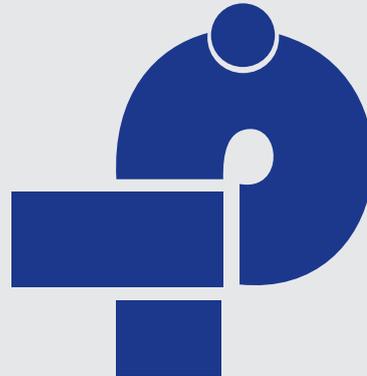


بنك الاستثمار الفلسطيني
Palestine Investment Bank



PALESTINE INVESTMENT BANK
PUBLIC SHAREHOLDING COMPANY, LTD
EL-BIREH - PALESTINE

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2009



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Independent Auditor's Report

To the General Assembly of Shareholders
Palestine Investment Bank
(Public Shareholding Company, LTD.)
El-Bireh - Palestine

Report on the financial statements:

We have audited the accompanying consolidated financial statements of Palestine Investment Bank (Public Shareholding Co. Ltd) and its subsidiary, which comprise of the consolidated statement of financial position as of December 31, 2009, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the year then ended , and a summary of significant accounting policies and other explanatory notes .

Management's responsibility for the financial statements:

The management of the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility:

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion:

In our opinion, the consolidated financial statements give a true and fair view of the financial position of "Palestine Investment Bank" and its subsidiary as of December 31, 2009 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and we recommend the General Assembly to approve these consolidated financial statements.

Report on other legal and regularity requirements:

Satisfactory explanations and information have been provided to us by management in response to all of our requests. In our opinion, and to the best of our knowledge and belief, the Bank:

Has maintained proper accounting records and the financial statements are in agreement with, No violations of applicable laws including the Banks Law No. (2) of 2002, the instructions issued by PMA, the Company's Law and the Bank's bylaws have occurred during the year that might have any material effect on the financial position of the Bank.

Ramallah:

March 18, 2010

Saba & Co.

(Statement - A)

PALESTINE INVESTMENT BANK
PUBLIC SHAREHOLDING COMPANY, LTD
EL-BIREH - PALESTINE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2009

<u>ASSETS :</u>	<u>Note</u>	<u>December 31, 2009</u> <u>U.S. Dollar</u>	<u>December 31, 2008</u> <u>U.S. Dollar</u>
Cash in Hand and at Banks	5	127,472,264	129,067,671
Cash and Mandatory Reserve With the Palestinian Monetary Authority	6	13,824,110	12,010,145
Financial Assets Held for Trading	7	809,690	801,426
Financial Assets Available for Sale	8	12,062,410	10,586,788
Credit Facilities - Net	9	81,098,530	51,426,546
Other Assets	10	4,974,097	5,446,778
Deferred Tax Asset	11	1,259,255	1,194,524
Fixed Assets - Net	12	1,926,684	1,948,117
Lands	13	<u>2,193,475</u>	<u>2,130,005</u>
Total Assets		245,620,515 *****	214,612,000 *****
LIABILITIES AND SHAREHOLDERS' EQUITY:			
LIABILITIES:			
	14/a	25,161,385	275,520
Banks and Financial Institutions Deposits	14/b	23,850,094	23,957,750
Customers' Deposits	15	112,899,089	104,713,597
Cash Margin	16	18,303,107	18,034,620
Sundry Provisions	17	1,365,655	1,286,626
Provision for Taxes	18	1,287,756	1,130,977
Other Liabilities	19	<u>1,672,096</u>	<u>3,574,747</u>
Total Liabilities		<u>184,539,182</u>	<u>152,973,837</u>
SHAREHOLDERS' EQUITY :			
Paid - up Capital	20	40,000,000	40,000,000
Statutory Reserve	21	6,450,548	5,968,968
Voluntary Reserve	21	7,536,636	7,536,636
Special Reserve	21	2,805,726	2,805,726
Reserve for General Banking Risks	21	1,375,000	868,239
Proposed Dividends	22	--	4,000,000
Cumulative Change in the Fair Value of Financial Assets Available for Sale	23	(1,694,995)	(2,456,825)
Retained Earnings	24	<u>4,608,418</u>	<u>2,915,419</u>
Net Shareholders' Equity		<u>61,081,333</u>	<u>61,638,163</u>
Total Liabilities and Shareholders' Equity		245,620,515 *****	214,612,000 *****

Abdul - Qader Al-Qadi
Chairman of BOD

Zakariya Ghawanmeh
General Manager

The Accompanying Notes Constitute an Integral Part of These Consolidated Statements

(Statement - B)

PALESTINE INVESTMENT BANK
PUBLIC SHAREHOLDING COMPANY, LTD
EL-BIREH - PALESTINE

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	Year Ended December 31, 2009 U.S. Dollar	Year Ended December 31, 2008 U.S. Dollar
Interest Income	25	7,373,449	10,378,381
Commission Income	26	<u>2,320,251</u>	<u>2,390,792</u>
Total Interest and Commission Income		<u>9,693,700</u>	<u>12,769,173</u>
Interest Expense	27	(1,053,645)	(3,398,846)
Net Commission Expense		(21,372)	(492,619)
Total Interest and Commission Expenses		<u>(1,075,017)</u>	<u>(3,891,465)</u>
Net Interest and Commission Income		<u>8,618,683</u>	<u>8,877,708</u>
Gain from Trading and Revaluation of Foreign Currencies	28	729,092	492,343
Gain (Loss) from Sale of Fixed Assets		19,130	(11,097)
Gain from Sale of Land		--	55,716
Gain from Sale of Financial Assets and Dividends	29	870,469	1,670,998
Provision for Impairment in Securities Recovered		102,391	--
Unrealized Gain (Loss) from Investments Held for Trading		<u>(7,958)</u>	<u>(327,690)</u>
		<u>1,713,124</u>	<u>1,880,270</u>
Employees Expenses	30	(2,857,697)	(2,782,120)
General and Administrative Expenses	31	(1,706,664)	(1,622,750)
Depreciation		(380,390)	(361,697)
Impairment Loss in Securities		(373,991)	(1,678,321)
Provision for Impairment of Credit Facilities	9	(167,069)	(220,000)
Provision for Impairment of Seized Assets		<u>(30,198)</u>	<u>--</u>
		<u>(5,516,009)</u>	<u>(6,664,888)</u>
Net Income before Taxes		4,815,798	4,093,090
Taxes	18	<u>(1,887,458)</u>	<u>(1,143,779)</u>
Net Income after Taxes		2,928,340	2,949,311
Other Comprehensive Income: Change in Fair Value of Financial Assets Available for Sale		<u>443,330</u>	<u>300,668</u>
Compressive Income for the Year		3,371,670	3,249,979
Earning per Share from Net Income after Tax	32	0.073	0.074
Earning per Share from Comprehensive Income	32	0.084	0.081

