

البنك الوطني
THE NATIONAL BANK

TNB الوطني

ANNUAL
REPORT 20
17



الوطني TNB

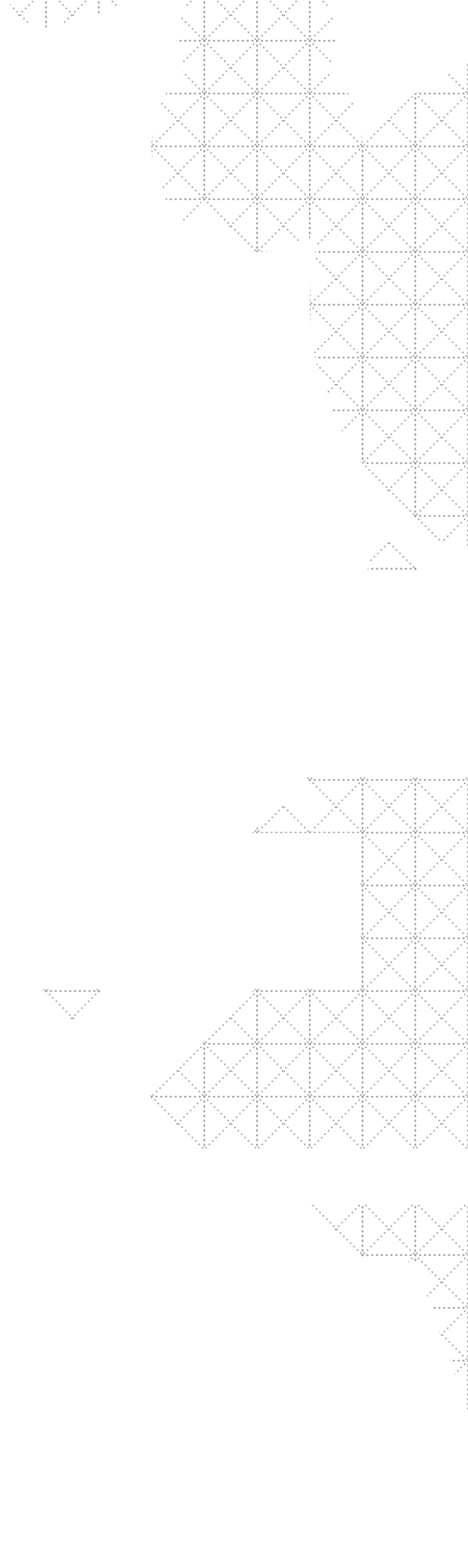
THE NATIONAL BANK | البنك الوطني



**ANNUAL
REPORT**

20

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Our Vision

The National Bank seeks to become a leading bank in the Palestinian banking sector by providing excellence in its banking services to all industries with a special focus on under-served industries.

Our Mission

Our mission is to be the national alternative for Palestinians who seek a sound, modern and superior financial services provider.



About Us

Our Profile

Since 2011, The National Bank (TNB) is Palestine's fastest growing bank and one of the country's most trusted providers of comprehensive, integrated financial services for the corporate, retail, investment and MSME's financing sectors. The National Bank is the second largest in terms of paid-up capital within the Palestinian banking sector, which amounts to USD75 million, and attracts the most respected and successful companies to its board. These companies include Massar International Investment Company, Enterprise Investment Company, PaTel Group, Bank al Etihad, Birzeit Pharmaceutical Company, PADICO Holding Company and Mashareq for Investment & Development.

With over 9400 shareholders, the bank commands the largest shareholder base in Palestine. Our world-class financial services are offered through our well-positioned network of branches and ATMs distributed throughout the liveliest and most integral parts of the West Bank, and champions progressive digital offerings, including TNB's online banking and TNB's mobile application. To support its rapid progress, The National Bank upgraded its core banking system in 2014 to the market-leading, innovative and technologically-advanced platform, Temenos T24, which is considered a transformative step in the advancement of technology in the Palestinian banking sector, delivering a more responsible and agile service through rigorous execution.



Established as a public shareholding company in 2005 with a capital of USD30 million



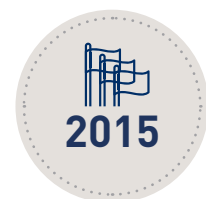
PaTel Group bought a strategic share, placing USD5 million and raising its share to USD7 million and the bank's capital to USD35 million



Massar International became a new strategic partner, raising the capital once again to reach USD40 million



The National Bank redefined its identity in accordance with the new merger agreement between Al Rafah Microfinance Bank and the Arab Palestinian Investment Bank with a paid-up capital of USD50 million



the National Bank acquired Bank al Etihad's operations in Palestine, with the latter becoming a strategic partner with a share of %10 of the paid-up capital, raising the capital to USD75 million



520
Employees



36
ATMs



More than
80
Clients

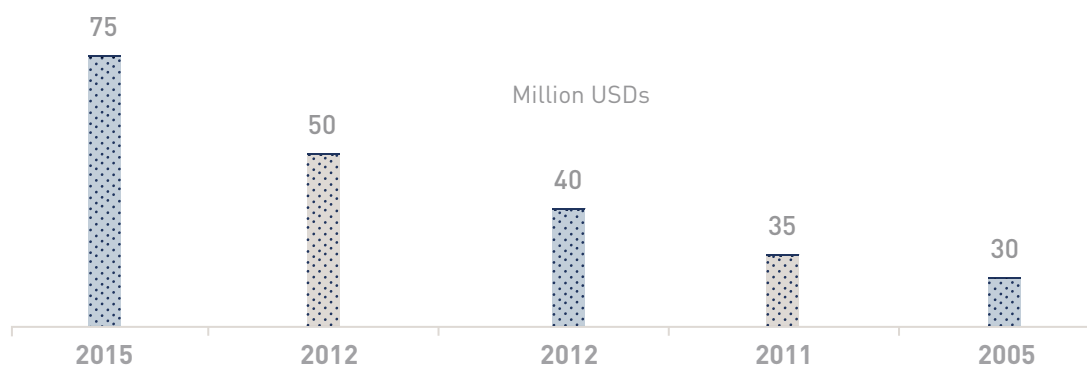


9,435
Shareholders



17
Branches

Paidup Capital Development



In 2012, Massar International became a new strategic partner, raising the capital once again to reach USD40 million. By the end of 2012, it redefined its identity in accordance with the new merger agreement between Al Rafah Microfinance Bank and the Arab Palestinian Investment Bank with a paid-up capital of USD50 million, and The National Bank was born as an innovative national bank strong enough to serve the banking needs of all segments of Palestinian society and industry.

History

TNB was established by a group of businessmen and Palestinian companies on August 2005, as a public shareholding company to contribute to the development of the Palestinian economy and to provide banking services with excellence. The bank was conceived with a capital of USD30 million, put up by the bank's founders and worth approximately %38 of its capital, while the remaining shares were acquired by more than 18,000 shareholders.

In 2011, PalTel Group bought a strategic share of the bank's shares, privately placing USD5 million and raising its share to USD7 million and the bank's capital to USD35 million.

At the beginning of 2015, the National Bank acquired Bank al Etihad's operations in Palestine, with the latter becoming a strategic partner with a share of %10 of the paid-up capital, raising the capital to USD75 million, in the process becoming the second largest Palestinian bank in terms of paid up capital.



Awards



The National Bank is committed to excellence and has won numerous awards in different fields and at both the regional and local levels. These awards include:

- CPI Financial's Fastest Growing Bank in Palestine award in 2016 ,2014 and 2017 and its affiliate magazine, The Banker Middle East, ranked the bank in its 100th edition in 2014 as the Fastest Growing Bank in the Middle East region.
- CPI Financial/The Banker Middle East's Best Female Empowerment Bank award in the Middle East in 2017.
- Union of Arab Banks the innovation award for Women Economic Empowerment in 2017.
- CPI Financial/The Banker Middle East's Best Treasury Management award for 2014.
- Union of Arab Banks award for the Largest Shareholder Base for 2015.
- Aman's Integrity award in 2012.

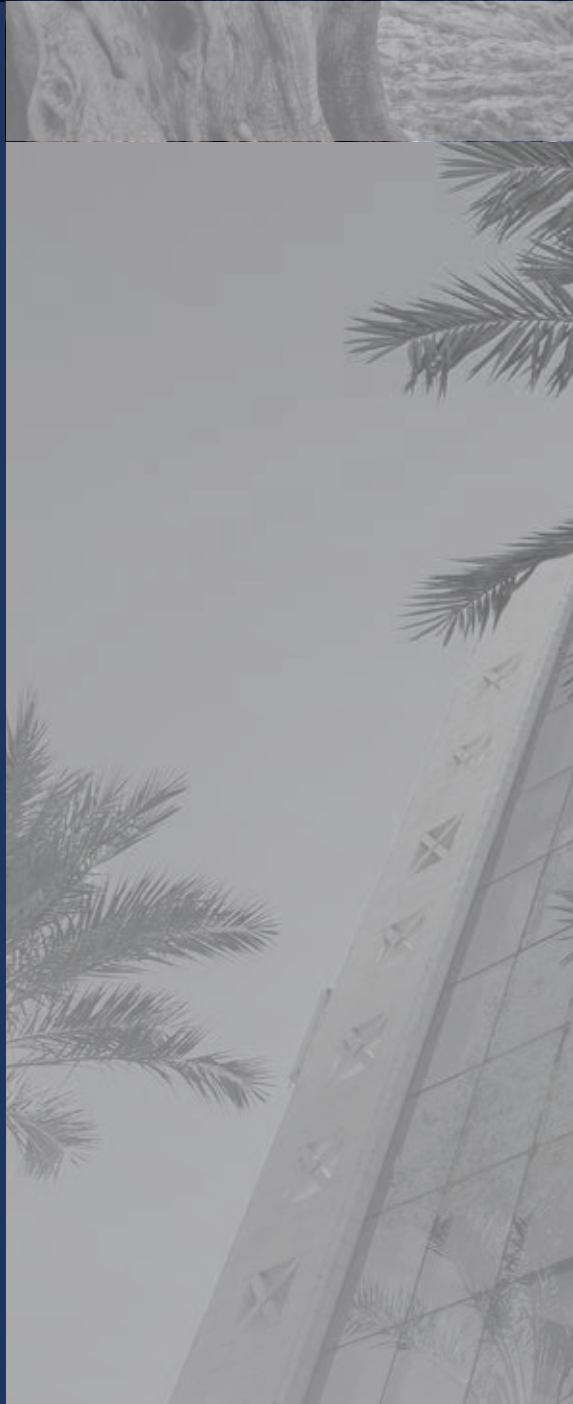
Subsidiaries

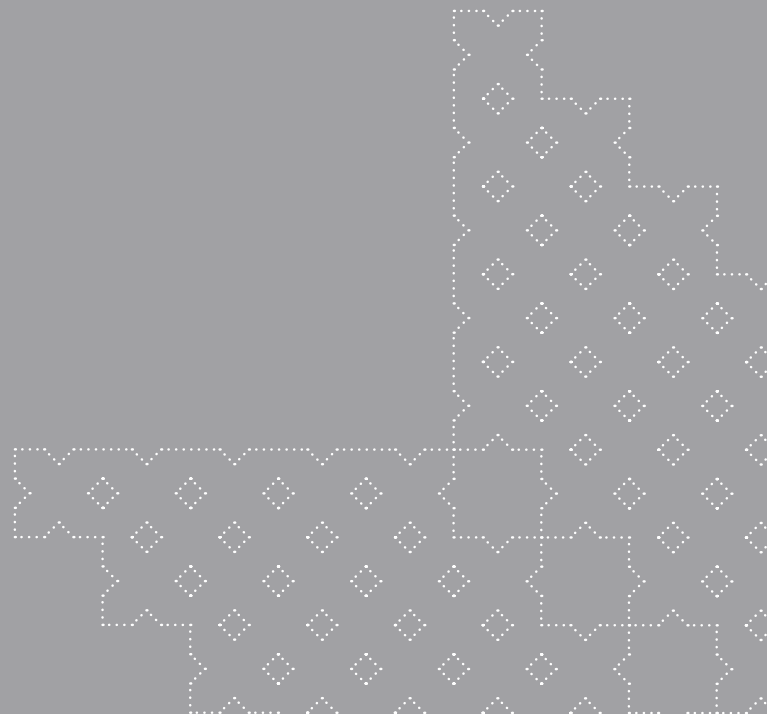


The National Bank owns %100 of the Watan Investment, a private shareholding company, which was acquired in accordance with the merger agreement between Al Rafah Microfinance Bank and the Arab Palestinian Investment Bank, and included changing the Palestinian Arab Investment Bank's legal identity and name, and is now wholly owned by The National Bank.



Chairman's Message







Dear valued shareholders of **The National Bank,**

On behalf of myself and the members of the board, it is with great pleasure that I present you with our annual general assembly and the annual report for 2017, in which we review our most notable local and regional achievements. In 2017, TNB took an extraordinary leap that revealed an unforeseen path, an aspiration pursued by both the Palestinian banking sector and the entire private sector alike.

This year, we were able to realize this transformative step by inaugurating the first operating Palestinian bank branch in Jerusalem behind the wall, after the absence of Palestinian banking services for the Jerusalemites of over 50 years. It was a challenging accomplishment, one that took us over two years of preparations that saw us overcoming the expected complications associated with our presence in that area, finally defeating the odds to turn this national dream into a reality. This success has opened the doors of opportunity for banks and Palestinian institutions to cater to our brothers and sisters living in Jerusalem, eliminating their struggles to cross numerous barriers and check-points in order for them to access Palestinian banking services. We are extremely proud of this remarkable achievement, one that will be recorded in Palestine's banking history, and we consider it our most valued achievement this year.

Ladies and gentlemen,

For the third consecutive year, TNB has been recognized as the fastest growing bank in Palestine, as all the key indicators of our financial position have grown by more than %22. Our assets for 2017 surpassed USD1 billion, compared to USD 884.88 million by the end of 2016, and clients deposits reached USD808.72 million at the end of 2017, an increase of %23 compared to USD655.96 million in 2016. As for the credit facilities, our portfolio amounted to

USD653.85 million, indicating a growth of %26 compared to 2016, when it reached USD519.32. Net profits increased from USD7.4 million to reach USD9.20 million in 2017, a growth of %24. The National Bank's share price recorded an all-time high since its listing, trading at USD1.98. Moreover, the bank also maintained its number one rank as the bank with the largest shareholder base, which currently numbers 9,435.

