بنك فلسطين
BANK OF PALESTINE
Established 1960 تأسس عام

61 Years of Sustainable Banking

Together We Impact

Annual Report 2021

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Bank of Palestine was established in Gaza City in 1960 as a leading financial institution that seeks to elevate the level of banking services in Palestine, while focusing on financing small and medium size enterprises. The Bank developed its operations and expanded its services to respond to the financial needs of various Palestinian sectors and segments. Today, Bank of Palestine is considered the largest national banking network in Palestine in terms of assets, customer deposits, credit facilities, profits, number of employees and market value, in addition to its widespread offices and branches across the Palestinian governorates, with international presence through its representative offices in the United Arab Emirates and Chile.

Our Journey

1960
- The establishment of Bank of Palestine

1981
- The first bank in Palestine to start using computers

1994
- Relationship building with global banks

1995
- The first bank in Palestine to adopt the SWIFT system

1998
- The first and only bank in Palestine to establish a Visa and Master Card center for acquiring and processing cards transactions

2000
- The introduction of ATMs and Points of Sale

2002
- The establishment of an international trade department doing business with Global Banking Networks

2005
- Listing Bank of Palestine shares in the Palestine Exchange

2006
- The establishment of Al Wasata Securities Company, the investment arm of Bank of Palestine Group

2009
- Launching the GPRS and the first drive-thru ATM

2011
- The establishment of PalPay Company for electronic payment solutions

2015
- Launching the Felestineya program for women empowerment & financial inclusion
- Launching the first Bank of Palestine Representative Office in Dubai, UAE

2016
- The merger of the Palestine Commercial Bank with Bank of Palestine
- Bank of Palestine joins the Global Alliance for Banking on Values (GABV)
- Acquisition of majority shares in the Arab Islamic Bank (AIB)

2017
- Launching the second Bank of Palestine Representative Office in Santiago, Chile

2018
- Participation in global initiatives on ESG projects with the International Finance Corporation (IFC) and the French Development Agency (AFD)
- Launching the mobile branch – Banke Rahhal

2019
- Launching the USSD service
- Launching the automated banking service
- Launching the WhatsApp banking channel
- Launching the PointCom campaign to promote electronic banking services
- Launching the electronic wallet "Mahfazati" application through PalPay

2020
- Upgrading corporate and retail banking services on internet banking and the Banke mobile application
- Bank of Palestine Group and the National Aluminum and Profiles Company (NAPCO) establish the Qudra Energy Solutions Company
- The establishment of Intersect Hub

2021
- Completion of the Customer Segmentation Project
- FISEA, the AFD Group Investment Vehicle advised by Proparco, becomes a strategic partner and investor in Bank of Palestine
- Merchants are provided with new POS machines that are up to date with latest advancements in technology

A Tribute to Our Founders

Mr. Hashim Atta Al Shawa

Founder of Bank of Palestine

The late Hashim AL Shawa dedicated his life in service of his people and his country. He founded Bank of Palestine to support farmers and orchard owners in the Gaza Strip in order to encourage them to grow and expand their businesses. Al Shawa used the orange tree as a symbol to reflect the Bank's identity and that of Palestine. He worked tirelessly until his last moments to grow and expand the Bank in order to become an economic entity of weight.

Dr. Hani Hashim Al Shawa

Former Chairman of Bank of Palestine

The late Hani AL Shawa continued the journey along the path of building and developing Bank of Palestine by adopting an expansive strategy, keeping pace with technological advancements and promoting highest levels of institutional business practices and professional performance. His footprint and his wise legacy and sound management live on until today, present in the Bank's doctrine to best serve its customers, shareholders and stakeholders.

Our Vision

We aspire to be distinguished as the values-based, sustainable, modernized financial and banking institution on both the local and international levels.

Our Mission

Bank of Palestine undertakes a mission rooted in a value system dating back to 1960, encompassing the best sustainable global practices and modern digital banking, to impact economic and social development in Palestine, through innovative banking while preserving shareholders' rights and providing value to all stakeholders in a national partnership, with connections extending to the region and the world within a shared responsibility approach.

Change in Key Performance Indicators (KPIs) during the last five years

USD	2017	2018	2019	2020	2021
Gross Income	204,945,164	217,641,695	199,435,810	182,789,657	237,634,424
Profit before Tax	72,983,244	69,825,341	51,795,049	40,160,368	84,604,853
Net Profit	54,008,928	54,110,093	38,936,722	22,412,148	56,254,327
Total Assets	4,884,822,851	4,657,182,978	5,264,944,640	5,809,809,988	6,508,221,806
Customer Deposits	3,768,631,790	3,735,178,556	4,115,584,018	4,834,024,254	5,305,139,602
Credit Facilities	2,518,590,540	2,687,155,004	2,983,385,227	3,266,748,588	3,453,207,160
Shareholders' Equity	449,961,687	416,380,548	430,664,193	433,520,671	496,099,429
Paid Up Capital	200,000,000	200,000,000	204,000,000	208,080,000	217,433,527
Net Interest and Commission Revenue	182,781,606	190,737,146	203,104,797	197,457,949	223,598,064
Number of Employees	1,705	1,728	1,731	1,749	1,745
Number of Customers (All (customers	528,513	560,513	617,966	670,956	732,462
Number of Branches (Operating (in Palestine	71	73	73	74	73
Market Share – Deposits	31.47%	30.5%	30.7%	31.93%	32.12%
Market Share– Credit Facilities	31.37%	32.97%	34.5%	34.12%	33.44%

Hashim Shawa

Chairman – Bank of Palestine Group

"Sustainable growth and social impact cannot be achieved without partnerships and engagements."

Dear Bank of Palestine Shareholders, Ladies and Gentlemen,

Allow me to present to you the 2021 Annual Report, which includes the achievements of Bank of Palestine Group, as well as its various operational activities. The Report reflects upon the accomplishments of my colleagues across the different group companies and the Bank departments, to whom I extend my gratitude for their dedication and commitment to achieving sustainable growth in serving our customers, investors and society at large.

Last year's financial results are a strong proof of the effectiveness of the Bank's strategy built on the principle of working together with all stakeholders on achieving strategic activities that would create impact on our society, economy, and the environment.

"Together We Impact," is the slogan that we adopted to emphasize our commitment to a partnership approach for achieving sustainable growth. The Annual Report reflects upon this approach and sums up our strategy at the level of business activities, financial results and partnerships. We have imbedded this culture of collaborative work with all partners in order to achieve positive impact in the Bank's ecosystem and accomplish tangible and measurable results at all levels.

We worked with our employees to create an appropriate work environment that contributes to the advancement of their career paths and upgrade their skills by adopting a modern and professional evaluation system in order to reach a high level of job satisfaction. To promote the principle of participation among our employees, we made sure that they were heard, that their ideas and creativities were unleashed, and their inputs for developing operations and customer service are embraced. All of this was done with an aim to create impact, improve our work ecosystem and engage our employees in implementing the Bank's business strategy.

During the COVID-19 pandemic, we launched and accelerated the digital transformation processes within the Bank to restructure and automate several operations, in order to ensure speed, efficiency and safety for our customers while augmenting the electronic services offered by the Bank. Digital transformation is undoubtedly a challenge, but at the same time it is an opportunity for the Bank. Together with our employees, customers and several strategic stakeholders, we managed to complete the digital transformation process to ensure a smooth and efficient transition to the digital future, offer the best services to our customers and reduce operational burdens on our employees, thus achieving impact in this rather vital component of our digitization strategy.

We are well aware that the most important impact of our operations is manifested in economic and social development, and the impact of our operations on the environment. During the past year, and despite the economic downturn and challenges that affected the economy as a whole, we continued to support sustainable financing for the most underserved segments of Palestinian society, especially small and medium sized enterprise, women, and persons with disabilities. This support included providing soft loans for those affected by the COVID-19 pandemic, in addition to interest-free loans for persons with disabilities, in partnership with the Palestine Monetary Authority.

Considering the essential and effective role of women in the job place and economy and in support of the aspired role for women in nation building and economic development, we continued to work alongside our international partners to allocate loan portfolios targeting businesswomen and women entrepreneurs. Our aim in 2021 was to create a big thrust in doubling our interaction and significantly elevate our influence towards the involvement of women into the productive cycle with deeper financial inclusion efforts.

Last year, we succeeded in attracting the French Development Agency Group's Investment Vehicle- FISEA, managed by Proparco, to our pool of institutional investors. This investment is a testament of the French Government's belief in the important development and economic role carried out by Bank of Palestine.

I am happy to report to our shareholders the launch of a comprehensive sustainability strategy with an aim to preserve the Palestinian environment and our natural resources for future generations, through managing the impact of our banking operations on the environment. To this effect, we started working internally by giving the sustainability agenda the highest priority, first; through adoption of good governance, starting with the establishment of the Sustainability Committee within the Board of Directors, and re-organizing the Corporate Social Responsibility Department into the Sustainability Department, empowering it to implement a holistic sustainability strategy across the board.

Reference the impact of our operations on the environment, we launched a paper recycling initiative within the different departments, eliminated the use of plastic, and started raising Bank-wide awareness about the importance of good practices to preserve the environment and natural resources.

We are working with our partners at Qudra Company, as well as official bodies and several stakeholders in the field of environmental protection, to mitigate the impact of the Bank's operations and activities on the carbon footprint. Our aim is to achieve net zero carbon footprint in the years to come. We will do this by investing in alternative energy sources to provide our Bank branches and offices with electricity. By doubling our green loans financing solar energy and energy efficiency projects in partnership with the French Development Agency – Proparco, through their flagship SUNREF Green Finance Program.

In this world of complexities, and in a market place riddled with uncertainties, the best and only constant is sustainability. It is the basis for the continuity of our operations, and a guarantee that our impact will be positive on society, the environment and the economy. Therefore, we are strict in applying our sustainability strategy and bearing our joint responsibilities, because together we can have positive impact. This impact will embolden us to continue building and developing our growth strategy creating value for our shareholders, customers, stakeholders and a future for generations to come.

Net Profits
$56.3 million

Non-Performing Loans Ratio
4.5%

Cost-to-Income Ratio
67.74%

Capital Adequacy Ratio
15.22%

"Bank of Palestine has established its standing as a leading financial institution with strong financial indicators and fundamentals amidst difficult economic conditions, transforming challenges into opportunities towards sustainable development and growth by supporting its customers, employees, shareholders and society, in order to achieve its desirable positive impact at all levels."

Organic Growth in the Financial Indicators of Bank of Palestine Group

The financial indicators of Bank of Palestine Group grew during 2021, whereby the Group achieved $56.3 million in profits, recording a growth rate of 151.0%, and total assets increased by 12.0% to reach $6.5 billion. Customer deposits increased by 9.7% to reach $5.3 billion, while net credit facilities increased by 5.7%, to reach $3.5 billion.

Serving Our Customers

Serving our customers remain our top priority. We sought diligently to develop our customer service project by classifying customer categories, appointing dedicated relationship managers to serve individual customers and corporate customers, and developing mechanisms to communicate with them and respond to their needs. In order to fulfill this strategic direction, we assigned hub managers to work on improving customer relations, developing businesses, enhancing service delivery mechanisms, and monitoring the performance of customer relations managers, and managers of bank branches and offices.

The Bank is currently working on activating corporate electronic services to facilitate the secure, swift and accurate implementation of financial transactions executed by companies and institutions. It also enhanced the Premier service for VIP retail customers in order to develop service quality and ensure the optimal distribution of tasks among branch employees, allowing them to provide distinguished services to all customers. These operations receive continuous attention from the Bank's management, and are subject to regular evaluation and advancement.

As part of the development of services provided to customers, and to enhance the culture of digitization, the Bank has set competitive rates for currency exchange when using internet banking and the Banke application, thus increasing the number of users of electronic services, in addition to ensuring that their needs are met swiftly and securely and at the lowest cost.

Our Approach to Sustainability

As a constituent of its local community that has impact on the environment and natural resources through its banking operations, the Bank pledged to adhere to the principles of sustainability and adopt international standards towards sustainable growth, disclosing its policies and the results of its operations within these standards. This commitment is in line with the Bank's strategy that is based on the solid foundations of values, environmental protection, and community development, ensuring the sustainability of operations and taking into account the resources needed to serving future generations. This commitment is implemented through three main areas that represent the foundations of sustainability: the environment, governance and society. The Bank is also dedicated to ensuring coherence between these foundational principles and adopting them in the development of programs and activities in order to translate its commitment towards sustainability in deeds, words and measures.

Our Digital Strategy

Bank of Palestine's digital vision aims to employ digital leadership to ensure the sustainability of its operations, especially in digital services, in light of the developments in the banking industry. The Digital Banking Department continues to work diligently to transform BoP's banking system from a traditional one to a digital financial system based on modern and distinguished electronic services that respond to customer requirements and reduce their need to visit Bank branches. These services include: comprehensive control of accounts; "pay to friend" service within the different platforms of Bank of Palestine Group; financial payments using the QR code; in addition to other modern electronic services.

Preserving the value and rights of shareholders' and investors' & protecting their interests

The Bank managed to maintain sold indicators and financial fundamentals through its strong capital and capital adequacy ratio that is the highest in its history. This contributes to protecting the interests of its shareholders and investors, and enables it to pursue its value-rooted mission that encompasses best sustainable professional practices and digital banking services. The bank continues to keep up with global developments, and demonstrated resilient adaptability to the exceptional circumstances that struck the globe.

To preserve the value and rights of its shareholders and all stakeholders, Bank of Palestine is keen on building a close, reliable and transparent relationship with its shareholders, and maximizing their wealth through outstanding financial results that increase the return on their investments, taking into account protecting the rights of future generations by adhering to the sustainability practices and social responsibility ethos. This approach continues to emphasize the Bank's mission in investing in society alongside its financial investment, in order to achieve its holistic developmental mission.

The Bank has maintained permanent contact with its shareholders, often inquiring about their health and wellbeing during the past two years, in light of the outbreak of the COVID-19 pandemic. The IR team kept shareholders informed about the Bank's news and financial results, via press releases dispatches, posting on website or conference calls ensuring no communication gap occurred during the lockdown period.

Looking Forward to the Future

The circumstances we are going through, especially those resulting from the spread of the COVID-19 pandemic, have contributed to accelerating the pace of digitization and electronic services, improving banking services, developing businesses, and strengthening international and local partnerships to invest in promising economic sectors, taking into account environmental impact. These conditions also contributed to the development of new financial tools that contribute to the growth of the bank's business while maintaining capital adequacy. Within the framework of financing of development loans; the Bank kept the focus on financial inclusion, especially targeting important segments and sectors. It launched additional green loan portfolios with focus on energy efficiency and renewable energy projects. The bank increased its women-in-business lending through financing women-led projects, in addition to launching interest-free loans targeting people with disabilities.

During the upcoming period, we look forward to further achievements at the level of enhancing customer service within an integrated approach towards digital transformation, in a manner that reduces overcrowding in branches on the one hand, and saves time, effort, energy and environmental resources, on the other. This will be achieved by launching several services electronically and reducing the need for customers to visit branches and offices, thus contributing to enhancing the efficiency of service delivery, achieving customer satisfaction and mitigating the environmental impact. We aspire to keep accompanying our shareholders, partners and employees into this growth journey with positive impact on their lives.

Financial Performance Analysis 2021

9.87%
Market Share in the Palestine Exchange

33.44 %
Market Share in Loans

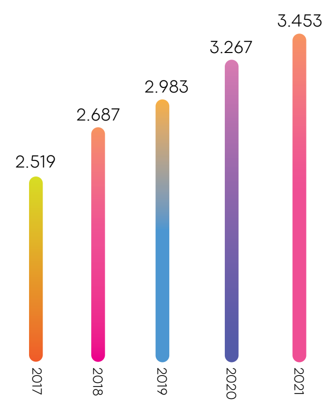
32.12 %
Market Share in Customer Deposits

Financial Indicators

Credit Facilities

$3.453 billion

Annual Growth | 5.7%

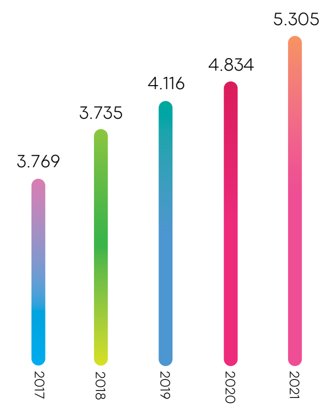


Net loans provided by the Bank at the end of the year 2021 amounted to $3,453,207,160, with a growth rate of 5.71% from 2020. These credit facilities contributed to supporting various economic segments and sectors and small enterprises that employ a large number of jobless people and contribute to reducing unemployment and increasing growth, and achieving sustainability under difficult economic and health conditions as part of a policy of financial inclusion for all segments of society.

Customer Deposits

$5.305 billion

Annual Growth | 9.7%

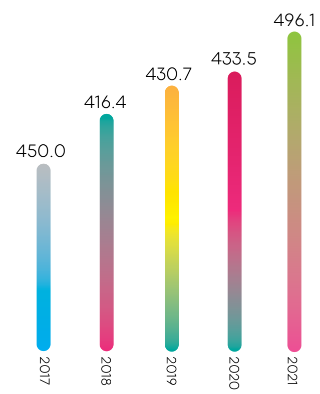


By the end of 2021, customer deposits amounted to $5,305,139,602. This high percentage of customer deposits stems from the Bank's focus on serving remote area that lack banking services, as part of its financial inclusion policy. During the same year, and in light of the continuing pandemic, the Bank enhanced the use of electronic channels and services, which contributed to attracting more deposits through attractive and targeted programs for different social segments

Shareholders` Equity

$496.1 million

Annual Growth | 14.4%

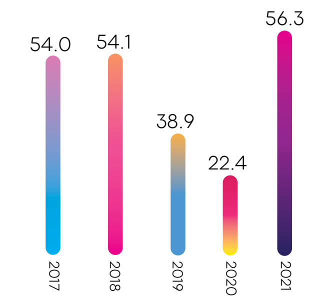


Paid up capital amounted to $217,433,527, divided into 217,433,527 nominal shares, whereby one share is equivalent to $1. By the end of 2021, total shareholders' equity amounted to $496,099,429.

Net Profit

$56.3 million

Annual Growth | 151.0%

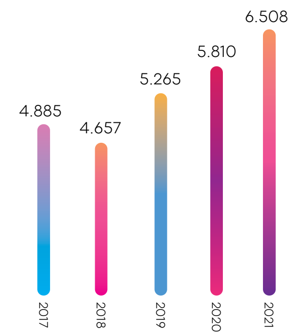


By the end of 2021, Bank revenues amounted to $237,634,424, compared to $182,789,657 during 2020, recording a net profit of $56,254,327, after deducting expenses and taxes.

Total Assets

$6.508 billion

Annual Growth | 12.0%



By the end of 2021, total assets amounted to $6,508,221,806, compared to $5,809,809,988 during 2020, allowing the Bank to be listed on the list of the top financial institutions and banks in the Arab World. The Bank was listed as one of the top 100 banks in the Middle East and the Gulf.

Achievements during the year 2021

January

- Announcing the new Organizational Structure and welcoming the new CEO of Bank of Palestine.
- Establishing the Board of Directors Sustainability Committee, which is considered the first of its kind in the Middle East and North Africa – MENA region, and transforming the Social Responsibility Department into the Sustainable Banking Department.
- Restructuring the Executive Management Committees.
- Partnership with the European Bank for Reconstruction and Development (EBRD) to support SMEs by granting the Bank a $15 million loan, which includes $2 million for women's projects.
- Partnership with the European Investment Bank, by lending Bank of Palestine a loan in the amount of $50 million to encourage SMEs, especially those most affected by the COVID-19 pandemic.

February

- Enhancing the Anti-Money Laundry policies and procedures, in cooperation with the global consulting company, Deloitte.
- Updating the credit policy and lending procedures and follow-up, thus contributing to the reduction of non-performing loans.
- Updating the duties of the Project Management Department to become the Projects Management and Transformation Department.

March

Partnership with the European Bank for Reconstruction and Development for the empowerment of Palestinian women entrepreneurs within the framework of the "Women in Business" program.

April

The addition of new electronic services on the Banke application, including "Pay to a Friend", at the level of Bank of Palestine Group

May

Launching the "Entrepreneurship and Innovation Center" project by our Talent Management Department to encourage BoP employees to contribute new innovative ideas or suggestions for the development of products or services.

June

Launching the "Future Managers" program with an aim to discover special and talented employees who have exceptional abilities to develop their skills.

July

Developing work procedures for the alternative site located at Bank of Palestine's building in Bethlehem, and conducting continuous follow up to ensure its readiness, as part of the Business Continuity Plan and disaster recovery.

August

BoP received a positive (B+) scorecard from Global Alliance for Banking on Values (GABV) for the year 2020.

September

- Proparco throughFISEA, the investment arm of the French Development Agency, becomes BoP's partner and strategic investor in theBank's equity
- BoP raises its capital to $217 million through a special issuance of shares.
- Partnership with the European Bank for Reconstruction and Development through the allocation of $5 million to finance international trade in the West Bank and the Gaza Strip.

October

Launching the new version of Point of Sale machines, keeping pace with the latest advancements in technology.

November

Conducting holistic updates of digital & electronic services.

December

- BoP was granted a certificate of compliance with the Payment Card Industry Data Security Standard (PCI DSS).
- BoP announced its strategic direction towards sustainability.
- BoP branches and offices launch the paper recycling project.
- BoP participated in the International Conference on Entrepreneurship in Palestine – ICEP3

2021 Awards

EMEA Finance Award for Best Bank in the Middle East for Financial Inclusion

EMEA Finance Award for Best Bank in Palestine

Global Finance Award for Best Bank in Palestine for International Trade

2021 Memberships

- Member in the Global Alliance for Banking on Values – GABV
  First bank in the Arab World and the Middle East to obtain such membership.
- Member in the Middle East Investor Relations Association – MEIRA
- Member in the World Economic Forum - WEF
- Member in the Global Banking Alliance for Women
- Member in the United Nations Global Compact

With the continuing outbreak of COVID-19, Bank of Palestine continues to respond to the repercussions of the pandemic at the internal and external levels, with the aim to mitigate its negative effects on the Bank's operations, ensure the health and safety of its employees and customers, and the recovery of the national economy.

The Health and Safety of BoP Employees

Bank of Palestine followed health and safety procedures by conforming to the use of face masks in all Bank branches and offices, maintaining the practice of social distancing by limiting populated and extended meetings, and ensuring customer commitment to these procedures, even during periods when the pandemic curve was low. The Bank also encouraged its employees to receive the COVID-19 vaccine, and facilitated the process within and outside the Bank and in health facilities across the Palestinian governorates. These efforts contributed to raising the percentage of employees who received the vaccine to more than 99%, thus creating a safe work environment, allowing employees to carry out their activities and duties and enhance their productivity levels in serving the Bank's customers.

Services that Ensure Customer Health and Safety

The Bank doubled its efforts to accelerate electronic and digital transformation by transferring several operations and services provided within the branches to services that customers can complete electronically, using the Banke application, internet banking or through BoP's website. These efforts and procedures are in line with the requirements to protect customers from contracting COVID-19. One of the Bank's most important achievements in this regard was launching a service that enabled customers to make direct and secure payments to a merchant using the QR code through the Banke application on smartphones, without the need to present a credit card. This reflects the Bank's commitment to ensuring the safety of customers, while providing state-of-the-art banking services.

Participation in the Istidama (lending) Program

Bank of Palestine participated in Istidama Program to provide lending to commercial entities that were most affected by the ramifications of the pandemic. With the aim to revive the national economy, the process involves borrowing money from the Palestine Monetary Authority and providing these funds in the form of low-interest loans. Bank of Palestine is one of the banks most proactive with the Istidama Program, as more than 476 small, medium and micro projects have received loans in the amount of $16.7 million.

73 Branches and Offices

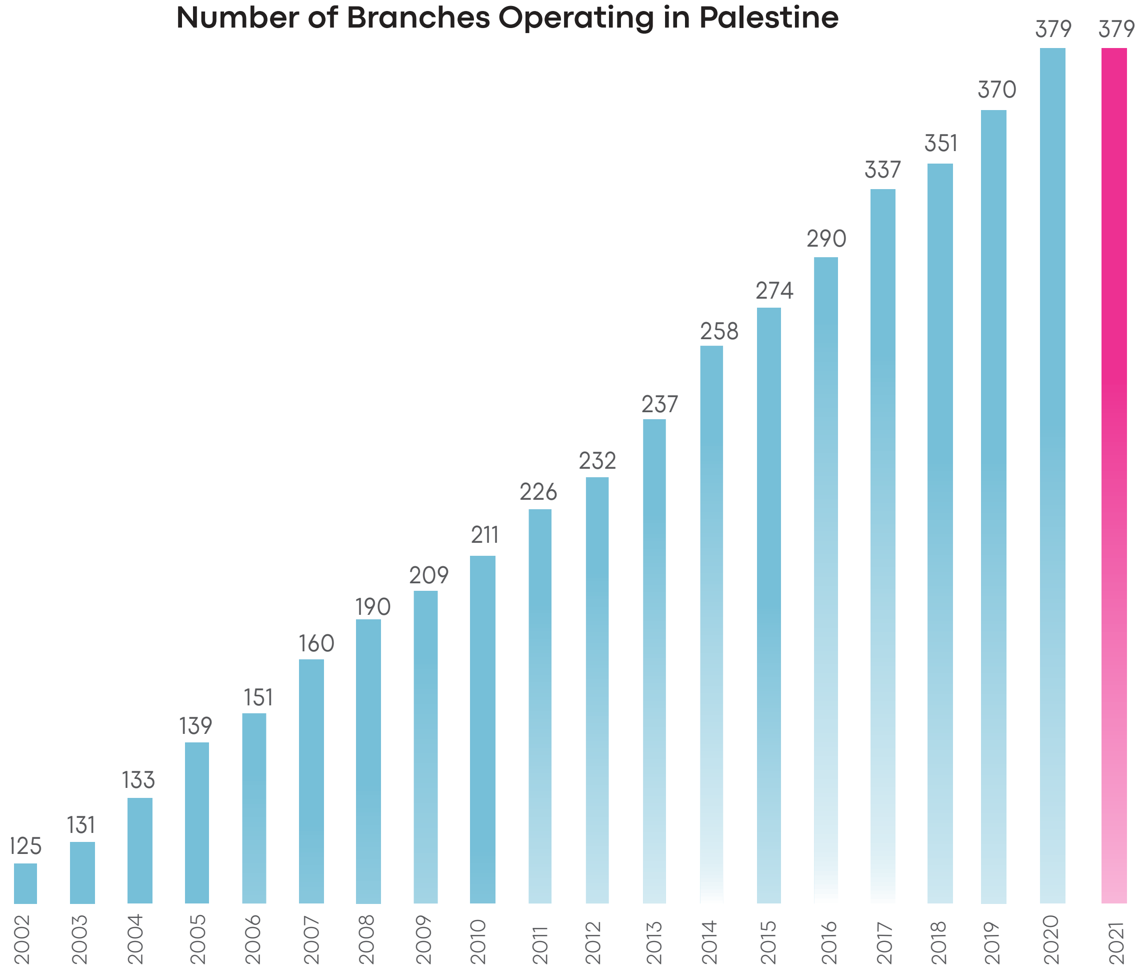
Horizontal Expansion of Branches and Offices

The Bank managed to preserve its vanguard position as the largest banking network in Palestine, and continuously seeks to expand its network of branches in various locations, especially in rural areas. Among the 379 branches affiliated to banks operating in Palestine, Bank of Palestine owns 73 branches and offices across the governorates, including the City of Jerusalem in Dahyet Al Bareed, where it contributes to economic development through the provision of financial and banking services to the inhabitants of the Holy City.

Head Office **732** Employees | **Branches & Offices** **1013** Employees

Ramallah	Ramallah Main Branch	Al Masyun Tormosaya	Deir Dibwan Tanus	Al Irsal Betunia	Birzeit Silwad	Al Qasaba Bedo	Al Bireh Al Manara	Nilin Al Tireh	Office of the Ministry of National Economy La Casa Mall
Gaza	Gaza Main Branch Rafah	Khan Younis Al Rimal	Jabalia Rafah Crossing	Al Nussirat Beit Lahia-Gaza	Deir Al Balah Tal Al Hawa-Gaza	Beit Hanoun Office Al Nasser	Omar Al Mukhtar Al Zahra	Bani Suhaila West Rafah	Al Saraya
Jenin	Jenin Main Branch	Qabatia	Maythalun	Yaa'bad	Al Yamun	American University			
Nablus	Nablus Main Branch	Al Hisbah	Huwara	Northern Assira	Al Duwar	Rafidia	Tulkarem Street-Beit Iba		
Hebron	Hebron Main Branch	Saeer	Al Salam Street	Tarqumia	Dura	Yatta	Hebron University	Al Thahiriya	Bab Al Zawiya
Bethlehem	Bethlehem Main Branch	Beit Jala	Beit Sahour						
Jerusalem	Al Ram	Dahyet Al Bareed	Abu Dees						
Tubas	Tubas								
Tulkarm	Tulkarm	Khadoury	Downtown Office						
Qalqiliyah	Qalqiliyah	Azun							
Salfit	Salfeet	Bidya							
Jericho	Jericho Main Branch	Jericho Border Crossing	Al Karama Office						
Representative Offices	Dubai	Chile							
Mobile Offices	Banke Rahhal								

Number of Branches Operating in Palestine



In 2021, the assets of the banking sector in Palestine recorded a growth rate of 8.57% and deposits' growth of 9.12%, while the volume of credit facilities increased by 2.49% compared to 2020. Bank of Palestine has a lot of potential to grow, and it strongly believes that the stage is prepared for it to maintain its leading position in the Palestinian banking service sector. The Bank's efforts, which are clearly reflected in its annual results, and its keenness to grow and develop, culminated in building a highly valued and respected financial institution with a strong brand, a loyal customer database, and new range of partnerships.

Growth Indicators in the Banking Sector

Assets	2017	2018	2019	2020	2021
Banking Sector	15,472,566,496	15,637,763,079	17,347,170,110	19,235,659,589	20,884,891,756
Bank of Palestine	4,884,822,851	4,657,182,978	5,264,944,640	5,809,809,988	6,508,221,806
Deposits					
Banking Sector	11,973,385,261	12,227,327,064	13,384,708,641	15,137,396,074	16,518,125,958
Bank of Palestine	3,768,631,790	3,735,178,556	4,115,584,018	4,834,024,254	5,305,139,602
Credit Facilities					
Banking Sector	8,025,978,869	8,437,900,129	9,037,905,231	10,075,069,420	10,325,885,419
Bank of Palestine	2,554,216,880	2,782,226,225	2,983,385,227	3,266,748,588	3,453,207,160

Growth Rate in Deposits and Loans

Customer Deposits	2017	2018	2019	2020	2021
Banking Sector	13%	2.1%	9.5%	13.09%	9.12%
Bank of Palestine	19.9%	0.89-%	10.2%	17.46%	9.75%
Credit Facilities	**2017**	**2018**	**2019**	**2020**	**2021**
Banking Sector	16.9%	5.1%	7.1%	11.48%	2.49%
Bank of Palestine	14%	8.9%	11.9%	9.50%	5.71%

Corporate Governance

Mr. Hashim Shawa
Chairman
Bank of Palestine Group
B.S. Engineering, University of London, U.K., 1997
Date of Birth: 25/1/1976
Member since 2007

Experience
Chairman of Bank of Palestine Group
Chairman of PalPay Company for electronic payments
Chairman of Al Wasata Securities
Chairman of the Ibtikar Fund
2007-2017 General Manager of Bank of Palestine
2005-2007 Managing Director of the Gulf and Middle East Region, HSBC Bank, Switzerland
2002-2005 Vice President of the Middle East Region, Citigroup, Geneva, Switzerland
1997-2002 Assistant Vice President of Operations and Technology, Citigroup, London, United Kingdom

Memberships
Member of the Emerging Markets Advisory Council, Institute of International Finance (IIF)
Member of the Regional Action Group for the Middle East, World Economic Forum
Founding Member, Intersect Hub
Member of the World Bank Advisory Group on Gender and Development
Member of the Board of Trustees, Bethlehem University, Palestine
Board Member of Al Shifa Pharmaceutical Company

Mr. Maher Farah
Vice Chairman
B.S. Civil Engineering, University of Cairo, Egypt, 1966
Date of Birth: 21/3/1945
Member since 2002

Experience
1997-2007 Chairman of the International Contracting Company, Gaza
1977-1997 General Manager and Partner, Gulf Projects Company, Abu Dhabi
1971-1975 Engineer at the Consolidated Contractors Company, Kuwait
1961-1970 Engineer at the French company Société VIA Svelt

Memberships
Board Member, Abraj Investment and Development Company, Palestine

Mrs. Lana Abu Hijleh
Board Member
B.S. Civil and Environmental Engineering, Iowa University, U.S.A., 1985
M.A. Leadership and Sustainable Development, University of Cambria, U.K.
Date of Birth: 3/7/1963
Member since 2014
Representative of Minority Shareholders

Experience
Country Director of Global Communities in Palestine since 2003
1986-2003 Deputy Resident Representative of the United Nations Development Program/ Program of Assistance to the Palestinian People (UNDP/PAPP)

Memberships
Board Member in the Palestine Investment Fund
Chairwoman of Amaar Jerusalem and Massader Palestine
Board Member of Sanad Company for Construction Resources
Vice Chairwoman of Vitas Palestine Microfinance
Chairwoman of Intersect Organization in support of entrepreneurship and innovation
Member in the General Assembly of Intersect Organization in support of entrepreneurship and innovation
Member in the Education for Employment Foundation
Member in the Business Women Forum – Palestine
Founder and President of SHIAM – Youth Make the Future
Member of the global Young Presidents Organization (YPO/WPO)
Fellow of the ASPEN Institute through Global Leadership Network
Board Member in the Palestine Power Generation Company (PPGC)

Dr. Hani Nigim
Board Member
PhD in Engineering, University of Leicester, U.K., 1981
Date of Birth: 28/6/1952
Member since 2004

Experience
2005-2018 President of Al Azhar University, Palestine
2006 Project Coordinator for Higher Education supported by the World Bank and the European Union, Palestine
2004 Planning and Development Consultant at Al Aqsa University, Palestine
1993-1998 Dean of the College of Engineering, Birzeit University, Palestine
1983 Professor of Mechanical Engineering, Birzeit University, Palestine
1981 Senior Researcher, Leicester University, U.K.
Visiting Professor at several regional and international universities, and coordinator of various EU-funded projects

Memberships
Board Member, Palestine Electricity Holding Company
Board Member, Palestinian Pension Agency
Board Member, Water Sector Regulatory Council, Palestine
Board Member, Palestine Center for Micro Projects Development
Board Member, Euro-Mediterranean Network on Water Reclamation and Reuse, Spain
Member of the Board of Trustees, Al Azhar University, Palestine
Member of the Board of Trustees, Al Quds Open University, Palestine
Member of the General Assembly, the Palestinian Housing Council
Member of the General Assembly, Palestinian Banking Corporation
Associate Fellow, the American Institute of Aeronautics and Astronautics (AIAA)

Mr. Abdullah Al Ghanim
Board Member
Representative, Al Muhalab Kuwait Real Estate Company
MBA International Business, 2005
B.A. Business, Boston University, 1996
Date of Birth: 8/2/1976
Member since 2014

Experience
2016 Consultant
2015-2016 Assistant General Manager, Gulf Bank, Kuwait
2012-2015 Director of Investment Management, Asia Investment Company, Kuwait
2011-2012 International Finance Corporation, UAE
2010-2011 Boubyan Bank, Kuwait
2006-2010 HSBC Bank, Kuwait
2001-2006 Al Muhalab Kuwait Real Estate Company, Kuwait

Mr. Tarek Al Aggad
Board Member
Representative of the Arab Palestinian Investment Company – APIC
B.S. Economics, Harvard University, 1992
Date of Birth 24/1/1971
Member since 2014

Experience
Chairman and Chief Executive Officer, the Arab Palestinian Investment Company – APIC, Palestine
Chairman and Chief Executive Officer, Al Aggad Investment Company (AICO), Saudi Arabia

Memberships
Chairman, Siniora Food Industries, Jordan and Palestine
Chairman, UNIPAL, Palestine
Chairman, Taleed Commercial Services Company, Saudi Arabia
Chairman, Medical Supplies and Services Company, Palestine
Chairman, Palestine Automobile Company, Palestine
Board Member, Palestine Power Generation Company, Palestine
Board Member and Trustee, Al Hussein Cancer Foundation, Jordan
Board Member in several leading companies in the fields of investment, manufacturing, distribution and services, in Palestine, Jordan and Saudi Arabia.

Dr. Tafeeda Jarbawi
Board Member
PhD Analytical Chemistry, University of Cincinnati, Ohio, USA, 1981
Date of Birth 8/3/1955
Member since 2019

Experience
2011-2020 Director General, Taawon (Welfare Association)
2010-2011 Deputy Director General, Taawon (Welfare Association)
2008-2010 Director of Operations, Taawon (Welfare Association)
2006-2008 Director of Research and Planning, Taawon (Welfare Association)
1995 Visiting Research Professor, University of Bonn, Germany
1987 Visiting Research Professor, University of Minnesota, USA
1981-1994 Assistant Professor of Chemistry, Head of Chemistry Department, Birzeit University
Author of over 40 publications in chemistry, education and women's affairs

Memberships
Member of the Advisory Board, Bard College, Al Quds University
Advisory Member to MEPLI Professional Education Program, Harvard Graduate School of Education
Member of the Palestinian Higher Education Reform Committee
Member of the UNESCO World Commission of the Ethics of Scientific Knowledge and Technology (COMEST)
Member of the UNESCO Bioethics Network on Women's Issues in the Arab Region
Member of the Higher Council for Vocational and Technical Education
Member of the Accreditation and Quality Assurance Commission for Higher Education
Advisory Board Member of the Palestinian Anti-Corruption Commission
Advisory and Expert Board Member of Manar Community Engagement

Mrs. Maha Awad
Board Member
B.S. Economics, Birzeit University
Date of Birth 24/4/1962
Member since 2018

Experience
1988-Present General Manager, Abu Shousheh Contracting Company
2014-2018 Chairwoman, the Palestinian Business Women Forum
2006-2015 Chairwoman, the Palestinian Shippers Council
2005-2015 Chairwoman, Riwaq
1997-2008 Chairwoman and General Manager, Abu Shousheh Contracting Company
2008-Present Board Member, Autozone Trading Company
Honorary Consul of the State of Indonesia

Memberships
Member of the Board of Trustees, Al Quds University
Board Member, Medical Relief Association
Board Member, the Council of Arab Business Women, the Arab League
Founding member of several private sector companies.

Mr. Eric Shehadeh
Board Member
1995-1998 Ecole Superieure de Commerce de Paris (ESCP Business School), Paris, France. Majored in Finance and Management Control.
1991–1995 B.A. Political Science, Point Park University, Pittsburgh, USA
1985-1990 B.S. Social Science and Economics, Collège Sainte-Barbe
Date of Birth 29/5/1971
Member since 2020

Experience
2017- Present President and Chief Executive Office, My Money Group, Paris, France
2012 – 2017 Chief Executive Officer, GE Money Bank France & DOM, Paris, France
2009 - 2012 Chief Financial Officer and Chief Operating Officer, Mubadala GE Capital, Abu Dhabi, UAE
2008 –2009 Managing Director and Chief Financial Officer, Strategy and BD/M-A, GE Capital Middle East, Dubai, UAE
2006-2008 Chief Financial Officer, GE Money Thailand, Bangkok, Thailand
2005-2006 Financial Planning and Analysis Manager, GE Money Asia, Bangkok, Thailand.
2004- 2005 Chief Financial Officer, GE Money New Zealand, Auckland, New Zealand
2003- 2004 Financial Planning and Analysis Manager, GE Money New Zealand, Auckland, New Zealand
2002-2003 Manager and Assistant Controller, Europe Finance Integration, GE Health Europe, Paris, France
2000-2002 Europe e-Finance Six Sigma Black Belt, GE Healthcare Europe Paris, France
1998-2000 Financial Management Program (FMP), GE Healthcare Europe

Memberships
Board Member, Association Française des Sociétés Financières
Board Member, My Partner Bank
Chairman, MMB Société de Credit Foncier
Chairman, Banque des Caraibes
President and Chief Executive Officer, My Money Group, Paris, France

Attendance of Board Members – 2021

Session Date / Member	31/01	28/02	29/04	13/06	29/08	26/09	31/10	28/11	19/12	Total attendance
	1	2	3	4	5	6	7	8	9	
Mr. Hashim Shawa	Present	Present	Present	Present	Present	Present	Present	Present	Present	9
Mr. Maher Farah	Present	Present	Present	Present	Present	Present	Present	Present	Present	9
Mr. Hani Nigim	Present	Present	Present	Present	Present	Present	Present	Present	Present	9
Mr. Tarek Aggad	Present	-	Present	Present	Present	-	Present	Present	Present	7
Mr. Abdullah Al Ghanim	Present	Present	Present	Present	-	Present	Present	Present	Present	8
Mrs. Lana Abu Hijleh	Present	Present	Present	Present	Present	Present	Present	Present	Present	9
Mrs. Maha Awwad	Present	Present	Present	Present	Present	Present	Present	Present	Present	9
Mrs. Nada Shousheh	Present	Present	Present	Present	-	-	-	-	-	4
Dr. Tafeeda Jarbawi	Present	Present	Present	Present	Present	Present	Present	Present	Present	9
Mr. Eric Shehadeh	Present	Present	Present	Present	Present	Present	Present	Present	Present	9
Total Attendance	**10**	**9**	**10**	**10**	**8**	**8**	**9**	**9**	**9**	

Board Members Remuneration for 2020 and 2021 in USD

Member	Position	Bonus 2021	Bonus 2020
Mr. Hashim Shawa	Chairman	108,659	80,000
Mr. Maher Farah	Vice Chairman	108,659	80,000
Mr. Hani Nigim	Board Member	108,659	80,000
Mrs. Lana Abu Hijleh	Board Member	108,659	80,000
Mrs. Maha Awad	Board Member	108,659	80,000
Dr. Tafeeda Jarbawi	Board Member	108,659	80,000
Mr. Eric Shehadeh	Board Member	108,659	35,556
Mr. Abdullah Al Ghanim	Board Member	96,585	62,222
Mr. Tarek Aggad	Board Member	84,512	80,000
Mrs. Nada Shousheh	Former Board Member	48,290	80,000
Mr. Faysal Ghazi Shawa	Former Board Member	-	17,778
Mr. Tariq Al Shaka'a	Former Board Member	-	44,444
		990,000	800,000

The Board of Directors

The Board shall take on full responsibility of the Bank's performance. Its members are elected by shareholders to oversee and guide management with the ultimate goal of increasing long-term shareholder value, taking the interest of other stakeholders into account. Following are the duties and activities assumed by the Board:

- Review, approve and monitor BOP's long-term strategic objectives and business plans of the Executive Management.
- Monitor the overall performance of the Bank and progress towards achieving its strategic objectives.
- Asses the major risks confronted by the Executive Management and the steps taken to monitor and control them.
- Set the level of 'Risk Appetite' and ensure the existence of a risk culture at the Bank.
- Oversee the integrity of financial statements to ensure compliance with legal and regulatory requirements, and ensure the qualitative performance and independence of the internal and external auditors.
- Review and approve major business transactions, including significant credit decisions, capital allocations and expenditures, in accordance with the approved chart of authorities.
- Oversee investment and financing activities and take major investment and financing decisions accordingly.
- Oversee and approve the policies and frameworks of human resources and corporate governance.
- Select and recommend BOD nominees to be elected by shareholders.
- Select, develop and evaluate potential candidates for senior Executive Management positions and oversee the development of succession plans.
- Determine remuneration policies for the Board of Directors and Senior Executives.
- Evaluate the overall performance and effectiveness of the Board and its members and take corrective actions as needed.
- Oversee the Bank's Corporate Governance framework and ensure compliance with agreed upon policies and provisions.
- Ensure that proper shareholder relations are maintained and their rights protected, and that shareholder meetings are conducted in accordance with applicable laws and regulations.
- Ensure shareholder interests are taken into consideration.

The Board Chairman and Vice-Chairman

The Board shall elect from among its members a Chairman and a Vice-Chairman, whereby the latter acts on behalf of the former in his/her absence in terms of exercising authorities and assuming duties. The Chairman shall be primarily responsible for the activities of the Board and its Committees, and he/she shall be the official spokesperson on behalf of the Board, and shall head the Board and the General Assembly.

The Chairman of the Board shall ensure the following:

- The participation of Board Members, upon appointment, in the employee induction program and in additional education or training programs, if necessary.
- The Board implements the tasks entrusted to it.
- Board Members receive all information necessary to perform tasks assigned to them.
- Determine the agenda of the Board's meetings, preside over those meetings, and ensure the issuance of meeting minutes.
- Provide sufficient time for the Board to consult and make decisions.
- The Board Committees correctly perform the tasks assigned to them.
- Evaluate the performance of Board Members at least once a year.
- The Board elects a Vice-Chairman.

The Audit Committee

Committee Members:

Mrs. Lana Abu Hijleh, Chairwomen

Mrs. Maha Awwad, Member

Mr. Eric Shehadeh, Member

The role of the Audit Committee is to assist the Board in overseeing the Bank's financial controls with particular emphasis on the following:

1. The integrity of internal controls and financial reporting.

2. The qualification and independence of the external auditor.

3. The performance of the internal audit and compliance functions and the Bank's external auditor.

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

- Review internal controls.
- Review reports issued by the Inspection and Audit Department, Internal Auditor, and the Compliance Control Department, including financial and non-financial issues, and remedial procedures and means of controlling the risks faced by the Bank.
- Review and approve the annual plans of the Audit Department, the Compliance Department, and the Anti-Money Laundering Officer.
- Review the accuracy of financial statements presented to the Board, shareholders and other stakeholders.
- Review the Bank's commitment to laws and regulations of the Palestine Monetary Authority, the Board, and other regulations applicable in Palestine.
- Review the External Audit plan and ensure that it includes all activities implemented by the Bank.
- Ensure the accuracy and integrity of accounts and compliance with laws and regulations applicable to Bank activities.
- Develop disclosure and transparency standards and submit them to the Board for approval.
- Review notes mentioned in the PMA's reports and follow up on corrective measures adopted to ensure their implementation and offer relevant recommendations to the Board on the appropriate remedial steps.
- Coordinate with the Risk Management Committee to present the Bank's financial standing and performance.
- Study the financial system applied at the Bank and present recommendations to improve it, and ensure that these recommendations fairly represent the situation and that no false data are recorded.
- Apply a system that allows employees to report confidentially their concerns about potential violations and in a manner that makes it possible to independently investigate and follow up on such violations without being punished by their superiors or ill-treated by colleagues. The Audit Committee shall monitor the implementation of these procedures.
- Act as a liaison between the Board of Directors and the External Auditor, between the Board of Directors and the Internal Auditor, and between the Internal and External Auditors.
- Follow up on the Bank's adherence to its internal Code of Professional Conduct.
- Notify the Board of Directors on issues that require its immediate intervention and offer recommendations on the appropriate remedial steps.
- The audit committee shall submit reports to the Board of Directors on all matters that fall within its scope of work, thereby enabling it to carry out its function of monitoring the management of the Bank and submitting to shareholders and investors factual and documented information.
- Provide the Board of Directors with independent and objective advice regarding the adequacy of measures related to auditing, compliance, and the combating money laundering and terrorism financing.

The Risks and Compliance Committee

Committee Members:

Mr. Eric Shehadeh, Chairman

Mrs. Lana Abu Hijleh, member

Mr. Hani Nigim, Member

The role of the Committee is to assist the Board of Directors in overseeing the following:

1. The risks inherent in Bank activities and the control processes with respect to such risks.

2. The assessment and review of all forms of risks, including credit, Treasury, and operational risks.

3. In terms of procedures related to risk management at the Bank and its subsidiary branches, and to enable the Committee to implement its role, it shall have the following responsibilities:

- Approve general risk management policies and ensure the existence of an effective risk management framework to proactively identify, measure, mitigate, and monitor all types of risks and promote continuous dialogue about risk management throughout the Bank (i.e. promoting a 'Risk Culture').
- Determine the overall risk appetite of the Bank and ensure that the size of risks and level of their acceptance are in line with the approved level.
- Obtain assurance from the Executive Management and the Internal Auditor that risk management systems and processes are operating effectively, through sound control tools and adherence to approved policies.
- Ensure the Bank's compliance with effective laws and regulations related to risk management policies and procedures.
- Review the Bank's capital adequacy and provisions to ensure their compliance with regulatory guidelines and in line with the Bank's risk profile.
- Review reports received from the Executive Management on the state of the risk portfolio on a quarterly basis (at least) or as needed, and highlight the areas, trends and forecasts of major risks, and measures adopted by management to address particular ones.
- Review significant risk exposures and the steps taken by Management to follow up, monitor and record all types of risks, including credit, market, operational, liquidity, compliance, reputation and strategic risks, and all types of internal and external risks that affect the Bank.
- Provide direction and guidance to Management, as needed, to help it improve risk management practices and/or mitigate particular risks, and ensure the existence of qualified personnel at the managerial level to effectively carry out risk management activities.
- Notify the Board of Directors on a regular basis about the status of the risk portfolio, and immediately report substantial changes affecting it.
- Review the appointment, performance, and replacement of the Chief Risk Officer and monitor the efficiency of Risk Management departments in general.
- With the assistance of the Risk Management Officer, support the efforts of the Audit Committee in conducting monitoring and evaluation in accordance with the instructions set forth by the Palestinian Monitory Authority.

The Executive Committee

Committee Members:

Mr. Hashim Al Shawa – Chairman

Mr. Maher Farah – Member

Mr. Abdullah Al Ghanim – Member

Mr. Tarek Aggad – Member

Committee Roles and Responsibilities

- The Executive committee is primarily responsible for overseeing activities, operations and business to ensure the Bank's continuous achievement of its long-term strategic goals. As such, the Committee directly supervises the main duties and functions of asset and liability management, asset growth, business development, annual budgets, capital adequacy, mergers and acquisitions, new markets, international agreements and representations, and social responsibility programs.
- The Committee reviews loan requests, investment decisions and all financial obligations to be construed upon the Bank from any other activities that exceed the authorities of the Executive Management, and accordingly, the entire Board is notified to take the appropriate decision. In the event that the requests are higher than the powers of the Committee, the latter reviews and evaluates them, and submits recommendations to the Board to take a decision accordingly.
- The Committee reviews and submits recommendations to the Board on business or restructuring plans, including material changes in key functions and positions, geographical distribution of branches and operations, and relations with correspondent banks.
- In this context, the Committee executes the aforementioned plans based on the reports submitted by the Bank's CEO and Executive Team.
- The Committee determines its scope of work, programs, objectives and annual plans in a manner that enables it to define its responsibilities and evaluate the works and activities it supervises or takes decisions in respect of.

