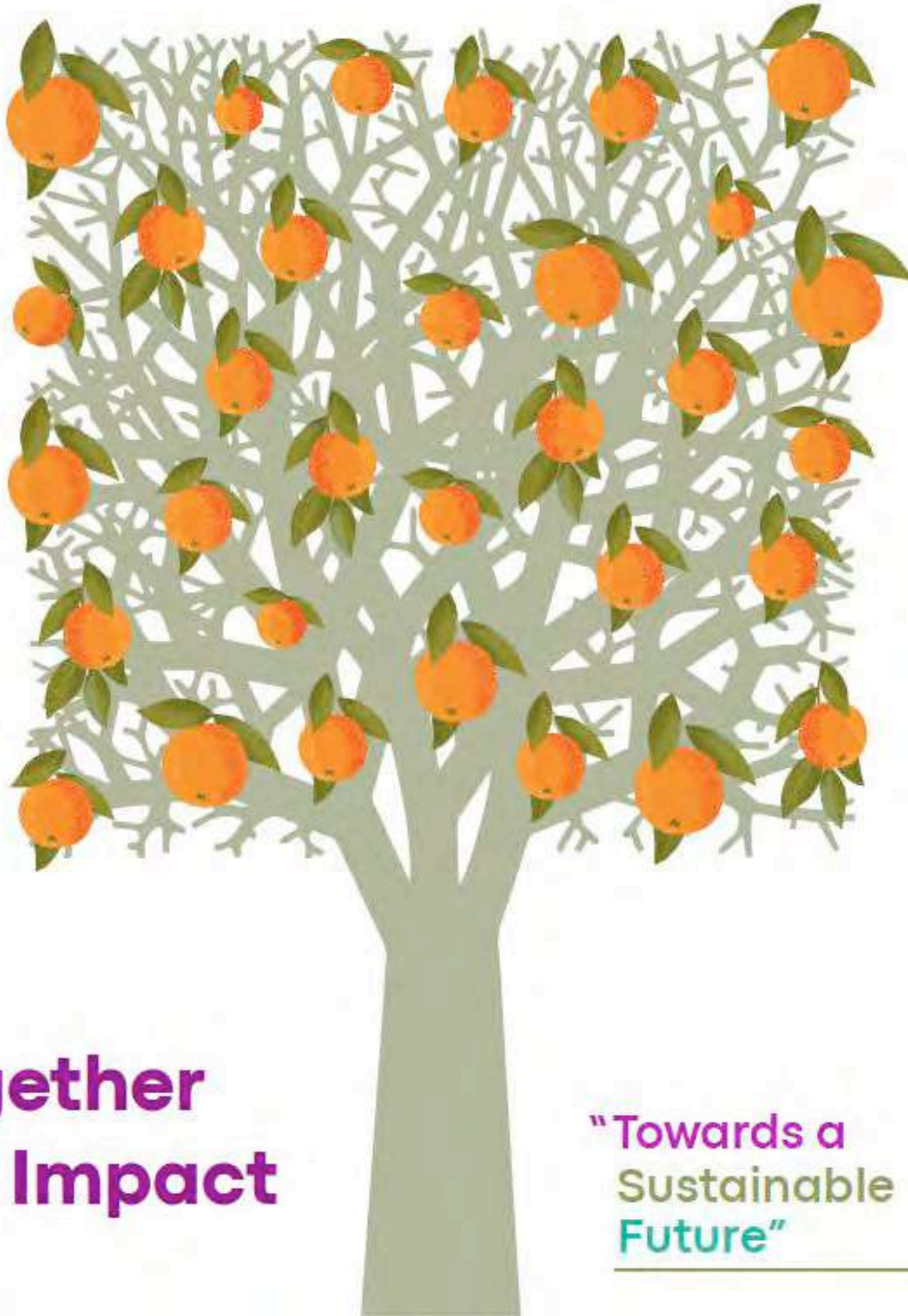




بنك فلسطين
BANK OF PALESTINE

تأسس عام ١٩٦٠ Established 1960



**Together
We Impact**

**"Towards a
Sustainable
Future"**

**Annual Report
2022**

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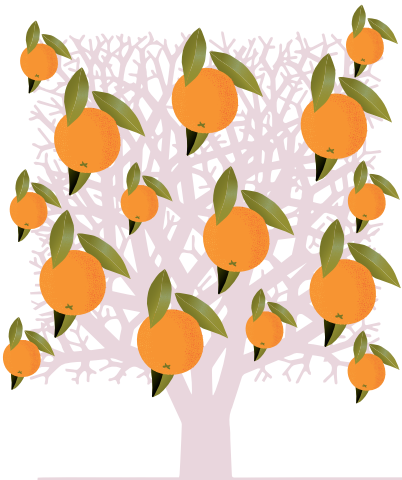
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About Bank of Palestine Group

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

1960

A glimpse of our Journey

- 1960
- The establishment of Bank of Palestine
- 1981
- The first bank in Palestine to start using computers
- 1994
- Relationship building with global banks
- 1995
- The first bank in Palestine to adopt the SWIFT system
- 1998
- The first and only bank in Palestine to establish a Visa and Master Card center for acquiring and processing cards transactions
- 2000
- The introduction of ATMs and Points of Sale Machines
- 2002
- The establishment of an International Trade Department doing business with Global Banking Networks
- 2005
- Listing Bank of Palestine shares on the Palestine Exchange
- 2006
- The establishment of Al Wasata Securities Company, the investment arm of Bank of Palestine Group
- 2009
- Launching the GPRS and the first (drive-through ATM)
- 2011
- The establishment of PalPay Company for electronic payment solutions
- 2015
- Launching the Felestineya program for women empowerment & financial inclusion
 - Launching the first Bank of Palestine Representative Office in Dubai, UAE
- 2016
- The merger of the Palestine Commercial Bank with Bank of Palestine
 - Bank of Palestine joins the Global Alliance for Banking on Values (GABV)
 - Acquisition of majority shares in the Arab Islamic Bank (AIB)
- 2017
- Launching the second Bank of Palestine Representative Office in Santiago, Chile
- 2018
- Participation in global initiatives on ESG projects with the International Finance Corporation (IFC) and the French Development Agency (AFD)
 - Launching the mobile branch – Banke Rahhal
- 2019
- Launching the USSD service
 - Launching the automated banking service
 - Launching the WhatsApp banking channel
 - Launching the PointCom campaign to promote electronic banking services
 - Launching the electronic wallet “Mahfazati” application through PalPay
- 2020
- Upgrading corporate and retail banking services on internet banking and the Banke mobile application
 - Bank of Palestine Group and the National Aluminum and Profiles Company (NAPCO) establish the Qudra Energy Solutions Company
 - The establishment of Intersect Hub
- 2021
- Completion of the Customer Segmentation Project
 - FISEA, the AFD Group Investment Vehicle advised by Proparco, becomes a strategic partner and investor in Bank of Palestine
- 2022
- Investing in Mada Al-Arab Company to promote digital transformation in Palestine
 - Launching the first Climate Risk Management Conference in the Financial Sector in partnership with the European Bank for Reconstruction and Development “EBRD”
 - Signing “Sunref II” the green financing agreement between the bank and Proparco and the European Union to support energy efficiency and renewable energy projects
 - Issuing the first sustainability report based on the Global Reporting Initiative Standards

A Tribute to Our Founders

Late Mr. Hashim Atta Al Shawa
Founder of Bank of Palestine

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

Late Dr. Hani Hashim Al Shawa
Former Chairman of Bank of Palestine

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



Our values

Transparency

Responsibility and Commitment

Teamwork

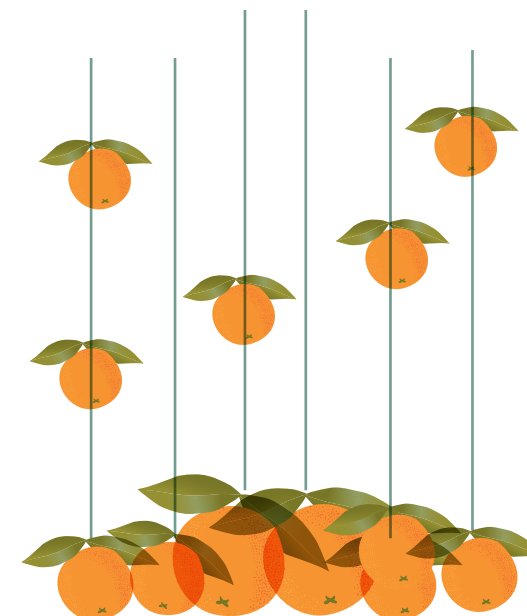
Innovation

Trust

Key Financial Highlights

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

| USD | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---------------|---------------|---------------|---------------|---------------|
| Gross Income | 217,754,818 | 199,435,810 | 182,789,657 | 237,920,164 | 271,078,059 |
| Profit before Tax | 69,825,341 | 51,795,049 | 40,160,368 | 84,604,853 | 107,337,833 |
| Net Profit | 54,110,093 | 38,936,722 | 22,412,148 | 56,254,327 | 66,646,637 |
| Total Assets | 4,657,182,978 | 5,264,944,640 | 5,809,809,988 | 6,508,221,806 | 6,487,960,857 |
| Customer Deposits | 3,735,178,556 | 4,115,584,018 | 4,834,024,254 | 5,305,139,602 | 5,266,723,842 |
| Credit Facilities | 2,687,155,004 | 2,983,385,227 | 3,266,748,588 | 3,453,207,160 | 3,572,054,865 |
| Shareholders' Equity | 416,380,548 | 430,664,193 | 433,520,671 | 496,099,429 | 545,922,621 |
| Paid Up Capital | 200,000,000 | 204,000,000 | 208,080,000 | 217,433,527 | 223,958,577 |
| Net Interest and Commission Revenue | 196,598,248 | 203,104,797 | 197,457,949 | 223,598,064 | 256,282,832 |
| Number of Employees | 1,728 | 1,731 | 1,749 | 1,745 | 1,799 |
| Number of Customers (All customers) | 560,513 | 617,966 | 670,956 | 732,462 | 843,657 |
| Number of Branches (Operating in Palestine) | 73 | 73 | 74 | 73 | 73 |
| Market Share – Deposits | 30.43% | 30.33% | 31.70% | 31.72% | 31.78% |
| Market Share– Credit Facilities | 32.99% | 34.46% | 34.11% | 33.92% | 34.21% |





Hashim Shawa

Chairman – Bank of Palestine Group

“Together We Impact Towards a Sustainable Future.”

Ladies and gentlemen, respected shareholders of Bank of Palestine,

I am pleased to communicate with you through our organization's annual report reviewing past years' results, in which the Bank was able to achieve remarkable financial results for the benefit of shareholders through all its business operations in the year 2022.

The year 2022 was a year marked by achieving a significant leap in the level of profits and returns on operations, in addition to enhancing efficiency, which is an essential part of our strategy and a requisite towards ensuring the confidence of our shareholders, customers and employees. 2022 witnessed the joining of additional talent to our executive management bringing forth regional and international banking expertise, contributing to further developing the Bank's operational strategies and building on its achievements for the coming years.

This leap was achieved thanks to the growth strategy through maintaining the bank's leadership in financing small and medium enterprises (SMEs). The bank equally focused its attention on targeting retail clients in the private sector, while mitigating risks, and diligently following up on the collection of bad and overdue loans.

I would like to commend the bank's executive management, for achieving these results during exceptional circumstances despite the complex political and economic challenges at home and in the globe. We are proud of the staff of Bank of Palestine who have worked hard and upheld highest standards of services. Through our Human Resources Department, we continue to provide incentive programs investing in talent development for our employees' through the newly created Leadership Academy. Ensuring our staff skill development and job satisfaction is part of our sustainability commitments.

Last year witnessed important achievements and engagements with our SME clients. We continued the implementation of lending programs and partnership agreements to finance this important sector with international and Arab developmental

financial institutions. The bank was able to finance more than 40,000 small and medium-sized enterprises, which contributed to the creation of more than 150,000 jobs. Our financing activities for this segment also included financing programs for women-in-business, entrepreneurs, and financing of green projects.

Our mission in keeping pace with digital transformation within the bank was given additional focus; through attracting into the senior management of the bank expertise in the field of digital transformation and information technology. This remains a key focus area for the bank, as we continue to realize the importance of digitization in enhancing the bank's operations and services, developing our electronic channels, and leapfrogging into the digital age.

As for non-banking activities and commitments, we continue to contribute significantly to the process of building the ecosystem for entrepreneurship, technology and enabling the environment for startups. We do this by strengthening the role of the group's incubator - Intersect, and supporting Ibtikar Fund, which is dedicated to investing in early stage startups. In Bank Palestine, we believe that our investment in this segment of entrepreneurial youth is a sound strategy. It stems first; from our values and our commitment in real development of the economy through investing in youth talent, and secondly supporting the digitization of the banking sector in order to enhance the culture of the digital economy in our country.

We are proud of the success of these start-up companies who have obtained additional financing from investors inside and outside Palestine, thus, proving the effectiveness of our strategy. We hope that these start-ups will achieve additional successes as they are putting Palestine on the map of innovation and excellence.

We realize that we cannot move forward in the strategy of growth without paying attention to our responsibility towards our society and our environment. We continue to allocate a high percentage of our profits in favor of social responsibility projects in support of education, health, women empowerment and people with special needs.

This attention to community was coupled with a strong commitment to sustainability including the environment. We are working on reducing our contribution to emissions in favor of future generations. We have published our first sustainability report in accordance to international standards for disclosure. We are implementing the recommendations of the first conference to discuss the risks of climate change and the role of the financial sector in reducing them, that was held in 2022 in partnership with the European Bank for Reconstruction and Development (EBRD).

Moving Towards a Sustainable Future

In conclusion, I would like to stress the fact that we continue looking forward towards the future with renewed optimism as we capture new opportunities and expand our vision. Key to this optimism is sustained investing in our community and our employees who are entrusted with leading us into the future in defiance of geopolitical and economic challenges.

As I stated before, our achievements during the past year are credited to the hard work of everyone at the bank. Therefore on behalf of members of the Board of Directors; I would like to express our gratitude to all the staff of the Bank of Palestine group, and to equally recognize the confidence and trust of our shareholders.

Hashim Shawa
Chairman



Mahmoud Shawa
Bank of Palestine CEO

“We will continue the journey of growth, accelerate the pace of digitization, and increase our market share in the targeted sectors and markets to achieve financial and social returns for the benefit of our shareholders and customers.”

increase in revenues which have reached 14%. As I previously mentioned, our thrust into operational efficiency has contributed to lowering our operating expenses; thus consequently leading to an increase in net profits which grew by 18.5% on a yearly basis while helping to decrease our cost-to-income ratio from 67.8% to 64.12%.

The Bank as a group continues to have a strong capital adequacy ratio reaching 15.87%, which is considered a strong ratio providing the Bank with financial solvency and sustainability for growing its market share which has in turn increased to 31.78% and 34.21% for the deposits and loans, respectively. This strong capital adequacy provides a good financial cushion to face any challenges while still maintaining reasonable default rates. The bank’s assets amounted to \$6.5 billion, while shareholders’ equity amounted to \$546 million.

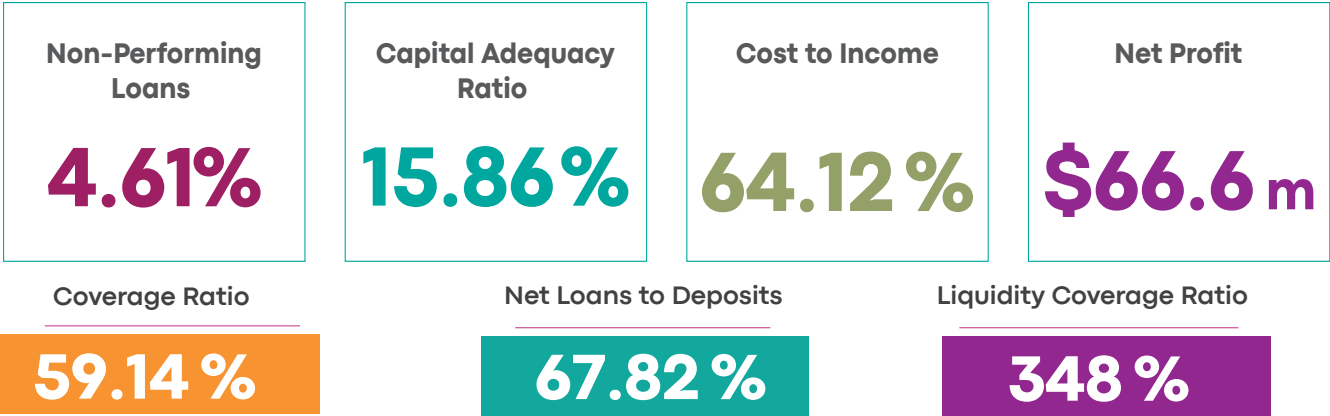
If we look at the other performance indicators, we find that the ratio of net lending to deposits amounted to 67.82%, which confirms the existence of a great ability to expand the growth in lending. The bank also achieved a rate of 12.65% as a return on shareholders’ equity, and a rate of 1.03% as a return on assets. All of these indicators are considered healthy indicators that confirm the effectiveness of the bank’s strategy in balancing between growth in operations and hedging and preserving shareholders’ rights and sustaining operations

A look towards the future

Our strategy and business plan for the next five years shall focus on increasing the digitization of our operations, including segments that are still outside the banking sector, expanding our market share, especially at the level of retail customers, considering regional expansion, while restructuring our branches to serve our customers in an optimal and more effective way. SME lending remains a focal point of the strategy with introduction of electronic onboarding and efficient SME loan processes. We remain committed towards achieving financial and social returns for our shareholders and all stakeholders.

In conclusion, I would like to take this opportunity to thank all the employees of Bank of Palestine for their hard work and affinity to this institution, especially for their contribution to achieving outstanding results last year. Our gratitude equally goes to all our shareholders for their trust and support and to the Board of Directors for their guidance, insights and focus on the growth path of the Bank.

Mahmoud Shawa
CEO
M El-Shawa



On behalf of the executive management and all employees of Bank of Palestine, I am pleased to present to you our management report focusing on the performance of the Bank and the group companies.

Another year full of hard work and milestones has passed, with contributions to improving performance and enhancing capabilities, especially in the areas of digital services, refining staff skills and simplifying procedures and operations, with the objective of raising the level of banking services to our customers.

As for business banking; the bank continued to enhance its leadership in lending to small and medium-sized enterprises, hedging risks and prudently managing non-performing loan ratios through astute credit decisions, utilization of guarantee funds and proper provisioning, thus maintaining the quality of the credit portfolio.

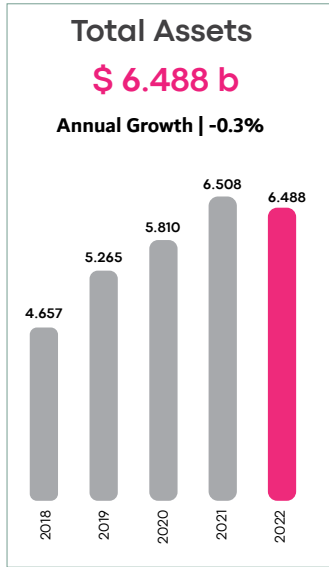
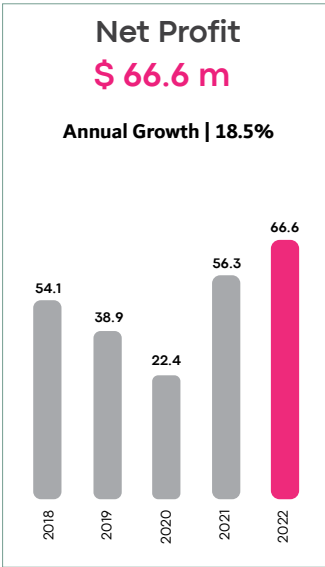
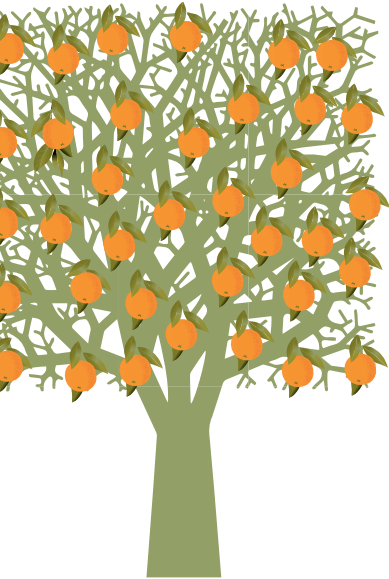
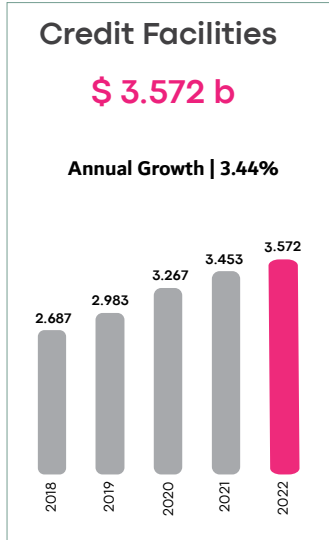
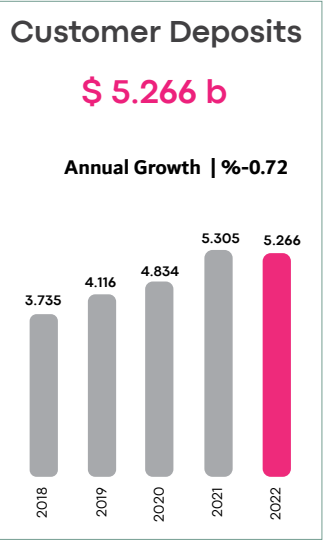
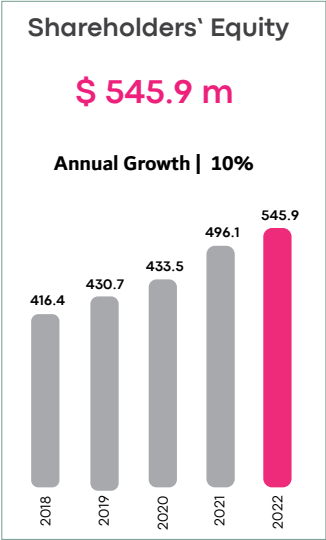
The Bank continued financing corporate projects in partnership with the private sector institutions and companies in various sectors. Special focus was given to financing projects in renewable and solar energy sector as part of “SUNREF II” program with financing from Proparco - French Development Agency. Despite the global inflation and its impact on the economic sector in Palestine, the business community in Palestine remained agile and active, working with Bank of Palestine as an important partner in financing private sector projects.

As for the retail-banking sector, additional attention was granted to this segment during the past year through the launch of savings campaigns, which provided rewarding financial prizes for depositors. The bank continued to provide its services for the benefit of the retail segment improving the interaction of customers and individuals with the various electronic channels and e-services ensuring a smooth and speedy service delivery.

During the implementation of its operations during the past year, the Bank adhered to the following principles:

- Enhancing compliance/AML procedures and good governance
- Improving customer services
- Investing in the human capital
- Keeping pace with technology and digitization in procedures and services
- Implementing a comprehensive strategy for sustainability at the level of the Bank’s operations, internally and externally
- Carrying out the Bank’s responsibilities towards the community and enhancing interaction with all segments of society

In reference to our operational financial performance, the Bank achieved a growth in profits before tax by 27% as a result of the



9.01%

Market Share
in the Palestine
Exchange



34.21%

Market Share
in Loans



31.78%

Market Share
in Customer
Deposits



January

- Re-launching of a collateral-free "Felestineya" business loan to support women-in-business.
- Signing of the SUNREF II green financing agreement between the Bank, Proparco and the European Union to support energy efficiency and renewable energy projects.
- Adding the "Payment to a merchant" service using a QR code through Banke application.

February

- Launching of a new initiative to recycle damaged electronic devices and equipment for reuse.
- Developing the accounts system to enhance financial inclusion so that any customer can open a current account at Bank of Palestine.

March

- Launching an initiative to recycle the bank's billboards as part of the sustainability strategy.
- Winning the Best Bank in Palestine Award from Global Finance.
- In cooperation between the bank and the European Bank for Reconstruction and Development (EBRD) provided two training courses in the field of financial management to enhance financial inclusion among women.
- Signing an agreement between the bank, the businesswomen's forum and the Middle East Investment Initiative (MEI) to launch a financial product for women entrepreneurs.

April

- For the sustainability of small and medium enterprises for women, a training workshop was organized in cooperation between the Bank and Monshati.
- Launching a loan program to finance micro projects for people with disabilities within the Sustainability Fund, in cooperation with the Ministry of Labor and the Palestinian Fund for Employment.
- Launching a project to promote banking awareness among youth, in partnership with INJAZ.

May

- Launching new loan bundles to empower women and entrepreneurs within the Felestineya Program
- Launching the "Bank of Palestine Platform" in partnership with the European Bank for Reconstruction and Development on the Micromentor website for guidance to entrepreneurs in Palestine.
- Participation in the EBRD's Annual Meeting in Marrakech
- Received the Silver Award in Sustainability from the EBRD

June

- The Bank invested in Mada Al-Arab Company, a leading fiber optic company to promote digital transformation in Palestine.
- Joining the Global Impact Investing Network (GIIN).
- Partnering with the Palestinian Green Building Council, to promote sustainability in Palestine.

July

- Partnering with the Palestinian Paralympic Committee to highlight the importance of the role of sports for people with disabilities

August

- Launching a dedicated campaign targeting Palestinian Laborers across the green line to enhance their financial inclusion
- Planting of trees in the village of Talouza, Nablus, as part of the sustainability strategy to reduce harmful carbon emissions in the environment.

September

- Contribute to launching the Wet Skills competition, a Water Challenge to raise awareness about the importance of water in preserving environmental resources
- Launching the sixth cohort of the Palestinian Management Program Mini MBA- for female entrepreneurs and business owners.

October

- Participation in the annual SIBOS conference in Amsterdam.
- Participation in the Global Impact Investing Network (GIIN) - Investor Forum
- Receiving the Award for Best Bank in Palestine in the field of Treasury and Cash Management from Global Finance.

November

- Co-sponsoring of the Fourth International Conference on Entrepreneurship Technology-Palestine ICEP 4.0 in Dubai

December

- Co-organizing a conference on Climate Change Risks and the role of the Financial Sector in reducing them in partnership with the European Bank for Reconstruction and Development EBRD
- Sponsoring the activities of the Palestine Technology Week (Expotech) 2022.
- Employing the services of global consulting company Strategy& to help outline a strategic growth plan for the next five years.
- Publishing the first sustainability report based on the standards of the Global Reporting Initiative "GRI"

2022
Awards



Bank of the Year
from The Banker



Silver Award in the field of Sustainability
from the European Bank for Reconstruction
and Development (EBRD)



Best Treasury and Cash Management
Award from Global Finance



Best Bank in Palestine
from Global Finance



Best Bank in Palestine
for International Trade from Global Finance



Best Bank in Palestine
from EMEA Finance

Memberships

- Member in the “Global Alliance for Banking on Values” / GABV
(First bank in the Arab World and the Middle East to obtain such membership.)
- Member in the “Middle East Investor Relations Association” / MEIRA
- Member in the “World Economic Forum” / WEF
- Member in the “Global Banking Alliance for Women”
- Member in the “United Nations Global Compact”
- Member in the “Palestinian Green Building Council”
- Member in the “Global Impact Investing Network” /GIIN



73 Branches and Offices

West Bank North Hub

- Jenin Governorate**
- Jenin Main Branch
Maythalun Office
Yaa'bad Office
Al Yamun Office
American University Office
Qabatia Branch
- Tubas Governorate**
- Tubas Main Branch
- Nablus Governorate**
- Nablus Main Branch
Al Hisbah Office
Huwara Office
Tulkarem Street-Beit Iba Office
Northern Assira Office
Rafidia
- Tulkarm Governorate**
- Tulkarm Main Branch
Khadoury Office
Downtown Office
- Qalqiliyah Governorate**
- Qalqiliyah Main Branch
Azun Office

Representative Offices

- Dubai
Chile

Mobile Office

- Banke Rahhal

West Bank Centre Hub

- Ramallah Governorate**
- Ramallah Main Branch
Tormosaya Office
Nilin Office
Deir Dibwan Office
Al Manara Office
Al Irsal Branch
Birzeit Office
Silwad Office
Al Masyun Branch
Bedo Office
Betunia Office
Al Bireh Branch
Al Tireh Office
La Casa Mall Office
Al Qasaba Branch
- Jericho Governorate**
- Jericho Main Branch
Jericho Border Crossing Office
- Salfit Governorate**
- Salfeet Branch
Bidya Office
- Jerusalem Governorate**
- Al Ram Branch
Abu Dees Branch
Alquds University Office
Dahyet Al Bareed Branch

West Bank South Hub

- Hebron Governorate**
- Hebron Main Branch
Hebron University Office
Saeer Office
Bab Al Zawiya Office
Al Salam Street Office
Tarqumia Branch
Dura Branch
Yatta Office
Al Thahiriya Office
- Bethlehem Governorate**
- Bethlehem Main Branch
Beit Jala Office
Beit Sahour Office

Gaza Hub

- North Governorate**
- Jabalia Branch
Beit Lahia Office
Beit Hanoun Office
Gaza Governorate
Al Rimal Branch
Al Saraya Office
Tal Al Hawa Office
Gaza Main Branch
Omar Al Mukhtar Office
Al Nasser Branch
- Middle Governorates**
- Deir Al Balah Branch
Al Nussirat Branch
Al Zahra Office
- South Governorates**
- Khan Younis Branch
Bani Suhaila Office
Rafah Branch
Rafah Crossing Office

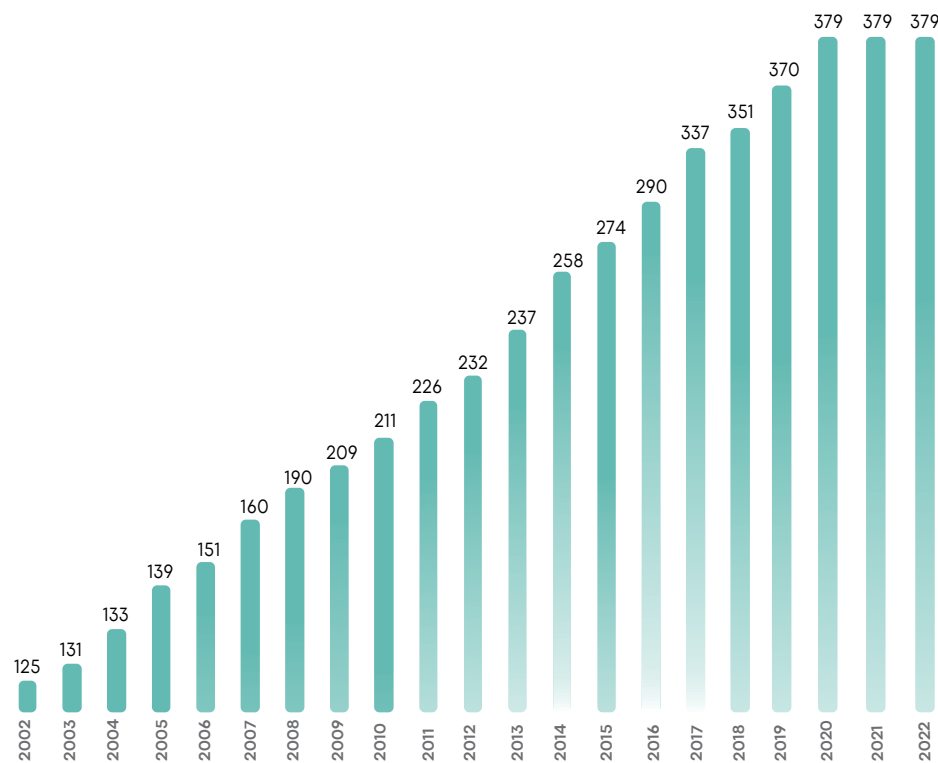


Branches and Offices
1,019 employees



Head Office
780 employees

Number of branches operating in Palestine



The Palestinian Banking Sector

The Palestinian economy has achieved a growth of 3.6% during the year 2022, despite the successive crises it has been exposed to. This growth indicates that there are great opportunities for investment and expansion during the post-COVID-19 recovery phase and the achievement of more outstanding performance with a sustainable impact on all stakeholders.

Growth Indicators in the Banking Sector (\$billion)

| Assets | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------------|-------|-------|-------|-------|-------|
| Banking Sector | 16.12 | 17.92 | 19.89 | 21.67 | 21.40 |
| Bank of Palestine | 4.66 | 5.26 | 5.81 | 6.51 | 6.49 |
| Deposits | | | | | |
| Banking Sector | 12.27 | 13.57 | 15.25 | 16.73 | 16.57 |
| Bank of Palestine | 3.74 | 4.12 | 4.83 | 5.31 | 5.27 |
| Credit Facilities | | | | | |
| Banking Sector | 8.43 | 9.04 | 10.08 | 10.75 | 11.05 |
| Bank of Palestine | 2.78 | 3.11 | 3.44 | 3.65 | 3.78 |

Growth Rate in Deposits and Loans

| Customer Deposits | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------------|--------|---------|---------|--------|---------|
| Banking Sector | 0.68% | 10.56 % | 12.35% | 9.70 % | 0.93- % |
| Bank of Palestine | 0.89-% | 10.18 % | 17.46% | 9.75 % | 0.72- % |
| Credit Facilities | 2018 | 2019 | 2020 | 2021 | 2022 |
| Banking Sector | 5.06 % | 7.15 % | 11.55 % | 6.63 % | 2.77 % |
| Bank of Palestine | 8.93 % | 11.91 % | 10.41 % | 6.03 % | 3.65 % |



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Corporate Governance

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Mr. Hashim Shawa

Chairman

Bank of Palestine Group
Bachelor of Engineering "University College London" 1997
Date of Birth: 25/01/1976
Member since 2007

Experience

Chairman of Bank of Palestine Financial Group.
Chairman of Palpay Electronic Payments
Chairman of Alwasata Securities Company
Chairman of Ibtikar Fund
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.

Memberships

Member of the Institute of International Finance (IIF) Emerging Markets Advisory Council (EMAC)
WEF MENA Regional Action Group Member.
World Bank Advisory Council on Gender and Development
Founding Member at Intersect Hub for Start-Ups.
Board Member of "Pharmacare Company".
Board Member of "Arab Palestinian Investment Company" (APIC)



Mr. Abdullah Qais Al-Ghanim

Vice Chairman

Representative, Al Muhalab Kuwaiti Real Estate Company
MBA - The Thunderbird School of Global Management - 2005
B.S.- Boston University – 1996
Date of Birth: 08/02/1976
Member since 2014

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



Mrs. Lana Abu Hijleh

Board Member

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
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)

Memberships

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



Mr. Tarek Al Aggad

Board Member

Representative of the Arab Palestinian Investment Company – APIC
B.A – Economics - Harvard University – 1992
Date of Birth: 24/01/1971
Member since 2014

Experience

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

Memberships

Chairman - Siniora Food Industries Jordan/ 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

PhD in Analytical Chemistry, minor in Biochemistry. University of Cincinnati, Ohio, USA
Date of Birth 08/03/1955
Member since 2019

Experience

2011-2020 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

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
UNESCO-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

B.S.C- Economics – Birzeit University
Date of Birth: 24/04/1962
Member since 2018

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.
2006 – 2015: Chairwomen of the Palestinian Shippers Council
2006 – 2015: the president of the board of directors of Riwaq (the Palestinian association for the preservation of architectural heritage),
Honorary Consul of the State of Indonesia.

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.



Mrs. Linda Tarazi

Board member

Masters of Mechanical Engineering, (1992-1996)
Imperial College of Science, Technology & Medicine – London, UK.
Date of birth: 05/01/1974
Member since 2022

Experience

Capital Bank of Jordan - Dubai, UAE, July 2022 - Present
Group Chief Transformation Officer
MASHREQBANK – Dubai, UAE. Nov 2013 to 2022
Executive Vice President – Head of Digital
MASHREQBANK – Dubai, UAE. Nov 2010 to Nov 2013
Senior Manager – Transformation
Approach & Methodology / Sustainability
Vice President – Lean Practice / Business Excellence
MASHREQBANK – 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.



Mr. Adel Dajani

Board member

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 Pédagogique (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

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
London 1979-1980 HSBC
International Officer
Credit training course and operational
departmental experience

Memberships

London 2012 Founding Member of the Arab
Bankers Association, UK.



Mrs. Lama Kanaan

Board member

Diploma of Management 1987, S.S. College, UK
Diploma of Islamic Finance BIBF, Bahrain 2005-2007
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: 29/05/1971
Member since 2022

Experience

Executive Director, Senior Relationship Manager,
April 2017 – April 2019- Julius Bär 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
Relationship Officer: Private Banking Division,
December 1994 – October 1995 - Arab National
Bank
Memberships
Board Member at Hauberk Capital, under the
ADGM Authority
Bahrain Businesswomen Society



Mr. Eric Shehadeh

Board Member

1995 - 1998 Ecole Supérieure de Commerce de Paris
(ESCP Business School) Paris, France
France's premier school of management
Majored in Finance and Management Control. Classes
in English and in French.
1991 – 1995 Point Park University Pittsburgh
BA in Political Science
Date of Birth 29/5/1971
Member since 2020

Experience

2017- present 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 & Chief Operating
Office Mubadala GE Capital Abu Dhabi, UAE.
2008 –2009 Managing Director & CFO - Strategy and
BD/M&A, GE Capital Middle East Dubai, UAE.
2006 - 2008 Chief Financial Officer, GE Money
Thailand, Bangkok, Thailand.
Sept. 2005 – Sept 2006 Financial Planning & Analysis
Mgr –GE Money Asia, Bangkok. Thailand.
Feb 2004- Aug 2005 Chief Financial officer, GE Money
New Zealand, Auckland, New Zealand
Feb 2003- Feb 2004 Financial Planning & Analysis Mgr
–GE Money New Zealand, Auckland, New Zealand
Jan 2002- Feb 2003 Europe Finance Integration Mgr
& Assistant Controller – GE Healthcare Europe Paris,
France
Jun 2000-Jan 2002 Europe e-Finance Six Sigma Black
Belt – GE Healthcare Europe Paris, France
Jul 1998 – Jun 2000 Financial Management Program
(FMP) – GE Healthcare Europe

Memberships

Board Member of Association Française des Sociétés
Financières
Chairman of the Board of MMB Société de Crédit
Foncier
Chairman of the board of Banque des Caraïbes
Current President and CEO of My Money Group, Paris,
France



Mr. Tewfic Habesch

Board Member

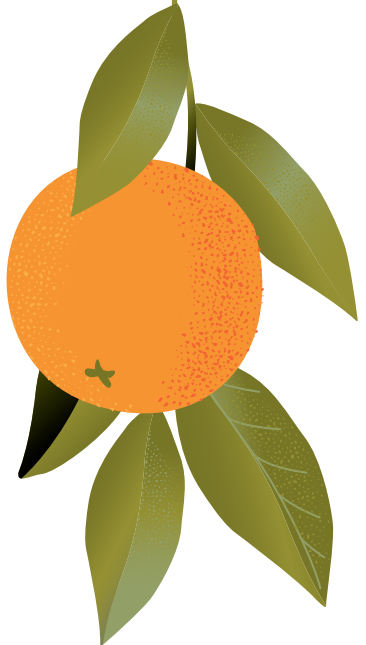
New York University, Graduate School of
Business Administration. New York - M.B.A.
Finance/International Business, June 1987
The American University, Washington, D.C.,
BS/BA Finance and Computers Systems
applications in management, May 1984
Date of birth: 06/07/1962
Member since 2022

Experience

Member of the board, Al-Mashreq Insurance Co.
Member of the board, Pharmicare
Vice Chairman, The Arab Chamber of
Commerce & Industry – Jerusalem
Member of the board, The French Arab
Chamber of Commerce – Paris.
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

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.



Attendance of Board Members – 2022

| Session date | 30/01 | 27/02 | 19/04 | 29/05 | 21/08 | 18/09 | 16/10 | 21/11 | 18/12 | Attendance per member |
|------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-----------------------|
| Name | | | | | | | | | | |
| | 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 | - | 6 |
| Mr. Adel Dajani | - | - | Present | Present | Present | Present | Present | Present | Present | 7 |
| Mr. Tewfic Habesch | - | - | Present | Present | Present | Present | Present | Present | Present | 7 |
| Mrs. Linda Tarazi | - | - | Present | Present | Present | - | - | Present | Present | 5 |
| Mr. Maher Farah | Present | Present | - | - | - | - | - | - | - | 2 |
| Mr. Hani Nigim | Present | Present | - | - | - | - | - | - | - | 2 |
| Total Attendance | 9 | 8 | 11 | 10 | 11 | 10 | 10 | 11 | 9 | |

Board Members Remuneration for 2021 and 2022 in USD

| Member | Position | 2021 | 2022 |
|------------------------|---------------------|---------|---------|
| Mr. Hashim Shawa | Chairman | 108,659 | 100,112 |
| Mr. Abdullah Al-Ghanim | Vice Chairman | 96,585 | 100,112 |
| Dr. Tafeeda Jarbawi | Board Member | 108,659 | 100,112 |
| Mr. Eric Shehadeh | Board Member | 108,659 | 100,112 |
| Mrs. Lana Abu Hijleh | Board Member | 108,659 | 100,112 |
| Mrs. Maha Awad | Board Member | 108,659 | 100,112 |
| Mr. Tewfic Habesch | Board Member | 0 | 77,865 |
| Mr. Adel Dajani | Board Member | 0 | 77,865 |
| Mr. Tarek Aggad | Board Member | 84,512 | 66,742 |
| Mrs. Lama Kanaan | Board member | 0 | 66,742 |
| Mrs. Linda Tarazi | Board Member | 0 | 55,620 |
| Mr. Maher Farah | Former Board Member | 108,659 | 22,247 |
| Mr. Hani Nigim | Former Board Member | 108,659 | 22,247 |
| Mrs. Nada Shousheh | Former Board Member | 48,290 | 0 |
| Total | | 990,000 | 990,000 |

The Board of Directors

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

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

The Board Chairman and Vice-Chairman

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

The Chairman of the Board shall ensure the following:

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

The Audit Committee

Committee Members:

Mr. Tewfic Habesch - Chairman of the Committee

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:

- 1. The integrity of internal controls and financial reporting.
- 2. The qualification and independence of the external auditor.
- 3. The performance of the internal audit and compliance functions and the Bank's external auditor.

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

- Review internal controls.
- Review reports issued by the Inspection and Audit Department, Internal Auditor, and the Compliance Control Department, including financial and non-financial issues, and remedial procedures and means of controlling the risks faced by the Bank.
- Review and approve the annual plans of the Audit Department, the Compliance Department, and the Anti-Money Laundering Officer.
- Review the accuracy of financial statements presented to the Board, shareholders and other stakeholders.
- Review the Bank's commitment to laws and regulations of the Palestine Monetary Authority, the Board, and other regulations applicable in Palestine.
- Review the External Audit plan and ensure that it includes all activities implemented by the Bank.
- Ensure the accuracy and integrity of accounts and compliance with laws and regulations applicable to Bank activities.
- Develop disclosure and transparency standards and submit them to the Board for approval.
- Review notes mentioned in the PMA's reports and

follow up on corrective measures adopted to ensure their implementation and offer relevant recommendations to the Board on the appropriate remedial steps.

- Coordinate with the Risk Management Committee to present the Bank's financial standing and performance.
- Study the financial system applied at the Bank and present recommendations to improve it, and ensure that these recommendations fairly represent the situation and that no false data are recorded.
- Apply a system that allows employees to report confidentially their concerns about potential violations and in a manner that makes it possible to independently investigate and follow up on such violations without being punished by their superiors or ill-treated by colleagues. The Audit Committee shall monitor the implementation of these procedures.
- Act as a liaison between the Board of Directors and the External Auditor, between the Board of Directors and the Internal Auditor, and between the Internal and External Auditors.
- Follow up on the Bank's adherence to its internal Code of Professional Conduct.
- Notify the Board of Directors on issues that require its immediate intervention and offer recommendations on the appropriate remedial steps.
- The audit committee shall submit reports to the Board of Directors on all matters that fall within its scope of work, thereby enabling it to carry out its function of monitoring the management of the Bank and submitting to shareholders and investors factual and documented information.
- Provide the Board of Directors with independent and objective advice regarding the adequacy of measures related to auditing, compliance, and the combating money laundering and terrorism financing.

The Risk and Compliance Committee

Committee Members:

Mr. Eric Shehadeh - Chairman of the Committee

Mrs. Linda Tarazi - Member

Mr. Adel Dajani - Member

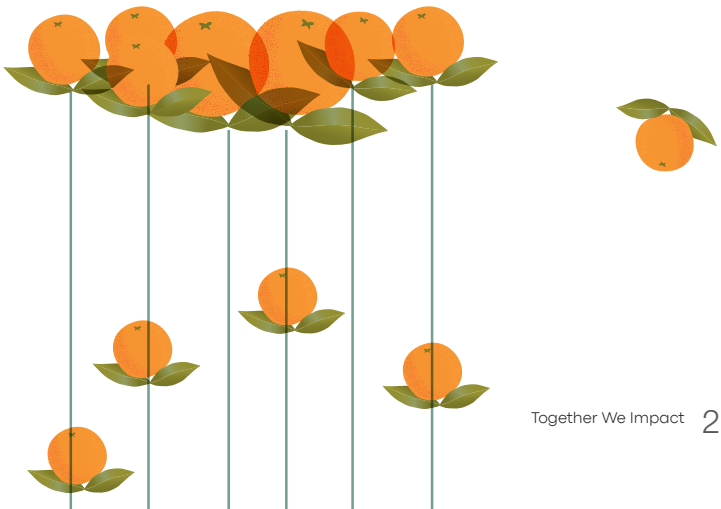
Mr. Tewfic Habesch – Member

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 Monetary Authority



The Executive Committee

Committee Members:

Mr. Hashim Shawa - Chairman of the Committee

Mrs. Maha Awad - Member

Mr. Abdullah Al-Ghanim - Member

Mr. Tarek Aggad - Member

Committee Roles and Responsibility

- 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 - Chairwomen of the Committee

Dr. Tafeeda Jarbawi - Member

Mr. Hashim Shawa - Member

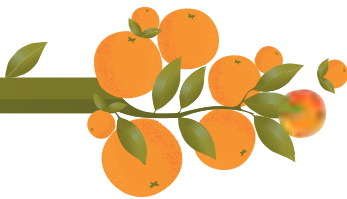
Mr. Adel Dajani – Member

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 Al Jarbawi - Chairwomen of the Committee

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.

