

BANK OF PALESTINE P.L.C

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

September 30, 2025

## **Report on review of interim financial information To the Chairman and Members of the Board of Directors of Bank of Palestine P.L.C**

### **Introduction**

We have reviewed the accompanying interim condensed consolidated financial statements of Bank of Palestine P.L.C and its subsidiaries. (the Bank) as at September 30, 2025 which comprise of the interim condensed consolidated statement of financial position, as at September 30, 2025 and the related interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income for the three and nine months period then ended, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine-month period then ended and explanatory notes.

Management is responsible for the preparation and presentation of this interim financial information in accordance with the IAS (34) "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of review**

Except what is described in the following paragraphs, we conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Basis for Qualified Conclusion**

#### Gaza Exposures:

The Bank disclosed its total exposures in Gaza Strip and the related impairment provisions and the net book value of these exposures in Note (40) to the attached interim condensed consolidated financial statements. These provisions have been calculated by management according to their best estimates, which are based on the latest available information in light of the state of uncertainty beyond management's control due to the consequences of the war on Gaza Strip. As a result, we were unable to perform the necessary review procedures on the provisions recorded against the bank's assets in Gaza Strip as of September 30, 2025. Consequently, we could not determine whether any adjustments were necessary to the interim condensed consolidated financial information. The audit report on the consolidated financial statements for the year ending December 31, 2024, was qualified for the same reason.



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Government Exposure:

As disclosed in Note (34) to the accompanying interim condensed consolidated financial statements, the Bank has a loan and Islamic financing exposures to the Palestinian Government, which is facing ongoing fiscal and political pressures. These circumstances may indicate a significant increase in credit risk in accordance with IFRS 9.

Due to the uncertainties associated with the above circumstances, we were unable to perform the necessary review procedures to evaluate the Bank's assessment of the significant increase in credit risk, the resulting staging classification of these exposures, and the related expected credit loss provisions as of September 30, 2025. Consequently, we could not determine whether any adjustments were necessary to the interim condensed financial information.

**Qualified Conclusion**

Based on our review, except for the possible adjustments to the interim condensed consolidated financial statements that we might have become aware of had it not been for the matters described above, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard No (34) "Interim Financial Reporting".

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A handwritten signature in blue ink, reading 'Abdelkarim M.', with the 'Ernst + Young' logo written below it in the same ink.

**Abdelkarim Mahmoud**

License #101/2017

December 14, 2025

Ramallah - Palestine

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at September 30, 2025

		September 30, 2025	December 31, 2024
		(Unaudited)	(Audited)
	Notes	U.S. \$	U.S. \$
<b>Assets</b>			
Cash and balances with Palestine Monetary Authority	4	3,752,090,327	2,236,071,862
Balances, deposits, and investments at banks and financial institutions	5	1,590,869,755	1,719,713,863
Financial assets at fair value through profit or loss	6	6,305,415	5,445,800
Direct credit facilities and Islamic financing, net	7	4,086,351,319	3,842,640,449
Financial assets at fair value through other comprehensive income	8	79,825,722	63,636,115
Financial assets at amortized cost	9	700,669,838	195,345,429
Investment in associates and a joint venture	10	11,565,960	12,011,817
Investment properties		40,676,948	40,676,948
Property, plant and equipment, and right of use assets		117,144,226	119,181,208
Deferred tax assets	20	80,502,466	52,098,683
Projects in progress	11	1,759,451	1,352,535
Intangible assets		13,886,445	14,388,305
Other assets	12	63,028,233	57,510,684
<b>Total assets</b>		<b>10,544,676,105</b>	<b>8,360,073,698</b>
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
Palestine Monetary Authority's deposits	13	429,963,190	241,791,321
Banks and financial institutions' deposits	14	85,536,229	111,077,678
Customers' deposits	15	8,436,869,831	6,714,389,212
Cash margins	16	338,305,760	275,219,509
Subordinated loans	17	52,500,000	60,000,000
Loans and borrowings	18	98,327,809	104,927,195
Istidama loans from Palestine Monetary Authority		47,852,680	48,446,863
Deferred tax liabilities	20	4,135,563	4,135,563
Lease liabilities		19,017,703	19,193,970
Sundry provisions	19	58,753,754	59,702,555
Taxes provisions	20	22,836,024	-
Other liabilities	21	310,009,238	147,587,439
<b>Total liabilities</b>		<b>9,904,107,781</b>	<b>7,786,471,305</b>
<b>Equity</b>			
Paid-in share capital	1	268,786,067	260,559,617
Additional paid-in capital	22	48,938,899	44,743,409
Perpetual bonds	23	30,000,000	30,000,000
Statutory reserve	24	69,285,414	69,285,414
Voluntarily reserve	24	246,361	246,361
General Banking risks reserve	24	8,374,676	8,374,676
Pro-cyclicality reserve	24	40,000,000	40,000,000
Fair value reserve	8	10,178,206	(2,214,932)
Retained earnings		93,723,005	55,584,071
<b>Equity attributable to the Bank's shareholders</b>		<b>569,532,628</b>	<b>506,578,616</b>
Non-controlling interests		71,035,696	67,023,777
<b>Total equity</b>		<b>640,568,324</b>	<b>573,602,393</b>
<b>Total liabilities and equity</b>		<b>10,544,676,105</b>	<b>8,360,073,698</b>

The accompanying notes from 1 to 41 are an integral part of these interim condensed consolidated financial statements

**Bank of Palestine P.L.C**

**INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT**

For the three-month and nine-month period ended September 30, 2025

	Notes	For the three-month period ended September 30		For the nine-month period ended September 30	
		2025	2024	2025	2024
		(Unaudited) U.S. \$	(Unaudited) U.S. \$	(Unaudited) U.S. \$	(Unaudited) U.S. \$
Interest income	26	64,497,830	66,976,037	201,484,217	194,257,297
Interest expense		(11,591,011)	(12,404,207)	(36,587,468)	(33,870,824)
<b>Net interest income</b>		<b>52,906,819</b>	<b>54,571,830</b>	<b>164,896,749</b>	<b>160,386,473</b>
Net financing and investment income		15,530,531	17,015,726	46,310,990	46,695,117
Net commissions income		7,689,215	7,000,868	20,032,092	22,373,538
<b>Net interest, financing, investment and commissions income</b>		<b>76,126,565</b>	<b>78,588,424</b>	<b>231,239,831</b>	<b>229,455,128</b>
Foreign currencies gains		13,112,443	10,423,472	35,913,224	24,783,614
Net gains from financial assets portfolio	27	1,359,563	61,421	3,939,013	2,555,775
Bank's share of results of associates and a joint venture	10	(74,899)	244,015	(130,114)	171,183
Other revenues, net		3,178,032	1,162,557	9,224,430	5,880,522
<b>Gross profit before expected credit losses provisions and other losses</b>		<b>93,701,704</b>	<b>90,479,889</b>	<b>280,186,384</b>	<b>262,846,222</b>
Provision for expected credit losses on direct credit facilities and Islamic financing, net	7	(31,768,949)	(16,688,632)	(90,684,680)	(53,370,275)
Provisions for other expected credit losses and other asset losses, net	29	(630,445)	(55,523,727)	(1,115,903)	(107,139,136)
<b>Gross profit</b>		<b>61,302,310</b>	<b>18,267,530</b>	<b>188,385,801</b>	<b>102,336,811</b>
<b>Expenses</b>					
Personnel expenses		(20,941,863)	(20,365,715)	(64,900,410)	(64,651,268)
Other operating expenses	28	(23,321,301)	(17,748,206)	(60,757,710)	(48,528,223)
Depreciation and amortization		(4,642,438)	(4,379,398)	(13,066,657)	(13,303,475)
Palestine Monetary Authority's fines	30	(10,000)	-	(10,000)	-
<b>Total expenses</b>		<b>(48,915,602)</b>	<b>(42,493,319)</b>	<b>(138,734,777)</b>	<b>(126,482,966)</b>
<b>Profit (loss) before taxes</b>		<b>12,386,708</b>	<b>(24,225,789)</b>	<b>49,651,024</b>	<b>(24,146,155)</b>
Taxes (expense) benefits	20	2,673,578	4,846,843	(5,029,575)	6,171,678
<b>Profit (loss) for the period</b>		<b>15,060,286</b>	<b>(19,378,946)</b>	<b>44,621,449</b>	<b>(17,974,477)</b>
<b>Attributable to:</b>					
Equity holders of the Bank	31	13,542,972	(19,516,931)	40,789,634	(18,477,672)
Non-controlling interests		1,517,314	137,985	3,831,815	503,195
		<b>15,060,286</b>	<b>(19,378,946)</b>	<b>44,621,449</b>	<b>(17,974,477)</b>
<b>Basic and diluted earnings (loss) per share attributable to equity holders of the Bank</b>		<b>0.05</b>	<b>(0.09)</b>	<b>0.15</b>	<b>(0.09)</b>

The accompanying notes from 1 to 41 are an integral part of these interim condensed consolidated financial statements

**Bank of Palestine P.L.C****CONSOLIDATED STATEMENT OF COMPREHANSIVE INCOME**

For the three-month and nine-month period ended September 30, 2025

	For the three-month period ended September 30		For the nine-month period ended September 30	
	2025	2024	2025	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Profit (loss) for the period	15,060,286	19,378,946)	44,621,449	(17,974,477)
<b>Items of other comprehensive income:</b>				
<b>Items not to be reclassified to the consolidated income statement in subsequent periods:</b>				
Change in fair value of financial assets through other comprehensive income items	<u>2,922,647</u>	<u>(2,169,616)</u>	<u>12,625,742</u>	<u>(4,133,534)</u>
Other comprehensive income items for the period	<u>2,922,647</u>	<u>(2,169,616)</u>	<u>12,625,742</u>	<u>(4,133,534)</u>
<b>Total comprehensive income for the period</b>	<u><u>17,982,933</u></u>	<u><u>21,548,562)</u></u>	<u><u>57,247,191</u></u>	<u><u>(22,108,011)</u></u>
Attributable to:				
Equity holders of the Bank	16,823,762	21,686,921)	53,182,772	(22,807,605)
Non-controlling Interests	<u>1,159,171</u>	<u>138,359</u>	<u>4,064,419</u>	<u>699,594</u>
	<u><u>17,982,933</u></u>	<u><u>21,548,562)</u></u>	<u><u>57,247,191</u></u>	<u><u>(22,108,011)</u></u>

The accompanying notes from 1 to 41 are an integral part of these interim condensed consolidated financial statements

Bank of Palestine P.L.C

**Consolidated Statement of Changes in Equity**  
For the nine-month period ended September 30, 2025

	Paid-in share capital	Additional paid-in capital	Perpetual bond	Reserves					Retained earnings	Equity holders of the Bank	Non-controlling interests	Total equity
				Statutory	Voluntarily	General banking risks	Pro-cyclicality	Fair value				
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>September 30, 2025</b>												
Balance, beginning of the period	260,559,617	44,743,409	30,000,000	69,285,414	246,361	8,374,676	40,000,000	(2,214,932)	55,584,071	506,578,616	67,023,777	573,602,393
Profit for the period	-	-	-	-	-	-	-	-	40,789,634	40,789,634	3,831,815	44,621,449
Other comprehensive income	-	-	-	-	-	-	-	12,393,138	-	12,393,138	232,604	12,625,742
Total comprehensive income for the period	-	-	-	-	-	-	-	12,393,138	40,789,634	53,182,772	4,064,419	57,247,191
Capital payments (note 1 & 22)	8,226,450	4,195,490	-	-	-	-	-	-	-	12,421,940	-	12,421,940
Interest on perpetual bond (note 23)	-	-	-	-	-	-	-	-	(2,650,700)	(2,650,700)	-	(2,650,700)
Cash dividends from a subsidiary (note 25)	-	-	-	-	-	-	-	-	-	-	(52,500)	(52,500)
<b>Balance, end of the period (unaudited)</b>	<b>268,786,067</b>	<b>48,938,899</b>	<b>30,000,000</b>	<b>69,285,414</b>	<b>246,361</b>	<b>8,374,676</b>	<b>40,000,000</b>	<b>10,178,206</b>	<b>93,723,005</b>	<b>569,532,628</b>	<b>71,035,696</b>	<b>640,568,324</b>
	Paid-in share capital	Additional paid-in capital	Perpetual bond	Reserves					Retained earnings	Equity holders of the Bank	Non-controlling interests	Total equity
	U.S. \$	U.S. \$	U.S. \$	Statutory	Voluntarily	General banking risks	Pro-cyclicality	Fair value				
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>September 30, 2024</b>												
Balance, beginning of the period	230,677,334	29,575,688	30,000,000	69,285,414	246,361	8,374,676	40,000,000	(106,169)	86,452,694	494,505,998	65,854,384	560,360,382
Loss for the period	-	-	-	-	-	-	-	-	(18,477,672)	(18,477,672)	503,195	(17,974,477)
Other comprehensive income	-	-	-	-	-	-	-	(4,329,933)	-	(4,329,933)	196,399	(4,133,534)
Total comprehensive income for the period	-	-	-	-	-	-	-	(4,329,933)	(18,477,672)	(22,807,605)	699,594	(22,108,011)
Increase of the paid-in capital (notes 1 & 25)	22,597,516	11,467,488	-	-	-	-	-	-	-	34,065,004	-	34,065,004
Interest on perpetual bond (note 26)	-	-	-	-	-	-	-	-	(2,924,027)	(2,924,027)	-	(2,924,027)
<b>Balance, end of the period (unaudited)</b>	<b>253,274,850</b>	<b>41,043,176</b>	<b>30,000,000</b>	<b>69,285,414</b>	<b>246,361</b>	<b>8,374,676</b>	<b>40,000,000</b>	<b>(4,436,102)</b>	<b>65,050,995</b>	<b>502,839,370</b>	<b>66,553,978</b>	<b>569,393,348</b>

The accompanying notes from 1 to 41 are an integral part of these interim condensed consolidated financial statements

## Consolidated Statement of Cash Flows

For the nine-month period ended September 30, 2025

	Note	For the nine-month period ended September 30	
		2025	2024
		(Unaudited) U.S. \$	(Unaudited) U.S. \$
<b>Operating activities</b>			
Profit (loss) for the period before taxes		49,651,024	(24,146,155)
<b>Adjustments for:</b>			
Depreciation and amortization		13,066,657	13,303,475
Net gains from financial assets portfolio		(3,939,013)	(2,555,775)
Modification of assets and related grants	7	30,095,274	-
Finance cost on lease liabilities		374,879	481,226
Provision for expected credit losses on direct credit facilities and Islamic financing, net		90,684,680	53,370,275
Other provisions for expected credit losses and other asset losses, net		115,903	2,439,136
Sundry provisions		6,051,551	6,890,439
(Gains) losses from disposal of property, plant and equipment		(146,528)	3,488
Bank's share of results of associates and a joint venture		130,114	(171,183)
Amortization of discount and premium on issuance of financial assets at amortized cost		(9,061,576)	(1,329,135)
Other non-cash items		(625,541)	(841,030)
		<u>176,397,424</u>	<u>47,444,761</u>
<b>Changes in assets and liabilities:</b>			
Direct credit facilities and Islamic financing, net		(375,120,771)	(114,950,229)
Statutory cash reserve		(187,969,355)	(70,989,989)
Other assets		(7,378,523)	18,096,522
Customers' deposits		1,722,480,619	725,184,883
Istidama loans form PMA		(594,183)	16,317,403
Cash margins		63,086,251	(15,832,139)
Other liabilities		161,762,858	20,884,190
<b>Net cash flows from operating activities before taxes and paid provisions</b>		<u>1,552,664,320</u>	<u>626,155,402</u>
Taxes and advances payments		(8,599,579)	(19,754,366)
Sundry provision payments		(7,000,352)	(1,942,209)
<b>Net cash flows from operating activities</b>		<u>1,537,064,389</u>	<u>604,458,827</u>
<b>Investing activities</b>			
Purchase of financial assets at fair value through other comprehensive income		(3,288,771)	(1,398,721)
Purchase of financial assets at fair value through profit or loss		(5,220,789)	(374,818)
Sale of financial assets at fair value through profit or loss		6,079,114	33,301
Purchase of financial assets at amortized cost		(1,906,783,062)	(202,109,943)
Matured financial assets at amortized cost		1,409,175,693	166,144,208
Sale of financial assets at amortized cost		2,565,971	-
Stock dividends received		3,096,089	2,640,548
Investments management commission		(965,318)	(317,613)
Deposits at banks and financial institutions maturing in more than three months		(51,016,943)	(217,040,901)
Restricted Balances		(14,303,527)	2,383,630
Palestine Monetary Authority deposits for a period more than three months		226,420,539	25,120,639
Purchase of intangible assets		(1,401,456)	(1,874,747)
Projects in progress additions		(703,439)	(1,266,580)
Purchase of property, plant and equipment		(6,205,016)	(3,823,946)
Sale of property, plant, and equipment		326,526	3,500
<b>Net cash flows used in investing activities</b>		<u>(342,224,389)</u>	<u>(231,881,443)</u>
<b>Financing activities</b>			
Lease liabilities payments		(3,355,964)	(3,893,486)
Subordinated loan received		-	30,000,000
Payments of subordinated loan		(7,500,000)	(7,500,000)
Capital payments		12,421,940	34,065,004
Repayment of loans and borrowings		(9,592,553)	(9,592,133)
Withdrawal of loans and borrowings		2,000,000	46,500,000
Interest on perpetual bond		(1,783,518)	(1,978,304)
<b>Net cash flows (used in) from financing activities</b>		<u>(7,810,095)</u>	<u>87,601,081</u>
<b>Increase in cash and cash equivalents</b>		<u>1,187,029,905</u>	<u>460,178,465</u>
Cash and cash equivalents, beginning of the period		2,553,549,466	1,809,209,490
<b>Cash and cash equivalents, end of the period</b>	32	<u>3,740,579,371</u>	<u>2,269,387,955</u>
<b>Interest expense paid</b>		41,466,159	36,759,278
<b>Interest revenue received</b>		252,653,543	247,600,615

The accompanying notes from 1 to 41 are an integral part of these interim condensed consolidated financial statements.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
September 30, 2025

**1. General**

Bank of Palestine P.L.C (the Bank) was established in 1960 and was 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 shares were listed for trading at Palestine Securities Exchange during 2005.