The Human Resources and Corporate Governance Committee

Committee Members:

Mr. Hani Nigim, Chairman

Dr. Tafeeda Jarbawi, Member

Mr. Eric Shehadeh, Member

The role of the Committee is to monitor the Bank's corporate governance framework, the Board member nomination process and remuneration policies, evaluation of Board members and Executive Management, succession planning and human resource development policies. In order to carry out its role, the Committee is assigned the following powers and responsibilities:

- Review and approve major HR policies to ensure they are fair, competitive, complete, and in the best long-term interest of Bank of Palestine.
- Assist in monitoring major changes and improvements in the HR function to ensure their alignment with the Bank's strategy.
- Prepare a chart of Management authorities and delegations to be reviewed annually and raised to the Board of Directors for approval.
- Consider possible conflicts of interest between Board Members and agreements with relevant parties, and raise recommendations to the Board of Directors in accordance with the Bank's Corporate Governance instructions.
- Review all change in status (including fulfilment of member independence requirements) and the professional affiliation of current members, and make relevant proposals to the Board in accordance with the Bank's Corporate Governance instructions.
- Supervise the implementation of the induction process of new Board members and the continuous development and education program for current members, as necessary.
- Review Corporate Governance policies and practices throughout the Bank and raise relevant proposals to the Board to improve their efficiency and effectiveness.

The Evaluation of Committees

The Human Resources and Corporate Governance Committee shall take charge of evaluating all Board Committees.

The Sustainability Committee

Committee Members:

Dr. Tafeeda Jarbawi, Chairwoman

Mr. Hashim Al Shawa, Member

Mrs. Lana Abu Hijleh, Member

Committee Roles and Responsibilities

- Adopt a governance structure for sustainability, its framework, policy and procedures, and the associated strategic sustainability priorities and agreed upon objectives, to guide the proper implementation of sustainability in all stages and functions of the Bank and the Group, and amend and/or update this structure periodically and when needed, in line with sustainability trends, risks, and up-to-date opportunities, according to the internationally recognized governance principles and foundations.
- Deep-root the concept and practice of sustainability in the Bank's strategy, policies, procedures, administrative systems, activities and culture, and ensure the application of best practices vis-à-vis the social and environmental dimension.
- Identify and support the most effective and impactful sustainability initiatives that aim to improve performance at the level of the Bank and the Group.
- Review sustainability priorities and agreed upon strategic objectives and amend them periodically and when needed, in line with sustainability trends, risks, and up-to-date opportunities.
- Provide support and direction for the Sustainability Department and ensure that the latter completes its duties Bank-wide.

Specific Procedures

- Review and evaluate the short- and long-term sustainability goals, which include the most important sustainability issues in order of priority, a performance indicator record, and stakeholder expectations chart, and ensure that they are included in the Bank's annual business plan.
- Approve sustainability policies and procedures necessary for the implementation and success of the Bank sustainability framework and plans.
- Measure and review performance, taking into consideration indicators on an annual and quarterly basis, and follow up on the implementation of the Committee's recommendations.
- Evaluate the Bank's response to major sustainability issues on an annual basis, with an aim to improve performance.
- Discuss and approve sustainability programs and budgets that exceed the authorities of the relevant departments, and raise recommendations to the Board about the required annual program budgets.
- Review sustainability reports prepared by the competent Bank department, and prepare periodic reports for the Board on sustainability performance on a quarterly and annual basis, and approve the final annual report format before it is approved and published.
- Launch an ongoing and sustainable internal campaign, and engage stakeholders in sustainability issues.
- Verify that the Bank's policies and procedures, including risk management and credit lending policies, comply with the sustainability principles approved by the Board of Directors.

Other Responsibilities

- Verify that the objectives and elements of sustainability are reflected in all aspects of business performance, Bank management and governance, which include, for example, the governance structure, the structure of the Board of Directors and its Committees, the integration of sustainability into corporate governance and responsible business, growth and economic impact, risk assessment and risk management practices, compliance, monitoring commitment and transparency, and preparing a governance structure for the practice of responsible sustainability towards employees, the code of conduct, customers, society and the environment.
- Verify the Bank's commitment to design banking products that meet the needs of customers, protect the environment, and finance projects that support the community.
- Monitor the Bank's commitment to consultation, participation and partnership with stakeholders in order to determine the issues that are most important to them and the materiality matrix, according to the classification of external and internal stakeholders, which is agreed upon during workshops, to include persons with special needs.
- Conduct continuous follow up to achieve "leadership in business and governance" and "contribute to sustainable economic development," and strive, as part of responsible business practices, to improve and develop operational activities, innovative projects and digital transformation, including but not limited to, robotic process automation, mobile banking services, online banking services, I Hub platform, etc.
- Strengthen the environmental protection policy as one of the Bank's most vital priorities by ensuring commitment to environmental responsibility, evaluating the environmental aspects of business activities, managing operations in a manner that contributes to water and electricity conservation, adopting trends for environmentally friendly buildings, heating/cooling systems, energy saving, and reducing the use of electricity and water and ensuring their optimum usage by means of automatic shutdown technologies, energy efficient heating and cooling , and energy saving lights.
- Promote and follow up on the participation (minimum 50% of total employees) of women in various Bank positions, including in leadership positions and in the Board of Directors.
- Ensure the Bank's commitment to the respect and development of employees at many levels including: talent management, gender diversity, inclusion, involvement in training and development programs, health and safety preservation, continuous communication, participation in community initiatives, participation in a diverse and inclusive selection of trainings, rehabilitation and development programs, and participation in the Innovation and Excellence Hub.
- Verify the Bank's keenness to achieve sustainable growth, contribute to the Palestinian National Development Plan, support initiatives and innovations, and finance micro, small and medium size enterprise.
- Enhance the Bank's pursuit and effective contribution to the development of the local community and maximize its social impact, within the framework of its solid and continuous track record in community giving, in accordance with its approved policy for social responsibility, which includes health care, youth and education, community participation, awareness, environment, sports and culture, and sponsorship of special activities and initiatives.

Governance and Risk Management

The Risk Management function at Bank of Palestine aims to establish mechanisms to effectively identify, measure, manage, control and monitor risks. The purpose of managing these risks is to enhance the principle of return - risk in Bank results by ensuring that the surrounding risks are within the parameters of the risk appetite set forth by the Board of Directors and which are included in the Bank's policies and procedures, have been hedged to maximize shareholder ownership over the long run and to protect relevant parties, including customers, suppliers, investors, employees and the Palestine Monetary Authority.

Risk management does not imply avoiding risks completely, as they form an intrinsic part of the banking business. Therefore, Bank of Palestine accepts a certain risk level as part of its strategy, but at the same time, expects financial and non-financial returns proportionate with the degree of these risks.

Risk Governance

The following principles define the Risk Governance structure at Bank of Palestine:

- The Risk Management function is an independent function at the Bank, and operates closely with all relevant units to ensure effective operations throughout the Bank.
- The Risk Management function uses its own independent information sources (Management Information Systems, Bloomberg, credit assessment reports/cards, and audited financial data).
- The Risk Management function may propose means to attain returns - based on the degree of risk, such as attaining optimum liquidity and optimum limits for the distribution of the credit portfolio.
- The methodologies and tools that have been developed by the Risk Management function are considered compatible with the Bank's business environment.
- Risk Management represents the second line of defense in the control system of the Bank, and has a clear role in ensuring the effectiveness of controls in the first line of business units.

The Responsibilities of the Board of Directors

Setting the Risk Management Policy is one of the powers of the Board of Directors, which is responsible for approving the strategy and degree of risk appetite, as well as conduct the annual review. The Board delegates oversight of all Risk Management activities to the Board-level Risk Committee. Although this authority is delegated, the responsibility for effective Risk Management and adherence to this policy rests with the Board.

The Board of Directors reviews the Risk Management framework at least once annually or as needed and according to internal and external incidents.

The Board of Directors' Risk Management responsibilities include the following aspects:

- Developing a business strategy based on draft proposals for the budget and capital planning (internal capital adequacy assessment).
- Adopting Risk Management policies and clarifying/detailing the degree of risk appetite as part of this policy, including limits and tolerances.
- Establishing the Risk Governance framework as part of the Risk Management policy.
- Reviewing cases with high risk levels highlighted by the Risk Committee at the level of the Board of Directors.
- Delegating authority to the Board-level Risk Committee for continuous review of the effectiveness of the Risk Management framework.
- Reporting to shareholders on the Risk Management function as part of the annual report on Bank activities.
- Approving public disclosures.
- The Board delegates the following responsibilities to the Board-level Risk Committee:

- Ensuring the application and development of the general framework for Risk Management at the Bank.
- Monitoring the effectiveness of Risk Management and following up on corrective actions.
- Reviewing the package of reports submitted by the Risk Management at least quarterly.
- Reviewing the Risk Management policy at least once a year and raise recommendations for amendments if necessary.
- Continuous monitoring of the exposure of significant risks in the bank.
- Monitoring compliance with the Risk Management policies at the Bank, compliance with the instruction of the Palestine Monetary Authority, and all other Risk Management requirements.
- Approving the appointment of the Risk Manager and the main officers in Risk Management and approving the organizational structure of Risk Management.

Risk Management Committee at the Executive Level

The Assets and Liabilities Committee

The Assets and Liabilities Committee at Bank of Palestine plays the role of the Risk Management Committee at the level of the Executive Management. The Committee takes charge of the banking risk control function by presenting the latest developments in the Bank's risk profile to Committee Members.

Following is a summary of the Committee's responsibilities:

- Review, at least once a year, the overall Risk Management framework (including policies, procedures, reports, and methodologies).
- Ensure that the Bank remains within an acceptable level of banking risk as defined in the Risk Management policy, approved by the Board, and recommend corrective actions in case deviation from this policy is observed.
- Analyze Risk Management reports and take administrative measures accordingly in order to maintain acceptable and optimum levels of risks at the Bank.
- Carry out assessment, supervision and management of basic risks across the Bank, including but not limited to risks pertaining to credit, operations, interest rates, liquidity and market risks – Treasury.

Risk Management Departments

The Bank Risk Management departments report to the Risk Officer. These departments and are responsible for implementing and developing the general framework for banking risk management, and their responsibilities are limited to the following:

- Develop procedures, methodologies and tools for managing risks throughout the Bank.
- Monitor the banking risks file throughout the Bank and prepare reports accordingly.
- Conduct a pre and/or post review of some banking operations in accordance with the parameters indicated in the Risk Management Policy.
- Submit a risk-based assessment of some procedures and submit results and recommendations to the Risk Committee.
- Support a Bank-wide risk culture, develop a common language based on this culture, and provide the necessary support and training to achieve this.
- Provide explanations for risk-related regulations and practices and disseminate them at the level of business units.
- Provide training for business branches and units on Risk Management and the strict monitoring of operations.
- Review important procedures, policies, products and operations that impact the banking risk file prior to obtaining final approval.
- Annual review of the risk-based budget and capital planning, in connection with the Bank's financial budget.
- Study the relationship between economic, political and market variables and the competitive environment and their impact on BoP' banking risks.
- Monitor and follow up on compliance with the requirements of the Palestine Monetary Authority and set time limits for compliance with this requirements.
- Report to the Board of Directors on important issues resulting from the review process.
- Develop awareness of the importance of Risk Management at the level of Management and staff and assist the Risk Management function in spreading the culture of banking risks Bank-wide.
- Recommend/supervise official training provided to Bank staff on banking risk management.
- Review the Bank Risk Management Policy prior to obtaining approval from the Board of Directors.
- Discuss/review important procedures, policies, products and operations that impact the banking risk file prior to obtaining final approval from the Board of Directors.

Responsibilities of Business Units:

Business units at BoP Headquarters take charge of the daily Risk Management process, and their responsibilities include the following:

- Identify, measure, evaluate, monitor and report on the various risks related to the business unit.
- Assess the effectiveness of systems and controls used to monitor daily work, and design, operate and monitor systems compatible with the nature of business operations.
- Recommend business proposals that are consistent with the degree of risk appetite stipulated in business policies.
- Report cases and incidents related to risks (losses related to operations) to the concerned risk departments on a regular basis.

Operational Risk Management

Operational risk management is a core focus in business to achieve banking sustainability and to ward off environmental risks, mismanagement and neglect of internal governance systems, or abuse of segments of society and neglect of societal issues. Hence, Bank of Palestine is primarily keen on the early identification and evaluation of operational risks, which allows for their timely mitigation, in addition to preparing focused management reports and continuously improving controls. Operational risks include loss, arising from insufficient or failed processes, individuals and internal systems, or risks arising from external incidents. Operational risks may also arise from all operations and activities carried out by the Bank.

Bank of Palestine ascribes utmost importance to operational risk management at the Bank level, and monitors operational risks in a proactive manner, maintaining them within the target range, in line with achieving the Bank's strategic objectives. The process of risk mitigation is also concerned with reputational risks resulting from harming the interests of partners, customers, the environment and society.

Governance

Stemming from Bank of Palestine's interest in operational risk management, the policy that explains the general approach to the operational risk management framework has been approved by the Board Risk and Compliance Committee, which in turn sets strategies for identifying, evaluating, monitoring and controlling risks, and supervising the risk management framework, in line with recommendations issued by the Basel Convention.

The Three Lines of Defense

With the aim to create a strong control environment for risk management, the Bank has adopted the Three Lines of Defense Model, which defines the responsibilities and obligations of Management in managing the risks and the control environment. The model also supports the Bank's approach to Risk Management by clarifying responsibilities, encouraging collaboration, and facilitating effective coordination of risk and control activities.

Risk Culture Awareness

A strong risk culture and good communication between the Three Lines of Defense are the most important attributes for effective operational risk management. The culture of operational risks at Bank of Palestine is based on creating awareness among all members of the Bank of Palestine family about the importance of managing operational risks.

International Standards

Bank of Palestine does its utmost to apply international standards in risk management and hedging as part of the risk management process. This is done through the use of Risk Control Self-Assessment (RCSA) process that complies with Basel requirements and sound operational risk management practices to improve an integrated control environment, where operational risks are identified and measured in terms of the possibility of their occurrence and the consequences incurred. Furthermore, an evaluation is conducted on controls in terms of design quality and commitment to implementation, assisting the Bank in accurately identifying risks, involving a large number of employees in the assessment process, and enhancing their initiative in risk assessment, proper reporting of risk incidents, and consolidating the concepts of risk management in the various Bank units, and as such, this process becomes part of the employees' culture.

Risk Indicators

By applying the SAS Enterprise GRC program, the Operational Risks Department defined a large number of risk indicators that allow the Bank to predict instances of future losses. These indicators differ in nature; some of them are predictive and provide indications of possible future risks, thus assisting in avoiding them; some are detective, monitoring the signs of the occurrence of risks in their early stages, which is useful in swiftly responding to them; while others are of a corrective nature, and assist in documenting the recurrence of these risks and their impact. Continuous tracking of key risk indicators allows business units to respond immediately to any changes in the risk and control environment at the Bank.

Ensuring Business Continuity and Sustainability

At the level of building and upgrading business continuity plans, Bank of Palestine considers the extent of complexities of banking operations and potential scenarios in our variable environment. These plans are also compatible with our growing market share and our classification as a regulated Bank. We designed models for Business Impact Analysis (BIA), taking into account the specificity of our local environment and compatibility with international standards for evaluation. These models analyze potential risks in terms of operational and financial impact and the degree of unit inter-dependency, identify strategies that are compatible with the size and appetite for risks, and build applicable plans that confront the possible occurrence of risks and train relevant units on achieving these plans so that the level of readiness is at the level of the incident. This is done by testing the readiness of networks, programs, systems, applications and critical reports, and critical tasks are implemented from an alternative location for business management in a simulation of a scenario on work interruption at the main location (BoP Headquarters in Ramallah), and then the successful completion of operations are tested from the alternative location (BoP Bethlehem).

Risk Control

To enhance integration between the work of the Operations Risk Department and the Department of Control and Inspection, and to activate the application of the Risk-Based Audit (RBA) approach, the Operations Risk Management System provided the Department of Control and Inspection with the ability to view the Risk Profiles of all work units, view Key Risk Indicators (KRIs), and be guided by the Incident Register in building audit plans in a manner that targets the units and high-risk operations as priorities in its audit plans, as well as optimize the use of the department's resources.

Information Security Risk Management

Stemming from the keenness of the Risk Management function to protect the Bank's digital technology systems and services from exposure to cyber-attacks, central security threat and vulnerability management systems and central control systems for security and risk incidents have been implemented in accordance with international measures and standards, applying protection and encryption to all services, in order to ensure the confidentiality and security of data and protect it from technical fraud and theft. The information security infrastructure has been supported by a high-quality network and communications protection system, which ensures the prevention of any external hack threat on the Bank's internal systems, and that electronic payment card data (VISA and Master Card) is encrypted in order to subject all distinguished services (E-Commerce, 3D-Secure) to these international standards.

The Information Security Risk Department has also been created to implement and apply information security standards in accordance with ISO27001 standards and to adopt information security policies of the ISO27002 information security management system controls, with an aim to implement the principle of governance in accordance with global practices, achieve the Bank's strategic goals for digital transformation, and ensure continuous monitoring, review and development.

The Payment Card Industry Data Security Standard (PCI DSS) Compliance Certification

Bank of Palestine obtained a certificate of compliance with the application of the Payment Card Industry Data Security Standard (PCI DSS), and was the first Palestinian banking institution that has been committed to information security standards and payments data since 2018 to protect the privacy of customer information. This certification is granted by the PCI DSS Council, headquartered in the United States, ensuring the Bank's commitment to drawing a strategy for prioritizing customer protection and the confidentiality of their information. This certification includes protection and information security at the main data center and the alternative location, including all BoP branches and offices in the West Bank and the Gaza Strip. It also encompasses the largest ATM network, all direct points of sale in the West Bank and the Gaza Strip, internet and mobile banking, bank cards and e-commerce services.

This certification is added to the achievements that Bank of Palestine and its subsidiary companies seek to accomplish in the field of electronic services, by providing distinguished products and services that ensure the realization of the Bank's mission to win the confidence of all its customers, and adhering to the principles of Visa and Master Card, thus enhancing the protection of cardholder data, as well as providing customers with secure payment channels and services.

This certification will bring great benefits to Bank of Palestine and the e-commerce market in Palestine in general, by maintaining the confidentiality of the payment card data used by the Bank and the e-commerce sector. It also confirms the Bank's willingness to invest in the latest technological programs, staying up-to-date with developments in protecting the confidentiality of Bank customer information, and developing modern systems that contribute to the implementation of automated, computerized, safe and secure banking transactions.

Disaster Recovery

Bank of Palestine developed a Disaster Recovery Center that underwent the necessary technical checks, and equipped it with the latest technologies that allow for the resuming of services from the alternative location within less than 15 minutes post any incident. Maintaining the continuity of service provision to customers is on Bank of Palestine's top list of priorities, and therefore, the Bank invested in advanced technology that ensures the transfer and preservation of data simultaneously in the alternative location, so that electronic services become stable in a manner that complies with the highest international standards in managing business continuity and the risks of service interruption.

Credit Risk Management

Taking into consideration that credit risk is a main and direct threat to banking activities, Bank of Palestine strictly adheres to the best methods and practices and applies all the relevant and appropriate procedures to address it. The Bank has a highly professional department team who adopt several risk management tools in conducting their duties, including monitoring the credit portfolio and redirecting it in line with the Bank's strategic objectives, taking into consideration all risks surrounding the work environment. This specialized team also uses statistical methods and volume of exposures while reviewing granted credit, controls the credit cycle, conducts regular review of the credit parameters, evaluates credit products, and subjects the credit portfolio to stress tests based on stressful scenarios. In addition, the team evaluates the impact of emergency events, such as wars, disasters and crisis on the credit portfolio.

Treasury Risk Management

The Treasury Risk Management Department conducts direct and effective monitoring of all treasury activities, including cash, investments, employment and the Foreign Currencies Department, using globally approved measuring tools. The Department also evaluates and monitors risks of other parties in order to regulate and control relations between all parties involved. Stemming from the Bank's awareness about the importance of monitoring the activities of the treasury, the Department established this year a middle office to supervise all risks resulting from daily work of the treasury's front offices. In this context, the Department adopted universal standards to identify, evaluate and manage treasury risks in order to ensure that tasks are performed transparently and accurately and ensure control of any risks that may arise from market price fluctuations or as a result of the political situation. From another angle, the Bank dedicates special importance to risks arising from subsidiaries and sister companies in order to achieve a comprehensive risk management framework in line with the recommendations set forth in the Basel Convention. Furthermore, in order to ensure the continuity of Bank activities, even in times of cash crisis, the Bank pays utter importance to reviewing and updating the emergency financing plan, in coordination with the treasury departments, including financing lines in the instance of cash crisis, in order to ensure the availability to necessary cash for all Bank activities and hedge against any future risks that may arise in the instance of unexpected cash crisis.

Sustainability

The Department believes that the risks related to the consequences of Bank activities on the environment, society and governance, should be included, in line with the Bank's dedication to applying the best sustainability standards and protecting stakeholder interests.

The Expertise of the Risk Management Team

The Risk Management Team was trained in accordance with the highest international standards of training and qualification. The Team obtained international certifications in global risk management, including the following certification: Certified Risk Specialist, ISO27001 Certified Lead Auditor, Certified Information Systems Security Professional CISSP, ISO31000, and Risk Management Professional.

Reporting to the Board of Directors

The Risk Management and Compliance Committee provides reports to the Board of Directors, to ensure that the latter are permanently informed about the Risk Profile, Risk Records and the relevant internal controls.

Executive Management

Mr. Mahmoud Shawa
Chief Executive Officer -CEO
- MS Finance and Banking
- University of Wales
- Date of Birth: 24/7/1982
- Joined BoP in 2005

Mr. Naser Bakier
Chief Business Banking Officer
- BS Business Administration
- Winona State University
- Date of Birth: 23/7/1969
- Joined BoP in 1994

Mr. Thaer Hamayel
Chief Retail Banking Officer
- MBA
- Birzeit University
- Date of Birth: 13/5/1978
- Joined BoP in 2000

Mr. Sulieman Nasr
Chief Treasury Officer
- MBA
- Birzeit University
- Date of Birth: 25/10/1978
- Joined BoP in 2000

Mr. Sakhr Nammari
Chief Financial Officer
- BS Accounting and Business Administration
- The University of Edinburgh
- Date of Birth: 17/12/1978
- Joined BoP in 2018

Mr. Musa Shamieh
Chief Operations Officer
- MBA
- Birzeit University
- Date of Birth: 8/3/1966
- Joined BoP in 2014

Mr. Basem Maraqa
Chief Information Technology Officer
- MS Mathematics
- Al Yarmouk University
- Date of Birth: 12/11/1966
- Joined BoP in 2015

Mrs. Randa Musa
Chief Human Resources Officer
- MBA
- Birzeit University
- Date of Birth: 14/5/1974
- Joined BoP in 2011

Mr. Hanna Sahar
Chief Credit Officer
- MBA
- University of Arkansas
- Date of Birth: 6/10/1972
- Joined BoP in 2020

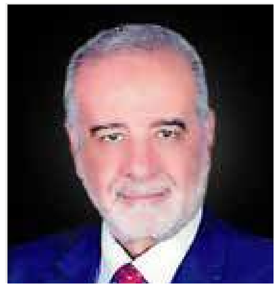
Mr. Kamel Husseini
Chief Strategic Relations & Engagements Officer
- MBA
- The American University of Washington D.C.
- Date of Birth: 11/2/1966
- Joined BoP in 2016

Mr. Najeeb Yaser
Chief Audit Officer
- MBA
- University of North Carolina
- Date of Birth: 30/5/1978
- Joined BoP in 2017

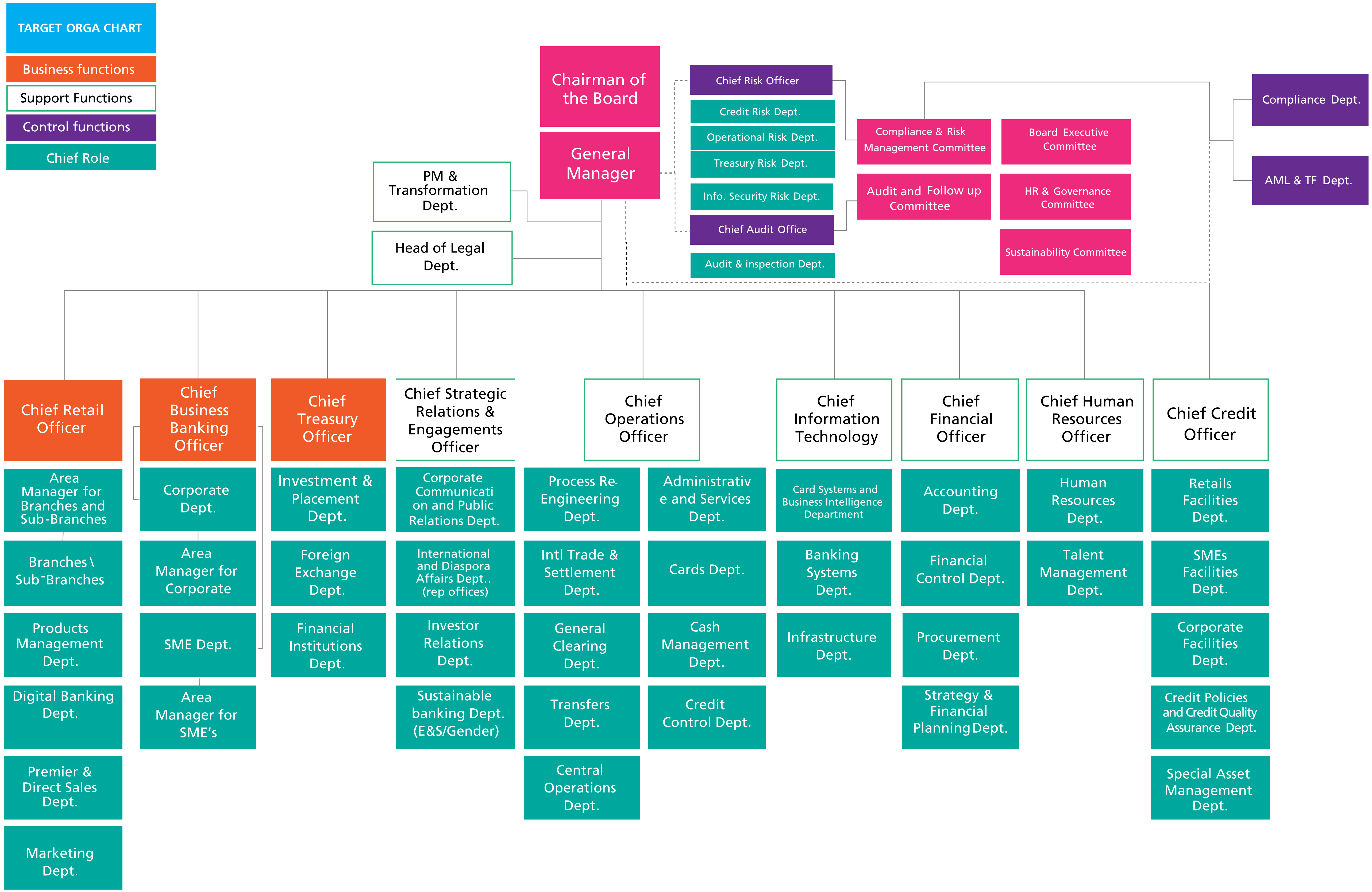
Mrs. Amal Massis
Chief Risk Officer
- MBA
- Birzeit University
- Date of Birth: 20/2/1978
- Joined BoP in 2014

Mr. Banan Nammari
Head of Compliance Department
- BS Computer Science
- Al Quds University
- Date of Birth: 19/11/1985
- Joined BoP in 2008

Mr. Ammar Musaffar
Head of AML Department
- BS Finance and Banking
- Birzeit University
- Date of Birth: 2/7/1990
- Joined BoP in 2010



Mr. Khamis Asfour
Legal Counsel
- BS Law
- University of Alexandria
- Date of Birth: 29/5/1952
- Joined BoP in 1979


TARGET ORGA CHART
Business functions
Support Functions
Control functions
Chief Role
Chairman of the Board
General Manager
PM & Transformation Dept.
Head of Legal Dept.
Chief Risk Officer
Credit Risk Dept.
Operational Risk Dept.
Treasury Risk Dept.
Info. Security Risk Dept.
Chief Audit Office
Audit & inspection Dept.
Compliance & Risk Management Committee
Audit and Follow up Committee
Board Executive Committee
HR & Governance Committee
Sustainability Committee
Compliance Dept.
AML & TF Dept.
Chief Retail Officer
Area Manager for Branches and Sub-Branches
Branches\ Sub-Branches
Products Management Dept.
Digital Banking Dept.
Premier & Direct Sales Dept.
Marketing Dept.
Chief Business Banking Officer
Corporate Dept.
Area Manager for Corporate
SME Dept.
Area Manager for SME's
Chief Treasury Officer
Investment & Placement Dept.
Foreign Exchange Dept.
Financial Institutions Dept.
Chief Strategic Relations & Engagements Officer
Corporate Communication and Public Relations Dept.
International and Diaspora Affairs Dept.. (rep offices)
Investor Relations Dept.
Sustainable banking Dept. (E&S/Gender)
Chief Operations Officer
Process Re-Engineering Dept.
Intl Trade & Settlement Dept.
General Clearing Dept.
Transfers Dept.
Central Operations Dept.
Administrative and Services Dept.
Cards Dept.
Cash Management Dept.
Credit Control Dept.
Chief Information Technology
Card Systems and Business Intelligence Department
Banking Systems Dept.
Infrastructure Dept.
Chief Financial Officer
Accounting Dept.
Financial Control Dept.
Procurement Dept.
Strategy & Financial Planning Dept.
Chief Human Resources Officer
Human Resources Dept.
Talent Management Dept.
Chief Credit Officer
Retails Facilities Dept.
SMEs Facilities Dept.
Corporate Facilities Dept.
Credit Policies and Credit Quality Assurance Dept.
Special Asset Management Dept.

Anti-Money Laundering and Compliance Control -Terrorism Financing Policy and Penalties

Protecting the Bank and its customers against risks forms an essential part of banking sustainability. Through its approved internal policies and procedures, Bank of Palestine strives to protect its services and products from being exploited in money laundering and terrorism financing operations or activities. These policies and procedures are updated and developed annually and upon need, to comply with local control requirements and international recommendations, such as: FATF 40, Basel Guidelines for Anti-Money Laundering and Counter-Terrorism Financing, Wolfsburg Principles and other leading AML and CTF practices, stemming from the Bank's commitment to the Palestinian AML and CTF law and its instructions, and relevant international standards and recommendations, including the application of Know Your Customer (KYC) policy and Customer Due Diligence (CDD).

Accordingly:

- The Bank shall not open any accounts or deal with anonymous customers or those who hold fictitious names.
- The Bank shall not keep or open accounts from transient individuals.
- The Bank shall not maintain or deal with shadow banks and organizations.
- The Bank shall not open accounts or conduct banking transactions for black-listed customers.
- The Bank shall conduct regular inspection of customer accounts to ensure that none are blacklisted.
- That Bank shall not deal with customers involved in the following activities:

- Illegal manufacturing and trading with weapons, arms and munitions.
- Human trafficking
- Adult entertainment industry (pornography)
- Internet gambling
- Intentional or willful violations of the laws, regulations or policies relating to financial crime and/or fraud.
- Repeated, unintended or accidental violations of the law, regulations or policies related to financial crime and/or fraud.
- Misuse of accounts for Anti-Money Laundering, Counter-Terrorism Financing or fraud operations.
- Facilitating commercial activities that can be construed as a tax offense
- Refusal to provide sufficient information or documents requested by the Bank.
- Bribery and corruption.

- The Bank shall identify natural and legal customers and the real beneficiary, verify their identities through documents or data during and after opening the account, verify the validity or sufficiency of information related to the customer's identity and persons suspected of money laundering and terrorism financing.
- The Bank shall identify and collect information about the purpose of current and expected transactions on account, and the intended nature of the business relationship by using the account opening form that is designed in accordance with the Know Your Customer policy, the Bank's policy and the instructions of the Palestine Monetary Authority, in addition to the forms designated for all types of operations that are carried out on customer accounts (deposits, withdrawals, transfers, etc.)
- The Bank shall identify and evaluate risks at the level of customers and accounts and address them in accordance with the customer classification policy, based on the degree of the risk, account type, customer trends and nature of activities on account and the countries he/she deals with. Special attention is given to high risk customers by requesting sources of income and wealth, residency, and administrative approvals, depending on the risk level.
- The Bank shall issue instructions, explanations and clarifications about work mechanisms in order to implement the Know Your Customer policy and the requirements necessary for opening accounts, and for every process or relationship arising with customers.
- The Bank shall apply the Know Your Customer policy standards and practice due diligence on cross-border relationships with correspondent banks. This is done by collecting information about these banks, assessing the reputation of the receiving institution and the nature of the supervision it is subject to, obtaining approval from senior management before establishing the relationship with the receiving institution and evaluating its AML and CTF controls.
- The Bank shall inspect all outgoing and incoming transfers against the blacklists using the latest systems to match customer accounts and the beneficiary parties and/or transferees on the lists, and return any transfer if any of the transfer parties are blacklisted.
- The Bank shall use the latest software to analyze customer accounts and follow up on transactions, and develop and adjust program compatible with the latest developments in the field of operations control, through custom scenarios to monitor money laundering and terrorism financing patterns.
- The Bank shall apply several standards to follow up on various operations and activities as preliminary indicators or suspicious indicators. General suspicious indicators appear when opening accounts, conducting different transactions, incoming and outgoing transfers, cash deposits and withdrawals, granting facilities, leasing safety deposit boxes, investments and purchasing stocks and bonds, financing commercial operations, letters of credit and guarantees, reactivating dormant and closed accounts, and conducting electronic transactions.
- The Bank shall maintain customer records and documents in accordance with the legal period stipulated in the law and instructions.
- The Bank shall refrain from executing suspicious financial transactions, which include money laundering or terrorism financing, or any of the predicate crimes, and shall notify the Financial Follow Up Unit immediately.
- The Bank shall promptly submit suspicious reports in the instance of reasonable grounds to suspect that the funds constitute criminal proceeds, or if it has knowledge of an incident or activity that may be indicative of a money laundering or terrorism financing crime or any of the predicate crimes.
- The Bank shall implement trainings courses and discussion sessions on the standards, indicators and activities of anti-money laundering and counter-terrorism financing, especially to new recruits.
- The Bank shall regularly disseminate instructions and circulars issued by control authorities to departments and branches as soon as they are received, and shall issue the necessary explanations and clarifications accordingly.
- The Bank shall take into account the independence of the Anti-Money Laundering Department, so that the unit reports directly to the BOD Audit and Review Committee. The Department independently monitors compliance, internal audit and risk management, and it is subject to internal auditing in a manner that does not conflict with the confidentiality of information related to suspicious reports.

Developments

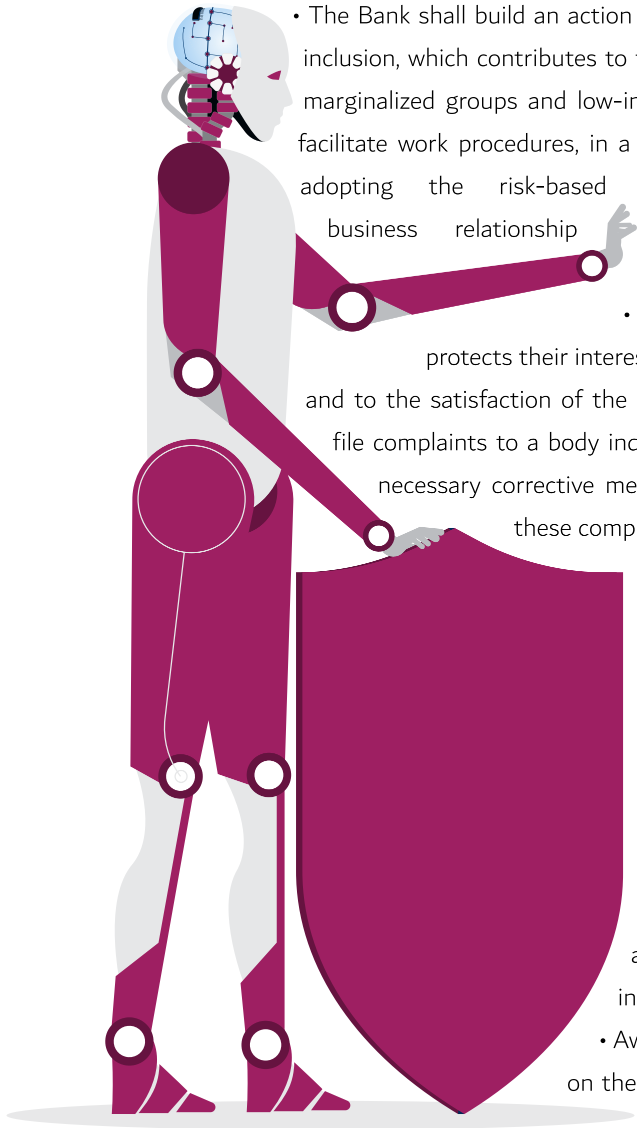
Stemming from its belief in the importance of maintaining a deterrent control environmental for money launderers, and out of its concern for customer deposits and the expectations of regulatory and international authorities, investors and correspondent banks around the world, and the sustainability of services provided, Bank of Palestine developed the following aspects to keep pace with international best practices, as endorsed by the best external audit firms:

• Customer risk calculation policy, in accordance with the best international practices.
• A methodology for calculating financial crime risks at the institutional level for all Bank products, services and channels, and mechanisms for calculating inherent and residual risks.
• Work procedures for reporting suspicious warnings, in line with international practices.
• Procedures for examining sanctions and blacklist (bans), in line with international practices.
• Procedures for examining financial transactions and monitoring money laundering and terrorism financing transactions and patterns, in addition to developing control scenarios to include globally used money laundering and terrorism financing patterns.
• Account opening procedures, aligned with the risk-based approach.
• A banking system consistent with the risk-based approach.

Compliance and Anti-Money Laundering

• Protecting the Bank for the sustainability of its services requires a monitoring that ensures compliance with the instructions issued by regulators, as well as addressing customer and employee complaints in a professional and independent manner. Therefore, the Bank adopts an effective system to identify and manage compliance needs for the various regulatory requirements.
• Proactively managing compliance risks, and fully committing to the implementation of banking activities in accordance with all applicable laws and regulations in Palestine.
• The Bank shall fully comply with prohibiting itself from being involved with any illegal activity by setting policies to combat financial crimes, money laundering and terrorism financing. It also adopts a Know Your Customer policy through which it complies with all legal requirements related to due diligence and on an ongoing basis, to identify the true identity and the true beneficiary of bank customers, verify the names of customers against the list of prohibited persons, and report unusual activities that may threaten the environment and society, especially money laundering crimes that threaten the security and safety of society. Environmental crimes and the resulting financial proceeds are considered predicate crimes whose financial proceeds are criminalized by Palestinian law, and the Bank shall report all financial proceeds resulting from predicate crimes.
• The Compliance and Anti-Money Laundering departments shall submit a report, at least a semi-annually, to the BOD Compliance and Risk Committee that includes an evaluation of the Bank's procedures, based on the control instructions and an assessment of the degree of compliance, in addition to the measures adopted to reduce uncovered risks.

• The Bank shall provide training programs on best practices for combating money laundering and terrorism financing and complying with sanctions, due to the impact of such programs on business sustainability and continuity, protecting the interests of stakeholders and shareholders from crime risks, and preserving the Bank's reputation from engaging in any suspicious activities.
• The Anti-Money Laundering and Counter Terrorism Financing Department shall focus on managing exposure to money laundering and terrorism financing risks and protecting assets, by assessing the inherent future and potential risks of exposing the Bank's products, services and channels to money laundering and terrorism financing risks. The Department shall also build a plan to calculate the residual risks and reduce their threat to a minimum, in order to ensure the achievement of the Bank's strategic objectives and the protection of stakeholders.



• The Bank shall build an action plan to attract all segments of society to enhance the concept of financial inclusion, which contributes to the future stability of the economy in general. This is done by encouraging marginalized groups and low-income individuals to open accounts, have access to financial services and facilitate work procedures, in a manner that serves the account-opening process for these groups, while adopting the risk-based approach. This ensures financial stability and does not terminate the business relationship with customers without understanding customer risks or the Bank's risk appetite.
• The Compliance Control Department handles customer complaints and protects their interests, as customer complaints are studied and addressed in the proper manner and to the satisfaction of the customer, with exposing the Bank to any risks. This permits the public to file complaints to a body independent from the Executive Management, conduct follow-up to take the necessary corrective measures and ensure appropriate handling of complaints. The advantage of these complaints is that they improve the quality of services and products, the methods of delivering them and their relevant work procedures.
• Through an internal committee, the Bank shall be committed to following up on internal reports submitted by Bank employees about violations they witness, without exposing them or their jobs to any danger, thus preserving the internal environment and sparing it any violations that expose the Bank to risks. The Bank shall also develop preventive methods and procedures to confront the risks of fraud, violations or any suspicious operations.
• Policies and procedures shall be constantly updated to ensure their alignment and compatibility with the developments that arise through the instructions and circulars issued by the regulatory authorities.
• Awareness messages shall be regularly published about the various risks based on the reality of daily work, in order to keep employees informed of the risks that the Bank may be exposed to.

PALESTINE MONETARY AUTHORITY

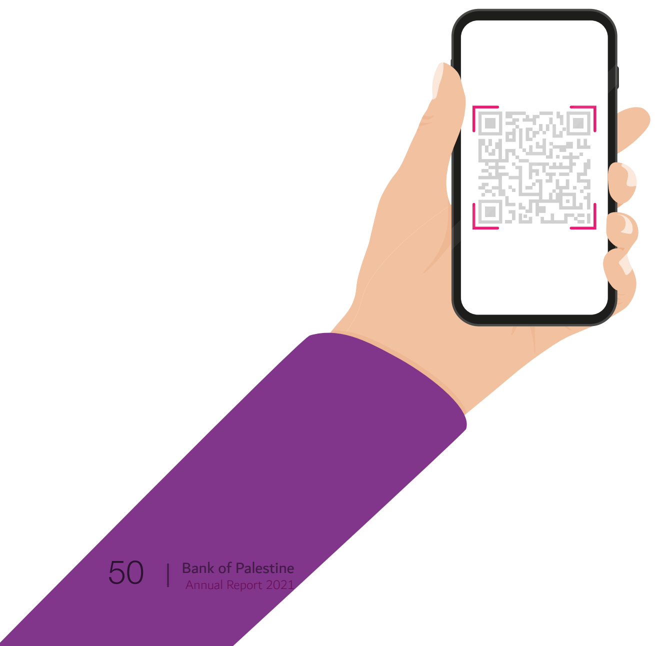
The Palestine Monetary Authority
To visit the site, please scan the code using your mobile.

PALESTINE EXCHANGE

The Palestine Exchange
To visit the site, please scan the code using your mobile.

Palestine Capital Market Authority

The Capital Market Authority
To visit the site, please scan the code using your mobile.



Senior Executive Management Salaries and Bonuses

The salaries and bonuses for the Senior Executive Management amounted to $3,308,124.

Travel Expenses and Seminars for Senior Executive Management

There are no travel expenses and seminars for the Executive Management during 2021.

Loans Granted to Senior Executive Management

The total loans granted to the Senior Executive Management during 2021 amounted to $2,866,833.

Proposed Remuneration to Board of Directors

Proposed Board of Directors remuneration based on profits during 2021 is $990,000.

Dependence on Key Suppliers and Customers

No specific local or international suppliers or customers representing 10% or more of total purchases and/or sales.

Privileges

The Bank does not have any governmental protection or privileges to the company or any of its products by law, regulations or others. Moreover, there are no patents or franchise rights acquired by the company.

Extraordinary Transactions

No financial impact occurred as a result of extraordinary transactions during the financial year.

Legal Actions

The number of cases brought against the Bank and its subsidiaries reached (248) and (206) cases on 31 December 2021 and 2020, respectively, during the Bank's normal activity. The value of cases amounted to an amount equivalent to $69,672,366 and $62,469,846 by 31 December 2021 and 2020, respectively. According to the Bank's Management and lawyer estimates, the Bank will face no obligations towards these cases, except for what has been previously established.

Decisions with Material Effect

Israeli policies and military orders are the major obstacles in managing Bank operations, especially the siege imposed on the Gaza Strip and the military barriers infiltrating the West Bank. In spite of this situation, Bank of Palestine has been able to adapt to these challenges. Due to the fact that Bank of Palestine owns the largest banking network in the Occupied Palestinian Territories, it was able to manage its operations and ensure their continuity under these circumstances.

Control of the Company

There are no direct or indirect parties who control the Company.

Board of Directors Sessions for 2021

During 2021, the Board of Directors held nine sessions to exercise the functions entrusted to them, as mentioned in the Code of Corporate Governance and the Bank Bylaws.

Special Voting by Shareholders

No issues called for special voting by shareholders during 2021.

Preliminary Financial Statements

There is no difference between the previously disclosed preliminary financial statements and end of year financial statements.

External Auditors

The 2021 financial statements were audited by Ernst & Young.

Disseminating Information

The Annual Report will be sent to all shareholders via e-mail, with an invitation card to attend the General Assembly. The report will be made available in all our branches, and an electronic version will be available on the Bank's official website.

Investor Relations and Shareholders' Information

Since its establishment, Bank of Palestine has been strengthening the principle of mutual trust with shareholders, and this dedication was revealed during the past years that witnessed difficult economic and political circumstances, which have negatively affected the Palestinian economic sectors, especially following the outbreak of the COVID-19 pandemic. Despite these exceptional circumstances, shareholder and investor confidence in the Bank's performance and ability to manage crisis and overcome challenges increased, as it invested in innovative solutions and tools that ensured the provision of advanced and distinctive digital banking services for its customer population, and responded to the needs and expectations of all stakeholders.

Stakeholder confidence increased as the Bank continued to demonstrate commitment towards its community and pledged to support social responsibility projects that target many sectors, including health, education, the environment, entrepreneurship and technology. This commitment was extended to include all the Bank's activities and relations, within the framework of a sustainability methodology based on three factors: Environmental, Social and Governance. This trust led to the consolidation of a long-term relationship that creates balance between social investment and material return, in order to preserve the rights of shareholders and all stakeholders and achieve sustainable impact to the economy and society at large.

Investor Relations Strategy

The investor relations strategy is mainly based on the following best practices; managing the relationship with shareholders by adhering to the principles of transparency, disclosure, and clarification of financial results. This strategy seeks to strengthen the shareholder base by attracting strategic investors and impact investors that add-value to the Bank and achieve the principle of sustainability. Investor relations contribute to the Bank's ability to achieve its strategies, represented in its commitment to the principles of the Environmental, Social and Governance standards(ESG). Applying ESG, promoting trust and transparency, enhancing the participation of all stakeholders, including employees, customers, shareholders, partners, and investors, and creating a positive impact on society and the environment are values that attract investors to the bank.

In line with these objectives, alongside supporting the Bank's plan to increase the capital for the purpose of expansion and growth, the Bank has attracted a new strategic investor, FISEA, the AFD Group investment vehicle advised by "Proparco" - a member of the Global Impact Investment Network (GIIN). This new partnership will contribute to strengthening the Bank's sustainability strategy and positively influencing the various banking activities it pursues with all partners and stakeholders. This partnership also ensures adherence to the Sustainable Development Goals (SDGs), especially that it includes providing technical assistance in the field of sustainability.

FISEA joined Bank of Palestine's shareholder base on 21 September 2021, through special issuance of shares on the Palestine Exchange. This investment has increased the Bank's capital from $210,160,800 to $217,433,527, after obtaining approvals from the regulatory authorities represented by the Capital Market Authority and the Palestine Monetary Authority.

Bank of Palestine Shares Prospectus
Date: 21/09/2021
Investor: FISEA
Investment value: $12 million
Number of shares issued: 7,272,727
Share capital before the issue: $210,160,800
Share capital after issuance: $217,433,527

PROPARCO
GROUPE AFD

Communication and Building a Long-term Relationship Based on Transparency

The Investor Relations team maintains contact and communication with the Bank's shareholders and investors to inform them of all important Bank matters and developments, and on various activities and events, including achievements and financial and non-financial results. This is done through various communication channels, including the distribution of press releases and news by E-mail and posting advertisements on local, Arab, and international news websites. In addition, the relevant information is posted and shared on the Bank's social media networks, such as Facebook and LinkedIn and the website. The team also communicates directly with shareholders via video conferences, especially under the current circumstances. In addition, the content of the Bank's website has been developed to include the most important information about shareholders, investors, Bank shares and performance, along with press releases and financial disclosures, investor presentations and annual reports.

Communication channels

In order to preserve the environment and in compliance with the bank's sustainability strategy, the Department seeks to reduce travel activities and face-to-face meetings by 40% in order to reduce the footprint of carbon-based activities, introducing more virtual communication with shareholders.