The Accompanying Notes Constitute an Integral Part of These Consociated Statements

(Statement - C)

PALESTINE INVESTMENT BANK
PUBLIC SHAREHOLDING COMPANY, LTD EL-BIREH - PALESTIN

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2009
(Amounts are Expressed in U.S. Dollar)

	Paid-up	Reserves	Reserve for General Banking	Proposed Dividends	Cumulative Change in Fair *Value	Retained **Earnings	Net 'Shareholders Equity		
December 31, 2009	Capital	Statutory	Voluntary	Special	*Risks	Dividends	*Value	**Earnings	Equity
Balance as of December 31, 2008	40,000,000	5,968,968	7,536,636	2,805,726	868,239	4,000,000	(2,456,825)	2,915,419	61,638,163
Net Income after Tax	--	--	--	--	--	--	--	2,928,340	2,928,340
Other Comprehensive Income	--	--	--	--	--	--	761,830	--	761,830
Comprehensive Income for the Year	--	--	--	--	--	--	761,830	2,928,340	3,690,170
Remuneration Paid	--	--	--	--	--	--	--	(247,000)	(247,000)
Transferred to Reserves	--	481,580	--	--	506,761	--	--	(988,341)	--
Dividends Paid	--	--	--	--	--	(4,000,000)	--	--	(4,000,000)
Balance as of December 31, 2009	40,000,000	6,450,548	7,536,636	2,805,726	1,375,000	--	(1,694,995)	4,608,418	61,081,333
December 31, 2008	40,000,000	5,559,659	7,536,636	2,805,726	602,239	4,000,000	(2,757,493)	3,550,416	61,297,183
Balance as of December 31, 2007	40,000,000	5,559,659	7,536,636	2,805,726	602,239	4,000,000	(2,757,493)	3,550,416	61,297,183
Net Income after Tax	--	--	--	--	--	--	--	2,949,311	2,949,311
Other Comprehensive Income	--	--	--	--	--	--	300,668	--	300,668
Comprehensive Income for the Year	--	--	--	--	--	--	300,668	2,949,311	3,249,979
Remuneration Paid	--	--	--	--	--	--	--	(226,000)	(226,000)
Transferred to Reserves	--	409,309	--	--	266,000	--	--	(675,309)	--
Proposed Dividends	--	--	--	--	--	--	--	(4,000,000)	(4,000,000)
Provision No Longer Required	--	--	--	--	--	--	--	1,317,001	1,317,001
Balance as of December 31, 2008	40,000,000	5,968,968	7,536,636	2,805,726	868,239	4,000,000	(2,456,825)	2,915,419	61,638,163

* Reserve for general banking risks and cumulative change in fair value cannot be released without PMA pre-approval.

** Retained earnings as of December 31, 2009 include an amount of U.S. Dollar 1,259,255 represents deferred tax benefits, which is restricted to be used except for what is actually realized (U.S. Dollar 1,194,524 as of December 31, 2008).

The Accompanying Notes Constitute an Integral Part of These Consolidated Statements

PALESTINE INVESTMENT BANK
PUBLIC SHAREHOLDING COMPANY, LTD
EL-BIREH - PALESTINE

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Year Ended December 31, 2009 U.S. Dollar	Year Ended December 31, 2008 U.S. Dollar
Cash Flows From Operating Activities :		
Net Income Before Taxes	4,815,798	4,093,090
Adjustments:		
Depreciation	380,390	361,697
Loss (Gain) from Sale of Fixed Assets	(19,130)	11,097
Gain from Sale of Land	--	(55,716)
Provision for Vacations and Indemnities	276,588	384,680
Gain from Sale of Securities	(63,072)	(1,168,569)
Unrealized Loss (Gain) from Investments Held for Trading	7,958	327,690
Impairment Loss in Securities	271,600	1,678,321
I Reconciliation of VAT	--	299,581
Provision for Impairment of Seized Assets	30,198	--
Provision for Impairment of Facilities	167,069	220,000
Net Cash Flow from Operating Activities Before		
Changes in Operating Assets and Liabilities	<u>5,867,399</u>	<u>6,151,871</u>
(Increase) Decrease in Assets:		
Cash at Banks- Deposits Maturing After Three Months	5,000,000	(8,000,000)
Mandatory Reserve at Palestinian Monetary Authority	(960,104)	(1,949,789)
Credit Facilities	(29,839,053)	23,643,136
Other Assets	432,883	(2,784,222)
	<u>(25,366,274)</u>	<u>10,909,125</u>
Increase (Decrease) in Liabilities:		
Banks and Financial Institutions Deposits-		
Maturing After Three Months	--	(254,118)
Customers' Deposits	8,185,492	12,868,600
Cash Margin	268,487	7,871,473
Other Liabilities	<u>(1,903,464)</u>	<u>(1,198,406)</u>
	<u>6,550,515</u>	<u>19,287,549</u>
Net Cash Flow from Operating Activities Before		
Taxes, Indemnities and Remuneration	(12,948,360)	36,348,545
Taxes Paid	(1,795,410)	(615,597)
Indemnities Paid	(197,559)	(124,323)
Remuneration Paid	<u>(226,000)</u>	<u>(269,500)</u>
Net Cash (Used in)Flow from Operating Activities	<u>(15,167,329)</u>	<u>35,339,125</u>
After Taxes , Indemnities and Remuneration		

The Accompanying Notes Constitute an Integral Part of These Consolidated Statements

**PALESTINE INVESTMENT BANK
PUBLIC SHAREHOLDING COMPANY, LTD
EL-BIREH - PALESTINE**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Amounts are Expressed in U.S.Dollar)**

The Bank and its Activities:

Palestine Investment Bank P.L.C. (the Bank) was established in Gaza City in Palestine on August 10, 1994 as a public shareholding company with a share capital of U.S.Dollar 20 million, in accordance with the Company's Law of 1929, and was registered under registration number 563200864. The Bank started operations during March 1995, and is currently operating through its Head Office in El-Bireh and its seven branches located in Ramallah, Nablus, Hebron, Gaza, Jericho, Bethlehem and Betunia. The registered address of the Bank (Head quarters and EL - Bireh Branch is: EL - Bireh - Ramallah, P.O. Box 3675).

