بنك فلسطين
BANK OF PALESTINE

Established 1960 تأسس عام

Together We Impact

Forging Ahead with Resilience, Hope and Ambition..

Annual Report 2024

Table of Contents

About

Bank of Palestine Group

1960

Bank of Palestine was established in Gaza City in 1960 as a leading financial institution that seeks to upgrade banking services in Palestine, while focusing on financing small and medium-sized enterprise. The Bank developed its operations and expanded its services to respond to the financial needs of various Palestinian sectors and segments.

With its headquarters in Ramallah, Bank of Palestine stands today as the largest national banking institution in terms of assets, customer deposits, credit facilities, historical profits, number of employees, and market value. The Bank operates a comprehensive network of 100 branches and offices spread across Palestine, providing banking services to over one million customers through a wide and diverse range of distinguished banking and digital services. It plays a key role in promoting financial inclusion, sustainability and entrepreneurship, while working on expanding its international presence in the United Arab Emirates and the Arab Republic of Egypt as part of its regional expansion and growth strategy.

A glimpse of our Journey

1960

Establishment of Bank of Palestine

1981

The first bank in Palestine to use computers

1994

Relationship building with global banks

1995

The first bank in Palestine to adopt SWIFT

1998

The first and only bank in Palestine to establish a Visa and MasterCard center for banking card transactions

2000

Introduced ATMs and Points of Sale

2002

Established an International Trade Department and began doing business with the Global Banking Network

2005

Listed Bank of Palestine shares on the Palestine Exchange

2006

Established Al Wasata Securities Company, the investment arm of Bank of Palestine Group

2009

Launched the GPRS and the first drive-thru ATM

2010

Established PalPay Company for electronic payment solutions

2015

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

2016

- Merged with the Palestine Commercial Bank
- Joined the Global Alliance for Banking on Values (GABV)
- Acquired majority shares in the Arab Islamic Bank

2017

Launched the second Bank of Palestine Representative Office in Santiago, Chile

2018

- Participated in global environmental and community initiatives in cooperation with the International Finance Corporation (IFC) and the French Agency for Development (AFD)
- Launched the mobile branch – Banke Rahhal

2019

- Launched the USSD service
- Launched the automated banking service
- Launched the WhatsApp banking channel
- Launched the PointCom campaign to promote electronic banking services
- Launched the Mahfazati electronic wallet app

2020

- Upgraded corporate and retail banking services on the BoP Banke mobile app
- Bank of Palestine Group and the National Aluminum and Profiles Company (NAPCO) established the Qudra Renewable Energy Solutions Company
- Established Intersect Innovation Hub
- Signed a $50 million loan agreement with the European Investment Bank to support SMEs
- Signed a $15 million loan agreement with the European Bank for Reconstruction and Development (EBRD) to support SMEs and women-in-business

2021

- Completed the Customer Segmentation Project
- FISEA, the AFD Group Investment Vehicle advised by Proparco, becomes a strategic partner and investor in Bank of Palestine

2022

- Invested in Mada Al Arab Company to promote digital transformation in Palestine
- Launched the Climate Risk Conference in cooperation with EBRD
- Signed the SUNREF II (green loan) agreement with PROPARCO and the European Union to support energy efficiency and renewable energy projects
- Launched the first sustainability report, based on the Global Reporting Initiative (GRI)

2023

- Signed an agreement with the Japan International Cooperation Agency (JICA) to invest $30 million in BOP's Additional Tier 1 Capital, marking JICA's first of its kind investment in Palestine and globally
- Became the first bank in the Middle East to join Citi Group's Sustainable Deposits Solution
- Signed the ARIZ agreement with Proparco and the European Union to support SMEs in Palestine
- Completed its five-year strategic plan

2024

- Started working on opening a full-service branch in Abu Dhabi Global Market (ADGM)
- Started working on opening a Representative Office in the Arab Republic of Egypt
- The IFC and the EBRD acquired an 8.92% stake in BoP through a special share issuance
- Entered into a strategic partnership with Bank of Africa to strengthen economic cooperation, through which Bank of Africa acquired 1.2% equity stake in BoP
- Signed a $65 million financing agreement with the IFC, Proparco and the Sanad Fund to support SME's and economic recovery
- Signed a $30 million subordinated loan with the Arab Fund for Economic and Social Development to finance SMEs
- Signed an $80 million loan portfolio guarantee with DFC to support and finance SMEs
- Signed a $20 million guarantee with the MEII to finance SMEs
- Signed two partnership agreements with Proparco and FISEA to promote entrepreneurship, support digital transformation and advance the SMEs sector

A Tribute to Our Founders

Late Mr. Hashim Atta Shawa

Founder of Bank of Palestine

The late Hashim Atta Shawa managed to build a great economic edifice when he founded the Bank with an aim to support farmers and orchard owners in the Gaza Strip and encourage them to grow and expand their businesses. Shawa used the orange tree as a symbol to reflect the Bank's identity and that of Palestine. He devoted his life in service of his people and his homeland, and until his last days, worked persistently to develop and expand the Bank.

Late Dr. Hani Hashim Shawa

Former Chairman of Bank of Palestine

The late Hani Shawa continued along the path of building and developing Bank of Palestine by adopting an expansion strategy, staying abreast with technological advancements and elevating the level of business practices and professional performance. His footprints and legacy of wise and sound management live on until today, reflected in the Bank's will 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.

Our Values

Trust pride Pioneer Resilience Sustainability

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

USD	2020	2021	2022	2023	2024
Gross Income Before Provisions	222,247,443	262,534,310	299,176,819	327,803,812	353,990,781
Gross Income After Provisions	182,789,657	237,920,164	271,078,059	192,091,644	127,478,184
Profit Before Tax	40,160,368	84,604,853	107,337,833	17,936,254	(45,470,578)
Net Profit	22,412,148	56,254,327	66,6 46,637	16,490,514	(27,911,456)
Total Assets	5,809,809,988	6,508,221,806	6,487,960,857	7,126,060,748	8,360,073,698
Customer Deposits	4,834,024,254	5,305,139,602	5,266,723,842	5,807,727,294	6,989,608,721
Credit Facilities	3,266,748,588	3,453,207,160	3,572,054,865	3,839,008,227	3,842,640,449
Shareholders' Equity	433,520,671	496,099,429	545,922,621	560,360,382	573,602,393
Paid Up Capital	208,080,000	217,433,527	223,958,577	230,677,334	260,559,617
Net Interest and Commission Revenue	197,457,949	223,598,064	256,282,832	290,004,515	305,885,711
Number of Employees	2,442	2,430	2,577	2,572	2,653
Number of Customers (All customers)	670,956	732,462	843,657	913,307	914,123
Number of Branches	102	100	103	103	102
Market Share – Deposits	31.70%	31.72%	31.78%	33.02%	37.23 %
Market Share – Credit Facilities	34.11%	33.92%	34.21%	33.86%	34.74%

"We have shown remarkable resilience and an incomparable ability to persevere, demonstrating strength and determination in the face of adversity."

Mr. Hashim Shawa

Esteemed Bank of Palestine Shareholders,

We usher in another year with renewed determination to forge ahead despite persistent challenges. Palestine continues to endure a brutal war in the Gaza Strip, impacting almost every sector, including the bank's operations and the health of the Palestinian economy as a whole. Yet, despite the adversity and unprecedented obstacles we faced in 2024, Bank of Palestine Group demonstrated exceptional resilience maintaining its commitment to its core values and mission This was achieved through careful strategic planning, robust business continuity and crisis management. We would not have done it without our employees' dedication, sense of responsibility and unwavering commitment to our customers, shareholders and partners.

In spite of the forgone challenges, the past year was also marked by important achievements; a clear testament to the efficacy of the Bank's policies. By the end of 2024, we successfully increased our capital to $260 million through special share isussances conducted during the war, attracting new strategic investors. Moreover, within just a few months, the Bank secured investments from International Development Finance Institutions focused on supporting Palestinian small and medium-sized enterprises through increased liquidity and funding vehicles.

While our ability to deliver core services remained uninterrupted and our operating revenues grew significantly, the war nonetheless negatively impacted our bottom line, enforcing the bank to record exceptional impairment provisions that resulted in reporting a loss for the first time since establishment. These extra provisions were taken to mitigate against unparalleled challenges in credit impairments and cash losses in Gaza. While we recognized and took action to deal with these exceptional and temporary setbacks, it is reassuring to say that our financial position remained strong, demonstrating growth in key financial indicators, most notably operational revenues, shareholders' equity, customer deposits, and all liquidity ratios.

One of the key milestones we achieved in 2024 was securing an investment of $34 million in additional capital from a consortium of the IFC and the EBRD, who collectively acquired a 8.92% equity stake in the Bank. Second was a strategic partnership with Bank of Africa in the Kingdom of Morocco through, which they purchased a 1.2% stake in Bank of Palestine through the Palestine Exchange. These investments, alongside additional financial tools provided by other International Development Institutions, bolstered our financing capacity for SMEs and strengthened our efforts to support economic recovery in the tune of $360 million.

We continue to stir the ship against turbulent waters, guided by our Board of Directors and driven by the efforts of our executive team. To this effect, we continued implementing our five-year strategic plan, which entails accelerating our digital banking channels to meet the pressures of the war and provide easier banking experience to our customers. This enabled us, along with our subsidiary company, PalPay, to deliver essential digital banking services to communities in Gaza, providing urgently needed financial tools to meet humanitarian and relief needs during severe conditions and cash liquidity constraints.

We also put into full gear our regional expansion plans. We are happy to report that the Bank received final regulatory approval from the Central Bank of Egypt to open a representative office in Cairo, laying the groundwork for a future network of branches in Egypt. This office will help the bank to better serve customers in Egypt and contribute to reconstruction efforts.

Today we are in the midst of applying for a license for an offshore banking presence in Abu Dhabi Global Market in the UAE. Such a branch will position the bank in the heart of a well regulated global financial hub, enabling the bank to serve the 20 million Global Palestinian community across the globe. Today Palestinian diaspora around the world yearn for connectivity to their homeland and financial solutions in private banking and wealth management.

We have made a commitment 64 years ago to serve our community, today we pledge once more to serve our employees, customers, shareholders, and partners alike emboldened by our core values, inspired by our vision, and grounded in a deep commitment to sustainability. We will continue to be the bank for all Palestinians at home and in the globe.

Hashim Shawa

Chairman of Bank of Palestine Group

"Our performance during 2024 was marked by key milestones and growth across most financial indicators, despite unprecedented challenges."

Mr. Mahmoud Shawa

Dear Shareholders,

On behalf of the Executive Management and all the staff at Bank of Palestine, I am pleased to present to you our Annual Report, which outlines our activities, accomplishments, and overall performance across the Bank and its subsidiaries during 2024.

The challenges stemming from the war on the Gaza Strip, coupled with the deterioration of economic conditions in the West Bank have significantly impacted the national economy. Reports from both international and local regulatory bodies indicate a 50% decline in overall economic activity, a surge in unemployment across Gaza and the West Bank, reaching 51% by the end of the year, and almost total collapse of Gaza's contribution to national GDP.

However, despite these harsh conditions, our performance in 2024 demonstrated our strong resilience and our ability to deliver organic growth across most indicators. Our unwavering focus remained on supporting our customers and the communities we serve. Bank of Palestine played a critical role in providing financial and banking services to our people in Gaza, establishing a financial lifeline to help meet urgent humanitarian needs. In this context, the Bank's group-wide contribution to social responsibility initiatives reached $4.6 million. These efforts were carried out in parallel with our continued commitment to delivering high-quality services under extraordinary economic pressure, guided by our deep-rooted institutional values and our dedication to serving our society.

As a testament to our strategy and prudent policies, most of our financial indicators showed healthy growth throughout the year. The Bank's total assets increased by 17.32% to reach $8.36 billion, up from $7.13 billion at the end of 2023. Customer deposits grew by 20.4%, rising by approximately $1.1 billion to $6.99 billion, reflecting trust in the Bank as a secure and reliable place to hold their savings amid ongoing instability. Despite severe economic slowdown, credit facilities also saw a slight uptick, reaching $3.84 billion compared to $3.83 billion at the end of 2023.

On the revenue side, the Group recorded operating income of $354 million, marking an 8% increase from $327 million in the previous year. This growth was achieved despite the financial impact of extraordinary impairment provisions set aside to offset cash losses in Gaza and rising credit risk, driven by the prevailing uncertainty.

Our strong financial standing has been key in attracting new strategic investors, further strengthening the Bank's capital base and enabling it to continue supporting vital economic sectors during the future recovery and reconstruction phase. Liquidity coverage ratio remains well above international standards, supporting our ability to weather last year's shocks and continue serving communities in Gaza through robust digital banking channels.

Within the Group's companies, the Arab Islamic Bank maintained a solid financial position, despite losses from lost cash and credit-related provisions, recording a net profit of $1.12 million. PalPay, our fintech subsidiary, also delivered an outstanding performance, with operations in Gaza earning the trust of both customers and international institutions. The company increased its customer base and innovatively converted POS machines into cash-dispensing devices to address acute liquidity shortages and help citizens meet their daily needs. PalPay also succeeded in doubling the number of e-wallet subscribers who do not hold traditional bank accounts.

We remain determined to build upon our resilience and continuity, constantly advancing our digital banking services, to further elevate customer experience, while strengthening our capital position, and expanding our regional footprint. We remain firmly committed to our national responsibility to support reconstruction and economic recovery, while upholding our enduring social duty towards our people in Gaza, the West Bank, and East Jerusalem, so that we continue to fulfilling our role in serving our community and elevating the status of Palestinian banking as key sector of economic development.

Profit before provisions and tax	Operating Cost-to-Income Ratio	Capital Adequacy Ratio
$181 million	48.86%	15.30%
Liquidity Coverage Ratio	**Net Loan-to-Deposit Ratio**	**Non-Performing Loans (NPL) Ratio**
745%	54.98%	4.99%

Mahmoud Shawa

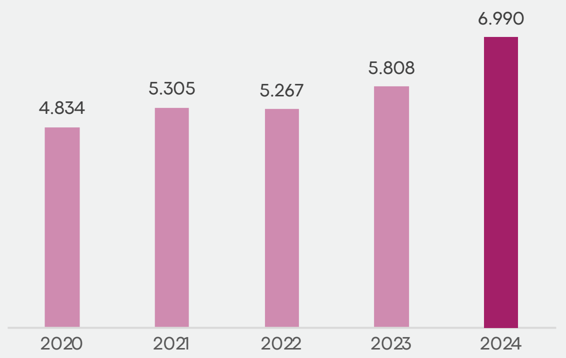
Chief Executive Officer

M El-Shawa

Financial Performance Analysis 2024

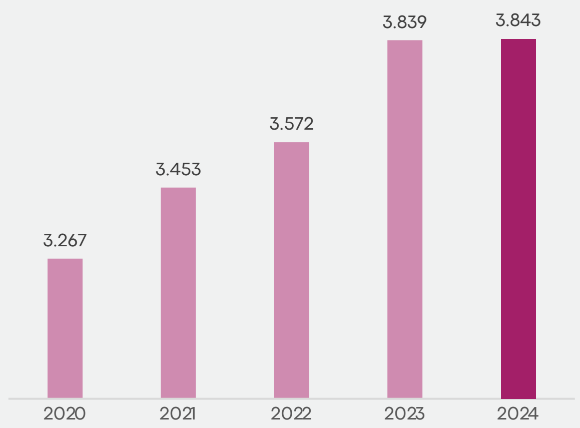
Customer Deposits
$6.990 Bn

Annual Growth | 20.4%



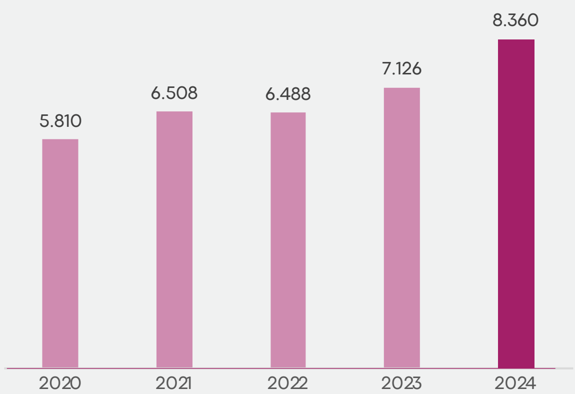
Credit Facilities
$3.843 Bn

Annual Growth | 0.1%



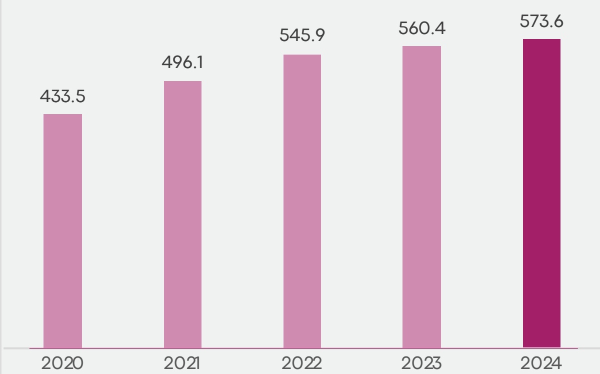
Total Assets
$8.360 Bn

Annual Growth | 17.32%



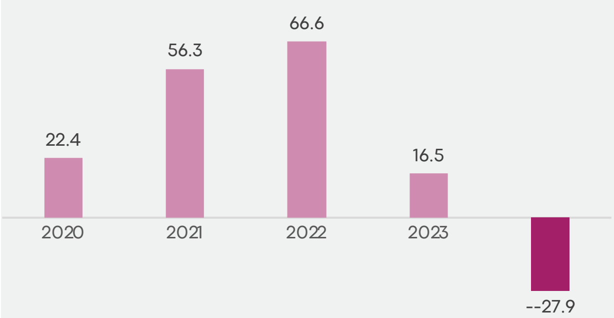
Shareholders' Equity
$573.6 Mn

Annual Growth | 2.36%



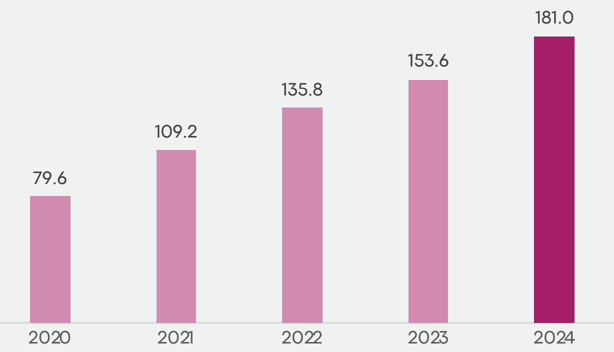
Net Profit
$-27.9 Mn

Annual Growth | -269%



Profit Before Provisions and Tax
$181.0 Mn

Annual Growth | 17.8%



Market Share – Deposits	Market Share- Credit Facilities	Market Capitalization
37.23%	**34.74%**	**9.90%**

Overview - Corporate Governance - Strategic Review - Operational Review - Bank of Palestine Group - Financial Statements

Highlights of 2024

January

Implemented a series of humanitarian and relief interventions to support our people in the Gaza Strip.

February

Launched the two initiatives, RISE Palestine and SAFE Palestine, to strengthen the resilience and sustainability of Palestine's innovative ecosystem and tech startups.

March

Entered into a strategic partnership with Taawon (Welfare Association) to support 20,000 orphans in Gaza, committing to an amount of $2 million annually over a period of 18 years.

Contributed to the provision of one million meals in Gaza and thousands more across cities in the West Bank.

Signed a $30 million financing agreement with the EBRD to support SMEs.

April

Launched a $400 million fundraising campaign in partnership with Taawon to sponsor orphans in Gaza.

Rolled out the second phase of humanitarian and relief interventions during Ramadan and Eid.

May

Bank of Africa acquired a %1.2 stake in Bank of Palestine, paving the way for new investment opportunities between Palestine and the Kingdom of Morocco.

June

Signed an agreement with Bank of Jordan to equip its collection offices at Palestinian traffic departments with POS machines, in cooperation with the Ministry of Transportation.

July

Signed a strategic partnership agreement with Palestine Technopark to support the local innovation and entrepreneurship ecosystem in Palestine.

Provided financial support to the Early Intervention Charity Association for Children with Disabilities.

August

IFC and EBRD invested in Bank of Palestine, acquiring an %8.92 stake to support its growth, economic recovery, and regional expansion efforts.

September

Signed a $65 million financing agreement with IFC, Proparco, and the SANAD Fund to support SMEs and economic recovery.

Signed a separate agreement with the International Development Finance Corporation (DFC) to support SMEs.

October

Carried out new humanitarian and relief efforts for residents in northern Gaza, in partnership with Taawon and Give Palestine Association.

November

Signed two partnership agreements with Proparco and FISEA to advance entrepreneurship, drive digital transformation, and uplift the SME sector amid war-induced challenges.

December

Increased equity investments from the Arab Palestinian Investment Company (APIC) and Aswaq Portfolio Investments through a private share issuance.

Launched new campaigns to promote card usage for purchases and reduce reliance on traditional payment methods.

2024-2023 Awards

The MEIRA Award for Best IR Film 2024

The Citi Bank Award for STP Excellence Award 2024

The Global Finance Award for Best Bank in Palestine during 2023

The EMEA Finance Award for Best Bank in Palestine

The Banker Award for Bank of the Year

The Global Finance Award for Best Bank in Palestine 2023 during

The EBRD Award for the Trade Facilitation Programme

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 National Global Compact
- Member in the Palestinian Council for Green Buildings
- Member in the Global Impact Investing Network
- Member in the United Nations Environment Programme Finance Initiative (UNEP-FI)
- Member in the Institute of International Finance / IIF

Our Branches and Offices

Branches & Offices	General Management
932 Employees	903 Employees

71 Branches & Offices

Southern West Bank

Hebron Governorate

Hebron Branch
Hebron University Office
Saeer Office
Bab Al Zawiya Office
Al Salam Office
Tarqumia Branch
Dura Office
Yatta Office
Al Thahiriya Office

Bethlehem Governorate

Bethlehem Branch
Beit Jala Office
Beit Sahour Office

Gaza Strip

Northern Gaza Governorate

Jabalia Branch
Beit Lahia Office
Beit Hanun Office

Gaza Governorate

Al Rimal Branch
Al Sarayah Office
Tal Al Hawa Office
Main Branch
Omar Al Mukhtar Office
Al Nasr Branch

Central Governorates

Deir Al Balah Branch
Al Nusseirat Branch
Al Zahra City Office

Northern Governorates

Khan Yunis Branch
Bani Suhaila Office
Rafah Branch
Western Rafah Office

Central West Bank

Ramallah and Al Bireh Governorate

Ramallah Branch
Tormosaya Office
Nalin Office
Deir Dibwan Office
Al Manara Office
Al Irsal Branch
Birzeit Office
Silwad Office
Al Masyun Branch
Bedo Office
Beitunya Office
Al Bireh Branch
Al Tireh Office
Lacasa Mall Office
Al Qasaba Branch

Jericho and the Valleys Governorate

Jericho Branch
Al Istiraha Office – Jericho

Salfit Governorate

Salfit Branch
Bidya Office

Jerusalem District

Al Ram Branch
Abu Dees Branch
Al Quds University (Abu Dis) Office
Dahyet Al Bareed Branch

Northern West Bank

Jenin Governorate

Jenin Branch
Maythalun Office
Yaabad Office
Al Yamun Office
Arab American University Office
Qabatiya Branch

Tubas Governorate

Tubas Branch

Nablus Governorate

Nablus Branch
Al Hisbah Office
Huwara Office
Tulkarm Street Office
Northern Assira Office
Rafeedya Branch

Tulkarm Governorate

Tulkarm Branch
Khadoury Office
Downtown Branch – Tulkarm

Qalqiliyah Governorate

Qalqiliyah Branch
Azun Office

Representative Offices

Dubai – DIFC, Park Towers (A)

Mobile Branch: Bank-e Rahhal

The Banking Sector in Palestine

The banking sector has played a vital role in supporting various industries during the ongoing war on the Gaza Strip and its repercussions on the Palestinian economy and helped them withstand the economic challenges imposed by the conflict. It has firmly established itself as one of the key pillars of the national economy, leveraging its full capabilities, investing in digital solutions, and striving to achieve financial inclusion through a wide range of financial and banking services tailored to the needs of individuals, businesses, and small and medium-sized enterprises (SMEs). These efforts have helped strengthen the resilience and growth potential of the Palestinian economy in the face of crisis.

Bank of Palestine has reaffirmed its commitment to supporting the Palestinian economy and keeping pace with its development and continuity in order to contribute to achieving sustainable banking. It enriched the banking sector by offering innovative and modern digital banking products and services and designing financing programs that address the diverse needs of all market segments, with a particular focus on SMEs. In addition, the Bank actively fosters a culture of entrepreneurship and innovation across Palestine through Intersect Innovation Hub and the Ibtikar Fund.

The Banking Sector: A Steadfast Stronghold

The Palestinian banking sector has proven its ability to confront challenges, adapt in times of crisis, and provide the necessary financial tools to mitigate the impact of the difficult economic and political conditions facing the country. It continues to work toward establishing a modern, digital banking environment that keeps pace with global advancements in financial services.

Bank of Palestine, in particular, has harnessed the strength of its financial position and digital banking capabilities to navigate the challenges of the war on Gaza. Despite the extreme difficulties, the Bank has maintained uninterrupted service delivery and worked tirelessly to overcome obstacles for its customers. Its steadfast commitment to uplifting the Palestinian economy is reflected in its real, measurable efforts to empower the SME sector by providing the necessary funding to ensure the continuity of their operations. To that end, the Bank has signed numerous agreements with international partners to secure the liquidity needed to sustain and strengthen this vital economic segment.

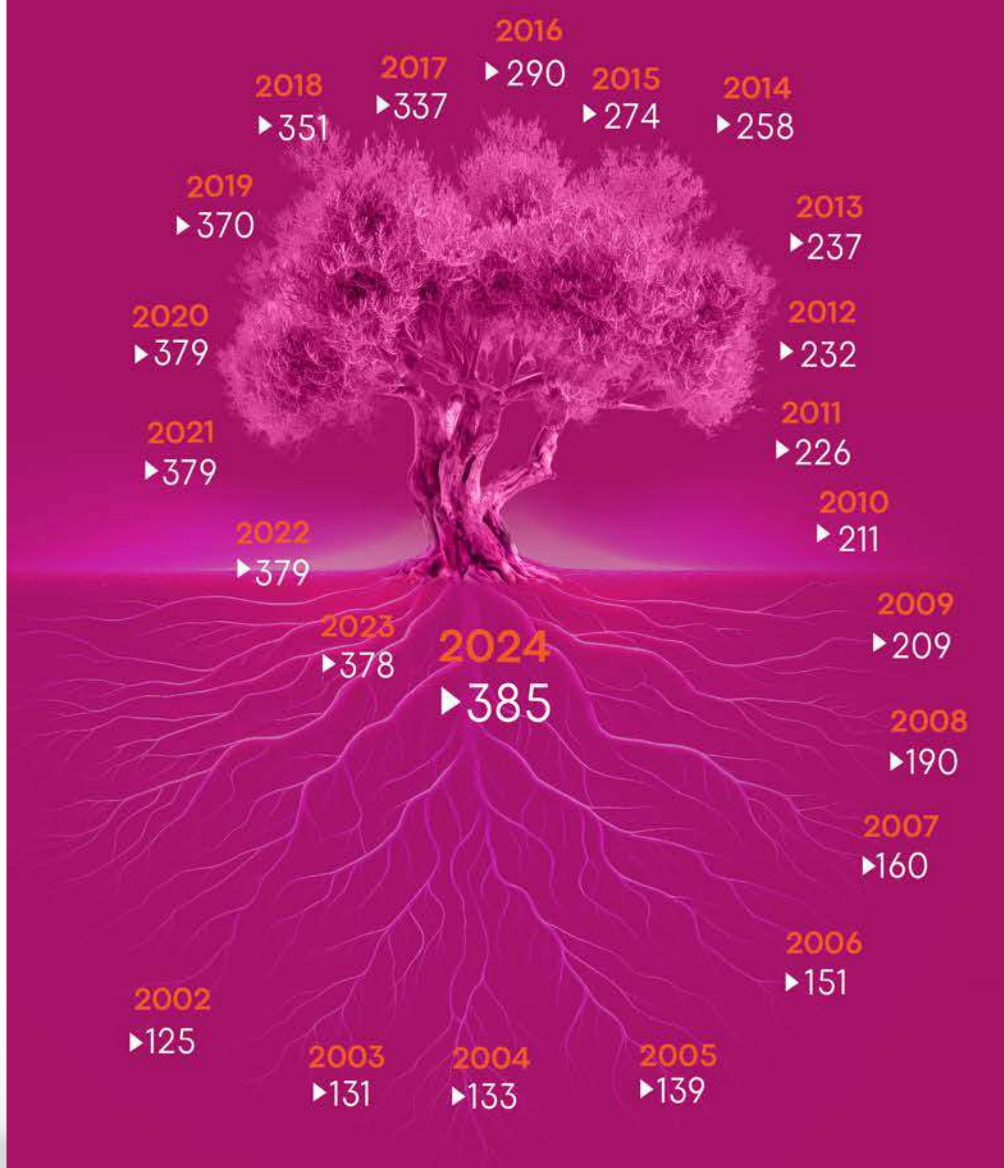
Confidence in the Banking Sector's Crisis Management

Despite the severe conditions imposed by the war on Gaza and its spillover effects on the West Bank, along with the overall decline in economic indicators, the accumulated experience of Palestinian banks, combined with prudent crisis management, has helped preserve and even strengthen public trust among customers and stakeholders. In fact, 2024 witnessed a 6.75% increase in total banking deposits. Bank of Palestine continues to hold the largest market share in customer deposits and credit facilities, accounting for 37.23% and 34.74% respectively.

Bank of Palestine: The First Bank

Since its establishment in 1960, Bank of Palestine has maintained its outstanding performance, grounded in core values, modern banking practices, transparency, and strict adherence to the laws and regulations governing the banking sector. The Bank holds the largest number of active accounts in Palestine and operates the most extensive network of ATMs and point-of-sale terminals. It also remains committed to offering a broad array of banking services through its advanced digital platforms. This distinction is further reflected in its strategic move toward global expansion, in line with its vision for regional and international growth. Bank of Palestine has applied for a Category 1 banking license at the Abu Dhabi Global Market (ADGM) and is preparing to open a representative office in the Arab Republic of Egypt. All these initiatives aim to serve the largest possible segment of the Palestinian diaspora and unlock new opportunities in cross-border banking.

Number of branches operating in Palestine



Number of Banks

13

Number of Employees

7,525

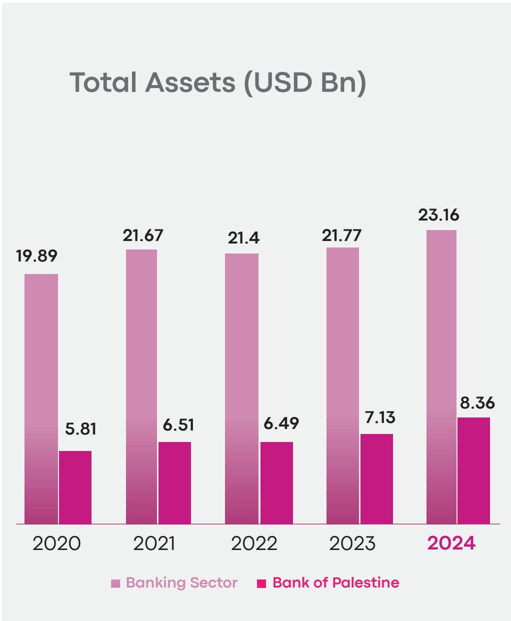
ATMs

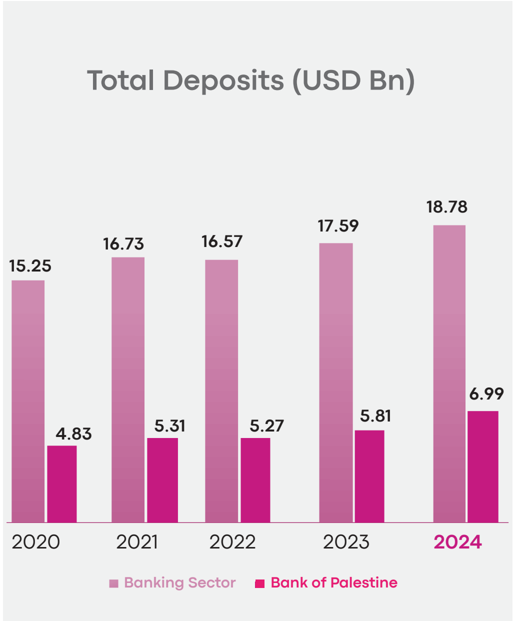
737

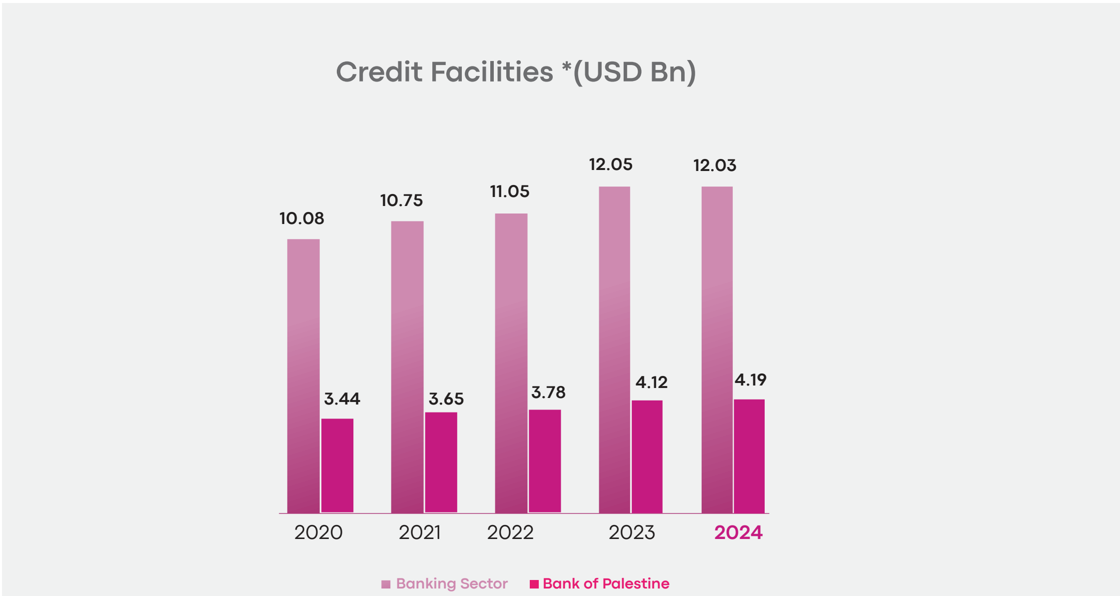
Number of Female Employees

40%

Growth Indicators in the Banking Sector



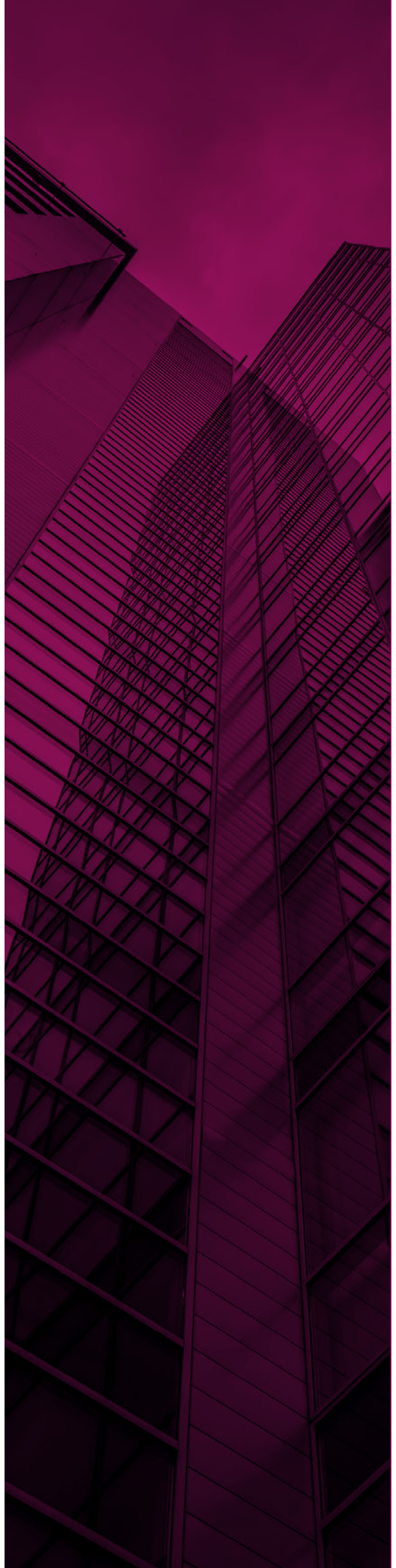




*Before deducting provisions and suspended interest

Percentage of growth in assets, deposits and Credit facilities (year by year)

Assets	2020	2021	2022	2023	2024
Banking Sector in Palestine	10.96%	8.99%	-1.24%	1.69%	6.38%
Bank of Palestine	10.35%	12.02%	-0.31%	9.84%	17.32%
Customer Deposits	2020	2021	2022	2023	2024
Banking Sector in Palestine	12.35%	9.70%	-0.93%	6.14%	6.75%
Bank of Palestine	17.46%	9.75%	-0.72%	10.27%	20.35%
Credit Facilities	2020	2021	2022	2023	2024
Banking Sector in Palestine	11.55%	6.63%	2.77%	9.12%	-0.17%
Bank of Palestine	10.41%	6.03%	3.65%	9.09%	1.62%



24

Corporate Governance

Board of Directors and Board Committees

Mr. Hashim Shawa

Chairman

Bank of Palestine Group

Experience

2017- present Chairman of Bank of Palestine Financial Group.
2007 - 2017, General Manager of Bank of Palestine
2005 - 2007, Associate Director Middle East Gulf Region, HSBC Private Bank - Switzerland
2002 – 2005, Vice President, Middle East Region, Citigroup Private Bank, Geneva -Switzerland.
1997 – 2002, Assistant Vice President Operations & Technology - Citigroup, London, UK.

Bachelor of Engineering "University College London" 1997

Date of Birth: 25/01/1976

Member since 2007

Memberships

Chairman of Bank of Palestine Financial Group.
Chairman of PalPay Electronic Payments
Chairman of Alwasata Securities Company
Chairman of Ibtikar Fund.
Founding Member at Intersect Tech Eco System Enabler.
Board Member of Arab Palestinian Investment Company (APIC) Palestine Board.
Member of Pharmacare Company.
Member of the Emerging Markets Advisory Council (EMAC)/ Institute of International Finance (IIF)
WEF MENA Regional Action Group Member.

Mr. Abdullah Qais Al-Ghanim

Vice Chairman

Representative of Al Muhalab Kuwaiti Real Estate Company

Experience

2016 - Consultant
2015- 2016 – Assistant General Manager – Gulf Bank - Kuwait
2012 – 2015 - Director - ASIYA Investment Co - Kuwait
2011 - 2012 – GCC Business Development - International Finance Corporation - UAE
2010 - 2011 – Executive Manager- Boubyan Bank - Kuwait
2006 – 2010 – Associate Director - HSBC Private Bank - Kuwait
2001 – 2006 – Managing Director -Al-Muhalab Kuwaiti Real Estate – Kuwait

MBA - The Thunderbird School of Global Management - 2005

B.S.- Boston University – 1996

Date of Birth: 08/02/1976

Member since 2014

Memberships

Board Member of Al-Wasata Securities Company

Mrs. Lana Abu Hijleh

Board Member

Representative of Minority Shareholders

Experience

2003 - Present: Country Director of Global Communities (Formerly known as CHF International – Palestine)
1986 – 2003: Assistant Resident Representative of the United Nations Development Program/ Program of Assistance to the Palestinian People (UNDP/PAPP)

B.SC- Civil Engineering, University of Iowa, Iowa, USA – 1985

MBA- leadership and Sustainability, University of Cumbria – United Kingdom

Date of Birth: 03/07/1963

Member since 2014

Memberships

Member of the Board of Directors - Palestine Investment Fund
Chairwoman of the Board of Directors-Amaar Group and Massader
Chairwoman of the Board of Directors of Palestine Power Generation Company
Member: Intersect Innovation Hub
Member - Palestinian Businesswomen Forum
Member: Business and Professional Women Network-Palestine
Founder and Chairwoman- Shiam-Youth Make the Future Organization
Member - Young Presidents' Organization (YPO/ WPO)
Fellow of the Aspen Institute Middle East and Global Leadership Network

Overview - Corporate Governance - Strategic Review - Operational Review - Bank of Palestine Group - Financial Statements

Mr. Tarek Al Aggad

Board Member

Representative of the Arab Palestinian Investment Company – APIC

Experience

Chairman & CEO - Arab Palestinian Investment Company (APIC) Palestine
Executive Director - Aggad Investment Company (AICO) Saudi Arabia

B.A – Economics - Harvard University – 1992

Date of Birth: 24/01/1971

Member since 2014

Memberships

Chairman - Siniora Food Industries Jordan/ Palestine
Chairman - Unipal General Trading Company - Palestine
Chairman – Gulf Taleed Commercial services Company – Saudi Arabia
Chairman - Palestine Automobile Company - Palestine
Chairman - Medical Supplies and Services (MSS) - Palestine
Member of the Board of Directors - Palestine Electric Company (PEC)- Palestine
Member of the Board of Directors - Palestine Power Generation Company (PPGC) - Palestine
Member of the Board of Trustees and Board of Directors - The King Hussein Cancer Foundation - Jordan
Mr. Aggad sits on the Board of Directors of several prominent investments, manufacturing, distribution and services companies in Palestine, Jordan and Saudi Arabia.

Dr. Tafeeda Jarbawi

Board Member

Experience

2011-to date Director General of Taawon (Welfare Association)
2010-2011 Deputy Director General of Taawon (Welfare Association)
2008-2010 Directors of Operations-Taawon (Welfare Association)
2006-2008 Director of Research and Planning - Taawon (Welfare Association)
1995-2006 Associate Prof. Director of Ramallah Women`s` College comprised of: Teacher Education as well as Vocational and Technical Training - UNRWA
1995 Visiting Research Professor for - 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 more than 40 publications in chemistry, education, sustainability, and women`s affairs

PhD in Analytical Chemistry, minor in Biochemistry. University of Cincinnati

Date of Birth 08/03/1955

Member since 2019

Memberships

Founder "Teach for Palestine" organization.
Member of the Board of Trustees of Al-Quds University
Member of the Board of Trustees of Al- Taawon organization.
Member of the advisory board of Bard-Al Quds University
Member of the advisory board of Global ambassadors of Sustainability
Member of the Advisory Board of the Palestinian Anti-Corruption Commission
Advisory Member to MEPLI Professional Education Program, Harvard Graduate School of Education
Member of the Gov. Education Reform Committee
Higher Council for Vocational and Technical Education
Accreditation and Quality Assurance for Higher Education
UNISCO-World Commission of the Ethics of Scientific Knowledge and Technology (COMEST)
Bioethics Network on Women's Issues in the Arab Region

Mrs. Maha Awad

Board Member

Experience

1988 - Present: General Manager – Abu Shousheh contracting Co.
1997 – 2008: Chairwoman & General Manager – Abu Shousheh Trading Co.
2008 - present: Board Member Autozone Trading Co.
Board Member: Izdehar Investing Co.
Chairwomen of the Palestinian Shippers Council
Chairwoman of the board of directors of Riwaq (the Palestinian association for the preservation of architectural heritage),
Honorary Consul of the State of Indonesia

B.SC- Economics – Birzeit University

Date of Birth: 27/04/1962

Member since 2018

Memberships

Member of Palestinian Business Women Forum
Member of the Board of Trustees - Al Quds University
Member of the Board - Medical Relief Association
Member of the Board - Council of Arab Business Women
Founding Partner in several Private Sector Companies

Board of Directors and Board Committees

Mr. Eric Shehadeh

Board Member

Experience

2025- Group Head of Al Futtaim Financial Services Transformation & Development Dubai , UAE
2024-2024 Founder of SH Capital Group – Advising family offices Dubai, UAE
2023-2023 Group Head of M&A at First Abu Dhabi Bank Abu Dhabi, UAE
2017-2022 President & CEO of My Money Group Paris, France.
2012-2017 Chief Executive Officer GE Money Bank France & DOMs Paris, France.
2009-2012 Chief Financial Officer Mubadala GE Capital Abu Dhabi, UAE.
2008-2009 Managing Director & CFO - M&A, GE Capital Middle East Dubai, UAE.
2005-2008 Chief Financial Officer, GE Money Thailand, Bangkok, Thailand.
2003-2005 Chief Financial officer, GE Money New Zealand, Auckland, New Zealand
2002-2003 Finance Mgr. & Assistant Controller GE Healthcare Europe Paris, France
2000-2002 Finance Six Sigma Black Belt GE Healthcare Europe Paris, France
1998 -2000 Financial Management Program (FMP) – GE Healthcare Europe

2008 Harvard Business School Boston, USA Executive Education Program Consumer Banking & Finance for Senior Executives
1995 - 1998 Ecole Supérieure de Commerce de Paris (ESCP Business School) Paris, France Masters in finance and management Control. Classes
1991 – 1995 Point Park University Pittsburgh, USA
BA in Political Science

Date of Birth 29/5/1971

Member since 2020

Mr. Tewfic Habesch

Board Member

Experience

Member of the board, Al-Mashreq Insurance Co.
Member of the board, Pharmacare
Vice Chairman, The Arab Chamber of Commerce & Industry – Jerusalem until February 2023
Member of the board, The French Arab Chamber of Commerce – Paris until February 2023
Habesch The Commercial Press Co. Ltd, Jerusalem established 1920, General Manager, September 2000 – Present.
Vice Chairman, Aqariya Commercial & Investment Company-2022
The Palestinian Securities Co. Ltd, Ramallah, Founder and Managing Director, September 1998 – August 2000
Union Bank for Savings and Investment, Ramallah, Regional Manager Palestine, September 1997 – September 1998
Arab Development and Credit Co., Jerusalem, General Manager, 1992 – 1996
Arab Bank Limited, New York Branch, N.Y.,Credit Officer, March 1988 – August 1990
New York University, Graduate School of Business Administration. New York - M.B.A. Finance/International Business, June 1987
The American University, Washington, D.C. , BS/BA Finance and Computers Systems applications in management, May 1984
Date of birth: 06/07/ 1962

Member since 2022

Memberships

National Insurance Co. founding committee member
Ex-chair of the Internal Audit committee of the National Insurance Co.
Ex-member of the Advisory Committee of the Latin Patriarchate of Jerusalem
Ex-member of the board of directors of the Jerusalem International YMCA
Ex-member of the board of directors of the 3 Arches Hotel – Jerusalem

Mrs. Lama Kanaan

Board member

Experience

Executive Director – Private Banking, August 2024 – Current - EFG Bank (Middle East) Limited - Private Banking
Executive Director, Wealth Management, April 2022 – June 2024 - Hauberk Capital – ADGM Authority
Consultant, April 2021 – February 2022 - Azura Asset Management - SAM
Executive Director, Senior Relationship Manager, April 2017 – April 2019- Julius Bäer MEA - Dubai, Key Client Team - Private Banking.
Director, Senior Relationship Manager, November 2011 – March 2017 - Credit Suisse - Private Banking
First Vice President, November 2010 – November 2011 - BSI Bank
Executive Director: Wealth Management, November 2004 – November 2010 - Capivest Equitable Alliance
Relationship Manager: Investment & Treasury, April 1999 – October 2004 - Saudi Hollandi Bank
Investment Marketing Manager: Ladies Banking Davison, August 1998 – April 1999 - The National Commercial Bank
Investment Marketing Officer: Private Banking Division, March 1996 – June 1998 - Al Bank Al Saudi Al Faransi

Diploma of Management1987, S.S. College, UK
Anti Money Laundering Training 2009, Capivest, Bahrain
High Net Worth Relationship Skills 2005 Euro Money London, UK
Anti Money Laundering Training 2005, BIBF, Bahrain
Banking ProductS, 2003 Saudi Hollandi Bank, Riyadh, Saudi Arabia
Intensive Course in FX, 2002, BIBF, Bahrain
Foreign Exchange Markets 1996, Al Bank Al Saudi Al Faransi, Riyadh, Saudi Arabia
Date of birth: 24/03/1969

Member since 2022

Memberships

Board Member at Hauberk Capital, under the ADGM Authority

Overview - Corporate Governance - Strategic Review - Operational Review - Bank of Palestine Group - Financial Statements

Mr. Adel Dajani

Board member

Experience

2004-2022 Maghreb Venture Partners/ Emergence Partners
Founder & Managing Director
Regional Investment Bank
Tripoli 2009-2014 Aman Bank Libya/ Banco Espirito Santo Group
Independent Member of the Board of Directors
Private Commercial Libyan Bank
Tunis 1995-2002 International Maghreb Merchant Bank (IMBank)
Founder & Managing Director (1995-2002)
Advisor to the Board of Directors (2000-2002)
London 1985-1994 London Court Ltd.
Founder & Managing Director
Member and Registered Representative of the Financial Services Authority (U.K.)
Hong Kong 1981-1985 Corporate Finance Division of Investment Banking Subsidiary of HSBC
Executive Vice President, London1979-1980 HSBC
International Officer
Credit training course and operational departmental experience
Barrister at Law, Inns of Court School of Law,
Member of the UK Bar Association

Honours Degree Bachelor of Laws in International and Comparative Laws (LLB), London University (School of Oriental & African Studies
Degré de langue et de Civilisation Française & Premier Degré Pedagogique (Alliance Française), Université de Paris (Sorbonne)
9 O Levels, 3 A Levels, 1 AS Level Eton College, (UK)
Date of birth: 29/07/1955

Member since 2022

Memberships

London 2012 Founding Member of the Arab Bankers Association, UK

Mrs. Linda Tarazi

Board member

Experience

Capital Bank of Jordan - Dubai, UAE, July 2022 - Present
Group Chief Transformation Officer
MASHREQ BANK – Dubai, UAE. Nov 2013 to 2022
Executive Vice President – Head of Digital
MASHREQ BANK – Dubai, UAE. Nov 2010 to Nov 2013
Senior Manager – Transformation Approach & Methodology / Sustainability
Vice President – Lean Practice / Business Excellence
MASHRE QBANK – Dubai, UAE. Nov 2006 to 2010
Vice President – Program Head of Outsourcing (AOM Program)
Vice President – Manager Operations Excellence
JUMEIRAH CAPITAL – Dubai, UAE Sept 2005 to Oct 2006
Financial Analyst
CITIGROUP – London, UK Sept 1998 to Jan 2005
Assistant Manager – GTS Consulting Group.