The authorized capital of the Bank consists of 350 million shares with a par value of U.S.\$ 1 per share, after it was increased from 300 million shares according to the decision of the extraordinary general assembly, which was held on June 2, 2025.

In 2024, the Bank signed an agreement with both the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD), whereby both will invest a total of 22,597,516 shares in the Bank through a private share issuance. The bank also signed agreements with the Arab Palestinian Investment Company and Aswaq for Investment Portfolios, resulting in an investment of 7,284,767 shares in the Bank through a private share issuance, as a result, the Bank's paid-in capital reached U.S \$ 260,559,617 as of December 31, 2024.

According to the agreement signed with both the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD), which stipulates their preemptive right to maintain their shareholding percentage in the bank, the International Finance Corporation (IFC) approved the issuance of 383,409 shares to maintain its percentage of investments in the bank. The International Finance Corporation (IFC) settled the amount of investment during the period.

During the period, the bank signed an agreement with the Proparco Corporation, in which the "Facilité d'Investissement et de Soutien aux Entreprises en Afrique" (FISEA), a subsidiary of the Proparco Corporation, invests through a private issuance of 7,152,317 shares. Both the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD) approved the issuance of 392,152 and 298,572 shares, respectively, to maintain their investments' percentages in the Bank. As a result, the Bank's paid-in capital amounted to U.S. \$ 268,786,067 as of September 30, 2025.

One of the most important objectives of the Bank is to carry out all of the Banking activities which include opening current account, letter of credit, accepting deposits and lending money through its spread branches in Palestine which are (29) branches and (40) offices and one electronic office and one representative office in Dubai, United Arab Emirates. The Bank will open a representative office in Egypt after obtaining the necessary approvals from the official authorities.

The number of branches of Arab Islamic Bank (a subsidiary) is (22) branches in addition to (7) offices, in addition to one mobile office and one external representative office in Dubai, United Arab Emirates, and a mobile branch.

Bank of Palestine is considered a Bank of systemic importance at the local level in accordance with the general framework of Banks of systemic importance approved by the Board of Directors of Palestine Monetary Authority.

The Bank's personnel (head quarter and branches) reached (1,807) and (1,835) as at September 30, 2025 and December 31, 2024, respectively. The number of employees of the subsidiaries are (854) and (818) as at September 30, 2025 and December 31, 2024, respectively.

The interim condensed consolidated financial statements were authorized for issuance by the Bank's Board of Directors during their meeting number (09/2025) dated November 22, 2025.

## 2. Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements comprise of the financial statements of the Bank and its subsidiaries as at September 30, 2025.

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

	Country of incorporation	Ownership		Paid-in share capital	
		%		U.S. \$	
		September 30, 2025	December 31, 2024	September 30, 2025	December 31, 2024
Arab Islamic Bank	Palestine	52.06	52.06	101,119,252	101,119,252
Al-Wasata Securities Company	Palestine	100	100	5,000,000	5,000,000
PalPay Company**	Palestine	85	85	1,500,000	1,500,000
2000 Company	Palestine	100	100	100,000	100,000

\*\* In compliance with the instructions of the PMA No. (2) of 2021 regarding the amendment of Instructions No. (1) of 2018 regarding licensing of payment services companies, the instructions stipulate that the Bank's contribution to PalPay must be reduced to less than 50% by the end of 2021. Negotiations are still ongoing between the Bank and PMA on these instructions. The Bank has not, until the date of approval of the interim condensed consolidated financial statements, reduced its shareholding in PalPay Company.

The financial statements of the subsidiaries are consolidated with the Bank's financial statements based on the consolidation of a line-by-line basis of assets, liabilities and result of the Bank with the assets, liabilities, and results of subsidiaries after eliminating all intercompany balances and transactions between the Bank and its subsidiaries.

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

## 3. Basis of Preparation and Changes in Accounting Policies

### 3.1 Basis of preparation

The interim condensed consolidated financial statements as at September 30, 2025 have been prepared in accordance with the International Accounting Standard No. (34) "Interim Financial Reporting".

The Bank complies with the applicable local laws and the instructions of the Palestine Monetary Authority.

The interim condensed consolidated financial statements have been on a historical cost basis, except for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, financial derivatives and investment properties that have been measured at fair value at the date of the interim condensed consolidated financial statements.

The interim condensed consolidated financial statements have been presented in U.S. Dollar, which is the functional currency of the Bank.

The interim condensed consolidated financial statements do not include all the information and disclosures required for the preparation of the annual consolidated financial statement and should be read in conjunction with the Bank's annual consolidated financial statements as of December 31, 2024. Accordingly, the results of operation of the nine-month period ended on September 30, 2025 are not necessarily an indication of the expected annual results as of December 31, 2025.

### 3.2 Changes in accounting policies

The accounting policies used in preparing the Bank's interim condensed consolidated financial statements are identical to those used to prepare the financial statements for the year ended on December 31, 2024, except for the Bank's application of some amendments effective as of January 1, 2025:

#### **Lack of exchangeability - Amendments to IAS 21**

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments are not expected to have a material impact on the Bank's interim condensed consolidated financial statements.

#### **International Financial Reporting Standards, new interpretations and amendments issued but not yet effective**

International financial standards and amendments issued but not yet effective until the date of the consolidated financial statements are listed below, and the Bank will apply these standards and amendments starting from the date of mandatory application:

#### **Amendments to the Classification and Measurement of Financial Instruments- Amendments to IFRS 9 and IFRS 7**

In May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

The Amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only.

The bank is working on identifying all the impacts of amendments on the interim condensed consolidated financial statements and their related notes.

#### **IFRS 18 Presentation and Disclosure in Financial Statements**

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the consolidated statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the consolidated statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary consolidated financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Consolidated Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

This standard will result in new presentation of the interim consolidated income statement with some new required totals, in addition to the disclosure of management-defined performance measures.

#### **IFRS 19 Subsidiaries without Public Accountability: Disclosures**

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

The amendments are not expected to have a material impact on the Bank's consolidated financial statements.

#### **Use of estimates and judgements:**

The preparation of interim condensed 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 changes in fair value in 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.

Bank's management believes that estimates used in the preparation of the interim condensed consolidated financial statements are reasonable and are as follows:

- The Bank reviews the useful lives of tangible and intangible assets on regular basis in order to assess the depreciation and amortizations for the year based on the assets' condition, useful lives and future economic benefits. Impairment, if any, is recognized in the interim condensed consolidated income statement.
- Tax provisions are calculated and provisioned 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 financial assets at amortized cost to estimate impairments, if any. Impairment losses are reflected in the interim condensed consolidated income statement.
- Impairment of goodwill is based on the estimate of the "value in use" of the cash-generating units to which goodwill has been allocated. This requires estimating the future cash flows of the cash generating units and selecting the discount rates to calculate the present value of those future cash flows.
- Investment properties are appraised by using accredited appraisers registered with Palestine Capital Market authority.

- End of service indemnity expense is calculated and provisioned based on prevailing Palestinian labor law and in agreement with the international accounting standards.
- Lawsuits provision is established to provide for legal obligations, if any, based on the opinion of the Bank's lawyer.
- Provisions for expected credit loss are reviewed based on Palestine Monetary Authority instructions and applicable IFRSs.

**Provision for expected credit losses (ECL):**

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

- **Assessment of Significant Increase in Credit Risk (SICR)**

Significant increase in credit risk is assessed on a proportional basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Bank compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Bank's existing risk management processes. This evaluation is used to classify customers and portfolios for the credit rating stages, stage (1) (initial recognition), stage (2) (credit quality decline) and stage (3) (credit impairment).

- **Modification of facilities:**

The Bank sometimes makes amendments to the terms of the facilities contracts in response to the customer's request, who has financial difficulties instead of recovering or collecting guarantees. The Bank amends the terms of the facility as a result of the emergence or existence of financial difficulties of the customer. Terms may include extending payments or agreeing on new facility terms. The Bank's policy is to monitor the scheduled facilities to help ensure that future payments continue to occur. The Bank's decision to adjust the rating between stage (2) and stage (3) is made on a case-by-case basis.

- **Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios:**

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

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

- **Definition of default:**

The definition of default used in measuring expected credit losses and used in assessing the change between stages is consistent with the definition of default used by the internal credit risk department of the bank. The default is not defined by the standard, and there is a rebuttable assumption that the payment has been stopped for a period of 90 days or more, in addition to some other qualitative factors such as the customer facing financial difficulties, bankruptcy, death and others.

- **Expected Life:**

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

**Basis of consolidation of the interim condensed financial statements**

The interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as of September 30, 2025. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Bank controls an investee if, and only if, the Bank has:

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

The Bank re-assesses whether or not it controls investees if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of subsidiaries begins when the Bank obtains control over the subsidiaries and ceases when the Bank loses control of the subsidiaries. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the interim condensed consolidated financial statement from the date the Bank gains control until the date the Bank ceases to control the subsidiary. The effect of a change in the percentage of ownership in subsidiaries (without losing control of them) is recorded as transactions between owners.

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

The non-controlling interest's share of losses is recorded even if there is a deficit in the non-controlling interest's equity.

In the event that the bank loses control over its subsidiaries, the assets (including goodwill) and the liabilities of the subsidiary in addition to the book value of non-controlling interests are excluded. The surplus or deficit from disposal is recorded in the interim condensed consolidated income statement. Any remaining investments are recorded at fair value.

**Going concern principle**

Despite the events and circumstances described in notes (35 and 40), these interim consolidated condensed financial statements have been prepared on the going concern basis. The Board of Directors believes that all available measures are being taken to maintain the Bank's continuity and to continue the operations in the current business environment and economic conditions, noting that the majority of the Bank's business, revenues and cash flows are achieved in the West Bank.

**Climate-related matters**

The Bank considers climate-related matters in accounting judgements, estimates and assumptions, where appropriate. This assessment includes a wide range of possible impacts on the Bank due to both physical and transition risks. Most climate-related risks are expected to impact over a term that is generally longer than the contractual maturity of most exposures, nonetheless climate-related matters increase the uncertainty in estimates and assumptions underpinning certain items in the financial statements. Currently, climate-related risks do not have a significant impact on measurement, though the Bank is closely monitoring relevant changes and developments. The items and considerations that are most directly impacted by climate-related matters include useful life of property and equipment, impairment of non-financial assets, expected credit losses and fair value measurement, among others.

#### 4. Cash and balances with Palestine Monetary Authority

This item comprises the following:

	September 30, 2025	December 31, 2024
	U.S. \$	U.S. \$
<b>Cash on hand*</b>	2,907,126,884	1,590,121,769
<b>Balances with Palestine Monetary Authority:</b>		
Current and on-demand accounts	16,717,992	15,500,880
Swap deposits maturing within three months or less	10,014,104	-
Statutory cash reserve	820,320,712	632,351,357
	<u>3,754,179,692</u>	<u>2,237,974,006</u>
Less: provision for expected credit losses	<u>(2,089,365)</u>	<u>(1,902,144)</u>
	<u><u>3,752,090,327</u></u>	<u><u>2,236,071,862</u></u>

\* This item is presented net of incurred cash losses due to the war on Gaza Strip for the Bank and its subsidiary (Arab Islamic Bank) which amounted to approximately U.S. \$ 183 million as of September 30, 2025, and approximately U.S. \$ 170 million as of December 31, 2024. Additionally, the subsidiary (Arab Islamic Bank) recorded an amount of U.S. \$ 1,000,000 during the period as cash losses due to the war (notes 29 and 40).

- Cash on hand includes amounts held by The Palestinian Company for Money and Valuables Transfer (Aman) (Associate) related to ATM feeding for the Bank and the subsidiary (Arab Islamic Bank) which amounted to U.S. \$ 20,815,511 and U.S. \$ 21,455,700 as at September 30, 2025 and December 31, 2024, respectively.
- According to Palestine Monetary Authority's instructions No. (10) of 2022 regarding the statutory cash reserve, the Bank should maintain a restricted-withdrawal statutory cash reserve balance with Palestine Monetary Authority at 9% of the deposits included in the mandatory reserve pool, in addition to 100% of the stagnant balances. A percentage of 20% of this reserve is allocated to meet the results of clearing and settlements under the name "Settlement Reserve". The Bank may not dispose of the mandatory cash reserve with Palestine Monetary Authority, with the exception of the settlement reserve, which the Bank is allowed to exploit in accordance with the instructions in force. In accordance with Instruction No. (2) for the year 2012, the outstanding balance for facilities granted in the city of Jerusalem for certain sectors is reduced before calculating the mandatory cash reserve.
- The Palestine Monetary Authority does not pay any interest on the balances of the statutory cash reserve, current accounts and on-demand accounts
- As disclosed in note (34), the Palestinian banking sector, including the Bank and its subsidiary (Arab Islamic Bank), faces operational difficulties due to the accumulation of significant cash balances in Israeli Shekel (ILS). The net cash balance held in ILS amounted to the equivalent of U.S. \$ 2,644 million as at September 30, 2025 (2024: U.S. \$ 1,466 million), which represents 90.94% (2024: 92.20%) of the Bank's net cash on hand.

The movement on the gross carrying amount of the balances at Palestine Monetary Authority is as follows:

	September 30, 2025			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Balance, beginning of the period</b>	647,852,237	-	-	647,852,237
Net change during the period	199,200,571	-	-	199,200,571
<b>Balance, end of the period</b>	<b>847,052,808</b>	<b>-</b>	<b>-</b>	<b>847,052,808</b>

  

	December 31, 2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Balance, beginning of the year</b>	596,054,804	-	-	596,054,804
Net change during the year	51,797,433	-	-	51,797,433
<b>Balance, end of the year</b>	<b>647,852,237</b>	<b>-</b>	<b>-</b>	<b>647,852,237</b>

The movement on provision for expected credit losses on balances at Palestine Monetary Authority is as follows:

	September 30, 2025			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Balance, beginning of the period</b>	1,902,144	-	-	1,902,144
Net re-measurement of expected credit losses for the period	187,221	-	-	187,221
<b>Balance, end of the period</b>	<b>2,089,365</b>	<b>-</b>	<b>-</b>	<b>2,089,365</b>

  

	December 31, 2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Balance, beginning of the year</b>	2,007,282	-	-	2,007,282
Net re-measurement of expected credit losses for the year	(105,138)	-	-	(105,138)
<b>Balance, end of the year</b>	<b>1,902,144</b>	<b>-</b>	<b>-</b>	<b>1,902,144</b>

## 5. Balances, deposits, and investments at banks and financial institutions

This item comprises the following:

	September 30, 2025	December 31, 2024
	U.S. \$	U.S. \$
<b>Local banks and financial institutions:</b>		
Current and on demand accounts	8,979,082	1,330,804
Deposits maturing within three months or less	60,000,000	75,437,468
Swap deposits maturing within three months or less	7,464,805	2,935,214
	<u>76,443,887</u>	<u>79,703,486</u>
<b>Foreign banks and financial institutions:</b>		
Current and on-demand accounts	256,491,928	175,268,771
Deposits maturing within three months or less	734,067,427	1,013,749,918
Deposits maturing after three months	490,352,628	439,335,685
Swap deposits maturing within three months or less	27,746,121	6,000,000
	<u>1,508,658,104</u>	<u>1,634,354,374</u>
<b>Investments at foreign Islamic banks:</b>		
Investments maturing within three months	1,724,996	1,815,255
Investments maturing after three months	6,000,000	6,000,000
	<u>7,724,996</u>	<u>7,815,255</u>
	<u>1,592,826,987</u>	<u>1,721,873,115</u>
Less: provision for expected credit losses	<u>(1,957,232)</u>	<u>(2,159,252)</u>
	<u>1,590,869,755</u>	<u>1,719,713,863</u>

Non-interest or profits bearing balances at banks and financial institutions as at September 30, 2025 and December 31, 2024 amounted to U.S. \$ 300,681,936 and U.S. \$ 185,534,789, respectively.

Restricted balances at banks and financial institutions as at September 30, 2025 and December 31, 2024 amounted to U.S. \$ 90,045,141 and U.S. \$ 75,741,614, respectively.

Following is a summary of movements on the gross balances, deposits, and investments at banks and financial institutions:

	September 30, 2025			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Balance, beginning of the period</b>	1,681,196,515	38,861,345	1,815,255	1,721,873,115
Net change during the period	(154,216,511)	25,260,642	-	(128,955,869)
Transfers to stage (1)	1,215,372	(1,215,372)	-	-
Disposals	-	-	(90,259)	(90,259)
<b>Balance, end of the period</b>	<u>1,528,195,376</u>	<u>62,906,615</u>	<u>1,724,996</u>	<u>1,592,826,987</u>
	December 31, 2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Balance, beginning of the year</b>	968,927,354	36,710,934	2,689,727	1,008,328,015
Net change during the year	712,269,161	2,150,411	(74,472)	714,345,100
Disposals	-	-	(800,000)	(800,000)
<b>Balance, end of the year</b>	<u>1,681,196,515</u>	<u>38,861,345</u>	<u>1,815,255</u>	<u>1,721,873,115</u>

Following is a summary of movements on the provisions for expected credit losses on balances, deposits, and investments at banks and financial institutions:

	September 30, 2025			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Balance, beginning of the period</b>	338,559	5,438	1,815,255	2,159,252
Net re-measurement of expected credit losses for the period	(115,608)	3,847	-	(111,761)
Write off	-	-	(90,259)	(90,259)
<b>Balance, end of the period</b>	<u>222,951</u>	<u>9,285</u>	<u>1,724,996</u>	<u>1,957,232</u>
	December 31, 2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Balance, beginning of the year</b>	411,368	19,210	2,689,727	3,120,305
Net re-measurement of expected credit losses for the year	(72,809)	(13,772)	(74,472)	(161,053)
Write off	-	-	(800,000)	(800,000)
<b>Balance, end of the year</b>	<u>338,559</u>	<u>5,438</u>	<u>1,815,255</u>	<u>2,159,252</u>

## 6. Financial assets at fair value through profit or loss

This item includes the following:

	September 30,	December 31,
	2025	2024
	U.S. \$	U.S. \$
Quoted shares in Palestine securities exchange	623,499	484,643
Quoted shares in Foreign Financial Markets	1,387,915	1,257,005
Investments in financial portfolio	2,100,220	1,510,371
Unquoted shares	2,193,781	2,193,781
	<u>6,305,415</u>	<u>5,445,800</u>

The Bank recognized gains from the revaluation of financial assets at fair value through profit or loss amounting to U.S. \$ 258,618 for the nine-month period ended September 30, 2025, compared to revaluation gains of U.S. \$ 218,077 for the nine-month period ended September 30, 2024 (note 27).