Dear shareholders,

We continued to segment the Palestinian market according to different sectors, in order for us to provide the most suitable financial products that satisfy each segment's financial need. In the year 2015, we designed the first savings account dedicated for Palestinian women "Hayati", which is now a part of a comprehensive banking program for women that we launched last year, providing all the banking services they seek, and offering preferential interest rates, flexibility in repayment, and the waiving of certain commissions that would normally apply. The National Bank was recognized with two regional awards due to its leading role in contributing to the financial inclusion and the empowerment of women. The first was the Best Female Empowerment Award in the Middle East for 2017 from CPI Financial and its affiliate The Banker Middle East Magazine, and the second was the innovation award for Women Economic Empowerment 2017, received from the Union of Arab Banks. With God's grace, we will continue to support women as we strongly believe in the importance of their role in the economy and their positive contributions in increasing domestic production and driving the national economy forward.

In early 2017, we upgraded our core banking system to the market-leading, innovative and technologically-advanced platform Temenos T24. We completed the first phase, which required the transfer of data to the new system and implemented additional improvements. We

are now ready to start the digitization phase of the project, with the upgrades in our products having a definite and tactile positive effect on our clients.

The year 2017 was also the year of expansion, with the inauguration of five new branches, beginning with Arraba in Jenin, followed by Rafidia in Nablus, to Jerusalem, one in Rawabi city and finally our branch for VIP clients in Ramallah as well as two new offices in Tulkarm and Qalqiliya, all of which amount to a total of 17 branches and six offices. Our expansion plans were contingent on the need to promote our presence in main cities with residents and businesses that lack financial services; however, we have also focused our efforts on underserved areas to cater to the largest number of people and contribute towards financial inclusion. In 2018, we will continue to expand our network of branches, with three new branches planned in the West Bank.

On behalf of myself and the members of the board, I would like to express my deepest gratitude to the Palestinian Monetary Authority, represented by His Excellence Azzam Shawwa, and his distinguished team for their continuous efforts to develop the Palestinian banking sector. I would also like to thank the shareholders of The National Bank and our clients for their continued trust and support, to which we owe our success. We also owe our sincerest thanks to the executive management team and all the bank's employees for their steadfast efforts in serving the bank, without which we could not continue advancing, achieving and prospering.

Talal Nasereddin
Chairman



Achievements of 2017

The National Bank in Jerusalem

The National Bank witnessed numerous achievements in 2017, most notably of which was reaching beyond the wall and establishing the first Palestinian operating banking branch in Jerusalem. This branch provides the entire suite of banking facilities to the residents of Jerusalem, after an absence of over 50 years, since 1967, of all national and Arab banks.



The Fastest Growing in Palestine

The bank has positioned itself as the fastest growing bank in Palestine for the third consecutive year, according to CPI Financial Company, a global institution dedicated to delivering examinations and analyses of banks, a designation achieved after examining the bank's key financial indicators. TNB's assets witnessed a growth of %22 in 2017, compared to 2016, surpassing USD1 billion, while client deposits grew by %23.3 to reach USD808.78 million. credit facilities portfolio grew by %26 to reach USD653.85 million, and net profit in 2017 grew by %24, amounting to USD9.20 million.



Lead Banking for Women Empowerment in the Middle East

Other notable achievements by TNB in 2017 included two awards: The first was the Best Female Empowerment Award in the Middle East for 2017 from CPI Financial and its affiliate magazine, The Banker Middle East, and the second was the innovation award for Women Economic Empowerment for 2017, received from the Union of Arab Banks. TNB took the lead in examining the real financial needs of women, and designing products that fit their requirements, thereby positioning itself as the first choice for Palestinian women seeking a financial services provider that believes in women, appreciates their contributions and aids them in realizing their potential. With the launch of “Hayati” program, TNB has created comprehensive banking services that deliver an entire suite of banking services to Palestinian women.

حياتي
برنامج المرأة الفلسطينية

The program has significantly contributed to transforming the lives of many Palestinian women, enabling them to finance their production-oriented projects by granting facilities with no return or interest for the bank in the amount of USD2.5 million, securing its position as one of the leading banks in empowering women in the Middle East.

The bank also signed several agreements with local and international organizations to enable the increase of funds for projects managed by Palestinian women, amounting to USD7 million, with a special focus on Area “C”, Jerusalem, and governorates of the West Bank. TNB recognizes the importance of these projects in developing the national economy and creating new job opportunities in addition to enhancing the living conditions for Palestinian families as well as allowing Palestinian women to showcase their innovation and entrepreneurship.



Best Bank in Women
Empowerment in the Middle East



Entrepreneurship Award in
Economic Women Empowerment

2017, the Year of Expansion and Technological Advancement

For TNB, 2017 was a year of expansion, with the inauguration of 5 new branches: one in Arraba in Jenin, followed by Rafidia in Nablus, another in Jerusalem, a branch in Rawabi city and finally the branch for VIP clients in Ramallah, as well as two new offices in Tulkarm and Qalqiliya.

In early 2017, we upgraded our core banking system to the market-leading, innovative and technologically-advanced platform Temenos T24. We completed the first phase, which required the transfer of data to the new system and implemented additional improvements. We are now ready to launch the digitization phase of the project, with the upgrades in our products having a definite and tactile positive effect on our clients, as the older system was not equipped to accommodate the upgrades. The new system will soon enable clients of The National Bank to complete their banking transactions without having to visit a branch.

Financial Inclusion for Women 2017

The National Bank has sought to contribute to the financial inclusion of Palestinian women since 2015, and has released its first dedicated product, offering zero-interest rate loan funding to production-oriented projects that are managed and led by women for a total amount of USD2.5 million. The National Bank has worked tirelessly to raise awareness on banking services among this vast segment of the community, with a particular focus on Palestinian suburbs and underserved areas.

The National Bank succeeded in raising the number of accounts held by women by %96 in 2017 compared to 2015, which was before the launch of “Hayati” program, constituting %32 of its total clients. Current accounts held by women at TNB make up %22.2 compared to the national average of %11.4 , while women-held savings accounts at TNB were %51, compared to the national average of %6.4 in Palestine.

In terms of loans, the results of the study showed a ratio of MSMEs loans to women was %21 of the portfolio compared to %2.8 in Palestine, and the ratio of women who use e-services reached %21 of total clients.



The Strategic Plan

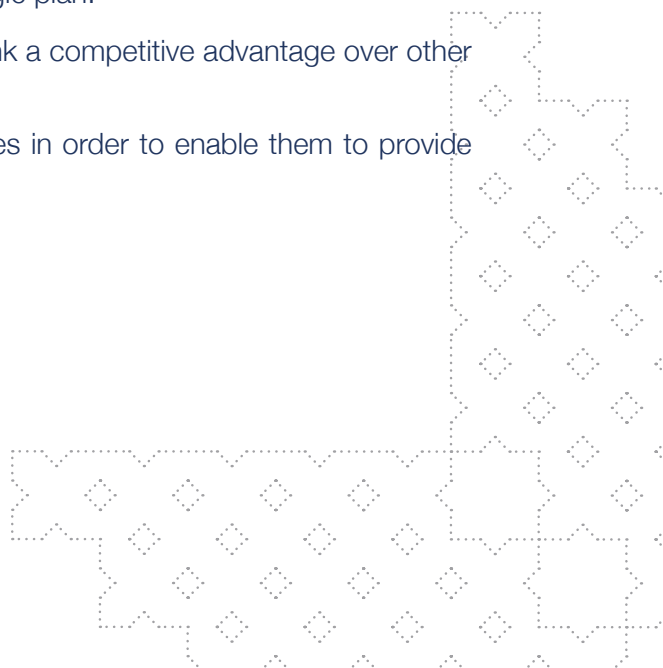
The bank's strategic plan for the years 2013 through 2017 has set ambitious goals with the purpose of catering to client needs and meeting their expectations, in turn rewarding profits to shareholders.

The goals of the strategic plan consist of the following:

- Enhancing the quality of products offered with a focus on satisfying client needs.
- Generating rewarding profits that match shareholders expectations and increasing the bank's competitive rank to secure a leading position in the Palestinian banking sector.
- Upgrading the bank's systems and procedures in order to enhance the quality and speed of services provided.
- Developing the human capital of the bank and building their capacities to enable them to provide ideal customer service.
- Continue our commitment to social responsibility and reflecting the bank's national identity through our initiatives.

To accomplish the goals of our strategic plan, The National Bank consistently carries out the following:

- Servicing all areas of the country by opening new branches, building a network of smart branches, and systematically distributing ATMs that assist clients in all areas.
- Developing new banking products that cater to client needs of all segments.
- Focus on developing banking products for underserved industrial sectors.
- Continually provide our services to the MSMEs sector, given its importance in developing the Palestinian economy.
- Developing banking systems in line with the bank's strategic plan.
- Further investing in information technology to give the bank a competitive advantage over other operating banks in Palestine.
- Developing the human capital and building their capacities in order to enable them to provide ideal customer service.



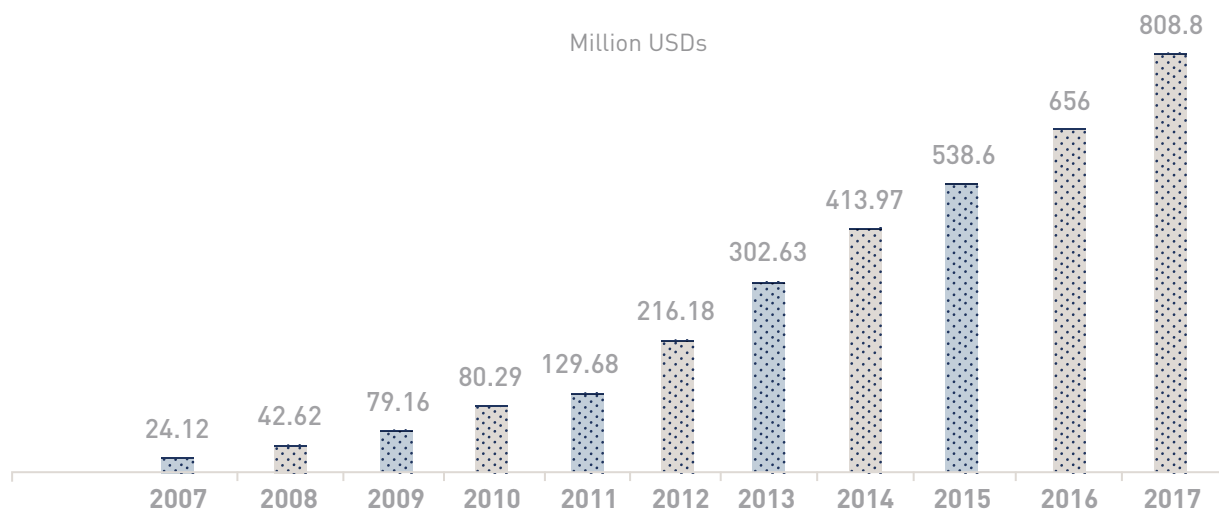
Business Results Year 2017

Growth indicators remained positive in 2017 as the bank kept moving forward and realizing positive results and advancements in performance, growth, operative and net results, as a result of successfully applying the bank's ambitious strategic plan, which aims to secure its leading position among Palestinian banks in a short period of time.

Client deposits exceeded USD500 million, reaching USD808.8 million with an increase of %23 compared to 2016, when it recorded deposits of USD655.9 million, securing third place in terms of deposit growth rates among Palestinian. This is an undisputable indicator of the growing customer trust in TNB. Another positive indicator is the expanding client base, due to the excellent banking products that the bank offers, all that were well-studied and designed to best suit each of the market's segments.



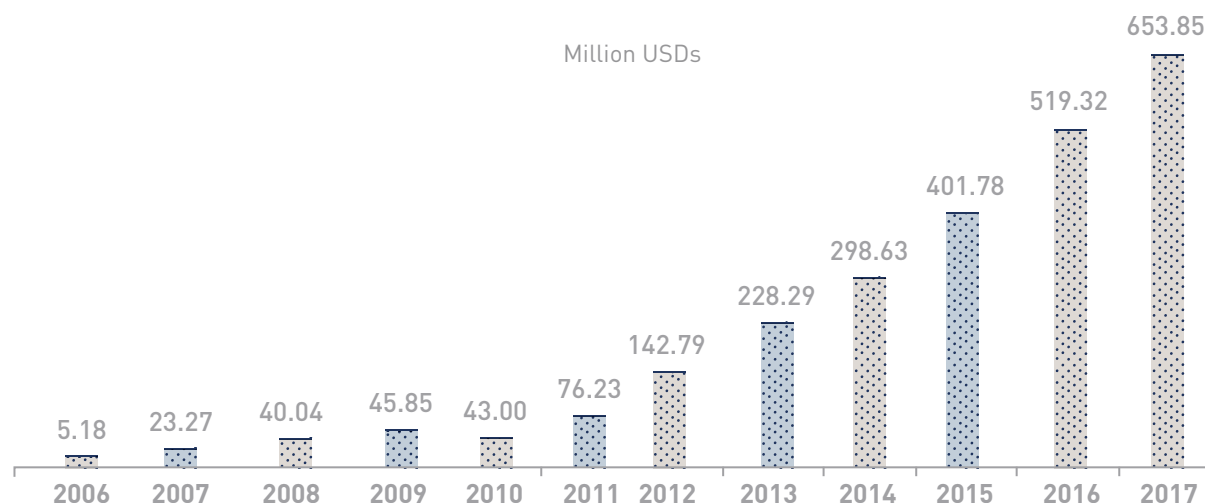
Clients' Deposits



As for the credit facilities portfolio, it grew by %26 by the end of 2017, reaching USD653.85 million compared to USD519.32 million by the end of 2016. This growth was due to the bank's ability to attract new clients, the quality of our offered services, and the expansion strategy that targeted underserved areas. Additionally, the bank was able to achieve these results through its prudent credit policy that advocates diversifying risks across all economic sectors. Consequently, the increase in the direct facilities portfolio reflected an increase in operational revenues, where net interest, commissions, and foreign exchange revenues amounted to USD36.5 million by the end of 2017, increasing by %17.79 compared to 2016.



