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Invitation

According to Company law No. 18 for the year 1929 and the clause No. 40 of the Article of Association of Bank of Palestine PLC, the Board of Directors is pleased to invite shareholders to attend Ordinary General Assembly meeting to be held at Bank of Palestine General Management Head Office in Ramallah, and at Bank of Palestine building in Gaza, via video conference at 10:00 am on Friday 29/04/2011.

Ordinary General Meeting Agenda and Board of Directors Recommendations:

1. Discuss the Board of Directors' Report and approve it.
2. Discuss the financial statements for the year 2010 and approve them.
3. Approval of auditor's report and the appointment of an auditor for the financial year 2011 and appropriating the Auditor's remuneration, or alternatively authorizing the board to do so.
4. Discuss and approve the Board of Directors recommendations to distribute USD 20,000,000 as stock dividends from realized profits to shareholders on 28th April 2010 in proportion to each shareholder ownership in paid capital.
5. Discharge the chairman and members of the board of directors for the year 2010.



The Late Haj Hashim Atta Shawa
Founder of Bank of Palestine PLC 1960

He dedicated his life to the service of his country and people, stood firm in the face of adversity, and with courage and determination laid the foundations for the first national bank and one of today's leading drivers of economic change in Palestine.



The Late Dr. Hani Hashim Shawa
Previous Chairman of the Board

He was a true champion of professionalism and modernization. We would not be Palestine's largest and most successful bank without his ardent dedication, wisdom and vision which guide and inspire us to this day.



Our Mission

We seek to be a leading financial institution with an international reach, and to provide the highest quality service to our customers.



Our Vision

We seek to be an outstanding banking and financial institution operating throughout the region.



Our Goal

- To achieve a progressive increase in our share of the Palestine banking sector.
- To provide comprehensive quality banking and financial services.
- To keep abreast of banking & financial technological advances for our clients' benefit.
- To contribute to the development of our community.
- To work for the constant improvement of administrative and professional capabilities.

Key Performance Indicators 2006 – 2010

	2006	2007	2008	2009	2010
Total Assets	602,555,348	847,650,800	1,046,832,914	1,283,017,502	1,545,038,022
Customers' Deposits	480,821,032	679,633,662	840,497,297	1,016,683,776	1,251,482,935
Market Share of Customers' Deposits	11.30 %	12.93 %	14.03 %	16.71 %	18.44 %
Paid Up Capital	36,299,146	59,769,737	81,404,137	100,000,000	100,000,000
Net Credit Facilities	260,492,883	243,587,513	285,337,011	343,311,230	545,026,391
Market Share of Credit Facilities	14.32 %	14.84 %	17.61 %	17.26 %	19.19 %
Net Profit	13,903,924	20,579,398	23,610,956	26,929,168	30,119,469
Net Interest and Commissions Income	30,582,345	35,532,393	48,419,463	52,865,829	61,843,054
Owners' Equities	56,252,148	90,218,428	123,169,873	150,822,464	163,884,250
Number of Branches	29	30	32	40	42
Number of Employees	635	695	752	864	943

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Board of Directors



Mr. Hashim Hani Shawwa
Chairman of the Board

Bachelor of Engineering - University College London - 1997
Date of Birth : 25/01/1976
Date of Membership: 2007

Experience

1997 - 2002 Assistant Vice President and Project Manager for Operations & Technology, Citigroup Private Bank, London - UK.
2002 - 2005 Vice President and Senior Private Banker, Middle East Region Citigroup Private Bank, Geneva -Switzerland.
2005 - 2007 Associate Director & Officer of Developing Banking Business, the Middle East & North Africa, HSBC Private in the Gulf - HSBC Private Bank, Geneva - Switzerland
April 2007 to present Chairman and General Manager of Bank of Palestine PLC

Memberships

Member of the Board of Directors of InvestBank – Jordan.
Vice Chairman of the Board, Palestine Institute for Financial and Banking Studies
Member of the Board of Directors of Abraj Real Estate Investment and Development Company.
Member of General Assembly of the Palestine Investment Fund (PIF)
Member of the Board of Trustees of Bethlehem University
Secretary General of World Trade Organization in Palestine



Mr. Mamoun Abu Shahla
Vice Chairman of the Board

Bachelor of Commerce – Accounting Division, Cairo University - Egypt 1964
Chartered Accountant, City University, London, UK - 1996
Date of Birth: 15/06/1942
Date of Membership: 2002

Experience

1971 – 1982 General Manager of Industrial and Commercial Companies Group, Tripoli – Libya
1982 – 2003 Businessman in the UK, Egypt, and Canada.

Memberships

Chairman of the Board - The Palestinian British Company for Trading & Contracting, Gaza – Palestine
Chairman of the Board - Information Technology Company, Gaza – Palestine
Vice Chairman of the Board of Director - Palestine Pension Agency - Palestine
Member of the Board of Directors - Palestine Telecommunications company – Palestine
Member of the Board of Trustees - Al-Azhar University Gaza - Palestine
Member of the Board of Directors - Food Industries Company – Palestine
Member of the Board of Directors - Palestine Trade Center - Paltrade Ramallah - Palestine



Mr. Youssef Nijm
Board Member

Bachelor of Commerce - Business Administration, Cairo University, Egypt - 1967
Date of Birth: 28/07/1945
Date of Membership: 1989

Memberships

Chairman of the Board of Nijm Company for Cosmetics & Perfumes Gaza - Palestine.
1997 to present Member of the Board of Directors of Palestinian Chamber of Commerce Gaza - Palestine
1997 to present Member of the Palestinian National Council.



Dr. Awni Skaik
Board Member

Bachelor of Medicine and Surgery, Cairo University -Egypt **1969**
Master of Heart Disease and Vascular, Cairo University, Egypt - **1975**
Date of Birth: **16/06/1946**
Date of Membership: **1989**

Experience

1977-1984 Deputy Head of Gastroenterology Diseases Department,
Al Shifa Hospital Gaza - Palestine
1984 -2006 Head of Cardiology, AL Shifa Hospital Gaza - Palestine



Mr. Reyad Zimmou
Board Member

Bachelor of Pharmacy, Karachi University, Pakistan - **1973**
Date of Birth: **25/06/1950**
Date of Membership: **1989**

Memberships

Member of the Palestinian Pharmaceutical Society



Mr. Maher Farah
Board Member

Bachelor of Civil Engineering, Cairo University - Egypt **1966**
Date of Birth: **21/03/1945**
Date of Membership: **2002**

Experience

1982 - 1997 General Manager of Contractors Group Company – Kuwait
1997 to present Chairman of the International Contracting Company - Palestine

Memberships

Member of the Board of Directors of Birzeit Pharmaceutical Company (BPC)
Ramallah - Palestine
Member of the Board of Directors of the Arab Hotels Company (AHC) – Palestine



Mr. Faisal Shawwa
Board Member

Bachelor of Civil Engineering, Memphis State University - USA - **1992**.
Master of Business Administration, North Virginia State University - USA - **2009**.
Date of Birth: **20/04/1968**
Date of Membership: **2003**

Experience

General Manager of Shawa General Trading & Contracting Co.

Memberships

Chairman of the Board of Shawa General Trading & Contracting – Co. Gaza - Palestine
Vice-Chairman of the Board of the Middle East Pharmaceutical Industry Co.- Gaza – Palestine
Vice-Chairman of Alamal for the Asphalt Co. – Gaza – Palestine
Member of the Board of Directors of Wataniya Mobile Telecommunication Company - Palestine
Member of the Board of Directors of the Palestinian Company for Electricity - Gaza - Palestine
2005 - 2009 Member of the Board of Directors (Secretary General) of
Businessmen Association, Gaza – Palestine
2006 - 2007 Member of Palestinian Shippers' Council – Palestine
Member of the Board of Directors of the Palestine Trade Center-Paltrade – Ramallah - Palestine
Member of the Engineers Syndicate (TBP) - USA
Member of the Contractors Union - Palestine
Member of the Engineers Syndicate Gaza – Palestine
Member of the Palestinian Businessmen Association

Board of Directors



Dr. Hani Nigim
Board Member

PhD, Mechanical Engineering, Leicester University, Leicester, England - 1981

Date of Birth: 28/06/1952

Date of Membership: 2004

Experience

1981 Researcher, Leicester University Leicester, England

1983 to present Professor, Department of Mechanical Engineering,
Birzeit University – Palestine

1993 – 1998 Dean of Engineering, Birzeit University – Palestine

2004 Consultant, Planning and Developing, Al- Aqsa University Gaza – Palestine

2005 President of Al Azhar University Gaza – Palestine

2006 Coordinator of the higher education project supported by the World Bank
and the European Union – Palestine

Visiting Professor, Department of Mechanical Engineering, of many regional and international
universities and a coordinator of many projects supported by the European Union

Memberships

1976 Member, Egyptian Syndicate of Engineers

1977 Member, Gaza Engineering Syndicate, Palestine

1996 Member of Board of Directors, Palestine Center for Micro-Projects Development,
Jerusalem – Palestine.

1997 Associate Fellow, American Institute of Aeronautics and Astronautics (AIAA)

2002 Member, Mediterranean Network on Water Reclamation and Reuse, Barcelona - Spain.

2004 Member of the Board of Trustees, Al Azhar University Gaza – Palestine

2006 Member of the Board of Trustees, Al-Quds Open University, Jerusalem – Palestine

2008 Board Member of Palestine Electricity Holding Company

2009 Member of Palestine Investment Fund



Mr. Tareq Shaka
Board Member
Representing Birzeit
Pharmaceutical Company

Bachelor of Business Law, Ohio University Athens - USA 1987

Date of Birth: 18/02/1964

Date of Membership: 2010

Experience

1987 - 1989 Shaka Drug Store, Nablus - Palestine.

1989 - 1999 Jerusalem Pharmaceutical Company, Ramallah - Palestine.

2000 - 2005 Birzeit Pharmaceutical Company, Ramallah - Palestine.

2005 to present General Manager of Lotus Financial Investment Ltd., Ramallah - Palestine.

Memberships

Member of Board of Directors, Lotus Financial Investment Ltd Ramallah - Palestine.

Member of Board of Directors, Eastern Chemical Company - Palestine

Member of Board of Directors, Arab Hotels Company (AHC) Ramallah – Palestine

Member of Board of Directors, Abraj Real Estate Investment Company



Mr. Mohammed Hirbawi
Board Member

Business Administration Diploma, Community University - Jordan

Date of Birth: 08/09/1954

Date of Membership: 2006

Experience

1978 to present Chairman of the Board of Directors, Al Ahlia Carton Co., Hebron - Palestine

1992 – 2002 Vice Chairman of the Board of Directors, National Carton Industry, Nablus – Palestine

1993 to present, Chairman of the Board of Directors, Paper Industries Co. Hebron - Palestine

1996 to present Chairman of the Board of Directors, Hirbawi Investment & International Trading Co., Hebron – Palestine

2000 to present Chairman of the Board of Directors, Almizan Tower Hotel, Hebron – Palestine

Memberships

1995– 2004 Chairman of the Board of Directors, Palestinian Business Forum, Ramallah – Palestine

2005 to present Chairman of the Board of Directors, Palestine Trade Center Paltrade – Ramallah

Honorary President of Al Ahli Club, Hebron - Palestine



Mr. John Khoury
Board Member
Nominated by International
Finance Corporation "IFC"

Bachelor of Economics and Political Science - Bowdoin College ,USA 1970.

An intensive management program equivalent to Master of Business Administration 1980.

Advanced Management Programs 1980 – 1993.

Date of Birth: 25/06/1949.

Date of Membership: 2010.

Experience

1976 – 1979 Director of the Bank of Boston, USA.

1980 – 1981 Assistant Vice President - Bank of Boston, USA.

1981 – 1985 Vice President and General Manager of Bank of Boston, Nigeria.

1985 – 1989 Vice President and General Manager of Bank of Boston, Netherlands.

1989 – 1992 Chairman and General Manager of Bank of Boston, France.

1992 – 1993 Vice President and General Manager of Bank of Boston, USA.

1993 to present Administrative member in Boston Global Partners Company.

2005 to present Manager of The European Palestinian Credit Guarantee Fund (EPCGF).

Executive Management



Mr. Hashim Shawa
General Manager

Bachelor of Engineering University
College London - UK 1997
Date of Birth : 25/01/1976
Date of Work: 2007



Mr. Alaa` Al-Redwan
Deputy General Manager
Chief Operation Officer

Bachelor of Accounting, Damascus
University- Syria 1992
Date of Birth: 22/06/1965
Date of Work: 1993



Mr. Rushdi Ghalayini
Deputy General Manager
Chief Risk Officer

Bachelor of Economics and Computer Science,
American University, Cairo - Egypt 1986
Date of Birth: 26/05/1962
Date of Work: 1989



Mr. Ihsan Shaushaa
Assistant General Manager
Chief Treasurer

Bachelor of Business Administration -
Computer Information Systems,
Texas State University, Texas
United States of America - 1988.
Date of Birth: 05/09/1963
Date of Work: 1991



Mr. Salman Qemalah
Assistant General Manager
Chief Financial Officer

Bachelor of Commerce in
Accounting, Ain Shams University,
Cairo- Egypt 1981.
Date of Birth: 08/07/1958
Date of Work: 1982



Mr. Wael Al Sourani
Assistant General Manager
for Gaza Strip Branches

Bachelor of Biology & Chemistry,
Sana'a University, Yemen - 1993
Date of Birth: 07/02/1967
Date of Work: 1995



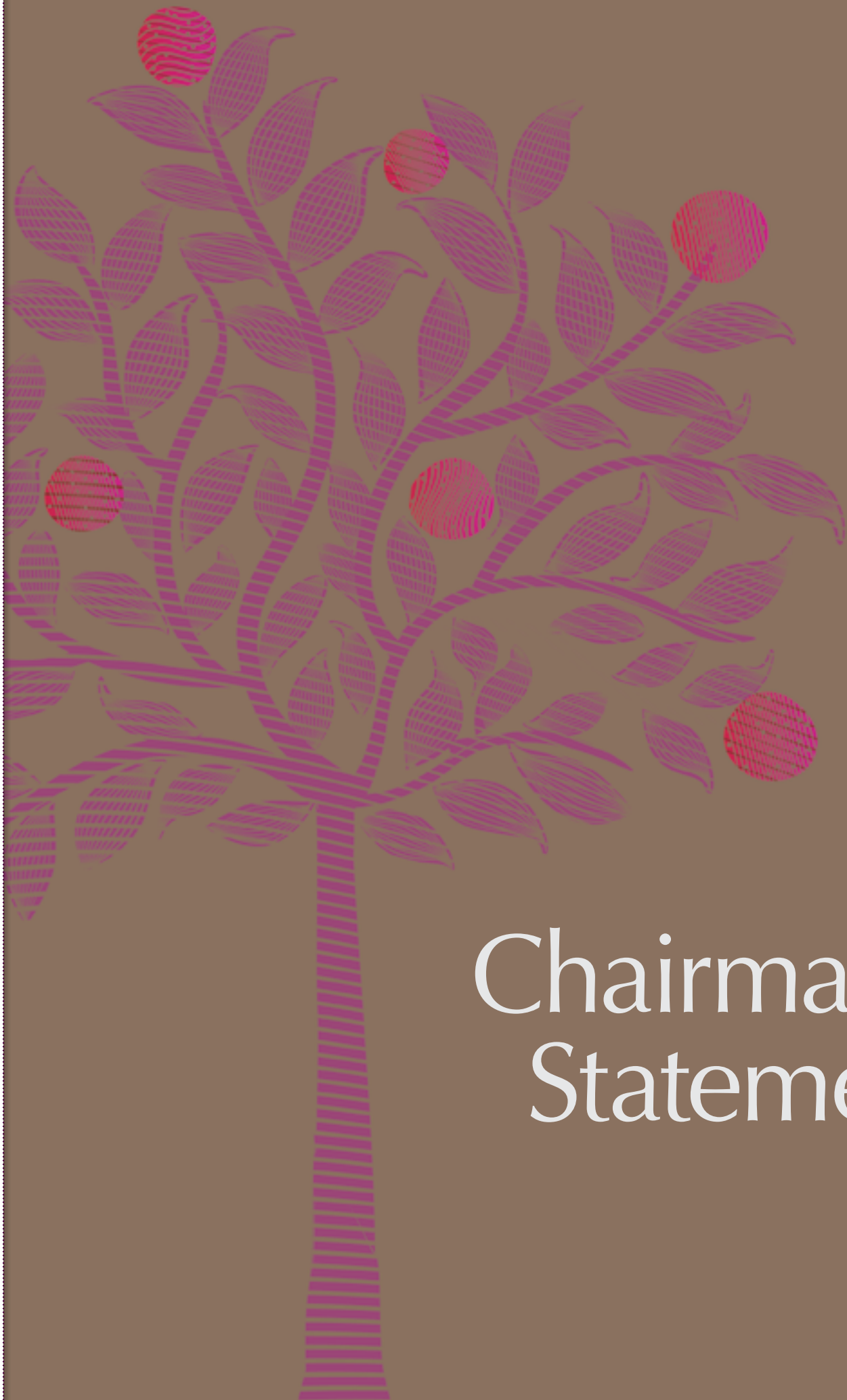
Mr. Hani Nasser
Assistant General Manager
for West Bank Branches

Master of Public Administration
and Law, Marie Curie University,
Poland - 1993
Date of Birth: 12/02/1967
Date of Work: 1994



Mr. Khamis Asfour
Legal Advisor

Bachelor of Law, Alexandria
University, Egypt - 1975
Date of Birth: 29/05/1952
Date of Work: 1979



Chairman's Statement



As the global financial crisis and its repercussions continue to cast a gloom over global and local economies, we are proud to announce to our esteemed shareholders yet another year of continuous growth and prosperity. We have been diligent in evolving our policies of risk management and corporate governance to fortify principles of transparency and accountability, in addition to adopting new strategies for growing our brand. In these turbulent times our belief has never been stronger in the need to serve all segments of society and to empower the sectors for sustainable growth. With 2011 marking our 50th anniversary, we would like to take the opportunity to renew our commitment to this belief and look forward to another 50 years of building economic growth.

Dear Shareholders:

On behalf the Board of Directors and our family at BoP, I have great pleasure to present to you our 50th Anniversary annual report and financial statements for the year 2010.

In the past year we have witnessed the continuation of the global financial crisis, with dire implications for EU economies – notably the bailout of Greece and Ireland following the credit crisis. Indicators point to more potential setbacks, leading many nations to adopt tighter fiscal policies to avoid further meltdowns.

In the meantime, the Palestinian economy recorded a 9.3% growth in GDP in the year 2010, with banking sector deposits reaching USD6.8 billion and Credit Facilities increasing from the previous year by 23% to reach USD2.88 billion. In addition, the Palestine Exchange stable, with Al Quds Index recording only a slight drop by 0.69%, making it one of the most solid performing of local and regional markets.

In spite of the setbacks faced by the global economy, we continue to strive for growth and development, with BoP achieving promising results: Net Profit grew by 11.85% in 2010 to reach USD30.11 million. In view of this, the Board of Directors has recommended the distribution of USD20 million in dividends, with the remainder reserved for any potential financial risks.

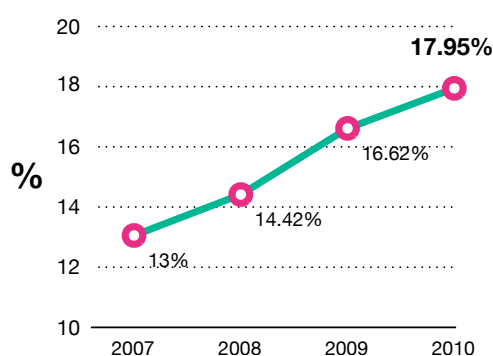
In addition, BoP has enjoyed renewed customer confidence with deposits growing to USD1.25 billion, thus increasing our market share to 18.44% of total customer deposits compared with 16.71% in 2009. It is worthy to mention here that micro entrepreneurship constitutes the bulk of the Palestinian economy, and BoP's strategies for supporting economic growth have been and continue to be guided by this. We have been committed to expanding our branch network with emphasis on providing access to rural areas as well as urban centers of economic growth.

2010 marked a substantial move in this direction, with our credit portfolio growing to USD545 million in credit facilities (compared with USD343 million in 2009). 17,000 loans with a value of USD310 million were extended to all levels of economic sectors, raising our market share of credit facilities to 19.9% (17.26% in 2009).

In an effort to respond promptly to our clients' needs, we have been careful to broaden our reach to serve several sectors such as tourism, services and housing, in addition to establishing a dedicated unit to support the growth of SME's. Moreover, a new mortgage system was established that will be activated in 2011.

2010 also witnessed BoP introduce the pioneering 'Green Loans' program: designed to enable residents of remote rural areas to invest in renewable access to energy and resources (solar energy, greywater recycling and rainwater harvesting).

BoP Marketshare of Assets 2007 - 2010



\$5.728 billion
GDP

On the retail side, we continue to evolve our savings product, with a move towards better segmentation. Our 2010 savings campaign entitled "With You At Every Step" – embodying the message of our brand and celebrating our 50th anniversary – offered 50 Scholarships to university applicants, a specialized child savings account, and a reward programme for women offering BoP shares. We believe that the future lies with the generation of today, and we look forward to further developing our services to provide them with a stable and promising future.

On another front, our Point of Sale network maintains its position as Palestine's largest, with notable growth in innovative products such as the "Easy Life" installment card, which provides on-the-spot approval for small loans on staple commodities and products. Our credit and debit card business continues to enjoy excellent growth and market share, with plans to introduce yet more innovative electronic transaction services in the coming years.

Dear shareholders, in a fast changing global economy, no institution is immune from potential disaster, and we are extremely proud to have withstood the instabilities witnessed in the past years by neighboring markets and institutions. We have made substantial efforts towards fortifying our risk management and corporate governance policies, most notably through signing an agreement with our strategic partner – the International Finance Corporation (IFC). This agreement has led to an aggressive and thorough review of our risk management and treasury policies, functions and procedures; allowing BoP to respond wisely to its growth financially as well as geographically, and to establish a solid base for sustainable growth.

Additionally, our organizational structure has been addressed in view of the need for stronger risk management in the financial sector, in line with the bank's new strategies and in line with the Basel Accords.

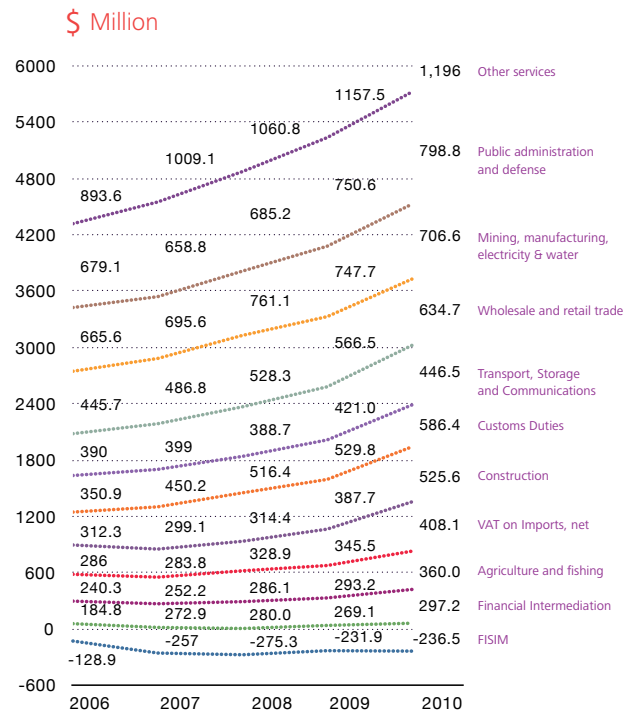
BoP also continues to enjoy awards for transactional integrity and accuracy from global banks such as Citibank, JP Morgan and Deutsche Bank.

Last but by no means least, 2010 was a year notable for BoP's investment in the most valuable asset: people. Our 50th anniversary is an opportune time to affirm BoP's commitment towards Corporate Social Responsibility, which has in 2010, made remarkable contributions in all sectors and regions, and marks a worthy continuation of our founders' dedication to the Palestinian people through their plight to grow and prosper through the toughest of times. Our dedication to society's well being is a matter of economic survival, and we look forward to seeing a healthier, happier and dignified Palestine forge its path.