Shareholder's and Stock Information

Financial and Events Calendar for 2021/2022	
31/05/2021	Q1- 2021 Financial Results Announcement
30/09/2021	Q2/H1- 2021 Financial Results Announcement after being approved by the Palestine Monetary Authority
31/10/2021	Q3- 2021 Financial Results Announcement
15/02/2022	Q4/YE 2021 Preliminary Financial Results Announcement
18/04/2022	The date of the last day to participate in the dividend distribution
19/04/2022	Ex-Dividend Date
19/04/2022	General Assembly Meeting

Bank of Palestine Share information	
Listing Date	22/09/2005
Exchange	Palestine Stock Exchange
Symbol	BOP
ISIN	PS1004112600
Number of shares issued	217,433,527
Par Value per share	$1
Closing price as of 31/12/2021	$2.00
Free Float as of 31/12/2021	79.40%

Ownership of Major shareholder's, Board Members, Executive Management and their relatives

Major shareholders who own 5% or more

Name	2020 Number of shares	2020 Percentage of Shares	2021 Number of shares	2021 Percentage of Shares
Al Muhalab Real Estate Company	15,181,997	7.30%	15,538,907	7.15 %

FISEA - the investment vehicle of the French Development Agency (AFD), advised by Proparco, joined as a strategic shareholder in Bank of Palestine during 2021, with an ownership stake of 3.34%

Shares owned by the members of the Board of Directors

Nationality	Members of the Board of Directors	2020 Number of Shares	2020 Percentage of shares	2021 Number of Shares	2021 Percentage of Shares
Palestinian	Hashim Shawa - Chairman	7,797,417	3.75%	8,625,391	3.97%
French	Maher Farah – Vice Chairman	723,627	0.35%	630,863	0.29%
Palestinian	Hani Nigim	225,766	0.11%	228,023	0.10%
Palestinian	Tareq Al Aggad	26,317	0.01%	26,580	0.01%
Palestinian	Lana Abu Hijleh	28,939	0.01%	59,228	0.03%
Kuwaiti	Abdullah Al Ghanim	24,665	0.01%	27,794	0.01%
Palestinian	Maha Awad	72,975	0.04%	123,704	0.06%
Palestinian	Tafeeda Jarbawi	153,000	0.07%	254,530	0.12%
Palestinian	Eric Shehadeh	20,218	0.01%	556,175	0.26%

Shares owned by first and second degree relatives of the members of the Board of Directors

Nationality	Name	2020 Number of Shares	2021 Number of Shares
Palestinian	Huda Hani Al Shawa	5,886,334	5,945,197
Palestinian	Dina Hani Al Shawa	2,258,548	2,258,548
Palestinian	Linda Patrick Al Shawa	1,546,637	1,565,103
Swiss	Bernardita vigiano Al Shawa	155,341	156,894
Kuwaiti	Nabil Hani Qaddoumi	3,296,747	3,329,714
Kuwaiti	Yasmine Nabil Qaddoumi	1,542,655	1,558,081
Kuwaiti	Laila Nabil Qaddoumi	1,553,077	1,568,607
Palestinian	Omar Bahaa Al-Din Baheig	143,481	101,434
French	Genevieve Chantel Marie Boimond	455,295	559,847

Shares Owned by the Executive Management

Nationality	Position	Name	2020 Number of Shares	2021 Number of Shares
Palestinian	Chief Executive Officer	Mahmoud Maher Shawa	11,091	11,201
Palestinian	Chief Financial Officer	Sakhr Nammari	0	2,500
Palestinian	Chief Strategic Relations and Engagements Officer	Kamel Husseini	18,521	19,791
Palestinian	Chief IT Officer	Basem Maraqa	0	2,000
Palestinian	Chief Audit Officer	Najeeb Yasser	0	20,000
Palestinian	Chief Treasury Officer	Suliman Naser	9,883	9,981
Palestinian	Chief Business Banking Officer	Naser Bakeer	19,225	19,417
Palestinian	Chief Human Resource Officer	Randa Saliba Abdullah	3,202	3,234
Palestinian	Chief Risk Management Officer	Amal Masis	111	5,162
Palestinian	Chief Credit Officer	Hanna Sahar	10,560	10,665
Palestinian	Chief Operations Officer	Mousa Shamieh	17,669	17,845

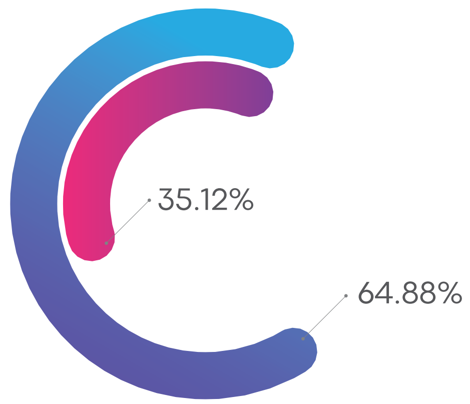
Bank Capital Development during 2021

Type of Corporate Action (C.A)	Announcement Date	Dividend Date	Dividend Payment Date	Outstanding shares before C.A.	Cash Dividends (USD)	No. Of New Shares	Outstanding Shares after C.A.	% of Dividends
Special Issuance	21/09/2021	-	21/09/2021	210,160,800	-	-	217,433,527	-
Stock Dividends	31/03/2021	18/04/2021	18/04/2021	208,080,000	-	2,080,800	210,160,800	1%
Cash Dividends	31/03/2021	01/04/2021	01/04/2021	208,080,000	8,323,200	-	208,080,000	4%

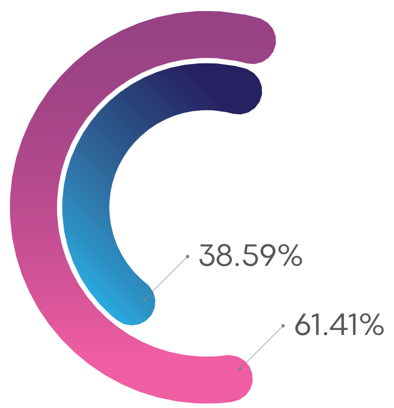
Number of shareholders and percentage of their shareholding by nationality and sector as at the end of 2021

Number of shareholders 2021 **4,708** | 4,660 2020

Percentage of shareholders by nationality

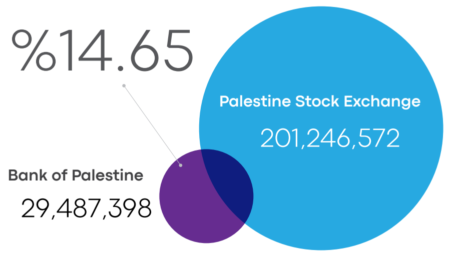


Percentage of shareholders by category

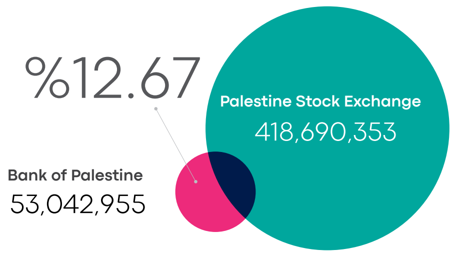


Trading Activity for 2021

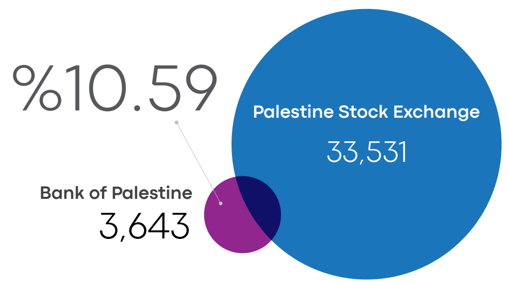
Number and percentage of traded shares



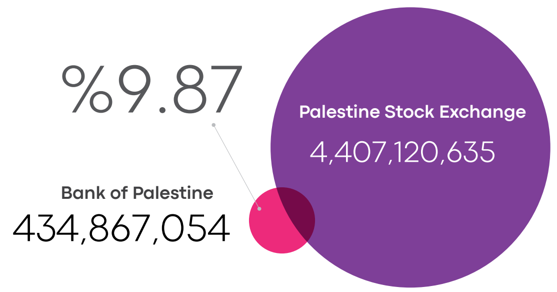
Value and percentage of traded shares in US Dollars



Number and percentage of executed deals



Market Value ($) as of 31/12/2021



Stock turnover rate

Bank of Palestine

%13.56

Turnover rate for companies

%9.92

Free Float Rate

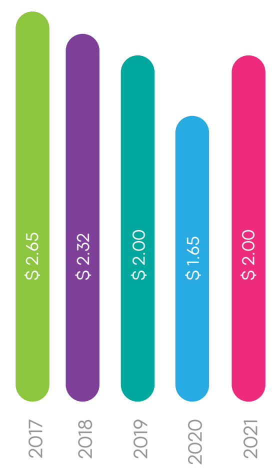
Bank of Palestine

%79.40

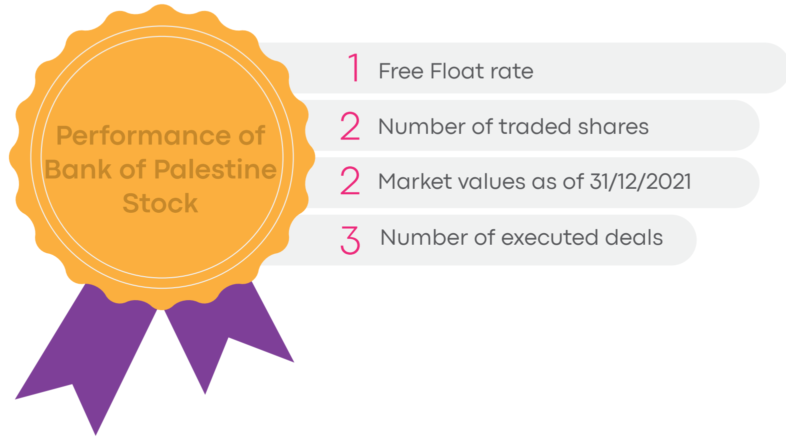
Free Float rate for companies

%35.38

Closing prices ($) for the last five years



Performance of Bank of Palestine Stock in the Palestine Stock Exchange in 2021

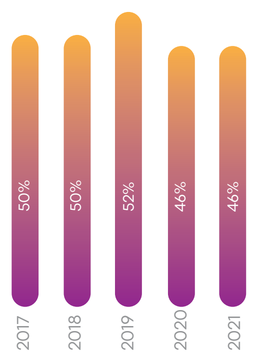


Dividends

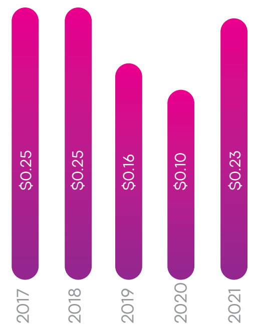
Since its listing on the Palestine Stock Exchange, Bank of Palestine has distinguished itself by reliably distributing dividends to shareholders on an annual basis, even under exceptional and difficult circumstances imposed on the Palestinian economy. The summary below demonstrates the distribution of cash and stock dividends during the past five years:

Distributing dividends to shareholders and their percentages of Bank's capital

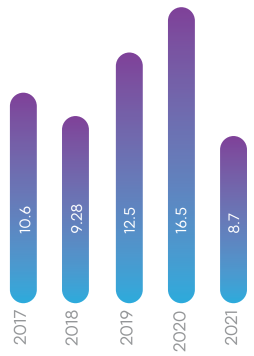
Payout Ratio



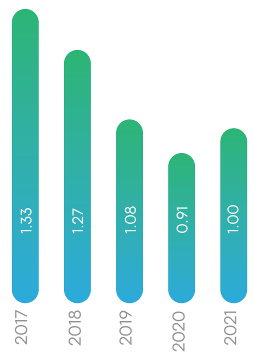
Earnings Per Share

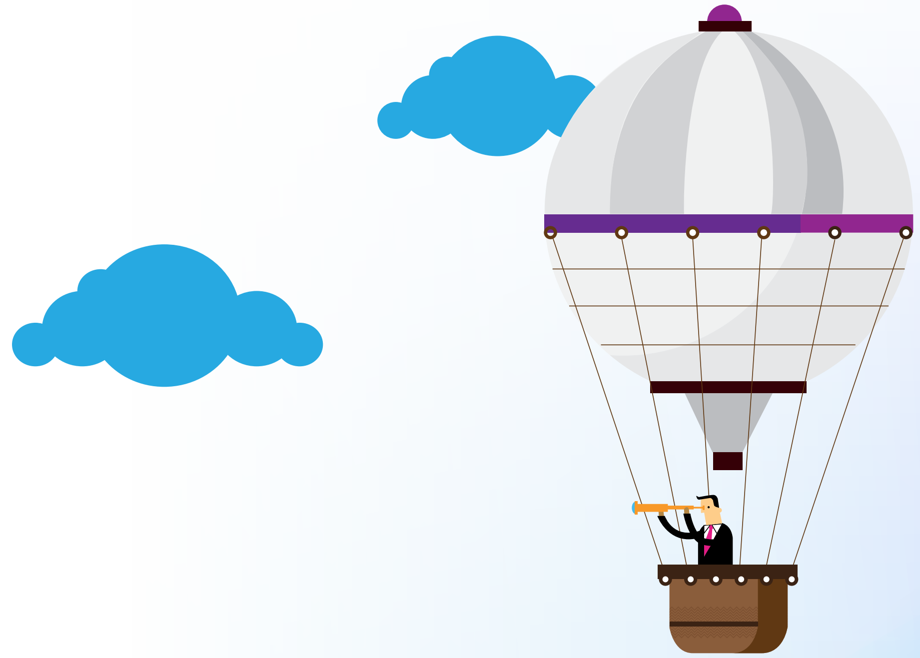


Price to Earnings Ratio (PE)



Price to Book Value Ratio (P/BV)





Ordinary Meeting Agenda and recommendations of Board of Directors:

- Presenting, discussing and approving the Board of Directors' Report.
- Presenting the external auditor's report, discussing and endorsing the financial statements of the company for the financial year ended on 31/12/2021.
- Absolving the Chairman and Members of the Board of Directors from liability for the financial year ended on 31/12/2021.
- Appointing an external auditor for the financial year 2022 and appropriating their fees or authorizing the board to do so.
- Approving the recommendation of the Board of Directors to pay a bonus for the members of the Board of Directors for the year 2021.
- Discussing the Board of Directors' recommendation to distribute **USD 26,094,067** as dividends for the year 2021, a percentage of **12%** of the bank's paid up capital for members in the general assembly and registered at the Palestine Exchange on **April 18th**, 2022 in proportion to each shareholder's share in the company's capital as follows:
  - **USD 19,569,017 as cash dividends**, equivalent to **9%** of the paid up capital.
  - **USD 4,587,847 as stock dividends**, equivalent to **2.11%** of the paid up capital.
  - **USD 1,937,203 as stock dividends**, equivalent to **0.89%** of the paid up capital through the capitalization of the General Banking Risk Reserves.
- Electing a new Board of Directors for the next four years.

Strategic Review

Customer Classification/Segmentation

Bank of Palestine serves and distinguishes its customers, according to their classification/segmentation (retail and business customers) and needs. The Bank appointed customer relations officers and hub managers based on the new segmentation project, to provide banking services through customer service centralization, which constitutes one of the most important pillars of the Bank's customer service strategy. Retail products have been developed significantly, leading to the growth of this portfolio, with an aim to promote services for this customer segment.

Retail Product Development

Annual Growth of Retail Loans Portfolio is **5.78%**

products have been examined and developed **13**

Digitization

The year 2021 witnessed continuous interest and need to complete all processes and structures with the aim to improve the quality of all services provided to customers. This included investing in the automation of several processes and strengthening digital channels and digital services to advance the level of service provided. Electronic operations grew significantly, and the Bank witnessed customer demand on the use of electronic services. Work will continue to sharpen the skills of Bank employees to provide the highest level of services to customers, while intensifying the promotion of electronic services.

Treasury Department Key achievements during 2021

The Treasury Department played a prominent role during 2021, as its activities focused on introducing customers to integrated treasury services, which have been carefully designed to meet customer banking needs, regardless of the diversity of their business. The Treasury Sales Department provides continuous awareness about the products and services offered over social media networks and radio channels, and publishes economic bulletins issued by the various Treasury units, thus proving excellence in banking services provided. One key feature of developing revenue from treasury was the competitive currency exchange rates provided to customers. Foreign exchange profits witnessed a significant increase in 2021, thus putting the bank at the forefront of the Palestinian banking sector in terms of trading volume, market share, and digital transformation in treasury operations.

Bank of Palestine has a leading position in terms of managing change and development processes for treasury departments, aimed at building more sustainable and comprehensive products in line with the vision of the Board of Directors, and at the same time, in compliance with international standards, meeting the expectations of shareholders and customers. In line with the Bank's strategy for digital transformation at the level of all banking operations, the Treasury Department launched competitive prices on the Banke mobile application, encouraging customers to execute transactions around the clock, using quick and easy steps, without the need to visit Bank branches.
From another angle, the Bank's external investments achieved excellent returns due to the adoption of a diverse investment policy built on geographical distribution, where profits were matched on the one hand, and risks, on the other. The Financial Institutions Department is considered the link between the Bank's internal business departments and external banks through established relationships with a network of correspondent banks around the world. The Department opened new accounts with several banks during the year 2021, significantly contributing to the promotion of the Bank on a global level and enhancing its alignment with international best practices.

Recycling and Green Bonds

Over the past few months, sustainability formed an essential part in the business development of the Treasury management departments, whereby paperwork was largely replaced with electronic functions, eliminating the use of paper. The Bank also added green bonds to its investment portfolio, with an aim to enhance investment in eco-friendly projects. In addition, the Bank invests in local bonds that have a social impact, and enters into partnerships with the local community with the aim to combat diabetes among women in refugee camps and villages. Bank of Palestine seeks to further enhance support for investment efforts and social and humanitarian contributions to lay solid foundations for an effective and inclusive society.

A Safe Custodian of Your Investments

The Palestinian Capital Market Authority and the Palestine Stock Exchange granted Bank of Palestine a license to act as a custodian for local and foreign investors in Palestine.
Among the most prominent tasks that we provide in this aspect include safeguarding the interest of investors, providing the necessary support to meet their expectations and provide the necessary tools that assist them in meeting their needs wherever they are. This includes receiving due profits for customer investments in local securities, organizing and maintaining accurate records for customers, receiving the price of securities sold by brokers, covering the cost of securities purchased for the broker on behalf of customers, sending periodic reports to customers. Custody services enables customers to inquire about their portfolios and cash accounts and informs them of all the measures taken by the issuers regarding financial papers and information related to interests accrued, profits realized and rights on securities. The safe custodian attends corporate General Assembly meetings and votes on behalf of customers and notifies them about new corporate news and announcements.

Operational Management to Improve Customer Service

In line with the Bank's strategy to develop banking services and achieve digital transformation with an aim to meet customers' needs with speed and accuracy, the Operations Department created a unit specialized in ensuring the quality and engineering of operations and procedures. The department is responsible for developing a strategic plan with the various Bank departments to digitize and reengineer banking operations in order to complete the centralization of all operations implemented in the branches, in order to provide the best banking services for customers.

In 2021, the Operations Department completed part of its Strategic Plan, which included the following items:

- Completing the application of the electronic checks clearing project and starting the centralization of all check clearing operations in branches. This had a clear impact on reducing time, effort, and number of employees, and improving the quality of service provided to customers, in addition to reducing operational risks to a minimum.
- Starting the implementation of the project to centralize all outgoing transfer operations and the mechanisms for their issuance by branches and/or directly by customers, which will contribute to reducing time, effort, and number of employees, leading to improved quality of service provided to customers, as the project results will appear in 2022.

- Applying the automated connection project with the Palestine Monetary Authority for the purpose of inquiring about customer credit ratings. Several similar projects have been completed, including: the project to reengineer checkbook request processes, in terms of approving them, the printing mechanism involved, receiving them and delivering them to customers. This project is in line with the Bank's strategy that aims to contribute to the preservation of the environment, contributing to reducing printed paper by 80% of the total paper used in checkbook procedures. A key project was focused on the development and improvement of the centralization of account operations and procedures, especially the project for opening accounts, updating data and the Know Your Customer database. The Bank updated most active bank accounts and complied with instructions issued by the competent authorities, which played a major role in providing a sound customer database that informs various customer classifications, whether according to their degree of risk, activity, or business, in order to ensure that the best services are provided to them according to their classifications.
- Commission the reengineering of all the required paper forms, reduce their quantity, and convert them into electronic form, whereby a large percentage of forms were completed in 2021. The Bank also activated the barcode feature and applied it to the forms to facilitate their automatic archiving, in line with environmental preservation practices, part of the Bank's efforts to achieve sustainability.
- Starting the implementation of the electronic archiving project and preparing a central headquarters for archives. The electronic archiving operations, which included branch papers and documents, were initiated centrally, largely contributing to maintaining documents in a safer manner, as well as reducing risks to a minimum.

Sustainability at the Bank of Palestine

As the first leading Palestinian bank at the national level, we are aware of our responsibilities and the importance of the role we play in order to ensure the sustainability and wellbeing of the Palestinian economy. Since the Bank's establishment in 1960, it has had a value system with a comprehensive responsibility that embraces the best interest of people, putting stakeholders from different segments at the forefront of our daily operations. this values-based strategy is at the core of our business practices.

This has allowed us to pioneer practices that enable the provision of better services to our customers and ensure that our business practices can achieve social, environmental, and economic value for the various stakeholders. The scope of our business varies to include pioneering banking services and digital services, financial inclusion that contributes to integrating groups marginalized and deprived from banking services, enabling them to benefit from our multi-services with a comprehensive strategy for community and social investment.

The Bank's sustainability efforts include several priority sectors across all stakeholders (employees, partners, society and the environment) within the principles of global governance. internally key to our responsibility is safeguarding of the rights of our employees and ensuring an appropriate level of satisfaction and career development, while externally creating new direct and indirect job opportunities for younger generations.

These values also involve focusing our core business on empowering and developing the Palestinian economy, by providing a diversified package of world-class financial products and services. This is in addition to the continuous innovation of our products and services to ensure that they are accessible to marginalized groups in our society, including women, youth, people with special needs and people living in remote areas. They also incorporate the principles upon which sustainability efforts are based: creating a strategy for impactful community investment based on solid foundations; meeting urgent needs, including crisis management to address economic challenges; and focusing on long-term investments related to the health and wellbeing of Palestinian citizens. These commitments to values also involve ensuring the sustainability of the environment by minimizing the consumption of natural resources, minimizing waste within Bank branches, benefiting from financing and investment projects to promote environmental sustainability in Palestine by granting green loans and investing in renewable energy.

This year, we embarked on a serious path to institutionalize and promote the principles of sustainability in all of the Bank's operations. We also took several steps and procedures, which included: establishing the Board of Directors Sustainability Committee, charged with supervising the implementation of sustainability programs within the bank, monitoring the performance of the sustainability thrust, defining sustainability priorities and strategies, and ensuring that sustainability agenda is effectively integrated into the core business and is reviewed based on the highest levels of governance.

In the context of these steps, the Bank established the Sustainability Department, which is primarily mandated to manage and mainstream sustainability in all Bank departments, in addition to monitoring and analyzing the Bank's overall sustainability performance.

The Bank also plans to publish its first sustainability report for 2020-2021, based on GRI Standards, in tandem with sustainability strategy, which will detail sustainability priorities, commitments and Key Performance Indicators (KPIs) in major areas of Environmental, Social and Governance (ESG) performance.

Financial Inclusion ... for Achieving Sustainable Developmental Goals

Stemming from its efforts to achieve sustainability goals, Bank of Palestine affirms its continuous efforts to consolidate the principles of financial inclusion, taking into consideration the importance of integrating all segments within society: including women, youth, adolescents, persons with disabilities, Micro, small and medium size enterprise (MSMEs). This is done by enhancing their access to financial services that meet their needs, and developing programs, activities and trainings through the Bank's partnerships with local and international organizations. During 2021, the Bank organized 133 workshops, featuring the participation of 2,200 beneficiaries, through face-to-face and online meetings.

After designing the appropriate programs and services to all segments and groups in society, the first step towards achieving financial inclusion involves raising awareness and knowledge in financial and banking issues among the target groups, especially in light of the constant developments and changes in banking services. This will enable target groups to conduct sound financial decisions, manage their careers and professional lives in a manner that is financially sustainable, while providing them an appropriate degree of knowledge about preserving the environment and society.

" Meeting with Bank of Palestine" is one of the most important banking awareness programs that target various social groups, including women, youth, entrepreneurs, small and micro-business owners, and persons with disabilities. This program contributes to enhancing the banking knowledge of these groups in terms of services and procedures and guides them to make sound decisions. The 61 banking awareness sessions, which targeted around 1,300 beneficiaries from various governorates across the country, took into consideration remote business conditions and social distancing.

The Felestineya Mini-MBA Program

Bank of Palestine launched the Felestineya Mini-MBA Program in 2014, with an aim to enhance the capacities of women from different segments of society, providing them with a range of financial and non-financial services, training and opportunities, connecting them with mentors, keeping pace with changes in line with needs. During 2020-2021, and in view of the great challenges created by the COVID-19 pandemic, the Program continued to communicate with beneficiaries and partners, with the aim to enhance their capacities to manage and lead their businesses in times of crisis.

During 2021, the fifth cohort of the Felestineya Mini-MBA Program we adopted the distant learning methodology and celebrated the graduation of 24 female entrepreneurs from different economic sectors which raised the number of graduates to 151 leading female entrepreneurs over the course of 5 cohorts. The Program was designed in partnership with the International Finance Corporation (IFC), Ernst and Young, and the Business Women Forum (BWF), with an aim to develop the skills of micro and small business owners in the fields of financial and legal planning, marketing, strategic planning and human resource management, while connecting women with local and international experts. .

فلسطينية . الك . لعيلتك . لشغلك
FELESTINEYA. FOR YOU,YOUR FAMILY & YOUR WORK

Felestineya Graduates: Our Pride and Joy

As part of the Bank's partnership with the Ministry of National Economy to reach female entrepreneurs from various areas, a series of joint workshops were launched to educate women business owners about the importance of managing their projects financially and making sound banking decisions, in addition to introducing them to the role of the said Ministry in regulating their businesses. The Ministry implements activities and services pertaining to commercial registrations, patents and moveable assets. Stemming from its vision to support women's projects and ensure their sustainability, the Bank sponsored the activities of the second "Persistence to Continue our Journey" bazaar, which featured the participation of 70 women entrepreneurs from various productive sectors.

To support Palestinian women in developing and expanding their businesses, both financially and non-financially, and ensure their access to funding, a group of women business owners received training and guidance on transition to digital technology to enhance their digital presence and invest in social media platforms. Several meetings were also implemented by PalPay Company to introduce women to electronic payment solutions, e -commerce and their relevant terms and concepts. These activities are implemented as part of Bank's commitment to achieve financial inclusion, enhance women's access to electronic services, and assist them in managing their sales digitally

The launch of all training programs entails communicating with women through the Felestineya Program and studying their needs. Accordingly, specialized trainings were held in partnership with the Media Development Center at Birzeit University, focusing on photography and skills for women to introduce themselves and their project ideas, thus enabling them to promote their projects and enhance their presence in the media and social networks

Corporate Social Responsibility: Part of the Sustainability Approach

Commitment to social responsibility is not merely a slogan adopted by Bank of Palestine, but rather a structured approach towards promoting sustainability in many sectors. Through this approach, and the Bank's mission that was launched since its establishment in 1960, the Bank manifests its commitment to Palestinian society, in line with its vision and role as a leading Palestinian banking institution that is committed to the development of the banking sector, to participate in the promotion of the Palestinian economy and to social empowerment.

Bank of Palestine works with utmost care in cooperation and partnership with all parties concerned, to establish a broad base of sustainable partnerships with various sectors, targeting all segments of society. The Bank also focuses its attention on creating opportunities for empowerment and sustainable impact, adopting the principles of sustainability in its practices and activities, both internal and external.

Partners in Development Serving Society

Bank of Palestine is committed to economic and social development by allocating around 5% of its annual profits in support of social responsibility projects and initiatives. In doing so, the Bank conforms with a value system based on the principles of governance, transparency, and sustainable social and economic impact. During the past years, the Bank provided support to the various sectors in society, including health, education, entrepreneurship, environmental protection, culture, arts and sports. Through its initiatives and continuous support, the Bank targeted all segments, including women, children, youth and persons with disabilities, and ensured the implementation of initiatives across the governorates, to become the first banking institution that is committed to supporting all societal sectors and segments, enabling them to confront challenges and continue along the path of building and development.

Empowering the Health Sector as Part of Community Sustainability

Stemming from its belief in the importance of supporting its people under difficult economic and social conditions, especially during the outbreak of COVID-19, and to enhance the capacities of the Ministry of Health in confronting this crisis, Bank of Palestine donated several vehicles to the said Ministry for the transportation of medical staff across the Palestinian governorates to provide primary healthcare to persons infected with the virus.

The Bank also donated a technically equipped van for the Augusta Victoria Hospital in Jerusalem to transport patients and persons with disabilities from and into the Gaza Strip. The van was a safe and comfortable vehicle that provided free transportation for patients, and formed part of the comprehensive services provided by the hospital, especially in light of the economic hardships confronted by our people in the Gaza Strip.

in Partnership with Juzoor Foundation for Health and Social Development, Bank of Palestine launched a prevention campaign for diabetes in Palestine, which aims to spread awareness about nutrition, health and sports practices and lifestyles that protect against diabetes.

Within the framework of the health sector empowerment initiatives, the Bank donated computer devices to Al Makased Charitable Society in Jerusalem. The Bank also contributed healthcare equipment through the "Palestine in Our Hearts" campaign, in cooperation with the United Nations Relief and Works Agency for Palestinian Refugees in the Near East (UNRWA).

Caring for the Environment

Bank of Palestine supported the "Heathy and Eco-Friendly Schools" project, which aims to innovate ideas and sustainable projects that promote the concept of health and environmental awareness in schools and society and enhance environmental and health values and practices among students.

Stemming from its efforts to establish green and environmentally friendly spaces, the Bank inaugurated a children's playground, part of Al-Bayyara Project, at the Augusta Victoria Hospital in Jerusalem.

Relief Initiatives are a Priority

Bank of Palestine Group launched a massive campaign under the slogan "Palestine in Our Hearts: together we donate and together we build," to raise support and donations for the relief Palestinians who suffered from the 2021 aggression on the Gaza Strip, and contribute to alleviating material and moral damages inflicted on all aspects of economic and social life.

During the holy month of Ramadan, Bank of Palestine supported the "Share the goodness of the Holy Month of Ramadan" campaign, in cooperation with the Welfare Association (Taawon), to distribute weekly fresh fruits and vegetables baskets and poultry from small local farmers and distribute them among disadvantaged families in the Gaza Strip.

The Bank also provided support for the Palestinian Patients Accommodation Fund through the King Hussein Cancer Foundation.

Contribution to Education

Last year, Bank of Palestine provided support for the activities of the mobile library, in partnership with Al-Qattan Foundation. The library aims to expand cultural, artistic and creative prospects among children by promoting the habits of reading and self-learning among them, enhance their appreciation of the arts, and provide an interactive educational environment that contributes to their growth.

Within the same context, Bank of Palestine provided funding for Injaz Palestine Foundation, and donated scholarships for doctorate students at the Arab American University.

Children Are the Future

Bank of Palestine organized a series of entertainment activities for around 150 children through the Cinema Bus and the Mobile Library in the Gaza Strip, in partnership with the United Nations Population Fund (UNFPA), the Save Youth Future Society and Al-Qattan Center. These activities aimed to relieve the psychological witnessed by children as a result of the recent aggression against the Gaza Strip.

In partnership with Burj Al Laqlaq Society in Jerusalem, the Bank organized entertainment activities for children in Jerusalem hospitals during Eid Al-Fiter

The Bank continued to support the Wajd Program, which was launched to promote access of orphans to adequate standards of living in the Gaza Strip. This is among the most important programs adopted by the Bank, under the umbrella of its social responsibility initiatives.

Innovation and Youth

Stemming from its belief in the importance of supporting the entrepreneurship sector in Palestine, and to encourage entrepreneurs to create innovative ideas and solutions that contribute to the development of the Palestinian economy, and provide youth employment opportunities, Bank of Palestine sponsored the 2021 Global Entrepreneurship Week (GEW 2021). This week contributes to introducing local and international companies, organizations and interested persons to the ideas and initiatives of entrepreneurs, shedding light on Palestinian youth capacities in the global entrepreneurship space. The week provides networking opportunities to allow entrepreneurs to benefit from expertise and experiences in the region and the rest of the world, and have access to experts and investors, thus enabling them to launch their entrepreneurial projects at the local and global levels.

The Bank also signed a partnership agreement with Sharek Youth Forum, with an aim to encourage collaborative work and launch youth initiatives.

Women Empowerment

The Bank believes in the importance of empowering women economically, thus it supported several relevant events, among them:
Support for TEDx Women, as part of the Bank's strategic plan to contribute to promoting the role of women in Palestinian society.

Within the framework of the National Day for Palestinian Products and stemming from its vision to support women's projects and ensure their sustainability, Bank of Palestine, and for the second time, supported the "Persistence to Continue our Journey" bazaar, which was held in Bethlehem.

Culture, Arts and National Heritage

Bank of Palestine pays special attention to Palestinian cultural heritage and Palestinian organizations that work in the field of preserving it. Accordingly, the Bank supported an exhibition entitled "A People by the Sea: Narratives from the Palestinian Coast," in partnership with the Palestinian Museum in Birzeit.

In applying the principles of sustainability and contributing to the preservation of Palestinian architecture and old homes, Bank of Palestine signed a partnership agreement with Riwaq Center for Architectural Conservation to support its activities and contribute to the preservation of architectural heritage

Based on the Bank's interest in the importance of supporting culture events and activities and the organizations that implement them, support was provided for El Funoun Dance Troop, to launch its artistic performance "Ashira."

The Bank continued to support cultural and artistic organizations in Jerusalem, in order to ensure their continuity and sustainability amidst the hardships and challenges. The Palestinian Art Court – Al Hoash, received support to inaugurate an exhibition entitled "And We Still Follow Its Path."

In addition to the above, The Bank also supported activities implemented by the Yabous Cultural Center in Jerusalem.

Empowering People with Disabilities

The Bank is aware of the importance of promoting the capacities of autistic children, and providing them aiding tools to develop their skills, and therefore provided its support to prepare a safe play area at the Palestine Autism Center, which is affiliated with the Right to Live Society in the Gaza Strip.

Within the framework of its strategy to support and empower people with disabilities, and to raise awareness about inclusive education and the right of people with disabilities to university education, Bank of Palestine supported a workshop that was held at Al Khadouri University about empowering people with disabilities towards university education.

- The Bank signed a partnership agreement with the Palestinian Paralympic Committee.
- In partnership with the Ramallah Governorate, the Bank donated electric wheelchairs to people with disabilities.

Sports for a Better Health

Believing in the importance of providing support for the various activities of sports clubs and federations across Palestine. It signed a partnership and collaboration agreement with the Palestinian Athletes Federation with an aim to support and develop its activities and provide players, coaches and administrators the highest standards of qualification.

Being an advocate of the importance of directing youth energies and capacities towards eco-friendly sports and contributing to the nurturing of a persistent sporting generation, the Bank signed a partnership agreement with the Palestine Sailing and Rowing Federation and sponsored the first championship competition on the shores of Gaza.

Electronic Services and Achievements During 2021

Bank of Palestine's digital mission aims to employ digital entrepreneurship to ensure the sustainability of banking operations, especially digital services, in light of developments in the banking industry. The Department of Electronic Services works diligently to transform Bank of Palestine's banking system from a conventional one to a financial digital system, based on modern and exceptional electronic services that respond to customer requests and reduces their visits to bank branches. These services include: complete control of bank accounts; Pay to a Friend service, offered by Bank of Palestine Group; financial payments using the QR Code; and other modern electronic services.

The digitization strategy does not only involve improving customer service, but also supports the Bank in minimizing the use of natural resources, thus contributing to environmental sustainability.

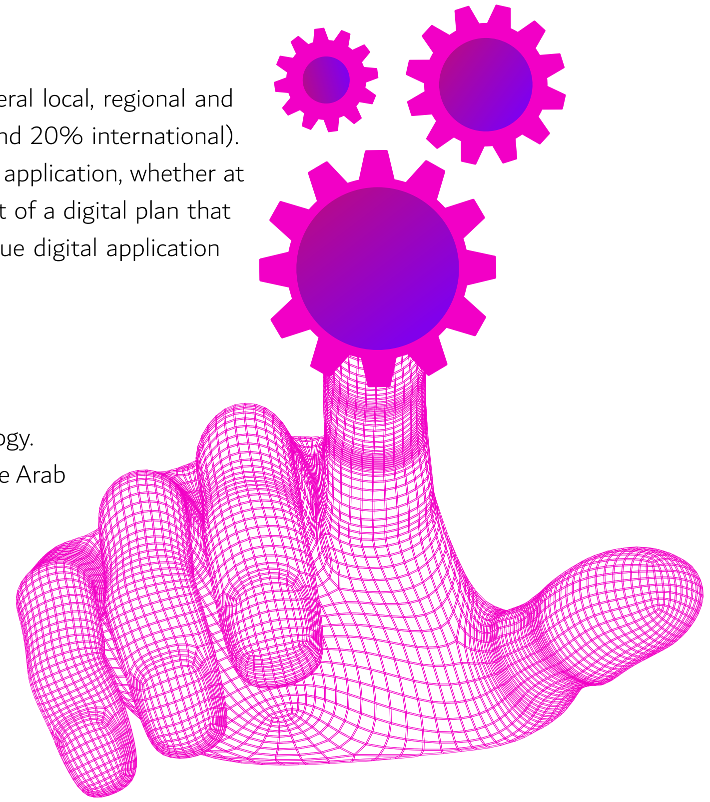
2021 was a pivotal year for the Bank at the level of digital transformation, whether due to the active internal policies for digital transformation or because of the requirements of a global condition with the continued spread COVID-19. The Bank managed to achieve qualitative and quantitative leaps in the use of digital channels, thus reflecting increased customer confidence and enhanced financial behavior in terms of relying on electronic services at the level of the Banke application and bank cards. Following are the detailed 2021 achievements of the Department, resulting from the uninterrupted efforts of the team working on the development of electronic services:

2021: The Year of Digital Transformation

Since the beginning of the year, the Electronic Services Department has been preparing the digital plan for Bank of Palestine, which involved the activation of all services expected to be launched and provided to customers through the various electronic channels, including the Banke application, corporate internet banking, ATMs and the call center, hence, the realization of the digital vision for the next five years. In this framework, the Bank identified the value and extent of complexity of all the aforementioned services in order to arrange them on a priority basis, within a specific timeline that ensures their timely implementation.

The timeline and priorities of the 2021 digital plan were shared with the Information Technology Department and PCNC in order to ensure the implementation of the digital plan in accordance with specific priorities. This was among the most important steps taken by the Electronic Services Department, keeping all parties involved abreast with the specific timelines, expected deliverables and the services entailed.

A thorough study was conducted on electronic services provided at several local, regional and international banks (over 50 banks, of which 60% regional, 20% local and 20% international). 2021 was a year with plenty of developments and updates on the Banke application, whether at the user level or at the database or new services level, all of which is part of a digital plan that aims to gradually promote the application and eventually provide a unique digital application that reflects the Bank's vision in digital entrepreneurship.



The most important updates on the app:

- The launch of new POS, in line with the latest developments in technology.
- The Pay to a Friend feature, part of Bank of Palestine Group, including the Arab Islamic Bank and PalPay Wallet "Mahfazty."
- Comprehensive management of customer accounts, including the addition of new currencies and features, the reactivation of closed accounts, and closing accounts.
- Making payments using the QR Code.

Digital Indicators until End December 2021

- Total customers registered in the Banke application: 289,801
- Continuous increase in the number of regular customers: from 17% to 24% of total BoP customers.
- At the level of transactions: qualitative leaps in the use of electronic services, and great improvement in customer behavior: from cautious use to that responding to basic life requirements.
- At the level of comprehensive account management: the number of customers who opened, closed or reactivated their accounts using the Banke application: 8,400, or 10% of Bank users.

289 Thousand Customers registered in the eBanke application

The number of customers registered in the Banke application by **243.8%**

The number of transactions conducted grew by **40.0%**

The Business Digital Suite

2021 witnessed the development and integration of upgrades on corporate internet banking services, including the ability of corporate customers to transfer salaries and conduct multiple transactions without the need to visit Bank branches.

Commerce

The Department added new features to the E-commerce portal, which is a service for business owners who wish to collect their sales and receive payments (Visa and Master Card) through their business websites.

The most important E-commerce achievements
Awarded the government bid for E-commerce services.

New Features:

- Providing support for the most important E-commerce sites

- Collecting payments within one business day.
- Easier mechanisms for technical connection with the E-commerce portal using plugins on the most important E-commerce sites.

Bank of Palestine E-commerce portal features:

- High security using the 3D Secure feature.
- Accepts most local and international cards issued by Visa and Master Card.
- Ability to issue reports through a system provided to customers.
- Ability to receive money in multiple currencies.
- Easy technical connection with the E-commerce portal on Bank systems.

Points of Sale

The Points of Sale service achieved a qualitative leap through the mobile Points of Sale (mPOS) technology on the Android operating system. This service is easy to use, offers swift financial transactions, and supports payments using the QR Code.

eBank


SALE

Information Technology Management Achievements

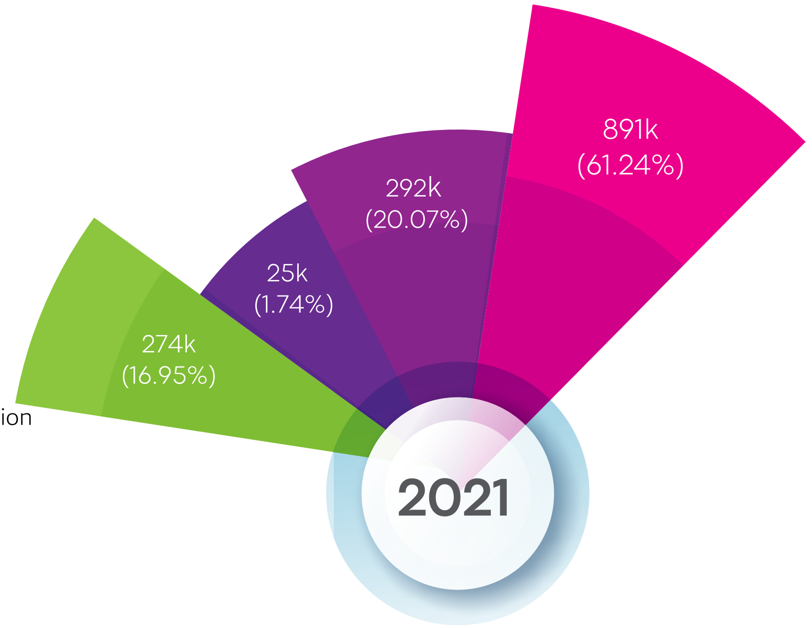
2021

In line with the sustainability and digitization strategy, the Information Technology Department conducted several updates on banking systems, contributing to the creation of a green environment and minimizing the use of paper within the Bank at the customer leve:

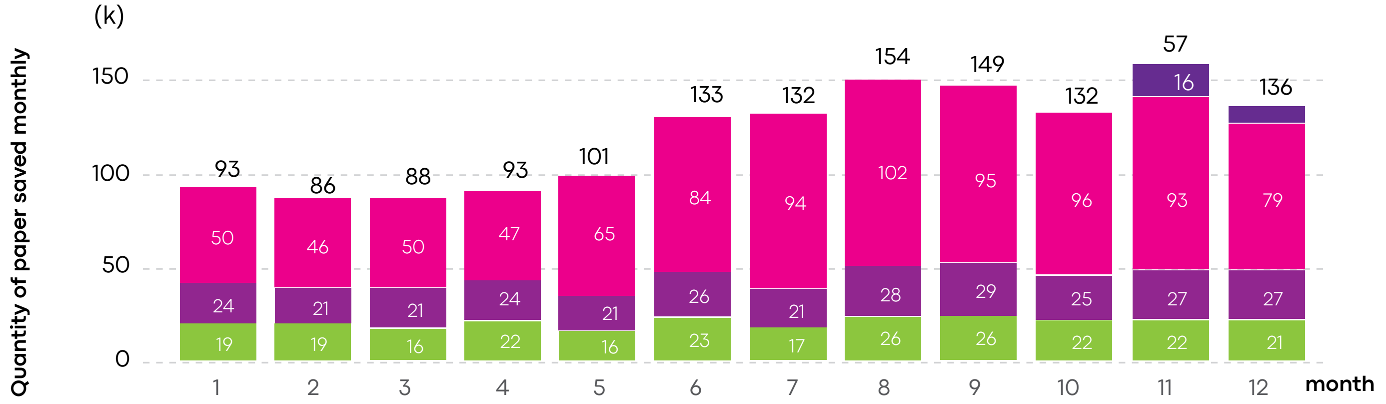
1. Activating the e-form system (120 forms) for transactions, resulting in the acceleration of applications and reducing the quantity of paper used by removing unnecessary information.
2. Automating the financial payments system, which eliminates the need to print shareholder inquiries during the distribution of corporate dividends.
3. Launching and updating several electronic services within branches and E-channels (Banke, 3.2, 3.3), thus completely eliminating the need to use paper.
4. Automating the settlement of financial data for customers subscribed in the E-settlement services (minimizing the use of paper at the customer level).
5. Automating credit inquiries about the Palestine Monetary Authority loans to assist in granting loans and following up on recipients.
6. Automating checkbook request processes through automatic approval and integration with the Palestine Monetary Authority using the approval matrix for non-committed customers (minimizing paper use to 4 pages).

Paper quantity minimized through the project:

- Know Your Customer updates
- Checkbook requests
- Checkbook delivery
- Opening and closing bank accounts through the Banke application



Total paper saved during 2021: 1.5 million



Paper saved, based on project and month:

- Know Your Customer updates
- Checkbook requests
- Checkbook delivery
- Opening and closing bank accounts through the Banke application

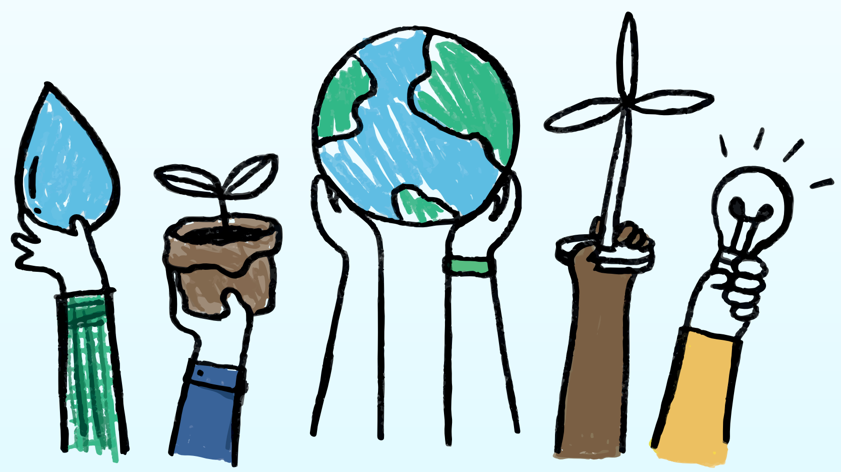
Since decades, Bank of Palestine has had a strong conviction in the importance of building strong and close partnerships with local, regional and international developmental organizations. During the past years, the Bank signed cooperation agreements with several entities, among them the International Finance Corporation (IFC), the French Development Agency (AFD), the Arab Fund for Economic and Social Development, and the Kreditanstalt für Wiederaufbau (KfW) development bank. During 2020 and 2021, and in line with the strategy of Bank of Palestine Group for financial inclusion, sustainability, governance and digitization, this cooperation with the financial developmental institutions was extended.

By the end of 2020 and the beginning of 2021, new agreements were signed with the European Bank for Reconstruction and Development (EBRD), for granting loans that aim to support lending for small and medium size enterprise and allocate financial support for business women in the West Bank and the Gaza Strip. These partnerships would contribute to the achievement of two UN Sustainable Development Goals (SDGs) in the fields of financial inclusion for women and youth, and preserving the environment and natural resources. The Bank also signed an agreement to finance international trade, with an aim to promote export-import activities, following the damages incurred on this sector, especially due to the outbreak of the COVID-19 pandemic.

As part of its contribution to supporting projects that were mostly affected by COVID-19, the Bank signed a loan agreement with the European Investment Bank (EIB), with an aim to finance small and medium size organizations, thus contributing to the implementation of the financial inclusion strategy.

Key milestone was the completion of the first phase of the SUNREF Green Loans agreement, signed with Proparco (part of AFD). This program, which provided support to over 80 investment projects in the field of the environment, energy efficiency and renewable energy, proved its success.

Together We Achieve the Sustainable Development Goals



Strategic Relations and Engagements

The Strategic Relations and Engagements Department at Bank of Palestine has undergone several development and improvement stages until it was able to record progress at the level of performance and achievements and become what it is today. Every stage of development matched the Bank's strategic plans for expansion and strengthening relations with local and international partners to support both commercial and developmental goals.

The Department adopted the policy of networking between the Bank and local and international organizations that share the Bank's vision in several aspects, with an aim to promote the principle of sustainability. This was manifested both in terms of facilitating financial services in the context of humanitarian support or other forms, including financial inclusion, empowering women economically, support of entrepreneurship and youth initiatives, and support of persons with disabilities.. The Department targeted and supported other sectors, in accordance with the Bank's strategy and national priorities indicated in the National Development Plan.

The organization of the Third Edition of the International Conference on Entrepreneurship Palestine – ICEP 3.0, was the most important activity implemented by the Department this year. The Conference, which hosted local and international participants, was held on 14 December 2021, under the patronage of His Excellency the Palestinian Prime Minister, Dr. Mohammed Ishtayeh, in partnership with the Ministry of Entrepreneurship and Empowerment and Global Shapers Palestine (part of the WEF communities), with support from Bank of Palestine, several Palestinian private sector institutions and international developmental and financing organizations. ICEP 3.0 was organized online using the Zoom technology. ICEP 3.0, was launched under the slogan "Palestine: Towards Paving the Silicon Path to the Middle East and North Africa."

Mr. Hashim Al Shawa, the Chairman of Bank of Palestine Group, was a key supporter for the organization of ICEP 3.0, stressing the fact that the "the Group supported the conference since its launch in 2019, stemming from its vision for youth entrepreneurship. ICEP 3.0 achieved great successes at the level of Palestine and the world, and several Palestinian startups managed to create new job opportunities for youth." This commitment at the highest leadership level at Bank of Palestine, affirms the necessity to continue strengthening the entrepreneurship ecosystem to keep pace with the interest of all local and international partners in Palestinian entrepreneurship, thus reflecting the volume and quality of participation from Palestine and the world.

It is important to mention that the Strategic Relations and Engagements Department organized several activities and events, including the preparation and implementation of a series of workshops with local and international partners to build and enhance the capacities of target institutions and individuals.

The Department also represents the Bank in several events for international partners, takes care of all delegations visiting Bank of Palestine, and continuously pursues new prospects for cooperation and building strategic partnerships in order to achieve sustainable impact.

Diaspora Relations

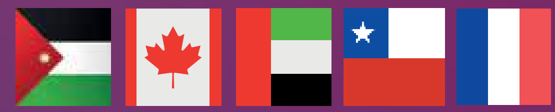
The Diaspora Department team offers comprehensive banking, investment and advisory services to individuals, companies and businesspeople in the diaspora. It also channels bridges of communication with Palestinians living abroad and encourages them to invest in Palestine to support the Palestinian economy. The latest statistics revealed a total of eight million Palestinians living in the diaspora, with a financial wealth that exceeds $100 billion. These Palestinians also enjoy influential economic and political power in their countries of residence. In addition to providing banking and investments services, the Diaspora Department partakes in supporting and activating social responsibility programs by providing sponsorships and participating in Palestinian diaspora community events. The aim behind these activities is not only to attract customers and introduce them to banking services, but also to build the bridges with their homeland that encourage them to invest in the Palestinian community abroad and at home. During the years 2020 and 2021, the Diaspora Department initiated interaction between Palestinians in the diaspora and their motherland, Palestine, by launching a donations campaign that aims to assist Gazan families who suffered from the last aggression on the Gaza Strip. The campaign targeted diaspora in various parts of the world. The Department also introduced deposits-related products that have a positive impact, whose returns are earmarked for community development projects. During the COVID-19 pandemic, which hindered the ability to plan visits to Palestinians in the diaspora communities around the world, the Department organized online meetings with the diaspora communities in Europe, the Americas and the Gulf countries. The aim was to maintain existing relations and build new ones, as well as open new markets to attract customers and investors and provide banking services to Palestinians in the diaspora.