Risk Management Departments

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

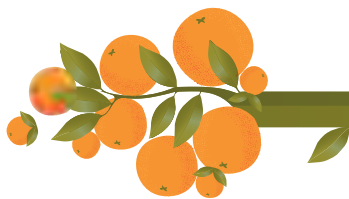
- Develop procedures, methodologies and tools for managing risks throughout the Bank.
- Monitor the banking risks file throughout the Bank and prepare reports accordingly.
- Conduct a pre and/or post review of some banking operations in accordance with the parameters indicated in the Risk Management Policy.
- Submit a risk-based assessment of some procedures and submit results and recommendations to the Risk Committee.
- Support a Bank-wide risk culture, develop a common language based on this culture, and provide the necessary support and training to achieve this.
- Provide explanations for risk-related regulations and practices and disseminate them at the level of business units.
- Provide training for business branches and units on Risk Management and the strict monitoring of operations.
- Review important procedures, policies, products and operations that impact the banking risk file prior to obtaining final approval.
- Annual review of the risk-based budget and capital planning, in connection with the Bank’s financial budget.
- Study the relationship between economic, political and market variables and the competitive environment and their impact on BoP’ banking risks.

- Monitor and follow up on compliance with the requirements of the Palestine Monetary Authority and set time limits for compliance with these requirements.
- Report to the Board of Directors on important issues resulting from the review process.
- Develop awareness of the importance of Risk Management at the level of Management and staff and assist the Risk Management function in spreading the culture of banking risks Bank-wide.
- Recommend/supervise official training provided to Bank staff on banking risk management.
- Review the Bank Risk Management Policy prior to obtaining approval from the Board of Directors.
- Discuss/review important procedures, policies, products and operations that impact the banking risk file prior to obtaining final approval from the Board of Directors.

Responsibilities of Business Units:

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

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



Mr. Mahmoud Shawa
Chief Executive Officer -CEO

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



Mr. Naser Bakier
Chief Business Banking Officer

- BS Business Administration
- Winona State University
- Date of Birth: 23/7/1969
- Joined BoP in 1994



Mr. Thaar Hamayel
Chief Retail Banking Officer

- MBA
- Birzeit University
- Date of Birth: 13/5/1978
- Joined BoP in 2000



Mr. Sulieman Nasr
Chief Treasury Officer

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



Mr. Sakhr Nammari
Chief Financial Officer

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



Mr. Musa Shamieh
Chief Operations Officer

- MBA
- Birzeit University
- Date of Birth: 8/3/1966
- Joined BoP in 2014



Mr. Basem Maraqa
Chief Information Technology Officer

- MS Mathematics
- Al Yarmouk University
- Date of Birth: 12/11/1966
- Joined BoP in 2015
- Resigned: 9/2022



Mrs. Randa Musa
Chief Human Resources Officer

- MBA
- Birzeit University
- Date of Birth: 14/5/1974
- Joined BoP in 2011



Mr. Hanna Sahar
Chief Credit Officer

- MBA
- University of Arkansas
- Date of Birth: 6/10/1972
- Joined BoP in 2020



Mr. Kamel Hussein
Chief Strategic Relations & Engagements Officer

- MBA
- The American University of Washington D.C.
- Date of Birth: 11/2/1966
- Joined BoP in 2016



Mr. Najeeb Yaser
Chief Audit Officer

- MBA
- University of North Carolina
- Date of Birth: 30/5/1978
- Joined BoP in 2017



Mrs. Amal Massis
Chief Risk Officer

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



Mr. Banan Nammari
Head of Compliance Department

- BS Computer Science
- Al Quds University
- Date of Birth: 19/11/1985
- Joined BoP in 2008



Mr. Ammar Musaffar
Head of AML Department

- BS Finance and Banking
- Birzeit University
- Date of Birth: 2/7/1990
- Joined BoP in 2010



Mr. Khamis Asfour
Legal Counsel

- BS Law
- University of Alexandria
- Date of Birth: 29/5/1952
- Joined BoP in 1979

Operational Risk Management

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

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

Governance

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

The Three Lines of Defense

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

Risk Culture Awareness

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

International Standards

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

Risk Indicators

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

Ensuring Business Continuity and Sustainability

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

Risk Control

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

Information Security Risk Management

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

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

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

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

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

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

Disaster Recovery

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

Credit Risk Management

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

Treasury Risk Management

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

The Expertise of the Risk Management Team

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

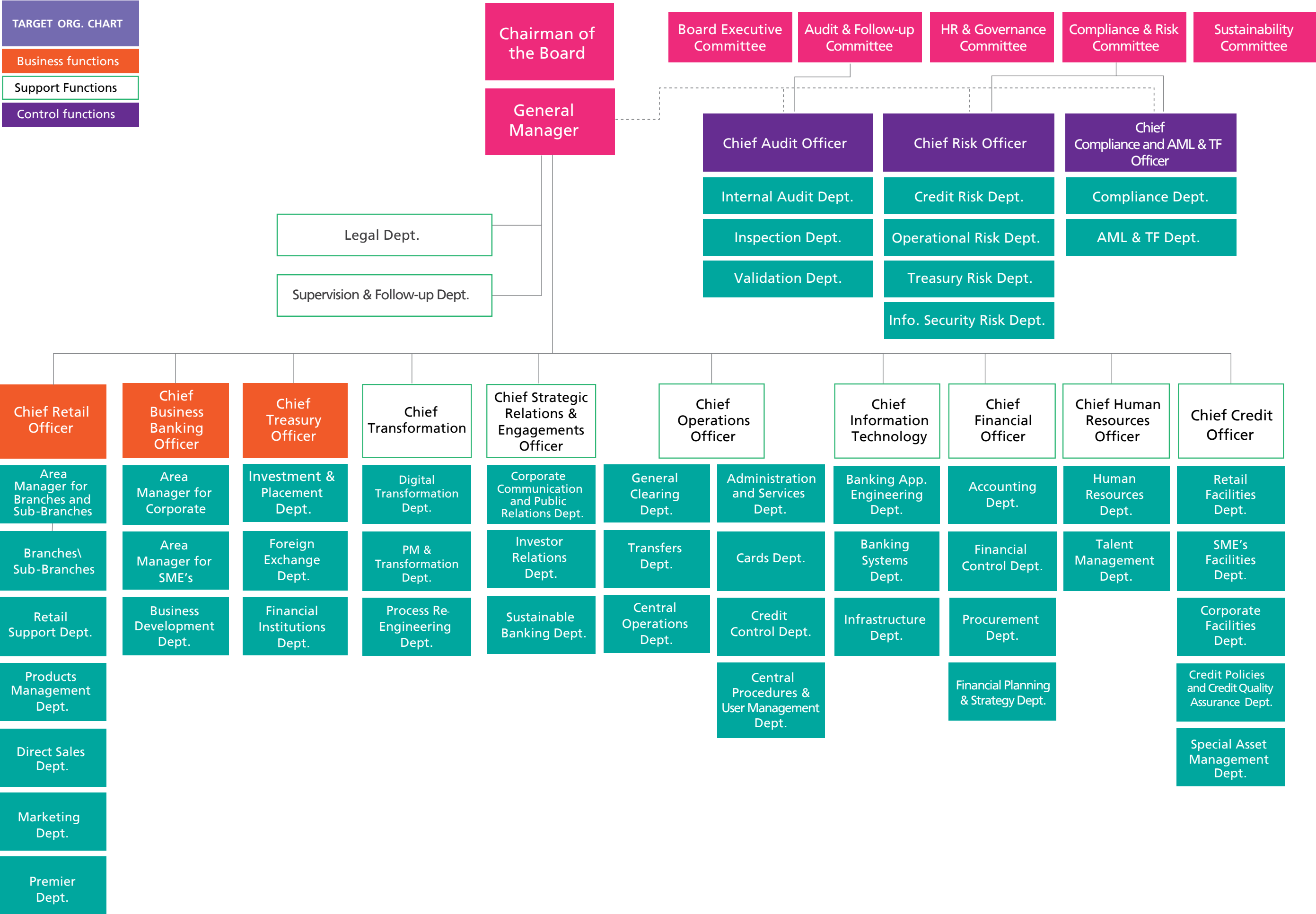
Executive Risk Management Committee

Based on Bank of Palestine’s interest in the need to include a culture of risk in all of the Bank’s activities, in order to enhance good governance and the risk-based approach with the highest levels of efficiency and effectiveness; The Bank has approved an Executive Committee for Compliance and Risk Management, which is concerned with aligning the Bank’s objectives with acceptable levels of risk, supervising risks and ensuring that they remain within acceptable levels, in addition to supervising compliance risks.

Reporting to the Board of Directors

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

Organizational Structure



Anti-Money Laundering and Counter-Terrorism Financing Policy and Penalties

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

Accordingly:

- The Bank shall not open any accounts or deal with anonymous customers or those who hold fictitious names.
- The Bank shall not keep or open accounts from transient individuals.
- The Bank shall not maintain or deal with shadow banks and organizations.
- The Bank shall not open accounts or conduct banking transactions for black-listed customers.
- The Bank shall conduct regular inspection of customer accounts to ensure that none are blacklisted.
- The Bank shall not deal with customers involved in the following activities:
 - Illegal manufacturing and trading with weapons, arms and munitions.
 - Human trafficking
 - Adult entertainment industry (pornography)
 - Internet gambling
- Intentional or willful violations of the laws, regulations or policies relating to financial crime and/or fraud.
- Repeated, unintended or accidental violations of the law, regulations or policies related to financial crime and/or fraud.
- Misuse of accounts for Anti-Money Laundering, Counter-Terrorism Financing or fraud operations.
- Facilitating commercial activities that can be construed as a tax offense
- Refusal to provide sufficient information or documents requested by the Bank.
- Bribery and corruption.
- The Bank shall identify natural and legal customers and the real beneficiary, verify their identities through documents or data during and after opening the account, verify the validity or sufficiency of information related to the customer’s identity and persons suspected of money laundering and terrorism financing.
- The Bank shall identify and collect information about the purpose of current and expected transactions on account, and the intended nature of the business relationship by using the account opening form that is designed in accordance with the Know Your Customer policy, the Bank’s policy and the instructions of the Palestine Monetary Authority, in addition to the forms designated for all types of operations that are carried out on customer accounts (deposits, withdrawals, transfers, etc.)
- The Bank shall identify and evaluate risks at the level of customers and accounts and address them in accordance with the customer classification policy, based on the degree of the risk, account type, customer trends and nature of activities on account and the countries he/she deals with. Special attention is given to high risk customers by requesting sources of income and wealth, residency, and administrative approvals, depending on the risk level.
- The Bank shall issue instructions, explanations and clarifications about work mechanisms in order to implement the Know Your Customer policy and the requirements necessary for opening accounts, and for every process or relationship arising with customers.
- The Bank shall apply the Know Your Customer policy standards and practice due diligence on cross-border relationships with correspondent banks. This is done by collecting information about these banks, assessing the reputation of the receiving institution and the nature of the supervision it is subject to, obtaining approval from senior management before establishing the relationship with the receiving institution and evaluating its AML and CTF controls.

- The Bank shall inspect all outgoing and incoming transfers against the blacklists using the latest systems to match customer accounts and the beneficiary parties and/or transferees on the lists, and return any transfer if any of the transfer parties are blacklisted.
- The Bank shall use the latest software to analyze customer accounts and follow up on transactions, and develop and adjust program compatible with the latest developments in the field of operations control, through custom scenarios to monitor money laundering and terrorism financing patterns.
- The Bank shall apply several standards to follow up on various operations and activities as preliminary indicators or suspicious indicators. General suspicious indicators appear when opening accounts, conducting different transactions, incoming and outgoing transfers, cash deposits and withdrawals, granting facilities, leasing safety deposit boxes, investments and purchasing stocks and bonds, financing commercial operations, letters of credit and guarantees, reactivating dormant and closed accounts, and conducting electronic transactions.
- The Bank shall maintain customer records and documents in accordance with the legal period stipulated in the law and instructions.
- The Bank shall refrain from executing suspicious financial transactions, which include money laundering or terrorism financing, or any of the predicate crimes, and shall notify the Financial Follow Up Unit immediately.
- The Bank shall promptly submit suspicious reports in the instance of reasonable grounds to suspect that the funds constitute criminal proceeds, or if it has knowledge of an incident or activity that may be indicative of a money laundering or terrorism financing crime or any of the predicate crimes.
- The Bank shall implement trainings courses and discussion sessions on the standards, indicators and activities of anti-money laundering and counter-terrorism financing, especially to new recruits.
- The Bank shall regularly disseminate instructions and circulars issued by control authorities to departments and branches as soon as they are received, and shall issue the necessary explanations and clarifications accordingly.
- The Bank shall take into account the independence of the Anti-Money Laundering Department, so that the unit reports directly to the BOD Audit and Review Committee. The Department independently monitors compliance, internal audit and risk management, and it is subject to internal auditing in a manner that does not conflict with the confidentiality of information related to suspicious reports.

Developments

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

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

Compliance and Anti-Money Laundering

- Protecting the Bank for the sustainability of its services requires a monitoring that ensures compliance with the instructions issued by regulators, as well as addressing customer and employee complaints in a professional and independent manner. Therefore, the Bank adopts an effective system to identify and manage compliance needs for the various regulatory requirements.
- Proactively managing compliance risks, and fully committing to the implementation of banking activities in accordance with all applicable laws and regulations in Palestine.
- The Bank shall fully comply with prohibiting itself from being involved with any illegal activity by setting policies to combat financial crimes, money laundering and terrorism financing. It also adopts a Know Your Customer policy through which it complies with all legal requirements related to due diligence and on an ongoing basis, to identify the true identity and the true beneficiary of bank customers, verify the names of customers against the list of prohibited persons, and report unusual activities that may threaten the environment and society, especially money laundering crimes that threaten the security and safety of society. Environmental crimes and the resulting financial proceeds are considered predicate crimes whose financial proceeds are criminalized by Palestinian law, and the Bank shall report all financial proceeds resulting from predicate crimes.
- The Compliance and Anti-Money Laundering departments shall submit a report, at least a semi-annually, to the BOD Compliance and Risk Committee that includes an evaluation of the Bank's procedures, based on the control instructions and an assessment of the degree of compliance, in addition to the measures adopted to reduce uncovered risks.
- The Bank shall provide training programs on best practices for combating money laundering and terrorism financing and complying with sanctions, due to the impact of such programs on business sustainability and continuity, protecting the interests of stakeholders and shareholders from crime risks, and preserving the Bank's reputation from engaging in any suspicious activities.
- The Anti-Money Laundering and Counter Terrorism Financing Department shall focus on managing exposure to money laundering and terrorism financing risks and protecting assets, by assessing the inherent future and potential risks of exposing the Bank's products, services and channels to money laundering and terrorism financing risks. The Department shall also build a plan to calculate the residual risks and reduce their threat to a minimum, in order to ensure the achievement of the Bank's strategic objectives and the protection of stakeholders.
- The Bank shall build an action plan to attract all segments of society to enhance the concept of financial inclusion, which contributes to the future stability of the economy in general. This is done by encouraging marginalized groups and low-income individuals to open accounts, have access to financial services and facilitate work procedures, in a manner that serves the account-opening process for these groups, while adopting the risk-based approach. This ensures financial stability and does not terminate the business relationship with customers without understanding customer risks or the Bank's risk appetite.
- The Compliance Control Department handles customer complaints and protects their interests, as customer complaints are studied and addressed in the proper manner and to the satisfaction of the customer, with exposing the Bank to any risks. This permits the public to file complaints to a body independent from the Executive Management, conduct follow-up to take the necessary corrective measures and ensure appropriate handling of complaints. The advantage of these complaints is that they improve the quality of services and products, the methods of delivering them and their relevant work procedures.
- Through an internal committee, the Bank shall be committed to following up on internal reports submitted by Bank employees about violations they witness, without exposing them or their jobs to any danger, thus preserving the internal environment and sparing it any violations that expose the Bank to risks. The Bank shall also develop preventive methods and procedures to confront the risks of fraud, violations or any suspicious operations.
- Policies and procedures shall be constantly updated to ensure their alignment and compatibility with the developments that arise through the instructions and circulars issued by the regulatory authorities.
- Awareness messages shall be regularly published about the various risks based on the reality of daily work, in order to keep employees informed of the risks that the Bank may be exposed to.



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



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Senior Executive Management Salaries and Bonuses

The salaries and bonuses for the Senior Executive Management amounted to \$4,574,760.

Travel Expenses and Seminars for Senior Executive Management

The travel expenses and seminars for the Executive Management during 2022 amounted to \$190,978.

Loans Granted to Senior Executive Management

The total loans granted to the Senior Executive Management during 2022 amounted to \$6,531,295.

Proposed Remuneration to Board of Directors

Proposed Board of Directors remuneration based on profits during 2022 is \$990,000.

Dependence on Key Suppliers and Customers

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

Privileges

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

Extraordinary Transactions

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

Legal Actions

The number of cases brought against the Bank and its subsidiaries reached (244) and (248) cases on 31 December 2022 and 2021, respectively, during the Bank's normal activity. The value of cases amounted to an amount equivalent to \$67,518,916 and \$69,672,366 by 31 December 2022 and 2021, respectively. According to the Bank's Management and lawyer estimates, the Bank will face no obligations towards these cases, except for what has been previously established.

Decisions with Material Effect

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

Control of the Company

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

Board of Directors Sessions for 2022

During 2022, the Board of Directors held nine sessions to exercise the functions entrusted to them, as mentioned in the Code of Corporate Governance and the Bank Bylaws.

Special Voting by Shareholders

No issues called for special voting by shareholders during 2022.

Preliminary Financial Statements

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

External Auditors

The 2022 financial statements were audited by Ernst & Young.

Disseminating Information

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

Since its establishment, Bank of Palestine has been strengthening the principle of constant engagement with shareholders. Such engagements are important especially during difficult economic and political circumstances. Despite these exceptional circumstances, we are happy to report sustained shareholder and investor confidence in the Bank's performance and ability to manage crisis and overcome challenges through innovative solutions and tools that kept the bank agile and responsive to the needs and expectations of all stakeholders.

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

Investor Relations Strategy

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

Communication and building a long-term relationship based on transparency

The Investor Relations team maintains constant contact and communication with the Bank's shareholders and investors, to inform them of all the Bank's news and developments, and its various activities and events, including its financial and non-financial achievements and results, by adopting various means of a communication, including: Distributing press releases and news via e-mail and publishing advertisements on local, Arab and international news websites, in addition to sharing this information through the bank's social media networks such as LinkedIn and Facebook. The team also communicates directly with the shareholders through visual communication techniques and face-to-face communication whenever possible. In addition, the content of the bank's website has been developed to include the most important information about shareholders and investors, the bank's stock and its performance, as well as press releases, financial disclosures, investor presentation and annual reports.

In order to preserve the environment and adhere to sustainability standards, the department seeks to reduce travel activities and face-to-face meetings by 40% in order to reduce the carbon footprint, as these activities are replaced by communication through electronic communication technologies.



Roadshows and Participations

| Activity | Destination | Time period |
|--|---------------------------------|---------------|
| Global Impact Investing Network (GIIN) Investor Forum | The Hague - Netherlands | October 2022 |
| MEIRA Annual Conference and Awards Ceremony | Video Conference with AL Riyadh | October 2022 |
| International Conference on Entrepreneurship – Palestine ICEP 4.0 | Dubai - UAE | November 2022 |
| GABV Annual Meeting | Dhaka - Bangladesh | November 2022 |

| Financial and Events Calendar 2022-2023 | |
|---|--|
| 15/05/2022 | Announcing the financial results for the first quarter of 2022 |
| 16/10/2022 | Announcing the financial results for the first half of 2022 after PMA approval |
| 15/11/2022 | Announcing the financial results for the third quarter of the year 2022 |
| 15/02/2023 | Announcing the preliminary financial results for the year 2022 |
| 04/04/2023 | The last day to participate in the dividends distribution for the year 2022 |
| 05/04/2023 | Exclusion date from the distribution |
| 05/04/2023 | Ordinary and Extraordinary General Assembly Meeting |

| Bank of Palestine Share Information | |
|---------------------------------------|--------------------------|
| Listing Date | 22/09/2005 |
| Exchange | Palestine Stock Exchange |
| Symbol | BOP |
| ISIN | PS1004112600 |
| Number of shares issued | 223,958,577 shares |
| Par Value per share | \$1 |
| Closing price as on December 31, 2022 | \$1.97 |
| Free Float as of 31/12/2022 | 78.67 % |

Ownership of Major shareholders, Board Members, Executive Management and their relatives

| Major shareholders who own 5% or more | | | | |
|--|------------------|----------------------|------------------|----------------------|
| | 2021 | 2021 | 2022 | 2022 |
| Name | Number of Shares | Percentage of Shares | Number of Shares | Percentage of Shares |
| Al Muhalab Kuwaiti Real Estate Company | 15,538,907 | 7.15 % | 16,832,186 | 7.52 % |

| Shares owned by the members of the Board of Directors | | | | | |
|---|------------------------------------|------------------|----------------------|------------------|----------------------|
| | | 2021 | 2021 | 2022 | 2022 |
| Nationality | Members of the Board of Directors | Number of Shares | Percentage of Shares | Number of Shares | Percentage of Shares |
| Palestinian | Hashim Shawa – Chairman | 8,625,391 | 3.97 % | 8,984,233 | 4.01 % |
| Kuwaiti | Abdallah Al Ghanim - Vice Chairman | 27,794 | 0.01 % | 28,628 | 0.01 % |
| Palestinian | Tareq Al Aggad | 26,580 | 0.01 % | 27,377 | 0.01 % |
| Palestinian | Maha Awad | 123,704 | 0.06 % | 127,416 | 0.06 % |
| Palestinian | Tafeeda Jarbawi | 254,530 | 0.12 % | 286,000 | 0.13 % |
| Palestinian | Lana Abu Hijlah | 59,228 | 0.03 % | 63,592 | 0.03 % |
| Palestinian | Eric Shehadeh | 556,174 | 0.26 % | 565,000 | 0.25 % |
| Palestinian | Tewfic Issa Habesch | 89,500 | 0.04 % | 97,485 | 0.04 % |
| Palestinian | Lama Walid Kanaan | - | - | 16,000 | 0.01 % |
| Palestinian | Linda Abdel-Karim Tarazi | - | - | 16,000 | 0.01 % |
| British | Adel Awani Dajani | - | - | 16,000 | 0.01 % |

| Shares owned by first and second degree relatives of the members of the Board of Directors | | | |
|--|---------------------------------|------------------|------------------|
| | | 2021 | 2022 |
| Nationality | Name | Number of Shares | Number of Shares |
| Palestinian | Huda Hani Al Shawa | 5,945,197 | 6,123,608 |
| Palestinian | Dina Hani Al Shawa | 2,258,548 | 21,85,575 |
| Palestinian | Linda Patrick Al Shawa | 1,565,103 | 1,612,070 |
| Swiss | Bernardita vigiano Al Shawa | 156,894 | 161,602 |
| Kuwaiti | Nabil Hani Qaddoumi | 3,329,714 | 3,429,636 |
| Kuwaiti | Yasmine Nabil Qaddoumi | 1,558,081 | 1,604,838 |
| Kuwaiti | Laila Nabil Qaddoumi | 1,568,607 | 1,615,679 |
| Palestinian | Omar Bahaa Al-Din Baheig | 101,434 | 79,766 |
| French | Genevieve Chantel Marie Boimond | 559,847 | 576,647 |

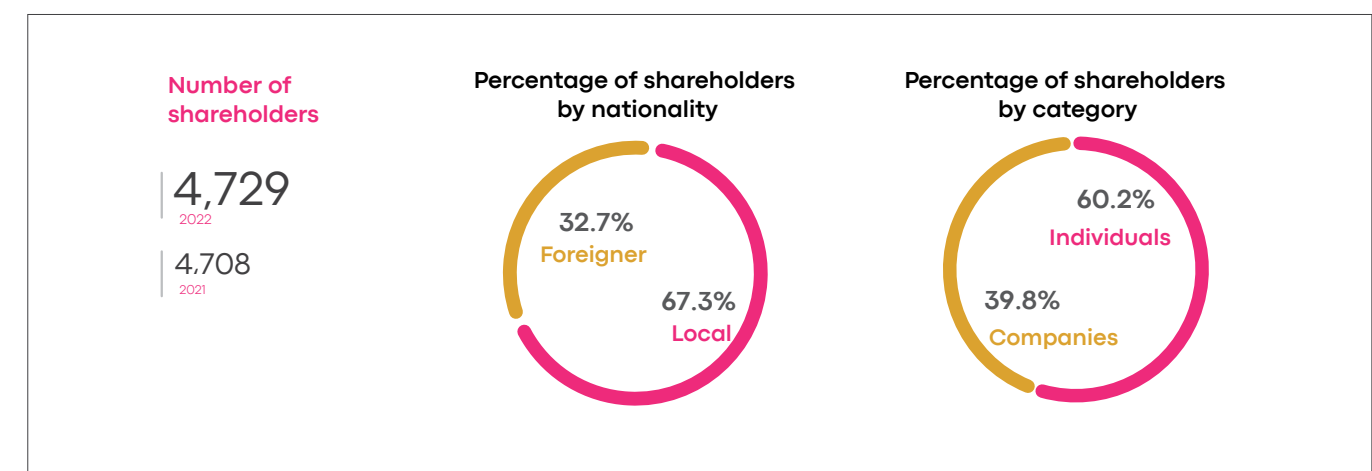
| Shares owned by the Executive Management | | | | |
|--|---|-----------------------|------------------|------------------|
| | | | 2021 | 2022 |
| Nationality | Position | Name | Number of Shares | Number of Shares |
| Palestinian | Chief Executive Officer | Mahmoud Maher Shawa | 11,201 | 11,537 |
| Palestinian | Chief Financial Officer | Sakhr Nammari | 2,500 | 2,575 |
| Palestinian | Chief Strategic Relations and Engagements Officer | Kamel Hussein | 19,791 | 21,484 |
| Palestinian | Chief IT Officer | Basem Maraqa | 2,000 | 4,384 |
| Palestinian | Chief Audit Officer | Najeeb Yasser | 20,000 | 25,000 |
| Palestinian | Chief Treasury Officer | Suliman Naser | 9,981 | 12,280 |
| Palestinian | Chief Business Banking Officer | Naser Bakir | 19,417 | 19,999 |
| Palestinian | Chief Human Resources Officer | Randa Saliba Abdullah | 3,234 | 3,331 |
| Palestinian | Chief Risk Management Officer | Amal Patricia Massis | 5,162 | 5,316 |
| Palestinian | Chief Credit Officer | Hanna Sahhar | 10,665 | 10,985 |
| Palestinian | Chief Operations Officer | Mousa Shamieh | 17,845 | 18,380 |

* Mr. Basem Maraqa resigned in September 2022

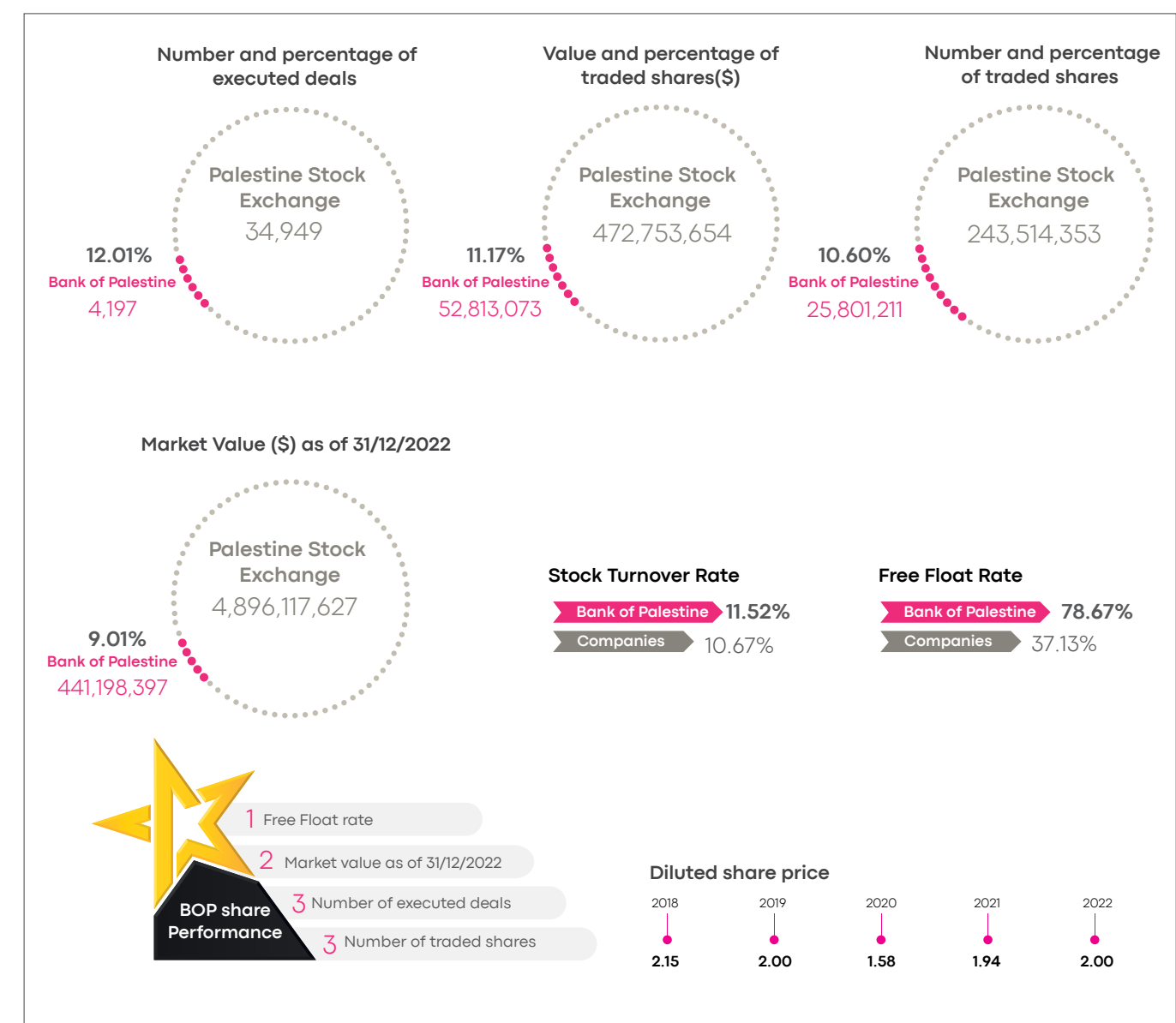
Bank Capital Development during 2021-2022

| Type of Corporate Action (C.A) | Announcement Date | Dividend Payment Date | Outstanding shares before .C.A | No. Of New Shares | Outstanding Shares after C.A. | % of Dividends |
|--------------------------------|-------------------|-----------------------|--------------------------------|-------------------|-------------------------------|----------------|
| Stock Dividends | 19/04/2022 | 21/04/2022 | 217,433,527 | 6,525,050 | 223,958,577 | 3 % |
| Special Issuance | 21/09/2021 | 21/09/2021 | 210,160,800 | 7,272,727 | 217,433,527 | - |
| Stock Dividends | 31/03/2021 | 18/04/2021 | 208,080,000 | 2,080,800 | 210,160,800 | 1 % |

Number of shareholders and percentage of their shareholding by nationality and sector as at the end of 2022



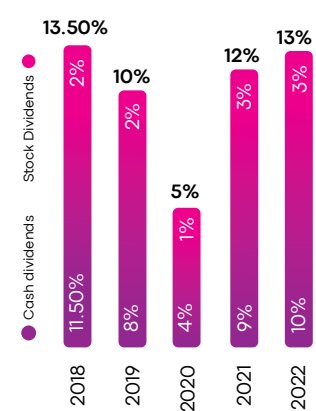
Trading Activity for 2022



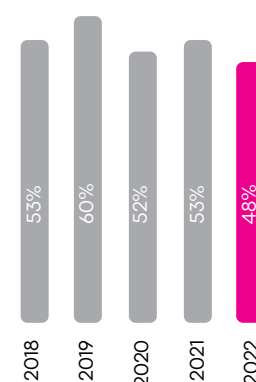
Dividends

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

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



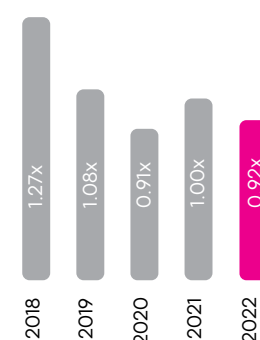
Payout Ratio



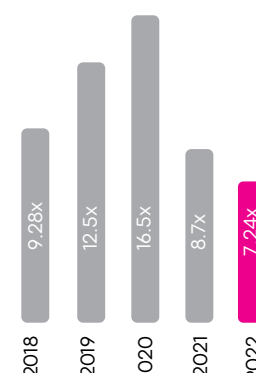
Earnings Per Share



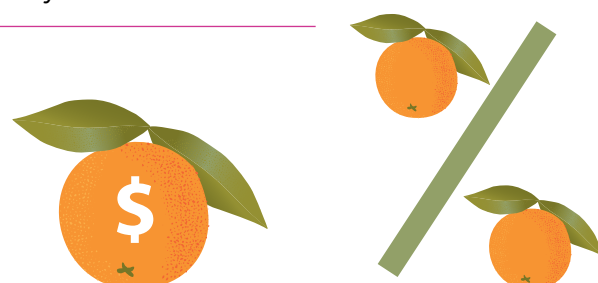
Price to Book Value Ratio (P/BV)



Price to Earnings Ratio (PE)



*Dividends for 2022 are the dividends recommended by the Board of Directors



Agenda of the General Assembly Meeting



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 31/12/2022.
- Absolving the Chairman and Members of the Board of Directors from liability for the financial year ended on 31/12/2022.
- Appointing an external auditor for the financial year 2023 and appropriating their fees or authorizing the board to do so.
- Approving the recommendation of the Board of Directors to pay a bonus for the members of the Board of Directors for the year 2022.
- Discussing the Board of Directors' recommendation to distribute USD 29,114,615 as dividends for the year 2022, a percentage of 13% of the bank's paid up capital for members in the general assembly and registered at the Palestine Exchange on April 04, 2023 in proportion to each shareholder's share in the company's capital as follows:
 - USD 22,395,858 as cash dividends, equivalent to 10% of the paid up capital;
 - USD 6,718,757 as stock dividends, equivalent to 3% of the paid up capital.

Extraordinary Meeting Agenda and Recommendations of Board of Directors:

- The entry of the Japan International Cooperation Agency "JICA" as an investor into Additional Tier 1 capital of the Bank in the amount of USD\$30 million through a perpetual loan that may be converted into ordinary shares in accordance with the terms of the agreement with JICA with the obligation to keep and maintain issued and unsubscribed shares for this purpose.
- Mandating the Board of Directors to increase the Bank's capital by a ceiling of USD\$50 million to become USD\$300 million instead of USD\$250 million and authorizing the Board of Directors to choose the right tools and take the right decision as to how and when to achieve this increase and all stages related to such increase.
- Approval of the by-laws of Bank of Palestine's Provident Fund by the General Assembly and the authorization of the Bank of Palestine Board of Directors to complete all procedures necessary to document and register the Provident Fund with the official authorities.
- Authorizing the Board of Directors to develop the bonus and incentive policy for the Executive Management and Staff according to the Management performance evaluation system adopted by the company.
- Amendment of the clause (No. 56/ second paragraph) from the Bank's by laws that states "An amount approximately 5% entitled to the Board from profits is distributed as a percentage of attending a number of meetings for each member instead of distributing in equal terms and what remains is distributed to the shareholders as percentage of shareholding as long as the General Assembly does not decide based on the request from the Board of Directors inclusion of all of the amount or parts of it to develop projects approved by the Board of Directors or to transfer it in total or partially for next year"; to become post amendment as such:

"Distribution of an amount that equals 5% of what is entitled to the Board from profits to members of the Board of Directors as per duties assigned to them and what remains is distributed to the shareholders each as per his/ her shareholding as long as the General Assembly does not decide as per the Board of Directors; or request the allocation of all or part of the amount towards development of projects approved by the Board of Directors; or the transfer of the whole amount or part of it to next year; and authorization of the Board of Directors to create the appropriate policies for this matter".

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Strategic Review

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61 – Our Approach to Sustainability

68 – Our Digital Strategy

70 – Strategic Relations & Engagements

Customer Service

Treasury Department Key Achievements During 2022

The Treasury Department played a prominent role during 2022, as its activities focused on introducing customers to integrated treasury services, which have been carefully designed to meet customer banking needs, regardless of the diversity of their business. The Treasury Sales Department provides continuous awareness about the products and services offered over social media networks and radio channels, and publishes economic bulletins issued by the various Treasury units, thus providing a wide range banking services . One key feature of developing revenue from the treasury was the competitive currency exchange rates provided to customers. Foreign exchange profits witnessed a significant increase in 2022, thus putting the bank at the forefront of the Palestinian banking sector in terms of trading volume, market share, and digital transformation in treasury operations.

Bank of Palestine has a leading position in terms of managing change and development processes for treasury departments, aimed at building more sustainable and comprehensive products in line with the vision of the Board of Directors, and at the same time, in compliance with international standards, meeting the expectations of shareholders and customers.

In line with the Bank's strategy for digital transformation at the level of all banking operations, the Treasury Department launched competitive Foreign Exchange prices on the Banke mobile application, encouraging customers to execute transactions around the clock, using quick and easy steps, without the need to visit Bank branches. From another angle, the Bank's external investments achieved excellent returns due to the adoption of a diverse investment policy built on geographical distribution, where profits were enhanced on the one hand, and risks managed.

The Financial Institutions Department (FI) is considered the link between the Bank's internal business departments and external banks through established relationships with a network of correspondent banks around the world. The Department opened new accounts with several banks during the year 2022, significantly contributing to the promotion of the Bank on a global level and enhancing its alignment with international best practices in addition to obtaining several awards in treasury management and financial transactions from international banks.

Recycling and Green Bonds

Sustainability has formed an essential part of the treasury management department's business development over recent months, whereby paperwork was largely dispensed and replaced with electronic functions, eliminating the use of paper. The Bank also added green bonds to its investment portfolio, with an aim to enhance investment in eco-friendly projects. In addition to investing in local bonds that have a social impact enhancing partnerships with the local community. Bank of Palestine seeks to further enhance support for social investment efforts and s humanitarian contributions to lay solid foundations for an effective and inclusive society.

A Safe Custodian of Your Investments

The Palestinian Capital Market Authority and the Palestine Stock Exchange granted Bank of Palestine a license to act as a custodian for local and foreign investors in Palestine.

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

The treasury department always strives to keep up with all that is new to serve our customers and our Palestinian society as a whole, so that the bank remains at the forefront of the Palestinian banking sector.

Operational Management

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

Operations Department Key achievements during 2022

- Completing the electronic checks clearing project and starting the centralization of all check clearing operations in branches. This had a clear impact on reducing time, effort, and number of employees, and improving the quality of service provided to customers, in addition to reducing operational risks to a minimum.
- The implementation of the project to centralize all outgoing transfer operations and the mechanisms for their issuance by branches and/or directly by customers, which will contribute to reducing time, effort, and number of employees, leading to improved quality of service provided to customers, as the project results will be felt in 2023.
- The implementation of the electronic archiving project and locating a central headquarters for archives. The electronic archiving operations, which included branch papers and documents, were initiated centrally, largely contributing to maintaining documents in a safer manner, as well as reducing risks to a minimum.
- Linkages have been initiated with various institutions to automatically exchange the necessary data for the financial sector, and the necessary application interfaces (APIs) have been built, which contribute to the automation of banking transactions, in a way that guarantees the safety and validity of data and transactions, and contributes to reducing risks.

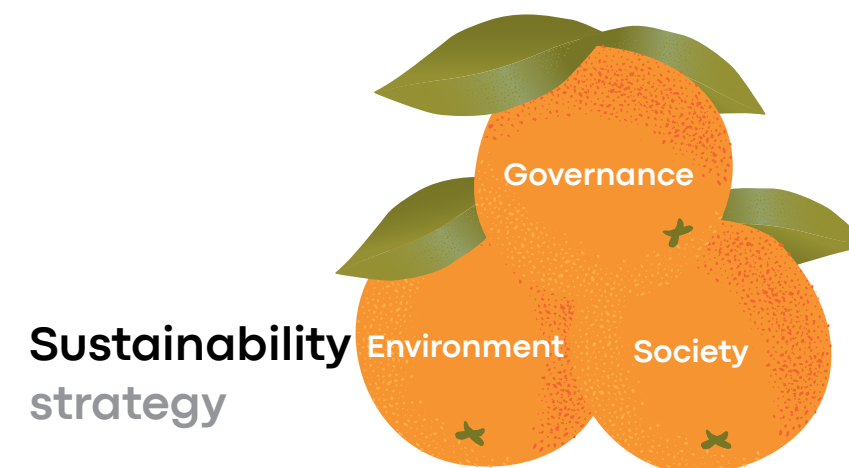
Sustainability at Bank of Palestine

As the first and leading Palestinian bank at the national level, we are aware of our responsibilities and the importance of the role we play in order to ensure the sustainability and expansion of the Palestinian economy. Since the establishment of the bank in 1960, we have created a bank that focuses on the centrality of our community and stakeholders, and we have placed the onus on responsible and values-based strategy at the core of our business. This has allowed us to pioneer practices that enable us to provide better service to our customers, and direct our business to achieve social, environmental and economic value for various stakeholders.

Bank of Palestine pursues a strategic path that involves integrating sustainability into all its operations in line with the values and mission of the Bank. Our inclusive vision in addition to the continuous innovation of our products and services, enable us to reach marginalized and deprived groups of people providing them with various services. Our reach touches the lives of women, youth, and communities in very remote areas, allowing these segments of the community to benefit from our comprehensive services.

The Bank has built a sustainability approach in line with local, regional and international standards and principles, in synchronization with the United Nations Sustainable Development Objectives (SDGs) and based on the Global Reporting Initiative (GRI) standards.

The sustainability strategy was founded on three axes: Governance, Environment and Society (ESG).



Sustainability Governance

During the past year, we embarked on a serious path to institutionalize and disseminate the principles of sustainability at the level of all the Bank's functions and operations. The past formative year included important steps laying the foundation for a sustainability strategy that will become all-encompassing in time. The steps taken:

- Establishing a sustainability committee within the board committees
- Introducing the Department of Sustainability
- Issuing the first sustainability report based on the Global Reporting Initiative (GRI) standards
- Develop a sustainability strategy that includes the Bank's priorities and commitments

Stakeholders



Sustainability Goals

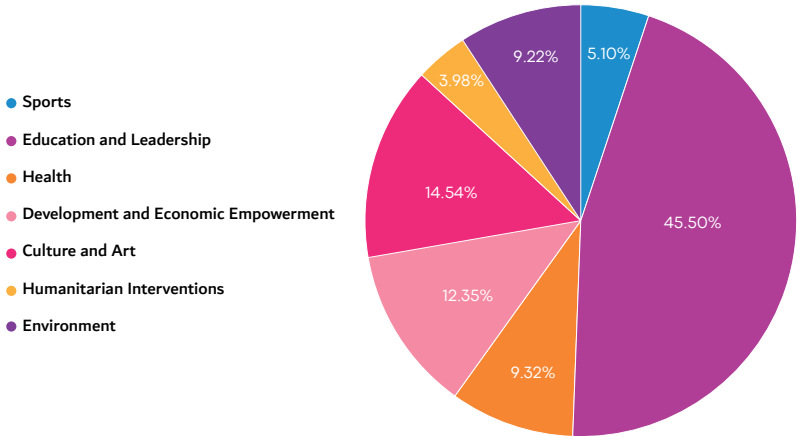
To actualize our Sustainability Strategy, we have identified a set of goals and targets based on the identified pillars that we want to achieve by 2025. These include:

| Area | Targets |
|------------------------------|--|
| ESG Governance | <ul style="list-style-type: none">- Environmental and sustainability officer joined.- Include ESG KPIs in BOP's upcoming Strategic Plan (informed by a planning and strategizing workshop with our most senior executives) .- Digitize sustainability data by 2025. |
| Environmental Responsibility | <ul style="list-style-type: none">- Implement a required reporting systems and mechanisms to track energy, fuel, and water consumption rates by 2023.- Set and achieve resource use reduction targets for the year 2024, including:<ul style="list-style-type: none">- 30% decrease in carbon emissions- 30% increase in reliance on renewable energy sources- 25% increase in water efficiency- 30% decrease in waste generated from operations |
| Product Responsibility | <ul style="list-style-type: none">- Pilot and mainstream a supplier environmental & social (E&S) screening mechanism by 2024.- Pilot and mainstream Environmental and Social management system.- Introduce at least 2 new shared value product / service streams by 2023. |
| Human Resource Management | <ul style="list-style-type: none">- Conduct a comprehensive gender audit by 2023.- Introduce tailored women's leadership career advancement program by 2024. |
| Social Investments | <ul style="list-style-type: none">- Launching the community investment strategy |

Social Sustainability

In 2022, Bank of Palestine continued to support in economic and social development, focusing on health, education, environmental protection, leadership, culture and sports. It also targeted, through its initiatives and continuous support, all segments, by allocating about 5% of its annual profits to support social responsibility projects and initiatives, adhering to its values and commitment to governance, transparency and sustainable social and economic impact.

The percentage of participation in the sectors and their distribution according to the social responsibility strategy for the year 2022



Environmental Sustainability

Bank of Palestine is committed to protect the environment, and has made great efforts to improve its environmental policies, working to ensure reduction in the consumption of natural resources waste produced in our branches. In terms of its market impact, the bank is encouraging customers to benefit from our financing and investment programs granting green loans for renewable energy and energy efficiency programs. Key performance indicators for environmental, social and corporate governance practices have been incorporated into the Bank's business strategy..

