بنك الاستثمار الفلسطيني
PALESTINE INVESTMENT BANK
تنمية وأمان

2017 The Twenty-Third Annual Report

بنك الاستثمار الفلسطيني
PALESTINE INVESTMENT BANK
تنمية وأمان

2017 The Twenty-Third Annual Report

Results and Achievements During 2017

Contents

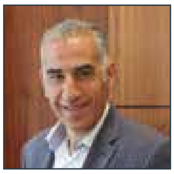
Members of the Board of Directors as of December 31, 2017

Mr. Abed Dayeh

Chairman

Mr. Khalil Nasr

Vice-Chairman



Dr. Adnan Steitieh

Non-executive Director

Mr. Yousef Bazian

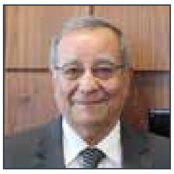
Non-executive Director

Mr. Sami Ismail Sayid

Non-executive Director

Mr. Jamil al-Muti

Non-executive Director



Mr. Marwan Abdul-Hameed

Non-executive Director

Mr. Walid Al-Najjar

Non-executive Director

Mr. Faeq Mohammad El-Ayla

Non-executive Director

Mr. Hanna (Johny) Abuaitah

Non-executive Director

Mr. Fadi Hamra

Non-executive Director

Senior Executive Management as of December 31, 2017

Mr. Issa Kassis	General Manager
Mr. Fawzi Al Jawhari	Deputy General Manager
Mr. Mahmoud Odeh	Assistant General Manager – Branches Department
Mr. Salah El Din Fares	Assistant General Manager – IT Department
Mr. Sami Aghbar	Director of Internal Audit Department
Mr. Lutfi Khaseeb	Director of Central Accounting Department
Mr. Burhan Hammad	Director of Risk Department
Mr. Feras Enaya	Director of Credit Department
Mr. Ashraf Hassounh	Director of Treasury Department.

Advisors as of December 31, 2017

- **Advisors**

  Mr. Diaa' El Din Abd El Fattah

- **Legal Counsel**

  Mr. Hussam El Din Al Atira
  Mr. Malik Al Auri
  Mr. Sharhabeel Al Zaim

- **External Auditors**

  Price Waterhouse Coopers - Palestine

The Bank's Message

Vision and Tasks

* We always strive to be the leading bank in Palestine, by providing the finest financial services and outstanding and superior banking products to our clients. Those services and products are provided by a highly qualified staff who do their work in a stimulating environment, supported by modern technology, with products and services which are carefully selected, through the application of the highest professional and ethical standards, by aiming to achieve financial results suitable to our ranking in the Palestinian banking sector.

* To contribute to the growth and development of the Palestinian economy, with the utmost responsibility and commitment.

Core Values

* Our basic values are founded on honesty and truthfulness with ourselves and with others and the permanent pursuit of excellence and fulfilling of our promises. In addition to being committed to the foundations of corporate governance in all our business, and the continuing challenge to find the best ways to satisfy our clients, we are always committed to social responsibilities everywhere.

Future Expectations

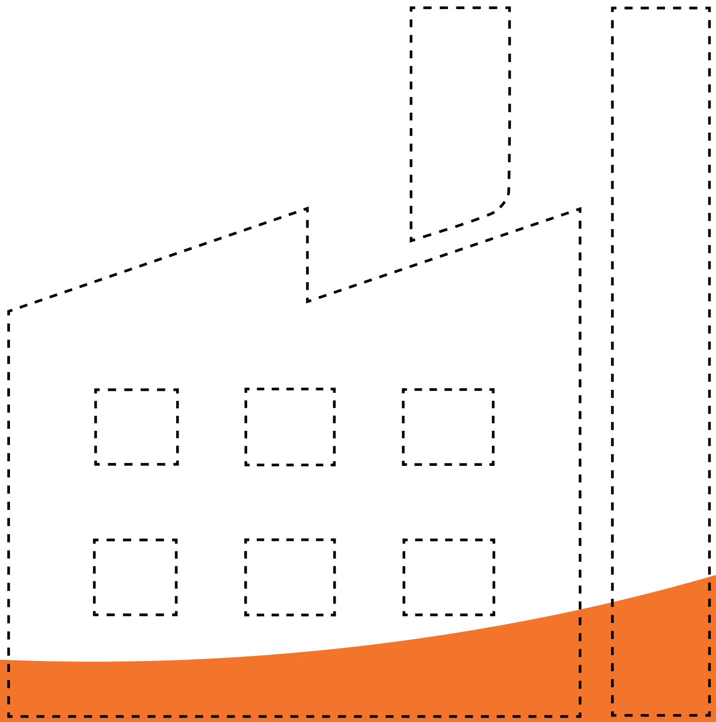
* Our future expectations are to maintain the achievements and sustainability of growth and development, and to continue to meet efficiently and effectively the needs and desires of our clients. In addition, to help their assets grow with the utmost care and responsibility by continuing to introduce and develop new products within the Palestinian banking market. We will continue to reinforce our financial position through the application of risk management, human resource development, and effective use of modern technology for the continuity of excellence in performance, and increase in efficiency in dealing with our clients with the utmost transparency.

PIB's Products and Services

Financial Services

Commercial Services

Treasury and Investment Services



PIB's Products and Services

Financial Services

- Provide all types of current and savings accounts.
- Accept all forms of deposits with different currencies.
- Offer Personal Revolving overdrafts, car, commercial and housing loans.
- Export financing.
- Project financing.
- Financing for contractors.
- Financing for manufacturers.
- Financing for investments in real estate.
- Financing for all types of small and medium enterprises (SMEs).
- Issuing gold and silver visa cards.
- ATM services.
- Payment of phone, electricity and water bills.
- SWIFT services.
- Online banking services (electronic banking services and SMS services).

Commercial Services

- Letters of Credit.
- Issuing all kinds of bank guarantees.
- Execute all kinds of local and external transfers.
- Accept all types of bills of collection.

Treasury and Investment Services

- Investing in securities traded in the global financial markets, including the Palestinian securities exchange.
- Portfolio Management.
- Buying and selling stocks and bonds through Global Securities Co. (GSC), PIB's subsidiary.
- Buying and selling foreign currencies.
- Trading future contracts for foreign currency.

Chairman's Message

Dear Shareholders,

On behalf of the Board of Directors and myself, it is my pleasure to present to you the bank's 23rd Annual Report for the year 2017, which includes the consolidated financial statements and achievements for the financial year ended 31/12/2017.

The preliminary estimates of the Palestinian economy during 2017 indicate stability in the general performance indicators with an increase in GDP for the year 2017 by 3.2% over the year 2016. With regards to foreign trade in Palestine, which consists of the total exports and total imports, the preliminary estimates increased in value of supervised exports by 4.2% over the year 2016, as well as an increase in the value of the supervised imports by 2.8% over the year 2016.

The current Board of Directors are working hard to maintain the bank's leading position in the Palestinian banking system and to contribute to the growth and development of the Palestinian economy such as the outcomes in 2017 due to the wise vision, strategies, and ongoing efforts of the successive Board of Directors' leadership supporting the bank's expansion outside the Palestinian borders to open new branches and expand its geographical footprint.

Our priorities for 2018 will focus on enhancing and maintaining the main sources of revenues in line with the Board of Directors' expansion strategy, to maintain the achievements and sustainability of growth as a leading bank, and to continue to meet, efficiently and effectively, the needs and desires of our clients by providing and introducing new technologies and products for the continuity of excellence in performance.

The bank's management continued to achieve lasting and rising growth in profitability and managed the bank's activities efficiently to strengthen its relationships with clients and its financial and competitive position in the Palestinian market. As the financials indicate, a remarkable increase in assets by 25.7% YoY deriving from direct credit facilities increasing by 16% and a growth in customers' deposits by 21.6% over the year 2016 and an increase in shareholder's equity by 13.6%. Total revenue increased by 16.3%, and net profit before tax increased by 15.8% to achieve a 15.7% increase in net profit in 2017 from the year 2016.

On behalf of my fellow board members, I would like to express my gratitude to all of Palestine Investment Bank's shareholders and to our loyal customers and partners for their continued trust and support. I would like to express PIB's appreciation and thanks for the efforts of the regulatory authorities in Palestine, represented by the PMA, to promote the services of this sector that achieves ongoing growth in the Palestinian economy as well as implementing standards to protect shareholders and depositors.

Finally, I would like to thank PIB's staff for their devotion, contributions, and efforts which promoted a positive image among all segments of society and added value to PIB's excellence in the banking sector.

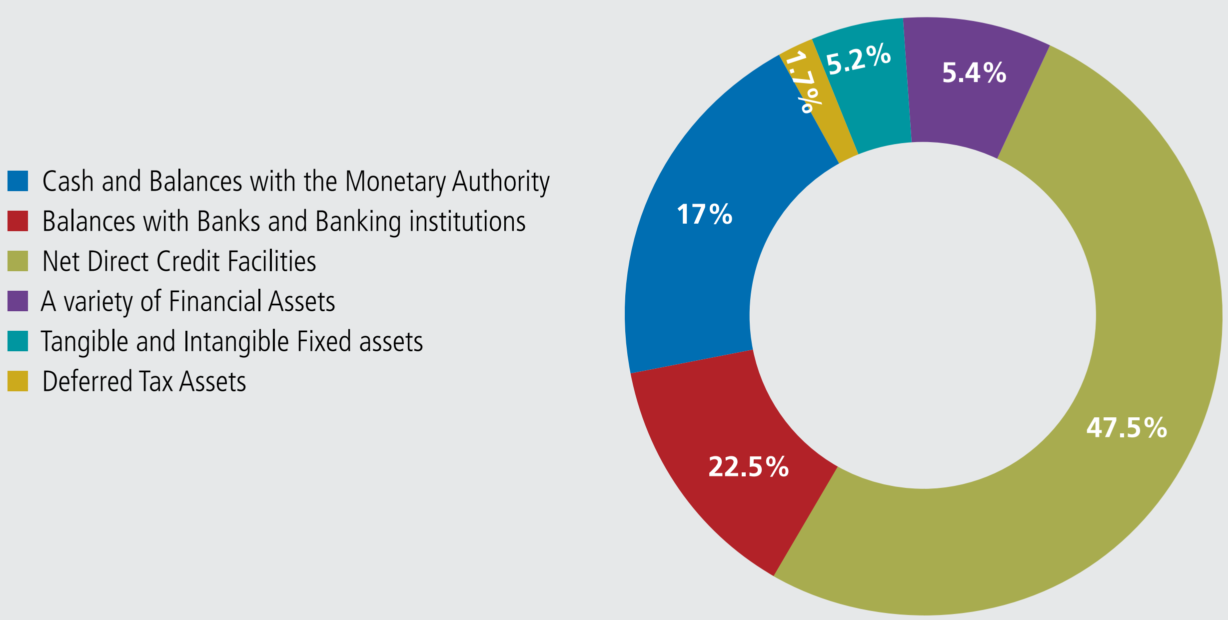
Abed Dayeh
Chairman of the Board

Analysis of the Financial Position and Results of Operations in 2017

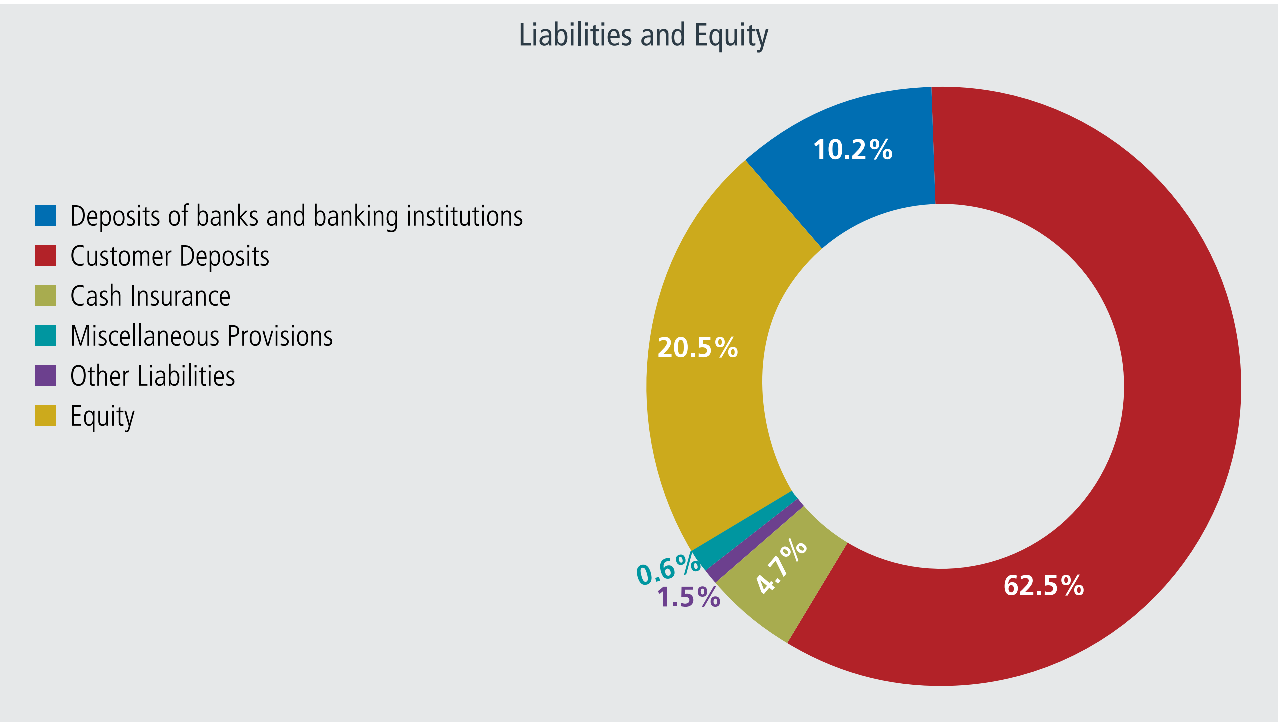
The Bank's management continued the growth in shareholders' equity and maintained a balance between profitability and safe investments, and avoided high-risk investments. The management also continued providing the necessary liquidity to meet the financial obligations of different maturities and the optimal use of available funds efficiently and effectively in order to support the financial position, and to maintain the growth of revenue generating resources.

Relative Importance of the Elements of the Financial Position of the Bank				
	USD$ Million		Relative Importance	
Assets	2017	2016	2017	2016
Cash and Balances with the Monetary Authority	77.93	65.99	17.58%	18.71%
Balances with Banks and Banking institutions	100.05	50.88	22.57%	14.43%
Net Direct Credit Facilities	210.58	181.48	47.50%	51.45%
A variety of Financial Assets	24.03	26.29	5.42%	7.45%
Tangible and Intangible Fixed assets	23.09	21.46	5.21%	6.08%
Deferred Tax Assets	7.62	6.61	1.72%	1.88%
Total Assets	443.30	352.71	100%	100%

Relative Importance of the Elements of the Financial Position of the Bank



Liabilities and Equity				
	USD$ Million		Relative Importance	
	2017	2016	2017	2016
Deposits of banks and banking institutions	45.35	20.03	10.23%	6.00%
Customer Deposits	276.84	227.27	62.45%	64.00%
Cash Insurance	20.82	17.52	4.70%	5.00%
Miscellaneous Provisions	2.72	2.79	0.61%	1.00%
Other Liabilities	6.66	5.06	1.50%	1.00%
Equity	90.90	80.04	20.51%	23.00%
Total Liabilities and Equity	443.29	352.71	100%	100%



Direct Credit Facilities

Over the year of 2017, the Bank's management continued working on the development of the Bank's credit facilities portfolio by following a balanced and cautious credit policy in light of the situation in Palestine and changes in interest rates and expected returns on credit facilities. Under the supervision of the Executive Committee, the Bank strives to maintain the quality of the credit portfolio after studying the market and credit risk as well as working on collecting outstanding loans.

The proportion of non-performing credit facilities to the total also decreased from the same level in the past year and remained within the standard ratio. Work continued on financing the various economic sectors, and consumer finance sector as well as large companies and small and medium enterprises and the public sector. This has been done with a view to the continuity of risk allocation and management of available funds effectively and efficiently.

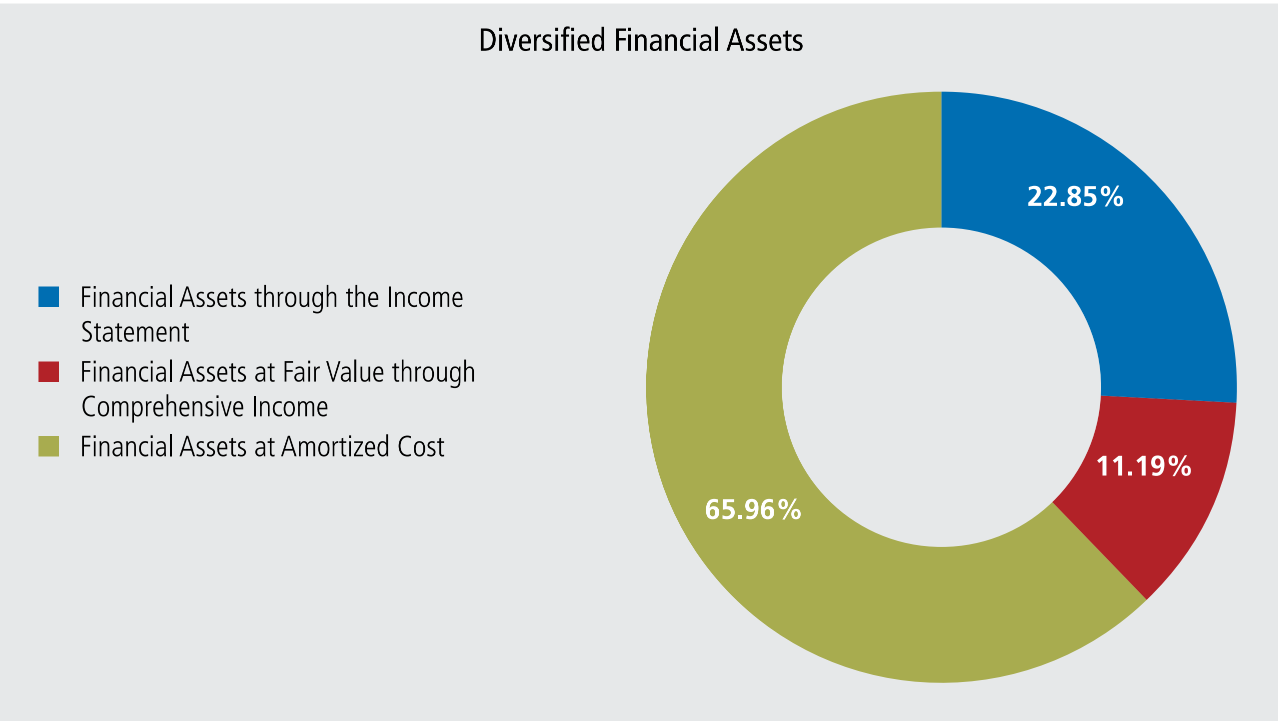
Provision of Loss in Direct Facilities

The Bank's policy is clear in the hedge for any unexpected loss. The provision of doubtful debts is taken individually for each debt and the portfolio in general, according to the International Accounting Standards and Monetary Authority standards and recommendations of the auditors of the Bank's accounts, to strengthen the Bank's financial position. The ratio of coverage of provision loss for one client on the basis of non-performing portfolio facilities after deducting outstanding interest and before taking the collateral into account is 37.64% for the year 2017 compared to 64.75% for the year 2016. The fair value of the collateral provided in exchange for credit facilities was 146.13 USD$ Million for the year 2017 compared to 132.83 USD$ Million in 2016.