Masters of Mechanical Engineering, (1992-1996) Imperial College of Science, Technology & Medicine – London, UK.
Date of birth: 05/01/1974

Member since 2022

Attendance of Board Members - 2024

Session date / Name	28/01	07/03	25/04	30/05	29/08	30/09	22/10	19/11	19/12	Attendance per member
	1	2	3	4	5	6	7	8	9	
Mr. Hashim Shawa	Present	Present	Present	Present	Present	Present	Present	Present	Present	9
Mr. Abdullah Al Ghanim	Present	Present	Present	Present	Present	Present	Present	Present	Present	9
Mr. Tarek Aggad	Present	Present	Present	Present	-	Present	-	-	Present	6
Mrs. Lana Abu Hijleh	Present	Present	Present	Present	Present	Present	Present	Present	Present	9
Mrs. Maha Awad	Present	Present	Present	Present	Present	Present	Present	Present	Present	9
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
Mrs. Lama Kanaan	Present	Present	Present	Present	Present	Present	Present	Present	Present	9
Mr. Adel Dajani	Present	Present	Present	Present	Present	Present	Present	Present	Present	9
Mr. Tewfic Habesch	Present	Present	Present	Present	Present	-	Present	Present	Present	8
Mrs. Linda Tarazi	Present	Present	Present	Present	Present	Present	Present	Present	Present	9
Total Attendance	**11**	**11**	**11**	**11**	**10**	**10**	**10**	**10**	**11**	

Board Members Remuneration for 2024 and 2023 in USD

Member	Position	2024	2023
Mr. Hashim Shawa	Chairman	-	39,385
Mr. Abdullah Al-Ghanim	Vice Chairman	-	39,385
Dr. Tafeeda Jarbawi	Board Member	-	39,385
Mr. Eric Shehadeh	Board Member	-	39,385
Mrs. Lana Abu Hijleh	Board Member	-	39,385
Mrs. Maha Awad	Board Member	-	39,385
Mr. Tewfic Habesch	Board Member	-	39,385
Mr. Adel Dajani	Board Member	-	39,385
Mr. Tarek Aggad	Board Member	-	21,882
Mrs. Lama Kanaan	Board Member	-	39,385
Mrs. Linda Tarazi	Board Member	-	30,633
Total		-	**406,980**

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

Mr. Tewfic Habesch – Chairman

Mrs. Lana Abu Hijleh - Member

Mr. Eric Shehadeh, Member

Dr. Tafeeda Jarbawi - 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:

- The integrity of internal controls and financial reporting.
- The qualification and independence of the external auditor.
- 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 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. Linda Tarazi – Member

Mr. Adel Dajani – Member

Mr. Tewfic Habesch – 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 Shawa – Chairman
Mrs. Maha Awad – Member
Mr. Abdullah Al Ghanim – Member
Mr. Tarek Aggad – Member

- 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 General Manager 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

Mrs. Lana Abu Hijleh – Chairwoman
Dr. Tafeeda Jarbawi – Member
Mr. Hashim Shawa – Member
Mr. Adel Dajani – 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 Shawa – Member

Mrs. Lana Abu Hijleh – Member

Mrs. Lama Kanaan – 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.
- 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.

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.
- 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.

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.

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.

Executive Management

Mr. Mahmoud Shawa
Chief Executive Officer

- MS Finance and Banking
- University of Wales 2007
- Date of Birth: 24/7/1982
- Joined BOP in 2005

Mr. Naser Bakeer
Chief Business Banking Officer

- BS of Accounting
- AL Mansoura University
- Date of Birth: 23/07/1969
- Joined BOP in 1994

Mr. Salim Hodali
Chief Retail Officer

- BS Business Administration
- Bethlehem University
- Date of Birth:19/01/1984
- Joined BOP in 2005

Mr. Yazan Al Masri
Chief Treasury Officer

- BS Finance and Banking
- Birzeit University
- Date of Birth: 08/05/1990
- Joined BOP in 2012

Mr. Ayman Jbail
Chief Financial Officer

- BS Accounting
- Birzeit University
- Date of Birth: 21/10/1987
- Joined BOP in 2023

Mr. Hanna Sahar
Chief Credit Officer

- MBA
- Northwestern University
- Date of Birth: 06/10/1972
- Joined BOP in 2020

Mr. Najeeb Yaser
Chief Audit Officer

- MBA
- University of South California
- Date of Birth: 30/05/1978
- Joined BOP in 2017

Mr. Suliman Naser
Chief Compliance and AML/CFT Officer

- MBA
- Birzeit University
- Date of Birth: 25/10/1978
- Joined BOP in 2000

Mrs. Amal Massis
Chief Risk Officer

- MBA
- Birzeit University
- Date of Birth: 20/2/1978
- Joined BOP in 2014

Overview - Corporate Governance - Strategic Review - Operational Review - Bank of Palestine Group - Financial Statements

Mr. Musa Shamieh
Chief Operations Officer

- MBA
- Birzeit University
- Date of Birth: 08/03/1966
- Joined BOP in 2014

Mrs. Randa Abdallah
Chief Human Resources Officer

- MBA
- Birzeit University
- Date of Birth: 14/05/1974
- Joined BOP in: 2011

Mr. Kamel Husseini
Chief Strategic Relations & Engagements Officer

- MBA
- The American University of Washington D.C.
- Date of Birth: 11/02/1966
- Joined BOP in 2016

Mr. Sakhr Nammari
Chief Strategy and Transformation Officer

- BS Accounting and Business Administration
- The University of Edinburgh
- Date of Birth: 17/12/1978
- Joined BOP in 2018

Mrs. Dareen Abudayeh
Chief Information Technology Officer

- MBA
- Birzeit University
- Date of Birth: 24/03/1985
- Joined BOP in 2016

Mr. Khamis Asfour
Legal Advisor

- BS of Law
- Alexandria University, Egypt
- Date of Birth: 29/05/1952
- Joined BOP in 1979

Operational Risk

Bank of Palestine places strong emphasis on the early identification and assessment of operational risks, enabling timely mitigation and proactive response. The Bank is also committed to producing meaningful management reports and continuously enhancing its control environment. Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people, or systems, or from external events. These risks can arise from any part of the Bank's operations or activities. Accordingly, Bank of Palestine takes a proactive approach to monitoring and managing operational risk to ensure it remains within acceptable levels, in alignment with the Bank's broader strategic objectives.

Governance

In line with its commitment to operational risk management, Bank of Palestine has adopted a formal policy framework approved by the Board's Risk and Compliance Committee, outlining the Bank's overarching approach to identifying, assessing, monitoring, and controlling operational risk in accordance with Basel Committee recommendations and best practices.

The Three Lines of Defense

To establish a robust risk control environment, the Bank has implemented a Three Lines of Defense model, which clearly defines roles and responsibilities across the organization, promotes collaboration, and ensures effective coordination in managing risk and executing control activities. The model supports the Bank's integrated risk management approach by fostering accountability and structured oversight.

Risk Culture and Awareness

A strong risk culture and effective communication between the Three Lines of Defense are essential to managing operational risk effectively. At Bank of Palestine, operational risk culture is rooted in building awareness across all levels of the organization, ensuring that every employee understands the importance of risk management and plays an active role in sustaining a sound and resilient operational environment

Best Practices in Risk Management

Risk management is one of the fundamental pillars supporting the sustainability of banking operations and the financial stability of the institution. This comprehensive process requires coordinated efforts and the implementation of effective strategies to identify, assess, and manage potential risks that the Bank may face. Below are key best practices in risk management adopted by the Bank to strengthen governance and enhance risk management methodologies:

1. **Risk Identification:** The Bank prioritizes identifying all types of risks that may impact its operations, including operational, financial, and market risks, recognizing this step as the foundation of a comprehensive risk management approach.

2. **Risk Assessment:** The Bank values the importance of assessing both the likelihood and potential impact of risks. It employs both quantitative and qualitative analysis techniques to provide a clear picture of risk severity and expected effects.

3. **Developing Response Strategies:** This includes a range of options to mitigate, transfer, or adapt to risks, along with identifying preventative measures and establishing frameworks to reduce potential exposures.

4. **Continuous Monitoring and Review**: Ongoing risk monitoring and review are vital components of effective risk management. These processes help refine and improve risk policies and procedures regularly, ensuring they remain effective in addressing emerging challenges.

5. **Strengthening Governance:** The Bank is committed to fostering a culture of strong governance and accountability by maintaining clear organizational structures and well-defined policies that guide decision-making and assign clear roles and responsibilities.

6. **Promoting a Risk Awareness Culture:** Risk awareness is essential to effective risk management. The Bank consistently invests in workshops and training sessions to raise employee awareness about risks and the importance of adhering to preventive measures.

7. **Leveraging Technology:** Technology plays a critical role in improving risk management by offering advanced data analytics tools that support continuous risk identification and assessment, ongoing review of the Bank's risk profile, and data-driven decision-making.

8. **Cross-Departmental Collaboration:** The Bank encourages collaboration across departments to ensure a comprehensive and efficient response to risk. Open communication channels are maintained to facilitate coordination among different teams.

9. **Adherence to International Standards:** Bank of Palestine is committed to applying international risk management standards and adapting to the surrounding environment. As part of this, the Bank uses Risk Control Self-Assessment (RCSA) methodologies aligned with Basel requirements and global best practices in operational risk management. Through this approach, risks are identified and measured based on their likelihood and potential impact, while internal controls are evaluated for design quality and implementation effectiveness. The Bank actively engages a wide range of employees in the risk assessment process, encouraging a proactive mindset in risk identification and reporting. This helps embed risk awareness into the Bank's organizational culture, making risk management a shared responsibility across all units.

Overview - Corporate Governance - Strategic Review - Operational Review - Bank of Palestine Group - Financial Statements

likelihood and potential impact, while internal controls are evaluated for design quality and implementation effectiveness. The Bank actively engages a wide range of employees in the risk assessment process, encouraging a proactive mindset in risk identification and reporting. This helps embed risk awareness into the Bank's organizational culture, making risk management a shared responsibility across all units.

Risk management remains an integral part of the Bank's strategy for achieving sustainable growth and financial stability. The Bank is firmly committed to continuously improving its risk management practices to ensure high-quality service delivery and to maintain the trust of its customers and partners.

Risk Indicators

As part of its implementation of the SAS EGRC program, the Operational Risk Division at Bank of Palestine has developed a set of risk indicators designed to help anticipate potential future losses. These indicators vary in nature: some are predictive, offering early warning signals that allow the Bank to avoid emerging risks; others are detective, revealing early-stage occurrences of risk to support swift intervention; while some are corrective, helping to document the recurrence and impact of risk events to support remedial actions. Continuous monitoring of key risk indicators by business units enables the Bank to respond promptly to changes in the institution's risk and control environment.

Ensuring Business Continuity

In terms of building and updating business continuity plans, Bank of Palestine follows a methodology tailored to the complexity of its banking operations and the unique volatility of the regional context. These efforts also reflect the Bank's growing market share and its designation as a systemically important Bank. The Bank has developed Business Impact Analysis (BIA) models that are aligned with international standards yet customized for the realities of the local environment. These models assess potential risks based on their operational and financial impact and the interdependencies between business units. They also help shape risk-appropriate strategies and design actionable plans to address likely scenarios.

The Bank regularly conducts readiness exercises to ensure its continuity strategies can be executed effectively. These include simulations to test the functionality of critical systems, networks, applications, and reporting tools, as well as live drills to carry out essential tasks from the designated alternate site. One such drill involved transferring operations from the Bank's main headquarters in Ramallah to its business continuity site in Bethlehem (Bank of Palestine's contingency facility), where key operations were successfully executed in a simulated disruption scenario.

Audit as a Risk Prevention Tool

In alignment with the Bank's integrated approach between the Operational Risk Division and the Internal Audit and Inspection Division, and in support of a Risk-Based Audit methodology, the Bank›s operational risk management system has enabled the Internal Audit Division to access risk profiles for all business units, review key risk indicators (KRIs), and consult the incident register. This access allows audit teams to build their audit plans based on prioritized risk levels, ensuring that high-risk units and processes are addressed first and that audit resources are optimally allocated.

Information Security Risk Management

Driven by the Risk Management Division's commitment to protecting the Bank's digital systems and services from cyberattacks, the Bank has implemented centralized vulnerability management systems and a Security Information and Event Management (SIEM) system. These systems follow international standards for protection and encryption to ensure the confidentiality, integrity, and security of data and to protect against digital fraud and data breaches.

The Bank has also reinforced its information security infrastructure with high-quality network and communications protection systems designed to prevent any external threats from breaching internal systems. In addition, all electronic payment card data (Visa and MasterCard) are encrypted to ensure full compliance with international protection standards for services such as e-commerce and 3D Secure. A dedicated Information Security Risk Department has been established to implement and oversee security policies in accordance with the ISO 27001 standard. These policies are guided by the controls of the ISO 27002 Information Security Management System, supporting the Bank's governance framework, digital transformation objectives, and its commitment to continuous monitoring, review, and improvement of information security practices.

PCI DSS Certification for Information Security Compliance

Bank of Palestine has been awarded the Payment Card Industry Data Security Standard (PCI DSS) certification, becoming the first Palestinian banking institution to achieve and maintain compliance with these international standards for information security and payment card data since 2018. Issued by the U.S.-based PCI Security Standards Council, this certification affirms the Bank's unwavering commitment to safeguarding customer data and placing information security at the heart of its strategy. The certification encompasses the protection and security of data across the Bank's primary data center, disaster recovery site, all branches and offices in the West Bank and Gaza, as well as the largest ATM network and point-of-sale terminals in the region. It also includes digital platforms such as online banking, mobile banking, payment cards, and e-commerce services.

This achievement marks another milestone in the Bank's ongoing journey to enhance its digital services. It reflects Bank of Palestine Group's dedication to providing secure, state-of-the-art banking solutions that align with evolving market needs and adhere to the principles of VISA and MasterCard, further strengthening the protection of customer card data and ensuring safe, trusted payment channels.

Obtaining the PCI DSS certification brings substantial benefits not only to Bank of Palestine but also to the broader e-commerce landscape in Palestine because it ensures the confidentiality of payment card data used by the Bank and within the e-commerce sector, reinforcing the Bank's pledge to invest in the latest technologies and remain at the forefront of developments in data protection. It also supports the continued development of secure, automated banking systems that promote reliable and seamless financial transactions.

Enhancing Cyber Risk Management with Advanced Systems

As part of its ongoing strategy to strengthen cybersecurity, Bank of Palestine implemented the Group-IB system in the past year. This step was accompanied by targeted training to ensure the team could use the platform effectively. These efforts significantly enhanced the Bank's ability to detect and respond to cyber threats, helping to ensure operational stability and safeguard critical systems.

Group-IB System

Group-IB is a global leader in cybersecurity and data protection, offering a comprehensive suite of solutions aimed at combating cybercrime and safeguarding the digital assets of financial institutions. Below is an overview of the system's importance and the benefits it brings to the Bank's cybersecurity framework.

Key Advantages of Group-IB:

1. Early Threat Detection: The system leverages artificial intelligence and advanced data analytics to detect cyber threats and criminal activity at an early stage, enabling the Bank to take proactive measures to protect its assets.

2. Rapid Incident Response: Group-IB empowers the security team to respond quickly and effectively to cyber incidents, minimizing their impact and reducing potential damage.

3. Advanced Threat Analysis: The platform provides powerful tools for analyzing cyber threats, helping the Bank understand attacker behaviors and tactics, and develop customized defense strategies.

4. Compliance with International Standards: Group-IB supports adherence to international cybersecurity standards, ensuring the Bank remains aligned with global best practices in information security.

Benefits of Using Group-IB:

1. Enhanced Trust: The system increases customer and partner confidence in the Bank's ability to protect their data and funds, fostering long-term relationships.

2. Improved Operational Efficiency: By automating incident detection and allowing security teams to focus on strategic tasks rather than repeated threats, Group-IB contributes to greater operational efficiency.

3. Stronger Institutional Reputation: Through the adoption of cutting-edge cybersecurity solutions, the Bank further establishes itself as a secure and reliable financial institution in the eyes of the public and global partners.

Crisis Recovery

Disaster Recovery Site

Bank of Palestine has developed and tested a dedicated disaster recovery site equipped with the latest technologies, enabling the Bank to resume service delivery in under an hour should the main site experience an outage. This capability is the result of strategic investments in advanced technologies that ensure real-time data replication and secure storage at the alternate site, guaranteeing continuity of digital services in line with the highest international standards for business continuity and disaster recovery. Maintaining uninterrupted service delivery remains a top priority for the Bank, ensuring customers can rely on its services at all times.

Recovery Plan

The Bank's recovery plan is a critical component in safeguarding institutional stability and mitigating potential operational and financial disruptions. It outlines strategic responses and proactive measures to manage crises and risks, ensuring the seamless continuation of banking operations.

Objectives of the Recovery Plan:

1. Protect Depositor and Shareholder Interests: By implementing clear, effective procedures to navigate financial crises and ensure the safety of depositor funds.

2. Ensure Business Continuity: Through well-designed contingency plans that maintain uninterrupted banking services, even during emergencies.

3. Minimize Operational Risks: By identifying potential threats and adopting strategies to mitigate their impact.

4. Achieve Regulatory Compliance: By aligning with supervisory authority requirements and maintaining transparency through timely and accurate reporting.

Challenges and Achievements

Over the past year, the Bank conducted a comprehensive review of its recovery plan, during which it identified and assessed risks associated with banking operations and made the necessary adjustments to existing procedures and protocols. This recovery plan underscores the Bank's firm commitment to delivering secure and reliable services, maintaining financial system stability, and contributing to the growth of the national economy. At Bank of Palestine, we remain dedicated to ensuring our preparedness to face any future challenges while continuing to uphold the trust of our Customers and partners.

Credit Risk Management

Bank of Palestine places strong emphasis on minimizing credit risk, recognizing it as the primary and most direct threat to banking activities. To address this, the Bank has adopted best practices and robust methodologies through a range of tailored tools and procedures. A dedicated Credit Risk Division, staffed by a highly qualified and experienced team, oversees this function. The team utilizes a suite of risk management tools, including continuous monitoring and rebalancing of the credit portfolio to align with the Bank's strategic objectives and adapt to prevailing environmental risks. Other tools include statistical models, exposure analysis, credit reviews, credit cycle control, periodic portfolio limit reviews, and stress testing using adverse scenario simulations. The Bank also assesses the impact of extraordinary events, such as wars, disasters, or economic crises, on its credit exposure.

As a systemically important institution within the Palestinian banking sector, Bank of Palestine has, over the past year, advanced the work of its Credit Risk Division through several updates, reforms, and publications relevant to its stakeholders.

In this context, the Division updated and enhanced its Credit Risk Management Policy and Procedures Manual to align with evolving local, regional, and global dynamics. It also developed a scientifically grounded Risk Appetite Statement for key credit risk indicators, which was formally approved by the Board of Directors. This document includes regularly monitored thresholds designed to help reduce portfolio delinquency to its lowest possible levels, in line with the Bank's long-term strategic vision.

Aiming to establish a comprehensive credit risk management system and adopt a proactive stance in risk detection, the Division launched an early warning system last year. It continues to closely monitor the system's inputs and outputs and is now working on further enhancements based on recent findings, utilizing advanced data-driven techniques to ensure flexibility and efficiency in response to emerging credit risks.

Given the vital role of the credit portfolio as the backbone of the Bank's revenue and operations, the Division, alongside senior executive leadership, introduced mechanisms during the war to conduct detailed, periodic credit portfolio evaluations. These efforts focused on both corporate customers and higher-risk consumer segments, as well as reassessing credit products in light of shifting geopolitical realities.

In adherence to Basel Committee guidelines and stress testing protocols issued by the Palestine Monetary Authority, the Bank also developed internal customized stress testing models tailored to its portfolio. These models explore new, hypothetical scenarios not covered by existing PMA guidelines to assess the potential impact of worst-case situations on the Bank's capital base and profitability.

Treasury Risk Management

The Treasury Risk Division at Bank of Palestine maintains direct and effective oversight over all treasury-related activities, including liquidity, investments, placements, and foreign exchange operations. It employs globally recognized risk measurement tools, while also evaluating and monitoring counterparty risk to regulate and manage relationships with all counterparties. In alignment with international best practices, the Risk Management Division has adopted global standards for identifying, assessing, and managing treasury risks. This ensures transparency, accuracy, and control over potential exposures resulting from market fluctuations or political instability.

Recognizing the importance of treasury risk oversight, the Bank established a Middle Office responsible for supervising potential risks stemming from day-to-day front office activities. The core banking system has been upgraded to support the procedures and requirements of the Middle Office, enhancing its role as a second line of defense against treasury-related risks.

This year, the Treasury Risk Division also developed internal stress testing scenarios as a proactive measure to assess market and liquidity risks. These scenarios were designed to gauge the Bank's resilience under various stress levels, ranging from mild to severe, and have been incorporated into the Bank's Emergency Funding Plan, which outlines contingency strategies to address unexpected liquidity crises and includes available funding lines, ensuring the Bank can continue supporting all operations and shielding itself from potential liquidity shocks.

The Division also defined the Bank's Risk Appetite and acceptable risk thresholds, which serve as key indicators for measuring risks related to treasury operations, including concentration risk, investment risk, counterparty exposure, interest rate risk, currency risk, and liquidity risk. These thresholds function as an early warning system, helping to prevent excessive or ill-managed exposures. The risk appetite framework is formally reviewed and approved by the Board of Directors on a regular basis.

In support of the Bank's objective to maintain financial liquidity and meet depositor demands, the Treasury Risk Division, working in coordination with other risk units, developed a comprehensive Liquidity Recovery Plan, which integrates liquidity stress testing scenarios with corresponding recovery actions, reinforcing the Bank's capacity to remain financially stable during crises and ensuring uninterrupted access to critical funding resources.

The Expertise of the Risk Management Team

The risk management staff was upgraded with the highest standards of international training and qualification, as they obtained the international certifications in the field of risk (Certified Risk Specialist), in addition to ISO27001 Certified Lead Auditor, Certified Information Security Professional (CISSP), Certified Governance Risk Management and Compliance Specialist (CGRCS), ISO 31000 and Risk Management Professional courses, from the relevant international councils.

The Executive Risk Management Committee

Based on Bank of Palestine's interest in setting a culture of risk in all its activities to promote good governance and a risk-based approach with the highest level of efficiency and effectiveness, the Bank adopted an Executive Committee for Compliance and Risk Management, which is responsible for aligning the Bank's objectives with acceptable risk levels, overseeing risks and ensuring that they remain within acceptable levels, in addition to overseeing compliance risks.

Reporting to the Board of Directors

Risk reports are submitted to the Board of Directors through the Risk and Compliance Committee, ensuring the Board remains consistently informed of the Bank's overall risk profile, risk register, and the internal control and monitoring procedures in place.

This reporting framework is essential to ensuring that the Board fully understands the risks surrounding the Bank and is equipped to make well-informed, effective decisions. Through these reports, the Board gains a clear view of current risk levels and the preventive measures being implemented to mitigate them.

This process enhances transparency and accountability within the Bank, supporting financial and operational stability while safeguarding the interests of both depositors and shareholders.

The Role of Risk Management During the Gaza War Crisis

Crisis and Emergency Management Committee

Immediately following the outbreak of war on 7 October 2023, Bank of Palestine promptly activated its Crisis and Emergency Management Committee, which is composed of senior department heads and division managers, each with clearly defined responsibilities that played a critical role in managing the crisis effectively. From the earliest stages of the conflict, the committee assumed its duties by conducting preliminary assessments of the evolving situation and its potential impact on the continuity of operations across the Bank's branches and divisions. Despite the immense challenges brought on by the uncertainty of the war, particularly its unknown duration and widespread negative impact across sectors and daily life, the committee swiftly developed multiple scenario-based response plans.

These scenarios addressed a wide range of key areas, including analysis of the credit portfolio, evaluation of security and protection systems, assessment of infrastructure readiness, ensuring the safety and well-being of employees, monitoring liquidity levels, implementing adjusted controls for procedures requiring urgent modification, managing communication breakdowns, preparing for potential cyberattacks, coordinating real-time support with employees in affected areas whenever communication was possible, ensuring the continuity of services in Gaza, in addition to many other areas related to Bank operations and protection and security systems.

Business Continuity

As part of its proactive approach to ensuring operational resilience, the Operational Risk Division develops detailed contingency plans tailored to scenarios such as the war on Gaza. Given the recurrence of such events in recent years, the Bank was well-prepared to respond, which significantly supported the continuity of critical banking operations. These efforts enabled the Bank to continue serving customers through essential services like ATM withdrawals, and electronic banking channels, including USSD-based services that function without internet connectivity. The Bank's continuity plans were dynamic and evolved in real-time, adapting to changing circumstances, such as closures in the West Bank or escalating events in Gaza, as the conflict progressed. In this context, the Risk Management team regularly conducts Business Impact Analyses (BIA) in collaboration with various business units. This analysis is used to assess and anticipate the potential consequences of operational disruptions, focusing on multiple criteria, including the impact of service interruption on core banking operations, financial implications of downtime, the interdependence of business units, as well as reliance on external institutions, the availability of appropriate response teams and communication channels, these assessments are essential to developing effective business continuity and crisis management plans, as they help identify the most critical components needed during a crisis.

Crisis Preparedness Phase (Pre-Crisis Measures):

- Identification of critical banking services provided to customers.
- Identification of mission-critical systems.
- Assignment of primary and backup teams capable of operating from the West Bank, including necessary training.
- Distribution of roles and responsibilities across departments.
- Assessment of whether critical functions and staff need to be reallocated within management units.
- Identification of remote work teams, ensuring close coordination between Risk Management and department heads to assess workloads, provide guidance, and allocate necessary resources.
- Mapping interdependencies among business units and external organizations, including communication methods and escalation protocols.

Crisis Management Phase and Activation of Business Continuity Plans

- Activating remote work protocols, which involved expanding VPN capacity, procuring laptops, and ensuring all cybersecurity controls were in place alongside continuous service assessments.
- Defining a roles and responsibilities matrix for the Crisis and Emergency Management Committee.
- Providing accommodation for staff members where necessary.
- Enabling employees to work from Bank locations near their residences and equipping those locations with necessary resources such as computers, desks, and telephones.
- Activating the West Bank monitoring center to oversee ATM performance and branch status in Gaza.
- Establishing clear communication procedures and workflows to facilitate effective coordination.
- Evaluating transaction limits on digital banking channels.
- Reviewing the validity and renewal of expired cards.
- Leveraging the presence of POS devices to offer financial services where ATMs or branches were inaccessible.
- Activating and scaling up the call center to meet the evolving needs of customers in Gaza.
- Conducting continuous ATM monitoring—including cash replenishment, repairs, and fuel supply for backup generators.
- Ongoing monitoring of cyberattacks and the implementation of defensive protocols and security systems.
- Responding to developments by adjusting internal procedures and complying with updated Palestine Monetary Authority (PMA) directives.
- Enhancing the role of the central control room to oversee branch operations.
- Maintaining close contact with external parties, including correspondent banks, insurance providers, guarantee funds, and critical suppliers.
- Activating communication channels with foreign institutions, shareholders, and strategic partners.
- Providing donations and aid as part of the Bank's humanitarian response.
- Identifying and monitoring emerging risks and measuring their impact.
- Evaluating gaps in operational continuity across departments and addressing resource or expertise shortages
- Monitoring and assessing damages (damage control).

The methodology adopted by Bank of Palestine provided a solid foundation for ensuring operational reliability and continuity throughout the crisis.

Precautionary Measures to Assess the Impact of War

Credit Portfolio

From the first week of the conflict, the Credit Risk Division, in coordination with all relevant departments, initiated an ongoing assessment of the credit portfolio to determine the extent of its exposure to the impacts of the war. This evaluation is carried out continuously to preempt any potential negative developments that could materially affect the portfolio's quality and integrity.

Due to the uncertainty surrounding the full implications on the Bank's customers, a dynamic model was developed, based on a carefully structured methodology, to ensure the logical and consistent collection of data, whether at the individual customer level, by customer segment, or across affected economic sectors, while also factoring in geographic distribution. This approach relies on both quantitative and qualitative data analysis to assess the portfolio's risk levels, classifying exposures into low, medium, or high inherent credit risk categories.

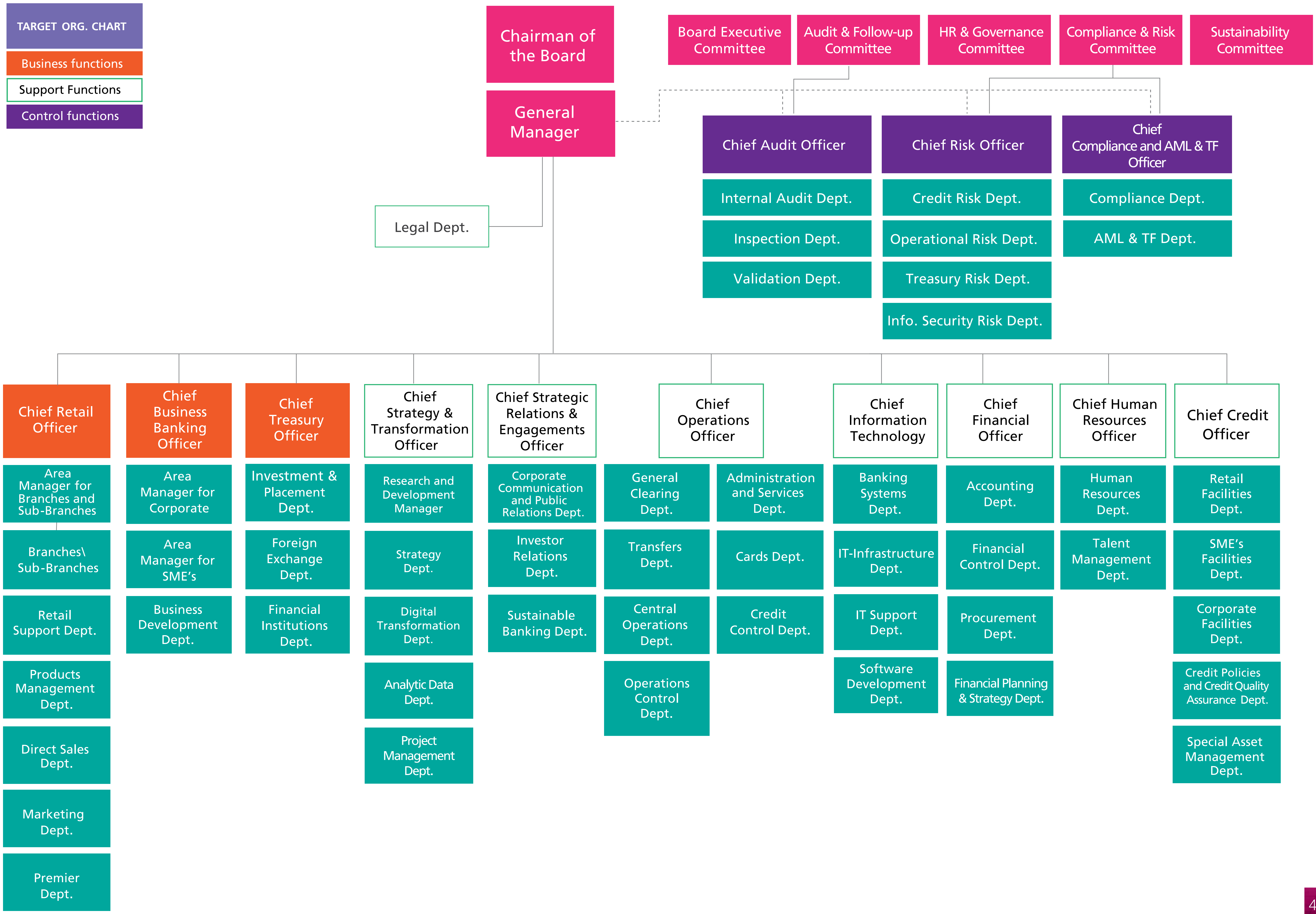
The outcomes of this evaluation are utilized to design rigorous stress tests, simulating various scenarios to assess their potential impact on the Bank's financial standing and capital adequacy. These ongoing assessments serve as a critical decision-making compass for executive management, enabling informed actions regarding provision adequacy, credit reallocation, and other precautionary measures. They also inform strategies for meeting the financial needs of affected or potentially vulnerable customers in a pragmatic and responsible manner.

Liquidity

From the onset of the crisis, the Bank conducted a thorough evaluation of its liquidity position to ensure its ability to meet customer needs, whether for cash access in Gaza branches or withdrawals and transfers from the West Bank. Severe liquidity stress scenarios were developed to assess the Bank's resilience in absorbing the effects of various liquidity shocks, including cash, non-cash, and fixed asset stress. Daily monitoring of liquidity ratios was intensified, along with detailed tracking of customer deposits by currency, region, and customer segment. The Bank also monitored the fluctuations in foreign exchange rates and compared them to pre-war benchmarks. This real-time surveillance enables the Bank to detect and respond quickly to any changes that could pose liquidity risks.

Overview - Corporate Governance - Strategic Review - Operational Review - Bank of Palestine Group - Financial Statements

Organizational structure



Policy on Anti-Money Laundering, Counter-Terrorism Financing, and Sanctions

A structured and proactive approach to risk mitigation is a cornerstone of sustainable banking. Bank of Palestine is committed to safeguarding its services and products against misuse in money laundering (ML), terrorism financing (TF), or other illicit activities. The Bank enforces a comprehensive set of internal policies and procedures in this area, which are regularly updated (annually or as needed) to comply with local regulatory requirements and align with global standards, including:

- The Forty Recommendations of the Financial Action Task Force (FATF)
- The Basel Committee's AML/CFT guidelines
- The Wolfsberg Principles
- Leading international AML/CFT best practices

In adherence to the Palestinian Anti-Money Laundering and Counter-Terrorism Financing Law and its implementing regulations, as well as international standards and recommendations, Bank of Palestine applies strict Know Your Customer (KYC) and Customer Due Diligence (CDD) protocols. In this context, the Bank:

- Does not maintain or open anonymous, fictitious, or shell accounts.
- Does not open or maintain accounts for transient or walk-in customers.
- Does not engage with shadow banks or institutions.
- Does not open accounts or conduct transactions for individuals or entities on international or domestic sanctions or watch lists.
- Conducts regular screenings of customer accounts to ensure none are listed on designated sanction lists.

Additionally, the Bank refrains from engaging with customers involved in the following prohibited activities:

- The illicit manufacture or trade of weapons and ammunition
- Human trafficking
- Pornographic material
- Online gambling without a legal physical presence
- Deliberate violations of financial crime laws, regulations, or anti-fraud policies
- Repeated unintentional violations of financial crime laws or policies
- Misuse of accounts for money laundering, terrorism financing, or fraud
- Facilitating business activities that may constitute tax crimes
- Refusing to provide sufficient or required documentation upon request
- Bribery and corruption

The Bank also ensures that it:

- Identifies and verifies the identities of natural persons, legal entities, and ultimate beneficial owners (UBOs) using official documents or reliable data, before, during, and after account opening.
- Verifies customer identity whenever there is doubt about the validity or adequacy of previously obtained identification data, or in the case of suspected ML/TF.

Overview - Corporate Governance - Strategic Review - Operational Review - Bank of Palestine Group - Financial Statements

- Gathers and assesses information regarding the intended purpose of the account, expected transaction activity, and the nature of the business relationship. This is achieved through tailored account opening forms aligned with KYC policy, the Bank's internal procedures, and the Palestine Monetary Authority (PMA) regulations, as well as specific forms for all types of customer transactions (deposits, withdrawals, transfers, etc.).
- Issues detailed guidelines, clarifications, and instructions on the implementation of its Know Your Customer (KYC) policy, outlining requirements for account opening and procedures for initiating any form of customer relationship or transaction.
- Applies KYC and Customer Due Diligence (CDD) standards to cross-border correspondent banking relationships, by gathering information on the correspondent institution, assessing its reputation and the nature of the regulatory oversight it is subject to, and obtaining senior management approval prior to establishing the relationship. The Bank also evaluates the correspondent's internal controls regarding anti-money laundering and counter-terrorism financing.
- All incoming and outgoing transfers are screened against international and domestic sanctions and watch lists using advanced filtering systems. Transfers are automatically blocked and returned if any party involved in the transaction appears on a prohibited list.
- Uses the latest software tools to analyze customer accounts and monitor their transactional activity. These systems are continuously upgraded and adapted to align with emerging global standards and regulatory developments. Customized scenario-based monitoring is applied to detect suspicious patterns related to money laundering or terrorism financing.
- A broad range of red flag indicators are implemented to identify unusual or suspicious activity across various types of banking transactions. These include general and specific alerts triggered during account opening, transaction processing, incoming and outgoing wire transfers, cash deposits and withdrawals, credit facilities, safe deposit box usage, investment in securities and bonds, trade finance operations, including letters of credit and guarantees, reactivation of dormant or closed accounts, and execution of digital banking transactions.
- The Bank retains all customer-related records and documents in accordance with the legally prescribed retention periods under applicable laws and regulatory guidelines.
- It strictly refrains from executing any transaction suspected of being linked to money laundering, terrorism financing, or any underlying predicate offense. In such cases, the Bank immediately notifies the Financial Follow-Up Unit (FFU)in compliance with applicable reporting obligations.
- The Bank promptly files suspicious activity reports (SARs) when there are reasonable grounds to suspect that funds are derived from criminal activity, or when it becomes aware of any event or activity that may indicate money laundering, terrorism financing, or any related predicate offense.
- Training programs and discussion sessions on AML/CFT standards, red flag indicators, and typologies are conducted regularly, particularly for new employees, to ensure awareness and compliance.
- The Bank consistently disseminates regulatory directives and circulars to all relevant departments and branches immediately upon receipt and provides necessary explanations and clarifications to support their implementation.
- The Bank ensures the independence of the Anti-Money Laundering Unit, which reports directly to the Audit Committee of the
- Board of Directors. While operationally independent from the Compliance Department, Internal Audit, and Risk Management functions, the AML Unit remains subject to internal audit review, provided that the confidentiality of suspicious activity reports (SARs) and related information is strictly maintained.

> We safeguard the interests of our customers, shareholders, and stakeholders through the highest standards of compliance oversight and anti-money laundering policies.

Ongoing Development

Driven by its strong commitment to maintaining a robust compliance environment and its duty to protect customer deposits, while also meeting the expectations of regulators, global stakeholders, investors, and correspondent banks, Bank of Palestine continues to enhance its systems and practices in alignment with the highest international standards. These efforts have been validated by leading global audit firms and reflect the Bank's unwavering focus on service sustainability and compliance excellence. Key areas of recent development include:

- Enhancement of the Anti-Money Laundering, Counter-Terrorism Financing, and Sanctions Policy.
- Refinement of the customer risk assessment methodology in line with global best practices.
- Development of an enterprise-wide financial crime risk assessment framework across all products, services, and delivery channels, covering both inherent and residual risk calculations.
- Improvement of procedures for filing suspicious activity reports (SARs) to ensure alignment with international standards.
- Enhancement of sanctions and blacklist screening processes, following global compliance trends.
- Advancement of transaction monitoring tools and analytics, including behavior-based scenarios to detect global typologies of money laundering and terrorism financing.
- Revision of account opening procedures to ensure full alignment with a risk-based approach.
- Upgrade of the core banking system to better support the risk management framework.

Responding to Challenges Arising from the War on Gaza

- Amid the complex challenges triggered by the war on Gaza, the Anti-Money Laundering and Counter-Terrorism Financing Division successfully achieved tangible progress in balancing customer interests with the risks associated with banking operations. The division conducted several analytical studies to trace patterns used by customers in executing financial transactions. It is currently exploring effective ways to enhance communication with customers to ensure continued service delivery at the highest levels of efficiency and accountability, while maintaining alignment between the Bank's risk appetite and customer needs.
- In line with the Bank's broader strategy, the Division is also actively planning for the recovery phase and future regional expansion, with a focus on strengthening risk governance at the group level. Local and international AML risks are being managed in parallel with the Bank's ambitions for regional growth. This includes the development of innovative policies and procedures that strike a sustainable balance between regulatory compliance and the delivery of secure, high-quality banking services.

Compliance and Anti-Money Laundering

- The Compliance Division has remained vigilant in monitoring circulars and directives issued by the Palestine Monetary Authority (PMA), particularly those related to maintaining economic continuity under the current conditions in Gaza. The Division has ensured that all banking operations are conducted in full compliance with these regulatory instructions.
- In alignment with the Bank's strategic objectives, the Division is actively engaged in overseeing the process of securing the necessary regulatory licenses in host countries for international expansion. This includes reviewing and implementing the supervisory frameworks governing banking presence abroad and developing policies and procedures that strike an effective balance between regulatory compliance and the delivery of secure, high-quality banking services.
- Protecting the Bank and ensuring the sustainability of its services requires a robust compliance function. This includes meeting supervisory expectations and handling customer and employee complaints professionally and independently. To this end, the Bank has adopted an effective compliance system designed to identify and manage regulatory requirements across jurisdictions.
- The Bank proactively manages compliance risk and remains fully committed to conducting its banking operations in strict accordance with all applicable laws and regulations in Palestine.
- The Bank is fully committed to preventing its use in any unlawful activities by implementing dedicated policies to combat financial crimes, money laundering, and terrorism financing. It follows a strict Know Your Customer (KYC) policy to ensure full compliance with legal due diligence requirements on an ongoing basis. This includes identifying the true identity and ultimate beneficial owner (UBO) of customers, screening customer names against sanctions lists, and reporting any unusual activities that may pose a threat to the environment or society—especially money laundering offenses that undermine public safety. Environmental crimes and their proceeds are classified as predicate offenses under Palestinian law, and the Bank reports any suspected financial assets linked to such offenses.
- The Compliance and AML/CFT Divisions submit at least semiannual reports evaluating the Bank's procedures in line with regulatory requirements, assessing levels of compliance, and outlining actions taken to reduce identified risks.
- Training programs are delivered on best practices in anti-money laundering, counter-terrorism financing, and sanctions compliance. These efforts support operational sustainability, protect stakeholder and shareholder interests from financial crime risks, and help preserve the Bank's reputation from involvement in suspicious activities.
- The AML/CFT Division focuses on managing exposure to money laundering and terrorism financing risks and safeguarding assets by assessing inherent and potential future risks across the Bank's products, services, and channels. It also develops frameworks to measure residual risks and reduce them to a minimum, in line with the Bank's strategic goals and its responsibility to stakeholders.
- A dedicated financial inclusion plan has been developed to reach all segments of society and support long-term economic stability. This includes encouraging underserved and low-income groups to open accounts and access financial services by simplifying procedures and applying a risk-based approach to account onboarding. This promotes financial stability and helps avoid terminating relationships without a proper understanding of customer risk or the Bank's risk appetite.
- The Compliance Monitoring Division handles customer complaints and protects their interests by ensuring each complaint is properly reviewed and resolved in a way that satisfies the customer while safeguarding the Bank from potential risks. The process guarantees that customers can submit complaints to a unit independent of executive management. It also ensures proper corrective actions are taken and that resolutions are effectively implemented. Additionally, insights from complaints are used to improve the quality of services, products, delivery channels, and internal processes.
- The Bank maintains an internal committee dedicated to following up on internal whistleblowing reports submitted by employees regarding observed violations, ensuring staff can report misconduct without fear of retaliation or job risk. This initiative helps maintain a safe and compliant internal environment, minimize risks to the Bank, and supports the development of preventive procedures against fraud, misconduct, and suspicious activities.
- Policies and procedures are continuously updated to remain aligned with new directives and circulars issued by regulatory authorities.
- The Bank regularly disseminates awareness messages regarding various risks based on real operational experience, helping to keep employees well-informed about the potential risks the Bank may face.