The Bank recognized cash dividends from financial assets at fair value through profit or loss amounting to U.S. \$ 59,163 for the nine-month period ended September 30, 2025, compared to U.S. \$ 146,663 for the nine-month period ended September 30, 2024 (note 27).

The Bank recorded gains from the sale of financial assets at fair value through profit or loss amounting to U. S. \$ 1,459,322 for the nine-month period ended September 30, 2025, compared to U. S. \$ 14,763 for the nine-month period ended September 30, 2024 (Note 27).

## 7. Direct credit facilities and Islamic financing, net

This item comprises the following:

	September 30, 2025	December 31, 2024
	<u>U.S. \$</u>	<u>U.S. \$</u>
<b><u>Retail</u></b>		
Loans	909,665,038	891,368,665
Overdraft accounts	47,274,127	60,473,772
Credit cards	21,204,756	20,357,264
Current overdrafts	10,817,538	15,644,048
Islamic financing	310,935,987	294,730,693
<b><u>Large corporate and local regulators</u></b>		
Loans	615,931,982	573,219,221
Overdraft accounts	115,731,206	116,926,265
Credit cards	536,633	335,690
Current overdrafts	1,966,565	3,049,210
Islamic financing	631,784,820	587,989,238
<b><u>Small and medium enterprises</u></b>		
Loans	450,024,287	421,615,069
Overdraft accounts	88,545,276	91,419,005
Credit cards	7,671,279	6,192,084
Current overdrafts	6,062,300	4,559,725
Islamic financing	110,960,068	116,330,665
<b><u>Palestine National Authority</u></b>		
Loans	730,742,208	459,147,764
Overdraft accounts and current overdrafts	299,755,139	358,083,183
Islamic financing	168,721,382	167,145,377
	<u>4,528,330,591</u>	<u>4,188,586,938</u>
Suspended interests, commissions, and profits	(25,661,899)	(21,917,849)
Provision for expected credit losses	(416,317,373)	(324,028,640)
	<u>4,086,351,319</u>	<u>3,842,640,449</u>

- Direct credit facilities and Islamic financing granted to the Palestinian National Authority as of September 30, 2025 and December 31, 2024, amounted to U.S. \$ 1,199,218,729 and U.S. \$ 984,376,324, respectively, representing (26.48%) and (23.50%) of gross direct credit facilities and Islamic financing, respectively. Details of the exposures to the Palestinian National Authority are disclosed in note (34).
- Credit facilities and Islamic financing granted to the public sector employees as of September 30, 2025, and December 31, 2024, amounted to U.S. \$ 648,398,763 and U.S. \$ 655,038,473 representing (14.32%) and (15.64%) of gross direct credit facilities and Islamic financing, respectively. Which also represents (93.55%) and (99.16%) of regulatory capital as of September 30, 2025, and December 31, 2024, respectively.
- Credit facilities and Islamic financing granted to the green line Palestinian workers as of September 30, 2025, and December 31, 2024, amounted to U.S. \$ 76,130,340 and U.S. \$ 74,357,753 representing (1.68%) and (1.78%) of gross direct facilities and Islamic financing, respectively.
- Gross classified direct credit facilities and Islamic financing net of suspended interest, commissions and profits according to PMA regulations as at September 30, 2025, and December 31, 2024, amounted to U.S. \$ 683,257,990 and U.S. \$ 586,402,614, respectively, representing (15.17%) and (14.07%) of direct credit facilities and Islamic financing net of suspended interests, commissions and profits, respectively.
- Defaulted direct credit facilities and Islamic financing net of suspended interests, commissions and profits as of September 30, 2025, and December 31, 2024 amounted to U.S. \$ 266,977,604 and U.S. \$ 208,000,204, respectively, representing (5.93%) and (4.99%) of direct credit facilities and Islamic financing net of suspended interests, commissions and profits, respectively.

- The President of the State of Palestine issued Decision-Law No. (3) of 2025 to organize dealing with the loan's installments and terms. This law grants the Palestinian Monetary Authority the right, in specific cases outlined in the Decision-Law, to issue binding instructions to banks to amend loan terms and installments, including extending repayment periods, restructuring debts and installments, or determining interest rates, ensuring that the interest rate does not exceed the interbank lending rate. Accordingly, the Palestinian Monetary Authority issued Instruction No. (1) of 2025 regarding the management of debt maturities of credit financing granted to individuals in Gaza Strip and public sector employees in West Bank, the instructions requested the Banks to shift the repayment schedule for all loans in Gaza Strip for the period from October 1, 2023, until July 1, 2025. In addition, the repayment schedule for all loans for public sector employees in West Bank should be shifted from October 1, 2023, until December 31, 2024, through granting a new loan to the borrowers, with the Bank collecting interest on the due amounts that does not exceed the interbank lending rate (6 Months SOFR).

The PMA also issued Instruction No. (11) of 2025, which stipulates extending the postponement of the repayment schedule for all instalments for borrowers in the Gaza Strip until the end of this year. The instructions stipulate postponing the deduction of instalments gradually, in which during the first phase, a fixed portion of the instalment is deducted, capped at 25% of the borrower's income and applicable until June 2026. Thereafter, the instalment amount will be increased, subject to a maximum cap of 50% of the borrower's income.

This event represents a modification to assets according to International Financial Reporting Standard (IFRS) No. 9, which requires the recognition of the difference between the present value of the modified contractual cash flows, discounted at the original effective interest rate, and the total book value prior to the modification as a loss in credit facility modifications within the interim condensed consolidated income statement. As a result of these instructions, the Bank deferred due installments amounting to U.S. \$ 163 million and accordingly recognized total modification losses of U.S. \$ 41 million during the period within the interest income item (note 26) in the interim condensed consolidated income statement. The total exposure to these customers before the modifications amounted to U.S. \$ 583 million as of September 30, 2025. Additionally, as a result of these modifications, the Bank updated the inputs used for calculating the expected credit loss provisions as of September 30, 2025.

In order to compensate for the related costs incurred by the Bank due to the requirements of Instructions No. (1/2025) regarding the treatment of loan maturity deferrals issued under Decision-Law No. (3) of 2025, the Bank and its subsidiary (Arab Islamic Bank) received two subsidized deposits from the Palestine Monetary Authority on May 22, 2025, with different maturity dates.

Based on correspondence from the Palestine Monetary Authority, management has decided that these non-interest deposits are primarily intended to compensate for losses arising from the modification losses related to the deferral of loan installments. The subsidized interest rate was calculated on a regular basis in accordance with the requirements of International Accounting Standard (IAS) 20 - "Accounting for Government Grants and Disclosure of Government Assistance", which resulted in a gain of U.S. \$ 11 million and was recorded in the interim condensed consolidated income statement for the nine-month period ended on September 30, 2025. Management also applied the necessary professional judgments and estimates for the purpose of recognizing and measuring the grant.

A summary of the movement on suspended interests, commissions and profits is as follows during the period / year:

	September 30, 2025	December 31, 2024
	<u>U.S. \$</u>	<u>U.S. \$</u>
Balance, beginning of the period/ year	21,917,849	17,891,796
Suspended interests and profits during the period/ year	8,641,925	11,387,708
Suspended interests and profits transferred to revenues during the period/ year	(2,092,600)	(3,210,242)
Excluding suspended interest and profits related to credit facilities and Islamic financing being default for more than 6 years	(2,648,421)	(4,028,966)
Suspended interests written off	(172,668)	(190,771)
Currency variance	15,814	68,324
Balance, end of the period/ year	<u>25,661,899</u>	<u>21,917,849</u>

A summary of the movement on gross carrying amount of direct credit facilities and Islamic financing is as follows:

	September 30, 2025			
	Stage (1)	Stage (2)	Stage (3)	Total
	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
<b>Balance, beginning of the period</b>	2,176,534,174	1,782,134,711	229,918,053	4,188,586,938
Net change during the period	484,648,322	(131,221,424)	779,488	354,206,386
Transfers to stage (1)	167,817,955	(166,617,422)	(1,200,533)	-
Transfers to stage (2)	(201,776,559)	214,130,893	(12,354,334)	-
Transfers to stage (3)	(4,163,060)	(85,796,502)	89,959,562	-
Excluding defaulted direct credit facilities and Islamic financing for more than 6 years	-	-	(13,164,626)	(13,164,626)
Facilities and Islamic financing written off	-	-	(1,298,107)	(1,298,107)
<b>Balance, end of the period</b>	<u>2,623,060,832</u>	<u>1,612,630,256</u>	<u>292,639,503</u>	<u>4,528,330,591</u>

  

	December 31, 2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
<b>Balance, beginning of the year</b>	2,373,341,890	1,516,645,740	231,626,661	4,121,614,291
Net change during the year	206,392,621	(103,911,647)	652,636	103,133,610
Transfers to stage (1)	91,708,549	(88,812,194)	(2,896,355)	-
Transfers to stage (2)	(479,209,424)	488,921,708	(9,712,284)	-
Transfers to stage (3)	(15,699,462)	(30,708,896)	46,408,358	-
Excluding defaulted direct credit facilities and Islamic financing for more than 6 years	-	-	(34,793,470)	(34,793,470)
Facilities and Islamic financing written off	-	-	(1,367,493)	(1,367,493)
<b>Balance, end of the year</b>	<u>2,176,534,174</u>	<u>1,782,134,711</u>	<u>229,918,053</u>	<u>4,188,586,938</u>

A summary of the movement on provision for expected credit losses on direct credit facilities and Islamic financing is as follows:

	September 30, 2025			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Balance, beginning of the period</b>	21,950,446	170,743,131	131,335,063	324,028,640
Transfers to stage (1)	3,791,570	(3,326,980)	(464,590)	-
Transfers to stage (2)	(2,712,890)	6,833,831	(4,120,941)	-
Transfers to stage (3)	(15,951)	(29,153,067)	29,169,018	-
Net re-measurement of expected credit losses	5,369,676	75,660,260	14,666,133	95,696,069
Write off for defaulted credit facilities and Islamic financing for more than 6 years	-	-	(10,516,205)	(10,516,205)
Recovery of written off credit facilities	-	-	69,938	69,938
Provision written off	-	-	(1,125,439)	(1,125,439)
Foreign currency exchange differences	415,397	4,421,282	3,327,691	8,164,370
<b>Balance, end of the period</b>	<b>28,798,248</b>	<b>225,178,457</b>	<b>162,340,668</b>	<b>416,317,373</b>
	December 31, 2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Balance, beginning of the year</b>	21,752,069	112,690,907	130,271,292	264,714,268
Transfers to stage (1)	1,658,987	(708,695)	(950,292)	-
Transfers to stage (2)	(1,913,760)	4,989,106	(3,075,346)	-
Transfers to stage (3)	(75,118)	(460,513)	535,631	-
Net re-measurement of expected credit losses	60,299	53,828,762	35,191,848	89,080,909
Write off for defaulted credit facilities and Islamic financing for more than 6 years	-	-	(30,764,504)	(30,764,504)
Recovery of written off credit facilities	-	-	137,577	137,577
Provision written off	-	-	(1,176,722)	(1,176,722)
Foreign currency exchange differences	467,969	403,564	1,165,579	2,037,112
<b>Balance, end of the year</b>	<b>21,950,446</b>	<b>170,743,131</b>	<b>131,335,063</b>	<b>324,028,640</b>

A summary of the movement on the expected credit losses provision for direct credit facilities and Islamic financing that have been defaulted for more than 6 years is as follows:

	September 30, 2025	December 31, 2024
	U.S. \$	U.S. \$
Balance, beginning of the period/ year	73,274,039	43,948,455
Additions	10,516,205	30,764,504
Net recovery of facilities impairment provision	(5,011,389)	(1,419,498)
Provision written off	(56,998)	(19,422)
Foreign currency exchange differences	2,563,568	-
<b>Balance, end of the period/ year</b>	<b>81,285,425</b>	<b>73,274,039</b>

## 8. Financial assets at fair value through other comprehensive income items

Financial assets at fair value through other comprehensive income items comprise of the following:

	Quoted shares in financial markets	Unquoted shares in financial markets	Investments in financial portfolios	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>September 30, 2025</b>				
Local	23,099,732	8,904,204	-	32,003,936
Foreign	42,260,874	1,641,321	3,919,591	47,821,786
	<u>65,360,606</u>	<u>10,545,525</u>	<u>3,919,591</u>	<u>79,825,722</u>
<b>December 31, 2024</b>				
Local	19,464,144	8,904,204	-	28,368,348
Foreign	31,631,671	1,431,246	2,204,850	35,267,767
	<u>51,095,815</u>	<u>10,335,450</u>	<u>2,204,850</u>	<u>63,636,115</u>

Summary of the movement on fair value reserve is as follows:

	September 30, 2025	December 31, 2024
	U.S. \$	U.S. \$
<b>Balance, beginning of the period/ year</b>	(2,214,932)	(106,169)
Change in fair value through other comprehensive income items during the period/year	12,393,138	(2,108,763)
<b>Balance, end of the period/ year</b>	<u>10,178,206</u>	<u>(2,214,932)</u>

The Bank recognized cash dividends from financial assets at fair value through other comprehensive income items totaling U.S. \$ 3,046,308 for the nine-month period ended September 30, 2025, compared to U.S. \$ 2,493,885 for the nine-month period ended September 30, 2024 (note 27).

## 9. Financial assets at amortized cost

Financial assets at amortized cost comprise of the following:

	Treasury Bills and bonds	Bonds quoted in financial markets	Bonds unquoted in financial markets	Islamic Sukuk	Provision for ECL	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>September 30, 2025</b>						
Local	-	-	30,909,732	-	(299,657)	30,610,075
Foreign	621,561,944	3,289,594	-	48,024,147	(2,815,922)	670,059,763
	<u>621,561,944</u>	<u>3,289,594</u>	<u>30,909,732</u>	<u>48,024,147</u>	<u>(3,115,579)</u>	<u>700,669,838</u>
<b>December 31, 2024</b>						
Local	-	-	20,500,000	-	(250,058)	20,249,942
Foreign	136,392,246	3,270,693	-	38,833,498	(3,400,950)	175,095,487
	<u>136,392,246</u>	<u>3,270,693</u>	<u>20,500,000</u>	<u>38,833,498</u>	<u>(3,651,008)</u>	<u>195,345,429</u>

The summary of the movement on the gross carrying amount of financial assets at amortized cost is as follows:

	September 30, 2025			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Balance, beginning of the period</b>	171,417,886	25,054,404	2,524,147	198,996,437
Net change during the period	508,848,250	(4,059,270)	-	504,788,980
Transfers to stage (1)	6,000,000	(6,000,000)	-	-
Transfers to stage (2)	(1,000,000)	1,000,000	-	-
<b>Balance, end of the period</b>	<u>685,266,136</u>	<u>15,995,134</u>	<u>2,524,147</u>	<u>703,785,417</u>
	December 31, 2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Balance, beginning of the year</b>	135,072,095	26,206,437	2,524,147	163,802,679
Net change during the year	39,283,994	(4,090,236)	-	35,193,758
Transfers to stage (2)	(2,938,203)	2,938,203	-	-
<b>Balance, end of the year</b>	<u>171,417,886</u>	<u>25,054,404</u>	<u>2,524,147</u>	<u>198,996,437</u>

The movement on provision for expected credit losses on financial assets at amortized cost is as follows:

	September 30, 2025			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Balance, beginning of the period</b>	372,773	754,088	2,524,147	3,651,008
Net re-measurement of expected credit loss provision during the period	(250,469)	(284,960)	-	(535,429)
Transfers to stage (1)	268,926	(268,926)	-	-
Transfers to stage (2)	(1,611)	1,611	-	-
<b>Balance, end of the period</b>	<u>389,619</u>	<u>201,813</u>	<u>2,524,147</u>	<u>3,115,579</u>
	December 31, 2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Balance, beginning of the year</b>	517,063	1,407,236	2,524,147	4,448,446
Net re-measurement of expected credit loss provision during the year	(107,945)	(689,493)	-	(797,438)
Transfers to stage (2)	(36,345)	36,345	-	-
<b>Balance, end of the year</b>	<u>372,773</u>	<u>754,088</u>	<u>2,524,147</u>	<u>3,651,008</u>

The Bank recorded gains of U.S. \$ 80,920 for the nine-month period ended September 30, 2025, as a result of selling a bond before its maturity due to a decline in the credit rating of the bond issuer. It is noted that this sale is not considered part of the Bank's recurring or regular operations (note 27)

The yield on U.S. Dollar financial assets at amortized cost ranges between 3.81% and 7.80%.

The yield on Jordanian Dinar financial assets at amortized cost ranges between 3.59% and 8.00%.

The yield on Kuwaiti Dinar financial assets at amortized cost is 7.00%.