Connecting Chilean Businessmen with their Palestinian Counterparts

During 2021, the Diaspora Department worked on enhancing commercial relations between Palestine and Chile by encouraging the export of Palestinian products to Chile. The establishment of the first Palestinian-Chilean joint business council is underway, in cooperation with the Palestinian Businessmen Association and the Sofofa Foundation, which represents businesspeople in the Chilean Republic.

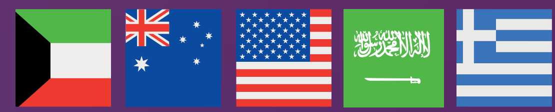
Last year, the Department's work procedures were updated to ensure the provision of the best banking services to customers: operations were reengineered and procedures developed in line with global developments in technology. The Department provides banking services to 4,000 customers living aboard, with a credit portfolio of approximately $60 million and $105 million in deposits. The Bank also launched banking products that enable Palestinians in the diaspora to purchase lands and apartments in Palestine, with up to 70% financing from the value of the property.

The development and launch of new banking products is underway, enabling the Bank to provide competitive services to Palestinians in the diaspora.



Bank of Palestine

From the Diaspora to the Homeland



The Representative Office in Dubai

In an effort to build bridges of communication and collaboration with the Palestinian diaspora, Bank of Palestine established a Representative Office at the Dubai International Financial Center in August 2015, registered as a Foreign Recognized Company that operates a representative office. The Office was inaugurated in April 2016.

The Most Important Achievements of the Representative Office in Dubai

Efforts of employees at Bank of Palestine's Representative Office in the United Arab Emirates, allowed for the achievement of considerable milestones in terms of number of new and reactivated accounts, attracting new customers, and loans granted to individuals and companies. The Office continues to serve more than 2,000 customers and maintains their contact information in order to reach them during the marketing and promotion of new banking products.

During 2021, the Office managed to open and update information on 210 accounts for Palestinians living in the United Arab Emirates and the Gulf Cooperation Council (GCC) countries, with an aim to promote savings accounts or term deposits. The office continues to focus on the provision of all electronic services to customers contacting them through SMS, internet banking and the Banke application, thus contributing to fluffing the Bank's vision to achieve electronic and digitized banking services and significantly reducing transaction costs.

During 2021, the volume of deposits and transfers reached around $8 million, between investments, deposits, and private customer accounts. The Office contacted current investors living in the UAE, who represent 4.1% of total Bank shareholders, and set out to attract new investors to buy shares in Bank of Palestine, with several investors acquiring additional shares amounting to 1.6 million, with all transactions executed through Al Wasata Securities.

Bank of Palestine is dedicated to its social responsibility towards the Palestinian diaspora in the UAE by sponsoring cultural and social events that they are help in creating networks between Palestinian business people in Palestine and abroad. In this context, the Representative Office in Dubai represented Bank of Palestine at conferences, seminars and several other activities and events held in the UAE via digital technology, where introductions and communications take place between participants. Such activities are extremely important in providing visibility in the UAE and signifying the level of progress achieved by the Bank.

Sustainability and Financial Inclusion

Through its presence abroad, Bank of Palestine seeks to serve the largest possible segment of Palestinians in the UAE, and this presence is translated in the Bank's keenness and commitment towards all segments in society at the local and global levels to benefit from banking services. The Bank enhanced its presence globally not only at the level of banking services but also by creating networks with regional and international organizations and delving into their experiences in the financial inclusion, sustainability and best practices in the fields of the environment, governance and society, to keep abreast with developments and global principles.

The Representative Office in Chile

The Office continued to create impact at the social and economic levels by intensifying networking between Palestinians in Chile and their homeland and promoting the Bank's presence in Chile to serve the largest number of customer possible, in line with its efforts to create local and global impact at the level of society, governance and the environment, especially among Palestinians in the diaspora.

The Achievements of the Representative Office in Chile during 2021

- The Palestinian community in the Chilean Republic expresses great confidence in the Bank's performance and management, which recorded a 94% increase in term deposits during 2021, compared with 2020.

- Investors in Chile own approximately two million shares in Bank of Palestine, and this economic link is one of the Bank's networking components with the Palestinian diaspora.

- Bank of Palestine is keen to push forward the economic wheel and support the Palestinian economy. The Office in Chile encouraged trade between Palestine and Latin America and network between renewable energy experts in Chile and their counterparts in Palestine.

- Through its global presence, the Chilean Office benefited from a network of relations to create networks between businessmen and establish commercial agreements between Palestine, Latin American countries and the Arab world.

-The Office sponsored the annual Maklubeh dinner, which is organized to raise donations for the children of Palestine.

- Bank of Palestine continues to be the main sponsor of the football club "Club Deportivo Palestino", whose team participated in the Copa Sudamericana championship during 2021.

Operational Review

Sustainable Financing is key Part of Our Approach to Achieve Sustainability

Considering the fact that it is the largest banking institution in Palestine, Bank of Palestine is the first banking group to establish a framework for sustainable financing. Through its sustainability strategy, the Bank works on implementing the standards of environmental governance and social and economic responsibility.

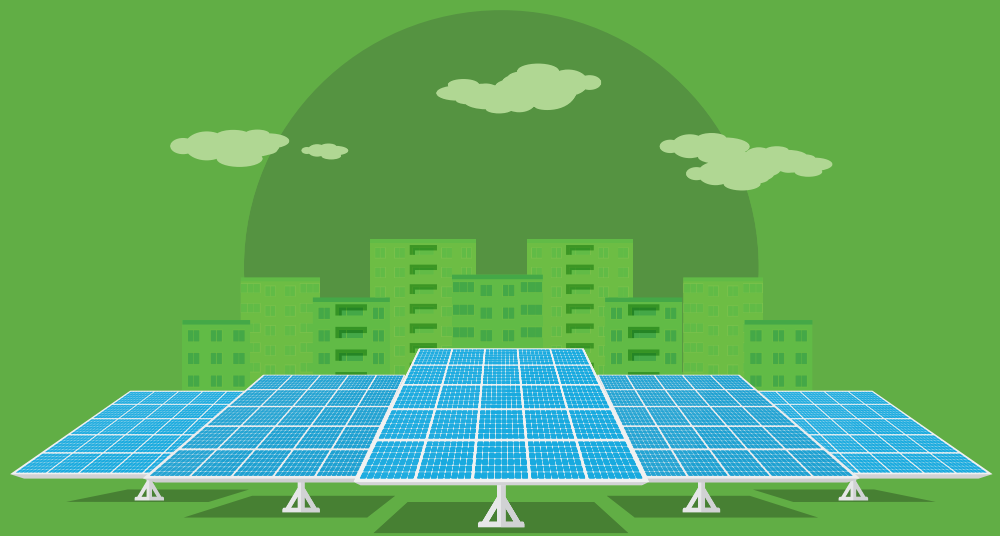
The sustainable financing framework consists of four main pillars:
- Promoting sustainable financing;
- Preserving the environment;
- Empowering individuals and communities;
- Promoting the principles of ethical governance.

The Bank is aware that achieving sustainable development is realized through effective participation in the growth of emerging markets. Accordingly, Bank of Palestine adopts economic policies and strategies that enhance and develop the concept of sustainability, takes on a new approach to finance various developmental areas, and offers products that take social dimensions into consideration.

Statistics reveal that more than 80% of commercial bank operations in Palestine are directed towards small and medium size enterprise. In its turn, the Bank's management showed strong interest in advancing developmental programs directed at these projects by establishing several partnerships with local and international developmental organizations, while focusing on preserving the environment, positively contributing to the reduction of the carbon footprint, and working with local and international partners. These initiatives also involved collaborating with Palestinian regulating bodies to advance and promote the principle of financial inclusion, in order to overcome obstacles that may prevent small and medium size enterprise from accessing the financing they need and ensure the overall stability of the financial system.

Bank of Palestine's persistence to adopt and develop sustainable financing solutions stems from its interest in achieving financial inclusion for all segments and geographical locations by benefiting from multiple resources, including human and financial resources, to encourage and finance initiatives that take into consideration the environment, society and the principles of governance.

One of the key components of sustainable financing is eco-friendly financing, which aims to support economic growth, and which was built upon strategies that take into account the importance of renewable energy. The new strategy is a continuation of the strategic goal that was set to maximize the use of renewable resources, and thus provide the largest possible amount of electricity production in Palestine. The private sector is expected to play a major role in the strategy in terms of environmental preservation, while the expansion of loans for renewable energy will enable the Bank to fulfill its commitment to alleviating the impacts of climate change.



The following table illustraters bank of palestine's journey in green financing (renewable energy loans) for small and medium size enterprise, according to year.

Year	No. of Beneficiaries/Investments	Granted Amount in USD
2011	6	34,700
2013	7	67,000
2014	15	579,740
2015	20	1,322,486
2016	19	165,157
2017	59	484,291
2018	39	339,274
2019	34	3,974,770
2020	72	5,512,218
2021	15	5,379,656
Total	**286**	**$17,859,293**

Bank of Palestine plays an important role in this system, and it is able to direct investments towards sustainable technologies and projects that contribute to building an eco-friendly economy and reduces carbon emissions.

In 2021, the first phase of the SUNREF program was completed and managed to achieve great success under the management of Bank of Palestine, Proparco part of the French Development Agency, the European Union, the Palestinian Energy Authority and experts in the field of renewable energy and energy efficiency, such as Econoler and ESCOM. Preparations for launching the second phase are underway.

The following table illustrates financing granted by Bank of Palestine through the SUNREF program, according to area and type of green investment

Area	No. of Beneficiaries/Investments	Granted Amount in USD
West Bank	81	12,305,410
Gaza Strip	25	1,391,668
Total	**106**	**13,697,078**

Type of Project	No. of Beneficiaries/Investments	Granted Amount in USD
Renewable energy projects	68	10,699,168
Renewable energy projects/reduced electricity consumption	11	1,415,633
Energy efficiency projects	27	1,582,275
Total	**106**	**13,697,078**

Through the SUNREF program, the total capacity of fixed systems was 14.51 kilowatts for financed projects, in return for saving 25.28 thousand megawatts of electricity per hour.

Area	Total Capacity of Fixed Systems	Annual Electricity Savings/Megawatts
West Bank	13,045	22.823
Gaza Strip	1,460	2,456
Total	**14,505**	**25,279**

Bank of Palestine adopts active steps to finance small and medium size enterprise, by restructuring financial policies towards the policy of financial inclusion. Despite of the challenges involved in financing small and medium enterprise, on the long term, this type of financing will diversify the Bank's budget and sources of returns and ensure financial inclusion for many segments that fell outside the framework of sustainable financing.

The Bank adopts policies and procedures that protect the rights of debtors, monitor creditworthiness, ensure transparency and determine the maximum financing for micro enterprise. During 2021, 316 micro enterprise were financing through the sustainability loans (interest free), in the amount of $3 million. Financing was granted to 45 women's projects, stemming from the Bank's vision to support and encourage women and enable them to engage in their projects and businesses.

The following table includes micro enterprise that benefited from the sustainability loans, based on gender, area and economic sector.

Gender	Granted Amount in USD
Females	418,900
Males	2,576,900
Total	**2,995,800**

Area	No. of Beneficiaries/Investments	Granted Amount in USD
Southern West Bank	111	1,077,870
Northern West Bank	15	150,000
Central West Bank	33	300,100
Gaza Strip	157	1,467,830
Total	**316**	**2,995,800**

Bank of Palestine's Management adopts active steps in the field of sustainable financing, and evidence confirm that this approach is the best path to improve employment rates and alleviate poverty rates, in line with the UN Sustainable Development Goals.

In this framework, 460 small and medium enterprises were financed during 2021 with over $60 million from different programs and Bank products. Several agreements were signed to support the local economy, recover from the COVID-19 pandemic, encourage employment, support women and startups for youth entrepreneurs. These agreements were signed with the Arab Fund for Economic and Social Development, the European Investment Bank (EIB), and the European Bank for Reconstruction and Development (EBRD).

It is expected that small and medium enterprise will become a power of great change in Palestine, if provided the appropriate environment, especially since such projects are often considered a major source of employment growth and combatting unemployment.

Achieving financial sustainability leads to minimizing bank transaction costs and providing better products and services that respond to the needs of customers, thus creating continuity in the provision of more financing and more financial services to all segments in society.

Since all economic sectors are intertwined, it has become necessary to place them in the same financial system in order to be able to achieve long-term economic growth in line with the Sustainable Development Goals and the Bank's values, thus achieving the Bank's strategy in promoting financial sustainability.

Small and Medium Size Enterprises

During 2021, Bank of Palestine made double efforts to finance small, medium and micro small enterprise, with an aim to promote production rates and ability to hire manpower to alleviate unemployment in Palestinian society. The Bank also supported owners of crafts and industries, which offer employment to 87% of the workforce in Palestine, to ensure the sustainability of their projects and achieve sustainable economic and social development.

This approach forms part of the Bank's strategy that aims to support owners of small and medium enterprise across the governorates, including rural and remote areas, and enable them to develop their businesses and have access to funding sources. A special and trained team at Bank of Palestine follow up on the progress of these projects, introduce owners to banking services, and communicate with them on a regular basis to provide them with non-financial consultations, with an aim to ensure their continuous growth, respond to their various needs, and offer all the support they need in order to develop and expand their projects.
During 2021, the Bank continued to finance small and medium enterprise in line with its plans to support this sector. It also continued to exert efforts to reach marginalized groups and provide banking services in all areas through its field teams.

To promote financial inclusion, Bank of Palestine intensified banking awareness activities provided to customers, whereby it implemented several workshops for small and medium size enterprise owners to introduce them to banking services, and enhanced the access of businesswomen to funding sources.

Agreements and Partnerships

To implement its approaches at the level of financial inclusion, Bank of Palestine signed agreements with the following entities: the Palestinian Employment Fund, to manage a loan portfolio targeting individuals affected by the COVID-19 pandemic; an agreement with the United Nations Development Program, to provide support and assistance to "My Startup" project that was designed to assist owners of small and medium enterprise and facilitate their access to funding for their projects; in line with the strategy to support persons with disabilities, the Bank allocated one quarter of a million dollars through a facilitated financial portfolio that was launched in partnership with the Ministry of Labor, and with support from the Istidama (sustainability) Fund at the Palestine Monetary Authority, with an aim to finance small and micro small enterprise owned by persons with disabilities and promote their production capacities.

	2020	2021
Small and Medium Size Enterprise	$460 million	$485 million

Products Management

The Products Management Department is committed to the principles of sustainability in terms of responding to customer needs, practicing transparency in delivering services, and communicating with customers about the launch of banking products created in line with the Bank's financial inclusion and digitization strategy, with an aim to offer the best services, provide the most efficient channels, preserve the environment and reduce the consumption of natural resources.

The Department's most important achievements during 2021:

- Renewal of the ISO 9001:2015 certification from Lloyd's Register Quality Assurance (LRQA), under which the Bank applies international standards in monitoring the quality control system. Bank of Palestine is the only financial institution in Palestine that managed to obtain this certification, which reflects work on the ground in applying the Risk-based Thinking Approach, which is a new method to identify risks and opportunities and achieve optimal integrated management.

- Based on intensive research and an evaluation of all products, the Department redesigned competitive retail banking products targeting all segments of society and re-launched them with competitive and sustainable features. These products included the public sector Personal Loans program that incorporated all sub-classifications listed under this target group, offering special and competitive prices and facilitated collaterals. The Department also launched the program for laborers within the Green Line, the Car Loans program for both employees whose salaries are transferred to the Bank or elsewhere, and the Property Mortgage Loans and Personal Housing Loans, incorporating all employees of all classifications, freelancers and consultants.

- The Department also adopted classifications for private sector companies, whereby companies classified under the premium program include customers whose salaries are transferred to the Bank, and employees working for companies granted an excellent credit rating. All these segments were targeted to participate in exclusive programs, including the application for personal loans with competitive features. For freelancers and all similar sectors, the Department adopted a mechanism to calculate their monthly salary to determine the loan application terms and conditions.

- The Bank modified several products to further consolidate the business of selling parties and provide them with a better understanding of products offered. New loans were launched for the micro enterprise sector, including micro loans (microfinance), micro loans for home improvement, personal loans for micro projects, and loans for labors and employees working in small projects.

- The Istidama (sustainability) program, which forms part of the Monetary Authority loans schemes, was launched to offer loan categories less than $10,000 and over $10,000.

- The Bank signed several agreements with external parties with an aim to enhance the financial inclusion strategy and provide the necessary funding for many social groups, including women, persons with disabilities and special needs, persons affected by the COVID-19 pandemic, and small and medium size enterprise.

Banke Rahhal

Stemming from its commitment to applying the principles of financial inclusion to facilitate access to banking services, and in line with the sustainability approach in providing banking services, the Bank created Banke Rahhal, the first mobile center for banking services in Palestine. Banke Rahhal reaches all Palestinian governorates, especially during the outbreak of COVID-19, enabling customers to benefit from banking services, including money withdrawal, opening accounts, updating data and activating electronic services.

During 2021, 671 bank accounts were opened and 62 activated through Banke Rahhal, in addition to the activation of electronic services that allows many retail banking customers to conduct their banking transactions. A total of 275 accounts were activated on the bank mobile service, and 117 debit and cash cards were issued accounts were activated on the Banke mobile service, and 117 debit and cash cards were issued.

Bank Cards

Investment in digital technology and the innovation of financial products plays a major role in supporting the sustainability approach in terms of reducing the consumption of resources and saving time and effort. Bank cards have a positive impact on payment transactions and are the ideal digital alternative to cash: they are easy to use; they are accepted locally and internationally, including online shopping; and they are used for withdrawing money, without the need to visit bank branches.

The Bank enhanced its approach to encourage people to use cards and digital banking services by launching the PointCom program, which offers points to customers while using their Bank cards. PointCom allows customers to exchange points for their purchases in stores or convert them to cash in their Bank accounts. To create community impact, the Bank updated the program to enable customers to donate points for charitable organizations.

2021 witnessed a considerable increase in card usage, especially due to the outbreak of the COVID-19 pandemic, which reduced the use of cash and customer visits to Bank branches.

Growth in cards issued during 2021, compared to 2020:

2021 %15 **2020 %8**

Growth in cards usage during 2021 changed the traditional methods of payments and shopping compared to 2020:

Card Type	2021
Credit cards	23%
Debit card	20%
Cash card	24%
Easy Life card	57%

Marketing Our Products and Services

Our 2021 Marketing Strategy

Our Marketing Strategy focuses on continuous communication with customers through various media channels to introduce them to our campaigns and services in an inclusive, transparent and instant manner, thus enabling them to enjoy high quality services that respond to their needs and facilitate their financial and life affairs.

Department Objectives and Achievements

- Digital transformation and encouraging customers to use electronic service to conduct their banking transactions with the need to visit Bank branches.
- Increasing the number of electronic services and updating existing ones to become more user-friendly, inclusive and more secure.
- 2021 focused on promotions in terms of offering awards to celebrate the anniversary of the Bank's establishment in 1960.
- Marketing was focused on social media and E-commerce to respond to customer needs and communicate with them through all advertising and media channels.
- Enhance customer loyalty by encouraging customers to use banking services through the PointCom program, which allows them to collect points and exchange them for cash and purchases.
- Spreading the culture of electronic banking services and enhancing customer confidence in using them. As a result of the outbreak of COVID-19, the closures and quarantines, electronic services became a positive transformation point when customer usage of electronic services increased, thus encouraging the Bank to update and enhance these services.

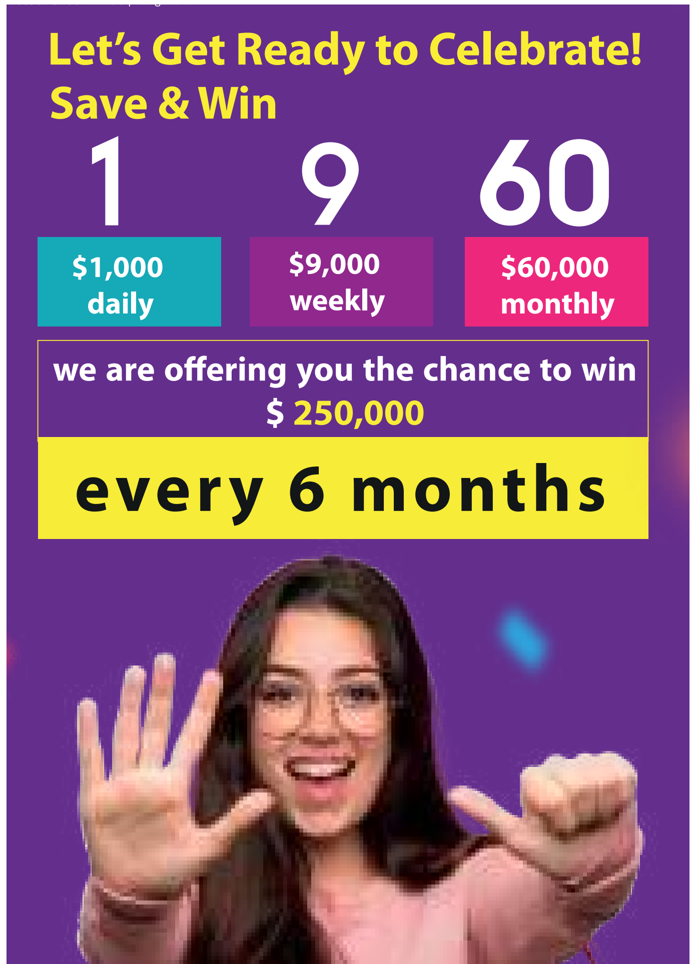
Savings Campaign 1960

Target Segment: all customers who have a Bank of Palestine Savings Account.

Campaign Objective: increase rate of savings, which leads to increase in total customer deposits, thus contributing to an increase in Bank of Palestine's market share, and more liquidity.

Specified Target: $100 million

Achieved (actual) Target: $250 million



PointCom Campaign

Target Segment: All Bank of Palestine customers who use electronic services.

Campaign Objective: Raise customer awareness about banking electronic services and encourage their usage, taking into consideration their many advantages: they are quick, easy to use, and safe.
The usage of these services will also decrease customer visits to Bank branches and award customers with points when using every service, thus enhancing their loyalty. This campaign is implemented in line with the Bank's objective to create impact and change at the level of the service user population, and also at the social level, whereby customers are able to donate points to charitable organizations

Accumulated Points (2021): 2.7 million

Points were converted to 1.4 million ILS in cash

مع برنامج PointCom

Easy Life Card

Target Segment: All Bank of Palestine customers who carry and Easy Life Card.
Card Objective: To encourage customers to use their cards, benefit from the several campaigns offered, and pay in installments.
Campaigns include the Sbitany and Sons Company campaign, whereby the installments ceiling was raised to 60 payments instead of 36, thus encouraging Sbitany customers and Bank customers who do not own an Easy Life **card to** apply for one and benefit from its many advantages.

easy|life

Launching the Business Digital Suite

Target Segment: Business owners and large corporations
Campaign Objective: A suite that offers sustainable digital services for businesses in order to facilitate the implementation of their transactions using electronic services and benefit from their personal account managers.

Launching the Updated Version of the Banke Application, Offering New Services and Increasing Users

Launching the Updated Version of the Banke Application, Offering New Services and Increasing Users
Target Segment: Current and new Banke users.
Campaign Objective: Constant development on the application to respond to all customer needs, thus becoming the main application for comprehensive banking services, which contributed to minimizing customer visits to Bank branches. The development process included the "Pay to a Friend" feature, which targets Bank of Palestine and the Arab Islamic Bank customers and the Mahfazty (PalPay) application users.

The Banke Application

Number of registered users:289,801

The Sustainability Loans Campaign

Total Amount Granted $ 3 million

Target Segment:

Owners of small and medium size enterprise who were affected by the COVID-19 pandemic.

Campaign Objective:

To contribute to minimizing damage by offering low-interest and low-commission loans that take into consideration the needs of persons affected by the COVID-19 pandemic, in partnership with the Palestine Monetary Authority.

The Labor Program Loans

Target Segment:

Laborers within the Green Line

Campaign Objective:

A special program especially tailored to laborers, offering competitive financing schemes, interest rates and commissions. These loans focus on laborers who work within the Green Line, responding to their financial and banking needs.

The Felestineya $1960 Campaign

The campaign focused on promoting accounts and loans directed to support and encourage women, with an aim to increase their personal bank accounts. During the Women's month every year, the Bank launches a campaign that targets women, which includes draws on prizes. Last year's campaign, each prize was in the amount of $1960, and the draw was conducted daily.

The Palestine in Our Hearts Campaign

To apply the principle of sustainability, support society and preserve the environment, the Bank launched a support campaign to raise donations for the people who were affected by the last aggression on the Gaza Strip.

Various Campaigns on BoP Social Media Platforms

The Bank launched various campaigns on its social media platforms, which included publications and interactive questions, to increase the number of its followers.

The Ramadan Rewards Campaign

Target Segment:

All citizens (customers and non-customers). The campaign targeted BoP followers on social media platforms.

Campaign Objective:

To encourage citizens to interact on BoP's social media platforms and benefit from the banking information being published during the month of Ramadan, whereby participants are given to opportunity to raise questions, interact and participate in draws on various prizes.

The Tawjihi Students Campaign

Campaign Objective:

To encourage students to open new bank accounts and save, and award savers through a draw on 10 prizes in the amount of $1960 each. Within the framework of its endeavors to create social impact, every year, Bank of Palestine targets the Tawjihi students, considering them the future youth and future customers, and seeks to support them during their entire life journey.

The Diabetes Awareness Campaign

Every year, Bank of Palestine launches awareness campaigns for prevention against diabetes, with an aim to raise the level of awareness about the importance of conducting regular health checkups and learn about prevention means and methods. The campaigns feature massive media and advertising events along with various activities, highlighted on social media platforms.

The Amyali Card

The Amyali Card allows customers to shop locally and internationally and grants them the possibility to earn extra miles while traveling aboard Royal Jordanian Airlines.

Sponsorships for Several Exhibitions, Festivals and Events

Every year, the Bank sponsors several exhibitions, festivals and events, with an aim to spread awareness and promote its electronic banking services and various loan programs, ensuring the presence of Banke Rahhal during these events.

Electronic Fraud Awareness

The Bank continues to implement awareness campaigns on electronic fraud and ensuring information safety, with an aim to raise customer awareness about the risks they may be exposed to when using electronic platforms and applications, and educate them on how to address such risks in order to avoid them in the future and protect their information.

During 2021, a special department for project managment was established under the name "Projects Management and Transformation," with an aim to promote its role as an effective and strategic player in creating Bank-wide change and development, including the introduction of improvements and the reengineering of department policies and procedures, keeping abreast with the latest regulatory, environmental, banking and governance developments.

Last year, the Department prepared a plan for change managment, launched initiatives for the development of department operations, and conducted continuous follow ups to serve the plan objectives reporting to the Chief Executive Officer and Board of Directors. The department stressed on the work of the internal audit function and ensure the implementation of changes and internal updates that contribute to the development of services and performance at the level of all Bank units and departments.

The Department also conducted systematic follow up with the internal audit team at Bank of Palestine and the Palestine Monetary Authority to ensure that corrective measures and international standards are followed within the framework of the internal audit function.

Human Resource Management

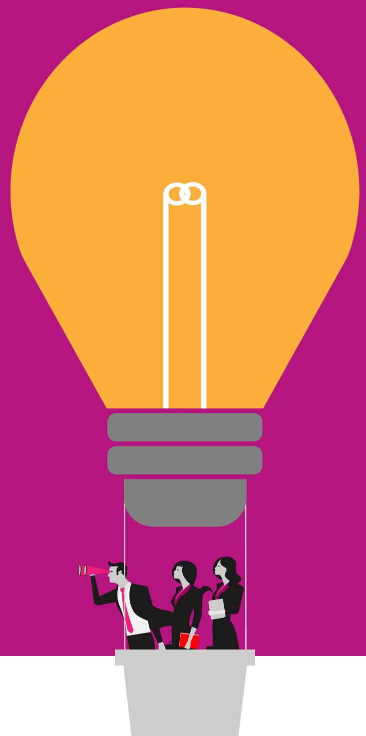
Bank of Palestine is aware that caring for its human resources is the most vital principle of sustainable banking, considering that employees are the Bank's internal segment and the foundational force behind productivity, growth and continuity. Employee satisfaction and providing them with a safe and appropriate work environment is at the top of the Bank's priority list.

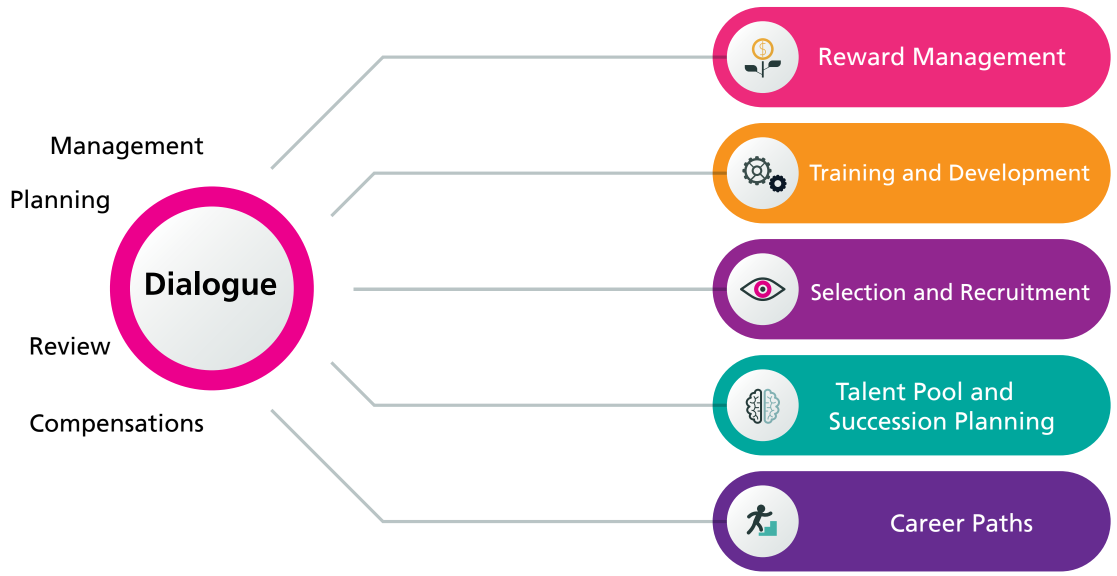
The year 2021 witnessed concrete and sustainable progress in the implementation of the human resource strategy, whereby the Department contracted one of the best global consulting companies for human resource management in order to achieve the highest standards of productivity and job satisfaction and develop the human resource capital strategy.

At the beginning of the year, the general and specific organizational structures were developed for each department in line with the latest banking and regulatory developments.

All current and new functions within the organizational structure were evaluated in accordance with globally adopted standards, and the relevant significance of each function was defined and compared with other functions in terms of features, duties, responsibilities, tasks and work conditions. This exercise also involved the adoption of a fair salary structure for all functions and determining the salary of each function in comparison to the market. This contributed to the creation of vast prospect for all employees, enabling them to have a good career path with high professional targets achieving sustainable growth.

Considering the importance of the performance management system in valuing human resources and providing them incentives, the annual evaluation system was developed into a performance management system. The system focuses on linking individual goals with the Bank's strategic goals, thus achieving optimal use of human resources in terms of developing employee performance, planning their career path, increasing the productivity and competitiveness of each department and individual, and providing a work environment where career development and rewards are based on distinction, merit and creating fairness between employees.



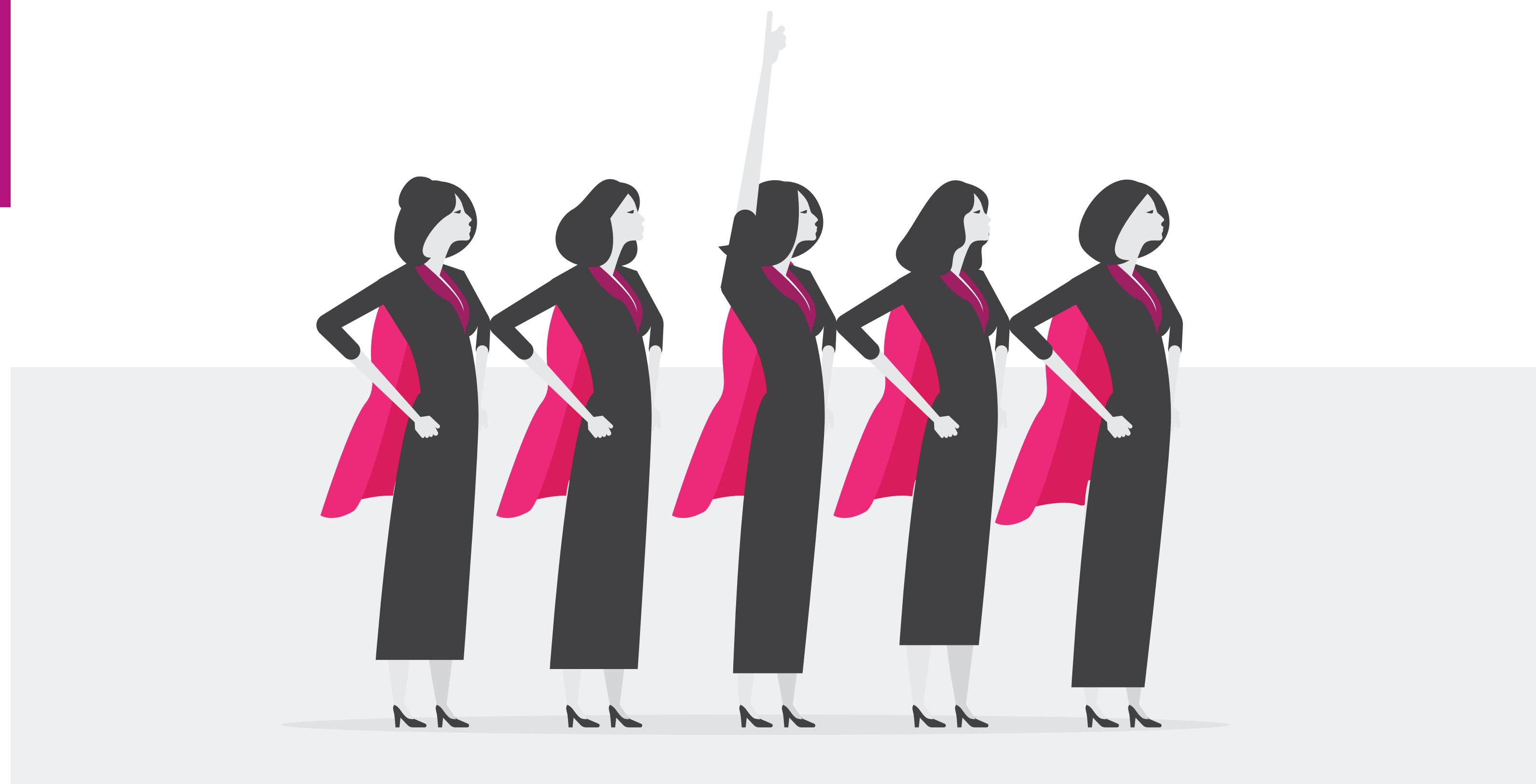


Performance Management Cycle Objectives

In parallel, Bank of Palestine continues to invest in human resources by attracting highly efficient and expert banking employees. By the end of 2021, the number of employees at the Bank reached 1,745, and this will be reflected in achieving sustainable growth rates on the long run.

As part of its commitment to gender balance in the job place, the Bank continued to appoint female employees, achieving a 41.5% increase during 2020 and 43% by the end of 2021.

Rate of Female Employees



Talent Management

Stemming from the Bank's Management Strategy for 2021 to intensify and develop human resources as key elements in sustainability plans, some changes in the organizational structure were reflected on human resource management; the training department became known as the Talent Management Department, which aims to work on the empowerment and development of employees, with extended focus on sustainable investment in human resources.

Youth Leaders

The Bank invested in youth leaders through the "Future Managers" program, which focuses on training, guiding and developing young leaders from among its employees and direct them towards a focused and clear career path so that they occupy managerial and leadership positions at the Bank in the future. This program is one of the most important pillars in developing and investing in human resource capital. The Bank launched the heads of divisions club that excels in the field of customer service and pays special attention to developing the skills and capacities of the "Future Managers." It also created plans for career paths and built relevant trainings to develop the skills and capacities of employees and diversify their expertise through their career path chart. The Bank also designed a succession plan, which contributes to maintaining business sustainability, protecting the Bank from urgent risks, and ensuring the readiness of candidates to take on vital positions at the Bank.

The Bank launched the BoP Banker program to attract and invest in accomplished and distinguished graduates and engage them in a two-year developmental, focused and clear training program to develop their skills and capacities, and enable them to acquire professional life skills and qualify them to join Bank of Palestine's family in the future.

The Bank is currently focusing on the preparation of an electronic training platform, which is intended to be launched in 2022, to provide training programs that support digital transformation to enhance skills development and minimize the consumption of environmental resources.

The Internal Environment

The Bank is focused on creating a distinctive work environment that attracts capacities and builds on the foundations of a positive organizational culture by encouraging effective communication with employees and ensuring the transparency of communication channels. Following are some of the activities implemented to enhance the internal work environment:

- "Your Voice is Heard" initiative, which sheds light on all the developments and improvements required at the workplace.

- Questionnaires for employee satisfaction.

- Supporting and encouraging the culture of modernity and innovation among employees by launching the Entrepreneurship and Creativity Center to welcome employee suggestions on business development.

- Implementing several activities and initiatives, such as the Biggest Loser4, the Biggest Winner2, Your Health without Smoking2 initiative, Bop Hiking Trails3, Ramadan competitions, the Five Stars competition to promote and honor positive competencies, football championships for children, championship between Bank branches and other institutions, and support exceptional athletes from among Bank employees.

- Promoting the participation of employees in voluntary work to contribute to the achievement of sustainable environment and social development, by implementing several participatory community activities such as: giving weekly classes for school students to develop the capacities of student leaders and qualify them to confront life hardships and enter the business world. These activities also included the launch of the "Giving Trees" initiative, where employees planted around 1,000 trees in various forests in the West Bank.

With the continuing spread of the COVID-19 pandemic during 2021, the Bank ensured the provision of health safety to its employees by implementing a series of procedures and measures to prevent them from contracting the virus and ensure their safety by raising their awareness about the pandemic and its prevention through the dissemination of pamphlets and regular circulars and awareness workshops about the importance of the vaccine.

Giving the Vaccine to most Bank of Palestine Employees

- Updating the health protocol that includes prevention instructions and the steps followed in the instance that employees contract the virus, in accordance with the instructions of the Ministry of Health.

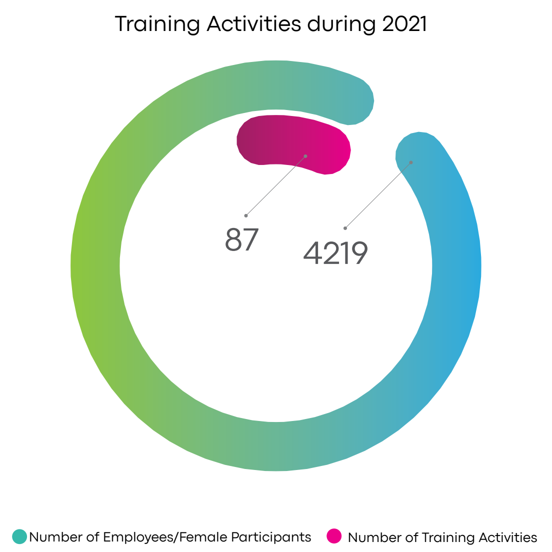
- Conducting tests for employees who have COVID-19 symptoms or those who were exposed to infected employees.

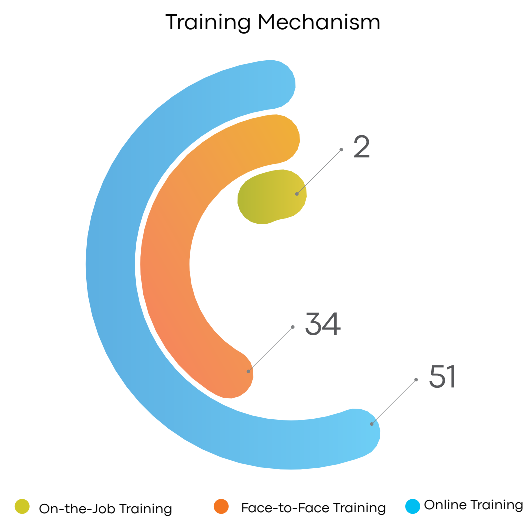
- Providing all the prevention requirements to employees and customers.

- Providing moral support to infected employees by contacting them regularly to check on their health and send them "get well soon" cards.

- Providing vaccines to all staff in coordination with health authorities

Despite the continuation of the crisis, the Bank managed to develop its human resources and achieve progress at the level of the annual training plan. The number of trainings conducted during 2021 reached 87, with 4,219 beneficiaries. Training was conducted, online, face-to-face and on-the-job, based on the illustration below:





Bank of Palestine Group

البنك الإسلامي العربي
ARAB ISLAMIC BANK

The Arab Islamic Bank (AIB) is a public shareholding company that was established in 1995, launching its banking operations early in 1996. AIB provides banking and investment services according to the principals of the Islamic Shari'a through its headquarters in Ramallah and Al Bireh Governorate, its 30 branches and offices distributed across Palestine, its Representative Office located in the United Arab Emirates (Dubai), and its mobile branch "My Bank on the Go". The Arab Islamic Bank does not have any subsidiary companies as of 31/12/2021.

Vision

A unique national Islamic bank that practices digital, modern and sustainable banking and exceptional human resources, to provide its customers with high quality and safe banking services that are compatible with the Islamic Shari'a.

Stemming from its values that are deep-rooted in the worlds of money and Islamic banking, AIB provides modern, comprehensive, high quality and competitive Islamic banking solutions and services and supports and develops innovative solutions for upcoming generations and entrepreneurs, to contribute to economic development, achieve the principle of solidarity and cooperation and observe Islamic social objectives.

- Strategic objectives
- Digital transformation
- Investment in human resource development
- Promoting shareholder rights
- Financial inclusion
- Promote retails services and small projects
- Raise market share
- Preserve and emphasize the Islamic banking identity and sustainable development.

Performance Indicators

AIB continued to grow significantly across all its financial indicators. The bank's operations and results doubled during the last 5 years; assets increased by approximately $944 million at a growth rate of 119%; direct financing increased by approximately $582 million at a growth rate of 135%; and customer deposits increased by approximately $796 million at a growth rate of 127%. The Bank also achieved net profits in the amount of $11.7 million during 2021, whereby profits increased to $3.6 million at a growth rate of 46%, compared to 2020.

Item	2021	2020	2019	2018	2017
Assets	1.737	1.557	1.272	1.062	1.041
Customer Deposits	1.420	1.296	1.024	848	791
Direct Financing	1.012	945	758	681	561
Net Profits	11.7	8.0	9.0	7.1	6.4

Amounts are in million USD

Competitive Position

Despite the challenges confronted by the Palestinian reality on the various economic, political and social levels, AIB seeks to maximize its market share and reach the best results for performance indicators. When compared with the performance of the banking sector, AIB managed to achieve the best competitive results and considerable growth in all financial aspects. Data indicates growth in market share in terms of financing, customer deposits and profits, and when comparing AIB with its equals in the banking sector, its performance is outstanding, with a great deal of potential to grow and develop. During 2021, assets grew by 11.5% compared with only 8.6% in the banking sector; financing grew by 7.1% compared with 6.7% in the banking sector; and deposits grew by 9.5% compared to a 9.1% growth in the banking sector.

Item/Growth Rate	Assets	Direct Financing	Customer Deposits
Palestinian Banking Sector	8.6%	6.7%	9.1%
AIB	11.5%	9.5%	7.1%

Increase in Market Share

AIB continued to achieve outstanding growth results, and this year is considered an important year in the growth of the Bank's market share, as its financial results were reflected in the increase of its market share and its acquisition of new market shares in the Palestinian banking sector. This stresses the fact that the bank is continuously reinforcing its competitive capabilities and its efforts to become one of the leading Palestinian banks, and the largest Islamic financial institution in Palestine.

During 2021, the Bank's assets increased to $1.737 billion, increasing its market share assets to 8.3%, compared with 8.1% in 2020. AIB also recorded a $1.420 billion growth in deposits, increasing its market share to 8.6%, and its total financial facilities reached $1.012 billion, recording a 9.8% increase in its market share.

Assets

AIB	Banking Sector
% 8.32	% 91.68

Customer Deposits

AIB	Banking Sector
% 8.60	% 91.40

Direct Financing

AIB	Banking Sector
%9.80	%90.20

Advanced Services and Products

The development of existing products and adding new products is one of the major challenges facing institutions in general. It is the process that governs the development of an institution and the expansion of its customer base. This is done through introducing new products and developing and enhancing existing ones that respond to customer needs and expectations.

At the Arab Islamic Bank, the internal environment was mainly developed to enable the Bank to evaluate customer satisfaction and analyze their needs and desires on the one hand, and to enhance the Bank's ability to implement and launch new products in line with the best international practices, on the other. The Bank's performance indicators are monitored throughout the year, and are regularly compared with the general performance indicators of the banking sector. Accordingly, the necessary recommendations are issued to enhance and develop the Bank's performance, to follow up on the implementation of the budget of the branches and departments, and to create an integrated database to meet the needs of beneficiaries inside and outside the Bank. Moreover, available data and information is analyzed and compared with the surveys implemented over various periods, statistical bulletins and reports are documented, customer satisfaction is assessed in every possible way, both directly and indirectly (ex. mystery shoppers). Coupled with short- and long-term action plans to address the Bank's needs from various resources are created, and the necessary technical specifications and requirements for such plans are defined.

In 2021, AIB developed numerous new products and services and many of them were launched during the same year, while will be launched in 2022. Following are the main products that were developed during 2021:

- The Labor Program
- POS devices
- Bank application upgrade
- Opening the Jenin branch
- Several other programs and products were developed, and will be announced during 2022.

Al Wasata Securities Company was established in Palestine in 2005. The company has a paid capital of $5,000,000, and commenced its operations in 2007 after obtaining membership in the Palestine Stock Exchange. It is licensed by the Palestine Capital Market Authority – the entity monitoring the work of member companies in the Palestinian Stock Exchange, to conduct the following services:

- Brokerage services to local, regional and international markets.

- Managing portfolio through a license provided to practice the activities of a financial consultant to manage investor investment portfolios.

- Issuance registrar

- Issuance manager

In addition to its main business in financial brokerage for investors at the Palestine Stock Exchange, Al Wasata offers trading for its investors in several stock exchanges in the region, including the Amman Stock Exchange, the Egypt Stock Exchange, the Dubai Financial Market, the Abu Dhabi Stock Exchange and American stock exchanges.

Al Wasata aims to maintain its position as the leading financial investment institution locally, and as a distinguished one at the regional level, and contribute to the success of its investors. The company is distinguished by its diversified resources, which include the expertise of its staff and the capacities dedicated to catering to all the needs of investors, saving them time and effort to make the right investment decisions, and ultimately, achieve success.

- A highly responsible, efficient, trained and professional staff

- Usage and employment of the best and latest trading technologies available in the region and worldwide.

- Providing investors accurate and timely information.

- Maintaining the principles of complete confidentiality in terms of investor information and their trading.

Al Wasata's business is not merely limited to its branches in Ramallah and Gaza, as also uses the networks of Bank of Palestine Group – the parent company, and the most widespread bank in Palestine with branches available throughout the Palestinian governorates. Al Wasata provides services to its customers outside Palestine through the Bank of Palestine office in the United Arab Emirates, located at the Dubai International Financial Center, and the office in Chile, in the capital of Santiago, in order to reach Palestinian expatriates in the Arab Gulf and South America and all those interested in investing in Palestine. The company also offers an electronic trading program through the Palestine Stock Exchange, in addition to a mobile trading application

2021 in Words

In light of the COVID-19 crisis and the inability to communicate directly with customers, Al Wasata Company employed the most modern technologies to provide new, professional and most secure investment products that would respond to the needs of the Palestinian market.

The company also enhanced it electronic application, which aims to provide services in multi-markets, including the major United States markets and regional countries, at competitive technologies and prices, and this added important value towards opening new opportunities for investors.

Despite the impact on the local markets as a result of current events on a local, regional and international level, through its team of diligent employees, Al Wasata manage to serve its investors and facilitated their access to financial markets through technology, especially conducted their trading on their mobile phones or through their personal computers, providing exceptional services around the clock.

New Investors

Since its establishment, and for the fifth year in a row, Al Wasata managed to maintain first place among Palestinian brokerage companies, in terms of attracting new investors by opening 592 new accounts during 2021.

Trading Volume and Value

During 2021, the trading volume through Al Wasata in the Palestine Stock Exchange and regional markets amounted to approximately $283 million, and the value of customer portfolios at the end of the year exceeded $500 million. The year 2021 was an exceptional year for Al Wasata in terms of trading volume in the Palestinian market, which exceeded $158 million.

Operational Revenues

Since its establishment, Al Wasata has been distinguished by the fact that its main annual revenues are operational.

Investment Awareness and Services

Despite obstacles confronted by businesses since the beginning of the year due to the COVID-19 pandemic, Al Wasata communicated with its customers and provided them services through the latest electronic trading technologies, and held meetings through visual conference.

Al Wasata provides several free-of-charge services, such as sending SMS about daily closing prices and daily reports, and allowing customers to inquire electronically about their account balances, check stocks through the Bank of Palestine Banke application, and execute electronic transfers between their bank accounts and the trading account. Al Wasata aims to facilitate these services to its customers and keeping them abreast with the latest news and important developments, thus allowing them to make sound investment decisions.

Palpay was established in 2010 as a joint venture between Bank of Palestine and PCNC Solutions; a leading company in providing software solutions in order to create new electronic payment methods and introduce them to the Palestinian market in specific and the region in general. Palpay's service offering is the result of a ten-year collaboration in accepting credit cards in Palestine through Visa and MasterCard, and the huge success that was achieved in developing software solutions and obtaining the international licenses required for their operation. Coupled with the resounding success with the merchants and the bank customers who use these cards, along with the widespread points of sale throughout Palestine, whereby cardholders are able to use their cards at more than 7,357 POS that have contractual agreements with Bank of Palestine.