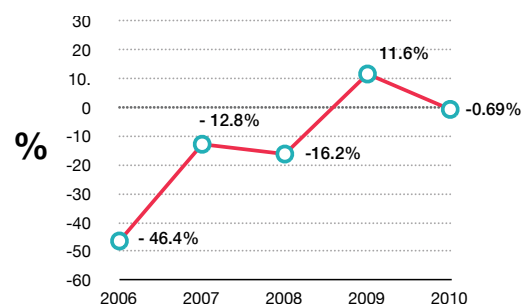
Finally, on behalf of myself, the Board of Directors, and our family at BoP, I would like to express thanks and gratitude to our shareholders for their trust and support, without which our success would not have been possible, and for whom we renew our commitment to work tirelessly for a better bank, a stronger community and for an institution that will continue the journey of empowering and driving economic growth.

Hashim Shawa,
General Manager and Chairman of the Board.

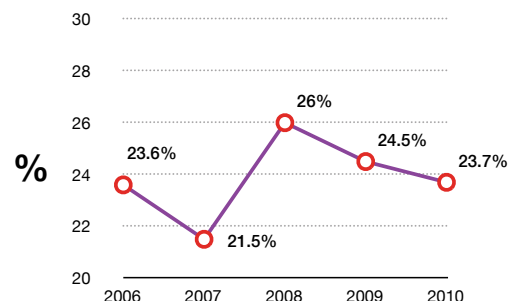
Value Added by Economic Activity



AI Quds Index: 2006-2010



Employment Rates: 2006-2010





Supporting Economic Growth

Through financing the sectors and supporting the growth of small & medium enterprises

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9.3%

growth in GDP in Palestine
in 2010

23%

growth in credit facilities in
Palestine, amounting to
USD2.88 billion in 2010

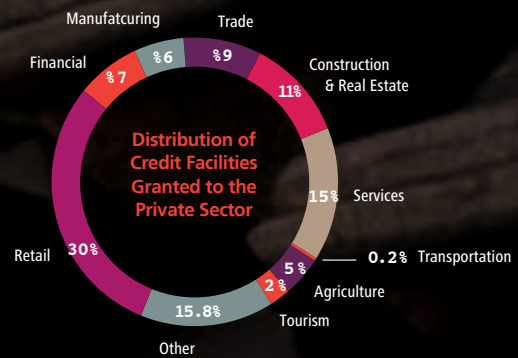
Loans for Small and Medium Enterprises (SME)

Access to credit is essential to economic growth and sustainability. In 2010, BoP continued its efforts in financing Small and Medium Enterprises: They are the engine of growth in developing countries and emerging markets. These projects encourage the development of managerial, technical, and marketing skills, as well as supporting individual initiatives and entrepreneurship. BoP has financed SME's in several industries including: Industry, commerce, services, agriculture, tourism, and construction. In 2010, BoP's credit facilities to SME's comprised 30% of the bank's credit facilities portfolio.

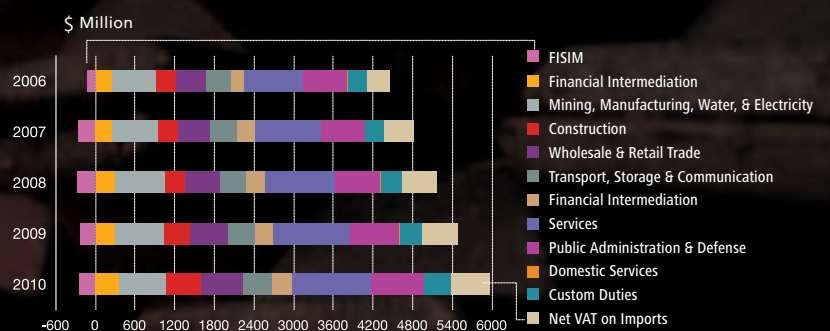
\$545 million

in credit facilities granted by BoP in 2010 to all sectors

Distribution of credit facilities according to sector



Industry growth 2006- 2010



A man with a beard and mustache, wearing a dark long-sleeved shirt, is working in a workshop. He is looking down at a large sheet of paper or a workbench. In the background, there are various workshop items, including a stack of paint cans and some tools. The lighting is warm and focused on the man.

We believe in providing opportunities for prosperity to all members of society, and in supporting the development and sustainability of small projects and businesses.

Our expansion strategy has long been driven by the need to ensure the sustainability of economic growth, by providing financial services to our clients, wherever they may be. The Palestinian people have demonstrated remarkable ability to create and innovate, despite political turbulence and with modest resources. We continue to strive to play an active and committed role in supporting our society, and to renew our commitment to this on our 50th anniversary.

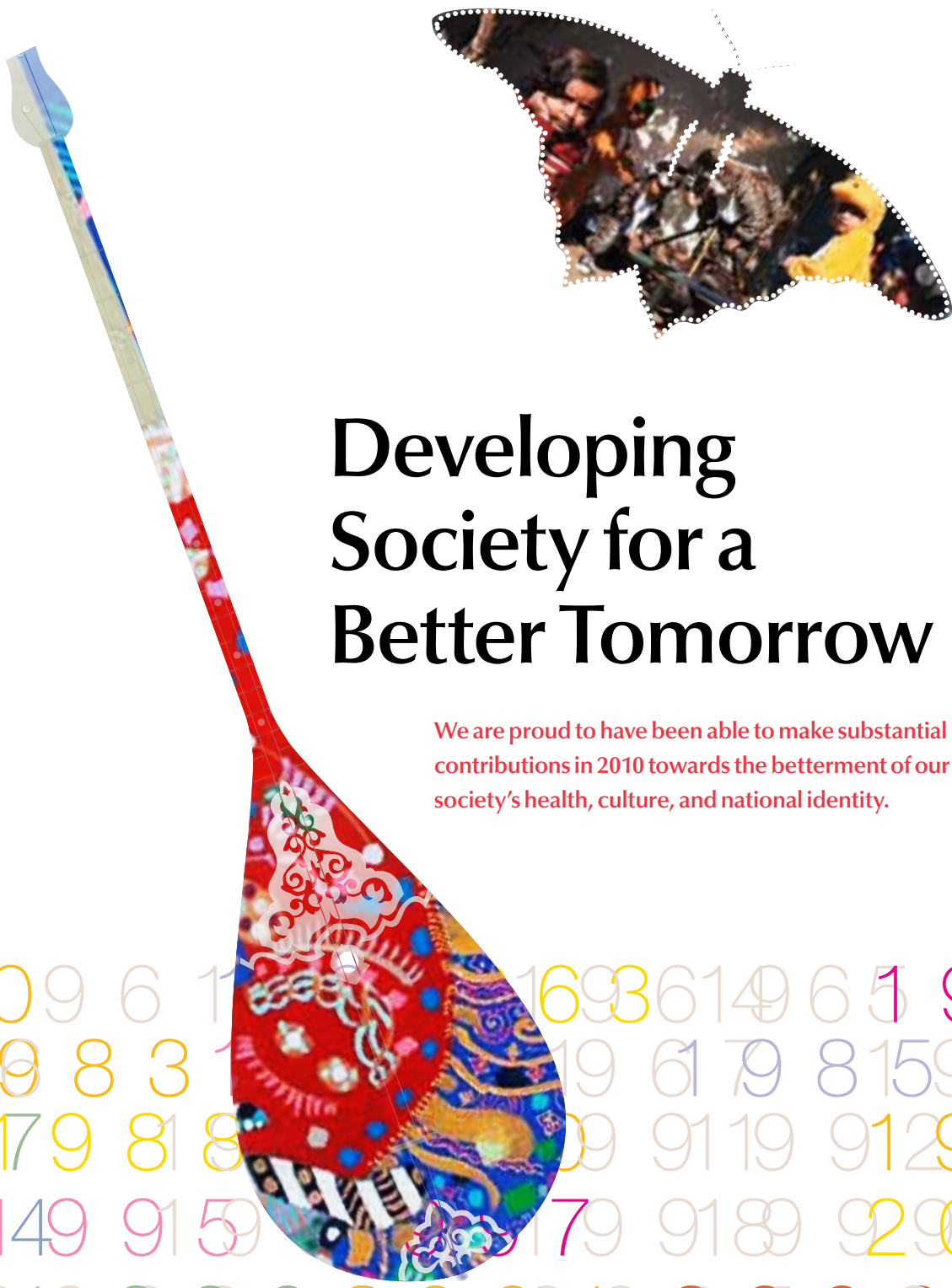


Microfinance

A specialized microfinance unit was established to support a large segment of small project owners, who do not have access to finance through traditional banking channels. Studies indicate that more than 90% of businesses in Palestine are classified as micro or family businesses. This type of financing will provide thousands of customers with access to financial opportunities, which will assist business owners in developing their businesses, and thus raising living standards and creating job opportunities. Microfinance is an effective tool for economic development, and a key driver in combating poverty in the community.

We believe that true progress begins with social and economic development on a community level. This has been our belief and commitment since our founding, and we have dedicated 5% of our net profit to CSR. In 2010 alone, BoP's CSR budget reached around USD1.5 million, and covered the following sectors: Youth, sports, education, health, arts, culture, tourism, and other humanitarian work.





Developing Society for a Better Tomorrow

We are proud to have been able to make substantial contributions in 2010 towards the betterment of our society's health, culture, and national identity.

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We contributed 5% of our profits to our society

Our children and youth are our future. They are the hope for the development and continuation of our society and economy. They are the true investment. We had the honor in 2010 to support many projects and activities in various fields and to witness first-hand our people's dynamism, commitment and creativity. They have shown a great ability to withstand the toughest of circumstances and to hold true to their principles in seeking a better future.







Youth & Sports

- Sponsorship of a football match between the Italian Catholic priests and the Palestinian national team.
- Sponsorship of the historic friendly football match between the Palestinian national team and the FC Dynamo Moscow team in Jericho.
- Sponsorship of the World Cup in Gaza, organized by the Palestinian Football Association, together with the 2010 FIFA World Cup in South Africa.
- Sponsorship of the 2010 FIFA World Cup events in Palestine, organized by the Palestinian Football Association and the South African representative Office to the Palestinian National Authority.
- Sponsorship of the first beach volleyball court in the town of Beit Furik, which will be supervised by the Palestinian Volleyball Association.
- Sponsorship of the Qabatya football Club.
- Sponsorship of the Jerusalemite Women's Football Club during their participation in the tournament in Amman, Jordan.
- Donation to the YMCA in Gaza for their sports events and the improvement of their playgrounds.
- Sponsorship of the second annual Marj Ben Amer horseracing championship.
- Sponsorship of the first annual Abu Falah horseracing championship.
- Sponsorship of the second annual horse obstacle competition in the Faisal Equestrian Club in Gaza.
- Sponsorship of the first international marathon in Palestine.

Education

- Awarding fifty university scholarships to high school graduates.
- Donation to the Palestinian Studies Institute to fund research.
- Sponsorship of multiple training sessions organized by INJAZ aiming to develop students' leadership and entrepreneurship skills.
- Provided financial support to students of the Khan Younes Vocational Academy, which is supervised by the UNRWA, to manufacture a car, which is the first project of its kind in Palestine. The car will participate in a competition in the UK.
- Donation of annual expenses for the Tarqumiya Charitable Association's kindergarten in partnership with the Welfare Association.
- Contribution to President Mahmoud Abbas Fund to assist Palestinian students in Lebanon.
- Donation to the Electrical Engineering and Electronics Student Association at Al-Azhar University.
- Sponsorship of the student guide at Birzeit University.
- Sponsorship of the high school graduation of the students of the American International School in Gaza.
- Supported a large number of schools in Palestine and covered expenses related to ceremonies honoring high achieving students.

Health

- Installed an electronic queuing system in the Ramallah hospital.
- Covered the travel expenses of Dr. Paul Dougherty, American Medical Director, and his team, who arrived to Palestine to perform 40 eye cataract surgeries in Palestine.
- Sponsored a conference held by the Palestinian Medical Association, which was attended by foreign and local doctors.



Culture, Arts & Tourism

- Funding of the first Palestinian Orchestra with the Edward Said National Conservatory.
- Donation to the Gaza Group for Culture and Development to fund the Dr. Hani Shawa hall.
- Contribution to develop the memorial of the late Mahmoud Darwish, one of Palestine's greatest poets, along with the Barwa Garden in Ramallah, named after his hometown.
- Gold sponsorship of the Annual Jerusalem Festival of 2010 organized by Yabous Productions.
- Sponsorship of the second Annual Jerusalem Summer Nights Festival in the town of Beit Anan.
- Sponsorship of Birzeit University's Virtual Gallery.
- Sponsorship of the UNRWA employees' union Annual Ceremonies.
- Sponsorship of the Apricot Festival "Ayyam Jifnaweyeh", which took place in the village of Jifna.
- Exclusive sponsorship of the Samaritan Heritage and Culture Exhibition in both Birzeit University and An-Najah National University.
- Sponsorship of the Palestine International Festival XII, organization by the Popular Arts Center, in several cities, including: Ramallah, Hebron, Bethlehem, Jenin, and Haifa.
- Sponsorship of the Olive Festival in Bethlehem.
- Contribution to the national celebrations "Jericho 10,000", which aimed at celebrating 10,000 years in the history of civilization. The celebrations took place in Jericho as it is the oldest city in the world.
- Sponsorship of the Palestinian Cultural Festival in the United States of America.
- Sponsorship of the Christmas Bazar, in partnership with the Latin Church in Bethlehem
- Funding the Visitor Information Center on Manger Square in Bethlehem.
- Funding the "Know your History" program, organized by the Holy Land Association.

Humanitarian Work

- Donation to the Palestinian Women's Association to develop their headquarters.
- Donation to the Gaza Volunteer Efforts Society for Fast Relief "Gaza Give Association".
- Donation to the Palestinian Diaspora Community affected by the earthquake in Chile.
- Donation to the Association of the Retired.



National Economy

- Platinum sponsorship of the second Palestine Investment Conference.
- Sponsorship of Al-Karama National Empowerment Fund, which was established by the Ministry of National Economy and the Palestinian Private Sector Coordination Council. The fund aims to increase consumer awareness on Palestinian products.
- Sponsorship of Expotech 2010 Technology Week in Gaza and in Ramallah.
- Sponsorship of the National Industries exhibition in Jenin.
- Sponsorship of Beta Conference in cooperation with Al-Wasata Brokerage Company.
- Sponsorship of the first Social Responsibility Conference.



Board of Director's Letter and Financial Statements

Dear Shareholders

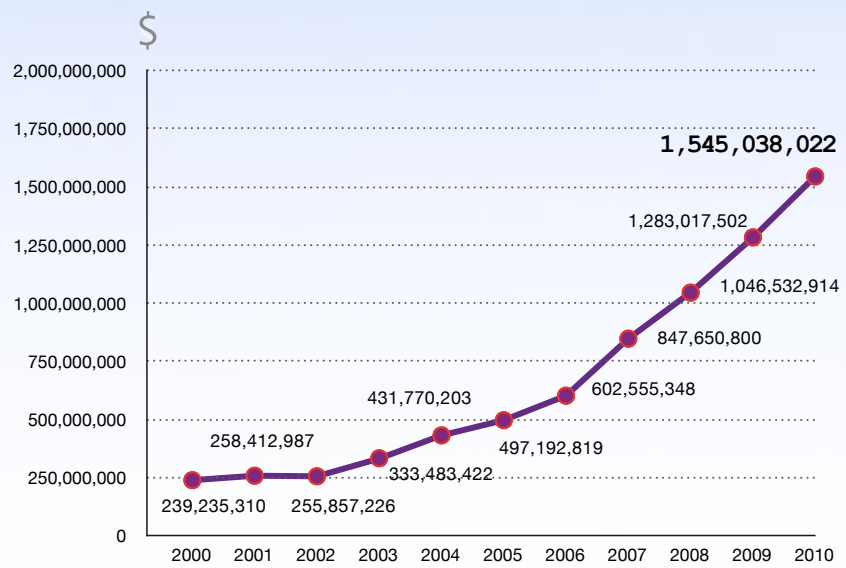
We are pleased to present our Annual Report for the financial year 2010.

BoP has succeeded in achieving promising results on several fronts despite the turbulence witnessed by the global economy and in particular in neighboring economies.

These results are without doubt a credit to the wise decisions and policies adopted by the Board of Directors, in addition to pointing to unwavering trust amongst shareholders and customers alike. BoP has made considerable efforts in recent years to solidify its brand and evolve its product offering, and we are happy to see a positive response in the market as well as a new commitment amongst our large family to continue the journey towards excellence.

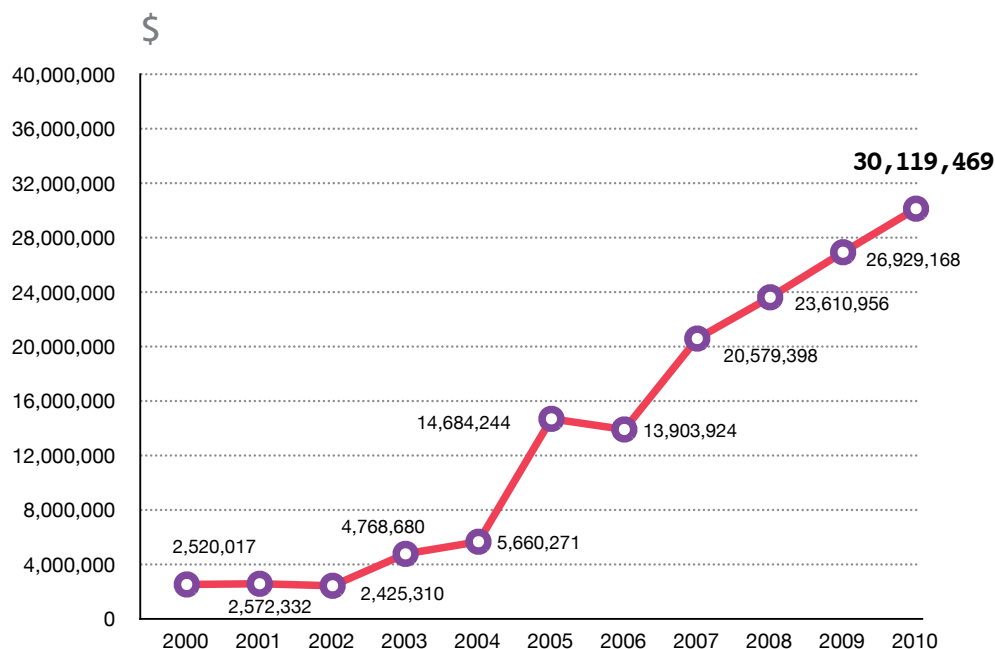
Total Assets

Total assets amounted to USD 1.54 Billion (USD 1.28 Billion in 2009). This increase by 20.42% comes as a result of the relentless efforts to respond and adapt to serve current customers and attract new clients.



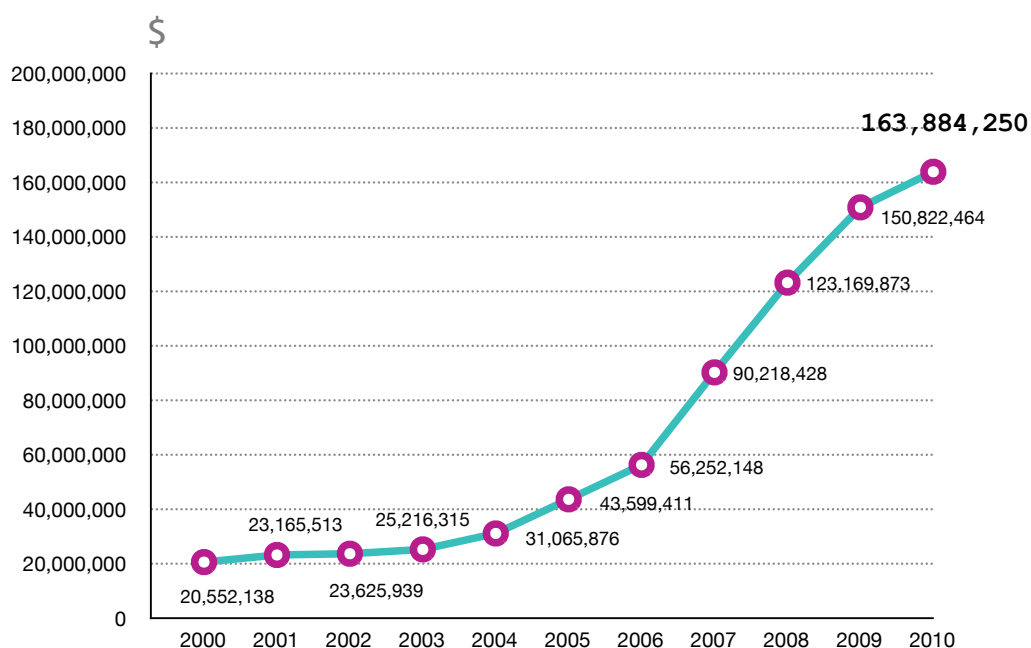
Profits and Losses

The total revenues for the year 2010 amounted to USD 79,041,137 as compared to USD 64,535,751 in 2009. Net profit grew in the year 2010 to reach USD 30,119,469 (USD 26,929,168 in 2009).



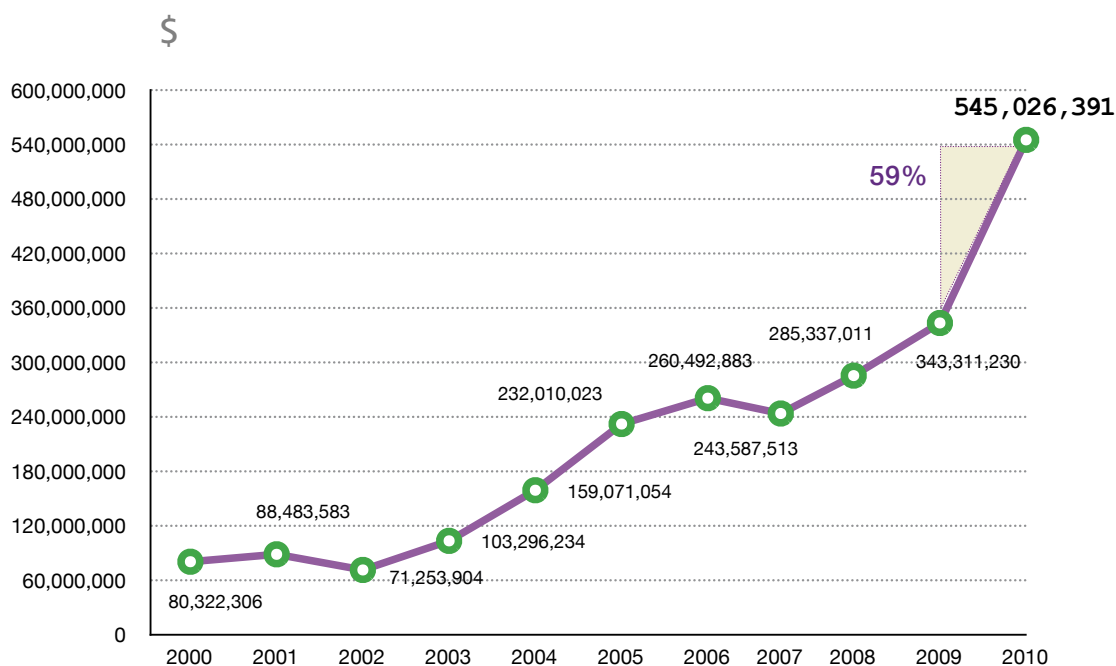
Shareholders' Equity

The Bank's paid up authorized capital is USD 100,000,000 divided into 100,000,000 shares with a par value of one dollar per share. The statutory reserve is USD 16,407,381 after adding USD 3,012,197 from profit. The total shareholders' equity is USD 163,884,250; an increase of USD 13,061,786 from the previous year.