The yield on Euro financial assets at amortized cost is 5.73%.

The maturities of these financial assets at amortized cost range from one month to five years.

The yield on Islamic Sukuk ranges between 3.23% and 7.75% and matures within a period from one month to six years.

The fair value of financial assets at amortized cost and Islamic sukuk amounted to U.S. \$ 702,187,160 and U.S. \$ 196,406,058 as at September 30, 2025, and December 31, 2024, respectively.

## 10. Investment in associates and a joint venture

Following are the details of investments in associates and a joint venture as at September 30, 2025 and December 31, 2024:

	Country of Incorporation	Ownership		Book Value	
		September 30, 2025	December 31, 2024	September 30, 2025	December 31, 2024
		%	%	U.S. \$	U.S. \$
Abraj Company for Development & Investment (Abraj) *	Palestine	21	21	7,498,526	7,600,308
The Palestinian Company for Money Transportation and Valuables and Banking Services (Aman) **	Palestine	30	30	1,602,959	1,387,710
Qudra for energy solutions***	Palestine	50	50	2,464,475	3,023,799
				<u>11,565,960</u>	<u>12,011,817</u>

\* Abraj Company for Development and Investment (Abraj) was incorporated in 2008 in Palestine with goals of conducting all kinds of construction, real estate and commercial activities. Abraj's paid-in share capital consists of 25 million shares at a U.S. \$ 1 par value per share. During the period, the company's General Assembly decided to distribute cash dividends of U.S. \$ 1,500,000 with the bank's share amounting to U.S. \$ 315,743.

\*\* The Palestinian Company for Money and Valuables Transfer (Aman) was incorporated in 2008 in Palestine. Aman provides money transfer services alongside transferring valuable collectibles and commercial papers inside and outside Palestine. Aman's paid-in share capital consists of 1 million shares at a U.S. \$ 1 par value per share as at September 30, 2025 and December 31, 2024.

\*\*\* Qudra Energy Solutions Company (the Company) was incorporated as a private limited stock company during 2020 with a capital of 8 million shares with U.S. \$ 1 par value per share. The bank owns 50% of the Company's shares. The Company is jointly managed in cooperation with the National Aluminum & profile company (NAPCO), so the company has been classified as a joint venture. The Company works to provide modern renewable energy solutions to individuals and organizations. The authorized and paid-in share capital of Qudra as at September 30, 2025 and December 31, 2024 amounted to U.S. \$ 8 million. The Company commenced its operational activities during 2021.

Following is the movement on investment in associates and a joint venture:

	September 30, 2025	December 31, 2024
	<u>U.S. \$</u>	<u>U.S. \$</u>
Balance, beginning of the period/year	12,011,817	11,858,121
Bank's share of results of associates during the period/year	429,210	816,968
Bank's share of results of joint venture during the period/year	(559,324)	(663,272)
Cash dividends	(315,743)	-
Balance, end of the period/year	<u>11,565,960</u>	<u>12,011,817</u>

#### 11. Projects in progress

This item includes the cost of the construction, expansion, renovation and improvements of the Banks' new branches, as well as the construction, expansion, renovation and leasehold improvements for the building and branches of the Arab Islamic Bank (a subsidiary). Following is the movement on the projects in progress:

	September 30, 2025	December 31, 2024
	<u>U.S. \$</u>	<u>U.S. \$</u>
<b>Balance, beginning of the period/year</b>	1,352,535	2,268,294
Additions during the period/ year	703,439	1,790,321
Transferred to property, plant and equipment during the period/year	(232,659)	(2,532,238)
Transferred to intangible assets during the period/year	(63,864)	(173,842)
<b>Balance, end of the period/year</b>	<u>1,759,451</u>	<u>1,352,535</u>

As at September 30, 2025, the estimated cost to complete projects in progress amounted to U.S. \$ 3,011,017. These projects are expected to be completed by the end of 2028.

## 12. Other assets

This item comprises the following:

	September 30, 2025	December 31, 2024
	U.S. \$	U.S. \$
Accrued interests and commissions	23,652,672	16,695,102
Advance payments	12,584,924	10,298,626
Clearing checks	9,814,516	9,332,142
Accounts receivable and temporary advances, net*	7,939,398	11,531,331
Stationery, printing materials and equipment	3,310,409	3,943,902
Investment down payments	2,580,000	-
Assets obtained by the Bank by calling on collateral**	1,226,456	1,867,828
Accrued cash dividends	325,125	29,326
Palestine national keys accounts	-	641,755
Income tax advances (note 20)	-	1,349,486
Other current assets	1,594,733	1,821,186
	<u>63,028,233</u>	<u>57,510,684</u>

\* Accounts receivable and temporary advance payments are shown net of the credit losses provision. Expenses for the amount of U.S. \$ 195,241 and U.S. \$ 27,613 were recorded for the nine-month period ended September 30, 2025 and September 30, 2024, respectively (note 29).

\*\* This item comprises the movement on assets obtained by the Bank by calling on collateral:

	September 30, 2025	December 31, 2024
	U.S. \$	U.S. \$
Balance, beginning of the period/ year	3,520,370	3,066,780
Additions	-	453,590
	3,520,370	3,520,370
Less: Valuation losses	(2,293,914)	(1,652,542)
Balance, end of the period/ year	<u>1,226,456</u>	<u>1,867,828</u>

## 13. Palestine Monetary Authority's deposits

This item comprises the following:

	September 30, 2025	December 31, 2024
	U.S. \$	U.S. \$
Current accounts	-	12,861,688
Term deposits maturing within three months or less	104,172,598	128,929,633
Deposits maturing in more than three months	224,920,539	100,000,000
Swap deposits maturing within three months or less	10,000,000	-
Palestine Monetary Authority subsidized deposits maturing in more than three months*	90,870,053	-
	<u>429,963,190</u>	<u>241,791,321</u>

\* This item represents the present value for the two subsidized deposits placed by the Palestine Monetary Authority on May 22, 2025. These deposits were provided to support the liquidity of the Bank and its subsidiary and to assist them in bearing the financial impact resulting from their adherence to Instructions No. (01/2025) related to the handling of loans maturity dates, issued pursuant to Decision-Law No. (3) of 2025, regarding the deferral of loan maturities, installments, and finance lease payments (note 7).

#### 14. Banks and financial institutions' deposits

This item comprises the following:

	Current and on-demand accounts	Term deposits maturing within three months or less	SWAP deposits maturing within three months or less	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>September 30, 2025</b>				
Local	16,301,644	3,000,000	7,746,995	27,048,639
Foreign	30,741,469	-	27,746,121	58,487,590
	<u>47,043,113</u>	<u>3,000,000</u>	<u>35,493,116</u>	<u>85,536,229</u>
<b>December 31, 2024</b>				
Local	36,394,571	34,994,444	2,810,025	74,199,040
Foreign	30,878,638	-	6,000,000	36,878,638
	<u>67,273,209</u>	<u>34,994,444</u>	<u>8,810,025</u>	<u>111,077,678</u>

#### 15. Customers' deposits

	September 30, 2025	December 31, 2024
	U.S. \$	U.S. \$
<u>Customers' deposits</u>		
Current and on-demand deposits	3,980,874,581	3,071,869,752
Saving deposits	2,790,902,161	2,040,284,000
Time deposits	705,295,765	696,684,867
Debit balances - temporarily credit	26,466,532	22,505,485
	<u>7,503,539,039</u>	<u>5,831,344,104</u>
<u>Unrestricted investment accounts</u>		
Saving deposits	625,752,100	586,104,424
Time deposits	307,578,692	296,940,684
	<u>933,330,792</u>	<u>883,045,108</u>
	<u>8,436,869,831</u>	<u>6,714,389,212</u>

#### 16. Cash margins

This item comprises cash margins in exchange of:

	September 30, 2025	December 31, 2024
	U.S. \$	U.S. \$
Direct credit facilities and Islamic financing	244,256,335	199,230,515
Indirect credit facilities and Islamic financing	43,274,259	35,543,790
Others	50,775,166	40,445,204
	<u>338,305,760</u>	<u>275,219,509</u>

#### 17. Subordinated Loans

This item comprises the following:

	September 30, 2025	December 31, 2024
	U.S. \$	U.S. \$
Arab Fund for Economic and Social Development *	30,000,000	30,000,000
International Finance Corporation (IFC) **	22,500,000	30,000,000
	<u>52,500,000</u>	<u>60,000,000</u>

\* During 2023, the Bank signed a subordinated loan agreement with the Arab Fund for Economic and Social Development for an amount of U.S. \$ 30 million. The Bank withdrew the amount during 2024 and the loan is subject to an annual interest rate of 6%, payable quarterly. The loan is to be repaid in a single installment on April 1, 2030.

\*\* During 2016, the Bank obtained a subordinated loan in accordance with a an agreement signed with the International Finance Corporation (IFC) in the amount of U.S. \$ 50 million payable on 10 semiannual installments over 10 years including 5 years of grace period.

In 2017, the Bank signed an additional subordinated loan agreement with IFC according to which the subordinated loan was increased by U.S. \$ 25 million to become U.S. \$ 75 million under the same terms and conditions of the subordinated loan agreement stated above.

The first installment of the International Finance Corporation (IFC) was due on December 15, 2021 and the last installment is due on June 15, 2027. These loans are subject to an annual effective interest rate ranging from 6.960% to 8.088% and are repaid on a semi-annual basis starting from December 15, 2016.

During the period, the bank settled an amount of U.S. \$ 7.5 million of the International Finance Corporation (IFC) loans bringing the outstanding balance of the subordinated loans to U.S. \$ 22.5 million as at September 30, 2025, compared to U.S. \$ 30 million of December 31, 2024.

For purposes of calculating the Bank's capital adequacy, the Bank includes the subordinated loans as a part of the second bracket of capital for the Bank in accordance with the Palestine Monetary Authority instructions.

## 18. Loans and borrowings

Details of this item are as follows:

	September 30, 2025	December 31, 2024
	U.S. \$	U.S. \$
European Investment Bank *	45,000,000	45,714,286
French Agency for Development**	27,105,587	30,879,576
Arab Fund for Economic and Social Development***	20,000,000	22,000,000
European Bank for Reconstruction and Development (EBRD)****	4,222,222	6,333,333
Palestine Investment Fund *****	2,000,000	-
	<u>98,327,809</u>	<u>104,927,195</u>

\* During 2021, the Bank signed an agreement with the European Investment Bank for an amount of U.S. \$ 50 million with the aim of financing credit facilities to support small and medium enterprises. An amount of U.S. \$ 10 million was withdrawn during 2021. This loan is to be settled through 14 semi-annual installments. The first installment was due on May 15, 2022, and the last settlement will become due on November 15, 2028. The loan is subject to average annual interest rate of 3.431%, in addition to 0.5% on the unutilized amount.

The Bank withdrew the remaining amount of U.S. \$ 40 million during the year 2024 making the total amount withdrawn U.S. \$ 50 million since the signing of the agreement and till September 30, 2025. This loan is to be settled through 14 semi-annual installments with a 36 month grace period, as the first installment will be due on October 8, 2027, and the last settlement will become due on April 10, 2034. The loan is subject to average annual interest rate of 8.12492%.

During the period, an amount of U.S. \$ 714,286 was settled. The outstanding balances as at September 30, 2025, and December 31, 2024 was U.S. \$ 45,000,000 and U.S. \$ 45,714,286, respectively.

\*\* During 2018, the Bank signed a green project financing agreement with the French Agency for development (the Agency) and accordingly, the Bank initiated the "Sunref Palestine" project. The project aims to introduce the Agency's green project initiative which is supported by the European Union. The agreement grants the Bank loans at a maximum amount of EURO 12,500,000. These loans are to be settled through 20 semiannual installments with a grace period of 36 months. The first installment was due on November 30, 2021 and the last installment will become due on May 31, 2031. The loans are subject to average annual interest rate ranges between 1.52% and 2.62%.

During 2021, the Bank signed a new financing agreement with the Agency for a maximum amount of U.S. \$ 30 million. The loan is to be settled through 13 semiannual installments with a grace period of 18 months. During 2022, the Bank withdrew an amount of U.S. \$ 20 million on two payments of U.S. \$ 10 million each. During 2024, the Bank withdrew an amount of U.S. \$ 6.5 million increasing the gross amount of drawings is U.S. \$ 26.5 million since the signing of the agreement till September 30, 2025. The first installment on these loans was due on March 15, 2024 and the installments end on March 15, 2030. These loans are subject to an average interest rate range between 5.74% and 7.13%.

In 2024, the bank signed an agreement with the French Development Agency for an amount of U.S. \$ 16 million and EURO 4.5 million. As at the date of the interim condensed consolidated financial statements, the bank has not withdrawn any amount from the granted ceiling.

During the period, an amount of U.S. \$ 4,076,922 and EURO 663,177 was settled. The outstanding balance as at September 30, 2025 and December 31, 2024 amounted to U.S. \$ 27,105,587 and U.S. \$ 30,879,576, respectively.

\*\*\* During 2020, the Bank signed an agreement with the Arab Fund for Economic and Social Development by the amount of U.S. \$ 30 million to finance credit facilities of small and medium entities. The loan to be settled through 15 semiannual installments with a grace period of 36 months. The first installment was due on June 30, 2023 and the last installment will become due on June 30, 2030. The loan is subject to average annual interest rate of 3%.

An amount of U.S. \$ 2 million was settled during the period. The outstanding balance as at September 30, 2025 and December 31, 2024 amounted to U.S. \$ 20 million and U.S. \$ 22 million, respectively.

\*\*\*\* During 2021, the Bank signed an agreement with the European Bank for Reconstruction and Development by the amount of U.S. \$ 15 million to finance credit facilities of small and medium enterprises. An amount of U.S. \$ 10 million was transferred during 2021, and U.S. \$ 5 million was transferred during 2023. The loan is to be settled through 9 semiannual installments with a grace period of 18 months. The first installment was due on June 15, 2022 and the last installment will become due on June 15, 2026. The loan is subject to an average annual interest rate range between 6.02% and 7.24452%.

In 2024, the Bank signed an agreement with the European Bank for Reconstruction and Development for an amount of U.S. \$ 30 million, till the date of the interim condensed consolidated financial statements, the Bank hasn't withdrawn any amount from the granted ceiling.

During the period, an amount of U.S. \$ 2,111,111 was settled. The outstanding balance amounted to U.S. \$ 4,222,222 as at September 30, 2025 and U.S. \$ 6,333,333 as at December 31, 2024.

\*\*\*\*\* During the period, the bank signed an agreement with the Palestine Investment Fund for U.S. \$ 2 million to finance credit facilities supporting medium, small, and micro projects in the Jerusalem Governorate. The loan is to be repaid in eight semi-annual installments, following a 12-months grace period. The first installment is due on August 27, 2026, and the final repayment will be on February 27, 2030. The loan is subject to a declining annual interest rate of 2%, payable semi-annually, the outstanding balance as of September 30, 2025, amounting to U.S. \$ 2 million.

Additionally, in 2024, the Bank signed a credit financing agreement with a group of international development agencies, the International Finance Corporation (IFC), PROPARGO - the investment arm of the French Development Agency, and Sanad Fund for financing micro, small and medium enterprises, with a ceiling of U.S. \$ 65 million. The agreement aims to provide a credit financing line to support the Bank's programs within the framework of economic recovery in Palestine, with a focus on supporting small and medium enterprises, up to the date of the consolidated financial statements, the Bank hasn't withdrawn any amount from the granted ceiling.

## 19. Sundry provisions

	Balance, beginning of the period/ year <u>U.S. \$</u>	Additions during the period/ year <u>U.S. \$</u>	Paid during the period/ year <u>U.S. \$</u>	Balance, end of the period/ year <u>U.S. \$</u>
<b><u>September 30, 2025</u></b>				
End of service	57,228,944	6,022,344	(6,944,378)	56,306,910
Lawsuits provision	<u>2,473,611</u>	<u>29,207</u>	<u>(55,974)</u>	<u>2,446,844</u>
	<u><u>59,702,555</u></u>	<u><u>6,051,551</u></u>	<u><u>(7,000,352)</u></u>	<u><u>58,753,754</u></u>
<b><u>December 31, 2024</u></b>				
End of service	50,618,249	8,718,161	(2,107,466)	57,228,944
Lawsuits provision	<u>2,473,611</u>	<u>-</u>	<u>-</u>	<u>2,473,611</u>
	<u><u>53,091,860</u></u>	<u><u>8,718,161</u></u>	<u><u>(2,107,466)</u></u>	<u><u>59,702,555</u></u>

End of service provision is calculated in accordance with the applicable labor law in Palestine and the Bank's personnel affairs system.

## 20. Taxes provisions

Movement on taxes provisions during the period ended September 30, 2025 and the year ended December 31, 2024 are as follows:

	<u>September 30, 2025 U.S. \$</u>	<u>December 31, 2024 U.S. \$</u>
<b>Balance, beginning of the period/ year</b>	(1,349,486)	21,960,224
Additions	39,433,358	6,666,032
Tax settlement refunds	(6,000,000)	(2,660,230)
Payments during the period/ year	(8,599,579)	(27,602,927)
Currency variance	<u>(648,269)</u>	<u>287,415</u>
<b>Balance, end of the period/ year</b>	22,836,024	(1,349,486)
Income tax advances (note 12)	-	1,349,486
<b>Balance, end of the period/ year</b>	<u><u>22,836,024</u></u>	<u><u>-</u></u>

Details of taxes disclosed in the interim condensed consolidated income statement are as follows:

	September 30, 2025	September 30, 2024
	U.S. \$	U.S. \$
Provision for the period	40,027,852	7,564,612
Deferred tax assets additions	(28,403,783)	(12,987,533)
Tax settlement refunds	(6,000,000)	-
Tax incentives discounts	(594,494)	(748,757)
Taxes expense (benefits) presented in the interim condensed consolidated income statement	<u>5,029,575</u>	<u>(6,171,678)</u>

During 2025, the Bank reached a final settlement with the tax departments on the results of its operations until 2023. The Bank submitted its tax return on the results of its operations for the year 2024 on time, and the tax advisor continues to finalize the settlements.