The Bank is engaged in providing all banking services in accordance with the regulations of the Palestinian Monetary Authority and all laws and regulations prevailing in Palestine.

The Bank's shares are listed at Palestine Stock Exchange.

The number of the Bank's employees is (179) employee as of December 31, 2009 (162 employee as of December 31, 2008).

The consolidated financial statements of the bank and its subsidiary were approved by the Board of Directors on March 18, 2010. These consolidated financial statements are subject for approval by the General Assembly in its forthcoming ordinary meeting planned on May 13, 2010.

2. Basis of Presentation of Financial Statements:

The accompanying consolidated financial statements are presented in accordance with International Financial Reporting Standards and in conformity with the prevalent laws and regulations in the Palestinian Autonomous Territories.

The financial statements are presented on historical cost bases with the exception of trading and available for sale securities that are presented at fair value.

The financial statements are presented in U.S.Dollars which is the Bank's functional currency.

The financial statements of the subsidiary are presented in Jordanian Dinar. For consolidation purposes, assets, liabilities, income and expenses of the subsidiary were converted to U.S. Dollar using the exchange rate prevailing at the financial position date, which is constant over the year and equal USD 1.4014 / JD.

2. Basis of Presentation of Financial Statements (continued)

The accompanying consolidated financial statements include the financial statements of the bank's branches in El-Bireh, Nablus, Hebron, Gaza, Jericho, Bethlehem and Betunia, and the financial statements of General Management in El-Bireh, in addition to the financial statements of the subsidiary (the Global Securities Co) , which is wholly owned by the Bank.

The Global Securities Co. (GSC) is a private shareholding company incorporated in accordance with the companies law number (12) of 1964 at share capital of Jordanian Dinar one million. During the year 2007, the share capital of GSC was increased by JD 1.5 Million to become JD 2.5 Million. The GSC Involves in trading of securities as a broker.

The consolidation was made after excluding inter-branch transactions and after eliminating inter-company account balances between the bank and its subsidiary.

The accounting policies of the subsidiary are similar with those applied by the bank.

The accounting policies applied in 2009 are consistent with those applied in previous years.

3. Significant Accounting Policies:

a. Adoption of New and Revised Standards

a.1) Standards and Interpretations effective in the current period At the date of authorization of these consolidated financial statements, the following standards and interpretations were effective:

Revised standards

IAS (1) (Revised) "Presentation of Financial Statements"- has introduced the following:

Terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

Comprehensive revision including requiring a statement of comprehensive income.

IAS (23)(Revised) "Borrowing Costs":

The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these consolidated financial statements because it has always been the Bank's accounting policy to capitalize borrowing costs incurred on qualifying assets.

- IFRS (7) (Revised) "Financial instruments: disclosures".

The amendments to IFRS (7) expand the disclosures required in respect of Financial Instruments fair value measurements and liquidity risk.

In addition to the amendments described above, a number of standards were also amended. The Improvements have led to changes in the details of the Bank's accounting policies - some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported.

(II) New Standard

- IFRS (8) (Revised) "Operating Segments"

This is a disclosure standard requiring operating segments to be identified on the basis of internal reports about components of the bank that are regularly reviewed by the Chief Operating decision makers, in order to allocate resources to the segments and to assess their performance.

3. Significant Accounting Policies (continued)

(III) New Interpretations

- IFRIC (13) - Customer Loyalty Programmes.
- IFRIC (15) - Agreement for Construction of Real Estate.
- IFRIC (16) - Hedges of Net Investment in Foreign Operations.

The adoption of these new standards and Interpretations had no significant effect on the consolidated financial statements of the Bank for the year ended December 31, 2009, other than certain presentation and disclosure changes.

a.2) Standards and Interpretations in issue not yet effective

At the date of authorization of these consolidated financial statements, the following Standards and Interpretations were in issue but not yet effective:

(I) Revised Standards

- Effective for annual periods beginning on or after July 1, 2009.

IAS 27 (Revised) - Consolidated and Separate Financial Statements.

IAS 28 (Revised) - Investments in Associates.

IAS 31 (Revised) - Interest In Joint Ventures.

IAS 38 (Revised) - Intangible Assets.

IAS 39 (Revised) - Financial Instruments: Recognition & Measurement.
IFRS 2 (Revised) - Share-based Payments.
IFRS 3 (Revised) - Business Combinations.
IFRS 5 (Revised) - Non Current assets Held for Sale & Discontinued Operations.

- Effective for annual periods beginning on or after January 1, 2010.

- IAS 1- Presentation of Financial statements.
- IAS 7 (Revised) - Statement of Cash Flows.
- IAS 17 (Revised) - Leases.
- IAS 36 (Revised) - Impairment of Assets.
- IAS 39 (Revised) - Financial Instruments: Recognition & Measurement.
- IFRS 1 (Revised) - First time adoption.
- IFRS 2 (Revised) - Share-based Payments.
- IFRS 5 (Revised) - Non Current assets Held for Sale & Discontinued Operations.
- IFRS 8 (Revised) - Operating Segments.

Effective for annual periods beginning on or after January 1, 2011

- IAS 24 (Revised) - Related Party Disclosures.

New Standard

- Effective for annual periods beginning on or after January 1, 2013 (Early adoption allowed).

- IFRS 9 - Financial Instruments -Classification and Measurement.

3. Significant Accounting Policies (continued)

(III) New Interpretations

- Effective for annual periods beginning on or after July 1, 2009.

- IFRIC 17 - Distributions of Non-Cash Assets to Owners.
 - Effective for transfers from customers received on or after July 1, 2009.
- IFRIC 18 - Transfers of Assets from Customers.
 - Effective for annual periods beginning on or after July 1, 2010.
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments.

The management of the bank anticipates that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the consolidated financial statements of the Bank in the period of initial application, other than certain presentation and disclosure changes.

Management has yet to decide when to adopt IFRS (9) and will only be in a position to assess its potential impact on the financial statements at the time of adoption.

b. Summary of Significant Accounting Policies

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

1. Financial instruments

Date of Recognition

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognized on the settlement date. Deposits, amounts due to banks and customers and loans are recognized when the cash is received by the Bank or advanced to the customers.