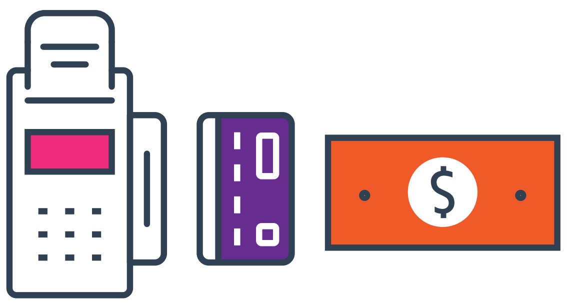
To deep-root the principle of sustainability, Palpay provides electronic payments services through which it aims to serve all segments of society, including bank account holders and non-bank account holders, through the Mahfazty application, which contributed to change the behavior of customers in terms of making payments, especially during the outbreak of COVID-19. Mahfazty encouraged people to decrease the use of cash and increase the use of digital payments methods, particularly because of security issues.

Palpay achieved success in the innovation of electronic payment tools and provide state-of-the-art solutions that are easy to use by all segments of society, regardless of their age or experience in digital payments.

During 2021, Palpay processed transactions in the amount exceeding ILS 1.2 billion through its electronic channels, recording a 20% increase from the previous year. The company also signed contracts with over 60 new billers and service providers, allowing them to collect their invoices and financial dues through the company's electronic channels.

Year	Amounts processed through Palpay | ILS
2020	1 billion
2021	1.2 billion

In September 2021, Palpay started working with international non-governmental organizations by providing cash-based assistance through the Palpay Voucher platform, whereby users use points of sale, which are considered part of the cash distribution platform, to retrieve their cash in the easiest ways possible. As a result, several governmental organizations decided to use Palpay as their only tool for cash distribution, allowing the company to design and manage comprehensive assisting programs, using the highest level of transparency, efficiency and control, while decreasing the cost of transactions.



Since its inception, Qudra has been committed to implementing the vision of its founders, Bank of Palestine Group and the National Aluminum and Profile Company – NAPCO, to provide the Palestinian market with avant-garde renewable energy solutions of the highest specifications and quality, in accordance with global features and standards, and at low costs. The aim behind this initiative is to provide clean, sustainable and affordable energy to consumers within the various social segments. Through the provision of innovative solutions for solar energy projects, the company aims to enable all Palestinians to have access to stable and affordable energy and rid them the burden of electricity scarcity. It aims to also enhance the capacities of the manufacturers, the industrial sector and the service sector, and enable them to develop and expand their economic activities, thus contributing to decreasing the dependency on costly and imported electricity and achieving independence in this rather vital sector.

During 2021, Qudra implemented several solar energy project in many governorates, and provided comprehensive solutions and services, including the financing, design, assembly, operation and maintenance of power plants. Among the most prominent projects implemented during the said year was the establishment and operation of a solar energy plant for the Yabud electricity company, at a capacity of 1 megawatt, and another plant with the same specifications for Birzeit University, including other projects that have been implemented for factories, companies and organizations.

Qudra aims to develop its project portfolio, and managed to sign several agreements for the financing and implementation of new projects during 2022 with many local entities and electricity distribution companies, to be able to confront the crisis of electricity shortages and respond to the needs of subscribed customers. The company also signed agreements with some industrial companies and organizations operating in several governorates.

One of Qudra's main goals is to protect and preserve the environment as it strives to provide environmentally friendly energy sources that neither rely on fossil fuel combustion nor carbon dioxide emissions, which pollute the environment and the atmosphere, and have been one of the causes of climate change. Qudra not only relies on adopting modern and high-quality technologies, but also seeks to design solutions that are compatible with Palestine's environment and climate, in order to ensure the high performance of solar energy plants in terms of production efficiency and less carbon emissions.

To address environmental preservation and climate change at the level of Palestine and the world, Qudra's projects will contribute to diminishing carbon emissions by over 100,000 tons.

Qudra extended its efforts to collaborate with partners in the energy sector, especially the relevant governmental organizations, electricity distribution companies and local entities, stemming from its belief in the importance of such partnerships. Qudra shared its technical and financial efforts and solutions with its partners in order to contribute to the development of an environment that regulates and stimulates renewed energy projects in Palestine, as well as promote knowledge about the latest technologies in renewed energy in general and solar energy in particular. The company also promoted community projects by donating the installation and operation of solar energy plants for three underprivileged families in Tulkarm and Tubas, whose members suffer from chronic diseases. These families were compelled to rely on electric medical equipment, such as respiratory machines and other relevant devices, and were at risk of constant electricity cuts for long hours due to the scarcity of available electricity.

In line with the objectives of Bank of Palestine Group to contribute to supporting the renewable energy sector, Qudra continues to harness expertise, efforts and commitment to provide modern solutions and technologies with guaranteed quality at low costs, so that Palestine can shift to clean energy and sustainable development, which will benefit society and lead to economic prosperity.

Ibtikar Fund is considered among the significant projects initiated by Bank of Palestine, in partnership with several private sector organizations at the local and international level, with an aim to support youth entrepreneurial projects. Ibtikar is the only investment fund for early investment in startups.

Bank of Palestine is an anchor founder of the Fund and a major partner in supporting its mission to create networks between business entrepreneurs and the Fund's founding companies, in order to promote the entrepreneurship and digital technology sector in Palestine.

Ibtikar seeks to create impact in the Palestinian entrepreneurship ecosystem by investing in the largest Palestinian startups working in the field of digital technology. The Fund provides the necessary funding and practical support to such companies, to allow them to expand within and outside Palestine. In later stages, the Fund aims to fill a rather important funding gap between the acceleration process, venture capital and other investors.

This past December 2021, Ibtikar Fund completed a first closing of its second fund targeting Palestinian startup founders. This first closing of USD 15 million was anchored by the Bank of Palestine and included participation from institutional investors like the Dutch Good Growth Fund and the International Finance Corporation, as well as numerous individuals and corporates from the MENA region and beyond.

Ibtikar Fund II is expected to reach its target of USD 30 million fund by December 2022, and will build on the very positive momentum garnered through Ibtikar Fund I—investing in early-stage Palestinian entrepreneurs both within Palestine and in the MENA diaspora communities.

Ibtikar Fund I's portfolio companies created over 250 direct jobs for highly-skilled workers. The majority of these jobs went to youth, and 30% of them were held by women. One third of Ibtikar's portfolio was also led by women. Their active portfolio spans several sectors, including marketing technology, financial technology, real estate, health and wellness, and e-commerce; and have expanded to sell in markets throughout MENA, Europe, Latin America, and the United States

INTERSECT INNOVATION HUB
POWERED BY BANK OF PALESTINE GROUP

Start-ups in Residence Program

Under its Start-ups in Residence(STIR) program, Intersect hosted five start-ups including LogesTechs, Hakini, Immesense, Iso Man, and Start-up Falcon. During their year, the Start-ups reported growth in revenues, sales, and staffing. In total, 71 entrepreneurs have benefited from the dynamic work space at Intersect Innovation Hub.

Inter-Linkages Project

Intersect implemented the Inter-Linkages project funded by UNICEF. The project aims to equip vulnerable adolescents and youth with digital skills, entrepreneurial mind-set, 21st-century skills, and to strengthen the ecosystem through enhancing partnerships with the private sector.

IIH facilitated the training of 136 youth from marginalized communities in the West Bank and Gaza to enhance their capacity in the fields of social entrepreneurship.

Following the training, youth participated in a three-day virtual Social Entrepreneurship Hackathon.Four initiatives won the UNICEF-funded prize of 10,000 NIS as part of a business incubation program for a duration of up to six months, to work on their initiatives.

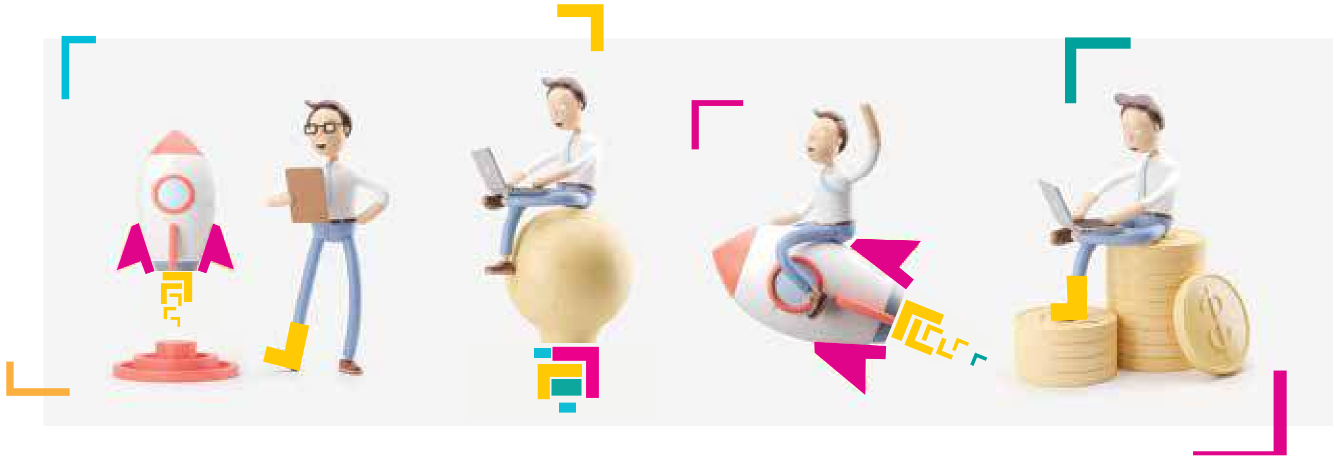
Up-Skilling Program

As part of its upskilling program which seeks to enable women to gain the skills to market their homemade products and that of others online, Intersect conducted an e-commerce training course. The three months training resulted in:

• 78 participants that completed the course
• 42 women generating income after the 6thtraining session

Fintech Program

Intersect held the first Fintech Ideation Event in Palestine with the participation of 120 aspiring entrepreneurs across the West Bank. Twelve teams passionately worked on their ideas for two days with the help of mentors. On the final day the teams pitched to the jury. Three ideas won the jury's top votes as cash prize and incubation winners, and six more were awarded with incubation services at Intersect. The program is set to start early 2022.



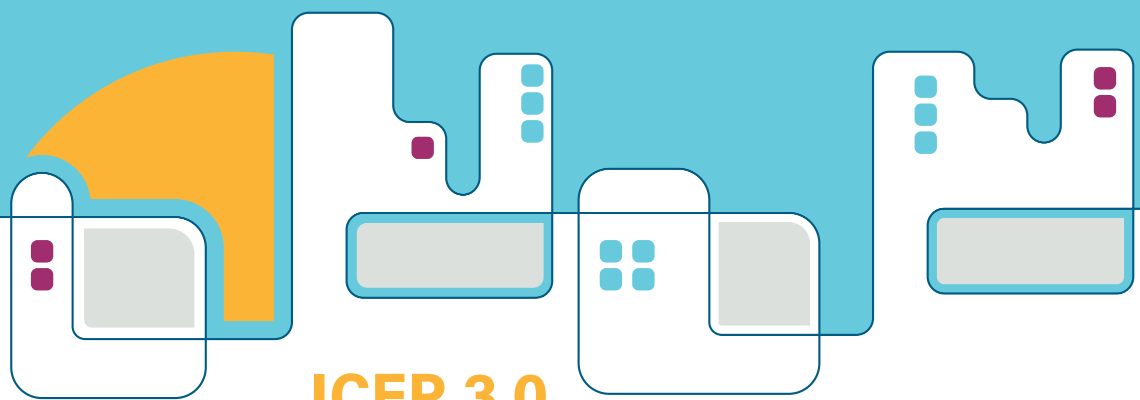
ICEP 3.0

The Third International Conference on Entrepreneurship – Palestine ICEP 3.0

Through this Conference, Bank of Palestine seeks to promote the entrepreneurship ecosystem in Palestine by providing entrepreneurs with all the necessary resources, to create a reliable entrepreneurship environment that allows entrepreneurs to completely release their capabilities and create sustainable projects that serve local and international communities.

The Third Edition of the Conference – ICEP 3.0, was launched this year under the slogan "Palestine: Towards Paving the Silicon Path to the Middle East and North Africa." ICEP 3.0 was held under the patronage of the Palestinian Prime Minister Dr. Mohammed Ishtayyeh, with the participation of over 1,000 individuals, ranging from speakers, local and international experts, entrepreneurship business leaders, international companies, international funding organizations, investment funds, and entrepreneurship incubators in Arab countries and the world. Participants from Palestine included entrepreneurs, representatives of business incubators and accelerators, technology companies, government and private sector organizations.

ICEP 3.0 was held over Zoom, in partnership in cooperation with the branches of Global Shapers Palestine, part of the communities of the World Economic Forum (WEF), with the support from the International Finance Corporation (IFC) and the Project to Support Private Sector Innovations in Palestine IPSD, funded by the World Bank, Bank of Palestine, Consolidated Contractors Co (CCC) Palestine Telecom Group, and Hubert Burda Media in Germany.



ICEP 3.0
Paving the silicon road to MENA region

Financial Statements

December, 31, 2021

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Building a better working world

Independent Auditor's Report
To the Shareholders of Bank of Palestine P.L.C

Opinion

We have audited the consolidated financial statements of Bank of Palestine and its subsidiaries (collectively the "Bank"), which comprise the consolidated statement of financial position as at December 31, 2021, consolidated income statement, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Building a better working world

Adequacy of provision of expected credit losses for credit facilities and Islamic financing	
Key audit matter	How the key audit matter was addressed in the audit
This is considered as a key audit matter as the Management exercises significant judgement to determine when and how to record expected credit losses (ECL). Direct credit facilities and Islamic financing form a major portion of the Banks'assets, there is a risk that inappropriate expected credit losses are booked, whether from the use of inaccurate underlying data, or the use of unreasonable assumptions. Due to the significance of the judgments used in classifying direct credit facilities and Islamic financing into various stages according to IFRS 9 and determining related ECL requirements, this audit area is considered a key audit matter. The Coronavirus (COVID-19) pandemic has affected the expected credit losses calculation process. Therefore, during 2021 and 2020 the Bank adjusted the microeconomic factors and allocated more weight to the worst-case scenarios during the years 2021 and 2020. As at December 31, 2021, the Bank's gross direct credit facilities and Islamic financing amounted to U.S. $ 3,645,076,092 and the provision of expected credit losses amounted to U.S. $ 169,770,971. The policy for the provision of expected credit losses is presented in the accounting policies adopted for the preparation of these consolidated financial statements in note (3).	Our audit procedures included assessing the controls on procedures for granting, recording and monitoring credit facilities and financing, and the process of measuring ECL, including the requirements of Palestine Monetary Authority (PMA) to verify the effectiveness of the main controls in place, which determine the impairment in direct credit facilities and Islamic financing, and required provisions against them. In addition, our audit procedures included the following: – We gained an understanding of the Bank's key direct credit facilities and Islamic financing processes, in addition to examination of internal controls system of granting, booking, and evaluating the effectiveness of the main procedures followed in the granting and booking processes. - We studied and understood the Bank's policy in calculating provisions in comparison with the requirements of IFRS 9 and the relevant regulatory guidelines and instructions. - We evaluated the Bank's expected credit losses model, with special emphasis on alignment with the expected credit losses model and the basic methodology within the requirements of IFRS 9. We have studied a sample of direct credit facilities and Islamic financing individually, and carried out the following procedures to assess the following: – The appropriateness of staging. – The appropriateness of the process of determining exposure at default, including consideration of the cash flows resulting from repayment and the resulting calculations. – The appropriateness of the probability of default, and the exposure at default and the loss given default for the different stages. – Validity and accuracy of the model used in the process of calculating expected credit losses.

	– Assessing the appropriateness of the Bank's estimation process for an increase in credit risks and the basis for transferring credit exposure between stages, for the exposures that have been transferred between stages, in addition to evaluating the process in terms of appropriate timing to determine the significant increase in credit risk of credit exposures. – Recalculating of the expected credit losses for direct credit facilities and Islamic financing individually, in addition to understanding the latest developments in terms of cash flows and financial position, and if there is any scheduling or structuring. – In relation to the forward-looking assumptions used by the Bank for calculating ECL, we have discussed these assumptions with management and compared these assumptions to available information including the impact of the coronavirus. – Procedures for evaluating collateral in accordance with the evaluation rules approved by the Bank. We evaluated the disclosures to the consolidated financial statements to ensure their compliance with IFRS 9. Accounting policies, significant accounting estimates and judgments, disclosure of credit facilities and Islamic financing and credit risk management are detailed in the notes (3, 8, 47 and 55) to the consolidated financial statements.

Other information included in the Bank's 2021 Annual Report

Other information consists of the information included in the Bank's 2021 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2021 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.
Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements as at December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young – Middle East
License # 206/2012

Sa'ed Abdallah

Ernst + Young

Sa'ed Abdallah
License # 105/2003

March 31, 2022
Ramallah – Palestine

Consolidated Statement of Financial Position
As at December 31, 2021

	Note	2021 U.S. $	2020 U.S. $
ASSETS			
Cash and balances with Palestine Monetary Authority	5	1,779,579,889	1,323,410,056
Balances at Banks and financial institutions	6	782,230,313	747,858,727
Financial assets at fair value through profit or loss	7	10,253,849	18,735,305
Direct credit facilities and Islamic financing	8	3,453,207,160	3,266,748,588
Financial assets at fair value through other comprehensive income	9	42,255,262	28,559,024
Financial assets at amortized cost	10	228,845,417	205,499,230
Investment in associates and a joint venture	11	9,671,052	5,946,380
Investment properties	12	25,962,178	25,884,919
Property, plant and equipment and right of use assets	13	115,897,814	121,430,377
Projects in progress	14	1,366,792	2,680,297
Intangible assets	15	14,613,893	15,428,395
Other assets	16	44,338,187	47,628,690
Total assets		6,508,221,806	5,809,809,988
LIABILITIES AND EQUITY			
Liabilities			
Palestine Monetary Authority's deposits	17	242,439,107	168,347,302
Banks and financial institutions' deposits	18	120,061,868	82,088,201
Customers' deposits	19	5,013,551,326	4,580,935,374
Cash margins	20	291,588,276	253,088,880
Subordinated loan	21	72,500,000	75,000,000
Loans and borrowings	22	48,442,500	27,636,180
Istidama loans from Palestine Monetary Authority	23	22,307,552	9,134,926
Lease Liabilities	24	31,900,160	33,453,914
Sundry provisions	25	50,983,323	48,851,375
Taxes provisions	26	21,492,314	4,610,652
Other liabilities	27	96,855,951	93,142,513
Total liabilities		6,012,122,377	5,376,289,317
Equity			
Paid-in share capital	1	217,433,527	208,080,000
Additional paid-in capital	28	29,575,688	24,848,415
Statutory reserve	29	61,883,607	56,970,341
Voluntarily reserve	29	246,361	246,361
General Banking risks reserve	29	10,311,877	10,311,877
Pro-cyclicality reserve	29	40,000,000	40,000,000
Fair value reserve	9	(1,692,549)	(4,999,792)
Retained earnings		77,612,532	43,763,159
Total equity holders of the Bank		435,371,043	379,220,361
Non-controlling interests	4	60,728,386	54,300,310
Total equity		496,099,429	433,520,671
Total liabilities and equity		6,508,221,806	5,809,809,988

The accompanying notes from 1 to 57 are an integral part of these consolidated financial statements

Consolidated Income Statement
For the year ended December 31, 2021

	Note	2021 U.S. $	2020 U.S. $
Interest income	31	166,252,374	161,289,379
Interest expense	32	(38,906,250)	(42,650,597)
Net interest income		127,346,124	118,638,782
Net financing and investment income	33	50,166,699	35,662,682
Net commissions	34	46,085,241	43,156,485
Net interest, financing, investment and commissions income		223,598,064	197,457,949
Foreign currencies gains		22,094,579	16,745,839
Net gains from financial assets	35	7,951,831	611,729
(Losses)/gains from revaluation of investment properties	12	(285,740)	48,050
Bank's share of results of associates and a joint venture	11	460,415	442,861
Other revenues, net	36	8,429,423	6,941,015
Gross profit before expected credit losses provisions		262,248,572	222,247,443
Provision for expected credit losses on direct credit facilities and Islamic financing and other receivables, net	8&16	(22,768,138)	(38,968,640)
Provision for expected credit losses on investments, and indirect credit facilities and Islamic financing, net	39	(1,846,010)	(489,146)
Gross profit		237,634,424	182,789,657
Expenses			
Personnel expenses	37	(82,172,194)	(73,595,572)
Other operating expenses	38	(50,857,509)	(48,620,126)
Depreciation and amortization	13&15	(17,927,102)	(18,858,916)
Written off credit facilities not previously provided for	8	(2,052,766)	(1,532,623)
Palestine Monetary Authority's fines	40	(20,000)	(22,052)
Total expenses		(153,029,571)	(142,629,289)
Profit before taxes		84,604,853	40,160,368
Taxes expense	26	(28,350,526)	(17,748,220)
Profit for the year		56,254,327	22,412,148
Attributable to:			
Equity holders of the Bank		49,132,664	19,881,004
Non-controlling interests	4	7,121,663	2,531,144
		56,254,327	22,412,148
Basic and diluted earnings per share	42	0.23	0.09

The accompanying notes from 1 to 57 are an integral part of these consolidated financial statements

Consolidated Statement of Comprehensive Income
For the year ended December 31, 2021

	Note	2021 U.S. $	2020 U.S. $
Profit for the year		56,254,327	22,412,148
Items of other comprehensive income			
Items not to be reclassified to the consolidated income statement in subsequent periods:			
Gains/(losses) from revaluation of financial assets through other comprehensive income items		3,845,690	(1,322,007)
Total items that will not be classified to the consolidated income statement		3,845,690	(1,322,007)
Total comprehensive income for the year		60,100,017	21,090,141
Attributable to:			
Equity holders of the Bank		52,470,623	18,736,114
Non-controlling Interests	4	7,629,394	2,354,027
		60,100,017	21,090,141

The accompanying notes from 1 to 57 are an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity
For the year ended December 31, 2021

2021	Paid-in share capital U.S. $	Additional paid-in capital U.S. $	Reserves: Statutory U.S. $	Reserves: Voluntarily U.S. $	Reserves: General Banking risks U.S. $	Reserves: Pro-cyclicality U.S. $	Reserves: Fair value U.S. $	Retained earnings U.S. $	Equity holders of the Bank U.S. $	Non-controlling interests U.S. $	Total equity U.S. $
Balance, beginning of the year	208,080,000	24,848,415	56,970,341	246,361	10,311,877	40,000,000	(4,999,792)	43,763,159	379,220,361	54,300,310	433,520,671
Profit for the year	-	-	-	-	-	-	-	49,132,664	49,132,664	7,121,663	56,254,327
Other comprehensive income	-	-	-	-	-	-	3,337,959		3,337,959	507,731	3,845,690
Total comprehensive income for the year	-	-	-	-	-	-	3,337,959	49,132,664	52,470,623	7,629,394	60,100,017
Transfer of fair value reserve from sale of financial assets through other comprehensive income (note 9)	-	-	-	-	-	-	(30,716)	30,716	-	28,286	28,286
Transfers to reserves	-	-	4,913,266	-	-	-	-	(4,913,266)	-	-	-
Increase in the Bank's paid-in capital (note 1&28)	7,272,727	4,727,273	-	-	-	-	-	-	12,000,000	-	12,000,000
Stock dividends (note 30)	2,080,800	-	-	-	-	-	-	(2,080,800)	-	-	-
Cash dividends (note 30)	-	-	-	-	-	-	-	(8,323,200)	(8,323,200)	(1,229,604)	(9,552,804)
Fractions of stocks	-	-	-	-	-	-	-	3,259	3,259	-	3,259
Balance, end of the year	217,433,527	29,575,688	61,883,607	246,361	10,311,877	40,000,000	(1,692,549)	77,612,532	435,371,043	60,728,386	496,099,429

2020	Paid-in share capital U.S. $	Additional paid-in capital U.S. $	Reserves: Statutory U.S. $	Reserves: Voluntarily U.S. $	Reserves: General Banking risks U.S. $	Reserves: Pro-cyclicality U.S. $	Reserves: Fair value U.S. $	Retained earnings U.S. $	Equity holders of the Bank U.S. $	Non-controlling interests U.S. $	Total equity U.S. $
Balance, beginning of the year	204,000,000	24,848,415	54,982,241	246,361	9,749,949	40,000,000	(3,854,902)	46,828,335	376,800,399	53,863,794	430,664,193
Profit for the year	-	-	-	-	-	-	-	19,881,004	19,881,004	2,531,144	22,412,148
Other comprehensive income items	-	-	-	-	-	-	(1,144,890)	-	(1,144,890)	(177,117)	(1,322,007)
Total comprehensive income for the year	-	-	-	-	-	-	(1,144,890)	19,881,004	18,736,114	2,354,027	21,090,141
Transfers to reserves	-	-	1,988,100	-	561,928	-	-	(2,550,028)	-	-	-
Stock dividends (note 30)	4,080,000	-	-	-	-	-	-	(4,080,000)	-	-	-
Cash dividends (note 30)	-	-	-	-	-	-	-	(16,320,000)	(16,320,000)	(1,917,511)	(18,237,511)
Fractions of stocks	-	-	-	-	-	-	-	3,848	3,848	-	3,848
Balance, end of the year	208,080,000	24,848,415	56,970,341	246,361	10,311,877	40,000,000	(4,999,792)	43,763,159	379,220,361	54,300,310	433,520,671

The accompanying notes from 1 to 57 are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows
For the year ended December 31, 2021

	Note	2021 U.S. $	2020 U.S. $
Operating activities			
Profit for the year before taxes		84,604,853	40,160,368
Adjustments for:			
Depreciation and amortization		17,927,102	18,858,916
Net gains from financial assets		(7,951,831)	(611,729)
Provision for expected credit losses on credit facilities, investments, and other receivables, net		24,614,148	39,457,786
Losses/(Gains) from revaluation of deposits at below market interest rate		1,428,011	(1,428,011)
(Gains)/losses from modification arising from Islamic financing of a subsidiary		(3,364,410)	3,364,410
Accrued finance cost on lease liabilities		958,455	1,011,795
Impairment on projects in progress		1,056,516	-
Sundry provisions		10,133,706	5,982,147
Losses/(gains) from revaluation of investment properties		285,740	(48,050)
Bank's share of results of associates and a joint venture		(460,415)	(442,861)
Written off credit facilities not previously provided for		2,052,766	1,532,623
Losses on disposal of property, plant and equipment		299,475	1,119
Other non-cash items		(1,910,880)	915,298
		129,673,236	108,753,811
Changes in assets and liabilities:			
Direct credit facilities and Islamic financing		(208,000,264)	(327,313,987)
Statutory cash reserve		(13,860,295)	(33,417,361)
Other assets		2,990,503	12,136,262
Customers' deposits		432,615,952	708,949,293
Istidama loans from Palestine Monetary Authority		13,172,626	9,134,926
Cash margins		38,499,396	9,490,943
Other liabilities		4,698,282	16,625,073
Net cash flows from operating activities before taxes and paid provisions		399,789,436	504,358,960
Taxes paid		(11,468,864)	(14,558,687)
Sundry provision, paid		(8,001,758)	(4,107,116)
Net cash flows from operating activities		380,318,814	485,693,157
Investing activities:			
Purchase of financial assets at fair value through profit or loss and through other comprehensive income		(14,481,474)	(1,869,358)
Purchase of financial assets at amortized cost		(73,609,903)	(72,077,957)
Sale of financial assets at fair value through profit or loss and through other comprehensive income		18,595,044	-
Maturated financial assets		51,285,668	109,383,656
Deposits at Banks and financial institutions maturing in more than three months		(3,832,158)	4,954,104
Restricted balances of withdrawal		(7,567,173)	(3,745,004)
Palestine monetary authority deposits for a period more than three months		86,627,310	-
Banks and financial institutions' deposits maturing in more than three months		2,000,000	-
Deposits at Islamic Banks maturing in more than three months		1,062,368	(552,854)
Commission on investments management		(693,134)	(457,058)
Stock dividends received		3,906,474	1,471,545
Investments in associates and a joint venture		(4,000,000)	-
Intangible assets		(1,300,903)	(2,117,795)
Projects in progress		(1,644,400)	(5,753,272)
Purchase of investment properties		-	(159,000)
Purchase of property, plant and equipment		(6,541,977)	(4,907,468)
Sale of property, plant and equipment		199,635	216,172
Net cash flows from investing activities		50,005,377	24,385,711
Financing activities:			
Lease liabilities paid		(4,794,691)	(4,264,138)
Subordinated loan payment		(2,500,000)	-
Cash dividends paid		(10,550,581)	(17,457,248)
Increase in the Bank's paid-in capital		12,000,000	-
Loans and borrowings		20,806,320	23,947,092
Fractions of stock dividends sold		3,259	3,848
Net cash flows from financing activities		14,964,307	2,229,554
Increase in cash and cash equivalents		445,288,498	512,308,422
Cash and cash equivalents, beginning of the year		1,342,579,767	830,271,345
Cash and cash equivalents, end of the year	41	1,787,868,265	1,342,579,767
Interest expense paid		52,230,778	53,734,014
Interest revenue received		229,728,043	214,223,923

The accompanying notes from 1 to 57 are an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements
December 31, 2021

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 the Palestine Securities Exchange during 2005.

Following the decision of the extraordinary general assembly during its meeting held on March 29, 2018, the Bank's authorized capital was increased from 200 million shares to 250 million shares at U.S. $ 1 par value per share from. During its ordinary meeting held on March 26, 2020, the general assembly approved increasing the Bank's paid-in share capital by U.S. $ 4,080,000 through stock dividends. During its ordinary meeting held on March 31, 2021, the general assembly approved increasing the Bank's paid-in share capital by U.S. $ 2,080,800 through stock dividends.

In addition, the Bank signed an agreement during 2021 with French Proparco Corporation, in which the French Development Agency (FISEA), will invest an amount of U.S. $ 7,272,727 in the Bank through a special issue of shares, bringing the paid-in share capital of the Bank to U. S. $ 217,433,527 and U.S. $ 208,080,000 as at December 31, 2021 and December 31, 2020, respectively.

The Bank carries out all of its Banking activities which include opening current account, letter of credit, accepting deposits and lending money through its (29) branches and (43) offices located in Palestine and an electronic office. In addition, PMA authorized the opening of two representation offices; one in Dubai, United Arab Emirates and another in Chile. The number of branches of Arab Islamic Bank (a subsidiary) is (21) branches in addition to (6) offices and a mobile office.

The Bank's personnel (head quarter and branches) reached (1,745) and (1,749) as at December 31, 2021 and 2020, respectively. The number of employees of the subsidiaries are (685) and (693) as at December 31, 2021 and 2020, respectively.

The consolidated financial statements were authorized for issuance by the Bank's Board of Directors during their meeting number (392) dated 27 February 2022.

2. Consolidated Financial Statements

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at December 31, 2021.

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

	Country of incorporation and operations	Ownership % 2021	Ownership % 2020	Subscribed capital U.S. $ 2021	Subscribed capital U.S. $ 2020
Arab Islamic Bank*	Palestine	52.06	52.06	91,719,252	88,469,252
Al-Wasata 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

* The Ordinary General Assembly of the Arab Islamic Bank, in its meeting held on March 17, 2021, decided to capitalize the amount of $3,250,000 from retained earnings and add it to the capital and distribute it as free shares to shareholders.

** 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 consolidated financial statements, reduced its shareholding in PalPay Company.

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

The 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.

3. Accounting Policies

3.1 Basis of preparation

The consolidated financial statements as at December 31, 2021 have been prepared in accordance with the International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB). The Bank complies with the applicable local laws and the instructions of the PMA.

The consolidated financial statements have been prepared 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 at the date of the consolidated financial statements.

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

3.2 Basis of consolidation of financial statements

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at December 31, 2021. 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 subsidiaries.

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 year are included in the 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 consolidated income statement. Any remaining investments are recorded at fair value.

3.3 Changes in accounting polices

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2020, except for the adoption of new standards effective as of January 1, 2021 shown below:

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS (9), IAS (39), IFRS (7), IFRS (4) and IFRS (16)

The amendments provide temporary reliefs which address the financial reporting effects when an interBank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- The exemptions require the Bank to amend the definitions used in documenting the hedging operations and describing the hedging instrument with the continuation of the hedging relationship of the Bank when replacing the reference used to determine the current interest rate with the refence.
- The Bank may use a contractually unspecified interest rate, to hedge the risk of changes in fair value or interest rates if the interest rate risks are identified separately.

These amendments did not have a material impact on the consolidated financial statements of the Bank.

COVID-19- related rent reductions or deferrals - after 30 June 2021 - Amendments to IFRS 16

On May 28, 2020, the International Accounting Standards Board issued rent reductions or deferrals related to the COVID-19 pandemic- Amendments to International Financial Reporting Standard No.16. These amendments granted exemptions to lessees from applying the requirements of IFRS 16 on lease accounting amendments to lease reductions or postponements resulting directly from the COVID-19 pandemic. As it is a feasible solution, the lessee may choose not to assess whether the COVID-19-related rent reductions or deferrals granted by the lessor constitutes an amendment to the lease agreement. A lessee making this selection will account for a change in rent payments resulting from rent reductions or deferrals related to the COVID-19 pandemic in the same way as a change under IFRS 16, if the change does not constitute an amendment to the lease.

The amendment was supposed to apply until June 30, 2021, but due to the continuing impact of the COVID-19 pandemic, on March 31, 2021 the IASB extended the practical application period to June 30, 2022.

These amendments apply to annual periods beginning on April 1, 2021.

The Bank has not received rental discounts or deferrals related to the COVID-19 pandemic.

International Financial Reporting Standards 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:

Reference to the conceptual framework - Amendments to IFRS 3

During May 2020, the International Accounting Standards Board issued amendments to IFRS 3 Business Combinations - a reference to the conceptual framework. These amendments are replaced with the reference to the conceptual framework for the preparation and presentation of financial statements, which was issued in 1989, and with reference to the conceptual framework for financial reporting, which was issued in March 2018, without fundamental change to the requirements of the conceptual framework.

The Board also added an exception to the principle of recognition of International Financial Reporting Standard No. (3) to avoid the possibility of "Day 2" profits or losses arising for potential liabilities and obligations included within the scope of International Accounting Standard No. (37) or the interpretation of the International Financial Reporting Interpretation Committee No. (21) If incurred separately.

At the same time, the Board decided to clarify the current guidance on IFRS 3 for potential assets that will not be affected by the replacement of the conceptual framework for preparing and presenting financial statements.

These amendments will be applied prospectively from January 1, 2022.

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

Property, plant and equipment: Proceeds from sale before the intended use - Amendments to IAS 16

During May 2020, the International Accounting Standards Board issued amendments to International Accounting Standard No. (16) Property, Plant and Equipment: Proceeds from the sale before the relevant use, which prevents establishments from reducing the cost of property, plant and equipment by the value of the proceeds from the sale of a product produced during the period during the bringing of assets to the site and prepare them for the necessary condition to operate in the intended manner determined by the management. Accordingly, the entity must recognize the proceeds from the sale of these products and the cost of producing them in the consolidated income statement.

The amendments will be applied retroactively from January 1, 2022 to items of property, plant and equipment that started to be used at the beginning of the first financial period presented in the financial year in which the amendments are first applied.

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

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS (37)

During May 2020, the International Accounting Standards Board issued amendments to International Accounting Standard No. (37), which specify the costs that the entity must take into consideration when assessing whether the contract is or will result in a loss.

The adjustments apply the "direct cost" method. Direct costs relating to contracts for the sale of goods or services include both incremental costs and allocable costs that are directly related to contract activities. General and administrative expenses are not directly related to contracts and are therefore excluded unless they are charged to the other party under the terms of the contract.

The amendments will be applied as at January 1, 2022. These amendments apply to contracts that have not fulfilled all of their conditions as at the beginning of the fiscal year in which the amendments are applied for the first time.

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

IFRS 9 Financial Instruments – The '10%' test for derecognition of financial liabilities

As part of the improvements to the treatment of IFRS for the years 2018-2020, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that the Bank considers when assessing whether the terms of new or modified financial liabilities are materially different from the terms of the original financial liabilities.

Such fees include only those paid or received by a borrower and lender, including fees paid or received by a borrower or lender on behalf of another.

These amendments will be effective from January 1, 2022, with early application permitted.

The Bank will apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the fiscal year in which the Bank applies the amendment.

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

Definition of Accounting Estimates - Amendments to International Accounting Standard No. (8)

In February of 2021, the International Accounting Standards Board issued amendments to IAS 8, providing a definition of "accounting estimates". Adjustments clarify the difference between changes in accounting estimates and changes in accounting policies and corrections of errors. It also describes how organizations use measurement and input techniques to develop accounting estimates.

These amendments will be effective from January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period. Early application is permitted as long as it is disclosed.

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

Disclosure of Accounting Policies - Amendments to International Accounting Standard No. (1) and Practice Statement No. (2)

In February of 2021, the International Accounting Standards Board issued amendments to IAS (1) and IFRS (2) Practice Statement Making Materiality Judgments, providing guidance and examples to help entities apply materiality to disclosures of accounting policies. The amendments aim to help enterprises provide accounting policy disclosures that are more beneficial by replacing the requirements of enterprises by disclosing their "significant" accounting policies with the requirements for disclosing their "material" accounting policies and adding guidance on how enterprises apply the concept of materiality in making decisions regarding disclosure accounting policy.

The amendments to IAS 1 will be applied for periods beginning on or after January 1, 2023, with early application permitted. Because the amendments to Practice Statement number (2) provide non-mandatory guidance on applying the definition of a material term to accounting policy information, the effective date of these amendments is not necessary.

The Bank is currently evaluating the impact of the amendments to determine their impact on the accounting policy disclosures on the Bank's consolidated financial statements.

3.4 Summary of Significant Accounting Policies

Revenues recognition

The effective interest rate method

According to IFRS (9) Interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortized cost, financial instruments designated at Fair value through profit or loss (FVTPL). Interest income on interest bearing financial assets measured at Fair value through other comprehensive income (FVOCI) under IFRS (9).

The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortized cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Bank recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk. The adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the consolidated statement of financial position with an increase or reduction in interest income. The adjustment is subsequently amortized through interest and similar income in the consolidated other comprehensive income statement.

Interest and similar income and expense

For all financial instruments measured at amortized cost, financial instruments designated at FVOCI and FVTPL, interest income or expense is recorded using the EIR.

The calculation takes into account all of the contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

When the recorded value of a financial asset or a Bank of similar financial assets has been reduced by an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income are recognized at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not include multiple performance obligations.

When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Fee and commission income from providing services where performance obligations are satisfied at a limited period of time

These fees include what is collected through services provided during a specific period of time, as they are calculated for the same period, and include credit commissions and fees for providing the custodian service so that the customer receives and benefits from the benefits provided by the Bank at the same time.

The Bank's fees and commissions for services that are recognized over a specific period of time include:

Custodian fees: The Bank charges a fixed annual fee for providing custodian services to its clients, which includes custody of the securities purchased and processing any income from dividends and interest payments. The customer's share of these services is transferred evenly over the service period, and this fee is recognized as revenue evenly over that period, based on the time elapsed.

Credit fees that are an integral part of financial instruments such as loan grant fees, potentially exploited loan commitment fees and other related credit fees. Since the benefit of the services is transferred to the customer equally over a specified period, the fee is recognized as revenue on a straight-line basis.

Fee and commission income from providing services where performance obligations are satisfied at a point in time

Fees and commissions from providing services are recognized at a particular time once the Bank fulfills the performance obligations and transfers control of these services to the customer. This typically occurs when a transaction or service is completed, or for a fee associated with a particular performance, after performance criteria have been met. These include fees and commissions arising from negotiating or participating in a negotiation for a third party, such as a brokerage, whereby the Bank is obligated to successfully complete the transaction specified in the contract.

Brokerage fees: The Bank buys and sells securities on behalf of its clients and charges a fixed commission for each transaction. The obligation of the Bank is to execute these trades on behalf of the customer and the revenue is recognized as soon as each trade is executed (on the trade date) so that the commission is paid on the trade date. The Bank pays sales commission to agents on each deal for some of the brokerage work it does.

The Bank has chosen to apply the optional practical method, which allows it to calculate the commission immediately because its amortization period is one year or less.

Contract balances

The following are recognized in the consolidated statement of financial position:

- 'Fees and commissions receivables' included under 'Other assets', which represent the Bank's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). These are measured at amortized cost and subject to the provision of expected credit losses.
- 'Unearned fees and commissions' included under 'Other liabilities', which represent the Bank's obligation to transfer services to a customer for which the Bank has received consideration (or an amount of consideration is due) from the customer. A liability for unearned fees and commissions is recognized when the payment is made or the payment is due (whichever is earlier). Unearned fees and commissions are recognized as revenue when (or as) the Bank performs.

Net trading income

Net trading income includes all gains and losses from changes in fair value and the related interest income or expense and dividends, for financial assets and financial liabilities held for trading.

Dividend income

Profits or losses from trading investments in financial assets are realized upon completion of the trading process, and dividends from investee companies are recognized when the right to receive the dividends is established.

Net loss on financial assets and liabilities designated at fair value through profit or loss

Net loss on financial instruments at FVTPL represents non-trading derivatives held for risk management purposes used in economic hedge relationship but not qualifying for hedge accounting relationships, financial assets and financial liabilities designated as at FVTPL and also non-trading assets measured at FVTPL, as required by or elected under IFRS 9. The line item includes fair value changes, interest, dividends and foreign exchange differences.

Net loss on derecognition of financial assets measured at amortized cost or FVOCI

Net loss on derecognition of financial assets measured at amortized cost includes loss (or income) recognized on sale or derecognition of financial assets measured at amortized costs calculated as the difference between the book value (including impairment) and the proceeds received.

Service and rent revenues

Leases in which the risks and rewards of ownership are not transferred from the lessor to the lessee are classified as operating leases. The cost incurred in operating leases contracts is added to the carrying value of the leased asset and is recognized as rental income over the period of the lease contract.

Financial Instruments – Initial Recognition

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Bank recognizes balances due to customers when funds are transferred to the Bank.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognizes the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized.

Measurement categories of financial assets and liabilities

The Bank classifies its financial assets (Debt Instruments) based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized cost
- FVOCI
- FVTPL

The Bank classifies and measures its derivative and trading portfolio at FVTPL. The Bank may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

Financial Assets and Liabilities

The Bank only measures due from Banks, loans and advances to customers and other financial investments at amortized cost if both of the following conditions are met:

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

The details of these conditions are outlined below:

Business model assessment

The Bank determines its business model at the level that best reflects how it manages Banks of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

The Business model assessment depends on reasonably expected scenarios without taking into consideration the "worse case" or "stress test" scenarios.

If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets for latest periods.

The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract.

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Bank enters into derivative transactions with various counterparties. These include interest rate swaps, futures and cross-currency swaps. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in net trading income unless hedge accounting is applied.

Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS (32) Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to the consolidated income statement. Dividends are recognized in consolidated income statement as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Financial assets at fair value through profit or loss

Financial assets and financial liabilities at FVTPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in Consolidated income statement with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the Consolidated income statement.

Interest earned or incurred on instruments designated at FVTPL is accrued in interest income or interest expense, respectively, using the EIR, taking into consideration any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earnt on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in Consolidated income statement as other operating income when the right to the payment has been established.

Financial guarantees, letters of credit and unutilized facilities ceilings

The Bank issues financial guarantees, letters of credit and loan commitments. Financial guarantees are initially recognized in the consolidated financial statements (within other liabilities) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the consolidated income statement as provision for expected credit losses.

The premium received is recognized in the consolidated income statement net of fees and commission income on a straight-line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the ECL requirements.

The Bank occasionally issues loan commitments at below market interest rates drawdown. Such commitments are subsequently measured at the higher of the amount of the ECL and the amount initially recognized less, when appropriate, the cumulative amount of income recognized.

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

The Bank derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage (1) for ECL measurement purposes.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition.

Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Derecognition other than for substantial modification.

A. Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Bank of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Bank also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset

Or

- It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement.

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset

Or

- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Bank's continuing involvement, in which case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase, the Bank continues to recognize the fair value of the transferred asset or a purchase option (whichever is lower).

B. Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in consolidated income statement.

Impairment of financial assets

Overview of the ECL principles

The Bank recorded the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts (financial instruments).

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

The expected credit loss allowance is based on the credit losses expected to occur over the life of the asset, and if there has been no significant change in credit risk from the date of initial recognition, the allowance is based on the expected credit loss for a period of 12 months.

The 12-month expected credit loss is the portion of the expected credit loss over the life of the asset resulting from default events in financial instruments that may occur within 12 months from the date of the consolidated financial statements.

Expected credit losses are calculated for the entire life of the credit exposure and 12-months expected credit losses based on the nature of the financial instruments.

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

Based on the above process, the Bank groups its financial assets into stage (1), stage (2) and stage (3), as described below:

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

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

<u>The calculation of ECLs</u>

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

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

PD	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.
EAD	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from deferred payments.
LGD	The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as percentage of the EAD.

When estimating the ECLs, the Bank considers three scenarios (a base case, best and worst). Each of these is associated with different percentages of PDs, EADs and LGDs.
The mechanics of the ECL method are summarized below:

Stage (1)	The 12mECL is calculated as the portion of LTECLs that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.

Stage (2)	When a financial asset has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
Stage (3)	For financial assets considered credit-impaired, the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage (2) assets, with the PD set at 100% and the PD is larger than stage (1) and 2.
Loan commitments and letters of credit	When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the financial asset is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the commitment.

Credit cards and other revolving credit facilities

The Bank's products include a number of cards and credit facilities granted to individuals and companies, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Bank does not limit the credit losses exposed to the contractual notice period, but instead calculates the expected credit losses over a period that reflects the Bank's expectations of the customer's behavior, the possibility of default and the Bank's future risk mitigation measures, which can include limiting or canceling the facilities.

The continuous assessment of the existence of a significant increase in the credit risk of the revolving credit facilities is similar to the assessments applied to other loans. This is based on shifts in the customer's internal credit score.

The interest rate used to discount ECL for credit cards is the effective interest rate.

Expected credit losses, including the estimate of the expected period of exposure and the discount rate, are calculated on an individual basis.

Forward looking information

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

- GDP growth
- Unemployment rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Collateral valuation

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

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

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

Collaterals repossessed

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold taking into consideration the relevant PMA instructions. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are categorized as assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date, in line with the Bank's policy.

In its normal course of business, the Bank engages external agents to recover funds from repossessed assets, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customer/ obligators. As a result of this practice, the residential properties under legal repossession processes are not recorded on the consolidated statement of financial position.

Write-offs

The accounting policies used by the Bank regarding writ-offs are in line with International Financial Reporting Standard No. (9) and do not differ compared to International Accounting Standard No. (39) and the instructions of the PMA. Financial assets are written off either partially or completely only when the Bank ceases to recover. If the written-off amount is greater than the provision for accumulated losses, the difference is treated as an addition to the provision. Refunds are subsequently recorded in other revenues.

Bad debt not previously provided for and written off

The facilities and Islamic financing that its borrower passed away and do not have sufficient collaterals are written-off in accordance with PMA instructions.

Modification on facilities and financing

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to the otherwise enforce collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties. Modifications may include extension of payments or agreeing to new financing terms. Classification decisions between Stage (2) and Stage (3) are determined on a case-by-case basis.

Lease Contracts

The Bank assesses at contract date whether it is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration paid.

The Bank applies a unified recognition and measurement methodology for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities of lease payments and right-of-use assets representing the right to use the underlying assets.

Operating lease payments are recognized as an expense on a straight-line basis over the useful life of the lease.

Right of use assets

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease Liabilities

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in- substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank's exercising the option to terminate as per the lease contract.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Government grants

The Bank recognizes the government grant revenue if there is a reasonable assurance that it will be received, and the Bank will comply with the conditions associated with the grant. Government loan interest is considered as lower than market interest rate as a government income grant. The loan that carries a lower than market interest rate is recorded and measured in accordance with IFRS (9) 'Financial Instruments'. The interest income earned on this loan is measured by calculating the difference between the initial carrying amount of the loan in accordance with IFRS (9) and the amounts received. Grant revenue is calculated in accordance with IAS (20) "Accounting for Government Grants and Disclosures related to them." Government grant revenue is recognized in the consolidated income statement on a regular basis over the periods in which the Bank establishes the losses that the grant aims to compensate. Grant income is recognized only when the ultimate beneficiary is the Bank. If the final beneficiary is a third party and not the Bank, then the cash received from donors is recorded as liabilities when it exceeds the sums transferred to the beneficiaries, while it is recorded as due from donors when it is less than what was transferred to the beneficiaries.

Fair value measurement

The Bank measures some of its financial instruments, and non-financial assets such as investment properties, at fair value at the consolidated financial statements date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants aim to achieve economic benefits.

The Bank uses valuation techniques that are appropriate in the circumstances that provide sufficient information to measure fair value, by maximizing the use of relevant observable data and minimizing the use of unobservable data.

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

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

Level 2: Using valuation techniques other than market prices which is directly or indirectly observable.

Level 3: Using valuation techniques that is not based on observable market data.

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

Certified external appraisers participate in the valuation of material assets. After discussions with the appraisers, the Bank selects the methods and inputs to be used for the valuation in each case.

For the purpose of disclosing the fair value, the Bank has determined classes of assets on the basis of the nature, characteristics, risks and the level of fair value of the asset or liability.

Investment in associates

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

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

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

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

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

Property, plant and equipment

Property, plant and equipment are stated at cost after deducting the accumulated depreciation and accumulated impairment losses, if any. The cost of property, plant and equipment includes the cost incurred to replace any component of property, plant and equipment and financing expenses for long-term construction projects if the recognition conditions are met. All other expenditures are recognized in the consolidated income statement when incurred. Land is not depreciated. Depreciation is calculated using the straight-line method according to the expected useful life as follows:

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

An item of property, plant and equipment and any significant parts thereof are derecognized upon disposal or when no future economic benefit is expected from the item's use or disposal. Any gain or loss on writing off the item, which is the difference between the proceeds from disposal and the net book value of the item, is recognized in the consolidated statement of income.

The residual values of items of property, plant and equipment, useful lives and methods of depreciation are reviewed each fiscal year and adjusted subsequently, if necessary.

Business combinations and goodwill

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

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

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

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

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

When an operating activity within a cash-generating unit is disposed of, the goodwill associated with the disposed operating activity is considered as part of the carrying amount of that activity to determine the amount of profit or loss. The amount of goodwill disposed of is determined according to the ratio of the carrying amount of the business disposed of to the net residual value of the cash-generating unit.

Investments properties

Properties held for rental, or for capital appreciation purposes, or both, are classified as investments properties, investments properties are measured initially at cost including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value and changes in fair value are recognized in the consolidated income statement.