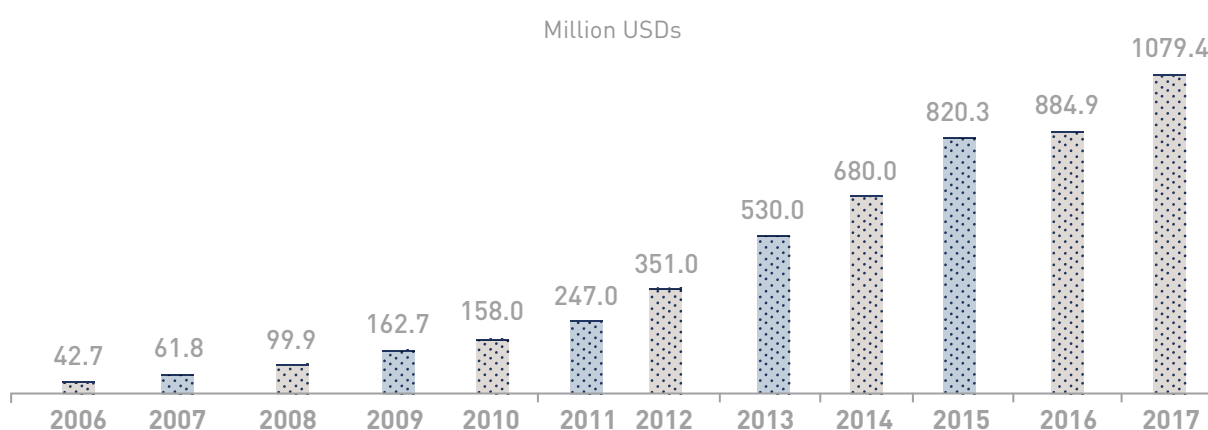
Credit Facilities



Total assets also witnessed an increase in 2017, reaching USD1079.4 million with an increase of %22 compared to USD884.9 million in 2016. Net profits increased in 2017 reaching USD9.2 million compared to USD7.4 million in 2016, a growth ratio of %24.35.



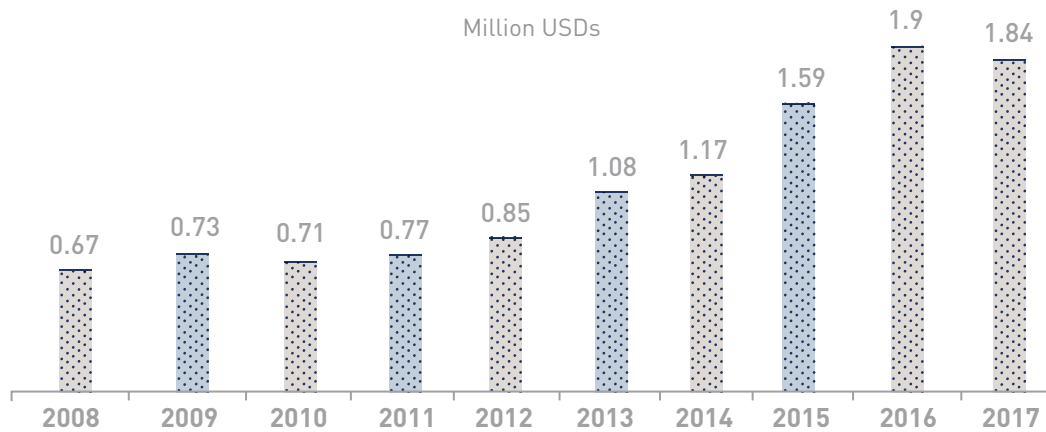
Total Assets



Market value amounted to USD138 million, with the share price rising to USD1.84 per share on December 2017 ,31, compared to USD1.9 by the end of 2016; however, it is worth noting that during 2017 the share price reached its highest, trading at USD1.98.



Stock Price of The National Bank



Analysis of the Financial Position of The National Bank

	2017	2016	2015
ROA	0.85%	0.77%	0.66%
ROE	9.43%	8.00%	6.06%
Facilities/Deposits	80.84%	79.2%	74.6%
CAR	15.95%	14.36%	17.51%
EPS	12.27%	9.87%	7.26%
P/E	14.9	19.3	21.9
Book value	1.30	1.23	1.20

Our Banking Services

The National Bank seeks to offer comprehensive and technologically-advanced quality banking solutions to all economic sectors including the corporate, retail, investment and MSMEs, providing the highest standards of quality through its departments and their experienced team of experts.

Retail Services

- Personal loans
- Housing loans
- Car loans
- Overdraft loan
- MasterCard credit cards
- Debit cards
- VIP services (Platinum)
- Hayati, the first comprehensive integrated banking products package dedicated to Palestinian women

Corporate Services

- Financing trade, industrial and real-estate operations
- Financing fixed assets
- Open and fixed overdraft accounts
- Letters of guarantee
- Letters of credit
- Bank guarantees
- Bills for collection
- Financial consultations

Treasury and Investments Services

- Local and global bond investments
- Forwards and options contracts
- Precious minerals and materials
- Investment funds
- Safe deposit boxes

Deposits

- Deposits in all convertible currencies and durations in competitive prices
- Promoting saving accounts, especially those related to joint and several guarantees groups

MSMEs Lending

- Gold backed loans
- Project financing
- Home-based projects and projects managed by women
- Seasonal needs financing
- Groups financing
- Personal computer financing
- Financing for public transport
- Financing for people with special needs
- Youth projects financing
- Financing production-oriented projects aimed at empowering women

Foreign Exchange Market

- Spot Rate Transactions: buying and selling currencies for settlement on the spot date.
- Forward Rate Transactions: buying and selling currencies to be paid or received on an obligation beginning at a future start date.
- Swap Rate Transactions: exchange of one currency for another at fixed dates.

Other Banking Services

- TNB online
- TNB mobile
- Account services of all types
- ATM
- SMS
- SWIFT
- External transfers
- Western Union transfers
- Automated Bills Payments: paying bills for public services to different institutions
- Tax payment
- Safe deposit boxes
- Cheques collection



moving money for better

Send and Receive Money Transfers
Quickly and Safely

Platinum Service

In line with The National Bank's policy to provide new and exclusive banking services at the highest standards of quality, the bank established the Platinum department, which services VIP clients and provides exceptional services that cater to their personal and financial needs in a professional and efficient manner.



Elite customers with Platinum accounts receive the following benefits:

- Service in a private, safe, and comfortable environment
- Efficient service from experienced staff well-versed in banking relations
- Accounts that are exempt from monthly fees and commissions
- Competitive debit and credit interest rates
- Free and specially-branded checkbooks
- A higher cap for ATM cash withdrawals
- A higher cap for e-transfers services
- Special packages and discounts for personal foreign transfers
- Outstanding periodic offers and special offers

Platinum MasterCard

The Platinum MasterCard was carefully designed to provide clients with the comfort suited to their lifestyle. With Platinum, card holders can easily enjoy world-class services globally, including a package of benefits and exceptional offers for traveling, shopping, and accessing business lounges in airports across the Middle East.



The National Bank's Products

Hayati Program

In 2017, The National Bank re-launched Hayati and transformed it into a comprehensive program designed specifically for Palestinian women. The first of its kind in the Palestinian banking sector, Hayati provides comprehensive financial services that include all types of accounts and loans, in addition to debit and credit cards that are specially designed. The program provides flexibility in monthly payments for loans with competitive interest rates, in addition to unique checkbooks and cards displaying the colors and logo of the program.



الجائزة الكبرى



بيت وراتب و سيارة



Hayati savings account continued to provide financial security for Palestinian women, offering them valuable prizes. The grand prize includes a house, a car and a monthly salary for 20 years, in addition to a diamond set and ounces of gold. The account carries a message of social responsibility by supporting women who are in a battle with breast cancer, by donating USD1 to Dunya Women's Cancer Center for every Hayati savings account opened.

Additionally, Hayati savings account promoted the concept of saving, thereby driving the Palestinian economy. It also contributed to the financial inclusion of Palestinian women, with many success stories of women whose lives have improved. The program has cemented the bank's regional recognition, being named the Best Female Empowerment Bank in the Middle East from CPI Financial and its affiliate magazine, The Banker Middle East.

The program was also awarded the innovation award in 2017 from the Union of Arab Banks.



The launch of Hayati program coincided with the launch of its website www.tnb.ps/hayati that offers descriptions of the program's services and benefits, as well as free business tools that can be used to monitor a project's financial affairs and calculate monthly loan payments and a special e-application to help women apply for project financing. The website's video section offers in-depth information of the bank's services and products, helping them make the right financial decisions. The website also features success stories of projects financed by Hayati that aim to inspire program participants to pursue their ambitions and to believe in their capabilities.



Qudwati Program

Qudwati is the first program in the Palestinian banking sector that is dedicated to Palestinian teachers. It caters to the financial needs of teachers with special offerings and preferred terms. The program includes a zero-interest overdraft account with a limit of %200 of their monthly income, a loan with a limit of 10 times their salary that does not require personal guarantees and is granted immediately upon application, a free MasterCard with a limit of %200 of their monthly salary with no issuing commissions renewable for five years, one free checkbook annually, and a personal loan to fund the tuition for their children's education with competitive interest rates, in addition to special offers on housing and car loans, with no commission for managing their accounts or transferring their salaries.

قدوتي

برنامج قطاع التعليم



National MasterCard

Benefits of National Bank's Debit Card

- The card is issued free of charge
- Includes an ATM and shopping card in one
- The card features a smart chip for additional security
- The card can be used locally and globally at points-of-sale and ATMs that carry the MasterCard logo
- Family members can be issued additional cards as sub-accounts
- Free SMS messages for every transaction performed



Uses of National Bank's Debit Card

- Access to more than 700 ATMs from numerous banks operating in Palestine and participating in the national switch, free of commission
- Direct purchases from points-of-sale at more than 5000 commercial stores in Palestine, in addition to stores around the world, without the need to carry cash
- Access to online banking options



TNB's MasterCard Credit Card (Silver, Gold, Platinum)

TNB's MasterCard is an automated bank portal that is available around the clock from anywhere around the world. Its holders can make use of numerous banking services, whether withdrawing cash from ATMs or paying for purchases and services locally and globally through points-of-sale machines and online.

TNB's MasterCard Features

- A credit limit suitable to your needs
- Flexible repayment plans starting from %2 up to %100 of the balance used every month
- Card is issued free of charge
- The ability to make cash withdrawals using the card from ATMs carrying the MasterCard logo around the world
- The card's smart chip offers the highest level of security
- Competitive interest rate
- Easy guarantees available to everyone without the need to transfer a salary
- Immediate relatives can be issued additional cards within your personal limit or with a separate limit of their own
- Online card use with a ceiling of 200\$ that can be increased any time
- Ease of use through points of sale around the world

TNB MASTERCARD FOR ALL

Cards serving your
exact needs



Your Investment Portal, The National Bank

The National Bank has a team of experts with a full range of extensive experience in the financial management of different currencies in capital markets using advanced scientific methods to guarantee optimal returns within acceptable risk limits.

Investment Services

- Trading Stock and Bonds Globally, Regionally, and Locally

Our team is up to date with the latest news in business, money markets and international stock markets, and are experts in analyzing financial indicators for corporations, as well as performing market studies to ensure the appropriate investment recommendations with minimal risks. Our investment department also provides daily and quarterly reports on financial markets, and pays careful attention to the issuances of stocks and bonds in addition to reporting economic news on a quarterly basis.

- Safe Custody for Investors in Palestine Exchange

The National Bank is one of the first recipients of the Safe Custody license from the Palestine Capital Market Authority, and performs Safe Custody for a group of elite investors in Palestine Exchange in accordance with the Palestine Capital Market Authority, Palestine Exchange and the Palestine Monetary Authority. Our Custody Service provides:

- Overseeing matters related to owners of stocks and bonds in local, Arab, and international investment funds and organizations
- Securities safekeeping for investors, organizing their records and maintaining them
- Arranging settlement of exchanged securities on behalf of investors and collecting income generated from sold securities
- Preparing periodic reports for clients on their portfolios, accounts, and the latest updates on all procedures related to interests, profits, and returns on their securities, and collecting returns on their behalf.

- Wealth Management

One of the investment consultations services performed by our team of experts is financial planning and managing investment portfolios. Our team also coordinates banking services for individuals and the strategic planning of resources.



The National Bank implements a market-leading, innovative and technologically-advanced platform from Temenos, which is considered a transformative step in the advancement of technology in the Palestinian banking sector.

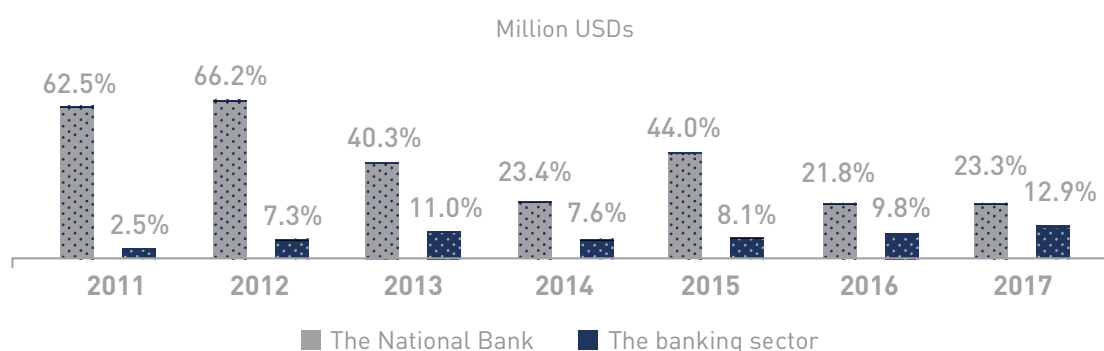


The Competitive Position

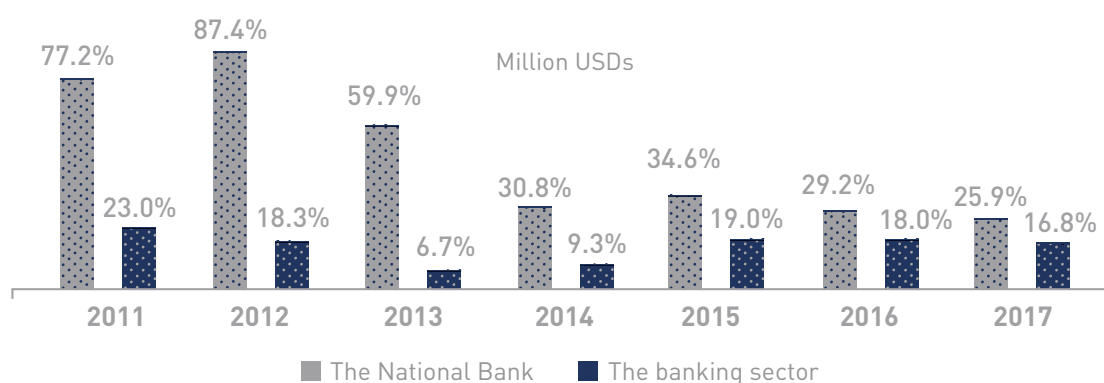
Due to The National Bank's exceptional results due to the efficient application of its ambitious strategic plan, the bank was able to enhance its competitive rank and secure its position as a leader among Palestinian financial institutions. It was able to expand its market share noticeably in terms of deposits and facilities and ranked third in the percentage of deposit growth of %23 compared to a general growth rate of %19 in total deposits in Palestinian banks. The National Bank's share of total deposits in Palestinian banks was %11 by the end of 2017.