Initial Recognition of Financial Instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

Loans and Advances

Loans and advances are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale. This accounting policy relates to the statement of financial position captions 'Due from Banks and financial institutions' and 'Loans and advances. After initial measurement, those financial assets are subsequently measured at amortized cost less any provision for the impairment.

Trading Financial Assets

Financial assets classified for trading, are stated at fair value. The difference between the fair value and the cost of those financial assets is recognized in the consolidated statement of income.

Dividend revenue from investments is recognized when the shareholder's right to receive payment has been established.

3. Determination of Fair Value

The fair value for financial instruments traded in active financial markets is determined by reference to quoted market prices on closing date (bid price for long positions and ask price for short positions) at the close of business on the statement of financial position date.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist or internal pricing and valuation models.

3. Significant Accounting Policies (continued)

4. Adjustment of Financial Assets

Financial assets and liabilities are adjusted to be presented in the financial position statement with net value, when there is a legal obligation to present it in a net value and the existence of intention to adjust it with net value, or recognizing the asset, and adjusting obligation on same time.

5. Leasing

The determination of whether it is an agreement or lease contract or, contains an adopted lease which depends on the subject of the agreement, which requires an assessment whether the implementation of the agreement depends on using a specific asset or assets, or the agreement transfer the right of using the asset.

Leases contracts made by the Bank don't transfer all the risks and benefits of ownership to the lessee, all other leases are classified as operating leases and operating lease payments is reflected as an expenses in the income statement and are included on a straight-line basis over the lease term.

6. Impairment of Financial Assets

The Bank assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Where there is an evidence of impairment in value, the total loss is converted (the difference between the acquisition cost and current fair value with deducting any loss in impairment in value of those financial assets that have been recognized previously in the income statement) from Shareholders' Equity to the Income Statement. Impairment losses in the value of equity investments are not reversed in the income statement, but the rise in the fair value is done directly after the decline in the comprehensive income statement, and presented "in total" within the Shareholder's Equity.

In the case of debt instruments that classified as investments available-for-sale, the impairment in value is assessed based on the same standards used for financial assets carried at amortized cost. Interests continue to be measured at the effective interest rate on the reduced carrying value of the asset and are recorded as part of "Interest revenues". In the subsequent year, if the fair value of one of the debt instruments has increased, and the increase can be objectively linked to an event occurred after recognizing the loss impairment in value in the statement of income, and the impairment loss is reversed within the income statement.

7. Revenue Recognition

Revenue is recognized on an accrual basis. Interest income and expense are recognized using the effective yield method. Interest on default loans are suspended when collection of such interest, or the principal amount becomes doubtful.

Management fees and commissions are amortized from the shared loans arrangements over the period of the loan using the effective yield method, if applicable. Other Bank fees and commissions are realized on the date of the transaction that the revenue will occur. Income from dividends and investment funds are recognized when the right to receive the dividends has been announced.

8. Fixed Assets

This item is stated at cost after deducting the accumulated depreciation and any impairment in value. Fixed assets (except for land) are depreciated according to the straight-line method over their estimated useful lives using rates ranging between 2 and 25 percent.

When the carrying amounts of fixed assets exceed their recoverable values, assets' value reduced to the recoverable value, and impairment losses are recognized in the statement of income.

The useful lives of fixed assets are reviewed at the end of each year. In case the expected useful life is different from what was determined before, the change in estimate is recorded in the following years, as a change in estimate.

Any item of the fixed assets is not recognized when disposed, and when there is no future economic benefits are expected from its use. Any gain or loss resulting from non-recognition of the fixed assets inserted within other operating income in the Statement of Income in the year the asset is recognized.

9. Assets Acquired Against Settlement of Customer Debts

Assets Acquired by the Bank are stated in the statement of financial position under "other assets" at lower of acquired values or fair value. Assets are re-assessed on the date of financial statements at individual fair values, any impairment in value of those assets is recorded in the statement of income and the increase in value is not recorded. The subsequent increase is recorded in the statement of income to the extent that exceeds the impairment value which previously recorded.

3. Significant Accounting Policies (continued)

In accordance with Palestinian Monetary Authority instructions, all properties and real-estates that are acquired as settlement of debts are retained for the period of two years from acquisition date, and this period allowed to be renewed for five years utmost and in accordance with Palestinian Monetary Authority approvals.

10. Provision for End of Services Indemnity

End-of-service indemnities are provided for in accordance with the labor law applied in Palestine. Amounts deducted are recorded in the statement of income and paid amounts for terminated employees are recorded in the provision for end of service indemnity.

11. Taxation

Tax expense represents the accrued income and VAT.

The accrued tax expense is calculated on the base of taxable profit, and taxable profit differs in what is reported in the financial statements, because the reported profit include a non-taxable revenues, or expenses that can't be deducted in the financial year or in subsequent years, or the accumulated losses that are acceptable for tax set off, or items that are non-taxable or can't be deducted for tax purposes.

Taxes are calculated using tax rates that have been enacted according to the prevailing laws and regulations in Palestine.

Deferred Taxes are taxes expected to be incurred or recovered as a result of temporary timing

differences between the value of the assets and liabilities in the financial statements and the value of the taxable amount.

Deferred tax is calculated according to the rates expected when the tax liability is settled or tax assets are recognized. Deferred tax assets are reviewed as of the date of the financial position, and reduced in case it is expected that no benefit will arise there from, partially or totally.

12. Foreign Currencies

Foreign currency transactions are recorded during the year at the rates of exchange prevailing at the dates of each transaction.

Financial assets and liabilities balances denominated in foreign currencies are converted at the average exchange rate prevailing at the date of the financial statements and declared by the PMA.

Non-financial assets and liabilities denominated in foreign currencies are presented at fair value and are converted at the date of determining their fair value.

The resultant exchange gain (loss) is reflected in the income statement.

Exchange differences for non- monetary assets and liabilities (like stocks) denominated in foreign currencies are recorded as part of change in fair value.

13. Cash and Cash Equivalent

This consists of cash and balances with the Palestinian Monetary Authority, deposits at banks and financial institutions, and is reduced by the bank deposits and financial institutions that mature within three months and any restricted balances.