During 2024, The Arab Islamic Bank (a subsidiary) reached a final settlement with the tax departments on the results of its operations until 2023. The subsidiary submitted its tax return on the results of its operations for the year 2024 on time, and the tax advisor continues to finalize the settlements.

During the period, PalPay (a subsidiary) reached a final settlement with the tax departments on the results of its operations until 2023. The subsidiary submitted its tax return on the results of its operations for the year 2024 on time, and the tax advisor continues to finalize the settlements.

Al-Wasata Securities Company (a subsidiary) did not reach a final settlement with the tax departments on the results of its operations since incorporation in 2005 up to 2024.

#### Deferred tax assets:

This item represents the balance of deferred tax assets which is calculated on the provision for expected credit losses related to direct credit facilities for stages one and two, and the end of service provision. These deferred taxes are calculated due to temporary timing differences as at the date of the interim condensed consolidated financial statements.

The movement on the deferred tax assets during the period/year was as follows:

	September 30, 2025	December 31, 2024
	U.S. \$	U.S. \$
Balance, beginning of the period/year	52,098,683	29,084,742
Change during the period/year	28,403,783	23,013,941
Balance, ending of the period/year	<u>80,502,466</u>	<u>52,098,683</u>

The bank uses the expected value method to calculate the tax base for deferred tax assets, which represents the sum of amounts weighted by various probabilities within a range of potential outcomes. This method is more effective in situations of uncertainty where there are multiple potential outcomes that are neither binary nor concentrated in a single value. Consequently, not all deferred tax assets were recognized. If the Bank had recognized all unrecognized deferred tax assets, the bank's profits and equity could have increased by an amount of U.S. \$ 11 million.

### Deferred tax liabilities:

This item represents the balance of deferred tax liabilities calculated on the profits from the valuation of real estate investments due to the existence of temporary timing differences as at the date of the interim condensed consolidated statement of financial position.

The movement on deferred tax liabilities during the period/year was as follows:

	September 30, 2025	December 31, 2024
	U.S. \$	U.S. \$
Balance, beginning of the period/year	4,135,563	2,686,546
Change during the period/year	-	1,449,017
Balance, ending of the period/year	<u>4,135,563</u>	<u>4,135,563</u>

The income tax rate was 15% and value added tax rate was 16% as at December 31, 2024. According to Law No. (4) for the year 2014, concerning the amendment of Law No. (8) for the year 2011 related to income taxes; income tax rate on profits resulted from financing small and medium enterprises equals to 10% of profit. The actual rate used to calculate the deferred taxes was 26.72%.

### 21. Other liabilities

This item includes the following:

	September 30, 2025	December 31, 2024
	U.S. \$	U.S. \$
E-wallet customer balances	143,900,414	31,945,881
Negative financial derivatives	34,341,231	120,043
Certified Bank checks	19,263,041	20,480,485
Outward Transfers	14,945,277	1,091,251
Cash margins for donors	12,393,676	10,707,107
Accrued expenses	11,792,826	8,750,772
Accrued and unpaid interests	11,426,928	9,895,633
Temporary deposits	8,941,057	7,408,308
Accounts payable of subsidiaries' customers	8,765,213	8,018,168
Cash dividends payable	6,009,708	6,064,820
Accrued taxes	3,794,789	4,241,096
Provision for expected credit losses on indirect credit facilities (note 38)	4,638,980	4,899,721
Return on unrestricted investment accounts	5,269,387	3,179,814
Interests and commissions paid in advance	4,240,870	4,346,606
Provision for employee rewards	3,744,867	2,244,867
Credit card accounts under settlement	3,420,031	6,559,154
Board of Directors bonuses	810,000	-
Others	12,310,943	17,633,713
	<u>310,009,238</u>	<u>147,587,439</u>

Other liabilities include an amount of U.S. \$ 33,689,446 and U.S. \$ 25,067,086 as at September 30, 2025 and December 31, 2024, respectively, which are subject to Palestine Monetary Authority statutory cash reserve calculation.

## 22. Additional paid-in capital

Additional paid in capital resulted from the following:

- During the period, the Bank issued new shares to increase its capital through an agreement signed with the French Proparco Corporation, in which the French Development Agency (FISEA) a subsidiary of the Proparco Corporation invests through a private issuance of 7,152,317 shares at a par value of U.S. \$ 1 per share, with an additional paid-in capital of U.S. \$ 0.51 per share. Additionally, according to the agreement signed on July 9, 2024, with both the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD), which stipulates their preemptive right to maintain their shareholding percentage in the Bank, and the notifications sent to them by the Bank during the period, the IFC and EBRD approved the issuance of 392,152 and 298,572 shares, respectively, in order to maintain their investments percentages.

The total number of shares issued amounted to 7,843,041 shares, with a total additional paid-in capital of U. S. \$ 3,999,951.

- During 2024, the Bank issued new shares to increase its capital through a private issuance for the Arab Palestinian Investment Company and the Markets Company for Investment Portfolios, amounting to 3,311,258 shares and 3,973,509 shares, respectively, with a nominal value of U.S. 1 per share and an issuance premium of U.S. 0.51 per share. The total number of shares issued for both parties reached 7,284,767 shares, with a total issuance premium of U.S. 3,715,233. An amount of U.S. 15,000 was deducted from the issuance premium representing registration expenses and professional fees incurred by the Bank to raise capital. Additionally, according to the agreement signed on July 9, 2024, with both the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD), which stipulates their preemptive right to maintain their shareholding percentage in the Bank, and the notifications sent to them by the Bank regarding the above agreements, the International Finance Corporation (IFC) approved the issuance of 383,409 shares with a nominal value of one US dollar per share and an issuance premium of U.S. \$ 0.51 per share to maintain the percentages of their investments. The International Finance Corporation (IFC) paid U.S. \$ 578,948 during the period, this resulted in additional paid-in capital of U.S. \$ 195,539.
- During 2024, the Bank issued new shares to raise the capital through an investment agreement with both the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD) joining as strategic partners and aiming to strengthen the Bank's capital, along with many other goals. The Bank, through a private stock issuance, issued a total of 22,597,516 shares with a nominal value of U.S. \$ 1 per share and additional paid in capital of U.S. \$ 0.51 per share according to the agreement. IFC's contributed in 5% of the Bank's capital, equivalent to 12,663,742 shares with a nominal value of U.S. \$ 1 per share, and the EBRD contributed in 3.92% of the Bank's capital, equivalent to 9,933,774 shares, with a nominal value of U.S. \$ 1 per share and a total additional paid-in capital by both parties amounting to U.S. \$ 11,524,733. An amount of U.S. \$ 57,245 was deducted from additional paid-in capital representing relevant registration expenses and professional fees incurred by the Bank in order to raise the paid in share capital.
- The acquisition of the Bank's portfolio of the Commercial Bank of Palestine (CBP), which resulted in issuing 10,008,685 shares of Bank's shares to the shareholders of CBP. The share price of Bank of Palestine of U.S. \$ 1 par value was U.S. \$ 2.58. This resulted in additional paid-in capital of U.S. \$ 15,813,723. The acquisition was based on the Bank's extra -ordinary meeting held on March 25, 2016.
- The admission of the International Finance Corporation (IFC) as a strategic partner with 5% of the share capital which amounted to 4,070,239 shares of U.S. \$ 1 par value, each and an additional paid-in capital of U.S. \$ 2.06 for each share with total additional paid-in capital amounting to U.S. \$ 8,384,692. The admission was based on the Bank's Board of Director's decision in the meeting held on June 15, 2008.

- Offering 13 million shares exclusively for Bank's shareholders at U.S. \$ 1 par value for each share plus U.S. \$ 0.05 of additional paid-in capital, with a total additional paid-in capital amounted to U.S. \$ 650,000. The offer was based on extra-ordinary shareholders meeting on April 6, 2007.
- On July 15, 2021, the Bank signed an agreement with the French Proparco Corporation (the Corporation) in which the French Development Agency (FISEA) a subsidiary of the Proparco Corporation invests, according to which the Corporation was entered as a strategic partner to the Bank, with a contribution of 3.34% of the Bank's capital, equivalent to 7,272,727 share at U.S. \$ 1 par value per share plus U.S. \$ 0.65 of additional paid-in capital, with a total additional paid-in capital amounted to U.S. \$ 4,727,273.

### **23. Perpetual bond**

During 2022, the Bank signed an agreement with the Japan International Cooperation Agency (JICA) to invest U.S. \$ 30 million in a perpetual bond within the additional first tranche of the Bank's regulatory capital, after obtaining the approval of the Palestinian Monetary Authority and the Bank's General Assembly, in order to enhance the financial solvency of the Bank's capital and increase its ability to finance small and medium enterprises. The necessary procedures and agreement were completed and the value of the perpetual bond was transferred to the Bank during the year 2023. The bond is entitled to an annual interest rate of 7.5% plus LIBOR for 6 months. A perpetual bond is an unsecured sub-bond with vouchers that are paid at the end of every six months. The Bank has the right to decide whether to pay or not to pay interest, and the choice not to pay interest is not a default event. In the event that the Bank chooses not to pay, the Bank shall not be entitled to declare or pay any dividends.

Interest on the bond during the period amounted to U.S. \$ 2,650,700 for the nine-month period ended September 30, 2025 and U.S. \$ 2,924,027 for the nine-month period ended September 30, 2024.

The accrued interest amounted to U.S. \$ 1,037,434 as at September 30, 2025 compared to U.S. \$ 170,252 as at December 31, 2024.

The Bank paid the due interest payments under the terms of the agreement for the first halves of the years 2025 and 2024, while the bank chose not to pay the interest for the second half of 2024.

### **24. Reserves**

#### **Statutory reserve**

The amounts accumulated in this account represent the amounts deducted from profits over the years in accordance with the provisions of the Companies Law. Deductions from profits may not cease before the accumulated balance of the statutory reserve account reaches the minimum amount stipulated in applicable legislation. The Bank did not appropriate any statutory reserve during the period, as these are interim condensed consolidated financial statements.

#### **Voluntarily reserve**

Voluntarily reserve represents cumulative deductions of the Bank's subsidiaries. The subsidiaries did not deduct a voluntary reserve during the period.

#### **General Banking risks reserve**

The item represents the amount of general Banking risk reserve deducted in accordance with PMA's regulations number (6/2015) based on 1.5% of direct credit facilities and financing after deducting impairment allowance for credit facilities and financing and suspended gain and interest and 0.5% of indirect credit facilities and financing. In accordance with PMA's circulation number (53/2013), no general Banking risk reserve is created against the direct credit facilities and financing granted to small and medium enterprises if the conditions mentioned in the circular are met. During 2018, the Bank applied IFRS (9) and utilized this reserve for the ECL of stage (1) and 2 in accordance with PMA instructions No. (2/2018). The reserve will not to be utilized or reduced without PMA's prior approval. During the year, the Palestinian Monetary Authority issued Circular No. (317/2022) regarding the amendment of Instructions No. (2/2018) concerning the calculation mechanism of the general banking risk reserve. This circular did not come into effect as at the date of the interim condensed consolidated financial statements.

### Pro-cyclicality reserve

This reserve represents 15% of net profit after tax in accordance with PMA's instruction number (6/2015), as the Bank stopped deducting this percentage and adding it to the reserve item according to the instructions No. (01/2018) that specified a rate of 0.57% of the risk-weighted assets as a capital buffer against cyclical fluctuations, and the instructions allowed Banks to use the amounts formed in the item of the cyclical fluctuation reserve for the purposes of this buffer. In accordance with Instructions No. (13/2019), 0.66% of the risk-weighted assets were calculated as the anti-cyclical capital buffer for the year 2019. During 2022, the Palestinian Monetary Authority issued Instructions No. (8/2022) regarding the anti-cyclical capital buffer, so that the ratio is between (0.5%) of the risk-weighted assets. The instructions require the bank to commit to forming a capital buffer for cyclical fluctuations within a maximum period of March 31, 2023, and to disclose in the interim and final financial statements as at June 2023. The Bank is not allowed to utilize the balance of the reserve, except for capitalization, after obtaining the prior written approval of Palestinian Monetary Authority.

### **25. Cash Dividends from Subsidiaries**

The general assembly of PalPay, during its ordinary meeting held on May 7, 2025, approved a cash dividend distribution with a total amount of U.S. \$ 350,000 from its results of operations for the year 2024. The share of non-controlling interests in the distributed profits amounted to a total of U.S. \$ 52,500.

### **26. Interest Income**

This item comprises interest revenues earned on the following accounts:

	For the nine-month period ended September 30	
	2025	2024
	U.S. \$	U.S. \$
Loans*	95,433,638	105,506,479
Balances, deposits and investments at Banks and financial institutions	56,578,938	48,183,530
Overdraft accounts	25,322,965	23,957,872
Financial assets at amortized cost	13,703,333	5,509,958
Overdrawn accounts	8,083,761	8,692,078
Credit cards	2,361,582	2,407,380
	<u>201,484,217</u>	<u>194,257,297</u>

\* Loan revenues are shown in net after deducting losses resulting from modification to credit facilities and Islamic financing and adding the related government grant gains (note 7).

### **27. Net gains from financial assets portfolio**

The details of this item are as follows:

	For the nine-month period ended September 30	
	2025	2024
	U.S. \$	U.S. \$
Dividends from financial assets at fair value through other comprehensive income items	3,046,308	2,493,885
Realized gains from sale of financial assets at fair value through profit or loss	1,459,322	14,763
Unrealized gains from revaluation of financial assets at fair value through profit or loss	258,618	218,077
Realized gains from the sale of financial assets at amortized cost before their maturity date	80,920	-
Dividends from financial assets at fair value through profit and loss	59,163	146,663
Investment management fees commission	(965,318)	(317,613)
	<u>3,939,013</u>	<u>2,555,775</u>

## 28. Other operating expenses

	For the nine-month period ended	
	September 30	
	2025	2024
	U.S. \$	U.S. \$
Telephone, postage and fax	8,007,831	4,850,034
Palestine Deposit Insurance Corporation fees*	6,949,853	8,845,026
Subscriptions fees	6,949,844	3,963,245
Professional fees	6,207,705	3,380,738
Cash shipping expense	5,009,036	2,903,188
Maintenance and repairs	4,705,293	5,171,556
Advertising and promotions	4,457,264	2,728,435
Social responsibility **	3,241,194	1,830,740
Board of Directors bonuses and allowances	2,567,768	2,019,278
Insurance fees	1,950,575	1,842,185
Guarding and cleaning fees	1,755,829	1,741,566
Utilities	1,192,824	1,393,319
Stationery and printing	1,190,981	1,259,261
Travel and training seminars fees	1,179,193	942,378
License fees	917,523	886,900
Rent	565,843	423,486
Fuel	513,566	478,521
Hospitality and events expenses	285,610	313,099
Vehicles' expense	248,427	216,788
Sundry	2,861,551	3,338,480
	<u>60,757,710</u>	<u>48,528,223</u>

\* Banks must accrue an annual subscription fee for Palestine Deposit Insurance Corporation (the Corporation) as specified under the law No. (7) for the year 2013. On November 9, 2021, the Corporation issued Circular No. (2/2021) regarding raising the fixed subscription fee rate to (0.2%) of the average total subject deposits as at January 1, 2022. The institution has issued Instructions No. (1/2023), (1/2024), and Circular No. (3/2023), and the risk-based fees system will be implemented starting July 1, 2025. The institution issued a circular on January 9, 2025, No. (1/2025), regarding the calculation of subscription fees for the last quarter of 2024 and the first half of 2025. It stipulates that the fixed subscription fees for customer deposits held at the branches of member banks operating in the Gaza Strip will be deducted, provided that the total percentage of subscription fees paid by the bank is not less than (0.1%) of the average deposits covered by the guarantee. The subscription fee percentage will continue to be calculated based on the fixed rate of (0.2%) of the average deposits covered by the guarantee in the West Bank.

\*\* The Bank is committed to support social responsibility projects and activities in Palestine through contributions towards the development of various sectors including education, youth, innovation, sport, health and environment, culture and arts, development and economic, diaspora affairs, humanitarian effort and women empowerment, in addition, the Bank encourages its employees to participate in voluntary work by engaging them in developmental projects in cooperation with partner organizations and humanitarian initiatives. Social responsibility represents 7.26% of profit for the nine-month period ended September 30, 2025.

**29. Provision for other expected credit losses and other assets impairments, net**

	For the nine-month ended September 30	
	2025	2024
	U.S. \$	U.S. \$
Cash losses (note 4)	1,000,000	104,700,000
Impairment losses on assets obtained by the Bank by calling on collateral (note 12).	641,372	-
Accounts receivable (note 12)	195,241	27,613
Balances with Palestine Monetary Authority (note 4)	187,221	(93,411)
Impairment losses of property, plant, and equipment	-	300,000
Balances, deposits, and investments at Banks and financial institutions (note 5)	(111,761)	(85,993)
Indirect credit facilities (note 38)	(260,741)	2,379,809
Financial assets at amortized cost (note 9)	(535,429)	(88,882)
	<u>1,115,903</u>	<u>107,139,136</u>

**30. Palestine Monetary Authority fine's**

This item represents fines imposed by PMA on the Arab Islamic Bank (the subsidiary) amounting to U.S. \$ 10,000 for the nine-month period ended September 30, 2025, related to non-compliance with some PMA instructions and related laws and regulations.

