الوطني TNB

Annual Report

2018

Content

Vision:

Maintain our prominent position in the financial sector in Palestine, growing in a prudent and profitable way.

Mission

Continuing our promise of commitment being the national alternative for Palestinians, seeking a sound, modern and superior financial services provider.

About The National Bank

Since 2011, The National Bank (TNB) is Palestine's fastest growing bank, 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, including Siraj Palestine Fund I, Massar International Investment Company, Enterprise Investment Company, PalTel Group, Bank al Etihad, Birzeit Pharmaceutical Company and Mashareq for Investment & Development.

With over 9000 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.

TNB introduces the latest international digital banking technology to the Palestinian market, operating through a cutting-edge banking system from the internationally recognized company Temenos. It has kicked of its digital transformation strategy, which aims to provide its clients with a unique banking experience that enables them to control their accounts without the need to visit branches by the end of 2020.

TNB has implemented a number of successful acquisition and merger operations in the Palestinian banking market, the latest of which was leading a shareholder consortium in the acquisition of a controlling share in the Palestine Islamic Bank through a deal considered the largest in the history of the Palestine Stock Exchange, exceeding US$70 million.

More than **590** Employees

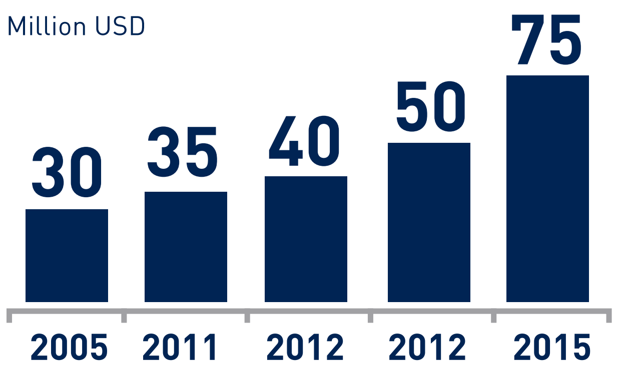
More than **100** Thousand Clients

35 ATMs

More than **9000** Shareholders

26 Branches and offices

Paid Up Capital Development



History

TNB was established by a group of businessmen and Palestinian companies on August 20, 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 more than 18,000 shareholders acquired the remaining shares.

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.

In 2012, Massar International became a new strategic partner, raising the capital once again to reach USD 40 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.

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:

- International Finance Magazine award in 2018, as The Most Innovative Bank in Palestine.
- CPI Financial's Fastest Growing Bank in Palestine award in 2014, 2016 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.

Our Subsidiaries

WatanInvest

Watan Investment Company ("WatanInvest") is a leading investment banking, securities and investment management firm that provides a wide range of investment and financial services to individuals and corporate clients. Founded in 1997, WatanInvest is headquartered in Palestine and provides services to local, regional and international investors.

WatanInvest manages accounts for many of the largest national companies and has participated in some of the largest, marque transactions in Palestine, including the management of bond issues and Initial Public Offerings (IPOs) for the Palestine Electric Company and the Palestine Mortgage and Housing Corporation, as well as working on infrastructure projects in co-operation with the International Finance Corporation ("IFC") and the German Investment and Development Corporation ("DEG").

At WatanInvest, we are committed to integrity, transparency and maintains high regulatory compliance with local and international laws.

Islamic National Investment Company (INIC)

The National Bank owns 51% stake in the Islamic National Investment Company, through a deal that saw the bank leading a consortium to acquire a controlling 45% share in the Palestine Islamic Bank (PIB). The Islamic National Investment Company was established in 2018 as a private shareholding company with a seven-member board of directors. TNB, through the deal to acquire 45% of PIB's shares, has consolidated the financial statements of both banks after receiving the necessary legal approvals from the Palestine Monetary Authority and the Palestine Capital Market Authority in agreement with TNB's external auditors.

Chairman’s Letter

Talal Nasereddin

Chairman

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 the National Bank's administrative and financial report for 2018, a year that witnessed a quantum leap for the bank during which we succeeded in upgrading our competitive position, doubling our budgets, and achieving tangible advancement in the Palestinian banking system.

During the first quarter of last year, TNB led a consortium of shareholders in the acquisition of a controlling share in the Palestine Islamic Bank in a deal worth US$70 million, considered the largest in the history of the Palestine Stock Exchange. The consortium, led by TNB, bought 31.30 million shares from the Palestine Investment Fund as well as transferred other investments, making the consortium the owner of a controlling share amounting to 45% of the Palestine Islamic Bank.

Through this deal, TNB now ranks as the second largest Palestinian bank with double its previous budget, assets exceeding $2 billion and client deposits exceeding $1.7 billion. It is also the second most profitable bank in Palestine, with earnings reaching $19.25 million, and shareholder equity amounting to $9.4 million, while the credit facilities portfolio has risen to $1.3 billion.

Esteemed shareholders,

Since the onset of 2018, TNB has embarked on the implementation of its new three-year strategic plan ending in 2020. A more detailed look at the plan is presented in the Administrative Report for 2018, which is available in your portfolio, but in brief, it emphasizes raising efficiency levels, increasing profitability, focusing on funding small and medium enterprises, in addition to increasing our market share of deposits. We have also adopted a gradual geographic expansion plan and are increasing our reliance on digital transformation and developing modern banking technology, which will, by the end of 2020, allow our clients to control their accounts through digital channels without the need to visit physical branches.

To realize this ambitious three-year plan, in 2018 TNB signed three cooperation agreements with prominent foreign institutions including the European Development Bank and SANAD Global Fund to increase financing available to small and medium enterprises (SMEs) and foreign trade in agreements amounting to $11 million, all which was made possible after TNB passed due diligence assessments, a testimony by these renowned international institutions to the strength of TNB's operations.

In 2018, and in a model for the Palestinian and regional banking systems, TNB launched its digital transformation strategy, inaugurating the first bank services center that enables clients and bank patrons to complete a number of banking transactions without the need to visit branches through a system that connects social media platforms with trained staff members specialized. The bank is also developing the center in order to increase the number and quality of the services offered as a means to provide a heightened banking experience to clients. These achievements and innovations drew the attention of the International Finance magazine, which recognized TNB as the most innovative and pioneering bank in 2018.

Over the past year, TNB has also worked on developing a number of digital services through its ATM machines and the bank's branded cards in addition to introducing developments to its online and mobile services. Throughout 2019, even more services will be developed and introduced, all directly in line with our digital transformation vision.

Ladies and gentlemen,

In 2018, TNB launched a number of new national savings accounts that promote a culture of saving money and affirm the importance of each and every individual in the national economy.

In line with its vision of empowering women in banking and helping them achieve financial inclusion, TNB worked in cooperation with UN Women and the International Labor Organization (ILO) to implement a participatory audit from a gender perspective on the bank in both its internal and external environments. The audit results demonstrated that TNB implements international standards in empowering Palestinian women through its products and services and commits to internationally recognized principles. This testimony from an international organization specialized in its field is a source of pride for us, and we shall continue to implement its directives and work at adopting the recommendations stated in the report in an ideal manner.

This was a year of expansion for TNB, with the inauguration of two new branches, one in the city of Tulkarm and another in the town of Sinjil, both which to fulfil the urgent financial needs of large Palestinian cities and introduce banking services to towns and villages that were previously underserved, allowing for the financial inclusion for their residents and further supporting the developmental and economic process throughout the country. By the end of 2018, TNB was operating through a network of 26 branches and offices spread throughout the West Bank.

On behalf of myself, the TNB Board of Directors and its executive management team, allow me to extend our profound gratitude to you for your continued trust and support of your bank, without which we could not have achieved these remarkable accomplishments. I would also like take this opportunity to extend my gratitude and appreciation to the Palestine Monetary Authority for its role in developing the Palestinian banking system, and we look forward to seeing it achieve its transformation in the Palestinian Central Bank, and its sizable effect on developing the role and the performance of the Palestinian banking system. I also would like to thank all the bank's employees for their outstanding performance and their roles in advancing their institution.

We thank you all for attending and assure you that 2019 will be full of noteworthy achievements that will allow the bank to keep advancing, achieving and prospering.

Talal Nasereddin

Chairman

The Bank's Achievements in 2018

TNB Leads a Consortium and Acquires a Majority Share in the Palestine Islamic Bank

At the beginning of 2018, TBN led a consortium of shareholders to acquire a controlling 45% share in the Palestine Islamic Bank in a deal that amounted to approximately $70 million, making it the largest transaction ever witnessed by the Palestine Stock Exchange.

Second Largest Palestinian Bank

The investment deal for the Palestinian Islamic Bank reflected positively on TNB's financial performance, doubling its budget to become the second largest Palestinian banking group with assets exceeding $2 billion and client deposits exceeding $1.7 billion.

TNB the First in Palestine and the Middle East to Open a Digital Services Center

TNB to Start Implementing its Strategic Digitization Plan

As a step forward in its digitization strategy, TNB inaugurated the first digital services center of its kind among banks in the Middle East, offering the bank's clients a number of customer care and other services through social media platforms without the need to visit branches. In the second half of 2018, the center offered its digital banking services to 10,466 clients through 321,445 messages. This move has contributed to a tangible reduction in the number of people visiting branches, which has provided clients with a unique banking experience.

Most Innovative and Pioneering Bank in 2018

After the inauguration of the first digital services center, and TNB's acquisition of a controlling share in the Palestinian Islamic Bank, the bank's achievements and innovations were recognized by International Finance magazine, which named TNB the most innovative and pioneering bank for 2018.

TNB Succeeds in Attracting Foreign Investments to Palestine

TNB signed two agreements with the European Bank for Reconstruction and Development (EBRD) and the SANAD International Fund as an investment by both parties through TNB to finance the small, medium, and micro projects, as well as foreign trade instruments. The agreements were valued at $11 million, and saw the bank passing the due diligence tests by both parties before being selected to manage these investments. This is a noteworthy testimony of the bank's commitment to international best practices by recognized international organizations.

Participatory Audit from a Gender Perspective Performed by UN Women Affirms TNB's Dedication to its Strategy that Reinforces the Role of Women in the Palestinian Economy

Using the ILO criteria, UN Women undertook a participatory audit from a gender equality perspective. The results of the audit affirmed the bank's commitment and dedication to its strategy that reinforces the role of women in the Palestinian economy. The results also highlighted the bank's adoption of a number of initiatives that reinforce gender equality in its banking products and programs, and recognized its corporate social responsibility and internal work environment. A detailed copy of the report is available on TNB's website www.tnb.ps.

Financial Inclusion for Women 2018

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 constituting 34% of its total clients, while women-held savings accounts at TNB were 55% exceeding males' savers. Whereas the ratio of female savers in Palestine recorded 6.4% only.

In terms of loans, the results of the study showed a ratio of 25% of female MSME loans as of year-end 2018,mounting by 4% from last year.

TNB's Strategic Plan(2018-2020

TNB's strategic plan for the years 2018-2020 is committed to achieving ambitious objectives that will advance the bank's services and maintain its leading position in Palestine is banking sector in a responsible and profitable manner.

TNB's strategic plan objectives include the following:

- Improve the efficiency of resources in order to realize higher returns on investments for shareholders.
- Upgrade the quality of services provided and offer competitive and responsible banking products that fulfill the needs of clients.
- Provide innovative and modern electronic banking services and deliver advanced electronic banking experiences.
- Generate rewarding profits that match shareholder expectations and increase the bank's competitive rank to secure the leading position in the Palestinian banking sector.
- Develop the human capital of the bank and build their capacities to enable them to provide ideal customer services.
- Move forward with the digital transformation strategy by supporting the bank's e-portals in order to cater to the needs of the younger generation.
- Prepare to expand outside of Palestine.
- Follow an effective and sustainable corporate social responsibility program that focuses on supporting the national economy and social and environmental sectors.

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

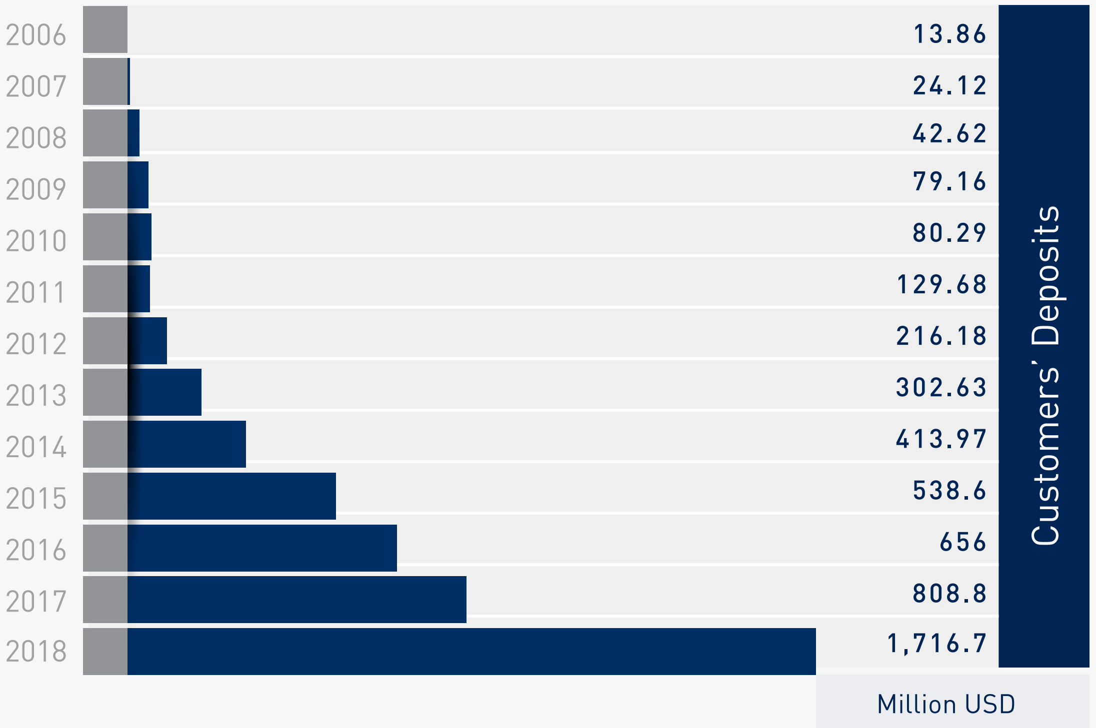
- Invest in digital technology.
- Increase reliance on digital channels in order to provide access to services in under-served locations.
- Develop responsible banking services based on actual financial needs of the targeted economic sectors.
- Focus on the SME sector and increase financing for this segment.
- Focus on developing new and unique services for individuals.
- Continue to provide excellent service to clients.
- Develop the human capital and build their capacities in order to enable them to provide ideal customer service.

Operations Results 2018

The year 2018 represented a quantum leap for TNB in its operations after it led a consortium in acquiring a controlling share in the Palestinian Islamic Bank, consolidating the financial statements of the two banks in accordance with international accounting standards. This reflected positively on TNB's growth indicators in the consolidated financial statements in all items of the financial position and income statement.

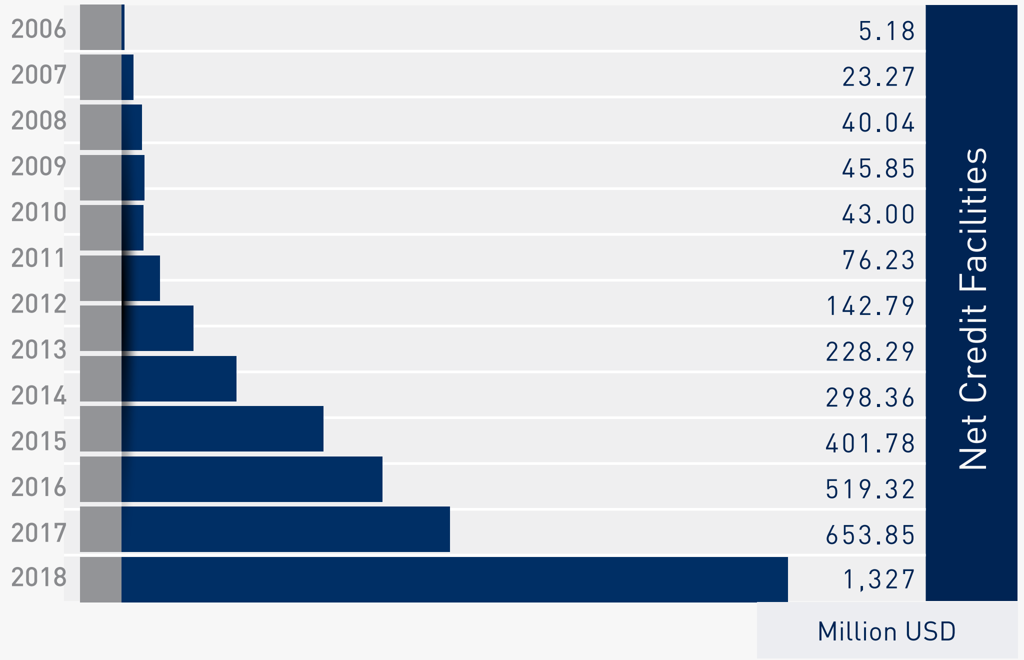
TNB's positive 2018 growth indicators showed a continued advancement through outstanding financial results and noticeable progress in performance, growth rates, levels of operation and profitability, which are a direct reflection of the success of the bank's 2013-2017 strategic plan.

Client deposits at the end of 2018 exceeded $1.5 billion, reaching $1.721 billion, with a growth rate of 113% over last year's $808.8 million. Thus, TNB assumed the top position among Palestinian banks in terms of growth in its client deposits. These results are a clear indicator of increasing client confidence as well as growth in the bank's client base as a result of outstanding banking services and the development of well-studied and specialized products that divide the market into sectors and allocate the needs of each separately.

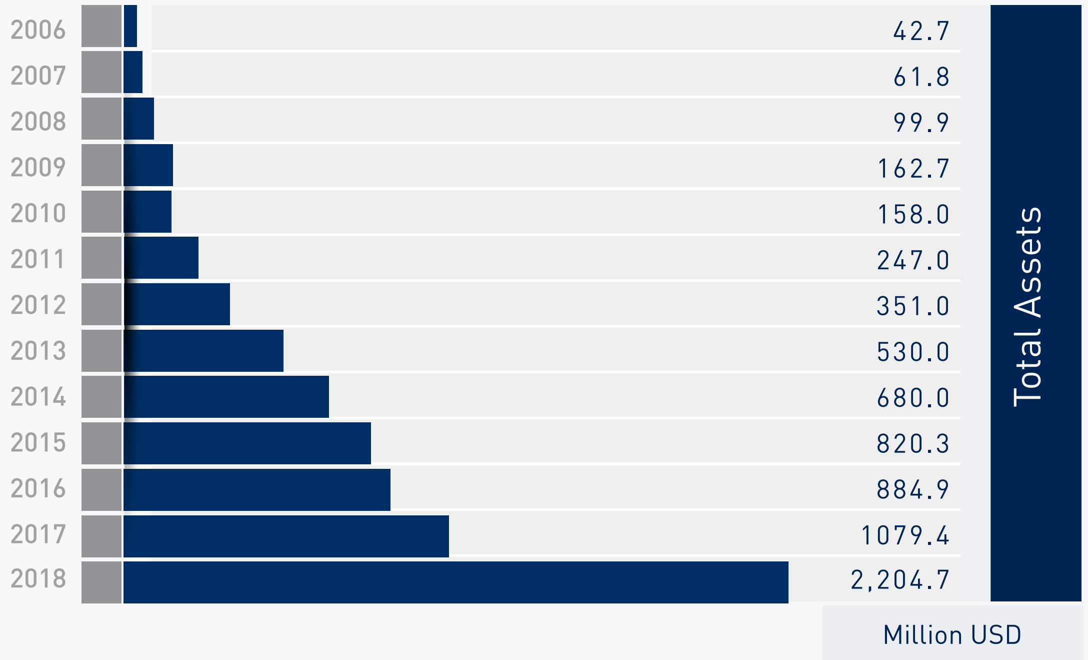


Competitive Position

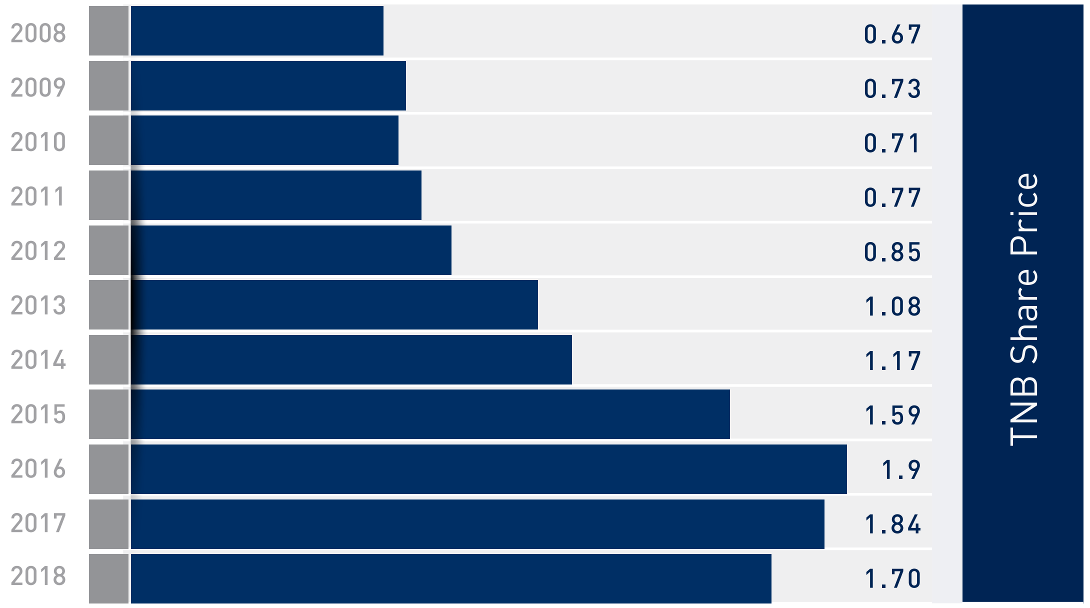
As of December 31, 2018, the direct credit facilities portfolio grew by 103%, reaching $1.33 billion, compared to $653.85 million at the end of 2017. This is attributed to the bank's ability to attract new clients through the high quality of services provided as well as its expansion policy that targets underserved areas. This led to a growth in the bank's client base that was coupled with a prudent policy in managing a diversified credit facility portfolio and the distribution of risk related to lending by financing various economic sectors. In turn, the increase in lending activity reflected on the bank's operating income with the bank's net interest, commissions, and currency exchange profits reaching $81.52 million at the end of 2018, an increase of 123.08% over 2017.



The year also witnessed an increase in the bank's assets, which reached $2.205 billion, an increase of 104% compared to $1.079 billion at the end of 2017. TNB's net profits in 2018 grew to $19.29 million compared to $9.2 million in 2017, a growth rate of 109.19%.



TNB's market value at the end of 2018 reached approximately $127 million with the price per share reaching $1.70 on December 31, 2018, compared to $1.84 at the end of 2017. TNB's price per share achieved the highest price historically during 2018, reaching $2.



TNB's Financial Position Analysis

	2018	2017	2016	2015
ROA	0.87%	0.85%	0.84%	0.66%
ROE	10.25%	9.43%	8.00%	6.06%
Facilities/Deposits	77.33%	80.84%	79.2%	74.6%
Capital Adequacy Ratio	13.59%	15.95%	14.36%	17.51%
EPS	12.57%	12.27%	9.87%	7.26%
P/E	13.52%	12.27%	9.87%	7.26%
Book Value	1.24	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
  - Qudwati (Teachers' program)
- **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
- **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
- **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
- **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**
  - Digital Service Center
  - 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

The Digital Service Center

In line with The National Bank's vision of providing advanced digital banking services and improving client experiences when using these offerings, in 2018, the bank launched the Digital Service Center, considered the first of its kind in Palestine and the Middle East.

Through this center, clients can communicate directly with TNB staff from wherever they are, and at any time, without the need to visit the bank's branches. The center's staff members are dedicated to answering questions and enquiries, without reliance on traditional chat robots, through social media platforms such as Facebook Messenger, WhatsApp, email, or the bank's website.

By communicating with TNB's Digital Service Center directly, TNB's staff:

1. Answer all enquiries related to accounts, cards, and other banking services.
2. Enquire about the conditions to be fulfilled in order to benefit from banking services such as loans.
3. Help solve any problems regarding any of the bank's services such as the suspension of stolen cards.
4. Provide the necessary directions to activate services or the mechanisms that allow clients to benefit from them.
5. Receive suggestions or complaints regarding TNB's services in addition to communicating with the bank's direct sales team.
6. Answer any questions related to joining the bank's family without the need to visit bank branches.

Our clients can communicate with the digital service center directly every day from 8am to 11pm through:

tnb.ps | /TNBPalestine | +970 598 555 555 | digitalsupport@tnb.ps | 1800 111 000

Campaigns and Products

TNB Savings Account

The campaign aims at encouraging individuals to save by offering a monthly reward, ultimately reinforcing the savings culture.

TNB SAVING ACCOUNTS

TNB's Saving Account Features

- TNB's savings account is open to all age groups.
- TNB's savings account can be opened for a child sponsored by a parent or a guardian.
- The savings account is not subject to any commissions.
- The savings account is not subject to any interest.
- The account may be opened without the need for a current account.
- There is no minimum limit for opening a TNB savings account.
- There are a number of e-services affiliated with the saving account that may be utilized, including an ATM card, Internet banking and the messaging service.
- Manage your account and make any inquiries through the digital client services center.
- Transfer funds between the national savings account and your current account at TNB.