3. Significant Accounting Policies (continued)

14. Use of Estimates

The preparation of the financial statements and the application of accounting policies require the Bank's management to perform assessments and assumptions that affect the amount of financial assets and liabilities. Moreover, these estimates and assumptions affect revenues, expenses, provisions and the balance of the cumulative change in fair values stated within equity. In particular, this requires the Bank's management to issue significant judgments and assessments to assess future cash flows amounts and their timing. Moreover the mentioned assessments are necessarily based on assumptions and factors with varying degrees of consideration and uncertainty. In

addition, actual results may differ from assessments, due to the changes arising from the conditions and circumstances of those assessments in the future.

The management of the bank believes that its assumptions and estimates in the financial statements were reasonable and they are as follows:

Tax expense is charged according to applicable rules and regulations in effect in the area.

End of service indemnity is calculated according to the labor law applied in Palestinian Authority area.

The management periodically reassesses the economic useful lives of tangible and intangible assets for the purpose of calculating annual depreciation and amortization based on the general condition of these assets and the assessment of their useful economic lives expected in the future. Impairment loss (if any) is charged to the statement of income.

The management frequently reviews the financial assets stated at fair value or cost to estimate any decline in their values. Impairment loss (if any) is charged to income statement.

The impairment in the value of real estate acquired is recorded based on a modern real estate assessments approved from accredited assessors for the purpose of calculating the decline.

Provision for loans loss is made based on bases and hypotheses approved by the bank's management to estimate the provision that must be made according to International Financial Reporting Standards, and the results of these bases and hypotheses is compared to provisions that must be made in accordance with PMA's instructions. The most conservative result is adopted by the bank.

15. Segment Information

Data of Operating sector is displayed in a manner consistent with internal reports which are presented to the administrator for making operating decisions. The Board of Directors is the responsible party for making operating decisions. This reporting is used for allocating resources to operating segments and assessing performance.

Income and expenses directly related to each sector are used in determining the performance of Operating Sectors. The internal reports that concern with credit concentrations and analysis of the results of work according to business sectors and economic and geographic sectors (see Note 3-4)

4. Risk Management of Financial Instruments:

4-1 Financial Instruments:

a) Definition and Classification

Financial instruments represent all the financial assets and liabilities of the Bank. Financial assets include cash balances, on demand balances and deposits with banks and other financial institutions, investments, loans and advances to customers and banks. Financial liabilities include customer deposits and due to banks. Financial instruments also include contingent liabilities and commitments that are inserted out of the financial position items.

The carrying value for financial assets and financial liabilities that are liquid or having short term maturity (less than three months); are equal to their fair values, and re-priced frequently.

4. Risk Management of Financial Instruments (contained)

b) Fair Value Measurement

The following table provides an analysis of financial instruments that are measured after the initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is measurable.

Level 1: Fair value measurement is derived from quoted prices (unadjusted) in active financial markets for identical assets or liabilities.

Level 2: Fair value measurements is derived from sources other than quoted prices included within Level 1 that are measurable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are derived from valuation techniques that include information about the assets or liabilities that are not based on obtainable market information.

	Level 1	Level 2	Level 3	Total
	USD	USD	USD	USD
Trading financial assets	809,690	--	--	809,690
Available for sale financial assets	10,490,693	--	1,571,717	12,062,410

4-2) Risk Management:

a. Risk Management Framework

Inherent Risks of the Bank activities are managed, measured and monitored continuously, to be within the authorized limits, considering the importance of risk management process affecting the bank's revenue, the functions and regulatory responsibilities that relates to risks are distributed to employees. The Bank is exposed to credit risk, liquidity risk, operating risk and market risk, which represent trading and hedging risks and operating risks. Risks relevant to the change of factors, the effect of technological factors and the industrial sector through the process of strategic planning is managed, but not through the usual process of risks management.

Risk Management Process

The Board of Directors is responsible for identifying and controlling risks; in addition, there are several bodies responsible for managing and monitoring the bank risks.

Risks Committee

Risks Committee is the responsible body for developing risk strategies and applying the principles, general frame and allowed limit.

Risk Measurement and Reporting Systems

Risks are monitored and controlled through the control of authorized limits for each type of risk. These limits reflect the strategy of the Bank and the surrounding various market factors, in addition to the acceptable level of risk with a focus on certain financial sectors. Information is collected from different departments and analyzing it to get early identification of potential risks that may result from them. This information is presented to the Board of Directors and the Audit Committee and the direct Manager of each department of the bank.

Internal Audit

Processes of risk management that is audited annually through internal audit department by checking all procedures and the compliance of required procedures. Internal audit department is discussing audit results with the bank's management and displays the results of their work.

4. Risk Management of Financial Instruments (contained) Reducing Risks

As part of its risk management process, the Bank uses other financial instruments by specialized sides, to manage the centers that resulting from changes in interest rates, foreign currencies, equity risks and credit risks. Risk department performs a monthly control over the effectiveness of risk management.

b) Credit Risk and Concentration of Assets and Liabilities

Credit risk is the risk that may result from the failure or inability of the other party of the financial instrument for the fulfillment of its obligations towards the bank, which leads to a loss. The Bank works on credit risk management through putting of ceilings for the amounts of direct credit facilities (an individual or an institution) and the total loans and debt granted to each sector and each geographical area, as well as controlling credit risk and works continuously to evaluate the credit case of customers, in addition to that, the bank have an appropriate safeguards from customers. Details of direct credit facilities portfolio are illustrated in Note No. (9), In addition, the obligations of the bank outside the financial position exposed to credit risk are illustrated in Note No. (34), Also the bank reduces the risks of focusing on assets and liabilities through the distribution of activities on several sectors.

The granting of credit facilities is the responsibility of the credit facility committee in the bank and it conducts its work in accordance with the requirements of the credit policy which agrees with limits of applicable authorization. The Committee studies each credit request separately from the reality of data provided by the client requesting the facility such as the audited financial statements , the statements of other explanations on the financial solvency of the client, guarantees which is attainable, economic feasibility studies for projects subject for financing, the size of required credit.

The credit Committee and department follow-up credit in collaboration with the staff of audit and internal inspection to monitor the credit facilities granted to customers on a regular basis to identify any deviations that would expose the bank to the risk of non-fulfillment of obligations undertaken by the client, and thus take the necessary procedures to protect the funds of the bank.