Portfolio of Financial Assets

Balance of the portfolio was estimaled at 24.03 USD$ Million in 2017, compared to 26.92 USD$ Million in the year 2016, due to the existing elements of financial assets used in investments.

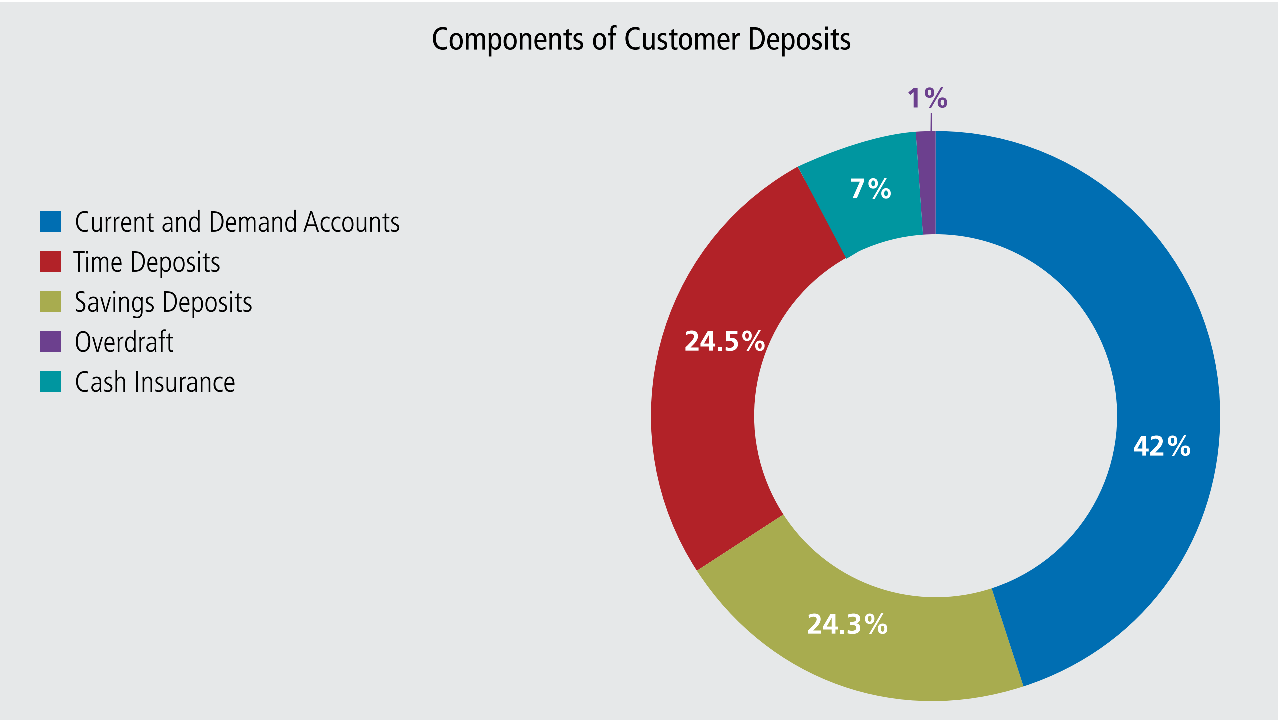
Diversified Financial Assets				
	USD$ Million		Relative Importance	
	2017	2016	2017	2016
Financial Assets through the Income Statement	5.49	6.99	22.85%	26.59%
Financial Assets at Fair Value through Comprehensive Income	2.69	2.89	11.19%	10.99%
Financial Assets at Amortized Cost	15.85	16.41	65.96%	62.42%
Total	24.03	26.92	100%	100%



Customer's Deposits

During the year 2017, the Bank's management worked towards attracting fixed time deposits and call deposits. The management also worked on the development of a campaign to increase the depositors' base for savings accounts. Deposits of all its components grew during 2017 by 21.6% compared to the previous year.

Components of Customer Deposits				
	USD$ Million		Relative Importance	
	2017	2016	2017	2016
Current and Demand Accounts	127.36	111	42.79%	45.35%
Savings Deposits	72.57	62.22	24.38%	25.42%
Time Deposits	73.09	51.94	24.55%	21.22%
Overdraft	3.83	2.11	1.29%	0.86%
Cash Insurance	20.82	17.52	6.99%	7.15%
Total Deposits	297.67	244.79	100%	100%



Shareholder's Equity - The Company's Shareholders

During the year of 2017 and in accordance with Article 7 of the Bank's Bylaws, the Board of Directors decided to include the Palestine Pension Agency as an investor in the bank's capital totaling 7 USD$ Million via new issuance. At the Annual General Assembly on the 30/4/2017, the necessary approvals were obtained regarding the entry of the new shareholder as well as the 1.4 USD$ Million capitalization from retained earnings resulting in the paid up capital of the Bank to be equal to 68 USD$ Million as at 31/12/2017.

Capital Adequacy:

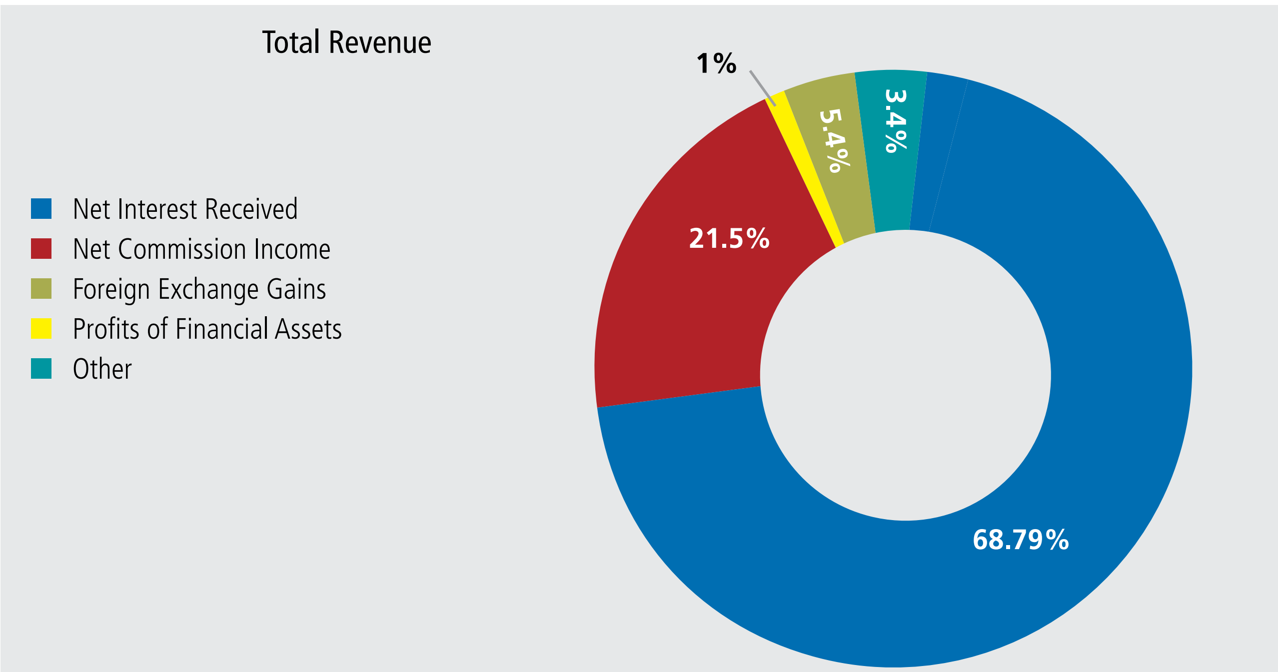
The capital adequacy ratio equated to 26.92% in 2017 versus 29.07% in 2016. It is one of the highest ratios achieved in the banking sector in Palestine, and higher than the ratios assessed by the Supervisory Monetary Authority of 12%. It also higher than the Basel Committee on rates (Bank for International Settlements) of 8%. The total core capital ratio to risk weighted assets was 26.61% in 2017, compared with 28.69% in 2016.

Bank's Operations Results

Net profit before tax reached 5.524 USD$ Million in 2017 compared with 4.769 USD$ Million in 2016, a total increase of 15.83%, and after the deduction of tax, the net profit reached 3.919 USD$ Million in 2017 compared with 3.388 USD$ Million in 2016 with an increase of 15.67%.

Net Profit Before and After Tax			
	USD$ Million		
	2017	2016	Change
Net Profit Before Tax	5.524	4.769	15.83%
Tax Expenses	(1.605)	(1.382)	16.14%
Net Profit After Tax	3.919	3.388	15.67%

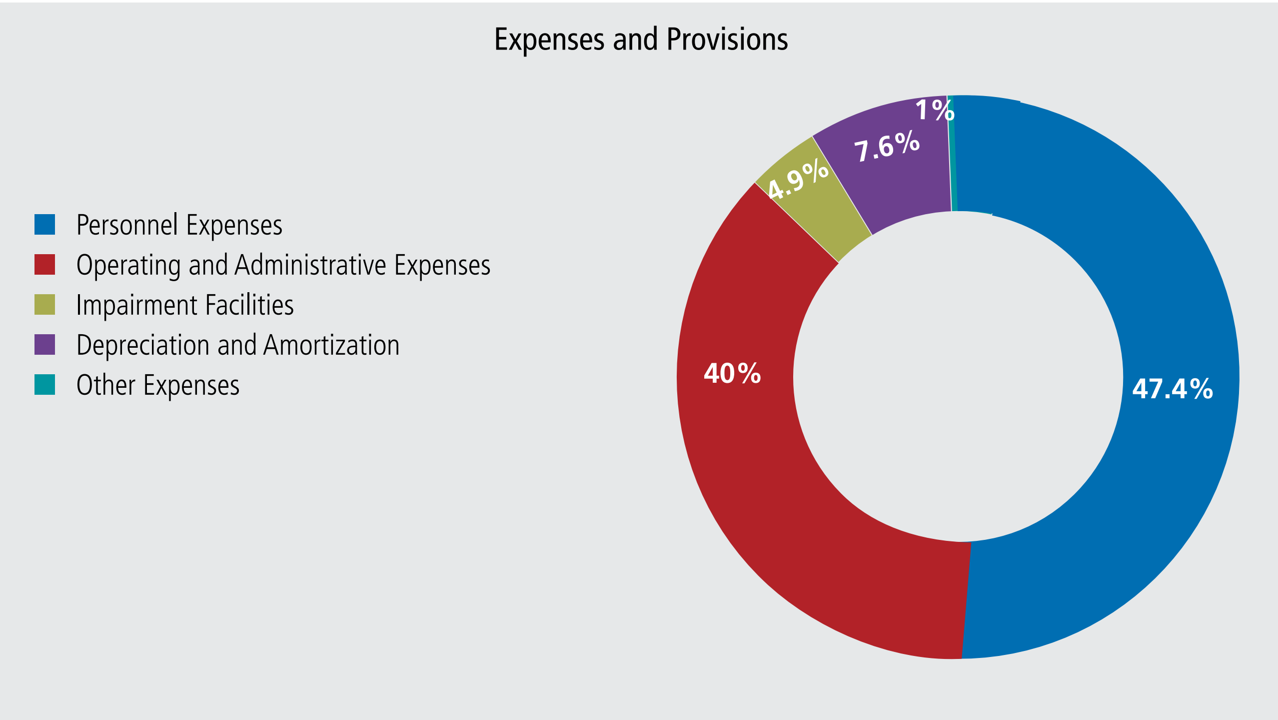
Total Revenue				
	USD$ Million		Relative Importance	
	2017	2016	2017	2016
Net Interest Received	13.244	11.837	68.79%	71.53%
Net Commission Income	4.138	3.161	21.49%	19.10%
Profits of Financial Assets	0.177	0.328	0.92%	1.98%
Foreign Exchange Gains	1.040	0.716	5.40%	4.33%
Other	0.655	0.506	3.40%	3.06%
Total	19.254	16.549	100%	100%



Expenses and Provisions

Total expenses and provisions reached 13.73 USD$ Million in 2017 compared with 11.78 USD$ Million in 2016, with an increase of 1.95 USD$ Million, representing about 16.55%.

Expenses, Provisions, and their Relative Importance				
	USD$ Million		Relative Importance	
	2017	2016	2017	2016
Personnel Expenses	6.51	5.72	47.40%	48.60%
Operating and Administrative Expenses	5.53	4.83	40.00%	41.00%
Impairment Facilities	0.64	0.40	4.96%	3.40%
Depreciation and Amortization	1.05	0.83	7.64%	7.00%
Total	13.73	11.77	100%	100%



Key Financial Ratios for 2017 Compared with 2016		
	2017	2016
Return on Equity	4.31%	4.23%
Return on Capital	5.76%	5.69%
Return on Assets	0.88%	0.96%
Facilities to Deposits	70.74%	74.13%
Facilities to Assets	47.50%	51.45%
Total Equity to Assets	20.51%	22.69%
Basic Quota Share of Profit for the Year	5.76%	5.69%

Internal Supervision and Internal Control and Risk Management and Compliance Systems (Compliance with Regulations)

The Bank intensified its efforts to strengthen the supervisor and internal control systems through the career staff of the Department of Internal Audit and the department of other services. This was done in order to measure the commitment of the various operational units with regulations governing banking operations, in order to ensure adherence to all applicable laws, regulations, and administrative instructions. In this context, audit operations and periodic inventory are conducted by the independent Internal Audit Department that is under the Audit and Review Committee that reports to the Board of the Accounts and Assets of the bank.

This procedure is done in order to determine the accuracy of the financial data and operational efficiency and compliance with laws and regulations applicable to preserve the assets and property of the Bank. In addition, to make sure that they are consistent with the legislation that governs it. This is done through the daily follow-ups by the Department of Compliance and Control. The Department reports Audit and Review Committee with the aim leading the Institution to a high degree of compliance with laws, legislation and regulations. Those regulations are issued by the local regulatory authorities, state agencies, and international institutions especially the Basel Committee.

Reports are produced through the Department of Risk Management in accordance with the requirements of the Monetary Authority and is based on the work of the Basel Committee and the Monetary Authority and the requirements of the reports and memos on a regular basis the results of the audit of the management and pursue operations.

Being under its responsibility, the Board of Directors accredited the general framework of internal control, and to ensure effective measures to send sufficient information to decision-makers at various levels, including information on the measurement of different risks, as well as ensure the independence of the control departments working in the bank.

Internal Audit

The Board of Directors fosters the role of the Internal Audit Department being the controlling authority that helps determine the efficiency of controlling systems, and adds value to them through:

- Fostering the independence of the role of the Internal Audit Department through subsiding them to the Audit and Review Committee that emerged from the Board of Directors, and it periodically evaluates performance of the department and its staff.
- Adopting of the Internal Audit Charter which defines the functions and responsibilities of the Internal Audit Department and a plan of the department.
- Submitting periodical reports on the performance of the department as well as its findings and recommendations.
- The Audit and Review Committee adopts the plan of the Internal Audit Department that Risk Based Audit.

Risk Management

The Bank follows approved policies to manage the various risks within a clear and defined strategy in accordance with the requirements of (the Monetary Authority and standards of Basel). The Risk Management Department monitors and controls various risks and analyzes them for early recognition of the nature of the potential risks and dealing with those risks and submitting reports regarding those risks to the Board of Directors through the Risk Management Committee of the Board of Directors.

Methodologies and the Process of Risk Management

The methodologies of risk management are set according to the requirements of the Monetary Authority and the instructions of the Basel requirements. In this regard, the adoption of risk management policy goes through the application of software to manage and measure risk (LOXON).

Risk Management Works within the Following Framework:

- Adopting of risk management methodology based on identifying the best ways and means to deal with the potential internal and external risks according to clearly defined goals.
- Adopting of risk management policy by the Risk Management Committee emanating from the Board of Directors, including analysis to all risks at the ban, such as credit risk, market risk, liquidity risk, operational risk and any others.
- Reviewing the policy periodically and assess the extent of compliance in its application.
- Viewing the results of the Risk Management Committee emanating from the Board of Directors to the Board, besides its recommendations regarding the various activities.
- Using auto-program to measure the impact of the credit and operational risks, and providing appropriate elements of analysis to the effects of risks and their impact on the bank's capital and rate of its adequacy.
- Updating risks record to document the risks faced by the bank in order to refer to them and identify any potential losses, preparing plans to hedge their occurrence in addition to plans to limit their impact on outcomes of the bank's business.
- Executive Committees, Facilities Committee, Liability Committee and Human Resources Committee provide assistance to the Department of Risk Management to identify the risks faced the bank, and ways to ban their impact on all bank operations.

Anti-Money Laundering

The Bank is pursuing a policy to combat money laundering by following the policies and procedures approved by the Board of Directors and based on the law against Money Laundering, and to the requirements of the Basel Committee. Training has been provided to qualify concerned employees in the various departments, branches and offices of the bank on ways of early detection of money laundering and procedures for compliance with the laws in force and instructions.

External Audit

An external auditor authorized by the regulatory authority audits the Bank's activities of financial and banking operations. The external auditor is chosen annually by the General Assembly of Shareholders and reports to the Board of Directors and to the regulatory authorities. The auditor sends reports and recommendations to the Board of Directors and to the General Assembly that have to be addressed.

Branches

At the Mid of 2017, the bank opened the 19th branch in Bethlehem in the Nativity Square to match developments in the banking and financial industry as well as providing the best banking and financial services to clients in a highly efficient manner.

Headquarters ensures regular maintenance of all of its branches and offices in order to preserve a high standard of offering, internally and externally, to ensure high customer satisfaction. With a high dispersion of branches, the Bank allows customers the banking services and facilities at the convenience and comfort in their own justification striving to deliver the highest quality of service and comfort.

During the year of 2017, major efforts have been put in to place in upgrading and developing internal policies and procedures for all branches and offices in order to fully maximize performance, efficiency, labor productivity, and technological breakthroughs in order to ensure a higher standard of customer service across all branches and offices.

Technological Development and Information Systems

Banking and financial operations are carried out through the automated system (BANKS). The Department of Information Systems continues to develop the automation of many of its banking and investment services. This is done through the expansion in the field of telecommunications in order to increase the ways to keep in contact with customers to offer additional services. Those services will lend speed and accuracy to banking operations in order to ensure their assistance and facilitate dealing with them to meet their needs.

In addition to contribute to their success and to achieve their highest satisfaction, the executive management is keen on keeping up with the latest technology and automated systems in all areas of the banking services, by implementing the comprehensive plan for the development of systems for services and banking procedures. In addition to the introduction of modern technologies of hardware and software to increase productivity and make it easier for clients to utilize the online service (Investment Online) and SMS messages as well as other electronic services offered by the bank and its subsidiary company Global Securities Company.

Human Resources

Human resources is one of the key elements for success and excellence achieved by the Bank. In order to maintain this essential element, which is considered the human capital element, the Board of Directors is constantly working on developing the skills and capabilities of the Bank's staff. This is accomplished through the attendance of seminars and necessary specialized training courses in Palestine and abroad.

