بنك الاستثمار الفلسطيني
PALESTINE INVESTMENT BANK
تنمية وأمان

Annual Report 2022

Scan the QR code to browse
The Annual reports

بنك الاستثمار الفلسطيني
PALESTINE INVESTMENT BANK
تنمية وأمان

The Twenty-Eighth Annual Report

Results and Achievements in 2022

Contents

About Palestine Investment Bank

The PIB was established by a group of elite Arab and Palestinian Bankers who are known for their banking superior experience that was gained from their global banking exposure. Palestine Investment Bank P.L.C. was established in Palestine on August 10, 1994, as a public shareholding company with a share capital of U.S. Dollar 20 million, in accordance with the Company's Law of 1929.

Since the beginning of its operations in March 1995, PIB has grown exponentially over the years with its commercial banking activities leading the way. Maintaining a large footprint with multiple branches and offices spanning over 11 different cities in Palestine and notably a fully-fledged foreign branch in Bahrain and a representative office in London. PIB's clients consist of an eclectic mix of retail, corporate, and financial institutions which have helped PIB maintain a diversified service offering of a wide array of core banking activities as well as investment and commercial products, and services.

Our mission is to use our resources, expertise, and platform to fulfill our social and economic obligations by an efficient and effective delivery method in a manner that most contribute to society, the growth and development of the economy, and to provide our clients the most value possible.

Members of the Board of Directors | as of December 31, 2022

Mr. ABED DAYEH
Chairman of Board of Directors

Mr. KHALIL NASR
Deputy Chairman of The Board

Dr. ADNAN STAITIYEH
A representative member of A. Y. Consultant

Mr. SAMI ALSAYYED
Member

Mr. JAMEEL ALMOTI

A representative member of AlYazan Financial and Real State

Mr. WALEED ALNAJJAR

Member

Mr. YOUSEF BAZYAN

Member

Dr. TAREQ ALHAJ

A representative member of the Palestinian Pension Agency

Mr. HANNA ABU ATTIEH
A representative member of
Uni Brothers Limited

Dr. TALEB ALSAREE’
Member

Mr. BASEM ABDELHALEEM
Member

Senior Executive Management | as of December 31, 2022

Mr. Smaih Sbieh | General Manager

Mr. Fawzi Al Jawhari | Deputy General Manager

Mr. Salah Fares | Assistant General Manager

Mr. Sami Aghbar | Head of Internal Audit

Mr. Lutfi Khaseeb | Financial Manager

Mr. Burhan Hammad | Risk Department Manager

Mr. Feras Enaya | Credit Department Manager

Mr. Ashraf Hassounh | Treasurer

Advisors | as of December 31, 2022

- Legal

Mr. Hussam Al Atira

Mr. Malik Al Auri

Mr. Sharhabeel Al Zaim

- External Auditors

Ernst & Young- Palestine

The Bank's Message

Vision and Tasks:

• We always strive to be the leading bank in Palestine, by providing the finest financial services and outstanding and superior banking products to our clients. Those services and products are provided by a highly qualified staff who do their work in a stimulating environment, supported by modern technology, with products and services which are carefully selected, through the application of the highest professional and ethical standards, by aiming to achieve financial results suitable to our ranking in the Palestinian banking sector.

• To contribute to the growth and development of the Palestinian economy, with the utmost responsibility and commitment.

Core Values:

• Our basic values are founded on honesty and truthfulness and the permanent pursuit of excellence and fulfilling of our promises. In addition to being committed to the foundations of corporate governance in all our business, and the continuing challenge to find the best ways to satisfy our clients, we are always committed to social responsibilities everywhere.

Future Expectations:

• Our future expectations are to maintain the achievements and sustainability of growth and development and to continue to meet efficiently and effectively the needs and desires of our clients. In addition, to help their assets grow with the utmost care and responsibility by continuing to introduce and develop new products within the Palestinian banking market. We will continue to reinforce our financial position through the application of risk management, human resource development, and effective use of modern technology for the continuity of performance excellence, and increase in efficiency in dealing with our clients with the utmost transparency.

PIB's Products and Services

• Financial Services:

- Current, saving accounts, and deposits (multiple currencies).
- Personal Revolving overdrafts, and car, commercial, and housing loans.
- Export financing.
- Project financing.
- Financing for contractors.
- Financing for manufacturers.
- Financing for investments in real estate.
- Financing for all types of small and medium enterprises (SMEs).
- Issuing visa cards.
- ATM services.
- Payment of phone, electricity, and water bills.
- SWIFT services.
- Electronic banking services (Online banking, Mobile, E-Walt, and SMS services).
- Prestigio (VIP customers).

• Commercial Services:

- Letters of Credit.
- Bank guarantees.
- Local and international transfers.
- Bills of collection.

• Treasury and Investment Services:

- Investing in securities traded in the global financial markets, including the Palestinian securities exchange.
- Portfolio Management.
- Buying and selling stocks and bonds through Global Securities Co. (GSC), PIB's subsidiary.
- Buying and selling foreign currencies.
- Trading future contracts for foreign currencies.

Chairman's Message

Dear Shareholders,

On behalf of PIB's Board of Directors, it gives my colleagues and I great pleasure to welcome you all to our annual ordinary general assembly, during which the Twenty-Eighth Annual Report of PIB Bank for the year ended 31/12/2022. The report included the Financial Position and Comprehensive Income Statement of the Bank that was prepared subject to the applicable standards and disclosure requirements.

During the year 2022, the Palestinian economy was able to achieve a growth of about 3.7%, compared to a growth of 7% during the year 2021, despite the difficult times passed through, such as the weak external support provided to the State of Palestine and the decline in tax revenue in addition to the repercussions of increase in global interest rates and market fluctuations, which led to the collapse of some of the financial institutions in the world.

Although the global economy is still surrounded by a great deal of uncertainty, the urgent and exceptional measures taken by major economies of the world and their central banks helped in taking the necessary measures to lay concrete foundations on which the global economy is in need during phases of crisis and challenges.

Among the foremost challenges facing the global economy in the year 2022 are the higher energy prices, which affect economic growth and the subsequent rises in food and transportation prices, high inflation rates, an increase in the unemployment rate, and thus an increase in debts.

While in Palestine, the economy recorded an increase in GDP by 3.7% during the year 2022, compared to a growth rate of 7% during the year 2021. At the level of expenditure, total consumption increased in Palestine during the same year by 7%, and total investment increased by 15.3%, despite the sharp decline in foreign aid provided to the State of Palestine, which is intended to support the budget.

Despite all the challenges facing the local and foreign economies, the Bank was able to achieve significant and substantial growth in its net profits for the year 2022 compared to last year, as net profits before tax amounted to $7.46 million in 2022 compared to $5.17 million in 2021, with an increase of 44%. After-tax, the net profit became $5.09 million for the year 2022, compared to $3.77 million in 2021, with an increase of 35%.