The National Bank operates through 17 branches distributed in Ramallah, Rawabi, Nablus, Hebron, Jenin, Arraba, Dora, Bethlehem, Deir Jarir, Aqraba, Hizma, Ram and Jerusalem, and plans to open three new branches in 2018.

Key Growth Indicators Compared to the Banking Sector






























Growth in Clients' Deposits



Growth in Credit Facilities

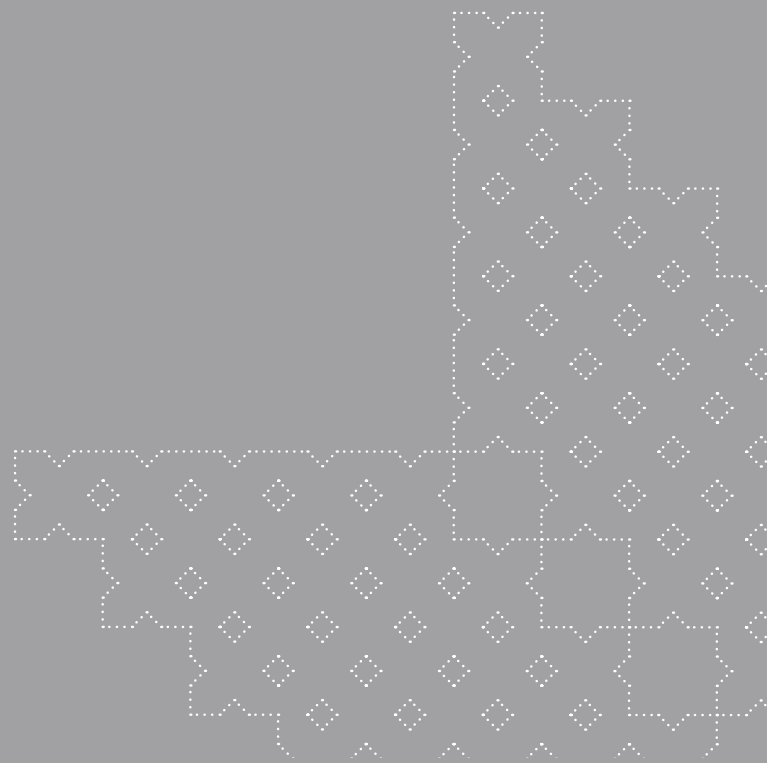
Major Shareholders

The 15 major shareholders as of December 2017 ,31 are:

Pattel  16.7 % 12,553,318 	Enterprise Investment Company  18.54 % 13,903,690 	Siraj Palestine Fund I ,LTD  20.00 % 14,999,999 
Manal Adel Rifaat Zureiq  3.5 % 2,659,109 	Birzeit Pharmaceuticals Company  4.5 % 3,400,900 	Bank al Etihad  10.00 % 7,500,000 
Siraj Palestine Fund I Holding  2.2 % 1,626,200 	Al Rowad Group for Development and Investments  3.0 % 2,251,113 	Orchid Investment Co  3.4 % 2,583,091 
Al Sanabel for Trade and Investment  1.00 % 750,000 	Massar International Investment  1.5 % 1,134,319 	Samir Hilal Mohamed Zureiq  1.6 % 1,197,241 
Employees Savings Fund of Birzeit Pharmaceuticals Company  0.5 % 346,676 	Employees Savings Fund of Bank al Etihad  0.5 % 400,000 	Siraj Fund Management Company  0.6 % 476,994 
87.71 %  65,782,650  Total		



Board Members Profiles



Board Members as of December 2017 ,31

Name	Membership	Representing
Talal Kazem Abdullah Nasereddin	Chairman	Personal
Omar Munib Masri	Deputy Chairman	Investments Projects Company
Samir Hilal Mohammed Zreiq	Member	Massar International Investment
Dina Munib Masri	Member	East Development and Investment Co
Salameh Saji Salameh Khalil	Member	Palestine Telecommunications
Maen Adnan Hamdan Melhem	Member	Palestine Telecommunications
Nimer Mohamed Samir Nimer Abdul Wahed	Member	Massar International Investment
Isam Halim Salfiti	Member	Bank Al Etihad - Jordan
Kamal Abu Khadijeh	Member	Minority Shareholders Representative
Grace Khoury	Member	Independent
Aziz Abdel Jawad	Member	Independent

The board was restructured in 2017 to include two independent members and a representative of the minority shareholders in compliance with the best practices in corporate governance and the regulations of the Palestinian Monetary Authority No. 10 of 2017, and in application of the corporate governance guide issued by the Palestine Capital Market Authority.

Definitions:

Independent Member: A member of the board of directors who is not subject to any external influences limiting his ability to make substantive decisions in favor of the Bank.

The Member Representing Minority Shareholders: A member of the board of directors representing minority shareholders whose shares do not exceed one in a thousand of the bank's shares.

During 2017, the Board of Directors was evaluated by reviewing the work of each board member and their attendance rate at board meetings or in committees. The board also assisted the remuneration committee in restructuring the board and its committees, taking into consideration the skills, experience, and future vision in finalizing the board committees in line with industry governance standards.

Board Members Profiles



Mr. Talal Kazem Abdullah Nasereddin

Chairman

Mr. Talal Kazem Abdullah Nasereddin is chairman of The National Bank and one of its founding members since 2005, when it was known as the Al Rafah Microfinance Bank. Mr. Nasereddin is also the chairman and chief executive officer of the Birzeit Pharmaceutical Company. Mr. Nasereddin currently serves as the chairman of several corporations such as Abraj Investment & Development, Petropal for Mineral Oils, Lotus Financial Investment Company, and as a board member at PalTel since 2004, and a member in the board of trustees of the St. Joseph Hospital in Jerusalem. He has served on the board of Palestine Investment Fund from 2002 to 2006 and was the head of the Conflict Resolution committee and was a member of the Investments and the Remuneration committees. Mr. Nasereddin also sat on the board of the Palestine Monetary Authority.

He established the Palestinian Federation of Industries and chaired it till 2003, and was instrumental in establishing the Palestine Trade Center in 1997 and the Palestinian Businessmen Association in 1998. Mr. Nasereddin was born in Jerusalem in 1949 and obtained a Master of Industrial Chemistry at the American University of Beirut in 1974.



Omar Munib Al Masri

Vice Chairman

Omar M. Masri (Vice Chairman) is a well-known businessman with 27 years of experience in the banking as well as oil & gas sectors. Since 2006, he has been the Group Managing Director of the Edgo group, a regional company with operations in the fields of oil& gas, power, water and infrastructure. Omar established and managed Atlas Investment Group ("Atlas") in 1996, a regional investment banking firm, and in 2004, the Arab Bank acquired Atlas and established it as the bank's Investment Banking arm, known today as AB Invest. He was appointed as Arab Bank's first Global Head of Investment Banking and represented Arab Bank on the boards of several affiliate and sister entities, including the Arab National Bank in Saudi Arabia.

He was the first individual in Jordan to be granted the Certified Financial Consultant, Broker and Investment Manager License by the Jordan Securities Commission. In 2004, Omar was invited to be a member of the Dubai International Financial Exchange (DIFC) Practitioner Committee to assist in the establishment of the DIFC. In 2002, Omar founded the Chartered Financial Analyst (CFA) Institute's Jordan chapter and became its first chairman.

Prior to establishing Atlas, he was a fund manager at Foreign & Colonial Emerging Markets in London, UK, where he structured and managed the first regional Middle East investment fund in the world, which was listed on the New York Stock Exchange.

Omar has a B.B.A. in Finance from the George Washington University in Washington, DC. In 1990, he completed a two-year, intensive wholesale credit-training program at the Philadelphia National Bank/Wharton Business School in Philadelphia and subsequently managed the bank's correspondent banking relationships in Thailand and Japan. Omar has been a member of the Young Presidents' Organization (YPO) since 2001 and was selected as a Young Global Leader by the World Economic Forum.



Mr. Samir Zraiqa

Member

Mr. Zraiqa is a well-known businessman and a Palestinian investor with varied ventures in several industries in Palestine and internationally. Mr. Zraiqa currently serves as the chairman of the Palestine Investment & Development Company, Palestinian Businessmen Union and Palestinian Federation of Businessmen Associations, and the vice president of the Arab Businessmen Union. He is active in sustainable development in the Palestinian private sector and designing economic policies on a national level, and currently serves as a member in the National Economic Development Plan, and as a board member in the Social Security Fund and manages its investment committee, and a member in the national team working on acceding to the World Trade Organization, as well as being a member in Higher Council of Innovation and Excellence.

In addition to being a board member of The National Bank, Mr Zraiqa is also a partner and member of the management team at Massar International that manages a wide group of diversified investments, and has been overseeing oversees the group's investments in the financial sector since its establishment.

Mr. Zraiqa is a member of Siraj Palestine Fund's 90\$ million private equity fund targeting Palestinian businesses, guiding an investment management team into tactical deals. And as the CEO of Sahem Trading & Investments, a Palestinian pioneer brokerage firm, Mr. Zraiqa has positioned the firm as a leader in terms of market share, strategic partnerships, research studies and IPO management and raising financial service standards in Palestine. Mr. Zraiqa serves as the board chairman of the publicly traded Palestine Investment & Development, and as a board member of The National Bank, the fastest growing bank in Palestine. He also sits on the board of Bayti Real Estate Investments, the developer of Rawabi the first Palestinian planned city and a joint venture with Qatari Diar.



Mr. Salameh Khalil- Member

Member

Mr. Khalil is the chief financial officer of the Palestinian Telecommunication Group (PalTel). Mr. Khalil joined PalTel in 2013 to lead the group's financial and administrative affairs. His role included defining the group's financial strategies, developing long-term and short-term work plans, budgeting, managing accounts, treasury, managing the financing of the group's operations and projects, and developing financial monitoring systems. Moreover, Mr. Khalil was the financial vice president of Bloom Holdings in the United Arab Emirates, and previously worked at Ernst and Young in Ramallah as an audit manager. Mr. Khalil obtained a Bachelor of Accounting from Birzeit University in 2000, and holds several additional accounting accreditations, including certified public accountant (CPA), certified internal auditor (CIA), certified project finance specialist (CPFS) and master financial controller (MFC).



Dina Munib Al Masri

Member

Ms. Masri is a board member of numerous private and public corporations in Palestine, and is known for her efforts advocating philanthropic activities and initiatives promoting educational development and empowerment of Palestinians through the Munib R. Masri Development Foundation. In New York, Ms. Masri worked at the Manufacturers Hanover Bank for three years, then managed the family's office in Great Britain. In 1995, Ms. Masri moved to Palestine to help establish several businesses in the beverages, construction, fast moving consumer goods (FMCG) and vehicle trading sectors. Ms. Masri obtained a Master of Science in Environmental Studies and a Master of Business Administration from George Washington University.



Mr. Maen Melhem

Member

Mr. Melhem is the general manager of the Palestinian Telecommunication Group (PaTel), the leading company in the Palestinian ICT sector and the main provider of high-speed, fixed-line, data messaging and other services, established in 1997 as a public shareholding company. Mr. Melhem assumed his position as a general manager of PaTel in October 2014, to improve the group's overall performance by enhancing customer experience, investing in various initiatives most notably of which was launching NetPhone packages, a new original system that provides subscribers with a collection of communication services all in one package and one price, in addition to launching superfast internet for the first time in the Palestinian residential sector. During the past several years Mr. Melhem was invested in expanding the network with the most advanced technologies, to enrich communication services with high quality. He worked on bringing fiber optics for the home in several cities, and in 2017, Mr. Melhem launched Palestine's first data centers in Al-Bireh and Nablus, equipped in accordance with the highest global standards of data center to support the Palestinian business sector with exceptional services. Mr. Melhem succeeded in revolutionizing the applications sector with a set of special applications made to ease the use of communication and interest services, most importantly the Paltel NetGuard. Prior to joining PaTel, Mr. Melhem worked as the general manager of Palestine's leading mobile operator, the Palestine Cellular Communication Company Ltd. - Jawwal. During his four years of service, Mr. Melhem and his team implemented a comprehensive business plan that achieved top service quality and customer satisfaction, which enabled Jawwal to maintain its position at the top of the telecommunication sector, despite the entry of a competing mobile operator in Palestine in 2009. Mr. Melhem began his 16-year professional career at Jawwal, occupying several managerial positions including sales director and marketing director, before assuming the position of general manager in 2010. Mr. Melhem is currently a member of the executive committee of the PaTel Group. He is also a board member of the PaTel Group Federation and the Golden Wheat Mills. As a sports fan, Mr. Melhem has also headed the Federation of Sports for All from 2013 until early 2017. Mr. Melhem holds a Master's in Business Administration from Birzeit University and a Bachelor of Accounting and Finance, and has participated in several international conferences and training programs throughout his professional career.