Saving accounts winners

Rewards Program

TNB offers the innovative TNB Rewards application for clients who use the TNB's Silver, Gold, and Platinum credit cards. The application allows card users to accumulate reward points every time a credit card is used whether for making purchases at sales points or through Internet shopping transactions, in addition to exchanging points for through various electronic channels at any point in time anywhere around the world.

Exchanging points includes:

- Payment using points, allowing you to use points acquired to settle transaction values at local and international points of sale and ATM machines, in addition to Internet shopping.
- Issuing prepaid cards and charging them using points.
- Adding beneficiaries or transferring points among National Bank clients.
- Exchanging points in the card account with cash.
- For more than one TNB credit card, points can be consolidated on each card at the client's discretion.

The Visa Signature Card

The TNB Visa Signature card offers a number of benefits perfect for your lifestyle, enriching your travel experience regardless of your destination around the world!

- The Visa Signature card is the ideal partner for your travels and offers benefits and rewards that are exclusive for cardholders, as well as giving its holder VIP status in locations where the card is used. Enjoy benefits that include travel insurance, in addition to purchase protection, medical and legal transfers in case of emergency, and international services to help clients. A 24/7 service is also provided to ensure your comfort while traveling and using the card.

Platinum Service

The National Bank aims to provide world-class services and banking solutions to its customers. In line with this policy, the Bank has established the Platinum department especially for its elite customers, so that they receive the highest levels of attention through exceptional services.

TNB Master Card

Silver & Gold

- -A cap limit that suits your needs;
- -Flexible payment terms, from 2% to 100% of the
- drawn balance;
- -Free card issue with flexible guarantees;
- -Microchip-embedded cards for advanced security;
- -Competitive interest rates; and
- -The option to request supplementary cards for immediate relatives that contribute to the overall cap limit, or have separate limits per card.

There's no need to carry your cash around! The National Bank MasterCard offers you a secure worldwide shopping experience. Its features include:

Debit Card

The National Bank's debit card is an automated tool that works around the clock and throughout the world. It offers customers a wide range of services designed to fulfill all their financial needs. Debit cards may be used at any of the numerous MasterCard automated teller machines (ATMs) and points of sale (POS) available internationally. The benefits of a debit card include:

Enjoy using the National Switch 194 ATM network without any extra charge!

Hayati Comprehensive Program

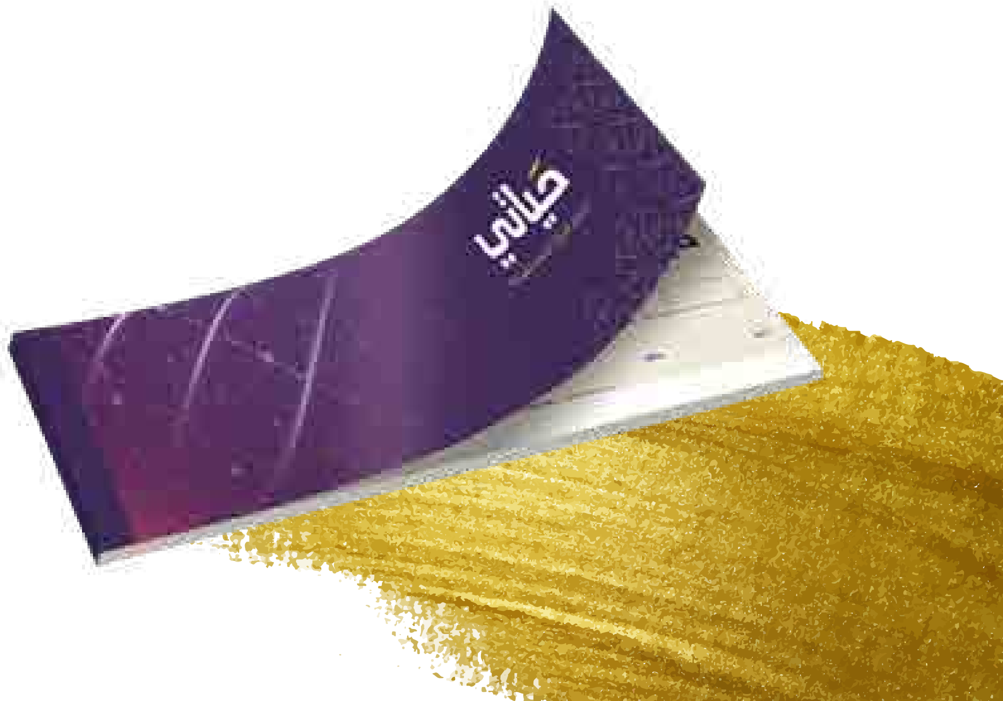
The First Integrated Banking Program for Palestinian Women

حَياتي برنامج المرأة الفلسطينية

Hayati is the first comprehensive program designed specifically for Palestinian women. The first of its kind in the Palestinian-banking sector, Hayati was intended to help women achieve economic empowerment. It provides comprehensive financial services that empower women economically, including a complete range of accounts and facilities as well as specially created credit cards. Hayati caters to Palestinian women from a variety of different sectors, including working women, entrepreneurs and women seeking to achieve financial security for their children and family.

The program also offers, through its website, free business tools for women-led businesses, helping them take the right financial decisions while monitoring the fiscal position of their projects.

Best Female Empowerment Bank in Middle East



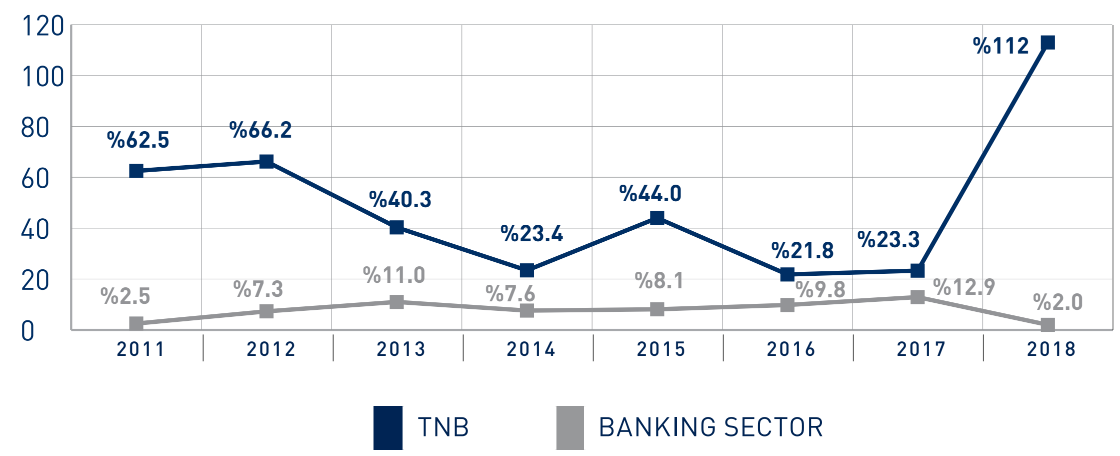
Competitive Position

TNB's outstanding financial results were accomplished as a result of the application of its ambitious strategic plan that enabled it to transform its competitive classification and assume a leading position among Palestinian banks. TNB made remarkable progress in increasing its market share in terms of deposits and facilities. It also occupied the top position among Palestinian banks in terms of the growth of client deposits, amounting to 113%, compared to a growth rate of approximately 15.57% in other Palestinian banks. TNB's share of total client deposits in Palestinian banks reached 20.3% at the end of 2018.

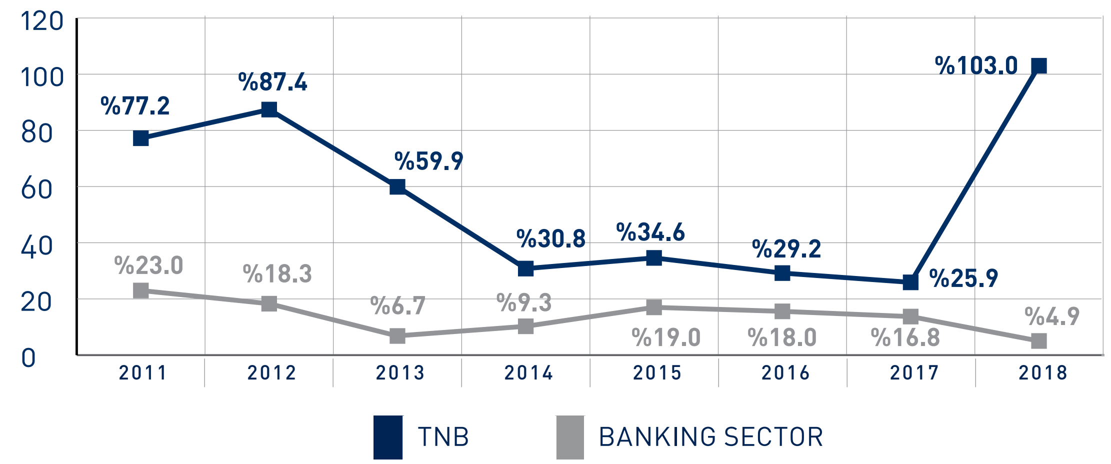
TNB currently operates through 26 branches and offices in Ramallah, Nablus, Hebron, Jenin, Arraba, Dura, Bethlehem, Aqraba, Hizma, Al-Ram, Sinjil, and Tulkarm, and will be opening two new branches in 2019.

Growth percentage compared to the deposit growth

Deposits Growth in Customer



Credit Facilities Growth



Major Shareholders

The 15 major shareholders as of December 31, 2018 are:

Name	Number of Shares	Percentage (%)
Enterprise Investment Company	13,903,690.00	18.54%
SIRAJ PALESTINE FUND I .LTD	12,599,999.00	16.80%
PalTel	12,553,318.00	16.74%
Bank al Etihad	7,500,000.00	10.00%
Birzeit Pharmaceuticals Company	3,747,576.00	5.00%
Manal Adel Rifaat Zureiq	2,659,109.00	3.55%
Orchid Investment Co	2,583,091.00	3.44%
Omar Munib Rasheed Masri	2,400,000.00	3.20%
Al Rowad Group for Development and Investments	2,251,113.00	3.00%
Siraj Palestine Fund I Holding	1,626,200.00	2.17%
Samir Hilal Mohamed Zureiq	1,197,241.00	1.60%
Massar International Investment	1,134,319.00	1.51%
Al Sanabel for Trade and Investment	750,000.00	1.00%
Siraj Fund Management Company	476,994.00	0.64%
Employees Savings Fund of Bank al Etihad	400,000.00	0.53%
Total	65,782,650.00	87.18%

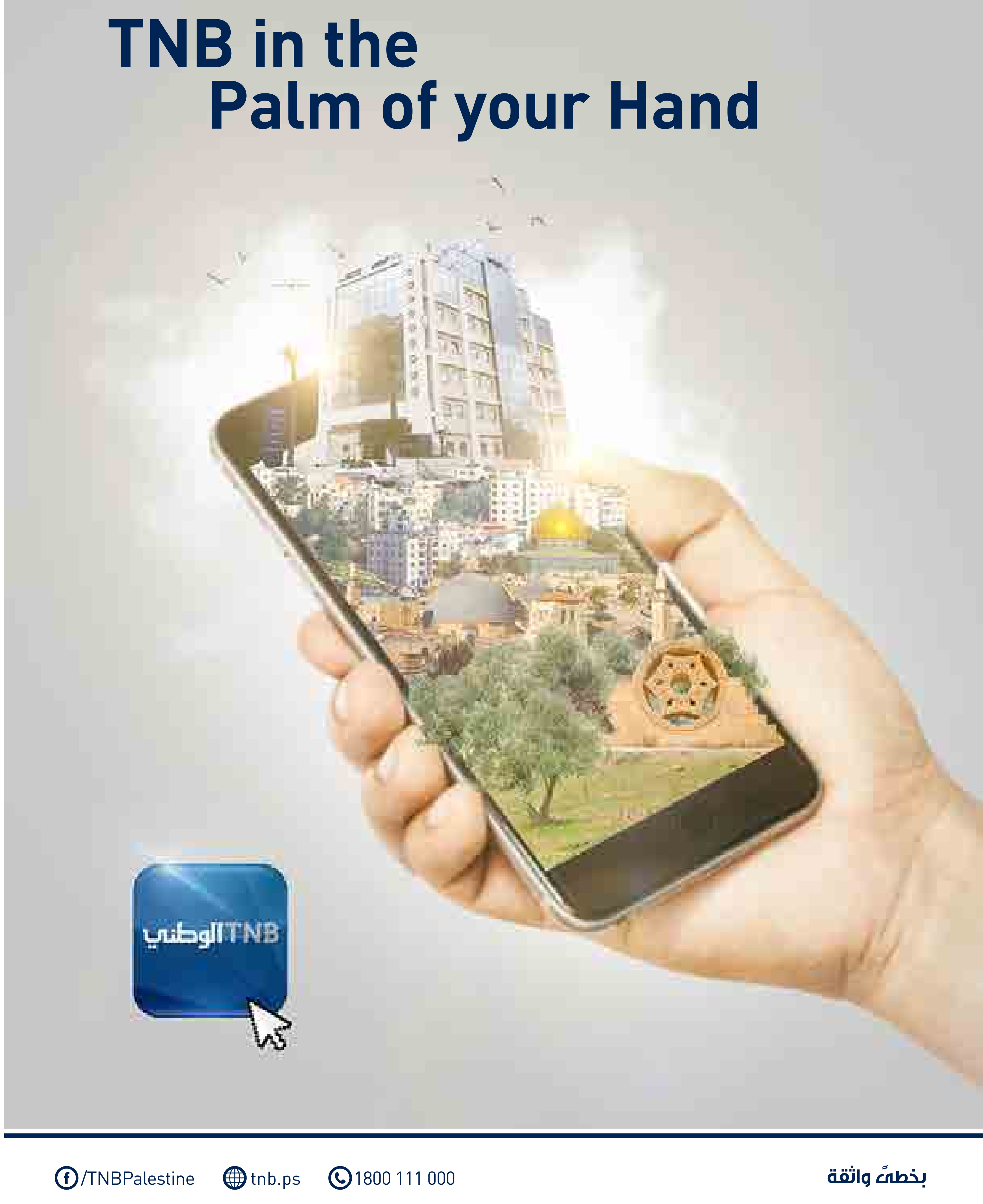
The board was restructured in 2017 to include two independent members and a representative of the minority shareholders in compliance with the best practices in corporate governance and the regulations of the Palestinian Monetary Authority No. 10 of 2017, and in application of the corporate governance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

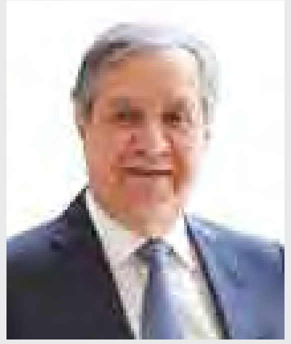
The Member Representing Minority Shareholders: A member of the board of directors representing minority shareholders whose shares do not exceed one in a thousand of the bank's shares.

During 2018, 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 of Directors 31-12-2018

Board of Directors



Talal Nasereddin

Chairman

Mr. Nasereddin is the Chairman of The National Bank (TNB), the Vice Chairman of Palestine Islamic Bank (PIB) and a leader in the Palestinian private sector. He chairs several companies, including Al-Takaful Insurance Company, Abraj Investment & Development Company, Petropal Mineral Oil Company and Lotus Financial Investments Company.

Furthermore, Mr. Nasereddin is the chairman and chief executive officer (CEO) of Birzeit Pharmaceutical Company (BPC), the company in which he started his career in 1974. He worked first as a quality control manager at BPC before being appointed its chairman and CEO a decade later. In 1993, Mr. Nasereddin merged BPC with the Palestine Medical Company, making it one of Palestine´s largest private enterprises and the largest pharmaceutical company in Palestine with a market share of over 20%.

As a committed champion of Palestine´s private sector development, in 1996 Mr. Nasereddin helped found the Union of Palestinian Pharmaceutical Manufacturers (UPPM) and the Palestinian Businessmen Association the year thereafter. In 1997, he founded the Palestine Trade Center (Paltrade) and in 1998 the Palestinian Federation of Industries (PFI). Mr. Nasereddin chaired the UPPM until 2008 and the PFI until 2003 and was a board member of the Palestine Investment Fund (PIF) until 2006. He was also a board member of the Palestine Monetary Authority and is a current board member of the Palestinian Telecommunications Company (PalTel), Palestinian American Chamber of Commerce (PACC) and the International Chamber of Commerce (ICC).

Mr. Nasereddin was born in Jerusalem in 1949 and obtained a Master of Industrial Chemistry at the American University of Beirut in 1974.

Omar M. 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.

Board of Directors

Abdallah Sabat

Member

Abdallah E. Sabat is the Managing Partner of Siraj Fund Management Company (SFMC). Mr. Sabat led the financial and legal aspects of the establishment of the first private equity fund in Palestine with USD $90M in committed capital, Siraj Palestine Fund I. and was awarded "Best Asset Manager in Palestine" for the year 2013, as a recognition of the success of the first Fund. Mr. Sabat leads a team of 15 professionals, and currently has USD $500M of assets under management deployed in over 20 companies and diversified sectors including; financial, agriculture, real estate, services, and IT. Mr. Sabat is currently fundraising for his second fund with expect committed capital of $100M.

Mr. Sabat brings over 16 years of experience in accounting, auditing, investments, private equities, deal structuring, financial analysis and monitoring, in addition to investor relations. Mr. Sabat serves on a number of Board of Directors for private and public companies; Vice Chair the Board of Palestine Exchange and Chairs the Board of Directors of the leading leasing company in Palestine. Prior to joining SFMC, he was an Audit Manager at Ernst and Young where he was the manager-in-charge of several public listed corporations, investment funds and private companies, including; Palestine Development and Investment Limited (PADICO), Palestine Investment Fund (PIF) and The Housing Bank for Trade & Finance.

Mr. Sabat holdsan MBA with distinction in Finance & Accounting from the University of Liverpool, United Kingdom and a B.A. in Accounting witha minor in Business Administration from Birzeit University, Palestine. He is also a Certified Public Accountant (CPA) in the State of New Mexico, USA and a Certified Internal Auditor (CIA) by the Institute of Internal Auditors (IIA). Mr. Sabat is also a member of the American Institute of Certified Public Accountants (AICPA) and the Institute of Internal Auditors.

Salameh Khalil

Member

Mr. Khalil is a board member of The National Bank and chief financial officer of the Palestinian Telecommunication Group (PalTel). Mr. Khalil joined PalTel in 2013 to lead the Group´s financial and administrative affairs.

Prior to joining PalTel, Mr. Khalil was the financial vice president of Bloom Holdings in the United Arab Emirates. 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.

Before working at Bloom Holdings, Mr. Khalil worked at Ernst and Young in Ramallah as the audit manager. Here, he managed the audits of leading institutions including the European Commission, World Bank, USAID and many other local companies.

Mr. Khalil has also managed international projects for the Palestinian Ministry of Finance; consulted on audit and internal control, budgeting, risk management and institutional capacity building; and delivered theoretical and practical training courses on auditing and internal control.

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 M. Masri

Member

Ms. Masri is a board member of The National Bank and vice chairperson of the board of the National Beverage Company/Coca-Cola. She is also the chairperson of the board for the Premium Brands Company, an executive board member of the Palestine Investment Fund and board member of the Palestine Mineral Lube Company.

In 2005, Ms. Masri founded and became a board member of the Manara Investment Group. Prior to this, she relocated from New York to Palestine to help establish several businesses in the beverages, construction, Fast Moving Consumer Goods (FMCG) and vehicle trading sectors. In New York, Ms. Masri worked at the Manufacturers Hanover Bank for three years.

Ms. Masri obtained a Master of Science in Environmental Studies and a Master of Business Administration from George Washington University. She is actively involved in philanthropic activities and supports numerous charities and cultural initiatives as the director of the Munib R. Masri Development Foundation.

Board of Directors

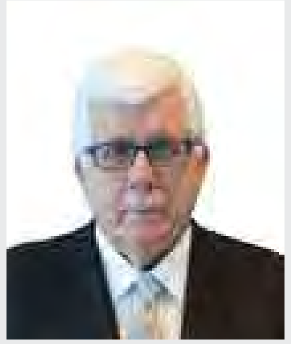
Maen Melhem
Member

Mr. Melhem is a member of the board of The National Bank as well as the general manager of the Palestinian Telecommunication Group (PalTel). His primary objective at PalTel is to improve the group's overall performance by enhancing customer experience, investing in high speed telecommunication technologies, bringing fiber optics to the home in several cities and delivering enriched TV content and Internet-based entertainment services to customers. In addition, Mr. Melhem has launched Palestine's firstoperational support systems transformation project, which will assure the quality of PalTel'sdata services and boost customer confidence and satisfaction.

Prior to joining PalTel in 2014, Mr. Melhem worked as the general manager of Palestine's leading mobile operator, the Palestine Cellular Communication Company Ltd. - Jawwal. During hisfour 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 ofthetelecommunication 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 and c-class positions including sales director and marketing director.

Mr. Melhem is currently a member of the executive committee of the PalTel Group. He is also a board member of the PalTel Group Federation and the Golden Wheat Mills. As a sports fan, Mr. Melhem has also headed the Federation of Sports for All since 2013.

Mr. Melhem holds a Master's in Business Administration from Birzeit University and a Bachelor of Accounting and Finance from Hebron University, Palestine.



Isam Salfiti
Member

Mr. Salfiti, an authority on the Jordanian economy and the banking sector in particular, is a board member of The National Bank on behalf of Bank al Etihad. Mr. Salfiti is the chairman of Bank al Etihad, and also serves as the chairman of the Union Financial Brokerage Company, the Union Land Development Corporation and Jordan Hotels and Tourism Company. He is the vice chairman of the Union Integrated Tourism Company and serves as a member of the board of Zara Investment Co., Union Tobacco & Cigarettes Co., the King Hussein Foundation, Amman Baccalaureate School, Jordanian Businessmen Association, Swiss Jordanian Business Club and the Jordanian British Association.

In addition, Mr. Salfiti serves on the Board of Trustees for the Red Sea Institute of Cinematic Arts, the University of Jordan, the Jordan Career Education Foundation, Jubilee School and Columbia University Middle East/Research Center – Amman. He is also a former board member of the Council of Higher Education – Ministry of Education and Scientific Research.

Prior to joining Bank al Etihad in 1997, Mr. Salfiti was the general manager of the Union Bank for Savings and Investment for nine years. The Union Bank was formed out of the Arab Finance Corporation, a business which Mr. Salfiti worked at as the deputy general manager from 1986 to 1989. The Arab Finance Corporation evolved from Mr. Salfiti's family business Salfiti & Sons Exchange Company where he was the general manager from 1975 to 1987.

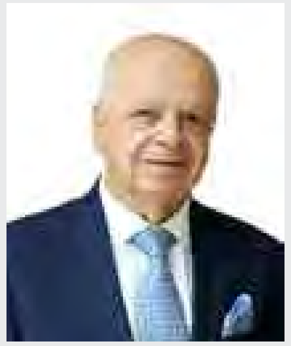
Mr. Salfiti was born in Jaffa in 1944. He obtained a Bachelor of Arts, majoring in Economics from the American University of Beirut in 1967.

Board of Directors

Nimer 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.

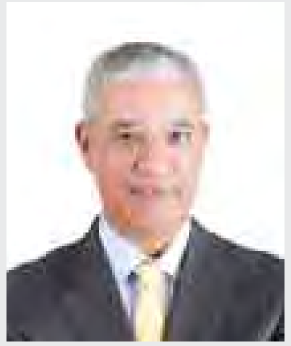


Aziz Abdul Jawad

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. 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's experience expands from 1967, when he 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 Casulties Compensation Fund. In 2008, he became the chairman of the Board of Directors of the Palestinian Road Accident Victims Compensation Fund. Mr. Abdul Jawad obtained his Bachelor's degree in Accounting from the University of Cairo.



Kamal Abu Khadijeh

Minority shareholders Representative

Mr. Abu Khadijeh is a board member of The National Bank on behalf of the Palestinian Telecommunication Group (PalTel). He was the deputy chief executive officer and chief financial officer (CFO) of PalTel from 2007 until 2012. Prior to this Mr. Abu Khadijeh worked as the CFO of the National Beverage Company/ Coca-Cola Beverage Company in Palestine.

Previously, Mr. Abu Khadijeh worked at the Arab Palestinian Investment Company, where he was appointed as financial manager for two companies: the Medical Supplies and Services (representing multinational healthcare companies, such as Eli Lilly, Abbot, and Nivea); and the Unipal General Trading Company (representing Philip Morris, Procter & Gamble and other multinationals).

Mr. Abu Khadijeh holds a Master of Business Administration from the Kellogg School of Management, Northwestern University, and a Bachelor of Accounting from Birzeit University.

Prof. Grace Khoury

Independent Member

Dr. Grace Khoury is the former 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. She has over twenty seven years of experience as a university professor, administrator, students' 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 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.