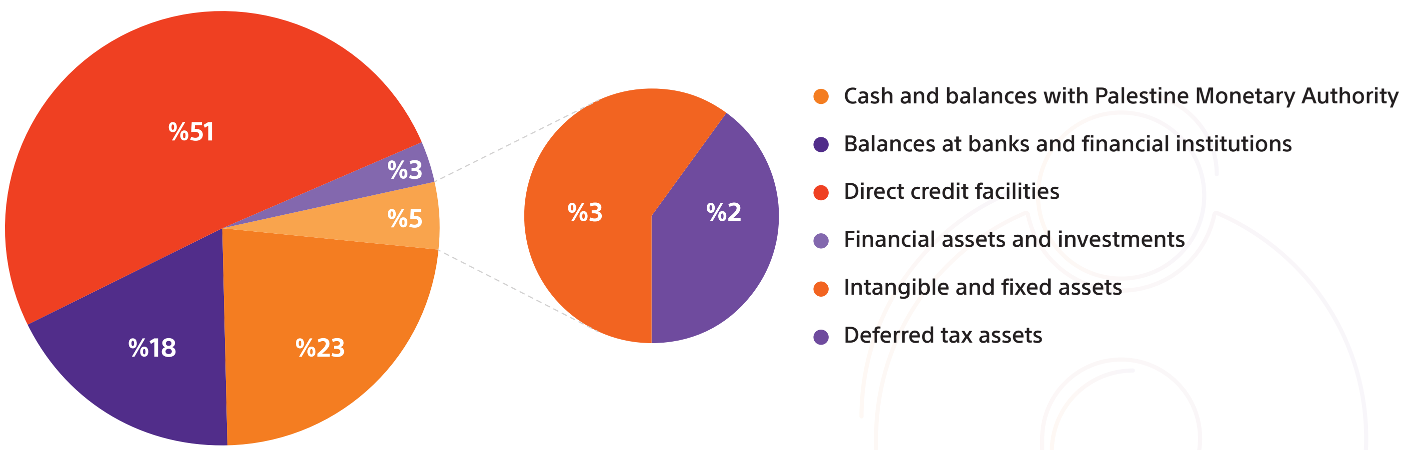
Abed Dayeh
Chairman of the Board

Analysis of the Financial Position and Results of Operations in 2022

The Bank's management continued the growth in shareholders' equity and maintained a balance between profitability and preserving capital. The management also continued providing the necessary liquidity to meet the financial obligations of different maturities and the optimal use of available funds efficiently and effectively in order to support the financial position and to maintain the growth of revenue-generating resources.

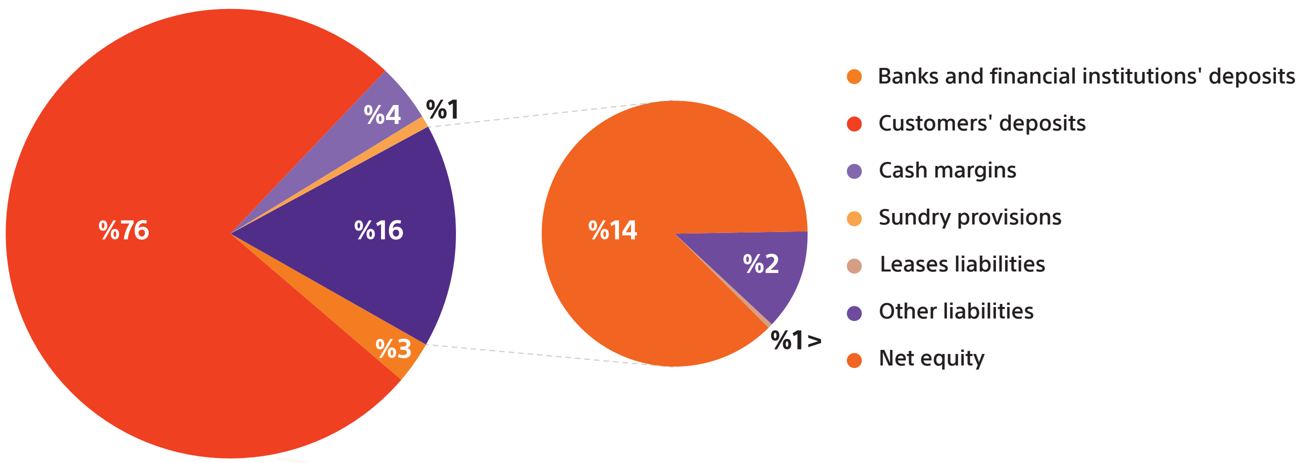
Major Segments of the Bank's Financial Position in 2022				
	US$ Million		%	
	2022	2021	2022	2021
Cash and balances with Palestine Monetary Authority	174.61	205.67	23%	28%
Balances at banks and financial institutions	131.33	156.03	18%	21%
Direct credit facilities	382.37	316.71	51%	43%
Financial assets and investments	19.66	25.51	3%	3%
Intangible and fixed assets	26.63	26.60	4%	4%
Deferred tax assets	11.71	7.99	2%	1%
Total Assets	**746.31**	**738.51**	**100%**	**100%**

Assets



Liabilities and Equity				
	US$ Million		%	
	2022	2021	2022	2021
Banks and financial institutions' deposits	21.45	62.12	3%	8%
Customers' deposits	568.92	519.41	76%	70%
Cash margins	32.75	34.16	4%	5%
Sundry provisions	4.28	3.97	1%	1%
Leases liabilities	0.96	1.38	0%	0%
Other liabilities	14.57	14.84	2%	2%
Net equity	103.37	102.63	14%	14%
Total Liabilities and Equity	**746.31**	**738.51**	**100%**	**100%**

Liabilities and Equity



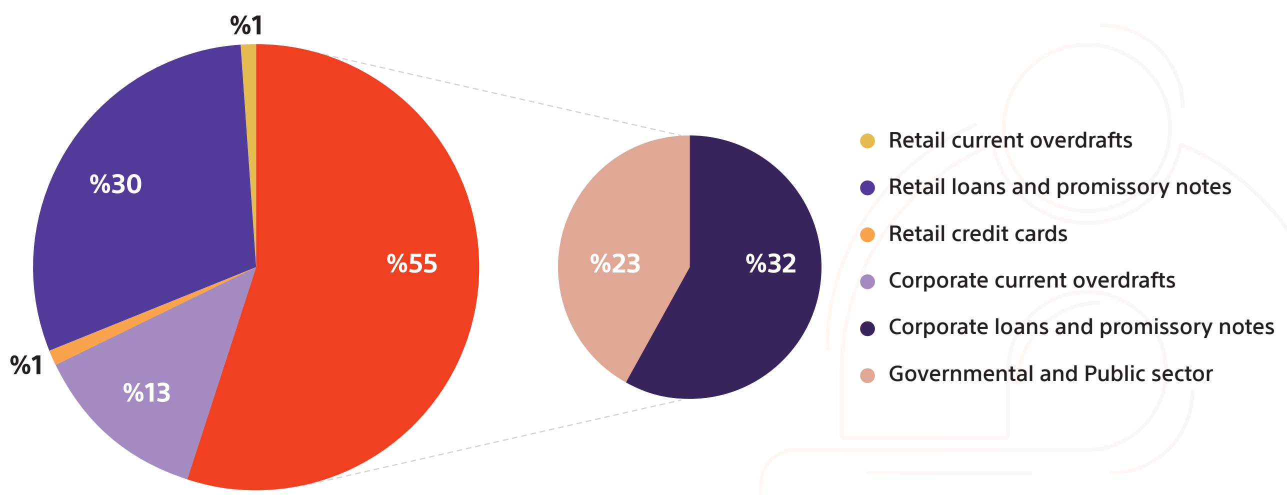
Direct Credit Facilities

Over the year of 2022, the Bank's management continued working on the development of the Bank's credit facilities portfolio by following a balanced and cautious credit policy in light of the situation in Palestine and changes in interest rates and expected returns on credit facilities. Under the supervision of the Executive Committee, the Bank strives to maintain the quality of the credit portfolio after studying the market and credit risk as well as working on collecting outstanding loans.

The proportion of non-performing credit facilities to the total also decreased from the same level in the past year and remained within the standard ratio. Work continued on financing the various economic sectors, and consumer finance sector as well as large companies and small and medium enterprises and the public sector. This has been done with a view to the continuity of risk allocation and management of available funds effectively and efficiently.

