	–	405,028,997
Cash margins	7,105,821	9,420,136	–	16,525,957
Loans	–	–	1,074,224	1,074,224
Sundry Provisions	2,798,368	6,175,763	–	8,974,131
Tax provisions	5,129,296	6,030,116	–	11,159,412
Other liabilities	7,104,465	5,855,567	471,121	13,431,153
Total Liabilities	448,543,564	28,316,744	1,545,345	478,405,653
Head Office Equity				
Paid-in share capital	–	–	35,450,000	35,450,000
Statutory reserve	–	–	6,092,306	6,092,306
General banking risks reserve	–	–	3,200,000	3,200,000
Pro-cyclicality reserve	–	–	3,222,382	3,222,382
Fair value reserve	–	–	2,811,620	2,811,620
Retained earnings	–	–	5,484,978	5,484,978
Total Head Office Equity	–	–	56,261,286	56,261,286
Total Liabilities and Head Office Equity	448,543,564	28,316,744	57,806,631	534,666,939
Maturity gap	(175,987,753)	210,043,144	(34,055,391)	–
Cumulative maturity gap	(175,987,753)	34,055,391	–	–

36. Capital Management

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

The Bank manages its capital structure and makes adjustments to it in light of changes in business conditions. The Bank did not make any adjustments on goals, policies, and actions concerning capital management for current and prior year.

The capital adequacy ratio is computed in accordance with the PMA's regulations derived from Basel Committee regulations. The following are the capital adequacy rates for 2013 compared to 2012:

	2013			2012		
	Amount	Percentage to risk - weighted assets	Percentage to assets	Amount	Percentage to risk - weighted assets	Percentage to assets
	JOD	%	%	JOD	%	%
Regulatory capital	44,331,332	16,08	7,85	42,821,983	16,41	8,01
Basic capital	45,427,814	16,47	8,04	44,106,067	16,90	8,25

37. Commitments and Contingent Liabilities

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

	2013	2012
	JOD	JOD
Letters of credit	8,465,356	8,430,023
Acceptances	451,338	284,392
Letters of guarantees:		
Performance	1,422,251	2,172,369
Maintenance	829,493	421,226
Payment	2,309,509	1,666,742
Bid entrance	613,067	558,511
Others	964,560	1,317,599
Unutilized credit facilities limits	17,213,501	15,779,618
	32,269,075	30,630,480

The Bank has contractual commitment resulted from purchasing contracts as follows:

	2013	2012
	JOD	JOD
Property, plant and equipment	78,301	34,381

38. Legal Suits Against the Bank

In the normal course of business, the Bank appears as a defendant in 42 legal suits for a total amount of JOD 30,610,052 and JOD 28,851,766 as at December 31, 2013 and 2012, respectively. The Bank's provision for possible legal obligations amounted to JOD 3,126,825 and JOD 2,950,785 as at December 31, 2013 and 2012, respectively. The lawsuits against the Bank include a lawsuit with a total amount of U.S. $ 8,500,000 equivalent to JOD 6,026,500 from one of Wadi Al-Tufah branch customers. Bank's management and legal advisor believe that provision made against these lawsuits is sufficient.

39. Concentration of Risk in Geographical Area

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

40. Comparative Figures

Certain corresponding figures for 2012 consolidated financial statements have been reclassified in order to conform with the presentation of the current year. Such reclassifications do not affect previously reported results or Head Office equity.