Balances with banks and banking institutions and investment in stocks and bonds are the result of decisions taken by the bank for investing the cash surpluses with banks and financial institutions and companies, in according to a system of policies and procedures that define the terms of definition and measurement and risk management that can the Bank possible exposed to it, which includes adoption of credit rating system for banks, credit concentrations and determine the level of credit and the economic sector, geographical region, and analysis of economic fluctuations and to study the supposed harsh scenarios.

The PMA instructions require that the bank must get approval from the Monetary Authority before purchasing or acquiring shares or, bonds and treasury bills and instruments issued outside Palestine, PMA also prohibits the bank, according to the instructions to invest any money or balances with banks operating in countries that impose restrictions on currency transfer or depositing of any funds or balances with financial institutions not subject to monitoring by the supervisory authority in the home country or invest funds outside Palestine to the financial institutions or banks that its credit rating is below the investment degree as internationally accepted as follows:

Classification Institution	Standard & Poors	Moody's	Fitch
Minimum Rating	-BBB	Baa3	BBB

4. Risk Management of Financial Instruments (contained)

b/1. Credit exposures according to the degree of risk are categorized according to the following table:

2009	Individuals	Property Loans	Corporations	Small and Medium Companies	Government and Public Sector	Total
	USD	USD	USD	USD	USD	USD
Low risk	8,939,305	--	14,680,125	6,269,472	31,787,122	61,676,024
Acceptable risk	2,814,277	--	7,836,679	3,247,243	--	13,898,199
*:Of which is due						
within 30 days	--	--	--	--	--	--
from 31 to 60 days	--	--	--	--	--	--
Under watch	2,332	--	--	--	--	2,332
:Non-performing	15,202	--	--	--	--	15,202
Below level	500,633	--	--	--	--	500,633
Allowance provided	777,356	440,299	1,826,322	606,179	16,727	3,666,883
Bad debt	877,167	--	1,220,697	158,329	--	2,256,193
Total	13,926,272	440,299	25,563,823	10,281,223	31,803,849	82,015,466
Less: Impairment provision	(66,690)	(52,377)	(7,309)	(9,141)	(5,724)	(141,241)
Less: Interest in suspense	(438,170)	--	(75,551)	(250,971)	(11,003)	(775,695)
Net	13,421,412	387,922	25,480,963	10,021,111	31,787,122	81,098,530

4. Risk Management of Financial Instruments (contained)

2008	Individuals	Property Loans	Corporations	Small and Medium Companies	Government and Public Sector	Total
	USD	USD	USD	USD	USD	USD
Low risk	6,590,934	--	12,068,725	5,946,278	14,651,863	39,257,800
Acceptable risk	1,282,891	--	6,542,743	1,337,872	--	9,163,506
Of which is due:*						
within 30 days	--	--	--	--	--	--
from 31 to 60 days	--	--	--	--	--	--
Under watch	11,929	--	--	--	--	11,929
:Non-performing	30,542	--	--	--	--	30,542
Below level	462,784	--	--	--	--	462,784
Allowance provided	1,074,176	455,276	1,492,406	231,807	24,117	3,277,782
Bad debt	--	--	--	--	--	--
Total	9,453,256	455,276	20,103,874	7,515,957	14,675,980	52,204,343
Less: Impairment provision	(48,252)	(2,718)	(25,539)	(51,276)	(1,120)	(128,905)
Less: Interest in suspense	(306,779)	--	(235,684)	(83,432)	(22,997)	(648,892)
Net	9,098,225	452,558	19,842,651	7,381,249	14,651,863	51,426,546

b/2. Credit exposures according to the degree of risk are categorized according to the following table

2009	Individuals	Small & Medium Size Companies	Large Companies	Government and Public Sector	Total
	USD	USD	USD	USD	USD
Guarantees against:					
Low risk	9,659,954	5,721,180	14,716,841	31,787,122	61,885,097
Acceptable risk	5,461,415	3,325,539	10,061,096	--	18,848,050
Under watch	--	--	--	--	--
Non-performing:	--	--	--	--	--
Below level	719,477	--	--	--	719,477
Allowance provided	--	--	562,842	--	562,842
Bad debt	--	--	--	--	--
Total	15,840,846	9,046,719	25,340,779	31,787,122	82,015,466
Of it:					
Cash Margins	3,932,007	8,650,441	5,720,136	--	18,302,584
Acceptable bank guarantees	6,951,397	--	14,264,498	--	21,215,895
Real estate	1,616,662	--	1,212,400	--	2,829,062
Trade stocks	2,220,450	396,278	2,613,325	--	5,230,053
Vehicles and equipment	1,120,330	--	1,530,420	--	2,650,750
Government Guarantee	--	--	--	31,787,122	31,787,122
Total	15,840,846	9,046,719	25,340,779	31,787,122	82,015,466

4. Risk Management of Financial Instruments (contained)

2008	Individuals	Small & Medium Size Companies	Large Companies	Government and Public Sector	Total
	USD	USD	USD	USD	USD
Guarantees against:					
Low risk	5,115,300	13,986,506	2,611,400	14,675,980	36,389,186
Acceptable risk	4,850,463	3,446,626	6,250,111	--	14,547,200
Under watch	--	--	--	--	--
Non-performing:	8,445	388	417	--	9,250
Below level	255,231	58,624	126,444	--	440,299
Allowance provided	285,737	256,881	432,440	--	975,058
Bad debt	--	--	--	--	--
Total	10,515,176	17,749,025	9,420,812	14,675,980	52,360,993
Of it:					
Cash Margins	3,511,827	6,403,110	4,601,992	--	14,516,929
Acceptable bank guarantees	1,780,405	--	--	--	1,780,405
Real estate	1,572,200	941,592	2,055,100	--	4,568,892
Trade stocks	2,980,333	9,645,123	1,263,009	--	13,888,465
Vehicles and equipment	670,411	759,200	1,500,711	--	2,930,322
Government Guarantee	--	--	--	14,675,980	14,675,980
Total	10,515,176	17,749,025	9,420,812	14,675,980	52,360,993

4. Risk Management of Financial Instruments (contained)

c) Liquidity Risk

Liquidity risk is the inability of the bank to provide the funding necessary to carry out its obligations in due dates with less costs. Liquidity management requires to keep a large and diversified ability to fund, and availability of liquid assets and other sources of cash in order to protect the bank from fluctuations in the levels of assets and liabilities resulting from events or unexpected turbulence in the market.