Direct Credit Facilities				
	US$ Million		%	
	2022	2021	2022	2021
Retail current overdrafts	4.43	4.89	1.12%	1.50%
Retail loans and promissory notes	120.03	120.37	30.42%	36.87%
Retail credit cards	2.39	2.10	0.60%	0.64%
Corporate current overdrafts	49.82	40.36	12.63%	12.36%
Corporate loans and promissory notes	124.79	78.73	31.63%	24.12%
Governmental and Public sector	93.06	79.98	23.59%	24.50%
Total	**394.52**	**326.43**	**100%**	**100%**

Direct Credit Facilities

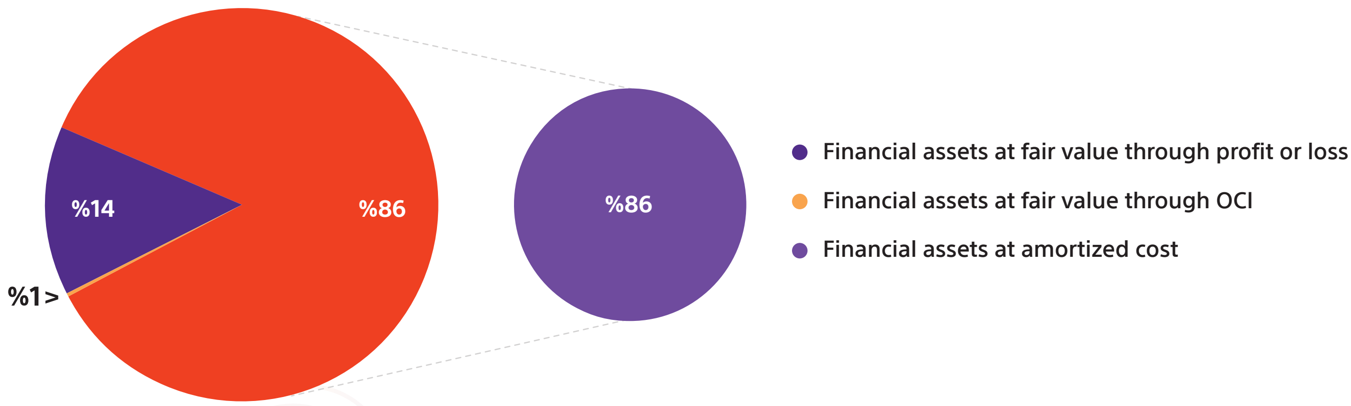


Portfolio of Financial Assets

The balance of the investment portfolio was at $19.66 million in 2022, compared to $25.51 million in the year 2021, due to the decrease of financial assets.

Diversified Financial Assets				
	US$ Million		%	
	2022	2021	2022	2021
Financial assets at fair value through profit or loss	2.66	8.19	13.52%	32.10%
Financial assets at fair value through OCI	0.05	0.05	0.24%	0.20%
Financial assets at amortized cost	16.95	17.27	86.24%	67.70%
Total	**19.66**	**25.51**	**100%**	**100%**

Financial Assets

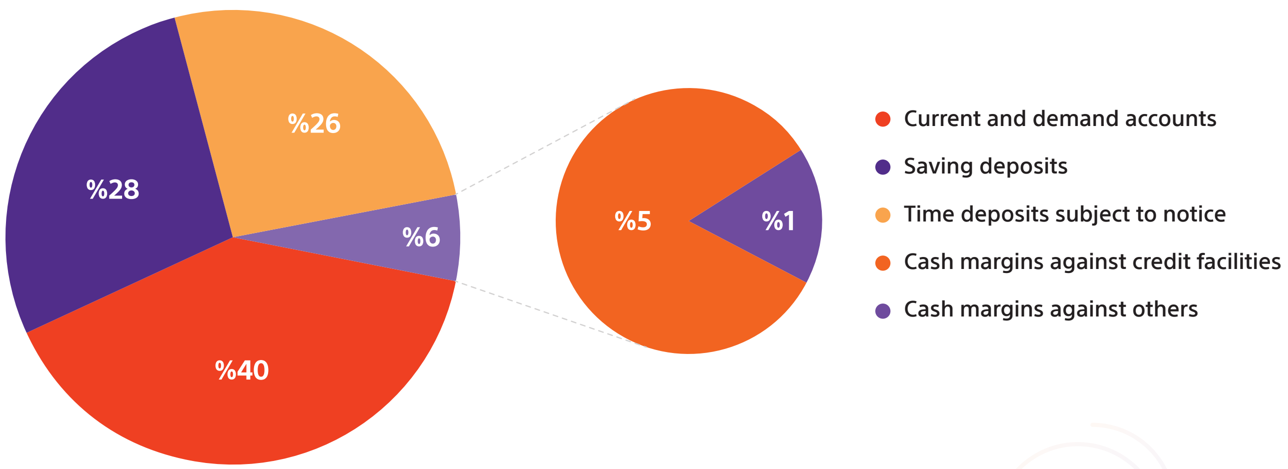


Customer's Deposits

Deposits grew in 2022 by 8.7% compared to the previous year.

Components of Customer Deposits				
	US$ Million		%	
	2022	2021	2022	2021
Current and demand accounts	241.50	225.35	40.14%	40.71%
Saving deposits	171.58	158.13	28.52%	28.57%
Time deposits subject to notice	155.85	135.92	25.90%	24.55%
Cash margins against credit facilities	29.15	30.35	4.85%	5.48%
Cash margins against others	3.57	3.78	0.59%	0.68%
Total Deposits	**601.65**	**553.55**	**100%**	**100%**

Customer's Deposits



Shareholder's Equity

Capital Adequacy:

The capital adequacy ratio equated to 21.19% in 2022 versus 23.7% in 2021. It is one of the highest ratios achieved in the Banking sector in Palestine, and higher than the ratios assessed by the Supervisory Monetary Authority of 12%. It also higher than the Basel Committee on rates (Bank for International Settlements) of 8%. The total core capital ratio to risk weighted assets was 19.98% in 2022, compared with 22.49% in 2021.

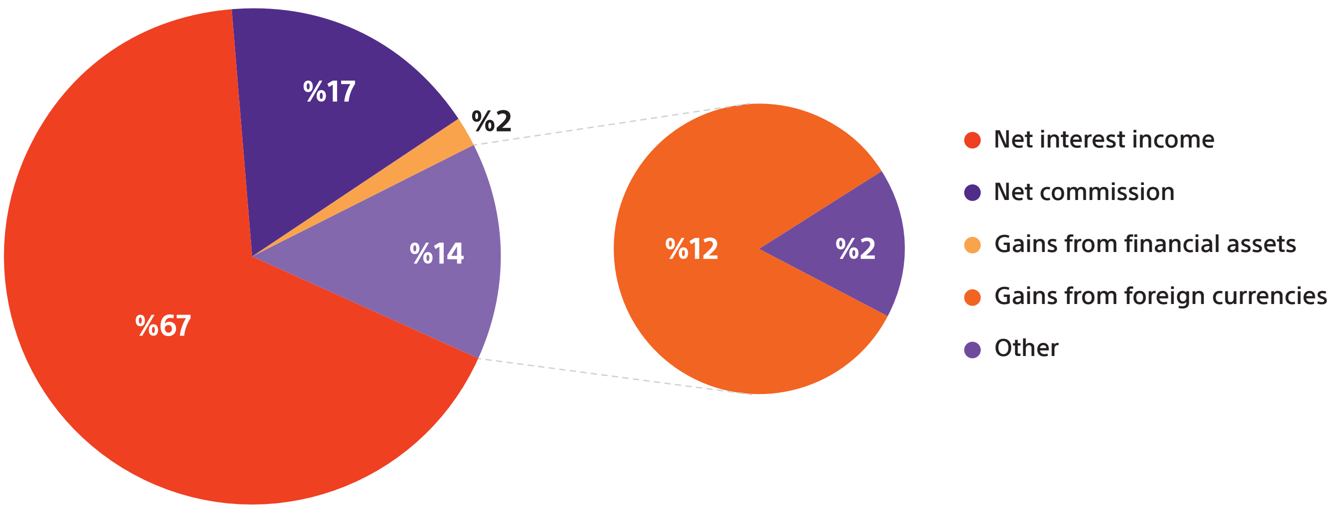
Bank's Operations Results

Net profit before tax reached $7.46 million in 2022 compared with $5.17 million in 2021, with a total increase of 44.29%, and after deduction of tax, net profit reached $5.09 million in 2022 compared with $3.765 million in 2021, with a total increase of 35.01%.