The Bank has taken several internal and external steps and initiatives in order to reduce its environmental impact and raise awareness about the environmental sustainability. These initiatives include:

- The first conference was held on the climate risk management and the role of the financial sector in reducing them
- Paper recycling
- Electronic waste recycling
- Recycle bank billboards
- Asset donation
- Reducing the use of plastic in the bank
- Supporting a different of environmental initiatives with various partners



Pillars of Sustainability in Bank of Palestine:

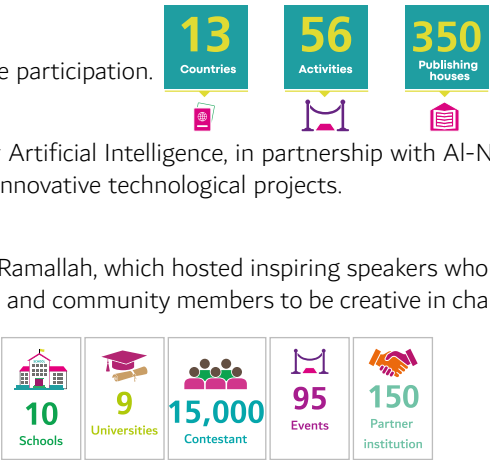
Our sustainability strategy is based on the following five pillars:

1. Sustainability governance within the Bank
2. Creating a shared value
3. Environmental Stewardship and Responsibility
4. Human Resource Management
5. Social investments



Education and Leadership

- Supporting Palestine’s participation in the International Program for Student Assessment (PISA 2022) in partnership with the Qaddoumi Foundation.
- Sponsoring the Palestine International Book Fair 2022, which hosted the participation.
- Supporting the Made in Palestine program - the Palestine Challenge for Artificial Intelligence, in partnership with Al-Nayzak Foundation which aimed to motivate young people to come up with ideas for innovative technological projects.
- Supporting the activities of the “TEDx Al-Manara Square” conference in Ramallah, which hosted inspiring speakers who shared their various experiences in front of the audience, in a way that motivates youth and community members to be creative in changing reality.
- Providing sponsorship for Global Entrepreneurship Week (GEW 2022).
- Continued supporting “Wajd” program for the eighth year in a row.



The most important figures



Environmental Initiatives

- Organizing an event to clean the seashore of Sheikh Ajlin in Gaza City, with the participation of the Bank’s employees, in partnership with the Palestinian Sailing and Rowing Federation.
- Supporting the Green Building Conference, which was organized by the Palestinian Green Building Council in Ramallah, which discussed issues related to the environment in Palestine.
- Supporting the planting of trees in the Oak Garden, in partnership with the Arab American University, on the university’s campus in Ramallah as part of the International environment day activities.
- Supporting the launch of the “Wetskills” water challenge competition in partnership with the Wetskills Foundation. The competition aimed to encourage youth and university students to find creative solutions to the challenges of the water sector in Palestine.
- Sponsoring the EcoSeed ideathon, which was organized by the Technopark in partnership with Intersect Incubator and a number of local institutions in the West Bank and Gaza. The event aimed to find pioneering ideas in the fields of eco-tourism, circular economy, agricultural technology and clean energy.
- Bank of Palestine launched an initiative to recycle the Bank’s billboards, whereby 1,485 square meters of billboards were recycled and turned into multi-use bags in partnership with the Friends of Birzeit University society. The bags were delivered to the Ramallah Municipality to be used in the activities of the Healthy and Environmentally Friendly Schools Program.
- Supporting the Healthy and Environmentally Friendly Schools Program for the year 2021-2022, which is implemented by the Ramallah Municipality in cooperation with the Directorate of Education in Ramallah and Al-Bireh Governorate. The program included the implementation of 80 environmental and health activities in 15 schools, and 10,000 beneficiaries participated in the activities.



- Launching the Bank of Palestine Forest Project, in cooperation with the Ministry of Agriculture, in the village of Tallouza in Nablus. The project included planting 3,500 trees in an area of 50 dunums, with the aim to increasing the green area in Palestine in an attempt to reduce carbon emissions.
- Supporting the vocational training program in the field of smart agriculture and solar energy in the Gaza Strip, in partnership with Give Palestine society.
- Supporting the establishment of a green hub incubator in partnership with the Palestinian Green Building Council.



Economic Development and Empowerment

- Contribute to achieving the economic empowerment of Palestinian women, by supporting various activities, including organizing exhibitions of women’s projects and products in partnership with local community institutions, during which 110 women and business owners participated in these events.
- Sponsoring the “Your Gifts from Us 2022” exhibition, in partnership with the Businesswomen’s Forum, during which 70 women from different regions of the West Bank displayed their handicraft products.
- Providing equipment for the resource center to help people with disabilities, in partnership with the Stars of Hope Association in Gaza.
- Supporting the Khalil Sakakini Center to rehabilitate its facilities to accommodate the needs of people with mobility disabilities.
- Supporting the office automation and management diploma program implemented by YWCA in Jerusalem targeting 20 women from the Jerusalem governorate, with the aim to contribute to the economic empowerment of Jerusalemite women
- Supporting special projects to help students with disabilities in Birzeit University.
- Sponsoring the annual exhibition 2022 of the Palestinian Association of Businesswomen (Asala), which hosted 20 women’s projects
- Contributing in sponsorship of the farmers’ market, which was organized by the World Food Program, in which 25 owners of emerging home agricultural projects participated.

Culture and Arts

- As part of its strategy to protect the cultural heritage and its interest in supporting cultural initiatives, Bank of Palestine contributed to the activities of “Al Daraj” in the city of Bethlehem in partnership with Power Group
- Implementation of the Arabic calligraphy event on the sidelines of the Palestine International Book Fair 2022, in partnership with the Visual Arts Forum
- Supporting the activities of Riwaq Center “
- Supporting the “Sunbird Stories” competition, in partnership with Film Lab.
- Supporting the activities of AlFunoun Arts Troupe.
- Supporting the Palestinian Museum for the sixth year in a row, by sponsoring the “ A People by the Sea” exhibition, which received 29,500 visitors.



Health

- Supporting the mobile clinic for early detection of breast cancer in partnership with Augusta Victoria Hospital and Le Trio Joubran.
- Bank of Palestine, In partnership with Juzoor for Health and Social Development and the Ministry of Health, launched the Diabetes Campaign for the year 2022 under the slogan “Life is sweet if there is little sugar”. The campaign targeted 1,903 beneficiaries of school students and 440 beneficiaries of university students in the West Bank and Gaza Strip. In addition, 5,000 diabetes tests were conducted during the campaign.
- Supporting the social behavior change program related to dietary practices among school students, in partnership with the World Food Program.

Sports

- Supporting of the 8th International Palestine Marathon, which was organized in the city of Bethlehem.
- Supporting the activities of the Palestinian Sailing and Rowing Federation in Gaza for the second year in a row.
- Supporting the sports activities of the Palestinian Paralympic Committee to encourage sports for people with disabilities
- Supporting the activities of the Gaza Sports Club for the year 2022.

Humanitarian Contributions

Bank of Palestine continued to provide humanitarian assistance inside and outside the country, adopting several programs and projects through partnerships with charities, UN Agencies and community institutions concerned with implementing programs to sponsor orphans, childhood, and support people with disabilities and social cases.

- Distributing food parcels in partnership with many local community organizations in the West Bank and Gaza Strip.
- Organizing recreational activities for sick children and orphans on Eid al-Fitr.

Financial Inclusion

Based on Bank of Palestine’s belief in the need to consolidate the concepts of financial inclusion, as part of its direction to achieve the goals of sustainability; The Bank has sought to strengthen its partnerships with local and international institutions with the aim of developing programs and presenting them to various social groups such as women, adolescents and youth, people with disabilities, and owners of small businesses. These activities and programs have varied so that more than 21,100 people have been reached through 1,150 events and sessions since 2014, including 3,000 people through 150 events and sessions during 2022.

Activities and programs for the year 2022

- The Bank implemented the banking awareness program “Meeting with Bank of Palestine”, which included presenting 84 banking awareness sessions and was attended by 1,925 people. The Bank was keen, during the implementation of these meetings, to adapt the educational material and its presentation method in a way that suits the target group. In addition, 840 young adults and men were targeted, due to the importance of building a sound banking knowledge for them.
- Signing a memorandum of cooperation with the Ministry of National Economy, to reach out to women owners of small, medium and micro projects in various governorates and introduce them to the importance of organizing their businesses by registering their projects within several certificates and licenses provided by the Ministry, which are covered by Bank of Palestine its fees.
- In partnership with Injaz Palestine, the training of female and male students of the tenth and eleventh grades in various schools was supported, in addition to the study of articles for students in Palestinian universities, with the participation of specialized trainers and trainers within the Entrepreneurial Program.
- Through the Tamayyaz program organized by Sharek Youth Forum; A series of special meetings were organized for the students of the program in the various governorates of Arrah, with the aim of developing their financial skills before entering the labor market.

- In cooperation with the International Finance Corporation (IFC), the Businesswomen’s Forum, and Ernst & Young; Felestineya Mini-MBA program was launched and concluded in its sixth year. The program targeted 36 leading businesswomen from different economic sectors, through holding intensive training workshops in an effort to enhance their skills and raise their capabilities to manage their businesses and make decisions in various fields, including; strategic and financial planning marketing and human resources management.
- In partnership with the European Bank for Reconstruction and Development; 6 intensive remote courses in the field of financial management were implemented, targeting 90 businesswomen, in addition to organizing a seminar on conscious spending and its role in money management on the personal and business levels, and presenting sound and random practices within that framework. A training workshop for building small companies was also organized within the Global Entrepreneurship Week in Palestine, where 24 women entrepreneurs from different sectors participated in the training.
- The “Bank of Palestine platform” was launched on the Micromentor website, in partnership with the European Bank for Reconstruction and Development, with the aim of providing guidance and directing business owners, entrepreneurs to reach their goals in launching their entrepreneurial projects or developing existing projects.
- Through the Felestineya program, the bank sponsored exhibitions of women’s products, namely the exhibition “Your Gifts from Us Are Not 2022”, which is organized through the Businesswomen’s Forum, and the exhibition “Our Hand is Yours, Your Hand is Life”, which is an annual exhibition organized by the Palestinian Association for Business Women – Asala, where women had the opportunity to display and market their products.
- The Bank and graduates of the Felestineya Mini-MBA program, the fifth cohort, provided their support to equip the resource center of the Stars of Hope Association for Empowerment of Women with Disabilities in Gaza City, by providing all the basic requirements for the center, including special devices and programs that enhance their capabilities to overcome challenges exploiting opportunities during the stages of study or work.
- The Bank provided its sponsorship for the ceremony of the Arab Women Empowerment of the Union of Arab Banks. The ceremony was launched to highlight the

Case Study

A case study was published on Bank of Palestine as the first bank in Palestine to sign the WEPS Women’s Empowerment Principles. The United Nations Women’s Commission in Palestine implemented this study with the aim of introducing the Bank’s practices and directions in its work internally and externally in the field of gender equality and women’s empowerment. Bank of Palestine was presented as an example to contribute to the knowledge exchange platform related to good practices, which can be used by private sector companies seeking to achieve development goals in the field of women’s empowerment.



Scan the QR code and view the Sustainability Report

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E-COMMERCE

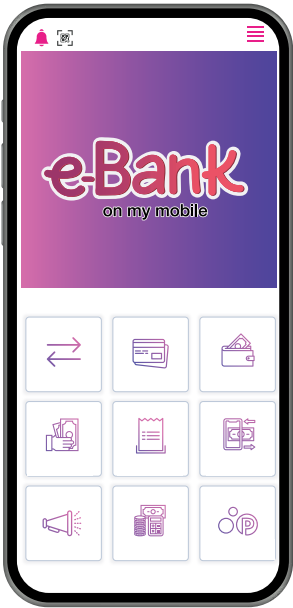
Electronic Services

Bank of Palestine's digital vision aims to employ the digital platforms to ensure the sustainability of the bank's operations, especially digital services, in light of the latest developments in the banking industry. Therefore, the Digital Transformation Department continues to work hard towards transforming Bank of Palestine's banking system from a traditional banking system to a digital financial system and based on electronic services, with modern and distinctive features that meet the requirements of customers and reduce their need to visit branches. These services include comprehensive control of accounts, payment to a friend service within the Bank of Palestine group, and financial payments through the use of the OP code, in addition to other modern electronic services. The digitization strategy not only contributes to improving customer services, but also supports the bank's efforts to reduce consumption of natural resources, thus contributing to environmental sustainability.

Achievements in the field of electronic services

- In line with our journey towards digital transformation; A new version of the mobile banking application has been launched, which contains updates and improvements to the service of managing beneficiaries for internal and external bank transfers, so that it is possible to manage and add beneficiaries in an easier way. Approval has also been obtained from the Monetary Authority for the service of opening an account electronically through the application, where it will be launched This service is during the year 2023.
- Preparations have been completed for the launch of the SoftPOS Point of Sale application, which transforms smart devices into a device for accepting various digital payments through cards, electronic wallets, payment through QR code and other electronic payment methods, through the NFC feature supported by smart devices, which will enable merchants to Obtaining a service that eliminates the need for the merchant to use traditional point-of-sale devices, and to rely only on his smartphone. This service is also characterized by a high degree of protection for all payments, through the levels of security of the Mastercard and Visa cards.
- The electronic payment portal has been linked with my government system, which allows citizens to link the service to pay taxes, violations and other services through their cards. It has also been done with the Ramallah Municipality to pay fees for municipal services electronically through the municipality's application.

Digital indicators for the year 2022



The number of registered users in the banking application reached 390,000, with a growth rate of 34.76%.

The number of active users on the banking application reached 186,000, with a growth rate of 29.50%.

Banking transactions through our electronic channels amounted to 13.99 million with a growth rate of 31.43%, reaching \$4.237 billion, with a growth rate of 39.72%.

E-COMMERCE

The department has worked on adding new features to the electronic payment gateway, E-COMMERCE, which is a service directed to business owners who wish to collect their sales and receive their money on their business website by accepting Visa and MasterCard cards.

Bank of Palestine portal for electronic payment:

- High security with 3D secure technology
- Acceptance of all local and international cards issued by Visa and MasterCard
- The possibility of issuing reports through a system obtained by the customer
- Receiving money in more than one currency
- Ease of linking with the e-commerce portal on the bank's systems

Points of Sale

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



Bank of Palestine is proceeding rapidly towards strengthening the partnership with friendly Countries, deepening the positive relations with it, which were and are still growing and advancing. The Bank believes in the importance of maintaining building and strengthening strong institutional relations, whether local, regional or global, which are based on the same values that the Bank pursues, and the same common vision in various aspects of promoting the principle of sustainability, whether in terms of facilitating financial services with the aim of providing development and humanitarian support, or otherwise. This is one of the fields, which includes financial inclusion, economic empowerment of women, support for entrepreneurship and youth initiatives, and support for people with disabilities, in addition to various other fields that the bank is keen to target and support in accordance with the approved strategy and national priorities contained in the National Development Plan.

In order to achieve our aspirations to strengthen our international strategic relations: The Bank actively participates in the meetings of many regional and international financial organizations and bodies, in addition to the technical committees and work teams of these organizations.

It is worth mentioning here that we attach great importance to all delegations visiting Palestine from various friendly countries, which visit Bank of Palestine looking for new horizons for cooperation and building strategic partnerships in the future in order to achieve sustainable impact, as they are informed of the importance of the role of the banking/financial sector. In making a positive and effective impact on the Palestinian economy

Our extended partnership with many countries in the continents of Asia and Europe represents a model in building relations with friendly countries, and the strategic relations have resulted in opening many areas of investment that have a sustainable impact on small and medium-sized enterprises, especially in light of the economic and political conditions in the region.

International Cooperation and Institutional Relations

Bank of Palestine aims to consolidate relations with international institutions, exchange banking experiences and expertise, and development banks to build bridges of cooperation, develop and facilitate the exchange of experiences and expertise.

In order to achieve this goal, the Bank signed several agreements during the past year to enhance cooperation at the general level, and at the level of the areas of competence of the partner institutions, as the Bank attaches great importance to concluding Such memorandums contribute to raising the efficiency of the bank's work

One of the most important of these partnerships is; In our partnership with the European Union Institutions Program, by participating in all conferences and workshops held by the European Union in the context of encouraging the Union's mechanisms to support the Palestinian private sector in partnership with European financing institutions

As a member of the Global Alliance for Banking on Values (GABV), the Bank participated in the annual meeting held in Dhaka, Bangladesh. The event was hosted by BRAC Bank. The largest bank in Bangladesh through its regional and international presence, the Bank seeks to enhance networking opportunities between local and international investors. In this context, the Bank organized the Fourth International Conference on Entrepreneurship, ICEP, which was held in November 2022 in Dubai, with local and international participation, in partnership with the government. The Palestinian Ministry of Entrepreneurship and Empowerment and branches of "Global Shapers" in Palestine emanating from the World Economic Forum communities, with the support of Bank of Palestine, along with a number of Palestinian private sector institutions and international financial and development institutions. The efforts to organize the conference were in line with the directives of the Chairman of the Board of Directors of Bank of Palestine Group, Mr. Hashim Shawa, given his assignment of importance to providing entrepreneurs and innovators with the necessary capabilities, whereby the bank of Palestine group provides with the tools in order to launch them towards globalization. The conference delivered many achievements at the level of Palestine and the world. Many Palestinian startup companies did help create new job opportunities for youth and contributing to the GDP of Palestine

Relations with International Financial Institutions

In order to promote international cooperation, the Bank attaches great importance to partnership with external institutions, where new financing tools and cash liquidity have been injected into the bank's operations. This has strengthened the imprint of these partnerships and their important impact, especially during the post-Corona pandemic period. Some countries have chosen Bank of Palestine to implement New financial mechanisms, so that the bank harnesses its electronic services for the benefit of the operations of the dependent international institutions, whose role has increased during the past year

The Bank has worked in partnership with international institutions and the Palestinian government to enable the aid operations undertaken by these institutions by providing electronic payment mechanisms and cards and employing them in distributing food parcels.

For decades, Bank of Palestine has believed in the importance of building strong relationships with local, regional and global development institutions. Therefore, over the past years, the Bank has concluded cooperation agreements with many parties, including the International Finance Corporation (IFC), the French Development Agency (AFD), the Arab Fund for Economic and Social Development, and the Credit Bank. KfW and the European Investment Bank (EIB), opened new ways of cooperation expanding links with banks in 2021 and 2022 aimed at development, in line with our group's strategies in financial inclusion, sustainability, governance and digitization.

During the past year, work has been done to strengthen the agreements and benefit from them more in partnership with European development banks by granting loans aimed at encouraging lending to small and medium-sized companies, and allocating financial support to businesswomen in the West Bank and Gaza Strip, which contributes to achieving two objectives of the United Nations Sustainable Development "SDGs", which are represented in the areas of financial inclusion of women and youth and the preservation of the environment and natural resources. This is in addition to increasing the value of the international trade financing agreement concluded with the European Bank for Reconstruction and Development, which aims to promote export and import activities after this sector has been affected by covid -19.

- During 2022, BOP the launched SUNREF II program in cooperation with PROPARCO, the European Union (EU) and the Palestinian Energy Authority (PENRA), which is the second project of the green loan program, in an amount of \$30 million, with additional partners in the SUNREF program that include both ESCOM and ECONOLER in an amount of \$30 million.
- By the end of 2022, and as part of our contribution with the European Investment Bank to support the enterprises most affected by the pandemic, the loan guarantee portfolio has been exploited by more than 90% of the agreement signed at a value of 50 million euros.
- A sustainability program was launched with the Palestinian Monetary Authority to support micro-projects for people with disabilities, with a value of one million dollars, as the program finances these projects without interest.



Signing the SUNREF II agreement with PROPARCO

Together, We Achieve the Sustainable Development Goals



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Sustainable Financing Forms Part of Our Approach to Sustainability

In light of the increasing global interest in “sustainable finance,” Bank of Palestine affirms its commitment to business principles based on the three criteria of sustainability: environmental, social, and governance. As well as the basic directives that need to be taken into consideration regarding sustainable financing and sustainability factors.

Bank of Palestine keeps pace with the growing interest in the issue of sustainable financing within the framework of global trends to spread this concept as one of the components of sustainable development, and is also aware of the directions presented to financial institutions that adopt sustainable thinking in order to become a major contributor to achieving these goals.

In this context, Bank of Palestine was keen to translate the triple sustainability governance into professional practices that must be followed when making investment and business decisions.

And in compliance with the triple sustainability criteria, the Bank is keen to activate systems and activities that support the environment, which stem from its established policy to serve the Palestinian society. During the year 2022, in cooperation with PROPARCO, the European Union (EU) and the Palestinian Energy and Natural Resources Authority (PENRA), it launched the SUNREF II program, which is second project of the Green Loans Program at a value of \$30 million, which is being implemented in partnership with ESCOM and ECONOLER, partners of the SUNREF program.

The table below shows Bank of Palestine’s journey in green financing through SUNREF agreements for small and medium enterprises and individuals:

| Year | No. of projects funded | Granted Amount in USD |
|-------|------------------------|-----------------------|
| 2018 | 1 | \$ 81,596 |
| 2019 | 23 | \$ 3,470,497 |
| 2020 | 73 | \$5,150,233 |
| 2021 | 13 | \$ 4,163,383 |
| 2022 | 30 | \$14,613,610 |
| Total | 140 | \$ 27,479,321 |

30 projects were funded during 2022 with a total value of \$14.6 million, which is the highest indicator of green loan financing within the SUNREF agreement. Also, during the past year, more than one workshop and training courses were held related to financing renewable energy and energy efficiency projects.

And based on our strategic vision aimed at continuous work to enhance and deepen knowledge among all parties to the credit process, the concept of partnership with our customers on the one hand, and to achieve effective harmonization between all parties to the credit process on the other hand; specialized training courses in the field of credit and financial analysis, which included the scientific aspect regarding financial and credit analysis tools and commercial financing products, in addition to the practical aspect related to pay attention to customers, offer and provide financial and price services and financing structures commensurate with customers’ financing needs, in a manner that guarantees the efficiency of the product provided and the safety of the customer’s financial and credit position, and enhances the principle of partnership with the bank to achieve sustainability in dealings.

During the year 2022, work was carried out to update and develop the financial and credit analysis models and tools adopted in the process of credit study of customers and assessment of credit worthiness, in order to ensure the enhancement of the comprehensive-ness, effectiveness, efficiency and reliability of the outputs of the credit study, and thus support the credit decision-making process and reduce the processing time of customer requests, with Maintaining the highest levels of accuracy, comprehensiveness, and effective analysis of credit and financial information necessary for credit decision-making

Bank of Palestine plays an important role in this system, as it can redirect investments towards technological and sustainable solutions that contribute to building an environmentally friendly economy and reducing carbon emissions.

Bank of Palestine also adopts policies and procedures to protect the rights of debtors, follow up on creditworthiness, ensure transparency, and set a minimum limit for each customer. These policies led to the financing of 273 micro-projects in 2022 through an American loan program, in line with the bank’s management’s vision of supporting women and encouraging them to work in the Palestinian market. For a supplement (without interest) at a value of \$1.99 million. The funded projects included 48 women’s projects with a total value of \$353,000. The table below shows the total loans granted through the Sustainability Loans Program for microenterprises (without interest) in a total amount \$5 million as at the end of 2022:

| Gender | No. of funded projects | The total amount awarded is in US dollars |
|---------|------------------------|---|
| Females | 93 | \$772,050 |
| Males | 498 | \$4,233,350 |

With a total amount of \$465,000 as at the end of 2022: As the table below shows, the total loans granted through the Sustainability Loans Program for Micro Enterprises (without interest) for people with disabilities

| Gender | No. of funded projects | The total amount awarded is in US dollars |
|---------|------------------------|---|
| Females | 14 | \$97,000 |
| Males | 51 | \$368,700 |

Bank of Palestine takes vigorous steps to provide financing for small and medium enterprises, which includes restructuring financial policies to comply with the policy of financial inclusion. Despite the challenges associated with financing small and medium enterprises, this type of financing will lead and in the long term, to diversify the bank’s budgets and sources of revenue.

The table below shows the total loans granted through the sustainability Loan Program for Small and Medium Enterprises, with a portfolio of \$25.8 million as at the end of 2022:

| Gender | No. of beneficiary projects | Total amount US dollars |
|---------|-----------------------------|-------------------------|
| Females | 16 | \$987,950 |
| Males | 276 | \$24,849,852 |

It is expected that small and medium enterprises will become a major force of change in Palestine, if the appropriate climate is provided for them, as small and medium enterprises are often a major source of growth in employment rates and the fight against unemployment. Bank of Palestine was able, by the end of 2022, and through the agreement of the Arab Fund for Economic and Social Development; From preserving 1349 and creating 188 new jobs under the scope of this program.

able to direct financing to small and medium enterprises with low environmental and social risks, which is in line with the Bank’s vision to achieve sustainable financing.

At Bank of Palestine, we believe that creating a sustainable financing environment is not an end in itself, but the only way to reach long-term standards and impact. Achieving financing sustainability means reducing bank transaction costs and providing better services and products that can meet customer needs, which will ensure continuity for financiers and provide more financial services.

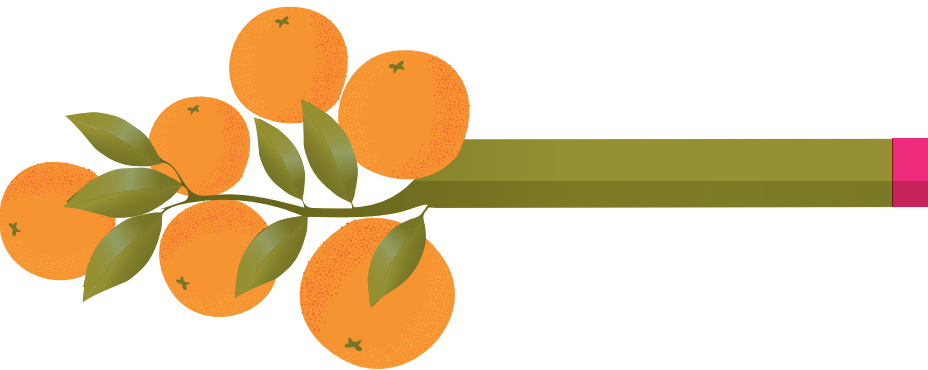


Our financing targeted all sectors of large companies with small and medium enterprises

Bank of Palestine is one of the pillars Comer stores that support and distinguish the corporate sector and small and medium enterprises in Palestine, as it is keen to provide products and services that are specially designed to meet the needs of this sector and the requirements of its growth and development, based on its belief in the strategic importance of this sector in the development of the Palestinian economy.

Bank of Palestine was one of the first initiators to launch integrated banking services and advanced products for this sector, because we are aware of the challenges facing the integrated system of entrepreneurship and innovation. It also launched financing and incentive support packages in cooperation with local and international partners, including: the European Union, Proparco, the European Investment Bank, the European Bank for Reconstruction and Development, the Arab Fund for Economic and Social Development, and others, in order to ensure the continuity of economic entities in Palestine, enhance their banking awareness, and ease suffocating restrictions. And the great difficulties coinciding with the challenges of the global economic slowdown and its repercussions on the region.

In addition to commercial and real estate financing services, the bank launched one of its most important initiatives, which was represented in a distinguished package of incentives and financial facilities with reduced interest, in addition to grants for the SUNREF I and SUNREF II for green and sustainable financing, in implementation of the Bank’s strategic plan to support sustainable financing at the lowest costs.



The process of strategic partnership with the business sector is growing and flourishing year after year. The corporate management, within a financing plan that included advanced and diversified financing products and services for the bank’s clients, added a package of new projects to the list of targeted projects, including women’s projects and entrepreneurship; By providing financing with a total of one billion dollars for companies and 206 million dollars for small and medium projects distributed to all Palestinian cities and villages, including Jerusalem and its suburbs.

The Companies Department targets small and medium enterprises, as they represent more than 90% of the economic activity in Palestine, while the economic diversification of the funded projects contributes to providing new job opportunities while preserving existing jobs, in a way that supports the efforts made to reduce of unemployment level

| Small and Medium Enterprises- SMEs | 2021 | 2022 |
|------------------------------------|---------------|--------------|
| | \$540 million | \$642million |

And while promoting of a variety of programs targeting small and medium enterprises, whether with financing, electronic services, or financial transactions and remittances; we have helped this category in all its economic sectors, which include more than 20 sectors, to grow, increase sales volume, and raise the number of significantly increased workforce

The Business Banking Department also provided its services to ensure business sustainability through sustainable financing programs, which witnessed remarkable growth in the past three years. This is in line with the bank’s vision to support and promote environmentally friendly projects through international projects and strategic partnerships.

During the year 2022, the bank financed 30 projects with a total value of \$14.6 million under the agreement SUNREF II, in addition to granting 113 loans for a total amount of 13 million US dollars under the SUNREF I. The corporate business management vision derives from the bank’s vision, which supports the continued development of the green financing portfolio due to its positive impact on the environment and its contribution to reducing environmental pollution and carbon emissions, in line with the global corporate vision, and in implementation of the sustainable development goals approved by the United Nations.

Corporate digital services

Committed to Bank of Palestine’s digital transformation strategy and striving to provide competitive electronic services to enable the corporate sector to complete banking operations with ease, in addition to providing everything new in digital applications; the bank, in cooperation with PalPay, provided merchants in all economic sectors with POS machines, to enable them to complete buying and selling transactions related to their business without the need to use cash at very competitive commissions the number of merchants from the corporate sector and small and medium enterprises benefiting from the POS service witnessed significant growth in the past three years (the following table shows the achieved growth). This is in addition to the bank providing products that allow the possibility of granting loans and other distinguished banking services to merchants who have vending machines under special conditions.

The table below shows the increase in the number of merchants and the number of POS machines in the Palestinian market

| Year | 2021 | 2022 |
|------------------------|-------|--------|
| Number of POS machines | 7,766 | 11,069 |
| Number of merchants | 5,527 | 7,806 |

Among other important applications that are keen on continuing development; the electronic platform for business owners, which enables them to view their bank accounts and implement all banking services with ease and security without the need to visit bank branches

Post-funding follow-up

Our team of area and account managers carries out periodic follow-up of the companies, by carrying out continuous field visits to find out the actual reality of the companies after financing, the volume of their sales, their business plan, and the extent to which they achieve their goals, in addition to conducting a continuous review of the accounts in order to ensure the quality of credit and non-defaulting, and this in turn led to a decrease provisions in 2022.

Products Management

Individual Services Section:

During the year 2022, work was carried out on a full evaluation of the products and launching them with new features to complement our work in attracting groups, expanding the customer base, and providing sustainable products, including distinguished characteristics for personal loans to the private sector, mortgages and cars, and a comprehensive program was presented for the workers category within the green line, coinciding with the regular transfer of their salaries to banks to encourage this group to benefit from banking services and enter the banking sector, and to launch a campaign for car loans to finance electric cars at distinct interest rates in order to encourage customers to buy electric cars to reduce the carbon footprint resulting from fuel-powered cars.

Small Projects Section:

Due to Bank of Palestine’s interest in this sector, because these projects represent an effective element in promoting economic growth in Palestine and reducing the bank’s percentage, a set of products and programs were launched during the year 2022 to enable and encourage owners of small projects to avoid unemployment and employ the labor force, in addition to the importance of achieving self-sufficiency for family businesses that established small projects that grew gradually with the support of developing and expanding their projects. Where a working capital financing loan, a machinery and equipment financing loan for fixed assets financing and a merchant loan for cardable merchants were launched, in addition to a personal loan for small business owners, and the development of a loan Commercial mortgage.

And through the bank’s constant endeavor to cooperate with institutions and agencies concerned with increasing and developing small and medium enterprises, cooperation has been made with the Monetary Authority to launch sustainability loans to face the repercussions of the Corona virus crisis, and to enable projects affected by the crisis to continue and expand. The Sumoud 2 product was also launched in cooperation with the Palestinian Fund for Employment and the Ministry of Labor, and an agreement was signed with the French Development Agency – Proparco to finance renewable energy projects and energy conservation projects, as well as financing any environmental investments, through the launch of the green loan product.

The accounts system has also been updated and developed to include the current account with three accounts (financial inclusion, standard, and full), which contributes to enhancing financial inclusion so that any customer can open a current account at Bank of Palestine, with different features for each account. As for businesswomen at Bank of Palestine, work was done during this year to develop and update the added value of businesswomen at Bank of Palestine. Bank of Palestine launched two new packages for women and business leaders within the “Felestineya Program,” as part of the Bank’s efforts to develop tools, programs, and activities that target Empowering women entrepreneurs and business owners and enhancing their ability to develop and expand their projects.

The first package targets female entrepreneurs whose projects have been in operation for one year, and who wish to develop these projects to the highest levels of professionalism, while the second package targets businesswomen whose projects have been in operation for 3 years or more, and who wish to develop, expand and transfer their projects from the unorganized sector to the organized sector .

The new packages allow female entrepreneurs and businesswomen access to privileged banking services (bank accounts, savings accounts, cards, loans, and other financial products) with reduced commissions and interest, in addition to non-financial advisory services to help them manage their money and enhance their integration into the Palestinian economy. in fair conditions and tailored to their requirements.

Cards Section:

Cards are considered one of the most important and prominent features in modern banking services, as they have become one of the most vital tools for settling customer payments and one of the non-traditional channels for distributing electronic services. Therefore, during the past year, the credit policy was amended in accordance with the ratings of our customers, in addition to adjusting the value of the monthly installment of credit cards, evaluating all types of cards, adding some features and canceling some of them. A partnership agreement was also signed with Visa, with the aim of advancing the future of payments in Palestine and improving the bank's portfolio in line with international best practices, in addition to providing packages to attend the World Cup matches in Qatar, and with Aramex. To provide card distribution service.



Premier Department

The year 2022 witnessed a continuous interest in completing all processes and structures in order to improve customer service and improve the quality of all services provided to them. Bank of Palestine is keen to distinguish the banking services provided to its customers, each according to its classification and needs; It has been and professional necessary. Integration of the expatriate clients and senior clients from the retail segment into the senior clients department, so that client relationship managers were appointed in order to provide banking services with the necessary speed and professionalism

The work team in the Premier Clients Section works to attract capital owners and businessmen inside the country, while the work team in the Diaspora Section works to attract individuals, companies and businessmen abroad to provide integrated banking, investment and advisory services, and works to build bridges of communication. With the Palestinians inside and outside the country and encourage them to invest in Palestine.

In addition to providing banking and investment services, and based on the Bank's belief in the importance of applying the principles of sustainability and adopting them as an approach in all departments; The department participates in supporting and activating social responsibility programs by providing sponsorships and participating in local and international events for the Palestinian communities. The aim of these activities is not limited to attracting customers and introducing them to the bank's banking services, but also building the foundations that encourage them to invest in the community at home.

This interest included investing in automating many operations and enhancing digital channels and services to improve the level of service, in addition to implementing programs to stimulate the use of these channels, which achieved a positive return, as electronic operations grew significantly, and the bank witnessed an increasing demand from its customers to use these services. Work will continue to refine the skills of the bank's staff to provide a distinguished level of services to customers, and to intensify the process of publicizing electronic services.


The department also worked during the year 2022 on networking commercial relations between Palestine, Chile, and the Gulf countries, as well as networking with new markets in the Kingdom of Saudi Arabia, where Bank of Palestine services were presented to expatriates in the Kingdom of Saudi Arabia.

Marketing Our Products and Services

The Marketing Department continues its tasks in enhancing communication with customers and the public in order to consolidate the presence of the Bank of Palestine name among customers and society in general, and to raise awareness of the distinct and integrated banking and digital services and products provided by the Bank. During the year 2022, it worked on launching several awareness and promotional campaigns about banking services and products provided by the Bank. In addition to the initiatives and events that the bank is keen to sponsor and support, through various media, advertising and social media, which contributed to enhancing communication with customers and reaching wide segments of the public, including new customers and potential customers. The department launches campaigns based on a marketing strategy that is consistent with the bank’s vision and directions, the marketing strategy for the year 2022 focused on achieving the following objectives:

- Keeping up with everything that is developed in the field of advertising and communication with customers, and the delivery and promotion of services in a way that encourages them to interact with all electronic services to conduct banking transactions quickly, easily and safely, without the need to visit the bank. This axis represents one of the most important marketing objectives
- Increasing the number of electronic services and updating the available services to make their use more comprehensive, easier and safer.
- Focusing on promotion by presenting prizes, which were linked to the year 1960, which is the year of the bank’s founding, as this campaign met with great rust among customers, and we approved it for the year 2022 as well.
- Focusing on social media and e-marketing to meet the needs of customers and reach them by all means of advertising and media.
- Raising the level of customer loyalty to the bank and motivating them to use the services through the points program, which enables them to accumulate points and convert them into cash or use them in purchases, at any time convenient for them.
- Spreading the culture of using electronic banking services and enhancing customer confidence in their use, as customers have become more interested in electronic banking services, following the measures imposed by the Corona pandemic in terms of distancing and closures.
- Focusing on the use of cards in a large way by launching several campaigns and presenting special prizes with the aim of spreading the culture of using cards and dispensing with cash

Marketing campaigns during 2022:



بنك فلسطين
BANK OF PALESTINE
تأسس عام 1960
Established 1960

1960

\$1,000 daily

\$9,000 weekly

\$60,000 monthly

And \$ 250,000 every 3 months

Save and Win Continues!

with our savings account program

1700 150 150

BOP WhatsApp
00970 593 666 666

www.bankofpalestine.com

1960 Savings Campaign

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

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

Launching a special program, A bundle for Palestinian Women Entrepreneurs and business women:

Target Segment: women and female entrepreneurs from various sectors and fields and from all governorates of the country.

Campaign Objective: Encouraging women to open bank accounts and benefit from a distinguished bundle of banking services and facilities, in line with the bank’s vision of empowering women economically, and its current approach towards financial inclusion.

Easy Life Card:

Target Segment: All Bank of Palestine customers who carry and Easy Life Card.

Card Objective: Encouraging customers holding bank cards to use the card, and joint campaigns have been launched to encourage the use of the card in installments through concluding partnership agreements with several companies and shops to raise awareness about the advantages of this card and its use in various fields.


Launching the World Cup Campaign with Visa:

Target group: IBank of Palestine Visa card holders of all kinds.


Objective of the campaign: Awareness campaigns are launched to encourage existing and new customers to use a banking application, and to keep abreast of continuous developments with new versions of the application, as the bank is keen on the permanent development of a banking application in order to enhance the ease and speed of banking transactions through the application, in order to meet all customer needs In order to upgrade the Banki application to be the main application for integrated banking services without the need to visit the bank. The development of the application included improving the payment to a friend service, which has become against the clients of Bank of Palestine and the Arab Islamic Bank and users of the My Wallet application, in addition to improving the service of adding beneficiaries of internal and external transfers.

Banking application

The bank’s digital strategy enhances the demand for electronic services provided by the bank to customers, through which the bank seeks to reach the largest possible segment of society to enable them to carry out their banking transactions without the need to go to the branches.



بنك فلسطين
BANK OF PALESTINE



VISA | FIFA WORLD CUP Qatar 2022
Worldwide Partner

2x4 Be ready

gifts - winners

Pay with Visa and Bank of Palestine

Make it your goal
FIFA World Cup Qatar 2022

Thanks to Visa
Use your Bank of Palestine Visa card

Launching the Updated Version of the Banki Application, Offering New Services to increase the use of Banke

Target Segment: Current and new Banke users.

Objective of the campaign: Awareness campaigns are launched to encourage existing and new customers to use a banking application, and to keep abreast of continuous developments with new versions of the application, as the bank is keen on the permanent development of a banking application in order to enhance the ease and speed of banking transactions through the application, in order to meet all customer needs In order to upgrade the Banki application to be the main application for integrated banking services without the need to visit the bank. The development of the application included improving the payment to a friend service, which has become against the clients of Bank of Palestine and the Arab Islamic Bank and users of the My Wallet application, in addition to improving the service of adding beneficiaries of internal and external transfers.

The Sustainability Loans Campaign

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

Campaign Objective: To contribute to minimizing damage by offering low-interest and low-commission loans that take into consideration the needs of persons affected by the COVID-19 pandemic, in partnership with the Palestine Monetary Authority. Advertising campaigns for green loans and sustainability loans have been launched within the framework of various partnerships.

The Labor Program Loans

Target Segment: Laborers within the Green Line

Campaign Objective: To shed light on the category of workers who work within the Green Line by designing a special program for them with rotating ceilings and competitive interests and commissions, in line with the bank’s approach towards enhancing financial inclusion. Prizes were also allocated, represented in the drawing of 3 cars, to encourage workers to open accounts at Bank of Palestine to benefit from the program.

The Felestineya \$1960 Campaign

Target Segment: women from different provinces.

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

An awareness campaign for gas station owners about electronic payment.

Target Segment: gas station owners.

Objective of the campaign: Then launch the campaign to educate gas station owners about the advantages of electronic payment and encourage their customers to use various electronic payment methods, in line with the Monetary Authority’s approach to reduce dealing with cash and enhance financial inclusion.

Numerous discount campaigns in cooperation with merchants

Target group: merchants

Objective of the campaign: With the bank’s direction towards promoting the culture of electronic payment. Objective of the campaign: It aims to encourage the use of electronic payment. Campaigns have been launched to stimulate electronic payment through point-of-sale machines, QR code service, and promotional discounts, in cooperation with merchants, including the bank’s customer merchants. The campaign is in line with the Bank’s approach to promoting the culture of electronic payment



Objective of the campaign: The campaign is aimed at educating shop owners about the features of paying using the QR code via a banking application has been launched, which contributes to the completion of the payment process quickly, easily and safely through a banking application, in line with the bank’s approach to encourage the use of various electronic payment methods.

Various Campaigns on BoP Social Media Platforms

Target group: customers and the audience Followers

Objective of the campaign: Publications have been intensified through the Bank’s pages on various social networking sites, with the aim of enhancing communication with customers and the public and increasing the number of followers of the Bank’s pages. Many interactive publications and motivational questions have been published on the Bank’s various pages.

Launch of the mortgage loan program

Target group: new and current customers.

Objective of the program: With the aim of enabling customers to obtain mortgage loans, the program was launched with competitive benefits that encourage current and new customers to apply for loans. An awareness campaign about the program was implemented through advertising and social media.

The Ramadan Rewards Campaign

Target Segment: All citizens (customers and non-customers). The campaign targeted BoP followers on social media plat-

forms.

Campaign Objective: Interactive questions are posted on the bank's pages on social networking sites during the holy month of Ramadan, encouraging them to participate and provide answers in order to enter the draw for numerous prizes, with the aim of encouraging followers to interact with the bank's pages.

Tawjihi Students Campaign

Target group: High school students, current and new savers with the bank.

campaign objective; The category of high school students is targeted every year, in recognition of the importance of this group of young people as they represent future clients. The bank rewarded them by giving them the opportunity to enter the draw for 10 prizes, the value of each prize is 1960 dollars.

Diabetes awareness campaign

Target group: the community

Objective of the campaign: The bank annually launches awareness campaigns to prevent diabetes with the aim of raising awareness about the importance of health follow-up, and ways and means of preventing this disease. A large advertising and media campaign is launched in conjunction with various activities that are highlighted through social media.

Campaigns to promote the bank's name and raise awareness of banking services

Target group: current and new customers and the community.

Objective of the Campaigns: The Bank is keen to continue launching awareness campaigns about the Bank's message and services with the aim of consolidating the Bank's name among customers and various segments of stakeholders and society in general, in addition to enhancing awareness about the distinguished banking services and products provided by the Bank, and reaching wider segments in various governorates. This is done by contracting with a group of influencers on social media

Sponsorship of exhibitions, festivals and events

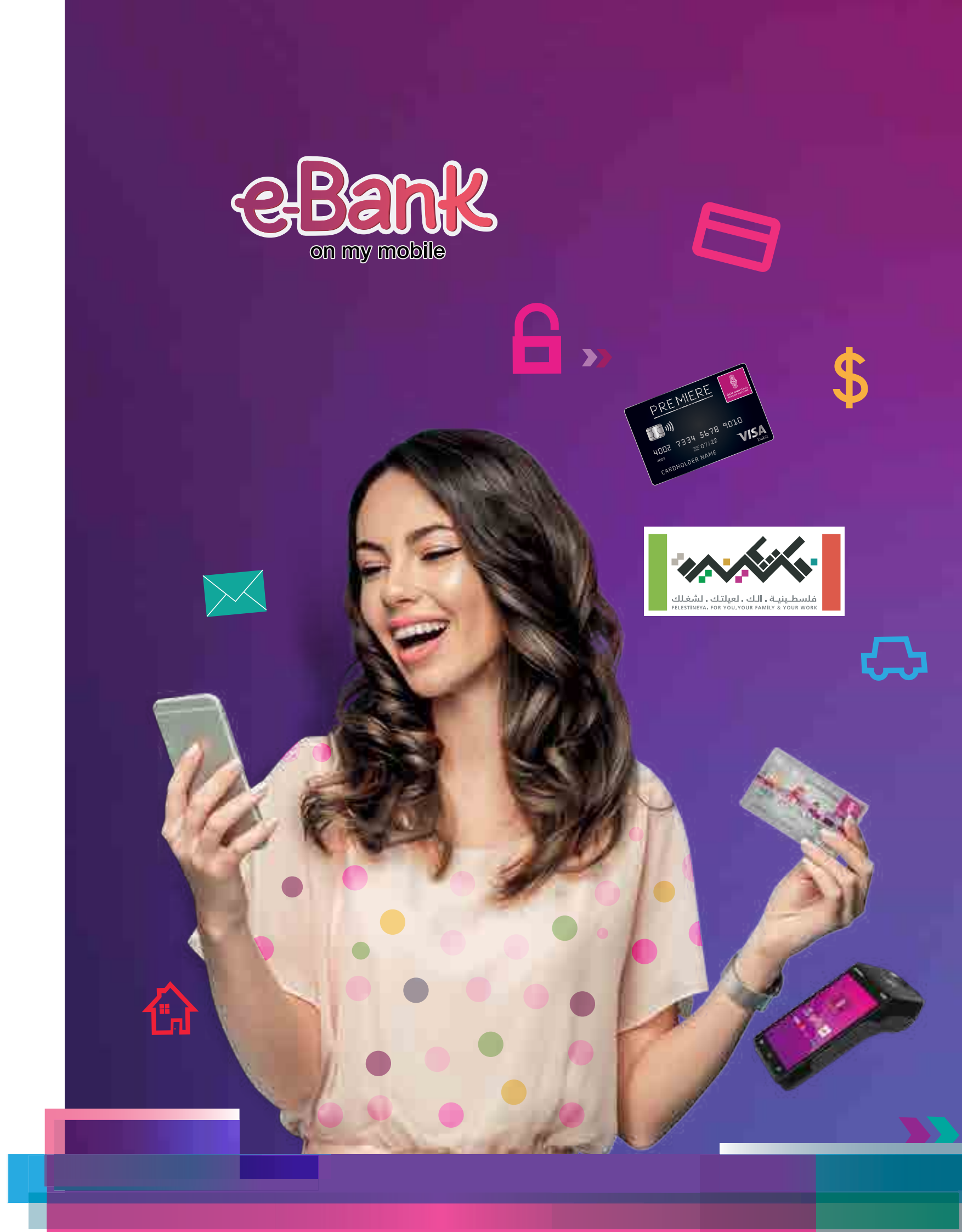
Target group: the community.