Chairman's Duties Board Meetings

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 2018 detailed below:

Member	Position	Attendance (times)	Attendance ratio
Talal Nasereddin	Chairman	6	%100
Omar Al Masri	Vice Chairman	5	%83
*Samir Zraiq	Member	2	%33
Dina Al Masri	Member	6	%100
Salameh Khalil	Member	6	%100
Kamal Abu Khadija	Minority shareholders representative	6	%100
Maen Melhem	Member	5	%83
Nimr Abdelwahed	Member	6	%100
Isam Salfiti	Member	4	%67
*Abdallah Sabat	Member	4	%67
Grace Khoury	Independent member	4	%67
Aziz Abdul Jawad	Independent member	6	%100

*** Abdullah Sabat replaced Samir Zraiq in TNB's board of directors representing Massar International Investment Company in year beginning 2018.**

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 USD20,000 for the board members membership distributed by the number of meetings except for the chairman, who receives USD30,000 for all meetings.
- An amount of USD625 per session for each of the board committees, with a maximum ofUSD7, 500 per member for all committees, except for the Credit Committee with a maximum of USD 10,000.

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 2018, there were no cases of refraining from voting due to conflicts of interest, and no contractors transactions involving conflict of interest were carried forward under the Corporations Law and the Banking Laws.

Statements of 2018

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 2018 were made by a unanimous vote by the board.

Board's Committees

Credit Committee

- Mr. Talal Nasereddin - Chairman
- Mr. Abdallah Sabat - member
- Mrs. Dina Al Masri - member
- Mr. Kamal Abu Khadija – Member

Investment Committee

- Mr. Omar Masri - Chairman
- Mr. Talal Nasereddin - member
- Mr. Salameh Khalil - member
- Mr. Abdallah Sabat - member
- Mr. Isam Salfiti – member

Audit and Risk Committee

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

Risk and Governance Committee

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

Nominations, Remunerations and Governance Committee

- Dr. Grace Khoury - Chairwoman
- Mr. Talal Nasereddin - member
- Mr. Abdallah Sabat - member
- Mr. Samir Zraiq - member
- Mr. Aziz Abdul Jawad – member

Digitization Committee

- Mr. Omar Masri- Chairman
- Mr. Maen Melhem- Member
- Mr. Isam Salfiti- Member

Board Committees

1) Credit 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 Audit and 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 Credit Committee 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 Palestine 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 centers in accordance with the Audit and Risk Committee's decisions and recommendations.
4. Approving investments including investments in all types of securities in accordance with the applicable
5. 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.
6. 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

Digitization Committee

The Digitization Committee is composed of three members and reviews the bank›s digitization strategy on an annual basis, overseeing its implementation by executive management. The committee examines all issues that could identify strategic approaches and the bank›s technological aspects for positioning the bank alongside technologically advanced international banks within the best practices and technologies used to achieve this goal.

Regulatory Committees

1. Nomination, Remuneration and Governance Committee

The Nomination, Remuneration and Governance Committee at TNB is composed of five members, which are nominating from members of the Board of Directors, and it sets the policies for the bonuses of administrative and executive board members, evaluates the board and executive managers, sets plans for job replacement, and specifies remunerations for Board of Directors members including salaries, bonuses, and others. This committee also undertakes any responsibilities related to the members of the Board of Directors in terms of continued training, access to information, technical support, in addition to overseeing the implementation of the governance policy framework in accordance with the governance manual and the instructions issued by the Palestine Monetary Authority and the following tasks:

- Provide information and summaries on the background of important topics about the bank to board members when requested to do so, and ensure that they are continuously aware of the most recent issues related to banking. To achieve this, TNB encourages its board members to attend seminars and events that afford them the opportunity to meet local and international institutions and companies.
- Recommend awards and bonuses (including the monthly salary and other benefits) for the general manager and review the remunerations (including salaries) granted to executive management members.
- Provide recommendations to the board regarding the level, components, and remunerations for the chairman and members of the board.
- Ensure that the bank›s bonus policy guarantees that bonuses and salaries offered by the bank are sufficient to attract qualified people and to retain them in accordance with bonuses and salaries offered by similar banks in the marketplace.
- Ensure that the bonuses and incentive policies are compatible with the instructions of the Palestinian Monetary Authority and TNB›s internal bylaws, in addition to performing a periodic evaluation of the policy to ensure that its objectives are achieved.
- Prepare the standards to be approved by the board of the conditions and qualifications that should be present in board members or any of the committees formed by it.
- Present recommendations to the board regarding changes it deems necessary for the number of board members or any of the board›s committees.
- Set the appropriate plans to ensure replacing board members and main officials in cases of emergency.
- Oversee the human resources policy in general.
- Oversee the implementation of the governance policy by working with the administration and the audit committees.
- Provide the board with reports and recommendations based on results attained during the implementation of its tasks including evaluating the extent to which the bank is committed to the bank governance manual and proposals to amend the manual in order to be compatible with best practices.
- Evaluate the performance of the Board of Directors on a continuous basis.

Periodicity of the committee's meetings: Two meetings per year

2. Audit and Risk Committee

The Audit and Risk Committee is composed of three members from TNB's Board of Directors. All committee members must have the academic qualifications and practical experience in the fields of accounting and financial management. The committee also undertakes the tasks and duties stipulated in the laws, legislations, and instructions of control authorities in addition to the best practices and directions of the Basel Committee. The committee undertakes the following tasks:

- Provide recommendations on nominating an external auditor and specifying his fees. It evaluates the external auditor's independence and objectivity and reviews his plan to ensure that it includes all the bank's activities.
- Review the bank's interim and annual financial statements and discusses them with management and the external auditor in addition to the provisions and estimates related to them.
- Directly supervise the Internal Audit Department to ensure integrity and objectivity in the work of the internal auditing process in terms of the ability to perform internal auditing and implementing tasks independently and without bias. This is done through:
    1. Provide recommendations regarding the selection, appointment, and termination of the internal auditing director's services and the budget allocated for auditing, as well as specifying the department staff's salaries, bonuses, and annual increases.
    2. Review and approving the annual audit plan and the audit charter.
    3. Setting a clear mechanism for holding the director and staff of the Internal Audit Department accountable.
    4. Observe the extent to which management is responsive to the committee's recommendations and the results at which it arrives.
    5. Review reports prepared by the Internal Audit Department and monitoring the process of rectifying violations.
- Oversee the bank's commitment to legal and organizational requirements.
- Coordinate with the Risk Management Committee to affirm the bank's financial position and performance.
- Review notes stated in the Palestinian Monetary Authority's reports and monitor the measures taken to ensure that they are implemented, and submit recommendations regarding them to the Board of Directors.
- Review the reports prepared by the Compliance Controller at the bank and follow up on his commitment to the work procedures manual, and the extent to which the report includes all work aspects in accordance with the relevant requirements of the Palestine Monetary Authority with the purpose of achieving the highest levels of compliance with the laws, instructions, regulations, and proper banking practices.
- Implement a system that permits staff members to confidentially report their concerns regarding potential violations in a manner that makes it possible to verify these violations independently and to follow up on them without being punished by their superiors or mistreated by their colleagues. The Audit Committee investigates and verifies the remarks it receives through the mechanism approved by the board.
- The committee submits regular reports on its work to the Board of Directors.

Tasks of the Risk Committee include:

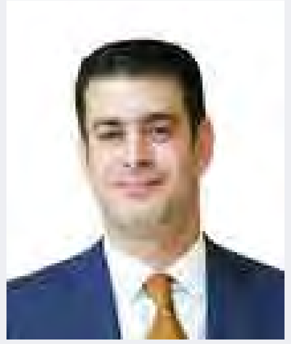
Identifying and realizing all types of different risks the bank may be exposed to including credit risks and market risks, interest rates, exchange rates, commodity prices, liquidity risks, operating risks, non-compliance risks, country risks, reputation risks, and any other risks. The committee also oversees the framework of the bank's governance.

The committee practices the following tasks:

- Ensure the presence of an appropriate environment for managing risk at the bank. This should include studying the suitability of the bank's organizational structure and the availability of qualified staff that operates independently to manage basic risk facing the bank according to a clear system for risk management, and that this system provides the minimum levels of the following:
    1. Availability of suitable monitoring of risk by the board and top management.
    2. Identify, measure, and control all risk affiliated with banking activities.
    3. Find suitable means to reduce the levels of risk and the potential losses resulting thereof.
    4. Maintain the necessary capital for confronting risk.
- Review the bank's risk management policies and strategies before submitting them for approval by the board. The bank's executive management is responsible for developing these strategies in addition to developing management policies and procedures for different types of risk.
- The Risk Department's structure and the process of developing it by the bank's executive management is decided and reviewed by the Risk Management Committee and approved by the board.
- Observe and accompany the rapid developments and increasing complexities that may affect risk management inside the bank and submit periodic reports to the board about those developments.

Periodicity of the committee's meetings: Bimonthly

Executive Management as of December 31, 2018



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

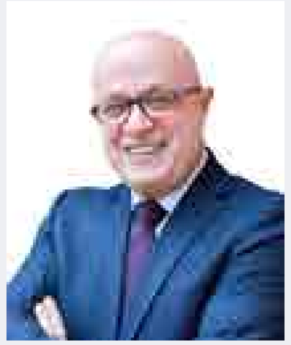
Mr. Baha Muslih is the assistant general manager for credit facilities at The National Bank. Before assuming his current position, he was the investment finance manager at the Arab Islamic Bank for five years, after which he moved to the Egyptian Arab Land Bank as the credit executive manager. He joined 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.

Executive Management as of December 31, 2018

Mr. Luay Hawash

Assistant General Manager for Retail Group

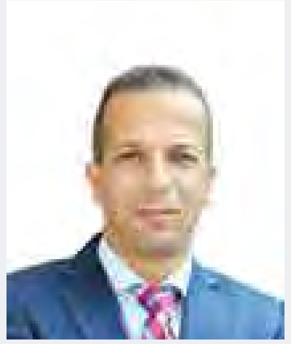
Mr. Luay Hawash is the assistant general manager for the Retail Group at The National Bank. He was previously the branch manager for the central and southern districts at the Arab Bank for eight years. During his tenure at the Arab Bank, which spanned from 1998 to 2016, he occupied a number of positions, 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, becominginspectors 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. Rateb Bassem Muheisen

Legal Consultant

Regulatory Committees

Risk Management Policy

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 rations 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 grated 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.
- o 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 kept at all times with minimum limits. Liquidity position and rations 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 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 playersby 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 workedon 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.

Training and Rehabilitation Policy

The process of building and developing the capacities of the bank's staff is based on the singular importance the bank presents to upgrade its services and methods of delivering them to clients. In order to develop the capacities of the human cadre for the purpose of maintaining a high level of efficiency in providing these services, the bank adopts a continuous development policy for its staff in order to increase the level of satisfaction of its customers and the beneficiaries of its services.

The bank has developed a training plan for its staff based on individual needs, which aims to build and develop their knowledge and technical skills in order to reinforce their response to the interests and needs of clients. This ensures that the return on investment of these services is maximized. The training plan reflects the bank's strategy, vision, and mission, as well as the needs of different functional levels in a manner that connects training activities with practical returns in terms of the nature of the service and mechanisms of delivering it and not as an absolute activity.

In the same context, when creating the plan, the Human Capital Department considered the human cadre as an image of investment that is reflected in the minds of clients, and that the continued development of its capacities contributes in an unlimited manner to increasing client satisfaction, therefore reinforcing returns on investment. The training plan, as one of the foundations of the human cadre and its first incentive in development, was connected to competencies and building on them.

In 2018, through the Human Capital Department, the bank implemented 89 training activities distributed over different functional tracks, including 49 that targeted staff at the bank's headquarters, and 40 training activities that targeted branch staff. Six hundred and thirty staff members participated in these activities, including 170 from the head office and 460 from various branches.

Also in 2018, training and development were concentrated in the business sector and reinforcing the knowledge of branch staff in banking products (product knowledge) in addition to training new staff members and newly appointed staff on the bank's products and services, through 300 theoretical and practical training hours.

Training programs were held in administrative and leadership skills for branch managers and executives, providing them with skills related to increasing service quality, excellence in client service, in addition to a number of specialized training activities and programs for the control departments. Managers and staff members of these departments, including the Compliance Department, the Risk Department, and the Internal Audit Department, received professional certifications upon completion of the programs.

The IT sector received special attention in 2018, with the Banking Operations Department and the Banking System Department receiving specialized training activities delivered by external trainers or through international workshops, conferences and exhibitions, contributing to refining their knowledge and skills.

The Human Capital Department, as part of its efforts to reinforce the gender-sensitive banking services, trained a number of employees in gender equality in the workplace so that banking services can later respond to gender needs. Gender has been adopted as a training program for staff.

During 2018, a number of TNB staff members participated in a fellowship program with Al-Etihad Bank in Jordan, receiving training at various departments including empowering bank employees to examine the bank's procedures and mechanisms in order to provide them with new expertise.

The Human Capital Department maintained its contact with staff members and held periodic meetings with them to discuss career and replacement plans. Issues related to the bank's products and services were discussed and their suggestions were taken into consideration, providing them with feedback.

Administrative and behavioral skills, preparing and qualifying new employees	15 Training Courses	170 Participants
Information technology and banking operations	20 Training Courses	45 Participants
Control, internal audit, compliance and risk	12 Training Courses	20 Participants
Banking operations	42 Training Courses	395 Participants

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 31, 2018, there were 592 employees distributed among the headquarters and branches as follows:

Headquarters / Ramallah 271	Deir Jarir 8	Rafidia 24
Ramallah 21	Hebron 26	Aqraba 9
Masyoun 19	Bethlehem 19	Hizma 9
Al Ram 16	Dura 13	Platinum 9
Al Maydan 27	Jenin 21	Rawabi 10
Jerusalem 23	Nablus 27	Arraba 10
Sinjel 10	Tulkarem 20	Total 592

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 31, 2018 was as follows:

PhD 1	Master 28
Bachelor 456	Diploma 35
High school and below 72	

Bank Shares Owned by Board Members and their Relatives as of 31-12-2018

Member	Position	Number of shares owned personally	Number of shares owned by relatives
Talal Kazem Abdullah Nasereddin	Chairman	50,000	6,405,667
Omar Munib Masri	Vice Chairman	2,400,000	18,654,803
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	19,536	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		2,675,741	32,573,069

	USD	
Consolidated balance sheet items	**2018**	**2017**
Direct credit facilities	21,500,568	25,201,350
Deposits	27,709,241	27,474,268
Cash margins	6,240,951	4,409,941
Consolidated income statement items		
Credit interest and commissions	1,624,722	1,177,815
Debit interest and commissions	610,619	410,290
Off-balance sheet items		
LGs and LCs	4,913,991	5,314,277
Unutilized credit limits	8,582,434	5,371,801

Benefits and remuneration of the Executive Management (in USD)

Share of bonuses and related expenses for the executive management	1,500,160
General manager	415,108
Executive management	1,085,051
Share of end of service expenses for the executive management	121,062
General manager	33,963
Executive management	87,099
Board expenses	300,000

Auditor:

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

Auditors Fees

Auditor's fees amounted to USD 177,979 in 2018

Bank's Shares Trading Activity

Shareholders as of December 31, 2018 reached 9,177 while the transactions volume in 2018 amounted to USD 6,787,730 divided by 3,512,272 shares. The number of contracts in the same period were 711.

Lowest Price 2018	Highest Price 2018	Closing Price 2018	Closing Price 2017	Change %
USD 2.00	USD 1.62	USD 1.70	USD 1.84	% -7.61

Profit And Loss Of Shareholders Rights And Securities Prices

	2011	2012	2013	2014	2015	2016	2017
Net profit after tax	568,262	2,021,100	3,600,243	4,438,380	5,441,591	7,402,240	9,204,749
Distributed profits (cash)	%0	%0	%0	%0	%5.00	%5.00	%5.00
Distributedprofits (stock)	%0	%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	97,567,177
Securities closing price	0.77	0.90	1.17	1.29	1.59	1.90	1.84

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 2018 amounted to USD 61,403

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.

Corporate Social Responsibility

The National Bank has a singular 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 products that contribute in the growth of the Palestinian community in a sustainable effective manner.

The bank's social contributions in 2018 according to its consolidated financial statements, amounted to $711,309 divided over the following sectors:

Sector	Partners	Contribution Sum
Education	93	150,615.75
Health and Environment	17	119,437.29
Relief	19	174,345
Creativity and Youth	13	9,030.00
Women Empowerment	13	37,776.20
Development	46	184,437.61
Sports	22	20,930.00
Culture and Art	12	8,537.39
Childhood	4	2,800.00
Care for the Handicapped	5	3,400.00
Total	244	711,309

The above data according to the audited financial statements

Women Empowerment

For the fourth consecutive year, empowering Palestinian women represented an important area and a fundamental pillar of the bank's corporate social responsibility program. TNB has allocated a good part of its corporate social contributions to women's empowerment, which is directly in line with its strategy since the launch of the Hayati program that aims to financially empower women.
These contributions to empower Palestinian women included a charity event to support disadvantaged female university students and to raise awareness about the importance of the early detection of breast cancer during October's Pink campaign that focused on the Jerusalem governorate, in addition to honoring working women on the International Women's Day, as well as numerous contributions through TNB's support of women's education.

Part of a charity iftar held by TNB to support disadvantaged female students studying at Palestinian universities.

Part of the annual women bazaar held by TNB to promote handicrafts and products created by.

Awareness campaign about the importance of early breast cancer detection in the Jerusalem governorate.

TNB was honored by the Dunya Women's Oncology Center for its continued work to spread awareness about the importance of early breast cancer detection

As part of the participatory gender perspective audit, a number of workshops were held by UN Women consultant Itidal Al-Jariri for TNB staff at different levels in order to raise awareness about the role of women and gender concepts to reinforce the principle of equality.

Contributing to the Education Sector’s Development

After the launch of the Qudwati [My Role Model] program for educators, and as part of the bank’s belief in the importance of education in developing any society, TNB allocated a portion of its corporate social responsibility budget to advance the sector in cooperation with the Palestinian Ministry of Education. The bank also made several donations to schools, colleges, and universities in various areas.

Banking Literacy

In 2018, the bank continued to hold awareness meetings as part of its efforts to spread banking awareness to various sectors of Palestinian society, with a particular focus on women. The bank offered banking education through social media platforms through educational videos created throughout the year, which touched on subjects that increase knowledge and awareness, allowing people to make sounder financial and banking decisions.

The bank worked on organizing the first educational seminar of its kind in the West Bank on online trade, its importance, and how to harness it for additional income. The seminar was attended by hundreds of interested individuals.

Part of TNB Social Responsibility 2018

Sponsoring Jenin’s shopping festival 2018

Sponsoring Rhodes scholars first trip to Palestine

Branch Network

Headquarters
Ramallah, Al-Masyoun
Tel: 02 2946090,
Fax: 02 2946114
P.O. Box 700, Ramallah, Palestine

Platinum Branch
Jaffa St., Ramallah
P.O. Box 700,
Tel: 02 2947350
Fax: 02 2986417

Al Masyoun Branch
Mahmoud Darwish Square, The National Bank HQ,
P.O. Box 700
Tel: 02 2977731
Fax: 02 2977730

Ramallah Branch
Al Irsal St., Al Masa Building
P.O. Box 700,
Tel: 02 2978700
Fax: 02 2978701

Deir Jarir Branch
Main St.
P.O. Box 700,
Tel: 02 2899781
Fax: 02 2899786

Al Maydan Branch
Yaser Arafat Square, Ramallah
P.O. Box 700,
Tel: 02 2983311
Fax: 02 2983310

Nablus Branch
Amman St., Trust Building
P.O. Box 25,
Tel: 09 2380802
Fax: 09 2380801

Al Ram Branch
Main St.
P.O. Box 1,
Tel: 02 2348920
Fax: 02 2348921

Jenin Branch
Abu Sbaa Center
P.O. Box 195,
Tel: 04 2502931
Fax: 04 2502930

Aqraba Branch
City Center
P.O. Box 13,
Tel: 09 2597641
Fax: 09 2597640

Doura Branch
Jaffa St., Kazem Al Shareef Building
P.O. Box 2022,
Tel: 02 2281871
Fax: 02 2281870

Hebron Branch
Al Salam St.
P.O. Box 313,
Tel: 02 2216222
Fax: 02 2216231

Rafidia Branch
Nablus, Rafidia, Main St.
P.O. Box 200,
Tel: 09 2354101
Fax: 09 2354110

Bethlehem Branch
Jerusalem Hebron St.
P.O. Box 633,
Tel: 02 2771370
Fax: 02 2771371

Hizma Branch
Main St.
P.O. Box 1,
Tel: 02 2353370
Fax: 02 2353371

Arraba Branch
City Center
P.O. Box 195,
Tel: 04 2469870
Fax: 04 2469871

Dahyet Al Bareed Branch
Beit Hanina, Jerusalem
P.O. Box 60376,
Tel: 02 2348970
Fax: 02 2348971

Rawabi Branch
Q Center, Rawabi City
P.O. Box 700,
Tel: 02 2825171
Fax: 02 2825172

Sinjel Branch
Main street, Municiplaity building
P.O. Box 1,
Tel: 02 2808070
Fax: 02 2808071

Tulkarem Branch
Yasser Arafat St., Kettaneh building
P.O. Box 63,
Tel: 09 2696980
Fax: 09 2696981

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

Jerusalem Governorate

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

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.

Tulkarem

- Tulkarm Branch - Kitaneh 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 - Almasyoun - Mahmoud Darwish Circle

Phone number: 02-2946090 extension 475

Fax 02-2946116

Email: IR@TNB.PS

Financial Statement 2018

THE NATIONAL BANK

PUBLIC SHAREHOLDING COMPANY LTD.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Building a better working world

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

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

90 Years in MENA

Independent Auditor's Report
To the Shareholders of The National Bank Ltd.

Opinion

We have audited the consolidated financial statements of The National Bank Ltd. and its subsidiaries (collectively "the Bank"), which comprise the consolidated statement of financial position as at December 31, 2018, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at December 31, 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

EY
Building a better working world

Key Audit Matter	Audit Procedures
Expected Credit Loss "ECL" allowances: This is considered as a key audit matter as the Bank exercises significant judgement and estimates to determine when and how much to record as expected credit losses. Credit facilities and direct Islamic financing form major portion of the Bank's assets, and there is a risk that inappropriate ECL are booked, whether from the use of inaccurate underlying data, or the use of unreasonable assumptions due to the significance of the judgments used in classifying credit facilities and direct Islamic financing into various stages stipulated in IFRS (9) and determining related provision requirements. As at December 31, 2018, the Bank's gross credit facilities amounted to U.S. $ 1,357,446,418 and the related ECL amounted to U.S. $ 26,215,689. ECL and the related accounting policies are presented in note (3) to the consolidated financial statements. The Bank has adopted IFRS (9): Financial Instruments on its mandatory effective date of January 1, 2018 and assessed the requirement of classification and measurement, impairment and hedge accounting template without restating the comparative figures. As presented in note (3) to the consolidated financial statements, the effect of adopting IFRS (9) amounted to U.S. $ 9,396,902 and has been recognized in the opening equity accounts.	Our audit procedures include: • We obtained an understanding of the Bank's key credit and financing processes comprising granting and booking and tested the operating effectiveness of key controls over these processes. • We also assessed the Bank's impairment provisioning policy and compared it with the requirements of IFRS (9) as well as relevant regulatory instructions. • Assessed the Bank's ECL model, in particular focusing on its alignment with the requirements of IFRS (9). • We examined a sample of credit facilities and financing that was assessed on an individual basis, and performed the following procedures: - Assessed the appropriateness of the Bank's staging (stage 1, 2 or 3). - Assessed the appropriateness of determining Exposure at Default (EAD), including the consideration of repayments in the cash flows and the resultant arithmetical calculations. - Assessed the appropriateness of the Probability of Defaults (PD), Exposure at Default (EAD) and Loss Given Defaults (LGD) used for different exposures at different stages. - Assessed soundness and mathematical integrity of the ECL Model. - For exposures moved between stages, we have checked the appropriateness of the Bank's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages. We also checked the timely identification of exposures with a significant deterioration in credit quality. - For exposures determined to be individually impaired, we re-preformed the ECL calculation. We also obtained an understanding of the latest developments on the counterparty's situation and the latest developments in estimated consolidated future cash flows, consolidated current financial position and any rescheduling or restructuring agreements. - For forward looking assumptions used by the Bank in its ECL calculations, we held discussions with management and corroborated the assumptions using publicly available information. - Assessed the adequacy of disclosures, including accounting policies, significant accounting estimates and judgments to ensure compliance with IFRS (9). The accounting policies, significant accounting estimates and judgments are detailed in notes number (3, 5, 6, 8, 10 and 43) to the accompanying consolidated financial statements.

EY
Building a better working world

Other information included in the Bank's 2018 Annual Report

Other information consists of the information included in the Bank's 2018 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2018 Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Building a better working world

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Building a better working world

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements as at December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young - Middle East
License # 206/2012

Ernst + Young

A. Maher Abushaaban
License # 155/1998

March 27, 2019
Ramallah - Palestine

The National Bank Company Ltd.