Net Profit Before and After Tax			
	US$ Million		%
	2022	2021	Change %
Net profit before tax	7.46	5.17	44.29%
Tax expenses	(2.38)	(1.41)	68.79%
Net profit after tax	**5.09**	**3.76**	**35.01%**

Total Revenue				
	US$ Million		%	
	2022	2021	2022	2021
Net interest income	19.61	17.07	67.12%	70.22%
Net commission	5.05	4.17	17.28%	17.16%
Gains from financial assets	0.64	0.77	2.21%	3.16%
Gains from foreign currencies	3.38	2.15	11.58%	8.83%
Other	0.53	0.15	1.81%	0.62%
Total	**29.21**	**24.31**	**100%**	**100%**

Revenues

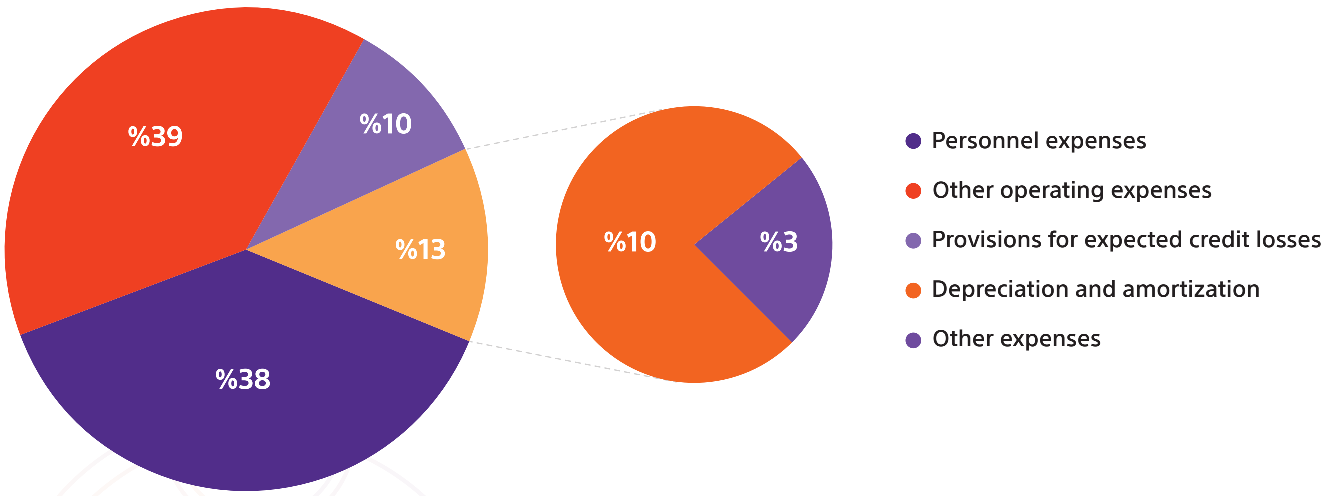


Expenses and Provisions

Total expenses and provisions reached $21.10 million in 2022 compared with $18.74 million in 2021, with an increase of $2.36 million, representing about 12.6%. This is mainly due to the increase in the saving accounts' campaign expenses and deposits insurance corporation fees.

Expenses, Provisions, and their Relative Importance				
	US$ Million		%	
	2022	2021	2022	2021
Personnel expenses	7.96	7.18	37.73%	38.31%
Other operating expenses	8.34	6.11	39.54%	32.58%
Provisions for expected credit losses	2.11	2.07	9.99%	11.04%
Depreciation and amortization	2.06	2.86	9.78%	15.28%
Other expenses	0.62	0.52	2.96%	2.79%
Total	**21.10**	**18.74**	**100%**	**100%**

Expenses and Provisions



Key Financial Ratios for 2022 Compared with 2021		
	%	
	2022	2021
Return on Equity	4.94%	3.74%
Return on Capital	6.52%	4.83%
Return on Assets	0.69%	0.55%
Credit Facilities to Deposits	63.55%	57.21%
Credit Facilities to Assets	51.24%	42.89%
Total Equity to Assets	13.85%	13.90%
Basic Share of Profit for the Year	6.52%	4.83%

Internal Control and Risk Management and Compliance

• Internal Audit

The Board of Directors fosters the role of the Internal Audit Department being the controlling authority that helps determine the efficiency of controlling systems, and adds value to them through:

• Fostering the independence of the role of the Internal Audit Department by subsiding them to the Audit and Review Committee that emerged from the Board of Directors, and it periodically evaluates the performance of the department and its staff.

• Adopting the Internal Audit Charter which defines the functions and responsibilities of the Internal Audit Department and a plan for the department.

• Submitting periodical reports on the performance of the department as well as its findings and recommendations.

• The Audit and Review Committee adopts the plan of the Internal Audit Department that Risk Based Audit.

• Risk Management

The Bank follows approved policies to manage the various risks within a clear and defined strategy in accordance with the requirements of the Monetary Authority and the standards of Basel. The Risk Management Department monitors, controls, and analyzes various risks for early recognition of potential risks and dealing with those risks and submitting reports to the Board of Directors through the Risk Management Committee of the Board of Directors.

• Methodologies and the Process of Risk Management

The methodologies of risk management are set according to the requirements of the Monetary Authority and the instructions of the Basel requirements. In this regard, the adoption of risk management policy goes through the application software to manage and measure risk (LOXON).

Risk Management Works within the Following Framework:

- Adopting of risk management methodology based on identifying the best ways and means to deal with the potential internal and external risks according to clearly defined goals.

- Adopting of risk management policy by the Risk Management Committee emanating from the Board of Directors, including analysis of all risks at the Bank, such as credit risk, market risk, liquidity risk, operational risk, and any others.

- Reviewing the policy periodically and assess the extent of compliance in its application.

- Viewing the results of the Risk Management Committee emanating from the Board of Directors to the Board, besides its recommendations regarding the various activities.

- Using an automated program to measure the impact of the credit and operational risks, and providing appropriate elements of analysis to the effects of risks and their impact on the Bank's capital and rate of its adequacy.

- Updating risks record to document the risks faced by the Bank in order to refer to them and identify any potential losses, preparing plans to hedge their occurrence in addition to plans to limit their impact on outcomes of the Bank's business.

- Executive Committees, Facilities Committee, Liability Committee, and Human Resources Committee provide assistance to the Department of Risk Management to identify the risks to the Bank, and ways to mitigate their impact on all operations.

• Anti-Money Laundering

The Bank is pursuing a policy to combat money laundering by following the policies and procedures approved by the Board of Directors and based on the law against Money Laundering, and the requirements of the Basel Committee. Training has been provided to qualify concerned employees in the various departments, branches, and offices of the Bank on ways of early detection of money laundering and procedures for compliance with the laws in force and instructions.

• External Audit

An external auditor authorized by the regulatory authority audits the Bank’s activities of financial and banking operations. The external auditor is chosen annually by the General Assembly of Shareholders and reports to the Board of Directors and to the regulatory authorities. The auditor sends reports and recommendations to the Board of Directors and to the General Assembly that have to be addressed.

• Branches

Headquarters ensures regular maintenance of all of its branches and offices in order to preserve a high standard of offering, internally and externally, to ensure high customer satisfaction. With a high dispersion of branches, the Bank gives customers the Banking services and facilities at the convenience and comfort of their jurisdiction while striving to deliver the highest quality of service. During the year of 2022, major efforts have been put in to place in upgrading and developing internal policies and procedures for all branches and offices in order to fully maximize performance, efficiency, labor productivity, and technological breakthroughs in order to ensure a higher standard of customer service across all branches and offices.

• Technological Development and Information Systems

Banking and financial operations are carried out through the automated system (BANKS). The Department of Information Systems continues to develop the automation of many of its banking and investment services. This is done through the expansion in the field of telecommunications in order to increase the ways to keep in contact with customers to offer additional services. Those services will lend speed and accuracy to banking operations in order to ensure their assistance and facilitate dealing with them to meet their needs.

In addition to contribute to their success and to achieve their highest satisfaction, the executive management is keen on keeping up with the latest technology and automated systems in all areas of the Banking services, by working towards:

- Continuous development of the main banking system (BANKS), which includes the updated versions of the system, with their security applications.
- Enhancing electronic services through mobile banking and the E-Wallet by adding bill payment services to a large group of billers, in addition to the possibility of paying university tuition, as well as purchasing credits for international applications, through the electronic channels operating at the Bank.
- Strengthening the security of the Bank's network from the risks of external and internal penetration, this goal is considered one of the most important objectives of the department in order to protect the Bank's systems and data, as the Bank has introduced a system of security from Distributed Denial-of-Service (DDoS) Attack".
- Developing a set of applications on the main banking system that will raise the level of work efficiency in addition to achieving the highest level of information security and cybersecurity.