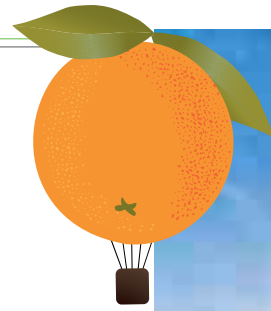
Objective: To promote the bank's electronic services, products, and various loans, including focusing on "Bank Rahal", through presence in various events, exhibitions, and events sponsored and supported by the bank annually.

Awareness of the dangers of electronic fraud

Target group: customers

Objective: The Bank is keen to continuously educate its customers through its pages on social networking sites, about the need to follow digital protection measures, including educating them about the risks they may be exposed to due to their lack of knowledge of electronic fraud methods, and providing them with sound practices to confront these methods.





Dubai

Representative Office

The representative office of Bank of Palestine (the representative office) was established in August 2015 in the Dubai International Financial Center, as a foreign recognized company, and operates a representative office. The office was officially opened in April of 2016.



The most prominent achievements during the year 2022

Through the presence of the bank's representative office in the United Arab Emirates and the efforts of the office workers and their communication with customers; We managed to achieve good results in terms of the number of new and updated accounts opened for existing customers, attracting deposits and granting loans, whether to individuals or institutions, as more than 2,000 targeted customers were contacted, as well as keeping their contact data to facilitate access to them in order to market and promote the bank's products .

The office opened and updated the data of 154 accounts for expatriates residing in the United Arab Emirates and the Gulf Cooperation Council countries during the year 2022, for the purposes of attracting savings accounts or linking deposits, and focusing on providing all electronic services to customers who have been contacted, such as mail service e-mail, messaging service. Internet banking and mobile banking, with the aim of embodying the bank's management vision towards the transformation of FinTech financial banking, which leads to a significant reduction in the cost of bank transactions. The volume of deposits and transfers in 2022 amounted to about \$2.3 million, distributed between investment, deposits, and customer accounts.

The representative office in Dubai was also keen to communicate with existing investors residing in the United Arab Emirates, who represent 4% of the total shareholders of Latin and Arab countries. In addition to finding new investors to purchase shares in Bank of Palestine, the representative office in Dubai was able to convince a number of investors to buy 600 thousand units at a value of about \$1.25 million, noting that All transactions were made through the brokerage firm affiliated to the bank.

Social responsibility and event sponsorship

Bank of Palestine is keen on paying attention to social responsibility under the umbrella of sustainable thought by sponsoring cultural and social events of interest to the Palestinian community in the diaspora, as well as networking between Palestinian businessmen inside and outside the country.

Receiving delegations and networking

The representative office received many visiting delegations to the United Arab Emirates, whether these delegations included Palestinian businessmen visiting the country, or representatives of the Bank of Palestine. To the most prominent global event, Dubai Expo-2020, in particular organizing an official visit for the General Manager of

the Bank, Mr. Mahmoud Shawa, to Expo 2020, which included a visit to the Palestinian pavilion, where an official reception ceremony was held for Mr. Mahmoud Shawa by the management of the Palestinian pavilion, which gave a detailed explanation of what the Palestinian pavilion presented at Expo 2020 during a special tour of the Palestine pavilion.

Organizing conferences and events

The representative office in Dubai had a prominent role in organizing the ICEP 4.0 conference, which was organized at the Museum of the Future in the Emirate of Dubai during November 2022. The activities of the high-ranking Palestinian delegation, which participated in the conference, were headed by Mr. Hashim Shawa, Chairman of the Board of Directors of Bank of Palestine Group, Pile. The delegation also represented the various companies of the group.

Representing the bank locally and regionally

The representative office in Dubai represents Bank of Palestine in the numerous conferences, seminars and events that are held in the United Arab Emirates. Participation in these events, communication and acquaintance with representatives of the participating parties is considered; One of the most important tools with strengthening Bank of Palestine's presence in the UAE, and introducing the Bank's position and its active role in the comprehensive and sustainable development process in the most important of Palestine, which reflects the bright and honorable image of the Bank's strength and its outstanding achievements at the local and international levels. Among the most prominent events in which the Bank's representative participated in Dubai, next

Expo 2020

Gulfood 2022

Middle East Banking 2022

DIFC Open Finance Week

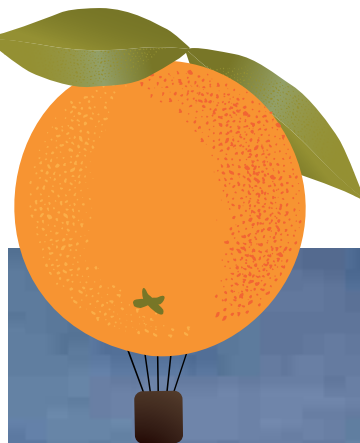
GITEX 2022

Intersect

In addition to the foregoing, a working visit was organized for the representative office manager and a delegation from the bank in Palestine to the Kingdom of Saudi Arabia, during which the bank's products were marketed in particular in addition to the group's products, and new shareholders were attracted, and Saudi Arabia was opened. New accounts, updating dormant and neglected accounts for a long time, and urging the owners of those accounts to activate them. The delegation also urged expatriates residing in the Kingdom of Saudi Arabia to invest in the Bank of Palestine Group, and in the shares of Bank of Palestine and Dr. Rijal in particular. These efforts resulted in the signing of some deals to buy (Alwasata Co.) Bank shares through the brokerage firm for securities

Chile Representative Office

The Chile office continues to influence the social and economic level by intensifying networking between the Palestinian communities in Chile and their motherland, as well as strengthening the Bank's presence in the Republic of Chile to serve the largest possible segment, which is in line with the Bank of Palestine's endeavor to make a local and global impact on the community, environment and governance levels. Inside and outside Palestine, especially at the level of the Palestinian communities abroad.

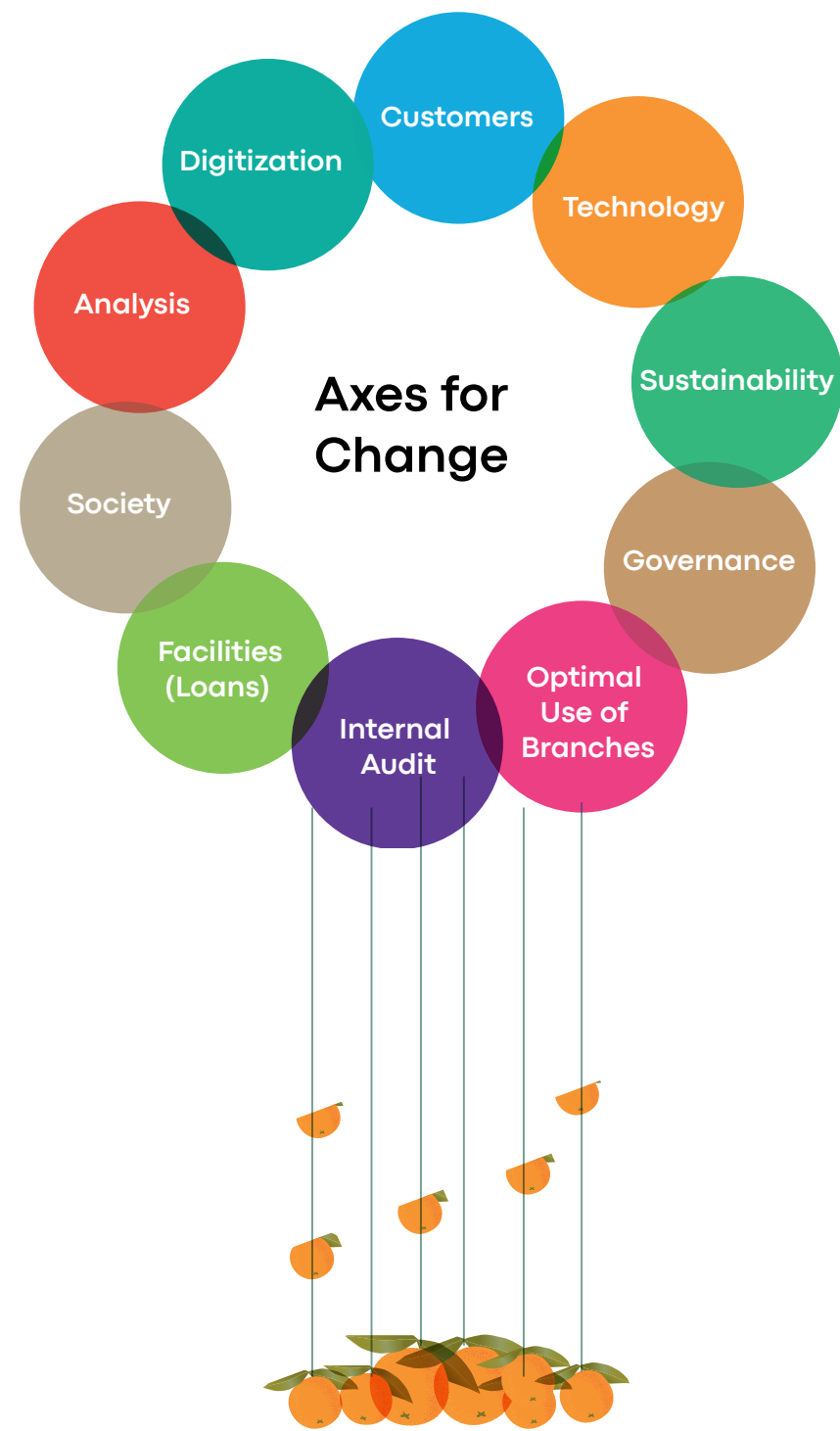


Chile Office Achievements

- The Palestinian community in the Republic of Chile shows great confidence in the bank's performance and management. The percentage of deposits to depositors has increased, term by 33% as a result of facilitating the process of opening accounts for companies and the special interest rate paid on
- Shareholders in the Republic of Chile own approximately 2.6 million shares of the Bank's shares. This economic interdependence is a component of networking with the Palestinian community through its investment in the Bank of Palestine's shares.
- Bank of Palestine is keen to advance the economic wheel and support the Palestinian economy, so the Chilean office worked to encourage trade exchange between Palestine and Latin America, and networking between renewable energy experts in Republic of Chile and the State of Palestine.
- Through its global presence, the Chilean office made use of its network of relations to network between businessmen and conclude commercial deals between Palestine, Latin American countries and Arab countries.
- The Chilean office sponsored the annual Maqlouba dinner, which is organized to mobilize donations for the benefit of the children of Palestine. * Bank of Palestine continues its support as a main sponsor for the Palestino football team, which was the first team to reach fourth place in the national championship, to qualify for the Copa Sudamericana Championship during the year 2022.

The Projects Department was developed and its name was changed to the Projects Management and transformation, with an aim to promote its role as an effective and strategic player in creating Bank-wide change and development, including the introduction of improvements and the reengineering of department policies and procedures, keeping abreast with the latest regulatory, environmental and governance developments.

the Department prepared a plan for change, launched initiatives for the development of department operations, and conducted continuous follow ups to serve the plan objectives and report to the General Manager and Board of Directors. The department ensured to promote the internal audit function and ensure the implementation of changes and internal updates that contribute to the development of services and performance at the level of all Bank units and departments. The Department also conducted a follow up with the internal audit team at Bank of Palestine and the Palestine Monetary Authority to ensure that corrective measures and international standards are followed within the framework of the internal audit function

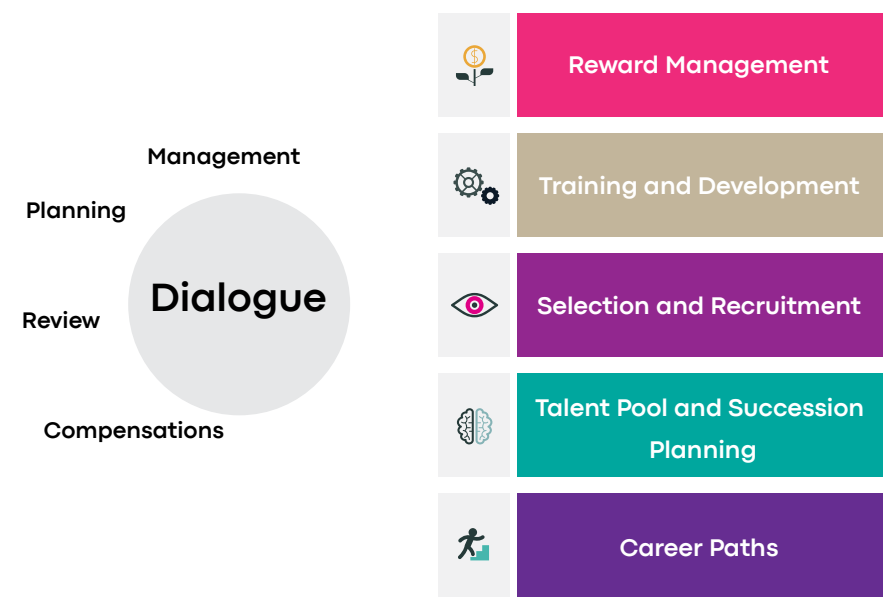


Human Resource Management

The Human Resources Department continued its role as an active partner in achieving the Bank’s strategic objectives and maximizing the value of human capital despite the challenges we face in the labor market.

Within the framework of its role, during the year 2022, the Department of Transformation was introduced to the organizational structure, due to its strategic importance in ensuring business continuity and growth, in addition to focusing on the role of digital transformation in improving procedures and raising efficiency and productivity in order to maintain competitive Power in developing business and improving customer experience.

Work has also been done on developing detailed organizational structures for some departments, and following up on updating job descriptions in line with developments and work requirements, in addition to applying the approved salary structure in 2021 according to job evaluation in a way that does not contradict the laws in force in Palestine.

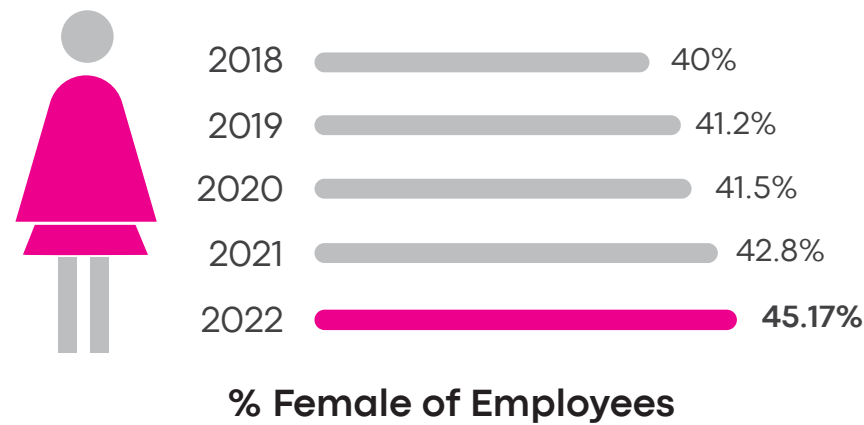


Academic qualifications for the bank’s employees

| Qualifications | Number |
|----------------------|--------|
| High school and less | 209 |
| Bachelor’s degree | 1436 |
| diploma | 91 |
| Ph.D | 3 |
| Master’s | 60 |

And as a continuation of the development of the performance management system for Bank of Palestine’s employees in 2021, according to the most prominent and best practices of human resources development, through which the individual goals of the employee were linked to the goals of the Bank, and the goals were approved for jobs at the administrative and supervisory levels, in addition to adopting behavioral competencies at the level of all Bank employees, and accordingly The Human Resources Department has developed a system of rewards based on evaluation and approved an incentive system for sales staff, which has had a major role in motivating employees to work towards achieving the Bank’s strategic goals.

On the other hand, the Bank continues to invest in the human element by attracting human talents with high qualifications and extensive experience in the banking field, according to the best criteria for selection and appointment, as the number of Bank of Palestine employees reached 1,799 male and female employees at the end of 2022, which will reflect positively on the level of Achieving sustainable growth rates in the long term, and the Bank continued to adopt the functional replacement approach by preparing training programs to qualify employees, while adhering to the principle of merit and entitlement in promotions. Believing in gender equality, the Bank continued to hire female employees, as their percentage increased from 42.8% in 2021 to 45.17% by the end of 2022.



Talent Management

Bank of Palestine attaches great importance to the development and development of human resources, as it believes that the excellence and prosperity of the Bank depends on policies and programs for developing the performance and capabilities of employees. The Talent Management Department participates in a pivotal role in these aspirations by providing and presenting quality training programs and linking them to the reality of functional practice, as it has provided many programs and activities in order to achieve the bank’s strategic goals and aspirations, and the focus during the year 2022 came on the most important areas of the banking sector such as areas of technology information, risks, compliance, money laundering and combating terrorism, administrative skills and team management, where the training department implemented 205 training activities, which resulted in 3,307 training opportunities for employees.

| Training Field | Number of Employees | Number of Training opportunities |
|-------------------------------------|---------------------|----------------------------------|
| Financial management and investment | 10 | 152 |
| Compliance, control and audit | 7 | 167 |
| Finance and bank credit | 35 | 541 |
| Technical and logistic services | 8 | 171 |
| Technical and logistic services | 34 | 757 |
| Banking risks | 7 | 72 |

| | | |
|--------------------------------------|-----|-------|
| Administrative and behavioral skills | 76 | 1107 |
| HR | 14 | 221 |
| Information Technology | 14 | 119 |
| The Total | 205 | 3,307 |

In addition to focusing attention on digital transformation in training in order to support the development of skills and reduce the consumption of environmental resources, where the e-training platform was launched, and as a continuation of the investment trend in the bank’s young leadership; Efforts have been devoted to completing work on the “Future Managers” program, which focuses on developing young male and female leaders and joining them in a focused and clear career path that enables them to assume management and leadership positions in the future in the bank, through intensive training and mentoring programs, so that the program becomes one of the most important pillars in the development of the head in addition to the Department Heads Club for Excellence in Customer Service, which pays special attention to this category to develop their skills and competencies, including working on preparing career path plans and building related training paths to develop the skills and competencies of employees and diversify their experiences during their career path plan in the Bank, a job succession plan has also been completed, which contributes to preserving business sustainability in the bank and protecting it from any emergency risks, and ensuring the readiness of the line of replacement candidates to take over any of the vital jobs in the bank.

In addition to interest in developing skills and competencies, focus has been placed on developing institutional culture to improve the



Our staff

focus has been placed on developing institutional culture to improve the internal work environment, invest in existing human cadres and attract competencies, by focusing on gender main axes:

First: Focusing on developing contact and communication between Bank of Palestine’s employees, the largest number of employees, to participate in activities and events, such as: the Palestine International Marathon, in which a number participate annually through the encouragement of employees from all regions and cities, and the Bank of Palestine’s annual football tournament, which brings together Many branches and departments, which helps to improve the level of communication between employees, in addition to strengthening communication channels between employees and senior management through the “Your Voice Is Heard” initiative, which works to communicate the voice of employees and their complaints to the competent authorities.

Your strength is your team event, which included organizing 11 meetings for the bank’s branches and offices in both the West Bank and Gaza Strip.

Secondly: enhancing team spirit and teamwork through events that bring together work crews in each of the branches and departments

Third: Paying attention to health and well-being by launching competitions that encourage employees to follow a healthy lifestyle, such as the “Your Health Without Smoking” competition, which seeks to make Bank of Palestine’s internal environment smoke-free, and the Biggest Loser and Biggest Winner competition, which helps employees to reach their ideal healthy weight.

Fourth: Supporting sports talents and encouraging employees to practice sports by providing support for the Bank’s football team, and sponsorship Sports talents to participate in local and international tournaments.

Fifth: Cultivating a culture of cooperation and volunteer work among the bank’s employees through volunteer activities, such as the Good Trees and the National Cleanliness Day, and it is planned to prepare an integrated program of volunteer work activities for the year 2023.

Sixth: Achieving a balance between the working and personal lives of employees by organizing family activities that bring together employees with family members.

29 events and activities were held to serve the implementation of these basic axes, as it provided more than 2,000 participation opportunities for employees.



98

Bank of Palestine Group

- 98 – The Arab Islamic Bank
- 100 – Al Wasata Securities Company
- 102 – PalPay Company
- 103 – Qudra Renewable Energy Solutions Company
- 104 – Ibtikar – Youth and Startups
- 106 – Intersect Innovation Hub
- 108 – The Fourth International Conference on Entrepreneurship - Palestine (ICEP 4.0)

The Arab Islamic Bank (AIB) is a public shareholding company that was established in 1995, launching its banking operations early in 1996. AIB provides banking and investment services according to the principals of the Islamic Shari'a through its headquarters in Ramallah and Al Bireh Governorate, its 30 branches and offices distributed across Palestine, its Representative Office located in the United Arab Emirates (Dubai), and its mobile branch "My Bank on the Go". The Arab Islamic Bank does not have any subsidiary companies as of 31/12/2022.

Vision

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

Message

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

Strategic Objectives

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

Performance Indicators

The Bank continued its remarkable growth in all its financial indicators during the last 5 years, as its assets increased by approximately \$598 million, with a growth rate of (56.33%). Direct financing increased by approximately \$347 million, with a growth rate of (51%), while customer deposits increased by approximately \$544 million, with a growth rate of (64.17%), and the bank achieved net profits of \$13.1 million during 2022, as its profits increased by \$6 million, with a growth rate of (84.12%).

| Item | 2022 | 2021 | 2020 | 2019 | 2018 |
|-------------------|-------|-------|-------|-------|-------|
| Assets | 1,661 | 1,738 | 1,557 | 1,272 | 1,062 |
| Customer Deposits | 1,392 | 1,420 | 1,296 | 1,024 | 848 |
| Direct Financing | 1,028 | 1,012 | 945 | 758 | 681 |
| Net Profits | 13.1 | 11.7 | 8.0 | 9.0 | 7.1 |

Amounts are in million USD

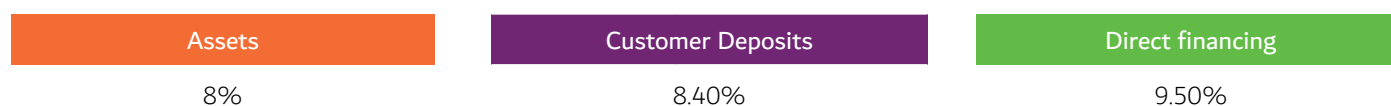
Branches and ATMs network

The Bank worked to expand its network of branches and ATMs during the year 2022, as a new office was equipped and opened in the town of Nilin, in Ramallah and Al-Bireh Governorate.

The branches and offices of the Arab Islamic Bank, along with the representative office in the United Arab Emirates (Dubai) and the mobile branch "my bank on the go"; reached up to 31 branches and offices, in addition to 63 ATMs that are spread in all governorates of the country.

Banking Services and Products

The bank's market share



The internal environment at Arab Islamic Bank has been fundamentally developed to enable the bank to explore customer satisfaction and analyze their needs and desires On one hand, and on the other hand, to enhance the bank's ability to implement and apply new products within the best practices and international standards, in order to Provide new features to customers in order to meet their needs, maintain them, raise their loyalty level, reach new customers and raise the percentage of inclusiveness. Many new products, services and campaigns have been launched during 2022 :

QR code payment service via Bank's mobile app

Video call service

Savings Account Campaign

Workers Program Campaign "Sawaed"

In addition to the new programs and services, the services and products previously provided by the Bank

Internet bank and mobile bank

Bank Cards

Selling Points

CVM Pre-Booking Service

Union Western Express Remittance Service

Mobile Bank "Bank on the Road"

Individual Financing Programs.

The Bank's Individual Finance Department offers 5 main financing programs:

Car Finance

Rent & Own

Gold Guarantee Financing Program

Istisna'a Finance

Commodity Finance

SME Financing Program

Treasury and financial markets

Corporate Finance Program

The Bank worked through the Treasury Department to provide financial services to its customers at the best competitive prices in the market and in accordance with the provisions of the Islamic Sharia, as the Treasury Department provides currency exchange services, investment and savings deposits. The Treasury Department was also able to achieve good results in terms of liquidity management, especially in light of difficult market conditions and liquidity challenges. The department maintained achieving attractive returns by investing in the capital markets, which was reflected in the bank's performance in achieving excellent growth rates.

Awards

The Bank has received many awards since its inception, which were awarded to the Bank based on the results of its business and its excellence in providing Islamic banking services.



ALWASATA SECURITIES

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

- Brokerage services to local, regional and international markets.
- Managing portfolio through a license provided to practice the activities of a financial consultant to manage investor investment portfolios.
- Issuance registrar
- Issuance manager

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

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

- A highly responsible, efficient, trained and professional staff
- Usage and employment of the best and latest trading technologies available in the region and worldwide.
- Providing investors accurate and timely information.
- Maintaining the principles of complete confidentiality in terms of investor information and their trading.

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



2022 in Words

The Al-Wasata company has worked to employ the latest technologies in order to provide new investment products that meet the needs of the public in the Palestinian market professionally and in a safe and a fast manner, and from this point of view, the Al-Wasata company has enhanced its application Electronically via mobile phones or through personal computers, which aims to provide services in several foreign markets, including the main US markets in addition to regional countries, with competitive commissions and technology, and this step represents an important added value in terms of opening new doors and opportunities for investors by enabling them to access the financial markets with ease and ease.

Al-Wasata securities company also took over, for the third time consecutively, the secretariat of the issuance of the bonds of the Arab Palestinian Investment Company, amounting to approximately 74 million US dollars. The Al-Wasata also provided issuance management services to the National Company for Aluminium and Profilat Industries (NAPCO), which offered 3 million shares for the IPO.

New Investors

Since its establishment, and for the fifteenth year in a row, Al Wasata managed to maintain first place among Palestinian brokerage companies, in terms of attracting new investors by opening 574 new accounts during 2022.

Trading Volume and Value

The trading volume through Al-Wasata company in the Palestine Exchange and the regional markets in 2022 amounted to approximately 135 million US dollars, of which 86.5 million US dollars were traded in the Palestinian market, and the value of customer portfolios exceeded 564 million US dollars at the end of 2022.

Operational Revenues

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

Investment Awareness and Services

During 2022, the company held several meetings to attract new investors to the securities sector, in addition to organizing a workshop at the Islamic University of Gaza. The company has also been communicating with its customers and providing services through the latest electronic trading technologies.

Al Wasata provides several free-of-charge services, such as sending SMS about daily closing prices and daily reports, and allowing customers to inquire electronically about their account balances, check stocks through the Bank of Palestine Banke application, and execute electronic transfers between their bank accounts and the trading account.

Al Wasata aims to facilitate these services to its customers and keeping them abreast with the latest news and important developments, thus allowing them to make sound investment decisions.



Since its establishment in 2010, PalPay, a pioneer in modern electronic payment services in Palestine, in partnership between Bank of Palestine and IT PCNC Solution, a leading company in the field of software and technology, continued its efforts towards development and progress in the field of electronic collection, as the number of companies reached The institutions contracting with Palpay to provide electronic services to beneficiaries are 170 companies and institutions, including 60 companies in various fields during the year 2022.

PalPay succeeded in creating the latest electronic payment solutions that are characterized by ease of use. It serves various segments of society, regardless of the age or experience of the user in digital payments, including transferring employee salaries, transferring humanitarian aid to beneficiaries, and providing a loan request service of small lending sizes. Through the Palpay application, my wallet without the need for bank accounts, in addition to developing a system to receive purchase transactions through the QR code for the Bank of Palestine Group, in addition to providing bill payment services, recharging the balance, paying loan installments and other services through electronic banking channels for all banks in Palestine

The year 2022 witnessed an increase in the number of transactions that took place through PalPay systems and channels to 88.8 million movements, which represents an amount of 1.7 billion shekels, as the value of the amounts increased by 41.54% compared to 2021, in addition to the increase in the number of Palpay My Wallet transactions by 53 % for the year 2022, and the number of PalPay My Wallet subscribers reached 51,000 subscribers, as the number of subscribers increased by 89% over the year 2021.

| Year | Amounts processed through Palpay |
|------|----------------------------------|
| 2021 | 1.2 billion |
| 2022 | 1.7 billion |

through its staff and employees amounting to 54 employees in the West Bank and Gaza Strip, is keen to provide the best modern and advanced electronic payment services to all segments of society, including bank account holders and those who do not have bank accounts, through the application of my wallet, This contributed to changing the behavior of customers in payment operations, and reducing dependence directly on the use of cash



The renewable energy sector in Palestine is a key concern for individual citizens and companies alike. There is a need for energy independence in Palestine through reliance on solar energy. Qudra Company for Renewable Energy Solutions (Qudra) seeks to develop cheap electric energy from renewable natural sources, based on the vision of its founders of the need to support this promising sector and to strengthen the Palestinian national economy. Framework agreements with municipalities, local councils and companies. Distribution of Palestinian electricity, with the aim of providing these institutions with services and equipment enhanced with the latest modern technologies and of the highest quality. It has developed a capacity of its skills and capabilities, relying on a global network of manufacturers and suppliers of renewable energy solutions, who have developed several similar stations around the world.

One of the company's most important projects in 2022 is represented by several projects being implemented for the benefit of the Electricity Company of Jerusalem Governorate in Ramallah Governorate, where it is located on lands of low agricultural value. Qudra Company aims to develop a solar power plant with a total capacity of 8.5 megawatts peak. Electricity with additional capacity and cheap electricity, up to half the price of electricity imported from current sources, which enables the company to enjoy cheaper electricity. From supplying more than 10 led home annually in four major residential communities. Qudra is looking forward to constructing additional projects, in cooperation with the Jerusalem Electricity Company, in several areas, within consideration in the coming years

Qudra has also paid great attention to developing its relations with the public sector. Starting with an agreement to lease solar energy assets that ended by ownership with the municipality of Arraba in Jenin, whereby the municipality distributes electricity to. Citizens through a local distribution network that operates and maintains it, while this agreement will enable it. Qudra owns a solar energy system with a capacity of up to 1.25 megawatts, without connecting the system to its network without exposure to technical and financial risks. Qudra financed, designed and built the project, which was launched at the end of 2022, and Qudra will operate and maintain it for a period The lease agreed upon with the municipality, which is five years, ends with ownership, which prevents it from operating its networks with locally generated electricity without incurring an initial cost. This agreement is the first of its kind with municipalities and local councils that supervise the distribution of electricity directly to citizens.

The solutions provided by Qudra have provided successful business models with municipalities that own shares in licensed distribution companies and Nablus municipality was one of the first beneficiaries of a memorandum of understanding involving the allocation of municipal lands for solar energy projects in several stages, starting with a first stage with a capacity of 4 MW connected to the grid of the northern electricity company With a percentage of more than 8% on its annual bills without risks or initial costs, Qudra, in collaboration with several partners in the ministries, seeks to put forward business models that meet the interests of the parties and motivate the local community to adopt solar energy.

Strategic horizon

The world is going through exceptional circumstances in light of climate change and risks related to energy security and food and water security, and most major countries have prepared national plans to switch to clean energy and take advantage of renewable sources to achieve the highest savings on electricity costs, and secure a source that does not depend on the import of raw materials from foreign economies. Experts expect a significant growth in electricity demand over the coming years in all sectors and uses, as many services are switching to the use of electric energy as an alternative to thermal or chemical energy. Qudra has deliberately created a specialized unit in research and development that oversees several research topics that contribute to the development of a strategic action plan to keep pace with renewable energy solutions locally, and hosted in its offices and field laboratories several experiments related to monitoring and controlling energy systems enriched by the development of networks and infrastructure to be able to receive additional renewable energy sources without The company is developing projects related to smart grids and electric vehicle charging systems in order to introduce these technologies with effective commercial models to the local market

We believe that joining these efforts with the academic and professional institutions of the homeland helps to build the capabilities of engineers and employees working in sectors related to the electricity sector, and creates additional job opportunities in a sector that is qualified to grow significantly in the coming years. Qudra holds several local and regional positions, most notably: board member of the Palestinian renewable energy Industries Federation. And membership in the Middle East Solar Energy Corporation.

صندوق ابتكار IBTIKAR FUND



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

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

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

Ibtikar Fund 2 is expected to reach its target of financing \$30 million by June 2023, as it will build on the positive momentum achieved through Ibtikar Fund 1 to invest in early stage Palestinian entrepreneurs and start ups, both within Palestine and in Diaspora communities in the Middle East and North Africa

The Ibtikar Fund's portfolio of companies has created more than 300 direct jobs for highly skilled workers. The majority of these jobs went to the youth category, who make up 50% under the age of 30. While women hold 30% of these jobs, women also lead a third of the innovation portfolio and their active portfolio spans many sectors. Including marketing technology, financial technology, real estate, health and safety, and e-commerce. These companies have expanded their sales operations in all markets of the Middle East, North Africa, Europe, Latin America, and the United States.





Intersect Innovation Hub

Intersect Innovation Hub (IIH) is a non-profit business incubator that provides startups with the resources they need to innovate. Our hubs are strategically located in Ramallah, Nablus, Hebron, (with locations in Gaza City, and Jerusalem coming soon), ensuring that every Palestinian innovator has access to support services. We're on a mission to stimulate the Palestinian entrepreneurial ecosystem by promoting a culture of collaboration, problem solving, and design thinking. IIH is at the forefront of the Bank of Palestine Group's social impact and innovation efforts.

Supporting innovators

In 2022, Intersect Innovation Hub welcomed its second cohort of startups: Ayzeen, Crowdiious, Deebak, Gamiphy, Nabeeh, Safra, Shams-i, and Xina Tech. During their incubation with Intersect in 2023, these startups will be working on exciting tech solutions in the fields of environmental tech, artificial intelligence, and more.

Going global

Intersect Innovation Hub aims to bridge Palestinian startups with the global innovation ecosystem. In 2022, a number of major steps were taken to establish and solidify valuable partnerships across the MENA region; effectively expanding the networks of every startup incubated by IIH and all of our partners in Palestine. In September 2022, IIH signed an MOU with Changelabs, a top rated social enterprise accelerator with offices in Egypt, Kenya, Morocco, Lebanon, Jordan, and Cyprus. In November 2022, we built a partnership with DIFC Fintech Hive, the largest financial technology accelerator in the Middle East, Africa and South Asia.

Building the ecosystem

Intersect Innovation Hub is dedicated to enhancing the Palestinian entrepreneurial ecosystem at all levels. In line with our vision, IIH has spearheaded the development of robust tools for the support of Palestinian entrepreneurs, investors, mentors, and innovation support organizations. In 2022, IIH launched Link, Polaris, and YallahNFT.



Link is a unique social networking platform that allows Palestinian start-up founders to connect with experienced mentors in their industry, regardless of location. Founders can access a global network of mentors and benefit from valuable guidance and support as they grow their businesses.

Polaris is a crowdsourced mapping platform, offering a holistic database of stakeholders in the Palestinian entrepreneurial ecosystem. This platform was envisioned as a means of simplifying access to information about Palestinian entrepreneurship, and facilitate the growth of networks.

YallahNFT is the first Arabic-language podcast dedicated to fintech. Produced in collaboration with Ayzeen and Maslak — two fintech start-up companies — this podcast aims to enhance entrepreneurial culture in Palestine by making information and experience readily available.

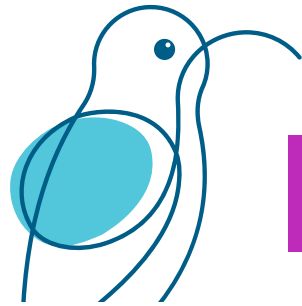
Investing in the next generation of entrepreneurs

WomenInCTRL was a three-day event that provided female-led projects with a platform to showcase their work and receive feedback from industry leaders, aiming to further empower a network of women who can positively impact the digital industry. WomenInCTRL was executed in partnership with Ibtikar Fund, FinoMENA, and Bank of Palestine.

The Fundamentals of Cybersecurity course trained participants in the skills needed to create secure online products, with guidance from industry-leading trainers at Cystack.

The Intersect Incubator also supported the Women-to-Women Hackathon (WomenInCTRL) and was sponsored by the Bank of Palestine through the “Filastiniya” program. The hackathon, which was organized by the Ebtikar Fund in partnership with the FinoMENA Entrepreneurship Foundation, is a platform for presenting entrepreneurial projects led by women over a period of three days, and who listened to directions from business and economic leaders, with the aim of enabling their participation and networking. Every actor in digital leadership.

The incubator also contributed to the implementation of a training program for employment: (Basics of Cybersecurity), which provided an opportunity to train entrepreneurs on the skills necessary to create safe products via the Internet, in addition to providing guidance from the leading trainers in the field, Cystack. Qualifying entrepreneurs for opportunities Employment in emerging companies and the public and private sectors, and providing them with the necessary training and expertise to engage and compete in the local and international labor market.



ICEP4.0

The International Conference on Entrepreneurship – Palestine ICEP 4.0

The Bank of Palestine Group has spared no effort in continuing to explore creative energies, and harnessing all its capabilities and various resources to enhance the entrepreneurial environment and the eco system, not only at the level of Palestine, but also with bridges at the regional and at the global level. Therefore, the group worked in cooperation with the partners to organize the Fourth International Conference on Entrepreneurship in Palestine ICEP 4.0 this year in Dubai, which contributes to creating a solid entrepreneurial environment, and enables startup companies, male and female entrepreneurs, to set out towards establishing sustainable projects that serve local and international communities. 22 Palestinian start-up companies gave introductory presentations to a group of investment and economic leaders, businessmen, and representatives of major technology companies and investment funds, during the International Entrepreneurship Conference, entitled: "Innovative Palestine... human energies and promising prospects. The conference was organized this year in the "Museum of the Future" and the "Fintech Hive" center of the Dubai International Financial Center. As it was supported by the "Dubai Future Foundation" and in a strategic partnership with the "Innovation Hub" of the DIFC. The fourth edition

represented the starting point for the conference to tour other countries in the region.

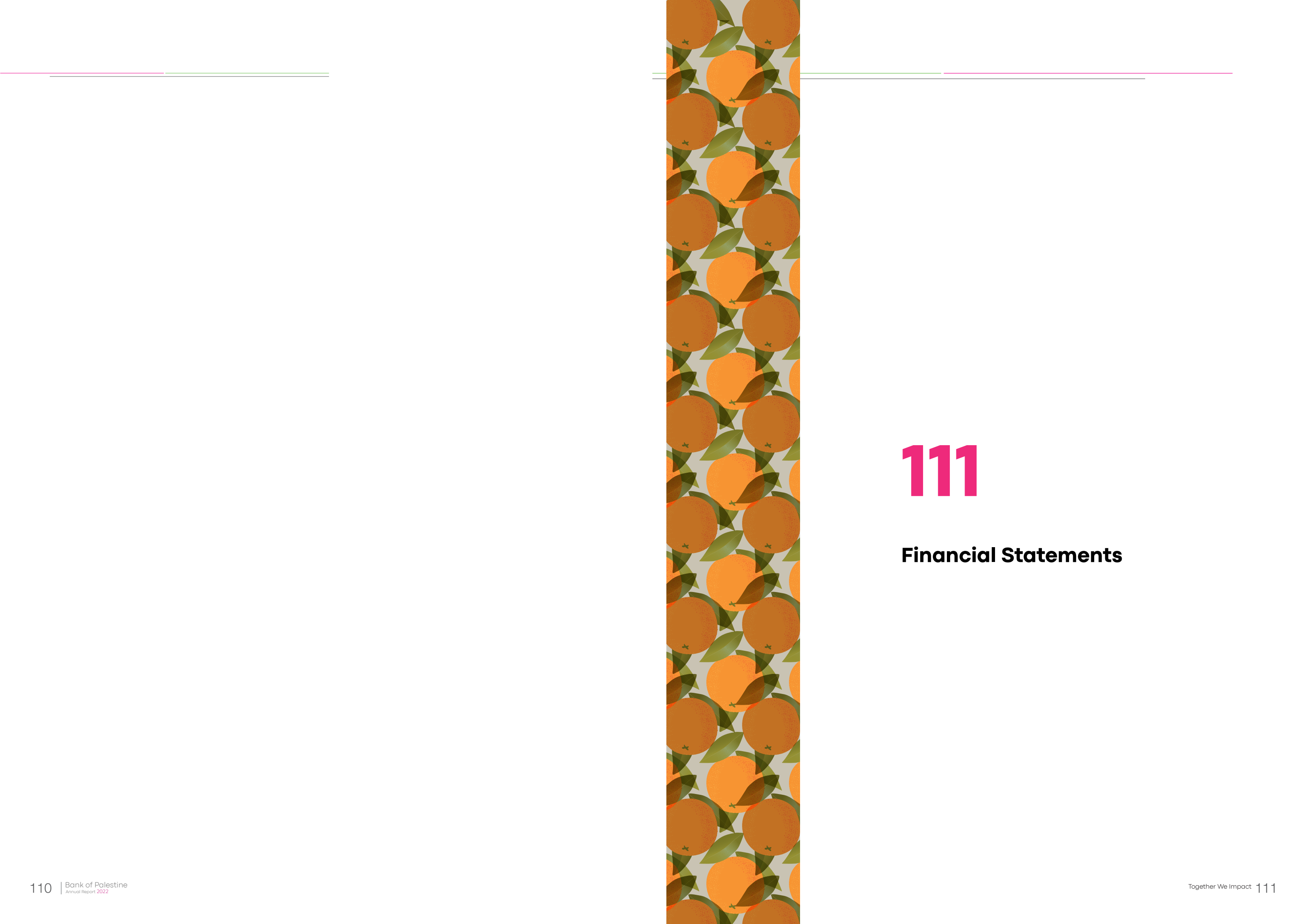
Even in Europe and in various countries of the world, and to be a mobile platform for emerging companies that enables them to penetrate foreign markets, due to the Palestinian entrepreneurs and owners of startups who are distinguished by their ability to creatively innovate in harnessing technology, the digital revolution and intelligence towards solving many social, environmental and economic problems. The ideas of Palestinian entrepreneurs have attracted the world's attention. This annual event is held in cooperation with the branches of "Global Shapers" in Palestine, which is one of the World Economic Forum communities, and in partnership with the Palestinian government through the Ministry of Entrepreneurship and Empowerment and The Bank of Palestine Group, the Consolidated Contractors Co. (CCC), and the innovative Private Sector Development Program IPSD financed by the World Bank, the Arab Palestinian Investment Company (APIC), and Hubert Burda Media in Germany. In addition to the sponsorship of UNEC, and Reach Holding in the United Arab Emirates, Levavi Law Firm and CoolNet in Palestine.

Strategic Partners:



Sponsored by:





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Financial Statements

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Bank of Palestine and its subsidiaries (collectively the "Bank"), which comprise the consolidated statement of financial position as at December 31, 2022, consolidated income statement, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at December 31, 2022. 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.

| 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 |
| <p>The process of estimating the expected credit losses of credit facilities in accordance with IFRS (9) is important, complex and requires a lot of diligence.</p> <p>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.</p> <p>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.</p> <p>As at December 31, 2022, the Bank's gross direct credit facilities and Islamic financing amounted to U.S. \$ 3,778,231,602 and the provision of expected credit losses amounted to U.S. \$ 188,260,868.</p> <p>The policy for the provision of expected credit losses is presented in the accounting policies adopted for the preparation of these consolidated financial statements in note (3).</p> | <p>Our audit procedures included assessing the controls on procedures for granting, recording and monitoring credit facilities and financing, and the process of measuring ECL, including the requirements of Palestine Monetary Authority (PMA) to verify the effectiveness of the main controls in place, which determine the impairment in direct credit facilities and Islamic financing, and required provisions against them.</p> <p>In addition, our audit procedures included the following:</p> <ul style="list-style-type: none"> – We gained an understanding of the Bank's key direct credit facilities and Islamic financing processes, in addition to examination of internal controls system of granting, booking, and evaluating the effectiveness of the main procedures followed in the granting and booking processes. – We studied and understood the Bank's policy in calculating provisions in comparison with the requirements of IFRS (9) and the relevant regulatory guidelines and instructions. – We evaluated the Bank's expected credit losses model, with special emphasis on alignment with the expected credit losses model and the basic methodology within the requirements of IFRS 9. <p>We have studied a sample of direct credit facilities and Islamic financing individually, and carried out the following procedures to assess the following:</p> <ul style="list-style-type: none"> – The appropriateness of staging. – The appropriateness of the process of determining exposure at default, including consideration of the cash flows resulting from repayment and the resulting calculations. |

| | |
|--|---|
| | <ul style="list-style-type: none"> – The appropriateness of the probability of default, and the exposure at default and the loss given default for the different stages. – Validity and accuracy of the model used in the process of calculating expected credit losses. – Assessing the appropriateness of the Bank's estimation process for an increase in credit risks and the basis for transferring credit exposure between stages, for the exposures that have been transferred between stages, in addition to evaluating the process in terms of appropriate timing to determine the significant increase in credit risk of credit exposures. – Recalculating of the expected credit losses for direct credit facilities and Islamic financing individually, in addition to understanding the latest developments in terms of cash flows and financial position, and if there is any scheduling or structuring. – In relation to the forward-looking assumptions used by the Bank for calculating ECL, we have discussed these assumptions with management and compared these assumptions to available information. – Procedures for evaluating collateral in accordance with the evaluation rules approved by the Bank. <p>We evaluated the disclosures to the consolidated financial statements to ensure their compliance with IFRS (9). Accounting policies, significant accounting estimates and judgments, disclosure of direct credit facilities and Islamic financing and credit risk management are detailed in the notes (3, 8 and 47) to the consolidated financial statements.</p> |
|--|---|

Other information included in the Bank's 2022 Annual Report

Other information consists of the information included in the Bank's 2022 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2022 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.