Regulatory Bodies

سلطة النقد الفلسطينية
PALESTINE MONETARY AUTHORITY

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

PALESTINE EXCHANGE
بورصة فلسطين

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

هيئة سوق رأس المال
Capital Market Authority

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

Disclosures

Salaries and Bonuses for Executive Management

Total salaries and bonuses paid to the Group's Senior Executive Management amounted to $5,214,261.

Travel and Seminar Expenses for Executive Management

Travel and seminar expenses for executive management totaled $239,900 in 2024.

Facilities Granted to Executive Management

Total credit facilities granted to senior executive management amounted to $4,146,433.

Proposed Bonuses to Board Members

No bonuses were approved for Board Members 2024.

Dependence on Key Suppliers and Customers

The Bank has no local or international suppliers or customers that account for 10% or more of its total purchases or sales.

Privileges and Government Protection

The Bank and its products are not entitled to any governmental protections or privileges under applicable laws or regulations. The Bank also holds no patents or franchise rights.

Non-Recurring Transactions

The Bank's audited financial statements disclose the full financial impact, both actual or anticipated, of any non-recurring transactions that occurred during the fiscal year and fall outside the scope of the Bank's core activities, in light of recent developments.

Legal Proceedings

As of 31 December 2024, and 2023, the number of lawsuits filed against the Bank and its subsidiaries stood at 225 and 204, respectively. These lawsuits are considered part of the Bank's normal course of business. Total claimed amounts were approximately $83,809,062 and $65,374,211, respectively. According to management and legal counsel, no liabilities are expected from these cases beyond the provisions already allocated.

Material Decisions

Israeli military orders remain one of the primary operational challenges facing the Bank, particularly the blockade on Gaza and checkpoints fragmenting the West Bank. Despite these obstacles, Bank of Palestine has managed to adapt successfully, leveraging its extensive banking network across the Palestinian territories to maintain operational continuity.

Corporate Control

No individual or entity exercises direct or indirect control over the Bank.

Board of Directors' Activities in 2024

The Board of Directors held nine meetings during 2024 to carry out its responsibilities in accordance with the Bank's Corporate Governance Code and internal regulations.

Shareholder Voting Items

No matters were raised or submitted for voting by shareholders during 2024.

Preliminary Financial Statements

There were no discrepancies between the preliminary financial statements previously disclosed and the final audited statements.

External Auditors

The Bank's financial statements for the year 2024 were audited by Ernst & Young.

Information Dissemination

The annual report will be sent electronically to all shareholders at their registered addresses along with the invitation to the General Assembly meeting. The report will also be available on the Bank's official website.

Investor Relations

Investor Relations plays a vital and strategic role as a two-way communication bridge between the Bank and its current and prospective investors. Guided by a firm commitment to transparency, the IR team ensures the delivery of accurate, comprehensive, and clear information, covering both positive and adverse developments in the market and within the Bank.

Transparent Communication and Long-Term Relationship Building

The Investor Relations team maintains ongoing and open communication with the Bank's shareholders and investors to keep them informed of all significant matters and developments. This includes financial and non-financial results, milestones, and organizational activities. These updates are shared through multiple channels, such as Email newsletters and press releases, announcements on local, regional, and international news outlets, social media platforms including LinkedIn and Facebook, in-person and virtual meetings with shareholders.

Engagement and Support During the War

During the difficult circumstances brought on by the war in Gaza, the IR Department intensified its efforts to maintain strong, reassuring communication with shareholders, providing regular updates on the Bank's status, resilience, and crisis response measures. The team also held meetings with a wide range of investors to explain the Bank's actions and address their concerns. In alignment with its social responsibility toward the people of Gaza, the Bank mobilized substantial efforts to provide both financial and in-kind assistance, helping displaced families in shelters meet their basic humanitarian needs. Additionally, the Bank partnered with the Welfare Association to launch the "Noor" Program, aimed at supporting 20,000 children orphaned by the war in Gaza.

Key Achievements in 2024

The Bank's ongoing engagements with shareholders and its unwavering efforts throughout the year led to the formation of several new strategic partnerships, which resulted in the successful onboarding of new International Development Finance Institutions (DFIs) as shareholders, thus strengthening the Bank's capital base, supporting its regional expansion strategy, and enhancing its ability to withstand the financial repercussions of the war.

In addition, the Bank signed a number of strategic agreements with regional and international partners to support the continuity and recovery of SMEs, which were significantly impacted by the crisis. Notable milestones include:

- Welcoming two major strategic investors, the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD), who invested in Bank of Palestine shares through special share issuance worth $34 million, representing approximately 5% and 3.92% of the Bank's capital respectively. This move strengthened the Bank's capital adequacy and supported its growth, recovery, and regional expansion goals.
- Signing a $65 million financing agreement with a coalition comprising IFC, PROPARCO (the investment arm of the French Development Agency – AFD), and the SANAD Fund, aimed at supporting micro, small, and medium enterprises (MSMEs).

Bank of Palestine Share Prospectus

Date: 27 August 2024

Investors:
International Finance Corporation (IFC) – 5%
European Bank for Reconstruction and Development (EBRD) – 3.92%

Investment value: $34,122,250

Number of shares issued: 22,597,516 Share

Share capital before the issue: $230,677,334

Share capital after the issue: $253,274,850

- Signing a $65 million financing agreement with a coalition comprising IFC, PROPARCO (the investment arm of the French Development Agency – AFD), and the SANAD Fund, aimed at supporting micro, small, and medium enterprises (MSMEs).

- Securing a $30 million funding package from the EBRD to help SMEs expand and develop.

- Signing a $30 million subordinated loan agreement with the Arab Fund for Economic and Social Development to finance and support SMEs, contributing to the advancement of the Palestinian economy.

- Establishing a strategic partnership with Bank of Africa to enhance economic cooperation between Palestine and Morocco, including a mutual equity investment, with Bank of Africa acquiring a 1.2% of Bank of Palestine capital (valued at $5 million) through the Palestine Exchange.

- Increasing the equity stakes of two key local investors, the Arab Palestinian Investment Company (APIC) and Aswaq Portfolio Investment Company, by a combined 2.43% in Bank of Palestine's capital.

Bank of Palestine Share Prospectus

Date: 26 December 2024

Investors:
Arab Palestinian Investment Company (APIC) – 1.105%
Aswaq for Investment Portfolios – 1.33%

Investment Value: $11,000,000

Number of Shares Issued: 7,284,767 Share

Share capital before the issue: $253,274,850

Share capital after the issue: $260,559,617

- Signing two strategic partnership agreements worth a total of €1,340,000 with PROPARCO and FISEA to support Palestinian entrepreneurs via Intersect Innovation Hub, as well as to enhance digital transformation and empower small and medium businesses.

- Signing an $80 million agreement with the International Development Finance Corporation (DFC) to support SMEs.
- Signing a $20 million agreement with the Middle East Investment Initiative (MEII) to provide SME financing and help them cope with the challenges resulting from the war in Gaza.

Regional Expansion Unlocks New Horizons

As part of its strategic vision for regional expansion and capitalizing on its broad network of relationships, the Bank aims to build bridges of cooperation from Palestine to the wider region. This approach includes opening new offices and branches as a tangible step toward expanding investment opportunities, attracting strategic investors to strengthen the Bank's capital base, and diversifying revenue streams. The expansion strategy also facilitates stronger engagement with regional and international partners and enhances outreach to the large Palestinian Diaspora community.

In this context, the Bank has obtained a license to open a representative office in the Arab Republic of Egypt, and is currently working on obtaining the necessary license to open a fully-fledged banking branch in the Abu Dhabi Global Market (ADGM), in parallel with its efforts to secure the required licenses to expand into the Hashemite Kingdom of Jordan.

Sustainable Banking: An Investor Relations Approach

The Investor Relations Department strives to optimally implement the principles of sustainable banking, which support and fulfill the aspirations of all stakeholders in the area of sustainability. The department contributes to empowering the Bank to achieve its strategic goals, including:

- Printing a limited number of the annual report using recyclable paper, while encouraging the use of its electronic version — which significantly reduces paper consumption.
- Inviting shareholders to the General Assembly meeting via email and confirming their attendance by phone, eliminating the need to print physical invitations.
- Maintaining effective communication with shareholders and holding virtual meetings without the need for travel, which helps reduce the carbon footprint.
- Intensifying efforts to establish strategic agreements with international partners, thereby generating positive impact on economic sectors, driving economic growth, and supporting reconstruction efforts.

The Bank's Membership in the Middle East Investor Relations Association

Bank of Palestine has obtained membership in the Middle East Investor Relations Association (MEIRA), in alignment with its initiatives and commitment to joining regional and international institutions. The Bank continuously strives to build new relationships with organizations, individuals, and investors in order to add qualitative value that reflects its market position and strengthens its pivotal role as a leading and influential banking institution. This membership also supports efforts to showcase the Bank's achievements, operations, and journey — from its founding to its future plans.

Our Investors and Strategic Partners

IFC International Finance Corporation, World Bank Group
- Subordinated loan of $75 million
- Loan in the amount of $35 million to support SMEs
- Equity investment of $19 million, representing a 5%* ownership stake

PROPARCO Groupe AFD
- Strategic shareholder holding 2.96%* through FISEA
- $40 million in financing under the SUNREF I & II Green Loan Programs
- $50 million in financing to support SMEs under the ARIZ agreement
- Additional $20 million in financing to support SME growth

European Bank for Reconstruction and Development
- $45 million in loans to support SMEs and women-led businesses
- Equity investment of $15 million, representing a 3.92%* ownership stake
- $10 million under the International Trade Finance Program to enhance import/export activities and expand the Bank's correspondent banking network

JICA
- $30 million investment in the Bank's Additional Tier 1 Capital to support SME development

European Investment Bank The EU bank
- Agreements totaling $100 million to finance SMEs

meii
- $78 million in financing to guarantee SME loan portfolios

Arab Fund for Economic & Social Development
- $30 million loan to support SMEs
- $30 million subordinated loan to further strengthen SME financing

KfW IPEX-Bank Bank aus Verantwortung
- Agreements totaling $118 million to finance SMEs

DFC U.S. International Development Finance Corporation
- $80 million in loan portfolio guarantee

IsDB البنك الإسلامي للتنمية Islamic Development Bank
- $10 million in financing under the Murabaha Program to support SME development

sanad سند fund for msme
- $10 million loan to support small and medium-sized enterprises

* At initial investment date

Investor Relations and Shareholders' Information

Financial data and Events Calendar for 2024/2025	
13-06-2024	Announcing the financial results for the first quarter of 2024
15-09-2024	Announcing the financial results for the first half of 2024
17-11-2024	Announcing the financial results for the third quarter of the year 2024
16-03-2025	Announcing the preliminary financial results for the year 2024
30-04-2025	Disclosure of the final financial results for the year 2024 after PMA approval

Bank of Palestine Share information	
Listing Date	22-09-2005
Exchange	Palestine Stock Exchange
Symbol	BOP
ISIN	PS1004112600
Number of shares issued 31/12/2024	260,559,617 shares
Par Value per share	$ 1
Closing price as of 31/12/2024	$1.55
Free Float as of 31/12/2024	78.61 %

Major Shareholders above 5% or more

	2023		2024	
Name	**Number of Shares**	**Ownership Percentage**	**Number of Shares**	**Ownership Percentage**
AlMuhalab Kuwaiti Real Estate Company	18,135,339	7.86 %	18,208,142	6.99 %
Hashim Shawa shares and the Late Hashim Ata Shawa Orphans Fund's which are under his trusteeship	16,184,734	7.02 %	17,976,166	6.90 %
Arab Palestinian Investment Company - APIC Group	10,019,873	4.34 %	13,331,131	5.12 %

Shares owned by the members of the Board of Directors

		2023		2024	
Citizenship	Member of the Board of Directors	Number of Shares	Ownership Percentage	Number of Shares	Ownership Percentage
Palestinian	Hashim Shawa - Chairman	9,350,000	4.05 %	11,141,432	4.28 %
Kuwaiti	AlMuhalab Kuwaiti Real Estate Company	18,135,339	7.86 %	18,208,142	6.99 %
Palestinian	Arab Palestinian Investment Company - APIC Group	10,019,873	4.34 %	13,331,131	5.12 %
Palestinian	Maha Awad	141,238	0.06 %	141,238	0.05 %
Palestinian	Tafeeda Jarbawi	412,000	0.18 %	412,000	0.16 %
Palestinian	Lana Abu Hijleh	65,499	0.03 %	65,499	0.03 %
Palestinian	Emad Eric Shehadeh	670,838	0.29 %	687,338	0.26 %
Palestinian	Tewfic Issa Habesch	101,409	0.04 %	96,159	0.04 %
Palestinian	Lama Walid Kanaan	16,480	0.01 %	16,480	0.01 %
Palestinian	Linda Abdel-Karim Tarazi	16,480	0.01 %	16,480	0.01 %
British	Adel Awni Dajani	16,480	0.01 %	16,480	0.01 %

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

		2023	2024
Citizenship	**Name**	**Number of Shares**	**Ownership Percentage**
Palestinian	Huda Hani Shawa	6,307,316	6,307,316
Palestinian	Dina Hani Shawa	2,221,142	2,110,142
Palestinian	Linda Patrick Shawa	1,660,432	0
Swiss	Bernardita Vigano Shawa	200,037	200,037
Kuwaiti	Nabil Hani Qaddoumi	3,532,525	3,532,525
Kuwaiti	Yasmine Nabil Qaddoumi	1,652,983	1,652,983
Kuwaiti	Laila Nabil Qaddoumi	1,664,149	1,664,149
Palestinian	Omar Bahaa Al-Din Baheig	112,158	112,158
Palestinian	Ali Basam Jarbawi	515,000	515,000
Palestinian	Basam Ali Jarbawi	59,291	68,500
Palestinian	Suad Ali Jarbawi	231,750	231,750
Palestinian	Claudette Tewfic Habesch	132,195	132,195
Palestinian	Nathalie Tewfic Habesch	2,710	2,710
Palestinian	Christine Tewfic Habesch	0	6,250

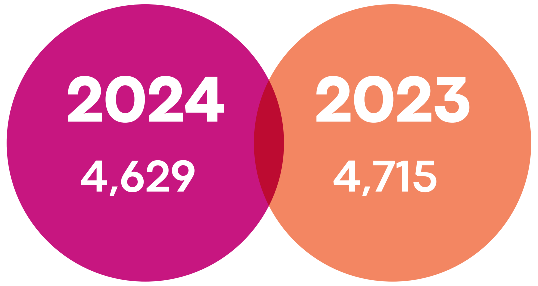
Investor Relations and Shareholders' Information

Shares owned by the Executive Management			2023	2024
Citizenship	**Name**	**Title**	**Number of Shares**	**Number of Shares**
Palestinian	Mahmoud Maher Shawa	CEO	11,883	11,883
Palestinian	Sakhr R. D. Nammari	Chief Strategy and Transformation Officer	2,652	4,652
Palestinian	Kamel Aref Kamel Husseini	Chief Strategic Relations & Engagements Officer	23,252	23,252
Palestinian	Najeeb J. N. Yaser	Chief Audit Officer	30,000	30,000
Palestinian	Yazan Hani Al Masri	Chief Treasury Officer	10,000	10,000
Palestinian	Naser Mohamad Rushdi Bakir	Chief Business Banking Officer	20,598	20,598
Palestinian	Randa Saliba Abdullah	Chief Human Resources Officer	3,430	3,430
Palestinian	"Amal Patricia" Masis	Chief Risk Officer	5,475	5,475
Palestinian	Hanna B. G. Sahhar	Chief Credit Officer	11,314	11,314
Palestinian	Musa M. M. Shamieh	Chief Operations Officer	18,931	18,931
Palestinian	Suliman M. S. Naser	Chief Compliance and AML/CFT Officer	14,000	14,000

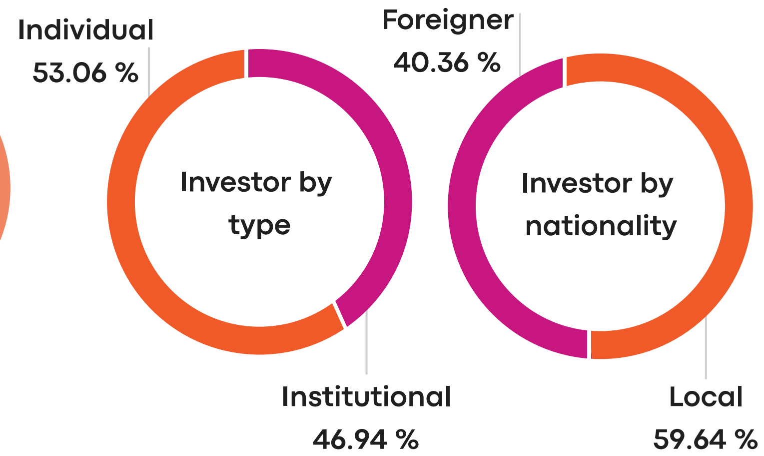
Bank Capital Development during 2023-2024

Type of Corporate Action (C.A)	Announcement Date	Registration date	Outstanding shares before.C.A	No. Of New Shares	Outstanding Shares after .C.A	Percentage
Special Issuance	26/12/2024	26/12/2024	253,274,850	7,284,767	260,559,617	2.43%
Special Issuance	26/08/2024	27/08/2024	230,677,334	22,597,516	253,274,850	8.92%
Stock Dividends	05/04/2023	04/05/2023	223,958,577	6,718,757	230,677,334	3%

Number of Shareholders



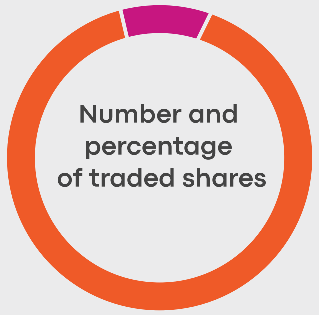
Ownership Structure



Trading activity for 2024

Bank of Palestine 17.24%

17,309,325

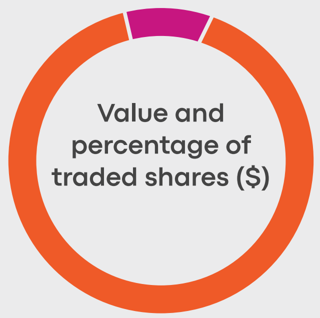


Palestine Stock Exchange

100,406,494

Bank of Palestine 16.99%

27,893,532



Palestine Stock Exchange

164,186,395

Bank of Palestine 9.78%

1,784

Palestine Stock Exchange

18,248

Bank of Palestine 9.90%

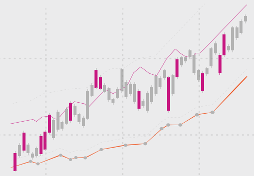
403,867,406

Palestine Stock Exchange

4,080,063,637

Stock Turnover Rate

Bank of Palestine 6.64%



Palestine Stock Exchange

4.21 %

Free Float Rate

Bank of Palestine 78.61%

Palestine Stock Exchange

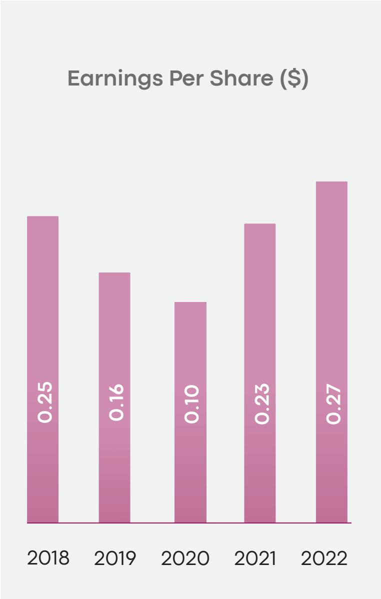
35.85 %

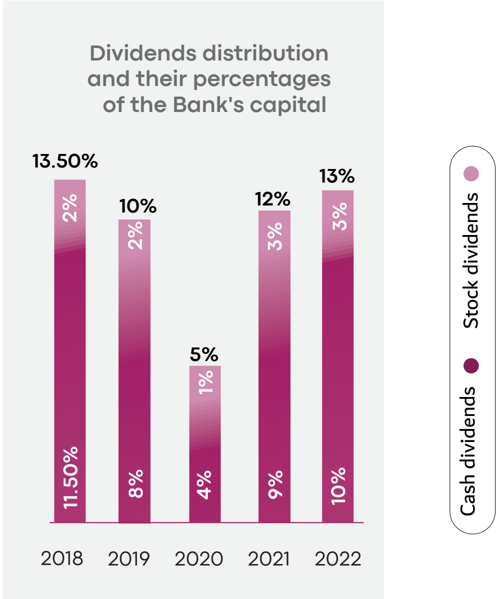
BOP share Performance

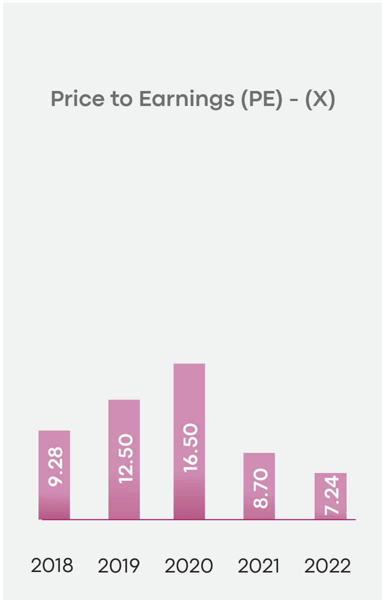
1 Free float rate
2 Market CAP as of 31/12/2024
2 Number of traded shares
3 Number of executed deals

Diluted share price

2020	2021	2022	2023	2024
1.58	1.94	2.00	1.80	1.55







The bank recorded extraordinary impairment provisions to mitigate against credit risk and cash losses in Gaza from the ongoing war. These exceptional and temporary provisions have resulted in a significant decline in net profits for the years 2023 and 2024.

AGM/EGM Agenda

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 31/12/2024.
- Absolving the Chairman and Members of the Board of Directors from liability for the financial year ended on 31/12/2024.
- Appointing an external auditor for the financial year 2025 and appropriating their fees or authorizing the board to do so.

Extraordinary Meeting Agenda and Recommendations of Board of Directors:

- Delegating the Board of Directors to increase the Bank's capital by a ceiling of USD$50 million to become USD$ 350 million instead of USD$ 300 million and authorizing the Board of Directors to decide on the appropriate tools and take the decision on how and when to achieve the capital increase and decide on all stages thereto.

67

Strategic Review

The Bank completed its Five-Year Strategy, which involved the following pillars:

1
Regional expansion

2
Digital transformation expanding the digital footprint in services and branches

3
Target sectors outside the banking sector through PalPay

4
Increase focus on the SME sector that needs financing to face challenges

5
Enhance retail services by dividing them into segments and following up on them by specialized staff.

Regional Expansion

Overview - Corporate Governance - Strategic Review - Operational Review - Bank of Palestine Group - Financial Statements

Treasury Management at Bank of Palestine: Leadership and Continuous Growth in 2024

In 2024, the Treasury Division at Bank of Palestine continued to deliver outstanding performance, leveraging innovative financial solutions, expanding digital transformation, and strengthening strategic partnerships with international banks. A strong emphasis was also placed on investing in human capital, viewed as a cornerstone of long-term success. Despite ongoing political and economic challenges, the Division achieved solid financial results by diversifying income sources, increasing foreign income through international market expansion, and enhancing banking relationships with global financial institutions, while simultaneously improving operational efficiency. As a result of these efforts, the Treasury Division generated total revenues of $89.6 million, marking a 76.6% increase over the previous year.

Thanks to this successful strategy, the Treasury's contribution to the Bank's total profits rose to 30%, up from 19% in the previous year, reflecting its pivotal role in strengthening the Bank's financial sustainability and expanding its investment prospects both locally and internationally.

Leadership in Foreign Exchange Pricing and Competitive Margins that Empower Customers

Bank of Palestine remains committed to offering highly competitive foreign exchange (FX) rates, enabling both retail and corporate customers to enhance their financial performance and strengthen their competitive positioning in local and international markets. The Bank actively and continuously monitors FX pricing to ensure customers receive the best rates available in the market. To further improve pricing flexibility, the Bank has expanded its network of global FX rate providers, giving customers access to a broader range of options and more responsive pricing models. As a result, the Bank has maintained its market-leading position in trading volumes, reaffirming its commitment to delivering customer-focused, competitive financial solutions.

Effective Liquidity Management and Excellence in Risk Oversight

The Treasury Division achieved unprecedented liquidity levels in 2024, maintaining a liquidity position well above industry benchmarks. This enabled the Bank to navigate emerging challenges, support sustainable growth, and contribute to both national economic resilience and reconstruction efforts. Advanced analytical tools were employed to enhance risk management, enabling stronger compliance with regulatory standards and more precise control of financial exposure. These strategic efforts translated into robust and sustainable financial performance, showcasing the Bank's capability to manage volatility and secure long-term growth amid economic uncertainty.

Digital Transformation: Advancing Toward More Efficient and Sustainable Financial Services

As part of its commitment to financial sustainability and digital transformation, the Bank made significant progress in digitizing and centralizing banking operations. In 2024, 30% of total foreign exchange transactions were conducted through digital channels, up from 16% in the previous year. These digital solutions have proven highly effective in delivering resilient, customer-centric financial services, adaptable to diverse market conditions.

The Bank's International Banking Network and Strategic Partnerships

Throughout the past year, Bank of Palestine continued to strengthen its global banking network by signing multiple new agreements and partnerships with international financial institutions. These partnerships expanded its service offerings with existing partners, particularly in areas such as digital solutions, investment services, international trade, and foreign exchange operations. In addition, new agreements were signed with international banks to further extend the Bank's reach and provide comprehensive cross-border financial services.

In line with its efforts to reinforce its international presence, the Bank participated in several global financial conferences, most notably SIBOS in Beijing, which helped solidify ties with major international financial institutions. In recognition of its treasury excellence and outstanding payment solutions, the Bank was granted the STP Excellence Award from Citi Bank.

Outlook

Building on its strong performance, the Treasury Division aims to further enhance its investment strategies and expand the scope of treasury instruments by capitalizing on opportunities in financial markets to drive continued growth and sustainability. The Division remains committed to innovation in digital services and financial solutions, ensuring an exceptional banking experience for customers.

Looking ahead, the Treasury Division will focus on:

- Enhancing the efficiency of financial operations
- Expanding the use of digital tools to meet growing customer needs
- Strengthening strategic partnerships with global financial institutions to support sustainable growth and expansion in both local and international markets.

Sustainability at Bank of Palestine During 2024

Despite the severe challenges facing the Palestinian economy over the past year, Bank of Palestine continued to uphold its distinguished position as a pioneer of sustainable banking in Palestine. The Bank remained steadfast in its commitment to sustainability, fully aware of the devastating consequences of war and its ripple effects across all sectors, particularly the banking sector, which now faces shifting priorities and resource allocation challenges. In the face of these realities, the Bank reaffirmed its dedication to the sustainability-driven approach it has placed at the heart of its strategy. It maintained a strong sense of social and environmental responsibility, alongside its economic role as a national banking institution committed to serving the community and supporting the local economy through its widespread network of branches across the country.

In line with our strategic objectives, we continue to expand our banking network and operations to ensure that financial services are accessible to all segments of society. We remain attuned to emerging trends and technologies and strive to adapt them to the evolving needs of the Palestinian economy and society. Recognizing the potential environmental and social risks that may arise from business growth, we have placed sustainability at the forefront of our priorities. We are committed to minimizing the negative impacts of our operations, activities, and portfolio on the three core pillars of sustainability: Environmental, Social, and Governance (ESG). We firmly believe that no endeavor aimed at economic progress or prosperity holds true value if it neglects sustainability or pursues profit at the expense of societal advancement and well-being.

The Bank's sustainability journey began in 2021, marked by several key milestones, starting with the formation of a Board-level Sustainability Committee. Since then, the Bank has undergone major developments, including the establishment of a Sustainable Banking Division, responsible for monitoring sustainability indicators and staying current with global developments in sustainable finance, adapting them to the local banking context. This commitment to sustainability also extends beyond the Bank's internal operations, as evidenced by its membership in global sustainability initiatives, such as the UNEP FI under the umbrella of the International Finance Corporation (IFC).

Our Sustainability Strategy is built around five core pillars that reflect our vision and ambitions for the future:

- Sustainability Governance
- Creating Shared Value
- Environmental Responsibility and Commitment
- People-Centered Approach (Human Capital Development)
- Community Investment

In addition to these five pillars, the Bank fully adopts the three ESG pillars (Environment, Social, and Governance) as the foundation of our path toward a greener, more sustainable future. The following sections summarize the key milestones of this journey based on the ESG pillars. Detailed progress across each sustainability dimension is further outlined in our periodic Sustainability Reports, which monitor and communicate our advancement across all related indicators.

Sustainability Governance

Governance lies at the top of the sustainability pyramid, as it is impossible to monitor and implement meaningful progress in sustainability without a well-defined governance framework. At Bank of Palestine, we continue to strengthen and institutionalize sustainability governance across all departments and branches by embedding it into our core structures and daily operations. Several measures have been taken to lay the groundwork for strong sustainability governance, including the adoption and ongoing development of our Sustainability Strategy, the establishment of clear sustainability performance indicators, and the active oversight and follow-up by the Bank's Sustainability Committee. Governance serves as the foundational pillar that enables the mainstreaming of sustainability principles, aligning them with the expectations of our stakeholders, while ensuring minimal negative impact on the environment and society.

We rely on our Sustainability Reports as a key disclosure tool to communicate our progress and performance in implementing sustainability principles. These reports are prepared in alignment with the Global Reporting Initiative (GRI) Standards and are published only after receiving formal approval from the GRI Foundation. The reports provide detailed disclosures and indicators that reflect our sustainability commitments, carefully selected based on stakeholder input and expectations. We published our first Sustainability Report in 2022, and are currently finalizing the second report, which represents a significant milestone as the first Group-wide Sustainability Report for Bank of Palestine. Notably, this upcoming report marks a major improvement, as it includes detailed disclosures on environmental performance—a dimension that was not covered in our first report.

Overview - Corporate Governance - Strategic Review - Operational Review - Bank of Palestine Group - Financial Statements

Environmental Sustainability

Environmental responsibility and commitment form a key pillar of our sustainability framework. A distinctive element of our strategy is placing the preservation of the environment at the forefront, reflecting both the priorities of our stakeholders and the recognition that our success is increasingly measured by the positive environmental impact we create. Our approach to environmental responsibility has evolved from awareness-raising initiatives and natural resource conservation to a more comprehensive model that encompasses all internal and external operations of the Bank. In line with this commitment, we have developed the Bank of Palestine's Environmental and Social Management System (ESMS). This system is designed to monitor the environmental and social impact of the Bank's credit portfolio—tracking loans from the pre-disbursement stage through post-disbursement. Loans are categorized based on their potential environmental and social impact, and specific ESG documentation requirements are prepared accordingly. Our environmental sustainability efforts have also extended to climate risk, with a particular focus on the role of the banking sector in mitigating its effects. As part of this commitment, we measured Bank of Palestine Group's carbon footprint, closely monitoring consumption data to reduce emissions where possible, and offsetting emissions through sustainable investments where reductions are not feasible.

To further strengthen our environmental practices, we have implemented several key initiatives:

- **Waste Management:** We follow global best practices in waste management by minimizing paper usage, reusing resources through an asset donation policy, and recycling paper and other materials.
- **Resource Efficiency:** We are committed to minimizing resource consumption by shifting toward clean energy sources wherever possible and adopting comprehensive strategies to reduce and conserve natural resources.
- **Supporting Environmental Partnerships**: We actively support environmental initiatives in collaboration with government bodies, universities, and our social responsibility partners.
- **Climate Action:** We prioritize initiatives that promote climate action within the Palestinian banking sector.

Awareness and Education: We place strong emphasis on awareness-raising, recognizing it as a foundational component of environmental sustainability. Awareness helps cultivate a deeper understanding of sustainability and contributes to ensuring well-being for future generations.

Social Sustainability

Bank of Palestine Group places great importance on community investment, treating it as a core component of its sustainability vision. Throughout 2024, the Bank continued to support various sectors in collaboration with local and international civil society organizations, focusing on education, environmental protection, entrepreneurship, culture, and sports. However, due to the country's emergency conditions, humanitarian interventions accounted for the largest share of social efforts during the year. The Bank has made it a priority to reach all segments of society through its ongoing support and community initiatives—paying particular attention to women, children, youth, and persons with disabilities. It also ensured that its initiatives were implemented across all governorates, reaffirming its position as a leading Palestinian financial institution deeply committed to inclusive national development.

Commitment to the Sustainable Development Goals (SDGs)

As part of developing its sustainability strategy and policy, and integrating social responsibility into its broader sustainability vision, promoting and advancing the Sustainable Development Goals (SDGs) has become one of the Bank's key areas of focus. Accordingly, the Bank channels and manages its contributions systematically, by evaluating the social and environmental impact of its initiatives to ensure they deliver sustainable and positive outcomes.

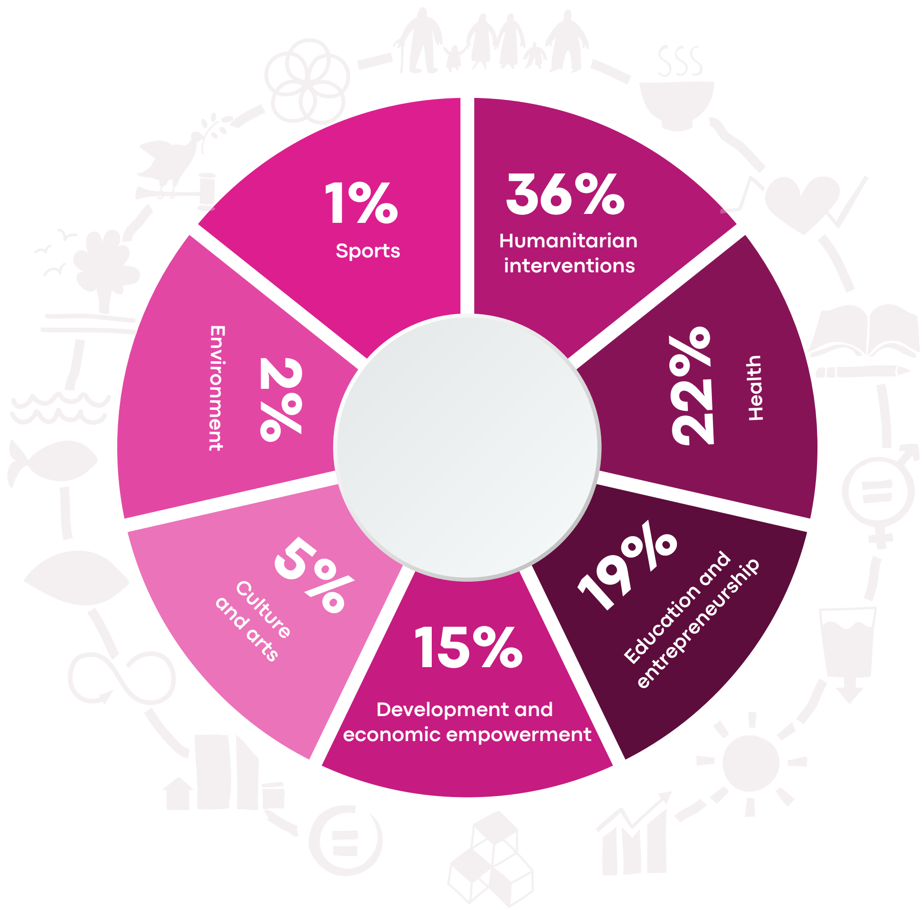
Our Approach to Sustainability

Distribution of Community Contributions according to the SDGs

SDGs	Contribution 2024 %	Contribution 2023 %
No poverty	2%	6.6%
Zero hunger	24%	37.8%
Good health and well-being	15%	44.9%
Quality education	13%	6.2%
Clean water and sanitation	2%	0%
Decent work and economic growth	1%	0%
Industry, innovation and infrastructure	11%	0%
Reduced inequalities	1%	0.9%
Climate action	3%	0.6%
Life on land	0.3%	0.7%
Partnerships for the goals	28%	0.9%

Through our strategy, we aim to promote all SDGs in a balanced and inclusive manner. However, the dire circumstances caused by the war on Gaza compelled us to reassess our priorities to better align with the urgent needs of our community. In response to the pressing humanitarian crisis in Gaza, shifting needs and realities led us to focus nearly 83% of our budget on zero hunger (SDG 2) and good health and well-being (SDG 3) during 2023. While 2024 saw a more diversified distribution of contributions across most of the other SDGs, with a relative reduction in humanitarian-focused interventions.

Sector Contributions and Distribution of the Social Responsibility Budget



BoP Total Contributions to Social Responsibility Initiatives in 2024:

$ 4,306,946

In Numbers: Humanitarian and Relief Interventions in the Gaza Strip during 2024

1,450,500
Meals provided with support from the Bank

30
Local and international partner organizations

20,000
Orphans sponsored through the Noor Program – Gaza Orphans Care Program

478,404
Direct beneficiaries

$ 895,555
Total value of interventions

Our Approach to Sustainability

The Noor Program – Gaza Orphans Care Program

Bank of Palestine, in partnership with the Welfare Association (Taawon), launched the Noor Program, which aims to provide care for 20,000 orphans in the Gaza Strip who have lost one or both parents during the ongoing war. The Bank is committed to supporting the program over a period of 18 years.

Interventions during the First Year

- Provision of humanitarian needs
- Access to healthcare services
- Provision of psychological support and protection

Humanitarian and Relief Interventions in the Gaza Strip and West Bank

Gaza Strip

- Provision of food aid parcels and vegetable boxes to 9,950 beneficiaries in Gaza Strip shelters.
- Distribution of Eid Al Fitr gift to 2,000 children in displacement camps.
- Supply of clean drinking water to families in displacements camps in northern Gaza (45,300 beneficiaries).
- Implementation of recreational and psychological support activities for children and women in shelters, targeting 7,000 beneficiaries.
- Distribution of Hygiene kits to families in shelters (700 beneficiaries).

West Bank

A range of humanitarian and relief interventions were carries out in the West Bank, benefiting approximately 18,000 people:

- Support of community kitchens in various West Bank cities, benefiting 14,500 people.
- Distribution of food parcels to low-income families in several cities, including Jenin. Tulkarm, and Jerusalem, benefiting around 2,360 families.
- Provision of cash vouchers to 585 individuals from various West Bank areas.

Health Sector Empowerment

- The diabetes prevention campaign titled “A Balanced Lifestyle for Better Health” was launched in partnership with the Augusta Victoria Hospital, including visits to around 40 West Bank locations, reaching 2,416 individuals.
- Provision of healthcare services to 16,000 children through the Noor Program.
- Support of the establishment of a nursing lab, in partnership with the Palestine Polytechnic University, which will serve 400 students.
- Support for children battling cancer and kidney disease at the Augusta Victoria Hospital, in collaboration with the Lions Club in Jerusalem.
- Installation of 20 sanitation units in displacement camps in southern Gaza, with an aim to create a healthy environment for displaced families (5,000 beneficiaries).

Education and Entrepreneurship Sector Support

- Provision of annual educational scholarships to about 80 Palestinian university students in refugee camps in Lebanon.
- Support for “Ta’allam for Palestine” association, enabling the training and skill development of 22 female teachers from various West Bank areas.
- Implementation of the Educational Tent Initiative in displacement camps in Deir Al Balah, targeting 50 children to help reintegrate them into a school-like environment.
- Awarding 20 students at Birzeit University and Al Quds University (Abu Dis) with educational scholarships through the Rasheed Areikat Foundation.
- Sponsoring the 12th Model UN Conference, which involved the participation of 600 students.
- Signing a partnership agreement with the Palestinian-Indian TechnoPark to support sustainable environmental projects and programs.
- Support for the Taqat initiative, in partnership with Intersect Innovation Hub, aimed at empowering entrepreneurs in the Gaza Strip.

Our Culture, Our Identity

- Continued support for the Palestinian Museum for the sixth consecutive year.
- Continued support for the activities implemented by El Funoun Palestinian Popular Dance Troupe.

Development and Economic Empowerment

- Support for the Sunbulah Association in Jerusalem to assist in launching startups for women in the City.
- Provision of vocational training scholarships for 24 students, including persons with disabilities, in partnership with the YMCA – Jerusalem, to help strengthen their economic independence.
- Support for the Ruwwad Foundation to enhance women’s skills in Palestinian traditional embroidery, train them in straw weaving and thyme cultivation, with an aim to create a sustainable source of income for 70 women from villages west of Ramallah.

Environmental Engagement

- Support and develop a queen bee production laboratory through the purchase of specialized equipment aimed at improving queen bee breeding. This initiative is designed to enhance the production of honey for about 150 beekeepers across the West Bank.
- Support the Local Conference of Youth on. Climate Change (LCOY), targeting more than 300 beneficiaries.
- Establishment of an educational garden at the Frères School in Bethlehem, benefiting 1,170 students.
- Signing a partnership agreement with the Ramallah Municipality to support environmental projects in the city.

Sports for Better Health

- Support the activities of the Palestinian Special Olympics Committee, which focuses on sports for persons with mental disabilities, targeting 1,200 athletes.
- Support for sports programs run by the Palestinian Paralympic Committee, with an aim to promote sports among persons with physical disabilities, targeting around 450 athletes.

In-Kind Donations

- In line with the Bank’s internal and external sustainability strategy and its commitment to reducing its carbon footprint, BoP donates reusable assets instead of discarding or selling them.
- In 2022, the Bank launched an initiative to donate its unused in-kind assets (furniture, equipment, and electronics) to local community organizations, after ensuring they were functional and in presentable condition.
- Bank branches are actively involved in this initiative by nominating recipient organizations. In 2024, approximately 213 items were donated to five public and private sector organizations located in different areas of the West Bank.

Financial Inclusion

Bank of Palestine is committed to advancing financial inclusion across its programs and products, in alignment with its broader sustainability goals, while focusing on reaching a diverse range of societal groups, including women, youth and adolescents, persons with disabilities, and owners of small businesses. To support this objective, the Bank has leveraged its partnerships with local and international institutions to implement various training programs and activities.

Since 2014, these efforts have benefited more than 24,400 individuals through 1,304 events and workshops, including 69 activities held in 2024 alone, which engaged 1,600 participants.

Number of Beneficiaries from Trainings

2019	14,864
2018	10,296
2017	5,545
2016	2,797
2015	976
2014	192
2024	24,408
2023	22,803
2022	21,113
2021	18,118
2020	15,834

Activities and Programs in 2024

- The Bank continued to implement the "Meeting with Bank of Palestine" banking awareness program, organizing 32 awareness sessions in 2024, attended by 1,027 participants, including 880 women entrepreneurs. The sessions were tailored to match the needs of the target groups, with content and delivery methods carefully adapted to ensure effective communication and learning.

In 2024: 32 banking awareness workshops – 1,027 participants

- Launch of the 7th Cohort of the Felestineya Business Management Program and Continuation Despite Crises

In collaboration with the International Finance Corporation (IFC), the Business Women Forum, and Ernst & Young, Bank of Palestine and the Felestineya Program celebrated the graduation of the 5th and 6th cohorts and announced the launch of the 7th cohort. The event was attended by distinguished guests and key partners who have played a significant role in supporting Palestinian women in Ramallah and Gaza, alongside a group of prominent businesswomen. Despite the difficult conditions in 2024, the Bank continued delivering training sessions to women participating in the 7th cohort.

The challenges faced by businesses during this period directly influenced both the format and content of the sessions, which were adapted to address crisis management and risk mitigation. Despite these obstacles, the 7th cohort was successfully completed, and preparations are currently underway to launch the 8th cohort.

Since 2016: 7 cohorts – 189 graduates (female business owners)

- In partnership with local and international partners, the Bank conducted a series of intensive remote training sessions focusing on financial management during crises and the transition to digital technologies. In addition, a variety of training workshops were held (more than 15 sessions) in collaboration with key program partners, including the European Bank for Reconstruction and Development (EBRD), the Ministry of National Economy, the Middle East Investment Initiative (MEII), the Mostadam Program, and the Business Women Forum.

Given the value of the content delivered, these training sessions targeted both male and female participants, with 14 sessions attended by 409 beneficiaries, 393 of whom were women.

In 2024: 409 business owners participated in 14 training sessions

- Specialized Trainings on Financial Crisis Management Through Digital Solutions and Cybersecurity Awareness:

In response to the ongoing national crisis, which has had a direct negative impact on many women-led small and medium enterprises, the Felestineya Program, in collaboration with specialized departments at Bank of Palestine, organized a series of training workshops. These sessions aimed to provide digital solutions for financial crisis management and raise awareness on cybersecurity and protection against fraud and phishing. Participating businesswomen were introduced to practical steps and solutions that could help them navigate and overcome crises.

In 2024: 171 women entrepreneurs participated in 7 training sessions

- In collaboration with the International Finance Corporation (IFC), Bank of Palestine was selected as one of 15 leading financial institutions from the private sector to participate in the "1001 Stars" initiative, launched by the IFC. The initiative aims primarily to foster a more inclusive and prosperous environment for business owners—both women and men.
- As part of the Women's Economic Empowerment Forum (WEFF) for the MENA region and the Organization for Economic Co-operation and Development (OECD), Bank of Palestine participated as one of three representatives from Palestine in one of the region's most prominent conferences, titled: "Enhancing Financial Inclusion for Women Entrepreneurs and Access to Finance in the Digital Age." During the event, the Bank presented its strategies and action plans aimed at empowering Palestinian women, along with the programs and financial products it has launched specifically to address their personal and business-related financial needs.

Training on "Packaging and Visual Identity":

The Felestineya Program organized a unique training session titled "Packaging and Visual Identity", delivered by Masa Al Jabi, an award-winning expert who received the Award for Packaging Excellence 2024 and other accolades across the Arab region. The training focused on the importance of defining a project's visual identity and effectively promoting products and also covered different types of packaging suitable for various products and introduced sustainable packaging solutions. This initiative falls under the Sustainable Banking Department's strategy to promote sustainability concepts that are both comprehensive and long-lasting.

Together to Support Products Made by Palestinian Hands:

Through the Felestineya Program, Bank of Palestine supported the initiative "Together to Support Products Made by Palestinian Hands", which focuses on showcasing and marketing food products made by Palestinian women. This project represents a sustainable step in the Bank's ongoing efforts to create opportunities for women and enhance their role in society. The first phase of the initiative launched with a designated sales point, while efforts continue to expand display outlets to include broader regions and a wider range of products.

79

Operational Review

Sustainable Finance

Bank of Palestine is committed to implementing sustainable finance programs, recognizing them as a key pillar in achieving the Sustainable Development Goals (SDGs). This commitment aligns with the Bank's broader sustainability approach, through which it seeks to contribute meaningfully to Palestine's economic and social development. In 2024, the Bank placed strong emphasis on these programs in response to the evolving needs of various economic sectors facing unprecedented challenges in both Gaza and the West Bank. These efforts aim to help ensure that these sectors can endure and grow despite ongoing adversity.

The Bank's sustainable finance programs are guided by the three core ESG pillars—environmental, social, and governance—in addition to foundational principles and criteria related to sustainable finance. The Bank also works to translate ESG governance into practical professional practices that are applied when making investment and business decisions.