These courses are related to banking activities and investment in general, and the risks in banking and financial and credit analysis in particular. In addition, keeping the employees informed on the legal aspects that control banking operations. This is according to a plan put in place to help achieve excellence and provide the best service to Bank's customers and to keep up on the developments and changes in the banking industry.

Executive management has been keen on taking care of the Bank's staff in response to the effort of each employee. Executive management organizes many activities and programs for staff in order to strengthen loyalty and affiliation given that human capital is the Bank's most valuable asset. The Bank has sent 119 employees to attend training courses inside and outside of Palestine in all of the disciplines necessary for the Bank.

Foreign Banking Services and Various Treasury Activities

The Bank's Executive Management is adamant about developing the Bank's services in the fields of treasury, investment, financial brokerage, and foreign exchange. This includes investing and employing the Bank's financial resources denominated in different currencies in several money and capital markets, domestically and internationally.

This is done through deliberate and cautious policy in order to achieve an appropriate and reasonable return on those resources. The Bank has maintained its advanced ranking in the fields of treasury and banking services and trading in foreign currencies as the Bank continues to issue money orders, cashier's checks and the sale and purchase of foreign currencies through a correspondent bank network with banks financial institutions spread all over the world. Treasury activities contributed to a strong performance for the year of 2017, similar to that of 2016 in the field of foreign currency trading resulting in 1.04 USD$ Million in revenue for the bank.

Subsidiaries

* Global Securities Co. (GSC)

Global Securities is a financial company engaged in financial intermediation for its own account and for the account of others. It is based in the city of Nablus, registered with the Companies Controller in Palestine in December, 1996 under registration No.563119148. The company commenced its operations in January 1998. The company's capital is 3,526,093 USD$ fully paid.
The company is wholly owned subsidiary of Palestine Investment Bank, PLC, which owns 99.64% of its capital. The Bank's Board of Directors is keen on providing new investment services in the field of financial intermediation through "Global Securities", its subsidiary. The services, which are provided by the company, include the sale and purchase of shares. It also acts as an intermediary on commission basis in the Palestine Stock Exchange. In addition to acting as a financial consultant for investment in financial securities, it also acts as a mediator in buying or selling for the Bank's own portfolio.

The Company provides periodic reports on the shares of companies that are traded on the Palestine Stock Exchange. It also provides traders who work with it with these reports. The Company also provides customers with access to their accounts through the Company's website.

The Competitive Position of the Bank

The Bank's Executive Management has worked all through 2017 to improve the quality of the Bank's share of deposits in the banking market of deposits as it reached 3%, and so is the case with the credit facilities extended to various sectors of the economy to reach 3%. The Bank also launched advertising and awareness campaigns on a regular basis and with good planning to introduce the Bank and its services to the public.

The Bank's Development Policies

Since its inception to the present day, the Bank is constantly evolving; evidenced by the volume of operating assets, and the size of the profits realized since the beginning of the bank working till 31/12/2017.

In order for the Bank to occupy a leading position in the Palestinian banking industry, the vision of the Bank's Board is clear. It aims at keeping up with the continuing global developments in the field of banking services, in order to provide quality services to existing customers, and attract new customers.

The strategic vision for development policies that is pursued by Bank's Executive Management, put in several stages, are as follows:

- Continue to follow-up and analyze the Bank's results and compare them with other local banks.
- Assessment of banking competition in the Palestinian market from time to time.
- Develop goals constantly in light of the results achieved and the services provided to the Bank's customers.
- Improve products and follow up with the development of strategic plans and organizational structures and technology used in the Bank to achieve the desired results.
- Constantly work with the available means for the progress and prosperity of the Bank.

The Objectives of the Plan for 2018

- Continue to achieve a lasting and rising growth in profitability, assets, and shareholders' equity and manage them efficiently to strengthen the competitive and financial position of the Bank in the Palestinian market and maintain the financial ratios of the Bank within the regulatory requirements in Palestine.
- Increase the level of productive efficiency and the rationalization of non-productive expenditure in order to maximize revenue.
- Continue to develop products, services, and programs offered by the Bank for its clients based on their needs and in line with the Palestinian economic situation. In addition, to focus on the retail sector through the creation and development of special products for individuals and to provide the financing needs of the small and medium-sized institutions and manufacturers.
- To do a follow-up of the network of branching of the Bank and making sure of its constant readiness to provide the best services to customers and in line with business requirements. In addition, to increase the Bank's presence in the Palestinian population centers by pursuing deliberate strategies for branching enhanced by the competitive capabilities regarding other the banks.
- Consolidating the marketing effort in various branches and offices of the Bank through organization and development of a distinctive and stimulating marketing campaign. In addition, organizing advertisements and media campaigns regarding the programs and services of the Bank in order to maintain the existing customer base by satisfying their needs and desires and to attract new customers in order to increase the Bank's market share in the banking market.

  Expansion of depositors' base and attract deposits in various currencies and at reasonable interest rates and incentive awards and the optimum exploitation of these deposits in various areas of investment permitted.
- Promote a positive image for the Bank and its brand among all segments of society and its excellence in the banking market. This is done through continued interaction with the local community and through continuing to provide support for social projects and services whether educational or environmental.
- Provide private and personal investment services to the investment portfolios of clients that keep pace with global developments in the capital markets and invest to achieve attractive returns.
- Taking care of the Bank's employees by working towards raising their competence and abilities through training and rewarding the outstanding ones, in addition to encouraging them to work as a team, and to develop policies and business systems to keep pace with developments in the global banking sector.
- Maintaining liquidity at high rates to meet the needs of the Bank's at all times.
- Work to increase the size of indirect credit facilities provided such as letters of credit, guarantees and banking services such as money transfers because of their importance maximizing the Bank's revenues from commissions.
- Develop and diversify the performance of service in order to maintain the Bank's competitive advantage regarding other banks in Palestine by employing banking technology to strengthen the Bank's capacity.
- Reduce all types of risk through the supervision system and self-assessment of the risks.
- Continue to work to achieve customers' satisfaction, since it is one of the Bank's core values, to increase the size of shareholders' equity, and to achieve a good return to shareholders.

Corporate Governance

Governance:

The Bank's Board of Directors continued to work on the promotion and development of corporate governance based on the principles of transparency, accountability, and responsibility.

This is done in order to increase depositors, shareholders, and other related authorities in their confidence in the Bank. In addition to ensure continuous monitoring that the Bank is complying with policies and limits approved and that they are compatible with the Bank's objectives set out in general. This comes from the commitment to the highest professional standards of performance, on all the Bank's activities that are in line with the regulatory authority instructions in Palestine, and with the best international practices.

Management is working to apply the principles of corporate governance issued by regulatory bodies in line with the guidance issued in order to avoid any discrepancies or deviations between these principles and the application. Based on the Bank's keenness on corporate governance, several specialized committees formed from the Board of Directors each with its own private and specific objectives and powers in working in an integrated manner with the Board to achieve the Bank's objectives. Those committees are the same as of Dec. 31, 2017:

1	The Investment and Facilities Committee	Abed Dayeh	Chairman	- Adopt the credit and investment policy and follow-up the extent of compliance with it. - Follow-up the performance of the credit and investment portfolios and their compatibility with the adopted policies. - Ensure obtaining a good return within acceptable risk and compatibility with legislation and in accordance with the designated policies.
		Hanna Abuaitah	Member	
		Sami Al-Sayid	Member	
2	Audit and Review Committee	Yousef Bazian	Chairman	- The nomination of the external auditor and determination of his fees. - Evaluation of the independence of the external auditor and the scope of his work. - Review of the accounting and financial practices. - A review of interim and annual financial statements. - To make recommendations regarding the selection and appointment and removal of the internal audit manager and the work of monitoring compliance and the extent of the administration's response to the recommendations and results of the Committee. - Assess the efficiency of employees in the Internal Audit Department. - Review the reports prepared by the Internal Audit Department and monitor compliance and the comprehensiveness of its work.
		Walid Al-Najja	Member	
		Faeq El-Ayla	Member	

3	Risk Management Committee	Khalil Nasr	Chairman	- Identify the risks associated with the Bank's business and develop a comprehensive strategy on the extent of the degree of tolerance for risk. - Exchange of liaison with the Department of Risk Management. - Provide the Governing Council with periodic reports on the risks faced by or exposed to the bank, as well as to ensure the presence of an appropriate risk management environment.
		Marwan Abdul Hamid	Member	
		Jamil Muti	Member	
4	Governance and Compensation Committee	Dr. Adnan Steitieh	Chairman	- Supervising the implementation of the framework of governance policy. - The preparation of rewards and incentives policy and the periodical evaluation of its adequacy and effectiveness. - The preparation of standards to be adopted by the Board to the conditions and qualifications that the members of the Board of Directors should have. - Overseeing the human resources policy in general.
		Yousef Bazian	Member	
		Khalil Nasr	Member	

The Board of Directors also formed several executive committees within the Executive Management of Bank. Those committees were composed of senior bank executives and employees according to the requirements and necessities of the work, and these committees are:

- Credit Facilities Committee.
- Human Resources Committee.
- Supplies and Purchases Committee.
- Assets and Liabilities Management Committee.

Transparency and Disclosure

In accordance with international standards in the field of disclosure, which is one of the third pillars of the Basel Convention requirements Part II, as the basis of the conviction of the Board of Directors to the principle of transparency and disclosure. It is the basic rule in the banking business and the way to earn the public's trust, regulators and investors. For that reason, the Board of Directors has adopted the disclosure policy to meet these requirements.

Rewards and Incentives

In order for the Board of Directors to apply the principles of corporate governance, a system of rewards and incentives has been provided by the bank for this purpose. The Governance and Compensation Committee was formed from the Board of Directors to achieve those goals.

The role and responsibilities of the Chairman of the Board

Chairman of the Board is the Company's president and he represents to the others and in front of all the authorities. His signature is considered the signature of the entire Board of Directors in dealing with third parties unless the Board decides otherwise. The Chairman cooperates with the Executive Management in the implementation of decisions of the Board and adheres to them.

The Practices of the Board of Directors & the Conflicts of Interest

The Board of Directors shall exercise its responsibilities in the planning and approval regulations that is followed by the Bank in its internal and external relations. The Board also oversees the safety of the Bank's business, and the work of the Executive Management represented by the General Manager. There is no conflict of interest in the practice of the Bank's activities with members of the Board, where all governance instructions applied in the exercise of its functions.

The Mechanism of Delivery of Information to Shareholders

The Board of Directors follows different ways to deliver data to the Bank's shareholders. This is done through publication on the Bank's website, Palestine Stock Exchange, and the Palestine Capital Market. In addition, distributing annual reports to shareholders by mail and the publishing in local newspapers and advertising in the Bank's Head Office, branches, and offices and through its subsidiaries in the cities and Palestinian communities.

Strategic Investors with Shares More Than 10%

Name	Number of Shares as of 31/12/2017	Percent of Shares
Al-Yazan Co. for Real Estate & Financial Investments	11.780.381	17.32%
Aswaq Investments	13.161.584	19.36%
Palestine Pension Agency	7.000.000	10.29%

Shares Owned by Board Members

Name	Position	Number of Shares as of 31/12/2017	Percent of Shares
Mr. Abed Dayeh	Chairman of Board of Directors	4.157.755	6.11%
Mr. Khalil Nasr	Vice Chairman of Board of Directors	11.523	0.02%
Dr. Adnan Steitieh	Member	20.831	0.03%
Al-Yazan Co. for Real Estate & Financial Investments	Member	11.780.381	17.32%
Mr. Yousef Bazian	Member	10.476	0.02%
Mr. Sami Sayed	Member	14.404	0.02%
Mr. Jameel Al-Muti	Member	604.216	0.89%
Mr. Waleed Al-Najar	Member	10.476	0.02%
Mr. Marwan Abdul Hameed	Member	11.150	0.02%
A.Y. Consultants	Member	1.487.778	2.19%
Uni Brothers LMTD	Member	5.144.881	7.57%

The company's share trading on the Palestine Exchange in 2017

Item	2017	2016
Highest Price	1.28	1.05
Lowest price	0.95	0.94
Opening price	1.05	1.03
Closing price	1.28	1.05

Number of traded shares	Number of transactions	Value in dollars
26.377.879	857	23.862.888

Transactions with related parties

- The total direct facilities granted to relevant parties as of Dec. 31st, 2017 was 3,980,263 USD$.
- Indirect facilities provided to related parties as of Dec. 31st, 2017 amounted to 1,000,000 USD$.
- No cases of abstention related to a conflict of interests in the board meetings.

Duties of the Board of Directors to the Shareholders and Corporate Governance

The generally accepted principles of corporate governance applied to the Bank's various work and activities have been implemented during the year 2017.

Board Meetings:

The Board of Directors held six meetings during the year 2017.

#	Name	Number of the Meetings of the Board of Directors	
		Actual	Percent of Attendance
1	Mr. Abed Dayeh	6	100%
2	Mr. Khalil Nasr	6	100%
3	Mr. Marwan Abdul Hameed	6	100%
4	Mr.Faeq El-Ayla	6	100%
5	Mr. Yousef Bazian	5	83.3%
6	Mr. Waleed Al-Najar	6	100%
7	Mr. Sami Al-Sayid	5	83.3%
8	Dr. Adnan Steitieh	6	100%
9	Mr. Jameel Al-Mu`ti	5	83.3%
10	Dr. Fadi Hamra	6	100%
11	Mr. Hanna Abuaitah	5	83.3%

The Company’s Policy of Social Responsibility

According to its policy of social responsibility and donations approved by the Board of Directors, in order to achieve the goals set out in the policy, the Bank has continued its activities during the year 2017 to turn towards social responsibility anxious to interact with the various activities of the Palestinian society. In addition, the Bank extended its role in the social service of the environment in Palestine through sponsoring and care of many of the social, charitable, and sports activities. Financial support is being provided for many of the students, associations, charities, volunteers, and national support programs that aim at the best interest of our nation’s young people. The Higher Committee, formed for this paper, has agreed to allocate the amount of 93.949 USD$ for various activities, which is more than what was spent in 2016 (36.717).

Academic Degrees held by the Members of the Board of Directors:

- Two members hold Doctorate Degrees.
- Five members hold Master Degrees.
- Four members hold Bachelor Degrees.

Board of Directors’ Remuneration:

During the year 2016, remunerations were dispersed to the member of the Board of Directors. These include membership allowance, allowance for attending board meetings and additional allowance detailed in the following table. None of the members of the Board of Directors has any salary for the year 2017.

Name	2016 (In USD$)	2017 (In USD$)
Mr. Abed Dayeh	59.088	12.000
Mr. Khalil Nasr	18.000	12.000
Mr. Marwan Abdul Hameed	6.000	12.000
Mr. Yousef Bazian	10.000	8.800
Mr. Waleed Al-Najar	7.000	12.000
Mr. Sami Al-Sayid	18.000	11.000
Dr. Adnan Steitieh	10.000	12.000
Mr. Jameel Al-Muti	7.000	10.000
Mr.Faeq El-Ayla	9.000	12.000
Dr. Fadi Hamra*	9.000	12.000
Mr. Hanna Abuaitah*	6.000	10.000
Total	159.088	123.800

Academic Degrees held by Bank Employees:

- 13 employees hold Master Degrees.
- 195 employees hold Bachelor Degrees.
- 14 employees hold Diploma qualifications.
- 1 employee holds High School Degree.
- 20 employees hold qualifications below a High School Degree.

Global Securities Co. (GSC)

Financial intermediaries for buying and selling stocks

Headquarters and Central Administration
Nablus
Hamdi Kanaan St. (Branches out of Palestine St.)

Nablus, PO Box 1776
Tel: +970 (9) 2387880/1
Fax: +970 (9) 2385060

Palestine Investment Bank
(Public Shareholding Company)

Consolidated financial statements
For the year ended December 31, 2017

pwc

Independent Auditor's Report to the Shareholders of Palestine Investment Bank - Public Shareholding Company

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Palestine Investment Bank, Public Shareholding Company and its subsidiary (hereinafter referred to as the "Bank") as at December 31, 2017, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Bank's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2017;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with IESBA Code.

Independent Auditor's Report to the Shareholders of Palestine Investment Bank - Public Shareholding Company

Our audit approach

Overview

Key Audit Matters	**Provision for impairment of direct credit facilities**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient procedures to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Bank, the accounting processes and controls, and the industry in which the Bank operates.

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 period. 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.

Independent Auditor's Report to the Shareholders of Palestine Investment Bank - Public Shareholding Company

Key Audit Matters	How our audit addressed the Key audit matters
Provision for impairment of direct credit facilities As stated in the accounting policies No. (2.6) and (2.10) and note (4) "Basis and estimates", the management determines the value of the provision for impairment of direct credit facilities by following the accounting policies No. (2.6) and (2.10), and according to the relevant instructions of Palestine Monetary Authority. Management reviews the contracts either individually or as a group to determine whether there are indications of impaired facilities such as the debtor's inability to pay for a certain period. In the event of such indicators, management estimates the impairment provision based on the estimated recoverable amount from collaterals in favour of the Bank, and in line with the International Financial Reporting Standard and the relevant instructions of Palestine Monetary Authority. Given the significance of such estimates and assumptions, they are considered as one of the key risks that might lead to a material misstatement in the consolidated financial statements, which may arise from improper use of the available information and estimates to determine the provision amount. As shown in note (7) in the consolidated financial statements, management estimated the provision for impairment of direct credit facilities at USD 2,381,201 on a net direct credit facilities of USD 210,578,198 representing 48% of the total assets of the Bank as at December 31, 2017.	Below are the procedures we followed to evaluate the appropriateness of management's estimation of the provision for impairment of direct credit facilities: - Evaluation of the management's approach for the determination of debtor's classification and the evaluation method of the present recoverable amount of collaterals in favour of the Bank when sold, expected cash flows and the management's approach for the determination of provision value as at December 31, 2017. - Examining a sample of customers classified by management as defaulters to evaluate the reasonableness of their classification. - Evaluating management's approach for the determination of provision value as at December 31, 2017. - Evaluating the key assumptions used, based on our understanding of the Bank and its industry. - Examining a sample of management's estimates of the recoverable amount upon disposal of assets to evaluate the reasonableness of estimates made. - Examining relevant internal control procedures adopted by management. - Recalculating the impairment provision for a sample of customers in accordance with the relevant instructions of the Palestine Monetary Authority and International Financial Reporting Standards. - Evaluating the adequacy of the provision for impairment of direct credit facilities' disclosure made.

Independent Auditor's Report to the Shareholders of Palestine Investment Bank - Public Shareholding Company

Other information

Management is responsible for the other information. The other information comprises the Banks annual report for the year 2017, but does not include the consolidated financial statements and our auditor's report. We were not provided with the other information up to date of our report, which is expect to be available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information, and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

When we read the other information that have not been provided yet, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and with the applicable laws in Palestine 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.

Those charged with governance are 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 ISAs 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 of the bank that 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.

Independent Auditor's Report to the Shareholders of Palestine Investment Bank - Public Shareholding Company

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- 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 Bank's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with governance 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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.