Consolidated Statement of Financial Position
As at December 31, 2018

	Notes	2018 U.S. $	2017 U.S. $
ASSETS			
Cash and balances with Palestine Monetary Authority	5	446,653,197	191,019,550
Balances at banks and financial institutions	6	190,343,503	95,787,735
Financial assets at fair value through profit or loss	7	2,811,221	496,940
Direct credit facilities and Islamic financing	8	1,327,001,463	653,847,526
Financial assets at fair value through other comprehensive income	9	16,509,778	13,011,332
Financial assets at amortized cost	10	56,386,136	43,700,954
Investment in associates	11	11,450,784	3,767,516
Investment properties	12	12,371,257	-
Property, plant and equipment	13	43,243,046	14,250,140
Projects in progress	14	1,639,918	554,407
Intangible assets	15	33,351,646	5,106,971
Deferred tax assets	16	1,277,577	778,606
Other assets	17	61,651,344	57,077,685
Total assets		2,204,690,870	1,079,399,362
LIABILITIES AND EQUITY			
Liabilities			
Banks' and financial institutions' deposits	18	158,744,321	95,784,822
Customers' deposits	19	1,608,238,364	742,875,727
Cash margins	20	108,442,093	65,908,451
Loans and borrowings	21	44,391,145	37,482,759
Subordinated loans	22	40,000,000	16,500,000
Sundry provisions	23	13,101,634	3,255,103
Tax provisions	24	3,599,718	1,326,170
Other liabilities	25	40,312,999	18,699,153
Total liabilities		2,016,830,274	981,832,185
Equity			
Paid-in share capital	1	75,000,000	75,000,000
Share premium	26	564,451	564,451
Statutory reserve	28	4,559,533	3,616,656
General banking risks reserve	28	2,251,463	10,406,302
Pro-cyclicality reserve	28	5,216,291	4,933,148
Fair value reserve	9	(5,123,395)	(4,339,168)
Retained earnings		10,616,781	7,385,788
Total equity holders of the Bank		93,085,124	97,567,177
Non-controlling interests		94,775,472	-
Net equity		187,860,596	97,567,177
Total liabilities and equity		2,204,690,870	1,079,399,362

The National Bank Company Ltd.

Consolidated Income Statement
For the year ended December 31, 2018

	Notes	2018 U.S. $	2017 U.S. $
Interest income	29	45,702,312	43,046,452
Interest expense	30	(18,639,531)	(14,858,161)
Net interest income		27,062,781	28,188,291
Net financing and investment income	31	34,162,287	-
Net commissions income	32	14,844,677	5,680,248
Net interest and commission income		76,069,745	33,868,539
Foreign currency gain		5,452,053	2,675,479
Net gains from financial assets portfolio	33	964,918	1,682,004
Share of results of associates	11	596,326	124,699
Loss on sale of an associate	11	(342,796)	-
Net re-measurement for expected credit losses allowance	34	1,946,925	(1,151,446)
Recovery of legal cases provision	23	481,450	-
Other revenues		379,959	188,326
Gross profit		85,548,580	37,387,601
Expenses			
Personnel expenses	35	32,636,028	12,150,949
Other operating expenses	36	22,374,972	10,647,318
Depreciation and amortization	15,13	5,097,532	2,537,533
Impairment of projects in progress	14	1,585,707	-
Palestine Monetary Authority's fines	37	71,403	7,052
Total expenses		61,765,642	25,342,852
Profit for the year before taxes		23,782,938	12,044,749
Taxes expense	24	(4,527,083)	(2,840,000)
Profit for the year		19,255,855	9,204,749
Attributable to:			
Equity holders of the Bank		9,428,765	9,204,749
Non-controlling interests		9,827,090	-
		19,255,855	9,204,749
Basic and diluted earnings per share		0.126	0.123

The National Bank Company Ltd.

Consolidated Statement of Comprehensive Income
For the year ended December 31, 2018

	Note	2018 U.S. $	2017 U.S. $
Profit for the year		19,255,855	9,204,749
Other comprehensive income:			
Items to be reclassified to consolidated income statement in subsequent periods:			
Share of associates' other comprehensive income		(107,680)	-
Items not to be reclassified to consolidated income statement in subsequent periods:			
Change in the fair value of financial assets	10	(921,579)	(383,135)
Banks' share of other comprehensive income of associates		(176,225)	-
Other comprehensive income		(1,205,484)	(383,135)
Net comprehensive income for the year		18,050,371	8,821,614
Attributable to:			
Equity holders of the Bank		8,664,849	8,821,614
Non-controlling interests		9,385,522	-
		18,050,371	8,821,614

The National Bank Company Ltd.

Consolidated Statement of Changes in Equity
For the year ended December 31, 2018

	Paid-in share capital	Share premium	Reserves: Statutory	Reserves: General banking risks	Reserves: Pro-cyclicality	Reserves: Fair value	Retained earnings	Equity holders of the Bank	Non-controlling interests	Net equity
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
December 31, 2018										
Balance, beginning of the year	75,000,000	564,451	3,616,656	10,406,302	4,933,148	(4,339,168)	7,385,788	97,567,177	-	97,567,177
Impact of adopting IFRS (9) - (Note 3)	-	-	-	(9,396,902)	-	-	-	(9,396,902)	-	(9,396,902)
Balance, beginning of the year after applying IFRS (9)	75,000,000	564,451	3,616,656	1,009,400	4,933,148	(4,339,168)	7,385,788	88,170,275	-	88,170,275
Profit for the year	-	-	-	-	-	-	9,428,765	9,428,765	9,827,090	19,255,855
Other comprehensive income	-	-	-	-	-	(784,227)	20,311	(763,916)	(441,568)	(1,205,484)
Net comprehensive income for the year	-	-	-	-	-	(784,227)	9,449,076	8,664,849	9,385,522	18,050,371
Establishment and acquisition of a subsidiary	-	-	-	-	-	-	-	-	89,797,499	89,797,499
Cash dividends (note 27)	-	-	-	-	-	-	(3,750,000)	(3,750,000)	(4,407,549)	(8,157,549)
Transfers to reserves	-	-	942,877	1,242,063	283,143	-	(2,468,083)	-	-	-
Balance, end of the year	75,000,000	564,451	4,559,533	2,251,463	5,216,291	(5,123,395)	10,616,781	93,085,124	94,775,472	187,860,596
December 31, 2017										
Balance, beginning of the year	75,000,000	564,451	2,696,181	8,270,205	3,552,436	(3,956,033)	6,368,323	92,495,563	-	92,495,563
Profit for the year	-	-	-	-	-	-	9,204,749	9,204,749	-	9,204,749
Other comprehensive income	-	-	-	-	-	(383,135)	-	(383,135)	-	(383,135)
Net comprehensive income for the year	-	-	-	-	-	(383,135)	9,204,749	8,821,614	-	8,821,614
Cash dividends (note 27)	-	-	-	-	-	-	(3,750,000)	(3,750,000)	-	(3,750,000)
Transfers to reserves	-	-	920,475	2,136,097	1,380,712	-	(4,437,284)	-	-	-
Balance, end of the year	75,000,000	564,451	3,616,656	10,406,302	4,933,148	(4,339,168)	7,385,788	97,567,177	-	97,567,177

The accompanying notes from 1 to 51 are an integral part of these consolidated financial statements

The National Bank Company Ltd.

Consolidated Statement of Cash Flows

For the year ended December 31, 2018

	Notes	2018 U.S. $	2017 U.S. $
Operating activities			
Profit for the year before taxes		23,782,938	12,044,749
Adjustments for:			
Depreciation and amortization		5,097,532	2,537,533
Net gains from financial assets portfolio		(964,918)	(1,682,004)
Share of results of associates		(596,326)	(124,699)
Net re-measurement for expected credit losses allowance		(1,946,925)	1,151,446
Sundry Provisions		2,760,746	777,915
Loss on sale of an associate		342,796	-
Gains on sale of investment properties		(19,427)	-
Gain on sale of property, plant and equipment		(272,424)	-
Other non-cash items		2,010,253	135,909
		30,194,245	14,840,849
Changes in assets and liabilities:			
Restricted balances at banks and financial institutions		4,829,553	(4,076,608)
Statutory cash reserve at Palestine Monetary Authority		(3,472,665)	(15,323,596)
Restricted balances at Palestine Monetary Authority		(1,000,000)	-
Direct credit facilities and Islamic financing		(60,152,758)	(135,839,356)
Other assets		13,736,712	(20,312,643)
Customers' deposits		65,532,915	157,591,495
Cash margins		3,040,746	(4,771,515)
Other liabilities		10,323,822	6,224,624
Net cash flows from (used in) operating activities before paid taxes and provisions		63,032,570	(1,666,750)
Taxes paid		(6,857,183)	(3,636,588)
Sundry provisions paid		(755,664)	(217,817)
Net cash flows from (used in) operating activities		55,419,723	(5,521,155)
Investing activities:			
Deposits at banks and financial institutions maturing after 3 months		2,000,000	4,500,000
Sale of investment properties		70,527	-
Purchase of property, plant and equipment		(4,511,324)	(2,763,898)
Sale of property, plant and equipment		402,990	-
Projects in progress		(3,622,743)	(2,244,104)
Purchase of intangible assets		(1,156,435)	(1,502,899)
Net change in financial assets at fair value through profit or loss		(928,516)	672,029
Net change in financial assets at fair value through other comprehensive income		(1,026,776)	(634,081)
Net change in Financial assets at amortized cost		(1,918,144)	(4,328,059)
Cash flows from acquisition of a subsidiary		204,758,357	-
Acquisition of a subsidiary		(40,538,000)	-
Investment in associates		278,300	-
Cash dividends received		1,249,845	888,357
Net cash from (used in) from investing activities		155,058,081	(5,412,655)
Financing activities:			
Cash dividends distributed		(7,944,853)	(3,213,993)
Loans and borrowings		6,908,386	(9,939,710)
Subordinated loans		23,500,000	16,500,000
Net cash flows from financing activities		22,463,533	3,346,297
Net increase (decrease) in cash and cash equivalents		232,941,337	(7,587,513)
Cash and cash equivalents, beginning of the year		106,881,874	114,469,387
Cash and cash equivalents, end of the year	39	339,823,211	106,881,874
Interests expense paid		15,211,545	19,134,742
Interests revenue received		47,454,917	33,725,137

The National Bank Company Ltd.

Notes to the Consolidated Financial Statements

As at December 31, 2018

1. General

The National Bank Company Ltd. (the Bank) was registered in 2005 in Ramallah, Palestine under the name of "Al-Rafah Bank for Micro Finance" as a public shareholding limited company under registration no. (562601146) with its head office in Ramallah – Palestine. The Bank operates within the framework and in compliance with applicable laws and regulations in Palestine

The Bank provides all banking activities related to its activities within the framework of the laws in force in Palestine through its head office, its (19) branches and its (6) offices located in major Palestinian cities, as well as regular banking services. The Bank also finances the financial needs of the small enterprise sector and other projects. In addition, the number of branches of Palestine Islamic Bank (a subsidiary) amounted to 20 branches and 23 offices.

The Bank's authorized and paid in capital is U.S. $ 75,000,000 at U.S. $ 1 par value each as at December 31, 2018.

The Bank's personnel reached (592) and (520) as at December 31, 2018 and 2017, respectively. Personnel of subsidiaries amounted to (700) and (1) as at December 31, 2018 and 2017, respectively.

The consolidated financial statements as at December 31, 2018 were authorized for issuance by the Bank's Board of Directors on February 9, 2019.

2. Consolidated financial statements

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at December 31, 2018.

The financial statements of the subsidiaries, which are National Islamic Investment Company (NIIC) and Watan Private Investment Company, are consolidated with the Bank's financial statements based on the consolidation of a line-by-line basis of assets, liabilities and result of the Bank with the assets, liabilities, and results of subsidiaries after eliminating all intercompany balances and transactions between the Bank and its subsidiaries.

The reporting dates of the subsidiaries and the Bank are identical. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Bank's accounting policies.

The Bank's ownership in the subsidiaries' share capital was as follows:

	Country of incorporation and operations	Ownership %		Subscribed capital U.S.$	
		2018	2017	2018	2017
National Islamic Investment Company	Palestine	54.78	-	74,000,000	-
Watan Private Investment Company	Palestine	100	100	110,000	110,000

During 2018, The Bank established the National Islamic Investment Company, whose main objective is to acquire a strategic controlling share in Palestine Islamic Bank which is estimated to be 45.36%, represented by six members out of eleven members of Palestine Islamic Bank's Board of Directors. The Bank controls its subsidiary with a share of 54.78% and has four members out of seven in its board whose decisions are taken by an absolute majority. The bank's share of the National Company amounted to U.S. $ 40,538,000 while the non-controlling interests amounted to U.S. $ 33,462,000.

The acquisition and establishment of the subsidiary had contributed to the net results of the Bank's profits amounted to U.S. $ 13,033,036 in which non-controlling interests share amounted to U.S. $ 9,827,090.

The National Company recorded the consolidation of business for the assets and liabilities of the Palestine Islamic Bank at fair value, resulting in a goodwill of U.S. $ 27,111,033. Non-controlling interests were measured at fair value.

The initial purchase price allocation is initially determined and will be completed within one year from the date of acquisition according to the standards. The fair value of the subsidiary's assets and liabilities at the date of acquisition is as follows:

	U.S. $
Assets	
Cash and balances with Palestine Monetary Authority	238,238,395
Balances at banks and financial institutions	89,956,338
Financial assets at fair value through profit and loss	1,607,898
Direct Islamic financing	623,211,407
Financial assets at fair value through other comprehensive income	3,393,249
Financial assets at amortized cost	11,232,779
Investment in associates	11,471,943
Investment properties	8,898,030
Property, plant and equipment	24,910,976
Projects in progress	3,093,023
Intangible assets	731,363
Other assets	14,774,551
	1,031,519,952
Liabilities	
Banks and financial institutions' deposits	66,531,760
Customers' deposits and unrestricted investment accounts	799,829,722
Cash margins	39,492,896
Sundry provisions	7,841,449
Tax provisions	3,639,385
Other liabilities	11,077,328
	928,412,540
Fair value of net assets	103,107,412
Non-controlling interests share of fair value net assets	(56,335,499)
Amount paid as an investment in the Palestine Islamic bank	(73,882,946)
Goodwill	27,111,033

3. Accounting policies

3.1 Basis of consolidation of financial statements

The consolidated financial statements comprise of the financial statements of the Bank and its subsidiaries as at December 31, 2018. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investees.

Control is achieved when the Bank has:

- Power over the investee (i.e. existing rights that give it the ability to direct the activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

The Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Bank gains control until the date the Bank ceases to control the subsidiary. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

3.2 Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB), local prevailing laws, and in conformity with Palestinian Monetary Authority (PMA) regulations.

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

The consolidated financial statements are presented in U.S. Dollars (U.S. $), which is the functional currency of the Bank.

3.3 Changes in accounting policies

The accounting policies used in the preparation of the Bank's consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the previous year except for the Bank's adoption of the following effective standards and amendments effective starting from 1 January 2018:

IFRS (9) Financial Instruments

The Bank has adopted IFRS (9): Financial Instruments on its mandatory effective date of 1 January 2018 and assessed the requirement of classification and measurement, impairment and hedge accounting template. The Bank has implemented the first phase of IFRS (9) as issued during 2009. The date of initial implementation of the first phase of IFRS (9) was January 1, 2011.

The Bank has adopted IFRS (9) "Financial Instrument" retrospectively but has not restated comparative information for financial instruments in the scope of IFRS (9). Differences arising from the adoption of IFRS (9) have been recognized directly through general banking risks reserve in the consolidated changes in equity as at January 1, 2018. IFRS (9) replaces IAS (39) for annual periods on or after January 1, 2018.

The final revised version of IFRS (9) Financial Instruments includes a mechanism for classifying financial assets and liabilities. To determine their classification and measurement category, IFRS (9) requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The Bank assessed the effect of the adoption of IFRS (9) (2009): classification and measurement and the bank's assets and liabilities on the date of mandatory implementation date of January 1, 2018, where the classification of financial assets and liabilities did not differ significantly from implementation of IFRS (9) (2014).

The revised version of IFRS 9 "Financial Instrument" replaced the credit loss model incurred in accordance with IAS (39) ("Financial Instruments: Recognition and Measurement", which included a comprehensive model for the mechanism for the recognition and recording of ECL. The Standard includes a business model for debt instruments, facilities, financial liabilities, financial guarantee contracts, deposits and receivables. However, the Standard did not provide a comprehensive model for equity instruments. If there is a low credit risk to the financial asset at the time of initial application of IFRS (9), the credit risk relating to the financial asset is not considered to have changed significantly since initial recognition. In accordance with IFRS (9) Financial Instruments: Credit losses are recognized at an early date in accordance with IAS (39) "Financial Instruments: Recognition and Measurement"

The adoption of changes in accounting policies in the consolidated financial statements of the Bank as of January 1, 2018 resulted in a decrease in equity of U.S. $ 9,396,902 as follows:

	IAS (39)	IFRS (9)	Re-measurement
	U.S. $	U.S. $	U.S. $
Balances with Palestine Monetary Authority	83,573,761	83,349,777	(223,984)
Balances at banks and financial institutions	95,787,735	95,760,403	(27,332)
Direct credit facilities and Islamic financing	653,847,526	645,054,361	(8,793,165)
Financial assets at amortized cost	43,700,954	43,348,533	(352,421)
General banking risks reserve	10,406,302	1,009,400	(9,396,902)

The beginning balance for the provisions amount after the effect of IFRS (9) adoption was as follows:

	IAS (39)	IFRS (9)	Re-measurement
	U.S. $	U.S. $	U.S. $
Balances with Palestine Monetary Authority	-	223,984	223,984
Balances at banks and financial institutions	-	27,332	27,332
Direct credit facilities and Islamic financing	4,839,785	13,632,950	8,793,165
Financial assets at amortized cost	-	352,421	352,421

Expected credit losses as of December 31, 2018 per stage is as follows:

	Stage 1	Stage 2	Stage 3	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balances with Palestine Monetary Authority	200,231	-	-	200,231
Balances at banks and financial institutions	104,690	-	-	104,690
Direct credit facilities and Islamic financing	8,168,350	6,474,874	11,572,465	26,215,689
Financial assets at amortized cost	399,698	93,410	-	493,108

The new accounting policies in respect of IFRS (9) are presented under a summary of significant accounting policies.

The following table shows the effect of the adoption of IFRS (9) on retained earnings and general banking risks reserve as at January 1, 2018:

	Retained earnings	General banking risk reserve
	U.S. $	U.S. $
Balance, as at December 31, 2018- before adjustment	7,385,788	10,406,302
Recording of expected credit losses on Balances with Palestine Monetary Authority	(223,984)	-
Recording of expected credit losses on Balances at banks and financial institutions	(27,332)	-
Recording of expected credit losses on direct credit facilities and Islamic financing	(8,793,165)	-
Recording of expected credit losses on financial assets at amortized cost	(352,421)	-
Reclassification of general banking risks reserve to retained earnings	9,396,902	(9,396,902)
Balance, as at December 31, 2018- after adjustment	7,385,788	1,009,400

IFRS 7 Financial Instruments – Amendments on Disclosure

IFRS (7) was amended to include more qualitative and quantitative disclosures to accommodate IFRS (9) requirements such as classifications, impairment and hedge accounting.

IFRS (15) Revenue from Contracts with Customers

IFRS (15) supersedes IAS (11) Construction Contracts, IAS (18) Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS (15), revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers, the standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Bank has adopted IFRS (15) using the modified retrospective approach. The impact of application of IFRS (15) is not material to the Bank's consolidated financial statements.

IFRIC Interpretation (22) Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

This Interpretation does not have any impact on the bank's consolidated financial statements.

Amendments to IAS (28) Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss, If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which:

(a) the investment entity associates or joint venture is initially recognized;

(b) the associate or joint venture becomes an investment entity; and

(c) the investment entity associates or joint venture first becomes a parent.

These amendments do not have any impact on the Bank's consolidated financial statements.

Standards issued but not yet effective

The IASB issued standards and interpretations that are not yet effective, and have not been adopted by the Bank. These standards are those that the Bank reasonably expects to have an impact on the financial position, performance or disclosures of the consolidated financial statements of the Bank, when applied. The Bank intends to adopt these standards when they become effective.

IFRS (16) Leases

During January 2016, the IASB issued IFRS (16) "Leases" which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS (16) substantially carries forward the lessor accounting requirements in IAS (17). Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS (16) introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Transition to IFRS (16)

The Bank has the option to adopt IFRS (16) retrospectively and restate each prior reporting period presented or using the modified retrospective approach by applying the impact as an adjustment on the opening retained earnings. The Bank will elect to apply the standard to contracts that were previously identified as leases applying IAS (17) and IFRIC (4).

The Bank will adopt IFRS (16) using the modified retrospective approach, and due to the lack of sufficient information for disclosure of the principle for the year ended December, 2018. The bank will not disclose the effect of the principle in the consolidated financial statement for the year ended December 31,2018.

IFRIC Interpretation (23) - Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS (12) and does not apply to taxes or levies outside the scope of IAS (12), nor does it specifically include requirements relating to fees and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019, but certain transition reliefs are available.

Amendments to IFRS (9): Prepayment Features with Negative Compensation

Under IFRS (9), a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification.

The amendments to IFRS (9) clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019.

3.4 Summary of significant accounting policies

Revenues and expenses recognition

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

Income from Islamic financing is recognized based on the accrual basis of accounting, Commission income is recognized when the services are rendered. Dividends income are recognized when the right to receive dividends is established.

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

Financial Assets and Liabilities

Financial assets at amortized cost

A debt instrument that meets the following two conditions can be measured at amortized cost:

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

Debts instruments meeting these criteria are initially measured at fair value plus transaction costs (except if the bank choses to classify these assets through profit or loss as explained below). They are subsequently measured at amortized cost using the effective interest method less any impairment, with interest revenue recognized on an effective yield basis.

The effective interest rate is the interest rate that is used to discount future cash flows on the life of the debt instruments, or a shorter period in certain cases, to equal the book value at the date of initial recognition.

The Bank may irrevocably elect at initial recognition to classify a debt instrument that meets the amortized cost criteria above as at financial assets at fair value through profit or loss (FVTPL) if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

Financial assets at fair value through profit or loss (FVTPL)

Debt instrument financial assets that do not meet the amortized cost criteria or that meet the criteria but the Bank has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL. The Bank has not designated a debt instrument financial asset as at FVTPL. Investments in equity instruments are classified as at FVTPL, unless The Bank designates an investment that is not held for trading as at fair value through other comprehensive income (FVOCI) at initial recognition.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on re-measurement recognized in the consolidated income statement.

Dividends income on investments in equity instruments at FVTPL is recognized in the consolidated income statement when the bank's right to receive the dividends is established

Financial assets at fair value through other comprehensive income (FVOCI)

At initial recognition, the Bank makes an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading.

Equity instruments at FVOCI are initially measured at fair value plus acquisition costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the fair value reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the fair value reserve is not reclassified to the consolidated income statement, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognized in the consolidated income statement when the Bank's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

The Bank can classify debt instruments as financial assets at FVOCI if both of the following conditions are met:

- The asset is held within a business model whose objective achieved by both collecting contractual cash flows and selling of financial assets; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amount.

Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

Impairment of financial assets

Overview of the ECL principles

The adoption of IFRS (9) has fundamentally changed the Bank's loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach.

The Bank has been recording the Provision for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts (financial instruments).

Equity instruments are not subject to impairment test under IFRS (9).

The ECL allowance is based on the credit losses expected to arise over12 months' expected credit loss (12mECL). Unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the life of the asset (the lifetime expected credit loss or "LTECL").

The 12mECL is the portion of LTECLs that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit loss has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its loans into stage 1, stage 2 and stage 3, as described below:

Stage 1	When financial assets that its credit risk haven't increased dramatically since initial recognition, the Bank recognizes an allowance based on 12mECLs.
Stage 2	When financial assets have shown a significant increase in credit risk since origination. the Bank records an allowance for the LTECLs.
Stage 3	Financial assets considered credit-impaired. The Bank records an allowance for the LTECLs.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a portion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECLs

The Bank calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation of the effective interest rate (EIR). A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the Bank expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period
EAD	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
LGD	The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as percentage of the EAD.

When estimating the ECLs, the Bank considers three scenarios (a base, best and worst case scenarios). Each of these is associated with different percentages of PDs, EADs and LGDs.

The mechanics of the ECL method are summarized below:

Stage 1	The 12mECL is calculated as the portion of LTECLs that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.
Stage 2	When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
Stage 3	For loans considered credit-impaired, the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2, with the PD set at 100% and the LGD is larger than stage 1 and 2.
Loan commitments and letters of credit	When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

Credit cards and revolving credit facilities

The ECL are calculated over a period that reflects the Bank's expectations of the customer's conduct and possible future defaults and mitigation measures for the Bank, which may include limiting or canceling the financing.

The ongoing assessment of an increase in credit risk for revolving credit facilities is similar to that applied to other funds. The interest rate used to deduct the ECL for credit cards is the effective interest rate.

Forward looking information

In its ECL model, the Bank relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Unemployment rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the consolidated financial statements.

To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Collaterals valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collaterals, where possible. The collaterals come in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS (9) is the same is it was under IAS (39) and PMA regulations.

Collaterals, unless repossessed, is not recorded on the Bank's statements of financial position. However, the fair value of collaterals affects the calculation of ECLs, It is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. However, some collaterals, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using appropriate methods. Non-financial collaterals, such as real estate, is valued based on data provided by third parties such as mortgage brokers.

Write-offs

The Bank's accounting policy under IFRS (9) remains the same as it was under IAS (39) and PMA regulations. Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery.