Mr. Nimr Abdul Wahed

Member

Mr. Abdul Wahed is currently the chief financial officer of Bayti Real Estate Investment Company, Palestine's first ideal city, Rawabi. He has over 13 years of experience in financial management and auditing, which have given him extensive experience in financial analysis, risk management, budgeting, accounting, financial planning, and bank accounting, in addition to his capabilities in evaluating financial targets and business plans on the long and short run. Prior to joining Bayti, Mr. Abdul Wahed worked as an audit manager at Ernst & Young Global for seven years, in addition to serving as a member on the boards of several Palestinian companies, many of which are listed in the Palestine Securities Market. He holds a Master of Business Administration from Birzeit University, is a certified public accountant (CPA), and a member in the American Legal Accountants Society.



Isam Al Salfiti

Member

Mr. Salfiti has been the chairman of Bank al Etihad since 1997, and has enriched the bank's strategies and its expansion and growth plans with his extensive experience of over 48 years in the economic and banking sectors. He also served as the general manager of the bank between 1989 and 2008. In 2006, Mr. Salfiti established Etihad Brokerage, a subsidiary wholly owned by Bank al Etihad. He also serves as the chairman of Jordan Hotels and Tourism Company, Zara Investment Company, and the Jordan Education for Employment (JEFE). He is also in the board of trustees for JEFE, and is also a member in boards of Amman Baccalaureate School and Jubilee School. Mr. Salfiti was previously a member of the higher education and scientific research boards of the Higher Education Ministry, in addition to being a board member in the Salfiti and Sons Brokerage company in Amman and Beirut, the Union Land Development Corporation, Union Tobacco & Cigarettes Industries Company, Jordanian Businessmen Association, Swiss Jordanian Business Club, the Jordanian British Association, and the Red Sea Institute of Cinematic Arts. Furthermore, he served as a deputy general manager of the Arab Finance Corporation, as a vice chairman in the Union Integrated Tourism Company, and as a member in the board of trustees of the University of Jordan. Mr. Salfiti was born in Jaffa in 1944. He obtained a Bachelor of Arts in Economics from the American University of Beirut in 1967. Mr. Salfiti is an authority on the Jordanian economy and the banking sector in particular. He has played a role in supporting the community and displayed his firm belief in the development of the community, and has taken part in various activities supporting education and culture in the Kingdom, including his presidency of the Jordan Festival Board in 2010.



Kamal Abu Khadijeh

Minority Shareholders Representative

Mr. Abu Khadijeh currently holds the position of general manager of Rasil Express / Fedex, and is one of its main partners. His professional track record includes several positions in prominent Palestinian companies, such as the executive vice president and financial manager of the Palestinian Telecommunication Group. Mr. Abu Khadijeh served as a CEO of the Medical Supplies and Services Company, Unipal General Trading Company, and National Beverage Company/ Coca-Cola Beverage Company in Palestine. While working with these companies, he led many significant restructuring, buying, selling, and merging measures. Mr. Abu Khadijeh has also served as a board member in several Palestinian companies such as Perico, Padico Holding, Vtel, and others, in addition to his role in the board of private institutions. Mr. Abu Khadijeh holds a Master of Business Administration from the Kellogg School of Management, Northwest University, Chicago, USA.



Dr. Grace Khoury

Independent Member

Dr. Grace Khoury is the dean of the Faculty of Business and Economics. She is an associate professor of management and has been the director of MBA program at Birzeit University in Palestine for six years and the head of Business Management department and the Financial and Banking Sciences program. She has over 27 years of experience as a university professor, administrator, student career advisor, researcher, management trainer and consultant at private and public organizations. She is also the marketing director of her family-owned business, Taybeh Brewing Company. She holds an MBA from Suffolk University, USA, and PhD in Human Resource Management from Bradford University, UK. She served as a university council member, an academic council member and on a number of university and community committees. She has also obtained certificates in project management and customer relationship management. She has published a number of management case studies and research articles in several academic journals and participated in international conferences. She is co-editor of a case book titled "Rising to the Digital Challenge: Lessons from Mediterranean Enterprises" (2005). She is co-author of "The Palestinian Executive: Leadership under Challenging Conditions", Gower, UK (2012). She is also a co-editor of a book titled "Cases on Management and Organizational Behavior in an Arab Context", IGI, USA (2014) in which she is a co-author of two chapters. Dr. Khoury is a reviewer for a number of management journals and a member of the editorial board of The Learning Organization, Emerald.



Aziz Abdul Jawad

Independent Member

Mr. Aziz Abdul Jawad has been a consultant for Al-Wataniya Insurance Company's Board of Directors since the beginning of 2012, and also acts as a board member of the company since 2014. He has also held the position of chairman of the board of directors of Al-Abraj National Company since 2014. Mr. Abdul Jawad holds a seat on the board of directors of Safa Bank and the International Chamber of Commerce (ICC). In 2009, and for a period of two years, Mr. Abdul Jawad was the chief executive officer of the Al-Wataniya Insurance Company, after having held the position of general manager for 15 years. Mr. Abdul Jawad started his career at the Kuwait Insurance Company, where he held a number of vital positions, the last of which was the deputy general manager. In 1994, he was selected as the representative of the Palestinian Market at the Council of the General Arab Insurance Federation and continued until 2007. Mr. Abdul Jawad has been a board member for numerous companies and organizations, including the Palestinian Capital Market Authority, Al-Nokhba Company for Medical Services and Consultations, Mt. David Hospital Company, and the Palestinian Road Accident Casualties Remuneration Fund. In 2008, he became the chairman of the board of directors of the Palestinian Road Accident Victims Remuneration Fund. Mr. Abdul Jawad obtained his Bachelor's degree in Accounting from the University of Cairo.

Chairman's Duties

The chairman of the board exercises all the granted duties and authorities under the applicable law in Palestine and the regulations of the Palestine Monetary Authority, taking into account the separation in roles of the chairman and general manager.

The chairman of the board has the following roles:

- Overseeing and monitoring the progress of operations and policies set by the board to achieve the bank's goals and objectives. The chairman also monitors the performance evaluation for the bank as a whole in accordance with the strategies, plans, objectives, policies, and budgets approved by the board.
- Maintaining a constructive relationship between the management of the bank and the members of the board, and reinforcing an institutional culture that encourages constructive criticism and different viewpoints in the decision-making process.
- Ensuring the application of governmental regulations and that decisions are made based on solid ground, and reinforcing the freedom of opinion and different viewpoints and discussing them in the decision-making process.
- Ensuring that the members of the board and shareholders receive adequate information in a timely manner.

Board Meetings

There were six board meetings held during 2017 detailed below:

Member	Position	Attendance (times)	Attendance ratio
Talal Nasereddin	Chairman	6	100%
Omar Al Masri	Vice Chairman	6	100%
Samir Zraiq	Member	6	100%
Dina Al Masri	Member	4	67%
Salameh Khalil	Member	5	83%
Kamal Abu Khadija	Member	6	100%
Maen Melhem	Member	5	83%
Nimr Abdelwahed	Member	6	100%
Isam Salfiti	Member	5	83%
Grace Khoury	Member	3	50%
Aziz Abdul Jawad	Member	3	50%

Attendance Policy of Board Meetings

The bank complies with the Remunerations Committee's recommendation in respect of the attendance allowance of members of the board, noting that they are determined as follows:

- An amount of USD18,000 for the board members membership distributed by the number of meetings except for the chairman, who receives USD27,000 for all meetings.
- An amount of USD625 per session for each of the board committees, with a maximum of USD7,500 per member for all committees.

Board Practices and Conflicts of Interest

The bank's corporate governance policy entails principles of integrity and objectivity with respect to the board's practices and conflicts of interest. Accordingly, each member of the board and all key executives must disclose information related to a possible conflict of interest between them and the interest of the bank, and exert all efforts in order to ensure there are no conflicts of personal interest with the interests of the board members and key executives of the bank. Moreover, every board member and key executive shall disclose their financial and personal interest either directly or indirectly.

In 2017, there were no cases of refraining from voting due to conflicts of interest, and no contracts or transactions involving conflict of interest were carried forward under the Corporations Law and the Banking Laws.

Statements of 2017

The Board of Directors of The National Bank affirms that there are no special matters that may affect the continuity of the bank's business, and acknowledges and confirms the following:

- All information and financial statements included in the annual report are accurate and complete.
- The implemented internal control and monitoring systems on the financial reporting are effective, confirming the implementation of these systems.
- The use of a framework to evaluate the effectiveness of internal controls and monitoring systems in the bank.

All decisions taken in 2017 were made by a unanimous vote by the board.

Board's Committees

Facilities Committee

- Mr. Samir Zraiq - Chairman
- Mr. Talal Nasereddin - member
- Mrs. Dina Al Masri - member
- Mr. Kamal Abu Khadija - Member

Investment Committee

- Mr. Omar Al Masri - Chairman
- Mr. Talal Nasereddin - member
- Mr. Salameh Khalil - member
- Mr. Samir Zraiq - member
- Mr. Isam Salfiti - member

Audit Committee

- Mr. Aziz Abdel Jawad - Chairman
- Mr. Nimr Abdulwahed - member
- Mr. Maen Melhem - member

Risk and Governance Committee

- Mr. Nimr Abdulwahed - Chairman
- Mr. Maen Melhem - member
- Mr. Kamal Abu Khadija - member

Nominations and Remunerations Committee

-
- Dr. Grace Khoury - Chairman
- Mr. Talal Nasereddin - member
- Mr. Omar Al Masri - member
- Mr. Samir Zraiq - member
- Mr. Aziz Abdul Jawad - member

Executive Committees

1) Facilities Committee

The Facilities Committee consists of four members of the board and has specific written duties and authorization that are approved by the board, listed as follows:

1. Studying facilities proposals and approving facilities that exceed USD750 thousand.
2. Informing the board in a periodic and thorough manner of the bank's credit portfolio in terms of its size, its developments, defaulted loans, provisions against them, and collection efforts. The committee is expected to inform the board immediately of any major developments related to the credit facilities portfolio.
3. Setting the credit policy, including terms, collaterals, limits, and authorization limits for facilities in branches in accordance with the laws and regulations of the Palestinian Monetary Authority, the Risk Committee decisions and recommendations, and the bank's standards, and to be submitted to the board for approval. The committee is also responsible for reviewing and updating the credit policies in line with developments in the economic, political and banking environment, and changes in the bank's position.
4. Approval of marketing plans prepared by the executive management for grant credit facilities of all types.
5. Ensuring that the executive management complies with the credit policy and the authorizations determined by the board.
6. Studying facilities proposals to grant or renew facilities presented by the Facilities Committees of the executive management, and making appropriate decisions in accordance with the authorizations and limits assigned to the committee, and advising recommendations for facilities proposals that exceed the committee's authorizations in addition to the required arrangements of the board.
7. Examining the status of bad debts and setting required plans to reduce them, and ensuring the adequacy of provisions made against them in accordance with the Palestinian Monetary Authority in addition to making recommendations regarding writing off these debts.

Periodicity of committee's meetings: weekly

2) Investment Committee

The Investment Committee consists of five members of the board and can be reinforced by members of the executive management and concerned departments provided that the majority of the committee remains of board members. The committee has specific written duties and authorization that are approved by the board, listed as follows:

1. Reviewing all reports and studies related to the status of external investments, the bank's current investments, local and international financial market conditions, and all information that enables the committee to perform its duties in an efficient, professional manner.
2. Periodically informing the board of the status of the bank's investment portfolio and all major changes in a timely manner.
3. Setting the bank's investment policy, reviewing and periodically updating it and ensuring its compliance with the applicable banking laws and regulations. The policy shall clearly specify the method of making investment decisions, authorization limits, and authorization limits of all centres in accordance with the Risk Committee's decisions and recommendations.
4. Approving investments including investments in all types of securities in accordance with the applicable authorizations specified by the board, and giving the board recommendations regarding investment decisions that exceed the committee's authorization.
5. Ensuring that executive management is committed to implementing investments decision in line with authorizations and limits specified by the committee.

Periodicity of the committee's meetings: bimonthly

Oversight Committees

1) Remuneration and Compensations Committee

The Remuneration and Compensations Committee consists of five members, and is responsible for the procedures of nominating board members, remuneration policies for the board members and executives, evaluation of the members and executive managers, employment replacements, in addition to determining the compensations for members of the board including salaries, bonuses, and others. This committee is responsible for any decisions regarding the board members in terms of training, access to information, and technical support.

- The remunerations committee is responsible for providing the board with information and briefs on the important matters concerning the bank upon request, and ensuring that the board are kept updated on the latest developments related to banking operations. To this end, the bank encourages its board members to attend international conferences and events that allow them the opportunity to meet local and international institutions and corporations.
- The remunerations committee recommends the bonuses (including monthly salaries and other benefits) of the general manager. It also reviews bonuses (including salaries) granted to executive managers.
- Recommending bonuses, grades, and components of compensation to the chairman and board members.
- Ensuring that the remuneration policy has benefits and salaries that are sufficient to recruit qualified personnel and retaining them, in accordance with bonuses and salaries granted by similar banks.
- Ensuring that the remuneration policy complies with the regulations of the Monetary Authorization and the internal regulations of The National Bank, in addition to a periodic evaluation of the policy to ensure the achievement of its objectives.

Periodicity of the committee's meetings: biannually

2) Internal Audit Committee

The Internal Audit Committee consists of three board members, all of which are qualified with the practical experience and qualifications in the field of accounting and financial management. The Internal Audit Committee carries out the duties specified by the law, regulations and instructions of regulatory authorities, in addition to best practices and guidelines of Basel. The committee's duties are as follows:

- Recommending an external auditor and determine their fees, and evaluating the external auditor's independence and subjectivity and reviewing their work plan and ensuring it contains all activities of the bank.
- Reviewing interim and annual financial statements and discussing them with the management and external auditor, in addition to the estimations and provisions related to the financial statements.
- Directly overseeing the Internal Audit Department and ensuring the integrity and objectivity of their operations in terms of its ability to perform its duties in total freedom and away from any bias, through the following:
 1. Recommendations regarding the selection, recruitment and termination of the Internal Audit Department's manager, and the budget allocated to the department and determining their salaries, bonuses, and annual allowances.
 2. Reviewing and approving the annual auditing plan and the audit charter.
 3. Setting the accountability method for the departments' managers and employees.
 4. Monitoring the responsiveness of the management to the committee's recommendations and results
 5. Reviewing reports prepared by the Internal Audit Department and following up the rectifying procedures.