For PricewaterhouseCoopers Palestine

Hazem Sababa
License number 115/2003
Ramallah, Palestine
April 4, 2018

Consolidated statement of financial position
(All amounts are in U.S Dollars)

	Note	As at December 31, 2017	2016
Assets			
Cash and balances at Palestine Monetary Authority	(5)	77,930,593	65,993,808
Cash at banks and financial institutions	(6)	100,048,382	50,877,914
Direct Credit Facilities	(7)	210,578,198	181,475,269
Financial assets at fair value through statement of income	(8)	5,488,791	6,987,275
Financial assets at fair value through statement of comprehensive income	(9)	2,690,391	2,892,859
Financial assets at amortized cost	(10)	15,850,074	16,409,024
Property, plant and equipment	(11)	21,855,386	20,512,879
Deferred tax assets	(12)	808,199	878,199
Intangible assets	(13)	1,232,648	944,029
Other assets	(14)	6,808,449	5,741,436
Total assets		**443,291,111**	**352,712,692**
Liabilities and equity			
Liabilities			
Banks and financial institutions deposits	(15)	45,347,030	20,030,435
Customers' deposits	(16)	276,844,431	227,274,188
Cash margins	(17)	20,819,529	17,518,599
Sundry provisions	(18)	2,722,142	2,651,499
Tax provision	(19)	-	138,913
Other liabilities	(20)	6,658,621	5,060,059
Total liabilities		**352,391,753**	**272,673,693**
Equity			
Paid in capital	(23)	68,000,000	59,600,000
Statutory reserve	(21)	8,544,589	8,152,663
General banking risks reserve	(21)	3,011,000	2,861,000
Pro-cyclicality reserve	(21)	2,918,681	2,336,393
External Branch reserve	(21)	935,211	-
Fair value reserve	(9)	(70,948)	(304,074)
Excess from assets revaluation		3,212,555	3,212,555
Retained earnings		4,348,270	4,180,462
Total equity		**90,899,358**	**80,038,999**
Total liabilities and equity		**443,291,111**	**352,712,692**

- The accompanying notes from note 1 to note 42 form an integral part of these consolidated financial statements.
- The consolidated financial statements on pages 8 to 63 were approved and authorised for issuance by the Board of Directors on February 10, 2018 and were signed on its behalf.

Mr. Issa Kassis General Manager	Mr. Abdul Aziz Abu Dayyeh Chairman of Board Of Director

Consolidated statement of income

(All amounts are in U.S Dollars)

		For the year ended December 31,	
	Note	**2017**	**2016**
Interest income	(24)	15,727,796	13,486,577
Interest expense	(25)	(2,484,052)	(1,649,378)
Net interest income		**13,243,744**	**11,837,199**
Net commissions income	(26)	4,138,260	3,160,876
Net interest and commissions income		**17,382,004**	**14,998,075**
Foreign currency exchange gains		1,040,328	721,321
Dividends income		31,954	124,877
Direct credit facilities impairment recovery	(7)	381,520	290,051
Gains on financial assets	(27)	145,033	203,248
Other revenues	(28)	273,108	216,091
Total income		**19,253,947**	**16,553,663**
Expenses			
Personnel expenses	(29)	6,512,202	5,723,694
Other operating expenses	(30)	5,520,889	4,827,404
Direct credit facilities impairment charges	(7)	644,497	401,645
Depreciation and amortization	(11,13)	1,056,216	826,325
Foreign currency exchange (gains) losses		(9,371)	4,893
Palestinian Monetary Authority Fines	(31)	5,643	-
Total expenses		**13,730,076**	**11,783,961**
Profit before tax for the year		**5,523,871**	**4,769,702**
Income tax expense	(19)	(1,604,613)	(1,381,500)
Profit for the year		**3,919,258**	**3,388,202**
Basic and diluted earnings per share	(33)	**0.062**	**0.059**

- The accompanying notes from note 1 to note 42 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(All amounts are in U.S Dollars)

	For the year ended December 31,	
	2017	**2016**
Profit for the year	3,919,258	3,388,202
Other comprehensive income items:		
Items may *not be reclassified to the consolidated statement of income:*		
Change in fair value of financial assets at fair value through statement of comprehensive income	(58,899)	(124,674)
Other comprehensive income for the year	**(58,899)**	**(124,674)**
Total comprehensive income for the year	**3,860,359**	**3,263,528**

- The accompanying notes from note 1 to note 42 form an integral part of these consolidated financial statements.

Palestine Investment Bank

Consolidated Financial statements for the year ended December 31, 2017

Consolidated statement of changes in equity

(All amounts are in U.S Dollars)

2017	Paid-in capital	Reserves: Statutory	Reserves: General banking risks	Reserves: Pro-cyclicality	Reserves: External Branch	Fair value reserve	Excess from assets revaluation	Retained earnings	Total equity
Balance at the beginning of the year	**59,600,000**	**8,152,663**	**2,861,000**	**2,336,393**	**-**	**(304,074)**	**3,212,555**	**4,180,462**	**80,038,999**
Profit for the year	-	-	-	-	-	-	-	3,919,258	**3,919,258**
Other comprehensive income for the year	-	-	-	-	-	(58,899)	-	-	**(58,899)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(58,899)**	**-**	**3,919,258**	**3,860,359**
Losses on sale of financial assets recognised directly in retained earnings (Note 9)	-	-	-	-	-	292,025	-	(292,025)	**-**
Increase in capital (Note 22)	8,400,000	-	-	-	-	-	-	(1,400,000)	**7,000,000**
Transferred to reserves	-	391,926	150,000	582,288	935,211	-	-	(2,059,425)	**-**
Balance at the end of the year	**68,000,000**	**8,544,589**	**3,011,000**	**2,918,681**	**935,211**	**(70,948)**	**3,212,555**	**4,348,270**	**90,899,358**

2016	Paid-in capital	Reserves: Statutory	Reserves: General banking risks	Reserves: Pro-cyclicality	Reserves: External branch reserve	Fair value reserve	Excess from assets revaluation	Retained earnings	Total equity
Balance at the beginning of the year	**56,300,000**	**7,825,093**	**2,291,000**	**1,847,142**		**(180,362)**	**3,212,555**	**2,180,043**	**73,475,471**
Profit for the year	-	-	-	-	-	-	-	3,388,202	**3,388,202**
Other comprehensive income for the year	-	-	-	-	-	(124,674)	-	-	**(124,674)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(124,674)**	**-**	**3,388,202**	**3,263,528**
Losses on sale of financial assets recognised directly in retained earnings (Note 9)	-	-	-	-	-	962	-	(962)	**-**
Capital increase (Note 22)	3,300,000	-	-	-	-	-	-	-	**3,300,000**
Transferred to reserves	-	327,570	570,000	489,251	-	-	-	(1,386,821)	**-**
Balance at end of the year	**59,600,000**	**8,152,663**	**2,861,000**	**2,336,393**	**-**	**(304,074)**	**3,212,555**	**4,180,462**	**80,038,999**

- The accompanying notes from note 1 to note 42 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
(All amounts are in U.S Dollars)

	Note	For the year ended December 31, 2017	2016
Operating activities			
Profit before tax for the year		5,523,871	4,769,702
Adjustments:			
Direct credit facilities impairment charges	(7)	644,497	401,645
Depreciation and amortization	(11,13)	1,056,216	826,325
Losses (gains) on sale of financial assets at fair value through the statement of income	(27)	62,400	(1,207)
Net (gains) on revaluation of financial assets at fair value through the statement of income	(27)	(207,433)	(202,041)
Recovery of impairment allowance for direct credit facilities	(7)	(381,520)	(290,051)
Profit on sale of property, plant, and equipment		-	(16,999)
Sundry provisions	(18)	468,774	510,054
Dividends income		(31,954)	(124,877)
Bonds interests	(24)	(1,231,941)	(1,193,848)
Other non-cash items		(20,673)	(13,020)
		5,882,237	**4,665,683**
Change in assets and liabilities			
Direct credit facilities	(7)	(29,365,906)	(39,916,362)
Statutory cash reserves requirements	(5)	(3,939,715)	10,949,453
Other assets	(14)	(1,032,986)	(518,467)
Customers' deposits	(16)	49,570,243	33,830,081
Cash margins	(17)	3,300,930	2,411,071
Other liabilities	(20)	1,598,562	(2,373,172)
Net cash provided by operating activities before provisions and tax **payments**		**26,013,365**	**9,048,287**
Sundry provisions paid	(18)	(401,380)	(228,674)
Taxes paid	(19)	(1,683,631)	(945,519)
Net cash provided by operating activities		**23,928,354**	**7,874,094**
Investing activities			
Deposits maturing in over 3 months	(6)	-	2,820,874
Sale of financial assets at fair value through comprehensive statement of income		1,160,686	31,284
Purchase of financial assets at fair value through comprehensive statement of income		(1,017,117)	-
Sale of financial assets at fair value through the statement of income		1,687,928	39,257
Purchase of financial assets at fair value through the statement of income		(44,411)	(46,370)
Purchase of financial assets at amortized cost		(3,268,222)	(286,768)
Financial assets at amortised cost		3,827,172	-
Purchase of property, plant and equipment	(11)	(2,193,761)	(4,857,708)
Sale of property, plant and equipment		-	16,999
Purchase of intangible assets	(13)	(493,581)	(117,480)
Dividends income received		31,954	124,877
Bonds' interests received		1,231,941	1,207,181
Net cash provided by (used in) investing activities		**922,589**	**(1,067,854)**
Financing activities			
Capital increase	(22)	7,000,000	3,300,000
Increase in cash and cash equivalents		**31,850,943**	**10,106,240**
Cash and cash equivalents, beginning of the year		76,141,212	66,034,972
Cash and cash equivalents, end of the year	(32)	**107,992,155**	**76,141,212**

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

NOTE (1) GENERAL

Palestine Investment Bank (the Bank) was founded on August 10, 1994 as a public shareholding company in Palestine in accordance with the effective companies' law of 1929 under registration No. (563200864). Starting capital was USD 20 million which was increased during the years from 2006 to 2011 to USD 53 million with a par value of USD 1 per share. During 2014 and 2015, the Bank distributed stock dividends to the shareholders in the amount of USD 2 million and USD 1.3 million respectively, and the capital reached USD 56.3. Based on the resolution of the Extraordinary General Assembly in its meeting held on May 13, 2010 to increase the authorized share capital to 100 million shares with a par value of USD 1 per share. During 2016 and 2017, the Bank's paid in capital was increased through stock dividends and secondary subscription distributions to be USD 68 million as mentioned in note 22.

The Bank started its activities in March 1995. The Bank carries out all of its Banking and financial activities through its headquarter in Al-Bireh in addition to its nine branches and operating offices in Palestine, in addition to Al Bahrain's branch.

The Bank is subject to the Banks Laws and the regulations of Palestine Monetary Authority.

Palestine Investment Bank is a public shareholding company listed in Palestine Securities Exchange.

The Bank aims to offer all banking services which include opening current accounts and credits and accepting deposits and trusteeships and lending money. The total number of employees of the Bank and its subsidiary as at December 31, 2017 and 2016 was (246) and (248) employee respectively.

The accompanying consolidated financial statements were approved by the Bank's board of directors on February 10, 2018.

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Bank in the preparation of these consolidated financial statements are set out below.

2.1 Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Bank and subsidiary as of December 31, 2017 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as issued by the International Accounting Standards Board (IASB) and in accordance with the regulations of Palestine Monetary Authority.

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through the statement of income, financial assets at fair value through the statement of comprehensive income, and land at fair value at the consolidated financial statements date.

The consolidated financial statements are presented in United States Dollar, which is the functional and presentation currency of the Bank.

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

2.2 Changes in Accounting Policies

The accounting policies used in the preparation of these financial statements are consistent with those used in the previous year, except for the adoption of new standards and amendments to existing standards as mentioned below.

(a) New and amended standards and interpretations adopted by the Bank for the first time and effective for the financial year starting on or after January 1, 2017, and have no significant impact on the Bank's consolidated financial statements.

- Amendments to IAS 12, 'Deferred tax', Recognition of deferred tax assets for unrealized losses.
- Amendments to IAS 7, "Statement of cash flows", improvements on the disclosures.
- Amendments to IAS 40 ‘Investment property’, investment property transfers.
- The annual improvements to International Financial Reporting Standard 2012-2014 Cycle.

(b) New standards and interpretations are not mandatory for the financial year commencing on January 1, 2017 but have not been early adopted by the Bank:

IFRS 15, "Revenue from Contracts with Customers":
Nature of change: This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. According to the new standard, revenue is recognised when control of a good or service is transferred to a customer – thus, the notion of control replaces the existing notion of return and risks.

Effect: According to the management, there will be no effect on the Bank's consolidated financial statements by applying this standard as the most of the Bank’s income comes from other sources that don’t implied under the standard.

Date of implementation: Effective starting from January 1, 2018 and after.

IFRS 16, ‘Leases’:
Nature of change: This standard was issued in January, 2016, which requires the lessor to record the future lease liabilities of all leases including "the right to use the asset" except for short term and low value leases.

Effect: The standard will primarily affect the Bank’s operating leases.

Date of implementation: Effective starting from January 1, 2019.

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

IFRS 9 'Financial instruments':
Nature of change: This standard addresses the classification, measurement and recognition of financial assets and financial liabilities and introduces new rules for hedge accounting and also introduces a new impairment model.

Effect of the Application of IFRS (9): The Bank is required to apply IFRS 9 starting from January 1, 2018. Accordingly, the Bank has estimated the expected impact of the adoption of the standard on the consolidated financial statements. The effect may differ from actual application on January 1st, 2018 for the following reasons:

- The expected impact is calculated on balances and information as of December 31, 2017 using ECL modules and IT applications that might require further improvements, but the Bank's management does not expect a material difference for the impact when calculating it on the balances and information as at June 30, 2018.

- The Bank will book the full-expected impact taking into consideration the full estimates and tests required by the standard using input variables, assumptions and market data when issuing the Bank's first consolidated condensed interim financial statements for the period ending June 30, 2018, these input variables, assumptions and market data might change during the period from the date of initial consideration.

The following are the most important aspects of application:

A- Classification and measurement of financial assets: The Bank's management does not expect any material impact from applying this standard; the Bank has already adopted the first phase of IFRS (9) as of January 1st, 2011 based on the request of Central Bank of Jordan and the Jordan Securities Commission.

B- Classification and measurement of financial liabilities: IFRS (9) has retained the requirements of IAS (39) regarding the classification of financial liabilities. IAS 39 (Revised) requires recognition of the differences in the assessment of financial liabilities classified as financial liabilities at fair value through profit or loss in the consolidated statement of profit or loss, whereas IFRS (9) requires:

- Recognition of differences in the assessment of financial liabilities classified as financial liabilities at fair value through profit or loss as a result of changes in credit risk in the consolidated statement of comprehensive income.

- The remaining amount of fair value valuation differences is recognized in the consolidated statement of profit or loss.

C- Impairment of financial assets: IFRS (9) replaces the 'incurred loss' model in IAS (39) with a forward-looking 'expected credit loss' model. Which requires the use of estimates and judgments to estimate economic factors. The model will be applied to all financial assets - debt instruments which are classified as amortized cost or at fair value through statement of comprehensive income or at fair value through profit or loss.

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

Impairment losses will be calculated in accordance with the requirements of IFRS (9) in accordance with the following rules:

- 12 month impairment loss: The expected impairment will be calculated for the next 12 months from the date of the consolidated financial statements.

- Impairment losses for the lifetime of the instrument: The expected impairment of the life of the financial instrument will be calculated until the maturity date from the date of the consolidated financial statements.

- The expected credit loss mechanism depends on the probability of default (PD), which is calculated according to the credit risk and future economic factors, the loss in default (LGD), which depends on the value of the existing collateral and the exposure at default (EAD).

The initial expected value of the effect of applying the new standard is approximately USD 3.5 Million to reduce the retained earnings with the same amount after considering the effect of deferred taxes.

D- Disclosures IFRS (9) requires detailed disclosures, particularly with regard to hedge accounting, credit risk and expected credit losses. The Bank is working to provide all the necessary details for these disclosures to be presented in the subsequent consolidated financial statements after application.

Date of implementation: Effective on January 1, 2018. The standard must be applied for the financial years beginning on or after January 1, 2018.

2.3 Basis of consolidation of financial statements

The consolidated financial statements comprise of the financial statements of the Bank and its subsidiary "Global Securities Company" that is wholly owned and controlled by the Bank as at December 31, 2017. The Bank controls the subsidiary when the Bank is able to manage the main activities of the subsidiaries, and when the Bank is exposed to or has rights to, variable returns from its investment in the subsidiaries, and has the ability to affect those returns through its control over the subsidiaries. Transactions, balances, revenues and expenses between the Bank and its subsidiary shall be eliminated.

Details about the subsidiary:

Company name	Paid-in share capital (USD)	Percentage of Bank's ownership	Company's activity nature	Company's headquarter	Date of acquisition
Global Securities Company	3,526,093	100%	Financial brokerage	Nablus	1996

The financial statements of the subsidiary are prepared for the same reporting year as for the Bank, using the consistent accounting policies. If the accounting policies adopted by the subsidiary are different, the required adjustments are made on the financial statements of the subsidiary to be consistent with the accounting policies used by the Bank.

The Bank revaluates its ability to control the investee if there is any change in facts or circumstances that indicate any change in the three factors of control. Consolidation of the financial statements of the subsidiary commences when the Bank has the ability to control, and ends when it loses control over its subsidiary. The acquired or disposed assets, liabilities, income and expenses of the subsidiary are recognised in the consolidated statement of comprehensive income from the date of acquiring control

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

until the date the control is lost. The change's effect in the percentage of ownership of the subsidiary (without losing control thereon) is recognised as transactions between owners.

All balances and transactions, and profits and losses resulting from transactions between the subsidiary and the Bank have been eliminated.

2.4 Segment 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.

2.5 Financial assets at fair value through the statement of income

They are the financial assets purchased by the Bank for selling purposes in the near future and achieving profits from fluctuations in short-term market prices or trading profits margin.

These assets are recognised at fair value upon purchase (acquisition expenses are recognised in the consolidated statement of income upon purchase) and subsequently revalued at fair value. Change in fair value is recognised in the consolidated statement of income. When these assets or parts thereof are disposed, the resulting gains or losses are recognised in the consolidated statement of income.

The distributed dividends or realised interests are recognised in the consolidated statement of income. Nonfinancial assets may be reclassified from/to this item except in cases as determined by the International Financial Reporting Standards.

2.6 Credit Facilities

Credit facilities are presented net of provision for impairment of credit facilities and suspended interests.

Allowance for direct credit facilities is made if collection of amounts due to the Bank was not possible and when there is an objective evidence that a certain event has negatively affected future cash flows for direct credit facilities and when such impairment can be measured. The impairment value is recorded in the consolidated statement of income.

Interest and commission on defaulted, and rated credit facilities, which are granted to customers are suspended according to PMA instructions.

Credit facilities with related allowance are written off when collection procedures become ineffective according to PMA instructions. The excess in the allowance is transferred, if any, to the consolidated statement of income. Collection of previously written off credit facilities are recognised as revenues.

According to PMA instructions, direct credit facilities defaulted for more than 6 years along with the related suspended interest and allowances are excluded from the Bank's consolidated financial statements.

2.7 Financial assets at fair value through comprehensive statement of income

These financial assets represent equity investments for the purpose of keeping them on the long run.