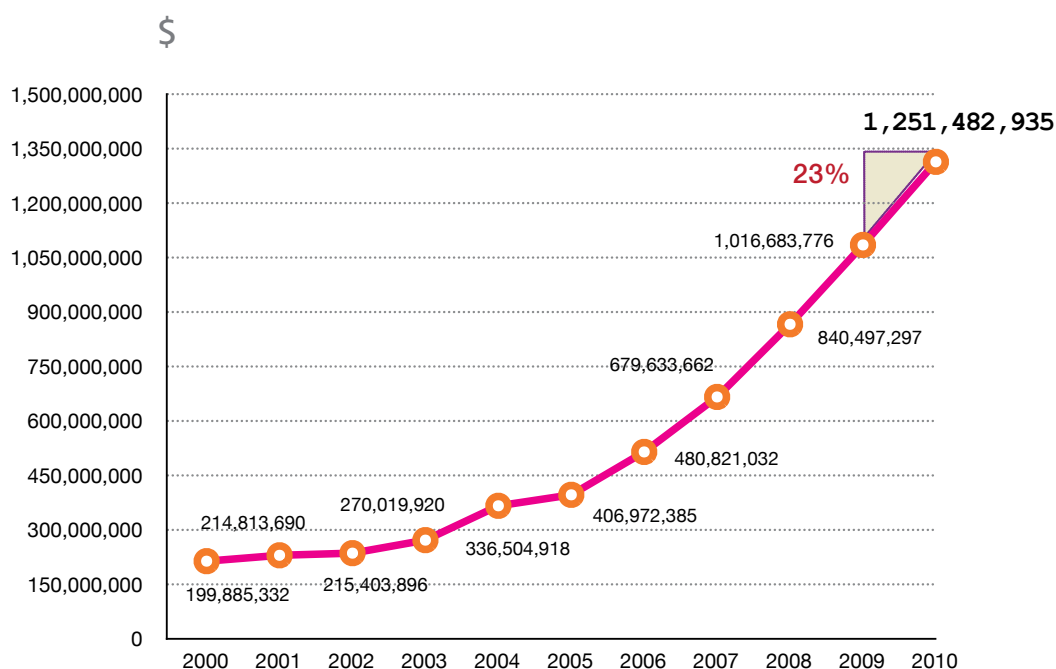
Credit Facilities

Bank of Palestine continued in the year 2010 to provide credit facilities to various economic sectors and vital projects contributing to the growth of the Palestinian economy. The net credit facilities in the year 2010 amounted to reach USD 545,026,391; an increase of 58.76 % from 2009.



Customers' Deposits

At the end of December 2010, total deposits amounted to reach USD 1,251,482,935 ; an increase of USD 234,799,159 with a percentage growth of 23.09% as compared to USD 1,016,683,776 in the previous year.



Market Share and Competitive Position

BoP has steadily gained promising market share in the Palestinian banking sector and a leading competitive position among operating banks. Credit facilities increased by 58.76% from 2009, increasing market share to 19.19% at the end of 2010 (17.26% at the end of 2009).

Most noteworthy indicators of BoP's growth is the increase in customer deposits which grew by 23.09% - boosting BoP's market share to reach 18.44% of total banking sector deposits (compared with 16.71% at the end of 2009).

Bank of Palestine solely issues and accepts international credit cards - Visa and MasterCard, and debit card – Visa Electron, in Palestine. Moreover, BoP created the first and only network of point of sale (POS) machines in Palestine, to enable clients to use their cards at 4,000 different retailers across the country. In addition, the bank's 42 branches and sub-branches form the largest and most-spread branch network in Palestine.

Finally, BOP ranked the first in the number of ATMs spread in all Palestinian cities and villages. At the end of 2010, the number of ATMs was 76.

Trading Activity in 2010

BoP's share was listed on the Palestine Exchange in 2005. The number of shareholders at the end of 2010 was 3,299. The table below presents the trading volume of BoP's share in 2010 (ranking second in terms of market value of traded shares in spite of the impact of the global economic crisis). BoP's market capitalization was USD 340 million - representing 13.88% of the total market capitalization of the Palestine Exchange.

Description	2010	2009
Number of Traded Shares	8,506,736	34,510,637
Value of Traded Shares (USD)	30,236,758	119,458,468
Number of Executed Trades	5,535	12,345
Share Turnover Ratio	8.51 %	34.51 %
Opening Price (USD)	3.65	2.8
Closing Price (USD)	3.40	3.75
Market Capitalization (USD)	340,000,000	375,000,000
Highest Trading Price (USD)	3.80	3.86
Lowest Trading Price (USD)	3.05	2.66



Our services continue the journey of modernization



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And we look forward to expanding our strategy for development

Branch Network

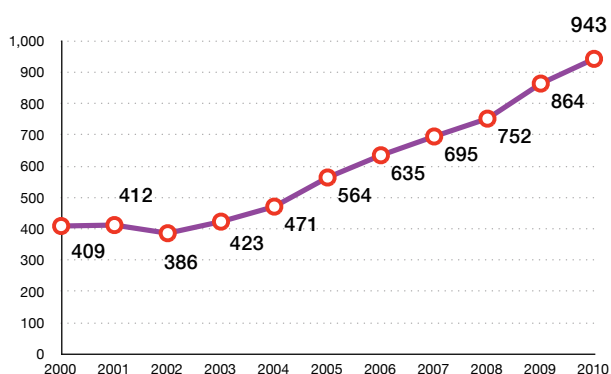


Newly Opened Branches & Sub-Branches

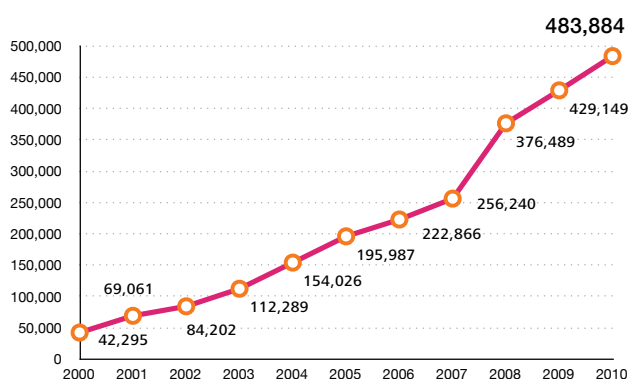
BoP continues to expand its branch network. The year 2010 saw further expansion; new sub-branches in Tarqumiya - Hebron on 18/02/2010, and in Al-Yamun- Jenin on 11/07/2010 were opened. As a result, the number of branches and sub-branches grew to 42 maintaining the bank's position as Palestine's largest nationwide financial services network.



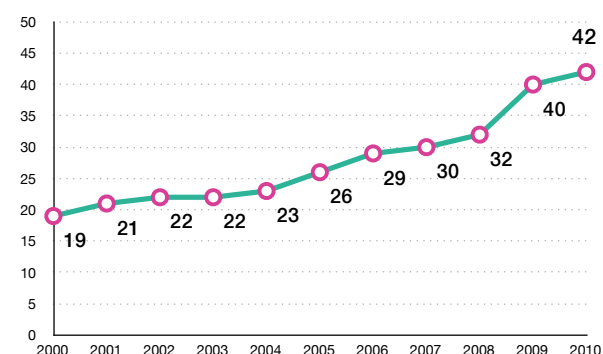
Growth in no. of Employees



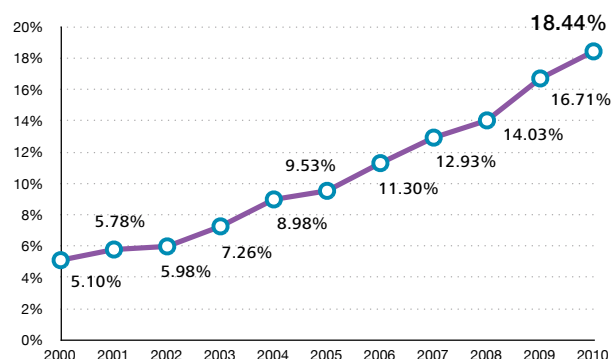
Growth in no. of Customers



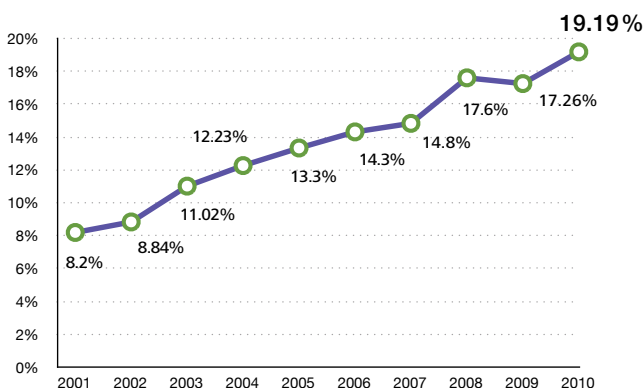
Growth in no. of Branches



Growth in Market Share of Deposits



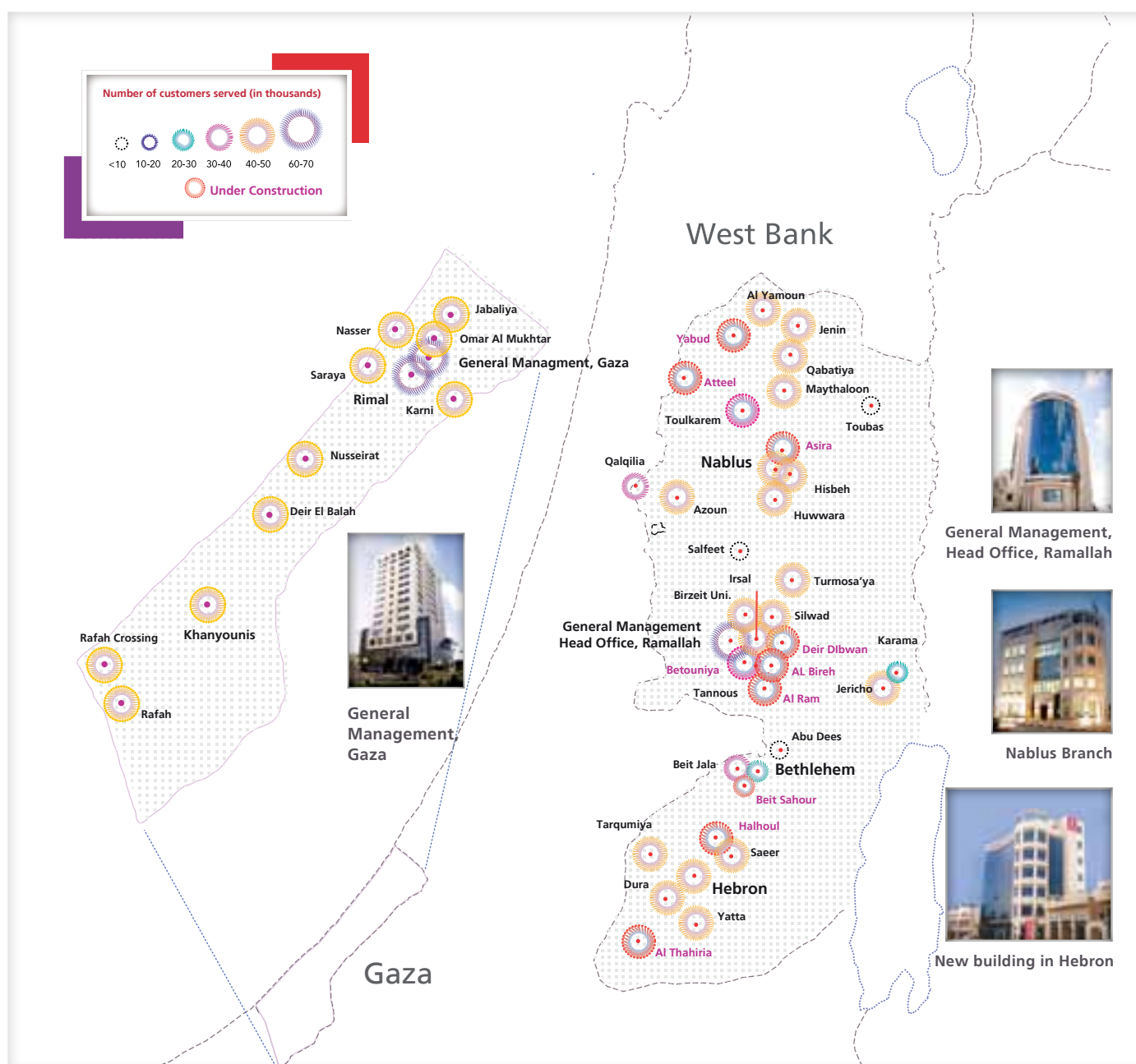
Growth in Market Share of Credit Facilities





New Branches and Sub-Branches Under Construction

In line with BoP's expansion strategy, a new seven-storey flagship building was constructed on land purchased by the bank in Hebron city centre – due to open in April 2010, and a similar project is under way in Bethlehem city center. The first electronic sub-branch in Palestine " Al-Manara" is ready to be opened in Ramallah city center. BoP has also begun preparing a new sub-branch in Nilin – Ramallah and licenses were granted by the Palestine Monetary Authority to open sub-branches in Isteraha- Jericho, an office at the Ministry of Finance in Ramallah and in Palestine Polytechnic University in Tulkarem. Finally, a new land was purchased in Jericho city with plans to build a branch to help meet the needs of growing businesses in the area.

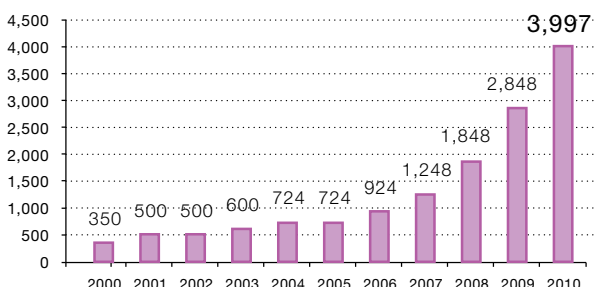


Products & Services

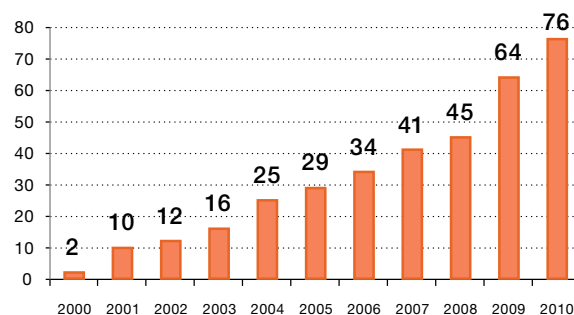
Point of Sale & Cards Business

Beginning in 1999, BoP has steadily developed its credit and debit card offering to reach a leading position in today's market with total number of Visa Electron cards issued in 2010 reaching 110,000 cards, and credit cards (Visa and Mastercard) at 16,000. BoP is the only bank operating in Palestine offering both Visa and MasterCard services. Additionally, BoP recently launched an innovative new card - the first of its kind in Palestine – under the brand "Easy Life". Easy Life allows clients to make purchases and repay the purchase value over a period of 3 to 36 months, without interest. The number of Easy Life cards issued reached 9,872. For the convenience of our clients, we have also distributed more than 4,000 Electronic Point of Sale (POS) machines to all categories of retail merchants and service providers throughout the West Bank and Gaza Strip, with positive indicators for future growth.

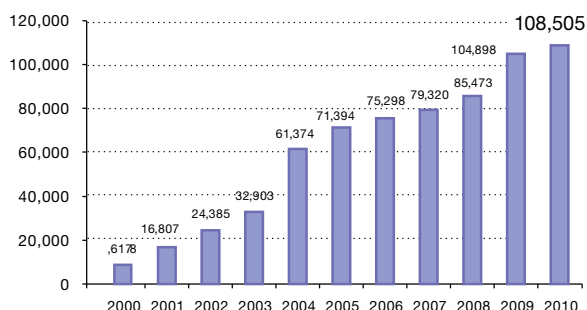
Growth in no. of Points of Sale (POS)



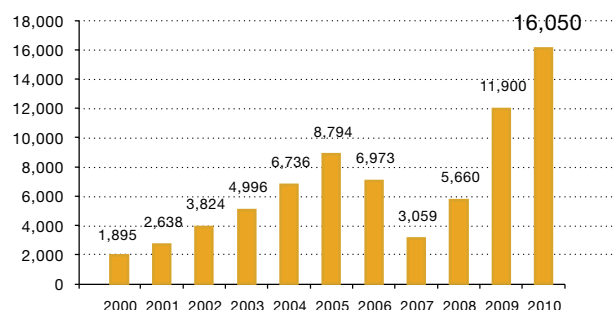
Growth in no. of ATM's



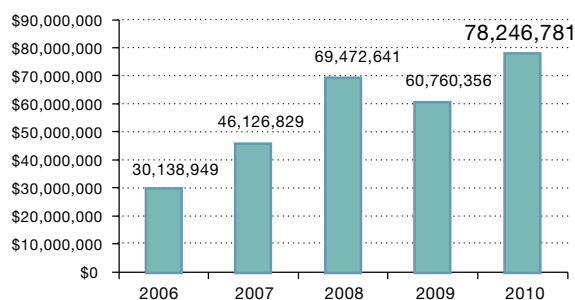
Growth in no. of Debit Cards



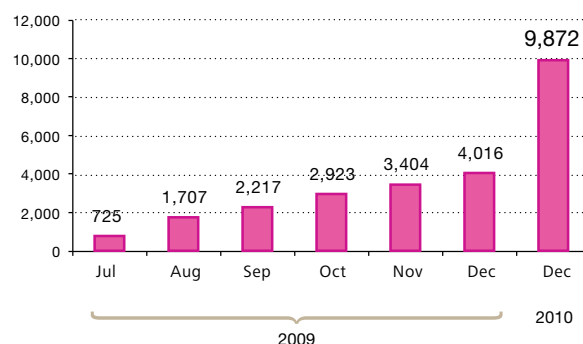
Growth in no. of Credit Cards



Growth in POS Transactions



Growth in no. of "Easy Life" Installment Cards



Marketing & Brand Campaigns

To meet the needs and requirements of our clients, and to increase our market share, we launched over the past year, several marketing campaigns to promote our new products and services, including:

Savings Program (With You At Every Step)

BoP launched a special program targeting holders of savings accounts entitled: With You At Every Step. This program mainly targeted women, children, and students, with the objective of increasing awareness to the culture of saving and investing. The campaign, branded to celebrate our 50th anniversary, offered an instant gift of USD50 for every children's account opened, a 50 scholarship prize draw for newly opened student accounts, and a weekly draw for a chance to win 1,000 BoP stocks for female account holders. In addition, a general brand campaign was launched for all holders of savings accounts with a monthly draw to win a salary of USD1,000 for life. BoP's brand and financial campaigns have evolved in recent years with excellent response and results, and we look forward to announce new and exciting products and services in the coming years aimed at solidifying our customer base and enhancing our brand.



Visa Electron Campaign



Ten years ago, Palestine was relatively new to the culture of cards, and we have gradually developed awareness and improved the customer experience to encourage the growth of this culture and the adoption of cards over cash. In addition to making POS terminals available across the country, we have launched several campaigns and loyalty programs with focus on the use of Visa Electron cards, the latest of which offered clients the chance to win several prizes including cars, LCD televisions,

laptops, and mobiles.

Green Loans Program

As Palestine's first national bank, social and environmental responsibility are central to our business. Operating in an area that is facing growing scarcity in natural resources, we believe that we have an even greater responsibility to the Palestinian environment, society, and economy. In 2010, and for the first time in the region, BoP launched a distinctive program entitled the Green Loans Program in partnership with the company "Green Palestine".

The objective of this program is to encourage the implementation of "green" systems, including the building of water wells, the installation of wastewater management and treatment systems that provide water for irrigation of arable land, and alternative energy systems. This program will help the borrower reach a level of self-sufficiency and save considerably on monthly electricity and water bills. The program is designed for individuals, households, and SME's, especially in remote rural areas where resources are scarce. As part of the green campaign, the bank held workshops in rural areas in Palestine, mainly targeting farmers. These workshops aimed at introducing farmers to BoP's green loans program, as well as raising their awareness of solar energy, and modern and efficient irrigation and wastewater treatment systems.





Human Resources

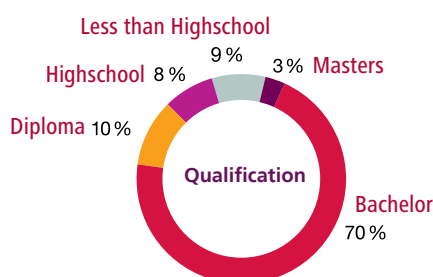
In 2010 the number of employees grew to reach 943 employees, compared to 864 employees in 2009. This increase is a response to the expansion of BoP's banking network. The following section provides a breakdown of our employees according to gender and qualifications.

943

employees and our family continues to grow and expand to meet the needs of our clients

Distribution of employees according to gender

Gender	No.	Ratio
Male	757	80 %
Female	186	20 %
Total	943	100 %



Distribution of employees according to educational qualifications

Training Center

The bank is keen to continue developing its work force, refining, and diversifying their skills through a variety of unique internal and external training programs which are held in both local and international training institutions.

Training Activities in 2010

Program	No. of Conducted Courses	Ratio to total training	No. of Beneficiaries	Ratio to Total Work Force
Banking Orientation	11	12.3 %	116	12.2 %
Internal Training	16	17.8 %	537	56.8 %
External Training	19	21 %	175	18.4 %
International Training	39	43.4 %	75	8 %
Professional Certificate and Diploma	5	5.5 %	43	4.6 %
Total	90	100 %	946	100 %

Details of the Activities of the Training Center

Program	No. of Courses	No. of Participants	Place
Banking Orientation (New Employees and University Students)	11	185	Bank of Palestine's Training Center
Internal Training	9	261	Bank of Palestine's Training Center
Internal Workshops	7	276	Bank of Palestine's Training Center
External Training	16	63	Palestine Institute for Financial and Banking Studies- Horizon Information Technology Company - Arab European Foundation- CHF- IFC
External Workshops	3	112	Palestine Monetary Authority - Palestine Institute for Financial and Banking Studies.
International Training	35	68	London - Sydney - Dubai - Cairo - Amman
International Seminars	4	7	Istanbul - Amsterdam - Frankfurt - Damascus

Professional Certificates and Diplomas

Certificate / Diploma	Institution	No. of Beneficiaries
Professional Certificate-Certified Branch Manager	Arab Academy for Financial Sciences - Amman	19
Professional Certificate-Certified General Banker	Arab Academy for Financial Sciences - Amman	19
Professional Diploma in SME credit	Palestine Institute for Financial and Banking Studies - Ramallah	2
Credit Management Diploma	German Foundation for Training - Germany	3
Total		43



Awards





Over the past decade BoP's excellence in quality, speed, accuracy, and US dollar clearing, has been recognized by many global financial institutions. In 2010, BoP received recognition awards from CitiBank, JPMorgan, and Deutsche Bank.

Agreements

Operational Risk Management

Bank of Palestine and the International Finance Corporation (IFC), a member of the World Bank Group have signed an agreement to implement an advisory services project aimed at developing operational risk management policies at BoP. This agreement is part of a sequence of previous projects implemented by BoP in cooperation with the IFC. The previous projects aimed at developing and enhancing corporate governance, risk management framework, credit risk management, and treasury risk policies.

This project will enable the bank to manage one of the most important risk factors in the banking sector at a very critical time, as the banking sector's operations and technological advancements are expanding. This project will also greatly affect BoP's sustainability plan and assist it in responding to the changing environment in Palestine. Moreover, the project will develop auditing methods to be based on risk according to best practices.

With this agreement along with the previous agreement with the IFC, BOP has become one of the first banks in the Middle East to apply best international practices of managing all types of risks.

Conclusion

To conclude, BoP assures all our stakeholders that we are committed to serving their needs and providing them with the services they deserve, while abiding by best practices and good corporate governance. BoP would like to thank our shareholders for their solid trust and commitment to BoP. We would also like to thank our loyal clients for their strong loyalty. BoP also thanks all the bank's employees for their efforts in boosting the success of their bank, the First National Bank. We also extend our gratitude to the Palestinian National Authority (PNA) headed by his Excellency, President Mahmoud Abbas.