**31. Basic and diluted earnings per share**

	For the nine-month period ended September 30	
	2025	2024
	U.S. \$	U.S. \$
Profit (loss) for the period attributable to equity holders of the Bank	<u>40,789,634</u>	<u>(18,477,672)</u>
Less: Interest on perpetual bond	<u>(2,650,700)</u>	<u>(2,924,027)</u>
Net profit (loss) after deducting interest on perpetual bond	<u>38,138,934</u>	<u>(21,401,699)</u>
	Shares	Shares
Weighted average of subscribed shares during the period	<u>262,604,039</u>	<u>233,574,451</u>
	U.S. \$	U.S. \$
Basic and diluted earnings (loss) per share attributable to equity holders of the Bank	<u>0.15</u>	<u>(0.09)</u>

### 32. Cash and cash equivalents

Cash and cash equivalents depicted in the interim condensed consolidated statement of cash flows comprise items presented in the interim condensed consolidated statement of financial position as follows:

	For the nine-month period ended September 30	
	2025 U.S. \$	2024 U.S. \$
Cash and balances with Palestine Monetary Authority	3,754,179,692	2,090,854,113
Balances, deposits and investments at Banks and financial institutions	<u>1,592,826,987</u>	<u>1,338,211,861</u>
	<u>5,347,006,679</u>	<u>3,429,065,974</u>
<b>Less:</b>		
Deposits at Banks maturing after three months	(490,352,628)	(272,544,428)
Investments at Islamic Banks maturing after three months	(6,000,000)	(6,000,000)
Restricted balances of withdrawal	(90,045,141)	(72,523,852)
Palestine Monetary Authority's deposits and balances maturing within 3 months or less	(114,172,598)	(159,404,960)
Banks and financial institutions' deposits maturing within 3 months or less	(85,536,229)	(58,970,074)
Statutory cash reserve	<u>(820,320,712)</u>	<u>(590,234,705)</u>
	<u>3,740,579,371</u>	<u>2,269,387,955</u>

### 33. Related party balances and 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 period/year represented by deposits, credit facilities and financing are as follows:

<b>September 30, 2025</b>	Associates	Joint Venture	Board of Directors and executive management	Others*	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Interim condensed consolidated statement of financial position items:</b>					
Direct credit facilities and Islamic financing	<u>3,054,379</u>	<u>4,683,127</u>	<u>73,029,491</u>	<u>40,926,312</u>	<u>121,693,309</u>
Including:					
Non-performing credit facilities	-	-	-	318,490	318,490
Deposits	<u>551,036</u>	<u>50,040</u>	<u>102,068,520</u>	<u>20,355,087</u>	<u>123,024,683</u>
Prepaid expenses	-	<u>79,125</u>	-	-	<u>79,125</u>
Financial assets at amortized cost	-	-	<u>26,909,732</u>	-	<u>26,909,732</u>
Financial assets at fair value through other comprehensive income items	-	-	<u>5,285,341</u>	-	<u>5,285,341</u>
Bank's Board of Directors remunerations	-	-	<u>810,000</u>	-	<u>810,000</u>
Subsidiaries' Board of Directors remunerations	-	-	<u>165,000</u>	-	<u>165,000</u>
<b>Commitments and contingencies</b>					
Letters of guarantees	-	-	<u>6,440,754</u>	<u>3,195,963</u>	<u>9,636,717</u>
Unutilized limits	<u>264,952</u>	<u>1,458,706</u>	<u>377,960</u>	<u>9,790,215</u>	<u>11,891,833</u>
<b>Interim condensed consolidated income statement items for the period ended September 30, 2025:</b>					
Interest and commissions revenue	<u>161,447</u>	<u>222,533</u>	<u>2,958,221</u>	<u>1,413,992</u>	<u>4,756,193</u>
Interest and commissions expense	<u>49,331</u>	-	<u>2,737,481</u>	<u>191,560</u>	<u>2,978,372</u>

<b>December 31, 2024</b>	Associates	Joint Venture	Board of Directors and executive management	Others*	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Consolidated statement of financial position items:</b>					
Direct credit facilities and Islamic financing	3,621,126	4,240,322	71,783,070	37,942,507	117,587,025
Including:					
Non-performing credit facilities	-	-	-	232,100	232,100
Deposits	365,342	184,966	76,902,015	22,171,733	99,624,056
Financial assets at amortized cost	-	-	16,000,000	-	16,000,000
Financial assets at fair value through other comprehensive income items	-	-	3,839,283	-	3,839,283
Prepaid expenses	-	79,125	-	-	79,125
Bank's Board of Directors remunerations	-	-	-	-	-
Subsidiaries' Board of Directors remunerations	-	-	325,000	-	325,000
<b>Commitments and contingencies</b>					
Letters of guarantees	-	-	7,347,334	3,157,234	10,504,568
Unutilized limits	309,085	1,799,905	389,130	10,402,922	12,901,042
<b>Interim condensed consolidated income statement items for the period ended September 30, 2024:</b>					
Interest and commissions revenue	181,031	246,320	1,677,055	1,697,261	3,801,667
Interest and commissions expense	-	-	536,011	213,359	749,370

\* Others include branches' managers, non-executive employees and their relatives, and not major shareholders (less than 5% ownership) as disclosed to Palestine Monetary Authority.

- Net direct credit facilities and Islamic financing granted to related parties as at September 30, 2025 and December 31, 2024 represent 2.98% and 3.06% respectively, from the net direct credit facilities and Islamic financing.
- Net direct credit facilities and Islamic financing granted to related parties as at September 30, 2025 and December 31, 2024 represent 17.56% and 17.80% respectively, from the Bank's regulatory capital.
- Interest on U.S. \$ direct credit facilities ranges between 2.50% to 24%.
- Interest on New Israeli Shekels direct credit facilities ranges between 3.75% to 21%.
- Interest on the Jordanian Dinar direct credit facilities ranges between 4.27% to 11%.
- Interest on U.S. \$ deposits ranges between 0.10% to 5.00%.
- The profit rate on loans granted in U.S. \$ to related parties during the period ranges between 2% to 6%

Following is summary of the compensation (salaries, bonuses, and other compensation) of key management personnel:

	For the nine-month period ended September 30	
	2025	2024
	U.S. \$	U.S. \$
Executive management's salaries and related expenses (short term benefits)	3,906,511	3,845,856
Executive management's end of service provision (long term benefits)	394,759	411,602
Board of Directors' bonuses	975,000	1,080,000
Board of Directors' remunerations and expenses	1,592,768	939,278

## 34. Risk Management

### Palestinian Government and its' employees exposures

The assessment of credit exposures to the Palestinian Government and its employees is conducted within a sensitive financial and economic environment marked by ongoing challenges. The reduction and suspension of clearance revenue transfers by the Israeli authorities have created significant liquidity pressures, as these revenues represent a material component of the government's income. This has had a tangible impact on the government's capacity to manage its budget and available liquidity, increasing its reliance on external financing to cover liquidity shortfalls. This has led to arrears on public-sector salaries, and delays in settling obligations to the private sector.

While the end of the war in Gaza may offer some opportunities for economic recovery, sustained economic activity and improved liquidity remain contingent on political stability, the resumption of the withheld revenue transfers from Israel, and donor support. This exposes Palestinian banks to risks related to the potential inability of the government to meet its obligations.

Direct credit facilities and Islamic financing granted to the government amounted to U.S. \$ 1,199,218,729 representing (26.48%) of gross direct credit facilities and Islamic financing as at September 30, 2025, compared to U.S. \$ 984,376,324, representing (23.50%) of gross direct credit facilities and Islamic financing as at December 31, 2024 .

Also, direct credit facilities and Islamic financing granted to the public sector employees amounted to U.S. \$ 648,398,763 representing (14.32%) of gross direct credit facilities and Islamic financing as at September 30, 2025, compared to U.S. \$ 655,038,473 representing (15.64%) of gross direct credit facilities and Islamic financing as at December 31, 2024.

The facilities and financing granted to the Palestinian government through the Palestinian Ministry of Finance and the General Petroleum Corporation are as follows:

#### Syndicated Loan:

At the end of 2023, a syndicated loan was granted to the Palestinian Ministry of Finance, including an initial six-month grace period, with repayment scheduled to start in July 2024. The first installment was paid on schedule, and monthly payments continued according to the agreed schedule until November 2024. Subsequently, the loan underwent two restructurings:

- January 2025: repayment of installments due from December 2024 to May 2025 was deferred for six months.
- August 2025: a second restructuring was completed to change the currency of part of the loan at the request of Palestinian banks and to defer additional monthly installments for a further six months.

Despite this, the Ministry of Finance paid the interest accrued during the grace period in June 2025 and the July 2025 installment on schedule. Interest payments related to the second restructuring continue. The outstanding balance of this loan amounted to U.S. \$ 381,541,734 as at September 30, 2025, compared with U.S. \$ 359,148,811 as at December 31, 2024.

#### Other loans granted to the Ministry of Finance:

The balance of other loans granted to the Ministry of Finance amounted to the equivalent of U.S. \$ 349 million as at September 30, 2025, and amounted to the equivalent of U.S. \$ 100 million as at December 31, 2024. No modifications or restructurings were made to these facilities; as 62% of the outstanding balance of these facilities is secured by cash collateral.

**Overdraft - Ministry of Finance:**

The overdraft balance granted to the Ministry of Finance amounted to the equivalent of U.S. \$ 188 million as at September 30, 2025, and amounted to the equivalent of U.S. \$ 252 million as at December 31, 2024. No modifications or restructurings were made to these facilities; as they are secured by dedicated tax revenues from major local companies collected through domestic banking channels, with stable performance and no delays in repayment or breaches of contractual terms.

**Overdraft - General Petroleum Corporation:**

The overdraft balance granted to the General Petroleum Corporation amounted to the equivalent of U.S. \$ 111 million as at September 30, 2025, and amounted to the equivalent of U.S. \$ 106 million as at December 31, 2024. No modifications or restructurings have been made to this facility; as the facility is secured by commercial checks from fuel stations, collected through local banking channels. Payments have been stable, with no delays or breaches of contractual terms. Despite the overall economic challenges, repayment remains regular, with no indications of elevated credit risk.

**Islamic financing - Ministry of Finance:**

At the end of 2023, the Arab Islamic Bank (a subsidiary), in conjunction with the syndicated loan extended by commercial banks operating in Palestine, granted financing to the Ministry of Finance amounting to ILS \$ 384 million and U.S. \$ 53 million. These financings included a six-month grace period, with repayments scheduled to begin in July 2024. The first installment was paid on time, and monthly payments continued as scheduled until November 2024.

Subsequently and during the period, the Arab Islamic Bank (a subsidiary) granted the Ministry of Finance financings amounting to ILS 45 million and U. S. \$ 6 million, which included a six-month grace period and were intended to settle the installments due on the original financings until May 2025. Thereafter, the Ministry of Finance resumed settlement of the original financings from its own sources until August 2025. The outstanding balance for these financings amounted to U.S. \$ 146,168,860 as at September 30, 2025, and U.S. \$ 139,928,806 as at December 31, 2024.

**Islamic financing - General Petroleum Corporation:**

The gross outstanding financings granted to the General Petroleum Corporation by the Arab Islamic Bank (a subsidiary) amounted to the equivalent of U.S. \$ 23 million as at September 30, 2025, and amounted to the equivalent of U.S. \$ 21 million as at December 31, 2024. No modifications or restructurings were made to these financings; as the financings are secured by commercial checks from fuel stations collected through local banking channels, with stable performance, no delays in repayment, and no breaches of contractual terms. Despite overall economic challenges, repayments remain regular, and no indicators of increased credit risk have been observed.

**Bank assessment and assumptions of government exposure:**

The Bank assess credit risk and expected credit losses on its various exposures to the Palestinian Government individually at the financial instrument level, in accordance with the Bank's policy for identifying shared risk characteristics and the requirements of IFRS 9.

In accordance with IFRS 9, if the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognized, the entity shall assess whether there has been a significant increase in the credit risk of the financial instrument by comparing:

- a) The risk of a default occurring at the reporting date (based on the modified contractual terms),
- b) The risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

The standard also requires considering reasonable and supportable information based on evidence to determine the change in the risk of default over the expected life of these financial instruments.

The Bank estimates the Probability of Default (PD) for the Palestinian Government using proxy sovereign rating methodology, due to the absence of an official credit rating from international rating agencies. This estimate is based on a reference methodology consistent with practices adopted in the Palestinian banking sector since the implementation of IFRS 9, with quantitative adjustments to reflect relevant political risk levels.

Through this methodology, through-the-cycle PDs (TTC PDs) are derived from historical studies published by global rating agencies, covering periods of economic growth and recession, and then converted to point-in-time PDs (PIT PDs) using a statistical model that incorporates forward-looking economic expectations, including World Bank forecasts, particularly regarding economic growth rates.

Due to ongoing uncertainty arising from the political situation and related financial challenges, and the lack of information necessary to adjust the quantitative impact on the PD to fully reflect the political risk without undue cost or effort, the Bank has maintained exposures to the Palestinian Government in Stage 1, while updating macroeconomic factors and assigning a 60% weight to the worst-case scenario for the purpose of calculating expected credit loss provisions. The Bank will continue to monitor these exposures and update the inputs used in the calculation of expected credit losses.

#### **Relationship with Israeli Correspondent Banks and Restrictions on the Israeli Shekel currency**

The Bank operates in an environment where the Israeli Shekel (ILS) is one of the mainly traded currencies and due to the lack of a Palestinian national currency, clearance of cash denominated in ILS kept held by the Bank is done through Israeli corresponding banks, which are subject to regulatory restrictions imposed by the Israeli side. Israeli banks constitute the sole channel for ILS clearing and transfer operations in ILS currency, including check clearing, workers and merchant transfers, payments to the Israeli side for fuel, water, electricity, and medical transfers, as well as the transfer of clearing revenues collected by the Israeli government on behalf of the Palestinian government. These arrangements are subject to annual renewal with the approval of the Israeli government, exposing Palestinian banks to additional risks, including the potential non-renewal of this relationship, which could disrupt ILS clearing and transfer channels.

Historically, the Israeli Ministry of Finance provided letters of guarantee to Israeli banks engaged in banking relationships with Palestinian banks. These letters protected Israeli banks from certain legal and regulatory liabilities that might arise from transactions with Palestinian institutions.

Currently, there is uncertainty regarding the Israeli government's intention to renew the current letters of guarantee, which were planned to expire on November 30, 2025, as the Israeli government has extended the letter for two additional weeks and ends on December 14, 2025. Some Israeli correspondent banks have informed their Palestinian banking clients that they will not renew the relationship unless they receive the letter of guarantee from the Israeli Ministry of Finance, as has been the practice.

The suspension or termination of services from Israeli correspondent banks could materially affect the Bank's ability to:

- Process payments and settlements in a timely manner.
- Manage liquidity, including access to short-term funding and operational cash flows.
- Conduct normal banking operations efficiently.
- Manage other operational risks, as well as legal and reputational risks.

The Bank's management has assessed the potential impact of this risk on the Bank's operations and financial position. Although the Bank currently expects to be able to continue its operations, the uncertainty surrounding the renewal of these correspondent banking relationships represents a material risk and has been taken into account in the assessment of going concern, liquidity risk, and other operational risks.

The bank has taken the following measures to address this anticipated situation:

- Communicating with Israeli correspondent banks and regulatory authorities to clarify business continuity.
- Strengthening internal controls and compliance procedures to address the increasing risks related to anti-money laundering (AML) and counter-terrorism financing (CTF).
- Increasing liquidity reserves to mitigate potential disruptions in payment settlements.
- Exploring alternative banking arrangements and diversifying exposure to the Israeli shekel where possible.

Additionally, the restrictions imposed by the Israeli authorities in recent years have resulted in slowing down and restricting the acceptance of ILS cash deposits from Palestinian banks. As a result, significant amounts of ILS cash have accumulated along with a shortage in the Bank's electronic balances in the same currency for the bank to meet its operating transactions and activities and impose restrictions on check clearing and electronic transfers of the customers, alongside an increase of security and storage risks.

These factors affect the ability of Banks operating in Palestine to manage liquidity effectively and complete customer transactions which may negatively impact their financial performance and stability. The balance of cash on hand denominated ILS amounted to the equivalent of U.S. \$ 2,644 million (2024: U.S. \$ 1,466 million), representing 90.94 % (2024: 92.20%) of the gross cash balances held at the Bank.

The Bank's exposures in ILS are disclosed under the Currency Risk section below.

The Bank will continue to monitor the situation, and any material impact on the financial position and income statement will be reflected in future reporting periods. The Bank also continues to cooperate with relevant authorities to address these challenges and explore alternative mechanisms to mitigate the associated risks.

### **Currency Risks**

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 Bank's Board of Directors annually sets the limits of the financial position for each currency, and such position is monitored on a daily basis to ensure maintaining the foreign currency position within the established limits.