Impairment of non-financial assets

The Bank assesses at the reporting date whether there is evidence that an asset is impaired. If there is any evidence, or when annual impairment testing is required, the Bank assesses the asset's recoverable amount. The asset's recoverable amount is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or the Company's assets. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and reduced to its recoverable amount. In assessing the fair value in use, the future cash flows are discounted to their present fair value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into consideration if they are available. If it is not possible to identify such transactions, the evaluation form is used.

Intangible Assets

A- Goodwill

- Goodwill is recorded at cost, and represents the excess amount paid to acquire or purchase the investment in an associate or a subsidiary on the date of the transaction over the fair value of the net assets of the associate or subsidiary at the acquisition date. Goodwill resulting from the investment in a subsidiary is recorded as a separate item as part of intangible assets, subsequently, the cost of goodwill is reduced by any impairment in the investment value.
- Goodwill is distributed over the cash generating units for the purpose of testing the impairment in its value.
- The value of goodwill is tested for impairment on the date of the consolidated financial statements. Goodwill value is reduced when there is evidence that its value has declined or the recoverable value of the cash generating units is less than book value. The decline in the values is recoded in the consolidated income statement as impairment loss.

B- Other intangible assets

- Intangible assets that are acquired through a merger are recorded at their fair value at the date of acquisition. Intangible assets that are acquired through a method other than the merger are recorded at cost.

- Intangible assets are classified on the basis of an estimate of their useful life for a definite period or an indefinite period. Intangible assets that have a finite life are amortized during this life and the amortization is recorded in the consolidated income statement. As for intangible assets with an indefinite life, the impairment is reviewed at the date of the consolidated financial statements, and any impairment in their value is recorded in the consolidated income statement.

Intangible assets resulting from the Banks operations are not capitalized. They are rather recorded in the consolidated income statement in the same period.

Any indications of impairment in the value of intangible assets as at the date of the consolidated financial statements are reviewed. Furthermore, the estimated useful lives of the impaired intangible assets are reassessed, and any adjustment is made in the subsequent period.

Intangible assets with a finite life are recorded at cost less annual amortization. Intangible assets include computer software. These assets are amortized using the straight-line method over the useful life using rates estimated by the Bank and range from five to ten years.

Financial derivatives

Derivative financial instruments (such as foreing currencies forward deals, future interest contracts, swap contracts, foreign exchange options rights) are recognized in the consolidated statement of financial position at fair value.

Derivatives held for hedging purposes

Hedging of net investment in foreign units: If the hedging conditions apply to the net investment in foreign units, the profits or losses resulting from the change in the fair value of the hedging instrument are recorded within the items of other comprehensive income, and are transferred to the consolidated income statement when the investment in the foreign unit is sold.

Hedges for which the conditions for effective hedging do not apply to the gains or losses arising from the change in the fair value of the hedging instrument are recorded in the consolidated income statement.

Assets obtained by the Bank by calling on collateral

Assets obtained by the Bank by calling on collateral are stated under “Other assets” at the carrying value of the Bank or fair value of the assets (whichever is lower).

These assets are revaluated individually at the date of the consolidated financial statements at fair value (after deducting sales cost). Any impairment is recorded in the consolidated income statement as a loss. Subsequently, the gain resulted from the appreciation of the assets value is recorded in the consolidated income statement to the extent of the impairment loss previously recorded.

Projects in progress

The projects in progress represent the costs of establishing, finishing, expanding and improving the Bank new branches and other projects that have not ended up to the date of the consolidated financial statements. Upon completion of the execution of each project it will be transferred to property, plant and equipment or intangible assets. A decrease in the carrying amount of projects in progress is recorded when there is evidence that the carrying amount of the projects cannot be recovered. If such indicators exist, the carrying amount of the projects is reduced to the recoverable amount.

Offsetting

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

Capital cost of issuing or buying the Bank's shares

Cost arising from the issuance or purchase of the Bank's shares are charged to retained earnings (net of the tax effect of these costs, if any). If the shares issuance or purchase process is incomplete these costs are recorded as expenses in the consolidated income statement.

Assets managed on behalf of customers

These represent the accounts managed by the Bank on behalf of its customers, but do not represent part of the Bank’s assets. The fees and commissions on managing these accounts are taken to the consolidated income statement. Moreover, a provision is taken for the decline in the value of capital-guaranteed portfolios managed on behalf of its customers.

Provisions

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

Taxes provision

The Bank provides for income tax in accordance with IAS (12) and Palestinian Income Tax Law. IAS (12) requires recognizing the temporary differences, at the consolidated statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, as deferred tax assets or liabilities. Deferred tax is provided on temporary differences at the consolidated statement of financial position between the tax bases of assets and the liabilities and their carrying amounts for financial reporting purposes. The carrying amount of the deferred tax asset is reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Provision for end of service indemnity

Allocating employees’ end of service indemnity is made in accordance with the applicable labor law in Palestine and the Bank’s personnel affairs system. The Bank prepares an actuarial study to ensure the consistency of the provisions made with the requirements of IAS (19).

Foreign currencies

The consolidated financial statements of the Bank are presented in US Dollars, which is the Bank's base currency. Affiliates determine their base currencies. Items in the financial statements of subsidiaries are measured using the subsidiaries' base currency. Transactions in currencies other than US dollars during the year are converted into US dollars according to the exchange rates as on the date of the transaction. Monetary assets and liabilities and those receivable or payable in other currencies at the end of the year are translated into US dollars at the exchange rates as at the date of the consolidated financial statements. Transfer differences from profit or loss are shown in the consolidated income statement.

Earnings per share

The basic earnings per share is calculated by dividing the profit for the year attributable to Equity holders of the Bank by the weighted average number of ordinary shares during the year.

The diluted earnings per share is calculated by dividing the profit for the year attributable to Equity holders of the Bank by the weighted average of the number of ordinary shares during the year plus the weighted rate of the number of ordinary shares that would have been issued if the convertible shares were converted into ordinary shares (after the treasury shares were deducted) .

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with PMA, balances with Banks and financial institutions, less balances with Banks and financial institutions maturing after three months and Banks and financial institutions' deposits and statutory cash reserve.

Segments information

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

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

Use of estimates

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

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

- Risk management (note 47)
- Capital management (note 50)

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

Impairment of goodwill

The determination of impairment of goodwill is based on an estimation of the value in use of the cash-generating units over which goodwill has been distributed. This requires estimating the future cash flows from the cash-generating units and choosing the proper discount rates to calculate the present value of those future cash flows.

Useful lives of tangible and intangible assets

The management periodically re-estimates the useful lives of tangible and intangible assets for the purpose of calculating annual depreciation and amortization, depending on the general condition of those assets and estimates of the expected useful lives in the future. The impairment loss (if any) is recorded in the consolidated income statement.

Legal case provision

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

Provision for employees' benefits

The Bank management uses certain estimates and assumptions to determine the amount of employee benefits. Management believes that these estimates and assumptions are reasonable. Employees benefits expense for the year was charged in accordance with the Palestinian Labor Law and in line with international accounting standards.

Provision for income tax

The Bank's management uses certain estimates in determining the provision for income tax. The Bank's management believes that the estimates and assumptions used are reasonable. Income tax expense for the year is charged in accordance with the laws and regulation of the region at which the Bank operates, and in line with international accounting standards.

Fair Value of financial instruments

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

Impairment of non-financial assets

Impairment is achieved when the carrying value of an asset or cash-generating unit exceeds its recoverable amount. The expected recoverable amount represents the fair value after deducting selling expenses or value in use, whichever is higher.

Determine the lease term for contracts with renewal and termination options

The Bank defines the term of the lease as the non-cancellable lease term, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Investments' properties

The management depends on the assumptions of accredited and licensed appraisers for the valuation of investment properties.

Provision for expected credit losses (ECL)

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

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

- Retail portfolio: individual basis at facility/ country level (overdraft, overdrawn, and loans).
- Corporate portfolio: individual basis at facility /customer level.
- Deposits at Financial Institutions and PMA: individual basis at facility / Bank level.
- Debt instruments measured at amortized cost (bonds): individual basis at instrument level.

Inputs, assumptions and techniques used for ECL calculation – IFRS (9) methodology (financial instruments)

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

- Assessment of significant increase in credit risk (SICR)

An assessment is made of whether there has been a significant increase in credit risk since the date of its inception, as the Bank compares the risk of default for the expected life of the financial instrument at the end of each financial period with the risk of default at the origin of the financial instrument using the main concepts of risk management processes available to the Bank.

The significant increase in credit risk is assessed once every three months and separately for each credit risk exposure and based on three factors. If one of these factors indicates a significant increase in credit risk, the financial instrument is reclassified from stage one to stage two:

- Limits are set to measure the significant increase in credit risk based on the change in the risk of default for the financial instrument compared to its inception date.
- IFRS 9 (Financial Instruments) includes a presumption of a significant increase in the credit risk of financial instruments that have been defaulted and matured for more than 30 days. In this regard, the Bank has adopted a 30-days period.
- The Bank assumes a significant increase in financial instruments that have been defaulted and matured for 30 days during the previous measurement period.
- The Bank classifies the customers that the management deems to put them under surveillance within the second stage as an indicator of the significant increase in credit risk.
- Any schedules or adjustments made to clients' accounts during the evaluation period are taken into consideration as an indicator of the significant increase in credit risk.
- The Bank assumes a significant increase for customers whose economic sectors are deemed by management to be recognized as high risk.
- The Bank assumes a significant increase for customers who are reported to the Bank by regulatory and governmental authorities as having high risks.
- The Bank assumes a significant increase for customers who violate the terms of granting debt.
- Corporate clients whose cash flows with a Bank have decreased and the efficiency of their existing projects has decreased.
- Two degrees lower in the credit rating of financial assets.
- The Bank examines the concept of the material increase related to the assumed 30-days period if the Bank has reasonable and supported information without incurring unnecessary costs or efforts that show that the credit risk has not increased significantly since the initial recognition.
- Non-performing credit facilities for government employees in Gaza Strip and West Bank.

The change between stage two and stage three depends on whether the financial instruments are defaulted as at the end of the financial period. The method for determining the default of financial instruments in accordance with IFRS (9) is similar to the method for determining the occurrence of default for financial assets in accordance with IAS 39 (Financial Instruments: Recognition and Measurement). As shown in the definition of default below.

- Macroeconomic factors, forward looking information

Historical information and current conditions, in addition to expected future events, according to reliable information, must be taken into consideration when measuring expected credit losses for each stage. Measuring and applying expected future information requires the Bank's management to make substantial judgments based on cooperation with international bodies with expertise in this field.

The probability of default, the assumed default loss, the effect on default, and the inputs used in the first and second stage of the ECL provision are designed based on variable economic factors (or change in macroeconomic factors) that are directly related to the credit risk of the portfolio.

Each of the macroeconomic scenarios used in calculating the expected credit loss is associated with variable macroeconomic factors. The estimates were used in calculating the expected credit losses for stage 1 and stage 2 using discounted weighted scenarios, which include future macroeconomic information for later years.

The baseline scenario is based on macroeconomic forecasts (eg. GDP and unemployment rates). The ups and downs of economic factors are prepared on the basis of possible alternative economic conditions.

- 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 takes into consideration the maximum extent of the expected cash flows, which the Bank considers exposed to the risk of impairment. All contractual obligations for life expectancy are considered, including advance payment and extension options. The expected life of some of the revolving credit facilities that do not have a fixed repayment date is measured based on the period in which the Bank is exposed to credit risks that the management cannot avoid.

- IFRS (9) governance

To ensure compliance with the requirements of the application of the standard and to ensure the progress of the application, a special steering committee has been established consisting of risk management director, credit department director, the Bank's financial director, in addition to information systems department director. The committee takes the necessary decisions regarding the implementation mechanisms, ensures that the general policies, work procedures, and systems are updated in line with the requirements of the standard, and presents the results of calculating expected credit losses based on the standard to senior management and to the board of directors through its committees.

4. Material Partly owned Subsidiaries

The financial information of subsidiaries that are not fully owned and have material non-controlling interest are as follow:

Proportionate of equity interest held by non-controlling interests:

Company	Country of incorporation and operation	2021 %	2020 %
Arab Islamic Bank	Palestine	47.94	47.94
PalPay	Palestine	15	15

Accumulated balances of material non-controlling interests of the subsidiaries:

	2021 U.S. $	2020 U.S. $
Arab Islamic Bank	60,340,077	53,959,399
PalPay	388,309	340,911
	60,728,386	54,300,310

Profit allocated to material non-controlling interest of the subsidiaries:

	2021 U.S. $	2020 U.S. $
Arab Islamic Bank	7,074,265	2,518,316
PalPay	47,398	12,828
	7,121,663	2,531,144
Share of non-controlling interest in comprehensive income items	507,731	(177,117)
	7,629,394	2,354,027

A summary of subsidiaries' financial information before eliminating all intra-Bank balances and transaction are as follow:

Summarized statement of financial position information as at December 31, 2021:

	Arab Islamic Bank U.S. $	PalPay U.S. $
Total assets	1,736,706,005	4,707,875
Total liabilities	(1,605,727,500)	(1,720,347)
Total equity	130,978,505	2,987,528
Attributable to:		
Bank's shareholders	70,638,428	2,599,219
Non-controlling interests	60,340,077	388,309
	130,978,505	2,987,528

Summarized statement of financial position information as at December 31, 2020:

	Arab Islamic Bank U.S. $	PalPay U.S. $
Total assets	1,557,048,782	3,223,409
Total liabilities	(1,436,805,052)	(915,083)
Total equity	120,243,730	2,308,326
Attributable to:		
Bank's shareholders	66,284,331	1,967,415
Non-controlling interests	53,959,399	340,911
	120,243,730	2,308,326

Summarized income statement information for the year ended December 31, 2021:

	Arab Islamic Bank U.S. $	PalPay U.S. $
Revenues	71,243,876	7,608,518
General and administrative expenses	(48,581,436)	(6,516,144)
Depreciation and amortization	(4,700,589)	(263,554)
Other revenues	614,978	-
Profit before tax	18,576,829	828,820
Income tax	(6,887,655)	(149,618)
Profit of the year	11,689,174	679,202
Other comprehensive income items of the year	1,610,601	-
Total comprehensive income of the year	13,299,775	679,202

Summarized income statement information for the year ended December 31, 2020:

	Arab Islamic Bank U.S. $	PalPay U.S. $
Revenues	46,926,705	2,129,938
General and administrative expenses	(32,067,548)	(1,890,030)
Depreciation and amortization	(4,420,371)	(198,801)
Other revenues	525,550	205,496
Profit before tax	10,964,336	246,603
Income tax	(2,950,000)	(98,063)
Profit of the year	8,014,336	148,540
Other comprehensive income items of the year	(334,246)	-
Total comprehensive income of the year	7,680,090	148,540

Summarized statement of cash flows information for the year ended December 31, 2021:

	Arab Islamic Bank	PalPay
	U.S. $	U.S. $
Operating activities	7,380,861	1,113,979
Investing activities	(22,483,374)	(499,131)
Financing activities	49,166,435	(46,209)
Increase in cash and cash equivalents	34,063,922	568,639

Summarized statement of cash flows information for the year ended December 31, 2020:

	Arab Islamic Bank	PalPay
	U.S. $	U.S. $
Operating activities	(61,087,098)	616,919
Investing activities	(4,784,574)	(358,260)
Financing activities	180,025,035	165,999
Increase in cash and cash equivalents	114,153,363	424,658

5. Cash and balances with Palestine Monetary Authority

This item comprises the following:

	2021	2020
	U.S. $	U.S. $
Cash on hand*	1,204,487,480	808,067,767
Balances with Palestine Monetary Authority:		
Current and 0n-demand accounts	25,737,190	58,710,122
Swap deposits maturing within 3 months or less	75,246,827	46,191,819
Statutory cash reserve	474,918,296	410,440,348
	1,780,389,793	1,323,410,056
Less: provision for expected credit losses	(809,904)	-
	1,779,579,889	1,323,410,056

* This item includes amounts held by The Palestinian Company for Money and Valuables Transfer (Aman) related to cash shipment and ATM feeding which amounted to U.S. $ 14,418,921 and U.S. $ 13,450,421 as at December 31, 2021 and December 31, 2020, respectively.

According to PMA circular number (67/2010), the Bank shall maintain statutory cash reserves with PMA at 9% of total customers' deposits. PMA does not pay interest or profits on statutory cash reserves. According to PMA circular number (2/2012), the outstanding balance of credit facilities granted in Jerusalem for certain sectors are deducted before the statutory reserve is calculated.

PMA does not pay interest or profits on current accounts.

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

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	515,342,289	-	-	515,342,289
Net change during the year	60,560,024	-	-	60,560,024
Balance, end of the year	575,902,313	-	-	575,902,313

	2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	426,412,319	-	-	426,412,319
Net change during the year	88,929,970	-		88,929,970
Balance, end of the year	515,342,289	-	-	515,342,289

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

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	-	-	-	-
Expected credit losses charges during the year	809,904	-	-	809,904
Balance, end of the year	809,904	-	-	809,904

	2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	50,150	-	-	50,150
Recovery from expected credit losses on repaid balances	(50,150)			(50,150)
Balance, end of the year	-	-	-	-

6. Balances at Banks and financial institutions

This item comprises the following:

	2021	2020
	U.S. $	U.S. $
Local Banks and financial institutions:		
Current accounts	356,894	485,479
Swap deposits	10,014,103	-
	10,370,997	485,479
Foreign Banks and financial institutions:		
Current and on-demand accounts	278,497,155	326,802,075
Deposits maturing within 3 months or less	467,507,816	408,122,624
Deposits maturing after 3 months	13,000,000	9,167,842
Swap deposits	10,000,000	-
	769,004,971	744,092,541
Investments at foreign Islamic Banks:		
Investments maturing within 3 months	3,108,626	2,328,036
Investments maturing after 3 months	3,000,000	4,062,368
	6,108,626	6,390,404
Less: provision for expected credit losses	(3,254,281)	(3,109,697)
	782,230,313	747,858,727

Non-interest or profits bearing balances at Banks and financial institutions as at December 31, 2021 and 2020 amounted to U.S.$ 278,497,155 and U.S.$ 327,287,554, respectively.

Restricted balances at Banks and financial institutions as at December 31, 2021 and 2020 amounted to U.S. $ 83,831,814 and U.S. $ 76,264,641, respectively.

The movement on the gross carrying amount of the balances at Banks and financial institutions, and investments with Islamic Banks is as follows:

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	732,016,418	15,561,602	3,390,404	750,968,424
Net change during the year	34,797,948	-	(281,778)	34,516,170
Transfer to stage (1)	15,561,602	(15,561,602)	-	-
Balance, end of the year	782,375,968	-	3,108,626	785,484,594

	2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	394,309,795	872,820	3,390,404	398,573,019
Net change during the year	352,395,405	-	-	352,395,405
Transfer to stage (2)	(14,688,782)	14,688,782	-	-
Balance, end of the year	732,016,418	15,561,602	3,390,404	750,968,424

The movement on provision for expected credit losses on balances at Banks and financial institutions, investments with Islamic Banks is as follows:

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	702,444	107,253	2,300,000	3,109,697
Expected credit losses charges (Recovery) during the year	(398,058)	-	542,642	144,584
Transfer to stage (1)	107,253	(107,253)	-	
Balance, end of the year	411,639	-	2,842,642	3,254,281

	2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	265,005	1,259	2,300,000	2,566,264
Net (recoveries) of ECL	543,433	-	-	543,433
Transfer to stage (2)	(105,994)	105,994	-	-
Balance, end of the year	702,444	107,253	2,300,000	3,109,697

7. Financial assets at fair value through profit or loss

This item represents the following:

	2021	2020
	U.S. $	U.S. $
Shares quoted in Palestine securities exchange	500,922	9,738,538
Shares quoted in Foreign Financial Markets	832,499	638,427
Investments in financial portfolio	3,920,428	3,358,340
Unquoted shares	5,000,000	5,000,000
	10,253,849	18,735,305

8. Direct credit facilities and Islamic financing

This item comprises the following:

	2021	2020
	U.S. $	U.S. $
Retail		
Loans*	720,602,942	661,711,208
Overdraft accounts	2,171,573	2,136,359
Credit cards	23,032,068	20,019,047
Current overdrafts	59,677,313	59,005,914
Financing	273,043,151	253,958,290
Large corporate, institutions		
Loans *	642,033,599	675,514,387
Overdraft accounts	104,964,392	99,398,220
Credit cards	277,726	194,800
Current overdrafts	5,474,475	4,571,379
Financing	433,649,579	410,384,348
small and medium enterprises		
Loans *	319,503,179	264,553,107
Overdraft accounts	82,092,984	62,658,994
Credit cards	4,862,682	6,480,768
Current overdrafts	6,815,209	5,583,760
Financing	126,669,327	117,815,541
Public sector		
Loans *	367,717,331	345,750,501
Overdraft accounts	280,287,909	279,548,490
Financing	192,200,653	168,588,306
	3,645,076,092	3,437,873,419
Suspended interests, commissions and profits	(22,097,961)	(20,413,098)
provision for expected credit losses	(169,770,971)	(150,711,733)
	3,453,207,160	3,266,748,588

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

	2021	2020
	U.S. $	U.S. $
Balance, beginning of the year	20,413,098	16,656,102
Suspended interests and profits during the year	7,398,451	8,257,741
Suspended interests and profits transferred to revenues during the year	(3,857,115)	(2,922,628)
Suspended interest and profits related to credit facilities and Islamic financing being default for more than 6 years	(870,825)	(1,367,928)
Suspended interests written off	(976,878)	(140,000)
Currency variance	(8,770)	(70,189)
Balance, end of the year	22,097,961	20,413,098

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

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	2,303,183,967	947,191,330	187,498,122	3,437,873,419
Net change during the year	87,312,751	129,805,876	(6,473,630)	210,644,997
Transfers to stage (1)	205,108,779	(201,909,966)	(3,198,813)	-
Transfers to stage (2)	(370,248,539)	391,718,460	(21,469,921)	-
Transfers to stage (3)	(15,748,566)	(16,238,630)	31,987,196	-
Written off facilities	-	-	(3,442,324)	(3,442,324)
Balance, end of the year	2,209,608,392	1,250,567,070	184,900,630	3,645,076,092

	2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	2,331,693,967	622,012,262	159,917,605	3,113,623,834
Net change during the year	176,718,468	155,343,770	(5,902,084)	326,160,154
Transfers to stage (1)	94,085,232	(88,113,506)	(5,971,726)	-
Transfers to stage (2)	(272,726,483)	281,071,283	(8,344,800)	-
Transfers to stage (3)	(26,587,217)	(23,122,479)	49,709,696	-
Written off facilities	-	-	(1,910,569)	(1,910,569)
Balance, end of the year	2,303,183,967	947,191,330	187,498,122	3,437,873,419

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

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	23,040,316	29,151,994	98,519,423	150,711,733
Transfers to stage (1)	3,017,216	(1,962,268)	(1,054,948)	-
Transfers to stage (2)	(2,559,838)	5,375,851	(2,816,013)	-
Transfers to stage (3)	(146,188)	(497,451)	643,639	-
Expected credit losses during the year	4,595,117	26,786,301	38,785,553	70,166,971
Recovery of expected credit losses during the year	(5,249,180)	(15,631,231)	(26,818,424)	(47,698,835)
Write off for defaulted direct credit facilities and Islamic financing provisions for more than 6 years	-	-	(3,441,756)	(3,441,756)
Recovery of written off Islamic financing	-	-	2,456	2,456
Foreign currency exchange differences	-	-	30,402	30,402
Balance, end of the year	22,697,443	43,223,196	103,850,332	169,770,971

	2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	13,077,697	25,252,148	75,252,660	113,582,505
Transfers to stage (1)	1,279,190	(487,036)	(792,154)	-
Transfers to stage (2)	(1,869,700)	2,279,381	(409,681)	-
Transfers to stage (3)	(127,877)	(1,057,062)	1,184,939	-
Expected credit losses during the year	13,635,825	9,954,446	34,221,769	57,812,040
Recovery of expected credit losses during the year	(2,954,819)	(6,789,883)	(9,098,698)	(18,843,400)
Write off for defaulted direct credit facilities and Islamic financing provisions for more than 6 years	-	-	3,381	3,381
Recovery of written off Islamic financing	-	-	(1,996,162)	(1,996,162)
Written off provision against defaulted credit facilities and Islamic financing	-	-	(1,773)	(1,773)
Foreign currency exchange differences	-	-	155,142	155,142
Balance, end of the year	23,040,316	29,151,994	98,519,423	150,711,733

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

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	433,379,011	520,213,150	43,238,657	996,830,818
Net change during the year	47,075,138	39,017,342	(3,764,947)	82,327,533
Transfers to stage (1)	67,623,725	(66,169,255)	(1,454,470)	-
Transfers to stage (2)	(167,186,624)	170,338,077	(3,151,453)	-
Transfers to stage (3)	(3,835,288)	(5,763,490)	9,598,778	-
Written off facilities	-	-	(631,304)	(631,304)
Balance, end of the year	377,055,962	657,635,824	43,835,261	1,078,527,047

	2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	506,217,157	415,408,889	40,629,565	962,255,611
Net change during the year	(12,485,951)	54,613,788	(7,552,630)	34,575,207
Transfers to stage (1)	58,676,348	(57,141,544)	(1,534,804)	-
Transfers to stage (2)	(112,037,340)	116,116,144	(4,078,804)	-
Transfers to stage (3)	(6,991,203)	(8,784,127)	15,775,330	-
Written off facilities	-	-	-	-
Balance, end of the year	433,379,011	520,213,150	43,238,657	996,830,818

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

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	4,671,881	21,759,327	23,595,430	50,026,638
Transfers to stage (1)	1,587,472	(854,464)	(733,008)	-
Transfers to stage (2)	(2,350,761)	2,552,506	(201,745)	-
Transfers to stage (3)	(30,506)	(127,788)	158,294	-
Expected credit losses during the year	1,323,266	9,210,795	8,489,627	19,023,688
Recovery of expected credit losses during the year	(2,109,365)	(10,511,006)	(6,105,712)	(18,726,083)
Write off for defaulted direct credit facilities and Islamic financing provisions for more than 6 years	-	-	(630,650)	(630,650)
Recovery of written off Islamic financing	-	-	(8,748)	(8,748)
Foreign currency exchange differences	-	-	8,095	8,095
Balance, end of the year	3,091,987	22,029,370	24,571,583	49,692,940

	2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	3,776,741	22,948,781	18,486,979	45,212,501
Transfers to stage (1)	668,135	(124,413)	(523,440)	20,282
Transfers to stage (2)	(1,063,349)	670,722	(1,496,802)	(1,889,429)
Transfers to stage (3)	(44,300)	(866,244)	910,544	-
Expected credit losses during the year	2,614,225	4,568,836	9,368,247	16,551,308
Recovery of expected credit losses during the year	(1,279,571)	(5,438,355)	(2,471,407)	(9,189,333)
Write off for defaulted direct credit facilities and Islamic financing provisions for more than 6 years	-	-	(694,669)	(694,669)
Recovery of written off Islamic financing	-	-	(22,789)	(22,789)
Foreign currency exchange differences	-	-	38,767	38,767
Balance, end of the year	4,671,881	21,759,327	23,595,430	50,026,638

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

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	282,314,230	102,443,712	72,334,228	457,092,170
Net change during the year	100,573,187	(7,172,645)	(7,771,737)	85,628,805
Transfer to stage (1)	34,350,716	(32,724,206)	(1,626,510)	-
Transfer to stage (2)	(43,982,311)	49,333,338	(5,351,027)	-
Transfer to stage (3)	(5,992,640)	(5,600,849)	11,593,489	-
Written off facilities	-	-	(2,777,594)	(2,777,594)
Balance, end of the year	367,263,182	106,279,350	66,400,849	539,943,381

	2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	327,653,432	68,645,426	60,912,421	457,211,279
Net change during the year	(11,618,466)	13,270,894	(5,978)	1,646,450
Transfer to stage (1)	15,205,866	(14,538,714)	(667,152)	-
Transfer to stage (2)	(41,210,674)	44,575,911	(3,365,237)	-
Transfer to stage (3)	(7,715,928)	(9,509,805)	17,225,733	-
Written off facilities	-	-	(1,765,559)	(1,765,559)
Balance, end of the year	282,314,230	102,443,712	72,334,228	457,092,170

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

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	3,136,224	2,839,444	36,829,627	42,805,295
Transfer to stage (1)	1,182,893	(718,378)	(464,515)	-
Transfer to stage (2)	(470,186)	1,462,814	(992,628)	-
Transfer to stage (3)	(113,681)	(356,575)	470,256	-
Expected credit losses during the year	1,642,341	3,941,677	15,810,498	21,394,516
Recovery of expected credit losses during the year	(2,111,944)	(1,579,509)	(12,717,993)	(16,409,446)
Write off for defaulted direct credit facilities and Islamic financing provisions for more than 6 years	-	-	(2,777,291)	(2,777,291)
Recovery of written off Islamic financing	-	-	(4,059)	(4,059)
Foreign currency exchange differences	-	-	3,755	3,755
Balance, end of the year	3,265,647	5,589,473	36,157,650	45,012,770

	2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	2,166,599	1,300,938	25,217,408	28,684,945
Transfer to stage (1)	554,041	(328,550)	(245,773)	(20,282)
Transfer to stage (2)	31,310	859,651	998,468	1,889,429
Transfer to stage (3)	(51,012)	(160,929)	211,941	-
Expected credit losses during the year	2,615,513	1,512,575	15,680,037	19,808,125
Recovery of expected credit losses during the year	(2,180,227)	(344,241)	(4,049,996)	(6,574,464)
Write off for defaulted direct credit facilities and Islamic financing provisions for more than 6 years	-	-	(1,069,572)	(1,069,572)
Recovery of written off Islamic financing	-	-	(10,572)	(10,572)
Written off provision against defaulted credit facilities and Islamic financing	-	-	(1,773)	(1,773)
Foreign currency exchange differences	-	-	99,459	99,459
Balance, end of the year	3,136,224	2,839,444	36,829,627	42,805,295

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

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	793,603,429	324,534,468	71,925,237	1,190,063,134
Net change during the year	(106,654,170)	97,961,179	5,063,054	(3,629,937)
Transfer to stage (1)	103,134,338	(103,016,505)	(117,833)	-
Transfer to stage (2)	(159,079,604)	172,047,045	(12,967,441)	-
Transfer to stage (3)	(5,920,638)	(4,874,291)	10,794,929	-
Written off facilities	-	-	(33,426)	(33,426)
Balance, end of the year	625,083,355	486,651,896	74,664,520	1,186,399,771

	2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	926,399,302	134,593,537	64,833,029	1,125,825,868
Net change during the year	(21,640,336)	90,823,496	(4,706,762)	64,476,398
Transfer to stage (1)	20,203,018	(16,433,248)	(3,769,770)	-
Transfer to stage (2)	(119,478,469)	120,379,230	(900,761)	-
Transfer to stage (3)	(11,880,086)	(4,828,547)	16,708,633	-
Written off facilities	-	-	(239,132)	(239,132)
Balance, end of the year	793,603,429	324,534,468	71,925,237	1,190,063,134

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

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	2,779,041	4,553,223	38,094,366	45,426,630
Transfer to stage (1)	246,851	(389,426)	142,575	-
Transfer to stage (2)	261,109	1,360,531	(1,621,640)	-
Transfer to stage (3)	(2,001)	(13,088)	15,089	-
Expected credit losses during the year	309,133	13,633,829	14,485,428	28,428,390
Recovery of expected credit losses during the year	(1,027,871)	(3,540,716)	(7,994,719)	(12,563,306)
Write off for defaulted direct credit facilities and Islamic financing provisions for more than 6 years	-	-	1,499	1,499
Recovery of written off Islamic financing	-	-	(20,051)	(20,051)
Foreign currency exchange differences	-	-	18,552	18,552
Balance, end of the year	2,566,262	15,604,353	43,121,099	61,291,714

	2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	1,273,003	1,002,428	31,553,276	33,828,707
Transfer to stage (1)	57,015	(34,075)	(22,940)	-
Transfer to stage (2)	(837,661)	749,008	88,653	-
Transfer to stage (3)	(32,565)	(29,889)	62,454	-
Expected credit losses during the year	1,814,270	3,873,038	9,168,485	14,855,793
Recovery of expected credit losses during the year	504,979	(1,007,287)	(2,577,297)	(3,079,605)
Write off for defaulted direct credit facilities and Islamic financing provisions for more than 6 years	-	-	(142,948)	(142,948)
Recovery of written off Islamic financing	-	-	(52,232)	(52,232)
Foreign currency exchange differences	-	-	16,915	16,915
Balance, end of the year	2,779,041	4,553,223	38,094,366	45,426,630

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

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	793,887,297	-	-	793,887,297
Net change during the year	46,318,596	-	-	46,318,596
Transfer to stage (1)	-	-	-	-
Transfer to stage (2)	-	-	-	-
Transfer to stage (3)	-	-	-	-
Written off facilities	-	-	-	-
Balance, end of the year	840,205,893	-	-	840,205,893

	2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	568,331,076	-	-	568,331,076
Net change during the year	225,556,221	-	-	225,556,221
Transfer to stage (1)	-	-	-	-
Transfer to stage (2)	-	-	-	-
Transfer to stage (3)	-	-	-	-
Written off facilities	-	-	-	-
Balance, end of the year	793,887,297	-	-	793,887,297

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

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	12,453,170	-	-	12,453,170
Transfer to stage (1)	-	-	-	-
Transfer to stage (2)	-	-	-	-
Transfer to stage (3)	-	-	-	-
Expected credit losses during the year	1,320,377	-	-	1,320,377
Balance, end of the year	13,773,547	-	-	13,773,547

	2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	5,856,355	-	-	5,856,355
Transfer to stage (1)	-	-	-	-
Transfer to stage (2)	-	-	-	-
Transfer to stage (3)	-	-	-	-
Expected credit losses during the year	6,596,815	-	-	6,596,815
Balance, end of the year	12,453,170	-	-	12,453,170

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:

	2021	2020
	U.S. $	U.S. $
Balance, beginning of the year	15,478,580	13,845,732
Additions	3,442,324	1,996,162
Recovered provision during the year	(276,767)	(320,698)
written off provision	(99,170)	(15,767)
Currency variances	2,649	(26,849)
Balance, end of the year	18,547,616	15,478,580

The recoveries of defaulted credit facilities and Islamic financing included in stage (3) as at December 31, 2021 and 2020 amounted to $26,818,549 and $ 9,098,698, respectively.

- Loans are presented net of their related interest and commission received in advance which amounted to U.S. $ 4,655,044 and U.S. $ 1,997,074 as at December 31, 2021 and 2020, respectively. In addition, direct Islamic financing presented net of unearned profits amounted to U.S. $ 96,181,501 and U.S. $ 92,360,279 as at December 31, 2021 and 2020.
- Non-performing direct credit facilities and Islamic financing net of suspended interest, commissions and profits according to PMA regulations as at December 31, 2021 and 2020 amounted to U.S. $261,395,641 and U.S. $ 249,644,829 representing (7.21%) and (7.30%) 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 at December 31, 2021 and 2020 amounted to U.S. $ 162,802,655 and U.S. $ 167,085,022 representing (4.49%) and (4.89%) of direct credit facilities and Islamic financing net of suspended interests, commissions and profits, respectively.
- According to PMA instructions number (1/2008), defaulted credit facilities and Islamic financing for more than 6 years were excluded from the Bank's consolidated financial statements. These defaulted credit facilities and Islamic financing amounted to U.S. $ 33,792,338 and U.S. $ 29,336,902 as at December 31, 2021 and 2020 and the balance of impairment provision and suspended interest and profits for defaulted accounts amounted to U.S. $ 31,871,290 and U.S. $ 28,055,393, respectively.
- Direct credit facilities and Islamic financing granted to the public sector as at December 31, 2021 and 2020 amounted to U.S. $ 840,205,893 and U.S. $ 793,887,297 representing (23.05%) and (23.09%) of gross direct credit facilities and Islamic financing, respectively.
- Direct credit facilities and Islamic financing guaranteed by Palestine National Authority as at December 31, 2021 and 2020 amounted to U.S. $ 27,940,226 and U.S. $ 38,116,819 representing (0.77%) and (1.11%) of gross direct credit facilities and Islamic financing, respectively.
- The fair value of collaterals obtained in lieu of direct credit facilities and Islamic financing amounted to U.S. $ 1,299,618,818 and U.S. $ 1,236,098,141 as at December 31, 2021 and 2020, respectively.
- Credit facilities and Islamic financing granted to non-residents amounted to U.S. $ 13,830,380 and U.S. $ 16,610,904 as at December 31, 2021 and 2020, respectively.
- Credit facilities and Islamic financing were written-off during the year that weren't provided before amounted to U.S. $ 2,052,766 and U.S. $ 1,532,623 as at December 31, 2021 and 2020, respectively.

Following is the distribution of credit facilities and Islamic financing net of suspended interests, commissions and profits by economic sector:

	2021	2020
	U.S. $	U.S. $
Manufacturing	179,248,966	159,632,413
Services sector	375,969,549	431,912,211
Retail and wholesale	585,953,294	485,736,373
Real estate and construction	796,287,072	753,622,832
Transportation	14,949,487	15,718,522
Agricultural	47,374,979	51,255,021
Tourism	40,025,059	33,887,589
Financial sector	22,854,629	26,553,640
Public sector	840,205,893	793,887,297
Consumer commodities	720,109,203	665,254,423
	3,622,978,131	3,417,460,321

The Bank grants credit facilities guaranteed by loan guarantee institutions. The distribution of these credit facilities is as follows:

	December 31, 2021			
	Granted amount	Outstanding balance	Guarantor share	Defaulted debts
Type of credit facilities	U.S. $	U.S. $	%	U.S. $
Production loans	20,499,956	15,392,510	70	2,623,363
Operating loans	12,898,314	9,918,272	60	885,511
Development loans	26,004,505	21,018,094	50	7,427,634
Small and medium sized projects' loans	28,396,578	21,131,159	35-100	2,930,306
	87,799,353	67,460,035		13,866,814

	December 31, 2020			
	Granted amount	Outstanding balance	Guarantor share	Defaulted debts
Type of credit facilities	U.S. $	U.S. $	%	U.S. $
Production loans	15,256,195	11,621,662	70	3,208,357
Operating loans	9,232,231	7,331,352	60	830,942
Development loans	23,844,516	18,770,356	50	1,622,809
Small and medium sized projects' loans	4,189,124	2,896,134	100 - 35	231,432
	52,522,066	40,619,504		5,893,540

9. Financial assets at fair value through other comprehensive income

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

	Quoted shares	Unquoted financial assets	Total
	U.S. $	U.S. $	U.S. $
December 31, 2021			
Local	17,480,998	3,535,467	21,016,465
Foreign	19,560,839	1,677,958	21,238,797
	37,041,837	5,213,425	42,255,262
December 31, 2020			
Local	7,483,575	3,450,180	10,933,755
Foreign	16,077,517	1,547,752	17,625,269
	23,561,092	4,997,932	28,559,024

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

	2021	2020
	U.S. $	U.S. $
Balance, beginning of the year	(4,999,792)	(3,854,902)
Change in fair value through other comprehensive income items	3,337,959	(1,144,890)
Gains on sale of financial assets at fair value through comprehensive income recognized directly in retained earnings	(30,716)	-
Balance, end of the year	(1,692,549)	(4,999,792)

The sales were made during the year with the aim of financing some other investment activities and with the aim of exiting some investments that did not achieve the return required by the Bank and its subsidiaries.

10. Financial assets at amortized cost

Financial assets at amortized cost compromise of the following:

	Treasury bills	Quoted bonds	Unquoted bonds	Islamic Sukuk	Provision for ECL	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
December 31, 2021						
Local	66,557,446	-	12,500,000	-	(791,342)	78,266,104
Foreign	76,160,924	40,876,267	-	35,913,425	(2,371,303)	150,579,313
	142,718,370	40,876,267	12,500,000	35,913,425	(3,162,645)	228,845,417
December 31, 2020						
Local	30,138,004	-	8,000,000	-	(526,487)	37,611,517
Foreign	76,803,680	62,328,177	-	30,513,425	(1,757,569)	167,887,713
	106,941,684	62,328,177	8,000,000	30,513,425	(2,284,056)	205,499,230

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

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	180,446,295	26,073,566	1,263,425	207,783,286
Net change during the year	28,436,785	(4,312,009)	100,000	24,224,776
Transfer to stage (1)	2,081,832	(2,081,832)	-	-
Transfer to stage (2)	(1,264,410)	1,264,410	-	-
Transfer to stage (3)	(2,300,000)	-	2,300,000	-
Balance, end of the year	207,400,502	20,944,135	3,663,425	232,008,062

	2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	199,695,219	44,130,341	1,263,425	245,088,985
Net change during the year	(14,731,458)	(22,574,241)	-	(37,305,699)
Transfer to stage (1)	2,638,871	(2,638,871)	-	-
Transfer to stage (2)	(7,156,337)	7,156,337	-	-
Balance, end of the year	180,446,295	26,073,566	1,263,425	207,783,286

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

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	952,904	67,727	1,263,425	2,284,056
Expected credit losses during the year	73,380	5,209	800,000	878,589
Transfer to stage (1)	23,256	(23,256)	-	-
Transfer to stage (2)	(96,125)	96,125	-	-
Transfer to stage (3)	(1,870)	-	1870	-
Balance, end of the year	951,545	145,805	2,065,295	3,162,645

	2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	770,578	310,299	1,263,425	2,344,302
Recovery of expected credit loss	199,294	(259,540)	-	(60,246)
Transfer to stage (1)	72	(72)	-	-
Transfer to stage (2)	(17,040)	17,040	-	-
Balance, end of the year	952,904	67,727	1,263,425	2,284,056

Interest on U.S. Dollar financial assets at amortized cost ranges between 2.58% and 8.13%.

Interest on Jordanian Dinar financial assets at amortized cost ranges between 5.01% and 6.49%.

Interest on Kuwaiti Dinar financial assets at amortized cost ranges between 4.13% and 6.00%.

Local financial assets at amortized cost includes the Bank's investment in the Palestinian governmental treasury bills according to circular PMA Number (64/2016), which the upper limit of the price discount of treasury bills issued in New Israeli Shekel is 8% and in U.S. $ is (6 months LIBOR +3%), annually.

Foreign government treasury bonds represent the Bank's investment in listed Jordanian treasury bonds, where the interest rate on these assets ranges from 5.01% to 6.49% and matures within a period of 6 months to four years.

Profit on Islamic Sukuk ranges between 2.55% and 7.44%.

Financial assets at amortized cost mature within a period from one month to 9 years.

11. Investment in associates and a joint venture

Following are the details of investments in associates, as at December 31, 2021 and 2020:

	Country of Incorporation	Ownership 2021 %	Ownership 2020 %	Subscribed Share Capital 2021 U.S. $	Subscribed Share Capital 2020 U.S. $
Abraj Co, for Development & Investment (Abraj) *	Palestine	21	21	4,751,499	4,904,368
The Palestinian Company for Money Transportation and Valuables and Banking Services (Aman) **	Palestine	30	30	975,618	1,042,012
Qudra for energy solutions***	Palestine	50	-	3,943,935	-
				9,671,052	5,946,380

* 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 21.4 million shares at a U.S. $ 1 par value per share.

** 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.

*** Qudra Energy Solutions Company (the Company /Qudra) was incorporated as a private limited stock company during the year 2020 with a capital of 8,000,000 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 he 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 paid-in share capital of the company as at December 31, 2021 amounted to U.S. $ 8,000,000. The company commenced its operational activities during 2021.

Following is summarized information related to the Bank's investments in associates:

	Abraj 2021 U.S. $	Abraj 2020 U.S. $	Aman 2021 U.S. $	Aman 2020 U.S. $
The financial position of associates:				
Total assets	35,462,386	36,118,581	4,308,459	4,287,251
Total liabilities	(7,624,495)	(7,458,991)	(1,383,967)	(1,104,391)
Total equity	27,837,891	28,659,590	2,924,492	3,182,860
Bank's share	5,847,957	6,018,514	877,348	954,858
Book value before adjustments	5,847,957	6,018,514	877,348	954,858
Adjustments	(1,096,458)	(1,114,146)	98,270	87,154
Book value after adjustments	4,751,499	4,904,368	975,618	1,042,012
Revenues and results of operations:				
Net revenues	2,000,041	1,667,037	2,093,984	1,676,168
Operational, administrative and general expenses	(931,918)	(500,613)	(752,390)	(541,761)
Finance costs	(251,693)	(290,182)	(21,248)	(19,777)
Other revenues (expenses), net	35,161	(6,329)	88,708	109,350
Profit before tax	851,591	869,913	1,409,054	1,223,980
Tax expense	(76,000)	(173,983)	(230,367)	(185,336)
Net profit after tax of the year	775,591	695,930	1,178,687	1,038,644
Comprehensive income items	-	-	-	-
Total comprehensive income	775,591	695,930	1,178,687	1,038,644
Bank's share	162,874	146,145	353,606	311,593

Following is the movement of the financial information related to the Banks' investment in Qudra company:

	2021 U.S. $
Statement of financial position for a joint venture	
Total assets	8,312,002
Total liabilities	(424,132)
Net equity	7,887,870
Banks' ownership	3,943,935
Adjustments	-
Carrying amount of the investment	3,943,935
Revenues and results of operations	
Revenues	1,070,131
Results of operations	(112,130)
Banks' share of results of operations	(56,065)

12. Investment properties

Investment properties are presented at fair value and changes in fair value are recognized in the consolidated income statement. Following is the movement on investment properties:

	2021	2020
	U.S. $	U.S. $
Balance, beginning of the year	25,884,919	25,677,869
Additions during the year	362,999	159,000
Change in fair value during the year	(285,740)	48,050
Balance, end of the year	25,962,178	25,884,919

13. Property, Plant and Equipment and right of use assets

2021	Buildings and real estate *	Furniture and equipment	Computers	Leasehold improvements	Vehicles	Right of use assets	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Cost:							
Balance, beginning of the year	47,779,280	107,849,386	17,485,357	13,467,721	4,710,511	41,776,137	233,068,392
Additions and transfers from projects in progress	-	5,775,325	524,238	1,539,484	604,319	2,917,015	11,360,381
Disposals	-	(599,419)	(60,157)	-	(480,661)	(874,850)	(2,015,087)
Balance, end of the year	47,779,280	113,025,292	17,949,438	15,007,205	4,834,169	43,818,302	242,413,686
Accumulated Depreciation:							
Balance, beginning of the year	8,356,599	71,174,830	14,156,307	8,093,293	1,690,186	8,166,800	111,638,015
Depreciation for the year	621,649	6,961,633	1,295,497	2,075,306	322,222	4,535,390	15,811,697
Disposals	-	(263,620)	(56,768)	-	(320,739)	(292,713)	(933,840)
Balance, end of the year	8,978,248	77,872,843	15,395,036	10,168,599	1,691,669	12,409,477	126,515,872
Net book value	38,801,032	35,152,449	2,554,402	4,838,606	3,142,500	31,408,825	115,897,814

2020	Buildings and real estate *	Furniture and equipment	Computers	Leasehold improvements	Vehicles	Right of use assets	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Cost:							
Balance, beginning of the year	46,708,005	101,088,313	16,066,003	13,038,789	4,830,321	38,741,538	220,472,969
Additions from projects in progress	1,071,275	1,896,408	1,652,236	145,705	141,844	3,034,599	7,942,067
Transfers from projects in progress (note 14)	-	5,965,425	-	283,227	-	-	6,248,652
Disposals	-	(1,100,760)	(232,882)	-	(261,654)	-	(1,595,296)
Balance, end of the year	47,779,280	107,849,386	17,485,357	13,467,721	4,710,511	41,776,137	233,068,392
Accumulated Depreciation:							
Balance, beginning of the year	7,747,357	63,052,617	12,945,690	7,010,888	1,439,793	3,947,275	96,143,620
Depreciation for the year	609,242	9,120,864	1,443,382	1,082,405	396,982	4,219,525	16,872,400
Disposals	-	(998,651)	(232,765)	-	(146,589)	-	(1,378,005)
Balance, end of the year	8,356,599	71,174,830	14,156,307	8,093,293	1,690,186	8,166,800	111,638,015
Net book value	39,422,681	36,674,556	3,329,050	5,374,428	3,020,325	33,609,337	121,430,377

* Buildings and real estate include parcels of land owned by the Bank to carry out its Banking activities amounted to U.S. $ 15,700,255 as at December 31, 2021 and 2020.

Property, plant and equipment include U.S. $ 62,216,394 and U.S. $ 59,386,780 of fully depreciated assets that are still used in the Bank's operations as at December 31, 2021 and 2020, respectively.

14. Projects in progress

The 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 of the Arab Islamic Bank (subsidiary). Following is the movement on the projects in progress during the year:

	2021	2020
	U.S. $	U.S. $
Balance, beginning of the year	2,680,297	3,175,677
Additions	1,644,400	5,753,272
Impairment	(1,056,516)	-
Transfers to property, plant and equipment and right of use assets (note 13)	(1,901,389)	(6,248,652)
Balance, end of the year	1,366,792	2,680,297

As at December 31, 2021 the estimated cost to complete projects in progress amounted to U.S. $ 2,314,435 Projects are expected to be completed during the year 2022.

15. Intangible assets

	Goodwill	Computer software	Total
	U.S. $	U.S. $	U.S. $
Cost			
Balance as at January 1, 2021	3,774,558	24,541,092	28,315,650
Additions	-	1,300,903	1,300,903
Balance as at December 31, 2021	3,774,558	25,841,995	29,616,553
Amortization			
Balance as at January 1, 2021	-	12,887,255	12,887,255
Additions	-	2,115,405	2,115,405
Balance as at December 31, 2021	-	15,002,660	15,002,660
Net Book Value			
As at December 31, 2021	3,774,558	10,839,335	14,613,893

	Goodwill	Computer software	Total
	U.S. $	U.S. $	U.S. $
Cost			
Balance as at January 1, 2020	3,774,558	22,423,297	26,197,855
Additions	-	2,117,795	2,117,795
Balance as at December 31, 2020	3,774,558	24,541,092	28,315,650
Amortization			
Balance as at January 1, 2020	-	10,900,739	10,900,739
Additions	-	1,986,516	1,986,516
Balance as at December 31, 2020	-	12,887,255	12,887,255
Net Book Value			
As at December 31, 2020	3,774,558	11,653,837	15,428,395

The impairment of the expected recoverable value of the goodwill resulting from the acquisition of the Arab Islamic Bank was studied based on the fair value after deducting the selling costs, according to the trading prices of the Arab Islamic Bank share (level one) as on December 31, 2021 and 2020. The book value of the investment was also compared to its market value, and to the sale of similar investments in the financial markets. So that the market value of the investment was greater than the book value, and hence, it did not result in any impairment losses on the value of the recorded goodwill.