If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are recorded in other revenues.

Modification on Facilities

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to the otherwise enforce collection of collaterals. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. It is the Bank's policy to monitor reschedule facilities to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis.

Fair value measurement

The Bank measures some of its financial instruments, and non-financial assets such as derivatives, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

External valuators participate in the valuation of the underlying assets. After discussion with these external valuators, the Bank selects methods and inputs that will be used for evaluation in each case.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Investment in associates

Investment in an associate is accounted for using the equity method. An associate is an entity over which the Bank has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Under the equity method, investment in an associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in Bank's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Bank's share in associates' results is recorded in the consolidated income statement, Unrealized gains and losses resulting from transactions between the Bank and its associate are eliminated to the extent of its interest in the associates.

The reporting dates of the associates and the Bank are identical and the associates' accounting policies conform to those used by the Bank for like transactions and events in similar circumstances.

After application of the equity method, the Bank determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Bank determines whether there is objective evidence that the investments in the associates are impaired, If there is such evidence, the Bank calculates the amount of impairment as the difference between the recoverable amounts of the associates their carrying value, then recognizes the difference in the consolidated income statement.

Property, plant, and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any, such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. All other costs are recognized in the consolidated income statement as incurred. Land is not depreciated

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Useful life (Years)
Real estate properties	40
Furniture, equipment and leasehold improvements	6 - 25
Computers	6
Vehicles	6

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

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The acquisition cost represents the total fair value of the consideration paid on the date of acquisition and the value of the non-controlling interests in the acquire. At any business combination, the Bank assesses the non-controlling interests' share of the acquiree at fair value. Acquisition costs are recognized in the consolidated income statement.

Upon acquisition, the Bank evaluates and classifies the financial assets and liabilities of the acquiree in accordance with the contractual terms and economic conditions at the date of acquisition.

In the case of a business combination as a result of the acquisition, the investment previously classified as the acquiree is measured at fair value on the date of acquisition. The difference between the fair value and the carrying amount of an investment previously recognized is recognized in the consolidated income statement.

Goodwill arising on the acquisition of subsidiaries is recognized at cost, which represents the increase in the consideration transferred from the Bank's share of net assets and liabilities acquired from the subsidiary. If the consideration is less than the fair value of the net assets of the subsidiary, the difference is recognized as gain in the consolidated income statement.

Subsequent to initial recognition, goodwill is recognized at cost less any accumulated impairment losses. For the purpose of carrying out a study on impairment of goodwill, goodwill is allocated at the acquisition date to the units or group of units generating cash and expected to benefit from the consolidation process, regardless of whether the other assets and liabilities of the Bank have been allocated to these units or not.

Where goodwill forms part of a cash-generating unit, and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Investments Properties

Investments properties are measured initially at cost including transaction costs. The carrying amount of the investment properties is tested for impairment when events or changes in circumstances indicate that the carrying amount of the asset cannot be recovered. Where such evidence exists and when the carrying amount exceeds its recoverable amount, the carrying amount of the recoverable amount is reduced.

Investment in properties are derecognized when they are no longer used and there are no future economic benefits expected to be incurred as a result of disposal. The difference between the proceeds from disposal of the asset and the carrying amount is recognized in the consolidated statement of income in the period of derecognition.

Transfers from or to investment in properties are made only when there is a change in use. When the investment property is transferred to the item of property, plant and equipment used by the Bank, the cost of the property transferred for use is the carrying amount at the date of transfer. If the Bank considers the transfer of its property to investment property, the Bank continues to use the accounting policies for property, plant and equipment until the date of change in use

Intangible assets

The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Intangible assets acquired separately are measured on initial recognition at cost. Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortization and any accumulated impairment losses.

The useful lives of the intangible assets are assessed to be either finite or indefinite.

Intangible assets with indefinite useful lives are tested for impairment on annual basis. Such intangibles are not amortized. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses on disposal of intangible assets that represent the difference between the proceeds from disposal of an asset and the carrying amount of an asset are recognized in the consolidated statement of income.

Intangible assets with an estimated useful life are amortized over a period based on the estimated useful life, and their carrying values are reviewed for impairment whenever indicators exist. The amortization period and the method of calculation of intangible assets whose estimated useful lives are estimated at a fixed period at least at the end of the financial year are reviewed. The amortization expense of intangible assets whose estimated useful lives are stated in the consolidated statement of income.

Intangible assets include computer software, banking systems and goodwill. The Bank's management estimates the useful lives of items of computer software and banking systems. Computer software and banking systems are amortized on a straight line method over a period ranging from 5 to 10 years.

Projects in progress

The projects in progress represent the costs of establishing, finishing, expanding and improving the Bank new branches and other projects that have not ended up to the date of the financial statements. Upon completion of the execution of each project it will be transferred to property, plant and equipment or intangible assets.

A decrease in the carrying amount of projects in progress is recorded when there is evidence that the carrying amount of the projects cannot be recovered. If such indicators exist, the carrying amount of the projects is reduced to the recoverable amount.

Offsetting

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

Provisions

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

Tax provisions

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

Deferred tax is provided on temporary differences at the consolidated statement of financial position between the tax bases of assets and the liabilities and their carrying amounts for financial reporting purposes. The carrying amount of the deferred tax asset is reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

A settlement is made between deferred tax assets and deferred tax liabilities and the net amount is recognized in the consolidated financial statements only when the legally binding rights are available and when they are settled on a settlement basis or the asset is realized and the liability settled simultaneously.

Provision for end of service indemnity

Provision is made for employees' end of service indemnity in accordance with the Labor Law effective in Palestine and the Bank's personnel system. The Palestinian Social Security Law (the law) was expected to be implemented during 2018, but it was suspended in accordance with a presidential decree dated January 28, 2019. The dialogue with the relevant parties will continue in order to reach a national consensus on the provisions of the law and its date of entry into force. The law requires employers to settle the end of service benefits for the periods preceding the application of the provisions of the law.

Foreign currencies

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

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

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

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

Cash and cash equivalents

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

Segments information

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

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

Use of estimates

The preparation of consolidated financial statements and the application of accounting policies require management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and the disclosure of the consolidated financial statements. Due to the use of these estimates and assumptions, actual results may differ from estimates and may require an adjustment to the carrying amounts of future assets or liabilities.

Other disclosures that indicate the Bank's exposure to risks include the following clarifications:

- Risk management (note 43)
- Capital management (note 47)

Details of the Bank's significant judgments are as follows:

Provision for expected credit losses (ECL)

Financial assets are assessed for impairment on the basis described in "impairment of financial assets".

The provision for ECL is reviewed in accordance with the principles established by the Palestinian Monetary Authority and IFRS (9). The determination of provision for ECL expected from management requires judgments and judgments to be made to estimate the amounts and timing of future cash flows, as well as to estimate any significant increase in the credit risk of financial assets after initial recognition, taking into consideration future measurement information for ECL.

Useful lives of tangible and intangible assets

The Bank's management reassesses the useful lives of tangible and intangible assets, and makes adjustments if applicable, at each financial year end.

Legal case provision

The legal cases brought against the Bank are allocated to meet any legal liabilities based on the opinion of the Bank's legal advisor.

Provision for employees' benefits

The Bank management uses certain estimates to determine the amount of employee benefits. Management believes that these estimates and assumptions are reasonable.

Provision for income tax

The Bank's management uses certain estimates in determining the provision for income tax. The Bank's management believes that the estimates and assumptions used are reasonable.

Fair Value of financial instruments

The determination of the ECL provision for credit facilities requires the Bank's management to make assumptions and judgments to estimate the amounts and timing of future cash flows, as well as to estimate any significant increase in the credit risk of financial assets after initial recognition, and to consider future measurement information for ECL.

The Bank has calculated the provision for ECL for financial assets in accordance with international reporting standards and is consistent with the instructions of the Palestinian Monetary Authority.

The Bank's policy of identifying the common elements to measure credit risk and ECL on an individual basis is based on:

- Retail portfolio: individual basis based on the product level and country
- Corporate portfolio: individual basis at facility /customer level
- Financial Institutions: individual basis at facility / bank level
- Debt instruments measured at amortized cost: individual basis at instrument level.

Inputs, assumptions and techniques used for ECL calculation – IFRS 9 methodology

Key concepts in IFRS (9) that have the most significant impact and require a high level of judgment, as considered by the Bank while determining the impact assessment, are:

- Assessment of Significant Increase in Credit Risk (SICR)

To assess whether the credit risk on a financial asset has increased significantly since origination, the Bank compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Bank's existing risk management processes.

The assessment of significant increases in credit risk will be performed quarterly for each individual exposure based on the following factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:

1- Management has established thresholds for significant increases in credit risk based on movement in the customer's internal credit grade and the related PDs relative to initial recognition.

2- Restructuring and/or Rescheduling on the customers' accounts/ facilities during the assessment period is considered as indicator for SICR.

3- Instruments which are 30 days past due have experienced a significant increase in credit risk as per the standard rebuttable presumption.

Movements between Stages (2) and (3) are based on whether financial assets are credit-impaired as at the reporting date. The determination of credit-impairment under IFRS (9) will be similar to the individual assessment of financial assets for objective evidence of impairment under IAS (39), as mentioned in the "Definition of default" below.

- Macroeconomic Factors, Forward Looking Information and Multiple Scenarios

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment in cooperation with international expert in this area.

PD, Loss Given Default (LGD) and Exposure At Default (EAD) inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

- Definition of default

  The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages will be consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

- Expected Life

  When measuring ECL, the Bank must consider the maximum contractual period over which the Bank is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Bank is exposed to credit risk and where the credit losses would not be mitigated by management actions.

- IFRS (9) governance

  To ensure proper compliance of the IFRS (9) implementation, a steering committee was formed consisting of the Chief Risk Officer, Chief Credit Officer, Chief Financial Officer, IT Manager, with the responsibilities to provide decisions/feedback on the work plan regarding implementation and adoption of IFRS (9) to ensure all relevant policies and procedures are updated in line with the new requirements and systems are modified / updated for the new requirements, in addition to present the ECL results to the top management and related Committees of the Board of Directors.

4. Material Partly-owned Subsidiaries

The financial information of subsidiaries that have material non-controlling interest are provided below:

Proportionate of equity interest held by non-controlling interests:

Company name	Country of origin and business	2018 %
The National Islamic Investment Company	Palestine	45.22

Share of non-controlling interests in the subsidiary:

	2018 U.S. $
The National Islamic Investment Company	95,458,212
	95,458,212

Profit attributable to non-controlling interests

	2018 U.S. $
The National Islamic Investment Company	9,827,090
	9,827,090
Share of non-controlling interest of other comprehensive income	(441,568)
	9,385,522

A summary of subsidiaries' financial information before eliminating all intra-bank balances and transaction are provided below:

Summarized income statement and statement of comprehensive income information for the year ended December 31, 2018:

	The National Islamic Investment Company* U.S. $
Revenues	46,782,130
Personnel expenses	(17,512,187)
General and administrative expenses	(12,683,564)
Depreciation and amortization	(2,181,744)
Other revenues	675,484
Profit before taxes	15,080,119
Tax expense	(2,047,083)
Profit for the year	13,033,036
Other comprehensive income for the year	(587,582)
Total comprehensive income for the year	12,445,454
Attributable to:	
Equity holders of the Bank	3,059,932
Non-controlling interests	9,385,522
	12,445,454

The statements of income and comprehensive income of The National Islamic Investment Company represent a summary of the statements of income and comprehensive income for the period from the date of inception until December 31 , 2018 (note 2).

Summarized statement of financial position information as at December 31, 2018:

	The National Islamic Investment Company U.S. $
Total assets	1,131,222,947
Total liabilities	(994,306,994)
Total equity	136,915,953
Attributable to:	
Equity holders of the Bank	42,140,481
Non-controlling interests	94,775,472
	136,915,953

Summarized statement of cash flows information for the year ended December 31, 2018:

	The National Islamic Investment Company
	U.S. $
Operating activities	20,017,676
Investing activities	189,751,422
Financing activities	(2,660,500)
Increase in cash and cash equivalent	207,108,598

5. Cash and balances with Palestine Monetary Authority

The details of this item is as follows:

	2018	2017
	U.S. $	U.S. $
Cash on hand	226,684,932	107,445,789
Balances with PMA:		
Current and demand accounts	79,520,145	107,868
Deposits maturing within 3 months	7,757,405	11,998,000
Statutory cash reserve	131,743,946	71,467,893
Restricted balances	1,147,000	–
	446,853,428	191,019,550
Provision for expected credit losses	(200,231)	–
	446,653,197	191,019,550

- According to PMA circular number (67/2010), the Bank shall maintain statutory cash reserves with PMA at 9% of total customers' deposits. PMA does not pay interest on statutory cash reserves. According to PMA circular number (2/2012) the outstanding balance of credit facilities and Islamic financing granted in Jerusalem for some sectors are deducted before the statutory reserve is calculated.
- PMA does not pay interest on current accounts.
- PMA pays interest on term deposits at market interest rates.
- Restricted amounts as of December 31, 2018 amounted to U.S. $ 1,147,000 as a result of the business combination.

The movement of the Provision for expected credit losses is as follows:

	2018			
	Stage 1	Stage 2	Stage 3	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance as of January 1, 2018	-	-	-	-
Impact of IFRS (9) implementation	223,984	-	-	223,984
Balance as of January 1, 2018 – adjusted	223,984	-	-	223,984
Net ECL for the year	(23,753)	-	-	(23,753)
Balance as of December 31, 2018	200,231	-	-	200,231

6. Balances at banks and financial institutions

	2018	2017
	U.S. $	U.S. $
Local banks and financial institutions:		
Current and demand accounts	73,930,064	17,321,211
Deposits maturing within 3 months	29,601,914	13,426,220
	103,531,978	30,747,431
Foreign banks and financial institutions:		
Current and demand accounts	40,083,691	24,801,814
Deposits maturing within 3 months	46,832,524	38,238,490
Deposits maturing after 3 months	-	2,000,000
	86,916,215	65,040,304
	190,448,193	95,787,735
Provision for expected credit losses	(104,690)	-
	190,343,503	95,787,735

– Non-interest bearing balances at banks and financial institutions amounted to U.S. $ 127,898,361 and U.S. $ 51,949,359 as at December 31, 2018 and 2017, respectively. This item includes swap deposits amounted to U.S. $ 4,540,326 and U.S. $ 28,465,422 as of December 31, 2018 and 2017, respectively.

– Restricted balances at banks and financial institutions amounted to U.S.$ 5,843,143 and U.S. $ 10,672,696 as at December 31, 2018 and 2017, respectively.

The following summarizes the movement of the total balances with banks and financial institutions:

	2018				
	Stage 1	Stage 2	Stage 3	Total	2017
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	95,787,735	-	-	95,724,893	113,625,628
Business combination	89,986,573	-	-	89,986,573	-
Net change during the year	4,673,885	-	-	4,736,727	(17,837,893)
Balance, ending of the year	190,448,193	-	-	190,448,193	95,787,735

The movement of the provision for expected credit losses is as follows:

	2018			
	Stage 1	Stage 2	Stage 3	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance as of January 1, 2018	-	-	-	-
Impact of IFRS (9) implementation	27,332	-	-	27,332
Balance as of January 1, 2018 – adjusted	27,332	-	-	27,332
Credit losses transferred to the bank as a result of business combination	30,236	-	-	30,236
Net ECL for the year	47,122	-	-	47,122
Balance as of December 31, 2018	104,690	-	-	104,690

7. Financial assets at fair value through profit or loss

This item represents the bank's investment in quoted shares at Palestine Securities Exchange, the fair value of the investment as of December 31, 2018 and December 31, 2017 was U.S. $ 2,811,221 and U.S $ 496,940, respectively.

8. Direct credit facilities and Islamic financing

	2018	2017
	U.S. $	U.S. $
Retail		
Overdrafts	7,845,576	10,141,524
Loans and discounted bills*	177,196,643	169,368,072
Islamic financing	472,500,581	-
Corporate		
Overdrafts	34,877,115	28,605,441
Loans and discounted bills*	76,952,001	54,024,928
Islamic financing	91,758,642	-
Medium and small enterprises		
Overdrafts	23,527,517	37,943,908
Loans and discounted bills*	110,772,550	119,971,547
Islamic financing	83,152,687	-
Government and public sector		
Overdraft accounts	53,310,469	57,400,133
Loans and discounted bills*	178,797,014	183,009,041
Islamic financing	46,755,623	-
	1,357,446,418	660,464,594
Suspended interest and profit	(4,229,266)	(1,777,283)
Provision for expected credit facilities	(26,215,689)	(4,839,785)
	1,327,001,463	653,847,526

* Loans and discounted bills are presented net of their related interest and commission received in advance which amounted to of U.S. $ 6,268,415 as at December 31, 2018 and U.S. $ 4,165,872 as at December 31, 2017.

- Non-performing credit facilities and Islamic financing, according to PMA regulations net of suspended interest and profit, amounted to U.S. $203,658,617 and U.S. $ 65,944,793 representing 15.05% and 10.01% of direct credit facilities and Islamic financing net of suspended interest and profit as at December 31, 2018 and 2017, respectively.
- Defaulted credit facilities and Islamic financing, according to PMA regulations net of suspended interest and profit, amounted to U.S. $ 42,020,390 and U.S. $ 15,397,593 representing 3.11% and 2.34% of direct credit facilities and Islamic financing net of suspended interest and profit as at December 31, 2018 and 2017, respectively.
- According to PMA circular number (1/2008), defaulted direct credit facilities and Islamic financing for more than 6 years were excluded from the consolidated financial statements. These defaulted facilities and Islamic financing amounted to U.S. $ 6,260,427 as at December 31, 2018, the balance of impairment allowance and suspended interest and profit for defaulted accounts amounted to U.S. $ 3,211,605 and U.S. $ 3,048,822 respectively.
- Direct Credit facilities and Islamic financing granted to the Palestinian National Authority amounted to U.S. $ 278,863,106, representing 20.54% of total direct credit facilities and Islamic financing after deducting suspended interest and profit as at December 31, 2018 compared to U.S. $ 240,409,174 representing 36.4% of total direct credit facilities and Islamic financing after deducting suspended interest and profit as at December 31, 2017.
- Credit facilities and Islamic financing granted to non-residents as at December 31, 2018 and 2017 amounted to U.S. $ 1,419,542 and U.S. $ 493,597, respectively.
- Fair value of collaterals obtained in line of credit facilities and Islamic financing, amounted to U.S. $ 584,210,823 and U.S. $ 230,827,379 as at December 31, 2018 and 2017, respectively.

Suspended interest and profit

Movement on the suspended interest during the year was as follows:

	2018	2017
	U.S. $	U.S. $
Balance, beginning of the year	1,777,283	822,147
Suspended interested transferred to the bank due to the business combination	528,118	-
Interest suspended during the year	2,656,519	1,241,122
Suspended interest transferred to revenues	(662,891)	(299,543)
Interests in suspense related to the credit facilities being defaulted for more than 6 years.	(40,302)	(7,240)
Currency exchange differences	(29,461)	20,797
Balance, end of the year	4,229,266	1,777,283

Movement on the Direct credit facilities during the year was as follows:

	2018				2017
	Stage 1	Stage 2	Stage 3	Total	
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balance as of January 1, 2018	557,355,121	85,934,597	17,174,876	660,464,594	523,695,427
Business combination (note 2)	562,592,666	61,838,087	14,224,344	638,655,097	-
Net change during the year	(142,505,081)	206,426,276	(5,338,438)	58,582,757	136,773,695
Transferred to stage 1	31,758,520	(30,310,288)	(1,448,232)	-	-
Transferred to stage 2	(72,514,713)	73,929,747	(1,415,034)	-	-
Transferred to stage 3	(11,039,982)	(12,268,188)	23,308,170	-	-
Write offs	-	-	(256,030)	(256,030)	(4,528)
Balance as of December 31, 2018	925,646,531	385,550,231	46,249,656	1,357,446,418	660,464,594

Provision for expected credit losses

Movement on the Provision for expected credit losses during the year was as follows:

	Stage 1	Stage 2	Stage 3	2018	2017
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	-	-	4,839,785	4,839,785	3,555,962
Impact of IFRS (9) implementation	4,957,532	3,835,633	-	8,793,165	-
Balance as of January 1, 2018 – adjusted	4,957,532	3,835,633	4,839,785	13,632,950	3,555,962
Allowances transferred to the Bank due to business combination (note 2)	3,368,708	6,106,126	5,441,738	14,916,572	-
Transferred to stage 1	1,019,919	(982,455)	(37,464)	-	-
Transferred to stage 2	(441,082)	443,392	(2,310)	-	-
Transferred to stage 3	(40,920)	(341,937)	382,857	-	-
re-measurement of provision for ECL for the year	(695,807)	(2,585,885)	1,215,605	(2,066,087)	1,151,446
defaulted direct credit facilities for more than 6 years	-	-	(256,030)	(256,030)	(4,528)
Currency exchange differences	-	-	(11,716)	(11,716)	136,905
Balance, end of the year	8,168,350	6,474,874	11,572,465	26,215,689	4,839,785

The movement on the expected credit loss provision for direct credit facilities and Islamic financing that have been impaired for more than 6 years is as follows:

	2018	2017
	U.S. $	U.S. $
Balance, beginning of the year	1,213,251	1,180,095
Provision transferred to the bank due to business combination	1,921,037	-
Additions	256,030	4,528
Recovery	(104,856)	(94,772)
Currency exchange differences	(73,857)	123,400
Balance, end of the year	3,211,605	1,213,251

Following is a distribution of credit facilities excluding suspended interest by economic sector:

	2018	2017
	U.S. $	U.S. $
Public sector	278,863,106	240,409,174
Real estate	297,318,237	40,894,037
Industry and trade sector	450,901,412	198,205,172
Agricultural sector	9,116,267	302,042
Service sector	8,402,718	12,283,060
Consumer loans	308,615,412	166,593,826
	1,353,217,152	658,687,311

9. Financial assets at fair value through other comprehensive income

	2018	2017
	U.S. $	U.S. $
Shares quoted in Palestine Security Exchange	14,870,943	11,896,729
Shares quoted in foreign financial markets	945,952	853,032
Unquoted shares	692,883	261,571
	16,509,778	13,011,332

Following is the movement on the fair value reserve during the year:

	2018	2017
	U.S. $	U.S. $
Balance, beginning of the year	(4,339,168)	(3,956,033)
Change in fair value	(617,902)	(383,135)
Share of associates' other comprehensive income	(146,014)	-
Gain from sale of financial assets at FVTOCI recognized in retained earnings	(20,311)	-
Balance, end of the year	(5,123,395)	(4,339,168)

The sales was executed in 2018, aiming to finance other investment activities, and exiting from investments which do not achieve the required return for the bank.

10. Financial assets at amortized cost

	Treasury bills*	Unquoted Bonds**	Listed Islamic sukuk***	Unlisted Islamic sukuk***	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
December 31, 2018					
Local	21,991,487	7,910,000	-	-	29,901,487
Foreign	12,731,759	-	5,193,808	9,052,190	26,977,757
	34,723,246	7,910,000	5,193,808	9,052,190	56,879,244
Provision for ECL	(279,234)	(108,457)	(255)	(105,162)	(493,108)
	34,444,012	7,801,543	5,193,553	8,947,028	56,386,136
December 31, 2017					
Local	25,177,274	7,910,000	-	-	33,087,274
Foreign	10,613,680	-	-	-	10,613,680
	35,790,954	7,910,000	-	-	43,700,954

* Local Financial Assets at amortized cost represent the bank's investment in Palestinian government treasury bills, as per PMA circulars Number (2016/64) according to which the upper limit of the price discount of treasury bills in New Israeli Shekel is 8% and in U.S. $ is (6 months LIBOR +3%), annually. Investment in foreign treasury bills consist of Jordanian and Lebanese treasury bills, with an interest rate that ranges between 5.42% to 8.25%, and are due in six years.

** Financial Assets at amortized cost represents the bank's investment in local firm issued bonds, which mature in three to four years. The interest rates on these bonds ranges between 5% to 5.5%.

*** This item represents Palestine Islamic Bank's investment in Islamic bonds in foreign markets with an expected return range between 4.5% and 8% and are due within eight years.

Following is the movement on the total of financial assets at amortized cost during the year:

	2018				2017
	Stage 1	Stage 2	Stage 3	Total	2017
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balance as of January 1, 2018	43,700,954	-	-	43,700,954	39,372,895
Business combination	11,277,673	-	-	11,277,673	4,328,059
Net change during the year	(217,462)	2,118,079	-	1,900,617	-
Transferred to stage (2)	(4,175,657)	4,175,657	-	-	-
Balance as of December 31, 2018	50,585,508	6,293,736	-	56,879,244	43,700,954

The movement of provision for ECL is as follows:

	2018			
	Stage 1	Stage 2	Stage 3	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance as of January 1, 2018	-	-	-	-
Impact of IFRS (9) implementation	352,421	-	-	352,421
Balance as of January 1, 2018 – adjusted	352,421	-	-	352,421
Credit losses transferred to the bank due to business combination	44,894	-	-	44,894
Net ECL for the year	2,383	93,410	-	95,793
Balance as of December 31, 2018	399,698	93,410	-	493,108

11. Investment in associates

	Ownership percentage		book Value	
	2018	2017	2018	2017
	%	%	U.S. $	U.S. $
Palestine Mortgage and Housing Corporation (PMHC)*	-	20	-	3,767,516
Al- Takaful insurance**	27.83	-	7,911,358	-
Palestine Ijara Company***	33.33	-	3,539,426	-
			11,450,784	3,767,516

* Palestine Mortgage and Housing Corporation (PMHC) was established in 1997, the objective of PMHC is to develop and improve the Mortgage financing sector in Palestine. PMHC operates through its fully owned subsidiaries that include: Palestine Housing Finance Corporation, which is mainly concerned with refinancing intermediate and long term mortgages that are financed by its partner banks; and Palestine Mortgage Insurance Fund, which provides mortgage insurance against the risk of default. During the year, The bank sold its share in PMHC which resulted in recording a loss in the amount of U.S. $ 342,796 in the consolidated income statement.