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

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

Currency	September 30, 2025		December 31, 2024	
	Increase in currency rate (%)	Effect on consolidated income statement U.S. \$	Increase in currency rate (%)	Effect on consolidated income statement U.S. \$
New Israeli Shekels	10	(722,736)	10	76,181
Other currencies	10	558,381	10	322,507

Following is the foreign currencies position of the Bank:

	<u>JOD</u>	<u>ILS</u>	<u>Others</u>	<u>Total</u>
<b>September 30, 2025</b>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
<b>Assets</b>				
Cash on hand	55,511,771	2,643,850,139	122,003	2,699,483,913
Balances with Palestine Monetary	91,622,571	348,653,858	17,102,260	457,378,689
Balances, deposits, and investments at Banks and financial institutions	347,159,222	233,222,108	130,843,820	711,225,150
Direct credit facilities and Islamic financing	263,789,243	2,003,140,549	60,045,492	2,326,975,284
Financial assets at fair value through other comprehensive income items	52,908,656	-	4,274,548	57,183,204
Financial assets at amortized cost	22,913,979	-	5,795,828	28,709,807
Other assets	9,921,087	20,906,358	1,882,362	32,709,807
<b>Total assets</b>	<u>843,826,529</u>	<u>5,249,773,012</u>	<u>220,066,313</u>	<u>6,313,665,854</u>
<b>Liabilities</b>				
Palestine Monetary Authority deposits	-	275,517,971	-	275,517,971
Banks and financial institutions' deposits	6,777,539	8,208,599	2,542,709	17,528,847
Customers' deposits	805,900,075	3,523,239,402	180,446,351	4,509,585,828
Cash margins	15,728,838	177,971,797	11,164,094	204,864,729
Loans and borrowings	-	-	8,759,433	8,759,433
Other liabilities	22,667,505	166,499,385	10,042,363	199,209,253
<b>Total liabilities</b>	<u>851,073,957</u>	<u>4,151,437,154</u>	<u>212,954,950</u>	<u>5,215,466,061</u>
Net interim condensed consolidated statement of financial position concentration	<u>(7,247,428)</u>	<u>1,098,335,858</u>	<u>7,111,363</u>	<u>1,098,199,793</u>
Off-balance sheet potential commitments	-	1,105,563,218	1,527,551	1,107,090,769
<b>Net position</b>	<u>(7,247,428)</u>	<u>(7,227,360)</u>	<u>5,583,812</u>	<u>(8,890,976)</u>
<b>December 31, 2024</b>				
	<u>JOD</u>	<u>ILS</u>	<u>Others</u>	<u>Total</u>
<b>Total assets</b>	<u>742,985,589</u>	<u>3,724,811,974</u>	<u>205,592,628</u>	<u>4,673,390,191</u>
<b>Total liabilities</b>	<u>733,766,765</u>	<u>3,602,697,114</u>	<u>193,103,495</u>	<u>4,529,567,374</u>
Net interim condensed consolidated statement of financial position concentration	<u>9,218,824</u>	<u>122,114,860</u>	<u>12,489,133</u>	<u>143,822,817</u>
Off-balance sheet potential commitments	<u>500,000</u>	<u>121,353,050</u>	<u>9,264,059</u>	<u>131,117,109</u>
<b>Net position</b>	<u>8,718,824</u>	<u>761,810</u>	<u>3,225,074</u>	<u>12,705,708</u>

### **Liquidity Coverage Ratio (LCR)**

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

The table below shows the calculation of the liquidity coverage ratio for the period ended September 30, 2025:

	Amount before discount rates/ average flows	Amount after discount rates/ average flows
	U.S. \$	U.S. \$
<b>Total high quality liquid assets *</b>	<u>3,913,869,523</u>	<u>3,888,801,336</u>
<b>Retail deposits including small institutions' deposits:</b>		
A- Stable deposits	2,330,680,607	116,534,030
B- Less stable deposits	4,961,281,749	379,996,398
<b>Deposits and other unguaranteed facilities for companies without retail and small institutions' customers:</b>		
A- Operational deposits	216,541,351	54,135,338
B- Non-operational deposits	<u>1,926,190,636</u>	<u>585,970,558</u>
<b>Guaranteed financing and deposits</b>	9,434,694,343	1,136,636,324
<b>Non-cancelled and cancelled credit lines and required liquidity within 30 days</b>	518,448,303	187,223,198
<b>Any other cash outflows</b>	<u>207,891,106</u>	<u>12,610,555</u>
<b>Total cash outflows</b>	<u>10,161,033,752</u>	<u>1,336,470,077</u>
<b>Guaranteed lending</b>	51,691,813	25,845,907
<b>Cash inflow from performing loans</b>	<u>1,109,142,442</u>	<u>876,768,305</u>
<b>Total cash inflow</b>	<u>1,160,834,255</u>	<u>902,614,212</u>
<b>Net cash outflow after adjustments**</b>		<u>433,855,865</u>
<b>Total high-quality liquid assets after adjustments</b>		3,888,801,336
<b>Net cash outflow after adjustment</b>		<u>433,855,865</u>
<b>Liquidity Coverage Ratio (%)</b>		<u>896%</u>

\* Based on the Palestinian Monetary Authority Instructions No. (4/2018), high-quality liquid assets, include cash and balances with the Palestinian Monetary Authority (note 4), investments in stocks and listed bonds after deducting any investments in financial institutions.

\*\* Net cash outflow after adjustments represents the total cash outflows less the total cash inflows or 75% of the total cash outflows, whichever is lower.

The table below shows the calculation of the liquidity coverage ratio for the year ended December 31, 2024:

	Amount before discount rates/ average flows	Amount after discount rates/ average flows
	U.S. \$	U.S. \$
<b>Total high quality liquid assets*</b>	<u>2,358,392,667</u>	<u>2,337,778,815</u>
<b>Retail deposits including small institutions' deposits:</b>		
A- Stable deposits	1,879,155,834	93,957,791
B- Less stable deposits	3,785,716,683	371,494,023
<b>Deposits and other unguaranteed facilities for companies without retail and small institutions' customers:</b>		
A- Operational deposits	245,012,855	61,253,213
B- Non-operational deposits	<u>1,627,068,010</u>	<u>525,858,055</u>
<b>Guaranteed financing and deposits</b>	7,536,953,382	1,052,563,082
<b>Non-cancelled and cancelled credit lines and required liquidity within 30 days</b>	537,348,951	187,905,578
<b>Any other cash outflows</b>	<u>244,841,213</u>	<u>14,269,115</u>
<b>Total cash outflows</b>	<u>8,319,143,546</u>	<u>1,254,737,775</u>
<b>Guaranteed lending</b>	48,325,707	24,162,854
<b>Cash inflow from performing loans</b>	<u>1,048,152,501</u>	<u>924,106,925</u>
<b>Total cash inflow</b>	<u>1,096,478,208</u>	<u>948,269,779</u>
<b>Net cash outflow after adjustments**</b>		<u>313,684,444</u>
<b>Total high-quality liquid assets after adjustments</b>		2,337,778,815
<b>Net cash outflow after adjustment</b>		<u>313,684,444</u>
<b>Liquidity Coverage Ratio (%)</b>		<u>74.5%</u>

\* Based on the Palestinian Monetary Authority Instructions No. (4/2018), high-quality liquid assets, include cash and balances with the Palestinian Monetary Authority (note 4), investments in stocks and listed bonds after deducting any investments in financial institutions.

\*\* Net cash outflow after adjustments represents the total cash outflows less the total cash inflows or 75% of the total cash outflows, whichever is lower.

#### **Net Stable Funding Ratio (NSFR)**

The PMA's instructions No. (5/2018) have been issued regarding the application of the stable net financing ratio, which must not be less than 100% in all cases, as the net stable financing ratio aims to enhance the Bank's liquidity risk management by maintaining more stable sources of financing to align the maturities of assets inside and outside the budget and reduce the Bank's dependence on short-term and unstable sources of financing in financing its assets.

The table below shows the calculation of the net stable financing ratio for the period ended on September 30, 2025:

	September 30, 2025
	<u>U.S. \$</u>
Regulatory capital	693,067,269
Stable retail deposits and small institutions	2,227,380,961
Less stable retail deposits and small institutions	4,015,882,171
Guaranteed and unguaranteed financing (deposits)	635,618,983
Other deposits and financing	89,370,053
Other commitments (not included in the previous categories)	<u>214,503,147</u>
<b>Gross stable financing available</b>	<u>7,875,822,584</u>
Level 1 unrestricted high quality liquid assets	29,046,024
Level 2 -type (A) unrestricted high quality liquid assets	2,708,866
Level 2 -type (B) unrestricted high quality liquid assets	16,038,634
Loans	2,574,011,868
Debt instruments issued or guaranteed by Banks and financial institutions	30,062,744
Other unquoted investments (not included in the previous categories)	56,640,497
Other quoted investments (not included in the previous categories)	61,372,345
Non-performing loans	27,420,966
Other assets	780,895,395
Contingent non-cancelled and cancelled credit facilities and liquidity	20,541,468
Other future and potential financing commitments	9,762,777
Other non-contractual commitments	3,103,562
Off balance sheet exposures not included in the previous categories	<u>7,120</u>
<b>Total stable financing required</b>	<u>3,611,612,266</u>
<b>Net stable financing ratio</b>	<u><u>218%</u></u>

The table below shows the calculation of the net stable financing ratio for the year ended on December 31, 2024:

Description	December 31, 2024
	<u>U.S. \$</u>
Regulatory capital	660,595,304
Stable retail deposits and small institutions	1,798,897,890
Less stable retail deposits and small institutions	2,989,711,599
Guaranteed and unguaranteed financing (deposits)	723,955,955
Other deposits and financing	-
Other commitments (not included in the previous categories)	174,924,678
<b>Gross stable financing available</b>	<u>6,348,085,426</u>
Level 1 unrestricted high quality liquid assets	4,054,724
Level 2 -type (A) unrestricted high quality liquid assets	2,538,787
Level 2 -type (B) unrestricted high quality liquid assets	12,151,228
Loans	2,458,293,583
Debt instruments issued or guaranteed by Banks and financial institutions	15,279,796
Other unquoted investments (not included in the previous categories)	47,195,951
Other quoted investments (not included in the previous categories)	53,939,196
Non-performing loans	27,547,479
Other assets	836,667,954
Contingent non-cancelled and cancelled credit facilities and liquidity	23,394,608
Other future and potential financing commitments	9,366,150
Other non-contractual commitments	2,794,754
Off balance sheet exposures not included in the previous categories	7,570
<b>Total stable financing required</b>	<u>3,493,231,780</u>
<b>Net stable financing ratio</b>	<u>182%</u>

### **Financial Leverage Ratio**

The Palestine Monetary Authority issued Instructions No. (24/2021) regarding the application of the financial leverage ratio, as these instructions aim to reduce the accumulation of financial leverage in Banks in order to reduce any pressures on the financial system and the economy in general, and to enhance capital requirements, and it should be noted that the leverage ratio in all cases should not be less than 4%.

The table below shows the calculation of the financial leverage ratio as at September 30, 2025:

Description	September 30, 2025
	<u>U.S. \$</u>
Total Exposure Scale	11,263,581,586
Regulatory amendments related to investments in banks, financial institutions, insurance companies, and commercial entities combined for accounting purposes, but outside the scope of the regulatory assembly	-
Amendments related to derivatives exposures	(22,683,474)
Amendments related to securities financing operations	-
Amendments related to items outside the statement of financial position	(424,678,172)
Other amendments/exposures	(40,007,588)
<b>Total Leverage Exposure Scale</b>	<u>10,776,212,352</u>
<b>First tranche of capital</b>	<u>574,259,791</u>
<b>Leverage Ratio as at September 30, 2025</b>	5.33%
<b>Minimum percentage according to PMA instructions (%)</b>	<u>4%</u>

The table below shows the calculation of the financial leverage ratio as at December 31, 2024:

	December 31, 2024
	<u>U.S. \$</u>
Total Exposure Scale	9,104,405,981
Regulatory amendments related to investments in banks, financial institutions, insurance companies, and commercial entities combined for accounting purposes, but outside the scope of the regulatory assembly	-
Amendments related to derivatives exposures	(11,191,154)
Amendments related to securities financing operations	-
Amendments related to items outside the statement of financial position	(461,176,178)
Other amendments/exposures	(17,752,112)
<b>Total Leverage Exposure Scale</b>	<u>8,614,286,537</u>
<b>First tranche of capital</b>	<u>531,920,339</u>
<b>Leverage Ratio as at December 31, 2024</b>	6.17%
<b>Minimum percentage according to PMA instructions (%)</b>	<u>4%</u>

### 35. Fair value measurement

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

- Level 1: Using the trading prices (unadjusted) for completely similar financial instruments in active financial markets for the financial instruments.
- Level 2: Using data other than trading prices, but it can be observed directly or indirectly.
- Level 3: Using data that is not based on observable market data.

The following table provides the fair value measurement hierarchy of the Bank's assets and its subsidiaries as at September 30, 2025:

	Date of evaluation	Measurement of fair value by			
		Total	Quoted prices in active markets	Significant observable input	Significant non-observable inputs
		U.S. \$	(Level 1) U.S. \$	(Level 2) U.S. \$	(Level 3) U.S. \$
<b><u>Assets measured at fair value</u></b>					
Financial assets at fair value through profit or loss (note 6):					
Quoted	September 30, 2025	2,011,414	2,011,414	-	-
Unquoted	September 30, 2025	4,294,001	-	482,645	3,811,356
Financial assets at fair value through other comprehensive income (note 8):					
Quoted	September 30, 2025	65,360,606	65,360,606	-	-
Unquoted	September 30, 2025	14,465,116	-	-	14,465,116
Investment properties	September 30, 2025	40,676,948	-	-	40,676,948
<b><u>Financial assets accounted for in its fair value:</u></b>					
Financial assets at amortized cost (note 9):					
Treasury bills and bonds	September 30, 2025	622,642,180	605,668,066	-	16,974,114
Quoted bonds	September 30, 2025	3,278,866	3,278,866	-	-
Unquoted bonds	September 30, 2025	30,610,075	-	-	30,610,075
Islamic Sukuk	September 30, 2025	45,656,039	45,656,039	-	-
<b><u>Liabilities measured at fair value on a recurring basis</u></b>					
Negative financial derivatives at fair value through profit or loss (note 21)					
	September 30, 2025	34,341,231	-	34,341,231	-

The following table provides the fair value measurement hierarchy of the Bank's assets and liabilities as at December 31, 2024:

	Date of evaluation	Measurement of fair value by			
		Total	Quoted prices in active markets (Level 1)	Significant observable input (Level 2)	Significant non- observable inputs (Level 3)
		U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b><u>Assets measured at fair value</u></b>					
Financial assets at fair value through profit or loss (note 6):					
Quoted	December 31, 2024	1,741,648	1,741,648	-	-
Unquoted	December 31, 2024	3,704,152	-	193,612	3,510,540
Financial assets at fair value through other comprehensive income (note 8):					
Quoted	December 31, 2024	51,095,815	51,095,815	-	-
Unquoted	December 31, 2024	12,540,300	-	-	12,540,300
Investment properties	December 31, 2024	40,676,948	-	-	40,676,948
<b><u>Financial assets accounted for in its fair value:</u></b>					
Financial assets at amortized cost (note 9):					
Treasury bills	December 31, 2024	136,096,558	118,951,405	-	17,145,153
Quoted bonds in financial markets	December 31, 2024	3,219,750	3,219,750	-	-
Unquoted bonds in financial markets	December 31, 2024	20,249,942	-	-	20,249,942
Islamic Sukuk	December 31, 2024	36,839,808	36,839,808	-	-
<b><u>Liabilities measured at fair value on a recurring basis</u></b>					
Negative financial derivatives at fair value through profit or loss (note 21)	December 31, 2024	120,043	-	120,043	-

During the period ended September 30, 2025 and the year ended December 31, 2024, no transfers of financial instruments were made between the first and second levels and no transfers were made to and from the third level.

## Fair value of financial instruments

The table below represents a comparison between the carrying amounts and fair values of financial instruments as at September 30, 2025 and December 31, 2024:

	Carrying amount		Fair value	
	September 30, 2025	December 31, 2024	September 30, 2025	December 31, 2024
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Financial assets</b>				
Cash and balances with Palestine Monetary Authority	3,752,090,327	2,236,071,862	3,752,090,327	2,236,071,862
Balances, deposits, and investments at Banks and financial institutions	1,590,869,755	1,719,713,863	1,590,869,755	1,719,713,863
Financial assets at fair value through profit or loss	6,305,415	5,445,800	6,305,415	5,445,800
Direct credit facilities and Islamic financing, net	4,086,351,319	3,842,640,449	4,086,351,319	3,842,640,449
Financial assets at fair value through other comprehensive income items	79,825,722	63,636,115	79,825,722	63,636,115
Financial assets at amortized cost	700,669,838	195,345,429	702,187,160	196,406,058
Other financial assets	43,326,444	41,400,328	43,326,444	41,400,328
<b>Total assets</b>	<b>10,259,438,820</b>	<b>8,104,253,846</b>	<b>10,260,956,142</b>	<b>8,105,314,475</b>
<b>Financial liabilities</b>				
Palestine Monetary Authority deposits	429,963,190	241,791,321	429,963,190	241,791,321
Banks and financial institutions' deposits	85,536,229	111,077,678	85,536,229	111,077,678
Customers' deposits	8,436,869,831	6,714,389,212	8,436,869,831	6,714,389,212
Cash margins	338,305,760	275,219,509	338,305,760	275,219,509
Subordinated loans	52,500,000	60,000,000	52,500,000	60,000,000
Loans and borrowings	98,327,809	104,927,195	98,327,809	104,927,195
Istidama loans from Palestine Monetary Authority	47,852,680	48,446,863	47,852,680	48,446,863
Leased liabilities	19,017,703	19,193,970	19,017,703	19,193,970
Other financial liabilities	301,129,388	138,341,112	301,129,388	138,341,112
<b>Total liabilities</b>	<b>9,809,502,590</b>	<b>7,713,386,860</b>	<b>9,809,502,590</b>	<b>7,713,386,860</b>

## 36. Segment information

### Information on the Bank's business segments

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

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

**Corporates, institutions and public sector:** includes following up on customer deposits, credit facilities and other Banking services for corporate, institutional and public sector clients.