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

These assets are recognised at fair value and the expenses of acquisition are directly added to them and they are subsequently revalued at fair value. The change in fair value is recognised in the consolidated statement of comprehensive income and in the consolidated statement of changes in equity. When these assets or any part thereof is disposed, the resulting gains or losses are recognised in the consolidated comprehensive statement of income and in the consolidated statement of changes in equity. A reserve balance for valuation of disposed financial assets is directly transferred to the retained earnings or losses and not through the consolidated statement of income.

These assets are not subject to the impairment losses test.

The distributed dividends are recognised in the consolidated statement of income.

2.8 Financial assets at amortised cost

The debt instruments are measured at amortised cost if any of the two criteria are met:

- Maintain the debt instrument in a business model aiming at keeping the asset for obtaining contractual cash flows.
- The contractual terms grants the instruments the usufruct of the cash flows at specific dates, which represent payments and interest on the current balance.

Debt instruments meeting these two criteria are initially measured at fair value plus the acquisition cost (unless the Bank decides to classify these assets through the consolidated statement of income as stated below), and subsequently measured at amortised cost using the effective interest method net of impairment. The interest income is recognised using the effective interest method.

The Bank reclassifies the debt instruments at amortised cost to debt instruments at fair value through the statement of income if the purpose of the business model for initial recognition is changed; hence, the amortised cost method is improper.

The effective interest rate is the rate used to discount the future cash flows through the expected life of the debt instrument or, where appropriate, a shorter period to equal the carrying amount at the initial recognition date.

2.9 Fair value of financial instruments

When the fair value of financial assets and financial liabilities cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow Model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These assumptions include factors relating to inputs that are used to determine fair value, such as liquidity risk, credit risk and other factors. Changes in assumptions about these factors could affect the reported fair value of financial assets in the consolidated financial statements.

2.10 Impairment of financial assets

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

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

Impairment is determined as follows:

Collective valuation of credit facilities

The value of credit facilities is re-estimated individually and when there is no present evidence for loss is determined, then there is a possibility of losses based on risk estimates and possibility of change in loan conditions or in the market conditions.

Impairment provisions cover losses that may result from individual performing loans whose value has declined on the reporting date of statement of financial position, but has not been identified separately as impaired value except during subsequent period. Expected impairment in value is calculated by the Bank's management for each distinctive portfolio in accordance with Palestine Monetary Authority's requirements and based on previous experiences, credit rating and expected change in loan conditions in addition to estimated implied losses that reflect the reality of the economic environment and credit status.

Impairment of financial assets recognised at amortised cost

The difference between the value recognised in the records and the present value of the expected cash flows discounted at the original effective interest rate.

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

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

2.11 Property, plant and equipment

Except for the land that is stated at fair value, property, plant and equipment are stated at cost net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and financing costs for long-term construction projects if the recognition criteria are met. All other expenses are recognised in the consolidated statement of income as incurred. Land is not depreciated. Depreciation is calculated on a straight line basis over the estimated useful lives as follows:

	Useful life (years)
Buildings and real estate	50
Furniture and equipment	6-17
Computer hardware	4-10
Leasehold improvements	5
Motor vehicles	7

Carrying values of property, plant, and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. Where any such evidence exists and when the carrying amount exceeds its recoverable amount, the carrying amount of the

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

recoverable amount, being the fair value, is reduced after deducting the higher of costs to sell and "value in use".

Costs incurred to replace property, plant, and equipment that are dealt with separately are calculated and capitalised and the carrying value of any replaced part is written off. Subsequent expenditures are capitalised only when they increase future economic benefits of the related item of property, plant and equipment. All other expenses are recognised in the consolidated statement of income.

Land is stated at fair value. Fair valuation of land is conducted on a periodical basis to make sure that the fair value is not materially different from the carrying value. Increase in fair value of such lands is recorded through the consolidated statement of changes in equity while impairment losses that exceed any previous increase in fair value are recorded in the consolidated statement of income.

2.12 Provisions
Provisions are recognized when the bank has a present obligation (legal or constructive) arising from a past event and the cost to settle the obligation are both probable and can be reliably measured.

2.13 End of service indemnity provision
Provision for the Company's employees' indemnity is calculated in accordance with the law of the Palestinian labour. Employee indemnity provision charges are recognized in the statement of income, payment made to resigning employees are recognized in the employee indemnity provision account.

2.14 Tax provision
The Bank deducts tax provisions in accordance with Income Tax Law in force in Palestine, and IAS 12 which requires recognising the temporary differences, at the financial statements date, as deferred taxes.

Income tax expenses are accounted for on the basis of taxable income. Moreover, taxable income differs from income declared in the consolidated financial statements because the latter includes non-taxable revenue or tax expenses not deductible in the current year but deductible in subsequent years, accumulated losses acceptable by the tax authorities, and items not accepted for tax purposes or subject to tax.

Deferred tax is the tax expected to be paid and recovered as a result of temporary timing differences between the value of assets or liabilities in the consolidated financial statements and the value which is the basis for calculating tax profit. Deferred tax is calculated using the liability method in the financial position, and deferred taxes is accounted for in accordance with tax rates expected to be applied to settle the tax liability or realise deferred tax assets.

2.15 Offsetting
Financial assets and liabilities are offset and net amounts are reported in the statement of financial position only when legally enforceable rights are established and when such amounts are settled on a net basis, or when assets and liabilities are settled simultaneously.

2.16 Revenue and expenses recognition
Interest income is recognised using the effective interest method except for interests and commissions of non performing credit facilities.
Commission income is recognized when the service is rendered

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

Dividend income is recognised when the right to receive the dividends is established.

Expenses are recognised when incurred based on the accrual basis.

2.17 Assets seized by the bank

Assets seized by the Bank are shown under "other assets" at the acquisition value or fair value, whichever is lower. As of the consolidated financial statements date, these assets are revalued individually at fair value. Any decline in their market value is taken to the consolidated statement of income whereas any such increase is not recognized. A subsequent increase is taken to the consolidated statement of income to the extent it does not exceed the previously recorded impairment.

In accordance with PMA instructions, lands and assets seized by the Bank against settlement of due debts should be disposed off during a maximum period of 5 years from the acquisition date. The period where such assets can be kept was extended by PMA according to the banking law and related instructions.

2.18 Intangible assets

Intangible assets acquired in a business combination are stated at their fair value as at the date of acquisition. Intangible assets acquired through any way other than business combination shall be recognised at cost.

The useful lives of intangible assets are classified as either definite or indefinite period. Intangible assets with definite lives are amortised over the useful economic life and the amortisation expense is recorded in the consolidated statement of income. Intangible assets with indefinite useful lives are tested for impairment at the consolidated financial statements date and the impairment is recorded in the consolidated statement of income.

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

Intangible assets include computer software and systems. The Bank's management estimates the useful lives of intangible assets. Intangible assets are amortised on a straight line method.

2.19 Foreign currencies

- Transactions dominated in foreign currencies occurring during the year are recorded at the prevailing exchange rates at the date of the transactions.
- Balances of monetary assets and liabilities dominated in foreign currencies are translated at the prevailing exchange rate at the consolidated statement of financial position date.
- Non-monetary assets and liabilities measured at fair value and dominated in a foreign currency are translated at the date when the fair value is determined.
- Foreign currency exchange gains or losses are recognised in the consolidated statement of income.

2.20 Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with maturity of 3 months. It includes cash and balances at Palestine Monetary Authority and balances at banks and financial institutions net of banks' and financial institutions' deposits with maturity of 3 months and restricted balances.

2.21 Derecognition of financial assets

The Bank derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial assets and substantially all the risks and rewards of

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for the amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset.

2.22 Fair value measurement

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 pay the liability takes place either:

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

The fair value of the assets and liabilities are measured using the assumptions used by the participants at the pricing of assets and liabilities, assuming that market participants aim to achieve economic benefits.

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

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

Level 1: Using quoted prices for similar financial instruments in active markets.

Level 2: Using inputs that are directly or indirectly observable other than quoted prices.

Level 3: Using inputs that are not based on observable market data.

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

Approved external valuators are assigned to evaluate the material value of the assets such as lands.

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 and the level of the fair value of the assets and liabilities. The Bank did not make any transfers between the above mentioned levels during 2017 and 2016.

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

Note (3) – Risk management

The Bank discloses information to help the users of the consolidated financial statements to assess the nature and level of risk the Bank is exposed to as of the date of the consolidated financial statements as follows:

Risk Management framework

Risks related to the Bank's activities are measured and monitored continuously to keep within acceptable limits. Due to sensitivity of risk management on the Bank results of operations, risk management roles and controls activities are distributed among the Bank's personnel.

Risk Management process

The board of directors and the risk management committee are responsible for identifying and controlling risks; in addition, there are several parties that are responsible for managing and monitoring risks in the area in which the Bank operates.

Risk measurement and reporting systems

Monitoring and controlling risks are primarily performed based on limits established by the Bank for each risk type. These limits reflect the business strategy and market environment of the bank as well as the level of risk the Bank is willing to accept. Information is collected from different departments and analysed for early identification of potential risk. This information is presented to the Bank's board of directors and the executive departments responsible for risk management.

Risks

The Bank follows different policies in managing various risks as part of determined strategies. The Bank's risks departments monitor and control risks and optimize strategic diversification of financial assets and financial liabilities. Risks include credit risk, market risk (interest rate risk, foreign currency risk, equity price risk) and liquidity risk.

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

First: Credit risks:

Credit risks are those risks resulting from the default of counterparties to the financial instruments to meet their obligations to the Bank resulting in a loss. The Bank manages credit risk by preparing a financing study which includes the concentration on cash flows and payments, and setting limits to the financing amounts (individual or corporate) to each sector and geographical area. The Bank also monitors credit risks and continuously evaluates the credit standing of customers. The Bank also obtains appropriate collaterals from customers.

Exposures to credit risk

	2017	2016
Consolidated statement of financial position items		
Balances at Palestine Monetary Authority	27,820,954	25,951,390
Balances at banks and financial institutions	100,048,382	50,877,914
Direct credit facilities:		
Individuals	136,178,977	81,856,448
Corporate	60,541,954	77,617,194
Public sector facilities	13,857,267	22,001,627
Financial assets at fair value through statement of income	4,170,650	5,688,300
Financial assets at amortised cost	15,850,074	16,409,024
Other assets	4,198,558	3,300,999
	362,666,816	**283,702,896**
Off the consolidated statement of financial position items		
Guarantees	16,470,409	16,161,809
Letters of credits	1,770,817	3,284,213
Acceptances	1,852,068	3,975,431
Unutilised direct credit facilities limits	6,632,035	6,461,359
	26,725,329	**29,882,812**

Notes to the consolidated financial statements

(All amounts are in U.S Dollars)

Credit risk exposure for each risk rating

Direct credit facilities based on the risk rating are distributed as follows:

	Individuals	Corporate	Government and public sector	Total
December 31, 2017				
Low risk	85,223,032	37,671,453	13,857,267	**136,751,752**
Acceptable risk	48,619,718	21,602,704	-	**70,222,422**
Watch list	419,561	-	-	**419,561**
Non-performing:				
Substandard	1,496,088	1,028,566	-	**2,524,654**
Doubtful	2,644,590	779,534	-	**3,424,124**
Total	**138,402,989**	**61,082,257**	**13,857,267**	**213,342,513**
Suspended interests and commissions	(280,181)	(102,933)	-	**(383,114)**
Provision for impairment of direct credit facilities	(1,943,831)	(437,370)	-	**(2,381,201)**
	136,178,977	**60,541,954**	**13,857,267**	**210,578,198**

	Individuals	Corporate	Government and public sector	Total
December 31, 2016				
Low risk	52,079,106	48,208,524	22,001,627	**122,289,257**
Acceptable risk	29,549,861	27,998,374	-	**57,548,235**
Watch list	200,896	170,441	-	**371,337**
Non-performing:				
Substandard	340,700	287,441	-	**628,141**
Doubtful	1,947,368	2,501,414	-	**4,448,782**
Total	**84,117,931**	**79,166,194**	**22,001,627**	**185,285,752**
Suspended interests and commissions	(501,277)	(301,458)	-	**(802,735)**
Provision for impairment of direct credit facilities	(1,760,206)	(1,247,542)	-	**(3,007,748)**
	81,856,448	**77,617,194**	**22,001,627**	**181,475,269**

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

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

	Individuals	Corporate	Total
December 31, 2017			
Collateral against:			
Low risk	45,219,119	52,726,380	**97,945,499**
Acceptable risk	28,374,569	31,992,206	**60,366,775**
Watch list	123,824	-	**123,824**
Non-performing:			
Substandard	341,904	137,218	**479,122**
Doubtful	587,746	486,361	**1,074,107**
Total	**74,647,162**	**85,342,165**	**159,989,327**
Comprising of:			
Cash margins	10,941,432	9,878,097	**20,819,529**
Quoted instruments	6,494,380	8,790,432	**15,284,812**
Vehicles and equipment	5,809,447	11,231,735	**17,041,182**
Real estate	51,401,903	55,441,901	**106,843,804**
	74,647,162	**85,342,165**	**159,989,327**

	Individuals	Corporate	Total
December 31, 2016			
Collateral against:			
Low risk	37,045,144	42,685,471	**79,730,615**
Acceptable risk	23,245,477	26,103,850	**49,349,327**
Watch list	101,441	105,327	**206,768**
Non-performing:			
Substandard	280,100	112,414	**392,514**
Doubtful	481,503	398,445	**879,948**
Total	**61,153,665**	**69,405,507**	**130,559,172**
Comprising of:			
Cash margins	9,526,379	7,992,220	**17,518,599**
Quoted instruments	7,320,546	7,201,441	**14,521,987**
Vehicles and equipment	4,759,310	9,201,445	**13,960,755**
Real estate	39,547,430	45,010,401	**84,557,831**
	61,153,665	**69,405,507**	**130,559,172**

Notes to the consolidated financial statements

(All amounts are in U.S Dollars)

Credit exposures are distributed based on the geographical areas as follows:

	Domestic	Jordan	Israel	Europe	USA	Others	Total
2017							
Cash and balances at Palestine Monetary Authority	27,820,954	-	-	-	-	-	**27,820,954**
Cash at banks and financial institutions	19,727,940	40,110,633	22,091,744	771,253	9,764,749	7,582,063	100,048,382
Direct credit facilities	210,426,849	130,470	-	-	-	20,879	210,578,198
Financial assets at fair value through statement of income	-	-	-	4,170,650	-	-	**4,170,650**
Financial assets at amortised cost	755,270	-	-	15,094,804	-	-	**15,850,074**
Other assets	4,198,558	-	-	-	-	-	**4,198,558**
Total as at December 31, 2017	**262,929,571**	**40,241,103**	**22,091,744**	**20,036,707**	**9,764,749**	**7,602,942**	**362,666,816**
Total as at December 31, 2016	**224,289,277**	**16,622,679**	**7,605,980**	**12,495,364**	**6,298,457**	**16,391,139**	**283,702,896**
Off the statement of financial position items:							
Guarantees	16,470,409	-	-	-	-	-	16,470,409
Letters of credits	-	630,703	1,140,114	-	-	-	1,770,817
Acceptances	1,852,068	-	-	-	-	-	1,852,068
Unutilised direct credit facilities limits	6,632,035	-	-	-	-	-	6,632,035
Total as at December 31, 2017	**24,954,512**	**630,703**	**1,140,114**	**-**	**-**	**-**	**26,725,329**
Total as at December 31, 2016	**26,598,599**	**1,502,155**	**1,782,058**	**-**	**-**	**-**	**29,882,812**

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

Credit exposures are distributed based on the economic sectors as follows:

	Financial	Industrial and tourism	Trade	Real-estate	Securities	Government and public sector	Others	Total
2017								
Balances at Palestine Monetary Authority	27,820,954	-	-	-	-	-	-	**27,820,954**
Cash at banks and financial institutions	100,048,382	-	-	-	-	-	-	**100,048,382**
Direct Credit Facilities	4,757,538	29,287,036	71,694,064	47,026,397	1,731,553	13,857,267	42,224,343	**210,578,198**
Financial assets at fair value through statement of income	4,170,650	-	-	-	-	-	-	**4,170,650**
Financial assets at amortised cost	15,850,074	-	-	-	-	-	-	**15,850,074**
Other assets	4,198,558	-	-	-	-	-	-	**4,198,558**
Total as at December 31, 2017	**156,846,156**	**29,287,036**	**71,694,064**	**47,026,397**	**1,731,553**	**13,857,267**	**42,224,343**	**362,666,816**
Total as at December 31, 2016	**92,888,406**	**27,252,910**	**44,158,091**	**42,237,767**	**2,098,084**	**33,693,769**	**41,373,869**	**283,702,896**

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

Second: Market risk

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

Interest rate risk

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

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

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

	2017		2016	
	Increase in the exchange rate	Interest income sensitivity (consolidated net income)	Increase in the exchange rate	Interest income sensitivity (consolidated net income)
Currency	Basis point		Basis point	
USD	10 +	16,152	10 +	11,162
Jordanian Dinar	10 +	(382)	10 +	(254)
Israeli Shekel	10 +	1,326	10 +	892
Euro	10 +	(270)	10 +	(181)
Other currencies	10 +	2	10 +	12

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

Interest re-pricing gap

	Interest re-pricing gap						
	Less than 1 month	**From 1 month to 3 months**	**From 3 months to 6 months**	**From 6 months to 1 year**	**More than 1 year**	**Non-interest bearing items**	**Total**
December 31, 2017							
Assets							
Cash and balances at Palestine Monetary Authority	27,820,954	-	-	-	-	50,109,639	77,930,593
Cash at banks and financial institutions	37,615,715	62,432,667	-	-	-	-	100,048,382
Direct Credit Facilities	17,441,445	8,105,441	12,968,551	54,327,527	117,735,234	-	210,578,198
Financial assets at fair value through statement of income	-	-	-	-	4,170,650	1,318,141	5,488,791
Financial assets at fair value through statement of comprehensive income	-	-	-	-	-	2,690,391	2,690,391
Financial assets at amortised cost	-	-	-	-	15,850,074	-	15,850,074
Property, plant and equipment	-	-	-	-	-	21,855,386	21,855,386
Deferred tax assets	-	-	-	-	-	808,199	808,199
Intangible assets	-	-	-	-	-	1,232,648	1,232,648
Other assets	-	-	-	-	-	6,808,449	6,808,449
Total assets	**82,878,114**	**70,538,108**	**12,968,551**	**54,327,527**	**137,755,958**	**84,822,853**	**443,291,111**
Liabilities							
Banks and financial institutions deposits	12,116,695	33,230,335	-	-	-	-	45,347,030
Customers' deposits	199,241,949	25,442,889	29,446,108	22,451,639	261,846	-	276,844,431
Cash margins	-	-	-	-	-	20,819,529	20,819,529
Sundry provisions	-	-	-	-	-	2,722,142	2,722,142
Tax provision	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	6,658,621	6,658,621
Total liabilities	**211,358,644**	**58,673,224**	**29,446,108**	**22,451,639**	**261,846**	**30,200,292**	**352,391,753**
Equity							
Paid-in capital	-	-	-	-	-	68,000,000	68,000,000
Statutory reserve	-	-	-	-	-	8,544,589	8,544,589
General banking risks reserve	-	-	-	-	-	3,011,000	3,011,000
Pro-cyclicality reserve	-	-	-	-	-	2,918,681	2,918,681
Fair value reserve	-	-	-	-	-	(70,948)	(70,948)
External branch reserve	-	-	-	-	-	935,211	935,211
Excess from assets revaluation	-	-	-	-	-	3,212,555	3,212,555
Retained earnings	-	-	-	-	-	4,348,270	4,348,270
Total equity	**-**	**-**	**-**	**-**	**-**	**90,899,358**	**90,899,358**
Total liabilities and equity	**211,358,644**	**58,673,224**	**29,446,108**	**22,451,639**	**261,846**	**121,099,650**	**443,291,111**
Interest rate re-pricing gap	**(128,480,530)**	**11,864,884**	**(16,477,557)**	**31,875,888**	**137,494,112**	**(36,276,797)**	**-**
Cumulative Gap	**(128,480,530)**	**(116,615,646)**	**(133,093,203)**	**(101,217,315)**	**36,276,797**	**-**	**-**