Our responsibility is to read the other information when obtained and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or from our knowledge obtained in the audit of the consolidated financial statements.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report; however, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements as at December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young – Middle East
License # 206/2012

Sa'ed Abdallah

Ernst + Young

Sa'ed Abdallah
License # 105/2003

March 27, 2023
Ramallah – Palestine

Bank of Palestine P.L.C

Consolidated Statement of Financial Position
As at December 31, 2022

| | | 2022 | 2021 |
|--|------|----------------------|----------------------|
| | Note | U.S. \$ | U.S. \$ |
| ASSETS | | | |
| Cash and balances with Palestine Monetary Authority | 5 | 1,803,515,455 | 1,779,579,889 |
| Balances, deposits and investments at Banks and financial institutions | 6 | 592,297,476 | 782,230,313 |
| Financial assets at fair value through profit or loss | 7 | 9,168,285 | 10,253,849 |
| Direct credit facilities and Islamic financing | 8 | 3,572,054,865 | 3,453,207,160 |
| Financial assets at fair value through other comprehensive income | 9 | 59,526,233 | 42,255,262 |
| Financial assets at amortized cost | 10 | 241,306,472 | 228,845,417 |
| Investment in associates and a joint venture | 11 | 11,996,852 | 9,671,052 |
| Investment properties | 12 | 22,930,742 | 25,962,178 |
| Property, plant and equipment and right of use assets | 13 | 109,275,425 | 115,897,814 |
| Projects in progress | 14 | 649,543 | 1,366,792 |
| Intangible assets | 15 | 14,984,886 | 14,613,893 |
| Other assets | 16 | 50,254,623 | 44,338,187 |
| Total assets | | <u>6,487,960,857</u> | <u>6,508,221,806</u> |
| LIABILITIES AND EQUITY | | | |
| Liabilities | | | |
| Palestine Monetary Authority's deposits | 17 | 199,103,950 | 242,439,107 |
| Banks and financial institutions' deposits | 18 | 93,668,011 | 120,061,868 |
| Customers' deposits | 19 | 4,966,613,355 | 5,013,551,326 |
| Cash margins | 20 | 300,110,487 | 291,588,276 |
| Subordinated loan | 21 | 60,000,000 | 72,500,000 |
| Loans and borrowings | 22 | 77,656,331 | 48,442,500 |
| Istidama loans from Palestine Monetary Authority | 23 | 32,110,614 | 22,307,552 |
| Lease Liabilities | 24 | 30,105,511 | 31,900,160 |
| Sundry provisions | 25 | 52,355,497 | 50,983,323 |
| Taxes provisions | 26 | 35,440,008 | 21,492,314 |
| Other liabilities | 27 | 94,874,472 | 96,855,951 |
| Total liabilities | | <u>5,942,038,236</u> | <u>6,012,122,377</u> |
| Equity | | | |
| Paid-in share capital | 1 | 223,958,577 | 217,433,527 |
| Additional paid-in capital | 28 | 29,575,688 | 29,575,688 |
| Statutory reserve | 29 | 67,974,894 | 61,883,607 |
| Voluntarily reserve | 29 | 246,361 | 246,361 |
| General Banking risks reserve | 29 | 8,374,676 | 10,311,877 |
| Pro-cyclicality reserve | 29 | 40,000,000 | 40,000,000 |
| Fair value reserve | 9 | 3,344,655 | (1,692,549) |
| Retained earnings | | 107,929,885 | 77,612,532 |
| Equity attributable to the Bank's shareholders | | <u>481,404,736</u> | <u>435,371,043</u> |
| Non-controlling interests | 4 | 64,517,885 | 60,728,386 |
| Total equity | | <u>545,922,621</u> | <u>496,099,429</u> |
| Total liabilities and equity | | <u>6,487,960,857</u> | <u>6,508,221,806</u> |

The accompanying notes from 1 to 54 are an integral part of these consolidated financial statements

Bank of Palestine P.L.C

Consolidated Income Statement
For the year ended December 31, 2022

| | | 2022 | 2021 |
|---|------|---------------|---------------|
| | Note | U.S. \$ | U.S. \$ |
| Interest income | 31 | 190,311,172 | 174,693,883 |
| Interest expense | 32 | (30,298,572) | (38,906,250) |
| Net interest income | | 160,012,600 | 135,787,633 |
| Net financing and investment income | 33 | 56,155,334 | 50,166,699 |
| Net commissions income | 34 | 40,114,898 | 37,643,732 |
| Net interest, financing, investment and commissions income | | 256,282,832 | 223,598,064 |
| Foreign currencies gains | | 28,036,643 | 22,094,579 |
| Net gains from financial assets portfolio | 35 | 1,384,594 | 7,951,831 |
| Bank's share of results of associates and a joint venture | 11 | 2,625,800 | 460,415 |
| Other revenues, net | 36 | 10,846,950 | 8,429,421 |
| Gross profit before expected credit losses provisions | | 299,176,819 | 262,534,310 |
| Provision for expected credit losses on direct credit facilities and Islamic financing and other receivables, net | 8&16 | (24,281,877) | (22,768,136) |
| Provision for expected credit losses on investments, and indirect credit facilities and Islamic financing, net | 39 | (3,816,883) | (1,846,010) |
| Gross profit | | 271,078,059 | 237,920,164 |
| Expenses | | | |
| Personnel expenses | 37 | (85,630,488) | (82,172,194) |
| Other operating expenses | 38 | (58,275,419) | (50,857,509) |
| | 13&1 | | |
| Depreciation and amortization | 5 | (17,871,196) | (17,927,102) |
| Losses of investment properties | 12 | (16,723) | (285,740) |
| Written off credit facilities not previously provided for | 8 | (1,921,400) | (2,052,766) |
| Palestine Monetary Authority's fines | 40 | (25,000) | (20,000) |
| Total expenses | | (163,740,226) | (153,315,311) |
| Profit before taxes | | 107,337,833 | 84,604,853 |
| Taxes expense | 26 | (40,691,196) | (28,350,526) |
| Profit for the year | | 66,646,637 | 56,254,327 |
| Attributable to: | | | |
| Equity holders of the Bank | | 60,912,868 | 49,132,664 |
| Non-controlling interests | 4 | 5,733,769 | 7,121,663 |
| | | 66,646,637 | 56,254,327 |
| Basic and diluted earnings per share attributable to equity holders of the Bank | 42 | 0.27 | 0.22 |

The accompanying notes from 1 to 54 are an integral part of these consolidated financial statements

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2022

| | Note | 2022 U.S. \$ | 2021 U.S. \$ |
|--|------|--------------------------|--------------------------|
| Profit for the year | | <u>66,646,637</u> | <u>56,254,327</u> |
| Items of other comprehensive income: | | | |
| Items not to be reclassified to the consolidated income statement in subsequent periods: | | | |
| Gains from revaluation of financial assets through other comprehensive income items | | <u>4,658,654</u> | <u>3,845,690</u> |
| Total items that will not be reclassified to the consolidated income statement | | <u>4,658,654</u> | <u>3,845,690</u> |
| Total comprehensive income for the year | | <u><u>71,305,291</u></u> | <u><u>60,100,017</u></u> |
| Attributable to: | | | |
| Equity holders of the Bank | | 65,598,280 | 52,470,623 |
| Non-controlling Interests | 4 | <u>5,707,011</u> | <u>7,629,394</u> |
| | | <u><u>71,305,291</u></u> | <u><u>60,100,017</u></u> |

Bank of Palestine P.L.C

Consolidated Statement of Changes in Equity
For the year ended December 31, 2022

| | Reserves | | | | | | | Retained earnings | Equity holders of the Bank | Non-controlling interests | Total equity |
|--|-----------------------|----------------------------|-------------------|----------------|-----------------------|-------------------|------------------|--------------------|----------------------------|---------------------------|--------------------|
| | Paid-in share capital | Additional paid-in capital | Statutory | Voluntarily | General Banking risks | Pro-cyclicality | Fair value | | | | |
| 2022 | 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 | 217,433,527 | 29,575,688 | 61,883,607 | 246,361 | 10,311,877 | 40,000,000 | (1,692,549) | 77,612,532 | 435,371,043 | 60,728,386 | 496,099,429 |
| Profit for the year | - | - | - | - | - | - | - | 60,912,868 | 60,912,868 | 5,733,769 | 66,646,637 |
| Other comprehensive income | - | - | - | - | - | - | 4,685,412 | - | 4,685,412 | (26,758) | 4,658,654 |
| Total comprehensive income for the year | - | - | - | - | - | - | 4,685,412 | 60,912,868 | 65,598,280 | 5,707,011 | 71,305,291 |
| Transfer of fair value reserve from sale of financial assets through other comprehensive income (note 9) | - | - | - | - | - | - | 351,792 | (351,792) | - | - | - |
| Transfers to reserves | - | - | 6,091,287 | - | (1,937,201) | - | - | (4,154,086) | - | - | - |
| Stock dividends (note 30) | 6,525,050 | - | - | - | - | - | - | (6,525,050) | - | - | - |
| Cash dividends (note 30) | - | - | - | - | - | - | - | (19,569,017) | (19,569,017) | (1,917,512) | (21,486,529) |
| Fractions of stocks | - | - | - | - | - | - | - | 4,430 | 4,430 | - | 4,430 |
| Balance, end of the year | <u>223,958,577</u> | <u>29,575,688</u> | <u>67,974,894</u> | <u>246,361</u> | <u>8,374,676</u> | <u>40,000,000</u> | <u>3,344,655</u> | <u>107,929,885</u> | <u>481,404,736</u> | <u>64,517,885</u> | <u>545,922,621</u> |

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

The accompanying notes from 1 to 54 are an integral part of these consolidated financial statements

Bank of Palestine P.L.C

Consolidated Statement of Cash Flows
For the year ended December 31, 2022

| | Note | 2022 U.S. \$ | 2021 U.S. \$ |
|---|------|----------------------|----------------------|
| <u>Operating activities</u> | | | |
| Profit for the year before taxes | | 107,337,833 | 84,604,853 |
| Adjustments for: | | | |
| Depreciation and amortization | | 17,871,196 | 17,927,102 |
| Net gains from financial assets portfolio | | (1,384,594) | (7,951,831) |
| Provision for expected credit losses on credit facilities and Islamic financing, investments, and other receivables | | 28,098,760 | 24,614,148 |
| Losses from revaluation of deposits at below market interest rate | | - | 1,428,011 |
| Gains from modification arising from Islamic financing of a subsidiary | | - | (3,364,410) |
| Finance cost on lease liabilities | | 781,680 | 958,455 |
| Impairment on projects in progress | | - | 1,056,516 |
| Sundry provisions | | 10,641,157 | 10,133,706 |
| Losses of investment properties, net | | 16,723 | 285,740 |
| Bank's share of results of associates and a joint venture | | (2,625,800) | (460,415) |
| Written off credit facilities not previously provided for | | 1,921,400 | 2,052,766 |
| (Gains) Losses on disposal of property, plant and equipment | | (273,412) | 299,475 |
| Other non-cash items | | (1,604,569) | (1,910,880) |
| | | <u>160,780,374</u> | <u>129,673,236</u> |
| Changes in assets and liabilities: | | | |
| Direct credit facilities and Islamic financing | | (147,198,253) | (208,000,264) |
| Statutory cash reserve | | (15,577,727) | (64,477,948) |
| Other assets | | (5,772,750) | 2,990,503 |
| Customers' deposits | | (46,937,971) | 432,615,952 |
| Istidama loans | | 9,803,062 | 13,172,626 |
| Cash margins | | 8,522,211 | 38,499,396 |
| Other liabilities | | (1,767,550) | 4,698,282 |
| Net cash flows (used in) from operating activities before taxes and paid provisions | | (38,148,604) | 349,171,783 |
| Taxes and advances paid | | (27,278,003) | (11,468,864) |
| Sundry provision paid | | (9,268,983) | (8,001,758) |
| Net cash flows (used in) from operating activities | | <u>(74,695,590)</u> | <u>329,701,161</u> |
| <u>Investing activities</u> | | | |
| Purchase of financial assets at fair value through profit or loss and through other comprehensive income | | (14,756,699) | (14,481,474) |
| Sale of financial assets at fair value through profit or loss and through other comprehensive income | | 2,195,555 | 18,595,044 |
| Purchase of financial assets at amortized cost | | (77,145,671) | (73,609,903) |
| Matured financial assets at amortized cost | | 66,330,000 | 51,285,668 |
| Deposits at Banks and financial institutions maturing in more than three months | | (19,040,903) | (3,832,158) |
| Changes in restricted balances of withdrawal | | 8,007,986 | (7,567,173) |
| Palestine monetary authority deposits for a period more than three months | | 2,683,728 | 86,627,310 |
| Banks and financial institutions' deposits maturing in more than three months | | 932,086 | 2,000,000 |
| Investment at Islamic Banks maturing in more than three months | | (3,000,000) | 1,062,368 |
| Commission on investments management | | (544,438) | (693,134) |
| Stock dividends received | | 3,263,423 | 3,906,474 |
| Investments in associates and a joint venture | | - | (4,000,000) |
| Intangible assets | | (2,699,011) | (1,300,903) |
| Projects in progress | | (430,572) | (1,644,400) |
| Purchase of investment properties | | 2,958,000 | - |
| Purchase of property, plant and equipment | | (5,742,589) | (6,541,977) |
| Sale of property, plant and equipment | | 417,564 | 199,635 |
| Net cash flows (used in) from investing activities | | <u>(36,571,541)</u> | <u>50,005,377</u> |
| <u>Financing activities</u> | | | |
| Lease liabilities paid | | (4,694,147) | (4,794,691) |
| Subordinated loan payment | | (12,500,000) | (2,500,000) |
| Cash dividends paid | | (21,587,892) | (10,550,581) |
| Increase in the Bank's paid-in share capital | | - | 12,000,000 |
| Loans and borrowings | | 29,213,831 | 20,806,320 |
| Fractions of stock dividends sold | | 4,430 | 3,259 |
| Net cash flows (used in) from financing activities | | <u>(9,563,778)</u> | <u>14,964,307</u> |
| (Decrease) Increase in cash and cash equivalents | | <u>(120,830,909)</u> | <u>394,670,845</u> |
| Cash and cash equivalents, beginning of the year | | 1,737,250,612 | 1,342,579,767 |
| Cash and cash equivalents, end of the year | 41 | <u>1,616,419,703</u> | <u>1,737,250,612</u> |
| Interest expense paid | | 38,932,857 | 52,230,778 |
| Interest revenue received | | 252,452,643 | 229,728,043 |

The accompanying notes from 1 to 54 are an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements
December 31, 2022

1. General

Bank of Palestine P.L.C (the Bank) was established in 1960 and was registered with the companies' controller office of the Palestinian National Authority in Gaza as a public shareholding limited company under registration no, (563200096) in accordance with Companies' Law of 1929 and its subsequent amendments. The Bank's shares were listed for trading at the Palestine Securities Exchange during 2005.

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

In addition, the Bank signed an agreement during 2021 with French Proparco Corporation, in which the French Development Agency (FISEA), will invest an amount of U.S. \$ 7,272,727 in the Bank through a special issue of shares, bringing the paid-in share capital of the Bank to U. S. \$ 217,433,527 as at December 31, 2021. 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, bringing the paid-in share capital of the Bank to U. S. \$ 223,958,577 as at December 31, 2022.

The Bank carries out all of its Banking activities which include opening current account, letter of credit, accepting deposits and lending money through its (29) branches and (43) offices located in Palestine and an electronic office. In addition, PMA authorized the opening of two representation offices; one in Dubai, United Arab Emirates and another in Chile. The number of branches of Arab Islamic Bank (a subsidiary) is (22) branches in addition to (7) offices, only one mobile office and one representation office in Dubai, United Arab Emirates.

The Bank's personnel (head quarter and branches) reached (1,799) and (1,745) as at December 31, 2022 and 2021, respectively. The number of employees of the subsidiaries are (778) and (752) as at December 31, 2022 and 2021, respectively.

The consolidated financial statements were authorized for issuance by the Bank's Board of Directors during their meeting number (02/2023) dated March 5, 2023.

2. Consolidated Financial Statements

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at December 31, 2022.

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

| | Country of incorporation and operations | Ownership | | Subscribed capital | |
|---------------------------------|---|-----------|-------|--------------------|------------|
| | | % | | U.S. \$ | |
| | | 2022 | 2021 | 2022 | 2021 |
| Arab Islamic Bank* | Palestine | 52.06 | 52.06 | 96,219,252 | 91,719,252 |
| 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 April 17, 2022, decided to capitalize the amount of \$4,500,000 from retained earnings and add it to the capital and distribute it as free shares to shareholders.

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

The 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. Accounting Policies

3.1 Basis of preparation

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

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income 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, 2022. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the subsidiaries.

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

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

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

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

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

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

3.3 Changes in accounting 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:

Reference to the Conceptual Framework – Amendments to IFRS (3)

In May 2020, the IASB issued Amendments to IFRS (3) Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS (3) to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS (37) or IFRIC (21) Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS (3) for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Consolidated Financial Statements.

These amendments had no impact on the consolidated financial statements of the Bank.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS (16)

In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in the statement of profit or loss.

These amendments had no impact on the consolidated financial statements of the Bank.

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

In May 2020, the IASB issued amendments to IAS (37) to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. Loss-making contracts are defined as contracts whose unavoidable cost of meeting their obligations exceeds the economic benefits expected to be obtained under such contracts.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments were applied to contracts whose conditions were not met at the beginning of the fiscal year in accordance with the requirements of the amendments.

These amendments had no impact on the consolidated financial statements of the Bank.

IFRS (1) First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS (1) First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16 (a) of IFRS (1) to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16 (a) of IFRS (1).

These amendments had no impact on the consolidated financial statements of the Bank.

IFRS (9) Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS (9). The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

These amendments had no impact on the consolidated financial statements of the Bank.

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 (17) Insurance Contracts

In May 2017, the IASB issued IFRS (17) Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS (17) will replace IFRS (4) Insurance Contracts which was issued in 2005. IFRS (17) applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS (17) is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS (4), which are largely based on grandfathering previous local accounting policies, IFRS (17) provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS (17) is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach),
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS (17) is effective for reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. Early application is permitted, provided the entity also applies IFRS (9) and IFRS (15) on or before the date it first applies IFRS (17). This standard is not applicable to the Bank.

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

In January 2020, 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.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Bank is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

The amendments are not expected to have a material impact on the Bank.

Definition of Accounting Estimates - Amendments to IAS (8)

In February 2021, the IASB issued amendments to IAS (8), in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Bank.

Disclosure of Accounting Policies - Amendments to IAS (1) and IFRS Practice Statement (2)

In February 2021, the IASB issued amendments to IAS (1) and IFRS Practice Statement (2) Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS (1) are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement (2) provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Bank is currently assessing the impact of the amendments to determine the impact they will have on the Bank's accounting policy disclosures.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS (12)

In May 2021, the Board issued amendments to IAS (12), which narrow the scope of the initial recognition exception under IAS (12), so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

The Bank is currently assessing the impact of the amendments to determine the impact they will have on the Bank's accounting policy disclosures.

3.4 Summary of Significant Accounting Policies

Revenues recognition

The effective interest rate method

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

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

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

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

Interest and similar income and expense

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

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

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

Fee and commission income

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

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

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

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

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

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

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

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

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

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

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

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

Contract balances

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

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

Net trading income

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

Dividend income

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

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

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

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

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

Service and rent revenues

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

Financial Instruments – Initial Recognition

Date of recognition

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

Initial measurement of financial instruments

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

Day 1 profit or loss

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

Measurement categories of financial assets and liabilities

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

- Amortized cost
- FVOCI
- FVTPL

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

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

Financial Assets and Liabilities

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below:

Business model assessment

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

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

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

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

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

The SPPI test

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

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

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

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

Derivatives recorded at fair value through profit or loss

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

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

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

- It is settled at a future date.

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

Equity instruments at FVOCI

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

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

Financial assets at fair value through profit or loss

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

Interest earned or incurred on instruments designated at FVTPL is accrued in interest income or interest expense, respectively, using the EIR, taking into consideration any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned 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:

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| 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:

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| 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. |

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| 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 as 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 forbore when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties. Modifications may include extension of payments or agreeing to new financing terms. Classification decisions between Stage (2) and Stage (3) are determined on a case-by-case basis.

Lease Contracts

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

The Bank applies a unified recognition and measurement methodology for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities of lease payments and right-of-use assets representing the right to use the underlying assets. Operating lease payments are recognized as an expense on a straight-line basis over the useful life of the lease.

Right of use assets

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

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

Lease Liabilities

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

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

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

Short-term leases and leases of low-value assets

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

Government grants

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

Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

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

Investment in associates

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

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

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

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

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

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.

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

Derivatives held for hedging purposes

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

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

Assets obtained by the Bank by calling on collateral

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

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

Projects in progress

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

Offsetting

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

Capital cost of issuing or buying the Bank's shares

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

Assets managed on behalf of customers

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

Provisions

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

Taxes provision

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

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

Provision for end of service indemnity

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

Foreign currencies

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

Earnings per share

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

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

Cash and cash equivalents

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

Segments information

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

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

Use of estimates

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

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

- Risk management (note 47)
- Capital management (note 49)

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

Impairment of goodwill

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

Useful lives of tangible and intangible assets

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

Legal case provision

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

Provision for employees' benefits

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

Provision for income tax

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

Fair Value of financial instruments

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

Impairment of non-financial assets

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

Determine the lease term for contracts with renewal and termination options

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

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.

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:

| <u>Company</u> | <u>Country of incorporation and operation</u> | <u>2022</u> | <u>2021</u> |
|-------------------|---|-------------|-------------|
| | | <u>%</u> | <u>%</u> |
| Arab Islamic Bank | Palestine | 47.94 | 47.94 |
| PalPay | Palestine | 15 | 15 |

Balances of non-controlling interests of the material subsidiaries:

| | 2022 | 2021 |
|-------------------|-------------------|-------------------|
| | U.S. \$ | U.S. \$ |
| Arab Islamic Bank | 64,154,330 | 60,340,077 |
| PalPay | 363,555 | 388,309 |
| | <u>64,517,885</u> | <u>60,728,386</u> |

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

| | 2022 | 2021 |
|---|------------------|------------------|
| | U.S. \$ | U.S. \$ |
| Arab Islamic Bank | 5,758,523 | 7,074,265 |
| PalPay | (24,754) | 47,398 |
| | <u>5,733,769</u> | <u>7,121,663</u> |
| Share of non-controlling interest in comprehensive income items | (26,758) | 507,731 |
| | <u>5,707,011</u> | <u>7,629,394</u> |

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, 2022:

| | Arab Islamic Bank | PalPay |
|---------------------------|--------------------|------------------|
| | U.S. \$ | U.S. \$ |
| Total assets | 1,660,725,735 | 6,479,846 |
| Total liabilities | (1,521,442,198) | (3,080,780) |
| Total equity | <u>139,283,537</u> | <u>3,399,066</u> |
| Attributable to: | | |
| Bank's shareholders | 75,129,207 | 3,035,511 |
| Non-controlling interests | 64,154,330 | 363,555 |
| | <u>139,283,537</u> | <u>3,399,066</u> |

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

| | Arab Islamic Bank | PalPay |
|---------------------------|--------------------|------------------|
| | U.S. \$ | U.S. \$ |
| Total assets | 1,736,706,005 | 4,483,359 |
| Total liabilities | (1,605,727,500) | (1,495,831) |
| Total equity | <u>130,978,505</u> | <u>2,987,528</u> |
| Attributable to: | | |
| Bank's shareholders | 70,638,428 | 2,599,219 |
| Non-controlling interests | 60,340,077 | 388,309 |
| | <u>130,978,505</u> | <u>2,987,528</u> |

Summarized income statement information for the year ended December 31, 2022:

| | Arab Islamic Bank | PalPay |
|--|-------------------|----------------|
| | U.S. \$ | U.S. \$ |
| Revenues | 77,352,577 | 12,678,582 |
| General and administrative expenses | (52,543,406) | (11,866,046) |
| Depreciation and amortization | (4,744,130) | (230,998) |
| Gains from sale of investment properties | 1,362,713 | - |
| Other revenues | 490,562 | - |
| Profit before tax | 21,918,316 | 581,538 |
| Income tax | (8,839,950) | (170,000) |
| Profit of the year | 13,078,366 | 411,538 |
| Other comprehensive income items of the year | 408,013 | - |
| Total comprehensive income of the year | <u>13,486,379</u> | <u>411,538</u> |

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

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

Summarized statement of cash flows information for the year ended December 31, 2022:

| | Arab Islamic Bank U.S. \$ | PalPay U.S. \$ |
|--|---------------------------------|-------------------|
| Operating activities | 28,723,344 | 1,809,554 |
| Investing activities | (6,234,446) | (82,715) |
| Financing activities | (46,209,292) | (25,472) |
| (Decrease) Increase in cash and cash equivalents | (23,720,394) | 1,701,367 |

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

| | Arab Islamic Bank U.S. \$ | PalPay U.S. \$ |
|---------------------------------------|---------------------------------|-------------------|
| Operating activities | (11,907,737) | 870,147 |
| Investing activities | (3,194,776) | (498,036) |
| Financing activities | 49,166,435 | (44,827) |
| Increase in cash and cash equivalents | 34,063,922 | 327,284 |

5. Cash and balances with Palestine Monetary Authority

This item comprises the following:

| | 2022 U.S. \$ | 2021 U.S. \$ |
|--|-----------------|-----------------|
| Cash on hand* | 1,284,204,819 | 1,204,487,480 |
| Balances with Palestine Monetary Authority: | | |
| Current and On-demand accounts | 13,407,516 | 25,737,190 |
| Swap deposits maturing within 3 months or less | 17,277,856 | 75,246,827 |
| Statutory cash reserve | 490,496,023 | 474,918,296 |
| | 1,805,386,214 | 1,780,389,793 |
| Less: provision for expected credit losses | (1,870,759) | (809,904) |
| | 1,803,515,455 | 1,779,579,889 |

* This item includes amounts held by The Palestinian Company for Money and Valuables Transfer (Aman) related to cash shipment and ATM feeding which amounted to U.S. \$ 13,868,974 and U.S. \$ 14,418,921 as at December 31, 2022 and December 31, 2021, respectively.

According to Palestine Monetary Authority's instructions No. (10) of 2022 regarding the statutory cash reserve, the Bank should maintain a restricted-withdrawal compulsory reserve balance with Palestine Monetary Authority at 9% of the deposits included in the mandatory reserve pool, in addition to 100% of the stagnant balances. A percentage of 20% of this reserve is allocated to meet the results of clearing and settlements under the name "Settlement Reserve". The Bank may not dispose of the mandatory reserve with Palestine Monetary Authority, with the exception of the settlement reserve, which the Bank is allowed to exploit in accordance with the instructions in force. The Palestine Monetary Authority does not pay any interest on the balances of the statutory reserve.

PMA does not pay interest or profits on current accounts to the banks.

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

| 2022 | | | | |
|--------------------------------|--------------------|-----------|-----------|--------------------|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 575,902,313 | - | - | 575,902,313 |
| Net change during the year | (54,720,918) | - | - | (54,720,918) |
| Balance, end of the year | <u>521,181,395</u> | <u>-</u> | <u>-</u> | <u>521,181,395</u> |

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

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

| 2022 | | | | |
|--|------------------|-----------|-----------|------------------|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 809,904 | - | - | 809,904 |
| Net re-measurement of expected credit losses | 1,060,855 | - | - | 1,060,855 |
| Balance, end of the year | <u>1,870,759</u> | <u>-</u> | <u>-</u> | <u>1,870,759</u> |

| 2021 | | | | |
|--|----------------|-----------|-----------|----------------|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | - | - | - | - |
| Net re-measurement of expected credit losses | 809,904 | - | - | 809,904 |
| Balance, end of the year | <u>809,904</u> | <u>-</u> | <u>-</u> | <u>809,904</u> |

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

This item comprises the following:

| | 2022 | 2021 |
|--|---------------------------|---------------------------|
| | U.S. \$ | U.S. \$ |
| <u>Local Banks and financial institutions:</u> | | |
| Current accounts | 672,531 | 356,894 |
| Swap deposits maturing within 3 months or less | 15,655,852 | 10,014,103 |
| | <u>16,328,383</u> | <u>10,370,997</u> |
| <u>Foreign Banks and financial institutions:</u> | | |
| Current and on-demand accounts | 193,937,234 | 278,497,155 |
| Deposits maturing within 3 months or less | 334,507,934 | 467,507,816 |
| Deposits maturing after 3 months | 32,040,903 | 13,000,000 |
| Swap deposits maturing within 3 months or less | 10,000,000 | 10,000,000 |
| | <u>570,486,071</u> | <u>769,004,971</u> |
| <u>Investments at foreign Islamic Banks:</u> | | |
| Investments maturing within 3 months | 3,108,626 | 3,108,626 |
| Investments maturing after 3 months | 6,000,000 | 3,000,000 |
| | <u>9,108,626</u> | <u>6,108,626</u> |
| Less: provision for expected credit losses | <u>(3,625,604)</u> | <u>(3,254,281)</u> |
| | <u><u>592,297,476</u></u> | <u><u>782,230,313</u></u> |

Non-interest or profits bearing balances at banks and financial institutions as at December 31, 2022 and 2021 amounted to U.S.\$ 245,984,167 and U.S.\$ 278,497,155, respectively.

Restricted balances at banks and financial institutions as at December 31, 2022 and 2021 amounted to U.S. \$ 75,823,828 and U.S. \$ 83,831,814, respectively.

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

| | 2022 | | | |
|--------------------------------|--------------------|--------------|------------------|--------------------|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 782,375,968 | - | 3,108,626 | 785,484,594 |
| Net change during the year | (189,561,514) | - | - | (189,561,514) |
| Balance, end of the year | <u>592,814,454</u> | <u>-</u> | <u>3,108,626</u> | <u>595,923,080</u> |
| | 2021 | | | |
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 732,016,418 | 15,561,602 | 3,390,404 | 750,968,424 |
| Net change during the year | 34,797,948 | - | (281,778) | 34,516,170 |
| Transfer to stage (1) | 15,561,602 | (15,561,602) | - | - |
| Balance, end of the year | <u>782,375,968</u> | <u>-</u> | <u>3,108,626</u> | <u>785,484,594</u> |

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

| | 2022 | | | |
|--|----------------------|----------------------|----------------------|------------------|
| | Stage (1) U.S. \$ | Stage (2) U.S. \$ | Stage (3) U.S. \$ | Total U.S. \$ |
| Balance, beginning of the year | 411,639 | - | 2,842,642 | 3,254,281 |
| Net re-measurement of expected credit losses | 105,339 | - | 265,984 | 371,323 |
| Balance, end of the year | 516,978 | - | 3,108,626 | 3,625,604 |

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

7. Financial assets at fair value through profit or loss

This item represents the following:

| | 2022 U.S. \$ | 2021 U.S. \$ |
|--|-----------------|-----------------|
| Shares quoted in Palestine securities exchange | 644,040 | 500,922 |
| Shares quoted in Foreign Financial Markets | 858,742 | 832,499 |
| Investments in financial portfolio | 3,484,850 | 3,920,428 |
| Unquoted shares | 4,180,653 | 5,000,000 |
| | 9,168,285 | 10,253,849 |

8. Direct credit facilities and Islamic financing

This item comprises the following:

| | 2022 U.S. \$ | 2021 U.S. \$ |
|--|-----------------|-----------------|
| <u>Retail</u> | | |
| Loans* | 820,116,949 | 720,602,942 |
| Overdraft accounts | 2,432,321 | 2,171,573 |
| Credit cards | 22,924,591 | 23,032,068 |
| Current overdrafts | 53,128,046 | 59,677,313 |
| Islamic financing | 386,312,087 | 273,043,151 |
| <u>Large corporate and local regulators</u> | | |
| Loans * | 656,733,865 | 642,033,599 |
| Overdraft accounts | 108,060,343 | 104,964,392 |
| Credit cards | 368,785 | 277,726 |
| Current overdrafts | 2,392,858 | 5,474,475 |
| Islamic financing | 357,070,603 | 433,649,579 |
| <u>Small and medium enterprises</u> | | |
| Loans * | 407,591,401 | 319,503,179 |
| Overdraft accounts | 92,290,952 | 82,092,984 |
| Credit cards | 5,726,913 | 4,862,682 |
| Current overdrafts | 4,560,216 | 6,815,209 |
| Islamic financing | 131,787,257 | 126,669,327 |
| <u>Palestine National Authority</u> | | |
| Loans * | 276,578,704 | 367,717,331 |
| Overdraft accounts and current overdrafts | 275,596,256 | 280,287,909 |
| Islamic financing | 174,559,455 | 192,200,653 |
| | 3,778,231,602 | 3,645,076,092 |
| Suspended interests, commissions and profits | (17,915,869) | (22,097,961) |
| Provision for expected credit losses | (188,260,868) | (169,770,971) |
| | 3,572,054,865 | 3,453,207,160 |

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

| | 2022 | 2021 |
|---|-------------|-------------|
| | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 22,097,961 | 20,413,098 |
| Suspended interests and profits during the year | 4,631,820 | 7,398,451 |
| Suspended interests and profits transferred to revenues during the year | (3,754,246) | (3,857,115) |
| Suspended interest and profits related to credit facilities and Islamic financing being default for more than 6 years | (2,574,966) | (871,393) |
| Suspended interests written off | (2,473,847) | (976,878) |
| Currency variance | (10,853) | (8,202) |
| Balance, end of the year | 17,915,869 | 22,097,961 |

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

| | 2022 | | | |
|--------------------------------|---------------|---------------|--------------|---------------|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 2,209,608,392 | 1,250,567,070 | 184,900,630 | 3,645,076,092 |
| Net change during the year | 178,580,621 | (9,659,002) | (27,071,802) | 141,849,817 |
| Transfers to stage (1) | 116,385,424 | (111,879,200) | (4,506,224) | - |
| Transfers to stage (2) | (225,166,897) | 232,685,197 | (7,518,300) | - |
| Transfers to stage (3) | (5,726,823) | (48,989,856) | 54,716,679 | - |
| Written off facilities | - | - | (8,694,307) | (8,694,307) |
| Balance, end of the year | 2,273,680,717 | 1,312,724,209 | 191,826,676 | 3,778,231,602 |

| | 2021 | | | |
|--------------------------------|---------------|---------------|--------------|---------------|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 2,303,183,967 | 947,191,330 | 187,498,122 | 3,437,873,419 |
| Net change during the year | 87,312,751 | 129,805,876 | (5,602,805) | 211,515,822 |
| Transfers to stage (1) | 205,108,779 | (201,909,966) | (3,198,813) | - |
| Transfers to stage (2) | (370,248,539) | 391,718,460 | (21,469,921) | - |
| Transfers to stage (3) | (15,748,566) | (16,238,630) | 31,987,196 | - |
| Written off facilities | - | - | (4,313,149) | (4,313,149) |
| Balance, end of the year | 2,209,608,392 | 1,250,567,070 | 184,900,630 | 3,645,076,092 |

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

| | 2022 | | | |
|---|-------------|--------------|--------------|--------------|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 22,697,443 | 43,223,196 | 103,850,332 | 169,770,971 |
| Transfers to stage (1) | 5,941,304 | (2,623,563) | (3,317,741) | - |
| Transfers to stage (2) | (2,646,642) | 6,566,446 | (3,919,804) | - |
| Transfers to stage (3) | (5,084,686) | (1,047,028) | 6,131,714 | - |
| Additions during the year | 7,524,369 | 48,210,222 | 26,115,254 | 81,849,845 |
| Recovered during the year | (8,321,997) | (29,021,200) | (19,924,771) | (57,267,968) |
| Write off for defaulted direct credit facilities and Islamic financing provisions for more than 6 years | - | - | (6,119,341) | (6,119,341) |
| Recovery of written off facilities | - | - | 73,459 | 73,459 |
| Foreign currency exchange differences | - | - | (46,098) | (46,098) |
| Balance, end of the year | 20,109,791 | 65,308,073 | 102,843,004 | 188,260,868 |

| | 2021 | | | |
|---|-------------------|-------------------|--------------------|--------------------|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 23,040,316 | 29,151,994 | 98,519,423 | 150,711,733 |
| Transfers to stage (1) | 3,017,216 | (1,962,268) | (1,054,948) | - |
| Transfers to stage (2) | (2,559,838) | 5,375,851 | (2,816,013) | - |
| Transfers to stage (3) | (146,188) | (497,451) | 643,639 | - |
| Additions during the year | 4,595,117 | 26,786,301 | 38,785,553 | 70,166,971 |
| Recovered during the year | (5,249,180) | (15,631,231) | (26,818,424) | (47,698,835) |
| Write off for defaulted direct credit facilities and Islamic financing provisions for more than 6 years | - | - | (3,441,756) | (3,441,756) |
| Recovery of written off facilities | - | - | 2,456 | 2,456 |
| Foreign currency exchange differences | - | - | 30,402 | 30,402 |
| Balance, end of the year | <u>22,697,443</u> | <u>43,223,196</u> | <u>103,850,332</u> | <u>169,770,971</u> |

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

| | 2022 | | | |
|--------------------------------|--------------------|--------------------|-------------------|----------------------|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 377,055,962 | 657,635,824 | 43,835,261 | 1,078,527,047 |
| Net change during the year | 163,267,145 | 46,112,869 | (1,207,649) | 208,172,365 |
| Transfers to stage (1) | 81,574,606 | (78,841,840) | (2,732,766) | - |
| Transfers to stage (2) | (65,238,865) | 68,707,097 | (3,468,232) | - |
| Transfers to stage (3) | (1,569,065) | (5,222,654) | 6,791,719 | - |
| Written off facilities | - | - | (1,785,421) | (1,785,421) |
| Balance, end of the year | <u>555,089,783</u> | <u>688,391,296</u> | <u>41,432,912</u> | <u>1,284,913,991</u> |

| | 2021 | | | |
|--------------------------------|--------------------|--------------------|-------------------|----------------------|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 433,379,011 | 520,213,150 | 43,238,657 | 996,830,818 |
| Net change during the year | 47,075,138 | 39,017,342 | (3,764,947) | 82,327,533 |
| Transfers to stage (1) | 67,623,725 | (66,169,255) | (1,454,470) | - |
| Transfers to stage (2) | (167,186,624) | 170,338,077 | (3,151,453) | - |
| Transfers to stage (3) | (3,835,288) | (5,763,490) | 9,598,778 | - |
| Written off facilities | - | - | (631,304) | (631,304) |
| Balance, end of the year | <u>377,055,962</u> | <u>657,635,824</u> | <u>43,835,261</u> | <u>1,078,527,047</u> |

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

| | 2022 | | | |
|---|----------------|-------------------|-------------------|-------------------|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 3,091,987 | 22,029,370 | 24,571,583 | 49,692,940 |
| Transfers to stage (1) | 2,651,961 | (2,148,874) | (503,087) | - |
| Transfers to stage (2) | (420,817) | 2,313,615 | (1,892,798) | - |
| Transfers to stage (3) | (5,050,420) | 1,253,088 | 3,797,332 | - |
| Additions during the year | 2,145,335 | 26,592,166 | 2,580,660 | 31,318,161 |
| Recovered during the year | (1,831,573) | (15,841,758) | (6,291,732) | (23,965,063) |
| Write off for defaulted direct credit facilities and Islamic financing provisions for more than 6 years | - | - | (1,785,421) | (1,785,421) |
| Recovery of written off facilities | - | - | - | - |
| Foreign currency exchange differences | - | - | (4,435) | (4,435) |
| Balance, end of the year | <u>586,473</u> | <u>34,197,607</u> | <u>20,472,102</u> | <u>55,256,182</u> |

| | 2021 | | | |
|---|------------------|-------------------|-------------------|-------------------|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 4,671,881 | 21,759,327 | 23,595,430 | 50,026,638 |
| Transfers to stage (1) | 1,587,472 | (854,464) | (733,008) | - |
| Transfers to stage (2) | (2,350,761) | 2,552,506 | (201,745) | - |
| Transfers to stage (3) | (30,506) | (127,788) | 158,294 | - |
| Additions during the year | 1,323,266 | 9,210,795 | 8,489,627 | 19,023,688 |
| Recovered during the year | (2,109,365) | (10,511,006) | (6,105,712) | (18,726,083) |
| Write off for defaulted direct credit facilities and Islamic financing provisions for more than 6 years | - | - | (630,650) | (630,650) |
| Recovery of written off facilities | - | - | (8,748) | (8,748) |
| Foreign currency exchange differences | - | - | 8,095 | 8,095 |
| Balance, end of the year | <u>3,091,987</u> | <u>22,029,370</u> | <u>24,571,583</u> | <u>49,692,940</u> |

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

| | 2022 | | | |
|--------------------------------|--------------------|--------------------|-------------------|--------------------|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 367,263,182 | 106,279,350 | 66,400,849 | 539,943,381 |
| Net change during the year | 112,992,221 | 5,650,721 | (12,624,363) | 106,018,579 |
| Transfer to stage (1) | 12,740,805 | (11,216,571) | (1,524,234) | - |
| Transfer to stage (2) | (29,610,203) | 31,270,475 | (1,660,272) | - |
| Transfer to stage (3) | (3,403,828) | (8,175,528) | 11,579,356 | - |
| Written off facilities | - | - | (4,005,219) | (4,005,219) |
| Balance, end of the year | <u>459,982,177</u> | <u>123,808,447</u> | <u>58,166,117</u> | <u>641,956,741</u> |

| | 2021 | | | |
|--------------------------------|--------------------|--------------------|-------------------|--------------------|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 282,314,230 | 102,443,712 | 72,334,228 | 457,092,170 |
| Net change during the year | 100,573,187 | (7,172,645) | (7,771,737) | 85,628,805 |
| Transfer to stage (1) | 34,350,716 | (32,724,206) | (1,626,510) | - |
| Transfer to stage (2) | (43,982,311) | 49,333,338 | (5,351,027) | - |
| Transfer to stage (3) | (5,992,640) | (5,600,849) | 11,593,489 | - |
| Written off facilities | - | - | (2,777,594) | (2,777,594) |
| Balance, end of the year | <u>367,263,182</u> | <u>106,279,350</u> | <u>66,400,849</u> | <u>539,943,381</u> |

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:

| | 2022 | | | |
|---|------------------|------------------|-------------------|-------------------|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 3,265,647 | 5,589,473 | 36,157,650 | 45,012,770 |
| Transfer to stage (1) | 1,052,038 | (375,316) | (676,722) | - |
| Transfer to stage (2) | (301,616) | 1,215,048 | (913,432) | - |
| Transfer to stage (3) | (34,053) | (1,482,895) | 1,516,948 | - |
| Additions during the year | 917,566 | 3,291,349 | 5,528,792 | 9,737,707 |
| Recovered during the year | (3,085,224) | (3,448,447) | (8,258,239) | (14,791,910) |
| Write off for defaulted direct credit facilities and Islamic financing provisions for more than 6 years | - | - | (4,005,219) | (4,005,219) |
| Recovery of written off facilities | - | - | - | - |
| Foreign currency exchange differences | - | - | (5,145) | (5,145) |
| Balance, end of the year | <u>1,814,358</u> | <u>4,789,212</u> | <u>29,344,633</u> | <u>35,948,203</u> |

| | 2021 | | | |
|---|------------------|------------------|-------------------|-------------------|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 3,136,224 | 2,839,444 | 36,829,627 | 42,805,295 |
| Transfer to stage (1) | 1,182,893 | (718,378) | (464,515) | - |
| Transfer to stage (2) | (470,186) | 1,462,814 | (992,628) | - |
| Transfer to stage (3) | (113,681) | (356,575) | 470,256 | - |
| Additions during the year | 1,642,341 | 3,941,677 | 15,810,498 | 21,394,516 |
| Recovered during the year | (2,111,944) | (1,579,509) | (12,717,993) | (16,409,446) |
| Write off for defaulted direct credit facilities and Islamic financing provisions for more than 6 years | - | - | (2,777,291) | (2,777,291) |
| Recovery of written off facilities | - | - | (4,059) | (4,059) |
| Foreign currency exchange differences | - | - | 3,755 | 3,755 |
| Balance, end of the year | <u>3,265,647</u> | <u>5,589,473</u> | <u>36,157,650</u> | <u>45,012,770</u> |

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:

| | 2022 | | | |
|--------------------------------|--------------------|--------------------|-------------------|----------------------|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 625,083,355 | 486,651,896 | 74,664,520 | 1,186,399,771 |
| Net change during the year | 15,792,733 | (61,422,592) | (13,239,790) | (58,869,649) |
| Transfer to stage (1) | 22,070,013 | (21,820,789) | (249,224) | - |
| | (130,317,829) | | | |
| Transfer to stage (2) |) | 132,707,625 | (2,389,796) | - |
| Transfer to stage (3) | (753,930) | (35,591,674) | 36,345,604 | - |
| Written off facilities | - | - | (2,903,667) | (2,903,667) |
| Balance, end of the year | <u>531,874,342</u> | <u>500,524,466</u> | <u>92,227,647</u> | <u>1,124,626,455</u> |

| | 2021 | | | |
|--------------------------------|--------------------|--------------------|-------------------|----------------------|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 793,603,429 | 324,534,468 | 71,925,237 | 1,190,063,134 |
| Net change during the year | (106,654,170) | 97,961,179 | 5,933,879 | (2,759,112) |
| Transfer to stage (1) | 103,134,338 | (103,016,505) | (117,833) | - |
| Transfer to stage (2) | (159,079,604) | 172,047,045 | (12,967,441) | - |
| Transfer to stage (3) | (5,920,638) | (4,874,291) | 10,794,929 | - |
| Written off facilities | - | - | (904,251) | (904,251) |
| Balance, end of the year | <u>625,083,355</u> | <u>486,651,896</u> | <u>74,664,520</u> | <u>1,186,399,771</u> |

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:

| | 2022 | | | |
|---|------------------|-------------------|-------------------|-------------------|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 2,566,262 | 15,604,353 | 43,121,099 | 61,291,714 |
| Transfer to stage (1) | 2,237,305 | (99,373) | (2,137,932) | - |
| Transfer to stage (2) | (1,924,209) | 3,037,783 | (1,113,574) | - |
| Transfer to stage (3) | (213) | (817,221) | 817,434 | - |
| Additions during the year | 3,707,110 | 18,326,707 | 18,005,802 | 40,039,619 |
| Recovered during the year | (3,405,200) | (9,730,995) | (5,374,800) | (18,510,995) |
| Write off for defaulted direct credit facilities and Islamic financing provisions for more than 6 years | - | - | (328,701) | (328,701) |
| Recovery of written off facilities | - | - | 73,459 | 73,459 |
| Foreign currency exchange differences | - | - | (36,518) | (36,518) |
| Balance, end of the year | <u>3,181,055</u> | <u>26,321,254</u> | <u>53,026,269</u> | <u>82,528,578</u> |
| | 2021 | | | |
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 2,779,041 | 4,553,223 | 38,094,366 | 45,426,630 |
| Transfer to stage (1) | 246,851 | (389,426) | 142,575 | - |
| Transfer to stage (2) | 261,109 | 1,360,531 | (1,621,640) | - |
| Transfer to stage (3) | (2,001) | (13,088) | 15,089 | - |
| Additions during the year | 309,133 | 13,633,829 | 14,485,428 | 28,428,390 |
| Recovered during the year | (1,027,871) | (3,540,716) | (7,994,719) | (12,563,306) |
| Write off for defaulted direct credit facilities and Islamic financing provisions for more than 6 years | - | - | 1,499 | 1,499 |
| Recovery of written off facilities | - | - | (20,051) | (20,051) |
| Foreign currency exchange differences | - | - | 18,552 | 18,552 |
| Balance, end of the year | <u>2,566,262</u> | <u>15,604,353</u> | <u>43,121,099</u> | <u>61,291,714</u> |

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

| 2022 | | | | |
|--------------------------------|--------------------|-----------|-----------|--------------------|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 840,205,893 | - | - | 840,205,893 |
| Net change during the year | (113,471,478) | - | - | (113,471,478) |
| Transfer to stage (1) | - | - | - | - |
| Transfer to stage (2) | - | - | - | - |
| Transfer to stage (3) | - | - | - | - |
| Written off facilities | - | - | - | - |
| Balance, end of the year | <u>726,734,415</u> | <u>-</u> | <u>-</u> | <u>726,734,415</u> |

| 2021 | | | | |
|--------------------------------|--------------------|-----------|-----------|--------------------|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 793,887,297 | - | - | 793,887,297 |
| Net change during the year | 46,318,596 | - | - | 46,318,596 |
| Transfer to stage (1) | - | - | - | - |
| Transfer to stage (2) | - | - | - | - |
| Transfer to stage (3) | - | - | - | - |
| Written off facilities | - | - | - | - |
| Balance, end of the year | <u>840,205,893</u> | <u>-</u> | <u>-</u> | <u>840,205,893</u> |

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:

| 2022 | | | | |
|--------------------------------|-------------------|-----------|-----------|-------------------|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 13,773,547 | - | - | 13,773,547 |
| Transfer to stage (1) | - | - | - | - |
| Transfer to stage (2) | - | - | - | - |
| Transfer to stage (3) | - | - | - | - |
| Additions during the year | <u>754,358</u> | <u>-</u> | <u>-</u> | <u>754,358</u> |
| Balance, end of the year | <u>14,527,905</u> | <u>-</u> | <u>-</u> | <u>14,527,905</u> |

| 2021 | | | | |
|--------------------------------|-------------------|-----------|-----------|-------------------|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 12,453,170 | - | - | 12,453,170 |
| Transfer to stage (1) | - | - | - | - |
| Transfer to stage (2) | - | - | - | - |
| Transfer to stage (3) | - | - | - | - |
| Additions during the year | <u>1,320,377</u> | <u>-</u> | <u>-</u> | <u>1,320,377</u> |
| Balance, end of the year | <u>13,773,547</u> | <u>-</u> | <u>-</u> | <u>13,773,547</u> |

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:

| | 2022 | 2021 |
|-------------------------------------|-------------------|-------------------|
| | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 18,547,616 | 15,478,580 |
| Additions | 6,119,341 | 3,441,756 |
| Recovered provision during the year | (1,565,736) | (276,767) |
| Written off provision | (2,381) | (99,170) |
| Currency variances | - | 3,217 |
| Balance, end of the year | <u>23,098,840</u> | <u>18,547,616</u> |

The recoveries of defaulted credit facilities and Islamic financing included in stage (3) as at December 31, 2022 and 2021 amounted to U.S. \$ 19,924,771 and U.S. \$ 26,818,424, respectively.