** This item represents the investment of Palestine Islamic Bank (a subsidiary) in the Al-Takaful Insurance Company (TIC) (Note 2). TIC was established and headquartered in Ramallah and initiated its operations in the end of 2006. Through the practice of all insurance and reinsurance activities in accordance with the Islamic Shariaa' and through its headquarters in the city of Ramallah and its branches deployed in Palestine. TIC's capital amounted to U.S. $ 10,000,000 as of December 31,2018.

*** This item represents the investment of Palestine Islamic Bank (a subsidiary) in the shares of the Palestine Ijara Company (Ijara) due to the businesses combination (note 2). The company is based in Ramallah. Ijara practices Islamic leasing for small and medium enterprises in accordance with Islamic Shariaa'. As of December 31, 2018, the capital of Ijara amounted to US $ 12,000,000.

The following table summarizes the financial information relating to the Bank's investment in its associates

	Al-Takaful insurance	Ijara	Palestine Mortgage and Housing Corporation (PMHC)*	
	2018	2018	2018	2017
The financial position of associates:	U.S. $	U.S. $	U.S. $	U.S. $
Total assets	62,125,264	18,553,904	77,293,176	42,491,423
Total liabilities	(44,566,959)	(7,935,626)	(55,170,620)	(23,790,977)
Total equity	17,558,305	10,618,278	22,122,556	18,700,446
Bank's share	4,886,476	3,539,426	-	3,740,089
Book value before adjustments	4,886,476	3,539,426	-	3,740,089
Adjustments	3,024,882	-	-	27,427
Book value after adjustments	7,911,358	3,539,426	-	3,767,516
Revenues and results of operations:				
Net revenues	7,448,604	1,059,793	814,991	1,615,285
Administrative and general expenses	(3,893,138)	(926,143)	(165,739)	(385,473)
Depreciation and amortization	(403,605)	(33,068)	(28,337)	(64,417)
Finance costs	(18,673)	(130,393)	(153,308)	(476,253)
Other revenues	347,857	19,225	133,877	213,234
Income before tax	3,481,045	(10,586)	601,484	902,376
Tax expense	(1,201,055)	-	(325,089)	(278,880)
Net income for year after tax	2,279,990	(10,586)	276,395	623,496
Other comprehensive income	(283,905)	-	-	-
Total comprehensive income	1,996,085	(10,586)	276,395	623,496
Bank's share	474,026	(3,529)	55,279	124,699

The following table shows the movement on in investment in associates:

	2018	2017
	U.S. $	U.S. $
Balance, beginning of the year	3,767,516	3,642,817
Business combination (Note 2)	11,471,943	-
Bank's share of associates' results of operations	596,326	124,699
Bank's share of associate's other comprehensive income	(283,905)	-
Sale of investment in associates	(3,822,796)	-
Cash dividends	(278,300)	-
Balance, end of the year	11,450,784	3,767,516

12. Investment properties

This item represents investment property arising from the business combination (note 2). Investment properties are stated at cost. Following is the movement of investment properties during the year

	2018
	U.S. $
Balance, beginning of the year	-
Business combination (note 2)	8,898,030
Additions	3,524,327
Sale of investment properties	(51,100)
Balance, end of year	12,371,257

13. Property, plant and equipment

	Real estate proprieties	Furniture, equipment and leasehold improvements	Computers	Vehicles	Total
December 31, 2018	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Cost:					
Balance, beginning of the year	5,397,250	14,896,276	4,083,803	398,329	24,775,658
Business combination (note 2)	15,186,415	15,997,810	4,208,624	580,481	35,973,330
Additions	647,213	2,865,838	904,273	94,000	4,511,324
Transfer from projects in progress	-	3,844,084	-	-	3,844,084
Disposals	-	(78,715)	(8,411)	(241,532)	(328,658)
Balance, end of year	21,230,878	37,525,293	9,188,289	831,278	68,775,738
Accumulated depreciation:					
Balance, beginning of the year	1,478,601	6,821,593	2,115,942	109,382	10,525,518
Business combination (note 2)	2,155,650	5,453,474	3,103,121	350,109	11,062,354
Depreciation for the year	612,916	2,673,309	733,602	123,085	4,142,912
Disposals	-	(49,039)	(7,375)	(141,678)	(198,092)
Balance, end of the year	4,247,167	14,899,337	5,945,290	440,898	25,532,692
Net book value					
At December 31, 2018	16,983,711	22,625,956	3,242,999	390,380	43,243,046

Property, plant and equipment (continued)

	Real estate proprieties	Furniture, equipment and leasehold improvements	Computers	Vehicles	Total
December 31, 2017	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Cost:					
Balance, beginning of the year	5,397,250	10,214,051	3,179,228	336,572	19,127,101
Additions	-	2,263,882	403,892	135,992	2,803,766
Transfer from projects in progress	-	2,418,343	500,683	-	2,919,026
Disposals	-	-	-	(74,235)	(74,235)
Balance, end of year	5,397,250	14,896,276	4,083,803	398,329	24,775,658
Accumulated depreciation:					
Balance, beginning of the year	1,221,430	5,467,962	1,821,116	70,689	8,581,197
Depreciation for the year	257,171	1,353,631	294,826	73,060	1,978,688
Disposals	-	-	-	(34,367)	(34,367)
Balance, end of the year	1,478,601	6,821,593	2,115,942	109,382	10,525,518
Net book value					
At December 31, 2017	3,918,649	8,074,683	1,967,861	288,947	14,250,140

14. Projects in progress

Projects in progress comprise of computer software and banking system development for the National Bank and Palestine Islamic Bank, expansion works and leasehold improvements for Wattan company and leasehold improvements and branch expansion for Palestine Islamic Bank.

Following is the movement of project in progress during the year:

	2018	2017
	U.S. $	U.S. $
Balance, beginning of the year	554,407	4,510,772
Business combination (Note 2)	3,093,023	-
Additions	3,622,743	2,244,104
Transferred to property, plant and equipment (note 13)	(3,844,084)	(2,919,026)
Transferred to intangible assets (note 15)	(200,464)	(3,281,443)
Impairment of projects in progress	(1,585,707)	-
Balance, end of the year	1,639,918	554,407

As of December 31, 2018, the projects in progress are expected to be completed with a total estimated cost of U.S. $ 3,554,612.

15. Intangible assets

	2018	2017
	U.S. $	U.S. $
Computer programs	6,240,613	5,106,971
Goodwill (note 2)	27,111,033	-
	33,351,646	5,106,971

Movement on computer programs during the year was as follows:

	2018	2017
	U.S. $	U.S. $
Balance, beginning of the year	5,106,971	881,474
Business combination (Note 2)	731,363	-
Additions	1,156,435	1,502,899
Transfers from projects in progress (Note 14)	200,464	3,281,443
Amortization	(954,620)	(558,845)
Balance, end of the year	6,240,613	5,106,971

16. Deferred tax assets

Deferred tax assets is calculated on provision for employees' indemnity, following is the movement on deferred tax assets:

	2018	2017
	U.S. $	U.S. $
Balance, beginning of the year	778,606	628,925
Additions	552,496	207,891
Amortization	(53,525)	(58,210)
Balance, end of the year	1,277,577	778,606

17. Other assets

This item includes the following:

	2018	2017
	U.S. $	U.S. $
Clearing checks	26,135,987	27,917,026
Accrued interest income	22,279,680	24,032,285
Due from a related party	3,480,000	-
Accounts receivable, advances and temporary expenses of subsidiaries	3,117,686	-
Prepaid expenses	2,593,587	1,247,087
Printings and stationery	849,167	169,396
Due from Value Added Tax department	658,583	631,745
Others	2,536,654	3,080,146
	61,651,344	57,077,685

18. Banks' and financial institutions' deposits

	2018	2017
	U.S. $	U.S. $
Local banks and financial institutions:		
Current and demand deposits	59,021,985	12,094
Deposits maturing within 3 months	98,294,866	92,829,673
	157,316,851	92,841,767
Foreign banks and financial institutions:		
Current and demand deposits	1,427,470	2,943,055
	1,427,470	2,943,055
	158,744,321	95,784,822

19. Customers' deposits

	2018	2017
	U.S. $	U.S. $
Current and demand accounts	466,874,843	279,204,178
Saving deposits	161,418,981	115,387,711
Time deposits	331,251,291	343,934,417
Debit balances – temporarily credit	4,306,493	4,349,421
	963,851,608	742,875,727
<u>Unrestricted investment accounts</u>		
Saving deposits	427,426,899	-
Time deposits	216,959,857	-
	1,608,238,364	742,875,727

- Public sector deposits as at December 31, 2018, and 2017 amounted to U.S. $ 78,832,746 and U.S. $ 71,654,832 representing 4.90% and 9.65% of total deposits, respectively.
- Non-interest bearing deposits amounted to U.S. $ 587,683,991 and U.S. $ 286,857,723 representing 36.54% and 38.61% of the total deposits as at December 31, 2018 and 2017, respectively.

22. Subordinated loans

During the year and the previous year, the Bank obtained subordinated loans in accordance with subordinated loans agreements signed with several individuals and local companies totaling U.S. $ 40,000,000 with an annual interest rate ranging from 5.15% to 5.75%, interest is payable on a monthly basis while the loan principal is settled on maturity during 2024 and 2025. For the purposes of calculating capital adequacy, the Bank include these loans as part of the second tranche of the Bank's capital in accordance with the PMA's regulations and Basel Committee decisions when computing its capital adequacy.

Subordinated loans amounted to US $ 40,000,000 and US $ 16,500,000 as at December, 2018 and 31 December, 2017, respectively.

23. Sundry Provisions

	Balance, beginning of the year	Business combination (note 2)	Provided (recovered) during the year	Paid during year	Balance, end of the year
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
December 31, 2018					
Employees' end of service provision	3,255,103	6,674,592	3,242,196	(743,990)	12,427,901
Lawsuits provision	-	1,166,857	(481,450)	(11,674)	673,733
	3,255,103	7,841,449	2,760,746	(755,664)	13,101,634
December 31, 2017					
Employees' end of service provision	2,695,005	-	777,915	(217,817)	3,255,103
Lawsuits provision	-	-	-	-	-
	2,695,005	-	777,915	(217,817)	3,255,103

Provision is made for employees' end of service indemnity in accordance with the Labor Law effective in Palestine and the Bank's personnel policy. The Palestinian Social Security Law (the law) was expected to be implemented during 2018, but it was suspended in accordance with a presidential decree dated January 28, 2019. The dialogue with the relevant parties will continue in order to reach a national consensus on the provisions of the law and its date of entry into force. The law requires employers to settle the end of service benefits for the periods preceding the application of the provisions of the law.

24. Taxes provisions

	2018	2017
	U.S. $	U.S. $
Balance, beginning of the year	1,326,170	1,994,870
Tax Provision resulting from business combination (Note 2)	3,639,385	-
Provision for the year	6,828,157	3,321,358
Discount on paid advance	(175,133)	(131,677)
Recovery	(1,626,970)	(200,000)
Payments during the year	(6,857,183)	(3,636,588)
Currency difference	465,292	(21,793)
Balance, end of the year	3,599,718	1,326,170

22. Subordinated loans

During the year and the previous year, the Bank obtained subordinated loans in accordance with subordinated loans agreements signed with several individuals and local companies totaling U.S. $ 40,000,000 with an annual interest rate ranging from 5.15% to 5.75%, interest is payable on a monthly basis while the loan principal is settled on maturity during 2024 and 2025. For the purposes of calculating capital adequacy, the Bank include these loans as part of the second tranche of the Bank's capital in accordance with the PMA's regulations and Basel Committee decisions when computing its capital adequacy.

Subordinated loans amounted to US $ 40,000,000 and US $ 16,500,000 as at December, 2018 and 31 December, 2017, respectively.

23. Sundry Provisions

	Balance, beginning of the year	Business combination (note 2)	Provided (recovered) during the year	Paid during year	Balance, end of the year
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
December 31, 2018					
Employees' end of service provision	3,255,103	6,674,592	3,242,196	(743,990)	12,427,901
Lawsuits provision	-	1,166,857	(481,450)	(11,674)	673,733
	3,255,103	7,841,449	2,760,746	(755,664)	13,101,634
December 31, 2017					
Employees' end of service provision	2,695,005	-	777,915	(217,817)	3,255,103
Lawsuits provision	-	-	-	-	-
	2,695,005	-	777,915	(217,817)	3,255,103

Provision is made for employees' end of service indemnity in accordance with the Labor Law effective in Palestine and the Bank's personnel policy. The Palestinian Social Security Law (the law) was expected to be implemented during 2018, but it was suspended in accordance with a presidential decree dated January 28, 2019. The dialogue with the relevant parties will continue in order to reach a national consensus on the provisions of the law and its date of entry into force. The law requires employers to settle the end of service benefits for the periods preceding the application of the provisions of the law.

24. Taxes provisions

	2018	2017
	U.S. $	U.S. $
Balance, beginning of the year	1,326,170	1,994,870
Tax Provision resulting from business combination (Note 2)	3,639,385	-
Provision for the year	6,828,157	3,321,358
Discount on paid advance	(175,133)	(131,677)
Recovery	(1,626,970)	(200,000)
Payments during the year	(6,857,183)	(3,636,588)
Currency difference	465,292	(21,793)
Balance, end of the year	3,599,718	1,326,170

The Bank reached a final settlement with both Income Tax and Value Added Tax departments on its results of operations until the year 2017. In the years ended 31 December, 2017 and 31 December, 2016 income tax rates and value added tax rates were %15 and %16, respectively. According to Law No. (4) for the year 2014, concerning the amendment of Law No. (8) for the year 2011 related to income taxes; income tax rate on profits resulted from financing small and medium enterprises equals to %10.

Income tax expense reported in consolidated income statement represents the following:

	2018	2017
	U.S. $	U.S. $
Provision for the current year	6,828,157	3,321,358
Additions of deferred tax assets, net	(498,971)	(149,681)
Discount on paid advance	(175,133)	(131,677)
Recovery	(1,626,970)	(200,000)
Taxes expense for the year	4,527,083	2,840,000

Reconciliation between accounting income and taxable income is as follows:

	2018	2017
	U.S. $	U.S. $
Accounting profit	23,782,938	12,044,749
Income subject to VAT	25,068,911	9,041,272
Income subject to income tax	17,401,347	8,091,984
VAT on profit for the year	3,457,781	1,247,072
Income tax	2,411,791	1,213,798
Total taxes for the year	5,869,572	2,460,870
Provision for the year	6,828,157	3,321,358
Effective tax rate	%28.71	27.58%

The Bank's management and tax consultant believe that the tax provisions are sufficient to cover all tax liabilities.

25. Other liabilities

	2018	2017
	U.S. $	U.S. $
Certified checks and incoming transfers	18,020,447	3,376,949
Unearned interest and commission income	6,268,415	4,165,872
Accrued expenses	4,343,169	245,799
Accrued interest payable	2,630,288	3,125,499
Accounts payable	2,375,800	5,877,894
Temporary and intermediary accounts for subsidiaries	2,039,099	-
Return on unrestricted investment accounts	866,269	-
Accrued Board of Directors bonuses	810,384	336,159
Dividends payable	765,579	552,883
Others	2,193,549	1,018,098
	40,312,999	18,699,153

26. Share premium

On January 25, 2015, the Bank and Union Bank-Jordan signed an agreement enabling the admission of the later as a strategic partner in the Bank with a 5.4% share of capital, the equivalent of 4,031,794 shares of U.S. $ 1 par value for each share, and share premium of U.S. $ (0.14) per share, resulting in a total share premium of U.S. $ 564,451.

27. Cash dividends

The Bank's General Assembly, during its meeting held on April 24, 2018, approved U.S. $ 0.05 cash dividends distribution for each share which amounted to U.S. $ 3,750,000.

The Bank's General Assembly, during its meeting held on April 20, 2017, approved U.S. $ 0.05 cash dividends distribution for each share which amounted to U.S. $ 3,750,000.

28. Reserves

– **Statutory reserve**

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

– **General banking risks reserve**

This item represents the amount of general banking risk reserve deducted in accordance with PMA's regulations number (6/2015) based on 1.5% of direct credit facilities and Islamic financing after deducting impairment allowance for credit facilities and suspended interest and profit and 0.5% of indirect credit facilities and Islamic financing. According to PMA's generalization number (53/2013), the general banking risks reserve is not held against the small and medium sized companies if the conditions indicated in the generalization are applicable on it. During 2018 the bank adopted IFRS (9), and recorded the impact of IFRS (9) from this reserve, in reference to Stage 1 and Stage 2 expected credit losses, as per PMA generalization number (2018/2). The reserve is not to be utilized or reduced without PMA's prior approval.

– **Pro-cyclicality reserve**

This reserve represents 15% of annual net profit in accordance with PMA's instruction (1/2011) to support Banks' capital against banking risks. The reserve is not to be utilized or reduced without PMA's prior approval. The appropriation shall continue until total reserve balance equals 20% of paid in share capital. During 2018, PMA issued instructions No. (1/2018) regarding pro-cyclicity reserve, the reserve is to be calculated as a percentage of risk-weighted assets determined by PMA and ranging between 0% - 2.5%. PMA decided to set the percentage for 2018 at 0.57% of risk-weighted assets. The bank obtained PMA's approval to calculate the pro-cyclicality on rate of 0.77% of risk-weighted assets.

29. Interest income

This item represents interest income on the following accounts:

	2018	2017
	U.S. $	U.S. $
Retail		
Overdraft accounts	2,586,471	2,106,654
Loans and discounted bills	10,485,644	9,318,922
	13,072,115	11,425,576
Corporate		
Overdraft accounts	3,327,630	3,660,259
Loans and discounted bills	11,212,458	12,125,642
	14,540,088	15,785,901
Government and public sector	13,765,207	12,387,618
	41,377,410	39,599,095
Balances at banks and financial institutions	1,730,977	1,230,753
Financial assets	2,593,925	2,216,604
	45,702,312	43,046,452

30. Interest expense

This item comprises the following accounts:

	2018	2017
	U.S. $	U.S. $
Interest on customers' deposits:		
Current and demand accounts	500,559	438,084
Savings accounts	5,591	8,488
Time deposits	12,594,974	11,459,729
Cash margins	691,821	688,287
Interests on loans and borrowings	323,878	314,661
Interest on subordinated loans	2,064,521	65,761
Interest on banks' and financial institutions' deposits	2,458,187	1,883,151
	18,639,531	14,858,161

31. Net investments and financing Income

	For the from March 1, 2018 to December 31, 2018
	U.S. $
Revenues from financing	38,928,443
Investment returns	645,863
	39,574,306
Less: Return of unrestricted investment accounts	(5,412,019)
	34,162,287

32. Net commissions income

	2018	2017
	U.S. $	U.S. $
Commissions income		
Direct credit facilities and Islamic financing	6,960,090	2,747,542
Indirect credit facilities and Islamic financing	1,333,470	1,024,490
Returned and deferred checks	2,648,157	1,101,283
Transfers	997,823	751,818
Account management	2,974,638	642,730
Commission on cash deposit	638,073	299,931
Other banking services	1,056,809	425,458
	16,609,060	6,993,252
Commissions expense	(1,764,383)	(1,313,004)
	14,844,677	5,680,248

33. Net gains from financial assets portfolio

	2018	2017
	U.S. $	U.S. $
Dividend from financial assets at fair value through other comprehensive income	1,068,745	934,052
Dividend from financial assets at fair value through profit or loss	135,402	-
(Losses) gains on sale of financial assets at fair value through profit or loss	(222,133)	747,952
Losses on sale of financial assets at amortized cost	(17,096)	-
	964,918	1,682,004

34. Net re-measurement for expected credit losses allowance

The following demonstrates the provision for expected credit losses re-measurement:

	Stage 1	Stage 2	Stage 3	2018	2017
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balances with Palestine Monetary Authority	23,753	-	-	23,753	-
Balances at banks and financial institutions	(47,122)	-	-	(47,122)	-
Direct credit facilities and Islamic financing	695,807	2,585,885	(1,215,605)	2,066,087	(1,151,446)
Financial assets at amortized cost	(2,383)	(93,410)	-	(95,793)	-
	670,055	2,492,474	(1,215,605)	1,946,925	(1,151,446)

35. Personnel expenses

	2018	2017
	U.S. $	U.S. $
Salaries and benefits	23,025,680	8,923,682
Provision for employees' end of service	3,242,196	777,915
VAT on salaries	3,205,849	1,365,082
Bank's contribution to the provident fund*	1,284,417	550,335
Health insurance	1,017,778	361,882
Travel and transportation	542,554	8,430
Training expense	242,806	76,422
Others	74,748	87,201
	32,636,028	12,150,949

* The Bank contributes 10% of the basic salary of the employee and the employee contributes 5% of his basic salary to the Provident Fund, The Provident Fund balance is shown under customers' deposits

36. Other operating expenses

	2018	2017
	U.S. $	U.S. $
Palestine Deposit Insurance Corporation*	4,240,766	1,492,333
Fees, licenses and subscriptions	3,945,244	2,404,500
Rent	2,358,281	1,179,048
Maintenance	2,323,409	580,941
Advertisements and marketing	2,021,229	1,221,973
Telephone and postage	1,112,786	218,985
Utilities	961,527	396,994
Professional and consulting fees	813,115	570,287
Insurance	712,734	475,833
Board of Directors' expenses	707,403	264,550
Stationary and printings	653,808	397,209
Donations and sponsorships**	711,309	219,436
Transportation and vehicle expenses	354,600	367,416
Hospitality	277,639	198,053
General assembly meetings' expenses	178,344	28,043
Mortgage insurance fees	132,290	139,330
Property tax	97,443	90,374
Cash shipment	73,644	73,052
Others	699,401	328,961
	22,374,972	10,647,318

* Banks are required to accrue and account for an annual fee of %0.3 from the total deposits specified by the Law No. (7) of the year 2013.

** The Bank provides donations for social, sports' fields events, and others as part of the Bank's commitment to society development, and effective contribution to raise standards of living in the Palestinian community. Donations represent 3.69 % of net profits as at December 31, 2018 compared to 2.38 % as at December 31, 2017.

37. Palestine Monetary Authority fines

	2018	2017
	U.S. $	U.S. $
A fine as a result of the bank's violation of the laws and instructions for "know your customer"- The National Bank	41,403	7,052
A fine as a result of the Bank's failure to obtain a pre-approval of PMA to grant credit facilities and not to disclose all facilities in the monthly reports – The National Bank	20,000	-
A fine as a result of the Bank's purchase of a banking office in Nablus without a prior written approval of the PMA - Palestine Islamic Bank	5,000	-
A fine as a result of the Bank's failure to obtain a pre-approval of PMA before granting a loan to related parties - Palestine Islamic Bank	5,000	
	71,403	7,052

38. Basic and diluted earnings per share

	2018	2017
	U.S. $	
Profit for the year attributable to shareholders of the Bank	9,428,765	9,204,749
	Shares	
Weighted average of subscribed shares	75,000,000	75,000,000
	U.S. $	
Basic and diluted earnings per share attributable to shareholders of the Bank	0.126	0.123

39. Cash and cash equivalents

	2018	2017
	U.S. $	U.S. $
Cash and balances with Palestine Monetary Authority	446,853,428	191,019,550
Add: Balances at banks and financial institutions maturing within 3 months	190,448,193	93,787,735
Less: Banks' and financial institutions' deposits Maturing within 3 months	(158,744,321)	(95,784,822)
Restricted balances at banks and financial institutions	(5,843,143)	(10,672,696)
Statutory cash reserve	(131,743,946)	(71,467,893)
Reserved balances with the Palestine Monetary Authority	(1,147,000)	-
	339,823,211	106,881,874

40. Related party transactions

Related parties represent major shareholders, Board of Directors, key management personnel of the Bank, and entities controlled, jointly controlled or significantly influenced by such parties. Transactions with related parties are as follows:

	Nature of relationship	2018 U.S. $	2017 U.S. $
Statement of consolidated financial position items:			
Direct credit facilities and Islamic financing	Executive Management and Board of Directors*	43,868,691	25,201,350
Deposits	Executive Management and Board of Directors	59,602,803	27,474,268
Cash margins	Executive Management and Board of Directors	6,282,555	4,409,941
Accounts payable	Executive Management and Board of Directors	120,514	148,706
Consolidated income statement items:			
Interest and commission income	Executive Management and Board of Directors	2,102,075	1,014,103
Interest and commission expense	Executive Management and Board of Directors	625,317	410,290
Advertisement and marketing expenses	Major shareholders and related entities	322,811	585,335
Telephone and postage	Major shareholders and related entities	252,677	218,985
Commitments and contingencies:			
Letters of credit and guarantees	Executive Management and Board of Directors*	5,713,592	5,314,277
Unutilized credit limits	Executive Management and Board of Directors	8,582,434	5,371,801

* This item include branches' managers, non-executive employees and their relatives, and shareholders as disclosed to PMA.