SUNREF Green Finance Program

As part of its firm commitment to serving the Palestinian community and promoting environmentally friendly practices, Bank of Palestine continues to implement and expand its green finance programs under SUNREF. In 2024, the Bank advanced the implementation of SUNREF II, the second phase of the Green Loan Program, in partnership with PROPARCO (France), the European Union (EU), and the Palestinian Energy and Natural Resources Authority (PENRA). The program, with a total value of $30 million, is being carried out in cooperation with ESCOM and ECONOLER, official partners of the SUNREF initiative.

The table below illustrates Bank of Palestine's journey in green financing through the SUNREF I and SUNREF II agreements targeting SMEs and individuals:

Year	Number of Funded Projects	Total Amount Disbursed in USD
2019	33	2,617,151
2020	72	4,993,108
2021	16	5,087,988
2022	38	15,895,010
2023	70	6,572,181
2024	105	668,252
Total	**334**	**35,834,690**

As shown in the table above, Bank of Palestine's contribution to green financing for SMEs and individuals grew steadily over the period 2019–2024, through the SUNREF I and SUNREF II agreements. The total amount disbursed reached approximately $35,834,690, benefiting 334 recipients. In 2024, the number of beneficiaries increased to 105, with the program targeting individuals purchasing eco-friendly electrical appliances from Sbitany Electronics, reflecting the Bank's commitment to strengthening financial support for sustainable green projects. The year 2022 recorded the highest financing volume, amounting to $15,895,010 and benefiting 38 recipients, while other years showed varied disbursement levels, starting from $2,617,151 in 2019.

The table below illustrates the amounts disbursed under the SUNREF II program, whether for energy efficiency or renewable energy projects, with a total disbursement of $22.6 million:

Project	Number of Funded Projects	Total Amount Disbursed in USD
Energy-efficiency projects	160	6,931,864
Renewable energy projects	45	15,662,001
Total	**205**	**22,593,865**

While the following table illustrates the annual distribution of disbursed amounts under the SUNREF II program over the past three years:

Year	Number of Funded Projects	Total Amount Disbursed in USD
2022	33	15,641,821
2023	69	6,341,125
2024	103	610,919
Total	**205**	**22,593,865**

Sustainable Finance to Support Micro and Small Enterprises

Bank of Palestine maintained its pivotal role within the sustainable finance ecosystem, striving to redirect investments toward sustainable technologies and environmentally friendly ventures that contribute to building a green economy and reducing carbon emissions. This commitment stems from the Bank's deeply rooted belief and strategy to integrate sustainability principles across all its operations and banking activities, aiming to protect the environment and promote the use of renewable energy through its various arms and strategic partnerships. The Bank continues to leave a clear mark by making positive environmental impact, embracing sustainability as a long-term approach that safeguards natural resources for future generations.

The Bank also remains committed to adopting policies and procedures that protect the rights of borrowers, ensure creditworthiness assessments, promote transparency, and establish clear maximum thresholds for microfinance at the customer level. As a result of these practices, the Bank financed a total of 453 micro-enterprises in 2024 through the Istidama loan program, with a total value of $31.3 million. Among these were 23 women-led projects, with a total value of $840,000, underscoring the Bank's vision of supporting and empowering women and encouraging their participation in the Palestinian market.

The table below shows the total loans disbursed under the Istidama loan program for micro, small, and medium enterprises (453 projects), with a total amount of $31,304,691.23, by the end of 2024:

Gender	Number of Funded Projects	Total Amount Disbursed in USD
Females	23	840,453,30
Males	395	26,424,637.24
Companies	35	4,039,600.69

The table below shows the total loans disbursed under the Istidama loan program for micro-enterprises owned by persons with disabilities (116 projects), with a total amount of $875,390, by the end of 2024:

Gender	Number of Funded Projects	Total Amount Disbursed in USD
Females	27	197,000
Males	89	678,390

Bank of Palestine is taking significant steps to expand financing for SMEs, including restructuring its financial policies to align with financial inclusion objectives. Despite the challenges associated with SME financing, this type of lending is expected to contribute to diversifying the Bank's balance sheets and revenue streams over the long term.

The table below shows the total loans disbursed under the Istidama loan program for SMEs in Jerusalem, as of the end of 2024:

Total Amount Disbursed in USD	Number of Benefiting Projects
174,796.75	7

The table below shows the total loans disbursed under the Istidama microfinance program for SMEs (591 projects), with a total portfolio of $5.005 million, by the end of 2024:

Gender	Number of Funded Projects	Total Amount Disbursed in USD
Females	494	4,195,550
Males	92	763,050
Companies	5	46,800

The table below shows the total loans disbursed under the Istidama microfinance program for "Start Now" projects and women-led enterprises in marginalized areas, by the end of 2024:

Gender	Number of Funded Projects	Total Amount Disbursed in USD
Females	562	5,072,700
Males	96	870,820
Companies	1	10,000

The table below shows the total loans disbursed under the Istidama Plus recovery and growth finance program for affected and newly established projects (24 projects), with a total portfolio of $18,558,265, by the end of 2024:

Gender	Number of Funded Projects	Total Amount Disbursed in USD
Companies	24	18,558,265

The table below shows the total loans disbursed under the Bader program, part of the Istidama financing initiative, for Palestinian workers inside the Green Line (10 projects), with a total portfolio of $136,610.52, by the end of 2024:

Gender	Number of Funded Projects	Total Amount Disbursed in USD
Males	10	136,610.52

Empowering Small and Medium Enterprises to Grow and Create Opportunities

Recognizing their crucial role in boosting employment and combating unemployment, especially amid the current exceptional challenges, the Bank has committed to empowering SMEs by enhancing their ability to continue growing, evolving, and creating job opportunities. To ensure the continuity of these enterprises and the jobs they generate, by the end of 2024, the Bank succeeded in preserving 1,717 jobs (1,495 male, 222 female) and creating 622 new jobs (606 male, 16 female) under this program, through an agreement with the Arab Fund for Economic and Social Development. The total financing provided by the Arab Fund reached $30 million, supporting 280 SMEs, of which 11.15% were newly established projects.

Enhancing Staff Knowledge and Capabilities

Bank of Palestine continued to deliver specialized training courses in credit and financial analysis, in line with its strategic vision aimed at strengthening the knowledge of all parties involved in the credit process, particularly corporate banking teams who engage directly with customers. Through these workshops, the Bank sought to develop the professional skills necessary to foster a sense of partnership with customers while ensuring effective alignment across all stakeholders in the credit process. The training programs covered both theoretical aspects, such as credit and financial analysis tools and trade finance products, and practical aspects related to identifying customer credit needs, structuring and presenting financial and credit solutions, and tailoring financing structures to meet those needs. This approach is designed to ensure product efficiency, safeguard the customer's financial and credit standing, and strengthen the Bank-customer partnership for sustained engagement.

The Bank also remained committed to regularly updating and refining its financial and credit analysis models and tools used in customer credit assessments with an aim to enhance the comprehensiveness, efficiency, and reliability of credit evaluations, support sound credit decision-making, and shorten customer application processing time, while maintaining the highest levels of accuracy, thoroughness, and analytical rigor in reviewing credit and financial information.

Sustainable Financing in Support of Economic Sectors

Bank of Palestine continues to play an active role in directing sustainable finance to create long-term impact across various economic sectors, in line with its strategic vision of contributing to comprehensive and sustainable development. The Bank is committed to embedding the principles of sustainable finance by reducing banking transaction costs and offering higher-quality services and products that meet customer needs, ensuring continuity for borrowers and developing financial solutions that support the growth and prosperity of these sectors. Based on available data, Bank of Palestine successfully directed financing toward SMEs with low environmental and social risks, reinforcing its commitment to sustainable financing.

Large Corporates and SMEs

SMEs represent over 90% of economic activity and are instrumental in enabling the national economy to overcome the consequences of war while contributing to sustainable economic development. Bank of Palestine continues to play a pioneering and central role in supporting the corporate sector and SMEs, fully aware of the need to sustain this vital segment and enhance its resilience in the face of challenges.

Amid the difficult circumstances brought on by the ongoing war and its impact on the Palestinian economy In response to the sector's needs, the Bank designed a comprehensive range of financial services and products tailored to the evolving needs of businesses and SMEs. These offerings aim to enhance their ability to withstand diverse challenges, ensure their continued growth and development, and strengthen the entrepreneurship and innovation ecosystem in Palestine.

To uphold its commitment, the Bank launched dedicated financing and incentive packages to help businesses stabilize and continue their development. These initiatives have also contributed to raising financial and banking awareness among business owners and mitigating the economic fallout from the war on Gaza and global economic slowdowns. To further strengthen financing programs for corporates and SMEs, the Bank leveraged its strategic partnerships by signing several agreements with regional and international institutions, including the European Union, the IFC, PROPARCO (the investment arm of the French Development Agency), the European Investment Bank (EIB), the EBRD, the Arab Fund for Economic and Social Development, and the Japan International Cooperation Agency (JICA), among others.

Agreements to Finance SMEs

- Bank of Palestine signed a financing agreement worth $65 million in partnership with a coalition that includes the International Finance Corporation (IFC), PROPARCO, and the SANAD Fund for MSMEs. IFC's contribution includes $25 million from its own account, in addition to a co-financing package consisting of a $6.5 million loan from the IFC Global SME Finance Facility, and a $3.5 million loan from the IFC Middle East and North Africa Private Sector Development Program. Meanwhile, PROPARCO is contributing $20 million, and the SANAD Fund is contributing $10 million.
- Bank of Palestine signed two partnership agreements with PROPARCO and FISEA, totaling €1,340,000, to support Palestinian entrepreneurs through Intersect, the Bank's entrepreneurship hub, in addition to advancing digital transformation in Palestine and supporting small and medium-sized enterprises.
- The Bank signed a financing agreement worth $30 million with the European Bank for Reconstruction and Development (EBRD) to strengthen the capacity of small businesses to grow and expand. The financing was channeled through Bank of Palestine, given its status as the largest and most widespread bank in Palestine, and a client of the EBRD since 2020.

Bank of Palestine's commitment extended beyond traditional commercial and real estate financing, as it continued to uphold its strategic focus on low-cost sustainable financing. This was made possible through its pioneering initiative offering an attractive package of incentives and financial facilities with preferential interest rates, in addition to grants available under SUNREF I and SUNREF II green and sustainable finance programs.

The Bank also maintained its strategic partnership with the business sector, which has expanded significantly thanks to a well-structured financing plan that includes a variety of advanced financial products and services tailored for the Bank's existing customers, while also targeting a broader range of new projects, including women-led enterprises and entrepreneurial ventures. In 2024, the Corporate Banking Division provided a total financing volume of USD 1.3 billion, distributed across companies in all Palestinian cities, villages, and including Jerusalem and its suburbs.

The Corporate Banking Division specifically focuses on small and medium enterprises (SMEs), which represent over 90% of Palestine's economic activity. By financing a diverse portfolio of projects, the Bank contributed to job creation and the preservation of existing jobs, thereby supporting national efforts to reduce unemployment.

	2023	2024
SMEs	$711 million	$640 million

The Bank's expansion of its diverse range of programs targeting SMEs, through financing, digital services, and banking operations, has significantly contributed to the growth of more than 20 economic sectors within this category, leading to a marked increase in both sales volume and employment levels. Moreover, the Corporate Banking Division continued to support business sustainability through sustainable finance programs, which have witnessed notable growth over the past three years. This reflects the Bank's strategic vision to promote environmentally friendly enterprises through international projects and strategic partnerships with global and regional stakeholders.

Corporate Digital Services

Bank of Palestine has consistently aligned its strategic commitment to digital transformation with the goal of advancing the business sector by providing high-quality digital banking services for corporate customers. These services allow companies to efficiently manage their banking operations while benefiting from the latest financial technologies and digital solutions. In this context, and in collaboration with PalPay, the Bank supplies merchants across various economic sectors with POS devices, enabling them to carry out their commercial transactions without the need for cash, and at highly competitive rates.

Driven by the development of products tailored to the needs of corporate customers and SMEs, the number of merchants benefiting from the POS service has grown significantly over the past four years (as shown in the following table). In addition to POS devices, merchants are offered a suite of services that includes financing products, credit facilities, and other exclusive banking benefits under special conditions.

The table below demonstrates the increase in the number of POS devices in the Palestinian market:

Year	Number of POS Devices
2021	7,766
2022	11,069
2023	15,000
2024	18,200

On the digital front, the Corporate Banking Division has continued to enhance its dedicated digital platform for business owners, enabling them to securely access their Bank accounts and carry out a full range of banking services with ease, without the need to visit bank branches.

Post-Financing Monitoring:

Our team of relationship and area managers is committed to ongoing follow-up with corporate customers through regular field visits, which aim to assess the companies' actual performance after receiving financing, including tracking sales volumes, business plans, and goal achievement. The team also conducts continuous account reviews to ensure credit quality and prevent defaults.

Product Management

Key Achievements in 2024

Amid the ongoing war on Gaza and its profound economic repercussions across Gaza and the West Bank, Bank of Palestine intensified its efforts to develop its banking products and services to better meet customer needs. The Bank focused especially on reaching marginalized groups and underbanked segments, including small business owners and entrepreneurs, in order to help sustain and grow their businesses and improve their quality of life and that of their communities.

Retail Services Division:

Over the past year, the Bank launched a variety of products and services tailored to individual customer needs, most notably:

- A salary advance service available through the mobile banking app for private sector employees listed under the Bank's A-LIST/B-LIST categories.
- A yearly savings deposit that offers customers monthly interest accruals, encouraging a culture of saving.
- The development of a commission-based student loan product, enabling students to enroll in local Palestinian universities.

During the war, the Bank maintained close oversight of the retail portfolio and launched several initiatives to support affected customers, including:

- Extending the loan deferral campaign for public sector employees and providing a temporary overdraft facility valid through the end of August.
- Launching a loan deferral campaign for affected customers in the Green Line areas, implemented in two phases to help them reorganize their banking obligations.
- Deferring all types of loan installments for customers in Gaza, providing relief in response to the crisis.

Small Business Division:

Bank of Palestine continued to support and empower small business owners (males and females alike) enabling them to sustain, grow, and manage their enterprises, especially during the ongoing crisis. These businesses play a vital role in stimulating economic growth in Palestine, helping various economic sectors overcome challenges, and generating employment opportunities that contribute to reducing unemployment.

In response to the needs of small businesses, the Bank launched several products and services in 2024, including:

- A comprehensive suite of products and programs designed to help small business owners expand and develop their enterprises. Notably, Bank of Palestine is the only bank that has continued to lend to this segment despite the difficult conditions and associated risks.
- The Arab Fund for Economic and Social Development Lending Program.
- The European Investment Bank (EIB) Loan Program.
- The enhancement of the POS merchant package by introducing new benefits for merchants using point-of-sale terminals.
- The launch of multiple programs in partnership with the Palestine Monetary Authority, including the Istidama program to support recovery from the impact of war, the Bader program, offering financing to workers who lost employment inside the Green Line due to the war, continued financing through the "Start Now" program, special lending programs for women in marginalized areas and for persons with disabilities, women's business lending programs, with a focus on lending to women in underserved regions, the "Start Now" program, and Felestineya packages, which are tailored to meet the full spectrum of women's financing needs, part of the Bank's broader effort to develop tools and initiatives that empower women entrepreneurs and help them grow their businesses.

The Cards Department:

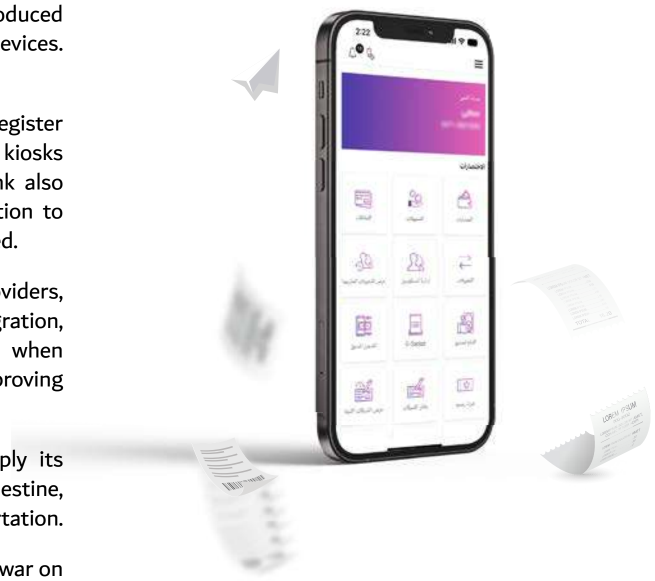
Bank of Palestine continued to drive a qualitative leap in card services, aiming to promote electronic payments and enable customers to benefit from banking services without relying on cash. The Cards Department continued enhancing related services through the following initiatives:

- Automated SMS notifications for card activation.
- In collaboration with Visa, the Bank launched the new VISA Airport Companion app, granting eligible cardholders access to airport lounges.
- Several cashback campaigns were implemented in cooperation with various merchants to encourage card usage and electronic payments.
- Completion of automated integration with the banking system, enabling real-time updates of customer phone numbers linked to their cards.
- Launch of a dedicated dispute handling process at branches, aimed at organizing and documenting both domestic and international card-related disputes.

Digital Products Department:

In 2024, Bank of Palestine launched several digital products and introduced enhancements to its electronic payment services, particularly POS devices. Key developments included:

- Launch of technical integration between POS devices and cash register systems at retail stores, as well as integration with self-service kiosks (those used by Ramallah Municipality, for example). The Bank also provided custom POS stands and upgraded the POS application to accelerate card reading and improve payment processing speed.
- Multiple meetings held with technology and cashier system providers, resulting in agreements to implement direct system integration, allowing sales transactions to be automatically forwarded when customers choose digital payment methods, significantly improving efficiency and user experience.
- Partnership agreement signed with Bank of Jordan to supply its merchant customers with POS devices through Bank of Palestine, particularly in offices affiliated with the Ministry of Transportation.
- Continuous performance monitoring of POS devices during the war on Gaza to ensure service continuity and meet the needs of merchants in the area.



- System integration established between the university systems of Birzeit University and Hebron University and the Bank's system, enabling students to instantly settle tuition and fees via the Bank's payment gateway.
- New mobile banking app updates launched, including a salary advance request feature for private-sector employees, the i-BURAQ service, allowing instant money transfers to local banks via the Bank's app.
- Chatbot service launched, enabling customers to get real-time responses to their inquiries through all digital channels (WhatsApp, Facebook page, and the Bank's website).
- E-Sadad platform launched, in collaboration with the Palestine Monetary Authority, facilitating convenient bill payments for customers.
- Instructional videos prepared for all electronic services to ensure customers can use them easily and effectively.

Overview - Corporate Governance - Strategic Review - Operational Review - Bank of Palestine Group - Financial Statements

Supporting Individual Businesses

The bank continuously strives to provide exceptional banking services by utilizing all possible means to ensure the satisfaction of its customers and all of its clients. This is achieved by offering high-quality services that allow customers to complete their banking transactions quickly and easily, without the need for extra effort. This commitment is clearly reflected in the bank's focus on developing electronic services and encouraging the largest possible segment of its customers to use them. These electronic services are distinguished by offering all banking services and making them accessible without the need to visit branch locations spread across all governorates of the country, which are known for serving the largest number of active accounts in Palestine.

During the year 2024, the following initiatives were implemented:

- Establishment of the Quality Management Department, responsible for managing the ISO 9001:2015 project. The department worked on meeting the requirements for renewing this certification from Lloyd's Register Quality Assurance.
- The bank is committed to applying international standards in monitoring its quality management system, thus becoming the first bank in Palestine to obtain this certification. This reflects the bank's adoption of the "risk-based thinking" approach, a new method for identifying risks and opportunities and achieving optimal integrated management.
- Conducting a series of surveys aimed at measuring customer satisfaction and taking their suggestions into account, contributing to the improvement of our services.
- Introducing a new design for the queue management system to reduce customer waiting times and the time required to provide services.
- Deploying and installing new ATMs in underserved areas, such as installing ATMs in the town of Bita in Nablus and at Al-Ahliyya University in Hebron.
- Automating a large number of functions to reduce the workload at branches.
- Centralizing certain tasks performed by customer service staff at branches and offices and assigning them to the Central Operations Department, with the aim of reducing customer wait times and allowing branch staff to focus on providing direct service to customers.
- Increasing the number of point-of-sale (POS) devices in various locations and attracting new merchants.

Retail Banking

A Marketing Strategy that Reflects the Bank's Values

In 2024, the Marketing Department intensified its efforts to strengthen communication with customers and the public at large, in line with its strategic marketing plan aimed at solidifying the Bank's image and presence among customers and various social segments. The strategy emphasized the Bank's values and its proactive role in supporting the community and economy, as the leading national banking institution committed to addressing the growing needs of different demographics and sectors. The Department focused on raising awareness of banking products and digital services that continue to be developed to meet diverse needs and also supported various community initiatives and events in response to the economic hardships faced by the country.

The Department maintained a high level of effective communication through various media and advertising platforms, including social media channels, which proved especially vital during a year marked by unprecedented challenges. This engagement helped maintain strong relations with existing customers and attract new ones.

Key initiatives and goals achieved by the Marketing Department included:

1. Staying up-to-date with advertising and customer communication trends, delivering services and promoting them in a way that encourages interaction with the Bank's social media accounts, and ensuring continuous outreach in all regions.
2. Launching a distinct package of banking services, with a focus on promoting electronic services tailored to the needs of various customer segments and society as a whole.
3. Rolling out marketing campaigns to raise awareness about new digital banking services, such as electronic payment solutions via mobile cards, POS payments, and the SoftPOS app that allows merchants to accept card payments on their smartphones, thus enhancing the overall experience for customers, merchants, and businesses.
4. Launching awareness campaigns for the Banke App, highlighting its new features and encouraging customers to use it for a more efficient banking experience.
5. Sponsoring marketing events across different governorates, especially those supporting local products, ensuring the Bank's presence to engage with the public and introduce its products and services.
6. Launching promotional campaigns and prizes to encourage customers to use digital payment methods and POS machines.
7. Conducting awareness campaigns to educate customers on how to protect themselves from electronic fraud.
8. Extending various bank cards for customers in Gaza to ensure uninterrupted access to banking services during challenging times.
9. Forging strategic partnerships with key institutions and business owners, such as Sbitany, delivery companies, gyms, large shopping malls, municipalities, and other institutions, to promote digital payments and enhance the Bank's visibility in high-footfall locations.
10. Sponsoring events for school and university students, with a focus on interacting directly with youth audiences and introducing them to banking products and services tailored to their needs.

Top Marketing Campaigns of 2024

App Campaigns

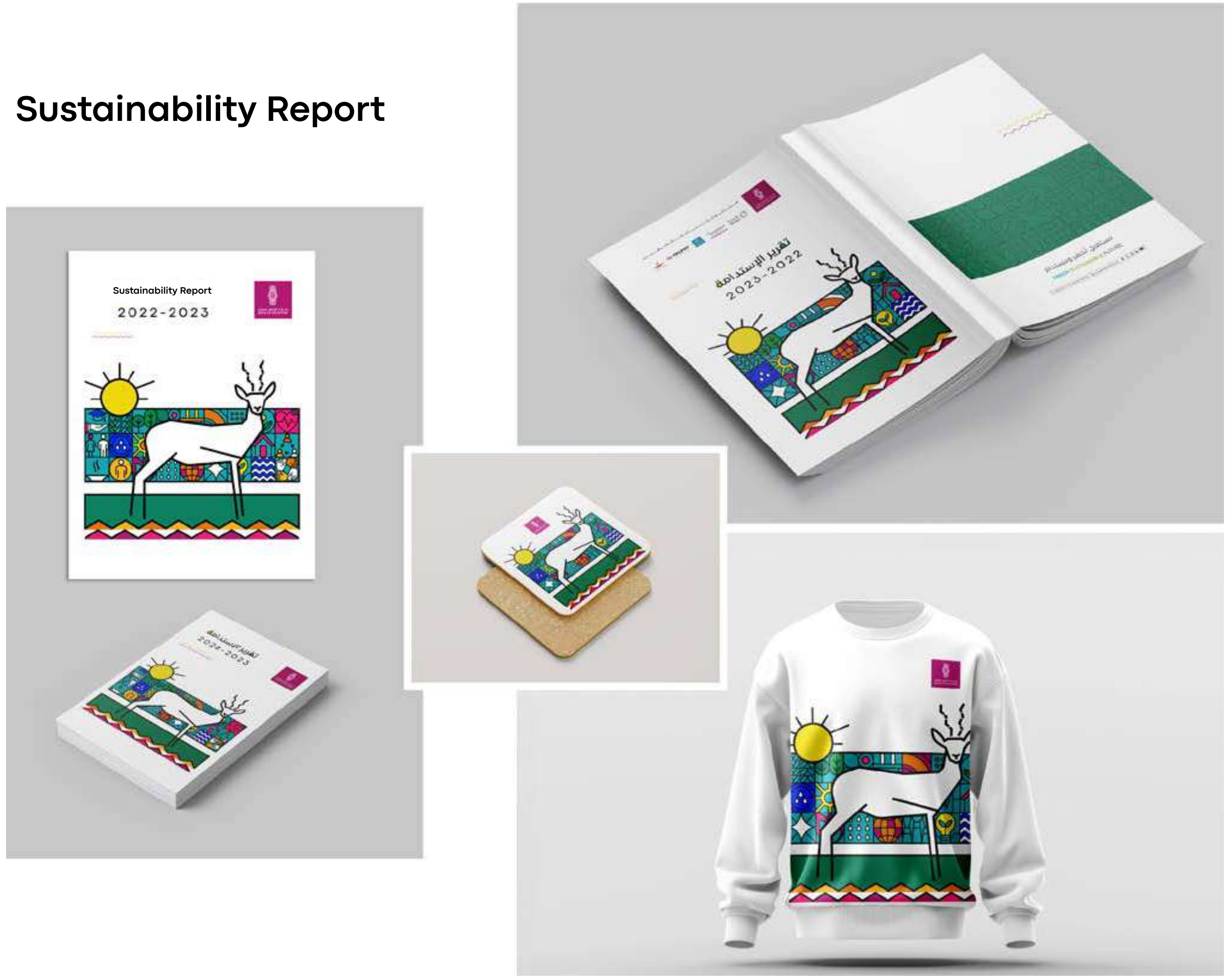
Retail Banking

Campaigns and Offers with Partner Sectors

Card Payment Campaigns

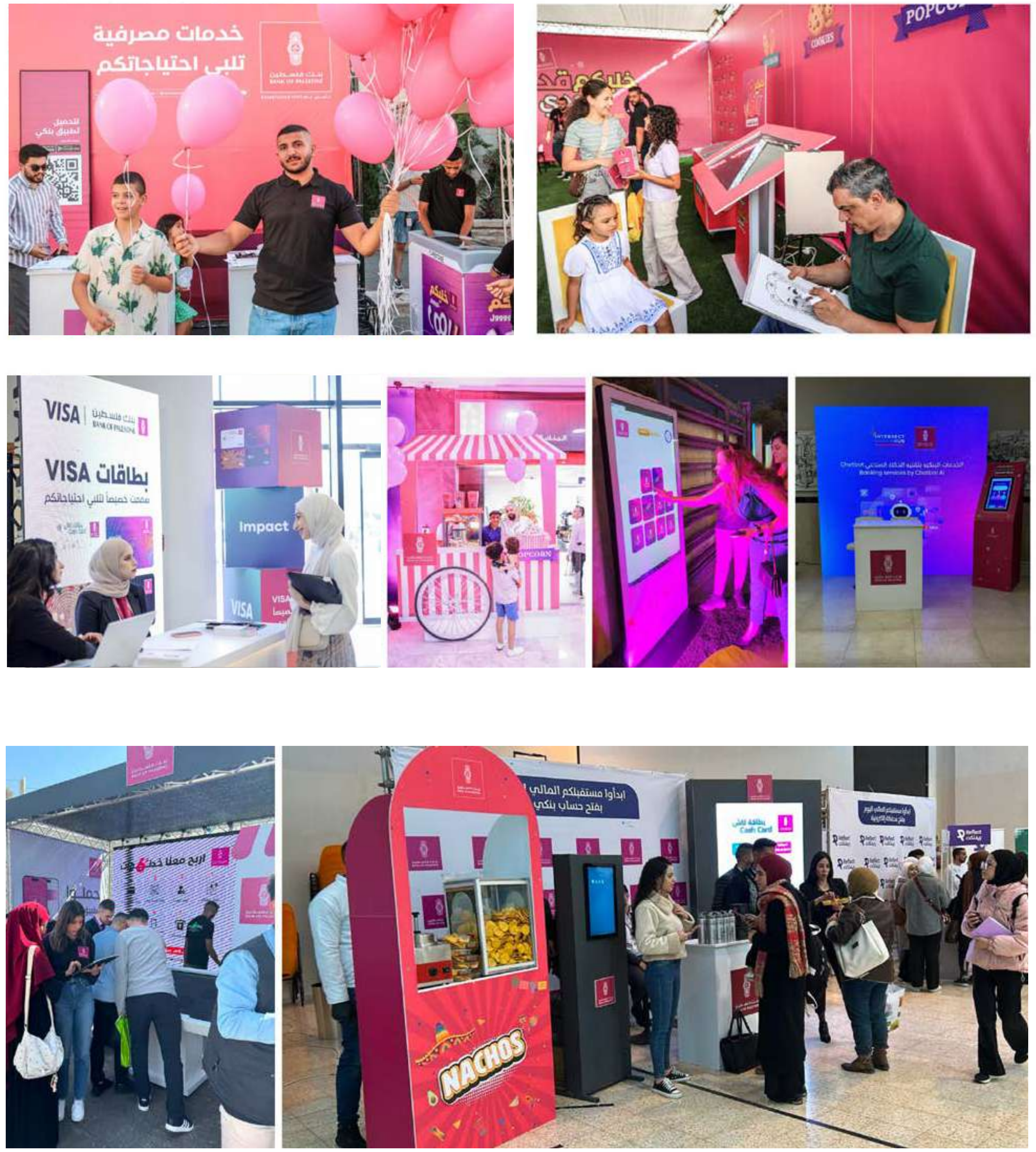
Publications and Reports

Sustainability Report



Campaigns within Sustainability and Social Responsibility Programs

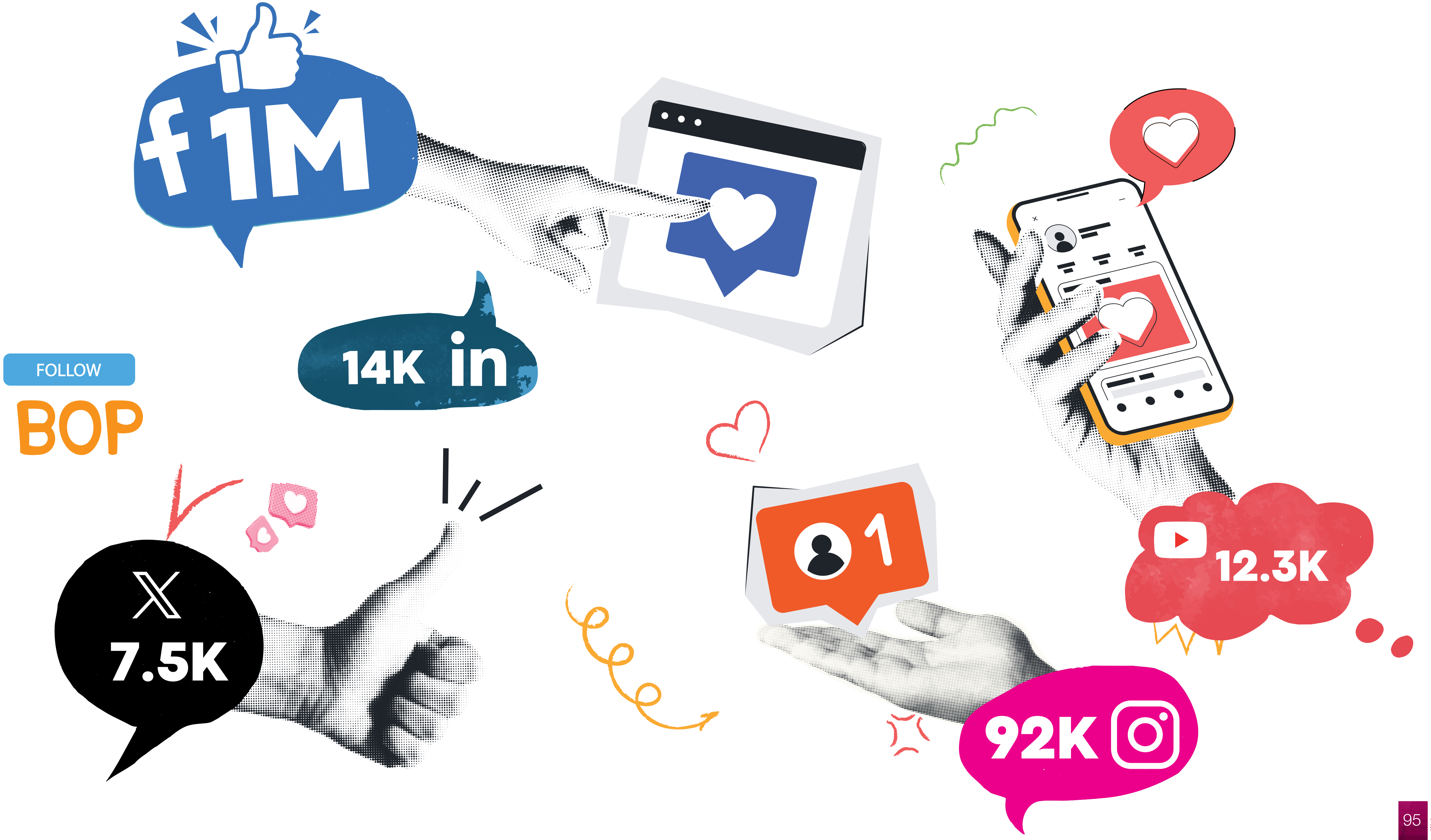
Events



The Bank is committed to continuing its awareness campaigns about its mission and services, with the aim of strengthening its brand presence among customers, various stakeholder groups, and the community at large. These efforts also seek to raise awareness of the Bank's distinguished banking products and services, and to expand its outreach across a broader audience in different governorates. To achieve this, the Bank collaborates with a group of social media influencers.

Overview - Corporate Governance - Strategic Review - Operational Review - Bank of Palestine Group - Financial Statements

Campaigns to strengthen the Bank` s brand and raise awareness of banking services through social media and a distinguished list of influencers.



BoP Representative Office in Dubai

Key Achievements in 2024:

Despite the challenging conditions imposed by the war on Gaza and its adverse impact on the Palestinian economy, Bank of Palestine's representative office in the United Arab Emirates continued to play a notable role in strengthening ties with the diaspora, achieving significant accomplishments during 2024. The office staff maintained active communication with customers, whether for opening new accounts or updating existing ones, through the Bank's branches in Palestine to ensure ongoing engagement, promote the Bank's products, and attract individual and institutional deposits. Over 2,800 customers were contacted, leading to a noticeable increase in new and updated accounts, including:

- 475 accounts opened or updated
- 150 cards requested and delivered
- Approximately 310 requests received from diaspora customers worldwide
- $3 million in deposits and transfers
- $3 million in share sales

The Dubai office also advanced the Bank's vision of digital transformation by adopting technology solutions to simplify customer experiences and reduce transaction costs. This included providing services through email and SMS, as well as promoting the use of digital banking channels such as internet and mobile banking. As a result, deposits and transfers reached approximately $3 million in 2024, distributed across investments, deposits, and customer accounts.

Investor Relations

The Dubai office maintained strong communication with existing investors and attracted new ones residing in the UAE, in coordination with the Investor Relations Department. This outreach contributed to a notable increase in the Bank's investor base in the UAE, with shareholders from the country representing 5.2% of the Bank's total shareholder base. The total number of shares sold reached two million, valued at approximately $3 million, all executed through the Bank's affiliated brokerage firm, Al Wasata.

Welcoming Delegations and Networking:

In 2024, the Dubai Representative Office continued coordinating and hosting delegations of Palestinian businesspeople and representatives of Bank of Palestine during their visits to the United Arab Emirates. The office actively facilitated networking opportunities between these delegations and its established network in the UAE. This included organizing and hosting several visits by Mr. Hashim Shawa, Chairman of the Board of Directors of Bank of Palestine Group, during which high-level meetings were held with prominent business figures and officials in the UAE to explore avenues for mutual cooperation and further expand the Bank's presence beyond national borders. The office also dedicated special attention to Palestinian startups visiting the UAE, in cooperation with the Bank of Palestine Group's sister companies—specifically Intersect Innovation Hub and the Ibtikar Fund. The office hosted joint delegations consisting of startups and Group affiliates, providing support, facilitating networking, and enabling participation in relevant events held in the UAE, which remains one of the region's most advanced and startup-friendly markets.

Regional Expansion:

The Dubai office played a pioneering and instrumental role in advancing Bank of Palestine's regional expansion strategy, particularly in Abu Dhabi. It served as the central hub and liaison for preparing the Bank's license application to the Abu Dhabi Global Market (ADGM) to provide first-category financial services. Through this license, the Bank seeks to offer banking services such as deposit-taking, financing, and asset management.

Bank Representation Locally and Regionally:

In its continued efforts to enhance Bank of Palestine's presence in the United Arab Emirates, the representative office in Dubai remains actively engaged in representing the Bank at various conferences, forums, and events held across the UAE. The office prioritizes connecting with participants at these events to introduce the Bank, its strategic vision, future outlook, and its well-recognized local and international achievements, contributing to highlighting the Bank's resilience and its pivotal role in advancing sustainable development in Palestine.

Overview - Corporate Governance - Strategic Review - Operational Review - Bank of Palestine Group - Financial Statements

Among the key events attended in 2024:

Seamless Payments Middle East 2024

MEIRA 2024

Future Sustainability Forum Dubai

Gulfood 2024

Abu Dhabi Finance Week

Dubai FinTech Summit

Operating from its headquarters in the Dubai International Financial Centre (DIFC), the representative office aims to solidify and expand the Bank's presence in the UAE and across the Gulf Cooperation Council (GCC) countries. This is in line with the Bank's strategic vision to grow its regional ties and build stronger connections with the Palestinian diaspora in the Gulf region. The representative office was established in August 2015 as a Foreign Recognized Company, licensed to operate a representative office, and was officially inaugurated in April 2016.

Our Employees

Human Resources Management

Bank of Palestine continues to prioritize the development of its human capital as a key pillar in achieving institutional goals and executing its strategic plans. This commitment remained strong despite the exceptional circumstances brought about by the war on Gaza. The Human Resources Department played a central role in supporting recovery efforts, placing the well-being of employees at the forefront during these difficult times. Recognizing the need for immediate and flexible strategies to support employees affected by the war, the Bank swiftly implemented psychological, social, and financial support programs. Special teams were assigned to monitor employees needs and provide assistance to their families, while open communication channels were established to ensure their safety and well-being. Emergency support programs were activated to provide essential supplies and contribute to housing costs and other financial needs. The HR Department also contributed to adapting to the new reality by redistributing staff and providing additional human resources through internal rotations or new hiring. Remote work plans were implemented to ensure the continuity of banking services. These efforts helped create a supportive work environment that facilitated the psychological and professional recovery of employees, enhancing their resilience and helping them restore stability in both their personal and professional lives.

In addition to managing urgent challenges, the HR Department played a vital role in enabling the Bank to achieve its strategic goals, including the establishment of several new departments and units to enhance the organizational structure and support ongoing development efforts. The Bank also focused on updating work policies and procedures and advancing key projects aligned with the requirements of digital transformation, thus improving efficiency and keeping pace with technological developments in the banking sector.

Investing in human capital remains a top priority for the Bank. By the end of 2024, the total number of employees reached 1,835, reflecting the Bank's commitment to workforce development through a motivating work environment and sustainable training programs. These efforts have significantly contributed to building a highly skilled team capable of supporting sustainable growth and achieving institutional objectives.

Total number of employees	1,835
Females in senior positions	30.48 %
Female employees	47.05 %

As part of the Bank's commitment to promoting diversity and equal employment opportunities, there was a notable increase in female representation in leadership roles, reaching 30.48% by the end of 2024. The Bank actively worked to enhance women's participation in decision-making positions, reinforcing its commitment to gender equality and strengthening its ability to achieve future successes grounded in inclusivity and diversity.

Academic Qualification

PhD	Master's Degree	Bachelor's Degree	Diploma	High School or Below
4	72	1,506	73	180

Talent Management

The Talent Management Department played a pivotal role in supporting the Bank's strategy for sustainable human capital development by delivering specialized training programs aimed at enhancing skills and competencies in key banking areas. In 2024, the department focused on critical areas such as risk, compliance, anti-money laundering and counter-terrorism financing, IT, finance and credit, managerial skills, and team management. A total of 94 training events were conducted, providing 3,209 training opportunities for employees, distributed as follows:

Training Area	No. of Training Programs Implemented	No. of Participants
Financial Management and Investment	3	90
Compliance and Anti-Money Laundering	8	300
Finance and Credit	5	210
Sustainability	2	12
Audit and Control	3	60
Banking Operations	15	1,050
Banking Risk	4	50
Managerial and Behavioral Skills	29	1,203
Human Resources	3	20
Information Technology	22	214
Total	**94**	**3,209**

Despite the significant challenges imposed by the exceptional circumstances resulting from the war, the Talent Management Department continued to implement its training plans through digital channels, facilitating access to employees and providing the necessary support to develop their leadership and managerial skills in times of crisis. Emphasis was also placed on digital transformation and enhancing employee skills in this area, with the activation of the e-learning platform to provide remote training opportunities. Moreover, workshops were organized to support the mental health of employees and to enable them to continue performing their professional duties with flexibility and resilience under difficult circumstances. Work also continued on the development of the Department Heads Club for Excellence in Customer Service program, which aims to enhance the leadership skills of the Bank's top talents. In addition, specialized training programs were allocated for employees in administrative positions, such as branch managers and supervisors, with the goal of strengthening their banking and administrative competencies.

On another front, partnerships with Palestinian universities were enhanced through the implementation of various training programs, such as the Bank of Palestine Advocates Team, which targeted 20 students, and the Banke Program targeting 22 students. Both programs aimed to train outstanding students at Palestinian universities on essential banking skills. Work also continued on the BOP Banker program, a specialized operational training program targeting academically distinguished graduates with high honors from Palestinian universities in the fields of economics, accounting, finance, management, information technology, and computer engineering, who possess the ability to work in advanced banking environments. Over a period of 23 months, graduates are trained on a range of skills including financial data analysis, banking operations, as well as learning the latest banking technologies. The program continues to offer new training opportunities each year, thereby enhancing employment and career development prospects for participants, with the number of beneficiaries reaching 11 graduates.

The department also contributed to enhancing the skills of employees in line with the Bank's development plans, as the digital transformation process in Bank branches was strengthened through the organization of training programs that align with the latest technological systems, and the development of corporate culture in accordance with the Bank's strategic vision. Focus was also placed on improving the level of customer service by working to unify employee knowledge and improve their performance in branches and offices, through the implementation of practical and theoretical assessments to measure their knowledge of banking products and services, in order to ensure sustainable performance development.

As part of reinforcing institutional values, the Talent Management Department sought to instill Bank of Palestine's five core values (Honor, Leadership, Resilience, Reliability, and Sustainability) through activities and programs that contribute to fostering a positive work environment. A comprehensive plan was also implemented over the past year to enhance the culture of collaboration and volunteerism among employees, with 19 volunteer activities organized and more than 600 hours of volunteer work distributed across areas in the West Bank, such as the "Trees of Goodness" initiative, a fun day for children with cancer, an Iftar and sports day for orphans, a breast cancer awareness sports event targeting female employees, and a blood donation campaign. The bank also showed interest in supporting athletic talents by sponsoring the bank's football team. Additionally, it continued to support employees by providing scholarships for their high-achieving sons and daughters, with 12 new scholarships disbursed during 2024.

102

Bank of Palestine Group

The Arab Islamic Bank

البنك الإسلامي العربي
ARAB ISLAMIC BANK

Bank Overview

The Arab Islamic Bank (AIB) is a Public Shareholding Company that was established in 1995 under licensed business number 563201011, and started its banking operations in early 1996. The Bank conducts banking and investment activities in accordance with the provisions of Islamic Sharia through its headquarter in Ramallah and Al Bireh, as well as through its branches throughout Palestine. In addition to the Representative Office in the United Arab Emirates (Emirate of Dubai) and the mobile branch "Mobi Bank". The Arab Islamic Bank now has 31 branches and offices. The Bank has no subsidiaries until 31 December 2024.

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 secure banking services that are compatible with the Islamic Sharia.

Mission

To provide modern, comprehensive, high quality and competitive Islamic banking solutions and services and support and develop 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 Goals

- Digital transformation
- Investing in the development of human cadres
- Maximizing shareholder rights
- Financial Inclusion
- Enhancing retail and small enterprise services
- Increasing market share
- Promoting the identity of Islamic banking and sustainable development

Performance Indicators in 2024

The bank maintained a solid asset base while continuing to manage operating expenses efficiently, strengthen liquidity, and uphold strong creditworthiness. Compared to the previous year, the bank's total assets decreased by approximately $30 million, representing a 1.72% decline. Direct financing also dropped by around $5 million, equivalent to a 0.4% decrease. In addition, customer deposits fell by $47 million, marking a 3.2% decrease. In terms of profitability, the bank recorded a net profit of $1.12 million in 2024, reflecting a decline of $4.4 million, a drop recorded after accounting for conservative and adequate credit provisions, due to the impact of the war on both the West Bank and the Gaza Strip.

Item	2024	2023	2022	2021	2020
Total Assets	1,708	1,738	1,661	1,738	1,557
Customer Deposits	1,417	1,464	1,392	1,420	1,296
Direct Financing	1,104	1,108	1,028	1,012	945
Net Profits	1.12	5.52	13.1	11.7	8.0

*Amounts are in millions of US Dollars.

Overview - Corporate Governance - Strategic Review - Operational Review - Bank of Palestine Group - Financial Statements

Market Share

The bank maintained its strong market share and solid financial performance. In terms of total assets, the bank held a market share of approximately 7% within the Palestinian banking sector. Its share of direct financing reached around 9.3%, while its share of customer deposits stood at approximately 7.6%.

Strong Market Shares in the Banking Sector

Total Assets	Direct Financing	Customer Deposits
7%	9.3%	7.6%

Highlights of Achievements and Activities During 2024

Projects and Products

- Launch of the Soft POS app for merchants, turning smartphones into full-service point-of-sale devices.
- Introduction of instant transfer services via iBURAQ, operated by the Palestine Monetary Authority, available through Mobile Banking and Internet Banking, allowing customers to send and receive interbank transfers instantly across banks in Palestine.
- Launch of the E-SADAD platform, also operated by the Palestine Monetary Authority, integrated into Mobile and Internet Banking, enabling users to view and pay bills, installments, and various other payments for companies, government entities, universities, municipalities, and unions.
- Launch of an offline access feature for the mobile banking app, allowing users to access the app without the need to purchase internet bundles.
- Acquisition of a new Payment Switch (Pay Way) to enhance payment and transfer processing efficiency, improve customer experience, and increase the flexibility of the financial system.
- Implementation of the Data Classification System project, aimed at strengthening the security and protection of the bank and customer data.