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

	Interest rate re-pricing gap						
	Less than 1 month	**From 1 month to 3 months**	**From 3 months to 6 months**	**From 6 months to 1 year**	**More than 1 year**	**Non-interest bearing items**	**Total**
December 31, 2016							
Assets							
Cash and balances at Palestine Monetary Authority	25,951,390	-	-	-	-	40,042,418	65,993,808
Cash at banks and financial institutions	18,715,822	32,162,092	-	-	-	-	50,877,914
Direct Credit Facilities	9,961,388	3,506,842	8,139,825	25,630,684	134,236,530	-	181,475,269
Financial assets at fair value through statement of income	-	-	-	-	5,688,300	1,298,975	6,987,275
Financial assets at fair value through statement of comprehensive income	-	-	-	-	-	2,892,859	2,892,859
Financial assets at amortised cost	-	-	-	-	16,409,024	-	16,409,024
Property, plant and equipment	-	-	-	-	-	20,512,879	20,512,879
Deferred tax assets	-	-	-	-	-	878,199	878,199
Intangible assets	-	-	-	-	-	944,029	944,029
Other assets	-	-	-	-	-	5,741,436	5,741,436
Total assets	**54,628,600**	**35,668,934**	**8,139,825**	**25,630,684**	**156,333,854**	**72,310,795**	**352,712,692**
Liabilities							
Banks and financial institutions deposits	19,768,985	261,450	-	-	-	-	20,030,435
Customers' deposits	169,852,552	9,103,680	10,106,577	12,142,053	26,069,326	-	227,274,188
Cash margins	17,518,599	-	-	-	-	-	17,518,599
Sundry provisions	-	-	-	-	-	2,651,499	2,651,499
Tax provision	-	-	-	-	-	138,913	138,913
Other Liabilities	-	-	-	-	-	5,060,059	5,060,059
Total liabilities	**207,140,136**	**9,365,130**	**10,106,577**	**12,142,053**	**26,069,326**	**7,850,471**	**272,673,693**
equity							
Paid-in capital	-	-	-	-	-	59,600,000	59,600,000
Statutory reserve	-	-	-	-	-	8,152,663	8,152,663
General banking risks reserve	-	-	-	-	-	2,861,000	2,861,000
Pro-cyclicality reserve	-	-	-	-	-	2,336,393	2,336,393
Fair value reserve	-	-	-	-	-	(304,074)	(304,074)
Excess from assets revaluation	-	-	-	-	-	3,212,555	3,212,555
Retained earnings	-	-	-	-	-	4,180,462	4,180,462
Net equity	**-**	**-**	**-**	**-**	**-**	**80,038,999**	**80,038,999**
Total Liabilities and Equity	**207,140,136**	**9,365,130**	**10,106,577**	**12,142,053**	**26,069,326**	**87,889,470**	**352,712,692**
Interest rate re-pricing gap	**(152,511,536)**	**26,303,804**	**(1,966,752)**	**13,488,631**	**130,264,528**	**(15,578,675)**	**-**
Cumulative Gap	**(152,511,536)**	**(126,207,732)**	**(128,174,484)**	**(114,685,853)**	**15,578,675**	**-**	**-**

Notes to the consolidated financial statements

(All amounts are in U.S Dollars)

Foreign currency risk

Foreign Currency risk represent the risks of change in value of financial instruments resulting from the fluctuations in foreign exchange rate. The US Dollar (USD) is the functional currency of the Bank. The board of directors sets the limit of the financial position for each currency at the Bank annually, and such position is monitored on a daily basis and hedging strategies are used to ensure maintaining the foreign currency position within the approved limits.

The Jordanian Dinar (JOD) exchange rate is pegged to the USD, thus the risk of changes in the JOD exchange rate is not material to the consolidated financial statements of the Bank.
The expected effect of the decrease in exchange rate is equal to and opposite of the increase shown below:

	2017		2016	
Currency	Increase in the exchange rate (%)	Effect on the consolidated statement of income	Increase in the exchange rate (%)	Effect on the consolidated statement of income
Euro	10 +	(10,358)	10 +	(21,785)
Israeli Shekel	10 +	(199,891)	10 +	154,106
Other currencies	10 +	(1,580)	10 +	7,463

Following is the foreign currencies position of the Bank:

	Dinar	Euro	Israeli Shekel	Others	Total
December 31, 2017					
Assets					
Cash and balances at Palestine Monetary Authority	9,899,534	1,150,156	51,859,924	-	62,909,614
Cash at banks and financial institutions	17,628,764	4,520,325	21,992,065	96,580	44,237,734
Direct Credit Facilities	3,644,168	1,975,021	-	-	5,619,189
Other assets	216,431	4,905	1,586,246	-	1,807,582
Total assets	**31,388,897**	**7,650,407**	**75,438,235**	**96,580**	**114,574,119**
Liabilities					
Banks and financial institutions deposits	1,701,628	5,333,884	16,786,942	-	23,822,454
Customers' deposits	25,337,632	2,092,222	49,358,686	91,447	76,879,987
Cash margins	2,644,309	301,325	9,824,976	20,570	12,791,180
Other Liabilities	414,657	26,558	1,466,537	367	1,908,119
Total liabilities	**30,098,226**	**7,753,989**	**77,437,141**	**112,384**	**115,401,740**
Net concentration in the statement of financial position	**1,290,671**	**(103,582)**	**(1,998,906)**	**(15,804)**	**(827,621)**
Contingent liabilities outside the financial position	**152,722**	**4,918,222**	**4,622,122**	**82,611**	**9,775,677**

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

	Jordanian Dinar	Euro	Israeli Shekel	Others	Total
December 31, 2016					
Total assets	**37,618,708**	**117,367,384**	**9,425,219**	**578,917**	**164,990,228**
Total liabilities	**36,804,597**	**117,585,236**	**7,884,160**	**504,286**	**162,778,279**
Net concentration in the statement of financial position	**814,111**	**(217,852)**	**1,541,059**	**74,631**	**2,211,949**
Contingent liabilities outside the statement of financial position	**127,227**	**3,932,002**	**3,529,972**	**143,607**	**7,732,808**

Equity and bonds price risk

Equity price risk results from changes in fair value of the investments in equities and bonds. The effect of the decrease in the price of equities and bonds prices is equal to and opposite of the increase effect as shown below:

		2017		2016	
	Increase in indicator	**Effect on statement of income**	**Effect on equity**	**Effect on statement of income**	**Effect on equity**
Indicator	(%)				
Foreign markets	10	535,960	129,039	680,088	149,286
Palestine securities exchange	10	12,920	140,000	18,640	140,000
		548,880	**269,039**	**698,728**	**289,286**

Third: Liquidity risk

Liquidity risk is the risk that the Bank will not be able to provide the necessary funding to perform its liabilities in due dates. To mitigate this risk, management diversifies sources of finances, manages assets and liabilities and adapts its maturities, and maintains an adequate level of cash and cash equivalents.

The table below summarises the Bank's assets and liabilities on the basis of the remaining contractual maturities as at December 31, 2017 and 2016:

Palestine Investment Bank
Consolidated Financial statements for the year ended December 31, 2017

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

December 31, 2017	Less than 1 month	From 1 month to 3 months	3 to 6 months	from 6 months to 1 year	from 1 year to 3 years	More than 3 years	Without Maturity	Total
Assets:								
Cash and balances at Palestine Monetary Authority	27,820,954	-	-	-	-	-	50,109,639	77,930,593
Cash at banks and financial institutions	37,615,715	62,432,667	-	-	-	-	-	100,048,382
Direct Credit Facilities	17,441,445	8,105,441	12,968,551	54,303,158	117,759,603	-	-	210,578,198
Financial assets at fair value through statement of income	-	-	-	-	4,170,650	-	1,318,141	5,488,791
Financial assets at fair value through statement of comprehensive income	-	-	-	-	-	-	2,690,391	2,690,391
Financial assets at amortised cost	755,270	-	-	-	-	15,094,804	-	15,850,074
Property, plant and equipment	-	-	-	-	-	-	21,855,386	21,855,386
Deferred tax assets	-	-	-	-	-	-	808,199	808,199
Intangible assets	-	-	-	-	-	-	1,232,648	1,232,648
Other assets	-	-	-	-	-	-	6,808,449	6,808,449
Total assets	**83,633,384**	**70,538,108**	**12,968,551**	**54,303,158**	**121,930,253**	**15,094,804**	**84,822,853**	**443,291,111**
Liabilities:								
Banks and financial institutions deposits	12,116,695	33,230,335	-	-	-	-	-	45,347,030
Customers' deposits	199,241,949	25,442,889	29,446,108	22,451,441	262,044	-	-	276,844,431
Cash margins	-	-	-	15,862,973	4,956,556	-	-	20,819,529
Sundry provisions	-	-	-	-	-	-	2,722,142	2,722,142
Tax provision	-	-	-	-	-	-	-	-
Other Liabilities	6,091,700	-	-	-	-	-	566,921	6,658,621
Total liabilities	**217,450,344**	**58,673,224**	**29,446,108**	**38,314,414**	**5,218,600**	**-**	**3,289,063**	**352,391,753**
Equity:								
Paid-in capital	-	-	-	-	-	-	68,000,000	68,000,000
Statutory reserve	-	-	-	-	-	-	8,544,589	8,544,589
General banking risks reserve	-	-	-	-	-	-	3,011,000	3,011,000
Pro-cyclicality reserve	-	-	-	-	-	-	2,918,681	2,918,681
External branch reserve	-	-	-	-	-	-	935,211	935,211
Fair value reserve								
Excess from assets revaluation	-	-	-	-	-	-	(70,948)	(70,948)
Retained earnings	-	-	-	-	-	-	3,212,555	3,212,555
Total equity	-	-	-	-	-	-	4,348,270	4,348,270
Total liabilities and equity	**-**	**-**	**-**	**-**	**-**	**-**	**90,899,358**	**90,899,358**
Maturity gap	**217,450,344**	**58,673,224**	**29,446,108**	**38,314,414**	**5,218,600**	**-**	**94,188,421**	**443,291,111**
Cumulative Gap	**(133,816,960)**	**11,864,884**	**(16,477,557)**	**15,988,744**	**116,711,653**	**15,094,804**	**(9,365,568)**	**-**

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

December 31, 2016	Less than 1 month	From 1 month to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 3 years	More than 3 years	Without Maturity	Total
Assets:								
Cash and balances at Palestine Monetary Authority	25,951,390	-	-	-	-	-	40,042,418	65,993,808
Cash at banks and financial institutions	18,715,822	32,162,092	-	-	-	-	-	50,877,914
Direct Credit Facilities	9,961,388	3,506,842	8,139,825	25,630,684	100,715,089	33,521,441	-	181,475,269
Financial assets at fair value through statement of income	-	-	-	-	-	5,688,300	1,298,975	6,987,275
Financial assets at fair value through statement of comprehensive income	-	-	-	-	-	-	2,892,859	2,892,859
Financial assets at amortised cost	-	-	-	-	-	16,409,024	-	16,409,024
Property, plant and equipment	-	-	-	-	-	-	20,512,879	20,512,879
Deferred tax assets	-	-	-	-	-	-	878,199	878,199
Intangible assets	-	-	-	-	-	-	944,029	944,029
Other assets	-	-	-	-	-	-	5,741,436	5,741,436
Total assets	**54,628,600**	**35,668,934**	**8,139,825**	**25,630,684**	**100,715,089**	**55,618,765**	**72,310,795**	**352,712,692**
Liabilities:								
Banks and financial institutions deposits	19,768,985	261,450	-	-	-	-	-	20,030,435
Customers' deposits	169,852,552	9,103,680	10,106,577	12,142,053	26,069,326	-	-	227,274,188
Cash margins	17,518,599	-	-	-	-	-	-	17,518,599
Sundry provisions	-	-	-	-	-	-	2,651,499	2,651,499
Tax provision	-	-	-	-	-	-	138,913	138,913
Other Liabilities	-	-	-	-	-	-	5,060,059	5,060,059
Total liabilities	**207,140,136**	**9,365,130**	**10,106,577**	**12,142,053**	**26,069,326**	**-**	**7,850,471**	**272,673,693**
Equity								
Paid-in capital	-	-	-	-	-	-	59,600,000	59,600,000
Statutory reserve	-	-	-	-	-	-	8,152,663	8,152,663
General banking risks reserve	-	-	-	-	-	-	2,861,000	2,861,000
Pro-cyclicality reserve	-	-	-	-	-	-	2,336,393	2,336,393
Fair value reserve	-	-	-	-	-	-	(304,074)	(304,074)
Excess from assets revaluation	-	-	-	-	-	-	3,212,555	3,212,555
Retained earnings	-	-	-	-	-	-	4,180,462	4,180,462
Total equity	**-**	**-**	**-**	**-**	**-**	**-**	**80,038,999**	**80,038,999**
Total liabilities and equity	**207,140,136**	**9,365,130**	**10,106,577**	**12,142,053**	**26,069,326**	**-**	**87,889,470**	**352,712,692**
Maturity gap	**(152,511,536)**	**26,303,804**	**(1,966,752)**	**13,488,631**	**74,645,763**	**55,618,765**	**(15,578,675)**	**-**
Cumulative Gap	**(152,511,536)**	**(126,207,732)**	**(128,174,484)**	**(114,685,853)**	**(40,040,090)**	**15,578,675**	**-**	**-**

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

Fair value measurement

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

- Level 1: Using quoted (unadjusted) prices for similar financial instruments in active financial instruments markets.
- Level 2: Using inputs that are directly or indirectly observable other than quoted prices.
- Level 3: Using inputs that are not based on observable market data.

The following table describes the hierarchy used to measure the fair value of financial assets as at December 31, 2017 and 2016:

		Fair value measurement using		
	Total	**Level 1**	**Level 2**	**Level 3**
2017				
Assets at fair value				
Financial assets at fair value through statement of income (note 8):				
Quoted	**5,488,791**	5,488,791	-	-
Financial assets at fair value through statement of comprehensive income (note 9):				
Quoted	**1,290,391**	1,290,391	-	
Unquoted	**1,400,000**	-	-	1,400,000
Property, plant, and equipment at fair value (note 11):	**5,769,225**	-	-	5,769,225

		Fair value measurement using		
	Total	**Level 1**	**Level 2**	**Level 3**
2016				
Assets at fair value:				
Financial assets at fair value through statement of income (note 8):				
Quoted	**6,987,275**	6,987,275	-	-
Financial assets at fair value through statement of comprehensive income (note 9):				
Quoted	**1,492,859**	1,492,859	-	-
Unquoted	**1,400,000**	-	-	1,400,000
Property, plant, and equipment at fair value (note 11):	**5,769,225**	-	-	5,769,225

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

The following table presents a comparison between the carrying amounts and fair values of financial instruments as at December 31, 2017 and 2016:

	Carrying amount		Fair value	
	2017	**2016**	**2017**	**2016**
Financial assets				
Balances at Palestine Monetary Authority	27,820,954	25,951,390	27,820,954	25,951,390
Cash at banks and financial institutions	100,048,382	50,877,914	100,048,382	50,877,914
Direct Credit Facilities	210,578,198	181,475,269	210,578,198	181,475,269
Financial assets through statement of income	5,488,791	6,987,275	5,488,791	6,987,275
Financial assets at fair value through statement of comprehensive income:				
Quoted equities	1,290,391	1,492,859	1,290,391	1,492,859
Unquoted equities	1,400,000	1,400,000	1,400,000	1,400,000
Financial assets at amortised cost	15,850,074	16,409,024	16,435,370	16,744,938
Other financial assets	3,313,529	2,362,217	3,313,529	2,362,217
Total assets	**365,790,319**	**286,955,948**	**366,375,615**	**287,291,862**
Financial liabilities				
Banks and financial institutions deposits	45,347,030	20,030,435	45,347,030	20,030,435
Customers' deposits	276,844,431	227,274,188	276,844,431	227,274,188
Cash margins	20,819,529	17,518,599	20,819,529	17,518,599
Other Financial Liabilities	4,382,003	3,599,715	4,382,003	3,599,715
Total liabilities	**347,392,993**	**268,422,937**	**347,392,993**	**268,422,937**

- The fair values of financial assets and liabilities are stated in accordance with the values that could be used for the exchange between the concerned parties, except for compulsory sales or liquidation.
- The fair values of balances at 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 value as these instruments have short term repayment or collection periods.
- The fair value of financial assets at fair value is determined through the statement of income and the financial assets in fair value through the statement of comprehensive income, which have a quoted market price according to their trading prices on the date of the consolidated financial statements.
- The fair value of financial assets at amortised cost that have a quoted market price is determined according to their trading prices on the date of the consolidated financial statements.
- The fair value of credit facilities was determined through studying the various variables such as interest rates, risk factors, and debtor's solvency. The carrying value of credit facilities are not different from their fair value as at December 31, 2017.

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

Note (4) Basis and estimates
The preparation of the consolidated financial statements and application of accounting policies requires the Bank's management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and the disclosure of contingent liabilities. Also, these estimates and assumptions affect the revenues, expenses and provisions, as well as the other items of the comprehensive income. In particular, it requires the Bank's management to issue significant judgments and assumptions to estimate the amounts and timing of future cash flows. Such estimates are necessarily based on assumptions and multiple factors involving varying degrees of judgment and uncertainty and that actual results may differ from the estimates as a result of changes resulting from the conditions and circumstances of those estimates in the future.

The details of key assumptions made by the bank are as follows:

Legal cases provision
Lawsuit provision is established to provide for legal obligations based on the opinion of the Bank's lawyers.

Provision for impairment of direct credit facilities
The Bank reviews its provision for credit facilities according to Palestine Monetary Authority regulations and IFRS (39).

Impairment of seized assets
Impairment loss is booked after a sufficient and recent evaluation of the assets seized by the Bank has been conducted by approved surveyors. The impairment loss is reviewed periodically.

Useful lives of tangible and intangible assets
The management reassesses the useful lives of tangible and intangible assets on a regular basis for the purpose of calculating the annual depreciations and amortizations depending on the general condition of these assets and estimates of the expected useful lives in the future, related impairment loss (if any) is recognized in the consolidated statement of income.

Taxes provision
The necessary tax provision is calculated and recorded for each financial year in accordance with the accounting standards and the prevailing laws and regulations where the Bank operates.