* Loans are presented net of their related interest and commission received in advance which amounted to U.S. \$ 3,472,296 and U.S. \$ 4,655,044 as at December 31, 2022 and 2021, respectively. In addition, direct Islamic financing presented net of unearned profits amounted to U.S. \$ 91,694,422 and U.S. \$ 96,181,501 as at December 31, 2022 and 2021, respectively.

- Gross direct credit facilities and Islamic financing net of suspended interest, commissions and profits according to PMA regulations as at December 31, 2022 and 2021 amounted to U.S. \$454,769,031 and U.S. \$ 261,395,641 representing (12.09%) and (7.21%) 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, 2022 and 2021 amounted to U.S. \$ 173,910,807 and U.S. \$ 162,802,669 representing (4.60%) and (4.49%) of direct credit facilities and Islamic financing net of suspended interests, commissions and profits, respectively.
- According to PMA instructions number (1/2008), defaulted credit facilities and Islamic financing for more than 6 years were excluded from the Bank's consolidated financial statements. These defaulted credit facilities and Islamic financing amounted to U.S. \$ 40,518,358 and U.S. \$ 33,792,338 as at December 31, 2022 and 2021 and the balance of provision and suspended interest and profits for defaulted accounts amounted to U.S. \$ 35,056,594 and U.S. \$ 31,871,290, respectively.
- Direct credit facilities and Islamic financing granted to Palestine National Authority as at December 31, 2022 and 2021 amounted to U.S. \$ 726,734,415 and U.S. \$ 840,205,893 representing (19.23%) and (23.05%) of gross direct credit facilities and Islamic financing, respectively.
- Direct credit facilities and Islamic financing guaranteed by Palestine National Authority as at December 31, 2022 and 2021 amounted to U.S. \$ 16,293,051 and U.S. \$ 27,940,226 representing (0.43%) and (0.77%) 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. \$ 1,324,271,442 and U.S. \$ 1,299,618,818 as at December 31, 2022 and 2021, respectively.
- Credit facilities and Islamic financing granted to non-residents amounted to U.S. \$ 13,783,394 and U.S. \$ 13,830,380 as at December 31, 2022 and 2021, respectively.
- Credit facilities and Islamic financing were written-off during the year that weren't provided before amounted to U.S. \$ 1,921,400 and U.S. \$ 2,052,766 as at December 31, 2022 and 2021, respectively.

- Credit facilities and Islamic financing granted to the public sector employees as at December 31, 2022 and 2021 amounted to U.S. \$ 594,457,998 and U.S. \$ 756,906,873 representing 15.73% and 15.83% of gross direct credit facilities and Islamic financing, respectively. Which also represents 99.52% and 138.51% of regulatory capital as of December 31, 2022 and 2021, respectively.

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

| | 2022 | 2021 |
|------------------------------|----------------------|----------------------|
| | U.S. \$ | U.S. \$ |
| Real estate and construction | 944,288,866 | 796,287,072 |
| Palestine National Authority | 726,734,415 | 840,205,893 |
| Consumer commodities | 705,890,768 | 720,109,203 |
| Retail and wholesale | 634,162,314 | 585,953,294 |
| Services sector | 387,353,934 | 375,969,549 |
| Manufacturing | 213,950,768 | 179,248,966 |
| Agricultural | 47,159,932 | 47,374,979 |
| Financial sector | 42,846,717 | 22,854,629 |
| Tourism | 40,350,558 | 40,025,059 |
| Transportation | 17,577,461 | 14,949,487 |
| | <u>3,760,315,733</u> | <u>3,622,978,131</u> |

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

| | December 31, 2022 | | | |
|--|--------------------|---------------------|-----------------|-------------------|
| | Granted amount | Outstanding balance | Guarantor share | Defaulted debts |
| Type of credit facilities | U.S. \$ | U.S. \$ | % | U.S. \$ |
| Production loans | 25,598,160 | 18,786,214 | 70 | 3,014,350 |
| Operating loans | 24,875,484 | 19,110,145 | 50-75 | 669,943 |
| Development loans | 21,298,972 | 17,893,892 | 50 | 7,461,726 |
| Small and medium sized projects' loans | 49,277,389 | 39,273,808 | 50-75 | 2,695,622 |
| | <u>121,050,005</u> | <u>95,064,059</u> | | <u>13,841,641</u> |

| | December 31, 2021 | | | |
|--|-------------------|---------------------|-----------------|-------------------|
| | Granted amount | Outstanding balance | Guarantor share | Defaulted debts |
| Type of credit facilities | U.S. \$ | U.S. \$ | % | U.S. \$ |
| Production loans | 20,499,956 | 15,392,510 | 70 | 2,623,363 |
| Operating loans | 12,898,314 | 9,918,272 | 60 | 885,511 |
| Development loans | 26,004,505 | 21,018,094 | 50 | 7,427,634 |
| Small and medium sized projects' loans | 28,396,578 | 21,131,159 | 35-100 | 2,930,306 |
| | <u>87,799,353</u> | <u>67,460,035</u> | | <u>13,866,814</u> |

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 U.S. \$ | Unquoted financial assets U.S. \$ | Investments in financial portfolios U.S. \$ | Total U.S. \$ |
|--------------------------|-----------------------------|---|--|-------------------|
| <u>December 31, 2022</u> | | | | |
| Local | 24,968,480 | 9,912,962 | - | 34,881,442 |
| Foreign | 21,994,037 | 1,469,322 | 1,181,432 | 24,644,791 |
| | <u>46,962,517</u> | <u>11,382,284</u> | <u>1,181,432</u> | <u>59,526,233</u> |
| <u>December 31, 2021</u> | | | | |
| Local | 17,480,998 | 3,535,467 | - | 21,016,465 |
| Foreign | 19,560,839 | 1,677,958 | - | 21,238,797 |
| | <u>37,041,837</u> | <u>5,213,425</u> | <u>-</u> | <u>42,255,262</u> |

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

| | <u>2022</u> U.S. \$ | <u>2021</u> U.S. \$ |
|---|------------------------|------------------------|
| Balance, beginning of the year | (1,692,549) | (4,999,792) |
| Change in fair value through other comprehensive income items | 4,685,412 | 3,337,959 |
| Reserve of financial assets at fair value through comprehensive income recognized directly in retained earnings | 351,792 | (30,716) |
| Balance, end of the year | <u>3,344,655</u> | <u>(1,692,549)</u> |

The sales were made during the year with the aim of financing some other investment activities and with the aim of exiting some investments that did not achieve the required return required by the Bank and its subsidiaries.

10. Financial assets at amortized cost

Financial assets at amortized cost compromise of the following:

| | Treasury bills U.S. \$ | Quoted bonds U.S. \$ | Unquoted bonds U.S. \$ | Islamic Sukuk U.S. \$ | Provision for ECL U.S. \$ | Total U.S. \$ |
|-------------|------------------------------|----------------------------|------------------------------|-----------------------------|---------------------------------|--------------------|
| <u>2022</u> | | | | | | |
| Local | 40,593,630 | - | 12,500,000 | - | (1,140,470) | 51,953,160 |
| Foreign | 112,745,462 | 39,103,971 | - | 41,673,325 | (4,169,446) | 189,353,312 |
| | <u>153,339,092</u> | <u>39,103,971</u> | <u>12,500,000</u> | <u>41,673,325</u> | <u>(5,309,916)</u> | <u>241,306,472</u> |
| <u>2021</u> | | | | | | |
| Local | 66,557,446 | - | 12,500,000 | - | (791,342) | 78,266,104 |
| Foreign | 78,179,156 | 38,858,035 | - | 35,913,425 | (2,371,303) | 150,579,313 |
| | <u>144,736,602</u> | <u>38,858,035</u> | <u>12,500,000</u> | <u>35,913,425</u> | <u>(3,162,645)</u> | <u>228,845,417</u> |

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

| | 2022 | | | |
|--------------------------------|--------------------|-------------------|------------------|--------------------|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 213,813,466 | 14,531,171 | 3,663,425 | 232,008,062 |
| Net change during the year | 16,366,311 | (1,517,885) | (240,100) | 14,608,326 |
| Transfer to stage (1) | 494,669 | (494,669) | - | - |
| Transfer to stage (2) | (1,000,000) | 1,000,000 | - | - |
| Balance, end of the year | <u>229,674,446</u> | <u>13,518,617</u> | <u>3,423,325</u> | <u>246,616,388</u> |
| | 2021 | | | |
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 180,446,295 | 26,073,566 | 1,263,425 | 207,783,286 |
| Net change during the year | 34,849,749 | (10,724,973) | 100,000 | 24,224,776 |
| Transfer to stage (1) | 2,081,832 | (2,081,832) | - | - |
| Transfer to stage (2) | (1,264,410) | 1,264,410 | - | - |
| Transfer to stage (3) | (2,300,000) | - | 2,300,000 | - |
| Balance, end of the year | <u>213,813,466</u> | <u>14,531,171</u> | <u>3,663,425</u> | <u>232,008,062</u> |

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

| | 2022 | | | |
|--|------------------|----------------|------------------|------------------|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 951,545 | 145,805 | 2,065,295 | 3,162,645 |
| Net re-measurement of expected credit loss provision during the year | 832,267 | (43,026) | 1,358,030 | 2,147,271 |
| Transfer to stage (1) | 3,733 | (3,733) | - | - |
| Transfer to stage (2) | (868) | 868 | - | - |
| Balance, end of the year | <u>1,786,677</u> | <u>99,914</u> | <u>3,423,325</u> | <u>5,309,916</u> |
| | 2021 | | | |
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 952,904 | 67,727 | 1,263,425 | 2,284,056 |
| Net re-measurement of expected credit loss provision during the year | 73,380 | 5,209 | 800,000 | 878,589 |
| Transfer to stage (1) | 23,256 | (23,256) | - | - |
| Transfer to stage (2) | (96,125) | 96,125 | - | - |
| Transfer to stage (3) | (1,870) | - | 1,870 | - |
| Balance, end of the year | <u>951,545</u> | <u>145,805</u> | <u>2,065,295</u> | <u>3,162,645</u> |

Interest on U.S. Dollar financial assets at amortized cost ranges between 1.35% and 8.75%. Interest on Jordanian Dinar financial assets at amortized cost ranges between 5.14% and 6.49%.

Interest on Kuwaiti Dinar financial assets at amortized cost ranges between 5.00% and 6.00%.

Local financial assets at amortized cost includes the Bank's investment in the Palestinian governmental treasury bills according to circular PMA Number (64/2016), which the upper limit of the price discount of treasury bills issued in New Israeli Shekel is 8% and in U.S. \$ is (6 months LIBOR +3%), annually. Matured treasury bills amounted to U.S \$ 31,452,485, remaining treasury bills matures within 7 months.

Foreign governments' treasury bonds represent the Bank's investment in listed Jordanian treasury bonds, where the interest rate on these assets ranges from 5.14% to 6.49% and matures within a period of 6 months to four years.

Profit on Islamic Sukuk ranges between 3.23 % and 8.78 % and matures within a period from 3 months to 9 years.

Financial assets at amortized cost mature within a period from one month to 9 years.

11. Investment in associates and a joint venture

Following are the details of investments in associates, as at December 31, 2022 and 2021:

| | Country of Incorporation | Ownership | | Subscribed Share Capital | |
|---|--------------------------|-----------|------|--------------------------|------------------|
| | | 2022 | 2021 | 2022 | 2021 |
| | | % | % | U.S. \$ | U.S. \$ |
| Abraj Co, for Development & Investment (Abraj) * | Palestine | 21 | 21 | 7,233,420 | 4,751,499 |
| The Palestinian Company for Money Transportation and Valuables and Banking Services (Aman) ** | Palestine | 30 | 30 | 865,421 | 975,618 |
| Qudra for energy solutions*** | Palestine | 50 | 50 | 3,898,011 | 3,943,935 |
| | | | | <u>11,996,852</u> | <u>9,671,052</u> |

* Abraj Company for Development and Investment (Abraj) was incorporated in 2008 in Palestine with goals of conducting all kinds of construction, real estate and commercial activities. Abraj's paid-in share capital consists of 21.4 million shares at a U.S. \$ 1 par value per share.

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

*** Qudra Energy Solutions Company (the Company) was incorporated as a private limited stock company during 2020 with a capital of 8,000,000 shares with U.S. \$ 1 par value per share. The bank owns 50% of the Company's shares. The Company is jointly managed in cooperation with the he National Aluminum & profile company (NAPCO), so the company has been classified as a joint venture. The Company works to provide modern renewable energy solutions to individuals and organizations. The paid-in share capital of the Company as at December 31, 2022 amounted to U.S. \$ 8,000,000. The company commenced its operational activities during 2021.

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

| | 2022 | 2021 |
|---|-------------------|------------------|
| | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 9,671,052 | 5,946,380 |
| Bank's share of results of associates | 2,671,724 | 516,480 |
| Bank's share of results of joint venture | (45,924) | (56,065) |
| Payments related to investment in a joint venture | - | 4,000,000 |
| Distributed cash dividends | (300,000) | (735,743) |
| Balance, end of the year | <u>11,996,852</u> | <u>9,671,052</u> |

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

| | Abraj | | Aman | |
|--|--------------|-------------|-------------|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| <u>The financial position of associates:</u> | | | | |
| Total assets | 51,671,050 | 35,462,386 | 4,825,643 | 4,308,459 |
| Total liabilities | (12,649,181) | (7,624,495) | (2,276,764) | (1,383,967) |
| Total equity | 39,021,869 | 27,837,891 | 2,548,879 | 2,924,492 |
| Bank's share | 8,194,593 | 5,847,957 | 764,664 | 877,348 |
| Book value before adjustments | 8,194,593 | 5,847,957 | 764,664 | 877,348 |
| Adjustments | (961,173) | (1,096,458) | 100,757 | 98,270 |
| Book value after adjustments | 7,233,420 | 4,751,499 | 865,421 | 975,618 |
| <u>Revenues and results of operations:</u> | | | | |
| Net revenues | 1,690,001 | 2,000,041 | 4,828,323 | 2,093,984 |
| Operational, administrative and general expenses | (678,520) | (931,918) | (3,727,204) | (752,390) |
| Finance costs | (240,893) | (251,693) | (48,045) | (21,248) |
| Gains from revaluation of investment properties | 16,208,664 | - | - | - |
| Other (expenses) revenues, net | (75,954) | 35,161 | (158,541) | 88,708 |
| Profit before tax | 16,903,298 | 851,591 | 894,533 | 1,409,054 |
| Tax expense | (5,084,629) | (76,000) | (261,857) | (230,367) |
| Net profit after tax of the year | 11,818,669 | 775,591 | 632,676 | 1,178,687 |
| Comprehensive income items | - | - | - | - |
| Total comprehensive income | 11,818,669 | 775,591 | 632,676 | 1,178,687 |
| Bank's share | 2,481,921 | 162,874 | 189,803 | 353,606 |

Following is the movement of the financial information related to the Banks' investment in Qudra company:

| | 2022 | 2021 |
|--|--------------|-----------|
| | U.S. \$ | U.S. \$ |
| <u>Statement of financial position for joint venture</u> | | |
| Total assets | 24,047,902 | 8,314,701 |
| Total liabilities | (16,251,880) | (426,831) |
| Net equity | 7,796,022 | 7,887,870 |
| Banks' share | 3,898,011 | 3,943,935 |
| Carrying amount of the investment | 3,898,011 | 3,943,935 |
| <u>Revenues and results of operations</u> | | |
| Revenues | 3,559,282 | 1,070,131 |
| Results of operations | (91,848) | (112,130) |
| Banks' share of results of operations | (45,924) | (56,065) |

12. Investment properties

Investment properties are presented at fair value and changes in fair value are recognized in the consolidated income statement. Following is the movement on investment properties:

| | 2022 | 2021 |
|---|-------------|------------|
| | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 25,962,178 | 25,884,919 |
| Additions during the year | 454,745 | 362,999 |
| Sale of investment properties * | (3,792,861) | - |
| Transfers from projects in progress (note 14) | 73,533 | - |
| Change in fair value during the year | 233,147 | (285,740) |
| Balance, end of the year | 22,930,742 | 25,962,178 |

* During the year, the Arab Islamic Bank (a subsidiary) sold part of its investments properties which resulted in a loss amounted to U.S \$ 249,870 recorded in the consolidated income statement.

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 |
|--|--------------------------------|-------------------------------|------------------|---------------------------|------------------|------------------------|--------------------|
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| <u>2022</u> | | | | | | | |
| <u>Cost:</u> | | | | | | | |
| Balance, beginning of the year | 47,779,280 | 113,025,292 | 17,949,438 | 15,007,205 | 4,834,169 | 43,818,302 | 242,413,686 |
| Additions and transfers from projects in progress | 568,210 | 4,313,435 | 563,985 | 688,274 | 811,217 | 2,488,562 | 9,433,683 |
| Disposals | - | (793,167) | - | - | (494,106) | (413,193) | (1,700,466) |
| Balance, end of the year | 48,347,490 | 116,545,560 | 18,513,423 | 15,695,479 | 5,151,280 | 45,893,671 | 250,146,903 |
| <u>Accumulated Depreciation:</u> | | | | | | | |
| Balance, beginning of the year | 8,978,248 | 77,872,843 | 15,395,036 | 10,168,599 | 1,691,669 | 12,409,477 | 126,515,872 |
| Depreciation for the year | 622,111 | 7,797,253 | 1,119,605 | 998,186 | 380,170 | 4,625,853 | 15,543,178 |
| Disposals | - | (670,588) | - | - | (396,752) | (120,232) | (1,187,572) |
| Balance, end of the year | 9,600,359 | 84,999,508 | 16,514,641 | 11,166,785 | 1,675,087 | 16,915,098 | 140,871,478 |
| <u>Net book value</u> | <u>38,747,131</u> | <u>31,546,052</u> | <u>1,998,782</u> | <u>4,528,694</u> | <u>3,476,193</u> | <u>28,978,573</u> | <u>109,275,425</u> |
| | Buildings and real estate * | Furniture and equipment | Computers | Leasehold improvements | Vehicles | Right of use assets | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| <u>2021</u> | | | | | | | |
| <u>Cost:</u> | | | | | | | |
| Balance, beginning of the year | 47,779,280 | 107,849,386 | 17,485,357 | 13,467,721 | 4,710,511 | 41,776,137 | 233,068,392 |
| Additions and transfers from projects in progress | - | 5,775,325 | 524,238 | 1,539,484 | 604,319 | 2,917,015 | 11,360,381 |
| Disposals | - | (599,419) | (60,157) | - | (480,661) | (874,850) | (2,015,087) |
| Balance, end of the year | 47,779,280 | 113,025,292 | 17,949,438 | 15,007,205 | 4,834,169 | 43,818,302 | 242,413,686 |
| <u>Accumulated Depreciation:</u> | | | | | | | |
| Balance, beginning of the year | 8,356,599 | 71,174,830 | 14,156,307 | 8,093,293 | 1,690,186 | 8,166,800 | 111,638,015 |
| Depreciation for the year | 621,649 | 6,961,633 | 1,295,497 | 2,075,306 | 322,222 | 4,535,390 | 15,811,697 |
| Disposals | - | (263,620) | (56,768) | - | (320,739) | (292,713) | (933,840) |
| Balance, end of the year | 8,978,248 | 77,872,843 | 15,395,036 | 10,168,599 | 1,691,669 | 12,409,477 | 126,515,872 |
| <u>Net book value</u> | <u>38,801,032</u> | <u>35,152,449</u> | <u>2,554,402</u> | <u>4,838,606</u> | <u>3,142,500</u> | <u>31,408,825</u> | <u>115,897,814</u> |

* Buildings and real estate include parcels of land owned by the Bank to carry out its Banking activities amounted to U.S. \$ 15,700,255 as at December 31, 2022 and 2021.

Property, plant and equipment include U.S. \$ 83,399,376 and U.S. \$ 77,945,430 of fully depreciated assets that are still used in the Bank's operations as at December 31, 2022 and 2021, respectively.

14. Projects in progress

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

| | 2022 U.S. \$ | 2021 U.S. \$ |
|---|-----------------|------------------|
| Balance, beginning of the year | 1,366,792 | 2,680,297 |
| Additions | 577,541 | 1,644,400 |
| Impairment | - | (1,056,516) |
| Transfers to investment properties (note 12) | (73,533) | - |
| Transfers to property, plant and equipment and right of use assets (note 13) | (1,221,257) | (1,901,389) |
| Balance, end of the year | <u>649,543</u> | <u>1,366,792</u> |

As at December 31, 2022 the estimated cost to complete projects in progress amounted to U.S. \$ 1,684,293 Projects are expected to be completed during the year 2023.

15. Intangible assets

| | Goodwill* U.S. \$ | Computer software U.S. \$ | Total U.S. \$ |
|---|----------------------|---------------------------------|-------------------|
| Cost | | | |
| Balance as at January 1, 2022 | 3,774,558 | 25,841,995 | 29,616,553 |
| Additions | - | 2,699,011 | 2,699,011 |
| Balance as at December 31, 2022 | <u>3,774,558</u> | <u>28,541,006</u> | <u>32,315,564</u> |
| Amortization | | | |
| Balance as at January 1, 2022 | - | 15,002,660 | 15,002,660 |
| Additions | - | 2,328,018 | 2,328,018 |
| Balance as at December 31, 2022 | <u>-</u> | <u>17,330,678</u> | <u>17,330,678</u> |
| Net Book Value As at December 31, 2022 | <u>3,774,558</u> | <u>11,210,328</u> | <u>14,984,886</u> |
| | Goodwill* U.S. \$ | Computer software U.S. \$ | Total U.S. \$ |
| Cost | | | |
| Balance as at January 1, 2021 | 3,774,558 | 24,541,092 | 28,315,650 |
| Additions | - | 1,300,903 | 1,300,903 |
| Balance as at December 31, 2021 | <u>3,774,558</u> | <u>25,841,995</u> | <u>29,616,553</u> |
| Amortization | | | |
| Balance as at January 1, 2021 | - | 12,887,255 | 12,887,255 |
| Additions | - | 2,115,405 | 2,115,405 |
| Balance as at December 31, 2021 | <u>-</u> | <u>15,002,660</u> | <u>15,002,660</u> |
| Net Book Value As at December 31, 2021 | <u>3,774,558</u> | <u>10,839,335</u> | <u>14,613,893</u> |

* 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, 2022 and 2021. The book value of the investment was also compared to its market value, and to the sale of similar investments in the financial markets, so that the market value of the investment was greater than the book value, and hence, it did not result in any impairment losses on the recorded goodwill.

16. Other assets

This item comprises the following:

| | 2022 | 2021 |
|---|-------------------|-------------------|
| | U.S. \$ | U.S. \$ |
| Accrued interests and commissions | 13,063,243 | 11,194,422 |
| Accounts receivable and temporary advance payments, net* | 10,626,717 | 11,743,498 |
| In advance payments | 8,997,925 | 6,451,191 |
| Positive financial derivatives | 7,531,513 | - |
| Clearing checks | 2,997,174 | 10,003,474 |
| Assets obtained by the Bank by calling on collateral** | 2,389,249 | 779,869 |
| Stationery and printings material and equipment in stores | 2,385,007 | 2,324,916 |
| Other current assets | 2,263,795 | 1,840,817 |
| | <u>50,254,623</u> | <u>44,338,187</u> |

* Accounts receivable and temporary advance payments are shown in net. During 2021, provision was recorded in an amount of U.S. \$ 300,000. During 2022, the Bank fully recovered the provision recorded.

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

| | 2022 | 2021 |
|--------------------------------|------------------|----------------|
| | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 779,869 | 1,867,160 |
| Sale of properties | - | (419,760) |
| Impairment | - | (667,531) |
| Additions | 1,609,380 | - |
| Balance, end of the year | <u>2,389,249</u> | <u>779,869</u> |

17. Palestine Monetary Authority's deposits

This item comprises the following:

| | 2022 | 2021 |
|---|--------------------|--------------------|
| | U.S. \$ | U.S. \$ |
| Current accounts | 3,317,152 | 46,296,880 |
| Term deposits maturing within 3 months | 70,881,775 | 16,042,099 |
| SWAP deposits maturing in less than 3 months | 15,593,985 | 73,472,818 |
| Deposits maturing in more than 3 months | 89,311,038 | 86,627,310 |
| Motivational deposits maturing in more than 3 months* | 20,000,000 | 20,000,000 |
| | <u>199,103,950</u> | <u>242,439,107</u> |

* This item represents the value of motivational deposits from PMA to the Arab Islamic Bank (subsidiary company) with the aim of mitigating the economic effects of the Corona Virus (Covid 19) crisis on the activities of the subsidiary and the losses it sustained as a result of postponing customer installments during the year 2020. These deposits mature within 3 years from the date of their deposit, whereas PMA's return is 0.5% on these deposits.

18. Banks and financial institutions' deposits

This item comprises the following:

| | Current and on-demand accounts U.S. \$ | Term deposits maturing within 3 months U.S. \$ | SWAP deposits U.S. \$ | Term deposits maturing in more than 3 months U.S. \$ | Total U.S. \$ |
|-------------|---|---|-----------------------------|---|--------------------|
| <u>2022</u> | | | | | |
| Local | 270,152 | 39,746,711 | 11,483,650 | 2,932,086 | 54,432,599 |
| Foreign | 23,914,412 | - | 15,321,000 | - | 39,235,412 |
| | <u>24,184,564</u> | <u>39,746,711</u> | <u>26,804,650</u> | <u>2,932,086</u> | <u>93,668,011</u> |
| <u>2021</u> | | | | | |
| Local | 1,010,601 | 18,996,455 | 10,000,000 | 2,000,000 | 32,007,056 |
| Foreign | 11,425,149 | 66,629,663 | 10,000,000 | - | 88,054,812 |
| | <u>12,435,750</u> | <u>85,626,118</u> | <u>20,000,000</u> | <u>2,000,000</u> | <u>120,061,868</u> |

19. Customers' deposits

| | <u>2022</u> U.S. \$ | <u>2021</u> U.S. \$ |
|---|------------------------|------------------------|
| <u>Customers' deposits</u> | | |
| Current and on-demand deposits | 1,985,682,703 | 1,950,804,278 |
| Saving deposits | 1,394,367,423 | 1,308,094,915 |
| Time deposits | 664,789,756 | 789,999,818 |
| Debit balances – temporarily credit | 18,658,495 | 18,904,458 |
| | <u>4,063,498,377</u> | <u>4,067,803,469</u> |
| <u>Unrestricted investment accounts</u> | | |
| Saving deposits | 601,739,408 | 569,584,056 |
| Time deposits | 301,375,570 | 376,163,801 |
| | <u>903,114,978</u> | <u>945,747,857</u> |
| | <u>4,966,613,355</u> | <u>5,013,551,326</u> |

- Public sector deposits amounted to U.S. \$ 228,679,521 and U.S. \$ 233,076,002 representing 4.60% and 4.65% of total deposits as at December 31, 2022 and 2021, respectively.
- Non-bearing interest and profit deposits amounted to U.S. \$ 3,398,708,621 and U.S. \$ 3,277,803,651 representing 68.43% and 65.38% of total deposits as at December 31, 2022 and 2021, respectively.
- Dormant deposits amounted to U.S. \$ 121,126,284 and U.S. \$ 129,318,773 representing 2.44% and 2.58% of total deposits as at December 31, 2022 and 2021, respectively.
- Restricted deposits amounted to U.S. \$ 82,085,901 and U.S. \$ 113,799,938 representing 1.65% and 2.27% of total deposits as at December 31, 2022 and 2021, respectively.

20. Cash margins

This item represents cash margins against:

| | <u>2022</u> U.S. \$ | <u>2021</u> U.S. \$ |
|--|------------------------|------------------------|
| Direct credit facilities and Islamic financing | 223,989,287 | 215,141,761 |
| Indirect credit facilities and Islamic financing | 34,968,125 | 34,946,784 |
| Others | 41,153,075 | 41,499,731 |
| | <u>300,110,487</u> | <u>291,588,276</u> |

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 Loan

During 2016, the Bank obtained the subordinated loan in accordance with a subordinated loan agreement signed on June 20, 2016, with International Finance Corporation (IFC) in the amount of U.S. \$ 50 million payable on 10 semiannual installments for 10 years with 5 years of grace period. The first installment is due on December 15, 2021 and the last installment will become due on June 15, 2027. The loan is subject to average annual interest rate of 7.52%, the interest will be paid on semiannual basis and started December 15, 2016.

On May 30, 2017, the Bank signed additional subordinated loan agreement with IFC according to which the subordinated loan was increased by U.S. \$ 25 million to become U.S. \$ 75 million under the same terms and conditions of the subordinated loan agreement stated above.

During 2022, the Bank paid an amount of U.S. \$ 12.5 million of the value of this subordinated loan, bringing the outstanding balance to U.S. \$ 60 million as on December 31, 2022, compared to U.S. \$ 72.5 million as on December 31, 2021.

22. Loans and borrowings

Details of this item are as follows:

| | 2022 | 2021 |
|--|-------------------|-------------------|
| | U.S. \$ | U.S. \$ |
| Arab Fund for Economic and Social Development * | 30,000,000 | 15,000,000 |
| French Agency for Development ** | 31,307,124 | 13,442,500 |
| European Bank for Reconstruction and Development (EBRD)*** | 7,777,778 | 10,000,000 |
| European Investment Bank **** | 8,571,429 | 10,000,000 |
| | <u>77,656,331</u> | <u>48,442,500</u> |

* 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 will be due on June 30, 2023 and the last installment will become due on June 30, 2030. The loan is subject to average annual interest rate of 3%. During the year, an amount of U.S. \$ 15 million was transferred. The utilized amount as at December 31, 2022 and 2021 amounted to U.S. \$ 30 million and 15 million, 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 average annual interest rate of 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 24 months. The loan is subject to average annual interest rate of 5.74%. The utilized amount as at December 31, 2022 and 2021 amounted to U.S. \$ 31,307,124 and 13,442,500, respectively.

*** During 2021, the Bank signed an agreement with the European Bank for Reconstruction and Development by the amount of U.S. \$ 15,000,000 to finance credit facilities of small and medium enterprises. During 2021, an amount of U.S. \$ 10,000,000 was transferred. The loan is to be settled through 9 semiannual installments with a grace period of 18 months. The first installment will be due on June 15, 2022 and the last installment will become due on June 15, 2026. The loan is subject to average annual interest rate of Libor plus 3%. The parties agreed on an interest rate of 6.02% for the second half of 2022. The utilized amount as at December 31, 2022 and 2021 amounted to U.S. \$ 7,777,778 and 10,000,000, respectively.

**** 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 transferred during 2021, and the rest of the amount will be transferred in the coming years. This loan is repayable in 14 semi-annual installments. The first installment will be due on May 15, 2022, and the last settlement will become due on November 15, 2028. The loan is subject to average annual interest rate of 3.49%. The utilized amount as at December 31, 2022 and 2021 amounted to U.S. \$ 8,571,429 and 10,000,000, respectively.

23. Istidama loans from Palestine Monetary Authority

This item represents PMA's deposits as per PMA instructions number (22/2020) to mitigate the economic impacts of Coronavirus (COVID-19) outbreak on the economic activities and projects especially the small and medium projects. PMA charges an interest of 0.5% on the credit facilities granted and the Bank earns a declining interest at a maximum rate of 3% from borrowers. Istidama loans amounted to U.S. \$ 32,110,614 and U.S. \$ 22,307,552 as at December 31, 2022 and December 31, 2021, respectively.

24. Lease liabilities

| | 2022 | 2021 |
|--------------------------------|-------------------|-------------------|
| | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 31,900,160 | 33,453,914 |
| Additions | 2,488,562 | 2,917,015 |
| Finance costs | 781,680 | 958,455 |
| Disposals | (370,744) | (634,533) |
| Payments | (4,694,147) | (4,794,691) |
| Balance, end of the year | <u>30,105,511</u> | <u>31,900,160</u> |

The liabilities related to rent contracts are deducted using a discount rate of 3.01%. The expected life of the lease liabilities has been calculated over a period of 10 years.

The amount of the lease expense for short-term contracts and lease contracts of low-value assets that were recognized in the consolidated income statement for the year ended December 31, 2022 and December 31, 2021 amounted to U.S. \$ 750,350 and U.S. \$ 766,480, respectively (note 38).

25. Sundry provisions

| | Balance, beginning of the year | Provided during the year | Paid during the year | Balance, end of the year |
|--------------------------|--------------------------------------|--------------------------------|-------------------------|--------------------------------|
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| <u>December 31, 2022</u> | | | | |
| End of service provision | 48,763,888 | 10,641,157 | (9,268,983) | 50,136,062 |
| Lawsuits provision | 2,219,435 | - | - | 2,219,435 |
| | <u>50,983,323</u> | <u>10,641,157</u> | <u>(9,268,983)</u> | <u>52,355,497</u> |
| <u>December 31, 2021</u> | | | | |
| End of service provision | 46,931,940 | 9,833,706 | (8,001,758) | 48,763,888 |
| Lawsuits provision | 1,919,435 | 300,000 | - | 2,219,435 |
| | <u>48,851,375</u> | <u>10,133,706</u> | <u>(8,001,758)</u> | <u>50,983,323</u> |

End of service provision is calculated in accordance with the applicable labor law in Palestine and the Bank's personnel affairs system. The Bank also conducts an actuarial study to verify that there are no fundamental differences in calculating provisions in accordance with the IAS (19).

26. Taxes provisions

Movement on taxes provisions during the year ended December 31, 2022 and 2021 are as follows:

| | 2022 | 2021 |
|---------------------------------|-------------------|-------------------|
| | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 21,492,314 | 4,610,652 |
| Additions | 40,691,196 | 28,350,526 |
| Payments during the year | (27,278,003) | (11,468,864) |
| Currency variance and transfers | 534,501 | - |
| Balance, end of the year | <u>35,440,008</u> | <u>21,492,314</u> |

Details of taxes provision are as follows:

| | 2022 | 2021 |
|--|-------------------|-------------------|
| | U.S. \$ | U.S. \$ |
| Provision for the year | 43,797,331 | 28,920,430 |
| Recovery during the year | (2,314,115) | - |
| Motivational tax discounts and other settlements | (792,020) | (569,904) |
| Tax expenses presented in the consolidated income statement for the year | <u>40,691,196</u> | <u>28,350,526</u> |

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

| | 2022 | 2021 |
|---|--------------------|-------------------|
| | U.S. \$ | U.S. \$ |
| Accounting profit | 107,337,833 | 84,604,853 |
| Profit not subject to value added tax | (11,681,112) | (5,714,944) |
| Non-deductible tax expenses | 64,599,186 | 14,015,342 |
| Gross profit subject to value added tax | 160,255,907 | 92,905,251 |
| Deduct: value added tax | (22,104,263) | (12,814,517) |
| Value added tax on salaries | (8,135,580) | (7,800,711) |
| Adjustment for income tax calculation purpose | 1,332,296 | (3,286,669) |
| Taxable income | <u>131,348,360</u> | <u>69,003,354</u> |
| Income Tax expenses for the year | <u>19,702,254</u> | <u>10,350,503</u> |
| Taxes payable for the year | <u>41,806,517</u> | <u>23,165,020</u> |
| Taxes provisions for the year | <u>43,797,331</u> | <u>28,920,430</u> |
| Effective tax rate | <u>%41</u> | <u>%34</u> |

The Bank records provisions for taxes in accordance with the laws in effect- article No. (22) for the year 2017 and article No. (10) for the year 2017.

During the year, the Bank reached a final settlement with the tax departments on the results of its operations until 2020, which resulted in U.S. \$ 2,314,115 excess recognized in the consolidated income statement. The Bank did not reach a final settlement with the tax departments on the results of its operations for 2021. The Bank submitted its tax declaration on the results of its operations on time, the actual tax amount to be paid depends on the final settlements with the Tax Departments.

The Arab Islamic Bank (a subsidiary) reached a final settlement with the tax departments on the results of its operations until 2021. PalPay (a subsidiary) did not reach a final settlement with the tax departments on the results of its operations for the years 2021 and 2020. 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 2021.

As at December 31, 2022, the legal income tax rate is 15% and value added tax rate is 16%. According to Law No. (4) for the year 2014, concerning the amendment of Law No. (8) for the year 2011 related to income taxes; income tax rate on profits resulted from financing small and medium enterprises equals to %10 of profit.

27. Other liabilities

Details of this item are as follows:

| | 2022 | 2021 |
|--|-------------------|-------------------|
| | U.S. \$ | U.S. \$ |
| Certified Bank checks | 18,746,323 | 22,086,247 |
| Outward Transfers | 16,455,349 | 10,679,050 |
| Accounts payable of subsidiaries' customers | 15,801,003 | 13,679,208 |
| Temporary deposits | 6,997,658 | 4,580,207 |
| Accrued and unpaid interests | 6,520,993 | 6,696,086 |
| Cash dividends payable | 5,404,114 | 5,505,477 |
| Accrued expenses | 5,308,715 | 1,987,990 |
| Provision for employee rewards | 3,550,000 | 5,700,000 |
| Interests and commissions paid in advance | 3,472,296 | 4,655,044 |
| Cash margins for donors | 2,754,891 | 3,038,627 |
| Accrued taxes | 2,549,200 | 2,775,327 |
| Return on unrestricted investment accounts | 2,162,771 | 2,767,005 |
| Board of Directors bonuses | 1,262,000 | 1,240,000 |
| Provision for expected credit losses on indirect credit facilities (note 50) | 552,520 | 315,086 |
| Negative financial derivatives | - | 6,256,487 |
| Others | 3,336,639 | 4,894,110 |
| | <u>94,874,472</u> | <u>96,855,951</u> |

28. Additional paid-in capital

Additional paid in capital resulted from the following:

- The acquisition of the Bank's portfolio of the Commercial Bank of Palestine (CBP), which resulted in issuing 10,008,685 shares of Bank's shares to the shareholders of CBP. The share price of Bank of Palestine of U.S. \$ 1 par value was U.S. \$ 2.58. This resulted in additional paid-in capital of U.S. \$ 15,813,723. The acquisition was based on the Bank's extra -ordinary meeting held on March 25, 2016.
- The admission of the International Finance Corporation (IFC) as a strategic partner with 5% of the share capital which amounted to 4,070,239 shares of U.S. \$ 1 par value, each and an additional paid-in capital of U.S. \$ 2.06 for each share with total additional paid-in capital amounting to U.S. \$ 8,384,692. The admission was based on the Bank's Board of Director's decision in the meeting held on June 15, 2008.
- Offering 13 million shares exclusively for Banks' shareholders at U.S. \$ 1 par value for each share plus U.S. \$ 0.5 of additional paid-in capital, with a total additional paid-in capital amounted to U.S. \$ 650,000. The offer was based on extra-ordinary shareholders meeting on April 6, 2007.
- On July 15, 2021, the Bank signed an agreement with the French Proparco Corporation (the Corporation) in which the French Development Agency (FISEA) a subsidiary of the Proparco Corporation invests, according to which the Corporation was entered as a strategic partner to the Bank, with a contribution of 3.34% of the Bank's capital, equivalent to 7,272,727 share at U.S. \$ 1 par value per share plus U.S. \$ 0.65 of additional paid-in capital, with a total additional paid-in capital amounted to U.S. \$ 4,727,273.

29. Reserves

Statutory reserve

As required by the Companies' and Banking Law, the Bank shall deduct and transfer 10% of net profit to the statutory reserve until the reserve equals the paid-in share capital. The reserve is not to be utilized nor available for distribution to shareholders without PMA's prior approval.

Voluntarily reserve

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

General Banking risks reserve

The item represents the amount of general Banking risk reserve deducted in accordance with PMA's regulations number (6/2015) based on 1.5% of direct credit facilities and financing after deducting impairment allowance for credit facilities and financing and suspended gain and interest and 0.5% of indirect credit facilities and financing. In accordance with PMA's circulation number (53/2013), no general Banking risk reserve is created against the direct credit facilities and financing granted to small and medium enterprises if the conditions mentioned in the circular are met. During 2018, the Bank applied IFRS (9) and utilized this reserve for the ECL of stage (1) and 2 in accordance with PMA instructions No. (2/2018). The reserve will not to be utilized or reduced without PMA's prior approval. During the year and based on the decision of the general assembly of the bank and the approval of the Palestinian Monetary Authority, the bank transferred an amount of U.S \$ 1,937,201 from the general banking risk reserve to retained earnings.

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 buffer, so that the ratio is between (0.5%) of the risk-weighted assets. The instructions require the bank to commit to forming a capital buffer for cyclical fluctuations within a maximum period of March 31, 2023, and to disclose in the interim and final financial statements as 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.

30. Cash and Stock Dividends

The Bank's general assembly, during its ordinary meeting held on April 19, 2022, approved dividends distribution of U.S. \$ 26,094,067, as stock dividends of U.S. \$ 6,525,050 and as cash dividends of U.S. \$ 19,569,017 based on pro-rata ownership of the Bank's shareholders in the Bank's share capital. During the year, the Bank obtained PMA's approval to capitalize amount of U.S. \$ 1,937,201 from general banking risks reserve and utilize this amount as part of stock distributions.

The Bank's general assembly, during its ordinary meeting held on March 31, 2021, approved dividends distribution of U.S. \$ 10,404,000, as stock dividends of U.S. \$ 2,080,800 and as cash dividends of U.S. \$ 8,323,200 based on pro-rata ownership of the Bank's shareholders in the Bank's share capital .

Cash and stock dividends from a subsidiary

The general assembly of Arab Islamic Bank (a subsidiary) decided in its ordinary meeting held on April 17, 2022, approved a stock dividend distribution to shareholders at 4.9% of the nominal value of the share, with a total amount of U.S. \$ 4,500,000, and cash dividends of 4.36% 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 2021. The share of non-controlling parties in the distributed profits amounted to a total of U.S. \$ 1,917,512.

The general assembly of Arab Islamic Bank (a subsidiary) decided in its ordinary meeting held on March 30, 2021, approved a stock dividend distribution to shareholders at 3.67% of the nominal value of the share, with a total amount of U.S. \$ 3,250,000, and cash dividends of 2.9% of the nominal value of the share, with a total amount of U.S. \$ 2,565,000 from the Bank's operating results for the year 2020. The share of non-controlling parties in the distributed profits amounted to a total of U.S. \$ 1,229,604.