Sponsorships

- Contribution through the Bank of Palestine Group to a strategic partnership with Taawon Foundation valued at $250,000 annually, to sponsor 20,000 orphans in the Gaza Strip.
- Support for the renovation of a medical clinic at the Beit Al Ajdad Elderly Care Center.
- Sponsorship of the White Coat Ceremony for medical and dental students at An-Najah National University.
- Support for the Elderly Charity Association in Jenin on the occasion of the International Day for Older Persons, by providing essential medical and health supplies, as well as basic care equipment for the elderly.
- Donation of electric wheelchairs to persons with disabilities in Jericho.
- Sponsorship of Medical Week activities at Beit Al Ajdad Elderly Care Center in Jericho.
- Contribution to equipping the new Red Crescent Hospital in Hebron.

Events and Activities

- Signed an agreement with the European Bank for Reconstruction and Development (EBRD) to support foreign trade operations and the corporate sector.
- Signed an agreement with Palestine Technical University – Kadoorie to provide financing aimed at supporting student education.
- Signed an agreement with Takaful Insurance Company to offer installment plans for insurance services.
- Signed an agreement with Al Baraka Insurance Company to offer installment plans for insurance services.
- Implemented a comprehensive banking program for two cohorts of new employees.

The Arab Islamic Bank

- Participated in banking outreach events targeting university students (An-Najah National University, Birzeit University, Arab American University, Al-Quds University – Abu Dis, Al Quds Open University, Al Ahliyya University, Bethlehem University).
- The bank's football team participated in the 21st Arab Institutions Championship held in Egypt, securing fourth place.
- Conducted a mock evacuation drill at the General Administration Building under the supervision of the Civil Defense Directorate as part of the Business Continuity Plan.

Awards

The bank was awarded the title of Best Islamic Bank in Palestine by EMEA Finance magazine.

Campaigns

- Savings Account Campaign “Save Smart. Win Big”, offering a daily prize of $1,000 and a monthly prize of $10,000.
- University tuition payment campaign via E-SADAD, “Pay Your University Fees Easily and Safely,” including 10 prizes worth $200 each.
- The bank participated in the Association of Banks in Palestine campaign “Pay with Your Bank Card at Gas Stations,” which included a draw for 1,000 cash prizes worth 200 shekels each.
- Several awareness campaigns were launched to educate customers about data protection and fraud prevention, in addition to campaigns promoting digital transformation, encouraging the use of electronic payment methods, and raising awareness about breast cancer and the importance of early detection.

Bank Memberships

The bank is committed to strengthening its leadership role in the banking sector by joining a range of relevant institutions and organizations. These memberships reflect its adherence to Islamic Sharia principles and contribute to advancing the Sustainable Development Goals (SDGs). Key memberships include:

- Union of Arab Banks (UAB)
- Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)
- General Council for Islamic Banks and Financial Institutions (CIBAFI)
- Palestinian Deposit Insurance Corporation (PDIC)
- United Nations Women's Empowerment Principles (UN WEPs)

Banking Products and Services

The bank is committed to providing a wide range of exceptional services that meet the daily needs and aspirations of its customers, in full compliance with Islamic Sharia principles and the highest standards of integrity and transparency. Leveraging the latest digital solutions, the bank enhances customer experience and ease of access to banking services, while continuously improving existing products and introducing new features. This approach supports higher customer satisfaction and loyalty, attracts new customers, and promotes financial inclusion.

Through outstanding performance and ongoing development, the bank aims to strengthen customer trust and position itself as their first choice in the banking market. Furthermore, the bank places sustainability at the forefront of its priorities, supporting community development and contributing to the growth of the national economy.

Below are the key products and services offered by the bank:

Electronic Services

The bank remains abreast with the advancement of digital financial services, considering them a core component of its strategy to deliver an exceptional banking experience. This reflects its ongoing efforts to drive digital transformation, which is considered one of its key strategic objectives. Electronic services include:

- Internet banking and the Mobile Bank
- ATM services
- QR Code payment service through the Mobile Bank app
- Video Call service
- Points of Sale (POS)
- Soft POS
- Card Verification Method (CVM) pre-booking service for scheduling bank visits
- E-SADA platform for paying bills, fees and installments
- iBURAQ electronic payment system for secure digital transfers
- Digital Service Center, offering round-the-clock direct communication and comprehensive banking services.

Distinctive Banking Services and Products

- Bank Cards: Visa Debit Card, Prepaid Shopping Card, and “Easy Life” Installment Cards.
- Western Union Rapid Transfer Service.
- Mobile Branch “Banki 3al Tareeq” (Bank on the Road).

Bank Accounts

- Savings Accounts
- Current Accounts
- Term Deposits
- Financial Inclusion Account

Sharia-Compliant Financing Programs

- Personal Financing Programs
- SME Financing Programs
- Corporate Financing Programs
- SunRef Green Energy Financing Program

Treasury and Financial Markets

AIB's Treasury Department delivers financial services to its customers at competitive market rates, adhering to Sharia principles. The Department offers currency exchange services, investment deposits, and savings accounts.

It has effectively managed liquidity, particularly during challenging market conditions and liquidity constraints, and sustained profitable returns through capital market investments, positively impacting the Bank's performance and contributing to excellent growth rates.

ALWASATA SECURITIES COMPANY

In recent years, Al Wasata Securities Company has secured a leading position as an effective investment institution among brokerage firms in the local market, while also establishing a strong presence in regional and international capital markets. Committed to meeting investors' aspirations and ensuring the success of their financial investments, Al Wasata has focused on delivering optimal, cutting-edge services that support sound investment decision-making through the following:

- Employing a highly-qualified, responsible and well-trained professional team.
- Utilizing the best and most advanced regional and global trading technologies.
- Providing accurate and timely information to investors.
- Upholding complete confidentiality in handling investor data and transactions.

2024 Achievements

- Throughout the past year, Al Wasata Securities Company continued its role as the entrusted lead manager for the bond issuance of the Arab Palestinian Investment Company, with a total value of approximately $74 million. The company also maintained its strong market position in terms of investor acquisition, having attracted 266 new accounts in 2024.
- The company's total trading volume in the Palestine Exchange and regional markets reached around $100 million, of which $30 million was traded locally in the Palestinian market. As of the end of 2024, the total value of customer portfolios exceeded $500 million.
- The company continued to grow its annual revenues, which are primarily operational in nature. Additionally, Al Wasata remained active in promoting financial awareness and marketing its services by holding meetings with investors to attract new participants to the securities sector. It also maintained a strong presence in Palestine Exchange events and sustained customer engagement through the latest electronic trading technologies.

Premium Investment Services and Products

In line with its vision to stay ahead in offering cutting-edge investment services that meet investor needs, Al Wasata Securities Company continues to keep investors promptly informed of relevant news and developments. The company is committed to offering high-quality investment services and products that support sound investment decision-making. To that end, Al Wasata employs the latest secure technologies, including its electronic trading app available for both mobile and desktop platforms. This enables the company to provide high-end digital services at competitive commission rates across multiple markets, whether in major U.S. financial markets or regional exchanges, allowing investors easy and seamless access to global financial markets.

In addition, the company offers a package of complimentary services to investors, such as SMS alerts on daily closing prices, daily reports, electronic balance inquiries, and stock balance disclosures via Bank of Palestine's mobile banking app. Investors can also easily transfer funds between their bank accounts and trading accounts electronically.

Al Wasata Securities Overview

Established in 2005 as a subsidiary of Bank of Palestine, Al Wasata Securities boasts a paid-up capital of $5 million. The company officially launched operations in 2007 upon securing membership in the Palestine Stock Exchange and obtaining a license from the Palestinian Capital Market Authority, enabling to provide a range of services including:

- Brokerage for third-party accounts
- Self-brokerage
- Portfolio management (acting as a financial advisor to manage investment portfolios)
- Issuing agent
- Issuing manager

Primarily focused on financial brokerage within the Palestine Stock Exchange, Al Wasata extends its services to investors in select regional exchanges, including the Amman Stock Exchange, Egyptian Exchange, Dubai Financial Market, Abu Dhabi Securities Exchange, Saudi Stock Market, and American exchanges.

To ensure nationwide coverage, Al Wasata leverages the branch network of Bank of Palestine, its parent company and the largest bank in Palestine. Additionally, it caters to customers beyond Palestine through Bank of Palestine's Representative Office in the Dubai International Financial Center, UAE. This outreach targets Palestinian expatriates in the Gulf, as well as investors interested in the Palestinian market. Al Wasata further enhances accessibility through electronic trading programs tailored for the Palestine Stock Exchange and mobile trading applications for foreign markets.

PALPAY® Company

Established in 2010 as a partnership between Bank of Palestine and PCNC IT Solutions, PalPay became the first company specialized in electronic payment services in Palestine. In 2024, PalPay stood out by achieving innovative milestones and offering advanced services that contributed to supporting the Palestinian economy and promoting financial inclusion. The company maintained its leading position in deploying advanced digital payment solutions and expanding its network to meet market and customer needs, focusing on innovation and sustainable development.

Its pioneering role was especially evident in promoting electronic payments in the Gaza Strip amid the destruction of financial and IT infrastructure and the scarcity of cash liquidity. PalPay played a critical role in the disbursement of humanitarian aid from local, official, and international institutions to beneficiaries within the Strip, becoming a vital lifeline for many affected families and vulnerable groups. This reinforced its position as a leader in providing financial solutions that serve those most in need.

Achievements, Services, and Updates in 2024:

- Integration with the i-Buraq instant payment system by the Palestine Monetary Authority, which facilitated transfers and payments between individuals and merchants. PalPay was one of the first companies to offer this service to its customers in Palestine.
- Migration to the E-Sadad system for electronic bill presentation and settlement, a digital platform managed by the Palestine Monetary Authority, which connects all service providers (billers) with banks and electronic payment companies across Palestine.
- Launch of the Electronic Know Your Customer (E-KYC) feature and service to enhance the efficiency and speed of customer identity verification, simplifying the wallet registration process and improving the customer experience, while broadening financial inclusion.
- Development of aid and salary disbursement systems during crises using secure codes via electronic authorization devices (POS) or direct disbursement to the e-wallet (Mahfazati). New features were introduced, such as the "Disbursement Code Check" option, which allows users of the Mahfazty app to inquire about eligible aid and view salary or aid amounts. This is the first feature of its kind in Palestine.
- Expansion of options to fund e-wallet accounts through multiple channels, such as cash deposit via Bank of Palestine ATMs, the E-Sadad system, POS devices, peer-to-peer transfers (Pay a Friend), and money transfers via I-Buraq.
- Enhancement and expansion of POS services by deploying new devices that support payments via VISA cards and QR codes, along with the development of the Soft POS mobile application, offering merchants and customers flexible and convenient payment options.
- Activation of QR code payment service for street vendors (stalls) by providing both static and dynamic QR codes linked to merchants' e-wallets, enabling customers to make fast and easy payments via their apps, especially empowering our community in Gaza to overcome challenges related to cash shortages.
- Design of a simplified digital contracting system for merchants requiring only minimal data entry, making it easier for a wide segment of merchants, particularly those in Gaza, to join the platform and cope with the economic impact of the war.
- Development of innovative financial inclusion services such as Free G, which uses USSD technology to allow users to register, use the e-wallet, transfer funds, and make payments without the need for smartphones or internet connectivity.
- Strengthening strategic partnerships and collaboration with leading Palestinian institutions and companies to co-develop joint projects and products that expand service reach and access to a broader customer base, including exploring partnerships to offer international money transfer services globally.
- Enhancing the company's brand visibility and media presence through advertising campaigns, events, and improved communication tools such as social media platforms and the corporate website.
- Automation of internal operations by acquiring modern systems that streamline workflows and internal tasks, thereby improving efficiency and performance.
- Upgrading technical support mechanisms to provide enhanced services to customers and merchants, ensuring a superior user experience.

- Implementation of solutions to address the accumulation of Israeli shekels, including the development of mechanisms to help merchants manage cash flow, facilitating smoother withdrawals and deposits and supporting commercial activity.
- Strengthening collaboration with financial institutions in Palestine to deliver diverse financing services using the latest fintech tools.

During the year 2024

- Signing 80 new agreements with local and international institutions in 2024, bringing the total number of humanitarian aid partners to 150.
- Deployment of 5,120 new POS devices in the West Bank, increasing the total to 18,200 by the end of 2024.
- Signing and integrating 258 new e-commerce platforms, along with connections to accounting system providers and the activation of 292 new POS devices.

Innovative Crisis-Response Solutions

PalPay played a vital role in delivering innovative solutions to mitigate the effects of the cash liquidity crisis in the Gaza Strip. The company primarily relied on e-wallet solutions to receive and disburse humanitarian aid provided by local and international organizations, both cash and in-kind assistance. Approximately 92% of total aid distributed via PalPay's electronic systems was channeled through the e-wallet. This achievement reflects the strong trust placed by local and international partners in PalPay's digital aid distribution system and highlights the company's high efficiency in providing innovative financial solutions tailored to meet individuals' needs amid challenging economic conditions, particularly in Gaza.

Campaigns and Events in 2024

Activities and Events

- Sponsorship of the welcome ceremonies for new students at Birzeit University and An-Najah National University.
- Sponsorship of the closing ceremony of the Student Company Program, part of INJAZ Palestine's initiatives.
- Participation alongside the Palestine Monetary Authority in the "Open Banking Day" events at Palestinian universities, including Birzeit University, the Arab American University, Bethlehem University, Palestine Ahliya University, Al Quds Open University, and A -Quds University in Abu Dis.
- Participation in events supporting national products.

Campaigns

- The "Paperless" Campaign: Simplifies registration in the PalPay's e-wallet app without the need to sign a paper contract at an agent, using the E-KYC (Electronic Know Your Customer) identity verification feature.
- The "Discounts Await You" Campaign: Offers exclusive discounts at retail stores and restaurants when paying via the VISA My Wallet card or QR code.
- The "Internet-Free" Campaign: Enables users to register and access services on PalPay's e-wallet app without requiring an internet connection.

قـدرة
Qudra

Qudra for Renewable Energy Solutions

Maintaining Productivity and Reducing Electricity Imports

Despite the recent economic challenges and the sudden pressures affecting all sectors, Qudra for Renewable Energy Solutions successfully continued the operation of its solar power stations with a total capacity exceeding 15.5 megawatts. This enabled the generation of 26.1 gigawatt-hours of electricity during 2024; a volume sufficient to power over 5,000 residential homes, light industrial facilities, and water wells in the areas where the stations are located.

By sustaining the operation of its plants, Qudra contributed to a reduction in energy purchases from the Israeli Electric Company, thereby lowering the bill for imported electricity. This directly aligns with the company's objectives during the critical period Palestine experienced in the past year - a time whose repercussions continue to affect all economic sectors, not just solar energy.

Qudra's focused efforts in this regard stem from its deep-rooted commitment to its mission and vision, which is centered around producing alternative, locally generated solar energy that meets international standards, ensuring Palestinian households can access electricity without relying on external suppliers.

Key Achievements

- Qudra successfully completed the commissioning of the Qudra–Deir Abu Mishaal Solar Station with a capacity of 8.25 megawatts, in addition to the Jammala Station with a capacity of 7.4 megawatts, finalized at the end of 2023 and the beginning of 2024.
- The company also expanded its impact by installing an additional 1 megawatt for residential, commercial, and industrial projects to support Palestinian citizens in achieving energy independence from Israeli electricity and to help them reduce energy costs, part of the company's broader effort to support the national economy.
- In line with its strong commitment and ongoing pursuit of innovation, Qudra has incorporated some of the latest solar technologies into its projects, including custom-designed solar panels with exceptional efficiency reaching 22.2%. These panels come with warranties of up to 30 years, ensuring performance under the supervision of top global experts. The panels were specifically selected and tailored to meet the needs of the Palestinian market, having been certified by internationally accredited laboratories and the Palestinian Standards Institution for compliance with global solar panel standards.
- In addition, Qudra has integrated cutting-edge control solutions for solar inverters, developed by the company's research and development department. These solutions allow system users to monitor energy production in real time and to control output levels in line with actual consumption, offering high operational flexibility. The company has implemented several projects based on self-consumption models, where electricity is used on-site without exporting surplus energy to the distribution grid.

Strategic Outlook

Qudra continues to closely monitor the significant developments and escalating risks that intensified toward the end of 2024, including the destruction of infrastructure and the targeting of vital services, particularly energy and water, under exceptional wartime conditions. These circumstances have had a direct impact on the Palestinian national economy, reducing the productivity of factories and companies by more than half. This concern stems from the ongoing devastation of Palestine's infrastructure, which has significantly diminished projected output in general, and specifically for the year 2024.

In response to the current situation, Qudra has proactively redirected its focus to be among the first to ease the burden of these challenges by diligently pursuing the expansion of its operations. These efforts have concentrated on residential projects across all areas, with the aim of supporting Palestinian citizens, alleviating their financial strain, and increasing their access to electricity, all of which are needs that cannot be fully met without the provision of alternative energy sources. To counter the recent complications stemming from the war's impact on maritime shipping lanes from the East, where the majority of solar energy equipment is manufactured, Qudra has leveraged its partnerships with a global network of manufacturers to ensure the continued supply of high-quality equipment for ongoing projects. Additionally, the company has introduced specialized solutions to address the lack or damage of electrical infrastructure, most notably by integrating mobile solar energy generation and storage systems. These systems enable Qudra to deliver sustainable and affordable energy to various segments of Palestinian society.

INTERSECT
INNOVATION HUB

Intersect Innovation Hub 2024
A year of milestones and transformational progress

2024 has been a year of transformation for Intersect, demonstrating its commitment to empowering perseverance and growth in Palestine's entrepreneurship and technology ecosystem. Aligned with the unwavering commitment of the Bank of Palestine Group to nurturing innovation and entrepreneurship, Intersect has played a critical role in building a resilient and thriving Palestinian tech ecosystem.

Through strategic partnerships and an expanded scope of activities, Intersect provided critical support to Palestine's tech community, fostering hope amidst the unprecedented war on Gaza and aggression in the West Bank. This impact was largely driven by funding programs like the RISE Palestine and SAFE Palestine initiatives, whose launch was announced by the Chairman of the Bank of Palestine Group, Mr. Hashim Shawa, in his 2023 end-of-year message. Advancing Impact Funds to Support Tech Community Resilience

Advancing Impact Funds to Support Tech Community Resilience

In 2024, Intersect's efforts to safeguard and revive the tech sector in Gaza and the West Bank were driven by action-oriented initiatives and strategic partnerships. Partners included local institutions such as the Palestine Investment Fund (PIF) alongside prominent global investors.

- SAFE Palestine has deployed $2.4M, directly supporting 28 high-growth startups and preserving over 365 jobs.
- RISE Palestine achieved remarkable results by supporting 39 beneficiaries: 14 startups, five companies, and 20 freelancers.

These initiatives showcased Bank of Palestine and Intersects' commitment to supporting Palestinian entrepreneurs as they continued to push boundaries and transform ideas into impactful ventures. Intersect provided the infrastructure, resources, and networks needed to support team retention and ensure operational continuity.

Intersect's ongoing engagement with regional and international partners was key to securing additional funds and resources. Notably, by the end of 2024:

- Orange Corners Innovation Fund (OCIF) awarded Intersect, Bank of Palestine, and Ibtikar Fund €2.2 million to provide startups with grants and zero-interest loans over the next six years.
- The Arab Fund granted Intersect 150,000 Kuwaiti Dinars, which will be used to support RISE Palestine and Intersects' entrepreneurship program.

These investments in hope, resilience, and innovation are vital to the long-term growth of Palestine's tech community.

Furthermore, Intersect established a sponsorship agreement with TAQAT, a Gaza based initiative founded amidst the devastating war in April to provide workspaces that offer connectivity, innovation, and community for freelancers. Since its inception, TAQAT has expanded to three locations in Deir Al-Balah, serving over 330 freelancers. These hubs provide collaborative co-working spaces, high-speed internet, technical training, and inspiring events, fostering global opportunities and technical skills and the ability to stay connected online using Solar and Generated power, to reduce chances of business interruptions. In December, RISE Palestine selection committee approved TAQAT's Urgent Humanitarian Appeal, focusing on installing protective leather sheets which costed 41,000 NIS to overcome the harsh winter conditions - cold winds, rain, and low temperatures disruptions of freelancers community productivity and comfort. In 2025, Intersect will continue to appeal on TAQAT's behalf to fundraise for:

- Enhancing infrastructure at two additional TAQAT locations, including critical upgrades to the solar panel grid, ensuring full operational capacity to power the hubs.
- Provide targeted financial support for freelancers identified by TAQAT who have submitted eligible applications through the RISE Palestine platform.

Developing Entrepreneurship Programs to Empower Tech Startups

Intersect remains a pillar of opportunity for Palestinian entrepreneurs, transforming raw ideas into scalable ventures. Through the STIR incubation program and the newly introduced STEP pre-incubation program, Intersect equips innovators with the mentorship, resources, and networks needed to overcome systemic challenges and to thrive.

STIR program adopted a knowledge-sharing model tailored to early-stage ventures, streamlining key program components: Foundation & Optimization, Product Development, Business Development, and Funding & Scaling. In March, STIR successfully graduated its 4th cohort. Then delivered between April and September its 5th and 6th cohorts, where 10 startups underwent intensive training through 30 group sessions and 93 private mentoring sessions. The cohorts celebrated their success during a Demo Day on October 24, showcasing the achievements of nine startups.

Following this, the STIR7 Selection Bootcamp on October 30-31, Intersect welcomed over 25 aspiring startups. Through workshops and pitching sessions, 15 startups were selected to join the 7th STIR cohort.

Meanwhile, the STEP Pre-incubation Program addressed the need to develop a stronger startup pipeline in Palestine. The program received 225 applications, with 41 participants forming 18 teams. After a two-day ideation bootcamp in August, 10 standout ideas were selected for further development. STEP will continue delivering improved programming in early 2025.

Connecting Palestinian Startups to Global Opportunities

In 2024, Intersect amplified its regional presence through participation in key events, including the STEP Conference, Expand North Star, LEAP, and the MENA ICT Forum. These platforms provided opportunities to showcase Palestinian innovation and foster regional and global partnerships.

At the STEP Conference in Dubai, Intersect's high-profile panel, "Tech Resilience: Palestine's Innovation and Startups State," explored challenges and pathways for growth. The discussion featured key ecosystem leaders, generating visibility for Palestinian startups.

At LEAP 2024 in Riyadh, Intersect co-hosted an exhibition at the Palestinian Pavilion, spotlighting Thrivetk and strengthening connections with stakeholders, including Falak Investment Hub and AstroLabs.

From October 13-16, Intersect led 18 Palestinian startups at GITEX Expand North Star in Dubai, showcasing innovations in AI, e-commerce, and more under the theme "Expand Palestinian Innovation". The pavilion featured a symbolic olive tree, blending cultural identity with technological advancement.

Bridging Palestinian Talent with Global Markets

Intersect's role in connecting local talent with global opportunities is anchored in initiatives like LINK Insourcing, Palestine Launchpad with Google (PLwG), and the Entrepreneurship Support Professionals Network (ESP). These programs provide training, mentorship, and job placement support, helping Palestinian professionals secure international opportunities.

The LINK Insourcing Solution offers end-to-end solutions, including talent sourcing, recruitment, onboarding, HR support, and fully equipped workspaces with modern IT tools and high-speed internet. By bridging demand with opportunity, LINK enables businesses to enhance their operations while creating employment opportunities for Palestinian professionals, fostering innovation and resilience within the local tech ecosystem.

A Collective Vision for Resilience and Growth

Intersect's achievements in 2024 were made possible through the collective support of partners, investors, and mentors. Together, we will continue empowering Palestinian startups to thrive, scale, and contribute to global innovation.

INNOVATION HUB

IBTIKAR FUND

Bank of Palestine takes great pride in being a founding investor in Ibtikar Fund, alongside a distinguished group of partners. As a key strategic ally, the Bank is deeply committed to advancing the Fund's mission of fostering meaningful connections between entrepreneurs and the Fund's portfolio companies, with the aim of catalyzing the growth of the entrepreneurship and digital technology sector in Palestine.

Ibtikar Fund aspires to make a transformative impact on the Palestinian entrepreneurial ecosystem by investing in high-potential Palestinian startups in the digital tech space. The Fund provides not only capital, but also practical support to help these companies scale their operations locally and internationally. Additionally, Ibtikar plays a critical role in bridging a significant funding gap that exists between acceleration stages and later-stage venture capital investors.

Key Achievements in 2024

- In 2024, Ibtikar Fund announced the successful closing of its second venture capital fund at $25 million - a major milestone in its mission to fuel economic growth by investing in Palestinian tech startups. This new phase was marked by the European Bank for Reconstruction and Development (EBRD) joining as an investment partner, marking its first investment in the fund and underscoring growing confidence in Palestine's entrepreneurial potential.
- Ibtikar Fund II aims to invest in up to 25 early-stage, technology-driven startups, with a focus on sectors such as artificial intelligence, e-commerce, and fintech. Through a portfolio centered on scalable businesses, the fund enables Palestinian startups to grow regionally and globally, addressing a critical early-stage capital gap in the region.
- In 2024, Ibtikar invested in five new startups: Nabeeh, SellEnvo, Tzkrt, Podeo, and Mental. The fund also succeeded in attracting additional regional investments to its existing portfolio.
- The companies supported by Ibtikar's portfolio have created over 570 high-skilled jobs, with 50% of these positions held by youth under the age of 30, and 40% by women.
- Ibtikar's portfolio spans a variety of sectors, including fintech, martech, e-commerce, real estate, and health and safety. These companies have expanded their sales operations beyond Palestine into markets across the Middle East, as well as North Africa, Europe, Latin America, and the United States.

116

Financial Statements

BANK OF PALESTINE P.L.C

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024

EY
Shape the future with confidence

ERNST & YOUNG – MIDDLE EAST
(PALESTINE BRANCH)
P.O. Box 1373
PADICO House Building, 7th Floor
Al-Masyoun, Ramallah
State of Palestine

Tel: +972 2 242 1011
Fax: +972 2 242 2324
ramallah.office@ps.ey.com
https://www.ey.com

C.R. No. 562201038

Independent Auditor's Report

To the Shareholders of Bank of Palestine P.L.C

Qualified 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, 2024, 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 information about material accounting policies and information.

In our opinion, except for the potential effects of the matters described in the paragraph of the basis for the qualified opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at December 31, 2024, and its financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) .

Basis for the Qualified Opinion

The Bank disclosed its gross total exposures in Gaza Strip and the related impairment provisions and the net book value of these exposures in Note (54) to the consolidated financial statements. These provisions have been calculated by management according to its best estimates which is based on the latest available information in light of the state of uncertainty beyond management's control due to the consequences of the war on Gaza Strip. As a result, we were unable to obtain sufficient audit evidence of the provisions recorded against the bank's assets in Gaza Strip as of December 31, 2024. Consequently, we were unable to determine whether it was necessary to make any adjustments to the consolidated statement of financial position as of December 31, 2024 as well as the consolidated income statement for the year then ended. The audit report on the consolidated financial statements for the year ending December 31, 2023, was qualified for the same reason.

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 (IESBA Code) (including International Independence Standards), 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 qualified opinion.

Key Audit Matters

In addition to the matters described in the basis for the qualified opinion paragraph, we have identified the following issues as the key audit matters to be disclosed in our report. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current year. 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 consolidated financial statements.

Shape the future with confidence

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**
The process of estimating the expected credit losses of customers' receivables and credit facilities and Islamic financing in accordance with IFRS (9) is important, complex and requires a lot of diligence. IFRS (9) requires the use of the ECL model, which requires the Bank's management to use many assumptions and estimates on determining both the timing and value of expected credit losses, in addition to applying diligence to determine the inputs to the impairment measurement process, including the valuation of collateral and the determination of the date of default. Due to the importance of the provisions applied in IFRS (9) and credit exposures that form a major part of the Bank's assets, expected credit losses are considered as key audit matter. As at December 31, 2024, the Bank's gross direct credit facilities and Islamic financing amounted to U.S. $ 4,188,586,938 and the provision of expected credit losses amounted to U.S. $ 324,028,640. Accounting policies estimates and significant accounting judgments, disclosures of the ECL, and credit risk management are detailed in notes (3, 8, 48 and 54) to the consolidated financial statements.	Our audit procedures included assessing the controls on procedures for granting, recording and monitoring receivables and credit facilities and Islamic 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 payables and direct credit facilities, and required provisions against them. Our procedures for testing controls also included assessing whether key controls, in the aforementioned processes had been designed, applied and effectively implemented; in addition to performing the following assessment procedures: – The Bank's policies related to the ECL provision in accordance with IFRS (9). – Key assumptions and judgments related to the material increase in credit risk, the definition of default, and the use of macroeconomic inputs to verify that the ECL amounts recorded reflect the underlying credit quality and macroeconomic trends. – The appropriateness of the Bank's staging. – The appropriateness of determining Exposure at Default (EAD), including the consideration of the cash flows repayments and the resultant arithmetical calculations. – The appropriateness of the Probability of Defaults (PD), Exposure at Default (EAD) and Loss Given Defaults (LGD) used for different exposures at different stages. – The appropriateness and objectivity of the internal evaluation of credit facilities. – The accuracy and appropriateness of ECL calculation process – Credit facilities transferred between stages, and the determination basis of significant increase in credit facilities and financing risk in regard to timely identification with a significant deterioration in credit quality. – ECL calculation for credit facilities determined to be individually impaired. We also obtained an understanding of the latest developments in estimated future cash flows, current financial position and any rescheduling or restructuring agreements. – Procedures followed for collaterals valuation in accordance with the evaluation policies of the Bank. – Assessed the adequacy of the disclosures to the consolidated financial statements to ensure compliance with IFRS (9). – With regard to the future assumptions used by the Bank to calculate ECL, we have discussed these assumptions with management and we have compared these assumptions with the available information.

Shape the future with confidence

Other information included in the Bank's 2024 Annual Report

Other information consists of the information included in the Bank's 2024 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2024 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 Accounting standards, 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.

EY

Shape the future with confidence

- 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.
- Plan and perform the Bank audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Bank as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the Bank 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, 2024 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

Abdelkarim M.
Ernst + Young

Abdelkarim Mahmoud
License # 101/2017

April 30, 2025
Ramallah – Palestine

Consolidated Statement of Financial Position
As at December 31, 2024

	Notes	2024 U.S. $	2023 U.S. $
ASSETS			
Cash and balances with Palestine Monetary Authority	5	2,236,071,862	1,787,611,742
Balances, deposits and investments at banks and financial institutions	6	1,719,713,863	1,005,207,710
Financial assets at fair value through profit or loss	7	5,445,800	7,793,301
Direct credit facilities and Islamic financing, net	8	3,842,640,449	3,839,008,227
Financial assets at fair value through other comprehensive income	9	63,636,115	60,898,466
Financial assets at amortized cost	10	195,345,429	159,354,233
Investment in associates and a joint venture	11	12,011,817	11,858,121
Investment properties	12	40,676,948	24,776,440
Property, plant and equipment and right of use assets	13	119,181,208	102,657,226
Deferred tax assets	26	52,098,683	29,084,742
Projects in progress	14	1,352,535	2,268,294
Intangible assets	15	14,388,305	14,735,600
Other assets	16	57,510,684	80,806,646
Total assets		8,360,073,698	7,126,060,748
LIABILITIES AND EQUITY			
Liabilities			
Palestine Monetary Authority's deposits	17	241,791,321	203,422,416
Banks and financial institutions' deposits	18	111,077,678	204,538,769
Customers' deposits	19	6,714,389,212	5,478,560,065
Cash margins	20	275,219,509	329,167,229
Subordinated loans	21	60,000,000	45,000,000
Loans and borrowings	22	104,927,195	74,045,601
Istidama loans from Palestine Monetary Authority	23	48,446,863	23,405,534
Deferred tax liabilities	26	4,135,563	2,686,546
Lease liabilities	24	19,193,970	27,094,674
Sundry provisions	25	59,702,555	53,091,860
Taxes provisions	26	-	21,960,224
Other liabilities	27	147,587,439	102,727,448
Total liabilities		7,786,471,305	6,565,700,366
Equity			
Paid-in share capital	1	260,559,617	230,677,334
Additional paid-in capital	28	44,743,409	29,575,688
Perpetual bonds	29	30,000,000	30,000,000
Statutory reserve	30	69,285,414	69,285,414
Voluntarily reserve	30	246,361	246,361
General banking risks reserve	30	8,374,676	8,374,676
Pro-cyclicality reserve	30	40,000,000	40,000,000
Fair value reserve	9	(2,214,932)	(106,169)
Retained earnings		55,584,071	86,452,694
Equity attributable to the Bank's shareholders		506,578,616	494,505,998
Non-controlling interests	4	67,023,777	65,854,384
Total equity		573,602,393	560,360,382
Total liabilities and equity		8,360,073,698	7,126,060,748

The accompanying notes from 1 to 56 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended December 31, 2024

	Notes	2024 U.S. $	2023 U.S. $
Interest income	32	261,103,916	228,394,210
Interest expense	33	(46,317,418)	(37,566,523)
Net interest income		214,786,498	190,827,687
Net financing and investment income	34	59,934,728	61,077,325
Net commissions income	35	31,164,485	38,099,503
Net interest, financing, investment and commissions income		305,885,711	290,004,515
Foreign currency gains		33,920,602	26,709,780
Net gains from financial assets portfolio	36	1,688,461	2,627,960
Bank's share of results of associates and a joint venture	11	153,696	177,013
Other revenues, net	37	12,342,311	8,284,544
Gross profit before expected credit losses provisions and other losses		353,990,781	327,803,812
Provision for expected credit losses on direct credit facilities and Islamic financing, net	8	(87,661,411)	(99,711,340)
Provision for expected credit losses on investments, indirect credit facilities and Islamic financing, other receivables, and other assets losses, net	40	(138,851,186)	(36,000,828)
Gross profit		127,478,184	192,091,644
Expenses			
Personnel expenses	38	(85,644,404)	(88,436,910)
Other operating expenses	39	(69,690,123)	(67,667,316)
Depreciation and amortization	13 & 15	(17,614,235)	(17,991,164)
Palestine Monetary Authority's fines	41	-	(60,000)
Total expenses		(172,948,762)	(174,155,390)
(Loss) Profit before taxes		(45,470,578)	17,936,254
Taxes benefit (expense)	26	17,559,122	(1,445,740)
(Loss) Profit for the year		(27,911,456)	16,490,514
Attributable to:			
Equity holders of the Bank		(28,901,957)	13,105,203
Non-controlling interests	4	990,501	3,385,311
		(27,911,456)	16,490,514
Basic and diluted (losses) earnings per share attributable to equity holders of the Bank	43	(0.13)	0.04

The accompanying notes from 1 to 56 are an integral part of these consolidated financial statements.

Bank of Palestine P.L.C

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2024

	Note	2024 U.S. $	2023 U.S. $
(Loss) Profit for the year		(27,911,456)	16,490,514
Items of other comprehensive income:			
Items not to be reclassified to the consolidated income statement in subsequent periods:			
Change in fair value of financial assets through other comprehensive income items		(1,929,871)	(3,484,624)
Other comprehensive income items for the year		(1,929,871)	(3,484,624)
Total comprehensive income for the year		(29,841,327)	13,005,890
Attributable to:			
Equity holders of the Bank		(31,010,720)	9,654,379
Non-controlling Interests	4	1,169,393	3,351,511
		(29,841,327)	13,005,890

The accompanying notes from 1 to 56 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
For the year ended December 31, 2024

	Equity attributable to the Bank's shareholders											
				Reserves								
	Paid-in share capital	Additional paid-in capital	Perpetual bond	Statutory	Voluntarily	General banking risks	Pro-cyclicality	Fair value	Retained earnings	Equity holders of the Bank	Non-controlling interests	Total equity
2024	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	230,677,334	29,575,688	30,000,000	69,285,414	246,361	8,374,676	40,000,000	(106,169)	86,452,694	494,505,998	65,854,384	560,360,382
Loss for the year	-	-	-	-	-	-	-	-	(28,901,957)	(28,901,957)	990,501	(27,911,456)
Other comprehensive income	-	-	-	-	-	-	-	(2,108,763)	-	(2,108,763)	178,892	(1,929,871)
Total comprehensive income for the year	-	-	-	-	-	-	-	(2,108,763)	(28,901,957)	(31,010,720)	1,169,393	(29,841,327)
Increase of the paid-in capital (note 1 & 28)	29,882,283	15,167,721	-	-	-	-	-	-	-	45,050,004	-	45,050,004
Interest on perpetual bond (note 29)	-	-	-	-	-	-	-	-	(1,966,666)	(1,966,666)	-	(1,966,666)
Balance, end of the year	260,559,617	44,743,409	30,000,000	69,285,414	246,361	8,374,676	40,000,000	(2,214,932)	55,584,071	506,578,616	67,023,777	573,602,393

	Equity attributable to the Bank's shareholders											
				Reserves								
	Paid-in share capital	Additional paid-in capital	Perpetual bond	Statutory	Voluntarily	General banking risks	Pro-cyclicality	Fair value	Retained earnings	Equity holders of the Bank	Non-controlling interests	Total equity
2023	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	223,958,577	29,575,688	-	67,974,894	246,361	8,374,676	40,000,000	3,344,655	107,929,885	481,404,736	64,517,885	545,922,621
Profit for the year	-	-	-	-	-	-	-	-	13,105,203	13,105,203	3,385,311	16,490,514
Other comprehensive income	-	-	-	-	-	-	-	(3,450,824)	-	(3,450,824)	(33,800)	(3,484,624)
Total comprehensive income for the year	-	-	-	-	-	-	-	(3,450,824)	13,105,203	9,654,379	3,351,511	13,005,890
Transfers to reserves	-	-	-	1,310,520	-	-	-	-	(1,310,520)	-	-	-
Issuance of perpetual bond (note 29)	-	-	30,000,000	-	-	-	-	-	-	30,000,000	-	30,000,000
Interest on perpetual bond (note 29)	-	-	-	-	-	-	-	-	(3,711,667)	(3,711,667)	-	(3,711,667)
Perpetual bond issuance fees	-	-	-	-	-	-	-	-	(450,000)	(450,000)	-	(450,000)
Cash dividends (note 31)	-	-	-	-	-	-	-	-	(22,395,858)	(22,395,858)	(2,015,012)	(24,410,870)
Stock dividends (note 31)	6,718,757	-	-	-	-	-	-	-	(6,718,757)	-	-	-
Fractions of stocks	-	-	-	-	-	-	-	-	4,408	4,408	-	4,408
Balance, end of the year	230,677,334	29,575,688	30,000,000	69,285,414	246,361	8,374,676	40,000,000	(106,169)	86,452,694	494,505,998	65,854,384	560,360,382

The accompanying notes from 1 to 56 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
For the year ended December 31, 2024

	Note	2024 U.S. $	2023 U.S. $
Operating activities			
(Loss) Profit for the year before taxes		(45,470,578)	17,936,254
Adjustments for:			
Depreciation and amortization		17,614,235	17,991,164
Net gains from financial assets portfolio		(1,688,461)	(2,627,960)
Finance cost on lease liabilities		663,397	734,199
Provision for expected credit losses on direct credit facilities and Islamic financing, net		87,661,411	99,711,340
Provision for expected credit losses on investments, indirect credit facilities and Islamic financing, other receivables, and other assets impairments, net		1,075,466	4,698,094
Sundry provisions		8,718,161	10,735,198
Gain from valuation of investment properties, net		(2,067,904)	(181,533)
Bank's share of results of associates and a joint venture		(153,696)	(177,013)
Gains from disposal of property, plant and equipment, right of use assets, and intangible assets		(901,056)	(158,897)
Other non-cash items		(2,517,748)	(2,051,715)
		62,933,227	146,609,131
Changes in assets and liabilities:			
Direct credit facilities and Islamic financing		(129,788,200)	(366,518,702)
Statutory cash reserve		(113,106,641)	(28,748,693)
Other assets		24,566,470	(31,825,496)
Customers' deposits		1,235,829,147	511,946,710
Istidama loans from Palestine Monetary Authority		25,041,329	(8,705,080)
Cash margins		(53,947,720)	29,056,742
Other liabilities		43,635,914	4,203,444
Net cash flows from operating activities before taxes and paid provisions		1,095,163,526	256,018,056
Taxes and advances payments		(27,602,927)	(39,820,380)
Sundry provision payments		(2,107,466)	(9,998,835)
Net cash flows from operating activities		1,065,453,133	206,198,841
Investing activities			
Purchase of financial assets at fair value through other comprehensive income		(4,714,328)	(4,956,860)
Purchase of financial assets at fair value through profit or loss		(264,637)	(612,145)
Sale of financial assets at fair value through other comprehensive income		-	100,000
Sale of financial assets at fair value through profit or loss		2,264,674	1,966,459
Purchase of financial assets at amortized cost		(319,317,576)	(54,844,119)
Matured financial assets at amortized cost		285,617,918	137,486,396
Deposits at banks and financial institutions maturing in more than three months		(383,832,158)	(23,462,624)
Changes in restricted balances of withdrawal		(834,132)	916,346
Palestine Monetary Authority deposits maturing in more than three months		25,120,639	(34,431,677)
Banks and financial institutions' deposits maturing in more than three months		-	(2,932,086)
Investments management commission		(570,230)	(465,081)
Stock dividends received		2,659,923	3,429,455
Purchase of intangible assets		(2,074,504)	(2,095,721)
Projects in progress		(1,790,321)	(2,680,035)
Purchase of investment properties		-	(1,810,165)
Purchase of property, plant and equipment		(7,934,642)	(7,363,143)
Proceeds from sale of property, plant and equipment		196,714	305,255
Net cash flows (used in) from investing activities		(405,472,660)	8,550,255
Financing activities			
Payments of Lease liabilities		(4,818,458)	(5,234,582)
Increase in paid-in capital, net of issuance fees		45,050,004	-
Subordinated loan payment		(15,000,000)	(15,000,000)
Withdrawal of a subordinated loan		30,000,000	-
Cash dividends paid		(286,396)	(23,768,316)
Repayment of loans and borrowings		(15,107,343)	(8,981,042)
Withdrawal of loans and borrowings		46,500,000	5,000,000
Interest paid on perpetual bond		(1,978,304)	(3,529,777)
Issuance of perpetual bond, net of issuance fees		-	29,550,000
Fractions of stock dividends sold		-	4,408
Net cash flows from (used in) financing activities		84,359,503	(21,959,309)
Increase in cash and cash equivalents		744,339,976	192,789,787
Cash and cash equivalents, beginning of the year		1,809,209,490	1,616,419,703
Cash and cash equivalents, end of the year	42	2,553,549,466	1,809,209,490
Interest expense paid		53,648,359	44,128,941
Interest revenue received		282,832,581	211,019,908

The accompanying notes from 1 to 56 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements
December 31, 2024

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.

The authorized capital of the Bank consists of 300 million shares with a par value of U.S. $ 1 per share, after it was increased from 250 million shares according to the decision of the extraordinary general assembly, which was held on April 5, 2023. During its ordinary meeting held on April 19, 2022, the general assembly approved increasing the Bank's paid-in share capital by U.S. $ 6,525,050 through stock dividends, increasing the paid-in share capital of the Bank to U.S. $ 223,958,577 as at December 31, 2022. Additionally, during its ordinary meeting held on April 5, 2023, the general assembly approved increasing the Bank's paid-in capital by U.S. $ 6,718,757 through stock dividends, increasing the paid-in capital of the Bank to U.S. $ 230,677,334 as at December 31, 2023. In 2024, the Bank signed an agreement with both the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD), whereby both will invest a total of 22,597,516 shares in the Bank through a private share issuance. The bank also signed agreements with the Arab Palestinian Investment Company and Aswaq for Investment Portfolios, resulting in an investment of 7,284,767 shares in the Bank through a private share issuance, As a result, the Bank's paid-in capital reached $260,559,617 as of December 31, 2024.

One of the most important objectives of the Bank is to carry out all of the banking activities including opening current accounts, letters of credit, accepting deposits and lending money through its branches spread in Palestine, which consists of (29) branches and (40) offices and one electronic office, as well as an external representative office of the bank in Dubai, United Arab Emirates. The Bank will open a representative office in Egypt after obtaining the necessary approvals from the official authorities.

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

Bank of Palestine has been classified as a systematically important bank at the local level in accordance with the general framework for banks of systemic importance approved by the Board of Directors of Palestine Monetary Authority (PMA).

The Bank's personnel (headquarters and branches) reached (1,835) employees and (1,790) employees as at December 31, 2024 and 2023, respectively. The subsidiaries' personnel reached (818) employees against (782) employees as at December 31, 2024 and 2023, respectively.

The consolidated financial statements were authorized for issuance by the Bank's Board of Directors during their meeting No. (02/2025) dated March 20, 2025.

2. Consolidated Financial Statements

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at December 31, 2024 and 2023.

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

	Country of incorporation and operations	Ownership %		Paid-in capital U.S. $	
		2024	2023	2024	2023
Arab Islamic Bank*	Palestine	52.06	52.06	101,119,252	101,119,252
Al-Wasata Securities Company	Palestine	100	100	5,000,000	5,000,000
PalPay Company**	Palestine	85	85	1,500,000	1,500,000
2000 Company	Palestine	100	100	100,000	100,000

* The ordinary general assembly of the Arab Islamic Bank, in its meeting held on March 28, 2023, decided to capitalize the amount of U.S. $4,900,000 from retained earnings and included it to the capital base and distribute stock dividends to shareholders bringing the authorized and paid-in capital to U.S. $ 101,119,252 as at December 31, 2024.

** 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.

Moreover, The ordinary general assembly of PalPay, decided in its meeting held on October 5, 2023, to distribute dividends in the amount of U.S. $ 650,000. The non-controlling interest's share of dividends amounted to U.S $97,500.

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

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

3. Basis of preparation and Accounting Policies

3.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs)- Accounting Standards ,Standards, 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, financial assets at fair value through other comprehensive income, financial derivatives and investment properties that have been measured at fair value at the date of the 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, 2024 and 2023. 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.

When the Bank's ownership percentage in the invested company's capital is less than the majority, the Bank shall take into account all the facts and circumstances to assess whether control has been achieved over the investee company which includes the following:

- Contractual agreements with other shareholders of the investee company
- Rights resulting from other contractual agreements
- Bank voting rights and potential voting rights

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.

Profits or losses and each other item of other comprehensive income are charged to the shareholders' equity in the parent company and the rights of non-controlling interest, even if this results in a deficit in the rights balance of non-controlling interest. If necessary, the financial statements of the subsidiaries are amended to align their accounting policies with the accounting policies of the Bank. All assets, liabilities, equity, income and expenses, profit and loss and dividends related to transactions between the Bank and its subsidiaries are excluded.

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 policies

The accounting policies used in the preparation of the consolidated financial statements of the Bank are consistent with those used in the preparation of the annual consolidated financial statements for the prior year, except for the adoption of some amendments on the standards effective as of January 1, 2024shown below:

Amendments to IFRS (16): Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS (16) to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

The amendments have been applied retrospectively from January 1, 2024, for sale and leaseback transactions entered into after the date of initial application of IFRS (16).

The amendments had no material impact on the Bank's consolidated financial statements.

Amendments to IAS (1): Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS (1) to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments have been applied retrospectively from January 1, 2024 . The Bank is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

The amendments had no material impact on the Bank's consolidated financial statements.

Supplier Finance Arrangements - Amendments to IAS (7) and IFRS (7)

In May 2023, the IASB issued amendments to IAS (7) Statement of Cash Flows and IFRS (7) Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments have been applied effective January 1, 2024.