- Overseeing the bank's compliance with legal and regulatory requirements.
- Coordinating with the Risk Committee including the bank's financial position and performance.
- Reviewing notes of the Monetary Authority and following up the measures taken and ensuring their implementation and reporting them to the board.
- Reviewing reports made by the compliance officer and monitoring their compliance with the procedures guidelines and the inclusion of all aspects of operations in reports in accordance with the related Monetary Authority regulations, in order to implement the highest levels of compliance to sound banking laws, regulations, and best practices.
- Ensuring that the whistleblowing system is implemented allowing them to investigate and monitor these violations with no repercussions by their superiors or colleagues. The Audit Committee follows up and verifies any notes received in the method approved by the board.
- Periodically reporting activities to the board.

Periodicity of the committee's meetings: bimonthly

Risk Management and Governance Committee

The Risk Committee consists of three board members, as the majority of this committee remains to be of board members. The committee has specific written duties and authorization that are approved by the board. This committee is responsible for identifying and recognizing all types of risks to which the bank could be subjected, including credit, market, interest rates, exchange rates, products rates, liquidity, operational, compliance, country, reputation, and any other risk. The committee also oversees the bank's governance framework.

Its duties are as follows:

- Ensuring an appropriate risk management environment is applicable including the adequacy of a qualified personnel that works independently to manage the main risks the bank could face, under a clear managerial system that must provide the following:
- Adequate risk control by the board and senior executives.
 - Identifying, measuring and controlling all risks related to banking activities.
 - Identifying appropriate methods of reducing the levels of risk and losses that may result.
 - Sustaining adequate capital to face those risks.
- The Risk Management Committee reviews all policies and procedures of risk management that were approved by the board. The bank's executive management is responsible of implementing these strategies in addition to developing policies and procedures to manage different types of risk.
- Proposing a Risk Department structure and the procedures of developing it by the bank's executive management, to be reviewed the Risk Management Committee and to be approved by the board.
- Being updated with the rapid developments and increasing complications that affect risk management in the bank and periodically reporting the board on these developments.

Periodicity of committee's meetings: quarterly

The Governance Committee's duties include

- Overseeing the implementation of the governance policy in cooperation with the management and the Audit Committee.
- Reporting to the board and giving recommendations based on the findings resulted from performing their duties, including an assessment of complying to the bank's governance guidelines and the amendment recommendations to comply with best practices.

Periodicity of the committee's meetings: biannually



Executive Management as of December 31, 2017



Mr. Ahmad Hajhasan

Chief Executive Officer

Mr. Ahmad Hajhasan has served as the chief executive officer of The National Bank since 2010. Under his management, TNB witnessed several notable achievements and was recognized as the fastest growing bank in Palestine and the Middle East for the year 2014. He was recognized as one of the 50 most influential financial executives in the Middle East for the year 2016 according to Global Finance Magazine. Mr. Hajhasan is also a member of the Board of Trustees of the Arab American University, and a board member of MEPS Palestine. Mr. Hajhasan served in several significant positions, such as the general manager of Securities Management of the Palestinian Capital Markets Authority, in addition to other senior positions in the Palestinian Monetary Authority, including the head of the Reserve Management Division. He started his career as a lecturer of finance and accounting in the Arab American University in Jenin. Mr. Hajhasan holds a Master's degree in Finance and Accounting from Bradford University, UK, in addition to a postgraduate degree in Financial Markets from the Arab Academy of Finance and Banking Studies in Jordan as well as a Bachelor's degree in Business Administration from Birzeit University.



Marwan Muzher

Deputy Chief Executive Officer

Mr. Marwan Muzher serves as the deputy chief executive officer of The National Bank, a post he has held since 2012. Mr. Muzher is considered one of the founders of The National Bank and also serves as a lecturer for the Master's program in Business Administration in Birzeit University.

Mr. Muzher held several positions in the bank, serving as the assistant general manager of strategic and financial affairs in Al Rafah Microfinance Bank in 2011, and prior to that as an auditor for KPMG, starting his career in at the Arab Bank assuming several positions. Mr. Muzher holds a PhD in Strategic Management from International Personnel Academy in Ukraine, and holds a Master's degree in Business from Birzeit University where he also received his Bachelor's degree in Accounting.



Mr. Assaf Bleidi

Assistant General Manager for Information Technology

Mr. Assaf Bleidi has been the assistant general manager for Information Technology and Support Services at The National Bank since 2011, in addition to that Mr. Bleidi is the manager of the digitization department and the project manager for implementing International Financial Reporting Standards IFRS9. In 2014, he was responsible of implementing the Temenos T24 Banking system, which was successfully launched in early 2017. He has been with TNB since its establishment in 2005, starting off as the manager of the Information Technology Department. In 1995, and for ten years, he held the position of manager of the computer center with the Ahli Jordan Bank. Mr. Bleidi holds a Bachelor's degree in Computer Science from Jerusalem University College.



Mr. Ghassan Jayousi

Assistant General Manager for Banking Operations

Mr. Ghassan Jayousi is currently the assistant general manager for banking operations at The National Bank, and has been instrumental in implementing the bank's strategy since its establishment in 2005. He previously worked at Cairo Amman Bank as an auditor responsible for a number of departments and branches with a focus on operations. Mr. Jayousi holds a Bachelor's degree in Finance and Accounting from the University of Algeria.



Mr. Baha Muslih

Assistant General Manager for Credit Facilities

Mr. Baha Muslih is the assistant general manager for credit facilities at The National Bank. Before assuming his current position, he was the investment finance manager at the Arab Islamic Bank for five years, after which he moved to the Egyptian Arab Land Bank as the credit executive manager. He joined TNB in 2012 as the banking services group manager. Mr. Muslih has a Master's degree in Financial Management from the Arab Academy for Financial and Banking Sciences in the Hashemite Kingdom of Jordan.



Mr. Luay Hawash

Assistant General Manager for Retail Group

Mr. Luay Hawash is the assistant general manager for the Retail Group at The National Bank. He was previously the branch manager for the central and southern districts at the Arab Bank for eight years. During his tenure at the Arab Bank, which spanned from 1998 to 2016, he occupied a number of positions, including director of Credit Facilities and Collection Departments for Palestine, as well as the supervisor of the Corporate Facilities Department. Mr. Hawash holds a Master's degree in International Studies from Birzeit University, and a Bachelor's degree in Economics from the same university, in addition to a certified branch manager degree and a certified trainer degree from the Arab Bank Amman.



Mr. Ghassan Hamdan

Internal Audit Department Manager

Mr. Ghassan Hamdan is the director of internal audit and assistant general manager at the National Bank. He has had a prominent role in establishing the bank since 2006 when it was known as Al Rafah Microfinance Bank. Prior to that, Mr. Hamdan held several regional positions in the Amman Cairo Bank in Palestine for 12 years. He began his career, becoming inspectors team leader and then internal audit director. Mr. Hamdan holds a Bachelor's degree in Accounting for Baghdad's University, Iraq, in addition the ISO Quality Auditor Certification, and has lately acquired the Financial Controller and a Certified Banker from the Ministry of Justice in Palestine.



Mr. Saeed Shabaneh

Executive Director of VIP Clients

Mr. Saeed Shabaneh has been the executive director of VIP clients and assistant general manager in The National Bank since late 2016. He previously worked as the executive director of VIP clients at Al-Quds Bank for four years and had a prominent role in increasing the bank's market share in terms of deposits and growth. Prior to that, Mr. Shabaneh assumed several senior positions including branch manager of Al Masyoun branch in Jerusalem Bank, Credit Control Department manager, and Collections Department manager in the Arab Islamic Bank, starting his career at the Bank of Jordan, where he held several positions. Mr. Shabaneh holds a Master's degree in International Studies from Birzeit University, where he also got his Bachelor's degree in Business Administration.



Mr. Khaldoun Hussein

Risk Department Manager

Mr. Khaldoun Hussein has been the manager of Risk Department in The National Bank since 2011. Previously, he assumed the position of internal audit manager at the Palestinian Islamic Bank for two years. In 2006, he was responsible for internal audit of the regional management of the Arab-Egyptian Land Bank in Palestine. Mr. Hussein began his career in the Palestine Monetary Authority in 1996 where he served as an inspector team leader. Mr. Hussein holds a Master's degree in Business Administration from Birzeit University, and had a Bachelor's degree in Accounting for Al Najah National University in Nablus.



Mr. Rateb Bassem Muheisen

Legal Consultant

Risk Policy and Methodology

An independent committee of the board is responsible for managing risks related to the bank's various activities, including measurement of risks and continuous monitoring. Risks are managed and controlled within specific limits and ratios that are approved by the board of the Palestinian Monetary Authority, and the internal controls and safety procedures are tested for their efficiency to ensure minimizing negative impacts on the bank's activities.

Additionally, the management and the Risks Department analyze the bank's financial statements through the Assets and Liabilities Committee, and assesses various risks and makes the necessary decisions required to manage them in line with the management's expectations of adequate profits while maintaining reasonable and controlled levels of risk.

The instructions issued by the Monetary Authority are implemented regarding ensuring the bank's ability to handle risks through stress testing scenarios applied to the bank's information over a period of time, and measuring the impact and setting appropriate plans addressing these risks accordingly. The department also implements the instructions of the Monetary Authority regarding Basel II requirements that are meant to ensure the bank's adequate capital capability to contain any possible risks. The bank also reviews the accuracy of procedures followed for the Internal Capital Adequacy Assessment Process (ICAAP) in order to ensure that bank's capability of facing all types of risk and the extent of its impact. Moreover, the bank is working on applying the IFRS9, which aims to protect the bank from credit risks since granting the credit and not at the onset of default as it was previously, reinforcing the quality of credit procedures and clients, thereby reducing the associated risks of default.

Hence, the risk policy is based on preventive actions rather than corrective actions; the new IFRS9 will further reinforce this methodology. Accordingly, the risk policy and methodology are based on prevention in line with the implementation of Basel II requirements in regard of the second section of supervisory review. In order to do so, internal controls are monitored and periodically reported by the Risk Department to the board committee after being reviewed by the executive management. These reports address all types of risks faced by the bank and the bank's position in their regard. The risks faced by the bank can be summarized as the following:

- **Operational Risk**

Operational risk is risks of losses due to the inability of departments and branches to achieve their goals due to events disrupting their operations resulting from people, systems, or external sources or events, including disruptions in the information system (documentation, processing, or accounting transactions of financial activities), or failure in internal controls that could lead to unexpected losses. Therefore, these risks are concerned with human error, system failures, or inadequate procedures and controls.

The bank consistently works on minimizing the occurrence of these risks to the best of its ability through ensuring the soundness and robustness of the control policies and procedures including the separation of authorities and bilateral controls of activities.

- **Market Risk**

Market risk arises from changes in interest and exchange rates. In this context, the bank works on controlling these risks through the diversification of its investments and following up market risks through periodical reports that are produced by concerned departments which are reviewed by ALCO.

• Interest Rate Risk

Interest rate risk refers to losses arising from fluctuations in interest rates that could result in impact to the bank's cash flow or fair value of its financial instruments. The bank is exposed to interest rate risks as a result of time differences between the re-pricing dates of assets and liabilities, which are systematically monitored by the Treasury Department and the Assets and Liabilities Committee, which includes the Risk Department as a member.

The bank measures interest rate risks through lower and higher limits of interest rate changes in specified periods of time, in addition to re-pricing assets and liabilities using the risk strategies.

• Exchange Rate Risk

They are the risks arising due to the bank's activities in foreign exchange transactions and / or risks arising from fluctuations in exchange rates and / risks arising from revaluation of currencies based on floating exchange rates. Exchange rate risks can impact the bank's assets and liabilities values and could lead to significant losses.

Foreign exchange risk is the current or future exposure of profits and capital resulting from exchange of reversing the exchange rate of currencies..

Foreign exchange rate risks could arise in two cases:

1. Incompatibility between the bank's assets and liabilities in different currencies for each currency (including off-balance sheet items)
2. Mismatching of currency cash-flows.

The bank remains exposed to these risks until these positions are closed. The mismatching could occur from different sources such as foreign exchange transactions, or any other service or transaction or investment. The extent of the risk depends on the extent of possible fluctuations in exchange rates, and size and duration of exposure in foreign currencies.

Foreign exchange positions are monitored daily and prevention strategies are implemented to ensure that foreign exchange positions are within limits approved by the board and compliant with the Monetary Authority regulations.

• Stock Prices Risk

Stock price risk results from changes in the fair value of investments in stocks, and the bank manages those risks through diversifying investments across various economic industries and geographic regions.

• Credit Risk

Credit risk refers to the risk that the other party in financial transactions will not be able or willing to fulfil his obligations to the bank which may result in losses. The bank mitigates credit risk through limits of direct credit facilities (retail and corporate) and the credit facilities granted to each sector and region. The bank also monitors credit risk and constantly assesses the financial positions of clients in addition to using collateral. The bank has the following policies to mitigate credit risk:

- Reviewing credit concentrations to ensure there are no excesses.
- Studying any proposed product in regard of the risks related to it and giving recommendations.
- Monitoring the classifications of corporations and individuals based on the applicable credit rating procedure.



• **Liquidity Risk**

Liquidity risk refers to the risk that arises from the bank's inability to meet its financial obligations in due time. Liquidity risk is managed through the diversification of sources of funds, managing assets and liabilities of the bank and matching their maturities, and maintaining a reasonable balance of cash and other financial instruments including those that are readily realizable. The bank also monitors its liquidity position periodically in accordance with the regulations of the Monetary Authority that specified ratios of deposits that must be kept at all times with minimum limits. Liquidity position and ratios specified by the Monetary Authority are also monitored by the Assets and Liabilities Committee.

The bank also must constantly match the maturities of assets and liabilities to face this risk, in effort to ensure the availability of necessary liquidity or readily realizable financial instruments to meet obligations including withdrawal of deposits or any other short-term or long-term liability.

• **Compliance with Governance Guidelines**

The National Bank is committed to the highest standards of governance. This is evidenced by our own guidelines for governance that comply with the latest international and local standards in this regard, and is currently being updated to comply with the Standard Guidelines issued by the Palestinian Monetary Authority and the related instructions of the Palestinian Monetary Authority to be approved by the board.

The main important aspects of the Governance Guidelines of The National Bank are laying out organizational structures and updating its policies and procedures and implementing principles of disclosure in line with governance requirements, including complying with business ethics, due to the importance of protecting the bank's interests and all stakeholders, consequently maintaining the bank's reputation and performance.