Provision for employees' indemnity
Provision for the Bank's employees' indemnity is calculated in accordance with the effective labour laws in Palestine.

Impairment of financial assets that are stated at cost
Management frequently reviews the financial assets stated at cost to estimate any decline in their value. Impairment loss (if any) is taken to the consolidated statement of income.

Impairment of investments
The Bank treats investments classified as financial assets at fair value through the statement of comprehensive income as impaired when there has been a significant or prolonged decline in the fair value below its cost or when other objective evidences of impairment exist.

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs used in these models are taken from markets where possible, a degree of estimates is required in establishing fair values. These estimates include the impact of factors on the inputs used, such as liquidity risk, credit risk and other volatilities. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The Bank determines and discloses the level in the fair value hierarchy into which the fair value measurements are categorized in their entirety, segregating fair value measurements in accordance with the levels defined in IFRS. Differentiating between Level 2 and Level 3 fair value measurements, i.e., assessing whether inputs are observable and whether the unobservable inputs are significant, may require judgment and a careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability.

The Bank's management believes that its estimates in the consolidated financial statements are reasonable and appropriate.

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

Note (5) Cash and balances at Palestine Monetary Authority
Item details

	2017	2016
Cash on hand	50,109,639	40,042,418
Balances at Palestine Monetary Authority:		
Current and demand accounts	3,181,164	5,251,315
Statutory cash reserves requirements	24,639,790	20,700,075
	77,930,593	**65,993,808**

- According to PMA circular No. (67/2010), the Bank shall maintain statutory cash reserves with PMA at a percentage of total customers' deposits. Statutory reserves are calculated by the Bank at the end of each month. According to PMA circular No. (2/2012), the outstanding balance of credit facilities granted in Jerusalem for some sectors are deducted before statutory reserve is calculated. The statutory reserve percentage is 9%.
- PMA doesn't pay interest on these statutory cash reserves and current and demand accounts.
- Time and capital deposits at PMA are interest bearing deposits with interest rates based on current market interest rates less PMA's commission of 0.025%.

Note (6) Cash at banks and financial institutions
Item details

	2017	2016
Banks and financial institutions inside Palestine:		
Current accounts	7,824,773	73,663
Deposits maturing with 3 months	34,980,012	13,593,786
	42,804,785	**13,667,449**
Banks and financial institutions outside Palestine:		
Current accounts	24,015,156	37,615,714
Deposits maturing within 3 months	13,195,309	35,652,654
	37,210,465	**73,268,368**
	50,877,914	**100,048,382**

- Non-interest bearing balances at banks and financial institutions as at December 31, 2017 and December 31, 2016 amounted to USD 39,729,938 and USD 24,088,819 respectively.
- Restricted cash balances amounted to USD 12,410,320 and USD 10,444,147 as at December 31, 2017 and 2016 respectively.

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

Note (7) direct credit facilities
Item details

	2017	2016
Individuals		
Loans and discounted bills	96,220,982	65,681,518
Current accounts	40,282,958	16,898,206
Credit cards	1,899,049	1,538,207
Corporate		
Loans and discounted bills	51,910,062	61,528,072
Current accounts	9,172,195	17,638,122
Government and public sector	13,857,267	22,001,627
	213,342,513	**185,285,752**
Interests and commissions in suspense	(383,114)	(802,735)
Provision for impairment of direct credit facilities	(2,381,201)	(3,007,748)
	210,578,198	**181,475,269**

- Downgraded credit facilities, net of suspended interests, according to PMA regulations as at December 31, 2017 amounted to USD 5,985,225 representing 2.81% of the total credit facilities (compared to USD 4,645,525 representing 2.51% of the total credit facilities as at December 31, 2016).
- Non-performing direct credit facilities net of suspended interests according to PMA regulations as at December 31, 2017 amounted to USD 5,565,664 representing 2.61% of the total credit facilities (compared to USD 4,274,188 representing 2.31 % of the total credit facilities as at December 31, 2016).
- Credit facilities granted to the Palestinian National Authority amounted to USD 13,857,267 representing 6.5% of total direct credit facilities at December 31, 2017 compared to USD 22,001,627 representing 11.87% as at December 31, 2016.
- Credit facilities granted to non-residents amounted to USD 175,718 as at December 31, 2017(against USD 105,830 as at December 31, 2016).
- Fair value of collaterals obtained in lieu of credit facilities as at December 31, 2017 and 2016 amounted to USD 159,989,327 and USD 130,559,172 respectively.

Interests and commissions in suspense
The following is a summary of movement on the suspended interests and commissions:

	2017	2016
Balance at beginning of the year	**802,735**	**816,070**
Suspended interests during the year	218,348	230,652
Suspended interests transferred to revenues	(8,736)	(24,325)
Suspended interests written off	(153,297)	(153,083)
Write off of suspended interest of loans in default for more than 6 years	(475,936)	(66,579)
Balance at the end of the year	**383,114**	**802,735**

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

Provision for impairment of direct credit facilities

Following is a summary of the provision for impairment of direct credit facilities movement during the year:

	2017	2016
Balance at beginning of the year	**3,007,748**	**2,938,291**
Additions during the year	644,497	401,645
Direct credit facility impairment recovery	(379,520)	(249,337)
Write off of provision for impairment for loans in default for more than 6 years	(1,056,004)	(93,075)
Currency differences	164,480	10,224
Balance at the end of the year	**2,381,201**	**3,007,748**

Following is a summary of the Provision for impairment of direct credit facilities and suspended interests for credit facilities defaulting over 6 year's movement during the year:

	Provision for impairment of direct credit facilities		Interest Suspended	
	2017	2016	2017	2016
Balance at beginning of the year	**1,792,837**	**1,723,948**	**586,174**	**535,193**
Additions	1,056,004	93,075	475,936	66,579
Direct credit facility impairment recovery	(2,000)	(40,714)	-	(3,248)
write off of suspended interest of loans in default for more than 6 years	-	(1,666)	-	(14,177)
Currency differences	75,787	18,194	36,468	1,827
Balance at the end of the year	**2,922,628**	**1,792,837**	**1,098,578**	**586,174**

In accordance with PMA instruction No. (1/2008), non-performing direct credit facilities in default for more than 6 years were eliminated from the consolidated financial statements of the Bank. Gross direct credit facilities that were eliminated from the consolidated financial statements as at December 31, 2017 and 2016 amounted to USD 4,021,206 and USD 2,379,011 respectively.

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

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

	2017	2016
Manufacturing and mining		
Manufacturing	23,766,865	23,728,729
	23,766,865	**23,728,729**
Tourism, Restaurants, Hotels, and Others		
Restaurants	5,520,171	3,524,181
	5,520,171	**3,524,181**
Financial services		
	4,757,538	5,468,146
Public sector	**4,757,538**	**5,468,146**
Communications	1,833,972	1,187,703
Health	280,544	156,171
Education	1,734,128	142,080
Public utility	2,697,014	2,894,699
Professionals	2,148,132	2,520,320
Others	-	7,824,776
	8,693,790	**14,725,749**
Agriculture and livestock		
Agriculture	2,756,595	1,046,842
Livestock	1,932,781	2,344,344
	4,689,376	**3,391,186**
General trade		
Internal trade	41,317,366	26,198,403
Foreign trade	30,376,698	17,959,688
	71,694,064	**44,158,091**
Real estate and construction		
Construction	27,071,017	20,926,137
Residence	9,799,388	5,400,000
Property	10,155,992	15,911,630
	47,026,397	**42,237,767**
Transportation		
Trade and shipping	5,075,602	1,799,664
	5,075,602	**1,799,664**
Others in consumer goods financing		
Others	2,130,602	5,488,600
	2,130,602	**5,488,600**
Financing of investment in shares and financial instruments		
Financial companies	1,500,000	-
Others	231,553	2,098,084
	1,731,553	**2,098,084**
Others private sector	**24,016,174**	**15,861,193**
Public sector		
Palestinian National Authority	23,766,865	23,728,729
	23,766,865	**23,728,729**
	23,766,865	**23,728,729**

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

Note (8) financial assets at fair value through statement of income
Item details

	2017			2016		
	Local	Foreign	Total	Local	Foreign	Total
Quoted securities in financial markets	129,196	1,188,945	**1,318,141**	186,397	1,112,578	**1,298,975**
Quoted bonds in international markets	-	4,170,650	**4,170,650**	-	5,688,300	**5,688,300**
	129,196	**5,359,595**	**5,488,791**	**186,397**	**6,800,878**	**6,987,275**

Note (9) financial assets at fair value through statement of comprehensive income
Item details

	2017	2016
Quoted securities in the Palestine stock exchange	1,290,391	1,492,859
Unquoted securities	1,400,000	1,400,000
	2,690,391	**2,892,859**

The movement on the fair value reserve account during the year is as follows:

	2017	2016
Balance at beginning of the year	**(304,074)**	**(180,362)**
Change in fair value	(58,899)	(124,674)
Loss on sale of financial assets at fair value through the statement of comprehensive income recognised in retained earnings	292,025	962
Balance at the end of the year	**(70,948)**	**(304,074)**

Note (10) financial assets at amortized cost
Item details

	2017	2016
Foreign government bonds*	5,999,517	6,003,841
Local government bills**	755,270	286,768
Quoted financial bonds***	9,095,287	10,118,415
	15,850,074	**16,409,024**

* This item represents the Bank's investment in bonds and treasury bills issued by the Jordanian government and the Moroccan government. These bonds have a maturity period ranging from 5 to 10 years. Interest rate on these bonds and treasury bills varies between 4.25% and 6.13%.
** This item represents the Bank's investment in government bills issued by the Palestinian Ministry of Finance with a maturity period of 6 months and an interest rate of no more than 8%.
*** This item represents the Bank's investment in bonds listed in international financial markets with a maturity period of 3 to 6 years. Interest on bonds ranges from 4.62% to 6.95%.

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

Note (11) Property, plant and equipment
Item details

	Land	Buildings and real estate	Furniture and equipment	Computer Hardware	Leasehold Improvements	Motor Vehicles	Project under construction*	Total
December 31, 2017								
Cost or valuation price								
Balance at beginning of the year	5,769,225	1,250,990	5,588,185	3,081,661	1,367,907	456,190	8,172,523	**25,686,681**
Additions	-	-	141,999	681,676	148,599	106,400	1,115,087	**2,193,761**
Disposals	-	-	(48,698)	-	(19,660)	-	-	**(68,358)**
conversions	-	9,287,610	(398,440)	398,440	-	-	(9,287,610)	**-**
Balance at the end of the year	**5,769,225**	**10,538,600**	**5,283,046**	**4,161,777**	**1,496,846**	**562,590**	**-**	**27,812,084**
Accumulated depreciation:								
Balance at beginning of the year	-	210,302	1,684,281	2,403,475	640,290	235,454	-	**5,173,802**
Depreciation for the year	-	98,507	280,561	273,971	112,163	86,052	-	**851,254**
Disposals	-	-	(48,698)	-	(19,660)	-	-	**(68,358)**
Balance at the end of the year	**-**	**308,809**	**1,916,144**	**2,677,446**	**732,793**	**321,506**	**-**	**5,956,698**
Net book value	**5,769,225**	**10,229,791**	**3,366,902**	**1,484,331**	**764,053**	**241,084**	**-**	**21,855,386**

* During 2017 the Bank has completed the construction of new headquarters building in Ramallah city with a total cost of USD 9,287,610.

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

	Land	Buildings and real estate	Furniture and equipment	Computer Hardware	Leasehold Improvements	Motor Vehicles	Project under construction*	Total
December 31, 2016								
Cost or valuation price								
Balance at beginning of the year	5,769,225	1,250,990	3,176,735	3,009,430	1,296,917	440,190	5,924,486	**20,867,973**
Additions	-	-	2,411,450	72,231	70,990	55,000	2,248,037	**4,857,708**
Disposals	-	-	-	-	-	(39,000)	-	**(39,000)**
Balance at the end of the year	**5,769,225**	**1,250,990**	**5,588,185**	**3,081,661**	**1,367,907**	**456,190**	**8,172,523**	**25,686,681**
Accumulated depreciation:								
Balance at beginning of the year	-	184,137	1,473,843	2,147,024	539,777	209,786	-	**4,554,567**
Depreciation for the year	-	26,165	210,438	256,451	100,513	64,668	-	**658,235**
Disposals	-	-	-	-	-	(39,000)	-	**(39,000)**
Balance at the end of the year	**-**	**210,302**	**1,684,281**	**2,403,475**	**640,290**	**235,454**	**-**	**5,173,802**
Net book value	**5,769,225**	**1,040,688**	**3,903,904**	**678,186**	**727,617**	**220,736**	**8,172,523**	**20,512,879**

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

Note (12) Deferred tax assets

Deferred tax assets are calculated on the temporary timing differences between the assets and liabilities and the value based on which tax profit is calculated, such as the provision for end of service indemnity and vacations and the legal provision for which the Bank's management expects to be recovered in the future. Deferred tax is accounted for in accordance with tax rates expected to be applied upon realising the deferred tax assets.

Note (13) Intangible assets

Intangible assets represent computer software. The following are the movement of intangible assets during the year:

	2017	2016
Balance at beginning of the year	**944,029**	**994,639**
Additions	493,581	117,480
Amortization	(204,962)	(168,090)
Balance at the end of the year	**1,232,648**	**944,029**

Note (14) other assets

Item details

	2017	2016
Checks under collections	2,707,564	668,327
Prepaid expenses	1,452,414	579,465
Assets of the Bank to meet outstanding debts*	900,000	900,000
Interest receivable	885,029	938,782
Account receivable	576,499	1,510,472
Advance payments for purchase of software and establishment of branches	116,744	960,972
interests paid in advance	106,706	-
Tax advances (note 19)	34,027	-
Others	29,466	183,418
	6,808,449	**5,741,436**

* This item represents three shops owned by the Bank in fulfilment of outstanding debts.

Note (15) Banks and financial institutions deposits

Item details

	2017	2016
Current and on demand account	12,114,745	10,609,261
Deposits with maturities of three months or less	33,232,285	9,421,174
	45,347,030	**20,030,435**

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

Note (16) Customers' deposits
Item details

	2017	2016
Current and demand deposits	127,359,804	111,001,342
Time deposits	73,085,721	51,938,640
Saving deposits	72,564,509	62,222,544
Debit balances - temporary credit	3,834,397	2,111,662
	276,844,431	**227,274,188**

- Public sector deposits as at December 31, 2017 and 2016 amounted to USD 3,678,440 and USD 1,952,101 representing 1.33% and 0.86% of total deposits respectively.
- Non-interest bearing deposits as at December 31, 2017 and 2016 amounted to USD 127,359,804 and USD 111,001,342 representing 46% and 48.5% of total deposits respectively.
- Dormant accounts amounted to USD 6,101,205 and USD 5,186,959 as at December 31, 2017 and 2016 representing 2.20% and 2.37% of total deposits respectively.

Note (17) Cash margins
This item represents cash margins against the following facilities:

	2017	2016
Direct credit facilities	16,942,917	14,573,958
Indirect credit facilities	3,876,612	2,944,641
	20,819,529	**17,518,599**

Note (18) Sundry provisions
Item details

	Balance Beginning of the year	Provided for during the year	Payments during the year	Variances Currency	Balance End of the year
December 31, 2017					
End of service and vacations provisions	2,620,840	468,774	(401,380)	-	**2,688,234**
Legal provision	30,659	-	-	3,249	**33,908**
	2,651,499	**468,774**	**(401,380)**	**3,249**	**2,722,142**

	Balance Beginning of the year	Provided for the year	Payments during the year	Currency Variances	Balance End of the year
December 31, 2016					
End of service and vacations provisions	2,339,460	510,054	(228,674)	-	**2,620,840**
Legal provision	30,218	-	-	441	**30,659**
	2,369,678	**510,054**	**(228,674)**	**441**	**2,651,499**

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

Note (19) Tax provision

Following is the movement on the provision for income tax during the years ended December 31, 2017 and 2016:

	2017	2016
Balance at the beginning of the year	**138,913**	**(202,107)**
Current year income tax	1,534,613	1,381,500
Payments during the year	(1,059,120)	(945,519)
Payment for previous year	(624,511)	-
Deferred tax assets	-	(81,500)
Currency variances	(23,922)	(13,461)
Balance at the end of the year	**(34,027)**	**138,913**
Tax advances (note 14)	**34,027**	-
	-	**138,913**

The legal income tax percentage is 15%, and the value added tax percentage is 16% as at December 31, 2017. Based on the resolution provisions of law No. (4) of 2014 regarding the amendment of the resolution in law No. (8) of 2011 related to income tax, 10% income tax is applied on profits from financing small and medium sized projects.
Accounting profit settlement against tax profit is summarised as follows:

	2017	2016
Accounting profit of the Bank	5,523,871	4,769,702
Taxable income for VAT purposes	5,572,116	5,257,227
Taxable income	3,410,783	3,908,961
VAT on profit for the year	583,829	725,135
Income tax on profit	778,175	586,344
Taxes for the year	**1,362,004**	**1,311,479**
Provisions	1,534,613	1,381,500
Effective tax rate	27.78%	28.96%

The Bank has not reached a final settlement with the Income Tax and Value Added Tax Departments on the results of its operations for the year 2014, however, a final settlement with the Income Tax and Value Added Tax Departments was reached on the results of the Bank’s operations for the year 2015 and 2016.

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

Note (20) other liabilities
Item details

	2017	2016
Accounts payable and temporary deposits	2,169,299	1,899,456
Certified issued checks	678,863	600,503
Deferred tax liabilities (note 12)	566,921	566,921
Accrued interest payable	608,465	445,796
Board of Directors remuneration payable	180,260	165,088
Accrued expenses	145,035	47,614
Commissions received in advance	1,235,209	893,423
Other credit balances	600,081	441,258
Public offering Subscription accruals	433,213	-
Interests received in advance	41,275	-
	6,658,621	**5,060,059**

Note (21) Reserves

- **Statutory reserve**

As required by the Companies law and Banking Law, 10% of the net profit after tax is transferred to the statutory reserve and shall continue until the total reserve balance equals the Bank's capital. This reserve is not to be utilized without the PMA's prior approval.

- **General banking risks reserve**

This item represents general banking reserve appropriated in accordance with PMA instructions No. (6/2015) based on 1.5% of direct credit facilities net of impairment provision and suspended interests and 0.5% of indirect credit facilities net of checks under collection, accepted deposits, and accepted and guaranteed withdrawals related to financial derivatives. The reserve is not to be utilised or reduced without the prior approval of the PMA.

- **Pro-cyclicality reserve**

This reserve is appropriate in accordance with PMA instructions (6/2015) based on 15% of the net profit after tax to strengthen the Banks' capital against the risks surrounding the banking business. The reserve is not to be utilized or reduced with the PMA prior approval. The appropriate to the reserve shall continue until the total reserve balance equal to 20% of the paid in capital.

- **External branch reserve**

The Bank has opened a new branch in the Kingdom of Bahrain and obtained the approval of the PMA to start operating in the branch on December 29, 2016 after meeting certain conditions including the appropriation of US $ 935,211 from the retained earnings as external branch reserve account and keep this provisioning for this reserve to reach at least 2 Million US dollars over the next three years.