16. Other assets

This item comprises the following:

	2021	2020
	U.S. $	U.S. $
Accounts receivable and temporary advance payments, net*	11,743,498	9,815,677
Accrued interests and commissions	11,194,422	9,630,871
Clearing checks	10,003,474	12,571,202
In advance payments	6,451,191	6,954,133
Stationery and printings material and equipment in stores	2,324,916	2,160,781
Assets obtained by the Bank by calling on collateral**	779,869	1,867,160
Other current assets	1,840,817	4,628,866
	44,338,187	47,628,690

* Accounts receivable and temporary advance payments are shown in net, as an impairment provision was reduced during the year on these temporary receivables and advances in the amount of U.S. $ 300,000 recorded.

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

	2021	2020
	U.S. $	U.S. $
Balance, beginning of the year	1,867,160	677,531
Sale of properties	(419,760)	-
Impairment	(667,531)	-
Additions	-	1,189,629
Balance, end of the year	779,869	1,867,160

17. Palestine Monetary Authority's deposits

This item comprises the following:

	2021	2020
	U.S. $	U.S. $
Current accounts	46,296,880	28,191,932
Term deposits maturing within 3 months	16,042,099	77,738,726
Motivational deposits maturing in more than 3 months*	20,000,000	18,571,989
SWAP deposits maturing in less than 3 months	73,472,818	43,844,655
Deposits maturing in more than 3 months	86,627,310	-
	242,439,107	168,347,302

* This item represents the value of motivational deposits from PMA to the Arab Islamic Bank (subsidiary company) with the aim of mitigating the economic effects of the Corona Virus (Covid 19) crisis on the activities of the subsidiary and the losses it sustained as a result of postponing customer installments during the year 2020. The Bank addressed the impact of the difference between the interest rate for these deposits and the market interest rate for them in accordance with the IAS (20) - Accounting for Government Grants and Disclosure of Government Aid, resulted in profits of U.S. $ 1,428,011 that were recorded in the consolidated income statement for the year ended December 31, 2020 under the item of net financing income and investment income (note 33). The Bank also amortized during the year the entire value of the amount recorded during 2020 and recorded it in the consolidated income statement for the year to comply with the accounting treatment of the resulting adjustments to the Islamic financing of the subsidiary.

18. Banks and financial institutions' deposits

This item comprises the following:

	Current and on demand accounts	Term deposits maturing within 3 months	SWAP deposits	Term deposits maturing in more than 3 months	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
December 31, 2021					
Local	1,010,601	18,996,455	10,000,000	2,000,000	32,007,056
Foreign	11,425,149	66,629,663	10,000,000	-	88,054,812
	12,435,750	85,626,118	20,000,000	2,000,000	120,061,868
December 31, 2020					
Local	*32,582,614	4,820,874	-	-	37,403,488
Foreign	16,076,862	28,607,851	-	-	44,684,713
	48,659,476	33,428,725	-	-	82,088,201

* This item includes cash shipping safeguards to some local Banks amounted to U.S. $ 30,473,580 as at December 31, 2021.

19. Customers' deposits

	2021	2020
	U.S. $	U.S. $
Customers' deposits		
Current and on-demand deposits	1,950,804,278	1,780,702,941
Saving deposits	1,308,094,915	1,060,677,761
Time deposits	789,999,818	809,683,606
Debit balances – temporarily credit	18,904,458	34,573,077
	4,067,803,469	3,685,637,385
Unrestricted investment accounts		
Saving deposits	569,584,056	387,933,636
Time deposits	376,163,801	507,364,353
	945,747,857	895,297,989
	5,013,551,326	4,580,935,374

- Public sector deposits amounted to U.S. $ 197,456,958 and U.S. $ 150,023,920 representing 3.94% and 3.27% of total deposits as at December 31, 2021 and 2020, respectively.
- Non-interest and non-profit bearing deposits amounted to U.S. $ 3,200,179,705 and U.S. $ 2,764,362,450 representing 65.25% and 60.34% of total deposits as at December 31, 2021 and 2020, respectively.
- Dormant deposits amounted to U.S. $ 129,318,773 and U.S. $ 77,032,004 representing 2.58% and 1.68% of total deposits as at December 31, 2021 and 2020, respectively.
- Restricted deposits amounted to U.S. $ 113,799,938 and U.S. $ 65,237,219 representing 2.27% and 1.42% of total deposits as at December 31, 2021 and 2020, respectively.

20. Cash margins

This item represents cash margins against:

	2021	2020
	U.S. $	U.S. $
Direct credit facilities and Islamic financing	215,141,761	185,005,213
Indirect credit facilities and Islamic financing	34,946,784	33,413,859
Others	41,499,731	34,669,808
	291,588,276	253,088,880

The interest rate on these margins ranges between 0.1% and 5.5%, and they are due within a period of one month to five years.

21. Subordinated Loan

During the year 2016, the Bank obtained the subordinated loan in accordance with a subordinated loan agreement signed on June 20, 2016, with International Finance Corporation (IFC) in the amount of U.S. $ 50 million payable on 10 semiannual installments for 10 years with 5 years of grace period. The first installment is due on December 15, 2021 and the last installment will become due on June 15, 2026. The loan is subject to average annual interest rate of 7.52%, the interest will be paid on semiannual basis and started December 15, 2016.

On May 30, 2017, the Bank signed additional subordinated loan agreement with IFC according to which the subordinated loan was increased by U.S. $ 25 million became U.S. $ 75 million according to the terms and conditions of the subordinated loan agreement stated above.

During the year, the Bank paid an amount of U.S. $ 2.5 million of the value of this support loan, bringing the outstanding balance to U.S. $ 72.5 million as on December 31, 2021, compared to U.S. $ 75 million as on December 31, 2020.

22. Loans and borrowings

Details of this item are as follows:

	2021	2020
	U.S. $	U.S. $
Arab Fund for Economic and Social Development *	15,000,000	15,000,000
French Agency for Development **	13,442,500	12,636,180
European Bank for Reconstruction and Development (EBRD)***	10,000,000	-
European Investment Bank ****	10,000,000	-
	48,442,500	27,636,180

* During 2020, the Bank signed an agreement with the Arab Fund for Economic and Social Development by the amount of U.S. $ 15,000,000 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 will be 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%.

** 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 facilities at a maximum amount of Euro 12,500,000. The loan is to be settled through 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 loan is subject to average annual interest rate of 2.62%. The utilized amount as at December 31, 2021 and 2020 amounted to U.S. $ 13,442,500 and 12,636,180, respectively.

*** During the year, the Bank signed an agreement with the European Bank for Reconstruction and Development by the amount of U.S. $ 15,000,000 to finance credit facilities of small and medium enterprises. During the year, an amount of U.S. $ 10,000,000 was transferred with the remainder to be transferred during the next year. The loan is to be settled through 15 semiannual installments with a grace period of 18 months. The first installment will be due on June 15, 2022 and the last installment will become due on June 15, 2026. The loan is subject to average annual interest rate of Libor plus 3%.

**** During the year, 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 transferred during the year, and the rest of the amount will be transferred in the coming years. This loan is repayable in 14 semi-annual installments. The first installment will be 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 3.49%.

23. Istidama loans from Palestine Monetary Authority

This item represents PMA's deposits as per PMA instructions number (22/2020) to mitigate the economic impacts of Coronavirus (COVID-19) outbreak on the economic activities and projects especially the small and medium projects. PMA charges an interest of 0.5% on the credit facilities granted and the Bank earns a declining interest at a maximum rate of 3% from borrowers. Istidama loans as at December 31, 2021 and December 31, 2020 amounted to U.S. $ 22,307,552 and 9,134,926, respectively.

24. Lease liabilities

The table below shows the book value of the lease liabilities and the movement thereon:

	2021	2020
	U.S. $	U.S. $
Balance, beginning of the year	33,453,914	33,671,658
Disposals	(634,533)	-
Additions during the year	2,917,015	3,034,599
Finance costs during the year	958,455	1,011,795
Payments	(4,794,691)	(4,264,138)
Balance, end of the year	31,900,160	33,453,914

The liabilities related to rent contracts represent the recognition of the lease liabilities at the present value of the lease payments that must be paid over the life of the contract. Rental payments include fixed payments (that include payments that are within their contents fixed payments) minus incentives for the accrued rent and variable rent payments that depend on indicators or agreed upon rates as per the terms of the contract, and the amounts expected to be collected under the residual value guarantees. Rent contracts also include the accrued amount when implementing the purchase option that the entity will certainly implement and the termination amount for the rent contract, if the entity intends to implement the termination option as per the terms of the contracts.

The liabilities related to rent contracts are deducted using a discount rate of 3.01%. The expected life of the lease liabilities has been calculated over a period of 10 years.

The amount of the lease expense for short-term contracts and lease contracts of low-value assets that were recognized in the consolidated income statement for the year ended December 31, 2021 and December 31, 2020 amounted to U.S. $ 766,480 and U.S. $ 909,304, respectively (note 38).

25. Sundry provisions

	Balance, beginning of the year	Provided during the year	Paid during the year	Balance, end of the year
	U.S. $	U.S. $	U.S. $	U.S. $
December 31, 2021				
End of service provision	46,931,940	9,833,706	(8,001,758)	48,763,888
Lawsuits provision	1,919,435	300,000	-	2,219,435
	48,851,375	10,133,706	(8,001,758)	50,983,323
December 31, 2020				
End of service provision	45,056,909	5,982,147	(4,107,116)	46,931,940
Lawsuits provision	1,919,435	-	-	1,919,435
	46,976,344	5,982,147	(4,107,116)	48,851,375

End of service provision is calculated in accordance with the applicable labor law in Palestine and the Bank's personnel affairs system. The Bank also conducts an actuarial study to verify that there are no fundamental differences in calculating provisions in accordance with the IAS (19).

26. Taxes provisions

Movement on taxes provisions during the year ended December 31, 2021 and 2020 are as follows:

	2021	2020
	U.S. $	U.S. $
Balance, beginning of the year	4,610,652	1,421,119
Additions	28,350,526	17,748,220
Advances paid	(10,764,288)	(14,339,725)
Payments during the year	(704,576)	(218,962)
Balance, end of the year	21,492,314	4,610,652

Details of taxes provision are as follows:

	2021	2020
	U.S. $	U.S. $
Provision for the year	28,920,430	18,619,982
Motivational tax discounts and other settlements	(569,904)	(871,762)
Tax expenses presented in the consolidated income statement for the year	28,350,526	17,748,220

Reconciliation between accounting income and taxable income for the Bank is as follows:

	2021	2020
	U.S. $	U.S. $
Accounting profit	84,604,853	40,160,368
Profit not subject to value added tax	(5,714,944)	(15,879,892)
Non-deductible tax expenses	14,015,342	25,286,539
Gross profit subject to value added tax	92,905,251	49,567,015
Net profit subject to value added tax	92,905,251	49,567,015
Deduct: value added tax	(12,814,517)	(6,836,830)
value added tax on salaries	(7,800,711)	(7,652,138)
Adjustment for tax calculation purpose	(3,286,669)	(1,753,511)
Taxable income	69,003,354	33,324,536
Tax expenses for the year	10,350,503	4,998,680
Taxes payable for the year	23,165,020	11,835,510
Taxes provisions for the year	28,920,430	18,619,982
Effective tax rate	%34.18	46.36%

The Bank records provisions for taxes in accordance with the laws in effect- article No. (22) for the year 2017 and article No. (10) for the year 2017.

The Bank did not reach a final settlement with the Income Tax and the Value Added Tax Departments on the results of its operations for the years 2020 and 2019. The Bank submitted its tax declaration on the results of its operations on time, and the tax consultant is following up on the final settlements.

As at December 31, 2021, the legal income tax and value added tax rates were %15 and %16, respectively. According to Law No. (4) for the year 2014, concerning the amendment of Law No. (8) for the year 2011 related to income taxes; income tax rate on profits resulted from financing small and medium enterprises equals to %10 of profit.

27. Other liabilities

Details of this item are as follows:

	2021	2020
	U.S. $	U.S. $
Certified Bank checks	22,086,247	23,422,336
Accounts payable of subsidiaries' customers	13,679,208	13,364,659
Outward Transfers	10,679,050	8,985,958
Accrued and not paid interests	6,696,086	7,466,146
Negative financial derivatives (Transactions between Banks)	6,256,487	12,564,464
Provision for employee rewards	5,700,000	-
Cash dividends payable	5,505,477	6,503,254
Interests and commissions paid in advance	4,655,044	1,997,074
Temporary deposits	4,580,207	4,493,292
Cash margins for donors	3,038,627	2,717,255
Accrued taxes	2,775,327	1,308,279
Return on unrestricted investment accounts	2,767,005	2,602,245
Accrued expenses	1,987,990	1,556,251
Board of Directors bonuses	1,240,000	1,020,000
Provision for expected credit losses on indirect credit facilities (note 51)	315,086	302,153
Others	4,894,110	4,839,147
	96,855,951	93,142,513

28. Additional paid-in capital

Additional paid in capital resulted from the following:

- 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 Banks' 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.

29. Reserves

Statutory reserve

As required by the Companies' and Banking Law, the Bank shall deduct and transfer 10% of net profit to the statutory reserve until the reserve equals the paid-in share capital. The reserve is not to be utilized nor available for distribution to shareholders without PMA's prior approval.

Voluntarily reserve

Voluntarily reserve represents cumulative deductions of the Bank's subsidiaries.

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.

Pro-cyclicality reserve

This reserve represents 15% of net profit in accordance with PMA's instruction (1/2011) and (6/2015) to support the Banks' capital against Banking risks. The reserve is not to be utilized or reduced without PMA's prior approval. It is not permissible to seize the deduction before the accumulated balance reaches the equivalent of 20% of the Bank's capital. During 2018, PMA issued instructions No. (1/2018) regarding pro-cyclicity reserve, the reserve is to be calculated as a percentage of risk-weighted assets determined by PMA and ranging between (0% - 2.5%). In 2018, PMA decided to set the percentage at 0.57% of risk-weighted assets. During 2019, PMA issued instructions number (13/2019) regarding the pro-cyclicality reserve, the reserve is to be calculated as a percentage of risk-weighted assets determined by PMA and ranging between (0% - 2.5%). In 2019, PMA decided to set the percentage at 0.66% of risk-weighted assets. The Bank will be obligated to disclose the counter cyclical capital source in its financial statements starting from December 2023. The Bank did not deduct pro-cyclicality reserve for the year based on understandings with PMA. The reserve will not be utilized without PMA's approval.

30. Dividends

The Bank's General Assembly, during its ordinary meeting held on March 31, 2021, approved dividends distribution of U.S. $ 10,404,000, as stock dividends of U.S. $ 2,080,800 and as cash dividends of U.S. $ 8,323,200 based on pro-rata ownership of the Bank's shareholders in the Bank's share capital .

The Bank's General Assembly, during its ordinary meeting held on March 26, 2020, approved dividends distribution of U.S. $ 20,400,000, as stock dividends of U.S. $ 4,080,000 and as cash dividends of U.S. $ 16,320,000 based on pro-rata ownership of the Bank's shareholders in the Bank's share capital .

The general assembly of Arab Islamic Bank (a subsidiary) decided in its ordinary meeting held on March 17, 2021, approved a dividend distribution of $5,815,000, amounting to $3,250,000 as stock dividends and $2,565,000 as cash dividends to the shareholders of the Arab Islamic Bank.

31. Interest income

This item comprises interest revenues earned on the following accounts:

	2021	2020
	U.S. $	U.S. $
Loans	109,480,832	106,496,865
Overdraft accounts	27,858,793	27,246,987
Overdrawn accounts	12,219,407	11,137,370
Financial assets at amortized cost	8,874,043	7,433,087
Balances at Banks and financial institutions	4,272,445	4,360,528
Credit cards	3,546,854	4,426,409
Balances with Palestine Monetary Authority	-	188,133
	166,252,374	161,289,379

32. Interest expense

This item comprises interest incurred on the following accounts:

	2021	2020
	U.S. $	U.S. $
Interest on customers' deposits		
Time deposits	25,198,716	29,936,376
Saving accounts	2,944,509	1,326,084
Current and on demand accounts	154,305	246,168
	28,297,530	31,508,628
Interest on subordinated loan	5,831,888	5,855,620
Interest on Palestine Monetary Authority's deposits	1,491,136	1,991,480
Interest on loans and borrowings	1,049,100	269,768
Interest on Banks and financial institutions' deposits	1,276,759	2,013,306
Interest on lease liabilities	959,837	1,011,795
	38,906,250	42,650,597

33. Net financing and investment income

This item comprises net investment and financing income from Arab Islamic Bank (subsidiary) from the date of acquisition on the following accounts:

	2021	2020
	U.S. $	U.S. $
Revenues from financing returns	60,693,209	43,348,373
Investment returns	2,192,718	2,584,535
	62,885,927	45,932,908
Less: return of unrestricted investment accounts	(12,719,228)	(10,270,226)
	50,166,699	35,662,682

34. Net commissions

This item comprises commissions against the following:

	2021	2020
	U.S. $	U.S. $
Commissions income:		
Direct credit facilities	11,454,945	10,510,904
Credit cards commission revenue, net	5,439,515	6,559,130
Accounts management commission	7,460,217	7,238,433
Checks	4,977,780	5,700,480
Bank transfers	7,344,144	5,371,148
Indirect credit facilities	3,217,377	3,470,702
Salaries commission	3,524,533	3,775,575
Other Banking services	6,414,128	3,983,597
	49,832,639	46,609,969
Less: commissions expense	(3,747,398)	(3,453,484)
	46,085,241	43,156,485

35. Net gains from financial assets

This item comprises the following:

	2021	2020
	U.S. $	U.S. $
Unrealized gains/(losses) from revaluation of financial assets at fair value through profit or loss	4,199,145	(1,223,581)
Dividends from financial assets through other comprehensive income	1,977,333	585,596
Realized gains from sale of financial assets at fair value through profit or loss	1,255,231	-
Dividends from financial assets at fair value through profit or loss sold during the year	711,980	-
Dividends from financial assets through profit or loss	481,418	885,949
Gains from sale of financial assets at amortized cost	19,858	820,823
Investment management fees	(693,134)	(457,058)
	7,951,831	611,729

36. Other revenues, net

	2021	2020
	U.S. $	U.S. $
Safe boxes rental	247,207	205,875
Recovery of suspended interest	3,857,115	2,922,628
Sundry	4,325,101	3,812,512
	8,429,423	6,941,015

37. Personnel expenses

	2021	2020
	U.S. $	U.S. $
Salaries and related benefits	50,225,633	49,195,022
Provision for employees' end of service	9,833,706	5,982,147
Value added tax on salaries	7,800,711	7,652,138
Bonuses and rewards	6,134,250	3,307,283
Medical and insurance expenses	3,745,537	3,341,861
Bank's contribution to saving fund	2,128,265	2,139,786
Clothing allowances	919,211	983,227
Training expenses	839,351	608,258
Transportation	545,530	385,850
	82,172,194	73,595,572

* The Bank deducted %5 of each employee's monthly basic salary and matched it with an additional %5 as the Bank's contribution for employees in service for less than 5 years, 8% for employees in service for the period from 5 years to less than 10 years, and 10% for employees in service for the period of more than 10 years.

38. Other operating expenses

	2021	2020
	U.S. $	U.S. $
Maintenance and repairs	6,308,071	5,879,385
Telephone, postage and fax	5,702,374	6,239,107
Palestine Deposit Insurance Corporation fees*	4,721,739	6,905,465
Cash shipping expense	4,592,840	3,061,256
Professional fees	4,297,917	3,106,446
Advertising and promotions	3,342,266	3,683,130
Subscriptions fees	2,355,459	2,322,846
Utilities	2,298,849	2,229,688
Board of Directors bonuses and allowances	2,077,907	1,987,198
Social responsibility **	1,775,464	2,316,929
Stationery and printing	1,674,300	1,658,676
Insurance fees	1,441,958	1,265,049
License fees	1,328,054	1,261,751
Fuel	1,037,508	1,005,719
Guarding and cleaning fees	804,476	959,892
Rent (note 24)	766,480	909,304
Hospitality and ceremonies fees	431,210	319,315
Travel and seminars fees	278,847	289,094
Vehicles' expense	265,869	282,277
Sundry	5,355,921	2,937,599
	50,857,509	48,620,126

* Banks must accrue an annual subscription fee for Palestine Deposit Insurance Corporation (the Corporation) for the corporation's account at 0.3% of total deposit balance specified under this law No. (7) for the year 2013. On December 1, 2019, the Palestine Deposit Insurance Corporation (PDIC) issued a circular No. (3/2019) regarding reducing the minimum subscription fee to (0.2%-0.8%), where on January 1, 2020 the subscription fee percentage will be calculated at 0.2% of the average total deposit instead of 0.3% of the average total deposit. On November 27, 2020, PDIC issued a circular No. (2/2020) regarding reducing the minimum subscription fee to (0.1%-0.8%), and as at October 1, 2020 the subscription fee percentage will be calculated at 0.1% of the average total deposit instead of 0.2% of the average total deposit. 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 of the beginning of next year.

** 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 3.14% and 11.4% of profit for the years 2021 and 2020, respectively.

39. (Provision) recovery of expected credit losses on investments and indirect credit facilities

This account represents the IFRS (9) effect on the financial assets except for direct credit facilities in which it is shown in note (8), as follows:

	2021				
	Stage (1)	Stage (2)	Stage (3)	Total	2020
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balances with Palestine Monetary Authority (note 5)	809,904	-	-	809,904	(50,150)
Balances at Banks and financial institutions (note 6)	(398,058)	-	542,642	144,584	543,433
Financial assets at amortized cost (note 10)	73,380	5,209	800,000	878,589	(60,246)
Indirect credit facilities (note 51)	(156,179)	169,112	-	12,933	56,109
Total	329,047	174,321	1,342,642	1,846,010	489,146

40. Palestine Monetary Authority fines

This item represents fines imposed by PMA on the Bank and its subsidiary amounted to U.S. $ 20,000 for the year ended December 31, 2021 and 2020 related to non-compliance with PMA instructions and the related laws and regulations.

41. Cash and cash equivalents

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

	2021	2020
	U.S. $	U.S. $
Cash and balances with Palestine Monetary Authority	1,780,389,793	1,323,410,056
Add:		
Balances at Banks and financial institutions	785,484,594	750,968,424
	2,565,874,387	2,074,378,480
Less:		
Deposits maturing in more than three months	(13,000,000)	(9,167,842)
Investment maturing in more than three months	(3,000,000)	(4,062,368)
Restricted balances of withdrawal	(83,831,814)	(76,264,641)
Balances with Palestine Monetary Authority	(135,811,797)	(149,775,313)
Deposits at Banks and financial institutions	(118,061,868)	(82,088,201)
Statutory cash reserve	(424,300,643)	(410,440,348)
	1,787,868,265	1,342,579,767

42. Basic and diluted earnings per share

	2021	2020
	U.S. $	U.S. $
Profit for the year attributable to equity holders of the Bank	49,132,664	19,881,004
	Shares	Shares
Weighted average of subscribed shares during the year	212,952,389	210,160,800
	U.S. $	U.S. $
Basic and diluted earnings per share attributable to equity holders of the Bank	0.23	0.09

43. Related party transactions

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

2021	Associates	Board of Directors and executive management	Others*	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Consolidated statement of financial position items:				
Direct credit facilities and Islamic financing	3,975,723	50,461,025	30,547,514	84,984,262
Including:				
Non-performing credit facilities	-	-	583,814	583,814
Deposits	1,650,705	38,080,993	29,734,843	69,466,541
Financial assets at amortized cost	-	8,000,000	-	8,000,000
Board of Directors renumerations and expenses	-	1,240,000	-	1,240,000
Commitments and contingencies				
Letters of guarantees	211,566	9,505,161	976,060	10,692,787
Letters of credit	-	-	566,000	566,000
Unutilized limits	-	291,984	8,688,879	8,980,863
Consolidated Income statement items:				
Interest and commissions earned	178,976	2,524,995	1,002,702	3,706,673
Interest and commissions paid	-	651,727	211,775	863,502

2020	Associates	Major shareholders	Board of Directors and executive management	Others*	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Consolidated statement of financial position items:					
Direct credit facilities and financing	4,657,378	-	50,421,286	34,927,753	90,006,417
Including: non-performing credit facilities	-	-	-	209,034	209,034
Deposits	780,797	-	45,302,876	21,997,685	68,081,358
Subordinated loan	-	75,000,000	-	-	75,000,000
Financial assets at amortized cost	-	-	8,000,000	-	8,000,000
Board of Directors renumerations	-	-	1,020,000	-	1,020,000
Commitments and contingencies					
Letters of guarantees	211,566	-	19,910,341	1,036,153	21,158,060
Letters of credit	-	-	-	614,400	614,400
Unutilized limits	-	-	258,003	6,422,735	6,680,738
Consolidated Income statement items:					
Interest and commissions earned	209,582	-	2,507,193	1,860,039	4,576,814
Interest and commissions paid	-	5,855,620	802,624	127,138	6,785,382

* Others include branches' managers, non-executive employees and their relatives, and shareholders with less than 5% of ownership in the Bank's capital as disclosed to PMA.

- Net direct credit facilities and Islamic financing granted to related parties as at December 31, 2021 and 2020 represent 2.47% and 3.27% respectively, from the net direct credit facilities and Islamic financing.
- Net direct credit facilities and Islamic financing granted to related parties as at December 31, 2021 and 2020 represent 15.45% and 21.34% respectively, from the Bank's regulatory capital.
- Interest on U.S. $ direct credit facilities ranges between 1.8% to 24%.
- Interest on New Israeli Shekels direct credit facilities ranges between 3% to 16%.
- Interest on the Jordanian Dinar direct credit facilities ranges between 7.5% to 11%.
- Interest on U.S. $ deposits ranges between 1% to 5.25%.

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

	2021	2020
	U.S. $	U.S. $
Executive management's salaries and related benefits (short term benefits)	2,867,378	4,945,839
Executive management's end of service provision (long term benefits)	440,746	419,911
Board of Directors' bonuses and expenses *	1,240,000	1,020,000
Chairman allowances	480,000	480,000

* This item includes the board of directors' remuneration of Bank of Palestine in the amount of U.S. $ 990,000 and U.S. $ 800,000 for the year 2021 and 2020, respectively.

Following are the details of Board of Director remuneration for the years 2021 and 2020.

	2021	2020
	U.S. $	U.S. $
Hashim Hani Shawa	108,659	80,000
Hani Hasan Nigim	108,659	80,000
Maher Jawad Farah	108,659	80,000
Lana Abu Hijleh	108,659	80,000
Maha Awad	108,659	80,000
Tafeeda Jarbawi	108,659	80,000
Emad Erik Shehadeh	108,659	35,556
Abdullah Al-Ghanim	96,585	62,222
Tariq Aqqad	84,512	80,000
Nada Shousha	48,290	80,000
Faysal Ghazi Alshawa	-	17,778
Tareq Al Shakaa	-	44,444
	990,000	800,000

Article no. (56) of the Bank's bylaw, states that 5% of the Banks' annual net income shall be distributed to the members of the Board of Directors. Actual bonuses distributed were 2.01% and 4.02% of profit for the years 2021 and 2020, respectively.

44. Fair value of financial instruments

The table below represents a comparison between the carrying amounts and fair values of financial instruments as at December 31, 2021:

		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Financial assets					
Cash and balances with Palestine Monetary Authority	1,779,579,889	-	-	1,779,579,889	1,779,579,889
Balances at Banks and financial institutions	782,230,313	-	-	782,230,313	782,230,313
Financial assets at fair value through profit or loss					
Quoted stocks	5,253,849	5,253,849	-	-	5,253,849
Unquoted stocks	5,000,000	-	-	5,000,000	5,000,000
Direct credit facilities and Islamic financing					
Individuals	1,014,724,224	-	-	1,014,724,224	1,014,724,224
Corporate, institutions and small projects	1,595,962,427	-	-	1,595,962,427	1,595,962,427
Public Sector	842,520,509	-	-	842,520,509	842,520,509
Financial assets at fair value through other comprehensive income					
Quoted stocks	37,041,837	37,041,837	-	-	37,041,837
Unquoted stocks	5,213,425	-	-	5,213,425	5,213,425
Financial assets at amortized cost:					
Treasury bills	141,921,436	76,160,924	-	66,557,446	142,718,370
Quoted bonds	40,865,932	41,865,136	-	-	41,865,136
Unquoted bonds	12,348,257	-	-	12,500,000	12,500,000
Islamic sukuk	33,709,792	33,709,792	-	-	33,709,792
Other financial assets	34,782,211	-	-	34,782,211	34,782,211
Total assets	6,331,154,101	- 194,031,538	-	6,139,070,444	6,333,101,982
Financial liabilities					
Palestine Monetary Authority deposits	242,439,107	-	-	242,439,107	242,439,107
Banks and financial institutions' deposits	120,061,868	-	-	120,061,868	120,061,868
Customers' deposits	5,013,551,326	-	-	5,013,551,326	5,013,551,326
Cash margins	291,588,276	-	-	291,588,276	291,588,276
Subordinated loan	72,500,000	-	-	72,500,000	72,500,000
Loans and borrowings	48,442,500	-	-	48,442,500	48,442,500
Istidama loans from Palestine Monetary Authority	22,307,552	-	-	22,307,552	22,307,552
Leased Liabilities	31,900,160	-	-	31,900,160	31,900,160
Other financial liabilities	96,540,865	-	-	96,540,865	96,540,865
Total liabilities	5,939,331,654	-	-	5,939,331,654	5,939,331,654

The table below represents a comparison between the carrying amounts and fair values of financial instruments as at December 31, 2020:

		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Financial assets					
Cash and balances with Palestine Monetary Authority	1,323,410,056	-	-	1,323,410,056	1,323,410,056
Balances at Banks and financial institutions	747,858,727	-	-	747,858,727	747,858,727
Financial assets at fair value through profit or loss					
Quoted stocks	13,735,350	13,735,350	-	-	13,735,350
Unquoted stocks	5,000,000	-	-	5,000,000	5,000,000
Direct credit facilities and Islamic financing	3,266,748,588	-	-	3,266,748,588	3,266,748,588
Financial assets at fair value through other comprehensive income					
Quoted stocks	23,561,092	23,561,092	-	-	23,561,092
Unquoted stocks	4,997,932	-	-	4,997,932	4,997,932
Financial assets at amortized cost:					
Treasury bills	106,372,103	76,803,682	-	30,137,936	106,941,618
Quoted bonds	62,247,819	64,399,222	-	-	64,399,222
Unquoted bonds	7,830,904	-	-	8,000,000	8,000,000
Islamic sukuk	29,048,404	30,513,425	-	-	30,513,425
Other financial assets	36,646,616	-	-	36,646,616	36,646,616
Total assets	5,627,457,591	209,012,771	-	5,422,799,855	5,631,812,626
Financial liabilities					
Palestine Monetary Authority deposits	168,347,302	-	-	168,347,302	168,347,302
Banks and financial institutions' deposits	82,088,201	-	-	82,088,201	82,088,201
Customers' deposits	4,580,935,374	-	-	4,580,935,374	4,580,935,374
Cash margins	253,088,880	-	-	253,088,880	253,088,880
Subordinated loan	75,000,000	-	-	75,000,000	75,000,000
Loans and borrowings	27,636,180	-	-	27,636,180	27,636,180
Istidama loans from Palestine Monetary Authority	9,134,926	-	-	9,134,926	9,134,926
Leased Liabilities	33,453,914	-	-	33,453,914	33,453,914
Other financial liabilities	92,840,360	-	-	92,840,360	92,840,360
Total liabilities	5,322,525,137	-	-	5,322,525,137	5,322,525,137

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

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

Fair value for financial assets subject to interest was estimated by using expected cash flow by using the interest rates of comparative assets with the same terms and risks.

Fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income that are actively traded in active financial markets is determined by reference to trading prices at the date of the consolidated financial statements.

Fair value of financial assets at fair value through other comprehensive income that are not actively traded in active financial markets is determined based on appropriate evaluation methods.

Fair value of credit facilities and Islamic financing was determined through the study of different variables such as interest rates, risk factors and the debtor's solvency. The fair value of credit facilities does not differ from their carrying amounts as at December 31, 2021.

45. 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 as at December 31, 2021:

			Measurement of fair value by		
		Total	Quoted prices in active markets (Level 1)	Significant observable input (Level 2)	Significant non-observable inputs (Level 3)
	Date of evaluation	U.S. $	U.S. $	U.S. $	U.S. $
Financial assets at fair value					
Financial assets at fair value through profit or loss- Quoted (note 7):					
Quoted	December 31, 2021	5,253,849	5,253,849	-	-
Unquoted	December 31, 2021	5,000,000	-	-	5,000,000
Financial assets at fair value through other comprehensive income (note 9):					
Quoted	December 31, 2021	37,041,837	37,041,837	-	-
Unquoted	December 31, 2021	5,213,425	-	-	5,213,425
Financial assets accounted for in its fair value:					
Financial assets at amortized cost- Quoted (note 10):					
Treasury bills	December 31, 2021	142,718,370	76,160,924	-	66,557,446
Quoted bonds	December 31, 2021	41,865,136	41,865,136	-	-
Unquoted bonds	December 31, 2021	12,500,000	-	-	12,500,000
Islamic Sukuk	December 31, 2021	33,709,792	33,709,792	-	-
Investment properties (note 12)	December 31, 2021	25,962,178	-	-	25,962,178
Total liabilities measured at fair value on a recurring basis					
Financial derivatives at fair value through profit or loss (note 27)	December 31, 2021	6,256,487	6,256,487	-	-

The following table provides the fair value measurement hierarchy of the Bank's assets as at December 31, 2020:

			Measurement of fair value by		
		Total	Quoted prices in active markets (Level 1)	Significant observable input (Level 2)	Significant non-observable inputs (Level 3)
	Date of evaluation	U.S. $	U.S. $	U.S. $	U.S. $
Financial assets at fair value					
Financial assets at fair value through profit or loss- Quoted (note 7):					
Quoted	December 31, 2020	13,735,305	13,735,305	-	-
Unquoted	December 31, 2020	5,000,000	-	-	5,000,000
Financial assets at fair value through other comprehensive income (note 9):					
Quoted	December 31, 2020	23,561,092	23,561,092	-	-
Unquoted	December 31, 2020	4,997,932	-	-	4,997,932
Financial assets accounted for in its fair value:					
Financial assets at amortized cost- Quoted (note 10):					
Treasury bills	December 31, 2020	106,941,684	76,803,680	-	30,138,004
Quoted bonds	December 31, 2020	64,399,222	64,399,222	-	-
Unquoted bonds	December 31, 2020	8,000,000	-	-	8,000,000
Islamic Sukuk	December 31, 2020	30,513,425	30,513,425	-	-
Investment properties (note 12)	December 31, 2020	25,884,919	-	-	25,884,919
Total liabilities measured at fair value on a recurring basis					
Financial derivatives at fair value through profit or loss (note 27)	December 31, 2020	12,564,464	12,564,464	-	-

The Bank has not made any transfers between the above levels during 2021 and 2020.

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

	Increase/ decrease in fair value	Effect on fair value
	%	U.S. $
2021		
Fair value per square meter	5+	1,298,109
Fair value per square meter	5-	(1,298,109)
2020		
Fair value per square meter	5+	1,294,246
Fair value per square meter	5-	(1,294,246)

The movement on investments whose fair value was measured using Level 3 was as follows:

	Balance, beginning of the year	Additions	Maturity	Fair value reserve	Unrealized losses from revaluation of financial assets recognized in consolidated income statement	Balance, end of the year
December 31 2021	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Financial assets at fair value through profit or loss- Quoted (note 7):						
Unquoted	8,358,340	70,000	-	-	492,088	8,920,428
Financial assets at fair value through other comprehensive income items (note 9):						
Unquoted	1,733,974	89,167	-	125,719	-	1,948,860
	10,092,314	159,167	-	125,719	492,088	10,869,288

	Balance, beginning of the year	Purchases	Maturity	Fair value reserve	Unrealized losses from revaluation of financial assets recognized in consolidated income statement	Balance, end of the year
December 31 2020	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Financial assets at fair value through profit or loss- Quoted (note 7):						
Unquoted	8,417,709	-	-	-	(59,369)	8,358,340
Financial assets at fair value through other comprehensive income items (note 9):						
Unquoted	487,488	1,868,846	-	(622,360)	-	1,733,974
	8,905,197	1,868,846	-	(622,360)	(59,369)	10,092,314

Sensitivity of unobservable data (level three):

Certified external valuators are assigned to value the material assets such as investment properties and investment in financial assets not listed in the financial market. After discussion with these external evaluators, the Bank selects the methods and inputs that will be used for the evaluation in each case, which are mostly sales prices of similar land during the year which are calculated at the fair value of the square meter of the land multiplied by the number of square meters.

46. Concentration of Assets and Liabilities

Following is a breakdown of the Bank's assets, liabilities and items out of consolidated statement of financial position by geographical and sectoral areas:

	2021			2020		
	Assets	Liabilities and equity	Items out of consolidated financial position	Assets	Liabilities and equity	Items out of consolidated financial position
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
By geographical area						
Palestine	5,587,593,535	6,039,564,771	518,404,126	4,796,397,240	5,562,040,032	563,175,088
Israel	66,010,809	29,674,222	105,015	144,234,582	-	241,416
Jordan	358,571,719	36,773,557	2,325,015	307,442,054	(4,115,244)	1,139,345
Europe	354,937,523	128,056,121	12,851,852	361,719,570	41,244,031	18,938,689
USA	16,910,577	72,500,000	881,641	27,122,880	75,000,000	-
Others	124,197,643	201,653,135	14,287,778	172,893,662	135,641,169	17,337,247
Total	6,508,221,806	6,508,221,806	548,855,427	5,809,809,988	5,809,809,988	600,831,785
By sector						
Retail	1,091,230,036	3,509,982,647	40,917,886	972,687,296	3,053,932,599	88,927,009
Corporate, institutions and public sector	2,361,977,124	1,795,156,955	507,937,541	2,294,061,292	1,900,541,636	511,904,776
Treasury	2,852,835,782	505,751,027	-	2,330,008,722	358,409,081	-
Others	202,178,864	697,331,177	-	213,052,678	496,926,672	-
Total	6,508,221,806	6,508,221,806	548,855,427	5,809,809,988	5,809,809,988	600,831,785

47. Risk Management

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

Risk management framework
Risks related to the Bank's activities is managed, measured and monitored continuously to remain within the permissible limits, and given the importance of the risk management process on the Bank's profits, tasks and monitoring responsibilities associated to these risks are distributed among employees.

Risk management process
The Board of Directors and the risk management committee are responsible for identifying and controlling risks; in addition, there are several parties which are responsible for managing and monitoring risks in the area in which the Bank operates.

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

Risk measurement and reporting system
Monitoring and controlling risks are primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk the Bank is willing to accept, Information is collected from different departments and analyzed for early identification of potential risks. This information is presented to the Bank's Board of Directors, the risk management committee and the executive departments responsible for risk management committee.

Risks
The Bank follows different policies in managing various risks as part of determined strategies. The Bank's risk departments monitor and control risks and optimize strategic diversification of financial assets and financial liabilities. These risks include credit risk and market risk (interest rate risk, currency risk and equity price risk) and liquidity risk. The Bank has established the Credit Quality Unit, which aims to identify early deterioration in the quality of customers' credit or the drop in the fair value of their collateral. The Bank is also currently preparing a credit rating system for its clients.

I. Credit Risk

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

Gross exposures to credit risk (net of ECL provisions and interest and profits in suspense and prior to collaterals and other risk mitigations):

	2021	2020
	U.S. $	U.S. $
Consolidated statement of financial position items		
Balances with Palestine Monetary Authority	575,902,313	515,342,289
Balances at Banks and financial institutions	782,230,313	747,858,727
Direct credit facilities and Islamic financing:		
Retail	1,014,724,224	972,687,296
Corporates and institutions	1,595,962,427	1,496,499,973
Public sector	842,520,509	797,561,319
Financial assets at amortized cost	228,845,417	205,499,230
Other financial assets	34,782,211	36,518,160
	5,074,967,414	4,771,966,994
Items not included in the consolidated statement of financial position		
Letters of guarantees	206,492,217	191,064,802
Letters of credit	46,069,513	32,823,758
Acceptances	9,417,798	12,810,821
Unutilized credit facilities limits	286,553,199	363,743,554
Other	322,700	388,850
	548,855,427	600,831,785

Guarantees and other credit enhancements

The amount and type of collateral required depends on the credit risk assessment of the counterparty. There are guidelines for how to accept and evaluate each type of guarantee. Management monitors the market value of the collateral and additional collateral is requested in accordance with the basic agreement. In the normal course of business, the Bank uses outside agents to recover funds from repossessed property or other assets in its retail portfolio, e.g. auctions. Any excess funds are returned to customers. As a result, residential properties are neither recorded in the consolidated statement of financial position nor treated as non-current assets held for sale.

Although master nettings may significantly reduce credit risk, it should be noted that credit risk is excluded only to the extent of amounts owed to the same counterparty. The tables below show the maximum exposure to credit risk by class of financial assets. The total fair value of the collateral is shown, the excess of collateral (the difference between the fair value of the collateral held greater than the value of the exposure to which it relates), and the net exposure to credit risk.

Expected credit losses coverage rate:

	Gross Exposure			Expected credit losses			ECL Coverage Ratios		
	Stage (1)	Stage (2)	Stage (3)	Stage (1)	Stage (2)	Stage (3)	Stage (1)	Stage (2)	Stage (3)
2021	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balances with Palestine Monetary Authority	575,902,313	-	-	809,904	-	-	0.14%	-	-
Balances at Banks and financial institutions	782,375,968	-	3,108,626	411,639	-	2,842,642	0.05%	-	91.44%
Direct credit facilities and Islamic financing:									
Retail	377,055,962	657,635,824	43,835,261	3,091,987	22,029,370	24,571,583	0.82%	3.35%	56.05%
SMEs	367,263,182	106,279,350	66,400,849	3,265,647	5,589,473	36,157,650	0.89%	5.26%	54.45%
Corporate	625,083,355	486,651,896	74,664,520	2,566,262	15,604,353	43,121,099	0.41%	3.21%	57.75%
Public Sector and government	840,205,893	-	-	13,773,547	-	-	1.64%	-	-
Financial assets at amortized cost	207,400,502	20,944,135	3,663,425	951,545	145,805	2,065,295	0.46%	0.70%	56.38%
Other financial assets	34,482,211	-	300,000	-	-	300,000	0.00%	-	100.00%
Total	3,809,769,386	1,271,511,205	191,972,681	24,870,531	43,369,001	109,058,269	0.65%	3.41%	56.81%
Credit exposure related to off-balance sheet items	458,520,533	89,970,915	-	142,407	172,679	-	0.08%	0.41%	-

	Gross Exposure			Expected credit losses			ECL Coverage Ratios		
	Stage (1)	Stage (2)	Stage (3)	Stage (1)	Stage (2)	Stage (3)	Stage (1)	Stage (2)	Stage (3)
2020	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balances with Palestine Monetary Authority	515,342,289	-	-	-	-	-	-	-	-
Balances at Banks and financial institutions	732,016,418	15,561,602	3,390,404	702,444	107,253	2,300,000	0.10%	0.69%	67.84%
Direct credit facilities and Islamic financing:									
Retail	433,379,011	520,213,150	43,238,657	4,671,881	21,759,327	23,595,430	1.08%	4.18%	54.57%
SMEs	282,314,230	102,443,712	72,334,228	3,136,224	2,839,444	36,829,627	1.11%	2.77%	50.92%
Corporate	793,603,429	324,534,468	71,925,237	2,779,041	4,553,223	38,094,366	0.35%	1.40%	52.96%
Public Sector and government	793,887,297	-	-	12,453,170	-	-	1.57%	-	-
Financial assets at amortized cost	180,446,295	26,073,566	1,263,425	952,904	67,727	1,263,425	0.53%	0.26%	100.00%
Other financial assets	36,518,160	-	-	-	-	300,000	-	-	-
Total	3,767,507,129	988,826,498	192,151,951	24,695,664	29,326,974	102,382,848	0.66%	2.97%	53.28%
Credit exposure related to off-balance sheet items	548,215,863	52,221,211	-	298,586	3,567	-	0.08%	0.41%	-

Analysis of stage (2) loans reflecting the criteria for inclusion in stage 2:
Below is an analysis of the exposures for stage 2 at the reporting date that reflects the reasons for inclusion in stage (2) by class of loans to customers (total book value and corresponding expected credit losses). For the purposes of this analysis, when exposures meet more than one criterion for determining a significant increase in credit risk, the total carrying amount and the corresponding ECL are provisioned in order with these categories.
The indicators of significant increases in credit risk (SICR) are explained in note (3)

	Retail		SMEs		Corporates		Public sector		Total stage (2)	
2021	Carrying amount U.S. $	ECL U.S. $	Carrying amount U.S. $	ECL U.S. $	Carrying amount U.S. $	ECL U.S. $	Carrying amount U.S. $	ECL U.S. $	Carrying amount U.S. $	ECL U.S. $
Less than 30 DPD										
Qualitative factors	86,143,441	2,227,034	49,330,809	1,990,032	298,592,152	10,880,949	-	-	434,066,402	15,098,015
More than 30 DPD	571,492,383	19,802,336	56,948,541	3,599,441	188,059,744	4,723,404	-	-	816,500,668	28,125,181
Total	657,635,824	22,029,370	106,279,350	5,589,473	486,651,896	15,604,353	-	-	1,250,567,070	43,223,196

	Retail		SMEs		Corporates		Public sector		Total stage (2)	
2020	Carrying amount U.S. $	ECL U.S. $	Carrying amount U.S. $	ECL U.S. $	Carrying amount U.S. $	ECL U.S. $	Carrying amount U.S. $	ECL U.S. $	Carrying amount U.S. $	ECL U.S. $
Less than 30 DPD										
Qualitative factors	301,894,519	19,828,375	16,283,459	811,298	56,131,294	1,280,636	-	-	374,309,272	21,920,309
More than 30 DPD	218,318,631	1,930,952	86,160,253	2,028,146	268,403,174	3,272,587	-	-	572,882,058	7,231,685
Total	520,213,150	21,759,327	102,443,712	2,839,444	324,534,468	4,553,223	-	-	947,191,330	29,151,994

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

		Fair value of collaterals							
2021	Total value of exposure U.S. $	Cash margins U.S. $	Precious metals U.S. $	Quoted stocks and letter of guarantees U.S. $	Vehicles and other equipment U.S. $	Real estate U.S. $	Total value of collaterals U.S. $	Exposure net of collaterals U.S. $	Expected credit loss U.S. $
Credit exposures related to items in the consolidated statement of financial position:									
Balances with Palestine Monetary Authority	575,902,313	-	-	-	-	-	-	575,902,313	809,904
Balances at Banks and financial institutions	785,484,594	-	-	-	-	-	-	785,484,594	3,254,281
Direct credit facilities and Islamic financing:									
Retails	1,078,527,047	31,163,600	17,974,054	69,936,554	36,297,315	117,149,828	272,521,351	806,005,696	49,692,940
SMEs	539,943,381	81,641,358	3,216,834	254,526,793	47,781,110	77,600,519	464,766,614	75,176,767	45,012,770
Corporate and institutions	1,186,399,771	69,721,258	79,239,329	119,123,533	81,787,170	212,459,563	562,330,853	624,068,918	61,291,714
Government and public sector	840,205,893	-	-	-	-	-	-	840,205,893	13,773,547
Financial assets at amortized cost	232,008,062	-	-	-	-	-	-	232,008,062	3,162,645
Other financial assets	34,782,211	-	-	-	-	-	-	34,782,211	300,000
Total	5,273,253,272	182,526,216	100,430,217	443,586,880	165,865,595	407,209,910	.,299,618,818	3,973,634,454	177,297,801
Credit exposure related to off-balance sheet items	548,855,427	51,533,860	-	13,446,754	294,782	1,662,141	66,937,537	481,917,890	315,086

Fair value of collaterals obtained against Stage (3) credit exposures is as follows:

2021	Total exposure	Fair value of collaterals: Cash margins	Precious metals	Real estate	Quoted stocks	Vehicles and other equipment	Total value of collaterals	Exposure net of collaterals	Expected credit loss
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Credit exposures related to items in the consolidated statement of financial position:									
Direct credit facilities and Islamic financing:									
Retail	47,629,378	2,035,298	12,717	6,656,264	-	3,175,278	11,879,557	35,749,821	31,109,022
Corporate and institutions	115,173,277	10,906,161	21,948	32,862,768	8,540	481,344	44,280,761	70,892,516	72,741,313
Total	162,802,655	12,941,459	34,665	39,519,032	8,540	3,656,622	56,160,318	106,642,337	103,850,335

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

2020	Total value of exposure	Fair value of collaterals: Cash margins	Precious metals	Quoted stocks and letter of guarantees	Vehicles and other equipment	Real estate	Total value of collaterals	Exposure net of collaterals	Expected credit loss
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Credit exposures related to items in the consolidated statement of financial position:									
Balances with Palestine Monetary Authority	515,342,289	-	-	-	-	-	-	515,342,289	-
Balances at Banks and financial institutions	747,858,727	-	-	-	-	-	-	747,858,727	3,109,697
Direct credit facilities and Islamic financing:	-								-
Retail	1,021,872,542	28,963,365	349,045	13,167,151	79,890,197	144,123,970	266,493,728	755,378,814	49,185,246
Corporate and institutions	1,585,063,494	135,708,682	235,016	42,794,581	228,517,370	562,348,764	969,604,413	615,459,081	88,563,521
Government and public sector	810,524,285	-	-	-	-	-	-	810,524,285	12,962,966
Financial assets at amortized cost	205,499,230	-	-	-	-	-	-	205,499,230	2,284,056
Other financial assets	36,518,160	-	-	-	-	-	-	36,518,160	-
Total	4,922,678,727	164,672,047	584,061	55,961,732	308,407,567	706,472,734	1,236,098,141	3,686,580,586	156,105,486
Credit exposure related to off-balance sheet items	600,831,785	46,450,829	-	1,346,872	1,073,774	9,923,021	58,794,497	542,037,289	302,153

Fair value of collaterals obtained against Stage (3) credit exposures is as follows:

2020	Total exposure	Fair value of collaterals: Cash margins	Precious metals	Real estate	Quoted stocks	Vehicles and other equipment	Total value of collaterals	Exposure net of collaterals	Expected credit loss
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	
Credit exposures related to items in the consolidated statement of financial position:									
Direct credit facilities and Islamic financing:									
Retail	32,586,904	1,383,586	92,245	3,905,741	-	1,376,082	6,757,654	25,829,250	22,804,359
Corporate and institutions	134,221,808	13,843,683	27,660	40,516,124	8,540	910,333	55,306,340	78,915,468	75,720,066
Total	166,808,712	15,227,269	119,905	44,421,865	8,540	2,286,415	62,063,994	104,744,718	98,524,425