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

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

	Retail	Corporate, institutions and public sector	Treasury	Other	Total	
					September 30, 2025	September 30, 2024
					U.S. \$	U.S. \$
Gross revenues	<u>101,646,053</u>	<u>128,905,065</u>	<u>115,248,932</u>	<u>6,862,907</u>	<u>352,662,957</u>	<u>325,258,663</u>
Provision of expected credit losses and other assets impairments	<u>(69,197,459)</u>	<u>(21,421,721)</u>	<u>459,969</u>	<u>(1,641,372)</u>	<u>(91,800,583)</u>	<u>(160,509,411)</u>
Segment results					260,862,374	164,749,252
Unallocated expenses					<u>(211,211,350)</u>	<u>(188,895,407)</u>
Profit before taxes					49,651,024	(24,146,155)
Taxes (expense) benefits					<u>(5,029,575)</u>	<u>6,171,678</u>
Profit for the period					<u>44,621,449</u>	<u>(17,974,477)</u>
<b>Other information</b>						
Depreciation and amortization					<u>13,066,657</u>	<u>13,303,475</u>
Capital expenditures					<u>8,309,911</u>	<u>41,965,273</u>
					September 30, 2025	December 31, 2024
Gross segment assets	<u>1,117,503,527</u>	<u>2,968,847,792</u>	<u>6,141,327,017</u>	<u>316,997,769</u>	<u>10,544,676,105</u>	<u>8,360,073,698</u>
Gross segment liabilities	<u>5,937,025,838</u>	<u>2,838,149,753</u>	<u>714,179,908</u>	<u>414,752,282</u>	<u>9,904,107,781</u>	<u>7,786,471,305</u>

### Geographical distribution information

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

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

	Domestic		Foreign		Total	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Gross revenues	<u>275,010,864</u>	<u>267,532,935</u>	<u>77,652,093</u>	<u>57,725,728</u>	<u>352,662,957</u>	<u>325,258,663</u>
Capital expenditures	<u>8,309,911</u>	<u>41,965,273</u>	<u>-</u>	<u>-</u>	<u>8,309,911</u>	<u>41,965,273</u>
	Domestic		Foreign		Total	
	September 30, 2025	December 31, 2024	September 30, 2025	December 31, 2024	September 30, 2025	December 31, 2024
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Total assets	<u>8,298,578,793</u>	<u>6,472,198,856</u>	<u>2,246,097,312</u>	<u>1,887,874,842</u>	<u>10,544,676,105</u>	<u>8,360,073,698</u>

### 37. Capital management

The main objective of managing the Bank's capital is to maintain appropriate capital ratios in a way that supports the Bank's activity and maximizes shareholders' equity. The Bank manages the capital structure and makes the necessary adjustments to it in light of changes in economic conditions and the nature of the business. The Bank did not make any amendments to the objectives, policies and procedures related to capital structuring during the current year and the previous year, except for the Bank's adherence to the agreement signed with both the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD), which stipulates their preemptive rights to maintain their shareholding percentage in the Bank. The International Finance Corporation (IFC) approved the issuance of 383,409 shares to maintain its investment in the Bank, the International Finance Corporation (IFC) settled the investment payment during the period.

During the period, the bank signed an agreement with the French Proparco Corporation, in which the French Development Agency (FISEA), a subsidiary of the Proparco Corporation, invests through a private issuance of 7,152,317 shares. Both the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD) approved the issuance of 392,152 and 298,572 shares, respectively, to maintain their investments' percentages in the Bank. As a result, the Bank's paid-in capital amounted to U.S. \$ 268,786,067 as of September 30, 2025.

In 2024, the Bank issued new shares to raise the capital by signing an agreement during the period, to include the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD), whereby IFC invested with a contribution of 5% of the Bank's capital, and the EBRD invested with a contribution of 3.92% of the Bank's capital, that resulted in the issuance of 22,597,516 shares with a nominal value of U.S. \$ 1 per share and a total additional paid in capital of U.S. \$ 11,524,733 by both parties. In addition, the Bank signed two agreements with both the Arab Palestinian Investment Company and the Aswaq Investment Company, resulting in the issuance of a total of 7,284,767 shares to both parties at a nominal value of U.S. \$1 per share, and a total additional paid-in capital of U.S. \$ 3,715,232 (note 22).

Bank of Palestine has been classified as a Bank of systemic importance at the local level in accordance with the general framework of Banks of systemic importance approved by the Board of Directors of the PMA.

The capital adequacy ratio is computed in accordance with the PMA's instructions No. (8/2018), following are the capital adequacy rates:

	September 30, 2025			December 31, 2024		
	Amount	Percentage To assets	Percentage to risk - weighted assets	Amount	Percentage to assets	Percentage to risk - weighted assets
	U.S. \$	%	%	U.S. \$	%	%
Regulatory capital	<u>693,067,269</u>	<u>6.57</u>	<u>16.14</u>	<u>660,595,304</u>	<u>7.90</u>	<u>15.30</u>
Basic capital	<u>574,259,791</u>	<u>5.45</u>	<u>13.38</u>	<u>531,920,339</u>	<u>6.36</u>	<u>12.32</u>

The Bank manages its capital in a way that ensures the continuity of its operations and achieves the highest possible return on shareholders' equity. The capital for the nine-month period ended September 30, 2025 and the year ended December 31, 2024 is computed in accordance with PMA instructions No. (8/2018), as shown in the following table:

	September 30, 2025	December 31, 2024
	U.S. \$	U.S. \$
Net common stocks (CET 1)	536,672,730	494,567,695
The first bracket of capital	574,259,791	531,920,339
The second bracket of capital	118,807,478	128,674,965
<b>Capital base</b>	<b>693,067,269</b>	<b>660,595,304</b>
Credit risk	3,655,068,599	3,695,846,624
Market risk	27,085,618	10,891,600
Operational risk	610,835,882	610,835,882
<b>Total risk weighted assets</b>	<b>4,292,990,099</b>	<b>4,317,574,106</b>
Percentage of common stocks (CET 1) to risk weighted assets	12.50%	11.45%
Percentage of the first bracket of capital to risk weighted assets	13.38%	12.32%
Percentage of the second bracket of capital to risk weighted assets	2.77%	2.98%
Percentage of the first bracket to assets	5.45%	6.36%
Percentage of regulatory capital to assets	6.57%	7.90%
<b>Capital adequacy ratio</b>	<b>16.14%</b>	<b>15.30%</b>

### 38. Commitments and contingent liabilities

The total outstanding commitments and contingent liabilities are as follows:

	September 30, 2025	December 31, 2024
	U.S. \$	U.S. \$
Letters of guarantees	223,049,987	203,680,375
Letters of credit	27,722,235	34,291,036
Acceptances	8,729,402	5,246,675
Unutilized credit facilities and Islamic financing limits	410,829,356	467,892,154
Others	139,400	151,400
	670,470,380	711,261,640
Less: Provision of expected credit losses	(4,638,980)	(4,899,721)
	<b>665,831,400</b>	<b>706,361,919</b>

Outstanding forward deals contracts for the sale and purchase of currencies for existing customers as at September 30, 2025 and December 31, 2024 amounted to U.S. \$ 22,912,600 and U.S. \$ 11,304,196, respectively. Those contracts are not disclosed as part of commitments and contingent liabilities as the Bank hedges risks of these contracts with other Banks. In addition, the Bank obtains cash margin up to 10% of contract value to cover unforeseen price changes and customers' non-compliance with the signed contracts.

The summary of the movement on the gross carrying amount of indirect credit facilities and Islamic financing is as follows:

	September 30, 2025			
	Stage (1)	(Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Balance, beginning of the period</b>	452,855,789	258,405,851	-	711,261,640
Net change during the period	24,129	(40,815,389)	-	(40,791,260)
<b>Balance ending of the period</b>	<u>452,879,918</u>	<u>217,590,462</u>	<u>-</u>	<u>670,470,380</u>

  

	December 31, 2024			
	Stage (1)	(Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Balance, beginning of the year</b>	469,746,872	166,308,576	-	636,055,448
Net change during the year	(16,891,083)	92,097,275	-	75,206,192
<b>Balance ending of the year</b>	<u>452,855,789</u>	<u>258,405,851</u>	<u>-</u>	<u>711,261,640</u>

The movement on expected credit losses provision on indirect credit facilities and Islamic financing is as follows:

	September 30, 2025			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Balance, beginning of the period</b>	460,427	4,439,294	-	4,899,721
Net re-measurement of expected credit losses during the period	209,992	(470,733)	-	(260,741)
<b>Balance ending of the period</b>	<u>670,419</u>	<u>3,968,561</u>	<u>-</u>	<u>4,638,980</u>

  

	December 31, 2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Balance, beginning of the year</b>	172,483	3,205,127	-	3,377,610
Net re-measurement of expected credit losses during the year	287,944	1,234,167	-	1,522,111
<b>Balance ending of the year</b>	<u>460,427</u>	<u>4,439,294</u>	<u>-</u>	<u>4,899,721</u>

The related provision is recorded in other liabilities (note 21)

### 39. Lawsuits against the Bank

The number of lawsuits filed against the Bank and its subsidiaries as at September 30, 2025 and December 31, 2024 was (206) and (198), respectively and that's within the normal course of business with a total amount of U.S. \$ 83,819,052 and U.S. \$ 83,809,062, respectively. The Bank's management and lawyer believe that no additional provision is required other than what was provided.

During 2019, a lawsuit was filed against the Bank on January 1, 2019 by certain individuals in the United States District Court for the Eastern District of New York. By this lawsuit, the plaintiffs brought a single claim against the Bank for secondary liability pursuant to the United States Anti-Terrorism Act. On August 17, 2019 the Bank filed a motion to dismiss the lawsuit based on legal basis. In response to the motion, the plaintiffs filed an amended complaint. The Bank accordingly filed a motion to dismiss the amended complaint on December 24, 2019. Subsequently, on February 4, 2020, the plaintiffs responded on the Bank's motion to dismiss the amended complaint. The Bank filed its reply papers in support of its motion to dismiss on March 10, 2020.

On May 3, 2021, the Court entered an order denying the portion of the Bank's motion to dismiss the lawsuit on jurisdictional grounds, but "without prejudice" to the Bank renewing that motion following a 120-day period of jurisdictional discovery. The Court limited the scope of jurisdictional discovery to determine whether the Bank sent or received any transfers through its U.S. correspondent accounts for a small number of alleged Bank customers during the relevant (2001-2003) time-period. The Court's order also specifically reserved decision on the Bank's separate argument that the plaintiffs have failed to state a legally sufficient claim against the Bank. Jurisdictional discovery is now underway. Thereafter, the Bank intends to renew its motion to dismiss on jurisdictional grounds, and to press its pending motion to dismiss on legal-sufficiency grounds, most likely during the year 2026.

Consistent with the commitment of Bank management, the Bank complies fully with Palestinian laws and international best practices. In addition, the Bank fully complies with the Palestinian Anti-Terrorism and Money Laundering Law No. (20) of the year 2015 and the Palestinian requirements to maintain secrecy of customers and Banking transactions. According to the Bank's legal advisor, the lawsuit is at its early stages and any financial effect is not predictable at the date of the interim condensed consolidated financial statements, as the defenses raised by the motion are strong ones.

#### **40. War on Gaza Strip**

At the beginning of October 2023, the Gaza Strip was exposed to a war, which significantly affected all economic activities and damaged a large number of facilities and properties. Moreover, various business sectors in the West Bank were also affected by closures and restrictions between cities, as well as the repeated closure of external crossings.

These events have negatively affected the economic activities in Palestine and have led to a decrease in private sector revenues, green line workers' earnings, government revenue from taxes and local fees, clearance revenues, and consequently, the ability of customers to meet their obligations on time. The Bank's exposure to the credit facilities and Islamic financing granted to the government, its employees, and green line workers are disclosed in note (7)

##### **Managements actions**

In response to the war on Gaza Strip, and from the first day, the Bank activated its business continuity and crisis management plans to address the effects of this war on the Bank, which included several measures as follows:

- Identifying possible closure scenarios in the West Bank and Gaza Strip to ensure the continuity of the Bank's functions and defining responsibilities for emergency teams for different scenarios
- Activating the business continuity committee at the subsidiary company level
- Periodically conduct risk assessments and stress scenarios for the following:
  - 1- Cash and liquidity
  - 2- The credit facilities portfolio and the provision for expected credit losses
  - 3- Non-financial assets
  - 4- Long term risks

The Bank's management anticipates that this event has impacted some of the Bank's operational activities, revenues, and investments, especially those derived from Gaza strip.

### **The Bank's exposures in Gaza Strip**

As of September 30, 2025, the net book value of the Bank's assets in Gaza amounted to U.S. \$ 404 million (2024: U.S. \$ 484 million), net of provisions and incurred losses which amounted to U.S. \$ 419 million (2024: U.S. \$ 348 million). These provisions were calculated by management according to its best estimate and based on available information in light of the state of uncertainty that is beyond management's control due to ongoing consequences of the war on Gaza Strip.

Following are the details of the bank's exposure and related impairment provisions in Gaza as of September 30, 2025, and December 31, 2024:

<b>September 30, 2025</b>		Nearest U.S. \$ million	
	Exposure	Impairment provision / losses	Net book value
<b>Sector</b>			
Cash in vaults (A)	206	(183)	23
Credit facilities and financing (B)	606	(233)	373
Non-financial assets (C)	11	(3)	8
	<u>823</u>	<u>(419)</u>	<u>404</u>
<b>December 31, 2024</b>		Nearest U.S. \$ million	
	Exposure	Impairment provision / losses	Net book value
<b>Sector</b>			
Cash in vaults (A)	193	(170)	23
Credit facilities and financing (B)	627	(175)	452
Non-financial assets (C)	12	(3)	9
	<u>832</u>	<u>(348)</u>	<u>484</u>

#### **A- Cash in vaults:**

The total cash in the vaults at branches of Bank of Palestine and Arab Islamic Bank (a subsidiary) in Gaza Strip amounted to approximately U.S. \$ 206 million as at September 30, 2025 (2024: U.S. \$ 193 million). The Bank's and its subsidiary's branches in the Gaza Strip were subject to significant damage and attacks during the war, including cash in vaults and ATMs. The amount of provisions for cash losses as at September 30, 2025, was U.S. \$ 183 million (2024: U.S. \$ 170 million). In the management's opinion, the provisions made against cash are sufficient to address the risks related to cash exposures.

#### **B- Credit facilities and Islamic financing:**

The Bank conducted a study of the sectors affected by the war, the net credit facilities and financing in Gaza Strip as of September 30, 2025, amounted to approximately U.S. \$ 373 million (2024: U.S. \$ 452 million) net of provisions in an amount of U.S. \$ 233 million (2024: U.S. \$ 175 million). This amount includes net credit exposures of U.S. \$ 281 million and U.S. \$ 337 million as at September 30, 2025, and December 31, 2024, respectively, belonging to individuals employed by the Palestinian Authority. This represents 75% and 74% of the net book value of credit facilities and financing in the Gaza Strip as at September 30, 2025, and December 31, 2024. The majority of the remaining credit exposures is related to the Bank's employees and to individuals employed by international institutions or large private sector companies that have strong financial solvency, and it is expected that these parties will continue in fulfilling their obligations.

The Bank continues to evaluate its borrowers for other indications of inability to pay, considering the underlying cause of any financial difficulty, and whether it is likely to be temporary as a consequence of the war or as a long-term financial difficulty. Since the beginning of the war, the Bank updated the macroeconomic factors in addition to changing the weighted probabilities of the macroeconomic scenarios by assigning a 100% weighting for the worst-case scenario for Gaza Strip exposures and a 60% weighting for the worst-case scenario for the West Bank exposures starting from December 31, 2023. These changes negatively affected the calculation of the allowance for expected credit losses. The Bank also classified the portfolio of credit facilities and Islamic financing in Gaza Strip, Palestinian labor in Israel, and sectors most affected by the war, such as the tourism sector, within stage 2 and 3 for the purpose of calculating expected credit losses, ECL taking into account the requirements of the Palestine Monetary Authority in particular, in addition to taking additional measures, more conservative scenarios, and individual assessments for many accounts.

Following the announcement of the ceasefire, the Bank updates the inputs used for calculating the expected credit loss provision as soon as new updates become available.

### **C- Other assets:**

The bank and its subsidiaries own other assets in Gaza amounting to a net book value of U.S. \$ 8 million as at September 30, 2025 (2024: U.S. \$ 9 million), representing some investments at fair value through the statement of comprehensive income, properties, equipment, and assets seized by the Bank, investment properties and other assets. As a result of this war, the Bank and its subsidiaries recorded provisions for possible impairment in the value of these assets amounting to U.S. \$ 3 million, noting that part of these assets is covered by valid war risks insurance policies. The recoverable value of other assets cannot be measured at present time due to the ongoing consequences of the war.

### **Cash Liquidity**

Management has reviewed current and expected liquidity ratios, continuity plans and stress tests in accordance with changing circumstances. The Bank regularly monitors the liquidity status to ensure that there are sufficient levels of liquidity to meet its expected needs and continue its operations .

The liquidity coverage ratio (LCR) is (896%) and the net stable financing ratio (NSFR) is (218%), which is higher than the percentages specified by the Palestine Monetary Authority of 100%, as shown in note (34).

### **Operational risks**

Since the beginning of the events on October 7, 2023, the majority of the Bank branches in the Gaza Strip have remained closed. However, branches in the central and southern areas have opened their doors to the public during the first and second temporary ceasefire periods. Subsequently to the date of the interim condensed consolidated financial statements, as a result of the end of the war on the Gaza Strip, the Palestine Monetary Authority instructed banks operating in the Gaza Strip to gradually resume banking services starting on October 16, 2025. Accordingly, the Bank currently provides services through Al-Saraya, Deir Al-Balah, and Nuseirat branches.

From the first day of the war, the management is making efforts to continue feeding and operating ATMs in areas where field conditions allow, enabling customers to conduct their cash banking transactions, whether they are Bank customers or other Banks, through the Palestinian National Switch under the supervision of the Palestine Monetary Authority.

As for the West Bank, business operations are managed through the main headquarters of the General Administration in Ramallah, with customer service provided in all areas. The Bank believes it has sufficient financial resources to continue its operations by taking necessary measures to adapt to emerging changes and ensure the Bank's ability to maintain continuity through the implementation of continuity plans.

As a result, the ongoing consequences of the war remain unclear on some sectors of the Bank's operations and cannot be accurately predicted at the current time. The management continues to monitor this event and study its potential impacts. The management believes that there are no substantial doubts about the ability of the Bank or its subsidiaries to continue their operations, and that the measures taken will ensure the preservation of the Bank's financial strength and solvency.

### **41. Concentration of risk in geographical area**

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