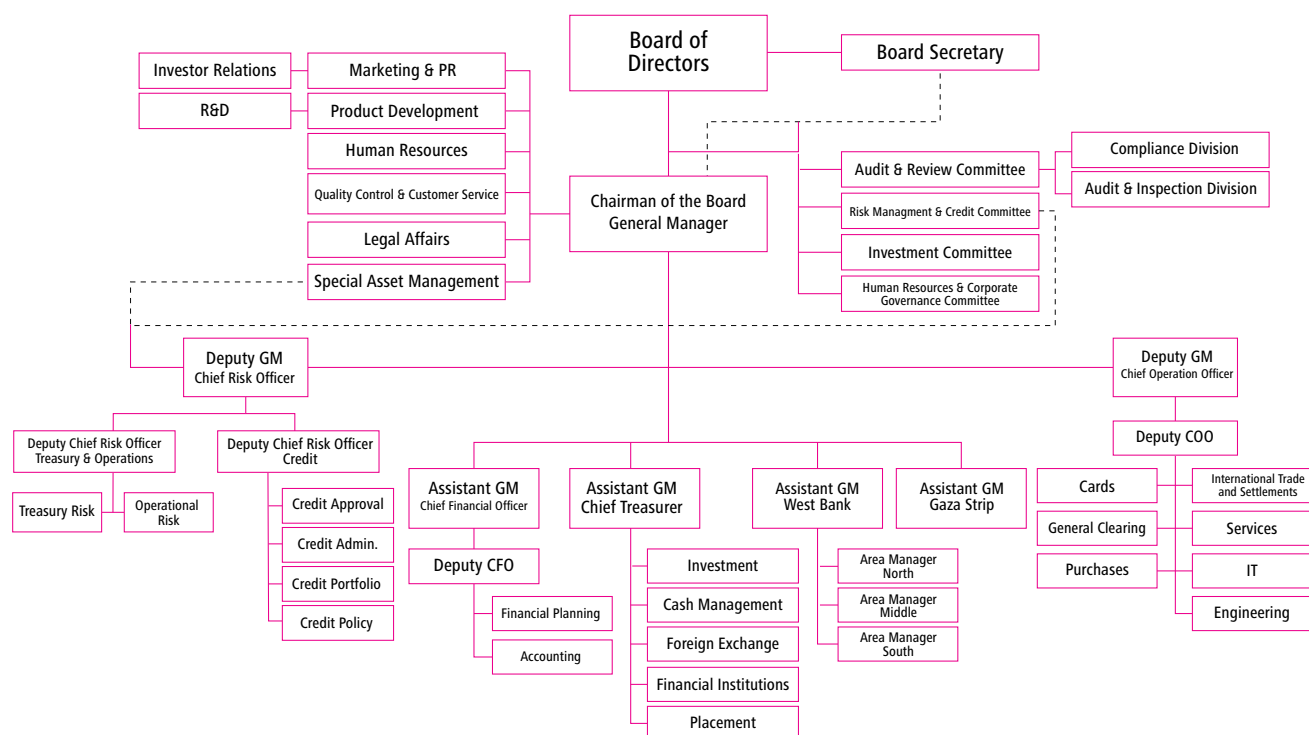


Our Plan for the Year 2011

To achieve BoP's goals, especially to increase BoP's market share in the Palestinian market, the board of directors has approved an ambitious plan for the year 2011 that matches the general vision and strategy of the bank. Below is a summary of the plan:

- Applying and implementing corporate governance and risk management policies.
- Improving the quality of the our services.
- Developing and enhancing the skills of our employees.
- Keeping up with the latest technological advancements in the banking sector.
- Expanding and developing our relationship with global and foreign financial institutions.
- Launching PalPay Company, to offer electronic payment solutions.
- Launching new credit facility and savings programs.
- Continuing with our geographical expansion policy.
- Developing and enhancing our local and regional investments.

Governance



Corporate Governance and Risks Management

The purpose of Bank of Palestine's ("BoP") Code of Corporate Governance ("Code") is to summarize the Bank's key corporate governance policies and provisions. By adopting this Code, the BoP confirms its commitment to demonstrably lead and promote good corporate governance throughout bank's departments and activities.

BoP understands corporate governance as a set of policies, systems and processes for the direction and control of companies, involving a set of relationships between the company's shareholders, board and executive bodies for the purpose of creating long-term shareholder value.

In order to foster the confidence of its shareholders, employees, investors, and the general public, this Code goes beyond the established legal and regulatory framework by the Palestine Capital Markets Authority (PCMA), Palestine Monetary Authority (PMA), and embraces internationally recognized corporate governance principles and practices.

BoP's corporate governance framework is broadly based on the following principles:

- **Accountability:** This Code ensures BoP's accountability to all shareholders and guides the company's board in the important setting strategy function, and guiding and monitoring the company's management.
- **Fairness:** BoP obligates itself to protect shareholder rights and ensure the equitable treatment of all shareholders, including minority shareholders. All shareholders are to be granted effective redress for violation of their rights through the board.
- **Transparency:** BoP is to ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership and governance of the company, in a manner easily accessible to interested parties.
- **Responsibility:** BoP recognizes the rights of other stakeholders as established by laws and regulations, and encourages co-operation between the company and stakeholders in creating sustainable and financially sound enterprises.

Following is a summary of BoP's key corporate governance policies and practices related to:

First: Board Governance

BoP strives to maintain an effective, professional, and well-functioning board of directors given its key role for ensuring corporate governance in the Bank's departments and activities.

■ The Board shall bear overall accountability for the performance of Bank of Palestine.

■ The Board is elected by shareholders to oversee and guide management with the ultimate goal of creating long-term shareholder value for the Bank, while taking into account the interest of its stakeholders.

■ Members of the board act in good faith, with due care and in the best interest of the company and all its shareholders—and not in the interests of any particular shareholder—on the basis of all relevant information. Each director is expected to ensure full commitment to the director duties, attending all board and applicable committee meetings.

■ The number of Directors shall be between seven and thirteen, each director will be elected to serve a term of four years, which can be renewed. There is no maximum limit on the number of terms a director may serve, rather reappointment shall be based on the director's continued ability to perform the necessary director duties and maintain sufficient objectivity. The board's composition (competencies, skills and appropriate mix) is such that it is adequate for oversight duties, and the development of the company's direction and strategy. Each individual member of the board shall have the experience, knowledge, qualifications, expertise and integrity necessary to effectively discharge board duties and enhance the board's ability to serve the long-term interests of the company and its shareholders. To ensure the impartiality of decisions and to maintain the balance of interests among various groups of shareholders, at least 25 percent of the board members are independent directors. BoP has established board committees. All committees have charters containing provisions on the scope of authority, competencies, composition, working procedures, as well as the rights and responsibilities of the committee members. All Directors are subject to re-election by the shareholders at the annual general meeting at least every four years.

■ The HR and Corporate Governance Committee shall oversee the non-executive director remuneration policy for the Bank. The remuneration policy shall seek to attract, motivate, reward, and retain directors of high integrity

and superior ability who are focused on enhancing and maintaining the long-term shareholder value. Further, the remuneration policy shall be such that it does not jeopardize a director's independence or encourage unjustified short-term risk taking.

■ The board meets according to a fixed schedule, which enables it to properly discharge its duties. As a rule, the board shall meet no less than six times a year.

Second: Management Control Practices


BoP strives to maintain sound management control frameworks to ensure integrity of its operations and provide assurance to its shareholders and stakeholders. BoP shall place great importance on risk management and it is the board of directors that is tasked with ensuring that appropriate risk management systems are established. BoP shall place great importance on internal control and its board of directors is charged with ensuring the Bank has effective framework of internal control. BoP shall have an internal auditor who is a part of the Internal Audit and Inspection Department that provides assurance to the board as to the effectiveness of the company's internal controls. BoP shall have an active compliance department that ensures proper compliance with all applicable external laws and regulations as well as internal codes and policies. BoP shall engage a publicly recognized, licensed and independent auditing firm, which is fully independent from the company, the company's management, and major shareholders.

Third: Shareholder rights and relations

■ BoP ensures that all shareholders have the right to participate in the governance and the earned profits of the Bank.

■ BoP's Articles of Association include particular provisions about the conduct of the general assembly. BoP shall have a system of registering shareholder complaints and effectively solve them.

■ BoP's directors and employees shall understand this Code as their joint obligation, and accordingly, obligate themselves to ensure that its provisions and its spirit are adhered to and acted upon throughout the company. Board members and executives shall not divulge or use confidential or insider information about the company and shall comply with the insider trading policy. All BoP directors and employees are expected to act ethically at all times and to acknowledge their adherence to the BoP Code of Ethics. A potential conflict of interest exists if the company intends



to enter into a transaction with a related party. When such a conflict exists, members of the board and management shall disclose information about the conflict of interest to the board, and shall abstain from deliberating and voting on such issues. The audit committee shall resolve any such conflicts. Unless required to do so by law, no board member or employee shall, during his or her membership on the board or afterwards, disclose any information of a confidential nature regarding the business of the company and/or any companies in which it holds a stake, that came to his or her knowledge in the capacity of his or her work for the company and which he/she knows or should know to be of a confidential nature. A board member shall not use such confidential information for his or her personal benefit.

Fourth: Transparency and Information Disclosure

BoP strives to maintain a high-standard of corporate transparency to its shareholders and stakeholders, including timely and accurate information disclosure. BoP's policy is to disclose all material information, including the financial situation, performance, ownership and the governance structure of the company to its shareholders and the broader public as appropriate. The company shall publish a comprehensive annual report that includes a corporate governance section. The company shall also strive to disclose its corporate governance practices, corporate events calendar and other material information on its internet site in a timely manner.

Fifth: Corporate Social Responsibility

■ BoP is committed to making a positive difference in the communities in which we live and work. Corporate Social Responsibility is the commitment of business to contribute to sustainable economic development – working with employees, their families, the local community and society at large to improve the community at large according to the board of directors approved strategy.

■ BoP fully considers social, cultural, environmental, governmental and economic factors when evaluating development opportunities.

Board of Directors

The Board shall bear overall accountability for the performance of Bank of Palestine. The Board is elected by shareholders to oversee and guide management with the ultimate goal of increasing long-term shareholder value for the Bank, while taking into account the interest of its stakeholders. The following functions are the common recurring activities of the Board in carrying out its guidance and oversight responsibility.

- Reviewing, approving, and monitoring BoP's long-term strategic objectives and business plans of executive management.
- Monitoring the overall performance of the Bank and progress towards its strategic objectives.
- Assessing the major risks facing the Bank's executive management and the steps taken by management to monitor and control such risks.
- Setting the level of 'Risk Appetite' of the Bank and ensuring there is a culture of risk through the organization.
- Overseeing the integrity of the financial statements, the ensuring compliance with legal and regulatory requirements, the performance, qualifications, and independence of the external auditor, and the performance of the internal audit function.
- Reviewing and approving major business transactions, including significant credit decisions, capital allocations and expenditures, in line with the approved chart of authorities.
- Overseeing investment and financing activities of the Bank and making major investment and financing decisions.
- Overseeing and approving the human resource policies, and framework and Corporate Governance of the Bank.
- Selecting and recommending Director Nominees for election by Shareholders.
- Selecting, developing, and evaluating potential candidates for senior executive officer positions and overseeing the development of senior executive officer succession plans.
- Determining remuneration policies for board of directors and senior executives.
- Evaluating the overall performance and effectiveness of the Board and its members and taking corrective actions as needed.
- Overseeing the Bank's corporate governance framework and ensuring compliance with agreed policies and provisions.
- Ensuring proper Shareholder relations are maintained, shareholder rights are protected, and shareholder meetings are conducted in accordance with applicable laws and regulations.
- Ensuring stakeholder interests are considered and the Bank conducts its business in a socially responsible manner to the extent practical.

Audit Committee

Committee Members

Mr. Mamon Abu Shahla - Chairman of the Committee
Dr. Hani Nijm - Vice Chairman of the Committee
Mr. Youssef Nijm
Dr. Awni Skaik
Mr. Reyad A. Zimmou
Mr. Tareq Al Shaka`

The role of the Committee is to assist the board in overseeing the bank's financial controls with particular emphasis on:

- the integrity of internal controls and financial reporting.
- the qualification and independence of the bank's external auditor.
- the performance of the bank's internal audit and compliance functions and of its external auditor.

In order to fulfill its role, the Committee shall have the following authorities and responsibilities:

- Review Internal Control systems of the bank.
- Reviewing the reports of the Inspection and Audit department, internal auditor, and compliance control department including financial and non-financial issues, remedial procedures and means of controlling the risks faced by the bank.
- Reviewing accuracy of financial statements provided to the board, shareholders and other users.
- Reviewing the bank's commitment to laws and regulations of PMA, the Board, and other regulations applicable in Palestine.
- Reviewing external auditing plan and verifying that plan includes all activities of the bank.
- Ensuring the accuracy and integrity of accounting and compliance with laws and regulations applicable to the activities of the bank.
- Developing disclosure and transparency standards and submitting them to the board for approval.
- Reviewing notes mentioned at PMA's reports and offering recommendations to Board on the appropriate remedial steps.
- Coordinating with Risks Management and Credit Committee to present financial statements of the bank.
- Studying the financial system employed at the bank and making recommendations to improve it and guarantee that they fairly represent the situation and that no false data are reported.

■ Putting in place a system that allows employees to report secretly on fears of potential violations and in a manner that makes it possible to investigate them independently and follow them up without supervisors penalizing them or colleagues looking down at them. The audit committee shall monitor the implementation of these procedures.

■ Acting as a liaison between the board of directors and the external auditor, the board of directors and the internal auditor and between the internal and external auditors.

■ Following up on the bank's adherence to its internal code of professional conduct and adherence to external laws and regulations.

■ Informing the board of directors of issues that require its immediate intervention and offering recommendations on the appropriate remedial steps.

■ The audit committee shall submit reports to the board of directors on all matters that fall within its scope of work thereby enabling it to carry out its function of monitoring the management of the bank and submitting to shareholders and investors factual and documented information.

Credit and Risk Management Committee

Committee Members


Mr. Faisal Ghazi Shawwa - Chairman of the Committee
Mr. Mohammed Nafiz Hirbawi - Vice Chairman of the Committee
Mr. Hashim Shawwa
Mr. Youssef Nijm
Dr. Awni M. Skaik
Mr. John Khoury

The role of the Committee is to assist the Board of Directors of BoP in fulfilling its oversight responsibilities with regard to

- The risks inherent in the business of the company and the control processes with respect to such risks.
- The assessment and review of credit, market, and operational risks.
- The risk management activities of the bank and its subsidiaries.

In order to fulfill its role, the Committee shall have the following authorities and responsibilities:

- Approve the overall risk management policies and ensure there is an effective Enterprise Risk Management framework in place to proactively identify, measure, mitigate, and monitor all types of risk in the Bank and to promote continuous dialogue about risk management throughout the organization (i.e., promoting a 'Risk Culture').
- Determine the overall 'Risk Appetite' of the Bank and ensure the overall risk profile and tolerances are in line with the agreed appetite.



- Obtain assurance from the executive management and internal auditing that the risk processes and systems are operating effectively, with sound controls, and compliance with approved policies.

- Obtain assurance that the bank is complying with applicable laws and regulations regarding all risk management policies and procedures.

- Review the Bank's capital adequacy and provisions to ensure they are in compliance with regulatory guidelines and in line with the risk profile of the Bank.

- Review reports on a quarterly basis or as needed basis from the executive management on the status of the bank's risk portfolio, highlighting key risk areas, trends, forecasts, and management actions being taken to address particular issues.

- Review significant risk exposures and the steps management has taken to monitor, control, and report all types of risk, including, credit, market, operational, fiduciary, liquidity, compliance, reputational, strategic, and all other types of internal/external risk impacting the Bank.

- Provide guidance to management, as needed, to help them improve their risk management practices and/or mitigate particular risks, including the existence of qualified personnel at the management level to carry out risk management activities effectively.

- Report to the board on a regular basis of the status of the bank's risk portfolio and immediately inform the board of any substantial changes to the bank risk portfolio status.

- Review and approve particular credit transactions above a defined threshold as per the defined credit policies.

- Review appointment, responsibilities, performance, and replacement of the Chief Risk Officer and the monitor effectiveness of the Risk Management departments in general.

- Support the Audit Committee's efforts (with the help of Credit Risk Officer) to monitor and evaluate, as mandated by the PMA, "guidelines and policies to govern the process by which risk assessment and management is undertaken."

Investment Committee

Committee Members

Mr. Maher J. Farah - Chairman of the Committee
Mr. Hashim Shawa – Vice Chairman of the Committee
Mr. Faisal Ghazi Shawwa
Mr. Mohammed Nafiz Hirbawi
Mr. John Khoury

The role of the Committee is to assist the Board of Directors of BoP in fulfilling its oversight responsibilities for the investment assets of BoP as:

- The Committee is responsible for formulating the overall investment policies of BoP, subject to approval by the Board.

- Establishing investment guidelines in furtherance of those policies.

In order to fulfill its role, the Committee shall have the following authorities and responsibilities:

- Viewing all reports and studies related to the current bank investments status, conditions of local and international financial markets and all the data that enable the committee to perform its duties in a professional and efficient manner.

- Periodically informing the board of the bank's investment portfolios status, and informing it, without delay, of any substantial changes to such investments status.

- Developing, reviewing and periodically updating the bank investment policy, and ensuring that it complies with the effective laws and regulations, and with the banking standards; the committee shall then present its output to the board for approval. Such policy must clearly specify a mechanism for taking investment decision, and ceilings on powers and the different positions.

- Approving particular investment transactions that are beyond the management's authorities and submitting to the full board recommendations on particular investment decisions that is beyond the committee powers.

- Ensuring that the executive management adheres to implementing the investment decisions, and the ceilings and powers determined by the committee.

Human Resources and Corporate Governance Committee

Committee Members

Dr. Hani Nijm - Chairman of the Committee
Mr. Tareq Al Shaka' - Vice Chairman of the Committee
Mr. Hashim Shawa
Mr. Reyad A. Zimmou
Mr. Mamon Abu Shahla
Mr. Maher Farah

The role of the Committee is to oversee

- The Bank's corporate governance framework.
- Director nomination process, director and executive remuneration policies, board and executive evaluation processes.
- Succession planning, board education, and the Bank's human resources policies.
In order to fulfill its role, the Committee shall have the following authorities and responsibilities:
- Review and approve major HR policies to ensure they are fair, competitive, complete, and in the best long-term interest of BoP.
- Help oversee major changes and improvements in the HR function to ensure it is effectively serving as a strategic partner in the organization;
- Develop for the board's approval and annually review the chart of authorities and delegation of authorities to management;
- Consider possible conflicts of interests of directors and any related party transactions of directors and make relevant proposals to the board in accordance with the BoP's corporate governance code;
- Review any change in status (including fulfillment of independence requirements) and professional affiliation of current directors and make relevant proposals to the board in accordance with the company's corporate governance code;
- Oversee the development and implementation of a board induction process for new directors and a program of continuing director development as needed;
- Review corporate governance policies and practices throughout the company and make relevant proposals to the board to improve their effectiveness.

Risk Management

Risk Management is an important cornerstone to Bank of Palestine. The bank manages its risk according to its internal policies and the instructions of the PMA. Due to its importance, the Bank signed an agreement with the IFC to apply best international practices. Credit Risk, Market Risk, and Operational Risk, are considered the major risks the Bank faces.

Risk Management Policy at the Bank is as follows:

- Managing risks fully and evaluating, supervising and controlling all risks implicated to all products and services
- Managing systematic risk that is linked to environment, region, and regulations that can not be eliminated but can be managed with a proper preparation of contingency plans and diversification in assets, investments, and funding sources.
- Managing non-systematic risk by having appropriate policies and procedures, internal control system, compliance, and improved supervisory system.
- Credit risk management for both individuals and corporations by using and applying the approved measures of the Board of Directors which are coherent with PMA instructions and Basel recommendations.
- Managing market risk which encompasses foreign exchange risk, and interest rate risk by following the approved Board of Directors' measures, PMA instructions and Basel recommendations.
- Liquidity risk management to enable the bank to meet its obligations at its due dates.
- Operational risk management according to the Board of Directors' measures resulting from defaults by internal operations, individuals, and systems.
- Capital adequacy ratio is capable of facing difficult financial conditions and protecting stakeholders' rights.

The Risk Management Framework Policy of the Bank is under the authority of the Board of Directors. The Board is responsible for approving the Bank's risk appetite and strategy, and to formally review it annually or more often if required. The Board delegates specific oversight of all risk management activities in the Bank to the Board Risk Management and Credit Committee. While the Board delegates oversight authority to the BRMC, ultimate responsibility for the Bank's effective risk management and adherence to this Policy rests with the Board. The Board will formally review the Risk Management Framework Policy and all other risk policies at least annually or as internal or external events may dictate.



Responsibilities of the Board include the following:

- Develops business strategy
- Approves risk management strategy for the Bank
- Articulates risk appetite
- Approves risk appetite translation into risk tolerances and limits
- Establishes the risk governance structure
- Reviews significant risk issues highlighted by different Board committees
- Reviews and approves risk policies and procedures
- Delegates relevant authority to risk functionaries
- Reports to stakeholders on risk management
- Approves public disclosures

Board Risk Management and Credit Committee

The Board may delegate responsibility to the Board Risk Management and Credit Committee for the following:

- Ensure development and implementation of the Bank's risk management framework
- Communicate the risk policies across the Bank
- Review risk management effectiveness and follow up of remedial actions
- Review significant risk issues highlighted by different Executive risk committees
- Ongoing oversight and monitoring of the Bank's risk exposures
- Monitor compliance with Bank policies, PMA regulations and any other external risk management requirements
- Approval of the appointment of the Chief Risk Officer

The Board will also regularly review and approve data, analyses, and transactions relating to the Bank's risk management activities.

Executive Risk Management Committee

The Executive Risk Management Committee (ERMC) is a management committee that is delegated with authority from the Board to implement the Bank's risk management framework. Responsibilities include the following:

- Develop and recommend the Bank's risk appetite and strategy to the Board
- Oversee identification, assessment and management of Bank-wide material risks
- Assess the risk implications of the Bank's business strategies
- Consider the impact of changes in market, economic and competitive environments on the Bank's risk profile
- Review exceptions, if any, from approved risk guidelines / policies
- Review adequacy of the provisioning policy
- Monitor and review the Bank's progress towards implementation of the Risk Management Framework
- Monitor compliance with legal and regulatory requirements
- Report to the Board on all material matters arising from its review and monitoring functions
- Report monthly on the nature and magnitude of all significant risks
- Report to the Board on the overall effectiveness of the risk management process
- Develop risk awareness at all management and staff levels
- Initiate/oversee a formal training program on Risk Management to entire bank staff
- Recommend to the Board relevant risk management policies
- Ensure sound risk management policies and practices are implemented
- Ensure adequate procedures are in place to manage identified risks
- Oversee risk and capital management plan.

Risk Management Departments

The Risk Management Departments, headed by the Deputy General Manager - Chief Risk Officer (CRO), is responsible for developing and implementing the Bank's Risk Management framework. Responsibilities include the following:

- Drafts risk policies and procedures
- Develop risk management standards and measurement tools
- Monitors Bank's overall risk profile, including risk aggregation, reporting, trends, and change in material risk positions
- Monitors compliance with risk policies and procedures (in coordination with the Compliance function)
- Compiles risk across business units and escalates risk and control issues to senior management
- Periodically develops and presents reports on aggregate risk profile
- Supports the organization risk culture through development of a common risk language and Bank-wide risk training and support
- Provides interpretation of risk-related regulations/ leading practices and disseminates to business units.

Business Unit Responsibilities

As noted herein, the day-to-day risk management or implementation of the approved risk management strategy is the responsibility of the risk taker. Their responsibilities include the following:

- Identify, assess, measure, monitor and report various risks within their business lines
- Manage business activities within the parameters of relevant risk policies
- Recommend business proposals that meet the risk appetite and strategy criteria
- Assess the effectiveness of controls in line with documented risk policy
- Design, operate and monitor a suitable system of control
- Manage and review risks as part of day to day business activity
- Develop daily reports for the risk management departments
- Report risk issues to the risk management departments on a regular basis

The business units are charged with pricing and managing transactions to seek targeted risk adjusted returns on capital that is allocated to the product, profit center, branch or other measurement unit.