31. Interest income

This item comprises interest revenues earned on the following accounts:

| | 2022 | 2021 |
|--|--------------------|--------------------|
| | U.S. \$ | U.S. \$ |
| Loans | 129,518,204 | 117,922,341 |
| Overdraft accounts | 27,727,039 | 27,858,793 |
| Overdrawn accounts | 11,935,247 | 12,219,407 |
| Financial assets at amortized cost | 9,423,230 | 8,874,043 |
| Balances, deposits and investments at Banks and financial institutions | 8,580,211 | 4,272,445 |
| Credit cards | 3,127,241 | 3,546,854 |
| | <u>190,311,172</u> | <u>174,693,883</u> |

32. Interest expense

This item comprises interest incurred on the following accounts:

| | 2022 | 2021 |
|---|-------------------|-------------------|
| | U.S. \$ | U.S. \$ |
| <u>Interest on customers' deposits</u> | | |
| Time deposits | 16,573,139 | 25,198,716 |
| Saving accounts | 2,488,939 | 2,944,509 |
| Current and on demand accounts | 153,137 | 154,305 |
| | <u>19,215,215</u> | <u>28,297,530</u> |
| Interest on subordinated loan | 5,438,531 | 5,831,888 |
| Interest on Palestine Monetary Authority's deposits | 2,088,458 | 1,491,136 |
| Interest on loans and borrowings | 1,962,434 | 1,049,100 |
| Interest on Banks' and financial institutions' deposits | 812,254 | 1,276,759 |
| Interest on lease liabilities | 781,680 | 959,837 |
| | <u>30,298,572</u> | <u>38,906,250</u> |

33. Net financing and investment income

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

| | 2022 | 2021 |
|--|-------------------|-------------------|
| | U.S. \$ | U.S. \$ |
| Revenues from financing returns | 60,940,570 | 60,693,209 |
| Investment returns | 3,069,722 | 2,192,718 |
| | <u>64,010,292</u> | <u>62,885,927</u> |
| Less: return of unrestricted investment accounts | (7,854,958) | (12,719,228) |
| | <u>56,155,334</u> | <u>50,166,699</u> |

34. Net commissions

This item comprises commissions against the following:

| | 2022 | 2021 |
|--------------------------------------|-------------------|-------------------|
| | U.S. \$ | U.S. \$ |
| Commissions income: | | |
| Accounts management commission | 8,437,416 | 7,460,217 |
| Bank transfers | 7,931,296 | 7,344,144 |
| Checks | 6,942,458 | 4,977,780 |
| Direct credit facilities | 4,867,991 | 3,013,436 |
| Indirect credit facilities | 4,098,053 | 3,217,377 |
| Salaries commission | 3,699,167 | 3,524,533 |
| Credit cards commission revenue, net | 2,616,027 | 5,439,515 |
| Other Banking services | 6,332,141 | 6,414,128 |
| | <u>44,924,549</u> | <u>41,391,130</u> |
| Less: commissions expense | (4,809,651) | (3,747,398) |
| | <u>40,114,898</u> | <u>37,643,732</u> |

35. Net gains from financial assets

This item comprises the following:

| | 2022 | 2021 |
|---|------------------|------------------|
| | U.S. \$ | U.S. \$ |
| Dividends from financial assets through other comprehensive income | 2,474,650 | 1,977,333 |
| Dividends from financial assets through profit or loss | 488,773 | 481,418 |
| Realized gains from sale of financial assets at fair value through profit or loss | 14,088 | 1,255,231 |
| Unrealized (losses)/gains from revaluation of financial assets at fair value through profit or loss | (1,048,479) | 4,199,145 |
| Dividends from financial assets at fair value through profit or loss sold during the year | - | 711,980 |
| Gains from sale of financial assets at amortized cost | - | 19,858 |
| Investment management fees | (544,438) | (693,134) |
| | <u>1,384,594</u> | <u>7,951,831</u> |

36. Other revenues, net

| | 2022 | 2021 |
|---|-------------------|------------------|
| | U.S. \$ | U.S. \$ |
| Safe boxes rental | 263,804 | 247,207 |
| Recovery of suspended interest and profit | 3,754,246 | 3,857,115 |
| Sundry | 6,828,900 | 4,325,099 |
| | <u>10,846,950</u> | <u>8,429,421</u> |

37. Personnel expenses

| | 2022 | 2021 |
|---|-------------------|-------------------|
| | U.S. \$ | U.S. \$ |
| Salaries and related benefits | 52,461,624 | 50,225,633 |
| Provision for employees' end of service | 10,641,157 | 9,833,706 |
| Value added tax on salaries | 8,135,580 | 7,800,711 |
| Bonuses and rewards | 4,896,513 | 6,134,250 |
| Medical and insurance expenses | 3,861,680 | 3,745,537 |
| Bank's contribution to saving fund * | 2,194,958 | 2,128,265 |
| Transportation | 1,408,513 | 545,530 |
| Training expenses | 1,033,499 | 839,351 |
| Clothing allowances | 996,964 | 919,211 |
| | <u>85,630,488</u> | <u>82,172,194</u> |

- * The Bank deducted %5 of each employee's monthly basic salary and matched it with an additional %5 as the Bank's contribution for employees in service for less than 5 years, 8% for employees in service for the period from 5 years to less than 10 years, and 10% for employees in service for the period of more than 10 years.

38. Other operating expenses

| | 2022 | 2021 |
|---|-------------------|-------------------|
| | U.S. \$ | U.S. \$ |
| Palestine Deposit Insurance Corporation fees* | 9,642,700 | 4,721,739 |
| Telephone, postage and fax | 6,174,821 | 5,702,374 |
| Maintenance and repairs | 5,728,175 | 6,308,071 |
| Cash shipping expense | 5,120,434 | 4,592,840 |
| Professional fees | 5,031,063 | 4,297,917 |
| Advertising and promotions | 4,235,906 | 3,342,266 |
| Subscriptions fees | 2,384,781 | 2,355,459 |
| Board of Directors bonuses and allowances | 2,335,604 | 2,077,907 |
| Utilities | 2,324,674 | 2,298,849 |
| Social responsibility ** | 2,091,615 | 2,050,429 |
| Stationery and printing | 2,037,148 | 1,674,300 |
| Insurance fees | 1,722,297 | 1,441,958 |
| Fuel | 1,149,890 | 1,037,508 |
| Guarding and cleaning fees | 1,216,561 | 1,143,458 |
| License fees | 879,413 | 1,328,054 |
| Travel and seminars fees | 847,104 | 278,847 |
| Rent (note 24) | 750,350 | 766,480 |
| Hospitality and ceremonies fees | 485,956 | 431,210 |
| Vehicles' expense | 274,795 | 265,869 |
| Sundry | 3,842,132 | 4,741,974 |
| | <u>58,275,419</u> | <u>50,857,509</u> |

* Banks must accrue an annual subscription fee for Palestine Deposit Insurance Corporation (the Corporation) for the corporation's account at 0.3% of total deposit balance specified under this law No. (7) for the year 2013. On October 27, 2020, PDIC issued a circular No. (2/2020) regarding reducing the minimum subscription fee to (0.1%-0.8%), and as at October 1, 2020 the subscription fee percentage will be calculated at 0.1% of the average total deposit instead of 0.2% of the average total deposit. On November 9, 2021, the Corporation issued Circular No. (2/2021) regarding raising the fixed subscription fee rate to 0.2% of the average total subject deposits as at January 1, 2022.

** The Bank is committed to support social responsibility projects and activities in Palestine through contributions towards the development of various sectors including education, youth, innovation, sport, health and environment, culture and arts, development and economic, diaspora affairs, humanitarian effort and women empowerment, in addition, the Bank encourages its employees to participate in voluntary work by engaging them in developmental projects in cooperation with partner organizations and humanitarian initiatives. Social responsibility represents 3.14% and 3.64% of profit for the years 2022 and 2021, respectively.

39. Provision for expected credit losses on investments, and indirect credit facilities and Islamic financing, net

This account represents the IFRS (9) effect on the financial assets except for direct credit facilities in which it is shown in note (8), as follows:

| | 2022 | | | | 2021 |
|---|------------------|----------------|------------------|------------------|------------------|
| | Stage (1) | Stage (2) | Stage (3) | Total | |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balances with Palestine Monetary Authority (note 5) | 1,060,855 | - | - | 1,060,855 | 809,904 |
| Balances, deposits and investments at Banks and financial institutions (note 6) | 105,339 | - | 265,984 | 371,323 | 144,584 |
| Financial assets at amortized cost (note 10) | 832,267 | (43,026) | 1,358,030 | 2,147,271 | 878,589 |
| Indirect credit facilities (note 50) | 34,726 | 202,708 | - | 237,434 | 12,933 |
| Total | <u>2,033,187</u> | <u>159,682</u> | <u>1,624,014</u> | <u>3,816,883</u> | <u>1,846,010</u> |

40. Palestine Monetary Authority fines

This item represents fines imposed by PMA on the Bank and its subsidiary amounted to U.S. \$ 25,000 and U.S. \$ 20,000 for the year ended December 31, 2022 and 2021, respectively, related to non-compliance with some PMA instructions and the related laws and regulations.

41. Cash and cash equivalents

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

| | 2022 | 2021 |
|--|----------------------|----------------------|
| | U.S. \$ | U.S. \$ |
| Cash and balances with Palestine Monetary Authority | 1,805,386,214 | 1,780,389,793 |
| <u>Add:</u> | | |
| Balances, deposits and investments at Banks and financial institutions | 595,923,080 | 785,484,594 |
| | 2,401,309,294 | 2,565,874,387 |
| <u>Less:</u> | | |
| Deposits at Banks and financial institutions maturing after 3 months | (32,040,903) | (13,000,000) |
| Investments at Islamic Banks maturing after 3 months | (6,000,000) | (3,000,000) |
| Restricted balances of withdrawal | (75,823,828) | (83,831,814) |
| Palestine Monetary Authority's deposits | (89,792,912) | (135,811,797) |
| Banks and financial institutions' deposits maturing within 3 months | (90,735,925) | (118,061,868) |
| Statutory cash reserve | (490,496,023) | (474,918,296) |
| | <u>1,616,419,703</u> | <u>1,737,250,612</u> |

42. Basic and diluted earnings per share

| | 2022 | 2021 |
|---|--------------------|--------------------|
| | U.S. \$ | U.S. \$ |
| Profit for the year attributable to equity holders of the Bank | <u>60,912,868</u> | <u>49,132,664</u> |
| | Shares | Shares |
| Weighted average of subscribed shares during the year | <u>223,958,577</u> | <u>220,073,148</u> |
| | U.S. \$ | U.S. \$ |
| Basic and diluted earnings per share attributable to equity holders of the Bank | <u>0.27</u> | <u>0.22</u> |

43. Related party transactions

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

| | Associates | Joint Venture | Board of Directors and executive management | Others* | Total |
|---|--------------------------------|---|---|-------------------|--------------------|
| 2022 | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| <u>Consolidated statement of financial position items:</u> | | | | | |
| Direct credit facilities and Islamic financing | <u>5,089,800</u> | <u>6,697,410</u> | <u>57,537,585</u> | <u>33,957,902</u> | <u>103,282,697</u> |
| Including: | | | | | |
| Non-performing credit facilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,201,838</u> | <u>1,201,838</u> |
| Deposits | <u>679,819</u> | <u>435,221</u> | <u>31,973,951</u> | <u>23,920,413</u> | <u>57,009,404</u> |
| Financial assets at amortized cost | <u>-</u> | <u>-</u> | <u>8,000,000</u> | <u>-</u> | <u>8,000,000</u> |
| Financial assets at fair value through other comprehensive income | <u>-</u> | <u>-</u> | <u>5,066,665</u> | <u>-</u> | <u>5,066,665</u> |
| Board of Directors remunerations and expenses | <u>-</u> | <u>-</u> | <u>1,262,000</u> | <u>-</u> | <u>1,262,000</u> |
| <u>Commitments and contingencies</u> | | | | | |
| Letters of guarantees | <u>211,566</u> | <u>-</u> | <u>17,094,854</u> | <u>893,565</u> | <u>18,199,985</u> |
| Letters of credit | <u>-</u> | <u>-</u> | <u>-</u> | <u>532,100</u> | <u>532,100</u> |
| Unutilized limits | <u>1,765,096</u> | <u>-</u> | <u>273,566</u> | <u>5,148,058</u> | <u>7,186,720</u> |
| <u>Consolidated Income statement items:</u> | | | | | |
| Interest and commissions earned | <u>259,621</u> | <u>338,823</u> | <u>2,824,285</u> | <u>1,492,429</u> | <u>4,915,158</u> |
| Interest and commissions paid | <u>-</u> | <u>-</u> | <u>317,790</u> | <u>69,203</u> | <u>386,993</u> |
| | | | | | |
| | Associates and a joint venture | Board of Directors and executive management | Others* | Total | |
| 2021 | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | |
| <u>Consolidated statement of financial position items:</u> | | | | | |
| Direct credit facilities and Islamic financing | <u>3,975,723</u> | <u>50,461,025</u> | <u>30,547,514</u> | <u>84,984,262</u> | |
| Including: | | | | | |
| Non-performing credit facilities | <u>-</u> | <u>-</u> | <u>583,814</u> | <u>583,814</u> | |
| Deposits | <u>1,650,705</u> | <u>38,080,993</u> | <u>29,734,843</u> | <u>69,466,541</u> | |
| Financial assets at amortized cost | <u>-</u> | <u>8,000,000</u> | <u>-</u> | <u>8,000,000</u> | |
| Board of Directors remunerations and expenses | <u>-</u> | <u>1,240,000</u> | <u>-</u> | <u>1,240,000</u> | |
| <u>Commitments and contingencies</u> | | | | | |
| Letters of guarantees | <u>211,566</u> | <u>9,505,161</u> | <u>976,060</u> | <u>10,692,787</u> | |
| Letters of credit | <u>-</u> | <u>-</u> | <u>566,000</u> | <u>566,000</u> | |
| Unutilized limits | <u>-</u> | <u>291,984</u> | <u>8,688,879</u> | <u>8,980,863</u> | |
| <u>Consolidated Income statement items:</u> | | | | | |
| Interest and commissions earned | <u>178,976</u> | <u>2,524,995</u> | <u>1,002,702</u> | <u>3,706,673</u> | |
| Interest and commissions paid | <u>-</u> | <u>651,727</u> | <u>211,775</u> | <u>863,502</u> | |

- * 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, 2022 and 2021 represent 2.88% and 2.46% 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, 2022 and 2021 represent 17.24% and 15.55% respectively, from the Bank's regulatory capital.
- Interest on U.S. \$ direct credit facilities ranges between 0.6% 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 7.5% to 11%.
- Interest on U.S. \$ deposits ranges between 0.10% to 5.25%.

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

| | 2022 | 2021 |
|--|-----------|-----------|
| | U.S. \$ | U.S. \$ |
| Executive management's salaries and related benefits (short term benefits) | 4,400,658 | 2,867,378 |
| Executive management's end of service provision (long term benefits) | 365,080 | 440,746 |
| Board of Directors' bonuses and expenses * | 1,812,083 | 1,240,000 |
| Chairman allowances | 480,000 | 480,000 |

- * This item includes the board of directors' remuneration of Bank of Palestine in the amount of U.S. \$ 990,000 for the year 2022 and 2021, respectively.

Following are the details of Board of Director remuneration for the years 2022 and 2021.

| | 2022 | 2021 |
|--------------------|---------|---------|
| | U.S. \$ | U.S. \$ |
| Hashim Hani Shawa | 100,112 | 108,659 |
| Abdullah Al-Ghanim | 100,112 | 96,585 |
| Tafeeda Jarbawi | 100,112 | 108,659 |
| Emad Erik Shehadeh | 100,112 | 108,659 |
| Lana Abu Hijleh | 100,112 | 108,659 |
| Maha Awad | 100,112 | 108,659 |
| Tawfeeq Habash | 77,865 | - |
| Adel Dajani | 77,865 | - |
| Tariq Aqqad | 66,742 | 84,512 |
| Lama Kan'an | 66,742 | - |
| Linda Tarzi | 55,620 | - |
| Maher Jawad Farah | 22,247 | 108,659 |
| Hani Hasan Nigim | 22,247 | 108,659 |
| Nada Abu Shousha | - | 48,290 |
| | 990,000 | 990,000 |

Article no. (56) of the Bank's bylaw, states that 5% of the Banks' annual net income shall be distributed to the members of the Board of Directors. Actual bonuses distributed were 1.89% and 2.20% of profit for the years 2022 and 2021, respectively.

44. Fair value of financial instruments

The table below represents a comparison between the carrying amounts and fair values of financial instruments as at December 31, 2022:

| | | Fair value | | | |
|--|----------------|---------------|------------|---------------|---------------|
| | Carrying value | Level 1 | Level 2 | Level 3 | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Financial assets | | | | | |
| Cash and balances with Palestine Monetary Authority | 1,803,515,455 | 1,803,515,455 | - | - | 1,803,515,455 |
| Balances, deposits and investments at Banks and financial institutions | 592,297,476 | 592,297,476 | - | - | 592,297,476 |
| Financial assets at fair value through profit or loss: | | | | | |
| Quoted stocks | 1,281,929 | 1,502,782 | - | - | 1,502,782 |
| Unquoted stocks | 7,665,503 | - | 2,842,242 | 4,823,261 | 7,665,503 |
| Direct credit facilities and Islamic financing | | | | | |
| Individuals | 1,222,939,598 | - | - | 1,222,939,598 | 1,222,939,598 |
| Corporate, local regulators, institutions and small projects | 1,636,908,757 | - | - | 1,636,908,757 | 1,636,908,757 |
| Palestine National Authority | 712,206,510 | - | - | 712,206,510 | 712,206,510 |
| Financial assets at fair value through other comprehensive income: | | | | | |
| Quoted stocks | 46,962,517 | 46,962,517 | - | - | 46,962,517 |
| Unquoted stocks | 12,563,716 | - | - | 12,563,716 | 12,563,716 |
| Financial assets at amortized cost: | | | | | |
| Treasury bills | 151,744,780 | 151,744,780 | - | - | 151,744,780 |
| Quoted bonds | 39,092,591 | 38,831,331 | - | - | 38,831,331 |
| Unquoted bonds | 12,317,876 | - | - | 12,317,876 | 12,317,876 |
| Islamic sukuk | 38,151,225 | 38,136,875 | - | - | 38,136,875 |
| Other financial assets | 36,482,442 | - | 7,531,513 | 28,950,929 | 36,482,442 |
| Total assets | 6,314,130,375 | 2,672,991,216 | 10,373,755 | 3,630,710,647 | 6,314,075,618 |
| Financial liabilities | | | | | |
| Palestine Monetary Authority deposits | 199,103,950 | 199,103,950 | - | - | 199,103,950 |
| Banks and financial institutions' deposits | 93,668,011 | 93,668,011 | - | - | 93,668,011 |
| Customers' deposits | 4,966,613,355 | 4,966,613,355 | - | - | 4,966,613,355 |
| Cash margins | 300,110,487 | 300,110,487 | - | - | 300,110,487 |
| Subordinated loan | 60,000,000 | - | - | 60,000,000 | 60,000,000 |
| Loans and borrowings | 77,656,331 | - | - | 77,656,331 | 77,656,331 |
| Istidama loans from Palestine Monetary Authority | 32,110,614 | - | - | 32,110,614 | 32,110,614 |
| Leased Liabilities | 30,105,511 | - | - | 30,105,511 | 30,105,511 |
| Other financial liabilities | 94,321,952 | - | - | 94,321,952 | 94,321,952 |
| Total liabilities | 5,853,690,211 | 5,559,495,803 | - | 294,194,408 | 5,853,690,211 |

The table below represents a comparison between the carrying amounts and fair values of financial instruments as at December 31, 2021:

| | | Fair value | | | |
|--|----------------|---------------|-----------|---------------|---------------|
| | Carrying value | Level 1 | Level 2 | Level 3 | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Financial assets | | | | | |
| Cash and balances with Palestine Monetary Authority | 1,779,579,889 | 1,779,579,889 | - | - | 1,779,579,889 |
| Balances, deposits and investments at Banks and financial institutions | 782,230,313 | 782,230,313 | - | - | 782,230,313 |
| Financial assets at fair value through profit or loss | | | | | |
| Quoted stocks | 5,253,849 | 5,253,849 | - | - | 5,253,849 |
| Unquoted stocks | 5,000,000 | - | - | 5,000,000 | 5,000,000 |
| Direct credit facilities and Islamic financing | | | | | |
| Individuals | 1,014,724,224 | - | - | 1,014,724,224 | 1,014,724,224 |
| Corporate, local regulators, institutions and small projects | 1,595,962,427 | - | - | 1,595,962,427 | 1,595,962,427 |
| Palestine National Authority | 842,520,509 | - | - | 842,520,509 | 842,520,509 |
| Financial assets at fair value through other comprehensive income | | | | | |
| Quoted stocks | 37,041,837 | 37,041,837 | - | - | 37,041,837 |
| Unquoted stocks | 5,213,425 | - | - | 5,213,425 | 5,213,425 |
| Financial assets at amortized cost: | | | | | |
| Treasury bills | 141,921,436 | 76,160,924 | - | 66,557,446 | 142,718,370 |
| Quoted bonds | 40,865,932 | 41,865,136 | - | - | 41,865,136 |
| Unquoted bonds | 12,348,257 | - | - | 12,500,000 | 12,500,000 |
| Islamic sukuk | 33,709,792 | 31,433,986 | - | - | 31,433,986 |
| Other financial assets | 34,782,211 | - | - | 34,782,211 | 34,782,211 |
| Total assets | 6,331,154,101 | 2,753,565,934 | - | 3,577,260,242 | 6,330,826,176 |
| Financial liabilities | | | | | |
| Palestine Monetary Authority deposits | 242,439,107 | - | - | 242,439,107 | 242,439,107 |
| Banks and financial institutions' deposits | 120,061,868 | - | - | 120,061,868 | 120,061,868 |
| Customers' deposits | 5,013,551,326 | - | - | 5,013,551,326 | 5,013,551,326 |
| Cash margins | 291,588,276 | - | - | 291,588,276 | 291,588,276 |
| Subordinated loan | 72,500,000 | - | - | 72,500,000 | 72,500,000 |
| Loans and borrowings | 48,442,500 | - | - | 48,442,500 | 48,442,500 |
| Istidama loans from Palestine Monetary Authority | 22,307,552 | - | - | 22,307,552 | 22,307,552 |
| Leased Liabilities | 31,900,160 | - | - | 31,900,160 | 31,900,160 |
| Other financial liabilities | 96,540,865 | - | 6,256,487 | 90,284,378 | 96,540,865 |
| Total liabilities | 5,939,331,654 | - | 6,256,487 | 5,933,075,167 | 5,939,331,654 |

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 financial assets subject to interest was estimated by using expected cash flow by using the interest rates of comparative assets with the same terms and risks.

Fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income that are actively traded in active financial markets is determined by reference to trading prices at the date of the consolidated financial statements.

Fair value of financial assets at fair value through 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.

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, 2022.

45. Fair value measurement

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

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

The following table provides the fair value measurement hierarchy of the Bank's assets as at December 31, 2022:

| | | | Measurement of fair value by | | |
|---|--------------------|-------------|--|---|--|
| | | Total | Quoted prices in active markets (Level 1) | Significant observable input (Level 2) | Significant non-observable inputs (Level 3) |
| | Date of evaluation | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| <u>Assets measured at fair value</u> | | | | | |
| Financial assets at fair value through profit or loss- Quoted (note 7): | | | | | |
| Quoted | December 31, 2022 | 1,502,782 | 1,502,782 | - | - |
| Unquoted | December 31, 2022 | 7,665,503 | - | 2,842,242 | 4,823,261 |
| Financial assets at fair value through other comprehensive income (note 9): | | | | | |
| Quoted | December 31, 2022 | 46,962,517 | 46,962,517 | - | - |
| Unquoted | December 31, 2022 | 12,563,716 | - | - | 12,563,716 |
| Investment properties (note 12) | December 31, 2022 | 22,930,742 | - | - | 22,930,742 |
| <u>Financial assets accounted for in its fair value:</u> | | | | | |
| Financial assets at amortized cost- Quoted (note 10): | | | | | |
| Treasury bills | December 31, 2022 | 151,744,780 | 151,744,780 | - | - |
| Quoted bonds | December 31, 2022 | 38,831,331 | 38,831,331 | - | - |
| Unquoted bonds | December 31, 2022 | 12,317,876 | - | - | 12,317,876 |
| Islamic Sukuk | December 31, 2022 | 38,136,875 | 38,136,875 | - | - |
| <u>Liabilities measured at fair value on a recurring basis</u> | | | | | |
| Financial derivatives at fair value through profit or loss (note 16) | | | | | |
| | December 31, 2022 | 7,531,513 | - | 7,531,513 | - |

The following table provides the fair value measurement hierarchy of the Bank's assets as at December 31, 2021:

| | | | Measurement of fair value by | | |
|---|---------------------------|----------------|--|---|--|
| | | Total | Quoted prices in active markets (Level 1) | Significant observable input (Level 2) | Significant non-observable inputs (Level 3) |
| | <u>Date of evaluation</u> | <u>U.S. \$</u> | <u>U.S. \$</u> | <u>U.S. \$</u> | <u>U.S. \$</u> |
| <u>Assets measured at fair value</u> | | | | | |
| Financial assets at fair value through profit or loss- Quoted (note 7): | | | | | |
| Quoted | December 31, 2021 | 1,333,421 | 1,333,421 | - | - |
| Unquoted | December 31, 2021 | 8,920,428 | - | 3,276,737 | 5,643,691 |
| Financial assets at fair value through other comprehensive income (note 9): | | | | | |
| Quoted | December 31, 2021 | 37,041,837 | 37,041,837 | - | - |
| Unquoted | December 31, 2021 | 5,213,425 | - | - | 5,213,425 |
| Investment properties (note 12) | December 31, 2021 | 25,962,178 | - | - | 25,962,178 |
| <u>Financial assets accounted for in its fair value:</u> | | | | | |
| Financial assets at amortized cost- Quoted (note 10): | | | | | |
| Treasury bills | December 31, 2021 | 142,718,370 | 76,160,924 | - | 66,557,446 |
| Quoted bonds | December 31, 2021 | 41,865,136 | 41,865,136 | - | - |
| Unquoted bonds | December 31, 2021 | 12,500,000 | - | - | 12,500,000 |
| Islamic Sukuk | December 31, 2021 | 31,433,986 | 31,433,986 | - | - |
| <u>Liabilities measured at fair value on a recurring basis</u> | | | | | |
| Financial derivatives at fair value through profit or loss (note 27) | | | | | |
| | December 31, 2021 | 6,256,487 | - | 6,256,487 | |

The Bank has not made any transfers between the above levels during 2022 and 2021.

The following table represents the fair value sensitivity of investment properties:

| | Increase/ decrease in fair value % | Effect on fair value U.S. \$ |
|-----------------------------|---|------------------------------------|
| <u>2022</u> | | |
| Fair value per square meter | 5+ | 1,146,537 |
| Fair value per square meter | 5- | (1,146,537) |
| <u>2021</u> | | |
| Fair value per square meter | 5+ | 1,298,109 |
| Fair value per square meter | 5- | (1,298,109) |

The movement on investments whose fair value was measured using Level 3 was as follows:

| | Balance, beginning of the year | Additions | Maturity/sal e | Fair value reserve | Unrealized losses from revaluation of financial assets recognized in consolidated income statement | Balance, end of the year |
|--|--------------------------------------|------------------|--------------------|-----------------------|--|-----------------------------|
| December 31 2022 | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| <u>Financial assets at fair value through profit or loss- Quoted (note 7):</u> | | | | | | |
| Unquoted | 5,643,691 | 375,000 | - | - | (1,195,430) | 4,823,261 |
| <u>Financial assets at fair value through other comprehensive income items (note 9):</u> | | | | | | |
| Unquoted | 5,213,425 | 6,149,278 | (50,000) | 1,251,013 | - | 12,563,716 |
| <u>Assets measured at Fair Value:</u> | | | | | | |
| Investment properties (note 12) | 25,962,178 | 528,278 | (3,792,861) | - | 233,147 | 22,930,742 |
| | <u>36,819,294</u> | <u>7,052,556</u> | <u>(3,842,861)</u> | <u>1,251,013</u> | <u>(962,283)</u> | <u>40,317,719</u> |
| | | | | | Unrealized losses from revaluation of financial assets recognized in consolidated income statement | |
| | Balance, beginning of the year | Purchases | Maturity/sal e | Fair value reserve | | Balance, end of the year |
| December 31 2021 | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| <u>Financial assets at fair value through profit or loss- Quoted (note 7):</u> | | | | | | |
| Unquoted | 5,602,101 | 70,000 | - | - | (28,410) | 5,643,691 |
| <u>Financial assets at fair value through other comprehensive income items (note 9):</u> | | | | | | |
| Unquoted | 4,998,467 | 89,176 | - | 125,782 | - | 5,213,425 |
| <u>Assets measured at Fair Value:</u> | | | | | | |
| Investment properties (note 12) | 25,884,919 | 362,999 | - | - | (285,740) | 25,962,178 |
| | <u>36,485,487</u> | <u>522,175</u> | <u>-</u> | <u>125,782</u> | <u>(314,150)</u> | <u>36,819,294</u> |

– Sensitivity of unobservable data (level three):

Certified external valuers are assigned to value the material assets such as investment properties and investment in financial assets not listed in the financial market. After discussion with these external evaluators, the Bank selects the methods and inputs that will be used for the evaluation in each case, which are mostly sales prices of similar land during the year which are calculated at the fair value of the square meter of the land multiplied by the number of square meters.

46. Concentration of Assets and Liabilities

Following is a breakdown of the Bank's assets, liabilities and items out of consolidated statement of financial position by geographical and sectoral areas:

| | 2022 | | | 2021 | | |
|---|----------------------|------------------------|--|----------------------|------------------------|--|
| | 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. \$ |
| <u>By geographical area</u> | | | | | | |
| Palestine | 5,637,538,295 | 6,185,301,530 | 534,070,471 | 5,587,593,535 | 6,039,564,771 | 518,404,126 |
| Israel | 54,636,368 | 1,875,430 | 22,673 | 66,010,809 | 29,674,222 | 105,015 |
| Jordan | 320,987,799 | 10,402,405 | 59,272 | 358,571,719 | 36,773,557 | 2,325,015 |
| Europe | 245,868,312 | 77,737,176 | 14,724,649 | 354,937,523 | 128,056,121 | 12,851,852 |
| USA | 45,984,611 | 60,000,000 | 4,003,718 | 16,910,577 | 72,500,000 | 881,641 |
| Others | 182,945,472 | 152,644,316 | 21,779,009 | 124,197,643 | 201,653,135 | 14,287,778 |
| Total | <u>6,487,960,857</u> | <u>6,487,960,857</u> | <u>574,659,792</u> | <u>6,508,221,806</u> | <u>6,508,221,806</u> | <u>548,855,427</u> |
| <u>By sector</u> | | | | | | |
| Retail | 1,207,029,427 | 2,919,024,393 | 47,548,527 | 1,091,230,036 | 3,509,982,647 | 40,917,886 |
| Corporate, institutions and public sector | 2,302,134,391 | 2,375,279,448 | 507,169,673 | 2,361,977,124 | 1,795,156,955 | 507,937,541 |
| Treasury | 2,787,468,190 | 537,184,622 | 19,941,592 | 2,852,835,782 | 505,751,027 | - |
| Others | 191,328,849 | 656,472,394 | - | 202,178,864 | 697,331,177 | - |
| Total | <u>6,487,960,857</u> | <u>6,487,960,857</u> | <u>574,659,792</u> | <u>6,508,221,806</u> | <u>6,508,221,806</u> | <u>548,855,427</u> |

47. Risk Management

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

Risk management framework

Risks related to the Bank's activities is managed, measured and monitored continuously to remain within the permissible limits, and given the importance of the risk management process on the Bank's profits, tasks and monitoring responsibilities associated to these risks are distributed among employees.

Risk management process

The Board of Directors and the risk management committee are responsible for identifying and controlling risks; in addition, there are several parties which are responsible for managing and monitoring risks in the area in which the Bank operates.

Risk management committee

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

Risk measurement and reporting system

Monitoring and controlling risks are primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk the Bank is willing to accept, Information is collected from different departments and analyzed for early identification of potential risks. This information is presented to the Bank's Board of Directors, the risk management committee and the executive departments responsible for risk management committee.

Risks

The Bank follows different policies in managing various risks as part of determined strategies. The Bank's risk departments monitor and control risks and optimize strategic diversification of financial assets and financial liabilities. These risks include credit risk and market risk (interest rate risk, currency risk and equity price risk) and liquidity risk. The Bank has established the Credit Quality Unit, which aims to identify early deterioration in the quality of customers' credit or the drop in the fair value of their collateral. The Bank is also currently preparing a credit rating system for its clients.

I. Credit Risk

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

Gross exposures to credit risk (net of ECL provisions and interest suspense and prior to collaterals and other risk mitigations):

| | <u>2022</u> | <u>2021</u> |
|--|----------------------|----------------------|
| | <u>U.S. \$</u> | <u>U.S. \$</u> |
| <u>Consolidated statement of financial position</u> | | |
| <u>items</u> | | |
| Balances with Palestine Monetary Authority | 521,181,395 | 575,902,313 |
| Balances, deposits and investments at Banks and financial institutions | 592,297,476 | 782,230,313 |
| Direct credit facilities and Islamic financing: | | |
| Retail | 1,222,939,598 | 1,014,724,224 |
| Corporate, institutions and local regulators | 1,636,908,757 | 1,595,962,427 |
| Palestine National Authority | 712,206,510 | 842,520,509 |
| Financial assets at amortized cost | 241,306,472 | 228,845,417 |
| Other financial assets | 36,482,442 | 34,782,211 |
| | <u>4,963,322,650</u> | <u>5,074,967,414</u> |
| <u>Items not included in the consolidated</u> | | |
| <u>statement of financial position</u> | | |
| Letters of guarantees | 212,390,048 | 206,492,217 |
| Letters of credit | 38,797,292 | 46,069,513 |
| Acceptances | 7,784,207 | 9,417,798 |
| Unutilized credit facilities limits | 315,491,295 | 286,553,199 |
| Other | 196,950 | 322,700 |
| | <u>574,659,792</u> | <u>548,855,427</u> |

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) |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| <u>2022</u> | | | | | | | | | |
| Balances with Palestine Monetary Authority | 521,181,395 | - | - | 1,870,759 | - | - | 0.36% | - | - |
| Balances, deposits and investments at Banks and financial institutions | 592,814,454 | - | 3,108,626 | 516,978 | - | 3,108,626 | 0.09% | - | 100.00% |
| Direct credit facilities and Islamic financing: | | | | | | | | | |
| Retail | 555,089,783 | 688,391,296 | 41,432,912 | 586,473 | 34,197,607 | 20,472,102 | 0.11% | 4.97% | 49.41% |
| SMEs | 459,982,177 | 123,808,447 | 58,166,117 | 1,814,358 | 4,789,212 | 29,344,633 | 0.39% | 3.87% | 50.45% |
| Corporate and local regulators | 531,874,342 | 500,524,466 | 92,227,647 | 3,181,055 | 26,321,254 | 53,026,269 | 0.60% | 5.26% | 57.49% |
| Palestine National Authority | 726,734,415 | - | - | 14,527,905 | - | - | 2.00% | - | - |
| Financial assets at amortized cost | 229,674,446 | 13,518,617 | 3,423,325 | 1,786,677 | 99,914 | 3,423,325 | 0.78% | 0.74% | 100.00% |
| Other financial assets | 36,482,442 | - | - | - | - | - | 0.00% | - | - |
| Total | 3,653,833,454 | 1,326,242,826 | 198,358,627 | 24,284,205 | 65,407,987 | 109,374,955 | 0.66% | 4.93% | 55.14% |
| Credit exposure related to off-balance sheet items | 501,911,321 | 72,748,471 | - | 177,133 | 375,387 | - | 0.04% | 0.52% | - |

| | 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) |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| 2021 | | | | | | | | | |
| Balances with Palestine Monetary Authority | 575,902,313 | - | - | 809,904 | - | - | 0.14% | - | - |
| Balances, deposits and investments at Banks and financial institutions | 782,375,968 | - | 3,108,626 | 411,639 | - | 2,842,642 | 0.05% | - | 91.44% |
| Direct credit facilities and Islamic financing: | | | | | | | | | |
| Retail | 377,055,962 | 657,635,824 | 43,835,261 | 3,091,987 | 22,029,370 | 24,571,583 | 0.82% | 3.35% | 56.05% |
| SMEs | 367,263,182 | 106,279,350 | 66,400,849 | 3,265,647 | 5,589,473 | 36,157,650 | 0.89% | 5.26% | 54.45% |
| Corporate and local regulators | 625,083,355 | 486,651,896 | 74,664,520 | 2,566,262 | 15,604,353 | 43,121,099 | 0.41% | 3.21% | 57.75% |
| Palestine National Authority | 840,205,893 | - | - | 13,773,547 | - | - | 1.64% | - | - |
| Financial assets at amortized cost | 207,400,502 | 20,944,135 | 3,663,425 | 951,545 | 145,805 | 2,065,295 | 0.46% | 0.70% | 56.38% |
| Other financial assets | 34,482,211 | - | 300,000 | - | - | 300,000 | 0.00% | - | 100.00% |
| Total | 3,809,769,386 | 1,271,511,205 | 191,972,681 | 24,870,531 | 43,369,001 | 109,058,269 | 0.65% | 3.41% | 56.81% |
| Credit exposure related to off-balance sheet items | 458,520,533 | 89,970,915 | - | 142,407 | 172,679 | - | 0.03% | 0.19% | - |

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 |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| <u>2022</u> | | | | | | | | | | |
| Less than 30 DPD | | | | | | | | | | |
| Qualitative factors | 55,752,545 | 5,435,259 | 65,930,082 | 2,640,480 | 409,705,561 | 23,742,112 | - | - | 531,388,188 | 31,817,851 |
| More than 30 DPD | 632,638,751 | 28,762,348 | 57,878,365 | 2,148,732 | 90,818,905 | 2,579,142 | - | - | 781,336,021 | 33,490,222 |
| Total | <u>688,391,296</u> | <u>34,197,607</u> | <u>123,808,447</u> | <u>4,789,212</u> | <u>500,524,466</u> | <u>26,321,254</u> | <u>-</u> | <u>-</u> | <u>1,312,724,209</u> | <u>65,308,073</u> |
| | | | | | | | | | | |
| | 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 |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| <u>2021</u> | | | | | | | | | | |
| Less than 30 DPD | | | | | | | | | | |
| Qualitative factors | 86,143,441 | 2,227,034 | 49,330,809 | 1,990,032 | 298,592,152 | 10,880,949 | - | - | 434,066,402 | 15,098,015 |
| More than 30 DPD | 571,492,383 | 19,802,336 | 56,948,541 | 3,599,441 | 188,059,744 | 4,723,404 | - | - | 816,500,668 | 28,125,181 |
| Total | <u>657,635,824</u> | <u>22,029,370</u> | <u>106,279,350</u> | <u>5,589,473</u> | <u>486,651,896</u> | <u>15,604,353</u> | <u>-</u> | <u>-</u> | <u>1,250,567,070</u> | <u>43,223,196</u> |

Fair value of collaterals obtained against total credit exposures is as follows:

| 2022 | Fair value of collaterals | | | | | | Total value of collaterals | Exposure net of collaterals | Expected credit loss |
|---|----------------------------|--------------------|--------------------|---|------------------------------------|--------------------|-------------------------------|--------------------------------|-------------------------|
| | Total value of exposure | Cash margins | Precious metals | Quoted stocks and letter of guarantees | Vehicles and other equipment | Real estate | | | |
| | 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 | 521,181,395 | - | - | - | - | - | - | 521,181,395 | 1,870,759 |
| Balances, deposits and investments at Banks and financial institutions | 595,923,080 | - | - | - | - | - | - | 595,923,080 | 3,625,604 |
| Direct credit facilities and Islamic financing: | | | | | | | | | |
| Retails | 1,284,913,991 | 29,198,127 | 317,383 | 3,797,390 | 107,111,975 | 219,654,138 | 360,079,013 | 924,834,978 | 55,256,182 |
| SMEs | 641,956,741 | 72,414,410 | 323,908 | 15,793,958 | 52,756,290 | 192,418,150 | 333,706,716 | 308,250,025 | 35,948,203 |
| Corporate and local regulators | 1,124,626,455 | 122,077,399 | - | 67,430,551 | 46,278,292 | 394,699,471 | 630,485,713 | 494,140,742 | 82,528,578 |
| Palestine National Authority | 726,734,415 | - | - | - | - | - | - | 726,734,415 | 14,527,905 |
| Financial assets at amortized cost | 246,616,388 | - | - | - | - | - | - | 246,616,388 | 5,309,916 |
| Other financial assets | 36,482,442 | - | - | - | - | - | - | 36,482,442 | - |
| Total | <u>5,178,434,907</u> | <u>223,689,936</u> | <u>641,291</u> | <u>87,021,899</u> | <u>206,146,557</u> | <u>806,771,759</u> | <u>1,324,271,442</u> | <u>3,854,163,465</u> | <u>199,067,147</u> |
| Credit exposure related to off-balance sheet items | <u>574,659,792</u> | <u>43,309,717</u> | <u>-</u> | <u>1,090,627</u> | <u>282,259</u> | <u>14,060,045</u> | <u>58,742,648</u> | <u>515,917,144</u> | <u>552,520</u> |

Fair value of collaterals obtained against Stage (3) credit exposures is as follows:

| 2022 | Fair value of collaterals | | | | | | Total value of collaterals | Exposure net of collaterals | Expected credit loss |
|--|---------------------------|--------------|-----------------|-------------|---------------|------------------------------|----------------------------|-----------------------------|----------------------|
| | Total exposure | Cash margins | Precious metals | Real estate | Quoted stocks | Vehicles and other equipment | | | |
| | 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 | 41,432,912 | 1,824,713 | 48,087 | 8,814,460 | - | 1,469,833 | 12,157,093 | 29,275,819 | 20,472,102 |
| Corporate and institutions | 150,393,764 | 11,802,183 | 61,371 | 37,830,572 | 1,591,544 | 2,891,827 | 54,177,497 | 96,216,267 | 82,370,902 |
| Total | 191,826,676 | 13,626,896 | 109,458 | 46,645,032 | 1,591,544 | 4,361,660 | 66,334,590 | 125,492,086 | 102,843,004 |

Fair value of collaterals obtained against total credit exposures is as follows:

| 2021 | Fair value of collaterals | | | | | | Total value of collaterals | Exposure net of collaterals | Expected credit loss |
|--|---------------------------|--------------|-----------------|--|------------------------------|-------------|----------------------------|-----------------------------|----------------------|
| | Total value of exposure | Cash margins | Precious metals | Quoted stocks and letter of guarantees | Vehicles and other equipment | Real estate | | | |
| | 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 | 575,902,313 | - | - | - | - | - | - | 575,902,313 | 809,904 |
| Balances, deposits and investments at Banks and financial institutions | 785,484,594 | - | - | - | - | - | - | 785,484,594 | 3,254,281 |
| Direct credit facilities and Islamic financing: | | | | | | | | | |
| Retails | 1,078,527,047 | 31,163,600 | 17,974,054 | 69,936,554 | 36,297,315 | 117,149,828 | 272,521,351 | 806,005,696 | 49,692,940 |
| SMEs | 539,943,381 | 81,641,358 | 3,216,834 | 254,526,793 | 47,781,110 | 77,600,519 | 464,766,614 | 75,176,767 | 45,012,770 |
| Corporate and local regulators | 1,186,399,771 | 69,721,258 | 79,239,329 | 119,123,533 | 81,787,170 | 212,459,563 | 562,330,853 | 624,068,918 | 61,291,714 |
| Palestine National Authority | 840,205,893 | - | - | - | - | - | - | 840,205,893 | 13,773,547 |
| Financial assets at amortized cost | 232,008,062 | - | - | - | - | - | - | 232,008,062 | 3,162,645 |
| Other financial assets | 34,782,211 | - | - | - | - | - | - | 34,782,211 | 300,000 |
| Total | 5,273,253,272 | 182,526,216 | 100,430,217 | 443,586,880 | 165,865,595 | 407,209,910 | 1,299,618,818 | 3,973,634,454 | 177,297,801 |
| Credit exposure related to off-balance sheet items | 548,491,448 | 51,533,860 | - | 13,446,754 | 294,782 | 1,662,141 | 66,937,537 | 481,553,911 | 315,086 |

Fair value of collaterals obtained against Stage (3) credit exposures is as follows:

| | Fair value of collaterals | | | | | | Total value of collaterals | Exposure net of collaterals | Expected credit loss |
|--|---------------------------|-------------------|-----------------|-------------------|---------------|------------------------------|----------------------------|-----------------------------|----------------------|
| | Total exposure | Cash margins | Precious metals | Real estate | Quoted stocks | Vehicles and other equipment | | | |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | |
| <u>2021</u> | | | | | | | | | |
| Credit exposures related to items in the consolidated statement of financial position: | | | | | | | | | |
| Direct credit facilities and Islamic financing: | | | | | | | | | |
| Retail | 43,835,261 | 2,035,298 | 12,717 | 6,656,264 | - | 3,175,278 | 11,879,557 | 31,955,704 | 24,571,583 |
| Corporate and institutions | 141,065,369 | 10,906,161 | 21,948 | 32,862,768 | 8,540 | 481,344 | 44,280,761 | 96,784,608 | 79,278,749 |
| Total | <u>184,900,630</u> | <u>12,941,459</u> | <u>34,665</u> | <u>39,519,032</u> | <u>8,540</u> | <u>3,656,622</u> | <u>56,160,318</u> | <u>128,740,312</u> | <u>103,850,332</u> |

Concentration of credit risk exposures according to the geographical area, net is as follows:

| | Palestine | Arab Countries | Israel | Europe | USA | Others | Total |
|--|----------------------|--------------------|-------------------|--------------------|-------------------|-------------------|----------------------|
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| <u>December 31, 2022</u> | | | | | | | |
| Balances with Palestine Monetary Authority | 519,310,636 | - | - | - | - | - | 519,310,636 |
| Balances, deposits and investments at Banks and financial institutions | 18,508,357 | 230,375,742 | 54,604,996 | 230,642,273 | 10,728,311 | 47,437,797 | 592,297,476 |
| Direct credit facilities and Islamic financing | 3,516,682,780 | 51,845,472 | 31,372 | 2,056,857 | 1,438,384 | - | 3,572,054,865 |
| Financial assets at amortized cost | 51,953,159 | 97,782,001 | - | 10,821,352 | 28,678,524 | 52,071,436 | 241,306,472 |
| Other financial assets | 36,482,442 | - | - | - | - | - | 36,482,442 |
| Total as at December 31, 2022 | <u>4,142,937,374</u> | <u>380,003,215</u> | <u>54,636,368</u> | <u>243,520,482</u> | <u>40,845,219</u> | <u>99,509,233</u> | <u>4,961,451,891</u> |
| Total as at December 31, 2021 | <u>4,098,836,115</u> | <u>461,060,955</u> | <u>66,010,809</u> | <u>354,937,523</u> | <u>16,910,577</u> | <u>77,211,435</u> | <u>5,074,967,414</u> |

Concentration of credit risk exposures according to IFRS (9) Stages as at December 31, 2022 and 2021 is as follows:

| | Stage (1) | Stage (2) | Stage (3) | 2022 |
|----------------|---------------|---------------|------------|---------------|
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Palestine | 2,868,544,951 | 1,203,324,620 | 71,067,803 | 4,142,937,374 |
| Arab countries | 331,760,485 | 48,242,730 | - | 380,003,215 |
| Israel | 54,604,996 | 31,372 | - | 54,636,368 |
| Europe | 241,786,616 | 1,733,866 | - | 243,520,482 |
| USA | 40,845,219 | - | - | 40,845,219 |
| Others | 92,006,982 | 7,502,251 | - | 99,509,233 |
| Total | 3,629,549,249 | 1,260,834,839 | 71,067,803 | 4,961,451,891 |

| | Stage (1) | Stage (2) | Stage (3) | 2021 |
|----------------|---------------|---------------|------------|---------------|
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Palestine | 3,093,365,200 | 946,318,578 | 58,952,337 | 4,098,636,115 |
| Arab countries | 414,843,531 | 46,217,424 | - | 461,060,955 |
| Israel | 66,010,809 | - | - | 66,010,809 |
| Europe | 353,007,150 | 1,930,373 | - | 354,937,523 |
| USA | 15,907,042 | 1,003,535 | - | 16,910,577 |
| Others | 67,560,301 | 9,107,020 | 1,864,114 | 78,531,435 |
| Total | 4,010,694,033 | 1,004,576,930 | 60,816,451 | 5,076,087,414 |