The amendments had no material impact on the Bank's consolidated financial statements.

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

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

IFRS 18 Presentation and Disclosure in Financial Statements

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

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

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

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

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

IFRS 19 Subsidiaries without Public Accountability: Disclosures

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

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

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

Lack of exchangeability – Amendments to IAS 21

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

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

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

Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7

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

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

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

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

3.5 Material Accounting Policy Information

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 commission 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 assets at amortized cost

They are the financial assets that the Bank's management aims, according to its business model, to keep in order to collect contractual cash flows, which are represented by payments of principal and interest on the outstanding debt balance.

Financial assets are recognized upon purchase at cost plus acquisition expenses, and the premium/discount is amortized using the effective interest method, debited to or credited on the interest account, and any provisions resulting from impairment are deducted according to the calculation of the expected credit loss, and the expected credit loss is recorded in the consolidated income statement.

The amount of impairment in the value of financial assets at amortized cost represents the expected credit loss for financial assets at amortized cost.

It is not permissible to reclassify any financial assets from / to this item except in the cases specified in the International Financial Reporting Standards (and in the event that any of these assets is sold before its maturity date, the result of the sale is recorded in the consolidated income statement in a separate line item and disclosed in accordance with the requirements of the reporting standards international finance in particular).

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.

The calculation of ECLs

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.

Perpetual bond

A perpetual bond is a subordinated bond that is not backed by a guarantee and is classified as an equity item in accordance with International Accounting Standard IAS (32): Financial Instruments - Presentation. Interest payments related to these bonds may be canceled (in whole or in part) in accordance with the Bank's decision on the basis that the interest is not accumulating. Any cancellation will not be considered a delay in payment. Interest payments are treated as a reduction in equity and appear among other changes in the statement of changes in equity. These bonds do not have a maturity date and can be called (in whole or in part) at the nominal value according to the Bank's choice on the call date and on each interest payment date thereafter. These bonds appear at the original issued value and no amendments are made to them unless they are called in whole or in part, in which case they are reduced by the value of the amounts paid.

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.

In the event that the Bank loses influence over the associate, it shows the remaining investment at fair value. Any differences between the book value of the associate and the fair value of the remaining investment and the proceeds from the sale at the date of loss of effective influence are recorded in the consolidated income statement.

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investment in joint ventures is accounted for using the equity method. Under the equity method, investments in joint ventures appear in the consolidated statement of financial position at cost plus the subsequent changes in the Bank's share in the joint ventures net assets. Goodwill resulting from the purchase of joint ventures is recorded as part of the carrying value of the investment and is neither amortized nor individually tested for impairment.

The Bank's share in the operations of the joint ventures is recorded in the consolidated income statement. Unrealised profits and losses resulting from transactions between the Bank and the joint ventures are eliminated to the extent of the Bank's share in the joint ventures.

The financial statements for the joint ventures are prepared for the same reporting period as the Bank, using consistent accounting policies for transactions of similar nature. At the date of the consolidated financial statements, the Bank determines whether there is objective evidence indicating impairment in the value of the joint ventures. If such evidence exists, the Bank measures the impairment by deducting the carrying value of the investment from the expected recoverable amount and 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.

Investment 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.

Investment properties are derecognized when they are no longer in use and no future economic benefits are expected from their sale. The difference between the proceeds from the disposal of the asset and the book value is recorded in the consolidated income statement in the disposal period.

Transfers are made to or from investment properties only when there is a change in use. When transferring from investments properties to property, plant and equipment that is used by the Bank, the cost of the properties transferred for use is its book value on the date of transfer. If the property, plant and equipment is converted into investment properties, the Bank continues to use the accounting policies for property, plant and equipment until the date of the change in use.

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

<u>Hedging of net investment in foreign units:</u> 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.

Deferred tax assets and deferred tax liabilities are offset and the net amount is shown in the consolidated financial statements only when binding legal rights are available, as well as when they are settled on the basis of an offset, or the assets are realized and the liabilities are settled at the same time.

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).

Dividends

The Bank recognizes liabilities in exchange for the cash dividends approved by the Bank's shareholders at the general assembly meeting, and this amount is recognized in the consolidated statement of changes in equity.

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 48)
- 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.

Provisions for other financial assets

Provisions on other financial assets are calculated according to management's best estimates so that their value is determined reasonably and objectively.

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.

The deferred tax assets are calculated on the stage one and two expected credit losses balances related to direct credit facilities in addition to end-of-service provision balance, while the deferred tax liabilities are calculated on the gains from the revaluation of investment properties. These deferred taxes were recorded due to the presence of temporary time differences as at the date of the consolidated statement of financial position. Deferred taxes are recognized to the extent that it is probable that taxable profit will be available against which they can be utilized. This requires significant management judgment to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable earnings, along with future tax planning strategies.

The Bank used the expected value method to calculate the tax base for deferred tax assets, which represents the sum of the weighted amounts of several possibilities within the range of a number of possible outcomes, because this method helps better in the case of uncertainty if there is a group of possible outcomes that are neither binary nor concentrated in one value, Therefore, deferred tax assets were not fully recognized. Has the Bank recognized all unrecognized deferred tax assets, the Bank's profits and equity would be increased by U.S. $17 million.

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.

Investment 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.

Going concern principle
These consolidated financial statements have been prepared on a going concern basis. The Board of Directors believes that all available measures are being taken to maintain the Bank's continuity and to continue the operations in the current business environment and economic conditions as indicated in note (56), noting that the majority of the Bank's business, revenues and cash flows are achieved in the West Bank.

Climate-related matters
The Bank considers climate-related matters in estimates and assumptions, where appropriate. This assessment includes a wide range of possible impacts on the Bank due to both physical and transition risks. Even though the Bank believes its business model and products will still be viable after the transition to a low-carbon economy, climate-related matters increase the uncertainty in estimates and assumptions underpinning several items in the financial statements. Even though climate-related risks might not currently have a significant impact on measurement, the Bank is closely monitoring relevant changes and developments, The items and considerations most directly affected by climate matters include the useful life of property, plant and equipment, impairment of non-financial assets, expected credit losses, fair value measurement, among others.

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 partially 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	2024 %	2023 %
Arab Islamic Bank	Palestine	47.94	47.94
PalPay	Palestine	15	15

Balances of non-controlling interests of the material subsidiaries:

	2024 U.S. $	2023 U.S. $
Arab Islamic Bank	66,891,376	65,600,022
PalPay	132,401	254,362
	67,023,777	65,854,384

Profit/(Loss) allocated to non-controlling interest of the material subsidiaries:

	2024 U.S. $	2023 U.S. $
Arab Islamic Bank	1,112,462	3,397,004
PalPay	(121,961)	(11,693)
	990,501	3,385,311
Share of non-controlling interest in comprehensive income items	178,892	(33,800)
	1,169,393	3,351,511

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, 2024:

	Arab Islamic Bank U.S. $	PalPay U.S. $
Total assets	1,708,402,875	37,771,210
Total liabilities	(1,565,508,906)	(34,230,788)
Total equity	142,893,969	3,540,422
Attributable to:		
Bank's shareholders	76,002,593	3,408,021
Non-controlling interests	66,891,376	132,401
	142,893,969	3,540,422

Summarized statement of financial position information as at December 31, 2023:

	Arab Islamic Bank U.S. $	PalPay U.S. $
Total assets	1,738,370,083	7,923,583
Total liabilities	(1,597,366,185)	(4,533,033)
Total equity	141,003,898	3,390,550
Attributable to:		
Bank's shareholders	75,403,876	3,136,188
Non-controlling interests	65,600,022	254,362
	141,003,898	3,390,550

Summarized income statement information for the year ended December 31, 2024:

	Arab Islamic Bank	PalPay
	U.S. $	U.S. $
Revenues	83,699,205	11,780,122
General and administrative expenses	(49,048,063)	(11,065,373)
Depreciation and amortization	(4,710,122)	(251,640)
Provision for expected credit losses on investments, facilities, and indirect credit financing, net	(32,179,868)	-
Other revenues	1,313,955	-
(Loss) Profit before tax	(924,893)	463,109
Income tax (recovery) expense	2,046,629	(72,000)
Profit of the year	1,121,736	391,109
Other comprehensive income items of the year	768,335	-
Total comprehensive income of the year	1,890,071	391,109

Summarized income statement information for the year ended December 31, 2023:

	Arab Islamic Bank	PalPay
	U.S. $	U.S. $
Revenues	83,875,576	14,118,102
General and administrative expenses	(48,625,753)	(12,879,587)
Depreciation and amortization	(4,656,339)	(269,423)
Provision for expected credit losses on investments, facilities, and indirect credit financing, net	(25,027,436)	(27,453)
Other revenues	992,068	1,567
Profit before tax	6,558,116	943,206
Income tax	(1,038,410)	(203,416)
Profit of the year	5,519,706	739,790
Other comprehensive income items of the year	200,655	-
Total comprehensive income of the year	5,720,361	739,790

Summarized statement of cash flows information for the year ended December 31, 2024:

	Arab Islamic Bank	PalPay
	U.S. $	U.S. $
Operating activities	(26,176,940)	30,215,914
Investing activities	2,625,794	(185,240)
Financing activities	16,177,600	(37,918)
(Decrease) Increase in cash and cash equivalents	(7,373,546)	29,992,756

Summarized statement of cash flows information for the year ended December 31, 2023:

	Arab Islamic Bank	PalPay
	U.S. $	U.S. $
Operating activities	(32,396,364)	1,917,146
Investing activities	(12,942,159)	(308,996)
Financing activities	(35,712,212)	(52,174)
(Decrease) Increase in cash and cash equivalents	(81,050,735)	1,555,976

5. Cash and balances with Palestine Monetary Authority

This item comprises the following:

	2024	2023
	U.S. $	U.S. $
Cash on hand *	1,590,121,769	1,193,564,220
Balances with Palestine Monetary Authority:		
Current and On-demand accounts	15,500,880	49,210,088
Swap deposits maturing within 3 months or less	-	27,600,000
Statutory cash reserve	632,351,357	519,244,716
	2,237,974,006	1,789,619,024
Less: provision for expected credit losses	(1,902,144)	(2,007,282)
	2,236,071,862	1,787,611,742

* This item is presented net of incurred cash losses due to the war on Gaza for the Bank and its subsidiary amounted to U.S. $ 170,423,063 (note 54). During the period, the Bank and its subsidiary (Arab Islamic Bank) recorded U.S. $ 137,775,720 as cash losses due to the war (note 40). Additionally, the Bank recorded an amount of U.S. $ 31,302,734 as cash losses due to the war in 2023.

- The cash on hand item includes an amount of U.S. $ 444,944,283 held by the Palestinian Monetary Authority in its vaults.
- This item includes amounts held by The Palestinian Company for Money and Valuables Transfer (Aman) (Associate) related to ATM feeding for the Bank and the Arab Islamic Bank (a subsidiary) which amounted to U.S. $ 21,455,700 and U.S. $ 17,685,014 as at December 31, 2024 and December 31, 2023, respectively.
- According to Monetary Authority's instructions No. (10) of 2022 regarding the statutory cash reserve, the Bank should maintain a restricted-withdrawal compulsory reserve balance with Monetary Authority at 9% of the deposits included in the mandatory cash reserve pool, in addition to 100% of the dormant balances. A percentage of 20% of this reserve is allocated to meet the results of clearing and settlements under the name "Settlement Reserve". The Bank may not dispose of the mandatory cash reserve with Monetary Authority, with the exception of the settlement reserve, which the Bank is allowed to exploit in accordance with the instructions in force. In accordance with Instruction No. (2) for the year 2012, the outstanding balance for facilities granted in the city of Jerusalem for certain sectors is reduced before calculating the mandatory cash reserve.
- The Palestine Monetary Authority does not pay any interest on the balances of the statutory cash reserve, current accounts and on-demand accounts.

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

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

	2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	521,181,395	-	-	521,181,395
Net change during the year	74,873,409	-	-	74,873,409
Balance, end of the year	596,054,804	-	-	596,054,804

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

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

	2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	1,870,759	-	-	1,870,759
Net re-measurement of expected credit losses	136,523	-	-	136,523
Balance, end of the year	2,007,282	-	-	2,007,282

6. Balances, deposits and investments at Banks and financial institutions

This item comprises the following:

	2024	2023
	U.S. $	U.S. $
Local Banks and financial institutions:		
Current accounts	1,330,804	1,507,383
Deposits maturing within 3 months or less	75,437,468	23,000,000
Swap deposits maturing within 3 months or less	2,935,214	72,197,163
	79,703,486	96,704,546
Foreign Banks and financial institutions:		
Current and on-demand accounts	175,268,771	120,465,064
Deposits maturing within 3 months or less	1,013,749,918	720,965,151
Deposits maturing after 3 months	439,335,685	55,503,527
Swap deposits maturing within 3 months or less	6,000,000	6,000,000
	1,634,354,374	902,933,742
Investments at foreign Islamic Banks:		
Investments maturing within 3 months	1,815,255	2,689,727
Investments maturing after 3 months	6,000,000	6,000,000
	7,815,255	8,689,727
	1,721,873,115	1,008,328,015
Less: provision for expected credit losses	(2,159,252)	(3,120,305)
	1,719,713,863	1,005,207,710

Non-interest or profits bearing balances at banks and financial institutions as at December 31, 2024 and 2023 amounted to U.S. $ 185,534,789 and U.S.$ 149,937,062, respectively.

Restricted balances at banks and financial institutions as at December 31, 2024 and 2023 amounted to U.S. $ 75,741,614 and U.S. $ 74,907,482, respectively.

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

	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	968,927,354	36,710,934	2,689,727	1,008,328,015
Net change during the year	712,269,161	2,150,411	(74,472)	714,345,100
Write off	-	-	(800,000)	(800,000)
Balance, end of the year	1,681,196,515	38,861,345	1,815,255	1,721,873,115

	2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	592,814,454	-	3,108,626	595,923,080
Net change during the year	376,112,900	36,710,934	(418,899)	412,404,935
Balance, end of the year	968,927,354	36,710,934	2,689,727	1,008,328,015

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

	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	411,368	19,210	2,689,727	3,120,305
Net re-measurement of expected credit losses	(72,809)	(13,772)	(74,472)	(161,053)
Disposals	-	-	(800,000)	(800,000)
Balance, end of the year	338,559	5,438	1,815,255	2,159,252

	2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	516,978	-	3,108,626	3,625,604
Net re-measurement of expected credit losses	(105,610)	19,210	(418,899)	(505,299)
Balance, end of the year	411,368	19,210	2,689,727	3,120,305

7. Financial assets at fair value through profit or loss

This item represents the following:

	2024	2023
	U.S. $	U.S. $
Shares quoted in Palestine securities exchange	484,643	577,558
Shares quoted in Foreign Financial Markets	1,257,005	991,515
Investments in financial portfolio	1,510,371	3,289,869
Unquoted shares	2,193,781	2,934,359
	5,445,800	7,793,301

The Bank recognized cash dividends from financial assets at fair value through profit or loss amounting to U.S. $ 166,038 as at December 31, 2024, compared to U.S. $ 284,282 as at December 31, 2023 (note 36).

The Bank recognized losses from revaluation in the financial assets at fair value through profit or loss amounting to U.S. $ 539,392 as of December 31, 2024, compared to losses from revaluation of U.S. $ 18,020 as at December 31, 2023 (note 36).

The Bank recognized gains from the sale of financial assets at fair value through profit or loss amounting to U.S. $ 138,160 as of December 31, 2024, compared to losses from the sale of financial assets at fair value through profit or loss amounting to U.S. $ 2,650 as of December 31, 2023 (note 36).

8. Direct credit facilities and Islamic financing, net

This item comprises the following:

	2024	2023
	U.S. $	U.S. $
Retail		
Loans*	891,368,665	881,648,030
Overdraft accounts	60,473,772	44,756,002
Credit cards	20,357,264	24,577,858
Current overdrafts	15,644,048	30,215,190
Islamic financing	294,730,693	304,652,665
Large corporate and local regulators		
Loans *	573,219,221	657,953,072
Overdraft accounts	116,926,265	120,293,649
Credit cards	335,690	288,364
Current overdrafts	3,049,210	2,916,047
Islamic financing	587,989,238	557,715,918
Small and medium enterprises		
Loans *	421,615,069	453,618,611
Overdraft accounts	91,419,005	109,588,232
Credit cards	6,192,084	6,278,202
Current overdrafts	4,559,725	12,586,024
Islamic financing	116,330,665	129,034,601
Palestine National Authority		
Loans *	459,147,764	359,489,003
Overdraft accounts and current overdrafts	358,083,183	262,216,167
Islamic financing	167,145,377	163,786,656
	4,188,586,938	4,121,614,291
Suspended interests, commissions and profits	(21,917,849)	(17,891,796)
Provision for expected credit losses	(324,028,640)	(264,714,268)
	3,842,640,449	3,839,008,227

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

	2024	2023
	U.S. $	U.S. $
Balance, beginning of the year	17,891,796	17,915,869
Suspended interests and profits during the year	11,387,708	8,061,026
Suspended interests and profits transferred to revenues during the year	(3,210,242)	(3,165,609)
Suspended interest and profits related to credit facilities and Islamic financing being default for more than 6 years	(4,028,966)	(4,315,965)
Suspended interests and profits written off	(190,771)	(677,183)
Currency variance	68,324	73,658
Balance, end of the year	21,917,849	17,891,796

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

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

	2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	2,273,680,717	1,312,724,209	191,826,676	3,778,231,602
Net change during the year	300,567,950	73,223,589	(1,141,191)	372,650,348
Transfers to stage (1)	207,402,238	(206,945,442)	(456,796)	-
Transfers to stage (2)	(379,511,839)	382,726,509	(3,214,670)	-
Transfers to stage (3)	(28,797,176)	(45,083,125)	73,880,301	-
Excluding defaulted direct credit facilities and Islamic financing for more than 6 years	-	-	(26,478,755)	(26,478,755)
Facilities and Islamic financing written off	-	-	(2,788,904)	(2,788,904)
Balance, end of the year	2,373,341,890	1,516,645,740	231,626,661	4,121,614,291

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

	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	21,752,069	112,690,907	130,271,292	264,714,268
Transfers to stage (1)	1,658,987	(708,695)	(950,292)	-
Transfers to stage (2)	(1,913,760)	4,989,106	(3,075,346)	-
Transfers to stage (3)	(75,118)	(460,513)	535,631	-
Net re-measurement of expected credit losses	60,299	53,828,762	35,191,848	89,080,909
Excluding defaulted direct credit facilities and Islamic financing provisions for more than 6 years	-	-	(30,764,504)	(30,764,504)
Recovery of written off facilities	-	-	137,577	137,577
Facilities and Islamic financing written off	-	-	(1,176,722)	(1,176,722)
Foreign currency exchange differences	467,969	403,564	1,165,579	2,037,112
Balance, end of the year	21,950,446	170,743,131	131,335,063	324,028,640

	2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	20,109,791	65,308,073	102,843,004	188,260,868
Transfers to stage (1)	2,399,834	(2,192,987)	(206,847)	-
Transfers to stage (2)	(1,460,879)	2,945,185	(1,484,306)	-
Transfers to stage (3)	(98,027)	(8,256,962)	8,354,989	-
Net re-measurement of expected credit losses	801,350	54,887,598	45,293,365	100,982,313
Excluding defaulted direct credit facilities and Islamic financing provisions for more than 6 years	-	-	(22,162,790)	(22,162,790)
Recovery of written off facilities	-	-	86,707	86,707
Facilities and Islamic financing written off	-	-	(2,111,721)	(2,111,721)
Foreign currency exchange differences	-	-	(341,109)	(341,109)
Balance, end of the year	21,752,069	112,690,907	130,271,292	264,714,268

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

	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	356,721,372	867,124,287	62,004,086	1,285,849,745
Net change during the year	11,368,640	(10,425,677)	941,037	1,884,000
Transfers to stage (1)	35,800,933	(33,479,331)	(2,321,602)	-
Transfers to stage (2)	(76,387,807)	83,338,117	(6,950,310)	-
Transfers to stage (3)	(6,815,513)	(12,655,037)	19,470,550	-
Excluding defaulted direct credit facilities and Islamic financing for more than 6 years	-	-	(3,791,810)	(3,791,810)
Facilities and Islamic financing written off	-	-	(1,367,493)	(1,367,493)
Balance, end of the year	320,687,625	893,902,359	67,984,458	1,282,574,442

	2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	443,487,668	688,391,296	41,432,912	1,173,311,876
Net change during the year	100,869,697	16,017,388	1,505,218	118,392,303
Transfers to stage (1)	41,823,564	(41,441,401)	(382,163)	-
Transfers to stage (2)	(216,844,397)	219,255,961	(2,411,564)	-
Transfers to stage (3)	(12,615,160)	(15,098,957)	27,714,117	-
Excluding defaulted direct credit facilities and Islamic financing for more than 6 years	-	-	(3,775,674)	(3,775,674)
Facilities and Islamic financing written off	-	-	(2,078,760)	(2,078,760)
Balance, end of the year	356,721,372	867,124,287	62,004,086	1,285,849,745

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

	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	959,111	45,358,657	31,962,974	78,280,742
Transfers to stage (1)	714,954	(240,335)	(474,619)	-
Transfers to stage (2)	(374,910)	1,649,687	(1,274,777)	-
Transfers to stage (3)	(11,144)	(138,113)	149,257	-
Net re-measurement of expected credit losses	(506,484)	25,616,579	16,043,655	41,153,750
Write off for defaulted direct credit facilities and Islamic financing provisions for more than 6 years	-	-	(3,791,810)	(3,791,810)
Facilities and Islamic financing written off	-	-	(1,167,165)	(1,167,165)
Foreign currency exchange differences	140,469	121,137	327,500	589,106
Balance, end of the year	921,996	72,367,612	41,775,015	115,064,623

	2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	586,473	34,197,607	20,472,102	55,256,182
Transfers to stage (1)	656,879	(484,442)	(172,437)	-
Transfers to stage (2)	(589,564)	1,709,924	(1,120,360)	-
Transfers to stage (3)	(26,577)	(305,285)	331,862	-
Net re-measurement of expected credit losses	331,900	10,240,853	16,958,234	27,530,987
Write off for defaulted direct credit facilities and Islamic financing provisions for more than 6 years	-	-	(2,427,667)	(2,427,667)
Facilities and Islamic financing written off	-	-	(2,078,760)	(2,078,760)
Balance, end of the year	959,111	45,358,657	31,962,974	78,280,742

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

	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	413,538,164	223,917,839	73,649,667	711,105,670
Net change during the year	(51,018,686)	(6,634,645)	(7,061,074)	(64,714,405)
Transfer to stage (1)	25,252,402	(25,078,384)	(174,018)	-
Transfer to stage (2)	(70,160,457)	71,935,487	(1,775,030)	-
Transfer to stage (3)	(2,858,277)	(6,618,358)	9,476,635	-
Excluding defaulted direct credit facilities and Islamic financing for more than 6 years	-	-	(6,274,717)	(6,274,717)
Facilities and Islamic financing written off	-	-	-	-
Balance, end of the year	314,753,146	257,521,939	67,841,463	640,116,548

	2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	459,982,177	123,808,447	58,166,117	641,956,741
Net change during the year	25,067,538	53,328,230	(4,598,885)	73,796,883
Transfer to stage (1)	20,850,151	(20,777,682)	(72,469)	-
Transfer to stage (2)	(78,603,759)	79,406,007	(802,248)	-
Transfer to stage (3)	(13,757,943)	(11,847,163)	25,605,106	-
Excluding defaulted direct credit facilities and Islamic financing for more than 6 years	-	-	(4,614,993)	(4,614,993)
Facilities and Islamic financing written off	-	-	(32,961)	(32,961)
Balance, end of the year	413,538,164	223,917,839	73,649,667	711,105,670

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:

	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	1,259,899	22,730,074	36,415,495	60,405,468
Transfer to stage (1)	410,600	(211,701)	(198,899)	-
Transfer to stage (2)	(513,150)	1,298,793	(785,643)	-
Transfer to stage (3)	(14,753)	(146,761)	161,514	-
Net re-measurement of expected credit losses	(344,756)	13,096,362	5,588,884	18,340,490
Provision for defaulted credit facilities and Islamic financing for more than 6 years	-	-	(6,274,717)	(6,274,717)
Facilities and Islamic financing written off	-	-	(9,557)	(9,557)
Foreign currency exchange differences	140,848	121,463	328,381	590,692
Balance, end of the year	938,688	36,888,230	35,225,458	73,052,376

	2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	1,814,358	4,789,212	29,344,633	35,948,203
Transfer to stage (1)	432,510	(399,941)	(32,569)	-
Transfer to stage (2)	(392,434)	755,641	(363,207)	-
Transfer to stage (3)	(72,851)	(689,860)	762,711	-
Net re-measurement of expected credit losses	(521,684)	18,275,022	10,368,493	28,121,831
Provision for defaulted credit facilities and Islamic financing for more than 6 years	-	-	(3,631,605)	(3,631,605)
Facilities and Islamic financing written off	-	-	(32,961)	(32,961)
Balance, end of the year	1,259,899	22,730,074	36,415,495	60,405,468

A summary of the movement on gross carrying amount of direct credit facilities and Islamic financing for large corporate and local regulators is as follows:

	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	817,590,528	425,603,614	95,972,908	1,339,167,050
Net change during the year	47,158,169	(86,851,325)	6,772,673	(32,920,483)
Transfer to stage (1)	30,655,214	(30,254,479)	(400,735)	-
Transfer to stage (2)	(332,661,160)	333,648,104	(986,944)	-
Transfer to stage (3)	(6,025,672)	(11,435,501)	17,461,173	-
Excluding defaulted direct credit facilities and Islamic financing for more than 6 years	-	-	(24,726,943)	(24,726,943)
Facilities and Islamic financing written off	-	-	-	-
Balance, end of the year	556,717,079	630,710,413	94,092,132	1,281,519,624

	2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	643,476,457	500,524,466	92,227,647	1,236,228,570
Net change during the year	115,873,304	3,877,971	1,952,476	121,703,751
Transfer to stage (1)	144,728,523	(144,726,359)	(2,164)	-
Transfer to stage (2)	(84,063,683)	84,064,541	(858)	-
Transfer to stage (3)	(2,424,073)	(18,137,005)	20,561,078	-
Excluding defaulted direct credit facilities and Islamic financing for more than 6 years	-	-	(18,088,088)	(18,088,088)
Facilities and Islamic financing written off	-	-	(677,183)	(677,183)
Balance, end of the year	817,590,528	425,603,614	95,972,908	1,339,167,050

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

	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	1,857,280	44,602,176	61,892,823	108,352,279
Transfer to stage (1)	533,433	(256,659)	(276,774)	-
Transfer to stage (2)	(1,025,700)	2,040,626	(1,014,926)	-
Transfer to stage (3)	(49,221)	(175,639)	224,860	-
Net re-measurement of expected credit losses	1,913,409	15,115,821	13,559,309	30,588,539
Write off for defaulted direct credit facilities and Islamic financing provisions for more than 6 years	-	-	(20,697,977)	(20,697,977)
Recovery of written off facilities	-	-	137,577	137,577
Foreign currency exchange differences	186,652	160,964	509,698	857,314
Balance, end of the year	3,415,853	61,487,289	54,334,590	119,237,732

	2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	3,181,055	26,321,254	53,026,269	82,528,578
Transfer to stage (1)	1,310,445	(1,308,604)	(1,841)	-
Transfer to stage (2)	(478,881)	479,620	(739)	-
Transfer to stage (3)	1,401	(7,261,817)	7,260,416	-
Net re-measurement of expected credit losses	(2,156,740)	26,371,723	17,966,638	42,181,621
Write off for defaulted direct credit facilities and Islamic financing provisions for more than 6 years	-	-	(16,103,518)	(16,103,518)
Recovery of written off facilities	-	-	86,707	86,707
Foreign currency exchange differences	-	-	(341,109)	(341,109)
Balance, end of the year	1,857,280	44,602,176	61,892,823	108,352,279

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

	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	785,491,826	-	-	785,491,826
Net change during the year	198,884,498	-	-	198,884,498
Balance, end of the year	984,376,324	-	-	984,376,324

	2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	726,734,415	-	-	726,734,415
Net change during the year	58,757,411	-	-	58,757,411
Balance, end of the year	785,491,826	-	-	785,491,826

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

	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	17,675,779	-	-	17,675,779
Expected credit losses during the year	(1,001,870)	-	-	(1,001,870)
Balance, end of the year	16,673,909	-	-	16,673,909

	2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	14,527,905	-	-	14,527,905
Expected credit losses during the year	3,147,874	-	-	3,147,874
Balance, end of the year	17,675,779	-	-	17,675,779

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:

	2024	2023
	U.S. $	U.S. $
Balance, beginning of the year	43,948,455	23,098,840
Additions	30,764,504	22,162,790
Net recovery of provision for impairment of facilities and Islamic financing during the year	(1,419,498)	(1,270,973)
Provision written off	(19,422)	(42,202)
Balance, end of the year	73,274,039	43,948,455

* Loans are presented net of their related interest and commission received in advance which amounted to U.S. $ 4,346,606 and U.S. $ 4,707,555 as at December 31, 2024 and 2023, respectively. In addition, direct Islamic financing presented net of unearned profits amounted to U.S. $ 114,993,313 and U.S. $ 132,368,933 as at December 31, 2024 and 2023, respectively.

- Gross direct credit facilities and Islamic financing net of suspended interest, commissions and profits according to PMA regulations as at December 31, 2024 and 2023 amounted to U.S. $ 586,402,614 and U.S. $ 492,041,528 representing (14.07%) and (11.99%) 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, 2024 and 2023 amounted to U.S. $ 208,000,204 and U.S. $ 213,734,865 representing (4.99%) and (5.21%) of direct credit facilities and Islamic financing net of suspended interests, commissions and profits, respectively.
- According to PMA instructions No. (1/2008), defaulted credit facilities and Islamic financing for more than 6 years were excluded from the Bank's consolidated financial statements. The balance of provision and suspended interest and profits for the excluded credit facilities and Islamic financings amounted to U.S. $ 95,020,339 and U.S. $ 62,190,228 as at December 31, 2024 and 2023, respectively.
- Direct credit facilities and Islamic financing granted to Palestine National Authority as at December 31, 2024 and 2023 amounted to U.S. $ 984,376,324 and U.S. $ 785,491,826 representing (23.50%) and (19.06%) of gross direct credit facilities and Islamic financing, respectively.
- Direct credit facilities and Islamic financing guaranteed by Palestine National Authority as at December 31, 2024 and 2023 amounted to U.S. $ 10,983,997 and U.S. $ 12,810,564 representing (0.26%) and (0.31%) 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. $ 1,761,578,728 and U.S. $ 1,458,488,657 as at December 31, 2024 and 2023, respectively.
- Credit facilities and Islamic financing granted to non-residents amounted to U.S. $ 13,707,620 and U.S. $ 15,538,866 as at December 31, 2024 and 2023, respectively.
- Credit facilities and Islamic financing granted to the public sector employees as at December 31, 2024 and 2023 amounted to U.S. $ 655,038,473 and U.S. $ 651,022,945 representing (15.64%) and (15.80%) of gross direct credit facilities and Islamic financing, respectively. Which also represents (99.16%) and (104.40%) of regulatory capital as of December 31, 2024 and 2023, respectively.
- Credit facilities and Islamic financing granted to the green line Palestinian workers as at December 31, 2024 and 2023 amounted to U.S. $ 74,357,753 and U.S. $ 90,071,790 representing (1.78%) and (2.19%) of gross direct facilities and Islamic financing, respectively.

Following is the distribution of credit facilities and Islamic financing net of suspended interests, commissions and profits by economic sector:

	2024	2023
	U.S. $	U.S. $
Real estate and construction	1,035,434,679	1,030,414,955
Palestine National Authority	984,376,324	785,491,826
Consumer commodities	751,663,428	795,671,483
Retail and wholesale	719,464,782	700,942,463
Manufacturing	302,599,695	296,112,643
Services sector and local authorities	234,350,511	360,383,882
Financial sector	56,498,564	51,386,953
Tourism	34,871,680	38,442,192
Transportation	29,334,654	23,531,847
Agricultural	18,074,772	21,344,251
	4,166,669,089	4,103,722,495

The Bank grants credit facilities partially guaranteed by loan guarantee institutions. The distribution of these credit facilities is as follows:

	December 31, 2024			
	Granted amount	Outstanding balance	Guarantor share	Defaulted debts
Type of credit facilities	U.S. $	U.S. $	%	U.S. $
Production loans	29,305,989	20,409,481	70	2,196,213
Operating loans	43,443,541	30,255,253	50-75	471,544
Development loans	27,405,569	19,085,977	50	6,614,415
Small and medium sized projects' loans	43,777,154	30,487,590	50-75	1,567,912
	143,932,253	100,238,301		10,850,084

	December 31, 2023			
	Granted amount	Outstanding balance	Guarantor share	Defaulted debts
Type of credit facilities	U.S. $	U.S. $	%	U.S. $
Production loans	23,228,179	16,332,862	70	2,909,964
Operating loans	34,433,724	24,006,018	50-75	624,792
Development loans	21,721,890	16,969,850	50	8,764,044
Small and medium sized projects' loans	34,698,149	23,776,446	50-75	2,077,470
	114,081,942	81,085,176		14,376,270

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	Investments in financial portfolios	Total
	U.S. $	U.S. $	U.S. $	U.S. $
December 31, 2024				
Local	19,464,144	8,904,204	-	28,368,348
Foreign	31,631,671	1,431,246	2,204,850	35,267,767
	51,095,815	10,335,450	2,204,850	63,636,115
December 31, 2023				
Local	22,546,179	8,979,789	-	31,525,968
Foreign	26,661,151	1,523,275	1,188,072	29,372,498
	49,207,330	10,503,064	1,188,072	60,898,466

The Bank recognized cash dividends from financial assets at fair value through other comprehensive income items totaling U.S. $ 2,493,885 as at December 31, 2024, compared to U.S. $ 2,829,429 as at December 31, 2023 (note 36).

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

	2024	2023
	U.S. $	U.S. $
Balance, beginning of the year	(106,169)	3,344,655
Change in fair value through other comprehensive income items	(2,108,763)	(3,450,824)
Balance, end of the year	(2,214,932)	(106,169)

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. $
2024						
Local	-	-	20,500,000	-	(250,058)	20,249,942
Foreign	136,392,246	3,270,693	-	38,833,498	(3,400,950)	175,095,487
	136,392,246	3,270,693	20,500,000	38,833,498	(3,651,008)	195,345,429
2023						
Local	-	-	12,500,000	-	(260,608)	12,239,392
Foreign	84,101,342	23,715,634	-	43,485,703	(4,187,838)	147,114,841
	84,101,342	23,715,634	12,500,000	43,485,703	(4,448,446)	159,354,233

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

2024	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	135,072,095	26,206,437	2,524,147	163,802,679
Net change during the year	39,283,994	(4,090,236)	-	35,193,758
Transfer to stage (2)	(2,938,203)	2,938,203	-	-
Balance, end of the year	171,417,886	25,054,404	2,524,147	198,996,437

2023	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	229,674,446	13,518,617	3,423,325	246,616,388
Net change during the year	(76,305,123)	(5,609,408)	-	(81,914,531)
Disposals during the year	-	-	(899,178)	(899,178)
Transfer to stage (2)	(18,297,228)	18,297,228	-	-
Balance, end of the year	135,072,095	26,206,437	2,524,147	163,802,679

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

2024	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	517,063	1,407,236	2,524,147	4,448,446
Net re-measurement of expected credit loss provision during the year	(107,945)	(689,493)	-	(797,438)
Transfer to stage (2)	(36,345)	36,345	-	-
Balance, end of the year	372,773	754,088	2,524,147	3,651,008

2023	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	1,786,677	99,914	3,423,325	5,309,916
Net re-measurement of expected credit loss provision during the year	(1,008,352)	1,046,060	-	37,708
Disposals during the year	-	-	(899,178)	(899,178)
Transfer to stage (2)	(261,262)	261,262	-	-
Balance, end of the year	517,063	1,407,236	2,524,147	4,448,446

Interest on U.S. Dollar financial assets at amortized cost ranges between 4.30% and 12%.

Interest on Jordanian Dinar financial assets at amortized cost ranges between 3.59% and 6.49%.

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

Interest on Euro financial assets at amortized cost ranges between 5.18% and 5.74%.

Financial assets at amortized cost mature within a period from one month to 7 years.

Profits on Islamic Sukuk ranges between 3.23 % and 8.78 % and matures within a period from one month to eight years.

The fair value of financial assets at amortized cost and Islamic Sukuk amounted to U.S. $ 196,406,058 and U.S. $ 156,086,836 as at December 31, 2024, and 2023, respectively.

11. Investment in associates and a joint venture

Following are the details of investments in associates and joint venture, as at December 31, 2024 and 2023:

	Country of Incorporation	Ownership 2024 %	Ownership 2023 %	Subscribed Share Capital 2024 U.S. $	Subscribed Share Capital 2023 U.S. $
Abraj Co, for Development & Investment (Abraj) *	Palestine	21	21	7,600,308	7,043,518
The Palestinian Company for Money Transportation and Valuables and Banking Services (Aman) **	Palestine	30	30	1,387,710	1,127,532
Qudra for energy solutions***	Palestine	50	50	3,023,799	3,687,071
				12,011,817	11,858,121

* Abraj Company for Development and Investment (Abraj) was incorporated in 2008 in Palestine with goals of conducting all kinds of construction, real estate and commercial activities. Abraj's paid-in share capital consists of 25 million shares at a U.S. $ 1 par value per share. During the year 2023, the General Assembly of Abraj decided to distribute cash dividends amounting to U.S. $ 1,500,000, with the Bank's share amounting to U.S. $ 315,744.

** 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 authorized and paid-in share capital consists of 1 million shares at a U.S. $ 1 par value per share as at December 31, 2024 and 2023.

*** Qudra Energy Solutions Company (Qudra) was incorporated as a private limited stock company during 2020 with a capital of 8 million shares with U.S. $ 1 par value per share. The bank owns 50% of the Qudra's shares. Qudra is jointly managed in cooperation with the he National Aluminum & profile company (NAPCO), so the company has been classified as a joint venture. Qudra works to provide modern renewable energy solutions to individuals and organizations. The authorized and paid-in share capital of Qudra as at December 31, 2024 and 2023 amounted to U.S. $ 8 million. Qudra commenced its operational activities during 2021.

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

	2024 U.S. $	2023 U.S. $
Balance, beginning of the year	11,858,121	11,996,852
Bank's share of results of associates	816,968	387,953
Bank's share of results of joint venture	(663,272)	(210,940)
Cash dividends	-	(315,744)
Balance, end of the year	12,011,817	11,858,121

Following is summarized information related to the Bank's investments in associates:

	Abraj 2024 U.S. $	Abraj 2023 U.S. $	Aman 2024 U.S. $	Aman 2023 U.S. $
The financial position of associates:				
Total assets	53,320,741	55,012,771	5,759,716	5,027,182
Total liabilities	(7,601,545)	(11,944,957)	(1,482,730)	(1,617,455)
Total equity	45,719,196	43,067,814	4,276,986	3,409,727
Bank's share	9,601,031	9,044,241	1,283,096	1,022,918
Book value before adjustments	9,601,031	9,044,241	1,283,096	1,022,918
Adjustments	(2,000,723)	(2,000,723)	104,614	104,614
Book value after adjustments	7,600,308	7,043,518	1,387,710	1,127,532
Revenues and results of operations:				
Net revenues	3,955,669	1,737,833	4,986,906	4,792,817
Operational, administrative and general expenses	(794,066)	(826,185)	(3,787,756)	(3,724,449)
Finance costs	(201,910)	(308,516)	(9,424)	(49,008)
Losses from revaluation of financial assets at fair value through profit and loss	-	-	(68,852)	(77,013)
Other revenues (expenses), net	34,768	36,117	(63,051)	118,683
Profit before tax	2,994,461	639,249	1,057,823	1,061,030
Tax expense	(343,080)	(40,000)	(190,564)	(187,327)
Net profit after tax of the year	2,651,381	599,249	867,259	873,703
Comprehensive income items	-	-	-	-
Total comprehensive income	2,651,381	599,249	867,259	873,703
Bank's share	556,790	125,842	260,178	262,111

Following is the movement of the financial information related to the Banks' investment in Qudra (Joint Venture):

	2024 U.S. $	2023 U.S. $
Statement of financial position for joint venture		
Total assets	21,691,086	23,434,792
Total liabilities	(15,643,488)	(16,060,651)
Net equity	6,047,598	7,374,141
Banks' share	3,023,799	3,687,071
Carrying amount of the investment	3,023,799	3,687,071
Revenues and results of operations		
Revenues	1,670,828	3,027,620
Results of operations	(1,326,543)	(421,879)
Banks' share of results of operations of a joint venture	(663,272)	(210,940)

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:

	2024	2023
	U.S. $	U.S. $
Balance, beginning of the year	24,776,440	22,930,742
Additions during the year	6,942,866	1,810,165
Transfers from Property, Plant and Equipment (note 13)	7,322,238	-
Transferred to Islamic financing	(432,500)	(146,000)
Change in fair value during the year (note 37)	2,067,904	181,533
Balance, end of the year	40,676,948	24,776,440

The fair value of investment properties is determined based on an annual appraisal conducted by accredited independent appraisers.

13. Property, Plant and Equipment and right of use assets

	Buildings and real estate *	Furniture and Equipment	Computers	Leasehold improvements	Vehicles	Right of use assets	Total
2024	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Cost:							
Balance, beginning of the year	48,597,490	121,848,897	18,865,044	16,268,172	5,753,414	47,379,623	258,712,640
Additions	28,317,211	10,830,003	591,055	7,367	173,207	1,409,783	41,328,626
Transfers from projects in progress (note 14)	-	1,624,921	452,884	454,433	-	-	2,532,238
Transferred to investment properties (note 12)	(7,322,238)	-	-	-	-	-	(7,322,238)
Property and Equipment written-off during the year	(491,876)	(216,424)	(74,793)	-	(54,310)	-	(837,403)
Disposals	-	(52,784)	(5,978)	(93,798)	(271,224)	(9,098,895)	(9,522,679)
Balance, end of the year	69,100,587	134,034,613	19,828,212	16,636,174	5,601,087	39,690,511	284,891,184
Accumulated Depreciation and Impairment:							
Balance, beginning of the year	10,329,641	92,363,420	16,686,161	13,105,523	2,032,496	21,538,173	156,055,414
Depreciation for the year	632,409	7,918,531	897,384	477,036	421,395	4,674,848	15,021,603
Impairment losses	135,774	270,000	30,000	-	-	-	435,774
Property and Equipment written-off during the year	(390,045)	(210,786)	(73,070)	-	(54,310)	-	(728,211)
Disposals	-	(46,101)	(6,002)	(93,798)	(53,206)	(4,875,497)	(5,074,604)
Balance, end of the year	10,707,779	100,295,064	17,534,473	13,488,761	2,346,375	21,337,524	165,709,976
Net book value	58,392,808	33,739,549	2,293,739	3,147,413	3,254,712	18,352,987	119,181,208

2023	Buildings and real estate * U.S. $	Furniture and Equipment U.S. $	Computers U.S. $	Leasehold improvements U.S. $	Vehicles U.S. $	Right of use assets U.S. $	Total U.S. $
Cost:							
Balance, beginning of the year	48,347,490	116,545,560	18,513,423	15,695,479	5,151,280	45,893,671	250,146,903
Additions	250,000	4,976,245	870,406	565,220	701,272	1,929,722	9,292,865
Transfers from projects in progress (note 14)	-	674,631	324,687	18,546	-	-	1,017,864
Disposals	-	(347,539)	(843,472)	(11,073)	(99,138)	(443,770)	(1,744,992)
Balance, end of the year	48,597,490	121,848,897	18,865,044	16,268,172	5,753,414	47,379,623	258,712,640
Accumulated Depreciation and Impairment:							
Balance, beginning of the year	9,600,359	84,999,508	16,514,641	11,166,785	1,675,087	16,915,098	140,871,478
Depreciation for the year	633,008	6,822,075	1,003,242	1,949,811	376,989	4,817,612	15,602,737
Impairment losses	96,274	817,485	11,690	-	5,151	-	930,600
Disposals	-	(275,648)	(843,412)	(11,073)	(24,731)	(194,537)	(1,349,401)
Balance, end of the year	10,329,641	92,363,420	16,686,161	13,105,523	2,032,496	21,538,173	156,055,414
Net book value	38,267,849	29,485,477	2,178,883	3,162,649	3,720,918	25,841,450	102,657,226

* Buildings and real estate include parcels of land owned by the Bank to carry out its banking activities amounted to U.S. $ 14,552,429 and U.S. $ 21,740,489 as at December 31, 2024 and 2023, respectively.

Property, plant and equipment include U.S. $ 85,845,441 and U.S. $ 84,413,693 of fully depreciated assets that are still used in the Bank's operations as at December 31, 2024 and 2023, respectively.

14. Projects in progress

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

	2024 U.S. $	2023 U.S. $
Balance, beginning of the year	2,268,294	649,543
Additions	1,790,321	2,680,035
Transfers to property, plant and equipment (note 13)	(2,532,238)	(1,017,864)
Transfers to intangible assets (note 15)	(173,842)	(43,420)
Balance, end of the year	1,352,535	2,268,294

As at December 31, 2024 the estimated cost to complete projects in progress amounted to U.S. $ 757,597. These projects are expected to be completed during the year 2025.

15. Intangible assets

	Goodwill* U.S. $	Computer software U.S. $	Total U.S. $
Cost			
Balance as at January 1, 2024	3,774,558	30,680,147	34,454,705
Additions	-	2,074,504	2,074,504
Disposals during the year	-	(9,478)	(9,478)
Transfers from projects in progress (note 14)	-	173,842	173,842
Balance as at December 31, 2024	3,774,558	32,919,015	36,693,573
Accumulated Amortization			
Balance as at January 1, 2024	-	19,719,105	19,719,105
Amortization for the year	-	2,592,632	2,592,632
Disposals during the year	-	(6,469)	(6,469)
Balance as at December 31, 2024	-	22,305,268	22,305,268
Net Book Value			
As at December 31, 2024	3,774,558	10,613,747	14,388,305

	Goodwill* U.S. $	Computer software U.S. $	Total U.S. $
Cost			
Balance as at January 1, 2023	3,774,558	28,541,006	32,315,564
Additions	-	2,095,721	2,095,721
Transfers from projects in progress (note 14)	-	43,420	43,420
Balance as at December 31, 2023	3,774,558	30,680,147	34,454,705
Accumulated Amortization			
Balance as at January 1, 2023	-	17,330,678	17,330,678
Additions	-	2,388,427	2,388,427
Balance as at December 31, 2023	-	19,719,105	19,719,105
Net Book Value			
As at December 31, 2023	3,774,558	10,961,042	14,735,600

* 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, 2024 and 2023. The book value of the investment was also compared to its market value, 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 recorded goodwill.