Major Shareholders

At the end of 2010, the number of shareholders was 3,299 (3,071 shareholders at the end of 2009). The following schedule presents shareholders who own more than 5% as of 31st December 2010

Name	2010		2009	
	No. of Shares	of Ownership	No. of Shares	Percentage of Contribution
A. M. Al-Kharafi & Sons Trading Co.	7,631,285	7.63 %	7,631,285	7.63 %
Palestine Investment Fund	6,355,092	6.36 %	5,598,675	5.59 %
Mrs. Mahdiya Y. Shawa	6,287,843	6.29 %	6,287,843	6.28 %
HSBC	6,117,523	6.12 %	5,792,323	5.79 %
International Finance Corporation	5,000,000	5.00 %	5,000,000	5.00 %

Share Ownership of the Board of Directors, Executive Management and First Degree Relatives

Board of Directors Ownership

Member of Board of Directors	Citizenship	Ownership Percentage	Number of Shares Owned	
			End of 2010	End of 2009
Hashim H. H. Shawa	Palestinian	3.87 %	3,868,255	3,858,255
Youssef M. Y. Nijm	Palestinian	0.07 %	67,150	62,502
Awni M. I. Skaik	Palestinian	0.17 %	174,980	174,980
Reyad A.. A. Zimmou	Palestinian	0.06 %	61,320	77,320
Maher J. Farah	Palestinian	0.45 %	451,032	451,032
Mamon A. H. Abu Shahla	Palestinian	0.52 %	516,797	516,797
John Khoury	American	0.02 %	16,000	-
Faysal G. Shawa	Palestinian	0.02 %	16,000	45,992
Hani H. M. Nijm	Palestinian	0.10 %	100,247	92,747
Tarek T. Shaka	Palestinian	0.02 %	18,343	55,588
Mohammed M. Hirbawi	Palestinian	0.10 %	95,681	71,639

Board of Directors First Degree Relatives Ownership:

Name	Citizenship	Number of Shares Owned	
		End of 2010	End of 2009
Bernardita Vigano Shawa	Swiss	54,662	42,119
Howria M. Nijm	Palestinian	17	17
Genevieve Chantal Marie Boimond	Palestinian	15,080	80
Atezaz M. Skaik	Palestinian	5,000	5000

Senior Management Ownership

Name	Citizenship	Number of Shares Owned	
		End of 2010	End of 2009
Alaa M. Al Redwan	Palestinian	4,736	5,738
Rushdi M. Ghalayini	Palestinian	6,832	6,832
Ihsan K. Shuashaa	Palestinian	11,640	6,640
Salman M. Qemailah	Palestinian	16,320	38,735
Wael Abd Allatif Al Sourani	Palestinian	3,862	3,762
Hani Salah Nasser	Palestinian	2,400	2,400
Khamis F. Asfoor	Palestinian	3,340	3,340



Salaries and Bonuses

Senior Executive Management Salaries and Bonuses

General Manager, Deputy General Managers and Assistant General Managers bonuses and salaries amounted to USD 692,520.

Seminars Cost and Travel Expenses of Senior Executive Management

General Manager, Deputy General Managers and Assistant General Managers Seminars Cost and Travel Expenses amounted to USD 104,167.

Credit Facilities Granted to Senior Executive Management:

Total credit facilities granted to Senior Executive Management was USD 1,198,375.

Proposed Remuneration to Board of Directors

Proposed Board of Directors remuneration based on profits for the year 2010 is USD 990,000 .

Other Disclosures

Depending on Main providers and Customers

There are no main local and foreign providers or customers who represent 10% or more of out total purchases or / and sales.

Privileges

The bank does not have any governmental protection or privilege to the company or any of its products by law, regulations or others.

Extraordinary Transactions

There is no financial effect occurred because of extraordinary transactions during the financial year and not part of the Bank's main operations.

Decisions with Material effect

Israeli Military orders are the major obstacles to Bank's operations, especially the siege on the Gaza Strip and military checkpoints spread across the West Bank. In spite of this situation, Bank of Palestine has the ability and experience to adapt with these orders. Having the largest banking network in the Palestinian territories enables the bank to manage its transactions and their continuity effectively with prevailing conditions.

Issues Requested Voting by Shareholders

No issues requested a special voting by shareholders during the year 2010.

Preliminary Financial Statements

There is no difference between the preliminary financial statements disclosed previously and the final financial statements except a decrease in owners' equity by USD 1,660 and an increase in liabilities by the same amount because of reclassification of accounts.

External Auditor

Ernst & Young Co. audited 2010 financial statements.

Disseminating Information

The Annual Report will be sent to all shareholders at their registered address with an invitation form to attend the General Assembly. The report will also be available in all of our branches and on our electronic website www.bankofpalestine.com

Al Wasata Securities Company

**GET THE RIGHT
PERSPECTIVE**
For The Right Investment



Based on BOP's vision to operate in the investments and securities sector, BOP established Al-Wasata Securities Company in 2007 which works in the field of brokerage, underwriting management and portfolio management in Palestinian and Arab stock markets. The company started its operation in January 2007, the company paid up capital is USD 3,560,000 and BOP shareholding is 87% of total capital. The company is a member of Palestine Exchange and it has been successful in four years since its establishment to rank the first among its peers in the number of accounts opened. In addition, more than 10,000 new investors were attracted by the company. Al-Wasata new investors constitute 35% of total new investors registered in Palestine Exchange.

During 2010, the volume of traded shares was USD 205 million in Palestine and regional markets which enabled the company to achieve an advanced position among other operating companies. The company has two head offices one in Ramallah and the other in Gaza.

In order to serve and communicate with investors wherever they are and based on BOP's expansion strategy, a new branch was opened in Khan Yonis city to serve investors located in Southern Gaza Strip. The new branch is equipped with latest technology to provide investors with a highest degree of comfort, security and easiness.

Al-Wasata Company is one of the first companies to introduce e-trading services in Palestine exchange through a secure and advanced software which provides investors with all needed information to make the right investment decision. This service makes trading on shares quite easy.



نجاحك هو عملنا
Your Success Is Our Business

Branch Network

West Bank

General Management – Head Office

Ramallah, Ain Misbah
Tel: 970 (02) 2965010
Fax: 970 (02) 2964703
P.O. Box: 471, Ramallah
Email: gmwb@bankofpalestine.com
Email: info@bankofpalestine.com

Ramallah Branch

Ain Misbah
Tel : 02-2985921/4
Fax: 02-2985920
Email: bop8@bankofpalestine.com
Manager: Hatem KH. Mostafa

Irsal Office - Ramallah

Irsal st.
Tel: 02-2966860/3
Fax: 02-2966864
Email: mkhabisa@bankofpalestine.com
Manager: Mohamed A. Khabesa

Tanus Office - Ramallah

Tanus Building , Main Street.
Tel : 02-2972170/1
Fax : 02-2982182
Email: bop08@bankofpalestine.com
Manager: Kayed Sh. Elremawe

Dier Dibwan Office - Ramallah

Dier Dibwan , Al Moghtarebeen Square
Tel : 02-2897144
Fax: 02-2897143
Email: mnf@bankofpalestine.com
Manager: Marwan Mfarja

Turmosa'ya Office - Ramallah

Munisipality Building , Main Street
Tel: 02-2805272/3
Fax: 02-2805274
Email: isalameh@bankofpalestine.com
Manager: Eman Salamah

Beirzait office - Ramallah

Birzeit university
Tel: 02-2819441
Fax: 02-2819444
Email: bop08@bankofpalestine.com
Manager: Maher Ibsharia

Silwad office - Ramallah

Main St.
Tel: 02-2891233/4
Fax: 02-2891235
Email: Silwad@Bankofpalestine.com
Manager: Abed Shukhah

Nablus Branch

Sufian st.
Tel: 09-2382030/2
Fax: 09-2382923
Email: bop7@bankofpalestine.com
Manager: Naser M. Baker

Hisba Office - Nablus

hisba st.
Tel: 09-2311460/1
Fax: 09-2311922
Email: fawaz.abudher@bankofpalestine.com
Manager: Fawaz A. Edhar

Huwara Office

Main St.
Tel: 09-2591124
Fax: 09-2591127
Email: awni.mletat@bankofpalestine.com
Manager: Awni Mlitat

Jenin Branch

Abu Baker st.
Tel: 04-2439521/3
Fax: 04-2439520
Email: bop14@bankofpalestine.com
Manager: Ryad A. Abu-Elrob

Qabatia Office - Jenin

Main St.
Tel: 04-2511521
Fax: 04-2511520
Email: bop014@bankofpalestine.com
Manager: Made R. Shegha

Maythalon Office - Jenin

Maythalon , main street
Tel: 04-2519002
Fax: 04-2519003
Email: sabusalah@bankofpalestine.com
Manager: Saber Kalalwa

Yaa'bad Office - Jenin

Yaa'bad , main street
Yaseen's circle
Tel: 04-2519002
Fax: 04-2519003
Email: azzamhanaysheh@bankofpalestine.com
Manager: Azam Hanaysheh

Al Yamoon Office

main street, Martyrs circle
Tel: 04/2441660
Fax: 04/2441661
Email: khaled.jalamneh@bankofpalestine.com
manager: Khaled Jalamna

Toubas Branch

Al Ghour st.
Tel: 09-2573801/2/3
Fax: 09-2573804
Email: bop18@bankofpalestine.com
Manager: Montser J. Kanazea

Tulkarem Branch

Yaser Arafat st.
Tel: 09-2686622/4
Fax: 09-2686625
Email: bop17@bankofpalestine.com
Manager: Khaled Shahrour

Qalqilia Branch

Sabe' Street.
Tel: 09-2947921/3
Fax: 09-2947924
Email: bop16@bankofpalestine.com
Manager: Eslam M. Jeade

Azoun Office – Ramallah

Azoun Main Street.
Tel: 09-2902941/2
Fax: 09-2902943
Email: bop016@bankofpalestine.com
Manager: Dawod A. Oda

Salfet Branch

Al Qassam St.
Tel : 09-2519950/1/2
Fax: 09-2519953
Email: mgr469@bankofpalestine.com
Manager: Mohamed Khofash

Jericho Branch

Maghtas st.
Tel: 02-2321083/4
Fax: 02-2321085
Email: bop6@bankofpalestine.com
Manager: Mohamed A. Masaeed

Al Karamah Office - Jerico

Karama border
Tel: 02-9944640
Fax: 02-9944640
Manager: Mohamed A. Masaeed

Bethlehem Branch

Mahd St.
Tel: 02-2765515/6
Fax: 02-2765517
Email: bop15@bankofpalestine.com
Manager: Esa S. Qeses

Bait Jala office

Municipality building - city center
Tel: 02-2746303/4
Fax: 02-2746308
Email: beitjala@bankofpalestine.com
Manager: Rula Hawari

Hebron Branch

Salam st.
Tel: 02-2250001/3
Fax: 02-2250004
Email: bop12@bankofpalestine.com
Manager: Moauea F. Qawasme

Dura Office – Hebron

Dura , Yafa Street
Tel: 02-2285402/5
Fax: 02-2285422
Email: bop012@bankofpalestine.com
Manager: Jafer A. Sharawna

Saeer Office - Hebron

Saeer , El-arood Street.
Tel: 02-2563544/5
Fax: 02-2563547
Email: bop82@bankofpalestine.com
Manager: Ayham Qarja

Yatta Office – Hebron

Yatta, main st.
Tel: 02-2273550
Fax: 02-2273555
Email: amead.aburajab@bankofpalestine.com
Manager: Ameid Abu Rajab

Tarqumia office

Tarqumia, School's Triangle
Tel: 970 (02) 2584388
Fax: 970 (02) 2584386
Email: kqawasmi@bankofpalestine.com
Manager: Khalid Al Kawasmi

Abu Dees Branch

El Borg El thahbi Tower
Tel: 02-2794770/3
Fax: 02-2794775
Email: bop470@bankofpalestine.com
Manager: Ramzi abu salem

Omar Mokhtar

Omar Mokhtar st.
Tel: 08-2835411/88
Fax: 08-2865786
Email: bop0@bankofpalestine.com
Manager: Mohamed R. Moshtaha

Jabalia Branch

Saleh Dardounah St.
Tel: 08-2481121/2/3/5/6
Fax: 08-2481124
Email: bop3@bankofpalestine.com
Manager: Majed F. Barakat

Naser Branch

Naser st.
Tel: 08-2854711/2
Fax: 08-2854717
Email: bop11@bankofpalestine.com
Manager: Mohamed S. Dalol

Nussirat Branch

Main st.
Tel: 08-2555933
Fax: 08-2555922
Email: bop13@bankofpalestine.com
Manager: Mohamed S. Abu Marak

Deir El Balah Branch

Main st.
Tel: 08-2532032/3
Fax: 08-2532031
Email: bop10@bankofpalestine.com
Manager: Ali E. Jenana

Khan Younis Branch

Hindi st.
Tel: 08-2067320/30
Fax: 08-2052932
Email: bop2@bankofpalestine.com
Manager: Mohamed E. Zoarop

Rafah Branch

Keshta st.
Tel: 08-2138555
Fax: 08-2136071
Email: bop5@bankofpalestine.com
Manager: Anwar M. Abu Nahla

Rafah Crossing Office

Rafah crossing
Tel: 08-6713439
Fax: 08-6713439
Manager: Anwar M. Abu Nahla

Gaza Strip

General Management

Omar El Mokhtar Street , Al jundi
Tel: 08-2843059/69
Fax: 08-2846025
P.O.Box:50
Email: info@bankofpalestine.com

Remal (Jundi) Branch

Omar Mokhtar st.
Tel: 08-2843039/49
Fax: 08-2861755
Email: bop4@bankofpalestine.com
Manager: Emad Galayinee

Remal (Saraiah)

Al Jalaa st.
Tel: 08-2835866/77
Fax: 08-2865787
Email: bop04@bankofpalestine.com
Manager: Tamer R. Madane

Karni Office

Karni crossing
Telefax: 08-2803466
Manager: Emad Galayinee

Main Branch

Omar Mokhtar st.
Tel: 08-2823272/7
Fax: 08-2865667
Email: bop1@bankofpalestine.com
Manager: Rafek Abu Daia

Financial Statements & Auditor's Report

December 31st, 2010



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Independent Auditors' Report to the Shareholders of The Bank of Palestine PLC

We have audited the accompanying consolidated financial statements of the Bank of Palestine PLC (the Bank) which comprise the consolidated statement of financial position as at December 31, 2010 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The consolidated financial statements of the Bank as at December 31, 2009 were audited by other auditors whose report expressed an unqualified opinion before the restatements depicted in note (44) to the accompanying consolidated financial statement.

Board of Directors' Responsibility for Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2010 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Stand

Emphasis of a Matter

Without qualifying our opinion, as depicted in note (18) to the consolidated financial statements, the Bank has not reached final tax settlements with tax authorities on its results of operations for the years from 2005 to 2009. In addition, the Bank provides for taxes in accordance with the tax laws prevailing in Palestine and the Presidential Decree issued in 2007 which exempts tax payers in the southern governments (Gaza) from taxes. Accordingly, tax provisions for the years from 2007 to 2010 does not account for the Bank's operations from Gaza branches.

February 10, 2011
Ramallah - Palestine

Consolidated Statement of Financial Position

As at December 31, 2010

		2010	2009 (Restated)	January 1, 2009 (Restated)
	Notes	U.S. \$	U.S. \$	U.S. \$
ASSETS				
Cash and balances with Palestine Monetary Authority	4	320,225,462	284,176,154	186,808,845
Balances at banks and financial institutions	5	361,818,124	381,450,254	430,538,810
Held-for-trading investments	6	9,620,467	17,512,124	10,015,851
Direct credit facilities	7	545,026,391	343,311,230	285,337,011
Available-for-sale investments	8	253,325,634	18,407,690	7,723,742
Held-to-maturity investments	9	-	197,962,375	88,573,424
Investment in associate	10	9,422,627	-	-
Investment properties		671,413	671,413	671,413
Property, plant and equipment	11	31,168,875	29,040,311	24,643,815
Other assets	12	13,759,029	10,485,951	12,520,003
Total Assets		1,545,038,022	1,283,017,502	1,046,832,914
LIABILITIES AND EQUITY				
Liabilities				
Palestine Monetary Authority's deposits	13	41,867,735	65,376,237	41,274,432
Banks' and financial institutions' deposits	14	19,926,307	2,420,979	623,948
Customers' deposits	15	1,205,950,955	978,947,595	808,158,120
Cash margins	16	45,531,980	37,736,181	32,339,177
Sundry provisions	17	9,902,447	9,214,246	7,556,770
Tax provisions	18	25,803,117	18,420,941	12,256,806
Other liabilities	19	32,171,231	20,078,859	21,528,926
Total Liabilities		1,381,153,772	1,132,195,038	923,738,179
Equity attributable to the Bank's shareholders				
Paid-in share capital	21	100,000,000	100,000,000	81,404,137
Additional paid-in capital	22	9,034,692	9,034,692	9,034,692
Statutory reserve	20	16,407,381	13,395,184	10,085,854
Voluntarily reserve	20	88,418	87,047	6,480
General banking risks reserve	20	8,907,852	5,726,755	4,645,546
Pro-cyclicality reserve	20	4,604,991	-	-
Available-for-sale investment reserve	8	3,227,041	(1,115,276)	(1,892,048)
Retained earnings		21,039,536	23,117,225	19,324,011
		163,309,911	150,245,627	122,608,672
Non-controlling interests		574,339	576,837	486,063
Net Equity		163,884,250	150,822,464	123,094,735
Total Liabilities and Equity		1,545,038,022	1,283,017,502	1,046,832,914

The accompanying notes from 1 to 45 form integral part of these consolidated financial statements

Consolidated Income Statement

For the year ended December 31, 2010

		2010	2009 (Restated)
	Notes	U.S. \$	U.S. \$
Interest income	23	50.580.117	43.765.282
Interest expense	24	(4.087.481)	(4.047.418)
Net interest income		46.492.636	39.717.864
Net commissions	25	15.350.418	13.147.965
Net interest and commissions income		61.843.054	52.865.829
Foreign currency gain		4.585.200	5.450.364
Gain (loss) from financial investments	26	4.498.888	(1.836.598)
Recovery of lawsuits provision	17	1.990.000	-
Other revenues	27	6.123.995	8.056.156
Gross profit		79.041.137	64.535.751
Expenses			
Personnel expenses	28	(24.142.630)	(18.340.884)
Other operating expenses	29	(12.680.052)	(10.018.840)
Depreciation	11	(3.383.350)	(2.594.179)
Share of results of associate	10	(574.974)	-
Credit facilities written off		(501.856)	(444.232)
Palestine Monetary Authority fines	30	(26.170)	(44.313)
Total expenses		41.309.032	31.442.448
Profit before taxes		37.732.105	33.093.303
Tax expense	18	(7.612.636)	(6.164.135)
Profit for the year		30.119.469	26.929.168
Attributable to:			
Equity holders of the Bank		30.121.967	26.838.394
Non-controlling interests		(2.498)	90.774
		30.119.469	26.929.168
Basic and diluted earnings per share	33	0.30	0.27

The accompanying notes from 1 to 45 form integral part of these consolidated financial statements

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2010

	2010	2009 (Restated)
	U.S. \$	U.S. \$
Profit for the year	30.119.469	26.929.168
Other comprehensive income:		
Unrealized gain on financial investments	1.448.587	776.772
Recovery of unrealized revaluation losses of financial investments reclassified into investment in an associate (note 10)	2.346.584	-
Impairment of available-for-sale investments recognized in the consolidated income statement	547.146	-
Other comprehensive income for the year	4.342.317	776.772
Total comprehensive income for the year	34.461.786	27.705.940
Attributable to:		
Equity holders of the Bank	34.464.284	27.615.166
Non-controlling Interests	(2.498)	90.774
	34.461.786	27.705.940

The accompanying notes from 1 to 45 form integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity

For the year ended December 31, 2010

	Reserves										
	Paid-in share capital	Additional paid-in capital	Statutory	Voluntarily	General banking risks	Pro-cyclicality	Available-for-sale-investments	Retained earnings	Total	Non-controlling interests	Net equity
2010	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
At January 1, 2010	100.000.000	9.034.692	13.395.184	87.047	5.726.755	-	(1.115.276)	23.117.225	150.245.627	576.837	150.822.464
Total comprehensive income for the year	-	-	-	-	-	-	4.342.317	30.121.967	34.464.284	(2.498)	34.461.786
Transfers to reserves	-	-	3.012.197	1.371	3.181.097	4.604.991	-	(10.799.656)	-	-	-
Cash dividends (note 31)	-	-	-	-	-	-	-	(21.400.000)	(21.400.000)	-	(21.400.000)
At December 31, 2010	100.000.000	9.034.692	16.407.381	88.418	8.907.852	4.604.991	3.227.041	21.039.536	163.309.911	574.339	163.884.250
	Reserves										
	Paid-in share capital	Additional paid-in capital	Statutory	Voluntarily	General banking risks	Pro-cyclicality	Available-for-sale-investments	Retained earnings	Total	Non-controlling interests	Net equity
2009	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
At January 1, 2009 - before restatement	81.404.137	9.034.692	10.092.391	6.480	4.645.546	-	1.692.048	19.382.844	122.674.042	495.831	123.169.873
restatements (note 44)	-	-	(6.537)	-	-	-	-	(58.833)	(65.370)	(9.768)	(75.138)
At January 1, 2009 - After restatement	81.404.137	9.034.692	10.085.854	6.480	4.645.546	-	(1.892.048)	19.324.011	122.608.672	486.063	123.094.735
Total comprehensive income for the year	-	-	-	-	-	-	776.772	26.838.394	27.615.166	90.774	27.705.940
Transfers to reserves	-	-	3.309.330	80.567	1.081.209	-	-	(4.471.106)	-	-	-
Stock dividends (note 31)	18.595.863	-	-	-	-	-	-	(18.595.863)	-	-	-
Fractions of stock dividends sold	-	-	-	-	-	-	-	21.789	21.789	-	21.789
At December 31, 2009 (restated)	100.000.000	9.034.692	13.395.184	87.047	5.726.755	-	(1.115.276)	23.117.225	150.245.627	576.837	150.822.464

The accompanying notes from 1 to 45 are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows

For the year ended December 31, 2010

	Note	2010 U.S. \$	2009 (Restated) U.S. \$
Operating activities			
Profit before taxes		37.732.105	33.093.303
Adjustments for:			
Depreciation		3.383.350	2.594.179
Gains from financial investments		(1.138.957)	(619.582)
Impairment losses of financial investments		547.146	3.000.000
Recovery of lawsuits provision		(1.990.000)	-
Recovery of impairment of financial investments		(3.000.000)	-
Amortization of bonds premium and discount		763.775	1.768.078
Recovery of suspended interest		(1.500.446)	(3.750.292)
Share of results of an associate		574.974	-
Sundry provisions		2.834.561	1.930.647
Gain on disposal of property, plant and equipment		(6.141)	(9.523)
		38.200.367	38.006.810
Changes in assets and liabilities:			
Direct credit facilities		(200.214.715)	(54.223.927)
Statutory cash reserve at Palestine Monetary Authority		(26.324.008)	(18.914.896)
Other assets		(3.273.078)	2.034.052
Customers' deposits		227.003.360	170.789.475
Cash margins		7.795.799	5.397.004
Other liabilities		10.017.782	(742.093)
Sundry provisions paid		(156.360)	(273.171)
Net cash flows from operating activities		53.049.147	142.073.254
Investing activities:			
Purchase of available-for-sale investments		(17.508.331)	(51.776.500)
Purchase of held-for-trading investments		(2.361.879)	(11.413.684)
Purchase of held-to-maturity investments		(70.440.220)	(142.288.057)
Proceeds from sale of trading and available-for-sale investments		14.304.233	45.934.242
Disposals of held-to-maturity investments		43.193.592	27.351.309
Cash dividends received		907.077	543.820
Purchase of property, plant and equipment		(5.542.913)	(7.043.216)
Proceeds from sale of property, plant and equipment		37.140	62.064
Net cash used in investing activities		(37.411.301)	(138.630.022)
Financing activities:			
Cash dividends paid		(19.541.502)	-
Proceeds from fractions of stock dividends sold		-	21.789
Net cash flows (used in) from financing activities		(19.541.502)	21.789
(Decrease) increase in cash and cash equivalents		(3.903.656)	3.465.021
Cash and cash equivalents, beginning of the year		507.725.468	504.260.447
Cash and cash equivalents, end of year	32	503.821.812	507.725.468

The accompanying notes from 1 to 45 are an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements

December 31, 2010

1. General

Bank of Palestine PLC (the Bank) was established in 1960 and is registered with the companies' controller office of the Palestinian National Authority in Gaza as a public shareholding limited company under registration no (563200096) in accordance with Companies Law of 1929 and its subsequent amendments.