The Bank also has many ambitious plans to enhance electronic banking services during the year 2023, which would facilitate the use of banking services for all customers of the Bank.

• Human Resources

Human resources is one of the key elements for success and excellence achieved by the Bank. In order to maintain this essential element, which is considered the human capital element, the Board of Directors is constantly working on developing the skills and capabilities of the Bank's staff. This is accomplished through the attendance of seminars and necessary specialized training courses in Palestine and abroad.

These courses are related to banking activities and investment in general, and the risks in banking and financial and credit analysis in particular. In addition, keeping the employees informed on the legal aspects that control banking operations. This is according to a plan put in place to help achieve excellence and provide the best service to Bank's customers and to keep up on the developments and changes in the Banking industry.

Executive management has been keen on taking care of the Bank's staff in response to the effort of each employee. Executive management organizes many activities and programs for staff in order to strengthen loyalty and affiliation given that human capital is the Bank's most valuable asset. The Bank has sent 185 employees to attend training courses inside and outside of Palestine in all of the disciplines necessary for the Bank.

• Foreign Banking Services and Various Treasury Activities

The Bank's Executive Management is adamant about developing the Bank's services in the fields of treasury, investment, financial brokerage, and foreign exchange. This includes investing and employing the Bank's financial resources denominated in different currencies in several money and capital markets, domestically and internationally.

This is done through deliberate and cautious policy in order to achieve an appropriate and reasonable return on those resources. The Bank has maintained its advanced ranking in the fields of treasury and banking services and trading in foreign currencies as the Bank continues to issue money orders, cashier's checks and the sale and purchase of foreign currencies through a correspondent bank network with banks financial institutions spread all over the world. Treasury activities contributed to a strong performance for the year of 2022, increased to that of 2021 in the field of foreign currency trading resulting in $3.357 million in revenue for the Bank.

Subsidiaries

• Global Securities Co. (GSC)

Global Securities is a financial company engaged in the Local stock market as a brokerage firm. It is based in the city of Nablus, registered with the Companies Controller in Palestine in December 1996 under registration No.563119148. The company commenced its operations in January 1998. The company's capital is $3,526,093 fully paid.

The company is a wholly owned subsidiary of Palestine Investment Bank, PLC, which owns 99.64% of its capital. The Bank's Board of Directors is keen on providing new investment services in the field of financial intermediation through "Global Securities", its subsidiary. The services, which are provided by the company, include the sale and purchase of shares. It also acts as an intermediary on commission basis in the Palestine Stock Exchange. In addition, it acts as a financial consultant for investment in financial securities, it also acts as a mediator in buying or selling for the Bank's own portfolio.

The Company provides periodic reports on the shares of companies that are traded on the Palestine Stock Exchange. It also provides traders who work with it with these reports. The Company also provides customers with access to their accounts through the Company's website.

• The Bank's Development Policies

Since its inception to the present day, the Bank is constantly evolving; evidenced by the volume of operating assets, and the size of profits realized since the beginning of the Bank till 31/12/2022. In order for the Bank to occupy a leading position in the Palestinian banking industry, the vision of the Bank's Board is clear. It aims at keeping up with the continuing global developments in the field of banking services, in order to provide quality services to existing customers and attract new customers.

The strategic vision for development policies that is pursued by Bank's Executive Management, put in several stages, are as follows:

- Continue to follow-up and analyze the Bank's results and compare them with other local banks.
- Assessment of banking competition in the Palestinian market from time to time.
- Develop goals constantly in light of the results achieved and the services provided to the Bank's customers.
- Improve products and follow up with the development of strategic plans and organizational structures and technology used in the Bank to achieve the desired results.
- Constantly work with the available means for the progress and prosperity of the Bank.

Corporate Governance

• Governance:

The Bank's Board of Directors continued to work on the promotion and development of corporate governance based on the principles of transparency, accountability, and responsibility.

This is done in order to increase depositors, shareholders, and other related authorities in their confidence in the Bank. In addition to ensure continuous monitoring that the Bank is complying with policies and limits approved and that they are compatible with the Bank's objectives set out in general. This comes from the commitment to the highest professional standards of performance, on all the Bank's activities that are in line with the regulatory authority instructions in Palestine, and with the best international practices.

Management is working to apply the principles of corporate governance issued by regulatory bodies in line with the guidance issued. Based on the Bank's keenness on corporate governance, several specialized committees formed from the Board of Directors each with its own private and specific objectives and powers in working in an integrated manner with the Board to achieve the Bank's objectives.

1	The Investment and Facilities Committee	Abed Dayeh	Chairman	• Adopt the credit and investment policy and follow-up the extent of compliance with it. • Follow-up the performance of the credit and investment portfolios and their compatibility with the adopted policies. • Ensure obtaining a good return within acceptable risk and compatibility with legislation and in accordance with the designated policies.
		Hanna Abuaitah	Member	
		Sami Al-Sayid	Member	
2	Audit and Review Committee	Yousef Bazian	Chairman	• The nomination of the external auditor and determination of his fees. • Evaluation of the independence of the external auditor and the scope of his work. • Review of the accounting and financial practices. • A review of interim and annual financial statements. • To make recommendations regarding the selection and appointment and removal of the internal audit manager and monitor the compliance and response to the Committee recommendations • Assess the efficiency of employees in the Internal Audit Department. • Review the reports prepared by the Internal Audit Department and monitor compliance and the comprehensiveness of its work. • Follow up the anti-money laundry unit and ensure its independence.
		Walid Al-Najjar	Member	
		Dr. Taleb Alsaree’	Member	

3	Risk Committee	Khalil Nasr	Chairman	• Identify the risks associated with the Bank's business and develop a comprehensive strategy on the extent of the degree of tolerance for risk. • Exchange of liaison with the Department of Risk Management. • Provide the Governing Council with periodic reports on the risks faced by or exposed to the Bank, as well as to ensure the presence of an appropriate risk management environment.
		Walid Al Najjar	Member	
		Dr. Taleb Alsaree'	Member	
4	Governance and Compensation Committee	Khalil Nasr	Chairman	• Supervising the implementation of the framework of governance policy. • The preparation of rewards and incentives policy and the periodical evaluation of its adequacy and effectiveness. • The preparation of standards to be adopted by the Board to the conditions and qualifications that the members of the Board of Directors should have. • Overseeing the human resources policy in general.
		Dr. Adnan Steitieh	Member	
		Dr. Tareq Al-Haj	Member	
5	Information Systems Committee	Abed Dayeh	Chairman	• Oversee the implementation of the information systems strategy and the development of the digital transformation strategy. • Ensure the optimal use of information systems resources and their compatibility with the Bank's strategy
		Dr. Taleb Alsaree'	Member	

The Board of Directors also formed several executive committees within the Executive Management of the Bank. These committees were composed of senior Bank executives and employees in accordance to the business need, which are:

- Credit Facilities Committee.
- Human Resources Committee.
- Supplies and Purchases Committee.
- Assets and Liabilities Management Committee.
- Policies and Procedures committee.
- Authorities on Banking and Application Systems Committee.

• Transparency and Disclosure

In accordance with international standards in the field of disclosure, which is one of the third pillars of the Basel Convention requirements Part II, as the basis of the conviction of the Board of Directors to the principle of transparency and disclosure. It is the basic rule in the Banking business and the way to earn the public's trust, regulators, and investors. For that reason, the Board of Directors has adopted the disclosure policy to meet these requirements.

• Rewards and Incentives

In order for the Board of Directors to apply the principles of corporate governance, a system of rewards and incentives has been provided by the Bank. The Governance and Compensation Committee was formed by the Board of Directors to achieve these goals.

• Board of Directors & Conflicts of Interest

The Board of Directors exercises its functions in planning and approving of policies and regulations for internal and external relations. The Board also oversees the safety of the Bank's business, and the work of the Executive Management represented by the General Manager. There is no conflict of interest in the practice of the Bank's activities within members of the Board, where governance is applied in all functions.