- Direct credit facilities and Islamic financing granted to related parties as at December 31, 2018 and 2017 accounted for 3.31% and 3.85%, respectively, of the net direct credit facilities and Islamic financing. Credit facilities and Islamic financing granted to related parties are for members of Board of Directors and executive management or in their capacity as guarantors.
- Direct credit facilities and Islamic financing granted to related parties as at December 31, 2018 and 2017 represent 23.10% and 24.27%, respectively, of the Bank's capital base.
- Interest on U.S. $ credit facilities and Islamic financing ranges between 0.5% and 7.5%.

Key management personnel remuneration (salaries, bonuses and other benefits) are as follows:

	2018 U.S. $	2017 U.S. $
Executive management share of salaries and related benefits (short term)	2,193,418	1,262,252
Executive management share of indemnity (long term)	177,613	136,488
Board of Directors' expenses	707,403	264,550

41. Fair value measurement

The following table provides the quantitative fair value measurement hierarchy of the Bank's assets and liabilities as of December 31, 2018 and 2017 respectively:

			Measurement of fair value by		
	Date of measurement	Total U.S. $	Quoted prices in active markets (Level 1) U.S. $	Significant observable input (Level 2) U.S. $	Significant non-observable inputs (Level 3) U.S. $
Financial assets at fair value:					
Financial assets at fair value through profit or loss (note7):					
Quoted Palestine Security Exchange	December 31, 2018	2,811,221	2,811,221	-	-
Financial assets at fair value through other comprehensive income (note 9):					
Quoted - Palestine Security Exchange	December 31, 2018	14,870,943	14,870,943	-	-
Quoted - foreign markets	December 31, 2018	945,952	945,952	-	-
Unquoted	December 31, 2018	692,883	-	-	692,883
Financial assets for which fair value is disclosed:					
Financial assets at amortized cost (note 10)					
Quoted	December 31, 2018	17,706,271	17,706,271	-	-
Unquoted	December 31, 2018	38,860,226	-	-	38,860,226
Investment properties (Note 12)	December 31, 2018	12,742,899			12,742,899

			Measurement of fair value by		
	Date of measurement	Total U.S. $	Quoted prices in active markets (Level 1) U.S. $	Significant observable input (Level 2) U.S. $	Significant non-observable inputs (Level 3) U.S. $
Financial assets at fair value:					
Financial assets at fair value through profit or loss (note 7):					
Quoted Palestine Security Exchange	December 31, 2017	496,940	496,940	-	-
Financial assets at fair value through other comprehensive income (note 9):					
Quoted - Palestine Security Exchange	December 31, 2017	11,896,729	11,896,729	-	-
Quoted - foreign markets	December 31, 2017	853,032	853,032	-	-
Unquoted	December 31, 2017	261,571	-	-	261.571
Financial assets for which fair value is disclosed:					
Financial assets at amortized cost (note 10)					
Quoted	December 31, 2017	10,613,680	10,613,680	-	-
Unquoted	December 31, 2017	33,087,274	-	-	33,087,274

The Bank has not made any transfers between the above levels during 2018 and 2017.

- Sensitivity of fair value measurements to changes in unobservable market data (level 3):

  Authorized external valuators are charged with valuing material assets such as investment properties and investment in unquoted financial assets. After discussion with these external valuators, the Bank selects the methods and inputs to be used for valuation in each case, which are mostly sale prices for similar lands during the year and are calculated at fair value per square meter of land multiplied by the square meters.

The following table represents the sensitivity of the fair value of investment properties

	Increase/ decrease in fair value	Effect on fair value
	%	U.S. $
2018		
Value per Square meter	5+	637,145
Value per Square meter	5-	(637,145)

Fair value of financial assets and liabilities

The table below represents a comparison by class of the carrying amounts and fair values of financial instruments as at December 31, 2018 and 2017:

	Carrying amount		Fair value	
	2018	2017	2018	2017
	U.S. $	U.S. $	U.S. $	U.S. $
Financial assets				
Cash and balances with Palestine Monetary Authority	446,653,197	191,019,550	446,853,428	191,019,550
Balances at banks and financial institutions	190,343,503	95,787,735	190,448,193	95,787,735
Financial assets at fair value through profit or loss	2,811,221	496,940	2,811,221	496,940
Direct credit facilities and Islamic financing	1,327,001,463	653,847,526	1,327,001,463	653,847,526
Financial assets at fair value through other comprehensive income	16,509,778	13,011,332	16,509,778	13,011,332
Financial assets at amortized cost:				
Local unquoted bonds	7,801,543	7,910,000	7,801,543	7,910,000
PNA treasury bills	34,444,012	35,790,954	34,723,246	35,790,954
Islamic sukuk	14,140,581	-	14,041,708	-
Other financial assets	58,208,590	55,661,202	58,208,590	55,661,202
Total assets	2,097,913,888	1,053,525,239	2,098,399,170	1,053,525,239
Financial liabilities				
Banks' and financial institutions' deposits	158,744,321	95,784,822	158,744,321	95,784,822
Customers' deposits	1,608,238,364	742,875,727	1,608,238,364	742,875,727
Cash margins	108,442,093	65,908,451	108,442,093	65,908,451
Loans and borrowings	44,391,145	37,482,759	44,391,145	37,482,759
Subordinated loans	40,000,000	16,500,000	40,000,000	16,500,000
Other financial liabilities	34,044,584	14,533,281	34,044,584	14,533,281
Total liabilities	1,993,860,507	973,085,040	1,993,860,507	973,085,040

- The fair value of the financial assets and liabilities are included at the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.
- Fair values of Cash and balances with Palestine Monetary Authority, balances at banks and financial institutions, other financial assets, banks' and financial institutions' deposits, customers' deposits, cash margins, and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income that are actively traded in active financial markets is determined by reference to quoted prices at the date of the consolidated financial statements.
- Loans and borrowings, subordinated loans and financial assets at amortized cost were measured using the expected discounted future cash flows using prevailing market interest rates.
- Fair value of credit facilities and Islamic financing was determined through the study of different variables such as interest rates, risk factors and the debtor's solvency. The fair value of credit facilities approximate their carrying amounts as of December 31, 2018.

42. Concentration of assets and liabilities

2018	Palestine U.S. $	Jordan U.S. $	Europe U.S. $	USA U.S. $	Others U.S. $	Total U.S. $
Cash and balances with PMA	446,653,197	-	-	-	-	446,653,197
Balances at banks and financial institutions	103,497,783	3,810,030	30,486,294	20,877,249	31,672,147	190,343,503
Financial asset at fair value through profit or loss	2,811,221	-	-	-	-	2,811,221
Direct credit facilities and Islamic financing	1,325,581,921	348,118	-	-	1,071,424	1,327,001,463
Financial assets at fair value through other comprehensive income	15,563,826	945,952	-	-	-	16,509,778
Financial assets at amortized cost	29,670,928	17,496,825	-	-	9,218,383	56,386,136
Investment in associates	11,450,784	-	-	-	-	11,450,784
Investment properties	12,371,257	-	-	-	-	12,371,257
Property, plant and equipment	43,243,046	-	-	-	-	43,243,046
Projects in progress	1,639,918	-	-	-	-	1,639,918
Intangible assets	33,351,646	-	-	-	-	33,351,646
Deferred tax assets	1,277,577	-	-	-	-	1,277,577
Other assets	61,402,334	219,255	-	-	29,755	61,651,344
Total Assets	2,088,515,438	22,820,180	30,486,294	20,877,249	41,991,709	2,204,690,870
Banks' and financial institutions' deposits	157,316,851	-	-	-	1,427,470	158,744,321
Customers' deposits	1,597,363,221	-	386,975	964,332	9,523,836	1,608,238,364
Cash margins	108,442,093	-	-	-	-	108,442,093
Loans and borrowings	34,391,145	-	10,000,000	-	-	44,391,145
Subordinated loans	40,000,000	-	-	-	-	40,000,000
Sundry Provisions	13,101,634	-	-	-	-	13,101,634
Tax provisions	3,599,718	-	-	-	-	3,599,718
Other liabilities	40,312,999	-	-	-	-	40,312,999
Total Liabilities	1,994,527,661	-	10,386,975	964,332	10,951,306	2,016,830,274
Paid-in share capital	75,000,000	-	-	-	-	75,000,000
Share premium	564,451	-	-	-	-	564,451
Statutory reserve	4,559,533	-	-	-	-	4,559,533
General banking risks reserve	2,251,463	-	-	-	-	2,251,463
Pro-cyclicality reserve	5,216,291	-	-	-	-	5,216,291
Fair value reserve	(5,123,395)	-	-	-	-	(5,123,395)
Retained earnings	10,616,781	-	-	-	-	10,616,781
Net Equity attributable to shareholders of the Bank	93,085,124	-	-	-	-	93,085,124
Non-controlling interest	94,775,472	-	-	-	-	94,775,472
Net Equity	187,860,596	-	-	-	-	187,860,596
Total liabilities and equity	2,182,388,257	-	10,386,975	964,332	10,951,306	2,204,690,870
Commitments and contingencies:						
Letters of guarantees	81,345,637	15,200	-	-	-	81,360,837
Letters of credit	14,854,989	-	6,546,824	-	-	21,401,813
Unutilized credit limits	92,510,292	-	-	-	-	92,510,292
	188,710,918	15,200	6,546,824	-	-	195,272,942

2017	Palestine U.S. $	Jordan U.S. $	Europe U.S. $	USA U.S. $	Others U.S. $	Total U.S. $
Cash and balances with PMA	191,019,550	-	-	-	-	191,019,550
Balances at banks and financial institutions	30,747,431	11,257,495	50,378,965	2,972,625	431,219	95,787,735
Financial asset at fair value through profit or loss	496,940	-	-	-	-	496,940
Direct credit facilities	653,353,929	423,131	60,113	10,353	-	653,847,526
Financial assets at fair value through other comprehensive income	12,158,300	853,032	-	-	-	13,011,332
Financial assets at amortized cost	33,087,274	10,613,680	-	-	-	43,700,954
Investment in an associate	3,767,516	-	-	-	-	3,767,516
Property, plant and equipment	14,250,140	-	-	-	-	14,250,140
Projects in progress	554,407	-	-	-	-	554,407
Intangible assets	5,106,971	-	-	-	-	5,106,971
Deferred tax assets	778,606	-	-	-	-	778,606
Other assets	56,822,869	228,887	25,929	-	-	57,077,685
Total Assets	1,002,143,933	23,376,225	50,465,007	2,982,978	431,219	1,079,399,362
Banks' and financial institutions' deposits	92,841,767	1,536,968	-	-	1,406,087	95,784,822
Customers' deposits	740,753,273	341,310	241,209	678,149	861,786	742,875,727
Cash margins	65,908,451	-	-	-	-	65,908,451
Loans and borrowings	37,482,759	-	-	-	-	37,482,759
Subordinated loans	16,500,000	-	-	-	-	16,500,000
Provisions for employees' indemnity	3,255,103	-	-	-	-	3,255,103
Tax provisions	1,326,170	-	-	-	-	1,326,170
Other liabilities	18,699,153	-	-	-	-	18,699,153
Total Liabilities	976,766,676	1,878,278	241,209	678,149	2,267,873	981,832,185
Paid-in share capital	75,000,000	-	-	-	-	75,000,000
Share premium	564,451	-	-	-	-	564,451
Statutory reserve	3,616,656	-	-	-	-	3,616,656
General banking risks reserve	10,406,302	-	-	-	-	10,406,302
Pro-cyclicality reserve	4,933,148	-	-	-	-	4,933,148
Fair value reserve	(4,339,168)	-	-	-	-	(4,339,168)
Retained earnings	7,385,788	-	-	-	-	7,385,788
Net Equity	97,567,177	-	-	-	-	97,567,177
Total liabilities and equity	1,074,333,853	1,878,278	241,209	678,149	2,267,873	1,079,399,362
Commitments and contingencies:						
Letters of guarantees	47,198,306	-	-	-	-	47,198,306
Letters of credit	13,419,374	-	-	-	-	13,419,374
Unutilized credit limits	59,115,406	-	-	-	-	59,115,406
	119,733,086	-	-	-	-	119,733,086

43. Risk management

The Bank's risk management committee (the Committee), which comprises members of the Board of Directors together with executive management, supervises the general framework of risk management. The Committee monitors and evaluates credit risks, operating, liquidity risks and market risks and any other future risks. The Bank is developing its risk management function through programs, measurement tools, and controls and monitoring procedures.

The following is a summary of risks associated with the Bank's operations:

I. Credit risks

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

1. Exposures to credit risks (net of ECL provisions and interest and profit in suspense and prior to collaterals and other risk mitigations):

	2018	2017
	U.S. $	U.S. $
Consolidated statement of financial position items		
Balances with Palestine Monetary Authority	219,968,265	83,573,761
Balances at banks and financial institutions	190,343,503	95,787,735
Direct credit facilities and Islamic financing	1,327,001,463	653,847,526
Financial assets at amortized cost	56,386,136	43,700,954
Other financial assets	58,208,590	55,661,202
	1,851,907,957	932,571,178
Consolidated commitments and contingencies		
Letters of guarantee	81,360,837	47,198,306
Letters of credit	21,401,813	13,419,374
Unutilized credit limits	92,510,292	59,115,406
	195,272,942	119,733,086
	2,047,180,899	1,052,304,264

2. Credit risk exposure for each risk rating

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

December 31, 2018	Retail U.S. $	Real estate U.S. $	Corporate U.S. $	Government and public sector U.S. $	Total U.S. $
Low risk	124,108,744	298,098,454	56,065,550	278,863,106	757,135,854
Acceptable risk	215,281,763	-	177,140,918	-	392,422,681
Watch list	88,686,830	-	72,951,397	-	161,638,227
Non-performing:					
Substandard	5,469,294	-	3,559,166	-	9,028,460
Doubtful	6,357,273	-	8,636,022	-	14,993,295
Loss	10,077,408	-	12,150,493	-	22,227,901
Total	449,981,312	298,098,454	330,503,546	278,863,106	1,357,446,418
Suspended interest	(1,153,624)	(780,217)	(2,295,425)	-	(4,229,266)
Expected credit losses	(11,587,628)	(5,028,912)	(7,602,301)	(1,996,848)	(26,215,689)
	437,240,060	292,289,325	320,605,820	276,866,258	1,327,001,463

December 31, 2017	Retail U.S. $	Real Estate U.S. $	Corporate U.S. $	Government and public sector U.S. $	Total U.S. $
Low risk	28,181,163	42,541,551	18,229,614	240,409,174	329,361,502
Acceptable risk	56,308,723	-	207,072,293	-	263,381,016
Watch list	40,509,806	-	10,037,394	-	50,547,200
Non-performing:					
Substandard	3,838,856	-	1,260,049	-	5,098,905
Doubtful	2,444,709	-	243,661	-	2,688,370
Loss	5,684,788	-	3,702,813	-	9,387,601
Total	136,968,045	42,541,551	240,545,824	240,409,174	660,464,594
Suspended interest	(476,156)	(758,893)	(542,234)	-	(1,777,283)
Expected credit losses	(2,605,833)	(888,621)	(1,345,331)	-	(4,839,785)
	133,886,056	40,894,037	238,658,259	240,409,174	653,847,526

4. Fair value of collaterals obtained against Stage 3 credit exposures is as follows:

	Total Credit risk exposure	Fair value of collaterals: Cash margins	Accepted bank guarantees	Real estate	Quoted stocks	Vehicles and equipment	Others	Total	Net Exposure	ECL
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Credit exposures relating to items on consolidated statement of financial position:										
Retail	20,750,351	3,153,051	-	7,324,434	706	635,928	26,406	11,140,525	9,609,826	7,342,943
SMEs	9,694,880	1,401,800	-	3,634,130	-	101,738	3,401	5,141,069	4,553,811	2,196,102
Corporate	11,575,159	261,002	-	5,997,211	-	218,281	-	6,476,494	5,098,665	2,033,420
Total	42,020,390	4,815,853	-	16,955,775	706	955,947	29,807	22,758,088	19,262,302	11,572,465

5. Concentration in risk exposures according to the geographical area is as follows:

	Palestine	Arab countries	Europe	USA	Others	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balances with Palestine Monetary Authority	219,968,265	-	-	-	-	219,968,265
Balances at banks and financial institutions	103,497,783	3,810,030	30,486,294	20,877,249	31,672,147	190,343,503
Direct credit facilities and Islamic financing	1,325,581,921	348,118	-	-	1,071,424	1,327,001,463
Financial assets at amortized cost	29,670,928	17,496,825	-	-	9,218,383	56,386,136
Other financial assets	57,959,580	219,255	-	-	29,755	58,208,590
Total as at December 31, 2018	1,736,678,477	21,874,228	30,486,294	20,877,249	41,991,709	1,851,907,957
Total as at December 31, 2017	856,168,781	22,795,571	50,465,007	2,982,978	158,841	932,571,178
Commitments and contingencies:						
Letters of guarantees	81,345,637	15,200	-	-	-	81,360,837
Letters of credit	14,854,989	-	6,546,824	-	-	21,401,813
Unutilized credit limits	92,510,292	-	-	-	-	92,510,292
Balance as December 31, 2018	188,710,918	15,200	6,546,824	-	-	195,272,942
Balance as December 31, 2017	119,733,086	-	-	-	-	119,733,086

3. Fair value of collaterals obtained against total credit exposures is as follows:

	Total Credit risk exposure	Fair value of collaterals: Cash margins	Real estate	Quoted stocks	Vehicles and equipment	Others	Total collaterals	Net Exposure	ECL
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Credit exposures relating to items on consolidated statement of financial position:									
Balances at Palestine Monetary Authority	220,168,496	-	-	-	-	-	-	220,168,496	200,231
Balances at banks and financial institutions	190,448,193	-	-	-	-	-	-	190,448,193	104,690
Direct credit facilities and Islamic financing									
Retail	655,770,456	33,335,483	204,042,863	8,448,723	98,942,072	896,955	345,666,096	310,104,360	17,147,917
SMEs	218,478,054	11,006,215	43,009,854	1,354,334	21,366,903	381,189	77,118,495	141,359,559	4,839,629
Corporates	200,105,536	20,794,593	106,100,375	8,047,071	25,928,744	79,209	160,949,992	39,155,544	2,181,402
Government and public sector	278,863,106	476,240	-	-	-	-	476,240	278,386,866	1,996,848
Financial assets at amortized cost	56,879,244	-	-	-	-	-	-	56,879,244	493,108
Other assets	58,208,590	-	-	-	-	-	-	58,208,590	-
Total	1,878,921,675	65,612,531	353,153,092	17,850,128	146,237,719	1,357,353	584,210,823	1,294,710,852	26,963,825
Credit exposures of off balance-sheet items	195,272,942	16,042,186	-	-	-	-	16,042,186	179,230,756	49,893
	195,272,942	16,042,186	-	-	-	-	16,042,186	179,230,756	49,893

6. Concentration of risk exposures according to IFRS (9) Stages is as follows:

	Stage 1	Stage 2	Stage 3	2018	2017
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Palestine	1,327,155,195	379,075,357	30,447,925	1,736,678,477	856,168,781
Arab countries	15,673,902	6,200,326	-	21,874,228	22,795,571
Europe	30,486,294	-	-	30,486,294	50,465,007
USA	20,877,249	-	-	20,877,249	2,982,978
Other	41,991,709	-	-	41,991,709	158,841
Total	1,436,184,349	385,275,683	30,447,925	1,851,907,957	932,571,178

7. Concentration in risk exposures according to economic sector is as follows:

	Public	Financial	Commercial	Real estate	Agricultural	Other	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balances with Palestine Monetary Authority	-	219,968,265	-	-	-	-	219,968,265
Balances at banks and financial institutions	-	190,343,503	-	-	-	-	190,343,503
Direct credit facilities and Islamic financing	276,866,258	-	444,299,499	292,289,325	9,116,043	304,430,338	1,327,001,463
Financial assets at amortized cost	-	56,386,136	-	-	-	-	56,386,136
Other financial assets	-	-	-	-	-	58,208,590	58,208,590
December 31, 2018	276,866,258	466,697,904	444,299,499	292,289,325	9,116,043	362,638,928	1,851,907,957
December 31, 2017	240,409,174	278,091,652	197,370,844	40,894,037	209,277	175,596,194	932,571,178

8. Concentration of risk exposures according to IFRS (9) stages is as follows:

	Stage 1	Stage 2	Stage 3	2018	2017
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Cash and balances with PMA	219,968,265	-	-	219,968,265	83,573,761
Balances at banks and financial institutions	190,343,503	-	-	190,343,503	95,787,735
Government and public sector	276,866,258	-	-	276,866,258	240,409,174
Real estate and construction	166,606,242	116,523,254	9,159,829	292,289,325	40,894,037
Manufacturing, trade and agriculture	294,592,374	152,781,947	6,041,221	453,415,542	197,580,121
Services sector	7,815,971	215,209	241,412	8,272,592	12,282,735
Consumer commodities	171,597,336	109,554,947	15,005,463	296,157,746	162,681,459
Financial assets at amortized cost	50,185,810	6,200,326	-	56,386,136	43,700,954
Other financial assets	58,208,590	-	-	58,208,590	55,661,202
Total	1,436,184,349	385,275,683	30,447,925	1,851,907,957	932,571,178

9. Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios

When estimating the ECLs, the Bank considers three scenarios (a base case, best and worst). Each of these is associated with different PDs, EADs and LGDs.

Following are the macroeconomic factors impact on the forward-looking information based on multiple scenarios as at January 1, 2018:

Macroeconomic factors	**Scenario used**	**Assigned Probabilities (%)**	**Percentage Change in economic variables (%) 2018**
GDP	**Normal scenario**	80	0.30
	Best scenario	10	3.10
	Worst scenario	10	(3.60)
Unemployment Rates			
	Normal scenario	80	6.80
	Best scenario	10	(1.20)
	Worst scenario	10	18.10

Following are the macroeconomic factors impact on the forward-looking information based on multiple scenarios as at December 31, 2018:

Macroeconomic factors	Scenario used	Assigned Probabilities (%)	Percentage Change in economic variables (%) 2019
GDP	Base case	80	0.40
	Best case	10	2.32
	Worst case	10	(1.52)
Unemployment rate			
	Base case	80	0.97
	Best case	10	(5.37)
	Worst case	10	7.31

10. Classification of debt securities based on risk degree:
The table below analyzes the credit exposure of the debt securities using the credit rating as per the global credit rating agencies:

	2018	2017
	Financial Assets at amortized cost	Financial Assets at amortized cost
	U.S. $	U.S. $
Private Sector:		
AAA+ to A-	753,230	-
BBB+ to B-	8,360,070	-
Unrated	14,853,729	7,910,000
Government and public sector	32,419,107	35,790,954
Total	56,386,136	43,700,954

II. Market risk

Market risk arises from changes in interest rate risk, equity price risk and foreign currency risk. The Bank's board of directors sets the limits for acceptable risks. This is periodically monitored by the Bank's management.