The Bank's authorized and paid-in share capital is 100 million shares of U.S. \$ 1 par value for each share. Further, the Bank's general assembly resolved in its extraordinary meeting held on April 30, 2010 to increase authorized share capital to 200 million shares. As of the date of these consolidated financial statements, the increase in the authorized share capital was not registered with the companies' controller office.

The Bank's shares were listed for trading with Palestine Exchange during 2005.

The Bank is carrying out all of its banking and financial activities through its 19 branches and 23 offices located in Palestine.

The Bank's number of personnel reached 943 and 864 as at December 31, 2010 and 2009, respectively.

The consolidated financial statements for the year ended December 31, 2010 were authorized for issuance by the Bank's board of directors during their meeting number 294 held on February 10, 2011.

2. Consolidated Financial Statements

The consolidated financial statements comprise of the financial statements of the Bank of Palestine and its subsidiaries as at December 31, 2010.

The financial statements for Al-Wasata Securities Private Limited Shareholding Company (Al-Wasata Company/subsidiary) and Investment 2000 Private Limited Shareholding Company (Investment 2000 Co./subsidiary) have been consolidated with the Bank's financial statements on a line-by-line basis after eliminating all intercompany balances and transactions between the Bank and its subsidiaries.

The Bank's direct and indirect ownership in the subsidiaries' capital is as follows:

		Ownership		Capital	
		%		U.S. \$	
	Country of incorporation	2010	2009	2010	2009
Al-Wasata Company	Palestine	87	87	3.560.000	3.560.000
Investment 2000 Co.	Palestine	100	100	100.000	100.000

Subsidiaries are companies over which the Bank controls the financial and operational policies. The Bank and its subsidiaries operate in Palestine.

3. Accounting Policies

3.1 Basis of preparation of consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), local prevailing laws, and in conformity with Palestine Monetary Authority (PMA) regulations.

The consolidated financial statements have been prepared under the historical cost basis, except for held-for-trading investments and available-for-sale investments that have been measured at fair value at the date of the consolidated financial statements.

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

3.2 Basis of consolidation of financial statements

The consolidated financial statements of the Bank's and its subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Bank obtains control, and continues to be consolidated until the date that such control ceases.

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

3.3 Changes in accounting policies

The accounting policies adopted are consistent with those used in the previous year except that the Bank has adopted the following new and amended IFRSs during the year. Adoption of these standards did not have any effect on the financial performance or position of the Bank.

IFRS 3 – Business Combinations (Revised)

IAS 27 – Consolidated and Separate Financial Statements (Amended)

IAS 39 Financial Instruments: Recognition and Measurement (Amended)

The following IFRSs have been issued but are not yet mandatory, and have not been adopted by the Bank:

IFRS 9 Financial Instruments

IAS 24 – Related Party Disclosures (Revised)

3. 4 Summary of significant accounting policies

Revenues and expenses recognition

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

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

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

Credit facilities

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

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

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

Credit facilities that are in default for more than 6 years are written off together with related interest in suspense and impairment provisions in accordance with PMA regulations.

Recognition of financial assets

Purchases and sales of financial assets are recognized on the trade date, (which is the date that the Bank commits to purchasing or selling the financial asset).

Held-for-trading investments

Financial assets held-for-trading are initially recognized at fair value and subsequently recorded in the consolidated statement of financial position at fair value. All related realized and unrealized gains and losses resulting from the changes in fair value, including any gains or losses resulting from the translation of non-monetary assets in foreign currencies, are recognized in the consolidated income statement. Interest, dividends and acquisition costs are recognized in the consolidated income statement.

Available-for-sale investments

Available-for-sale investments are measured at fair value plus cost of acquisition. After initial measurement, available-for-sale investments are subsequently measured at fair value. Unrealized gains and losses are reported in the consolidated statement of comprehensive income. When the investment or part of it is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the consolidated income statement. Losses arising from impairment of such investments are recognized in the consolidated income statement. Impairment losses recognized previously in the consolidated income statement could be recovered if there is objective evidence that the increase in fair value occurred in a subsequent period to the period in which the losses occurred. Impairment losses of equity investments could be recovered through the consolidated statement of comprehensive income.

Available-for-sale investments are stated at cost when their fair value cannot be reliably determined and any impairment loss is recognized in the consolidated income statement.

Held-to-maturity investments

Held-to-maturity investments are financial assets with determinable payments and fixed maturities, which the Bank has the intention and ability to hold to maturity.

Held-to-maturity investments are initially recognized at cost plus costs of acquisition. After initial measurement, held-to-maturity investments are subsequently re-measured at amortized cost using the effective interest rate method. The losses arising from impairment of such investments are recognized in the consolidated income statement.

Fair value of financial instruments

The fair value of investments that are actively traded in active financial markets is determined by reference to quoted market bid prices at the close of business.

For financial instruments where there is no active market, fair value is normally determined based on one of the following methods:

- Comparison with the current market value of a highly similar financial instrument.
- The estimated cash flows discounted at current rates applicable for items with similar terms and risk characteristics.

The estimation methods aim to obtain a fair value that reflects the market anticipation taking into consideration the market factors and any expected risks or benefits. In case the fair value of an investment cannot be reliably measured, it is stated at cost or amortized cost less any impairment in value.

Offsetting

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

Impairment of financial assets

The Bank assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. If such evidence exists, the recoverable amount is estimated to determine the impairment loss that should be recognized in the consolidated income statement.

Impairment is determined as follows:

- Financial assets carried at amortized cost: impairment is the difference between carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.
- Financial assets carried at fair value: impairment is the difference between cost and fair value.
- Financial assets carried at cost: impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return of a similar financial asset.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets (except for land) as follows:

	Useful life (Years)
Real estate properties	50
Furniture and equipment	6 - 17
Computers	5 - 10
Leasehold improvements	5
Vehicles	7

The 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. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount being the higher of their fair value less costs to sell or their value in use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditures are capitalized only when they increase the future economic benefits of the related item of property, plant and equipment. All other expenditures are recognized in the consolidated income statement.

Investment properties

Investment properties are measured at cost, including transaction costs. Investment properties are derecognized when either they have been disposed of or when no future economic benefit is expected to be generated from the investment property.

Gain or loss resulting from derecognizing investment property is recognized in the consolidated income statement in the period of derecognition.

Investment in associate

Investments in associates are accounted for using the equity method. An associate is an entity over which the Bank has significant influence.

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus post acquisition changes in Bank's share of net assets of the associates. The Bank's share in associates' results is recorded in the consolidated income statement. Unrealized gains and losses resulting from transactions between the Bank and its associates are eliminated to the extent of its interest in the associates.

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

Assets obtained by the Bank by calling on collateral

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

Provisions

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

Tax provisions

The Bank provides for income tax in accordance with Palestinian Income Tax Law, IAS (12) and the Presidential Decree issued in 2007 which exempts tax payers in the southern governorates (Gaza) from taxes for the years from 2007 to 2010.

Accordingly, tax provisions for the years from 2007 to 2010 do not account for the Bank's operations from Gaza branches.

International Accounting Standard (12) requires recognizing the temporary differences, at the consolidated statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, as deferred tax assets or liabilities. Management elected not to recognize such deferred taxes assets to uncertainty of benefiting from future outcomes.

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

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

Provision for employees' indemnity

Provision for employees' indemnity is calculated in accordance with Bank's by-laws and the labor law prevailing in Palestine.

Employees' saving fund

The Bank deducts 5% from the employees' monthly basic salaries and contributes additional 5% of the employees' monthly basic salaries towards the saving fund. The fund is managed by committee from the Bank's personnel and its accounts are maintained outside of the Bank's accounts.

Cash and cash equivalents

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

Segments information

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

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

Foreign currencies

- Transactions dominated in foreign currencies occurring during the year, are recorded at the exchange rate ruling at the date of the transaction.
- Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at reporting date.
- Non-monetary items measured at fair value and denominated in a foreign currency are translated using the exchange rates at the date when the fair value was determined.
- Any foreign currency exchange gains or losses are recognized in the consolidated income statement.
- Currency exchange differences for non-monetary assets and liabilities items stated at fair value (such as available-for-sale investment) are recognized in the consolidated statement of comprehensive income.

Use of estimates

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

Management believes that estimates used in the preparation of the consolidated financial statements are reasonable and are as follows:

- The Bank reviews its impairment provision for credit facilities according to PMA's regulations and IAS (39).
- Tax provisions are calculated annually based on prevailing tax laws in the territories in which the Bank operates and the accounting standards that the Bank follows.
- Management reviews, on a regular basis, the useful lives of property, plant and equipment in order to assess the depreciation for the year based on the assets' condition, useful life and future economic benefits. Impairment, if any, is recognized in the consolidated income statement.
- Management reviews, on a regular basis, the financial assets that are stated at cost to estimate impairments, if any. Impairment losses are reflected in the consolidated income statement.
- Lawsuits provision is established to provide for any legal obligations, if any, based on the opinion of the Bank's lawyer.
- Impairment loss of investment properties is recognized based on appraisal reports from certified valuers. Impairment is periodically reviewed.

4. Cash and Balances with Palestine Monetary Authority

This item comprises the following:

	2010	2009	January 1, 2009
	U.S. \$	U.S. \$	U.S. \$
Cash on hand	178.412.674	132.523.164	69.508.900
Balances with PMA:			
Current and demand accounts	22.690.056	1.537.274	395.126
Time deposits	2.695.000	60.011.992	45.715.991
Statutory cash reserve	116.427.732	90.103.724	71.188.828
	320.225.462	284.176.154	186.808.845

- The Bank shall maintain specific statutory cash reserves with PMA as a percentage of total customers' deposits. No interest is earned on these reserves and current accounts. Percentages of reserves were adjusted during the year according to PMA circular (67/2010) as follows:

	2010	2009
	%	%
Customers' deposits in Israeli Shekel (ILS)	9	8
Customers' deposits in other currencies	9	9

- Time deposits at PMA are interest-bearing deposits with interest rates based on current market interest rates less PMA's commission of 0.25%.

5. Balances at Banks and Financial Institutions

This item comprises the following:

	2010	2009	January 1, 2009
	U.S. \$	U.S. \$	U.S. \$
Local banks and financial institutions:			
Current and demand accounts	191.354	866.016	436.907
Foreign banks and financial institutions:			
Current and demand accounts	115.658.678	50.166.764	57.262.693
Deposits maturing within 3 months	245.968.092	330.417.474	372.839.210
	361.818.124	381.450.254	430.538.810

- Non-interest bearing balances at banks and financial institutions as at December 31, 2010 and 2009 amounted to U.S. \$ 80,820,841 and U.S. \$ 34,587,087, respectively.
- Restricted balances at banks and financial institutions as at December 31, 2010 and 2009 amounted to U.S. \$ 600,758 and U.S. \$ 437,000, respectively. These amounts represent cash margins to Visa and Master Card companies.

6. Held-for-trading Investments

	2010	2009	January 1, 2009
	U.S. \$	U.S. \$	U.S. \$
Quoted shares at Palestine Exchange	7.794.199	14.886.830	7.754.562
Quoted bonds at foreign markets	1.826.268	2.625.294	2.261.289
	9.620.467	17.512.124	10.015.851

7. Direct Credit Facilities

This item comprises the following:

	2010	2009	January 1, 2009
	U.S. \$	U.S. \$	U.S. \$
Individuals			
Loans	163.411.604	107.626.200	79.178.738
Overdraft accounts	6.083.438	1.020.888	4.148.918
Credit cards	22.329.992	11.905.772	5.228.348
Current overdraft	27.177.756	21.701.953	22.107.981
Corporate			
Loans	106.388.762	75.383.538	35.893.723
Overdraft accounts	43.982.522	32.610.475	28.590.704
Current overdraft	23.834.665	15.037.872	8.376.919
Small and medium companies			
Loans	10.244.625	30.000	57.542
Overdraft accounts	189.780	148.388	102.707
Current overdraft	300.563	91.644	-
Government and public sector			
Loans	28.190.227	27.140.392	16.358.132
Overdraft accounts	120.889.464	59.833.794	98.825.092
	553.023.398	352.530.916	298.868.804
Suspended interests and Commission	(554.683)	(2.045.241)	(6.631.047)
Provision for impairment of direct credit facilities	(7.442.324)	(7.174.445)	(6.900.746)
	545.026.391	343.311.230	285.337.011

Suspended interest

Summary of movement follows:

	2010	2009
	U.S. \$	U.S. \$
Balance, beginning of the year	2.045.241	6.631.046
Suspended interest transferred to revenues	(1.500.446)	(3.750.292)
Suspended interest written off	(26.062)	(71.619)
Suspended interest written off for facilities in default for more than 6 years	-	(762.857)
Foreign currency exchange	35.950	(1.037)
Balance, end of year	554.683	2.045.241

Provision for doubtful credit facilities

Summary of movement follows:

	2010	2009
	U.S. \$	U.S. \$
Balance, beginning of the year	7.174.445	11.070.395
Impairment provision written off for facilities in default for more than 6 years	-	(3.895.950)
Foreign currency exchange	267.879	-
Balance, end of year	7.442.324	7.174.445

- Credit facilities excluding unearned interest and commissions amounted to U.S. \$ 1,517,274 as at December 31, 2010 and U.S. \$ 921,887 as at December 31, 2009.
- Downgraded direct credit facilities net of suspended interest according to PMA regulations as at December 31, 2010 and 2009 amounted to U.S. \$ 7,911,239 and U.S. \$ 6,968,577 representing (1.43%) and (1.98%) of gross credit facilities, respectively
- Defaulted credit facilities net of suspended interest as at December 31, 2010 and 2009 amounted to U.S. \$ 6,448,492 and U.S. \$ 4,100,168 representing (1.17%) and (1.16%) of direct credit facilities excluding suspended interest, respectively.
- According to PMA circular number (1/2008), defaulted credit facilities for more than six years were written off from the consolidated financial statements. These defaulted facilities amounted to U.S. \$ 4,235,275 as at December 31, 2010. The balance of impairment provision and suspended interest for defaulted accounts amounted to U.S. \$ 3,628,071 and U.S. \$ 607,204, respectively.
- Direct credit facilities granted to Palestine National Authority as at December 31, 2010 and 2009 amounted to U.S. \$ 148,196,526 and U.S. \$ 86,080,735 representing (26.8%) and (24.5%) of gross direct credit facilities, respectively.
- Direct credit facilities guaranteed by Palestine National Authority as at December 31, 2010 and 2009 amounted to U.S. \$ 32,796,376 and U.S. \$ 15,667,546 representing (5.9%) and (4.4%) of gross direct credit facilities, respectively.
- The fair value of collaterals against direct credit facilities according to PMA regulations amounted to U.S. \$ 721,381,829 as at December 31, 2010.
- Credit facilities granted to non-residents amounted to U.S. \$ 6,325,000 and U.S. \$ 7,705,219 as at December 31, 2010 and 2009, respectively.

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

	2010	2009
	U.S. \$	U.S. \$
Industry and trade	22.804.560	19.420.015
Services	60.282.299	44.387.864
Retail and whole sales	35.406.248	35.225.679
Real estate and construction	46.206.875	21.690.362
Transportation	1.350.844	675.674
Agriculture	18.204.023	4.847.846
Tourism	9.385.159	1.980.605
Financial services	29.061.830	23.836.851
Public sector	269.297.514	172.178.879
Others	60.469.363	26.241.900
	552.468.715	350.485.675

8. Available-for-sale Investments

	2010			2009			January 1, 2009
	Local	Foreign	Total	Local	Foreign	Total	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Quoted shares	-	16.255.732	16.255.732	9.259.243	1.220.302	10.479.545	-
Quoted bonds (note 9)	-	156.060.508	156.060.508	-	-	-	-
Treasury bills (note 9)	-	76.477.965	76.477.965	-	-	-	-
Investment portfolios	-	531.429	531.429	-	4.078.145	4.078.145	5.973.742
Unquoted shares*	4.000.000	-	4.000.000	3.850.000	-	3.850.000	1.750.000
	4.000.000	249.325.634	253.325.634	13.109.243	5.298.447	18.407.690	7.723.742

* These shares are not quoted in an active market and are shown at cost less accumulated impairment, as their fair values cannot be reliably determined due to the unpredictable nature of future cash flows. The Bank management believes that the fair values of such investments are not materially different from their carrying amounts.

Movement on available-for-sale reserve during the year is as follows:

	2010	2009
	U.S. \$	U.S. \$
Balance, beginning of the year	(1.115.276)	(1.892.048)
Unrealized (loss) gain on financial investments	(3.644.658)	776.772
Unrealized gains from financial assets reclassified from held-to-maturity investments (note 9)	5.093.245	-
Recovery of unrealized revaluation losses of financial investments reclassified into investment in an associate (note 10)	2.346.584	-
Impairment of available-for-sale investments recognized in the consolidated income statement	547.146	-
Balance, end of year	3.227.041	(1.115.276)

9. Held-to-maturity Investments

	2010	2009	January 1, 2009
	U.S. \$	U.S. \$	U.S. \$
Bonds held-to-maturity	-	197.962.375	88.573.424

- As part of balancing the risks of the Bank's investment portfolio, the Bank sold during the year a number of bonds that were classified as held-to-maturity investment through sale transactions that were considered "more than insignificant". Consequently, and according to IAS (39), the entire portfolio was reclassified to available-for-sale investments and was revaluated at fair value. The reclassification was effective as of December 31, 2010 and the revaluation difference amounting to U.S. \$ 5,093,245 was recorded as unrealized gains from available-for-sale investments in the consolidated statement of comprehensive income.

10. Investment in an Associate

The Bank changed the accounting treatment of an available-for-sale investment in the shares of Arab Islamic Bank (AIB) into an investment in an associate as the Bank was able to exercise significant influences over AIB's board of directors and through its 20% interest in its capital. The Bank reversed the available-for-sale investment reserve of U.S. \$ 2,346,584 back to investment carrying amount and carried investment in the associate at its original cost of U.S. \$ 9,997,601.

Details of investments in an associate are as follows:

	Country of Incorporation	Equity %	Carrying value U.S. \$
Arab Islamic Bank	Palestine	20	9.422.627

AIB was incorporated in Al-Bireh, and started its banking activities in the early 1996, through providing banking services, financing, trading and investing activities in accordance with the directives of the Islamic Shari'a Rules through its headquarter in Al-Bireh City and its branches located in Palestine.

- Following is the Bank's share in the associate revenues and results of operations:

	2010 U.S. \$
Assets	57.178.917
Liabilities	47.538.371

- Following is the Bank's share in the associate revenues and results of operations:

	2010 U.S. \$
Revenues	468.116
results of operation	(574.974)

11. Property, Plant and Equipment

	Real estate proprieties	Furniture and equipment	Computers	Leasehold improvements	Vehicles	Total
2010	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Cost:						
At January 1, 2010	19.078.885	19.988.078	7.753.039	1.969.283	1.136.116	49.925.401
Additions	313.249	628.246	3.740.795	646.645	213.978	5.542.913
Disposals	-	(45.762)	(100.799)	-	(58.947)	(205.508)
At December 31, 2010	19.392.134	20.570.562	11.393.035	2.615.928	1.291.147	55.262.806
Accumulated depreciation:						
At January 1, 2010	(2.528.005)	(10.401.994)	(5.895.515)	(1.368.090)	(691.486)	(20.885.090)
Depreciation charge	(315.396)	(398.024)	(2.222.586)	(292.401)	(154.943)	(3.383.350)
Disposals	-	43.762	91.403	-	39.344	174.509
At December 31, 2010	(2.843.401)	(10.756.256)	(8.026.698)	(1.660.491)	(807.085)	(24.093.931)
Net book value	16.548.733	9.814.306	3.366.337	955.437	484.062	31.168.875

	Real estate proprieties	Furniture and equipment	Computers	Leasehold improvements	Motor vehicles	Total
2009	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Cost:						
At January 1, 2009	17.413.172	15.867.807	7.148.413	1.661.320	1.029.888	43.120.600
Additions	1.665.713	4.325.752	637.560	307.963	106.228	7.043.216
Disposals	-	(205.481)	(32.934)	-	-	(238.415)
At December 31, 2009	19.078.885	19.988.078	7.753.039	1.969.283	1.136.116	49.925.401
Accumulated depreciation:						
At January 1, 2009	(2.252.528)	(8.963.140)	(5.591.057)	(1.144.640)	(525.420)	(18.476.785)
Depreciation charge	(275.477)	(1.601.794)	(327.392)	(223.450)	(166.066)	(2.594.179)
Disposals	-	162.940	22.934	-	-	185.874
At December 31, 2009	(2.528.005)	(10.401.994)	(5.895.515)	(1.368.090)	(691.486)	(20.885.090)
Net book value	16.550.880	9.586.084	1.857.524	601.193	444.630	29.040.311

Property, plant and equipment comprise land owned by the Bank to carry out its banking activities amounting to U.S. \$ 6,045,729 and U.S. \$ 5,909,523 as at December 31, 2010 and 2009, respectively.

Property, plant and equipment include U.S. \$ 1,287,919 and U.S. \$ 763,254 of fully depreciated assets that are still being used in the Bank's operations as at December 31, 2010 and 2009, respectively.

12. Other Assets

This item represents the following:

	2010	2009	January 1, 2009
	U.S. \$	U.S. \$	U.S. \$
Prepaid expenses	1.396.066	809.818	1.478.441
Accrued interest and commissions	2.093.119	3.038.609	1.856.165
Stationery and printings stock	1.545.859	1.617.584	842.908
Prepayments on account of branches establishment	3.160.590	1.901.073	1.637.566
Trade receivables from customers of subsidiaries, net	5.361.356	2.618.937	5.165.394
Others	202.039	499.930	1.539.529
	13.759.029	10.485.951	12.520.003

13. Palestine Monetary Authority's Deposits

	2010	2009	January 1, 2009
	U.S. \$	U.S. \$	U.S. \$
Deposits maturing within 3 months	41.867.735	65.376.237	41.274.432

14. Banks' and Financial Institutions' Deposits

This item represents the following:

	Current deposits	Term deposits maturing within 3 months	Total
	U.S. \$	U.S. \$	U.S. \$
2010			
Local	-	14.000.000	14.000.000
Foreign	5.926.307	-	5.926.307
	5.926.307	14.000.000	19.926.307
2009			
Local	1.910.157	-	1.910.157
Foreign	510.822	-	510.822
	2.420.979	-	2.420.979
January 1, 2009			
Local	-	531.068	531.068
Foreign	92.880	-	92.880
	92.880	531.068	623.948

15. Customers' Deposits

This item represents the following:

	2010	2009	January 1, 2009
	U.S. \$	U.S. \$	U.S. \$
Current and demand deposits	536.079.280	420.751.598	354.620.597
Saving deposits	379.725.790	316.293.933	215.879.523
Time deposits	290.145.885	241.902.064	237.658.000
	1.205.950.955	978.947.595	808.158.120

- Public sector deposits amounted to U.S. \$ 253,398,956 and U.S. \$ 158,626,605 representing 21% and 16% of total deposits as at December 31, 2010 and 2009, respectively.
- Non-interest bearing deposits amounted to U.S. \$ 919,342,582 and U.S. \$ 642,703,269 representing 76% and 66% of total deposits as at December 31, 2010 and December 31, 2009, respectively.
- Dormant deposits amounted to U.S. \$ 84,915,050 and U.S. \$ 24,955,547 representing 7% and 2.5% of total deposits as at December 31, 2010 and 2009, respectively.
- Restricted deposits amounted to U.S. \$ 1,175,362 and U.S. \$ 1,156,995 representing 0.10% and 0.12% of total deposits as at December 31, 2010 and 2009, respectively.