Liquidity risk management aims primarily to provide a plan and find mechanisms to deal with unexpected changes while the request or requirement of liquidity resulting from the actions of customers or market conditions that is not natural. The Bank's management is committed to achieve the maximum level of customer deposits and other funding sources and conserving it. This committee monitors the bank deposits rates, levels, trends, significant changes and plans for marketing the deposits which constantly monitored to ensure consistency with the requirements of the liquidity policy. On the other hand, the committee emphasizes on the commitment of the Palestinian Monetary Authority's instructions on the limits of cash to be kept, and emphasizes on the commitment about the legal liquidity minimum level as instructed by the Palestinian Monetary Authority.

4. Risk Management of Financial Instruments (contained)

Liquidity risk may result from the Bank's disability to meet its obligations. The maturities of assets and liabilities as of December 31, 2009 were as follows:

	Within 3 Months	Over 3 to 6 Months	Over 6 Months to 12 Months	Over 12 Months	Without Maturity	Total
Assets:	U.S.Dollar	U.S.Dollar	U.S.Dollar	U.S.Dollar	U.S.Dollar	U.S.Dollar
Cash in Hand and at Banks	124,472,264	--	3,000,000	--	--	127,472,264
Cash and Mandatory Reserve						
With the Palestinian Monetary Authority						
Authority	1,884,457	--	--	--	11,939,653	13,824,110
Financial Assets Held for Trading	809,690	--	--	--	--	809,690
Financial Assets Available for Sale	--	--	--	--	12,062,410	12,062,410
Credit Facilities-Net	31,720,492	1,529,357	35,120,448	12,728,233	--	81,098,530
Other Assets	--	--	--	41,802	4,932,295	4,974,097
Deferred Tax Asset	--	--	--	--	1,259,255	1,259,255
Fixed Assets-Net and Land	--	--	--	--	1,926,684	1,926,684
Total Assets	--	--	--	--	2,193,475	2,193,475
	-----	-----	-----	-----	-----	-----
	158,886,903	1,529,357	38,120,448	12,770,035	34,313,772	245,620,515
Liabilities and Shareholders' Equity:	-----	-----	-----	-----	-----	-----
Banks' and Financial Institutions Deposits	49,011,479	--	--	--	--	49,011,479
Customers' Deposits	100,514,586	4,569,606	4,806,636	3,008,261	--	112,899,089
Cash Margin	18,303,107	--	--	--	--	18,303,107
Provisions	--	--	1,287,756	--	1,365,655	2,653,411
Other Liabilities	1,672,096	--	--	--	--	1,672,096
Net Shareholders' Equity	--	--	--	--	61,081,333	61,081,333
	-----	-----	-----	-----	-----	-----
Total Liabilities and Shareholders' Equity	169,501,268		6,094,392	3,008,261	62,446,988	245,620,515
	-----	-----	-----	-----	-----	-----
Difference of Liquidity Sensitivity	(10,614,365)	(3,040,249)	32,026,056	9,761,774	(28,133,216)	--
	-----	-----	-----	-----	-----	-----
Accumulated Difference of Liquidity Sensitivity	(10,614,365)	(13,654,614)	18,371,442	28,133,216		--
	-----	-----	-----	-----	-----	-----

4. Risk Management of Financial Instruments (contained)
The maturities of assets and liabilities as of December 31, 2008 were as follows:

	U.S. Dollar	U.S. Dollar	U.S. Dollar	U.S. Dollar	U.S. Dollar	U.S. Dollar	U.S. Dollar	U.S. Dollar
Assets:	Within 3 Months	Over 3 to 6 Months	Over 6 Months to 12 Months	Over 12 Months	Without Maturity	Total		
Cash in Hand and at Banks	121,067,671	8,000,000	--	--	--	129,067,671		
Cash and Mandatory Reserve With the Palestinian Monetary Authority	1,030,596	--	--	--	--	1,030,596		
Financial Assets Held for Trading	801,426	--	--	--	--	801,426		
Financial Assets Available for Sale	--	--	20,594,237	2,990,526	10,586,788	51,426,546		
Credit Facilities-Net	22,540,255	5,301,528	--	81,600	5,365,178	5,446,778		
Other Assets	--	--	--	--	1,194,524	1,194,524		
Deferred Tax Asset	--	--	--	--	4,078,122	4,078,122		
Fixed Assets-Net and Land	145,439,948	13,301,528	20,594,237	3,072,126	32,204,161	214,612,000		
Total Assets	-----	-----	-----	-----	-----	-----		
Liabilities and Shareholders' Equity:								
Banks' and Financial Institutions Deposits	24,233,270	--	--	--	--	24,233,270		
Customers' Deposits	98,015,570	1,709,226	4,988,801	--	--	104,713,597		
Cash Margin	18,034,620	--	--	--	--	18,034,620		
Provisions	--	--	1,130,977	--	1,286,626	2,417,603		
Other Liabilities	3,574,747	--	--	--	--	3,574,747		
Net Shareholders' Equity	--	--	--	--	61,638,163	61,638,163		
Total Liabilities and Shareholders' Equity	143,858,207	1,709,226	6,119,778	--	62,924,789	214,612,000		
Difference of Liquidity Sensitivity	1,581,741	11,592,302	14,474,459	3,072,126	(30,720,628)	--		
Accumulated Difference of Liquidity Sensitivity	1,581,741	13,174,043	27,648,502	30,720,628	--	--		

4. Risk Management of Financial Instruments (contained)

d. Market Risk:

Market risk is the potential losses that may arise from the changes in market prices such as the change in interest rates, foreign currency exchange rates, and equity instrument prices, and consequently, the change in the fair value of the cash flows of the on-and off - financial statements instruments.

The Bank has specified policies and procedures through which market risks are identified, measured, monitored, and controlled. These policies and procedures are reviewed periodically. Moreover, the Investment Policy Committee studies and recommends them after ensuring their compatibility with the instructions of the PMA. After that, they are approved by the Board of Directors.

The acceptable risks policy is set within the Treasury operations and includes ceilings that govern market risks. These ceilings are adopted and their application is ensured periodically and constantly through monitoring their implementation by the Risks Management Department and submitting various periodic reports to the Assets and Liabilities Committee as well as the Board of Directors.

Interest Rate Risk:

Interest rate risk results from the potential change in interest rates, and consequently, the potential impact on the cash flows or the fair value of financial instruments.