• Disclosures to Shareholders

The Board of Directors follows different ways to deliver data to the Bank's shareholders. This is done through publications on the Bank's website, Palestine Stock Exchange, and the Palestine Capital Market. In addition, the distribution of annual reports to shareholders by mail and the publication in local newspapers and advertisements in the Bank's Head Office, branches, and offices and through its subsidiaries in the cities and Palestinian communities.

• Strategic Investors with ownership of More Than 10%

Name	Number of Shares as of 31/12/2022	Percent of Shares %
Al-Yazan Co. for Real Estate & Financial Investments	13,757,611	17.64
Aswaq Investments	20,228,534	25.69
Palestine Pension Agency	8,174,885	10.48

• Shares Owned by Board Members

Name	Position	Number of Shares as of 31/12/2022	Percent of Shares %
Mr. Abed Dayeh	Chairman of the Board of Directors	4,855,596	6.22
Mr. Khalil Nasr	Vice Chairman of the Board of Directors	13,456	0.02
Al-Yazan Co. for Real Estate and Financial Investments	Member	13,757,611	17.64
Mr. Yousef Bazian	Member	12,233	0.02
Mr. Sami Sayed	Member	16,820	0.02
Mr. Waleed Al-Najar	Member	10,000	0.01
Mr. Basem Abed Al Halim	Member	10,400	0.01
Palestinian Pension Agency	Member	8,174,885	10.48
A.Y. Consultants	Member	1,737,487	2.23
Uni Brothers LMTD	Member	6,008,402	7.70
Dr. Taleb Alsaree'	Member	10,000	0.01

• The company's stock trading on the Palestine Exchange in 2022

Item	2022	2021
Highest Price	1.24	1.38
Lowest price	1.00	1.10
Opening price	1.27	1.18
Closing price	1.21	1.21

Number of Traded Shares	Number of Transactions	Value in Dollars
2,493,892	553	2,804,050

• Duties of the Board of Directors to the Shareholders and Corporate Governance:

The generally accepted principles of corporate governance applied to the Bank's various activities have been continually implemented throughout the year 2022.

Board Meetings:

The Board of Directors held six meetings during the year 2022.

#	Name	Number of the Meetings of the Board of Directors	
		Actual	Percent of Attendance %
1	Mr. Abed Dayeh	6	100
2	Mr. Khalil Nasr	6	100
3	Mr. Sami Al-Sayid	6	100
4	Dr. Adnan Steitieh	6	100
5	Dr. Tareq Al Haj	6	100
6	Mr. Jameel Al-Mu`ti	6	100
7	Mr. Yousef Bazian	6	100
8	Mr. Waleed Al-Najar	6	100
9	Mr. Hanna Abuaitah	6	100
10	Mr. Yazan Abdul Aziz	1	17
11	Mr. Basem Abed Al Halim	6	100
12	Dr. Taleb Alsaree'	5	83

• The Company's Policy of Social Responsibility

According to its policy of social responsibility and donations approved by the Board of Directors, to achieve the goals set out in the policy, the Bank has continued its activities during the year 2022 to turn towards social responsibility anxious to interact with the various activities of the Palestinian society. In addition, the Bank extended its role in the social service of the environment in Palestine through sponsoring and caring for many of the social, charitable, and sports activities. Financial support is being provided for many of the students, associations, charities, volunteers, and national support programs that aim at the best interest of our nation's young people. The Higher Committee, formed for this paper, has agreed to allocate the amount of $97,184 for various activities.

• Academic Degrees held by the Members of the Board of Directors:

- Two members hold Doctorate Degrees.
- Six members hold Master's Degrees.
- Three members hold Bachelor's Degrees.

• Board of Directors' Remuneration:

During the year 2022, remunerations were dispersed to the members of the Board of Directors. These include membership allowance, allowance for attending board meetings and additional allowance detailed in the following table. None of the members of the Board of Directors receives a salary.

Name	2022 (In US$)	2021 (In US$)
Mr. Abed Dayeh	90,000	55,000
Mr. Khalil Nasr	30,000	30,000
Mr. Sami Al-Sayid	23,000	30,000
Mr. Yousef Bazian	12,000	22,000
Mr. Waleed Al-Najar	7,000	10,000
Mr. Basem Abed El Halim	7,000	8,000
Mr. Hanna Abuaitah	7,000	9,000
Mr. Jameel Al-Muti	6,000	8,000
Dr. Adnan Steitieh	6,000	8,000
Mr. Yazan Dayeh	5,000	10,000
Dr. Tareq El Haj	-	10,000
Dr. Taleb Alsaree'	-	-
Total	**193,000**	**200,000**

- ## Academic Degrees held by Bank Employees:

- 16 employees hold Master’s Degrees.
- 237 employees hold Bachelor’s Degrees.
- 31 employees hold Diploma qualifications.
- 14 employees hold qualifications below a High School Degree.

PALESTINE INVESTMENT BANK P.L.C

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

Ernst & Young
P.O. Box 1373
7th Floor,
PADICO House Bldg.
Al-Masyoun
Ramallah-Palestine

Tel: +972 22421011
Fax: +972 22422324
www.ey.com

Building a better working world

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

Opinion

We have audited the consolidated financial statements of Palestine Investment Bank P.L.C and its subsidiaries (collectively the "Bank"), which comprise of 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 for the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key Audit Matter	Audit Procedures
Expected Credit Losses "ECL" allowances: 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. IFRS (9) requires the use of the ECL model, which requires the Bank's management to use many assumptions and estimates on determining both the timing and value of expected credit losses, in addition to applying diligence to determine the inputs to the impairment measurement process, including the valuation of collateral and the determination of the date of default. Due to the importance of the provisions applied in IFRS (9) and credit exposures that form a major part of the Bank's assets, expected credit losses are considered as key audit matter. As at December 31, 2022, the Bank's gross direct credit facilities amounted to U.S. $ 394,520,201 and the provision of expected credit losses as at December 31, 2022 amounted to U.S. $ 9,320,835. The policies, assumptions, key accounting matters and disclosures for the provision of expected credit losses and credit risk management are presented in notes (3, 7, 9, and 34).	Our audit procedures included assessing the controls on procedures for granting, recording and monitoring credit facilities, and the process of measuring ECL, including the requirements of the Palestine Monetary Authority (PMA) to verify the effectiveness of the main controls are in place, which determine the impairment in credit facilities, and the required provisions against them. Our procedures for testing controls also included assessing whether key controls, in the processes had been designed, applied and effectively implemented, in addition to performing the following assessment procedures: - The Bank's policies related to the ECL provision in accordance with IFRS (9). - Key assumptions and judgments related to the material increase in credit risk, the definition of default, and the use of macroeconomic inputs to verify that the ECL amounts recorded reflect the underlying credit quality and macroeconomic trends. - The appropriateness of the Bank's staging. - The appropriateness of determining Exposure at Default (EAD), including the consideration of the cash flows repayments and the resultant arithmetical calculations. - The appropriateness of the Probability of Defaults (PD), Exposure at Default (EAD) and Loss Given Defaults (LGD) used for different exposures at different stages. - The accuracy and appropriateness of ECL calculation process - Credit facilities transferred between stages, and the determination basis of significant increase in credit facilities risk in regard to timely identification with a significant deterioration in credit quality. - ECL calculation for credit facilities determined to be individually impaired. We also obtained an understanding of the latest developments in estimated future cash flows, current financial position and any rescheduling or restructuring agreements. - Procedures followed for collaterals valuation in accordance with the evaluation policies of the Bank. - The disclosures to the consolidated financial statements to ensure compliance with IFRS (9).