The relationship between the bank's management, represented by its board and executive management, and the shareholders is based upon a framework that ensures the implementation of sound management and governance in achieving its objectives and realizing various benefits for stakeholders, including minority shareholders. The governance system provides detailed, accurate and timely information regarding major aspects of the bank's and the board's responsibilities and the duties of different board committees towards the bank and its shareholders.

In this regard, The National Bank is committed to implementing sound governance practices and complying with highest standards of efficiency and accuracy in its activities in line with the Palestinian Monetary Authority instructions that are consistent with the latest international best practices and in accordance with the Basel Committee recommendations related to governance.

The bank also puts great effort to meet the needs of the Palestinian community by providing banking services in the latest modern and sound methods, ensuring they are provided in a proper manner to different stakeholders. Additionally, the bank participates in supporting different social activities reflecting its identity and loyalty to play its role in supporting the community.

• **Disclosures and Transparency**

The bank continuously seeks to maintain the highest levels of transparency towards its shareholders, clients, and market players by disclosing accurate, adequate and timely reports in accordance with the international financial reporting standards, the applicable Palestinian Monetary Authority regulations under the applicable banking laws and related legislations. The bank also performs comprehensive studies on the changes in international practices of transparency and financial disclosures. Additionally, the bank is committed to the following:

- That the disclosure procedures are clear, continuous, and accessible to all market players for comparison, and that information is disclosed through various methods that are easily accessible and at low cost.
- Disclosing all information of relative importance in a timely manner, ensuring that information reaches all concerned parties.
- Disclosing information providing significant data regarding its activities to each of the Monetary Authority, shareholders, clients, other banks, and the general public, with a special focus on issues that may raise concern for shareholders. The bank discloses this information periodically through easily accessible portals.
- That the annual reports include adequate and useful information that informs investors, depositors and other stakeholders of the bank's status.
- Maintaining lines of communications with regulatory authorities, shareholders, depositors, other banks, and the general public.

Control and Monitoring Systems

The bank is committed to maintaining effective use of internal and external audit and compliance officers, and seeks to maintain an effective regulatory system that ensures the integrity of the bank's activities by ensuring the independency of the regulatory systems in their activities and their direct contact with the board and board committees. The bank realizes the importance of an effective audit department to reinforce internal control systems that support comprehensive banking controls as the first line of defense. The compliance department ensures monitoring and compliance in the bank's different departments to implementing the related law, regulations and instructions, and reporting to the board's Audit Committee. The bank is responsible for the regular rotation of the external auditor, being accredited by the Palestinian Monetary Authority with the necessary professional license to practice its duties as it is considered one of the control systems ensuring the integrity of the bank's financial reports and providing a fair opinion regarding its financial statements.

The bank ensures that written policies for all banking activities will be circulated at all managerial levels and will regularly review them to ensure the inclusion of any amendments or changes in laws, regulations, and any other matters related to the bank.

Internal Audit

The bank realizes the importance of an effective Internal Audit Department to reinforce internal control systems that support comprehensive banking controls as the first line of defense, and its role in achieving the bank's objectives under its supervision through a structured systematic approach to evaluate and improve the effectiveness of risk management, monitoring, and reinforcing governance. The bank ensures that the Internal Audit Department has a sufficient number of qualified trained personnel that are adequately rewarded. The Internal Audit Department is authorized to access any information or contact any employee, and all other authorizations that enable them to perform their duties as required. The functions and duties of the department are as follows:

- Clearly define the authorizations and responsibilities of the Internal Audit Department in a manner that ensures its independence and objectivity within the audit charter approved by the board and circulate it to all employees.
- The Internal Audit Department reports to the board's Audit Committee all findings resulting from their visits, investigations, recommendations, and follow-up procedures.
- Prepare and implement the annual audit plan based on the risk-based audit methodology after being approved the Audit Committee.

- Unconditional, unlimited, direct and quick access to all bank records and documents, and unrestricted lines of communication with officials or employees in all departments and branches of the bank.
- Provide added value to the management and stakeholders by producing internal audit reports that focus on opportunities for improvement in performance, highlighting the risks that may hinder the management or the board or management from achieving the specified objectives.
- To ensure compliance with the bank's internal policies and standards, and the related international procedures, laws, and regulations.
- To ensure effectiveness and efficiency of internal control systems, including the used information technology security and control systems, and efficiency in providing accurate data and information at the required level of comprehensiveness and reliability in a timely manner, and maintaining all assets and funds owned or overseen by the bank.
- Evaluate the general performance of the bank and its branches, and their implementation of the approved plans and programs of the bank, and the extent of their efficiency and effectiveness, and to give recommendations and suggestions that could enhance its performance.

External Audit

The bank is committed to ensure regular rotation of the external auditor, and takes into consideration that the selected external auditor must be accredited by the Palestinian Monetary Authority with a practicing license granted by the related authorities, and that it is not granted any direct or indirect facilities from the bank against their personal guarantee including on behalf of their spouses, children, or any related entity that they are partners in separately or jointly for a percentage more than %5, or members in the board, with no direct or indirect benefit from the bank or any of the affiliated companies, and to not be a manager, employee or clients of the bank or the banks affiliated companies.

Duties of the External Auditor

- Performing his duty according to the terms and conditions that regulate the auditing profession, and complying with the international auditing standards, and the Code of Professional Conduct in Auditing.
- Auditing the financial statements and accounting records of the bank consisting with IFRS and IAS.
- Complying with the minimum disclosure requirements for the financial statements as issued by the Monetary Authority.
- Full confidentiality under the professional rules of conduct.
- The Audit Committee shall be provided with a copy of its report, and conduct a meeting with the Audit Committee without the attendance of the executive management at least once annually.
- Submitting an annual report to the bank's general assembly, stating within it that the reviewing and auditing activities of the bank and its accounts were conducted in compliance with the IAS, and expressing their fair opinion regarding the financial statements for the period audited, and that they were prepared in accordance with the IFRS and IAS.
- Attending the general assembly meetings and answering any questions by the shareholders.
- Presenting a report to the Monetary Authority and a copy to the board within two months from the end of the financial year. The report should include the following:
 1. Any violations of the bank laws or any other applicable regulations committed by the bank during the audited year.
 2. The auditor's opinion on the adequacy of the bank's internal control systems.
 3. The auditor's opinion on the adequacy of provisions to meet potential risks related to the bank's assets or liabilities.
 4. Verifying the auditor's non-reserved opinion regarding the information obtained during the audit.

Compliance

The bank is committed to complying with all regulatory laws and the instructions issued by the Palestinian Monetary Authority and the Palestinian law. It continuously works on updating its internal policies and procedures to be in line with the new issues of related authorities of the bank, and then proceeds to implement them. The bank also follows up the best international practices to maintain its reputation among local and international banks.

The Compliance Department is responsible for examining and evaluating the internal policies and procedures approved by the board and complying with the regulator's laws and regulations, assessing risks related to violating compliance regulations and the impact of this violation. In case any violations were discovered, it is to be followed up and the rectifying measures are to be implemented.

The Compliance Department's duties of issuing policies and procedures require detailed information from clients and continuous updates of the client information at the bank to be done by branches on an ongoing basis. These information and updates are required to protect the bank's interests, shareholders, and clients especially from any legal repercussions that may result in changes in the rating of the clients or the bank within non-compliant entities lists.

The Compliance Department at The National Bank works persistently on monitoring accounts and extent of accuracy in the provided information for each account at the branches, and the extent of the branch's commitment in providing the documents related to the profession and income. Anti-money laundry procedures are implemented by examining a number of periodic reports accurately, then analyzing some client accounts and comparing them to the nature of their professions and incomes. Thereafter, communications with the related branches and the management are made to ensure the accuracy of client's data. High-risk accounts are monitored, and approvals have to be secured before opening any account in line with the bank's policy. There were no suspected cases in 2014.

The Compliance Department is also responsible for receiving client's complaints and suggestions, in order to achieve the highest level of client satisfaction regarding the provided banking services. The Compliance Department receives complaints and works on resolving any issues in line with the regulations and within the specified period of time.

Foreign Account Tax Compliance Act (FATCA)

The bank is committed to implementing the FATCA gradually and within the specified timeframe. FATCA is an American law with the aim of reinforcing tax evasion by American tax-payers through non-American financial institutions and foreign investments instruments. The FATCA is applicable to all clients whether individuals or corporations according to the following categories:

- Clients who hold an American nationality whether by birth, citizenship or naturalization.
- Clients who hold an American Green Card / residency.
- Non-American entities owned by American/s by majority.

As for FATCA, The National Bank is officially registered to comply with the American tax compliance laws. The bank prepared a brief and work plan to amend all the bank's systems to be compliant with this law, and the forms for opening accounts and updating client data were amended to be in line with the law that requires all new and outstanding clients of the bank to fill the approved citizenship forms, signing them and presenting them with the remaining documents required to open an account.



Anti-money Laundry and Combating Terrorism Financing (AML and CTF)

The National Bank is committed to working within the legal frameworks related to AML and CTF based on the Palestinian Law 20# updated in 2015. The bank also implements the related instructions and regulations issued by the Financial Follow-up Unit in the Palestinian Monetary Authority and the Financial Action Task Force. The bank issued and approved a policy dedicated to combatting these issues and preventing any possible transactions that could be done through the bank, especially in light of the increasing dangers of money laundry and the different modern methods of these transactions with the use of advanced banking and financial technologies. All these efforts of AML and CTF were enforced to maintain the bank's reputation at the local and international levels. The bank established an independent AML unit in accordance with the instructions of the Palestinian Monetary Authority that is responsible for preparing periodic reports regarding measures taken to prevent this problem, and follows up financial and banking activities to ensure branch compliance with the related considerations by reviewing procedures and activities of branches and assessing their compliance with AML instructions. If there are any suspected activities they are reported to the concerned authority according to the Palestinian law, which is the Financial Follow-up Unit.

Know Your Client (KYC) Database

In accordance with the instructions of the Palestine Monetary Authority and AML and CTF Law No. 20 of 2015, and in order to ensure the best practices in this regard at the local and international levels, the compliance and AML/CTF departments monitor compliance with the procedures related to client information before and after opening accounts, the method of documenting these accounts, the purpose of opening accounts, and rating them according to the estimated level of risk. This is in effort of indicating the general outlook for clients' nature of activities, and reinforces the effectiveness of control procedures, in addition to enhancing the decision-making process.

Banking Secrecy Provisions

The National Bank abides by the provision of bank secrecy through the approved policies, which are circulated to all employees, regardless of their position. It is prohibited to give any data, information or statements about client accounts and personal data available in bank records, whether directly or indirectly, unless there was a written approval previously given by the account holder or by a decision of a competent judicial authority under the Palestinian law or the regulatory authorities accredited by the Palestinian Monetary Authority.

Qualifications and Training Policy

The National Bank believes in the importance of developing employee skills and knowledge of all positions. Accordingly, the Human Resources Department established a new unit dedicated to training building capabilities, to instil a culture of learning and constant development, as limited trainings and overlooking the importance of developing the bank's employees would result in decreased productivity and limiting bank and employee development.

In 2017, the Training and Building Capabilities Unit worked on reinforcing the training culture among employees by providing them with appropriate skills to enrich their knowledge and experience, which enables them to perform their duties and encourage them to enhance their performance. The unit was keen on developing employee behaviors by providing them with the appropriate training programs related to their professional capabilities. Moreover, one of the major objectives was to provide employees with the skills that are in line with the bank's strategy and the new organizational structure, in addition to enhancing their professional performance and providing them with the professional requirements needed to advance in their careers and to become responsible for new duties and higher authorizations in line with each of their capabilities and their professional career, as seen appropriate by the management.

In 2017, there were 62 training activities, 38 of which were for the employees at the headquarters and 24 for branches employees; 497 employees participated in those activities, 111 of which were employees in the headquarters, and 386 of the branches employees. The training and development field of focus in 2017 was on positions that required dealing directly with clients; therefore, the direct sales team had more than 200 hours of training including all banking programs, in addition to an internal training program titled "Banking Orientation" for fresh graduates for more than 120 hours of training.

In addition to aforementioned programs, awareness workshops were conducted related to The National Bank's Information Security Project for all bank employees, as well as awareness briefs that were sent to all employees about different topics related to information security. The main focus was engaging the employees in different activities enhancing their qualifications and their banking knowledge, and reinforcing values of business ethics in accordance with the bank's vision and ambitions.





Remuneration and Bonuses Policy

The remuneration and bonuses policy was set for The National Bank employees in line with the Employees Affairs System and in accordance with the related Monetary Authority instructions.

The objectives of the remuneration and bonuses policy are as follows:

1. Retaining employees of special competencies and expertise, especially when recruiting from other banks.
2. Attracting employees who have the necessary skills, competencies and knowledge to perform banking operations.
3. Incentivizing and giving special treatment to employees who have put efforts in achieving the bank's objectives on different managerial levels.
4. Linking employees' bonuses with their contribution in achieving objectives and the bank's overall performance.
5. Incentivizing all the bank's employees to participate in activities related to the bank's operations.
6. Determining the remuneration policy for board members.

General Policy

1. Bonuses are determined in accordance with the board's Remuneration Committee for all employees depending on the bank's overall results in comparison with the estimated budget and the performance of the banking sector as a whole.
2. Bonuses are granted annually by recommendation of the bank's Evaluation Committee and after the approval of the board's Remuneration Committee.
3. The bonus amounts should be consistent to the overall performance of the bank.
4. The managerial levels and level of risks related to each position should be taken into consideration.
5. Bonuses for the general manager and assistant general managers are determined by the board based on the bank's overall results and their key performance indicators related to each of their positions, which are set out by the board's Remuneration Committee.