The Bank is exposed to interest rate risks as a result of the timing gaps of repricing assets and liabilities. These gaps are periodically monitored by the Assets and Liabilities Committee. Moreover, various hedging methods are used to remain within the acceptable interest rate gap limits.

4. Risk Management of Financial Instruments (contained) Interest Rate Sensitivity - 2009:

Assets:	Within 3 Months		Over 3 to 12 Months		Over 6 Months to 12 Months		Over 12 Months		Not Subject to Interest Rate Risk	Total
	U.S. Dollar	U.S. Dollar	U.S. Dollar	U.S. Dollar						
Cash in Hand and at Banks	51,805,964	--	3,000,000	--	72,666,300	127,472,264				
Cash and Compulsory Reserve With the Palestinian Monetary Authority	--	--	--	--	13,824,110	809,690				
Financial Assets Held for Trading	--	--	--	--	12,062,410	81,098,530				
Financial Assets Available for Sale	31,720,492	1,529,357	35,120,448	12,728,233	--	4,974,097				
Credit Facilities-Net	--	--	--	--	1,259,255	4,120,159				
Other Assets	--	--	--	--	--	--				
Deferred Tax Asset	--	--	--	--	--	--				
Fixed Assets-Net and Land	--	--	--	--	--	--				
Total Assets	83,526,456	1,529,357	38,120,448	12,728,233	109,716,021	245,620,515				
Liabilities and Shareholders' Equity:										
Bankers' and Financial Institutions Deposits	47,354,419	--	4,806,636	--	1,657,060	49,011,479				
Customers' Deposits	68,982,154	4,569,606	--	3,008,261	31,532,432	112,899,089				
Cash Margin	18,303,107	--	--	--	--	18,303,107				
Provisions	--	--	--	--	2,653,411	2,653,411				
Other Liabilities	--	--	--	--	1,672,096	1,672,096				
Net Shareholders' Equity	--	--	--	--	61,081,333	61,081,333				
Total Liabilities and Shareholders' Equity	134,639,680	4,569,606	4,806,636	3,008,261	98,596,332	245,620,515				
Difference of Interest Rate Sensitivity	(51,113,224)	(3,040,249)	33,313,812	9,719,972	(11,119,689)	--				
Accumulated Difference of Interest Rate Sensitivity	(51,113,224)	(54,153,473)	(20,839,661)	(11,119,689)	--	--				

4. Risk Management of Financial Instruments (contained)

Foreign Currencies Risk:

The currencies positions are monitored daily to ensure that they are within the determined limits. Moreover, the related reports are submitted to the Assets and Liabilities Committee and Board of Directors.

The following table summarizes the net currencies positions for basic currencies the bank deals with:

	2009 U.S. Dollar	2008 U.S. Dollar
Jordan Dinar	1,456,820	896,738
New Israeli Shekel	280,951	(134,234)
Euro	(54,467)	--
U.S. Dollar	(4,136,455)	(776,446)
Sterling Pound	3,367	196
Swiss Frank	9	7
Other Currencies	2,449,776	13,739

Net concentration to foreign currencies on financial position as of December 31, 2009:

Non-sensitive to change currency price					
NIS	EURO	Other currency	JOD	Total	Year figure
USD	USD	USD	USD	USD	
					Assets
					Cash and balances at Palestinian Monetary Authority (PMA)
3,340,034	588,223	---	4,513,452	8,441,709	Balances at banks and financial institutions
44,941,693	4,360,351	2,767,038	22,167,983	74,237,065	Financial assets
---	---	132,440	10,750,241	10,882,681	Loans and advances to customers - net
31,404,386	346,463	5,339	1,348,352	33,104,540	Other assets
2,279,390	35,493	63,695	1,354,074	3,732,652	Total assets
81,965,503	5,330,530	2,968,512	40,134,102	130,398,647	Liabilities and shareholders' equity:
					Banks' and financial institutions' balances and deposits
43,337,267	---	---	4,040,969	47,378,236	Customers' deposits
34,629,598	4,707,855	101,590	30,798,832	70,237,875	Cash margins
3,563,021	533,357	281,330	6,281,502	10,659,210	Other liabilities
154,479	143,785	---	715,568	1,013,832	Shareholders' equity
---	---	---	(1,166,212)	(1,166,212)	Total liabilities and shareholders' equity
81,684,365	5,384,997	382,920	40,670,659	128,122,941	Net concentration on financial position
281,138	(54,467)	2,585,592	(536,557)	2,275,706	Contingent obligations off-financial position
6,628,057	1,704,927	---	2,735,828	11,068,812	Comparative figure:
					Total assets
34,536,135	3,142,060	1,671,711	46,550,226	85,900,132	Total liabilities and shareholders' equity
37,248,594	4,204,399	794,037	40,126,561	82,373,591	Net concentration on financial position
(2,712,459)	(1,062,339)	877,674	6,423,665	3,526,541	Contingent obligations off-financial position
4,425,925	1,634,450	---	3,025,416	9,085,791	

4. Risk Management of Financial Instruments (contained)

The following table shows the details of sensitivity to the percentages of increase or decrease in the U.S. dollar exchange price against foreign currencies with the exception of the Jordanian Dinar, which its rate of exchange against the U.S. dollar is considered stable, the sensitivity analysis includes only the main foreign currencies. The following is the impact of the change in exchange rates:

Percentage	Gain / Loss		Currency
	2008	2009	
	USD	USD	
%			
3% -/+	31,870	1,634	Euro
3% -/+	81,377	8,434	NIS
3% -/+	26,330	77,568	Other currencies

Risks of Stocks Prices

Risks of stocks prices are resulting from the change in fair value of investments in stocks. The Bank manages these risks by diversifying investments in several geographic regions and economic segments.

The effect on the comprehensive income and shareholders' equity when there is a possibility for change in the prices of listed investments, assuming all other factors remaining unchanged is as follows:

2009		2008		
Change in prices	Effect on shareholder equity	Change in prices	Effect on shareholder equity	
%	USD	%	USD	
10 -/+	1,049,069	10 -/+	1,053,770	Listed Securities

e) Operating Risks

Operational risks are the risks resulting from direct or indirect losses that are arising from a particular failure of technological applications, or operations or mistakes made by employees. The Bank reduces the occurrence of these risks as much as possible within the framework of policies and procedures to assess, monitor and manage these risks. Monitoring these risks include the work on the effective segregation of duties, authorities and procedures of conformity, in addition to that,