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 misstatements, 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 misstatements, 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 misstatements 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

April 18, 2023
Ramallah - Palestine

Consolidated Statement of Financial Position
As at December 31, 2022

	Note	2022 U.S. $	2021 U.S. $
ASSETS			
Cash and balances with Palestine Monetary Authority	4	174,611,438	205,671,450
Balances at banks and financial institutions	5	131,326,856	156,027,609
Financial assets at fair value through profit or loss	6	2,658,544	8,187,655
Direct credit facilities	7	382,368,152	316,709,722
Financial assets at fair value through other comprehensive income	8	47,101	52,293
Financial assets at amortized cost	9	16,954,008	17,270,036
Property, Plant and equipment	10	24,954,320	25,353,798
Right of use assets	11	1,097,720	1,344,517
Intangible assets	12	1,672,086	1,243,195
Deferred tax assets	13	1,451,247	1,338,026
Other assets	14	9,157,924	5,306,278
Total Assets		746,299,396	738,504,579
LIABILITIES AND EQUITY			
Liabilities			
Istidama loans from Palestine Monetary Authority	15	847,976	1,408,750
Banks and financial institutions' deposits	16	20,602,500	60,714,507
Customers' deposits	17	568,924,380	519,410,382
Cash margins	18	32,750,095	34,155,659
Subsidiary loan	19	-	1,000,000
Sundry provisions	20	4,281,236	3,966,841
Lease liabilities	21	956,613	1,378,697
Tax provision	22	2,553,775	1,467,568
Other liabilities	23	12,016,796	12,374,971
Total Liabilities		642,933,371	635,877,375
Equity			
Paid-in share capital	1	78,000,000	78,000,000
Statutory reserve	25	10,590,517	10,081,805
General banking risks reserve	25	4,373,811	3,492,926
Pro-cyclicality reserve	25	2,311,126	2,249,383
Fair value reserve	8	(30,311)	(25,119)
Assets revaluation surplus	26	2,769,449	3,212,555
Retained earnings		5,351,433	5,615,654
Net Equity		103,366,025	102,627,204
Total Liabilities and Equity		746,299,396	738,504,579

Consolidated Income Statement
For the year ended December 31, 2022

	Note	2022 U.S. $	2021 U.S. $
Interest income	27	24,484,895	22,474,047
Interest expense	28	(4,878,598)	(5,407,666)
Net interest income		19,606,297	17,066,381
Net commissions	29	5,047,004	4,170,203
Net interest and commissions income		24,653,301	21,236,584
Foreign currencies gains		3,357,457	2,029,636
Gain from currency revaluation		26,567	116,416
Other revenues	31	526,096	529,794
Gross profit		28,563,421	23,912,430
Expenses			
Personnel expenses	32	7,961,770	7,178,000
Provisions for expected credit losses, net	34	2,063,193	2,862,464
Other operating expenses	33	8,342,971	6,105,869
Depreciation and amortization	10,11,12	2,107,569	2,068,887
Net Loss from financial assets	30	582,914	464,312
Finance cost related to lease contracts	21	41,115	49,057
Palestine Monetary Authority’s fines	35	-	10,000
Total expenses		21,099,532	18,738,589
Profit before taxes		7,463,889	5,173,841
Taxes expense	22	(2,376,770)	(1,408,159)
Profit for the year		5,087,119	3,765,682
Basic and diluted earnings per share	36	0.065	0.048

Consolidated Statement of Comprehensive Income
For the year ended December 31, 2022

	Notes	2022 U.S. $	2021 U.S. $
Profit for the year		5,087,119	3,765,682
Other comprehensive income items			
Items not to be reclassified to the consolidated income statement in subsequent periods:			
Change in the fair value of financial assets	8	(5,192)	8,159
Total other comprehensive income		(5,192)	8,159
Net comprehensive income for the year		5,081,927	3,773,841

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

		Reserves						
	Paid-in share capital	Statutory	General banking risks	Pro-cyclicality	Fair value	Assets revaluation surplus	Retained earnings	Net equity
December 31, 2022	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	78,000,000	10,081,805	3,492,926	2,249,383	(25,119)	3,212,555	5,615,654	102,627,204
Profit for the year	-	-	-	-	-	-	5,087,119	5,087,119
Other comprehensive income items	-	-	-	-	(5,192)	-	-	(5,192
Net comprehensive income for the year	-	-	-	-	(5,192)	-	5,087,119	5,081,927
Transferred to reserves	-	508,712	880,885	61,743	-	(443,106)	(1,451,340)	(443,106
Cash dividends distributed (Note 24)	-	-	-	-	-	-	(3,900,000)	(3,900,000
Balance, end of the year	78,000,000	10,590,517	4,373,811	2,311,126	(30,311)	2,769,449	5,351,433	103,366,025

		Reserves						
	Paid-in share capital	Statutory	General banking risks	Pro-cyclicality	Fair value	Assets revaluation surplus	Retained earnings	Net equity
December 31, 2021	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	78,000,000	9,695,787	3,357,489	1,824,766	(33,278)	3,212,555	2,796,044	98,853,363
Profit for the year	-	-	-	-	-	-	3,765,682	3,765,682
Other comprehensive income items	-	-	-	-	8,159	-	-	8,159
Net comprehensive income for the year	-	-	-	-	8,159	-	3,765,682	3,773,841
Transferred to reserves	-	386,018	135,437	424,617	-	-	(946,072)	-
Balance, end of the year	78,000,000	10,081,805	3,492,926	2,249,383	(25,119)	3,212,555	5,615,654	102,627,204

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

	Notes	2022 U.S. $	2021 U.S. $
Operating activities			
Profit for the year before taxes		7,463,889	5,173,841
Adjustments for:			
Provisions for expected credit losses, net		2,063,193	2,862,464
Depreciation and amortization		2,107,569	2,068,887
Losses of financial assets		608,495	512,351
(Gains) losses from disposal of property, plant and equipment		(200,835)	100,000
Finance costs on lease liabilities		41,115	49,057
Sundry provisions		843,918	566,784
Other non-cash items		216,764	(34,550)
		13,144,108	11,298,834
Changes in assets and liabilities:			
Statutory cash reserve		(2,829,050)	(6,496,831)
Direct credit facilities		(67,779,696)	(24,506,435)
Other assets		(3,851,646)	4,217,634
Customers' deposits		49,513,998	44,206,779
Cash margins		(1,405,564)	6,678,569
Other liabilities		(956,831)	3,994,428
Net cash (used in) from operating activities before taxes and paid provisions		(14,164,681)	39,392,978
Taxes paid		(1,534,023)	(1,440,356)
Sundry provisions paid		(524,994)	(609,155)
Net cash (used in) from operating activities		(16,223,698)	37,355,311
Investing activities:			
Maturated financial assets at amortized cost		1,697,989	10,373,360
Purchase of financial assets at amortized cost		(4,000,000)	(13,788,011)
Sale of financial assets at amortized cost		2,471,916	-
Purchase of financial assets at fair value through profit or loss		-	(4,679,334)
Sale of financial assets at fair value through profit or loss		5,002,319	13,393,344
Purchase of property, plant and equipment		(2,567,218)	(950,740)
Sale of property, plant and equipment		1,692,455	-
Purchase of Intangible assets		(644,261)	(67,043)
Net cash from investing activities		3,653,200	4,281,576
Financing activities:			
Payments of long-term Lease liabilities		(633,525)	(485,919)
Cash dividends paid		(3,741,479)	(67,645)
Istidama loans from Palestine Monetary Authority		(560,774)	658,750
Subsidiary loan		(1,000,000)	-
Net cash (used in) from financing activities		(5,935,778)	105,186
(Decrease) increase in cash and cash equivalents		(18,506,276)	41,742,073
Cash and cash equivalents, beginning of the year		263,956,694	222,214,621
Cash and cash equivalents, end of the year	37	245,450,418	263,956,694
Interest revenue received		24,442,565	22,280,448
Interest expense paid		5,165,765	5,225,722

Notes to the Consolidated Financial Statements
December 31, 2022

1. General

Palestine Investment Bank P.L.C (the Bank) was established in Palestine in August 10, 1994 in accordance with Companies' Law of 1964 under registration no. (563200864) with a share capital amounted to U.S. $ 20 million. Following the decision of the extraordinary general assembly during its meeting held on May 13, 2010, the Bank's authorized capital was increased to 100 million shares at U.S. $ 1 par value for each share. The Bank's paid in share capital as at December 31, 2022 amounted to U.S. $ 78 million based on 78 million shares at U.S. $ 1 par value each.