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

December 31, 2021	Palestine	Arab Countries	Israel	Europe	USA	Others	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balances with Palestine Monetary Authority	575,902,313	-	-	-	-	-	575,902,313
Balances at Banks and financial institutions	10,370,999	314,216,960	66,010,809	347,446,129	5,700,126	38,485,290	782,230,313
Direct credit facilities and Islamic financing	3,399,513,934	49,509,372	-	2,475,539	1,708,315	-	3,453,207,160
Financial assets at amortized cost	78,266,658	97,334,623	-	5,015,855	9,502,136	38,726,145	228,845,417
Others	34,782,211	-	-	-	-	-	34,782,211
Total as at December 31, 2021	4,098,836,115	461,060,955	66,010,809	354,937,523	16,910,577	77,211,435	5,074,967,414
Total as at December 31, 2020	3,783,238,702	377,360,859	144,234,582	360,490,770	21,484,454	85,157,627	4,771,966,994

Concentration of credit risk exposures according to IFRS (9) Stages as at December 31, 2021 and 2020 is as follows:

	Stage (1)	Stage (2)	Stage (3)	2021
	U.S. $	U.S. $	U.S. $	U.S. $
Palestine	3,093,365,200	946,318,578	58,952,337	4,098,636,115
Arab countries	414,843,531	46,217,424	-	461,060,955
Israel	66,010,809	-	-	66,010,809
Europe	353,007,150	1,930,373	-	354,937,523
USA	15,907,042	1,003,535	-	16,910,577
Others	67,560,301	9,107,020	1,864,114	78,531,435
Total	4,010,694,033	1,004,576,930	60,816,451	5,076,087,414

	Stage (1)	Stage (2)	Stage (3)	2020
	U.S. $	U.S. $	U.S. $	U.S. $
Palestine	2,784,485,608	930,463,805	68,289,289	3,783,238,702
Arab countries	367,079,438	10,281,421	-	377,360,859
Israel	144,234,582	-	-	144,234,582
Europe	358,417,615	2,073,155	-	360,490,770
USA	21,484,454	-	-	21,484,454
Others	76,954,779	8,202,848	-	85,157,627
Total	3,752,656,476	951,021,229	68,289,289	4,771,966,994

Concentration of credit risk exposures according to economic sectors is as follows:

2021	Financial U.S. $	Industrial U.S. $	Commercial U.S. $	Real estate U.S. $	Public sector U.S. $	Others U.S. $	Total U.S. $
Balances with Palestine Monetary Authority	575,902,313	-	-	-	-	-	575,902,313
Balances at Banks and financial institutions	782,230,313	-	-	-	-	-	782,230,313
Direct credit facilities and Islamic financing	21,383,633	198,169,018	541,334,526	756,493,472	842,520,509	1,093,306,002	3,453,207,160
Financial assets at amortized cost	52,036,571	5,002,323	-	2,804,181	141,921,436	27,080,906	228,845,417
Other	18,125,106	-	-	-	-	16,657,105	34,782,211
December 31, 2021	1,449,677,936	203,171,341	541,334,526	759,297,653	984,441,945	1,137,044,013	5,074,967,414
December 31, 2020	1,316,186,103	259,332,866	464,595,712	744,139,735	903,933,526	1,083,779,052	4,771,966,994

Concentration of credit risk exposures according to IFRS (9) Stages as at December 31, 2021 and 2020 is as follows:

	Stage (1)	Stage (2)	Stage (3)	2021
	U.S. $	U.S. $	U.S. $	U.S. $
Financial sector	1,427,767,124	22,078,933	151,879	1,449,997,936
Industrial	111,008,839	86,757,631	5,404,871	203,171,341
Commercial	374,785,344	151,716,014	14,833,168	541,334,526
Real estate	318,766,337	420,814,686	19,716,630	759,297,653
Public sector	984,441,945	-	-	984,441,945
Others	793,924,444	323,209,666	20,709,903	1,137,844,013
Total	4,010,694,033	1,004,576,930	60,816,451	5,076,087,414

	Stage (1)	Stage (2)	Stage (3)	2020
	U.S. $	U.S. $	U.S. $	U.S. $
Financial sector	1,295,140,453	20,901,868	143,782	1,316,186,103
Industrial	172,083,704	82,132,434	5,116,728	259,332,866
Commercial	295,620,054	143,627,776	25,347,882	464,595,712
Real estate	327,093,891	398,380,341	18,665,503	744,139,735
Securities	-	-	-	-
Public sector	903,933,526	-	-	903,933,526
Others	758,784,848	305,978,810	19,015,394	1,083,779,052
Total	3,752,656,476	951,021,229	68,289,289	4,771,966,994

Macroeconomic Factors, Forward Looking Information and Multiple Scenarios

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

Following are the macroeconomic factors impact on the forward-looking information based on multiple scenarios as at December 31, 2021:

Macro-economic variables	Scenario used	Assigned weight for each scenario	Percentage change in macro-economic variables (%)	Percentage change in macro-economic variables (%)	Percentage change in macro-economic variables (%)	Percentage change in macro-economic variables (%)	Percentage change in macro-economic variables (%)	Percentage change in macro-economic variables (%)
		(%)	2021	2022	2023	2024	2025	2026
GDP	Base case	0	5.69	2.70	(0.31)	(0.26)	(0.23)	(0.23)
	Best case	0	13.40	10.41	7.40	7.45	7.48	7.48
	Worst case	100	1.84	(1.16)	(4.17)	(4.12)	(4.09)	(4.09)
Unemployment rates								
	Base case	0	(12.42)	(7.80)	0.77	0.76	0.76	0.76
	Best case	0	(13.19)	(8.36)	0.83	0.82	0.82	0.82
	Worst case	100	(12.07)	(7.55)	0.74	0.74	0.73	0.73

Following are the macroeconomic factors impact on the forward-looking information based on multiple scenarios as at December 31, 2020:

Macro-economic variables	Scenario used	Assigned weight for each scenario	Percentage change in macro-economic variables (%)	Percentage change in macro-economic variables (%)	Percentage change in macro-economic variables (%)	Percentage change in macro-economic variables (%)	Percentage change in macro-economic variables (%)	Percentage change in macro-economic variables (%)
		(%)	2020	2021	2022	2023	2024	2025
GDP	Base case	50	(19.10)	5.69	2.70	(0.31)	(0.26)	(0.23)
	Best case	0	(11.39)	13.40	10.41	7.40	7.45	7.48
	Worst case	50	(22.96)	1.84	(1.16)	(4.17)	(4.12)	(4.09)
Unemployment rates								
	Base case	50	26.77	(12.42)	(7.80)	0.77	0.76	0.76
	Best case	0	19.37	(13.19)	(8.36)	0.83	0.82	0.82
	Worst case	50	30.47	(12.07)	(7.55)	0.74	0.74	0.73

Classification of debt securities based on risk rating:

The table below analyzes the credit exposure of the debt securities using the credit rating as per the global credit rating agencies:

	2021	2020
	Financial assets at amortized cost	Financial assets at amortized cost
Credit rating	U.S. $	U.S. $
Private sector:		
From A- to AAA	41,002,749	48,962,473
From B- to BBB+	35,786,943	43,879,195
Unrated	12,500,000	8,000,000
Governments and public sector	142,718,370	106,941,618
Total	232,008,062	207,783,286

II. Market risk

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

Interest rate risk

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

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

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

	2021		2020	
	Increase in interest rate	Interest income sensitivity (consolidated income statement)	Increase in interest rate	Interest income sensitivity (consolidated income statement)
Currency	(basis points)	U.S. $	(basis points)	U.S. $
US Dollar	10	688,486	10	1,328,727
Jordanian Dinar	10	346,492	10	244,744
New Israeli Shekels	10	663,217	10	1,264,542
Other currencies	10	(40,083)	10	15,781

Interest rate re-pricing sensitivity gap

December 31, 2021	Interest rate re-pricing sensitivity gap						
	less than a month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than a year	Non-interest-bearing items	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Assets							
Cash and balances with Palestine Monetary Authority	-	75,246,827	-	-	-	1,704,333,062	1,779,579,889
Balances at Banks and financial institutions	441,817,421	28,494,563	33,421,174	-	-	278,497,155	782,230,313
Financial assets at fair value through profit or loss	-	-	-	-	-	10,253,849	10,253,849
Direct credit facilities and Islamic financing	524,042,794	313,172,856	316,743,294	1,342,669,007	956,579,209	-	3,453,207,160
Financial assets at fair value through other comprehensive income	-	-	-	-	-	42,255,262	42,255,262
Financial assets at amortized cost	14,414,319	18,660,030	12,472,978	38,574,030	144,724,060	-	228,845,417
Investment in associates an a joint venture	-	-	-	-	-	9,671,052	9,671,052
Investment properties	-	-	-	-	-	25,962,178	25,962,178
Property, plant and equipment	-	-	-	-	-	115,897,814	115,897,814
Projects in progress	-	-	-	-	-	1,366,792	1,366,792
Intangible assets	-	-	-	-	-	14,613,893	14,613,893
Other assets	7,177,139	4,676,273	4,676,273	2,567,138	-	25,241,364	44,338,187
Total assets	987,451,673	440,250,549	367,313,719	1,383,810,175	1,101,303,269	2,228,092,421	6,508,221,806
Liabilities							
Palestine Monetary Authority deposits	51,109,509	171,329,598	-	-	20,000,000	-	242,439,107
Banks and financial institutions' deposits	99,005,994	20,997,040	-	-	58,834	-	120,061,868
Customers' deposits	487,273,630	350,430,712	332,414,494	518,218,265	125,034,520	3,200,179,705	5,013,551,326
Cash margins	132,793,473	27,092,682	36,275,334	68,443,218	26,983,569	-	291,588,276
Subordinated loan	-	-	-	7,500,000	65,000,000	-	72,500,000
Loans and borrowings	672,125	-	672,125	1,386,411	45,711,839	-	48,442,500
Istidama loans from Palestine Monetary Authority	-	-	-	943,406	14,848,893	6,515,253	22,307,552
Sundry provisions	-	-	-	-	-	50,983,323	50,983,323
Taxes provisions	-	-	-	-	-	21,492,314	21,492,314
Lease liabilities	-	-	-	-	-	31,900,160	31,900,160
Other liabilities	823,573	250,000	8,557,053	8,191,008	-	79,034,317	96,855,951
TOTAL LIABILITIES	771,678,304	570,100,032	377,919,006	604,682,308	297,637,655	3,390,105,072	6,012,122,377
Equity							
Paid-in share capital	-	-	-	-	-	217,433,527	217,433,527
Additional paid-in capital	-	-	-	-	-	29,575,688	29,575,688
Statutory reserve	-	-	-	-	-	61,883,607	61,883,607
Voluntarily reserve	-	-	-	-	-	246,361	246,361
General Banking risks reserve	-	-	-	-	-	10,311,877	10,311,877
Pro-cyclicality reserve	-	-	-	-	-	40,000,000	40,000,000
Fair value reserve	-	-	-	-	-	(1,692,549)	(1,692,549)
Retained earnings	-	-	-	-	-	77,612,532	77,612,532
Total equity holders of the Bank	-	-	-	-	-	435,371,043	435,371,043
Non-controlling interests	-	-	-	-	-	60,728,386	60,728,386
Total equity	-	-	-	-	-	496,099,429	496,099,429
Total liabilities and equity	771,678,304	570,100,032	377,919,006	604,682,308	297,637,655	3,886,204,501	6,508,221,806
Interest rate re-pricing sensitivity gap	215,773,369	(129,849,483)	(10,605,287)	779,127,867	803,665,614	(1,658,112,080)	-
Cumulative gap	215,773,369	85,923,886	75,318,599	854,446,466	1,658,112,080	-	-

December 31, 2020	Interest rate re-pricing sensitivity gap						
	less than a month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than a year	Non-interest-bearing items	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Total assets	2,082,907,998	658,101,744	376,741,097	789,046,822	1,310,501,394	592,510,933	5,809,809,988
Total liabilities and equity	393,710,616	387,263,110	420,251,290	411,042,507	751,236,207	3,446,306,258	5,809,809,988
Interest rate re-pricing sensitivity gap	1,689,197,382	270,838,634	(43,510,193)	378,004,315	559,265,187	(2,853,795,325)	-
Cumulative gap	1,689,197,382	1,960,036,016	1,916,525,823	2,294,530,138	2,853,795,325	-	-

InterBank offered rate (IBOR) Reforms

A fundamental adjustment is being made to key interest rate benchmarks globally, including the replacement of certain IBORs with nearly risk-free alternative rates (referred to as IBOR). The Bank is exposed to IBOR interest rate risk on its financial instruments, some of which have already been transferred, and others will be transferred on the date of transition as part of these initiatives at the market level. The Bank is following up on the market closely and what is issued by the various relevant authorities that manage the transition to reference interest rates, including instructions issued by the regulators.

Contracts containing the LIBOR rate as a reference rate will be adjusted to the one-day risk-free interest rates in line with best market practices as follows:

Currency	IBOR	Alternative interest rate	Transition date
USD	USD LIBOR (3&6 months)	CME TERM SOFR USD 3 and 6 months	1 January 2022
EUR	LIBOR EUR/price InterBank offered interest rate	Interest rate approved by the Bank is Euribor	1 January 2022

The Bank aims to maintain economic parity, by ensuring that the financial terms of the transition are in line with market practices regarding margin adjustments. Margin adjustments issued by International Swaps and Derivatives Association (ISDA) and announced on March 5, 2021 at the time of the transition. As a result, no material impact on profit or loss is expected. For contracts in currencies other than the US dollar, the transfer took place on the specified dates. For contracts in the US dollar currency that include any of the following periods (one month, three months, six months, or one year), the adjustment will take place on or before June 30, 2023.

Foreign currency risk

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

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

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

	2021		2020	
	Increase in currency rate	Effect on consolidated income statement	Increase in currency rate	Effect on consolidated income statement
Currency	(%)	U.S. $	(%)	U.S. $
New Israeli Shekels	10	(282,760)	10	(74,376)
Other currencies	10	1,260,456	10	1,268,690

Following is the foreign currencies position of the Bank:

	JOD	ILS	Others	Total
December 31, 2021	U.S. $	U.S. $	U.S. $	U.S. $
Assets				
Cash and balances with Palestine Monetary Authority	231,966,931	1,198,873,515	11,637,567	1,442,478,013
Balances at Banks and financial institutions	275,067,225	62,606,037	152,090,205	489,763,467
Financial assets at fair value through profit or loss	-	-	-	-
Direct credit facilities and Islamic financing	376,125,608	1,700,322,074	54,244,891	2,130,692,573
Financial assets at fair value through other comprehensive Income	32,162,331	-	1,677,959	33,840,290
Financial assets at amortized cost	69,149,674	40,256,326	4,296,101	113,702,101
Other assets	4,352,586	15,213,606	618,116	20,184,308
Forward contracts	-	45,774,249	1,263,536	47,037,785
Total assets	988,824,355	3,063,045,807	225,828,375	4,277,698,537
Liabilities				
Palestine Monetary Authority deposits	-	185,676,591	25,775,636	211,452,227
Banks and financial institutions' deposits	541,226	85,728,956	1,878,404	88,148,586
Customers' deposits	953,715,233	1,875,078,431	156,542,266	2,985,335,930
Cash margins	28,394,661	159,306,469	6,468,270	194,169,400
Loans and borrowings	-	-	13,442,500	13,442,500
Other liabilities	4,993,754	17,809,042	1,843,626	24,646,422
Forward deals	-	742,273,918	7,273,112	749,547,030
Total liabilities	987,644,874	3,065,873,407	213,223,814	4,266,742,095
Consolidated statement of financial position concentration, net	1,179,481	(2,827,600)	12,604,561	10,956,442
Off-balance sheet potential commitments	32,134,277	180,767,719	42,404,046	255,306,042
December 31, 2020				
	JOD	ILS	Others	Total
Total assets	914,357,213	2,555,413,662	171,006,885	3,640,777,760
Total liabilities	913,610,951	2,556,157,307	158,319,986	3,628,088,244
Consolidated statement of financial position concentration, net	746,262	(743,645)	12,686,899	12,689,516
Off-balance sheet potential commitments	37,778,173	208,168,239	42,001,347	287,947,759

Equity price risk

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

		2021		2020	
	Increase in index	Effect on consolidated income statement	Effect On equity	Effect on consolidated income statement	Effect on equity
Market index	(%)	U.S. $	U.S. $	U.S. $	U.S. $
Palestine Securities Exchange	10	50,092	1,748,100	973,854	748,358
Foreign markets	10	975,293	1,956,084	899,677	1,607,752

III. Liquidity risk

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

The table below summarizes the assets and liabilities on the basis of the remaining contractual maturities as at December 31, 2021 and 2020, respectively:

December 31, 2021	Less than a month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months up to 1 year	More than 1 year to 3 years	More than 3 years	Without maturity	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Assets								
Cash and balances with Palestine Monetary Authority	1,779,579,889	-	-	-	-	-	-	1,779,579,889
Balances at Banks and financial institutions	590,695,912	71,806,945	33,421,175	-	-	-	86,306,281	782,230,313
Financial assets at fair value through profit or loss	-	-	-	10,253,849	-	-	-	10,253,849
Direct credit facilities and Islamic financing	185,159,286	238,974,733	280,788,331	410,642,794	935,042,903	1,402,599,113	-	3,453,207,160
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	42,255,262	42,255,262
Financial assets at amortized cost	14,414,320	18,660,030	12,472,978	38,574,030	92,772,467	51,951,592	-	228,845,417
Investment in associates	-	-	-	-	-	-	9,671,052	9,671,052
Investment properties	-	-	-	-	-	-	25,962,178	25,962,178
Property, plant and equipment	-	-	-	-	-	-	115,897,814	115,897,814
Projects in progress	-	-	-	-	-	-	1,366,792	1,366,792
Intangible assets	-	-	-	-	-	-	14,613,893	14,613,893
Other assets	9,668,411	13,975,857	4,676,273	2,567,138	-	-	13,450,508	44,338,187
Total assets	2,579,517,818	343,417,565	331,358,757	462,037,811	1,027,815,370	1,454,550,705	309,523,780	6,508,221,806
Liabilities								
Palestine Monetary Authority deposits	51,109,510	171,329,597	-	-	20,000,000	-	-	242,439,107
Banks and financial institutions' deposits	99,104,929	19,997,039	-	1,993	957,907	-	-	120,061,868
Customers' deposits	1,008,542,155	490,554,651	519,634,848	690,394,959	906,703,642	1,397,721,071	-	5,013,551,326
Cash margins	132,793,473	27,092,682	36,275,334	68,443,218	26,602,821	380,748	-	291,588,276
Subordinated loan	-	-	-	7,500,000	30,000,000	35,000,000	-	72,500,000
Loans and borrowings	672,125	-	672,125	1,386,411	10,990,087	34,721,752	-	48,442,500
Istidama loans from Palestine Monetary Authority	-	-	-	943,406	14,848,893	6,515,253	-	22,307,552
Sundry provisions	-	-	-	-	-	-	50,983,323	50,983,323
Taxes provisions	-	-	-	21,492,314	-	-	-	21,492,314
Lease liabilities	-	-	-	-	-	-	31,900,160	31,900,160
Other liabilities	74,257,348	250,000	8,557,053	13,476,492	-	-	315,058	96,855,951
Total liabilities	1,366,479,540	709,223,969	565,139,360	803,638,793	1,010,103,350	1,474,338,824	83,198,541	6,012,122,377
Equity								
Paid-in share capital	-	-	-	-	-	-	217,433,527	217,433,527
Additional paid-in capital	-	-	-	-	-	-	29,575,688	29,575,688
Statutory reserve	-	-	-	-	-	-	61,883,607	61,883,607
Voluntarily reserve	-	-	-	-	-	-	246,361	246,361
General Banking risks reserve	-	-	-	-	-	-	10,311,877	10,311,877
Pro-cyclicality reserve	-	-	-	-	-	-	40,000,000	40,000,000
Fair value reserve	-	-	-	-	-	-	(1,692,549)	(1,692,549)
Retained earnings	-	-	-	-	-	-	77,612,532	77,612,532
Total equity holders of the Bank	-	-	-	-	-	-	435,371,043	435,371,043
Non-controlling interests	-	-	-	-	-	-	60,728,386	60,728,386
Total equity	-	-	-	-	-	-	496,099,429	496,099,429
Total liabilities and equity	1,366,479,540	709,223,969	565,139,360	803,638,793	1,010,103,350	1,474,338,824	579,297,970	6,508,221,806
Maturity gap	1,213,038,278	(365,806,404)	(233,780,603)	(341,600,982)	17,712,020	(19,788,119)	(269,774,190)	-
Cumulative gap	1,213,038,278	847,231,874	613,451,271	271,850,289	289,562,309	269,774,190	-	-

December 31, 2020	Less than a month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months up to 1 year	More than 1 year to 3 years	More than 3 years	Without maturity	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Assets								
Cash and balances with Palestine Monetary Authority	1,323,410,056	-	-	-	-	-		1,323,410,056
Balances at Banks and financial institutions	562,165,994	91,086,680	-	18,273,667	-	-	76,332,386	747,858,727
Financial assets at fair value through profit or loss	-	-	-	-	-		18,735,305	18,735,305
Direct credit facilities and Islamic financing	620,954,494	222,027,670	128,490,920	347,312,596	797,016,967	1,150,945,941	-	3,266,748,588
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	28,559,024	28,559,024
Financial assets at amortized cost	5,003,214	9,144,037	7,419,893	31,193,954	74,169,222	78,568,910	-	205,499,230
Investment in associates and a joint venture	-	-	-	-	-	-	5,946,380	5,946,380
Investment properties	-	-	-	-	-	-	25,884,919	25,884,919
Property, plant and equipment and right of use assets	-	-	-	-	-	-	121,430,377	121,430,377
Projects in progress	-	-	-	-	-	-	2,680,297	2,680,297
Intangible assets	-	-	-	-	-	-	15,428,395	15,428,395
Other assets	-	-	-	-	-	-	47,628,690	47,628,690
Total assets	2,511,533,758	322,258,387	135,910,813	396,780,217	871,186,189	1,229,514,851	342,625,773	5,809,809,988
Liabilities								
Palestine Monetary Authority deposits	44,302,800	54,079,649	69,964,853		-	-	-	168,347,302
Banks and financial institutions' deposits	82,088,201	-	-		-	-	-	82,088,201
Customers' deposits	3,112,344,124	259,184,069	397,792,876	288,772,405	207,113,578	315,728,322	-	4,580,935,374
Cash margins	18,861,866	14,611,855	22,098,100	43,427,650	41,198,799	77,337,132	35,553,478	253,088,880
Subordinated loan	-	-	-	-	22,500,000	52,500,000	-	75,000,000
Loans and borrowings	-	-	-	-	1,000,000	26,636,180	-	27,636,180
Istidama loans from Palestine Monetary Authority	321,123	35,625	360,314	1,195,666	7,222,198	-	-	9,134,926
Sundry provisions	-	-	-	-	-	-	48,851,375	48,851,375
Taxes provisions	-	-	-	4,610,652	-	-	-	4,610,652
Lease liabilities	-	-	-	-	-	-	33,453,914	33,453,914
Other liabilities	92,840,360	-	-	-	-	-	302,153	93,142,513
Total liabilities	3,350,758,474	327,911,198	490,216,143	338,006,373	279,034,575	472,201,634	118,160,920	5,376,289,317
Equity								
Paid-in share capital	-	-	-	-	-	-	208,080,000	208,080,000
Additional paid-in capital	-	-	-	-	-	-	24,848,415	24,848,415
Statutory reserve	-	-	-	-	-	-	56,970,341	56,970,341
Voluntarily reserve	-	-	-	-	-	-	246,361	246,361
General Banking risks reserve	-	-	-	-	-	-	10,311,877	10,311,877
Pro-cyclicality reserve	-	-	-	-	-	-	40,000,000	40,000,000
Fair value reserve	-	-	-	-	-	-	(4,999,792)	(4,999,792)
Retained earnings	-	-	-	-	-	-	43,763,159	43,763,159
Total equity holders of the Bank	-	-	-	-	-	-	379,220,361	379,220,361
Non-controlling interests	-	-	-	-	-	-	54,300,310	54,300,310
Total equity	-	-	-	-	-	-	433,520,671	433,520,671
Total liabilities and equity	3,350,758,474	327,911,198	490,216,143	338,006,373	279,034,575	472,201,634	551,681,591	5,809,809,988
Maturity gap	(839,224,716)	(5,652,811)	(354,305,330)	58,773,844	592,151,614	757,313,217	(209,055,818)	-
Cumulative gap	(839,224,716)	(844,877,527)	(1,199,182,857)	(1,140,409,013)	(548,257,399)	209,055,818	-	-

The following table shows the balances of the Bank's undiscounted consolidated financial liabilities as on December 31, 2021 and 2020 according to the contractual maturity period:

December 31, 2021	Less than a month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months up to 1 year	More than 1 year to 3 years	More than 3 years	Without maturity	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Liabilities								
Palestine Monetary Authority deposits	51,109,510	163,624,631	6,708,815	21,039,120	-	-	-	242,482,076
Banks and financial institutions' deposits	19,987,102	98,060,606	2,130,219	-	-	-	-	120,177,927
Customers' deposits	1,018,030,578	727,796,802	539,533,586	714,022,949	932,211,283	1,082,358,276	-	5,013,953,474
Cash margins	133,909,537	27,580,217	37,318,902	69,870,400	27,331,643	475,459	-	296,486,158
Subordinated loan	-	-	2,159,129	5,192,189	18,300,451	50,109,210	-	75,760,979
Loans and borrowings	-	-	2,340,912	11,519,790	35,763,405	-	-	49,624,107
Istidama loans from Palestine Monetary Authority	-	-	-	12,948,123	10,802,480	-	-	23,750,603
Sundry provisions	-	-	-	-	-	-	50,983,323	50,983,323
Taxes provisions	-	-	-	21,492,314	-	-	-	21,492,314
Lease liabilities	-	1,230,191	2,309,412	3,223,981	8,819,921	16,889,821	-	32,473,326
Other liabilities	75,310,702	1,258,500	8,947,993	11,469,502	-	-	-	96,986,697
Total liabilities	1,298,347,429	1,019,550,947	601,448,968	870,778,368	1,033,229,183	1,149,832,766	50,983,323	6,024,170,984
Total assets according to expected maturity	2,375,606,668	433,229,339	320,941,592	465,988,836	1,037,133,755	1,029,169,682	847,241,501	6,509,311,373

December 31, 2020	Less than a month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months up to 1 year	More than 1 year to 3 years	More than 3 years	Without maturity	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Liabilities								
Palestine Monetary Authority deposits	49,953,381	56,620,380	71,014,326	-	-	-	-	177,588,087
Banks and financial institutions' deposits	82,432,474	2,056,852	-	-	-	-	-	84,489,326
Customers' deposits	3,135,945,319	270,847,097	416,412,216	301,414,545	212,979,173	324,568,715	-	4,662,167,065
Cash margins	19,031,623	14,743,362	22,599,328	44,572,274	42,481,631	79,088,451	35,873,447	258,390,116
Subordinated loan	-	-	-	-	24,255,000	56,595,000	-	80,850,000
Loans and borrowings	-	-	-	-	1,030,000	27,435,265	-	28,465,265
Istidama loans from Palestine Monetary Authority	322,729	35,803	362,116	1,201,644	7,242,378	-	-	9,164,670
Sundry provisions	-	-	-	-	-	-	41,423,327	41,423,327
Taxes provisions	-	-	-	1,439,197	-	-	-	1,439,197
Lease liabilities	-	-	-	-	-	-	24,693,477	24,693,477
Other liabilities	67,062,175	-	-	-	-	-	125,341	67,187,516
Total liabilities	3,354,747,701	344,303,494	510,387,986	348,627,660	287,988,182	487,687,431	102,115,592	5,435,858,046
Total assets according to maturity	2,511,533,758	322,258,387	135,910,813	396,780,217	871,186,189	1,229,514,854	342,625,770	5,809,809,988

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 year ending December 31, 2021:

	Amount before discount rates / average flows	Amount after discount rates / average flows
	U.S. $	U.S. $
Total high quality liquid assets	2,164,917,110	2,014,566,910
Retail deposits including small institutions' deposits:		
A- Stable deposits	2,054,400,341	141,899,781
B- Less stable deposits	2,002,895,146	156,854,813
Deposits and other unguaranteed facilities for companies without retail and small institutions' customers:		
A- Operational deposits	208,810,507	52,202,627
B- Non-operational deposits	1,659,447,851	595,680,294
Guaranteed financing and deposits	5,925,553,845	946,637,515
Non-cancelled and cancelled credit lines and required liquidity within 30 days	472,016,161	135,571,064
Any other cash outflows	152,514,631	10,405,650
Total cash outflows	6,550,084,637	1,092,614,229
Guaranteed lending	40,844,180	20,422,090
Cash inflow from performing loans	708,537,825	439,992,156
Total cash inflow	749,382,005	460,414,246
Net cash outflow after adjustments		632,199,983
Total high-quality liquid assets after adjustments		2,014,566,910
Net cash outflow after adjustment		632,199,983
Liquidity Coverage Ratio (%)		319

The table below shows the calculation of the liquidity coverage ratio for the year ending December 31, 2020:

	Amount before discount rates / average flows	Amount after discount rates / average flows
	U.S. $	U.S. $
Total high quality liquid assets	1,520,620,997	1,438,616,130
Retail deposits including small institutions' deposits:		
C- Stable deposits	2,177,506,688	132,692,626
D- Less stable deposits	1,481,602,842	114,412,848
Deposits and other unguaranteed facilities for companies without retail and small institutions' customers:		
C- Operational deposits	205,649,214	51,412,303
D- Non-operational deposits	1,287,438,836	421,793,585
Guaranteed financing and deposits	5,152,197,580	720,311,362
Non-cancelled and cancelled credit lines and required liquidity within 30 days	473,124,725	143,678,057
Any other cash outflows	191,716,240	10,008,559
Total cash outflows	5,817,038,546	873,997,978
Guaranteed lending	87,191,770	43,595,885
Cash inflow from performing loans	595,719,901	339,904,780
Total cash inflow	682,911,671	383,500,665
Net cash outflow after adjustments		490,497,313
Total high-quality assets after adjustments		1,438,616,130
Net cash outflow after adjustment		490,497,313
Liquidity Coverage Ratio (%)		293

Net Stable Funding Ratio (NSFR)

The PMA's instructions No. (5/2018) have been issued regarding the application of the stable net financing ratio, 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 year ending on December 31, 2021:

Description	2021
	U.S. $
Regulatory capital	546,457,129
Stable retail deposits and small institutions	1,221,243,028
Less stable retail deposits and small institutions	2,313,184,445
Guaranteed and unguaranteed financing (deposits)	571,417,166
Other deposits and financing	48,442,500
Other commitments (not included in previous categories)	200,752,325
Gross stable financing available	4,901,496,593
Level 1 unrestricted high quality liquid assets	242,176
Level 2 -type (A) unrestricted high quality liquid assets	60,329,108
Level 2 -type (B) unrestricted high quality liquid assets	37,603,676
Loans	831,739,416
Housing loans not mortgaged	159,906,059
Financial assets issued or guaranteed by Banks and financial institutions	31,541,510
Other unquoted investments	79,370,610
Other quoted investments	87,068,516
Non-performing loans	47,776,133
Other assets	455,681,688
Contingent non-cancelled and cancelled credit facilities and liquidity	15,950,609
Other future and potential financing commitments	10,869,804
Other non-contractual commitments	2,231,961
Off balance sheet exposures not included in the previous categories	17,106
Total stable financing required	1,820,328,372
Net stable financing ratio	269%

The table below shows the calculation of the net stable financing ratio for the year ending on December 31, 2020:

Description	2020
	U.S. $
Regulatory capital	511,170,112
Stable retail deposits and small institutions	1,083,928,803
Less stable retail deposits and small institutions	2,188,699,326
Guaranteed and unguaranteed financing (deposits)	534,997,068
Other deposits and financing	27,636,180
Other commitments (not included in previous categories)	179,346,245
Gross stable financing available	4,525,777,734
Level 1 unrestricted high quality liquid assets	107,890
Level 2 -type (A) unrestricted high quality liquid assets	17,101,256
Level 2 -type (B) unrestricted high quality liquid assets	40,522,545
Loans	1,210,775,780
Housing loans not mortgaged	136,646,352
Financial assets issued or guaranteed by Banks and financial institutions	36,778,100
Other unquoted investments	54,911,030
Other quoted investments	88,652,117
Non-performing loans	11,820,678
Other assets	455,336,141
Contingent non-cancelled and cancelled credit facilities and liquidity	18,187,177
Other future and potential financing commitments	9,762,041
Other non-contractual commitments	2,072,928
Off balance sheet exposures not included in the previous categories	19,442
Total stable financing required	2,082,693,477
Net stable financing ratio	217%

48. Maturities of assets and liabilities

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

	December 31, 2021			
	Less than a year	More than a year	Without maturity	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Assets				
Cash and balances with Palestine Monetary Authority	1,779,579,889	-	-	1,779,579,889
Balances at Banks and financial institutions	695,924,032	-	86,306,281	782,230,313
Financial assets at fair value profit or loss	10,253,849	-	-	10,253,849
Direct credit facilities and Islamic financing	1,115,565,144	2,337,642,016	-	3,453,207,160
Financial assets at fair value through other comprehensive income	-	-	42,255,262	42,255,262
Financial assets at amortized cost	84,121,358	144,724,059	-	228,845,417
Investment in associates	-	-	9,671,052	9,671,052
Investment properties	-	-	25,962,178	25,962,178
Property, plant and equipment	-	-	115,897,814	115,897,814
Projects in progress	-	-	1,366,792	1,366,792
Intangible assets	-	-	14,613,893	14,613,893
Other assets	30,887,679	-	13,450,508	44,338,187
Total assets	3,716,331,951	2,482,366,075	309,523,780	6,508,221,806
Liabilities				
Palestine Monetary Authority deposits	222,439,107	20,000,000	-	242,439,107
Banks and financial institutions' deposits	119,103,961	957,907	-	120,061,868
Customers' deposits	2,709,126,613	2,304,424,713	-	5,013,551,326
Cash margins	264,604,707	26,983,569	-	291,588,276
Subordinated loan	7,500,000	65,000,000	-	72,500,000
Loans and borrowings	2,730,661	45,711,839	-	48,442,500
Istidama loans from Palestine Monetary Authority	943,406	21,364,146	-	22,307,552
Sundry Provisions	-	-	50,983,323	50,983,323
Taxes provisions	21,492,314	-	-	21,492,314
Lease liabilities	-	-	31,900,160	31,900,160
Other liabilities	96,540,893	-	315,058	96,855,951
Total liabilities	3,444,481,662	2,484,442,174	83,198,541	6,012,122,377
Equity				
Paid-in share capital	-	-	217,433,527	217,433,527
Additional paid-in capital	-	-	29,575,688	29,575,688
Statutory reserve	-	-	61,883,607	61,883,607
Voluntarily reserve	-	-	246,361	246,361
General Banking risks reserve	-	-	10,311,877	10,311,877
Pro-cyclicality reserve	-	-	40,000,000	40,000,000
Fair value reserve	-	-	(1,692,549)	(1,692,549)
Retained earnings	-	-	77,612,532	77,612,532
Total equity holders of the Bank	-	-	435,371,043	435,371,043
Non-controlling interests	-	-	60,728,386	60,728,386
Total equity	-	-	496,099,429	496,099,429
Total liabilities and equity	3,444,481,662	2,484,442,174	579,297,970	6,508,221,806
Maturity gap	271,850,289	(2,076,099)	(269,774,190)	-
Cumulative maturity gap	271,850,289	269,774,190	-	-

	December 31, 2020			
	Less than a year	More than a year	Without maturity	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Assets				
Cash and balances with Palestine Monetary Authority	1,323,410,056	-	-	1,323,410,056
Balances at Banks and financial institutions	671,526,341	-	76,332,386	747,858,727
Financial assets at fair value profit or loss	-	-	18,735,305	18,735,305
Direct credit facilities and Islamic financing	1,318,785,680	1,947,962,908	-	3,266,748,588
Financial assets at fair value through other comprehensive income	-	-	28,559,024	28,559,024
Financial assets at amortized cost	52,761,098	152,738,132	-	205,499,230
Investment in associates	-	-	5,946,380	5,946,380
Investment properties	-	-	25,884,919	25,884,919
Property, plant and equipment	-	-	121,430,377	121,430,377
Projects in progress	-	-	2,680,297	2,680,297
Intangible assets	-	-	15,428,395	15,428,395
Other assets	36,518,160	-	11,110,530	47,628,690
Total assets	3,403,001,335	2,100,701,040	306,107,613	5,809,809,988
Liabilities				
Palestine Monetary Authority deposits	168,347,302	-	-	168,347,302
Banks and financial institutions' deposits	82,088,201	-	-	82,088,201
Customers' deposits	4,058,093,474	522,841,900	-	4,580,935,374
Cash margins	98,999,471	118,535,931	35,553,478	253,088,880
Subordinated loan	-	75,000,000	-	75,000,000
Loans and borrowings	-	27,636,180	-	27,636,180
Istidama loans from Palestine Monetary Authority	1,912,728	7,222,198	-	9,134,926
Sundry Provisions	-	-	48,851,375	48,851,375
Taxes provisions	4,610,652	-	-	4,610,652
Lease liabilities	-	-	33,453,914	33,453,914
Other liabilities	92,840,360	-	302,153	93,142,513
Total liabilities	4,506,892,188	751,236,209	118,160,920	5,376,289,317
Equity				
Paid-in share capital	-	-	208,080,000	208,080,000
Additional paid-in capital	-	-	24,848,415	24,848,415
Statutory reserve	-	-	56,970,341	56,970,341
Voluntarily reserve	-	-	246,361	246,361
General Banking risks reserve	-	-	10,311,877	10,311,877
Pro-cyclicality reserve	-	-	40,000,000	40,000,000
Fair value reserve	-	-	(4,999,792)	(4,999,792)
Retained earnings	-	-	43,763,159	43,763,159
Total equity holders of the Bank	-	-	379,220,361	379,220,361
Non-controlling interests	-	-	54,300,310	54,300,310
Total equity	-	-	433,520,671	433,520,671
Total liabilities and equity	4,506,892,188	751,236,209	551,681,591	5,809,809,988
Maturity gap	(1,103,890,853)	1,349,464,831	(245,573,978)	-
Cumulative maturity gap	(1,103,890,853)	245,573,978	-	-

49. 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 is the Bank's business segments according to operations:

December 31, 2021	Retail	Corporate, institutions and public sector	Treasury	Other	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Gross revenues	122,796,493	154,847,723	30,506,825	8,429,423	316,580,464
Provision of expected credit losses	(297,605)	(22,183,466)	(1,833,077)	(300,000)	(24,614,148)
Written off credit facilities not previously provided for	(2,052,766)	-	-	-	(2,052,766)
Segment results					289,913,550
Unallocated expenses					(205,308,697)
Profit before taxes					84,604,853
Taxes expense					(28,350,526)
Profit for the year					56,254,327
Other information					
Depreciation and amortization					(17,927,102)
Capital expenditures					(12,404,295)
Gross segment assets	1,141,429,650	2,311,777,510	2,852,835,782	202,178,864	6,508,221,806
Gross segment liabilities	3,486,088,530	1,819,051,072	505,751,027	201,231,748	6,012,122,377

December 31, 2020	Retail	Corporate, institutions and public sector	Treasury	Other	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Gross revenues	105,703,929	151,329,296	21,062,975	525,550	278,621,750
Provision of expected credit losses	(6,135,988)	(32,954,163)	(367,635)	-	(39,457,786)
Written off credit facilities not previously provided for	(1,532,623)	-	-	-	(1,532,623)
Segment results					237,631,341
Unallocated expenses					(197,470,973)
Profit before taxes					40,160,368
Taxes expense					(17,748,220)
Profit for the year					22,412,148
Other information					
Depreciation and amortization					18,858,916
Capital expenditures					15,813,134
Gross segment assets	943,686,036	2,061,048,261	2,321,130,346	483,945,345	5,809,809,988
Gross segment liabilities	2,833,576,861	1,703,341,785	385,159,526	454,211,145	5,376,289,317

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	
	2021	2020	2021	2020	2021	2020
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Gross revenues	299,054,139	262,541,874	17,526,325	16,079,876	316,580,464	278,621,750
Gross segment assets	5,587,593,535	4,796,397,240	920,628,271	1,013,412,748	6,508,221,806	5,809,809,988
Capital expenditures	12,404,295	15,813,134	-	-	12,404,295	15,813,134

50. 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. The Bank's General Assembly approved, in its ordinary meeting held on March 31, 2021, to raise the Bank's paid-in share capital by U.S. $ 2,080,800 through share distributions. (note 1&28)

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 for the year 2021 is computed in accordance with the PMA's instructions No. (8/2018) derived from Basel III international regulations.

The following are the capital adequacy rates:

	2021			2020		
	Amount	Percentage to assets	Percentage to risk – weighted assets	Amount	Percentage to assets	Percentage to risk – weighted assets
	U.S. $	%	%	U.S. $	%	%
Regulatory capital	546,457,128	8,40	15.22	499,707,546	8.60	14.24
Basic capital	429,801,647	6.60	11.97	376,912,943	6.49	10.74

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 year ended 2021 is computed in accordance with PMA instructions No. (8/2018) derived from Basel III international regulations, as shown in the following table:

	December 31, 2021	December 31, 2020
	U.S. $	U.S. $
Net common stocks (CET 1)	423,226,602	370,779,348
The first bracket of capital	429,801,647	376,912,943
The second bracket of capital	116,655,481	122,794,603
Capital base	546,457,128	499,707,546
Credit risk	3,107,256,594	3,018,930,340
Market risk	34,291,742	66,781,049
Operational risk	447,851,084	422,705,857
Total risk weighted assets	3,589,399,420	3,508,417,246
Percentage of common stocks (CET 1) to risk weighted assets	11,79%	10,57%
Percentage of the first bracket of capital to risk weighted assets	11,97%	10,74%
Percentage of the second bracket of capital to risk weighted assets	3,25%	3,50%
Percentage of the first bracket to assets	6,60%	6,49%
Percentage of regulatory capital to assets	8,40%	8,60%
Capital adequacy ratio	15,22%	14,24%

51. Commitments and contingent liabilities

The total outstanding commitments and contingent liabilities are as follows:

	2021	2020
	U.S. $	U.S. $
Letters of guarantees	206,492,217	191,064,802
Letters of credit	46,069,513	32,823,758
Acceptances	9,417,798	12,810,821
Unutilized direct credit facilities limits	286,553,199	363,743,554
Others	322,700	388,850
	548,855,427	600,831,785
Less:		
Provision of expected credit losses	(315,086)	(302,153)
	548,540,341	600,529,632

Outstanding forward deals contracts for the sale and purchase of currencies for existing customers as at December 31, 2021 and December 31,2020 amounted to U.S $ 35,041,435 and U.S. $ 32,351,745, 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 Islamic financing is as follows:

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	550,791,322	50,040,463	-	600,831,785
Net change during the year	(104,051,337)	52,074,979	-	(51,976,358)
Balance ending of the year	446,739,985	102,115,442	-	548,855,427

	2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	456,664,813	62,229,854	-	518,894,667
Net change during the year	94,126,509	(12,189,391)	-	81,937,118
Balance ending of the year	550,791,322	50,040,463	-	600,831,785

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

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	298,586	3,567	-	302,153
Net expected credit losses for the year	(156,179)	169,112	-	12,933
Balance ending of the year	142,407	172,679	-	315,086

	2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	235,933	10,111	-	246,044
Net expected credit losses for the year	62,653	(6,544)	-	56,109
Balance ending of the year	298,586	3,567	-	302,153

The related provision is recorded in other liabilities (note 27).

52. Lawsuits against the Bank

The number of lawsuits filed against the Bank and its subsidiaries as at December 31, 2021 and 2020 was (248) and (206), respectively and that's within the normal course of business with a total amount of U.S. $ 69,672,366 and U.S. $ 62,469,846, respectively. The Bank's management and lawyer believe that no additional provision is required other than what was provided.

During the year 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-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 second quarter of 2022.

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 advisor, the lawsuit is at its early stages and any financial effect is not predictable at the date of the consolidated financial statements. According to the Bank's advisor, the defenses raised by the motion are strong ones.

53. Development policy

The Bank's development policy includes the following:

- Continue cooperating with the International Financial Institutions to design SME's finance programs.
- Develop finance programs and services for women to meet their Banking needs.
- Focus on risk management to maintain performance and sustainable growth.
- Develop the Bank's computer systems and information technology including the requirements of the international standards reporting.
- Provide training opportunities for the Bank's employees at different levels.
- Continue to develop the Bank's electronic apps.

54. 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.

55. The impact of Coronavirus (Covid-19) on the calculation of expected credit loss provision and the relevant instructions of the Palestine Monetary Authority

Expected credit loss provision calculation

The determination of the ECL provision for credit facilities requires the Bank's management to use significant 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, and to consider future measurement information for ECL.

According to IFRS (9), credit facilities and Islamic financing to be transferred from stage (1) to stage (2) if, and only if, there has been a significant increase in credit risk after initial recognition. A significant increase in credit risk occurs when there is a significant increase in the risk of default.

The Bank evaluated its borrowers for other indications of unwillingness to pay, considering the underlying cause of any financial difficulty, and whether it is likely to be temporary as a consequence of the spread of COVID-19 or as a long-term financial difficulty.

During the year, the Bank updated the macroeconomic factors according to the latest publications of the International Monetary Fund and the Palestinian Central Bureau of Statistic, in addition to changing the weights possibilities of macroeconomic scenarios by assigning higher weights for the worst-case scenario, which negatively affected the calculation of the expected credit loss provisions.

Relevant PMA instructions

As a result of the spread of Coronavirus (COVID-19), PMA issued instructions No. (4/2020) on March 15, 2020 related to the PMA's measures to mitigate the effects of the health crisis. The instructions included a set of decisions to instruct the Banks to postpone customers installments for four months, and six months for the tourism sector. Banks were prohibited from collecting any additional fees, commissions or additional interest on the differed installments. In accordance with the instructions, the Bank postponed installments of its customers. Additionally, on June 30, 2020, PMA issued instructions No. (23/2020) which obligates Islamic Banks to grant customers, whose installments have been postponed, a grace period to pay the deferred installments until December 31, 2021. The instructions also included other measures taken by the Palestinian Government and PMA (which had an impact on the Banking sector and the operations of the Bank) such as not to classify customers with returned checks for financial reasons as defaulted and not to charge them with the related commissions.

On July 22, 2020, PMA issued instructions No, (27/2020) regarding mitigating the effects of the financial crisis and the Coronavirus crisis, under which the Bank restructured and rescheduled the credit facilities and Islamic financing, or granted the customers a temporary Tawarruq limits in the amount of the deferred installments or restructuring the finance lease in ownership in addition to granting the customer (based on his request) Tawarruq limit (Tawarruq) for the value of his obligations during the period from July 1, 2020 to January 1, 2021.

During the year 2020 and in response to the instructions PMA No. (23/2020), the Bank, started a program to reduce payments to support the affected customers by postponing the deferred installments for a period of four to six months, by granting a grace period to pay the deferred installments. These payments reliefs are considered a short-term liquidity for the purpose of mitigating the borrower's cash flow issues. The Bank believes that payments extension does not automatically lead to a significant increase in credit risk as the impact on the customer is expected to be in the short term. For all other customers, the Bank continues to consider the severity and potential impact of COVID-19 on the economic sector, future expectations, cash flows, financials strength, mobility and change in risk profile along with previous records in identifying a significant increase in credit risk.

Additionally, the Arab Islamic Bank (subsidiary) has postponed/ restructured the financing installments for customers of the affected economic sectors both companies and individuals, without additional returns in accordance, with PMA instructions No. (23/2020). The deferred profits are amortized over the extended contractual term of the financing. Based on the foregoing, the Bank has unified the accounting policies of its subsidiary when preparing the consolidated financial statements. This amendment has been treated with in accordance with IFRS (9). Modification of financing, such that the difference between the present value of future cash flows and the book value was recognized as losses resulting from modification of the Islamic financing of the subsidiary under net financing and investment income at an amount of U. S. $ 3,364,410 in the consolidated income statement as at December 31, 2020 (note 33). During the year 2021, the Bank recovered the full value of these losses in the consolidated income statement, due to the maturity of all the modified Islamic financing by the end of the year 2021.

To compensate for these losses incurred by the Bank, during the year the Arab Islamic Bank received a deposit from the PMA of $20 million at an interest rate below the market interest rate with a maturity ending in 2023 that was classified as government grant. This deposit mainly relates to compensation for loss of modification and all related costs that arose from deferring installments. The interest rate of the subsidized financing was calculated on a regular basis, in accordance with the accounting requirements of government grants. Accordingly, a total income of $1,428,011 was recorded in the consolidated income statement for the year ended December 31, 2020 under the net financing and investment income item (note 33), where the calculation included that the management applied some estimates in recognizing and measuring revenue from this grant. An expense of $1,428,011 has been charged to the 2021 consolidated statement of income relating to the adjustment of day one profit. This is to harmonize the accounting treatment between the settlement of government grants and the losses for which the Bank was compensated.

Istidama Program Loans

The Bank and its subsidiary granted loans through PMA support program, to support small and medium enterprises and to enable them to maintain their businesses and employees through financing program with an interest rate of 3% based on the instructions of PMA (Istidama Program).

56. Comparative figures

Some of the balances of the financial statements as at December 31, 2020 have been reclassified to match the presentation of the balances of the financial statements as at December 31, 2021. These reclassifications do not affect the profits of previous years or equity.

57. Subsequent events

Subsequent to the consolidated financial statements date, the Bank's Board of Directors, during its meeting held on February 27, 2022, decided to recommend to the General Assembly the distribution of dividends to shareholders by 12% of the paid-in capital, equivalent to U.S. $ 26,094,067, by distributing U.S. $ 4,587,847 as stock dividends and U.S. $ 19,569,017 as cash dividends based on pro-rata ownership of the Bank's shareholders in the Bank's share capital, in addition to the capitalization of U.S. $ 1,937,203 of the Banking risk reserve through stock dividends of 0.89% of the paid-in share capital.

Furthermore, and subsequent to the financial statements date, Ukraine was under war by Russia. For the Bank, the impact of this subsequent event is relevant in various ways. The Bank does not have any direct exposure in Russia or the Ukraine, however, indirectly, it may still be affected by recent or potential future developments. The impact of this on the Bank is expected to be limited and immaterial. Recent developments are likely to have an impact on global macro-economic developments, as the measures taken will directly influence global trade and logistics, and consequently economic growth. At this stage, it is still very difficult to predict what the (longer-term) macro-economic impact will be.