During the year the bank provisioned US $ 935,211 from the retained earnings to the "external branch reserve" as shown in the consolidated statement of changes in equity.

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

Note (22) Increase in capital and stock dividends
With the General Assembly decision held on May 13, 2010 to increase the authorised capital to 100 million shares with par value of USD 1 per share. During 2016, the bank increased its paid in capital through a secondary subscription by USD 3.3 million to be USD 59.6 million.

At its meeting held on April 30, 2017, the General Assembly decided to increase the Bank's paid in capital to US $ 61 million by distributing bonus shares to existing shareholders amounting to US $ 1.4 million. During that same year, the paid in capital of the Bank was increased through a secondary offering of US $ 7 million to reach US $ 68 million as at December 31, 2017.

Note (23) Paid in capital
Item details

	2017	2016
Authorised Capital	100,000,000	100,000,000
Subscribed and paid capital	68,000,000	59,600,000

Note (24) Interest income
Item details

	2017	2016
Borrowings	7,739,012	6,617,680
Current accounts receivable	4,373,462	3,557,040
Government and public sector	1,167,322	1,545,579
Balances at banks and financial institutions	1,216,059	572,430
Financial assets at amortized cost	976,453	834,279
Financial assets at fair value through statement of income	255,488	359,569
	15,727,796	**13,486,577**

Note (25) Interest expense
Item details

	2017	2016
Interest on customers' deposits		
Time deposits	1,885,040	1,491,720
Saving deposits	31,964	28,234
Current and demand accounts	-	8,455
	1,917,004	**1,528,409**
Bank and financial institutions deposits	419,561	73,452
Interests paid to Palestine Monetary Authority	79,843	1,204
Cash margins	67,644	46,313
	2,484,052	**1,649,378**

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

Note (26) Net commissions income
Item details

	2017	2016
Direct credit facilities	1,553,085	968,465
Indirect credit facilities	457,607	469,951
Accounts management	492,904	430,673
Returned check	708,739	512,913
Transfers	377,847	280,702
Others	745,091	674,606
	4,335,273	**3,337,310**
Less: Paid commissions	(197,013)	(176,434)
Net commissions income	**4,138,260**	**3,160,876**

Note (27) Gains on financial assets
Item details

	2017	2016
Unrealised gain from revaluation of financial assets at fair value through statement of income.	207,433	202,041
(Loss) Gain from sale of financial assets at fair value through statement of income	(62,400)	1,207
	145,033	**203,248**

Note (28) other revenues
Item details

	2017	2016
Check books	172,068	158,952
SWIFT and ATM revenues	2,412	1,815
Mail and fax revenues	10,882	13,572
Others	87,746	41,752
	273,108	**216,091**

Note (29) Personnel expenses
Item details

	2017	2016
Salaries and related benefits	4,870,908	4,145,413
VAT on payroll	670,638	623,131
End of service indemnity	460,591	446,154
Medical expenses	255,158	210,876
Bank's contribution to the provident fund*	207,165	199,748
Employees' training	39,559	34,472
Employees' vacations	8,183	63,900
	6,512,202	**5,723,694**

* The Bank deducts 5% of the basic salary on a monthly basis for each employee and contributes 10% of the employee's basic salary.

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

Note (30) other operating expenses
Item details

	2017	2016
Fees, licenses, and subscriptions	643,418	735,367
Postage, fax and telephone	629,415	560,493
Palestine Deposit Insurance Corporation fees	709,000	563,967
Rent	407,793	448,427
Maintenance	546,516	494,805
Professional Fees	331,542	276,639
Travel and seminars	603,596	395,201
Water, electricity and heating	285,219	208,074
Board of Directors' remuneration and fees	304,379	287,088
Advertisement and marketing	128,717	113,114
Stationery and printing	176,748	142,145
Money shipping fees	290,773	172,039
Cleaning expenses	242,506	131,017
Saving accounts promotional prizes	1,437	92,427
Insurance	50,975	55,978
Donations and charity*	93,949	57,243
Hospitality	53,486	62,359
Fuel and vehicle expenses	22,274	22,029
Others	4,789	8,992
	5,526,532	**4,827,404**

* As per the Bank's policy to build good relationships in the local community, the Bank makes donations to support social and sports activities. Donations made represent 2.40 % and 1.68 % of the net profit as at December 31, 2017 and 2016 respectively.

Note (31) Palestinian Monetary Authority fine
The Palestinian Monetary Authority imposed a fine in the amount of USD 5,643 as a result of the bank's violation of its instruction number 8/2009 of not performing the regular information update for some of its customers.

Note (32) Cash and cash equivalents
Cash and cash equivalents in the consolidated statement of cash flows comprise items presented in the consolidated statement of financial position as follows:

	2017	2016
Cash and balances at Palestine Monetary Authority	77,930,593	65,993,808
Add:		
Balances at banks and financial institutions with maturity of 3 months	100,048,382	50,877,914
Less:		
Banks and financial institutions deposits	(45,347,030)	(20,030,435)
Statutory reserve requirements	(24,639,790)	(20,700,075)
	107,992,155	**76,141,212**

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

Note (33) Basic and diluted earnings per share

	2017	2016
Profit for the year	3,919,258	3,388,202
	stock	stock
Weighted average number of shares subscribed during the year	63,683,333	57,398,082
Basic and diluted earnings per share	**0.062**	**0.059**

Note (34) Related party transactions

Related parties represent major shareholders, directors and key management personnel of the Bank, and entities controlled, jointly controlled, or significantly influenced by such parties. Transactions with related parties during the year are represented below:

	Nature of relationship	2017	2016
Items on the consolidated statement of financial position:			
Direct credit facilities	Key management personnel and board of directors	3,980,282	2,934,742
Deposits	Key management personnel and shareholders	544,142	526,504
Board of directors' remuneration payable	Board of Directors	180,260	165,088

	Nature of relationship	2017	2016
Items on consolidated statement of income:			
Interest received	Key management	15,139	29,513
Interest paid	Key management	58,665	53,776
Board of Directors' remuneration and fees	Board of Directors	304,379	287,088
Key management personnel share in salaries and related expenses	Key management	772,123	866,118
Key management personnel share in the end of service benefits	Key management	64,344	72,177

- Direct credit facilities granted to related parties as at December 31, 2017 and December 31, 2016 represent 1.90% and 1.62 % respectively of net direct credit facilities.
- Direct credit facilities granted to related parties as at December 31, 2017 and December 31, 2016 represent 5.06% and 4.22% respectively of the Bank's capital base.
- Interest rate on direct credit facilities in USD ranges between 3.5% and 6.5%.
- Interest rate on deposits in USD ranges between 1.75% and 4%.
- Interest rate on deposits in Euro ranges between 0.5% and 2%.

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

Note (35) Concentration of assets and liabilities
Following is a breakdown of the Bank's assets, liabilities, and off the consolidated statement of financial position items by geographical area:

	2017						
Assets	**Domestic**	**Jordan**	**Israel**	**Europe**	**USA**	**Others**	**Total**
Cash and balances with the Palestine Monetary Authority	77,930,593	-	-	-	-	-	77,930,593
Balances at banks and financial institutions	19,727,940	40,110,633	22,091,744	771,253	9,764,749	7,582,063	100,048,382
Direct credit facilities	210,426,849	130,470	-	-	-	20,879	210,578,198
Financial assets at fair value through statement of income	129196	-	-	5,359,595	-	-	5,488,791
Financial assets at fair value through comprehensive income:	-	-	-	2,690,391	-	-	2,690,391
Financial assets at amortised cost	755,270	-	-	15,094,804	-	-	15,850,074
Property, plant and equipment	21,855,386	-	-	-	-	-	21,855,386
Deferred tax assets	808,199	-	-	-	-	-	808,199
Intangible assets	1,232,648	-	-	-	-	-	1,232,648
Other assets	6,808,449	-	-	-	-	-	6,808,449
	339,674,530	**40,241,103**	**22,091,744**	**23,916,043**	**9,764,749**	**7,602,942**	**443,291,111**
Liabilities							
Banks' and financial institutions' deposits	45,347,030	-	-	-	-	-	45,347,030
Customers' deposits	269,521,453	7,322,978	-	-	-	-	276,844,431
Cash margins	20,819,529	-	-	-	-	-	20,819,529
Sundry provisions	2,722,142	-	-	-	-	-	2,722,142
Tax provision	-	-	-	-	-	-	-
Other liabilities	6,658,621	-	-	-	-	-	6,658,621
	345,068,775	**7,322,978**	**-**	**-**	**-**	**-**	**352,391,753**
Items off the consolidated statement of financial position							
Guarantees	16,470,409	-	-	-	-	-	16,470,409
Letters of credits	-	630,703	1,140,114	-	-	-	1,770,817
Acceptances	1,852,068	-	-	-	-	-	1,852,068
Unutilized credit facilities limits	6,632,035	-	-	-	-	-	6,632,035
	24,954,512	**630,703**	**1,140,114**	**-**	**-**	**-**	**26,725,329**

Notes to the consolidated financial statements

(All amounts are in U.S Dollars)

	2016						
Assets	**Domestic**	**Jordan**	**Israel**	**Europe**	**USA**	**Others**	**Total**
Cash and balances at Palestine Monetary Authority	65,993,808	-	-	-	-	-	65,993,808
Balances at banks and financial institutions	13,667,449	11,510,507	7,605,980	8,400,029	6,298,457	3,395,492	50,877,914
Direct credit facilities	181,369,439	105,830	-	-	-	-	181,475,269
Financial assets through statement of income	186,397	-	-	1,112,578	-	5,688,300	6,987,275
Financial assets through the statement of comprehensive income	2,892,859	-	-	-	-	-	2,892,859
Financial assets at amortised cost	-	5,006,342	-	4,095,335	-	7,307,347	16,409,024
Property, plant and equipment	20,512,879	-	-	-	-	-	20,512,879
Deferred tax assets	878,199	-	-	-	-	-	878,199
Intangible assets	944,029	-	-	-	-	-	944,029
Other assets	5,741,436	-	-	-	-	-	5,741,436
	292,186,495	**16,622,679**	**7,605,980**	**13,607,942**	**6,298,457**	**16,391,139**	**352,712,692**
Liabilities							
Banks' and financial institutions' deposits	20,030,435	-	-	-	-	-	20,030,435
Customers' deposits	221,917,255	5,356,933	-	-	-	-	227,274,188
Cash margins	15,015,158	2,503,441	-	-	-	-	17,518,599
Sundry provisions	2,651,499	-	-	-	-	-	2,651,499
Tax provisions	138,913	-	-	-	-	-	138,913
Other liabilities	5,060,059	-	-	-	-	-	5,060,059
	264,813,319	**7,860,374**	**-**	**-**	**-**	**-**	**272,673,693**
Items off the consolidated statement of financial position							
Guarantees	16,161,809	-	-	-	-	-	16,161,809
Letters of credits	-	1,502,155	1,782,058	-	-	-	3,284,213
Acceptances	3,975,431	-	-	-	-	-	3,975,431
Unutilised credit facilities limits	6,461,359	-	-	-	-	-	6,461,359
	26,598,599	**1,502,155**	**1,782,058**	**-**	**-**	**-**	**29,882,812**

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

Note (36) Segment information

Information on the Bank's business segments

For management purposes, the Banks' activities are organized into 3 major business sectors:

Retail banking: Includes handling individual customers & deposits, and providing consumer type loans, credit cards facilities and other services.

Corporate banking: Includes handling deposits, credit facilities, and other banking services related to institutional customers.

Treasury: Includes providing trading and treasury services and the management of the Banks funds.

Following is the Bank business segments according to operations:

	Retail banking	Corporate banking services	Treasury	Others	Total 2017	Total 2016
Gross revenues	10,100,974	9,768,129	1,040,328	447,048	21,356,479	**17,627,284**
Direct credit facility impairment provision-net	(134,957)	(128,020)	-	-	(262,977)	**(111,594)**
Segment results	9,966,017	9,640,109	1,040,328	447,048	**21,093,502**	**17,515,690**
Unallocated expenses					(15,569,631)	**(12,872,515)**
Profit before tax					5,523,871	**4,643,175**
Tax expense					(1,604,613)	**(1,381,500)**
Profit for the year					**3,919,258**	**3,261,675**
Other segment information						
Depreciations and amortisations	-	-	-	1,056,216	1,056,216	826,325
Capital expenditures	-	-	-	2,193,761	2,193,761	4,975,188
					2017	**2016**
Total segment assets	138,403,023	61,106,262	175,864,677	67,917,149	**443,291,111**	**352,712,692**
Total segment liabilities	246,172,684	50,073,918	45,384,980	10,760,171	**352,391,753**	**272,673,693**

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

Geographical distribution information

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

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

	Domestic		Foreign		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Gross revenues	18,559,729	13,050,152	2,796,750	4,577,132	**21,356,479**	**17,627,284**
Total assets	339,545,334	292,186,495	103,745,777	60,526,197	**443,291,111**	**352,712,692**
Total capital expenditures	2,193,761	4,857,708	-	-	**2,193,761**	**4,857,708**

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

Note (37) Analysis of maturities of assets and liabilities

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

	Up to 1 year	More than 1 year	Without maturity	Total
December 31, 2017				
Assets				
Cash and balances at PMA	27,820,954	-	50,109,639	77,930,593
Balances at banks and financial institutions	100,048,382	-	-	100,048,382
Direct Credit Facilities	92,818,595	117,759,603	-	210,578,198
Financial assets through statement of income	-	4,170,650	1,318,141	5,488,791
Financial assets at fair value through statement of comprehensive income	-	-	2,690,391	2,690,391
Financial assets at amortised cost	755,270	15,094,804	-	15,850,074
Property, plant and equipment	-	-	21,855,386	21,855,386
Deferred tax assets	-	-	808,199	808,199
Intangible assets	-	-	1,232,648	1,232,648
Other assets	-	-	6,808,449	6,808,449
Total assets	**221,443,201**	**137,025,057**	**84,822,853**	**443,291,111**
Liabilities				
Banks' and financial institutions' deposits	45,347,030	-	-	45,347,030
Customers' deposits	276,582,387	262,044	-	276,844,431
Cash margins	15,862,973	4,956,556	-	20,819,529
Sundry provisions	-	-	2,722,142	2,722,142
Other liabilities	6,091,700	-	566,921	6,658,621
Total liabilities	**343,884,090**	**5,218,600**	**3,289,063**	**352,391,753**
Equity				
Paid in capital	-	-	68,000,000	68,000,000
Statutory reserve	-	-	8,544,589	8,544,589
General banking risks reserve	-	-	3,011,000	3,011,000
Pro-cyclicality reserve	-	-	2,918,681	2,918,681
external branch reserve	-	-	935,211	935,211
Fair value reserve	-	-	(70,948)	(70,948)
Excess from assets revaluation	-	-	3,212,555	3,212,555
Retained earnings	-	-	4,348,270	4,348,270
Net equity	**-**	**-**	**90,899,358**	**90,899,358**
Total liabilities and equity	**343,884,090**	**5,218,600**	**94,188,421**	**443,291,111**
Maturity gap	**(122,440,889)**	**131,806,457**	**(9,365,568)**	**-**
Cumulative Gap	**(122,440,889)**	**9,365,568**	**-**	**-**

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

	Up to 1 year	More than 1 year	Without maturity	Total
December 31, 2016				
Assets				
Cash and balances at PMA	25,951,390	-	40,042,418	65,993,808
Balances at banks and financial institutions	50,877,914	-	-	50,877,914
Direct credit facilities	47,238,739	134,236,530	-	181,475,269
Financial assets through statement of income	-	5,688,300	1,298,975	6,987,275
Financial assets at fair value through statement of comprehensive income	-	-	2,892,859	2,892,859
Financial assets at amortised cost	-	16,409,024	-	16,409,024
Property, plant and equipment	-	-	20,512,879	20,512,879
Deferred tax assets	-	-	878,199	878,199
Intangible assets	-	-	944,029	944,029
Other assets	-	-	5,741,436	5,741,436
Total assets	**124,068,043**	**156,333,854**	**72,310,795**	**352,712,692**
Liabilities				
Banks' and financial institutions' deposits	20,030,435	-	-	20,030,435
Customers' deposits	201,204,862	26,069,326	-	227,274,188
Cash margins	17,518,599	-	-	17,518,599
Sundry provisions	-	-	2,651,499	2,651,499
Tax provision	-	-	138,913	138,913
Other liabilities	-	-	5,060,059	5,060,059
Total liabilities	**238,753,896**	**26,069,326**	**7,850,471**	**272,673,693**
Equity				
Paid-in capital	-	-	59,600,000	59,600,000
Statutory reserve	-	-	8,152,663	8,152,663
General banking risks reserve	-	-	2,861,000	2,861,000
Pro-cyclicality reserve	-	-	2,336,393	2,336,393
Fair value reserve	-	-	(304,074)	(304,074)
Excess from assets revaluation	-	-	3,212,555	3,212,555
Retained earnings	-	-	4,180,462	4,180,462
Net Equity	**-**	**-**	**80,038,999**	**80,038,999**
Total liabilities and equity	**238,753,896**	**26,069,326**	**87,889,470**	**352,712,692**
Maturity gap	**(114,685,853)**	**130,264,528**	**(15,578,675)**	**-**
Cumulative gap	**(114,685,853)**	**15,578,675**	**-**	**-**

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

Note (38) Development policies

The Bank's policy mainly depends on an approach of ongoing research and development of all aspects for improving and diversifying its banking services. The Bank continuously works on developing personnel and providing new services for the customers in addition to improving information technology.

Note (39) 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 maximise shareholder value.

The Bank manages its capital structure and makes adjustments in light of changes in economic and business conditions. No changes were made in the objectives, policies or processes regarding capital structure during the current year.

The capital adequacy ratio is calculated in accordance with PMA's instruction No. (6/2015) derived from Basel committee regulations. Following is the capital adequacy ratios compared to the previous year:

	2017			2016		
	Amount	Capital to assets ratio	Capital to risk weighted assets ratio	Amount	Capital to assets ratio	Capital to risk weighted assets ratio
		%	%		%	%
Regulatory capital	79,557,638	17.95	26.92	69,518,871	19.7	29.07
Basic capital	78,627,081	17.74	26.61	68,610,009	19.45	28.69

Note (40) Commitments and contingent liabilities

At the date of the consolidated financial statements, the Bank has contingent liabilities against:

	2017	2016
Letter of guarantees	16,470,409	16,161,809
Letters of credits	1,770,817	3,284,213
Acceptances	1,852,068	3,975,431
Unutilised credit facilities limits	6,632,035	6,461,359
	26,725,329	**29,882,812**

Notes to the consolidated financial statements
(All amounts are in U.S Dollars)

Note (41) Legal Cases against the bank

The number of lawsuits against the Bank (15) and (10) cases as at 31 December 2017 and 2016, respectively, within the normal activity of the Bank. The value of the cases was US $ 6,839,787 and US $ 5,766,760 as at December 31, 2017 and December 31, 2016, respectively

The Banks management and its legal advisor believe that the Bank maintains adequate provision against the lawsuits.

Note (42) Concentration of risk in geographical area

The Bank operates in Palestine. The instability of the political and economic situation in the area increases the risk of carrying out its business and could adversely affect its performance.

1800 888 888

Palestine Investment Bank

Pibbank.com

www.pibbahrain.com