Employees of the Bank

As of December 2017 ,31, there were 520 employees distributed among the headquarters and branches as follows:

<p>📍 Headquarters Ramallah</p> <p> 233</p>	<p>📍 Deir Jarir</p> <p> 8</p>	<p>📍 Rafidia</p> <p> 34</p>
<p>📍 Ramallah</p> <p> 20</p>	<p>📍 Hebron</p> <p> 25</p>	<p>📍 Akraba</p> <p> 8</p>
<p>📍 Masyoun</p> <p> 19</p>	<p>📍 Bethlehem</p> <p> 21</p>	<p>📍 Hizma</p> <p> 10</p>
<p>📍 Al Ram</p> <p> 16</p>	<p>📍 Dura</p> <p> 12</p>	<p>📍 Platinum</p> <p> 8</p>
<p>📍 Al Maydan</p> <p> 27</p>	<p>📍 Jenin</p> <p> 22</p>	<p>📍 Rawabi</p> <p> 10</p>
<p>📍 Dhahiyat Al Bareed</p> <p> 16</p>	<p>📍 Nablus</p> <p> 21</p>	<p>📍 Arraba</p> <p> 10</p>

Academic Qualifications of Employees

The National Bank is proud of its youthful human capital that is lively and works constantly to invest in it, develop it and sustain it with scientific qualifications of all fields. The academic qualifications of employees as of December 2017 ,31 was as follows:



PhD



1



Master



22



Bachelor



404



Diploma



32



High school and below



61



Bank Shares Owned by Board Members and their Relatives as of 2017-12-31

Member	Position	Number of shares owned personally	Number of shares owned by relatives
Talal Kazem Abdullah Nasereddin	Chairman	50,000	6,099,101
Omar Munib Masri	Deputy Chairman	-	16,204,803
Samir Hilal Mohammed Zraiq	Member	1,197,241	2,681,604
Dina Munib Al Masri	Member	-	50,000
Isam Halim Salfiti	Member	-	7,500,000
Nimr Mohamed Samir Nimr Abdul Wahed	Member	1,050	-
Grace Khoury	Member	50,889	
Aziz Abdel Jawad	Member	50,000	
Kamal Abu Khadijeh	Member	50,000	
Ahmad Ragheb Nader Hajhasan	General Manager	-	11,500
Assaf Mahmoud Mustafa Bleidi	Assistant General Manager Support Services	2,766	-
Rateb Basem Rateb Muheisen	Secretary of the Board and Legal Councilor	1,500	1099
Total		1,403,446	32,548,107

Transactions with Related Parties

Related parties are major shareholders, the executive management, and companies in which the bank has a majority ownership. Throughout the year there were transactions with these entities consisting of deposits, facilities, and cash margins are follows:

USD		
Consolidated balance sheet items	2017	2016
Direct credit facilities	25,201,350	23,318,035
Deposits	27,474,268	41,869,262
Cash margins	4,409,941	3,152,773
Consolidated income statement items		
Credit interest and commissions	1,177,815	1,046,731
Debit interest and commissions	410,290	736,076
Off-balance sheet items		
LGs and LCs	3,505,596	8,548,475
Unutilized credit limits	5,371,801	2,961,622

Benefits and remuneration of the Executive Management (in USD)

Share of bonuses and related expenses for the executive management	1,262,252.00
• General manager	322,115
• Executive management	940,137
Share of end of service expenses for the executive management	136,488
• General manager	30,314
• Executive management	106,174
Board expenses	264,550

Auditor

Ernest and Young Ramallah – Al Masyoun\ - Padico House - 7th floor
Phone number 2421011-02 P.O. Box 1373

Auditors Fees

Auditor's fees amounted to USD 63,800 in 2017

Bank's Shares Trading Activity

Shareholders as of December 2017, 31 reached 9,435, while the transactions volume in 2017 amounted to USD 5,763,448 divided by 3,205,058 shares. The number of contracts in the same period were 849.

Highest Price 2017	Lowest Price 2017	Closing Price 2017	Closing Price 2016	Change %
USD 1.98	USD 1.63	USD 1.84	USD 1.90	-3.16%

Profit And Loss Of Shareholders Rights And Securities Prices

	2011	2012	2013	2014	2015	2016
Net profit after tax	568,262	2,021,100	3,600,243	4,438,380	5,441,591	7,402,240
Distributed profits (cash)	%0	%0	%0	%0	%5.00	%5.00
Distributed profits (stock)	%0	%0	%0	%0	%0	%0
Shareholder rights	29,875,642	51,321,193	54,966,018	80,010,532	89,819,078	92,495,563
Securities closing price	0.77	0.90	1.17	1.29	1.59	1.90

Risks

There are no possible risks of significant impact to which the bank is exposed resulting from the past year.

Fines And Penalties Imposed On The Bank During 2017

The fines imposed on the bank during 2017 amounted to USD7,052

Control of the Bank

There are no entities controlling the bank directly or indirectly.

Concentrations Of Major Suppliers Or Clients

There are no local or international suppliers or clients that make up %10 of the bank's purchases or sales of the bank.

Privileges

There are no governmental privileges or immunities for the bank or any of its products under the law, regulations or others. There are no patents or franchises acquired by the Bank.

Non-recurring Operations

There has been no financial impact of non-recurring operations during the financial year that are not within the bank's core business.

Our Corporate Social Responsibility

The National Bank has a different view of social responsibility that goes beyond donating a percentage of its net profit to serve certain sectors of society. Rather, based on its role in the Palestinian economy, it has made it a priority to drive economic growth forward and serve all segments of society by developing products that cater to the real financial needs of each sector, in addition to its responsibility to foster environment sustainability, one of the main pillars of its social responsibility strategy, thereby providing a comprehensive set of initiatives that contribute in the growth of the Palestinian community in a sustainable effective manner.

Palestinian Women Empowerment

For the third consecutive year, the bank has dedicated a portion of its contributions to the empowerment of Palestinian women in line with its vision, particularly after the launch of the Hayati program that aims to financially empower women. Additionally, it continuously supports Dunya Women's Cancer Center, which sees the donation of USD1 for each Hayati savings account opened to fund programs in support of combatting this deadly disease faced by women around the world. Through its cooperation with the center, awareness workshops were conducted to engage women and raise awareness about the importance of early detection of the disease, in addition to introducing TNB's services and products, and how to make use of the bank's offerings in order to establish financial independence.

Additionally, throughout 2017, the bank participated in numerous initiatives in this field including:

Women and Sports.

Sponsorship of the Palestinian equestrian Leila Al Maleki, in Arab and international championships.



Women and Employment

The bank sponsored a photography exhibition by Palestinian photographers that displayed the reality of Palestinian women practicing different professions.



معرض صور في عيونهن

Women and Health

During the Women's Month, The National Bank organized, in cooperation with the Dunya Women's Cancer Center, a number of activities, in which 400 women received free breast cancer early detections tests, including students from universities in Halhoul and Yatta. The campaign also included awareness about the early detection of cervical and colorectal cancer, and the organization of a walk for seventy survivors of breast cancer in the village of Jebia to psychologically support them.



October, Pink Month, From The Heart Of Jerusalem

After opening the first Palestinian branch in Jerusalem, The National Bank organized a bicycle tour through the heart of Jerusalem to raise awareness of the importance of early detection of breast cancer. The tour took off from TNB's Dahiet Al-Bareed branch and ended at Wadi Al-Jouz. In addition The National Bank held an awareness lecture on breast cancer early detection to the participants and gave them some banking literacy at the bank's branch



The National Bank, in cooperation with the Dunya Women's Cancer Center, held seminars to raise awareness about the importance of early detection of breast cancer, in addition to a presentation about the bank's operations, services and products.



Our Contribution To The Development Of Education

After launching the Qudwati program for teachers, a portion of the social responsibility budget was dedicated for the development of this important sector. In cooperation with the Palestinian Ministry of Education and the Union of Palestinian Teachers, the bank sponsored a program to maximize the purchasing power of Palestinian teachers, funded a computer lab at the Al-Quds Open University, as well as other contributions in the sector.



Development of Area (c)

The National Bank signed several agreements with local and international partners to increase funding for Area C, especially after the opening of its branch in Dahiyat Al-Bareed. These agreements focus on establishing small and medium-sized enterprises led by women to drive the economy forward and create new job opportunities for the youth, allowing them to innovate and have a steady income.

In 2017, The National Bank sponsored a charity marathon in cooperation with Rawabi English Academy, proceeds of which went to the rehabilitation of a school in Area C of the Bethlehem district.



the rehabilitation of the computer lab at the Hizma Girls School

Banking Education

In early 2017, The National Bank launched an online campaign to spread awareness about the bank's operations through the most popular social network in Palestine, Facebook. Weekly videos were posted on the bank's official page explaining a particular service, helping enhance customers' knowledge in making sounder financial and banking decisions. The videos had 98,000 views during 2017.



Encouraging Investment In Palestine

In early 2017, The National Bank was the diamond sponsor of the «Banking Sector, Opportunities and Challenges» conference organized by the Union of Arab Banks under the patronage of the Palestinian Monetary Authority and the Central Bank of Jordan at the Dead Sea in the Hashemite Kingdom of Jordan. The conference, aimed to attract Arab investments to Palestine, was attended by a number of Palestinian and Arab banks, as well as businessmen and investors.



Society Contributions

The National Bank dedicates %4 of its annual net profits to community causes; in 2017, the bank donated over USD213,000, distributed as follows:

Sector	Amount	Partnerships
Education	71,320.44	14
Development	72,720.52	12
Arts and culture	19,600.00	4
Women's empowerment	39,444.48	8
Sports	10,500.00	2

Some Of The Bank's Social Contributions In 2017





The Gypsy Jazz Festival organized by artist Samer Rashed



The Arab Anglican Episcopal Church's Christmas bazaar



Palestinian Sufara dabkeh band's trip to France

Branch Network

Headquarters

Ramallah, Al-Masyoun

Tel: 02-2946090

Fax: 02-2946114

P.O. Box 700, Ramallah, Palestine

Platinum Branch

Jaffa St., Ramallah

Tel: 02-2947350

Fax: 02-2986417

P.O. Box 700

Branches

Ramallah Branch

Al Irsal St., Al Masa Building

Tel: 02-2978700

Fax: 02-2978701

P.O. Box 700,

Al Masyoun Branch

Mahmoud Darwish Square, The National Bank HQ

Tel: 02-2977731

Fax: 02-2977730

P.O. Box 700

Al Maydan Branch

Yaser Arafat Square, Ramallah

Tel: 02-2983311

Fax: 02-2983310

P.O. Box 700

Deir Jarir Branch

Main St.

Tel: 02-2899781

Fax: 02-2899786

P.O. Box 700

Al Ram Branch

Main St.

Tel: 02-2348920

Fax: 02-2348921

P.O. Box 1

Nablus Branch

Amman St., Trust Building

Tel: 09-2380802

Fax: 09-2380801

P.O. Box 25,

Aqraba Branch

City Center

Tel: 09-2597641

Fax: 09-2597640

P.O. Box 13,

Hebron Branch

Al Salam St

Tel: 02-2216222

Fax: 02-2216231

P.O. Box 313

Bethlehem Branch

Jerusalem Hebron St.

Tel: 02-2771370

Fax: 02-2771371

P.O. Box 633

Arraba Branch

City Center

Tel: 04-2469870

Fax: 04-2469871

P.O. Box 195

Rawabi Branch

Q Center, Rawabi City

Tel: 02-2825171

Fax: 02-2825172

P.O. Box 700,

Tulkarem Branch

Yasser Arafat St., Kettaneh building

Tel: 09-2696980

Fax: 09-2696981

P.O. Box 63

Jenin Branch

□Abu Sbaa Center

Tel: 04-2502931

Fax: 04-2502930

P.O. Box 195,

Doura Branch

Jaffa St., Kazem Al Shareef Building

Tel: 02-2281871

Fax: 02-2281870

P.O. Box 2022

Rafidia Branch

Nablus, Rafidia, Main St.

Tel: 09-2354101

Fax: 09-2354110

P.O. Box 200

Hizma Branch

Main St.

Tel: 02-2353370

Fax: 02-2353371

P.O. Box 1

Dahyet Al Bareed Branch

Beit Hanina, Jerusalem

Tel: 02-2348970

Fax: 02-2348971

P.O. Box 60376,



ATM Network

Ramallah and Al Bireh Governorate

- The National Bank Building, Mahmoud Darwish Square, Al Masyoun
- Al Maydan Branch, Yaser Arafat Square, Ramallah
- Ramallah Branch, Al Masah building, Al Irsal St.
- Platinum Branch, Jaffa St.
- Deir Jarir Branch, Main St.
- Plaza Mall, Al Balou'
- Gardens Supermarket, Al Teereh
- Atari and I'lyan gas station, Betunia St.
- Al Swais gas station, Jerusalem St.
- Industrial zone, Birzeit Pharmaceutical Co.
- Al-Balou', Jawwal headquarters
- Birzeit, Main St., Suleiman Harb supermarket
- Al Sahel St. Catholic School

Rawabi City

- Rawabi Branch, Q Center

Hebron Governorate

- Hebron Branch, Al Salam St.
- Bravo Supermarket, Ain Sara St.
- Doura Branch, Jaffa St.

Jericho Governorate

- Jericho, Main St., Al Huda gas station

Nablus Governorate

- Nablus branch, Amman street, Trust building
- Rafidya, Rafidya Branch - Main street
- City center, Nablus Commercial Center
- RafidyaSt., next to Paltel Co.
- Aqraba, City Center
- Deir Sharaf, Main St.

Jenin Governorate

- Jenin branch, Abu Sbaa Center
- Arraba, Arraba Branch
- Al Zahra' Supermarket, Haifa St.
- Arab American University
- Prince Faisal St.

Bethlehem Governorate

- Bethlehem Branch, Jerusalem Hebron St.
- Nativity St., next to Nissan Wedding Halls
- Beit Jala, near Beit Jala Municipality
- Beit Sahour, Al Shaeb Market

Jerusalem Governorate

- Al-Ram Branch, Main St.
- Dahyet Al Bareed Branch: Beit Hanina, Jerusalem
- Hizma Branch, Main St.

Tulkarem Governorate

- Tulkarem Branch, Yasser Arafat St., Kettaneh building



Methods of access and delivery of information to shareholders

- Distributing the annual report to investors at the headquarters and branches in all areas and through mail
- Through the bank's website, where financial and managerial data and reports are published
- Through the Palestinian Exchange and the Capital Market Authority websites, where financial statements are published quarterly, semi-annually, and annually.
- Announcements in local newspapers.

For more information you can contact Investor's Relations Department in The National Bank through the following details:

The National Bank - Headquarters
Ramallah - Almasayoun - Mahmoud Darwish Circle

Tel: 02-2216222 Ext.: 447

Fax: 02 - 2946116

ir@tnb.ps

WHEREVER YOU ARE THE NATIONAL BANK IS