16. Other assets

This item comprises the following:

	2024	2023
	U.S. $	U.S. $
Accrued interests and commissions	16,695,102	15,163,200
Accounts receivable and temporary advance payments, net*	11,531,331	10,980,869
Advance payments	10,298,626	10,966,300
Clearing checks	9,332,142	19,878,966
Stationery and printings material and equipment in stores	3,943,902	4,683,762
Assets obtained by the Bank by calling on collateral**	1,867,828	1,867,828
Income tax advances (note 26)	1,349,486	-
Palestine national keys accounts	641,755	14,280,249
Unreceived cash dividends	29,326	239,822
Other current assets	1,821,186	2,745,650
	57,510,684	80,806,646

* Accounts receivable and temporary advance payments are shown in net. A provision of U.S. $ 72,018 has been recorded as of December 31, 2024, compared to U.S. $ 298,461 as of December 31, 2023 (note 40).

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

	2024	2023
	U.S. $	U.S. $
Balance, beginning of the year	3,520,370	3,066,780
Additions during the year	-	453,590
	3,520,370	3,520,370
Less: impairment losses	(1,652,542)	(1,652,542)
Balance, end of the year	1,867,828	1,867,828

17. Palestine Monetary Authority's deposits

This item comprises the following:

	2024	2023
	U.S. $	U.S. $
Current accounts	12,861,688	20,377,357
Term deposits maturing within 3 months or less	128,929,633	80,432,601
Swap deposits maturing within 3 months or less	-	27,733,097
Deposits maturing in more than 3 months	100,000,000	74,879,361
	241,791,321	203,422,416

18. Banks and financial institutions' deposits

This item comprises the following:

	Current and on-demand accounts	Term deposits maturing within 3 months or less	Swap deposits maturing within 3 months or less	Total
	U.S. $	U.S. $	U.S. $	U.S. $
2024				
Local	36,394,571	34,994,444	2,810,025	74,199,040
Foreign	30,878,638	-	6,000,000	36,878,638
	67,273,209	34,994,444	8,810,025	111,077,678
2023				
Local	43,769,638	50,771,773	72,000,000	166,541,411
Foreign	31,997,358	-	6,000,000	37,997,358
	75,766,996	50,771,773	78,000,000	204,538,769

19. Customers' deposits

	2024	2023
	U.S. $	U.S. $
Customers' deposits		
Current and on-demand deposits	3,071,869,752	2,411,697,567
Saving deposits	2,040,284,000	1,494,004,590
Time deposits	696,684,867	664,893,209
Debit balances – temporarily credit	22,505,485	32,256,255
	5,831,344,104	4,602,851,621
Unrestricted investment accounts		
Saving deposits	586,104,424	593,567,146
Time deposits	296,940,684	282,141,298
	883,045,108	875,708,444
	6,714,389,212	5,478,560,065

- Public sector deposits amounted to U.S. $ 234,016,838 and U.S. $ 219,245,012 representing 3.49% and 4.00% of total deposits as at December 31, 2024 and 2023, respectively.
- Non-bearing interest and profit deposits amounted to U.S. $ 5,175,693,657 and U.S. $ 3,947,229,822 representing 77.08% and 72.05% of total deposits as at December 31, 2024 and 2023, respectively.
- Dormant deposits amounted to U.S. $ 212,677,533 and U.S. $ 121,207,546 representing 3.17% and 2.21% of total deposits as at December 31, 2024 and 2023, respectively.
- Restricted deposits amounted to U.S. $ 176,492,162 and U.S. $ 156,588,174 representing 2.63% and 2.86% of total deposits as at December 31, 2024 and 2023, respectively.

20. Cash margins

This item represents cash margins against:

	2024	2023
	U.S. $	U.S. $
Direct credit facilities and Islamic financing	199,230,515	248,626,732
Indirect credit facilities and Islamic financing	35,543,790	38,888,411
Others	40,445,204	41,652,086
	275,219,509	329,167,229

The interest rate on these margins ranges between 0.1% and 5.25%, and they are due within a period of one month to five years.

21. Subordinated Loans

Details of this item are as follows:

	2024	2023
	U.S. $	U.S. $
Arab Fund for Economic and Social Development *	30,000,000	-
	30,000,000	45,000,000
International Finance Corporation (IFC) **	60,000,000	45,000,000

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

** Additionally, during 2016, the Bank obtained the subordinated loan in accordance with a subordinated loan agreement, 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.

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

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

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

22. Loans and borrowings

Details of this item are as follows:

	2024	2023
	U.S. $	U.S. $
European Investment Bank *	45,714,286	7,142,857
French Agency for Development **	30,879,576	30,347,188
Arab Fund for Economic and Social Development ***	22,000,000	26,000,000
European Bank for Reconstruction and Development (EBRD)****	6,333,333	10,555,556
	104,927,195	74,045,601

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

During the period, the Bank withdrew the remaining amount of U.S. $ 40 million making the total amount withdrawn U.S. $ 50 million since the signing of the agreement and till December 31, 2024. This loan is to be settled through 14 semi-annual installments with a 36 month grace period, as the first installment will be due on October 8, 2027, and the last settlement will become due on April 10, 2034. The loan is subject to average annual interest rate of 8.12492%.

During the year, an amount of U.S. $ 1,428,571 was settled. The outstanding balance as of December 31, 2024 and December 31, 2023 amounted to U.S. $ 45,714,286 and U.S. $ 7,142,857, respectively.

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

During 2021, the Bank signed new financing agreement with the Agency of a maximum amount of U.S. $ 30 million. The loan is to be settled through 13 semiannual installments with a grace period of 18 months. During 2022, the Bank withdrew an amount of U.S. $ 20 million on two payments of U.S. $ 10 million each. During the year, the Bank withdrew U.S. $ 6.5 million making the gross amount withdrawn U.S. $ 26.5 million since the signing of the agreement till December 31, 2024. The first installment on these loans was due on March 15, 2024 and the installments end on March 15, 2030. These loans are subject to an average interest rate range between 5.74% and 7.13%

During the year, an amount of U.S. $ 4,076,924 and EUR 1,250,000 was settled. The outstanding balance as at December 31, 2024 and December 31, 2023 amounted to U.S. $ 30,879,576 and U.S. $ 30,347,188, respectively.

*** During 2020, the Bank signed an agreement with the Arab Fund for Economic and Social Development by the amount of U.S. $ 30 million to finance credit facilities of small and medium entities. The loan to be settled through 15 semiannual installments with a grace period of 36 months. The first installment was due on June 30, 2023 and the last installment will become due on June 30, 2030. The loan is subject to average annual interest rate of 3%. During the year, the Bank paid an amount of U.S. $ 4 million. The outstanding balance as at December 31, 2024 and 2023 amounted to U.S. $ 22 million and U.S. $ 26 million, respectively.

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

During the year, an amount of U.S. $ 4,222,223 was settled. The outstanding balance as at December 31, 2024 and December 31, 2023 amounted to U.S. $ 6,333,333 and U.S. $ 10,555,556, respectively.

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

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

23. Istidama loans from Palestine Monetary Authority

This item represents PMA's deposits granted to the Bank as per PMA instructions number (22/2020) and (8/2021) 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 and Islamic financing granted and the Bank earns a declining interest at a maximum rate of 3% from borrowers, this excludes borrowers within the microenterprise financing program.

This item also includes the PMA deposits granted to the Bank in accordance with instructions No. (15/2023) regarding the Istidama Fund Plus, with the aim of providing liquidity in the Palestinian economy to finance projects and contribute to the revival of the national economy within the framework of achieving sustainable economic development goals.

Istidama loans amounted to U.S. $ 48,446,863 and U.S. $ 23,405,534 as at December 31, 2024 and December 31, 2023, respectively.

24. Lease liabilities

Movement on lease liabilities are as follows:

	2024	2023
	U.S. $	U.S. $
Balance, beginning of the year	27,094,674	30,105,511
Additions during the year	1,409,783	1,929,722
Finance costs for the year	663,397	734,199
Disposals	(5,155,426)	(440,176)
Payments on lease contracts	(4,818,458)	(5,234,582)
Balance, end of the year	19,193,970	27,094,674

The liabilities related to rent contracts are deducted using a discount rate of 3.01% and return of 3.4%. 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, 2024 and December 31, 2023 amounted to U.S. $ 557,240 and U.S. $ 803,538, respectively (note 39).

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, 2024				
End of service provision	50,618,249	8,718,161	(2,107,466)	57,228,944
Lawsuits provision	2,473,611	-	-	2,473,611
	53,091,860	8,718,161	(2,107,466)	59,702,555
December 31, 2023				
End of service provision	50,136,062	10,481,022	(9,998,835)	50,618,249
Lawsuits provision	2,219,435	254,176	-	2,473,611
	52,355,497	10,735,198	(9,998,835)	53,091,860

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

26. Taxes provisions

Movement on taxes provisions during the year ended December 31, 2024 and 2023 are as follows:

	2024	2023
	U.S. $	U.S. $
Balance, beginning of the year	21,960,224	35,440,008
Additions	6,666,032	32,443,936
Tax settlement refunds	(2,660,230)	(4,600,000)
Payments during the year	(27,602,927)	(39,820,380)
Currency variance	287,415	(1,503,340)
Balance, end of the year	(1,349,486)	21,960,224
Income tax advances (note 16)	1,349,486	-
Balance, end of the year	-	21,960,224

Tax expenses as disclosed in the consolidated Income Statement are as follows:

	2024	2023
	U.S. $	U.S. $
Provision for the year	7,414,791	33,307,822
Deferred tax assets additions	(23,013,941)	(29,084,742)
Deferred tax liabilities additions	1,449,017	2,686,546
Excess of tax settlement	(2,660,230)	(4,600,000)
Tax incentives discounts	(748,759)	(863,886)
Tax (recovery) expenses presented in the consolidated income statement for the year	(17,559,122)	1,445,740

Reconciliation between accounting income and taxable income for the Bank is as follows:

	2024	2023
	U.S. $	U.S. $
Accounting profit	(45,470,578)	17,936,254
Profit not subject to value added tax	(14,378,366)	(6,528,597)
Non-deductible tax expenses	88,355,395	114,567,190
Gross profit subject to value added tax	28,506,451	125,974,847
Deduct: Value added tax	(3,931,924)	(17,734,469)
Value added tax on salaries	(8,710,994)	(8,470,437)
Adjustment for income tax calculation purpose	2,717,189	(11,337,478)
Taxable income	18,580,722	88,432,463
Income tax	2,787,108	13,264,869
Taxes payable for the year	6,719,032	30,999,338
Taxes provisions for the year	7,414,791	33,307,822
Effective tax rate	-	186%

During 2023, the Bank reached a final settlement with the tax departments on the results of its operations until 2022. The Bank submitted its tax return on the results of its operations for the year 2023 on time, and the tax advisor continues to finalize the settlements.

The Arab Islamic Bank (a subsidiary) reached a final settlement with the tax departments on the results of its operations until 2023.

PalPay (a subsidiary) did not reach a final settlement with the tax departments on the results of its operations for the years 2021 and 2023. Al-Wasata Securities Company (a subsidiary) did not reach a final settlement with the tax departments on the results of its operations since incorporation in 2005 up to 2023.

Deferred tax assets:

This item represents the balance of deferred tax assets which is calculated on the provision for expected credit losses related to direct credit facilities for stages one and two, and the end of service provision. These deferred taxes are calculated due to temporary timing differences as of the date of the consolidated statement of financial position. The bank's management changed its accounting estimates regarding the utilization of deferred taxes calculated on these items during the past year, based on its experiences derived from the latest settlements with tax authorities in accordance with the applicable laws, regulations, and instructions in Palestine.

Movement on deferred tax assets during the year ended December 31, 2024 and 2023 are as follows:

	2024	2023
	U.S. $	U.S. $
Balance, beginning of the year	29,084,742	-
Changes during the year	23,013,941	29,084,742
Balance, end of the year	52,098,683	29,084,742

The bank used the expected value method to calculate the tax base for deferred tax assets, which represents the sum of amounts weighted by various probabilities within a range of potential outcomes. This method is more effective in situations of uncertainty where there are multiple potential outcomes that are neither binary nor concentrated in a single value. Consequently, not all deferred tax assets were recognized. If the Bank had recognized all unrecognized deferred tax assets, the bank's profits and equity could have increased by an amount of U.S. $ 17 million.

Deferred tax liabilities:

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

Movement on deferred tax liabilities during the year ended December 31, 2024 and 2023 are as follows:

	2024	2023
	U.S. $	U.S. $
Balance, beginning of the year	2,686,546	-
Changes during the year	1,449,017	2,686,546
Balance, end of the year	4,135,563	2,686,546

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

27. Other liabilities

Details of this item are as follows:

	2024	2023
	U.S. $	U.S. $
E-Wallet payables	31,945,881	2,461,770
Certified Bank checks	20,480,485	13,551,110
Cash margins for donors	10,707,107	3,518,623
Accrued and unpaid interests	9,895,633	8,102,832
Accrued expenses	8,750,772	6,851,692
Payables to customers of subsidiaries	8,018,168	6,602,222
Temporary deposits	7,408,308	6,922,960
Credit card accounts under settlement	6,559,154	10,075,998
Cash dividends payable	6,064,820	6,351,216
Provision for expected credit losses on indirect credit facilities (note 51)	4,899,721	3,377,610
Interests and commissions paid in advance	4,346,606	4,707,555
Accrued taxes	4,241,096	3,622,691
Return on unrestricted investment accounts	3,179,814	2,651,704
Provision for employee rewards	2,244,867	4,372,872
Outward Transfers	1,091,251	7,265,352
Negative financial derivatives	120,043	5,153,119
Board of Directors bonuses	-	406,980
Others	17,633,713	6,731,142
	147,587,439	102,727,448

The other liabilities include amounts of U.S. $ 25,067,086 and U.S. $ 30,215,646 as at December 31, 2024, and 2023, respectively, subject to the calculation of mandatory cash reserves with the Palestine Monetary Authority.

28. Additional paid-in capital

Additional paid in capital resulted from the following:

- During the year, the Bank issued new shares to increase its capital through a private issuance for the Arab Palestinian Investment Company and the Markets Company for Investment Portfolios, amounting to 3,311,258 shares and 3,973,509 shares, respectively, with a nominal value of U.S. 1 per share and an issuance premium of U.S. 0.51 per share. The total number of shares issued for both parties reached 7,284,767 shares, with a total issuance premium of U.S. 3,715,233. An amount of U.S. 15,000 was deducted from the issuance premium representing registration expenses and professional fees incurred by the Bank to raise capital. Additionally, according to the agreement signed on July 9, 2024, with both the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD), which stipulates their priority right to maintain their shareholding percentage in the Bank, and the notifications sent to them by the Bank regarding the above agreements, the International Finance Corporation (IFC) approved the issuance of 383,409 shares with a nominal value of one US dollar per share and an issuance premium of U.S. 0.51 per share to maintain its investment in the Bank at 5% of the Bank's capital. It is noted that the payment procedures were completed later than the date of the Bank's consolidated financial statements, and accordingly, an amount of U.S. 578,947 was recorded in the Bank's books to raise capital and the related issuance premium in the first quarter of 2025.

- The Bank issued new shares to raise the capital through an investment agreement with both the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD) joining as strategic partners and aiming to strengthen the Bank's capital, along with many other goals. The Bank, through a private stock issuance, issued a total of 22,597,516 shares with a nominal value of U.S. $ 1 per share and additional paid in capital of U.S. $ 0.51 per share according to the agreement. IFC's contributed in 5% of the Bank's capital, equivalent to 12,663,742 shares with a nominal value of U.S. $ 1 per share, and the EBRD contributed in 3.92% of the Bank's capital, equivalent to 9,933,774 shares, with a nominal value of U.S. $ 1 per share and a total additional paid-in capital by both parties amounting to U.S. $ 11,524,733. An amount of U.S. $ 57,245 was deducted from additional paid-in capital representing relevant registration expenses and professional fees incurred by the Bank in order to raise the paid in share capital.
- The acquisition of the Bank's portfolio of the Commercial Bank of Palestine (CBP), which resulted in issuing 10,008,685 shares of Bank's shares to the shareholders of CBP. The share price of Bank of Palestine of U.S. $ 1 par value was U.S. $ 2.58. This resulted in additional paid-in capital of U.S. $ 15,813,723. The acquisition was based on the Bank's extra -ordinary meeting held on March 25, 2016.
- The admission of the International Finance Corporation (IFC) as a strategic partner with 5% of the share capital which amounted to 4,070,239 shares of U.S. $ 1 par value, each and an additional paid-in capital of U.S. $ 2.06 for each share with total additional paid-in capital amounting to U.S. $ 8,384,692. The admission was based on the Bank's Board of Director's decision in the meeting held on June 15, 2008.
- Offering 13 million shares exclusively for 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 extraordinary 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. Perpetual bond

During 2022, the Bank signed an agreement with the Japan International Cooperation Agency (JICA) to invest U.S. $ 30 million in a perpetual bond within the additional first tier of the Bank's regulatory capital, after obtaining the approval of the Palestinian Monetary Authority and the Bank's General Assembly, in order to enhance the financial solvency of the Bank's capital and increase its ability to finance small and medium enterprises. The necessary procedures and agreement were completed and the value of the perpetual bond was transferred to the Bank during 2023. The bond is entitled to an annual interest rate of 7.5% plus LIBOR for 6 months.

A perpetual bond is an unsecured sub-bond with vouchers that are paid at the end of every six months. The Bank has the right to decide whether to pay or not to pay interest, and the choice not to pay interest is not a default event. In the event that the Bank chooses not to pay, the Bank shall not be entitled to declare or pay any dividends.

Interest on the perpetual bond recorded in the consolidated statement of changes in equity amounted to U.S. $ 1,966,666 for year ended December 31, 2024 and U.S. $ 3,711,667 for the year ended December 31, 2023.

The accrued interest amounted to U.S. $ 170,252 as at December 31, 2024 compared to U.S. $ 181,890 as at December 31, 2023.

The Bank paid the due interest payments under the terms of the agreement for the first half of 2024 and for the entire year of 2023, while the Bank chose not to pay the interest for the second half of 2024.

30. 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.

Voluntary reserve

Voluntary reserve represents cumulative deductions of the Bank's subsidiaries.

General banking risk reserve

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

Pro-cyclicality reserve

This reserve represents 15% of net profit after tax in accordance with PMA's instruction number (6/2015), as the Bank stopped deducting this percentage and adding it to the reserve item according to the instructions No. (01/2018) that specified a rate of 0.57% of the risk-weighted assets as a capital buffer against cyclical fluctuations, and the instructions allowed Banks to use the amounts formed in the item of the cyclical fluctuation reserve for the purposes of this buffer. In accordance with Instructions No. (13/2019), 0.66% of the risk-weighted assets were calculated as the anti-cyclical capital buffer for the year 2019. During the year 2022, the Palestinian Monetary Authority issued Instructions No. (2022/8) regarding the anti-cyclical capital buffe, so that the ratio is between (0.5%) of the risk-weighted assets. The instructions require the Bank to commit to forming a capital buffer for cyclical fluctuations within a maximum period of March 31, 2023, and to disclose in the interim and final financial statements as of June 2023. The Bank is prohibited from disposing of the amounts allocated in the cyclical fluctuations reserve item, except for capitalization, after obtaining the prior written approval of Palestinian Monetary Authority.

31. Cash and Stock Dividends

The Bank's general assembly, during its ordinary meeting held on April 5, 2023, approved dividends distribution at 13% of the nominal value of the share in a total of U.S $ 29,114,615 from its results of operations for the year 2022, out of which 3% of the nominal value of the share as stock dividend distribution , with a total amount of U.S. $ 6,718,757, and cash dividends of 10% of the nominal value of the share, with a total amount of U.S. $ 22,395,858.

Cash and stock dividends from a subsidiary

The general assembly of Arab Islamic Bank (a subsidiary), during its ordinary meeting held on March 28, 2023, approved a stock dividend distribution to shareholders at 5.09% of the nominal value of the share, with a total amount of U.S. $ 4,900,000, and cash dividends of 4.15% of the nominal value of the share, with a total amount of U.S. $ 4,000,000 from the Bank's operating results for the year 2022. The share of non-controlling parties in the distributed profits amounted to a total of U.S. $ 1,917,512.

The general assembly of PalPay, during its ordinary meeting held on October 5, 2023, approved a cash dividend distribution with a total amount of U.S. $ 650,000 from Palpay's operating results for the year 2022. The share of non-controlling parties in the distributed profits amounted to a total of U.S. $ 97,500.

The total share of non-controlling interests in the distributed profits from subsidiaries for the year ended December 31, 2023, amounted to U.S. 2,015,012.

32. Interest income

This item comprises interest revenues earned on the following accounts:

	2024	2023
	U.S. $	U.S. $
Loans	140,030,274	145,686,231
Overdraft accounts	32,816,739	30,834,575
Balances, deposits and investments at Banks and financial institutions	66,173,922	28,151,406
Overdrawn accounts	11,610,499	12,395,302
Financial assets at amortized cost	7,288,981	8,420,134
Credit cards	3,183,501	2,906,562
	261,103,916	228,394,210

33. Interest expense

This item comprises interest incurred on the following accounts:

	2024	2023
	U.S. $	U.S. $
Interest on customers' deposits		
Time deposits	23,339,558	18,319,158
Saving accounts	1,064,550	2,824,685
Current and on demand accounts	528,554	125,472
	24,932,662	21,269,315
Interest on Palestine Monetary Authority's deposits	8,962,039	4,395,202
Interest on subordinated loans	4,622,763	4,291,926
Interest on Banks' and financial institutions' deposits	1,318,934	3,834,716
Interest on loans and borrowings	5,817,623	3,041,165
Interest on lease liabilities	663,397	734,199
	46,317,418	37,566,523

34. Net financing and investment income

This item comprises net investment and financing income from Arab Islamic Bank (a subsidiary), below are details of this item:

	2024	2023
	U.S. $	U.S. $
Revenues from financing returns	64,441,358	64,450,982
Investment returns	5,145,222	5,259,533
	69,586,580	69,710,515
Less: return of unrestricted investment accounts	(9,651,852)	(8,633,190)
	59,934,728	61,077,325

35. Net commissions income

This item comprises commissions against the following:

	2024	2023
	U.S. $	U.S. $
Commissions income:		
Checks	10,446,564	9,416,075
Accounts management commission	9,482,698	9,127,932
Bank transfers	4,772,946	6,298,512
Indirect credit facilities	3,566,475	3,752,927
Salaries commission	2,566,152	3,103,850
Credit cards commission revenue, net	2,401,800	2,689,698
Direct credit facilities	2,059,169	3,790,183
Other banking services	3,712,260	6,001,490
	39,008,064	44,180,667
Less: commissions expense	(7,843,579)	(6,081,164)
	31,164,485	38,099,503

36. Net gains from financial assets portfolio

This item comprises the following:

	2024	2023
	U.S. $	U.S. $
Dividends from financial assets at fair value through other comprehensive income items	2,493,885	2,829,429
Dividends from financial assets at fair value through profit or loss	166,038	284,282
Realized gains (losses) from sale of financial assets at fair value through profit or loss	138,160	(2,650)
Unrealized losses from revaluation of financial assets at fair value through profit or loss	(539,392)	(18,020)
Investment management fees commission	(570,230)	(465,081)
	1,688,461	2,627,960

37. Other revenues, net

	2024	2023
	U.S. $	U.S. $
Recovery of less than six years suspended interest and profit	3,210,242	3,165,609
Revaluation of investment properties (note 12)	2,067,904	181,533
Recovery of excess in provisions	1,995,806	-
Gains from selling and disposing of property, plant and equipment, and right of use assets	901,056	158,897
Recovery of more than six years suspended interest and profit	415,554	890,500
Safe boxes rental	253,352	279,827
Sundry	3,498,397	3,608,178
	12,342,311	8,284,544

38. Personnel expenses

	2024	2023
	U.S. $	U.S. $
Salaries and related benefits	56,392,217	54,743,647
Value added tax on salaries	8,710,994	8,470,437
Provision for employees' end of service	8,718,161	10,481,022
Bonuses and rewards	3,124,393	5,305,647
Medical and insurance expenses	3,350,116	4,102,575
Bank's contribution to saving fund *	2,474,334	2,316,187
Clothing allowances	1,013,648	958,243
Employees Training expenses	1,041,039	1,032,166
Transportation	819,502	1,026,986
	85,644,404	88,436,910

* 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.

39. Other operating expenses

	2024	2023
	U.S. $	U.S. $
Palestine Deposit Insurance Corporation fees*	10,519,530	9,951,271
Telephone, postage and fax	7,359,678	6,434,672
Maintenance and repairs	7,244,353	6,860,305
Subscriptions fees	5,644,691	4,767,821
Cash shipping expense	5,118,535	5,898,712
Social responsibility **	4,622,524	4,346,288
Professional fees	4,577,001	5,871,673
Advertising and promotions	4,324,300	4,761,453
Guarding and cleaning fees	2,603,319	1,783,175
Insurance fees	2,558,321	1,813,311
Utilities	1,813,437	2,197,593
Board of Directors bonuses and allowances	1,733,099	2,111,609
Representative and administrative offices expenses and related allowances	1,569,954	-
Stationery and printing	1,454,425	1,935,416
Travel and seminars fees	1,446,674	1,228,779
License fees	1,208,062	1,359,472
Fuel	651,726	1,019,976
Rent (note 24)	557,240	803,538
Hospitality and activities fees	419,047	483,849
Vehicles' expense	289,061	285,167
Sundry	3,975,146	3,753,236
	69,690,123	67,667,316

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

** The Bank is committed to support social responsibility projects and activities in Palestine through contributions towards the development of various sectors including education, youth, innovation, sport, health and environment, culture and arts, development and economic, diaspora affairs, humanitarian effort and women empowerment, in addition, the Bank encourages its employees to participate in voluntary work by engaging them in developmental projects in cooperation with partner organizations and humanitarian initiatives.

40. Provision for expected credit losses on investments, indirect credit facilities and Islamic financing, other receivables, and other assets impairments, net

	2024	2023
	U.S. $	U.S. $
Realized cash losses (note 5)	137,775,720	31,302,734
Indirect credit facilities and Islamic financing (note 51)	1,522,111	2,825,090
Impairment losses of property, plant, and equipment (note 13)	544,966	930,600
Impairment losses on accounts receivable (note 16)	72,018	298,461
Impairment losses on assets obtained by the Bank by calling on collateral (note 16)	-	975,011
Balances with Palestine Monetary Authority (note 5)	(105,138)	136,523
Balances, deposits and investments at Banks and financial institutions (note 6)	(161,053)	(505,299)
Financial assets at amortized cost (note 10)	(797,438)	37,708
Total	138,851,186	36,000,828

41. Palestine Monetary Authority's fines

This item represents fines imposed by PMA on the Bank and Arab Islamic Bank (a subsidiary) amounted to U.S. $ 60,000 for the year ended December 31, 2023, related to non-compliance with some PMA instructions and the related laws and regulations.

42. 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:

	2024	2023
	U.S. $	U.S. $
Cash and balances with Palestine Monetary Authority	2,237,974,006	1,789,619,024
Balances, deposits and investments at Banks and financial institutions	1,721,873,115	1,008,328,015
	3,959,847,121	2,797,947,039
<u>**Less:**</u>		
Deposits at Banks maturing after 3 months	(439,335,685)	(55,503,527)
Investments at Islamic Banks maturing after 3 months	(6,000,000)	(6,000,000)
Restricted balances of withdrawal	(75,741,614)	(74,907,482)
Palestine Monetary Authority's deposits and balances maturing within 3 months or less	(141,791,321)	(128,543,055)
Banks and financial institutions' deposits maturing within a period of 3 months	(111,077,678)	(204,538,769)
Statutory cash reserve	(632,351,357)	(519,244,716)
	2,553,549,466	1,809,209,490

43. Basic and diluted earnings per share

	2024	2023
	U.S. $	U.S. $
Profit for the year attributable to equity holders of the Bank	(28,901,957)	13,105,203
Deduct: Interest on perpetual bond	(1,966,666)	(3,711,667)
Net (loss) profit after deducting interest on perpetual bond	(30,868,623)	9,393,536
	Shares	Shares
Weighted average of subscribed shares during the year	238,639,823	230,677,334
	U.S. $	U.S. $
Basic and diluted earnings (loss) per share attributable to equity holders of the Bank	(0.13)	0.04

44. 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:

2024	Associates	Joint Venture	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 Islamic financing	3,621,126	4,240,322	71,783,070	37,942,507	117,587,025
Including:					
Non-performing credit facilities	-	-	-	232,100	232,100
Deposits	365,342	184,966	76,902,015	22,171,733	99,624,056
Financial assets at amortized cost	-	-	16,000,000	-	16,000,000
Financial assets at fair value through other comprehensive income	-	-	3,839,283	-	3,839,283
Prepaid expenses	-	79,125	-	-	79,125
Bank's Board of Directors renumerations and expenses	-	-	-	-	-
Subsidiaries' Board of Directors renumerations and expenses	-	-	325,000	-	325,000
Commitments and contingencies					
Letters of guarantees	-	-	7,347,334	3,157,234	10,504,568
Unutilized limits	309,085	1,799,905	389,130	10,402,922	12,901,042
Consolidated Income statement items:					
Interest and commissions revenue	233,298	323,569	4,043,594	2,208,720	6,809,181
Interest and commissions paid	-	-	1,714,817	282,615	1,997,432

2023	Associates	Joint Venture	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 Islamic financing	4,499,156	4,907,022	66,740,284	38,969,172	115,115,634
Including:					
Non-performing credit facilities	-	-	-	297,845	297,845
Deposits	372,154	321,143	42,678,206	25,081,341	68,452,844
Financial assets at amortized cost	-	-	8,000,000	-	8,000,000
Financial assets at fair value through other comprehensive income	-	-	4,457,139	-	4,457,139
Prepaid expenses	-	2,142,248	-	-	2,142,248
Bank's Board of Directors renumerations and expenses	-	-	406,980	-	406,980
Subsidiaries' Board of Directors renumerations and expenses	-	-	220,000	-	220,000
Commitments and contingencies					
Letters of guarantees	-	-	6,154,365	210,534	6,364,899
Letters of credit	-	-	-	2,759,250	2,759,250
Unutilized limits	213,426	1,151	388,435	8,568,123	9,171,135
Consolidated Income statement items:					
Interest and commissions revenue	252,126	339,048	3,405,437	2,258,902	6,255,513
Interest and commissions paid	-	-	836,614	250,434	1,087,048

* 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, 2024 and 2023 represent 3.06% and 3.00% 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, 2024 and 2023 represent 17.80% and 18.46% respectively, from the Bank's regulatory capital.
- Interest on U.S. $ direct credit facilities ranges between 2.50% to 24%.
- Interest on New Israeli Shekels direct credit facilities ranges between 3.75% to 21%.
- Interest on the Jordanian Dinar direct credit facilities ranges between 4% to 11%.
- Interest on U.S. $ deposits ranges between 0.10% to 5.25%.
- The profit rate on loans granted in U.S. $ to related parties during 2024 ranges between 2% to 6%

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

	2024	2023
	U.S. $	U.S. $
Executive management's salaries and related benefits (short term benefits)	5,214,261	5,376,210
Executive management's end of service provision (long term benefits)	497,304	1,121,846
Board of Directors' bonuses	475,419	835,122
Board of Directors' remunerations and expenses	1,257,680	1,276,487
Representative and administrative office expenses - Board of Directors	1,005,814	-

Following are the details of Board of Director remuneration for the years 2024 and 2023:

	2024	2023
	U.S. $	U.S. $
Hashim Hani Shawa	-	39,385
Abdullah Al-Ghanim	-	39,385
Tafeeda Jarbawi	-	39,385
Emad Erik Shehadeh	-	39,385
Lana Abu Hijleh	-	39,385
Maha Awad	-	39,385
Tawfeeq Habash	-	39,385
Adel Dajani	-	39,385
Tariq Aqqad	-	21,882
Lama Kan'an	-	39,385
Linda Tarzi	-	30,633
	-	406,980

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 0% and 2.47% of profit for the years 2024 and 2023, respectively.

45. 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, 2024:

	Carrying value	Fair 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	2,236,071,862	2,236,071,862	-	-	2,236,071,862
Balances, deposits and investments at Banks and financial institutions	1,719,713,863	1,719,713,863	-	-	1,719,713,863
Financial assets at fair value through profit or loss:					
Quoted stocks	1,741,648	1,741,648	-	-	1,741,648
Unquoted stocks	3,704,152	-	193,612	3,510,540	3,704,152
Direct credit facilities and Islamic financing:					
Retails	1,160,932,277	-	-	1,160,932,277	1,160,932,277
Corporate, local regulators, institutions and small projects	1,714,005,757	-	-	1,714,005,757	1,714,005,757
Palestine National Authority	967,702,415	-	-	967,702,415	967,702,415
Financial assets at fair value through other comprehensive income:					
Quoted stocks	51,095,815	51,095,815	-	-	51,095,815
Unquoted stocks	12,540,300	-	-	12,540,300	12,540,300
Financial assets at amortized cost:					
Treasury bills	135,838,051	118,951,405	-	17,145,153	136,096,558
Quoted bonds	3,268,090	3,219,750	-	-	3,219,750
Unquoted bonds	20,249,942	-	-	20,249,942	20,249,942
Islamic sukuk	35,989,346	36,839,808	-	-	36,839,808
Other financial assets	41,400,328	-	-	41,400,328	41,400,328
Total assets	8,104,253,846	4,167,634,151	193,612	3,937,486,712	8,105,314,475
Financial liabilities					
Palestine Monetary Authority deposits	241,791,321	241,791,321	-	-	241,791,321
Banks and financial institutions' deposits	111,077,678	111,077,678	-	-	111,077,678
Customers' deposits	6,714,389,212	6,714,389,212	-	-	6,714,389,212
Cash margins	275,219,509	275,219,509	-	-	275,219,509
Subordinated loan	60,000,000	-	-	60,000,000	60,000,000
Loans and borrowings	104,927,195	-	-	104,927,195	104,927,195
Istidama loans from Palestine Monetary Authority	48,446,863	-	-	48,446,863	48,446,863
Leased Liabilities	19,193,970	-	-	19,193,970	19,193,970
Other financial liabilities	138,341,112	-	120,043	138,221,069	138,341,112
Total liabilities	7,713,386,860	7,342,477,720	120,043	370,789,097	7,713,386,860

The table below represents a comparison between the carrying amounts and fair values of financial instruments as at December 31, 2023:

	Carrying value	Fair 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	1,787,611,742	1,787,611,742	-	-	1,787,611,742
Balances, deposits and investments at Banks and financial institutions	1,005,207,710	1,005,207,710	-	-	1,005,207,710
Financial assets at fair value through profit or loss:					
Quoted stocks	1,569,073	1,569,073	-	-	1,569,073
Unquoted stocks	6,224,228	-	2,227,109	3,997,119	6,224,228
Direct credit facilities and Islamic financing:					
Retails	1,201,391,132	-	-	1,201,391,132	1,201,391,132
Corporate, local regulators, institutions and small projects	1,869,801,048	-	-	1,869,801,048	1,869,801,048
Palestine National Authority	767,816,047	-	-	767,816,047	767,816,047
Financial assets at fair value through other comprehensive income:					
Quoted stocks	49,207,330	49,207,330	-	-	49,207,330
Unquoted stocks	11,691,136	-	-	11,691,136	11,691,136
Financial assets at amortized cost:					
Treasury bills	82,613,206	50,627,703	-	29,863,952	80,491,655
Quoted bonds	23,710,518	23,559,420	-	-	23,559,420
Unquoted bonds	12,239,392	-	-	12,239,392	12,239,392
Islamic sukuk	40,791,117	39,796,369	-	-	39,796,369
Other financial assets	63,288,756	-	-	63,288,756	63,288,756
Total assets	6,923,162,435	2,957,579,347	2,227,109	3,960,088,582	6,919,895,038
Financial liabilities					
Palestine Monetary Authority deposits	203,422,416	203,422,416	-	-	203,422,416
Banks and financial institutions' deposits	204,538,769	204,538,769	-	-	204,538,769
Customers' deposits	5,478,560,065	5,478,560,065	-	-	5,478,560,065
Cash margins	329,167,229	329,167,229	-	-	329,167,229
Subordinated loan	45,000,000	-	-	45,000,000	45,000,000
Loans and borrowings	74,045,601	-	-	74,045,601	74,045,601
Istidama loans from Palestine Monetary Authority	23,405,534	-	-	23,405,534	23,405,534
Leased Liabilities	27,094,674	-	-	27,094,674	27,094,674
Other financial liabilities	94,642,283	-	5,153,119	89,489,164	94,642,283
Total liabilities	6,479,876,571	6,215,688,479	5,153,119	259,034,973	6,479,876,571

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 Palestine Monetary Authority, balances at Banks and financial institutions, other financial assets, Palestine Monetary Authority deposits, Banks and financial institutions balances, customers' deposits, cash margins, and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments or its interest rates are re-priced during the year.

Fair value for unquoted financial assets at amortized costs, loans and borrowings, subordinated loans, Istidama loans, lease liabilities was estimated by using expected cash flow by using the interest rates in financial markets.

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income items and financial assets at amortized cost listed and financial derivatives which have market prices at their trading prices at the date of the consolidated financial statements.

Fair value of financial assets at fair value through profit or loss and 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.

The fair value of the items in the investment portfolio was determined by the Bank's share in the net asset value of the portfolio, which includes tradable financial instruments.

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, 2024.

46. Fair value measurement

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

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

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

			Measurement of fair value by		
	Date of evaluation	Total	Quoted prices in active markets (Level 1)	Significant observable input (Level 2)	Significant non-observable inputs (Level 3)
		U.S. $	U.S. $	U.S. $	U.S. $
Assets measured at fair value					
Financial assets at fair value through profit or loss- (note 7):					
Quoted	December 31, 2024	1,741,648	1,741,648	-	-
Unquoted	December 31, 2024	3,704,152	-	193,612	3,510,540
Financial assets at fair value through other comprehensive income (note 9):					
Quoted	December 31, 2024	51,095,815	51,095,815	-	-
Unquoted	December 31, 2024	12,540,300	-	-	12,540,300
Investment properties (note 12)	December 31, 2024	40,676,948	-	-	40,676,948
Financial assets accounted for in its fair value:					
Financial assets at amortized cost (note 10):					
Treasury bills	December 31, 2024	136,096,558	118,951,405	-	17,145,153
Quoted bonds	December 31, 2024	3,219,750	3,219,750	-	-
Unquoted bonds	December 31, 2024	20,249,942	-	-	20,249,942
Islamic Sukuk	December 31, 2024	36,839,808	36,839,808	-	-
Liabilities measured at fair value on a recurring basis					
Financial derivatives at fair value through profit or loss (note 27)	December 31, 2024	120,043	-	120,043	

The following table provides the fair value measurement hierarchy of the Bank's assets and liabilities as at December 31, 2023:

	Date of evaluation	Total	Measurement of fair value by: Quoted prices in active markets (Level 1)	Significant observable input (Level 2)	Significant non-observable inputs (Level 3)
		U.S. $	U.S. $	U.S. $	U.S. $
Assets measured at fair value					
Financial assets at fair value through profit or loss- (note 7):					
Quoted	December 31, 2023	1,569,073	1,569,073	-	-
Unquoted	December 31, 2023	6,224,228	-	2,227,109	3,997,119
Financial assets at fair value through other comprehensive income (note 9):					
Quoted	December 31, 2023	49,207,330	49,207,330	-	-
Unquoted	December 31, 2023	11,691,136	-	-	11,691,136
Investment properties (note 12)	December 31, 2023	24,776,440	-	-	24,776,440
Financial assets accounted for in its fair value:					
Financial assets at amortized cost (note 10):					
Treasury bills	December 31, 2023	80,491,655	50,627,703	-	29,863,952
Quoted bonds	December 31, 2023	23,559,420	23,559,420	-	-
Unquoted bonds	December 31, 2023	12,239,392	-	-	12,239,392
Islamic Sukuk	December 31, 2023	39,796,369	39,796,369	-	-
Assets measured at fair value on a recurring basis					
Financial derivatives at fair value through profit or loss (note 27)	December 31, 2023	5,153,119	-	5,153,119	-

The Bank has not made any transfers between the above levels during 2024 and 2023.

The following table represents the fair value sensitivity of investment properties:

	Increase/ decrease in fair value	Effect on fair value
	%	U.S. $
2024		
Fair value per square meter	5+	2,033,847
Fair value per square meter	5-	(2,033,847)
2023		
Fair value per square meter	5+	1,238,822
Fair value per square meter	5-	(1,238,822)

The movement on investments whose fair value was measured using Level 3 was as follows:

December 31 2024	Balance, beginning of the year	Additions	Maturity/sale /transfer	Fair value reserve	Unrealized losses from revaluation of financial assets recognized in consolidated income statement	Balance, end of the year
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Financial assets at fair value through profit or loss (note 7):						
Unquoted	3,997,119	254,000	(7,901)	-	(732,678)	3,510,540
Financial assets at fair value through other comprehensive income items (note 9):						
Unquoted	11,691,136	1,139,790	-	(290,626)	-	12,540,300
Assets measured at Fair Value:						
Investment properties (note 12)	24,776,440	14,265,104	(432,500)	-	2,067,904	40,676,948
	40,464,695	15,658,894	(440,401)	(290,626)	1,335,226	56,727,788

December 31 2023	Balance, beginning of the year	Additions	Maturity/sale	Fair value reserve	Unrealized losses from revaluation of financial assets recognized in consolidated income statement	Balance, end of the year
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Financial assets at fair value through profit or loss (note 7):						
Unquoted	4,823,261	411,000	(1,246,295)	-	9,153	3,997,119
Financial assets at fair value through other comprehensive income items (note 9):						
Unquoted	12,563,716	35,267	(100,000)	(807,847)	-	11,691,136
Assets measured at Fair Value:						
Investment properties (note 12)	22,930,742	1,810,165	(146,000)	-	181,533	24,776,440
	40,317,719	2,256,432	(1,492,295)	(807,847)	190,686	40,464,695

– Sensitivity of unobservable data (level three):

Certified external valuators are assigned to value the material assets such as investment properties. 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.