1. Interest rate risk

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

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

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

	2018		2017	
Currency	Increase in interest rate (basis points)	Interest income sensitivity (consolidated income statement)	Increase in interest rate (basis points)	Interest income sensitivity (consolidated income statement)
U.S. $	10+	(60,910)	10+	41,768
ILS	10+	(129,591)	10+	83,928
JOD	10+	(19,263)	10+	(9,220)
Other currencies	10+	(38,864)	10+	24,648

December 31, 2018	Less than 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 to 3 years	More than 3 years	Non-interest bearing	Total
	Interest rate re-pricing sensitivity gap							
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Assets								
Cash and balances with PMA	7,755,359	1,147,000	-	-	-	-	437,750,838	446,653,197
Balances with banks and financial institutions	62,445,142	-	-	-	-	-	127,898,361	190,343,503
Financial assets at fair value through profit or loss	-	-	-	-	-	-	2,811,221	2,811,221
Direct credit facilities and Islamic financing	238,333,668	85,250,275	112,836,094	209,018,925	375,310,193	306,252,308	-	1,327,001,463
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	16,509,778	16,509,778
Financial assets at amortized cost	5,863,036	11,200,174	16,200,409	8,166,925	14,420,274	535,318	-	56,386,136
Investment in associates	-	-	-	-	-	-	11,450,784	11,450,784
Investment properties	-	-	-	-	-	-	12,371,257	12,371,257
Property, plant and Equipment	-	-	-	-	-	-	43,243,046	43,243,046
Projects in progress	-	-	-	-	-	-	1,639,918	1,639,918
Intangible assets	-	-	-	-	-	-	33,351,646	33,351,646
Deferred tax assets	-	-	-	-	-	-	1,277,577	1,277,577
Other assets	14,252,404	1,053,641	986,345	-	2,182,518	-	43,176,436	61,651,344
Total assets	328,649,609	98,651,090	130,022,848	217,185,850	391,912,985	306,787,626	731,480,862	2,204,690,870
Liabilities								
Banks' and financial institutions' deposits	64,455,539	-	-	-	-	-	94,288,782	158,744,321
Customers' deposits	631,832,932	141,733,235	70,492,654	89,335,572	91,273,167	665,865	582,904,939	1,608,238,364
Cash margins	22,154,219	3,172,430	12,361,953	9,487,369	3,226,357	-	58,039,765	108,442,093
Loans and borrowings	-	21,760,763	-	-	11,630,382	11,000,000	-	44,391,145
Subordinated loans	-	-	-	-	-	40,000,000	-	40,000,000
Sundry provisions	-	-	-	-	-	-	13,101,634	13,101,634
Tax provisions	-	-	-	-	-	-	3,599,718	3,599,718
Other Liabilities	-	-	-	-	-	-	40,312,999	40,312,999
Total liabilities	718,442,690	166,666,428	82,854,607	98,822,941	106,129,906	51,665,865	792,247,837	2,016,830,274
Equity								
Paid-in share capital	-	-	-	-	-	-	75,000,000	75,000,000
Share premium	-	-	-	-	-	-	564,451	564,451
Statutory reserve	-	-	-	-	-	-	4,559,533	4,559,533
General banking risks reserve	-	-	-	-	-	-	2,251,463	2,251,463
Pro-cyclicality reserve	-	-	-	-	-	-	5,216,291	5,216,291
Fair value reserve	-	-	-	-	-	-	(5,123,395)	(5,123,395)
Retained earnings	-	-	-	-	-	-	10,616,781	10,616,781
Total equity holders of the Bank	-	-	-	-	-	-	93,085,124	93,085,124
Non-controlling interests	-	-	-	-	-	-	94,775,472	94,775,472
Total Equity	-	-	-	-	-	-	187,860,596	187,860,596
Total liabilities and equity	718,442,690	166,666,428	82,854,607	98,822,941	106,129,906	51,665,865	980,108,433	2,204,690,870
Interest rate re-pricing sensitivity gap	(389,793,081)	(68,015,338)	47,168,241	118,362,909	285,783,079	255,121,761	(248,627,571)	-
Cumulative gap	(389,793,081)	(457,808,419)	(410,640,178)	(292,277,269)	(6,494,190)	248,627,571	-	-

December 31, 2017	Less than 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 to 3 years	More than 3 years	Non-interest bearing	Total
	Interest rate re-pricing sensitivity gap							
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Assets								
Cash and balances with PMA	-	-	-	-	-	-	191,019,550	191,019,550
Balances with banks and financial institutions	-	41,838,376	2,000,000	-	-	-	51,949,359	95,787,735
Financial assets at fair value through profit or loss	-	-	-	-	-	-	496,940	496,940
Direct credit facilities	96,471,797	24,704,258	27,577,518	26,552,730	142,277,437	336,263,786	-	653,847,526
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	13,011,332	13,011,332
Financial assets at amortized cost	1,656,865	7,370,762	16,149,647	-	10,613,680	7,910,000	-	43,700,954
Investment in associate	-	-	-	-	-	-	3,767,516	3,767,516
Property, plant and Equipment	-	-	-	-	-	-	14,250,140	14,250,140
Projects in progress	-	-	-	-	-	-	554,407	554,407
Intangible assets	-	-	-	-	-	-	5,106,971	5,106,971
Deferred tax assets	-	-	-	-	-	-	778,606	778,606
Other assets	-	-	-	-	-	-	57,077,685	57,077,685
Total assets	98,128,662	73,913,396	45,727,165	26,552,730	152,891,117	344,173,786	338,012,506	1,079,399,362
Liabilities								
Banks' and financial institutions' deposits	-	81,929,674	-	-	-	-	13,855,148	95,784,822
Customers' deposits	203,055,823	55,631,301	56,988,609	138,688,160	647,373	1,006,738	286,857,723	742,875,727
Cash margins	-	2,836,781	1,771,905	-	3,723,972	-	57,575,793	65,908,451
Loans and borrowings	-	-	500,000	11,494,253	23,988,506	1,500,000	-	37,482,759
Subordinated loans	-	-	-	-	-	16,500,000	-	16,500,000
Provision for employees' indemnity	-	-	-	-	-	-	3,255,103	3,255,103
Tax provisions	-	-	-	-	-	-	1,326,170	1,326,170
Other Liabilities	-	-	-	-	-	-	18,699,153	18,699,153
Total liabilities	203,055,823	140,397,756	59,260,514	150,182,413	28,359,851	19,006,738	381,569,090	981,832,185
Equity								
Paid-in share capital	-	-	-	-	-	-	75,000,000	75,000,000
Share premium	-	-	-	-	-	-	564,451	564,451
Statutory reserve	-	-	-	-	-	-	3,616,656	3,616,656
General banking risks reserve	-	-	-	-	-	-	10,406,302	10,406,302
Pro-cyclicality reserve	-	-	-	-	-	-	4,933,148	4,933,148
Fair value reserve	-	-	-	-	-	-	(4,339,168)	(4,339,168)
Retained earnings	-	-	-	-	-	-	7,385,788	7,385,788
Total equity	-	-	-	-	-	-	97,567,177	97,567,177
Total liabilities and equity	203,055,823	140,397,756	59,260,514	150,182,413	28,359,851	19,006,738	479,136,267	1,079,399,362
Interest rate re-pricing sensitivity gap	(104,927,161)	(66,484,360)	(13,533,349)	(123,629,683)	124,531,266	325,167,048	(141,123,761)	-
Cumulative gap	(104,927,161)	(171,411,521)	(184,944,870)	(308,574,553)	(184,043,287)	141,123,761	-	-

2. Equity price risk

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

	2018			2017		
	Increase in indicator	Effect on consolidated income statement	Effect on equity	Increase in indicator	Effect on consolidated income statement	Effect on equity
Market	(%)	U.S. $	U.S. $	(%)	U.S. $	U.S. $
Palestine Security Exchange	10	281,122	1,487,094	10	49,694	1,189,673
Foreign financial markets	10	-	94,595	10	-	85,303
Unquoted Shares	10	-	69,288	10	-	26,157

3. Foreign currency risk

These are the risks of the change in value of financial instruments resulting from the change in foreign exchange rates. The U.S. $ is the functional currency of the Bank. The Board of Directors sets the limit of the financial position for each currency, and such position is monitored on a daily basis to ensure maintaining the foreign currency position within the established limits.

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

The effect of decrease in currency rate (%) is expected to be equal and opposite to the effect of the increase shown below:

	2018		2017	
	Increase in currency rate	Effect on consolidated income statement	Increase in currency rate	Effect on consolidated income statement
Currency	%	U.S. $	%	U.S. $
ILS	10	3,352,770	10	12,923,076
Other currencies	10	159,689	10	2,867,338

Following is the foreign currencies position of the Bank:

December 31, 2018	JOD U.S. $	ILS U.S. $	Other currencies U.S. $	Total U.S. $
Assets				
Cash and balances at PMA	80,428,584	265,660,898	7,902,944	353,992,426
Balances at banks and financial institutions	23,108,971	16,458,037	10,203,245	49,770,253
Direct credit facilities and Islamic financing	228,840,214	525,877,484	55,568,218	810,285,916
Financial assets at amortized cost	17,665,866	11,991,487	-	29,657,353
Other assets	12,229,362	29,670,627	1,590,756	43,490,745
Total assets	362,272,997	849,658,533	75,265,163	1,287,196,693
Liabilities				
Banks' and financial institutions' deposits	11,283,707	131,685,641	6,370,860	149,340,208
Customers' deposits	359,636,382	636,789,959	61,858,270	1,058,284,611
Cash margins	13,360,792	40,542,911	3,342,717	57,246,420
Other liabilities	7,017,502	7,112,326	2,096,423	16,226,251
Total liabilities	391,298,383	816,130,837	73,668,270	1,281,097,490
Consolidated statement of financial position concentration	(29,025,386)	33,527,696	1,596,893	6,099,203
Commitments and contingencies	7,658,318	41,116,886	27,377,038	76,152,242

December 31, 2017	JOD U.S. $	ILS U.S. $	Other currencies U.S. $	Total U.S. $
Assets				
Cash and balances at PMA	20,057,899	107,640,258	20,309,170	148,007,327
Balances at banks and financial institutions	5,358,401	13,919,902	53,554,897	72,833,200
Direct credit facilities and Islamic financing	87,145,032	256,993,596	39,774,433	383,913,061
Financial assets at amortized cost	10,613,680	6,696,470	-	17,310,150
Other assets	8,907,940	32,856,333	4,157,519	45,921,792
Total assets	132,082,952	418,106,559	117,796,019	667,985,530
Liabilities				
Banks' and financial institutions' deposits	4,936,555	14,368,144	21,037,068	40,341,767
Customers' deposits	140,695,625	252,889,429	65,053,813	458,638,867
Cash margins	4,843,100	18,263,049	2,869,861	25,976,010
Other liabilities	1,884,693	3,355,175	161,896	5,401,764
Total liabilities	152,359,973	288,875,797	89,122,638	530,358,408
Consolidated statement of financial position concentration	(20,277,021)	129,230,762	28,673,381	137,627,122
Commitments and contingencies	1,811,652	36,113,138	12,923,157	50,847,947

III. Liquidity risk

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

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

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

The table below summarizes the allocation of liabilities (undiscounted) on the basis of the remaining contractual liability as at the financial statements date:

December 31, 2018	Less than 1 month U.S. $	From 1 to 3 months U.S. $	From 3 to 6 months U.S. $	From 6 months up to 1 year U.S. $	From 1 to 3 years U.S. $	More than 3 years U.S. $	Without maturity U.S. $	Total U.S. $
Liabilities:								
Banks' and financial institutions' deposits	158,803,997	-	-	-	-	-	-	158,803,997
Customers' deposits	1,215,213,774	142,601,586	71,100,394	89,601,885	91,374,295	669,021	-	1,610,560,955
Cash margins	22,154,219	3,172,430	20,381,493	59,508,735	3,226,357	-	-	108,443,234
Loans and borrowings	-	21,919,709	-	-	11,673,340	11,035,561	-	44,628,610
Subordinated loans	189,820	555,412	560,095	939,735	6,729,019	44,765,171	-	53,739,252
Sundry provisions	-	-	-	-	-	-	13,101,634	13,101,634
Tax provisions	-	-	-	3,599,718	-	-	-	3,599,718
Other liabilities	33,279,005	765,579	-	6,268,415	-	-	-	40,312,999
Total liabilities	1,429,640,815	169,014,716	92,041,982	159,918,488	113,003,011	56,469,753	13,101,634	2,033,190,399

December 31, 2017	Less than 1 month U.S. $	From 1 to 3 months U.S. $	From 3 to 6 months U.S. $	From 6 months up to 1 year U.S. $	From 1 to 3 years U.S. $	More than 3 years U.S. $	Without maturity U.S. $	Total U.S. $
Liabilities:								
Banks' and financial institutions' deposits	3,004,447	92,969,024	-	-	-	-	-	95,973,471
Customers' deposits	490,484,515	56,541,888	58,526,643	144,707,354	727,975	1,163,819	-	752,152,194
Cash margins	-	2,836,781	31,913,156	27,623,177	3,723,972	-	-	66,097,086
Loans and borrowings	-	-	500,000	11,494,253	23,988,506	1,500,000	-	37,482,759
Subordinated loans	76,226	145,075	221,301	454,897	1,795,000	20,057,158	-	22,749,657
Provisions for employees indemnity	-	-	-	-	-	-	3,255,103	3,255,103
Tax provisions	-	-	-	1,326,170	-	-		1,326,170
Other liabilities	3,717,725	3,125,499	415,457	7,274,600	4,165,872	-	-	18,699,153
Total liabilities	497,282,913	155,618,267	91,576,557	192,880,451	34,401,325	22,720,977	3,255,103	997,735,593

During 2018, PMA issued instructions No. (4/2018) in regard to Liquidity Coverage Ratio (LCR) which is considered one of the quantitative corrective tools issued by Basel Committee. LCR should not be lower than 100% in any case. LCR objective is to promote the short term resilience of the liquidity risk profile of the Bank by ensuring that they have sufficient High quality liquid assets to survive a significant stress scenario lasting 30 calendar days, and to keep the Bank services from the day of the stress until the Bank initiates corrective procedures in an efficient way

The table below shows the calculation of the mentioned ratio as of December 31, 2018:

	Amount before discount rates / average flows	Amount after discount rates / average flows
	U.S. $	U.S. $
High quality liquid assets	498,163,146	480,205,308
Retail deposits including small and medium corporates:		
A- Stable deposits	210,276,160	10,513,807
B- Less stable deposits	1,082,321,337	194,566,215
Deposits and unsecured forms of financing for non-retail and small-scale clients:		
A- Stable deposits	73,820,902	18,251,391
B- Less stable deposits	305,965,633	125,946,203
Guaranteed financing and deposits	379,786,535	144,197,594
Non-cancelled credit lines and required liquidity within 30 days	50,695,954	2,534,799
Other cash outflows	75,717,623	75,717,623
Gross cash outflows	1,798,797,609	427,530,038
Guaranteed credit facilities		
Cash inflow from working credit	85,035,980	42,517,990
Other cash inflows	165,470,413	109,848,185
Gross cash inflow	250,506,393	152,366,175
Net cash inflow after adjustments		275,163,863
Total high quality liquid assets after adjustments		480,205,308
Net cash outflow after adjustment		275,163,863
Liquidity Coverage Ratio		%175

During 2018, PMA issued instructions No. (5/2018) in regard of applying Net Stable Funding Ratio (NSFR), which is considered one of key reforms to promote a more resilient banking sector. A sustainable funding structure is intended to reduce the likelihood that disruptions to a bank's regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items, and promotes funding stability

The table below shows the calculation of the mentioned ratio as of December 31, 2018:

	2018
	U.S. $
Regulatory capital	256,005,751
Stable retail deposits	490,556,448
Un-stable retail deposits	817,356,254
Guaranteed and unguaranteed funding	161,792,114
Other funding	10,850,500
Others	132,371,000
Gross funding available	1,868,932,067
Level 1 unrestricted high liquidity assets	-
Level 2 unrestricted high liquidity assets	11,695,142
Level 3 unrestricted high liquidity assets	9,698,231
Loans	936,212,978
Financial assets issued or guaranteed by banks and financial institutions	25,287,000
Unquoted financial assets	12,188,036
Quoted financial assets	1,777,000
Non performing credit facilities	52,918,000
Other assets	103,304,877
Non-cancel credit facilities and line of credits	2,090,717
Future obligations	50,290,836
Gross funding required	1,205,462,817
Net Staple Funding Ratio	%155

44. Segments information

a. Information on the Bank's business segments:

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

Retail accounts: Includes handling individual customers' deposits, and providing consumer type loans, overdrafts, credit cards facilities and other services.

Corporate accounts: Includes handling loans, credit facilities, deposits and current accounts for corporate and institutional customers.

Treasury: Includes providing trading and treasury services and managing the Bank's funds and investments.

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

	retail	Corporate and public sector	Treasury	Other	Total 2018	Total 2017
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Gross revenues	46,836,912	43,081,844	10,995,403	8,846,225	109,760,384	54,710,212
Provision for expected credit losses	1,347,486	718,601	(119,162)	-	1,946,925	(1,151,446)
Segment results	41,108,810	37,191,282	1,092,905	6,155,583	85,548,580	37,387,601
Unallocated expenses					(61,765,642)	(25,342,852)
Profit before taxes					23,782,938	12,044,749
Taxes expense					(4,527,083)	(2,840,000)
Profit for the year					19,255,855	9,204,749
Other information						
Total segment assets	627,576,369	699,425,094	724,154,619	153,534,788	2,204,690,870	1,079,399,362
Total segment liabilities	1,213,793,463	502,886,994	243,135,466	57,014,351	2,016,830,274	981,832,185
Investment in associates					11,450,784	3,767,516
Capital expenditures					9,290,502	6,510,901
Depreciation and amortization					5,097,532	2,537,533

b. Geographical distribution information

The following is the geographic distribution of the Bank's revenue, assets and capital expenditures.

	Local 2018	Local 2017	Foreign 2018	Foreign 2017	Total 2018	Total 2017
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Gross revenues	106,655,114	53,719,313	3,105,270	990,899	109,760,384	54,710,212
Total assets	2,088,515,438	1,002,143,933	116,175,432	77,255,429	2,204,690,870	1,079,399,362
Capital expenditures	9,290,502	6,510,901	-	-	9,290,502	6,510,901

45. Maturities of assets and liabilities

December 31, 2018

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

	Less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 3 years	More than 3 years	Non-interest bearing	Total
Assets	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Cash and balances with PMA	313,761,251	1,147,000	-	-	-	-	131,744,946	446,653,197
Balances at banks and financial institutions	184,500,360	-	-	-	-	-	5,843,143	190,343,503
Financial asset at fair value through profit or loss	-	-	-	-	-	-	2,811,221	2,811,221
Direct credit facilities an Islamic financing	238,333,668	85,250,275	112,836,094	387,370,466	196,958,652	306,252,308	-	1,327,001,463
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	16,509,778	16,509,778
Financial assets at amortized Cost	5,863,036	11,200,174	16,200,409	8,166,925	14,420,274	535,318	-	56,386,136
Investment in associates	-	-	-	-	-	-	11,450,784	11,450,784
Investment properties	-	-	-	-	-	-	12,371,257	12,371,257
Property, plant and equipment	-	-	-	-	-	-	43,243,046	43,243,046
Projects in progress	-	-	-	-	-	-	1,639,918	1,639,918
Intangible assets	-	-	-	-	-	-	33,351,646	33,351,646
Deferred tax assets	-	-	-	-	-	-	1,277,577	1,277,577
Other assets	23,046,859	23,026,558	986,345	6,428,337	2,182,518	-	5,980,727	61,651,344
Total Assets	765,505,174	120,624,007	130,022,848	401,965,728	213,561,444	306,787,626	266,224,043	2,204,690,870
Liabilities								
Banks' and financial institutions' deposits	158,744,321	-	-	-	-	-	-	158,744,321
Customers' deposits	1,214,737,871	141,733,235	70,492,654	89,335,572	91,273,167	665,865	-	1,608,238,364
Cash margins	22,154,219	3,172,430	20,380,352	59,508,735	3,226,357	-	-	108,442,093
Loans and Borrowing	-	21,760,763	-	-	11,630,382	11,000,000	-	44,391,145
Subordinated loans	-	-	-	-	-	40,000,000	-	40,000,000
Sundry provisions	-	-	-	-	-	-	13,101,634	13,101,634
Tax provisions	-	-	-	3,599,718	-	-	-	3,599,718
Other liabilities	33,279,005	765,579	-	6,268,415	-	-	-	40,312,999
Total Liabilities	1,428,915,416	167,432,007	90,873,006	158,712,440	106,129,906	51,665,865	13,101,634	2,016,830,274
Equity								
Paid-in share capital	-	-	-	-	-	-	75,000,000	75,000,000
Share premium	-	-	-	-	-	-	564,451	564,451
Statutory reserve	-	-	-	-	-	-	4,559,533	4,559,533
General banking risks reserve	-	-	-	-	-	-	2,251,463	2,251,463
Pro-cyclicality reserve	-	-	-	-	-	-	5,216,291	5,216,291
Fair value reserve	-	-	-	-	-	-	(5,123,395)	(5,123,395)
Retained earnings	-	-	-	-	-	-	10,616,781	10,616,781
Total equity holders of the Bank	-	-	-	-	-	-	93,085,124	93,085,124
Non-controlling interest	-	-	-	-	-	-	94,775,472	94,775,472
Total equity	-	-	-	-	-	-	187,860,596	187,860,596
Total liabilities and equity	1,428,915,416	167,432,007	90,873,006	158,712,440	106,129,906	51,665,865	200,962,230	2,204,690,870
Maturity gap	(663,410,242)	(46,808,000)	39,149,842	243,253,288	107,431,538	255,121,761	65,261,813	-
Cumulative maturity gap	(663,410,242)	(710,218,242)	(671,068,400)	(427,815,112)	(320,383,574)	(65,261,813)	-	-

December 31, 2017

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

	Less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 3 years	More than 3 years	Non-interest bearing	Total
Assets	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Cash and balances with PMA	107,553,657	11,998,000	-	-	-	-	71,467,893	191,019,550
Balances at banks and financial institutions	31,511,917	51,603,122	2,000,000	-	-	-	10,672,696	95,787,735
Financial asset at fair value through profit or loss	-	-	-	-	-	-	496,940	496,940
Direct credit facilities	96,471,797	24,704,258	27,577,518	26,552,730	142,277,437	336,263,786	-	653,847,526
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	13,011,332	13,011,332
Financial assets at amortized Cost	1,656,865	7,370,762	16,149,647	-	10,613,680	7,910,000	-	43,700,954
Investment in associate	-	-	-	-	-	-	3,767,516	3,767,516
Property, plant and equipment	-	-	-	-	-	-	14,250,140	14,250,140
Projects in progress	-	-	-	-	-	-	554,407	554,407
Intangible assets	-	-	-	-	-	-	5,106,971	5,106,971
Deferred tax assets	-	-	-	-	-	-	778,606	778,606
Other assets	27,917,027	23,631,103	663,575	-	-	-	4,865,980	57,077,685
Total Assets	265,111,263	119,307,245	46,390,740	26,552,730	152,891,117	344,173,786	124,972,481	1,079,399,362
Liabilities								
Banks' and financial institutions' deposits	2,955,149	92,829,673	-	-	-	-	-	95,784,822
Customers' deposits	489,913,546	55,631,301	56,988,609	138,688,160	647,373	1,006,738	-	742,875,727
Cash margins	-	2,836,781	31,912,641	27,435,057	3,723,972	-	-	65,908,451
Loans and Borrowing	-	-	500,000	11,494,253	23,988,506	1,500,000	-	37,482,759
Subordinated loans	-	-	-	-	-	16,500,000	-	16,500,000
Provisions for employees indemnity	-	-	-	-	-	-	3,255,103	3,255,103
Tax provisions	-	-	-	1,326,170	-	-	-	1,326,170
Other liabilities	3,717,724	3,125,499	415,457	-	11,440,473	-	-	18,699,153
Total Liabilities	496,586,419	154,423,254	89,816,707	178,943,640	39,800,324	19,006,738	3,255,103	981,832,185
Equity								
Paid-in share capital	-	-	-	-	-	-	75,000,000	75,000,000
Share premium	-	-	-	-	-	-	564,451	564,451
Statutory reserve	-	-	-	-	-	-	3,616,656	3,616,656
General banking risks reserve	-	-	-	-	-	-	10,406,302	10,406,302
Pro-cyclicality reserve	-	-	-	-	-	-	4,933,148	4,933,148
Fair value reserve	-	-	-	-	-	-	(4,339,168)	(4,339,168)
Retained earnings	-	-	-	-	-	-	7,385,788	7,385,788
Net Equity	-	-	-	-	-	-	97,567,177	97,567,177
Total liabilities and equity	496,586,419	154,423,254	89,816,707	178,943,640	39,800,324	19,006,738	100,822,280	1,079,399,362
Maturity gap	(231,475,156)	(35,116,009)	(43,425,967)	(152,390,910)	113,090,793	325,167,048	24,150,201	-
Cumulative maturity gap	(231,475,156)	(266,591,165)	(310,017,132)	(462,408,042)	(349,317,249)	(24,150,201)	-	-

46. Bank development policies

In accordance with its strategic plan, and its mission to satisfy the customers' needs, of excellent service, the Bank has expanded its operations across new sectors. The Bank's strategic plans mainly includes:

- Develop a network of branches across the West Bank.
- Develop new nontraditional products that satisfy the customers' needs, especially loans and investments across all sectors (retail, corporate, microfinance projects, treasury, and SMEs).
- Improve customer service procedures to make them more efficient and timely in accordance with the Bank's vision and goals.
- Work on creating investment service division to manage Bank's and customers' investments.
- Build and develop strategic partnerships with financial institutions and entities.
- Train and develop specialized team for various banking services.
- Develop and enhance the banking systems and software to provide customers with a faster and easier banking services.

47. Capital management

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

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

The capital adequacy ratio is computed in accordance with the PMA's instructions number (6/2015) derived from Basel Committee regulations computed as follows:

	2018			2017		
	Amount	Percentage to assets	Percentage to risk – weighted assets	Amount	Percentage to assets	Percentage to risk – weighted assets
	U.S. $	%	%	U.S. $	%	%
Regulatory capital	189,939,339	8.62	13.59	103,817,499	9.62	15.95
Basic capital	135,233,363	6.13	9.68	85,813,549	7.95	13.19

48. Commitments and contingencies

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

	2018	2017
	U.S. $	U.S. $
Letters of guarantees	81,360,837	47,198,306
Letters of credit	21,401,813	13,419,374
Unutilized credit limits	92,510,292	59,115,406
	195,272,942	119,733,086

Outstanding forward contracts for currency sales and purchases as at December 31, 2018 amounted to U.S. $ 5,374,127 which are hedged with other banks, in addition to obtaining cash margins ranging from 5% to 10% from each contract value to cover unforeseen prices changes and customers non-compliance with the signed contract.

49. Law suits against the Bank

In the normal course of business, the Bank appears as a defendant in a number of lawsuits for a total amount of U.S. $ 11,617,759 and U.S. $ 2,523,825 as at December 31, 2018 and 2017, respectively. The Bank's management and lawyer believe that the provision is sufficient against these litigations.

50. Concentration of risk per geographic area

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

51. Comparative figures

Certain comparative figures of the consolidated financial statements as of December 31, 2017 were reclassified to conform with the presentation as of December 31, 2018. These reclassifications had no effect on the net income and equity of prior years.