16. Cash Margins

This item represents cash margins against:

	2010	2009	January 1, 2009
	U.S. \$	U.S. \$	U.S. \$
Direct credit facilities	14.015.035	11.256.269	11.131.855
Indirect credit facilities	26.265.455	22.180.006	17.536.163
Others	5.251.490	4.299.906	3.671.159
	45.531.980	37.736.181	32.339.177

17. Sundry Provisions

This item includes the following provisions:

	Balance, beginning of the year	Provided during the year	Used/ recovered during year	Balance,
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
December 31, 2010				
End of service provision	5.708.374	2.834.561	(156.360)	8.386.575
Lawsuits provision	3.505.872	-	(1.990.000)	1.515.872
	9.214.246	2.834.561	(2.146.360)	9.902.447
December 31, 2009				
End of service provision	4.043.377	1.930.647	(265.650)	5.708.374
Lawsuits provision	3.513.393	-	(7.521)	3.505.872
	7.556.770	1.930.647	(273.171)	9.214.246

18. Tax Provisions

Movement on tax provisions during the year follows:

	2010	2009
	U.S. \$	U.S. \$
Balance, beginning of the year	18.190.481	12.256.806
Provision for the year	7.612.636	6.164.135
Balance, end of year	25.803.117	18.420.941

- Reconciliation between accounting income and taxable income is as follows:

	2010	2009
	U.S. \$	U.S. \$
Accounting profit before consolidation	38.312.579	32.139.774
Non-taxable income	(7.124.957)	(1.978.387)
Non-deductible expenses	6.502.849	7.584.489
Gross income subject to Value Added Tax (VAT)	37.690.471	37.745.876
Net income subject to VAT*	28.111.541	24.386.906
Less: VAT (14.5 %)	(3.559.977)	(3.088.298)
VAT on payroll	(2.200.500)	(1.820.280)
Income subject to income tax	22.351.064	19.478.328
Income tax (15 %)	3.352.660	2.921.749
Provision for the year	6.912.637	6.010.047
Provision for prior years	700.000	-
Provision for subsidiaries**	-	154.088
Provision after consolidation	7.612.637	6.164.135
Effective tax rate	%20	%19

* This item represents taxable income for Bank's branches operating in northern governorates (West Bank) as the Presidential Decree issued on June 26, 2007 exempts tax payers in the southern governorates (Gaza) from taxes. Allocation of branches' income and expenses is based on estimates determined by management.

** According to the Presidential Decree on exempting the southern governorates (Gaza) from taxes, Al Wasata Company has changed its estimates related to income tax provision to coincide with Presidential Decree on exemption. As a result, Al Wasata Company recovered income tax provision that was provided in previous years as revenues in the consolidated income statement.

As of the date of the consolidated financial statements, the Bank did not reach final settlements with VAT and income tax departments for the Bank's results of operations for the years from 2005 to 2009. In addition, the Bank's subsidiaries did not obtained tax settlements from the taxes authority for the period from inception until the date of the financial statements.

19. Other Liabilities

This item includes the following:

	2010	2009	January 1, 2009
	U.S. \$	U.S. \$	U.S. \$
Due to employees' saving fund *	882.916	901.462	468.840
Dividends payable	1.858.498	125.818	129.844
Tax payables	7.937.012	4.794.931	2.481.998
Certified checks	4.292.880	4.326.047	2.541.850
Accrued interest	428.622	379.687	414.863
Board of directors remuneration	990.000	1.460.545	1.200.748
Accrued employees' bonus	-	57.353	33.499
In-transit transactions with PMA	4.762.714	1.187.033	1.048.849
Payable to shares subscribers of Al Wataniya Mobile public offering	4.280.088	-	-
Temporary deposits	313.391	215.501	259.729
Accounts under settlement	530.211	336.966	750.109
Incoming bank transfers	2.351.368	1.995.871	5.243.760
Payable to customers of subsidiaries	1.460.244	3.365.307	5.268.356
Others	2.083.287	932.338	1.686.481
	32.171.231	20.078.859	21.528.926

* This item represents amounts due to the employees' saving fund. According to the employees' saving scheme, the Bank deducts %5 of each employee's monthly basic salary and matches it with %5 as Bank's contribution. Movement is as following:

	2010	2009
	U.S. \$	U.S. \$
Balance, beginning of the year	901.462	468.840
Additions	508.819	443.308
Interests	2.115	4.064
Transferred to employees' saving fund	(500.000)	-
Paid during the year	(29.480)	(14.750)
Balance, end of year	882.916	901.462

The fund is managed by committee from the Bank's personnel and its accounts are maintained outside of the Bank's accounts.

20. Reserves

Statutory reserve

As required by the Companies' and Banking Law, 10% of net profit is transferred to the statutory reserve. In 2009, the Bank transferred 10% of net profit before tax, whereas, in 2010, the Bank transferred 10% of net profit after tax according to the Banking Law issued in 2010. The reserve is not to be utilized nor available for distribution to shareholders without PMA's prior approval.

Voluntarily reserve

Voluntarily reserve represents cumulative transfers of 10% of subsidiaries' net profit according to the subsidiaries' internal bylaws.

General banking risks reserve

This item represents the amount of general banking risk deducted in accordance with PMA's regulations (5/2008) based on 1.5% of direct credit facilities after deducting provision for doubtful credit facilities and suspended interest and 0.5% of indirect credit facilities after deducting checks under collection, letters of guarantees, acceptances, and financial derivatives. The reserve is not to be utilized or reduced without PMA's prior approval.

Pro-cyclicality reserve

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

21. Capital

	2010	2009	January 1, 2009
	U.S. \$	U.S. \$	U.S. \$
Authorized share capital	100.000.000	100.000.000	100.000.000
Subscribed share capital	100.000.000	100.000.000	81.404.137
Paid-in share capital	100.000.000	100.000.000	81.404.137

The Bank's general assembly resolved in its extraordinary meeting held on April 30, 2010 to increase the Bank's authorized share capital from 100 million shares to 200 million shares of U.S. \$ 1 par value for each share. This increase was not registered with the companies' controller office as at the date of the consolidated financial statements.

22. Additional paid-in Capital

The Bank's general assembly resolved in its extraordinary meeting held on April 6, 2007 to offer 13 million shares exclusively for Banks' shareholders at U.S. \$ 1 par value plus U.S. \$ 0.05 of additional paid-in capital. Total additional paid-in capital amounted to U.S. \$ 650,000.

In addition and in its meeting held on June 15, 2008, the Bank's board of directors approved the admission of International Finance Corporation as a strategic partner with 5% of the share capital which amounted to 4,070,239 shares of U.S.\$ 1 par value U.S. \$ 1 each and a additional paid-in capital of U.S. \$ 2.06 for each share. Total additional paid-in capital amounted to U.S. \$ 8,384,692.

23. Interest Income

This item comprises interest revenues from the following accounts:

	2010	2009
	U.S. \$	U.S. \$
Loans	18.140.134	13.822.199
Overdraft accounts	12.948.133	12.080.339
Current overdrafts	6.821.487	5.228.876
Credit cards	1.460.000	819.179
Cash and balances with PMA	1.723	23.643
Balances at banks and financial institutions	3.251.870	5.054.718
Interest from held- to-maturity investments	7.956.770	6.736.328
	50.580.117	43.765.282

24. Interest Expense

	2010	2009
	U.S. \$	U.S. \$
Interest on customers' deposits:		
Time deposits	2.993.823	3.292.059
Saving accounts	422.503	273.500
Cash margins	11.995	19.132
Current and demand accounts	114.443	155.815
	3.542.764	3.740.506
Interest on banks and financial institutions' Deposits	544.717	306.912
	4.087.481	4.047.418

25. Net Commissions

This item comprises commissions against the following:

	2010	2009
	U.S. \$	U.S. \$
Letters of guarantees and letters of credit	2.765.822	2.467.060
Loans	3.260.948	2.739.694
Transfers	3.425.743	3.135.944
Checks	1.121.010	936.706
Salaries	2.706.081	2.159.005
Accounts management	1.290.855	1.066.869
Other banking services	1.207.898	1.099.699
	15.778.357	13.604.977
Less: Commissions paid	(427.939)	(457.012)
	15.350.418	13.147.965

26. Gain (Loss) from Financial Investments

	2010	2009
	U.S. \$	U.S. \$
Gain from sale of available-for-sale investments	1.063.708	834.615
Dividends from investments	907.077	543.820
Gain from sale of held-for-trading investments	328.315	-
Recovery of provision for impairment of financial Assets	3.000.000	-
Unrealized gains from revaluation of held-for-trading investments	65.650	147.506
	5.364.750	1.525.941
Investment management commissions	(318.716)	(362.539)
Impairment of available-for-sale investments	(547.146)	-
Impairment of held-to-maturity investments	-	(3.000.000)
	4.498.888	(1.836.598)

27. Other Revenues

	2010	2009
	U.S. \$	U.S. \$
Visa and Master cards issuance fees	3.299.560	1.799.175
Recovery of suspended interest	1.500.446	3.750.292
Gain from sale of property, plant and equipment	6.141	9.523
Safety deposit rental	45.680	36.610
Trading commissions	777.080	1.814.262
Recovery of tax provision of a subsidiary	230.462	-
Sundry	264.626	646.294
	6.123.995	8.056.156

28. Personnel Expenses

	2010	2009
	U.S. \$	U.S. \$
Salaries and related benefits	15.664.546	12.935.902
Provision for employees' indemnity	2.834.562	1.930.647
VAT on salaries	2.200.500	1.820.280
Bonuses and rewards	1.855.273	588.573
Clothing allowances	436.136	238.535
Travel and transportation	125.555	91.720
Training expenses	230.443	191.315
Medical expenses	540.761	318.194
Bank's contribution to saving fund	254.854	225.718
	24.142.630	18.340.884

29. Other Operating Expenses

	2010	2009
	U.S. \$	U.S. \$
Advertising	2.857.731	2.190.090
Stationery and printings	1.215.516	959.161
Board of directors remuneration	990.000	1.418.906
Telephone, postage and fax	1.083.649	678.873
Rent	933.338	556.651
Maintenance of equipment	900.374	698.434
Utilities	637.399	524.980
Donations and charity	764.018	151.369
Cash transport cost	167.262	144.828
Travel and seminars	506.277	240.951
Professional fees	307.913	246.308
Insurance	255.711	232.336
License fees	313.455	239.093
Subscriptions fees	411.461	427.248
Maintenance and repairs	174.420	140.194
Fuel	361.257	198.462
Vehicle expense	64.603	47.960
Printing checks	88.690	77.882
Board of directors meeting allowances	3.863	21.476
Hospitality	199.685	226.099
Capital increase fees	-	15.000
Sundry	443.430	582.539
	12.680.052	10.018.840

30. Palestinian Monetary Authority Fines

This item represents the fines charged by PMA as a result of the following:

	2010
	U.S. \$
Commencing construction of Jericho branch without PMA preliminary approval	7.056
Non-compliance with foreign investments and concentration as per PMA regulations	7.057
Granting credit facilities to non-residents without PMA approval	7.057
Non-compliance with disclosing exchange rates and collected commissions	5.000
	26.170

31. Dividends

The Bank's general assembly, during its meeting held on April 30, 2010, approved cash dividends distribution of U.S. \$ 21,400,000, the equivalent to 21.4% of paid-in capital for the year 2009 results.

The Bank's general assembly approved, during its meeting held on April 23, 2009, the distribution of U.S. \$ 18,595,863, for 2008 results, as a stock dividends to shareholders on a pro-rata basis of their shares in the Bank's capital with the fractions of shares be decided upon by the Bank's board of directors in order to reach a paid-in share capital of U.S. \$ 100 million.

32. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of cash flows comprises the following:

	2010	2009
	U.S. \$	U.S. \$
Cash and balances with PMA	320.225.462	284.176.154
Add:		
Balances at banks and financial institutions maturing within 3 months	361.818.124	381.450.254
	682.043.586	665.626.408
Less:		
PMA deposits	(41.867.735)	(65.376.237)
Due to banks and financial institutions	(19.926.307)	(2.420.979)
Statuary cash reserve	(116.427.732)	(90.103.724)
	503.821.812	507.725.468

33. Basic and Diluted Earnings Per Share

	2010	2009
	U.S. \$	U.S. \$
Profit for the year	30.119.469	26.929.168
	Shares	Shares
Weighted average subscribed shares	100.000.000	100.000.000
	U.S. \$	U.S. \$
Basic and diluted earnings per share	0.30	0.27

34. Related Party Transactions

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

	Board of directors and executive management	Major shareholders	Others	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
2010				
Statement of financial position items:				
Direct credit facilities	5,910.329	4,500.000	4,882.491	15,292.820
Deposits	1,266.173	-	1,243.587	2,509.760
Commitments and contingencies:				
Letters of credit	50.457	-	-	50.457
Letters of guarantees	177.486	-	-	177.486
Unutilized credit	3,841.718	-	243.499	4,058.217
2009				
Statement of financial position items:				
Direct credit facilities	1,624.857	4,500.000	4,730.382	10,855.239
Deposits	1,038.868	-	8,361.560	9,400.428
Commitment and contingencies:				
Letters of credit	1,163.428	-	-	1,163.428
Letters of guarantees	298.224	-	10.860	309.084
Unutilized credit	1,712.914	-	316.441	2,029.355
2010				
Income statement items:				
Interest and commissions earned	84.619	431.220	232.755	748.594
Interest and commissions paid	4.510	-	13.968	18.478
2009				
Income statement items:				
Interest and commissions earned	176.971	-	168.599	345.570
Interest and commissions paid	-	-	21.349	21.349

- Net direct credit facilities granted to related parties as at December 31, 2010 and 2009 represent 3% and 3.16% respectively from the net direct credit facilities.
- Net direct credit facilities granted to related parties as at December 31, 2010 and 2009 represent 16% and 12% respectively from the Bank's regulatory capital.
- Interest on U.S. \$ direct credit facilities ranges between 2% to 14.4%.
- Interest on ILS direct credit facilities ranges between 10% to 16%.
- Interest on U.S. \$ deposits ranges between 0.75% to 1.25%.

Compensation of key management personnel:

	2010	2009
	U.S. \$	U.S. \$
General Manager	388.549	388.242
Executive management salaries and related benefits	692.520	566.074
Executive management end of service indemnity	196.782	124.299
Board of directors' bonuses	990.000	1.438.906
Board of directors' meeting allowance	3.863	21.476

35. Fair Value of Financial Instruments

The table below represents a comparison between the carrying amounts and fair values of financial instruments as at December 31, 2010 and 2009:

	Carrying amount		Fair value	
	2010	2009	2010	2009
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Financial assets:				
Cash and balances with PMA	320.225.462	284.176.154	320.225.462	284.176.154
Balances at banks and financial institutions	361.818.124	381.450.254	361.818.124	381.450.254
Held-for-trading investments	9.620.467	17.512.124	9.620.467	17.512.124
Direct credit facilities	545.026.391	343.311.230	545.026.391	343.311.230
Available-for-sale investments:				
Quoted stocks	16.255.732	10.479.545	16.255.732	10.479.545
Unquoted stocks	4.000.000	3.850.000	4.000.000	3.850.000
Quoted bonds	156.060.508	-	156.060.508	-
Investment portfolios	531.429	4.078.145	531.429	4.078.145
Governmental treasury bills	76.477.965	-	76.477.965	-
Held-to-maturity investments	-	197.962.375	-	197.962.375
Other financial assets	7.656.514	6.157.476	7.656.514	6.157.476
Total assets	1.497.672.592	1.248.977.303	1.497.672.592	1.248.977.303
Financial liabilities				
PMA deposits	41.867.735	65.376.237	41.867.735	65.376.237
Banks and financial institutions' deposits	19.926.307	2.420.979	19.926.307	2.420.979
Customers' deposits	1.205.950.955	978.947.595	1.205.950.955	978.947.595
Cash margins	45.531.980	37.736.181	45.531.980	37.736.181
Other financial liabilities	22.150.932	14.351.590	22.150.932	14.351.590
Total liabilities	1.335.427.909	1.098.832.582	1.335.427.909	1.098.832.582

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

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

- The fair values of the quoted available for sale investments and held-for-trading investments are based on price quotations at the reporting date.
- Unquoted available-for-sale investments are stated at cost less accumulated impairment as their fair values cannot be reliably determined.

The hierarchy of fair values:

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

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Using inputs other than quoted prices that are observable, either directly or indirectly.
- Level 3: Using input that are not based on observable market data.

During the year, the Bank used only Level 1 to determine and disclose the fair values of the investments held-for-trading and available-for-sale investment. Levels 2 and 3 were not used during the year.

36. Concentration of Assets and Liabilities

Following is breakdown of the Bank's assets, liabilities and commitments and contingencies by geographical area:

	Palestine	Jordan	Israel	Europe	USA	Others	Total
2010							
Balances with PMA	320.225.462	-	-	-	-	-	320.225.462
Balances at banks and financial institutions	-	114.826.227	71.564.588	128.475.551	23.319.368	23.632.390	361.818.124
Held-for-trading investments	7.794.199	-	-	1.826.268	-	-	9.620.467
Direct credit facilities	538.172.477	528.914	-	-	-	6.325.000	545.026.391
Available-for-sale investments	4.000.000	74.618.437	-	44.450.782	90.545.488	39.710.927	253.325.634
Investment in an associate	9.422.627	-	-	-	-	-	9.422.627
Investment properties	671.413	-	-	-	-	-	671.413
Property, plant and equipment	31.168.875	-	-	-	-	-	31.168.875
Other assets	11.665.911	664.625	414.222	743.628	134.975	135.668	13.759.029
	923.120.964	190.638.203	71.978.810	175.496.229	113.999.831	68.803.985	1.545.038.022
Commitment and Contingencies:							
Letters of guarantees	99.312.333	-	2.264.356	-	-	-	101.576.689
Letters of credit	853.455	726.744	429.716	17.627.941	417.791	2.887.993	22.943.640
Acceptances	-	164.755	-	6.297.687	119.685	416.878	6.999.005
Unutilized credit facilities limits	9.600.498	-	-	-	-	-	9.600.498
	109.766.286	891.499	2.694.072	23.925.628	537.476	3.304.871	141.119.832
2009							
Balances with PMA	284.176.154	-	-	-	-	-	284.176.154
Balances at banks and financial institutions	-	80.067.524	84.326.278	147.587.555	21.108.473	48.360.424	381.450.254
Held-for-trading Investments	14.886.830	-	-	1.777.915	397.237	450.142	17.512.124
Direct credit facilities	337.517.860	705.219	-	-	-	5.088.151	343.311.230
Available-for-sale investments	11.271.440	-	-	3.817.883	2.270.588	1.047.779	18.407.690
Held-to-maturity Investments	-	48.236.953	-	34.384.000	91.141.421	24.200.001	197.962.375
Investment properties	671.413	-	-	-	-	-	671.413
Property, plant and equipment	29.040.311	-	-	-	-	-	29.040.311
Other assets	2.728.782	286.575	-	818.918	2.708.283	3.943.393	10.485.951
	680.292.790	129.296.271	84.326.278	188.386.271	117.626.002	83.089.890	1.283.017.502
Commitment and contingencies							
Letters of guarantees	80.490.249	-	2.513.412	-	-	-	83.003.661
Letters of credit	-	242.783	566.404	6.879.054	5.727.885	1.061.230	14.477.356
Acceptances	-	112.160	-	2.459.983	-	5.401.319	7.973.462
Unutilized credit facilities limits	6.377.594	-	-	-	-	-	6.377.594
	86.867.843	354.943	3.079.816	9.339.037	5.727.885	6.462.549	111.832.073

37. Risk Management

The Bank discloses information to help the users of the financial statements to assess the nature and level of risk the Bank is exposed to as a result of its financial instruments as of the date of the consolidated financial statements.

Risk management framework

Risk 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 and credit committee are responsible for identifying and controlling risks; in addition, there are several parties which are responsible for managing and monitoring risks in the area in which the Bank operates.

Risk and credit management committee

Risk and credit management committee is responsible for developing risks strategies and applying the principles, general framework and allowed limits.

Risk measurement and reporting system

Monitoring and controlling risks is primarily performed based on limits established by the Bank. 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 analyzed for early identification of potential risks. This information is presented to the Bank's board of directors, the risk and credit management committee 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 risk 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.

I. Credit Risks

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

Exposures to credit risks

	2010	2009
	U.S. \$	U.S. \$
Consolidated statement of financial position Items		
Balances with PMA	141.812.788	151.652.990
Balances at banks and financial institutions	361.818.124	380.538.054
Held-for-trading investment	9.620.467	17.512.124
Direct credit facilities:		
Retail	217,178,753	134.144.674
Corporate	175,475,602	129.094.062
Small and medium companies	10.734.668	272.753
Government and public sector	149.079.692	86.974.186
Available-for-sale investments	253.325.634	18.407.691
Held-to-maturity investments	-	197.962.375
Other assets	7.656.514	7.069.676
	1.326.702.242	1.123.628.585
Commitments and contingencies		
Letters of guarantees	101.576.689	83.003.661
Letters of credit	22.943.640	14.477.356
Acceptances	6.999.005	7.973.462
Unutilized credit facilities limits	9.600.498	6.377.594
	141.119.832	111.832.073

Credit risk exposure for each risk rating

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

	Retail	Corporate	Government and public sector	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
December 31, 2010				
Performing	6.178.859	65.087.968	149.079.691	220.346.518
Acceptable risk	206.320.398	117.890.560	-	324.210.958
From which is due:				
Until 30 days	7.148.614	-	-	7.148.614
Watch list	770.011	692.736	-	1.462.747
Non-performing:				
Substandard	1.850.326	942.197	-	2.792.523
Doubtful	3.883.196	327.456	-	4.210.652
Total	219.002.790	184.940.917	149.079.691	553.023.398
Suspended interest	(554.683)	-	-	(554.683)
Provision for credit facilities	(6.172.671)	(1.269.653)	-	(7.442.324)
	212.275.436	183.671.264	149.079.691	545.026.391

December 31, 2009				
Performing	3.654.534	38.812.061	86.974.186	129.440.781
Acceptable risk	130.999.469	83.076.848	-	214.076.317
From which is due:				
Until 30 days	5.164.418	-	-	5.164.418
Watch list	2.851.475	16.934	-	2.868.409
Non-performing:				
Substandard	1.881.113	952.336	-	2.833.449
Doubtful	2.868.222	443.738	-	3.311.960
Total	142.254.813	123.301.917	86.974.186	352.530.916
Suspended interest	(2.045.241)	-	-	(2.045.241)
Provision for credit facilities	(5.904.792)	(1.269.653)	-	(7.174.445)
	134.304.780	122.032.264	86.974.186	343.311.230

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

	Retail	Corporate	Small and medium companies	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
December 31, 2010				
Collaterals against:				
Performing	6.178.859	65.087.968	149.079.692	220.346.519
Acceptable risk	22.462.023	31.910.415	-	54.372.438
Watch list	100.000	230.000	-	330.000
Non-performing:				
Substandard	43.779	550.000	-	593.779
Doubtful	731.561	313.822	-	1.045.383
Total	29.516.222	98.092.205	149.079.692	276.688.119
Comprising :				
Cash margins	5.780.379	6.588.042	-	12.368.421
Precious metals	221.863	9.257	-	231.120
Quoted stocks	358.072	25.694.293	-	26.052.365
Vehicles and equipment	10.471.274	5.861.502	-	16.332.776
Real estate	12.684.634	27.142.735	-	39.827.369
Governmental guarantees	-	32.796.376	149.079.692	181.876.068
	29.516.222	98.092.205	149.079.692	276.688.119

December 31, 2009

Collaterals against:

Performing	3.654.534	38.812.061	86.974.186	129.440.781
Acceptable risk	11.593.780	20.115.790	-	31.709.570
Watch list	330.460	-	-	330.460
Non-performing:				
Substandard	43.779	550.000	-	593.779
Doubtful	731.562	313.822	-	1.045.384
Total	16.354.115	59.791.673	86.974.186	163.119.974
Comprising :				
Cash margins	2.261.708	5.349.338	-	7.611.046
Precious metals	49.628	-	-	49.628
Quoted stocks	1.344.395	17.795.177	-	19.139.572
Vehicles and equipment	3.474.754	2.142.145	-	5.616.899
Real estate	9.223.630	18.837.467	-	28.061.097
Governmental guarantees	-	15.667.546	86.974.186	102.641.732
	16.354.115	59.791.673	86.974.186	163.119.974

Concentration of risk exposures according to the geographical area as follows:

	Palestine	Arab Countries	Israel	Europe	USA	Others	Total
2010	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Cash and balances with PMA	141.812.788	-	-	-	-	-	141.812.788
Balances at banks and financial institutions	191.354	144.398.765	71.564.588	107.312.148	28.319.368	10.031.901	361.818.124
Held-for-trading investments	7.794.199	-	-	1.826.268	-	-	9.620.467
Direct credit facilities	546.143.715	6.325.000	-	-	-	-	552.468.715
Available-for-sale investments	4.000.000	90.127.008	-	45.722.470	92.109.718	21.366.438	253.325.634
Other assets	6.728.505	928.009	-	-	-	-	7.656.514
Total as at December 31, 2010	706.670.561	241.778.782	71.564.588	154.860.886	120.429.086	31.398.339	1.326.702.242
Total as at December 31, 2009	614.926.927	152.082.617	72.761.579	148.782.069	99.316.866	35.758.527	1.123.628.585

Concentration of risk exposures according to economic sectors:

	Financial	Industrial	Commerce	Real estate	Financial securities	Government and public sector	Others	Total
2010	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Cash and balances with PMA	141.812.788	-	-	-	-	-	-	141.812.788
Balances at banks and financial institutions	361.818.124	-	-	-	-	-	-	361.818.124
Held-for-trading investments	-	-	-	-	9.620.467	-	-	9.620.467
Direct credit facilities	36.504.154	22.804.557	35.406.246	46.206.873	-	269.297.514	142.249.371	552.468.715
Available-for-sale investments	-	-	-	-	253.325.634	-	-	253.325.634
Other assets	2.093.119	-	-	-	5.361.356	-	202.039	7.656.514
Total as at December 31, 2010	542.228.185	22.804.557	35.406.246	46.206.873	268.307.457	269.297.514	142.451.410	1.326.702.242
Total as at December 31, 2009	595.056.093	16.578.241	30.156.394	43.332.680	202.393.682	163.789.825	72.321.670	1.123.628.585

II. 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 for acceptable risks. 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 effect of decreases in interest rate is expected to be equal and opposite to the effect of the increase shown below:

	2010		2009	
	increase in interest rate	Interest income sensitivity (profit and loss)	increase in interest rate	Interest income sensitivity (profit and loss)
	(basis points)	U.S.\$	(basis points)	U.S.\$
Currency				
US Dollar	+ 10	(2.779)	+ 10	(16.272)
Jordanian Dinar	+ 10	(682)	+ 10	13.285
Israeli Shekels (ILS)	+ 10	2.221	+ 10	1.951
EURO	+ 10	820	+ 10	396
Other currencies	+ 10	420	+ 10	640

Interest rate re-pricing sensitivity 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 a year	Non-interest bearing	Total
December 31, 2010	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Assets							
Cash and balances with PMA	2.695.000	-	-	-	-	317.530.462	320.225.462
Balances at banks and financial institutions	244.236.409	36.748.672	12.202	-	-	80.820.841	361.818.124
Held -for -trading investments	-	-	1.826.268	-	-	7.794.199	9.620.467
Direct credit facilities	77.038.086	26.922.365	152.947.512	62.236.534	225.881.894	-	545.026.391
Available-for-sale investments	-	22.103.361	1.019.600	8.088.280	201.327.232	20.787.161	253.325.634
Investment in an associate	-	-	-	-	-	9.422.627	9.422.627
Investment properties	-	-	-	-	-	671.413	671.413
Property, plant and equipment	-	-	-	-	-	31.168.875	31.168.875
Other assets	-	-	-	-	-	13.759.029	13.759.029
Total Assets	323.969.495	85.774.398	155.805.582	70.324.814	427.209.126	481.954.607	1.545.038.022
Liabilities							
PMA deposits	41.867.735	-	-	-	-	-	41.867.735
Banks and financial institutions' deposits	14.000.000	-	-	-	-	5.926.307	19.926.307
Customers' deposits	228.590.815	14.885.962	19.142.084	26.801.730	54.784	916.475.580	1.205.950.955
Cash margins	38.039	-	-	-	-	45.493.941	45.531.980
Sundry provisions	-	-	-	-	-	9.902.447	9.902.447
Tax provisions	-	-	-	-	-	25.803.117	25.803.117
Other liabilities	-	-	-	-	-	32.171.231	32.171.231
Total Liabilities	284.496.589	14.885.962	19.142.084	26.801.730	54.784	1.035.772.623	1.381.153.772
Equity							
Paid-in share capital	-	-	-	-	-	100.000.000	100.000.000
Additional paid-in capital	-	-	-	-	-	9.034.692	9.034.692
Statutory reserve	-	-	-	-	-	16.407.381	16.407.381
Voluntarily reserve	-	-	-	-	-	88.418	88.418
General banking risks reserve	-	-	-	-	-	8.907.852	8.907.852
Pro-cyclicality reserve	-	-	-	-	-	4.604.991	4.604.991
Available-for-sale investment reserve	-	-	-	-	-	3.227.041	3.227.041
Retained earnings	-	-	-	-	-	21.039.536	21.039.536
Net Equity	-	-	-	-	-	163.309.911	163.309.911
Non-controlling interests	-	-	-	-	-	574.339	574.339
Total liabilities and equity	284.496.589	14.885.962	19.142.084	26.801.730	54.784	1.199.656.873	1.545.038.022
Interest rate re- pricing sensitivity gap	39.472.906	70.888.436	136.663.498	43.523.084	427.154.342	(717.702.266)	-

	Less than 1 Month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	More than a year	Non-interest bearing items	Total
DECEMBER 31, 2009	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Total assets	602.428.093	29.024.614	59.330.369	62.742.230	334.745.381	194.746.815	1.283.017.502
Total liabilities and equity	172.614.940	127.746.941	3.549.703	5.779.001	8.696	973.318.221	1.283.017.502
Interest rate re-pricing sensitivity gap	429.813.153	(98.722.327)	55.780.666	56.963.229	334.736.685	(778.571.406)	-

Foreign currency risk

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

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

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

	2010		2009	
	Increase in currency rate	Effect on profit and loss	Increase in currency rate	Effect on profit and loss
	(%)	U.S.\$	(%)	U.S.\$
Currency				
ILS	+ 10	224.408	+ 10	58.749
EURO	+ 10	81.964	+ 10	8.341
Other currencies	+ 10	109.795	+ 10	79.592

Following is the foreign currencies position of the Bank:

	JOD	EURO	ILS	Others	Total
December 31, 2010	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Assets					
Cash and balances with PMA	32.613.209	6.184.670	198.932.531	-	237.730.410
Balances at banks and financial institutions	136.215.012	43.121.292	70.776.833	12.519.373	262.632.510
Held- for- trading investments	6.338.908	-	-	-	6.338.908
Direct credit facilities	13.119.774	4.326.096	220.542.562	10.736	237.999.168
Available-for-sale investments	74.618.438	7.607.822	-	1.500.640	83.726.900
Other assets	1.107.800	431.202	1.296.452	811.066	3.646.520
Total Assets	264.013.141	61.671.082	491.548.378	14.841.815	832.074.416
Liabilities					
PMA deposits	-	879.393	40.988.342	-	41.867.735
Banks and financial institutions' deposits	5.788.807	-	-	14.862	5.803.669
Customers' deposits	255.175.440	54.779.456	427.155.031	13.219.691	750.329.618
Cash margins	2.628.225	4.955.824	8.053.463	367.843	16.005.355
Other liabilities	1.102.832	236.766	13.107.462	141.472	14.588.532
Total Liabilities	264.695.304	60.851.439	489.304.298	13.743.868	828.594.909
Statement of financial position concentration	(682.163)	819.643	2.244.080	1.097.947	3.479.507
Commitments and contingencies	3.367.765	38.926.308	18.760.071	500.460	61.554.604
December 31, 2009					
Total assets	224.843.671	46.595.805	392.330.955	19.872.231	683.642.662
Total liabilities and Equity	211.868.332	46.512.391	391.743.467	19.076.316	669.200.506
Statement of financial position concentration	12.975.339	83.414	587.488	795.915	14.442.156
Commitments and contingencies	3.024.015	-	11.236.572	14.070.761	28.331.348

Equity price risk

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

	Increase in Indicator	2010		2009	
		Effect on profit and loss	Effect on equity	Effect on profit and loss	Effect on equity
	(%)	U.S.\$	U.S.\$	U.S.\$	U.S.\$
Market					
Palestine Exchange	+ 10	779.420	-	1.488.683	925.924
Foreign markets	+ 10	-	1.678.716	-	529.845

III. Liquidity Risk

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

The table below summarizes the assets and liabilities on the basis of the remaining contractual maturities as at December 31, 2010 and 2009, respectively:

	Less than 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months up to 1 year	From 1 year to 3 years	More than 3 years	Without maturity	Total
December 31, 2010	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Assets								
Cash and balances with PMA	203.797.730	-	-	-	-	-	116.427.732	320.225.462
Balances at banks and financial institutions	324.456.492	36.748.672	12.202	-	-	-	600.758	361.818.124
Held-for-trading investments	-	1.826.268	-	-	-	-	7.794.199	9.620.467
Direct credit facilities	77.038.086	26.922.365	152.947.512	62.236.534	116.663.323	109.218.571	-	545.026.391
Available-for-sale investments	-	22.103.361	1.019.600	8.088.280	85.205.347	116.121.885	20.787.161	253.325.634
Investment in an associate	-	-	-	-	-	-	9.422.627	9.422.627
Investment properties	-	-	-	-	-	-	671.413	671.413
Property, plant and equipment	-	-	-	-	-	-	31.168.875	31.168.875
Other assets	3.514.853	2.488.507	551.165	1.101.989	-	-	6.102.515	13.759.029
Total assets	608.807.161	90.089.173	154.530.479	71.426.803	201.868.670	225.340.456	192.975.280	1.545.038.022
Liabilities:								
PMA deposits	41.867.735	-	-	-	-	-	-	41.867.735
Banks and financial institutions' deposits	19.926.307	-	-	-	-	-	-	19.926.307
Customers' deposits	589.117.557	196.829.133	173.793.779	154.584.582	91.007.380	618.524	-	1.205.950.955
Cash margins	-	-	3.982.571	2.364.806	33.984.683	5.199.920	-	45.531.980
Sundry provisions	-	-	-	-	-	-	9.902.447	9.902.447
Tax provisions	-	-	-	-	-	-	25.803.117	25.803.117
Other liabilities	22.150.932	-	-	10.020.299	-	-	-	32.171.231
Total liabilities	673.062.531	196.829.133	177.776.350	166.969.687	124.922.063	5.818.444	35.705.564	1.381.153.772
Equity:								
Paid-in share capital	-	-	-	-	-	-	100.000.000	100.000.000
Additional paid-in capital	-	-	-	-	-	-	9.034.692	9.034.692
Statutory reserve	-	-	-	-	-	-	16.407.381	16.407.381
Voluntarily reserve	-	-	-	-	-	-	88.418	88.418
General banking risks reserve	-	-	-	-	-	-	8.907.852	8.907.852
Pro-cyclicality reserve	-	-	-	-	-	-	4.604.991	4.604.991
Available-for-sale investment reserve	-	-	-	-	-	-	3.227.041	3.227.041
Retained earnings	-	-	-	-	-	-	21.039.536	21.039.536
Total equity	-	-	-	-	-	-	163.309.911	163.309.911
Non-controlling interests	-	-	-	-	-	-	574.339	574.339
Net equity	-	-	-	-	-	-	163.884.250	163.884.250
Total liabilities and equity	673.062.531	196.829.133	177.776.350	166.969.687	124.992.063	5.818.444	199.589.814	1.545.038.022
Maturity gap	(64.255.370)	(106.739.960)	(23.245.871)	(95.542.884)	76.876.607	219.522.012	(6.614.534)	-
Cumulative gap	(64.255.370)	(170.995.330)	(194.241.201)	(289.784.085)	(212.907.478)	6.614.534	-	-

	Less than 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months up to 1 year	From 1 year to 3 years	More than 3 years	Without maturity	Total
December 31, 2009	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Assets:								
Cash and balances with PMA	194.072.430	-	-	-	-	-	90.103.724	284.176.154
Balances at banks and financial institutions	381.000.254	13.000	-	-	-	-	437.000	381.450.254
Held -for -trading investments	-	-	-	2.625.294	-	-	14.886.830	17.512.124
Direct credit facilities	64.041.729	19.747.477	50.828.183	51.212.230	68.654.441	88.827.170	-	343.311.230
Available-for-sale investments	-	-	-	-	-	-	18.407.690	18.407.690
Held-to-maturity investments	-	2.000.000	8.052.186	13.646.422	137.203.748	37.060.019	-	197.962.375
Investment properties	-	-	-	-	-	-	671.413	671.413
Property, plant and equipment	-	-	-	-	-	-	29.040.311	29.040.311
Other assets	3.072.104	2.226.890	300.230	558.252	-	-	4.328.475	10.485.951
Total assets	642.186.517	23.987.367	59.180.599	68.042.198	205.858.189	125.887.189	157.875.443	1.283.017.502
Liabilities:								
PMA deposits	65.376.237	-	-	-	-	-	-	65.376.237
Banks and financial institutions' deposits	2.420.979	-	-	-	-	-	-	2.420.979
Customers' deposits	420.787.008	520.174.885	14.454.093	23.531.609	-	-	-	978.947.595
Cash margins	-	11.925.348	7.102.253	10.687.837	8.020.743	-	-	37.736.181
Sundry provisions	-	-	-	-	-	-	9.241.246	9.241.246
Tax provisions	-	-	-	-	-	-	18.420.941	18.420.941
Other liabilities	14.351.590	-	-	5.727.269	-	-	-	20.078.859
Total liabilities	502.935.814	532.100.233	21.556.346	39.946.715	8.020.743	-	27.635.187	1.132.195.038
Equity								
Paid-in share capital	-	-	-	-	-	-	100.000.000	100.000.000
Additional paid-in capital	-	-	-	-	-	-	9.034.692	9.034.692
Statutory reserve	-	-	-	-	-	-	13.395.184	13.395.184
Voluntarily reserve	-	-	-	-	-	-	87.047	87.047
General banking risks reserve	-	-	-	-	-	-	5.726.755	5.726.755
Available-for - sale reserve	-	-	-	-	-	-	(1.115.276)	(1.115.276)
Retained earnings	-	-	-	-	-	-	23.117.225	23.117.225
Total equity	-	-	-	-	-	-	150.245.627	150.245.627
Non-controlling interests	-	-	-	-	-	-	576.837	576.837
Net equity	-	-	-	-	-	-	150.822.464	150.822.464
Total liabilities and equity	502.935.814	532.100.233	21.556.346	39.946.715	8.020.743	-	178.457.651	1.283.017.502
Maturity gap	139.250.703	(508.112.866)	37.624.253	28.095.483	197.837.446	125.887.189	(20.582.208)	-
Cumulative gap	139.250.703	(368.862.163)	(331.237.910)	(303.142.427)	(105.304.981)	20.582.208	-	-

38. Segment Information

Information on the Bank's business segments

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

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

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

	Retail	Corporate	Treasury	Other	Total	
					2010	2009
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Gross revenues	25.450.299	19.187.288	19.759.864	18.731.167	83.128.618	71.583.169
Segment results	23.412.590	17.731.706	19.215.147	18.681.694	79.041.137	64.535.751
Unallocated expenses					(41.309.032)	(31.442.448)
Profit before taxes	-	-	-	-	37.732.105	33.093.303
Tax expense	-	-	-	-	(7.612.636)	(6.164.135)
Profit for the year	-	-	-	-	30.119.469	26.929.168
Other segment information:						
Depreciation					3.383.350	2.594.179
Capital expenditures					5.542.913	7.043.216
					2010	2009
Segment total assets	211.006.082	184.940.617	957.434.910	191.656.413	1.545.038.022	1.283.017.502
Segment total liabilities	379.865.161	608.631.572	61.794.042	330.862.997	1.381.153.772	1.132.195.038

Geographical distribution information

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

	Domestic		Foreign		Total	
	2010	2009	2010	2009	2010	2009
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Gross revenues	69.418.573	59.772.006	13.710.045	11.811.163	83.128.618	71.583.169
Total assets	925.407.234	686.689.676	619.630.788	596.327.826	1.545.038.022	1.283.017.502
Capital expenditures	5.542.913	7.043.216	-	-	5.542.913	7.043.216

39. 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, 2010	U.S. \$	U.S. \$	U.S. \$	U.S. \$
ASSETS				
Cash and balances with PMA	203.797.730	-	116.427.732	320.225.462
Balances at banks and financial institutions	361.217.366	-	600.758	361.818.124
Held –for- trading investments	1.826.268	-	7.794.199	9.620.467
Direct credit facilities	319.144.497	225.881.894	-	545.026.391
Available-for-sale investments	31.211.241	201.327.232	20.787.161	253.325.634
Investment in an associate	-	-	9.422.627	9.422.627
Investment properties	-	-	671.413	671.413
Property, plant and equipment	-	-	31.168.875	31.168.875
Other assets	7.656.514	-	6.102.515	13.759.029
Total Assets	924.853.616	427.209.126	192.975.280	1.545.038.022
LIABILITIES				
PMA deposits	41.867.735	-	-	41.867.735
Banks and financial institutions' deposits	19.926.307	-	-	19.926.307
Customers' deposits	1.114.325.051	91.625.904	-	1.205.950.955
Cash margins	6.347.377	39.184.603	-	45.531.980
Sundry Provisions	-	-	9.902.447	9.902.447
Tax provisions	-	-	25.803.117	25.803.117
Other liabilities	32.171.231	-	-	32.171.231
Total Liabilities	1.214.637.701	130.810.507	35.705.564	1.381.153.772
EQUITY				
Paid-in share capital	-	-	100.000.000	100.000.000
Additional paid-in capital	-	-	9.034.692	9.034.692
Statutory reserve	-	-	16.407.381	6.407.381
Voluntarily reserve	-	-	88.418	88.418
General banking risks reserve	-	-	8.907.852	8.907.852
Pro-cyclicality reserve	-	-	4.604.991	4.604.991
Available-for-sale investment reserve	-	-	3.227.041	3.227.041
Retained earnings	-	-	21.039.536	21.039.536
	-	-	163.309.911	163.309.911
Non-controlling interests	-	-	574.339	574.339
Net equity	-	-	163.884.250	163.884.250
Total Liabilities and Equity	1.214.637.701	130.810.507	199.589.814	1.545.038.022
Maturity gap	(289.784.085)	296.398.619	(6.614.534)	-
Cumulative maturity gap	(289.784.085)	6.614.534	-	-

	Up to 1 year	More than 1 year	Without maturity	Total
DECEMBER 31, 2009	U.S. \$	U.S. \$	U.S. \$	U.S. \$
ASSETS				
Cash and balances with PMA	194.072.430	-	90.103.724	284.176.154
Balances at banks and financial institutions	381.013.254	-	437.000	381.450.254
Held –for- trading investments	2.625.294	-	14.886.830	17.512.124
Direct credit facilities	185.829.619	157.481.611	-	343.311.230
Available-for-sale investment	-	-	18.407.690	18.407.690
Held-to-maturity investments	23.698.608	174.263.767	-	197.962.375
Investment properties	-	-	671.413	671.413
Property, plant and equipment	-	-	29.040.311	29.040.311
Other assets	6.157.476	-	4.328.475	10.485.951
Total Assets	793.396.681	331.745.378	157.875.443	1.283.017.502
LIABILITIES				
PMA deposits	65.376.237	-	-	65.376.237
Banks and financial institutions' deposits	2.420.979	-	-	2.420.979
Customers' deposits	978.947.595	-	-	978.947.595
Cash margins	29.715.438	8.020.743	-	37.736.181
Sundry Provisions	-	-	9.214.246	9.214.246
Tax provisions	-	-	18.420.941	18.420.941
Other liabilities	20.078.859	-	-	20.078.859
Total Liabilities	1.096.539.108	8.020.743	27.635.187	1.132.195.038
EQUITY				
Paid-in share capital	-	-	100.000.000	100.000.000
Additional paid-in capital	-	-	9.034.692	9.034.692
Statutory reserve	-	-	13.395.184	13.395.184
Voluntarily reserve	-	-	87.047	87.047
General banking risks reserve	-	-	5.726.755	5.726.755
Available-for-sale investment reserve	-	-	(1.115.276)	(1.115.276)
Retained earnings	-	-	23.117.225	23.117.225
	-	-	150.245.627	150.245.627
Non-controlling interests	-	-	576.837	576.837
Net equity	-	-	150.822.464	150.822.464
Total Liabilities and Equity	1.096.539.108	8.020.743	178.457.651	1.283.017.502
Maturity gap	(303.142.427)	323.724.635	(20.582.208)	-
Cumulative maturity gap	(303.142.427)	20.582.208	-	-

40. Capital Management

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

The Bank manages its capital structure and makes adjustments to it in light of changes in business conditions. The Bank did not make any adjustments on goals, policies, and actions concerning to capital management for current and prior year, except for increasing capital by U.S. \$ 18,595,863 during 2009 through stock dividends to reach U.S. \$ 100 million. In addition the Bank's general assembly held on April 30, 2010 resolved in an extraordinary meeting to increase the authorized share capital to 200 million shares.

The capital adequacy ratio is computed in accordance with the PMA's regulations derived from Basel Committee regulations computed as follows:

	2010			2009		
	Amount	Percentage to assets	Percentage to risk – weighted assets	Amount	Percentage to assets	Percentage to risk – weighted assets
	U.S. \$	%	%	U.S. \$	U.S. \$	%
Regulatory capital	94.998.297	6.15	12.88	90.472.532	7.05	16.51
Basic capital	100.000.000	6.47	13.56	100.000.000	7.79	18.25

41. Commitments and Contingent Liabilities

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

	2010	2009
	U.S. \$	U.S. \$
Letters of credit	101.576.689	83.003.661
Letters of guarantees	22.943.640	14.477.356
Acceptances	6.999.005	7.973.462
Unutilized credit facilities	9.600.498	6.377.594
	141.119.832	111.832.073

In addition, the Bank subscribed in 350,000 shares of Amal Company for Loans and Mortgages of U.S. \$ 1 par value for each share. As of the date of consolidated financial statements, the Bank paid U.S. \$ 150,000 for these shares. These shares are pledged for the benefit of other parties.

The Bank has a contractual commitment to purchase a land in the amount of U.S. \$ 3,680,400 for the purpose of building commercial tower in Al-erasal center.

42. Lawsuits Against the Bank

In the normal course of business, the number of litigations filed against the Bank as at December 31, 2010 and 2009 were 27 and 21 that amounted to U.S. \$ 1,252,525 and U.S. \$ 1,133,947, respectively.

The Bank's management and lawyer believe that provision made against these litigations is sufficient.

43. Concentration of Risk in Geographical Area

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

44. Restatements of Prior Periods

Following are details of restatements of prior years:

- During 2009, the Bank recorded board of directors remuneration expense amounted to U.S. \$ 1,460,545, of which an amount of U.S. \$ 41,639 is related to the Bank's subsidiary for the year 2008, as an appropriation of profit in the statement of change in equity rather than an expense in income statement. The Bank retroactively restated the accounting treatment.
- The Bank's subsidiary retroactively charged employees' bonus to the year it belongs, which amounted to U.S. \$ 57,353 for the year 2009 and U.S. \$ 33,499 for the year 2008.
- The effect of the restatements on equity as of January 1, 2009:

	Before restatement	restatements	After restatement
January 1, 2009	U.S. \$	U.S. \$	U.S. \$
Retained earnings	19.382.844	(58.833)	19.324.011
Statutory reserve	10.092.391	(6.537)	10.085.854
Non-controlling interests	495.831	(9.768)	486.063

- The following is a summary of restatements impact on the consolidated financial statements for the year 2009:

	Before restatement	restatements	After restatement
December31, 2009	U.S. \$	U.S. \$	U.S. \$
Profit for the year	28.371.928	(1.442.760)	26.929.168
Statutory reserve	13.531.211	(136.027)	13.395.184
Voluntarily reserve	93.798	(6.751)	87.047
Retained earnings	23.013.892	103.333	23.117.225
Non-controlling interests	594.745	(17.908)	576.837
Other liabilities	20.021.506	57.353	20.078.859
Basic and diluted earnings per share	0.28	(0.01)	0.27

45. Comparative Figures

Some of corresponding figures for 2009 have been reclassified in order to conform with the presentation for the current year. Except for effect of the restatements depicted in note (44), such reclassifications do not affect previously reported results and equity. In addition, the opening balances for 2009 have been presented.