Concentration of credit risk exposures according to economic sectors is as follows:

| | Financial | Industrial | Commercial | Real estate | Palestine National Authority and other Governmental bonds | Others | Total |
|--|---------------|-------------|-------------|-------------|--|---------------|---------------|
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| 2022 | | | | | | | |
| Balances with Palestine Monetary Authority | 519,310,636 | - | - | - | - | - | 519,310,636 |
| Balances, deposits and investments at Banks and financial institutions | 592,297,476 | - | - | - | - | - | 592,297,476 |
| Direct credit facilities and Islamic financing | 40,392,902 | 206,370,928 | 600,464,581 | 875,107,608 | 712,206,510 | 1,137,512,336 | 3,572,054,865 |
| Financial assets at amortized cost | 64,469,420 | 1,502,251 | - | 2,783,807 | 149,733,791 | 22,817,203 | 241,306,472 |
| Other | - | - | - | - | - | 36,482,442 | 36,482,442 |
| December 31, 2022 | 1,216,470,434 | 207,873,179 | 600,464,581 | 877,891,415 | 861,940,301 | 1,196,811,981 | 4,961,451,891 |
| December 31, 2021 | 1,449,677,936 | 203,171,341 | 541,334,526 | 759,297,653 | 984,441,945 | 1,137,044,013 | 5,074,967,414 |

Concentration of credit risk exposures according to IFRS (9) Stages as at December 31, 2022 and 2021 is as follows:

| | Stage (1) | Stage (2) | Stage (3) | 2022 |
|------------------------------|---------------|---------------|------------|---------------|
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Financial sector | 1,206,432,350 | 10,038,084 | - | 1,216,470,434 |
| Industrial | 165,393,145 | 39,551,795 | 2,928,239 | 207,873,179 |
| Commercial | 447,927,202 | 119,488,983 | 33,048,396 | 600,464,581 |
| Real estate | 624,958,705 | 235,349,245 | 17,583,465 | 877,891,415 |
| Palestine National Authority | 861,940,301 | - | - | 861,940,301 |
| Others | 322,897,546 | 856,406,732 | 17,507,703 | 1,196,811,981 |
| Total | 3,629,549,249 | 1,260,834,839 | 71,067,803 | 4,961,451,891 |

| | Stage (1) | Stage (2) | Stage (3) | 2021 |
|------------------------------|---------------|---------------|------------|---------------|
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Financial sector | 1,427,767,124 | 22,078,933 | 151,879 | 1,449,997,936 |
| Industrial | 111,008,839 | 86,757,631 | 5,404,871 | 203,171,341 |
| Commercial | 374,785,344 | 151,716,014 | 14,833,168 | 541,334,526 |
| Real estate | 318,766,337 | 420,814,686 | 19,716,630 | 759,297,653 |
| Palestine National Authority | 984,441,945 | - | - | 984,441,945 |
| Others | 793,924,444 | 323,209,666 | 20,709,903 | 1,137,844,013 |
| Total | 4,010,694,033 | 1,004,576,930 | 60,816,451 | 5,076,087,414 |

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, 2022:

| Macro-economic variables | Scenario used | Assigned weight for each scenario (%) | Percentage change in macro-economic variables (%) 2022 | Percentage change in macro-economic variables (%) 2023 | Percentage change in macro-economic variables (%) 2024 | Percentage change in macro-economic variables (%) 2025 | Percentage change in macro-economic variables (%) 2026 | Percentage change in macro-economic variables (%) 2027 |
|---------------------------|---------------|---------------------------------------|---|---|---|---|---|---|
| <u>GDP</u> | Base case | 80 | 1.61 | 1.16 | 0.12 | (0.18) | (0.13) | (0.08) |
| | Best case | 10 | 9.96 | 7.78 | 6.74 | 6.44 | 6.49 | 6.54 |
| | Worst case | 10 | (4.27) | (5.46) | (6.5) | (6.8) | (6.75) | (6.7) |
| <u>Unemployment rates</u> | Base case | 80 | 5.69 | 3.8 | 2.49 | 2.17 | 2.29 | 1.95 |
| | Best case | 10 | 7.58 | 4.44 | 3.13 | 2.81 | 2.93 | 2.59 |
| | Worst case | 10 | 4.27 | 3.15 | 1.84 | 1.52 | 1.64 | 1.3 |

Following are the macroeconomic factors impact on the forward-looking information based on multiple scenarios as at December 31, 2021:

| Macro-economic variables | Scenario used | Assigned weight for each scenario | Percentage change in macro-economic variables (%) | Percentage change in macro-economic variables (%) | Percentage change in macro-economic variables (%) | Percentage change in macro-economic variables (%) | Percentage change in macro-economic variables (%) | Percentage change in macro-economic variables (%) |
|---------------------------|---------------|-----------------------------------|---|---|---|---|---|---|
| | | (%) | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| <u>GDP</u> | Base case | - | 5.69 | 2.70 | (0.31) | (0.26) | (0.23) | (0.23) |
| | Best case | - | 13.40 | 10.41 | 7.40 | 7.45 | 7.48 | 7.48 |
| | Worst case | 100 | 1.84 | (1.16) | (4.17) | (4.12) | (4.09) | (4.09) |
| <u>Unemployment rates</u> | Base case | - | (12.42) | (7.80) | 0.77 | 0.76 | 0.76 | 0.76 |
| | Best case | - | (13.19) | (8.36) | 0.83 | 0.82 | 0.82 | 0.82 |
| | Worst case | 100 | (12.07) | (7.55) | 0.74 | 0.74 | 0.73 | 0.73 |

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:

| | 2022 | 2021 |
|-------------------------------|--|--|
| | Financial assets at amortized cost | Financial assets at amortized cost |
| Credit rating | U.S. \$ | U.S. \$ |
| Private sector: | | |
| From A- to AAA | 42,159,362 | 41,002,749 |
| From B- to BBB+ | 38,117,934 | 33,768,711 |
| Unrated | 13,000,000 | 12,500,000 |
| Governments and public sector | 153,339,092 | 144,736,602 |
| Total | 246,616,388 | 232,008,062 |

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:

| | 2022 | | 2021 | |
|---------------------|--|--|--|---|
| | | Interest income sensitivity (consolidated income statement) | | Interest income sensitivity (consolidated income statement) |
| Currency | Increase in interest rate (basis points) | U.S. \$ | Increase in interest rate (basis points) | U.S. \$ |
| US Dollar | 10 | 835,856 | 10 | 688,486 |
| Jordanian Dinar | 10 | 195,681 | 10 | 346,492 |
| New Israeli Shekels | 10 | 806,862 | 10 | 663,217 |
| Other currencies | 10 | 17,790 | 10 | (40,083) |

Interest rate re-pricing sensitivity gap

December 31, 2022

| | 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 | - | 16,737,731 | - | - | - | 1,786,777,724 | 1,803,515,455 |
| Balances, deposits and investments at Banks and financial institutions | 243,742,707 | 85,213,760 | 1,939,291 | 13,905,732 | 1,511,819 | 245,984,167 | 592,297,476 |
| Financial assets at fair value through profit or loss | - | - | - | - | - | 9,168,285 | 9,168,285 |
| Direct credit facilities and Islamic financing | 586,662,825 | 235,718,633 | 275,080,155 | 362,858,457 | 2,111,734,795 | - | 3,572,054,865 |
| Financial assets at fair value through other comprehensive income | - | - | - | - | - | 59,526,233 | 59,526,233 |
| Financial assets at amortized cost | 3,586,067 | 15,884,678 | 8,824,823 | 43,152,852 | 169,858,052 | - | 241,306,472 |
| Investment in associates and a joint venture | - | - | - | - | - | 11,996,852 | 11,996,852 |
| Investment properties | - | - | - | - | - | 22,930,742 | 22,930,742 |
| Property, plant and equipment and right of use assets | - | - | - | - | - | 109,275,425 | 109,275,425 |
| Projects in progress | - | - | - | - | - | 649,543 | 649,543 |
| Intangible assets | - | - | - | - | - | 14,984,886 | 14,984,886 |
| Other assets | - | - | - | - | - | 50,254,623 | 50,254,623 |
| Total assets | 833,991,599 | 353,554,802 | 285,844,269 | 419,917,041 | 2,283,104,666 | 2,311,548,480 | 6,487,960,857 |
| Liabilities | | | | | | | |
| Palestine Monetary Authority deposits | - | 86,475,760 | 89,311,038 | - | 20,000,000 | 3,317,152 | 199,103,950 |
| Banks and financial institutions' deposits | 24,502,442 | 10,804,650 | 7,371,705 | - | - | 50,989,214 | 93,668,011 |
| Customers' deposits | 1,156,980,673 | 124,914,294 | 67,365,206 | 119,323,978 | 99,320,583 | 3,398,708,621 | 4,966,613,355 |
| Cash margins | - | 10,036,307 | 33,014,959 | 56,331,218 | 200,728,003 | - | 300,110,487 |
| Subordinated loan | - | - | 7,500,000 | 7,500,000 | 45,000,000 | - | 60,000,000 |
| Loans and borrowings | - | - | 625,000 | 2,418,235 | 74,613,096 | - | 77,656,331 |
| Istidama loans from Palestine Monetary Authority | 1,670,448 | - | - | - | 22,238,408 | 8,201,758 | 32,110,614 |
| Sundry provisions | - | - | - | - | - | 52,355,497 | 52,355,497 |
| Taxes provisions | - | - | - | 35,440,008 | - | - | 35,440,008 |
| Lease liabilities | - | - | - | - | - | 30,105,511 | 30,105,511 |
| Other liabilities | - | - | - | - | - | 94,874,472 | 94,874,472 |
| TOTAL LIABILITIES | 1,183,153,563 | 232,231,011 | 205,187,908 | 221,013,439 | 461,900,090 | 3,638,552,225 | 5,942,038,236 |
| Equity | | | | | | | |
| Paid-in share capital | - | - | - | - | - | 223,958,577 | 223,958,577 |
| Additional paid-in capital | - | - | - | - | - | 29,575,688 | 29,575,688 |
| Statutory reserve | - | - | - | - | - | 67,974,894 | 67,974,894 |
| 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 | - | - | - | - | - | 3,344,655 | 3,344,655 |
| Retained earnings | - | - | - | - | - | 107,929,885 | 107,929,885 |
| Total equity holders of the Bank | - | - | - | - | - | 481,404,736 | 481,404,736 |
| Non-controlling interests | - | - | - | - | - | 64,517,885 | 64,517,885 |
| Total equity | - | - | - | - | - | 545,922,621 | 545,922,621 |
| Total liabilities and equity | 1,183,153,563 | 232,231,011 | 205,187,908 | 221,013,439 | 461,900,090 | 4,184,474,846 | 6,487,960,857 |
| Interest rate re-pricing sensitivity gap | (349,161,964) | 121,323,791 | 80,656,361 | 198,903,602 | 1,821,204,576 | (1,872,926,366) | - |
| Cumulative gap | (349,161,964) | (227,838,173) | (147,181,812) | 51,721,790 | 1,872,926,366 | - | - |

Interest rate re-pricing sensitivity gap

December 31, 2021

| | Interest rate re-pricing sensitivity gap | | | | | | |
|--|--|-------------------------------|--------------------------------|------------------------------|----------------------|----------------------------|----------------------|
| | less than a month | More than 1 month to 3 months | More than 3 months to 6 months | More than 6 months to 1 year | More than a year | Non-interest-bearing items | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Total assets | 987,451,673 | 440,250,549 | 367,313,719 | 1,383,810,175 | 1,101,303,269 | 2,228,092,421 | 6,508,221,806 |
| Total liabilities and equity | 771,678,304 | 570,100,032 | 377,919,006 | 604,682,308 | 297,637,655 | 3,886,204,501 | 6,508,221,806 |
| Interest rate re-pricing sensitivity gap | 215,773,369 | (129,849,483) | (10,605,287) | 779,127,867 | 803,665,614 | (1,658,112,080) | - |
| Cumulative gap | 215,773,369 | 85,923,886 | 75,318,599 | 854,446,466 | 1,658,112,080 | - | - |

InterBank offered rate (IBOR) Reforms

A fundamental adjustment is being made to key interest rate benchmarks globally, including the replacement of certain IBORs with nearly risk-free alternative rates (referred to as IBOR). The Bank is exposed to IBOR interest rate risk on its financial instruments, some of which have already been transferred, and others will be transferred on the date of transition as part of these initiatives at the market level. The Bank is following up on the market closely and what is issued by the various relevant authorities that manage the transition to reference interest rates, including instructions issued by the regulators.

Contracts containing the LIBOR rate as a reference rate will be adjusted to the one-day risk-free interest rates in line with best market practices as follows:

| Currency | IBOR | Alternative interest rate | Transition date |
|----------|---|---|-----------------|
| USD | USD LIBOR (3&6 months) | CME TERM SOFR USD 3 and 6 months | 1 January 2022 |
| EUR | LIBOR EUR/price InterBank offered interest rate | Interest rate approved by the Bank is Euribor | 1 January 2022 |

The Bank aims to maintain economic parity, by ensuring that the financial terms of the transition are in line with market practices regarding margin adjustments. Margin adjustments issued by International Swaps and Derivatives Association (ISDA) and announced on March 5, 2021 at the time of the transition. As a result, no material impact on profit or loss is expected. For contracts in currencies other than the US dollar, the transfer took place on the specified dates. For contracts in the US dollar currency that include any of the following periods (one month, three months, six months, or one year), the adjustment will take place on or before June 30, 2023.

Foreign currency risk

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

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

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

| Currency | 2022 | | 2021 | |
|---------------------|-------------------------------|---|-------------------------------|---|
| | Increase in currency rate (%) | Effect on consolidated income statement U.S. \$ | Increase in currency rate (%) | Effect on consolidated income statement U.S. \$ |
| New Israeli Shekels | 10 | (338,872) | 10 | (282,760) |
| Other currencies | 10 | 337,087 | 10 | 1,260,456 |

Following is the foreign currencies position of the Bank:

| December 31, 2022 | JOD U.S. \$ | ILS U.S. \$ | Others U.S. \$ | Total U.S. \$ |
|--|--------------------|----------------------|--------------------|----------------------|
| Assets | | | | |
| Cash and balances with Palestine Monetary Authority | 184,481,341 | 1,238,427,707 | 14,394,225 | 1,437,303,273 |
| Balances, deposits and investments at Banks and financial institutions | 248,014,583 | 56,049,438 | 76,632,758 | 380,696,779 |
| Direct credit facilities and Islamic financing | 303,656,160 | 1,609,740,487 | 76,117,790 | 1,989,514,437 |
| Financial assets at fair value through other comprehensive Income | 34,267,666 | - | 2,550,754 | 36,818,420 |
| Financial assets at amortized cost | 61,464,119 | 25,378,774 | 9,455,224 | 96,298,117 |
| Other assets | 4,951,209 | 8,915,221 | 647,382 | 14,513,812 |
| Forward deals | 20,350,229 | 21,023,720 | 2,947,834 | 44,321,783 |
| Total assets | 857,185,307 | 2,959,535,347 | 182,745,967 | 3,999,466,621 |
| Liabilities | | | | |
| Palestine Monetary Authority deposits | 1,411,444 | 176,675,937 | 1,905,709 | 179,993,090 |
| Banks and financial institutions' deposits | 313,090 | 38,093,607 | 9,045,700 | 47,452,397 |
| Customers' deposits | 814,333,756 | 2,209,078,978 | 138,734,034 | 3,162,146,768 |
| Cash margins | 24,069,827 | 148,087,251 | 6,498,077 | 178,655,155 |
| Loans and borrowings | - | - | 11,307,125 | 11,307,125 |
| Other liabilities | 10,112,572 | 20,424,852 | 4,167,116 | 34,704,540 |
| Forward deals | - | 366,935,149 | 4,809,376 | 371,744,525 |
| Total liabilities | 850,240,689 | 2,959,295,774 | 176,467,137 | 3,986,003,600 |
| Consolidated statement of financial position concentration, net | 6,944,618 | 239,573 | 6,278,830 | 13,463,021 |
| Off-balance sheet potential commitments | 17,312,447 | 209,165,461 | 35,481,845 | 261,959,753 |
| December 31, 2021 | | | | |
| | JOD | ILS | Others | Total |
| Total assets | 988,824,355 | 3,063,045,807 | 225,828,375 | 4,277,698,537 |
| Total liabilities | 987,644,874 | 3,065,873,407 | 213,223,814 | 4,266,742,095 |
| Consolidated statement of financial position concentration, net | 1,179,481 | (2,827,600) | 12,604,561 | 10,956,442 |
| Off-balance sheet potential commitments | 32,134,277 | 180,767,719 | 42,404,046 | 255,306,042 |

Equity price risk

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

| | Increase in index | 2022 | | 2021 | |
|----------------------------|-------------------|---|------------------|---|------------------|
| | | 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 - Qouted | 10 | 64,405 | 2,496,848 | 50,092 | 1,748,100 |
| Local markets - UnQouted | 10 | 348,485 | 991,296 | 392,043 | 353,547 |
| Foreign markets - Qouted | 10 | 85,874 | 2,199,404 | 83,250 | 1,956,084 |
| Foreign markets - UnQouted | 10 | 418,065 | 265,075 | 500,000 | 167,795 |

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, 2022 and 2021, respectively:

| | 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 |
|--|------------------------|-------------------------------------|--------------------------------------|---------------------------------------|--------------------------------|----------------------|----------------------|----------------------|
| December 31, 2022 | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Assets | | | | | | | | |
| Cash and balances with Palestine Monetary Authority | 1,659,855,110 | 16,737,732 | - | - | - | - | 126,922,613 | 1,803,515,455 |
| Balances, deposits and investments at Banks and financial institutions | 406,955,909 | 117,921,797 | 20,975,674 | 44,932,277 | 1,511,819 | - | - | 592,297,476 |
| Financial assets at fair value through profit or loss | - | - | - | - | - | - | 9,168,285 | 9,168,285 |
| Direct credit facilities and Islamic financing | 581,662,827 | 230,718,633 | 238,548,148 | 428,879,093 | 804,073,722 | 1,288,172,442 | - | 3,572,054,865 |
| Financial assets at fair value through other comprehensive income | - | - | - | - | - | - | 59,526,233 | 59,526,233 |
| Financial assets at amortized cost | 3,586,067 | 15,884,678 | 8,824,823 | 43,152,852 | 74,066,631 | 95,791,421 | - | 241,306,472 |
| Investment in associates and a joint venture | - | - | - | - | - | - | 11,996,852 | 11,996,852 |
| Investment properties | - | - | - | - | - | - | 22,930,742 | 22,930,742 |
| Property, plant and equipment and right of use assets | - | - | - | - | - | - | 109,275,425 | 109,275,425 |
| Projects in progress | - | - | - | - | - | - | 649,543 | 649,543 |
| Intangible assets | - | - | - | - | - | - | 14,984,886 | 14,984,886 |
| Other assets | 7,324,453 | 14,529,771 | 2,900,461 | 1,354,253 | - | - | 24,145,685 | 50,254,623 |
| Total assets | 2,659,384,366 | 395,792,611 | 271,249,106 | 518,318,475 | 879,652,172 | 1,383,963,863 | 379,600,264 | 6,487,960,857 |
| Liabilities | | | | | | | | |
| Palestine Monetary Authority deposits | 3,317,152 | 86,475,760 | 89,311,038 | - | 20,000,000 | - | - | 199,103,950 |
| Banks and financial institutions' deposits | 77,565,055 | 4,738,766 | 9,519,696 | - | 1,844,494 | - | - | 93,668,011 |
| Customers' deposits | 3,755,793,717 | 323,934,204 | 299,530,666 | 482,828,355 | 63,173,547 | 41,352,866 | - | 4,966,613,355 |
| Cash margins | - | 10,036,307 | 33,014,959 | 56,331,218 | 158,901,714 | 41,826,289 | - | 300,110,487 |
| Subordinated loan | - | - | 7,500,000 | 7,500,000 | 30,000,000 | 15,000,000 | - | 60,000,000 |
| Loans and borrowings | - | - | 625,000 | 2,418,235 | 23,955,433 | 50,657,663 | - | 77,656,331 |
| Istidama loans from Palestine Monetary Authority | 1,670,448 | - | - | - | 10,211,281 | 20,228,885 | - | 32,110,614 |
| Sundry provisions | - | - | - | 9,681,011 | - | - | 42,674,486 | 52,355,497 |
| Taxes provisions | - | - | - | 35,440,008 | - | - | - | 35,440,008 |
| Lease liabilities | 7,866,540 | 595,729 | 453,508 | 2,041,961 | 12,514,873 | 6,632,900 | - | 30,105,511 |
| Other liabilities | 77,496,209 | 278,468 | 9,531,457 | 7,102,152 | - | - | 466,186 | 94,874,472 |
| Total liabilities | 3,923,709,121 | 426,059,234 | 449,486,324 | 603,342,940 | 320,601,342 | 175,698,603 | 43,140,672 | 5,942,038,236 |
| Equity | | | | | | | | |
| Paid-in share capital | - | - | - | - | - | - | 223,958,577 | 223,958,577 |
| Additional paid-in capital | - | - | - | - | - | - | 29,575,688 | 29,575,688 |
| Statutory reserve | - | - | - | - | - | - | 67,974,894 | 67,974,894 |
| 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 | - | - | - | - | - | - | 3,344,655 | 3,344,655 |
| Retained earnings | - | - | - | - | - | - | 107,929,885 | 107,929,885 |
| Total equity holders of the Bank | - | - | - | - | - | - | 481,404,736 | 481,404,736 |
| Non-controlling interests | - | - | - | - | - | - | 64,517,885 | 64,517,885 |
| Total equity | - | - | - | - | - | - | 545,922,621 | 545,922,621 |
| Total liabilities and equity | 3,923,709,121 | 426,059,234 | 449,486,324 | 603,342,940 | 320,601,342 | 175,698,603 | 589,063,293 | 6,487,960,857 |
| Maturity gap | (1,264,324,755) | (30,266,623) | (178,237,218) | (85,024,465) | 559,050,830 | 1,208,265,260 | (209,463,029) | - |
| Cumulative gap | (1,264,324,755) | (1,294,591,378) | (1,472,828,596) | (1,557,853,061) | (998,802,231) | 209,463,029 | - | - |

| | 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 |
|--|----------------------|-------------------------------------|--------------------------------------|---------------------------------------|--------------------------------|----------------------|---------------------|----------------------|
| December 31, 2021 | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Assets | | | | | | | | |
| Cash and balances with Palestine Monetary Authority | 1,779,579,889 | - | - | - | - | - | - | 1,779,579,889 |
| Balances, deposits and investments at Banks and financial institutions | 590,695,912 | 71,806,945 | 33,421,175 | - | - | - | 86,306,281 | 782,230,313 |
| Financial assets at fair value through profit or loss | - | - | - | 10,253,849 | - | - | - | 10,253,849 |
| Direct credit facilities and Islamic financing | 185,159,286 | 238,974,733 | 280,788,331 | 410,642,794 | 935,042,903 | 1,402,599,113 | - | 3,453,207,160 |
| Financial assets at fair value through other comprehensive income | - | - | - | - | - | - | 42,255,262 | 42,255,262 |
| Financial assets at amortized cost | 14,414,320 | 18,660,030 | 12,472,978 | 38,574,030 | 92,772,467 | 51,951,592 | - | 228,845,417 |
| Investment in associates and a joint venture | - | - | - | - | - | - | 9,671,052 | 9,671,052 |
| Investment properties | - | - | - | - | - | - | 25,962,178 | 25,962,178 |
| Property, plant and equipment and right of use assets | - | - | - | - | - | - | 115,897,814 | 115,897,814 |
| Projects in progress | - | - | - | - | - | - | 1,366,792 | 1,366,792 |
| Intangible assets | - | - | - | - | - | - | 14,613,893 | 14,613,893 |
| Other assets | 9,668,411 | 13,975,857 | 4,676,273 | 2,567,138 | - | - | 13,450,508 | 44,338,187 |
| Total assets | 2,579,517,818 | 343,417,565 | 331,358,757 | 462,037,811 | 1,027,815,370 | 1,454,550,705 | 309,523,780 | 6,508,221,806 |
| Liabilities | | | | | | | | |
| Palestine Monetary Authority deposits | 51,109,510 | 171,329,597 | - | - | 20,000,000 | - | - | 242,439,107 |
| Banks and financial institutions' deposits | 99,104,929 | 19,997,039 | - | 1,993 | 957,907 | - | - | 120,061,868 |
| Customers' deposits | 1,008,542,155 | 490,554,651 | 519,634,848 | 690,394,959 | 906,703,642 | 1,397,721,071 | - | 5,013,551,326 |
| Cash margins | 132,793,473 | 27,092,682 | 36,275,334 | 68,443,218 | 26,602,821 | 380,748 | - | 291,588,276 |
| Subordinated loan | - | - | - | 7,500,000 | 30,000,000 | 35,000,000 | - | 72,500,000 |
| Loans and borrowings | 672,125 | - | 672,125 | 1,386,411 | 10,990,087 | 34,721,752 | - | 48,442,500 |
| Istidama loans from Palestine Monetary Authority | - | - | - | 943,406 | 14,848,893 | 6,515,253 | - | 22,307,552 |
| Sundry provisions | - | - | - | - | - | - | 50,983,323 | 50,983,323 |
| Taxes provisions | - | - | - | 21,492,314 | - | - | - | 21,492,314 |
| Lease liabilities | - | - | - | - | - | - | 31,900,160 | 31,900,160 |
| Other liabilities | 74,257,348 | 250,000 | 8,557,053 | 13,476,492 | - | - | 315,058 | 96,855,951 |
| Total liabilities | 1,366,479,540 | 709,223,969 | 565,139,360 | 803,638,793 | 1,010,103,350 | 1,474,338,824 | 83,198,541 | 6,012,122,377 |
| Equity | | | | | | | | |
| Paid-in share capital | - | - | - | - | - | - | 217,433,527 | 217,433,527 |
| Additional paid-in capital | - | - | - | - | - | - | 29,575,688 | 29,575,688 |
| Statutory reserve | - | - | - | - | - | - | 61,883,607 | 61,883,607 |
| Voluntarily reserve | - | - | - | - | - | - | 246,361 | 246,361 |
| General Banking risks reserve | - | - | - | - | - | - | 10,311,877 | 10,311,877 |
| Pro-cyclicality reserve | - | - | - | - | - | - | 40,000,000 | 40,000,000 |
| Fair value reserve | - | - | - | - | - | - | (1,692,549) | (1,692,549) |
| Retained earnings | - | - | - | - | - | - | 77,612,532 | 77,612,532 |
| Total equity holders of the Bank | - | - | - | - | - | - | 435,371,043 | 435,371,043 |
| Non-controlling interests | - | - | - | - | - | - | 60,728,386 | 60,728,386 |
| Total equity | - | - | - | - | - | - | 496,099,429 | 496,099,429 |
| Total liabilities and equity | 1,366,479,540 | 709,223,969 | 565,139,360 | 803,638,793 | 1,010,103,350 | 1,474,338,824 | 579,297,970 | 6,508,221,806 |
| Maturity gap | 1,213,038,278 | (365,806,404) | (233,780,603) | (341,600,982) | 17,712,020 | (19,788,119) | (269,774,190) | - |
| Cumulative gap | 1,213,038,278 | 847,231,874 | 613,451,271 | 271,850,289 | 289,562,309 | 269,774,190 | - | - |

The following table shows the balances of the Bank's undiscounted consolidated financial liabilities as on December 31, 2022 and 2021 according to the contractual maturity period:

| | 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 |
|--|----------------------|-------------------------------|--------------------------------|---------------------------------|-----------------------------|----------------------|-------------------|----------------------|
| December 31, 2022 | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Liabilities | | | | | | | | |
| Palestine Monetary Authority deposits | 3,317,152 | 89,173,343 | 92,097,067 | - | 20,000,000 | - | - | 204,587,562 |
| Banks and financial institutions' deposits | 77,565,055 | 5,127,345 | 10,300,311 | - | 1,844,494 | - | - | 94,837,205 |
| Customers' deposits | 3,755,793,717 | 327,173,546 | 302,525,972 | 487,656,639 | 66,332,225 | 47,555,796 | - | 4,987,037,895 |
| Cash margins | - | 10,036,307 | 33,345,110 | 56,894,529 | 160,490,731 | 42,244,552 | - | 303,011,229 |
| Subordinated loan | - | - | 8,075,963 | 8,075,963 | 32,303,850 | 16,180,125 | - | 64,635,901 |
| Loans and borrowings | - | - | 670,313 | 2,594,244 | 24,932,052 | 54,330,344 | - | 82,526,953 |
| Istidama loans from Palestine Monetary Authority | 1,753,970 | - | - | - | 10,721,845 | 21,240,329 | - | 33,716,144 |
| Sundry provisions | - | - | - | 9,681,011 | - | - | 42,674,486 | 52,355,497 |
| Taxes provisions | - | - | - | 35,440,008 | - | - | - | 35,440,008 |
| Lease liabilities | 7,866,540 | 595,729 | 453,508 | 2,041,961 | 12,514,873 | 8,452,528 | - | 31,925,139 |
| Other liabilities | 77,496,209 | 278,468 | 9,531,457 | 7,102,152 | - | - | 466,186 | 94,874,472 |
| Total liabilities | 3,923,792,643 | 432,384,738 | 456,999,701 | 609,486,507 | 329,140,070 | 190,003,674 | 43,140,672 | 5,984,948,005 |
| | 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 |
| December 31, 2021 | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Liabilities | | | | | | | | |
| Palestine Monetary Authority deposits | 51,109,510 | 163,624,631 | 6,708,815 | 21,039,120 | - | - | - | 242,482,076 |
| Banks and financial institutions' deposits | 19,987,102 | 98,060,606 | 2,130,219 | - | - | - | - | 120,177,927 |
| Customers' deposits | 1,018,030,578 | 727,796,802 | 539,533,586 | 714,022,949 | 932,211,283 | 1,082,358,276 | - | 5,013,953,474 |
| Cash margins | 133,909,537 | 27,580,217 | 37,318,902 | 69,870,400 | 27,331,643 | 475,459 | - | 296,486,158 |
| Subordinated loan | - | - | 2,159,129 | 5,192,189 | 18,300,451 | 50,109,210 | - | 75,760,979 |
| Loans and borrowings | - | - | 2,340,912 | 11,519,790 | 35,763,405 | - | - | 49,624,107 |
| Istidama loans from Palestine Monetary Authority | - | - | - | 12,948,123 | 10,802,480 | - | - | 23,750,603 |
| Sundry provisions | - | - | - | - | - | - | 50,983,323 | 50,983,323 |
| Taxes provisions | - | - | - | 21,492,314 | - | - | - | 21,492,314 |
| Lease liabilities | - | 1,230,191 | 2,309,412 | 3,223,981 | 8,819,921 | 16,889,821 | - | 32,473,326 |
| Other liabilities | 75,310,702 | 1,258,500 | 8,947,993 | 11,469,502 | - | - | - | 96,986,697 |
| Total liabilities | 1,298,347,429 | 1,019,550,947 | 601,448,968 | 870,778,368 | 1,033,229,183 | 1,149,832,766 | 50,983,323 | 6,024,170,984 |

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, 2022:

| | Amount before discount rates / average flows | Amount after discount rates / average flows |
|--|---|--|
| | U.S. \$ | U.S. \$ |
| Total high quality liquid assets | <u>1,999,150,519</u> | <u>1,936,312,730</u> |
| Retail deposits including small institutions' deposits: | | |
| A- Stable deposits | 1,342,642,907 | 67,132,145 |
| B- Less stable deposits | 2,820,564,286 | 243,819,865 |
| Deposits and other unguaranteed facilities for companies without retail and small institutions' customers: | | |
| A- Operational deposits | 191,660,073 | 47,915,018 |
| B- Non-operational deposits | <u>1,332,413,806</u> | <u>381,572,607</u> |
| Guaranteed financing and deposits | 5,687,281,072 | 740,439,635 |
| Non-cancelled and cancelled credit lines and required liquidity within 30 days | 513,205,859 | 160,993,767 |
| Any other cash outflows | <u>165,198,251</u> | <u>11,082,738</u> |
| Total cash outflows | <u>6,365,685,182</u> | <u>912,516,140</u> |
| Guaranteed lending | 62,240,405 | 31,120,203 |
| Cash inflow from performing loans | <u>495,565,564</u> | <u>313,220,627</u> |
| Total cash inflow | <u>557,805,969</u> | <u>344,340,830</u> |
| Net cash outflow after adjustments | | <u>568,175,311</u> |
| Total high-quality liquid assets after adjustments | | 1,936,312,730 |
| Net cash outflow after adjustment | | <u>568,175,311</u> |
| Liquidity Coverage Ratio (%) | | <u>341%</u> |

The table below shows the calculation of the liquidity coverage ratio for the year ending December 31, 2021:

| | Amount before discount rates / average flows | Amount after discount rates / average flows |
|--|---|--|
| | U.S. \$ | U.S. \$ |
| Total high quality liquid assets | <u>2,164,917,110</u> | <u>2,014,566,910</u> |
| Retail deposits including small institutions' deposits: | | |
| A- Stable deposits | 2,054,400,341 | 141,899,781 |
| B- Less stable deposits | 2,002,895,146 | 156,854,813 |
| Deposits and other unguaranteed facilities for companies without retail and small institutions' customers: | | |
| A- Operational deposits | 208,810,507 | 52,202,627 |
| B- Non-operational deposits | <u>1,659,447,851</u> | <u>595,680,294</u> |
| Guaranteed financing and deposits | 5,925,553,845 | 946,637,515 |
| Non-cancelled and cancelled credit lines and required liquidity within 30 days | 472,016,161 | 135,571,064 |
| Any other cash outflows | <u>152,514,631</u> | <u>10,405,650</u> |
| Total cash outflows | <u>6,550,084,637</u> | <u>1,092,614,229</u> |
| Guaranteed lending | 40,844,180 | 20,422,090 |
| Cash inflow from performing loans | <u>708,537,825</u> | <u>439,992,156</u> |
| Total cash inflow | <u>749,382,005</u> | <u>460,414,246</u> |
| Net cash outflow after adjustments | | <u>632,199,983</u> |
| Total high-quality liquid assets after adjustments | | 2,014,566,910 |
| Net cash outflow after adjustment | | 632,199,983 |
| Liquidity Coverage Ratio (%) | | <u>319</u> |

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, 2022:

| Description | 2022 U.S. \$ |
|---|-----------------|
| Regulatory capital | 595,599,849 |
| Stable retail deposits and small institutions | 1,289,461,163 |
| Less stable retail deposits and small institutions | 2,374,551,971 |
| Guaranteed and unguaranteed financing (deposits) | 584,683,244 |
| Other deposits and financing | - |
| Other commitments (not included in the previous categories) | 206,506,830 |
| Gross stable financing available | 5,050,803,057 |
| Level 1 unrestricted high quality liquid assets | 1,131,749 |
| Level 2 -type (A) unrestricted high quality liquid assets | 40,972,376 |
| Level 2 -type (B) unrestricted high quality liquid assets | 46,623,661 |
| Loans | 2,216,095,321 |
| Debt instruments issued or guaranteed by Banks and financial institutions | 18,460,058 |
| Other unquoted investments (not included in the previous categories) | 49,391,559 |
| Other quoted investments (not included in the previous categories) | 129,854,066 |
| Non-performing loans | 23,917,514 |
| Other assets | 477,182,268 |
| Contingent non-cancelled and cancelled credit facilities and liquidity | 15,774,565 |
| Other future and potential financing commitments: | 10,299,203 |
| Other non-contractual commitments | 2,649,375 |
| Off balance sheet exposures not included in the previous categories | 9,848 |
| Total stable financing required | 3,032,361,563 |
| Net stable financing ratio | %167 |

The table below shows the calculation of the net stable financing ratio for the year ending on December 31, 2021:

| Description | 2021 |
|---|---------------|
| | U.S. \$ |
| Regulatory capital | 546,457,129 |
| Stable retail deposits and small institutions | 1,221,243,028 |
| Less stable retail deposits and small institutions | 2,313,184,445 |
| Guaranteed and unguaranteed financing (deposits) | 571,417,166 |
| Other deposits and financing | 48,442,500 |
| Other commitments (not included in previous categories) | 200,752,325 |
| Gross stable financing available | 4,901,496,593 |
| Level 1 unrestricted high quality liquid assets | 242,176 |
| Level 2 -type (A) unrestricted high quality liquid assets | 60,329,108 |
| Level 2 -type (B) unrestricted high quality liquid assets | 37,603,676 |
| Loans | 831,739,416 |
| Housing loans not mortgaged | 159,906,059 |
| Debt instruments issued or guaranteed by Banks and financial institutions | 31,541,510 |
| Other unquoted investments | 79,370,610 |
| Other quoted investments | 87,068,516 |
| Non-performing loans | 47,776,133 |
| Other assets | 455,681,688 |
| Contingent non-cancelled and cancelled credit facilities and liquidity | 15,950,609 |
| Other future and potential financing commitments | 10,869,804 |
| Other non-contractual commitments | 2,231,961 |
| Off balance sheet exposures not included in the previous categories | 17,106 |
| Total stable financing required | 1,820,328,372 |
| Net stable financing ratio | 269% |

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, 2022:

| | 2022 |
|--|---------------|
| | U.S. \$ |
| Total Exposure Scale | 7,090,249,172 |
| 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 | 9,810,506 |
| Amendments related to securities financing operations | - |
| Amendments related to items outside the statement of financial position | 386,273,000 |
| Other amendments/exposures | 19,207,644 |
| Total Leverage Exposure Scale | 6,674,958,022 |
| First tranche of capital | 482,612,045 |
| Leverage Ratio | 7.23% |

48. Segment information

Information on the Bank's business segments

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

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

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

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

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

| December 31, 2022 | Retail | Corporate, institutions and public sector | Treasury | Other | Total |
|---|---------------|---|---------------|-------------|---------------|
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Gross revenues | 103,487,027 | 178,440,069 | 54,946,263 | 7,092,705 | 343,966,064 |
| Provision of expected credit losses | (7,353,099) | (17,466,212) | (3,579,449) | 300,000 | (28,098,760) |
| Written off credit facilities not previously provided for | (1,921,400) | - | - | - | (1,921,400) |
| Segment results | | | | | 313,945,904 |
| Unallocated expenses | | | | | (206,608,071) |
| Profit before taxes | | | | | 107,337,833 |
| Taxes expense | | | | | (40,691,196) |
| Profit for the year | | | | | 66,646,637 |
| Other information | | | | | |
| Depreciation and amortization | | | | | (17,871,196) |
| Capital expenditures | | | | | (8,872,172) |
| Gross segment assets | 1,139,074,845 | 2,432,980,020 | 2,740,741,515 | 175,164,477 | 6,487,960,857 |
| Gross segment liabilities | 3,391,122,773 | 1,875,601,069 | 462,538,906 | 212,775,488 | 5,942,038,236 |

| December 31, 2021 | Retail | Corporate, institutions and public sector | Treasury | Other | Total |
|---|---------------|---|---------------|-------------|---------------|
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Gross revenues | 122,796,493 | 154,847,723 | 30,506,825 | 8,429,423 | 316,580,464 |
| Provision of expected credit losses | (297,605) | (22,183,466) | (1,833,077) | (300,000) | (24,614,148) |
| Written off credit facilities not previously provided for | (2,052,766) | - | - | - | (2,052,766) |
| Segment results | | | | | 289,913,550 |
| Unallocated expenses | | | | | (205,308,697) |
| Profit before taxes | | | | | 84,604,853 |
| Taxes expense | | | | | (28,350,526) |
| Profit for the year | | | | | 56,254,327 |
| Other information | | | | | |
| Depreciation and amortization | | | | | (17,927,102) |
| Capital expenditures | | | | | (9,487,280) |
| Gross segment assets | 1,141,429,650 | 2,311,777,510 | 2,852,835,782 | 202,178,864 | 6,508,221,806 |
| Gross segment liabilities | 3,486,088,530 | 1,819,051,072 | 505,751,027 | 201,231,748 | 6,012,122,377 |

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 | |
|----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2022 U.S. \$ | 2021 U.S. \$ | 2022 U.S. \$ | 2021 U.S. \$ | 2022 U.S. \$ | 2021 U.S. \$ |
| Gross revenues | 329,206,090 | 299,054,139 | 14,759,974 | 17,526,325 | 343,966,064 | 316,580,464 |
| Gross segment assets | 5,681,427,246 | 5,587,593,535 | 806,533,611 | 920,628,271 | 6,487,960,857 | 6,508,221,806 |
| Capital expenditures | 8,872,172 | 9,487,280 | - | - | 8,872,172 | 9,487,280 |

49. Capital management

The main objective of managing the Bank's capital is to maintain appropriate capital ratios in a way that supports the Bank's activity and maximizes shareholders' equity. The Bank manages the capital structure and makes the necessary adjustments to it in light of changes in economic conditions and the nature of the business. The Bank did not make any amendments to the objectives, policies and procedures related to capital structuring during the current year and the previous year, except that the Bank raised its paid-in share capital by U.S. \$ 6,525,050 and U.S. \$ 2,080,800, respectively, through share distributions. In addition, during 2021, the Bank raised its paid-in share capital through admission of a strategic partner (note 1).

During the year 2022, the Bank signed an agreement with the Japan International Cooperation Agency (JICA) to invest U.S. \$ 30 million in a perpetual loan within the additional first tranche of the Bank's regulatory capital, after obtaining the approval of the Palestinian Monetary Authority, in order to enhance the financial solvency of the Bank's capital and increase its ability to finance small and medium enterprises. Subsequent to the date of the consolidated financial statements, the necessary procedures were completed and JICA transferred the value of the perpetual loan to the Bank, and the agreement will be completed after obtaining the approval of the Bank's general assembly.

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 2022 is computed in accordance with the PMA's instructions No. (8/2018) derived from Basel III international regulations.

The following are the capital adequacy rates:

| | 2022 | | | 2021 | | |
|--------------------|-------------|----------------------|--------------------------------------|-------------|----------------------|--------------------------------------|
| | Amount | Percentage to assets | Percentage to risk – weighted assets | Amount | Percentage to assets | Percentage to risk – weighted assets |
| | U.S. \$ | % | % | U.S. \$ | % | % |
| Regulatory capital | 595,599,847 | 9.18 | 15.81 | 546,457,128 | 8.40 | 15.22 |
| Basic capital | 482,612,045 | 7.42 | 12.81 | 429,801,647 | 6.60 | 11.97 |

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 2022 is computed in accordance with PMA instructions No. (8/2018) derived from Basel III international regulations, as shown in the following table:

| | 2022 | 2021 |
|---|---------------|---------------|
| | U.S. \$ | U.S. \$ |
| Net common stocks (CET 1) | 475,970,041 | 423,226,602 |
| The first bracket of capital | 482,612,045 | 429,801,647 |
| The second bracket of capital | 112,987,802 | 116,655,481 |
| Capital base | 595,599,847 | 546,457,128 |
| Credit risk | 3,243,537,444 | 3,107,256,594 |
| Market risk | 32,329,301 | 34,291,742 |
| Operational risk | 490,393,334 | 447,851,084 |
| Total risk weighted assets | 3,766,260,079 | 3,589,399,420 |
| Percentage of common stocks (CET 1) to risk weighted assets | 12.64% | 11,79% |
| Percentage of the first bracket of capital to risk weighted assets | 12.81% | 11,97% |
| Percentage of the second bracket of capital to risk weighted assets | 3.00% | 3,25% |
| Percentage of the first bracket to assets | 7.42% | 6,60% |
| Percentage of regulatory capital to assets | 9.18% | 8,40% |
| Capital adequacy ratio | 15.81% | 15,22% |

50. Commitments and contingent liabilities

The total outstanding commitments and contingent liabilities are as follows:

| | 2022 | 2021 |
|--|-------------|-------------|
| | U.S. \$ | U.S. \$ |
| Letters of guarantees | 212,390,048 | 206,492,217 |
| Letters of credit | 38,797,292 | 46,069,513 |
| Acceptances | 7,784,207 | 9,417,798 |
| Unutilized direct credit facilities limits | 315,491,295 | 286,553,199 |
| Others | 196,950 | 322,700 |
| | 574,659,792 | 548,855,427 |
| Less: | | |
| Provision of expected credit losses | (552,520) | (315,086) |
| | 574,107,272 | 548,540,341 |

Outstanding forward deals contracts for the sale and purchase of currencies for existing customers as at December 31, 2022 and December 31, 2021 amounted to U.S \$ 9,909,602 and U.S. \$ 35,041,435, 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:

| | 2022 | | | |
|--------------------------------|--------------------|-------------------|-----------|--------------------|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 446,739,985 | 102,115,442 | - | 548,855,427 |
| Net change during the year | 55,171,336 | (29,366,971) | - | 25,804,365 |
| Balance ending of the year | <u>501,911,321</u> | <u>72,748,471</u> | <u>-</u> | <u>574,659,792</u> |

| | 2021 | | | |
|--------------------------------|--------------------|--------------------|-----------|--------------------|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 550,791,322 | 50,040,463 | - | 600,831,785 |
| Net change during the year | (104,051,337) | 52,074,979 | - | (51,976,358) |
| Balance ending of the year | <u>446,739,985</u> | <u>102,115,442</u> | <u>-</u> | <u>548,855,427</u> |

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

| | 2022 | | | |
|---|----------------|----------------|-----------|----------------|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 142,407 | 172,679 | - | 315,086 |
| Net expected credit losses for the year | 34,726 | 202,708 | - | 237,434 |
| Balance ending of the year | <u>177,133</u> | <u>375,387</u> | <u>-</u> | <u>552,520</u> |

| | 2021 | | | |
|---|----------------|----------------|-----------|----------------|
| | Stage (1) | Stage (2) | Stage (3) | Total |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Balance, beginning of the year | 298,586 | 3,567 | - | 302,153 |
| Net expected credit losses for the year | (156,179) | 169,112 | - | 12,933 |
| Balance ending of the year | <u>142,407</u> | <u>172,679</u> | <u>-</u> | <u>315,086</u> |

The related provision is recorded in other liabilities (note 27).

51. Lawsuits against the Bank

The number of lawsuits filed against the Bank and its subsidiaries as at December 31, 2022 and 2021 was (244) and (248), respectively and that's within the normal course of business with a total amount of U.S. \$ 67,518,916 and U.S. \$ 69,672,366, 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 2023.

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

52. 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.

53. 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.

54. Comparative figures

Some of the balances of the consolidated financial statements as at December 31, 2021 have been reclassified to match the presentation of the balances of the consolidated financial statements as at December 31, 2022. These reclassifications do not affect the profits of previous years or equity.