47. 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:

	2024			2023		
	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	6,472,226,410	8,066,084,376	684,826,931	6,031,372,985	6,858,220,336	598,351,708
Israel	55,431,294	1,401,939	1,283,778	33,350,817	305,889	1,283,778
Jordan	400,909,469	1,499,839	46,200	294,662,392	2,054,243	3,357
Europe	892,927,299	109,199,035	15,348,132	575,088,881	74,094,132	11,005,637
USA	120,945,538	32,007,285	-	23,453,331	45,919,975	3,636,546
Others	417,633,688	149,881,224	9,756,599	168,132,342	145,466,173	21,774,422
Total	8,360,073,698	8,360,073,698	711,261,640	7,126,060,748	7,126,060,748	636,055,448
By sector						
Retail	1,160,932,277	4,570,284,602	62,675,205	1,201,391,132	3,851,492,987	230,101,578
Corporate, institutions and public sector	2,681,708,172	2,419,324,119	648,586,435	2,637,617,095	1,956,234,307	405,953,870
Treasury	4,232,224,886	566,243,057	-	3,032,723,573	550,306,151	-
Others	285,208,363	804,221,920	-	254,328,948	768,027,303	-
Total	8,360,073,698	8,360,073,698	711,261,640	7,126,060,748	7,126,060,748	636,055,448

48. 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 suspense and prior to collaterals and other risk mitigations):

	2024	2023
	U.S. $	U.S. $
Consolidated statement of financial position items		
Balances with Palestine Monetary Authority	645,950,093	594,047,522
Balances, deposits and investments at Banks and financial institutions	1,719,713,863	1,005,207,710
Direct credit facilities and Islamic financing:		
Retail	1,160,932,277	1,201,391,132
Corporate, institutions and local regulators	1,714,005,757	1,869,801,048
Palestine National Authority	967,702,415	767,816,047
Financial assets at amortized cost	195,345,429	159,354,233
Other financial assets	41,400,328	63,288,756
	6,445,050,162	5,660,906,448
Items not included in the consolidated statement of financial position		
Letters of guarantees	198,894,965	223,607,727
Letters of credit	34,176,725	42,054,138
Acceptances	5,246,675	7,810,133
Unutilized credit facilities limits	467,892,154	359,050,289
Other	151,400	155,551
	706,361,919	632,677,838

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, which is 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)
2024	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balances with Palestine Monetary Authority	647,852,237	-	-	1,902,144	-	-	0.29%	-	-
Balances, deposits and investments at Banks and financial institutions	1,681,196,515	38,861,345	1,815,255	338,559	5,438	1,815,255	0.02%	0.01%	100.00%
Direct credit facilities and Islamic financing:									
Retails	320,687,625	893,902,359	67,984,458	921,996	72,367,612	41,775,015	0.29%	8.10%	61.45%
SMEs	314,753,146	257,521,939	67,841,463	938,688	36,888,230	35,225,458	0.30%	14.32%	51.92%
Corporate and local regulators	556,717,079	630,710,413	94,092,132	3,415,853	61,487,289	54,334,590	0.61%	9.75%	57.75%
Palestine National Authority	984,376,324	-	-	16,673,909	-	-	1.69%	-	-
Financial assets at amortized cost	171,417,886	25,054,404	2,524,147	372,773	754,088	2,524,147	0.22%	3.01%	100.00%
Other financial assets	41,400,328	-	-	-	-	-	-	-	-
Total	4,718,401,140	1,846,050,460	234,257,455	24,563,922	171,502,657	135,674,465	0.52%	9.29%	57.92%
Credit exposure related to off-balance sheet items	452,855,789	258,405,851	-	460,427	4,439,294	-	0.10%	1.72%	-

	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)
2023	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balances with Palestine Monetary Authority	596,054,804	-	-	2,007,282	-	-	0.34%	-	-
Balances, deposits and investments at Banks and financial institutions	968,927,354	36,710,934	2,689,727	411,368	19,210	2,689,727	0.04%	0.05%	100.00%
Direct credit facilities and Islamic financing:									
Retails	356,721,372	867,124,287	62,004,086	959,111	45,358,657	31,962,974	0.27%	5.23%	51.55%
SMEs	413,538,164	223,917,839	73,649,667	1,259,899	22,730,074	36,415,495	0.30%	10.15%	49.44%
Corporate and local regulators	817,590,528	425,603,614	95,972,908	1,857,280	44,602,176	61,892,823	0.23%	10.48%	64.49%
Palestine National Authority	785,491,826	-	-	17,675,779	-	-	2.25%	-	-
Financial assets at amortized cost	135,072,095	26,206,437	2,524,147	517,063	1,407,236	2,524,147	0.38%	5.37%	100.00%
Other financial assets	63,288,756	-	-	-	-	-	-	-	-
Total	4,136,684,899	1,579,563,111	236,840,535	24,687,782	114,117,353	135,485,166	0.60%	7.22%	57.21%
Credit exposure related to off-balance sheet items	469,746,872	166,308,576	-	172,483	3,205,127	-	0.04%	1.93%	-

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		Corporate and local regulators		Palestine National Authority		Total stage (2)	
	Carrying amount	ECL	Carrying amount	ECL	Carrying amount	ECL	Carrying amount	ECL	Carrying amount	ECL
2024	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Less than 30 DPD										
Qualitative factors	16,772,228	10,975,729	3,574,494	812,997	103,838,241	14,500,325	-	-	124,184,963	26,289,051
More than 30 DPD	877,130,131	61,391,883	253,947,445	36,075,233	526,872,172	46,986,964	-	-	1,657,949,748	144,454,080
Total	893,902,359	72,367,612	257,521,939	36,888,230	630,710,413	61,487,289	-	-	1,782,134,711	170,743,131

	Retail		SMEs		Corporate and local regulators		Palestine National Authority		Total stage (2)	
	Carrying amount	ECL	Carrying amount	ECL	Carrying amount	ECL	Carrying amount	ECL	Carrying amount	ECL
2023	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Less than 30 DPD										
Qualitative factors	147,535,760	4,450,799	142,012,538	18,744,180	179,361,744	34,997,843	-	-	468,910,042	58,192,822
More than 30 DPD	719,588,527	40,907,858	81,905,301	3,985,894	246,241,870	9,604,333	-	-	1,047,735,698	54,498,085
Total	867,124,287	45,358,657	223,917,839	22,730,074	425,603,614	44,602,176	-	-	1,516,645,740	112,690,907

Fair value of collaterals obtained against total credit exposures is as follows:

		Fair value of collaterals								
2024	Total value of exposure	Cash margins	Precious metals and others	Quoted stocks and letter of guarantees	Loan guarantee funds	Vehicles, equipment and others	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. $	U.S. $
Credit exposures related to items in the consolidated statement of financial position:										
Balances with Palestine Monetary Authority	647,852,237	-	-	-	-	-	-	-	647,852,237	1,902,144
Balances, deposits and investments at Banks and financial institutions	1,721,873,115	-	-	-	-	-	-	-	1,721,873,115	2,159,252
Direct credit facilities and Islamic financing:										
Retails	1,282,574,442	50,370,896	4,372,252	1,407,941	5,925,772	53,253,056	282,869,944	398,199,861	884,374,581	.15,064,623
SMEs	640,116,548	67,827,677	3,032,967	9,884,701	55,376,037	31,263,287	355,290,440	522,675,109	117,441,439	73,052,376
Corporate and local regulators	1,281,519,624	97,890,753	4,347,285	73,196,406	6,525,232	69,304,478	489,439,604	740,703,758	540,815,866	.19,237,732
Palestine National Authority	984,376,324	.00,000,000	-	-	-	-	-	100,000,000	884,376,324	16,673,909
Financial assets at amortized cost	198,996,437	-	-	-	-	-	-	-	198,996,437	3,651,008
Other financial assets	41,400,328	-	-	-	-	-	-	-	41,400,328	-
Total	6,798,709,055	316,089,326	11,752,504	84,489,048	67,827,041	153,820,821	1,127,599,988	1,761,578,728	5,037,130,327	331,741,044
Credit exposure related to off-balance sheet items	711,261,640	35,543,790	5,473	664,394	826,799	295,097	23,683,449	61,019,002	650,242,638	4,899,721

Fair value of collaterals obtained against Stage (3) credit exposures is as follows:

2024	Total exposure	Fair value of collaterals: Cash margins	Precious metals	Real estate	Loan guarantee funds	Quoted stocks	Vehicles, equipment and others	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. $	U.S. $
Credit exposures related to items in the consolidated statement of financial position:										
Direct credit facilities and Islamic financing:										
Retail	67,984,458	2,205,715	74,339	10,980,609	1,433,640	-	3,806,935	18,501,238	49,483,220	41,775,015
Corporate and institutions	161,933,595	8,351,881	9,027	56,311,919	2,128,660	1,413,317	951,878	69,166,682	92,766,913	89,560,048
Total	229,918,053	10,557,596	83,366	67,292,528	3,562,300	1,413,317	4,758,813	87,667,920	142,250,133	131,335,063

Fair value of collaterals obtained against total credit exposures is as follows:

2023	Total value of exposure	Fair value of collaterals: Cash margins	Precious metals	Quoted stocks and letter of guarantees	Loan guarantee funds	Vehicles, equipment and others	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. $	U.S. $
Credit exposures related to items in the consolidated statement of financial position:										
Balances with Palestine Monetary Authority	596,054,804	-	-	-	-	-	-	-	596,054,804	2,007,282
Balances, deposits and investments at Banks and financial institutions	1,008,328,015	-	-	-	-	-	-	-	1,008,328,015	3,120,305
Direct credit facilities and Islamic financing:										
Retails	1,285,849,745	32,225,417	250,009	8,095,180	4,287,219	54,727,186	254,603,823	354,188,834	931,660,911	78,280,742
SMEs	711,105,670	65,824,264	428,970	72,834,921	63,286,453	27,868,831	202,963,537	433,206,976	277,898,694	60,405,468
Corporate and local regulators	1,339,167,050	130,761,587	-	80,976,817	8,639,322	71,132,240	379,580,108	671,090,074	668,076,976	108,352,279
Palestine National Authority	785,491,826	2,773	-	-	-	-	-	2,773	785,489,053	17,675,779
Financial assets at amortized cost	163,802,679	-	-	-	-	-	-	-	163,802,679	4,448,446
Other financial assets	63,288,756	-	-	-	-	-	-	-	63,288,756	-
Total	5,953,088,545	228,814,041	678,979	161,906,918	76,212,994	153,728,257	837,147,468	1,458,488,657	4,494,599,888	274,290,301
Credit exposure related to off-balance sheet items	636,055,448	38,888,411	4,705	2,401,604	1,254,194	323,144	12,235,671	55,107,729	580,947,719	3,377,610

Fair value of collaterals obtained against Stage (3) credit exposures is as follows:

2023	Total exposure	Cash margins	Precious metals	Fair value of collaterals: Real estate	Loan guarantee funds	Quoted stocks	Vehicles, equipment and others	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	62,004,086	1,380,096	77,957	7,760,652	499,517	510,017	1,621,484	11,849,723	50,154,363	31,962,974
Corporate and institutions	169,622,575	3,820,298	42,113	39,090,458	8,818,145	11,097,493	5,007,505	67,876,012	101,746,563	98,308,318
Total	231,626,661	5,200,394	120,070	46,851,110	9,317,662	11,607,510	6,628,989	79,725,735	151,900,926	130,271,292

Concentration of credit risk exposures according to the geographical area, net is as follows:

December 31, 2024	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	645,950,093	-	-	-	-	-	645,950,093
Balances, deposits and investments at Banks and financial institutions	79,490,188	528,090,386	55,403,680	906,501,807	32,402,952	117,824,850	1,719,713,863
Direct credit facilities and Islamic financing	3,808,796,556	30,909,707	27,614	1,130,531	775,298	1,000,743	3,842,640,449
Financial assets at amortized cost	20,249,942	69,819,837	-	4,000,000	89,250,823	12,024,827	195,345,429
Other financial assets	41,400,328	-	-	-	-	-	41,400,328
Total as at December 31, 2024	4,595,887,107	628,819,930	55,431,294	911,632,338	122,429,073	130,850,420	6,445,050,162
Total as at December 31, 2023	4,599,517,058	318,947,170	27,033,551	572,631,555	19,527,457	123,249,657	5,660,906,448

Concentration of credit risk exposures according to IFRS (9) Stages as at December 31, 2024 and 2023 is as follows:

	Stage (1)	Stage (2)	Stage (3)	2024
	U.S. $	U.S. $	U.S. $	U.S. $
Palestine	2,907,830,386	1,611,391,580	76,665,141	4,595,887,107
Arab countries	569,816,293	59,003,637	-	628,819,930
Israel	55,431,294	-	-	55,431,294
Europe	911,632,338	-	-	911,632,338
USA	122,429,073	-	-	122,429,073
Others	126,697,834	4,152,586	-	130,850,420
Total	4,693,837,218	1,674,547,803	76,665,141	6,445,050,162

	Stage (1)	Stage (2)	Stage (3)	2023
	U.S. $	U.S. $	U.S. $	U.S. $
Palestine	3,089,996,991	1,428,520,848	80,999,219	4,599,517,058
Arab countries	293,018,961	25,928,209	-	318,947,170
Israel	27,033,551	-	-	27,033,551
Europe	572,631,555	-	-	572,631,555
USA	19,527,457	-	-	19,527,457
Others	109,788,602	10,996,702	2,464,353	123,249,657
Total	4,111,997,117	1,465,445,759	83,463,572	5,660,906,448

Concentration of credit risk exposures according to economic sectors is as follows:

2024	Financial U.S. $	Industrial U.S. $	Commercial U.S. $	Real estate U.S. $	Palestine National Authority and other Governmental bonds U.S. $	Others U.S. $	Total U.S. $
Balances with Palestine Monetary Authority	645,950,093	-	-	-	-	-	645,950,093
Balances, deposits and investments at Banks and financial institutions	1,719,713,863	-	-	-	-	-	1,719,713,863
Direct credit facilities and Islamic financing	56,257,120	260,340,979	626,158,086	914,511,805	967,702,415	1,017,670,044	3,842,640,449
Financial assets at amortized cost	40,425,433	7,877,472	7,936,382	2,271,784	135,838,052	996,306	195,345,429
Other	20,923,652	-	-	-	-	20,476,676	41,400,328
December 31, 2024	2,483,270,161	268,218,451	634,094,468	916,783,589	1,103,540,467	1,039,143,026	6,445,050,162
December 31, 2023	1,709,048,120	276,455,189	628,824,563	781,196,235	850,429,253	1,414,953,088	5,660,906,448

Concentration of credit risk exposures according to IFRS (9) Stages as at December 31, 2024 and 2023 is as follows:

	Stage (1)	Stage (2)	Stage (3)	2024
	U.S. $	U.S. $	U.S. $	U.S. $
Financial sector	2,435,844,226	47,425,935	-	2,483,270,161
Industrial	134,002,012	121,560,040	12,656,399	268,218,451
Commercial	353,095,022	259,587,751	21,411,695	634,094,468
Real estate	303,761,449	594,443,285	18,578,855	916,783,589
Palestine National Authority and other Governmental bonds	1,084,971,224	18,569,243	-	1,103,540,467
Others	382,163,285	632,961,549	24,018,192	1,039,143,026
Total	4,693,837,218	1,674,547,803	76,665,141	6,445,050,162

	Stage (1)	Stage (2)	Stage (3)	2023
	U.S. $	U.S. $	U.S. $	U.S. $
Financial sector	1,707,719,352	1,324,613	4,155	1,709,048,120
Industrial	173,035,911	99,059,664	4,359,614	276,455,189
Commercial	436,045,010	168,297,809	24,481,744	628,824,563
Real estate	316,042,702	451,148,701	14,004,832	781,196,235
Palestine National Authority and other Governmental bonds	832,594,294	17,834,959	-	850,429,253
Others	646,559,848	727,780,013	40,613,227	1,414,953,088
Total	4,111,997,117	1,465,445,759	83,463,572	5,660,906,448

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, 2024:

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 (%)
		(%)	2024	2025	2026	2027	2028	2029
GDP	Base case	10	(28.00)	4.86	9.74	10.31	9.30	3.93
	Best case	-	(14.07)	18.79	23.67	24.24	23.23	17.86
	Worst case	90	(41.93)	(9.07)	(4.19)	(3.62)	(4.63)	(10.00)
Unemployment rates								
	Base case	10	51.00	49.12	35.53	31.00	25.70	25.02
	Best case	-	40.16	38.28	24.69	20.16	14.86	14.18
	Worst case	90	61.84	59.96	46.37	41.84	36.54	35.86

Following are the macroeconomic factors impact on the forward-looking information based on multiple scenarios as at December 31, 2023:

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 (%)
		(%)	2023	2024	2025	2026	2027	2028
GDP	Base case	10	(3.70)	(6.80)	0.40	4.25	4.09	3.01
	Best case	-	3.28	0.18	7.38	11.24	11.08	9.99
	Worst case	90	(13.78)	(13.78)	(6.59)	(2.73)	(2.89)	(3.98)
Unemployment rates								
	Base case	10	25.90	25.90	24.20	24.10	24.00	24.00
	Best case	-	25.48	25.48	23.78	23.68	23.58	23.58
	Worst case	90	26.32	26.32	24.62	24.52	24.42	24.42

* The Bank calculated a 100% weighting for the worst scenario for customers affected by the war on Gaza Strip during the years 2024 and 2023.

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:

	2024	2023
	Financial assets at amortized cost	Financial assets at amortized cost
Credit rating	U.S. $	U.S. $
Private sector:		
From A- to AAA	16,000,000	26,514,056
From B- to BBB+	25,582,846	38,981,594
Unrated	21,021,345	14,205,687
Governments and public sector	136,392,246	84,101,342
Total	198,996,437	163,802,679

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:

	2024		2023	
	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	1,717,606	10	1,269,172
Jordanian Dinar	10	239,093	10	251,452
New Israeli Shekels	10	771,594	10	961,645
Other currencies	10	146,986	10	84,199

Interest rate re-pricing sensitivity gap

December 31, 2024	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	-	-	-	-	-	2,236,071,862	2,236,071,862
Balances, deposits and investments at Banks and financial institutions	455,684,288	701,546,518	375,820,588	54,000,000	3,540,846	129,121,623	1,719,713,863
Financial assets at fair value through profit or loss	-	-	-	-	-	5,445,800	5,445,800
Direct credit facilities and Islamic financing	488,446,671	210,090,617	246,950,548	792,332,648	2,104,819,965	-	3,842,640,449
Financial assets at fair value through other comprehensive income	-	-	-	-	-	63,636,115	63,636,115
Financial assets at amortized cost	11,813,157	57,606,231	10,969,715	20,645,271	94,311,055	-	195,345,429
Investment in associates and a joint venture	-	-	-	-	-	12,011,817	12,011,817
Investment properties	-	-	-	-	-	40,676,948	40,676,948
Property, plant and equipment and right of use assets	-	-	-	-	-	119,181,208	119,181,208
Deferred tax assets	-	-	-	-	-	52,098,683	52,098,683
Projects in progress	-	-	-	-	-	1,352,535	1,352,535
Intangible assets	-	-	-	-	-	14,388,305	14,388,305
Other assets	-	-	-	-	-	57,510,684	57,510,684
Total assets	955,944,116	969,243,366	633,740,851	866,977,919	2,202,671,866	2,731,495,580	8,360,073,698
Liabilities							
Palestine Monetary Authority deposits	89,153,446	39,776,187	-	20,000,000	80,000,000	12,861,688	241,791,321
Banks and financial institutions' deposits	34,251,449	28,681,025	-	-	-	48,145,204	111,077,678
Customers' deposits	795,827,221	303,958,584	330,775,786	437,242,734	105,039,489	4,741,545,398	6,714,389,212
Cash margins	82,581,988	17,883,126	42,928,679	47,613,122	84,212,594	-	275,219,509
Subordinated loan	-	-	7,500,000	7,500,000	45,000,000	-	60,000,000
Loans and borrowings	-	-	3,411,997	7,523,108	93,992,090	-	104,927,195
Istidama loans	712,620	1,767,591	3,035,091	5,459,746	37,471,815	-	48,446,863
Deferred tax liability	-	-	-	-	-	4,135,563	4,135,563
Sundry provisions	-	-	-	-	-	59,702,555	59,702,555
Taxes provisions	-	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	19,193,970	19,193,970
Other liabilities	-	-	-	-	-	147,587,439	147,587,439
TOTAL LIABILITIES	1,002,526,724	392,066,513	387,651,553	525,338,710	445,715,988	5,033,171,817	7,786,471,305
Equity							
Paid-in share capital	-	-	-	-	-	260,559,617	260,559,617
Additional paid-in capital	-	-	-	-	-	44,743,409	44,743,409
Perpetual bond	-	-	-	-	-	30,000,000	30,000,000
Statutory reserve	-	-	-	-	-	69,285,414	69,285,414
Voluntarily reserve	-	-	-	-	-	246,361	246,361
General banking risks reserve	-	-	-	-	-	8,374,676	8,374,676
Pro-cyclicality reserve	-	-	-	-	-	40,000,000	40,000,000
Fair value reserve	-	-	-	-	-	(2,214,932)	(2,214,932)
Retained earnings	-	-	-	-	-	55,584,071	55,584,071
Total equity holders of the Bank	-	-	-	-	-	506,578,616	506,578,616
Non-controlling interests	-	-	-	-	-	67,023,777	67,023,777
Total equity	-	-	-	-	-	573,602,393	573,602,393
Total liabilities and equity	1,002,526,724	392,066,513	387,651,553	525,338,710	445,715,988	5,606,774,210	8,360,073,698
Interest rate re-pricing sensitivity gap	(46,582,608)	577,176,853	246,089,298	341,639,209	1,756,955,878	(2,875,278,630)	-
Cumulative gap	(46,582,608)	530,594,245	776,683,543	1,118,322,752	2,875,278,630	-	-

December 31, 2023	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	1,044,904,749	343,072,948	285,411,895	551,155,291	2,656,688,225	2,244,827,640	7,126,060,748
Total liabilities and equity	663,011,854	340,757,649	388,640,559	561,829,682	360,525,695	4,811,295,309	7,126,060,748
Interest rate re-pricing sensitivity gap	381,892,895	2,315,299	(103,228,664)	(10,674,391)	2,296,162,530	(2,566,467,669)	-
Cumulative gap	381,892,895	384,208,194	280,979,530	270,305,139	2,566,467,669	-	-

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:

	2024		2023	
	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	76,181	10	(881,043)
Other currencies	10	22,948	10	467,744

Following is the foreign currencies position of the Bank:

	JOD	ILS	Others	Total
December 31, 2024	U.S. $	U.S. $	U.S. $	U.S. $
Assets				
Cash and balances with Palestine Monetary Authority	122,608,863	1,762,656,303	13,768,997	1,899,034,163
Balances, deposits and investments at Banks and financial institutions	272,493,096	144,161,375	123,775,236	540,429,707
Direct credit facilities and Islamic financing	279,184,094	1,794,699,003	57,264,978	2,131,148,075
Financial assets at fair value through other comprehensive Income	40,577,916	-	2,400,544	42,978,460
Financial assets at amortized cost	17,165,277	-	7,438,952	24,604,229
Other assets	10,956,343	23,295,293	943,921	35,195,557
Forward deals	-	42,430,454	1,715,740	44,146,194
Total assets	742,985,589	3,767,242,428	207,308,368	4,717,536,385
Liabilities				
Palestine Monetary Authority deposits	-	166,927,020	2,652,421	169,579,441
Banks and financial institutions' deposits	10,301,014	3,213,206	3,161,628	16,675,848
Customers' deposits	698,780,591	3,251,506,976	166,581,875	4,116,869,442
Cash margins	14,644,076	155,191,736	5,504,168	175,339,980
Loans and borrowings	-	-	8,456,499	8,456,499
Other liabilities	10,041,084	25,858,176	6,746,904	42,646,164
Forward deals	500,000	163,783,504	10,979,799	175,263,303
Total liabilities	734,266,765	3,766,480,618	204,083,294	4,704,830,677
Consolidated statement of financial position concentration, net	8,718,824	761,810	3,225,074	12,705,708
Off-balance sheet potential commitments	17,587,828	275,137,554	33,729,134	326,454,516

December 31, 2023	JOD	ILS	Others	Total
Total assets	768,150,816	3,369,625,075	172,954,964	4,310,730,855
Total liabilities	763,352,804	3,378,435,509	168,277,522	4,310,065,835
Consolidated statement of financial position concentration, net	4,798,012	(8,810,434)	4,677,442	665,020
Off-balance sheet potential commitments	100,214,129	224,394,709	36,120,425	360,729,263

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:

		2024		2023	
	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. $
Local markets - Quoted	10	48,464	1,946,415	57,756	2,254,618
Local markets - Unquoted	10	151,037	890,420	328,987	897,979
Foreign markets - Quoted	10	125,701	3,163,167	99,152	2,666,115
Foreign markets - Unquoted	10	219,378	363,610	293,436	271,135

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, 2024 and 2023, respectively:

December 31, 2024	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	2,106,711,556	-	-	-	-	-	129,360,306	2,236,071,862
Balances, deposits and investments at Banks and financial institutions	584,805,911	701,546,518	375,820,588	54,000,000	3,540,846	-	-	1,719,713,863
Financial assets at fair value through profit or loss	-	-	-	-	-	-	5,445,800	5,445,800
Direct credit facilities and Islamic financing	488,446,671	210,090,617	246,950,548	792,332,648	871,240,973	1,233,578,992	-	3,842,640,449
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	63,636,115	63,636,115
Financial assets at amortized cost	11,813,157	57,606,231	10,969,715	20,645,271	51,638,113	42,672,942	-	195,345,429
Investment in associates and a joint venture	-	-	-	-	-	-	12,011,817	12,011,817
Investment properties	-	-	-	-	-	-	40,676,948	40,676,948
Property, plant and equipment and right of use assets	-	-	-	-	-	-	119,181,208	119,181,208
Deferred tax assets	-	-	-	-	-	-	52,098,683	52,098,683
Projects in progress	-	-	-	-	-	-	1,352,535	1,352,535
Intangible assets	-	-	-	-	-	-	14,388,305	14,388,305
Other assets	28,571,160	2,587,718	6,932,594	9,408,718	-	-	10,010,494	57,510,684
Total assets	3,220,348,455	971,831,084	640,673,445	876,386,637	926,419,932	1,276,251,934	448,162,211	8,360,073,698
Liabilities								
Palestine Monetary Authority deposits	102,015,134	39,776,187	-	20,000,000	80,000,000	-	-	241,791,321
Banks and financial institutions' deposits	82,396,653	28,681,025	-	-	-	-	-	111,077,678
Customers' deposits	5,537,372,619	303,958,584	330,775,786	437,242,734	92,925,795	12,113,694	-	6,714,389,212
Cash margins	82,581,988	17,883,126	42,928,679	47,613,122	60,309,131	23,903,463	-	275,219,509
Subordinated loan	-	-	7,500,000	7,500,000	15,000,000	30,000,000	-	60,000,000
Loans and borrowings	-	-	3,411,997	7,523,108	28,727,354	65,264,736	-	104,927,195
Deferred tax liabilities	-	-	-	-	-	-	4,135,563	4,135,563
Istidama loans	712,620	1,767,591	3,035,091	5,459,746	29,855,093	7,616,722	-	48,446,863
Sundry provisions	-	-	-	-	-	-	59,702,555	59,702,555
Taxes provisions	-	-	-	-	-	-	-	-
Lease liabilities	585,301	386,538	278,966	1,109,015	7,079,460	4,129,499	5,625,191	19,193,970
Other liabilities	107,354,861	6,082,983	8,245,565	7,274,383	12,155,976	2,173,302	4,300,369	147,587,439
Total liabilities	5,913,019,176	398,536,034	396,176,084	533,722,108	326,052,809	145,201,416	73,763,678	7,786,471,305
Equity								
Paid-in share capital	-	-	-	-	-	-	260,559,617	260,559,617
Additional paid-in capital	-	-	-	-	-	-	44,743,409	44,743,409
Perpetual bond	-	-	-	-	-	-	30,000,000	30,000,000
Statutory reserve	-	-	-	-	-	-	69,285,414	69,285,414
Voluntarily reserve	-	-	-	-	-	-	246,361	246,361
General banking risks reserve	-	-	-	-	-	-	8,374,676	8,374,676
Pro-cyclicality reserve	-	-	-	-	-	-	40,000,000	40,000,000
Fair value reserve	-	-	-	-	-	-	(2,214,932)	(2,214,932)
Retained earnings	-	-	-	-	-	-	55,584,071	55,584,071
Total equity holders of the Bank	-	-	-	-	-	-	506,578,616	506,578,616
Non-controlling interests	-	-	-	-	-	-	67,023,777	67,023,777
Total equity	-	-	-	-	-	-	573,602,393	573,602,393
Total liabilities and equity	5,913,019,176	398,536,034	396,176,084	533,722,108	326,052,809	145,201,416	647,366,071	8,360,073,698
Maturity gap	(2,692,670,721)	573,295,050	244,497,361	342,664,529	600,367,123	1,131,050,518	(199,203,860)	-
Cumulative gap	(2,692,670,721)	(2,119,375,671)	(1,874,878,310)	(1,532,213,781)	(931,846,658)	199,203,860	-	-

December 31, 2023	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	282,378,741	13,770,679	-	-	-	-	1,491,462,322	1,787,611,742
Balances, deposits and investments at Banks and financial institutions	727,465,710	152,442,479	41,230,595	15,916,582	5,190,123	-	62,962,221	1,005,207,710
Financial assets at fair value through profit or loss	-	-	-	-	-	-	7,793,301	7,793,301
Direct credit facilities and Islamic financing	367,982,337	165,866,133	223,896,714	520,382,944	400,354,867	2,160,525,232	-	3,839,008,227
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	60,898,466	60,898,466
Financial assets at amortized cost	8,831,543	24,764,336	20,284,586	14,855,765	56,931,898	33,686,105	-	159,354,233
Investment in associates and a joint venture	-	-	-	-	-	-	11,858,121	11,858,121
Investment properties	-	-	-	-	-	-	24,776,440	24,776,440
Property, plant and equipment and right of use assets	-	-	-	-	-	-	102,657,226	102,657,226
Deferred tax assets	-	-	-	-	-	-	29,084,742	29,084,742
Projects in progress	-	-	-	-	-	-	2,268,294	2,268,294
Intangible assets	-	-	-	-	-	-	14,735,600	14,735,600
Other assets	48,091,961	7,054,889	7,356,622	3,434,877	-	-	14,868,297	80,806,646
Total assets	1,434,750,292	363,898,516	292,768,517	554,590,168	462,476,888	2,194,211,337	1,823,365,030	7,126,060,748
Liabilities								
Palestine Monetary Authority deposits	100,808,827	12,150,568	30,506,406	44,372,955	15,583,660	-	-	203,422,416
Banks and financial institutions' deposits	186,551,100	6,342,562	2,987,336	6,092,526	2,565,245	-	-	204,538,769
Customers' deposits	4,349,958,070	300,760,996	295,745,740	429,088,823	82,712,479	20,293,957	-	5,478,560,065
Cash margins	69,038,827	19,936,313	47,924,299	66,247,656	39,209,755	86,810,379	-	329,167,229
Subordinated loan	-	-	7,500,000	7,500,000	27,500,000	2,500,000	-	45,000,000
Loans and borrowings	-	1,538,462	3,701,168	7,053,672	26,103,572	35,648,727	-	74,045,601
Deferred tax liabilities	-	-	-	-	-	-	2,686,546	2,686,546
Istidama loans	29,205	28,748	275,610	1,474,050	19,309,646	2,288,275	-	23,405,534
Sundry provisions	-	-	-	-	-	10,447,743	42,644,117	53,091,860
Taxes provisions	-	-	-	8,287,973	-	13,672,251	-	21,960,224
Lease liabilities	910,130	601,058	433,786	1,724,494	11,008,402	6,421,278	5,995,526	27,094,674
Other liabilities	73,051,169	376,476	8,869,067	10,793,277	3,518,623	2,753,777	3,365,059	102,727,448
Total liabilities	4,780,347,328	341,735,183	397,943,412	582,635,426	227,511,382	180,836,387	54,691,248	6,565,700,366
Equity								
Paid-in share capital	-	-	-	-	-	-	230,677,334	230,677,334
Perpetual bond	-	-	-	-	-	-	30,000,000	30,000,000
Additional paid-in capital	-	-	-	-	-	-	29,575,688	29,575,688
Statutory reserve	-	-	-	-	-	-	69,285,414	69,285,414
Voluntarily reserve	-	-	-	-	-	-	246,361	246,361
General banking risks reserve	-	-	-	-	-	-	8,374,676	8,374,676
Pro-cyclicality reserve	-	-	-	-	-	-	40,000,000	40,000,000
Fair value reserve	-	-	-	-	-	-	(106,169)	(106,169)
Retained earnings	-	-	-	-	-	-	86,452,694	86,452,694
Total equity holders of the Bank	-	-	-	-	-	-	494,505,998	494,505,998
Non-controlling interests	-	-	-	-	-	-	65,854,384	65,854,384
Total equity	-	-	-	-	-	-	560,360,382	560,360,382
Total liabilities and equity	4,780,347,328	341,735,183	397,943,412	582,635,426	227,511,382	180,836,387	615,051,630	7,126,060,748
Maturity gap	(3,345,597,036)	22,163,333	(105,174,895)	(28,045,258)	234,965,506	2,013,374,950	1,208,313,400	-
Cumulative gap	(3,345,597,036)	(3,323,433,703)	(3,428,608,598)	(3,456,653,856)	(3,221,688,350)	(1,208,313,400)	-	-

The following table shows the balances of the Bank's undiscounted consolidated financial liabilities as on December 31, 2024 and 2023 according to the contractual maturity period:

December 31, 2024	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	102,151,429	39,776,187	2,839,222	22,792,931	85,641,411	-	-	253,201,180
Banks and financial institutions' deposits	82,465,820	28,721,257	-	-	-	-	-	111,187,077
Customers' deposits	5,537,668,118	304,619,226	331,845,626	441,687,785	99,624,946	12,731,220	-	6,728,176,921
Cash margins	83,377,262	17,949,632	43,050,513	47,832,240	60,616,610	24,142,498	-	276,968,755
Subordinated loan	150,000	300,000	8,525,963	8,975,963	19,780,125	33,750,000	-	71,482,051
Loans and borrowings	-	-	4,316,561	8,902,712	34,081,852	77,592,479	-	124,893,604
Istidama loans	716,183	1,776,429	3,050,266	5,487,045	29,926,153	7,654,806	-	48,610,882
Lease liabilities	924,755	440,119	359,338	1,189,387	7,240,203	4,671,553	5,312,528	20,137,883
Sundry provisions	-	-	-	-	-	-	59,702,555	59,702,555
Deferred tax liabilities	-	-	-	-	-	-	4,135,563	4,135,563
Other liabilities	107,354,861	6,082,983	8,245,565	7,274,383	12,155,976	2,173,302	4,300,369	147,587,439
Total liabilities	5,914,808,428	399,665,833	402,233,054	544,142,446	349,067,276	162,715,858	73,451,015	7,846,083,910

December 31, 2023	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	101,108,268	12,272,074	31,812,758	46,540,152	15,739,497	-	-	207,472,749
Banks and financial institutions' deposits	186,788,846	6,350,645	2,991,143	6,100,290	2,568,514	-	-	204,799,438
Customers' deposits	4,364,016,207	301,732,991	296,701,527	430,475,547	82,979,788	20,359,543	-	5,496,265,603
Cash margins	69,729,215	20,135,676	48,403,542	66,910,133	39,601,853	87,678,483	-	332,458,902
Subordinated loan	-	-	8,075,962	8,075,963	29,629,850	2,702,200	-	48,483,975
Loans and borrowings	-	2,167,373	3,795,239	8,361,517	30,448,820	38,518,458	-	83,291,407
Istidama loans	29,351	28,892	276,988	1,481,420	19,406,194	2,299,716	-	23,522,561
Lease liabilities	955,637	631,111	455,475	1,810,719	11,558,822	6,742,342	5,995,526	28,149,632
Sundry provisions	-	-	-	-	-	10,447,743	42,644,117	53,091,860
Deferred tax liabilities	-	-	-	-	-	-	2,686,546	2,686,546
Taxes provisions	-	-	-	8,287,973	-	13,672,251	-	21,960,224
Other liabilities	73,051,169	376,476	8,869,067	10,793,277	3,518,623	2,753,777	3,365,059	102,727,448
Total liabilities	4,795,678,693	343,695,238	401,381,701	588,836,991	235,451,961	185,174,513	54,691,248	6,604,910,345

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, 2024:

	Amount before discount rates / average flows	Amount after discount rates / average flows
	U.S. $	U.S. $
Total high quality liquid assets *	2,358,392,667	2,337,778,815
Retail deposits including small institutions' deposits:		
A- Stable deposits	1,879,155,834	93,957,791
B- Less stable deposits	3,785,716,683	371,494,023
Deposits and other unguaranteed facilities for companies without retail and small institutions' customers:		
A- Operational deposits	245,012,855	61,253,213
B- Non-operational deposits	1,627,068,010	525,858,055
Guaranteed financing and deposits	7,536,953,382	1,052,563,082
Non-cancelled and cancelled credit lines and required liquidity within 30 days	537,348,951	187,905,578
Any other cash outflows	244,841,213	14,269,115
Total cash outflows	8,319,143,546	1,254,737,775
Guaranteed lending	48,325,707	24,162,854
Cash inflow from performing loans	1,048,152,501	924,106,925
Total cash inflow	1,096,478,208	948,269,779
Net cash outflow after adjustments **		313,684,444
Total high-quality liquid assets after adjustments		2,337,778,815
Net cash outflow after adjustment		313,684,444
Liquidity Coverage Ratio (%)		745%

* Based on the Palestinian Monetary Authority Instructions No. (4/2018), high-quality liquid assets, include cash and balances with the Palestinian Monetary Authority (note 5), investments in stocks and listed bonds after deducting any investments in financial institutions.

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

The table below shows the calculation of the liquidity coverage ratio for the year ending December 31, 2023:

	Amount before discount rates / average flows	Amount after discount rates / average flows
	U.S. $	U.S. $
Total high quality liquid assets *	2,177,104,513	2,097,413,895
Retail deposits including small institutions' deposits:		
A- Stable deposits	1,502,405,271	75,120,264
B- Less stable deposits	3,077,116,491	269,335,042
Deposits and other unguaranteed facilities for companies without retail and small institutions' customers:		
A- Operational deposits	215,668,955	53,917,239
B- Non-operational deposits	1,558,807,604	583,050,784
Guaranteed financing and deposits	6,353,998,321	981,423,329
Non-cancelled and cancelled credit lines and required liquidity within 30 days	439,472,763	98,840,588
Any other cash outflows	213,353,088	13,659,566
Total cash outflows	7,006,824,172	1,093,923,483
Guaranteed lending	58,181,235	29,090,617
Cash inflow from performing loans	877,939,741	795,704,668
Total cash inflow	936,120,976	824,795,285
Net cash outflow after adjustments		273,480,871
Total high-quality liquid assets after adjustments		2,097,413,895
Net cash outflow after adjustment		273,480,871
Liquidity Coverage Ratio (%)		767%

* Based on the Palestinian Monetary Authority Instructions No. (4/2018), high-quality liquid assets, include cash and balances with the Palestinian Monetary Authority (note 5), investments in stocks and listed bonds after deducting any investments in financial institutions.

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

Net Stable Funding Ratio (NSFR)

The PMA's instructions No. (5/2018) have been issued regarding the application of the stable net financing ratio, 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, 2024:

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

The table below shows the calculation of the net stable financing ratio for the year ending on December 31, 2023:

	2023
	U.S. $
Regulatory capital	623,603,896
Stable retail deposits and small institutions	1,441,948,097
Less stable retail deposits and small institutions	2,588,123,923
Guaranteed and unguaranteed financing (deposits)	627,317,227
Other deposits and financing	23,270,076
Other commitments (not included in the previous categories)	220,687,755
Gross stable financing available	5,524,950,974
Level 1 unrestricted high quality liquid assets	646,577
Level 2 -type (A) unrestricted high quality liquid assets	37,827,917
Level 2 -type (B) unrestricted high quality liquid assets	49,061,216
Loans	2,595,350,546
Debt instruments issued or guaranteed by banks and financial institutions	29,714,740
Other unquoted investments (not included in the previous categories)	39,745,002
Other quoted investments (not included in the previous categories)	104,918,463
Non-performing loans	39,923,856
Other assets	531,648,213
Contingent non-cancelled and cancelled credit facilities and liquidity	17,952,514
Other future and potential financing commitments:	10,847,878
Other non-contractual commitments	2,994,602
Off balance sheet exposures not included in the previous categories	7,778
Total stable financing required	3,460,639,302
Net stable financing ratio	160%

Financial Leverage Ratio

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

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

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

The table below shows the calculation of the financial leverage ratio as at December 31, 2023:

	2023
	U.S. $
Total Exposure Scale	7,785,302,042
Regulatory amendments related to investments in banks, financial institutions, insurance companies, and commercial entities combined for accounting purposes, but outside the scope of the regulatory assembly	-
Amendments related to derivatives exposures	(5,395,104)
Amendments related to securities financing operations	-
Amendments related to items outside the statement of financial position	(392,043,660)
Other amendments/exposures	(18,851,860)
Total Leverage Exposure Scale	7,369,011,418
First tranche of capital	522,207,352
Leverage Ratio as at December 31, 2023	7.09%
Minimum percentage according to PMA instructions (%)	4%

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 are the Bank's business segments according to operations:

December 31, 2024	Retail	Corporate, institutions and public sector	Treasury	Other	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Gross revenues	142,131,446	172,782,452	116,432,134	8,716,515	440,062,547
Provision of expected credit losses and other assets losses	(41,225,768)	(48,029,772)	1,063,629	(138,320,686)	(226,512,597)
Segment results					213,549,950
Unallocated expenses					(259,020,528)
Profit before taxes					(45,470,578)
Taxes expense					17,559,122
Profit for the year					(27,911,456)
Other information					
Depreciation and amortization					17,614,235
Capital expenditures					43,783,668
Gross segment assets	1,160,932,277	2,681,708,172	4,232,224,886	285,208,363	8,360,073,698
Gross segment liabilities	4,570,284,602	2,419,324,119	566,243,057	230,619,527	7,786,471,305

December 31, 2023	Retail	Corporate, institutions and public sector	Treasury	Other	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Gross revenues	144,617,747	179,967,382	72,763,643	4,292,144	401,640,916
Provision of expected credit losses and other assets losses	(27,530,987)	(75,303,904)	331,068	(33,208,345)	(135,712,168)
Segment results					265,928,748
Unallocated expenses					(247,992,494)
Profit before taxes					17,936,254
Taxes expense					(1,445,740)
Profit for the year					16,490,514
Other information					
Depreciation and amortization					(17,991,164)
Capital expenditures					(12,138,899)
Gross segment assets	1,201,391,132	2,637,617,095	3,032,723,573	254,328,948	7,126,060,748
Gross segment liabilities	3,851,492,987	1,956,234,307	550,412,320	207,560,752	6,565,700,366

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	
	2024	2023	2024	2023	2024	2023
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Gross revenues	362,577,133	357,446,959	77,485,414	44,193,957	440,062,547	401,640,916
Gross segment assets	6,472,198,856	6,031,372,985	1,887,874,842	1,094,687,763	8,360,073,698	7,126,060,748
Capital expenditures	43,783,668	12,138,899	-	-	43,783,668	12,138,899

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 period and the previous year, except that the Bank issued new shares to raise the capital by signing an agreement during the period, to include the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD), whereby IFC invested with a contribution of 5% of the Bank's capital, and the EBRD invested with a contribution of 3.92% of the Bank's capital, that resulted in the issuance of 22,597,516 shares with a nominal value of U.S. $ 1 per share and a total additional paid in capital of U.S. $ 11,524,733 by both parties. In addition, the Bank signed two agreements with both the Arab Palestinian Investment Company and the Aswaq Investment Company, resulting in the issuance of a total of 7,284,767 shares to both parties at a nominal value of U.S. $1 per share, and a total additional paid-in capital of U.S. $3,715,232 (note 28).

Also, the Bank raised its paid-in share capital in the second quarter of 2023 by U.S. $ 6,718,757 (note 31), through stock dividends. In addition to issuing a perpetual bond for an amount of U.S. $ 30 million in the first quarter of 2023 as part of the additional first tier from the Bank's capital base during the period (note 29).

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 2024 is computed in accordance with the PMA's instructions No. (8/2018).

The following are the capital adequacy rates:

	2024			2023		
	Amount	Percentage to assets	Percentage to risk – weighted assets	Amount	Percentage to assets	Percentage to risk – weighted assets
	U.S. $	%	%	U.S. $	%	%
Regulatory capital	660,595,304	7.90	15.30	623,603,896	8.75	15.38
Basic capital	531,920,339	6.36	12.32	522,207,352	7.33	12.88

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 2024 and 2023 is computed in accordance with PMA instructions No. (8/2018), as shown in the following table:

	2024	2023
	U.S. $	U.S. $
Net common stocks (CET 1)	494,567,695	484,782,312
The first bracket of capital	531,920,339	522,207,352
The second bracket of capital	128,674,965	101,396,544
Capital base	660,595,304	623,603,896
Credit risk	3,695,846,624	3,485,759,135
Market risk	10,891,600	15,586,602
Operational risk	610,835,882	554,516,025
Total risk weighted assets	4,317,574,106	4,055,861,762
Percentage of common stocks (CET 1) to risk weighted assets	11.45%	11.95%
Percentage of the first bracket of capital to risk weighted assets	12.32%	12.88%
Percentage of the second bracket of capital to risk weighted assets	2.98%	2.50%
Percentage of the first bracket to assets	6.36%	7.33%
Percentage of regulatory capital to assets	7.90%	8.75%
Capital adequacy ratio	15.30%	15.38%

51. Commitments and contingent liabilities

The total outstanding commitments and contingent liabilities are as follows:

	2024	2023
	U.S. $	U.S. $
Letters of guarantees	203,680,375	226,608,337
Letters of credit	34,291,036	42,431,138
Acceptances	5,246,675	7,810,133
Unutilized direct credit facilities limits	467,892,154	359,050,289
Others	151,400	155,551
	711,261,640	636,055,448
Less:		
Provision of expected credit losses (note 27)	(4,899,721)	(3,377,610)
	706,361,919	632,677,838

Outstanding forward deals contracts for the sale and purchase of currencies for existing customers as at December 31, 2024 and 2023 amounted to U.S $ 11,304,196 and U.S. $ 5,449,600, respectively. Those contracts are not disclosed as part of commitments and contingent liabilities as the Bank hedges risks of these contracts with other Banks. In addition, the Bank obtains cash margin up to 10% of contract value to cover unforeseen price changes and customers' non-compliance with the signed contracts.

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

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

	2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	501,911,321	72,748,471	-	574,659,792
Net change during the year	(32,164,449)	93,560,105	-	61,395,656
Balance ending of the year	469,746,872	166,308,576	-	636,055,448

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

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

	2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	177,133	375,387	-	552,520
Net re-measurement of expected credit losses for the year	(4,650)	2,829,740	-	2,825,090
Balance ending of the year	172,483	3,205,127	-	3,377,610

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, 2024 and 2023 was (225) and (204), respectively and that's within the normal course of business with a total amount of U.S. $ 83,809,062 and U.S. $ 65,374,211, 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 year 2025.

Consistent with the commitment of Bank management, the Bank complies fully with Palestinian laws and international best practices. In addition, the Bank fully complies with the Palestinian Anti-Terrorism and Money Laundering Law No. (20) of the year 2015 and the Palestinian requirements to maintain secrecy of customers and banking transactions. According to the Bank's legal advisor, the lawsuit is at its early stages and any financial effect is not predictable at the date of the consolidated financial statements, as 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. War on Gaza Strip

At the beginning of October 2023, Gaza Strip was exposed to a war, which significantly affected all economic activities in the Strip, in addition to the complete or partial destruction of many entities and properties. The economic activity in the West Bank was also affected due to closures and restrictions on the movement of individuals and goods between the cities of the West Bank and between the West Bank and outside the country, preventing tens of thousands of Palestinian workers from reaching their workplaces.

These events have negatively affected the economic activities in Palestine and have led to a decrease in private sector revenues, green line workers' earnings, government revenue from taxes and local fees, clearance revenues, and consequently, the ability of customers to meet their obligations on time. The Bank's exposure to the credit facilities and Islamic financing granted to the government, its employees, and green line workers are disclosed in note (8).

<u>Managements actions</u>

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

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

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

<u>The Bank's exposures in Gaza Strip</u>

As of December 31, 2024, the net book value of the Bank's assets in Gaza amounted to U.S. $ 484 million (2023: U.S. $ 712 million) net of impairment provisions amounted to U.S. $ 348 million (2023: U.S. $ 178 million). These provisions were calculated by management according to its best estimate and based on available information in light of the state of uncertainty that is beyond management's control due to the continuation of the war on Gaza Strip.

The following are the details of the Bank's exposure and related impairment provisions in Gaza as at December 31, 2024 and 2023:

31 December 2024	Nearest U.S. $ million		
	Exposure	Impairment provision / losses	Net book value
Sector			
Cash in vaults (A)	193	170	23
Direct facilities (B)	627	175	452
Non-financial assets (C)	12	3	9
	832	348	484

31 December 2023	Nearest U.S. $ million		
	Exposure	Impairment provision / losses	Net book value
Sector			
Cash in vaults (A)	229	31	198
Direct facilities (B)	649	144	505
Non-financial assets (C)	12	3	9
	890	178	712

A- <u>Cash in vaults:</u>

The total cash in the vaults at branches of Bank of Palestine and Arab Islamic Bank (a subsidiary) in Gaza Strip amounted to approximately U.S. $ 193 million (2023: U.S. $ 229 million) as of December 31, 2024. The Bank's and its subsidiary's branches in the Gaza Strip were subject to significant damage and attacks, including cash in vaults and ATMs. The amount of provisions for cash losses as of December 31, 2024 was U.S. $ 170 million (2023: U.S. $ 31 million). In the management's opinion, the provisions made against cash are sufficient to address the risks related to cash exposures.

B- Credit facilities and Islamic financing:

The Bank conducted a study of the sectors affected by the war, the net credit facilities in Gaza Strip amounted to U.S. $ 452 million (2023: U.S. $ 505 million) net of provisions in an amount of U.S $ 175 million (2023: U.S. $ 144 million). The net credit exposure granted to individuals employed by the Palestinian Authority in Gaza Strip constitutes 74% and 64% of the net credit facilities exposure in Gaza Strip as at December 31, 2024 and 2023, respectively, while most of the remaining credit exposure is related to the Bank's employees and to individuals employed by international institutions or large private sector companies that have strong financial solvency, and it is expected that these parties will fulfill their obligations.

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

C- Other assets:

The Bank and its subsidiaries own other assets in Gaza amounting to a net book value of U.S. $ 9 million as at December 31, 2024 (2023: U.S. $ 9 million), representing some investments at fair value through the statement of comprehensive income, properties, equipment, and assets seized by the Bank, investment properties and other assets. As a result of this war, the Bank and its subsidiaries recorded provisions for possible impairment in the value of these assets amounting to U.S. $ 3 million, noting that part of these assets are covered by valid war risks insurance policies. The recoverable value of other assets cannot be measured at present time due to the consequences of the war.

Cash Liquidity

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

The liquidity coverage ratio (LCR) is (745%) and the net stable financing ratio (NSFR) is (182%), which is higher than the percentages specified by the Palestine Monetary Authority of 100%, as shown in note (48).

Operational risks

Since the beginning of the events on October 7, 2023, the Bank branches in the northern areas of Gaza Strip have remained closed. However, branches in the central and southern areas have opened their doors to the public during the first temporary ceasefire in November 2023. The Palestinian Monetary Authority later announced, subsequently of the date of the Bank's financial statements, the resumption of operations due to the second temporary ceasefire and providing services in the Gaza Strip starting from January 28, 2025, with the branches being reopened in phases.

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

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

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

Subsequent events:

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

This event represents a modification to assets according to International Financial Reporting Standard (IFRS) No. 9, which requires the recognition of the difference between the present value of the modified contractual cash flows, discounted at the original effective interest rate, and the total book value prior to the modification as a loss in credit facility modifications within the consolidated income statement. According to the preliminary estimates by the Bank's management, the financial impact of these modifications is expected to amount to $ U.S 28.6million, which will be recorded in the consolidated income statement for the year 2025. As a result of these modifications, the Bank has updated the inputs used for calculating the Expected Credit Loss (ECL) provision for the year 2024.

55. 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.

56. Comparative figures

Some of the balances of the consolidated financial statements as at December 31, 2023 have been reclassified to match the presentation of the balances of the consolidated financial statements as at December 31, 2024. These reclassifications do not affect the profits of previous years or equity.