The Bank carries out all of its banking activities through the head quarter in Ramallah and its eleven branches and ten offices located in Palestine as at December 31, 2022, in addition to Bahrain branch with Bank's personnel of (308) employees. The Bank carries out all of its banking activities which include opening current accounts, accepting deposits, lending money, payment services, money transfer, buy and sell currencies, Bill and commercial papers discount, and other activities according to approvals from competent authorities.

The consolidated financial statements were authorized for issuance by the Bank's Board of Directors during their meeting held on March 6,2023 and obtained Palestine Monetary Authority approval on 19 April 18, 2023.

2. Consolidated Financial Statements

The consolidated financial statements comprise the financial statements of Palestine Investment Bank (the Bank) and its subsidiaries and its investments that have been consolidated with the Bank as at December 31, 2022. The Bank's ownership in the subsidiaries' share capital was as follows:

		Ownership percentage		Subscribed capital	
Company name	Main activity	2022	2021	2022	2021
Global Securities Company	Brokerage firm	100%	100%	3,526,093	3,526,093
Horizon Real Estate Private Shareholding Limited Co.	Real Estate management	100%	100%	5,000,000	5,000,000

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

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

The Bank and its subsidiaries operate in the Palestinian Authority areas and Bahrain.

3. Accounting policies

3.1 Basis of consolidation of financial statements

The consolidated financial statements comprise of the financial statements of the Bank and its subsidiaries as of December 31, 2022. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investee to affect its returns.

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 an investee if facts and circumstances indicate that there are changes to one or more of the above three elements of control. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. 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 the change in the ownership percentage in the subsidiaries (without losing control of them) is recorded as transactions between owners.

All intra-Bank balances, transactions, unrealized gains and losses resulting from relating party transactions between the Bank and its subsidiary and dividends are eliminated in full.

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.

3.2 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), and in conformity with local prevailing laws and Palestinian Monetary Authority (PMA) regulations.

The Bank complies with applicable local prevailing laws and Palestine Monetary Authority (PMA) instructions.

The consolidated financial statements have been prepared under a historical cost basis, except for financial Instruments at fair value through profit or loss and financial assets at fair value through other comprehensive income that have been measured at fair value at the date of the consolidated financial statements.

The consolidated financial statements are presented in U.S. Dollars (U.S. $), which is the functional currency of the Bank.

3.3 Changes in accounting policies

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the prior year ended December 31, 2021, except for the adoption of new standards effective as of January 1, 2022 shown below:

<u>Reference to the Conceptual Framework – Amendments to IFRS (3)</u>

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.

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 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 the Bank 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.

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

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Bank's consolidated financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective:

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 consolidated financial statement of 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). 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.

Fees and commission income

Fees income can be divided into the following two categories:

- Fees income earned from services that are provided over a certain period of time. Fees earned for the provision of services over a period of time are accrued over that period.
- Fee income forming an integral part of the corresponding financial instrument

Fees that the Bank considers to be an integral part of the corresponding financial instruments include loan origination fees, loan commitment fees for loans that are likely to be drawn down and other credit related fees.

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.

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.

Credit Facilities

Credit facilities are stated net of provision for expected credit losses and suspended interest.

Interest and commissions are suspended on non-performing credit facilities granted to clients in accordance with the instructions of the Palestine Monetary Authority, and the calculation of interest and commissions on credit facilities for which legal measures have been taken are suspended.

The credit facilities for which a provision is prepared shall be written off in the event that the measures taken to collect them are ineffective by deducting them from the provision in accordance with the instructions of the Palestine Monetary Authority, and any surplus in the provision is transferred to the consolidated statement of income, and the collection of the previously written off debts is added to the revenues

The facilities that have been in default of more than six years, the related suspended interest and provisions are excluded from the Bank's consolidated financial statements in accordance with the instructions of the Palestine Monetary Authority

Financial Assets and liabilities

Investment in financial assets

Purchases and sales of financial assets are recorded on the date of the operation, which is the date of the commitment to buy or sell the financial assets. Regular purchases and sales of financial assets are those in which the financial assets are transferred within the specified period in accordance with the laws or what is generally accepted in the market regulations. Financial assets are recorded at fair value upon purchase, and direct acquisition expenses are added, except for financial assets at fair value through income statement, which are initially recorded at fair value. All financial assets are subsequently recorded at amortized cost or fair value

Financial assets at amortized cost

Debt instruments are measured at amortized cost if the following two conditions are met:

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

Debt instruments that meet the two previous conditions are initially measured at fair value plus acquisition expenses (except if the Bank chooses to classify these assets through the income statement as shown below). Subsequently, it is measured at amortized cost using the effective interest rate method after deducting the impairment. Interest income is recognized using the effective interest method.

The effective interest rate is the interest rate that is used to discount the future cash flows over the life of the debt instrument, or a shorter period in certain cases, to equal the book value at the date of initial recognition.

Upon initial recognition, the Bank can irrevocably classify a debt instrument that met the amortized cost conditions mentioned above as financial assets at fair value through the statement of profit or loss if this leads to the removal or significant mitigation of the accounting mismatch as a result of classifying the financial instrument at amortized cost.

Financial assets at fair value through profit or loss

These financial assets represent debt instruments that do not meet the amortized cost conditions or financial instruments that meet the amortized cost conditions, but the bank chose to classify them at fair value through the income statement upon initial recognition. The Bank has not classified any debt instrument that fulfills the terms of debt instruments at amortized cost as financial assets at fair value through consolidated statement of profit or loss.

Upon initial recognition, the Bank classifies the equity instruments at fair value as financial assets at FVTPL, except for investments not held for trading, where these assets can be classified at fair value through other comprehensive income.

Financial assets are measured at fair value through the income statement, and any gain or loss resulting from the change in its fair value is recorded in the consolidated income statement.

The dividends income on investing in financial instruments from the investee companies are recognized when the right to receive them is established.

Financial assets at fair value through other comprehensive income

At initial recognition, the Bank makes an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

Equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the fair value reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the fair value reserve is not reclassified to the consolidated income statement but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognized in the consolidated income statement when the Bank’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Debt instruments can be classified as financial assets at FVTOCI if the following two conditions are met:

- The debt instrument is held within a business model that aims to hold the asset to obtain contractual cash flows and sell them.
- The contractual terms of the instrument grant, on specific dates, the right to benefit from cash flows that represent payments from the principal and interest on the outstanding balance.

Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets after the date of initial recognition, except in cases where the Bank acquires or abolishes a business sector. Financial liabilities are never reclassified.

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 financial asset

Or

– The Bank has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial 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. The Bank measures the collaterals through asset book value and through the amount that could be paid by the Bank.

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. In the case of a written put option on an asset that is measured at fair value, the extent of the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Assets Derecognition

Financial assets are derecognized only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset.

Fair value of financial instruments

The fair value of financial assets and liabilities appearing in the statement of financial position and whose fair value cannot be obtained from active financial markets are determined through appropriate valuation methods that include discounted expected cash flows. Valuation inputs are obtained through observable markets if possible, and when it is not appropriate to rely on these inputs, a degree of estimates and assumptions are adopted to determine the fair value. These assumptions include factors specific to the inputs that are relied upon in determining fair value, such as liquidity risk, credit risk and other volatility. Changes in assumptions may affect the fair value amounts of financial assets shown in the financial statements.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages 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 "worst 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 going forward.

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.

Financial guarantees, letters of credit and unutilized facilities ceilings

The Bank issues financial guarantees, letters of credit and loan commitments .Financial guarantees (and its provisions) are initially recognized in the consolidated financial statements 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.

Impairment of financial assets

Overview of the ECL principles

The implementation of International Financial Reporting Standard No. (9) has fundamentally changed the method of calculating the impairment loss of facilities for the Bank through the approach of the expected credit loss method with a future outlook instead of recognizing the loss when the loss is incurred according to International Accounting Standard No. (39) as of January 1, 2018.

The Bank recorded the allowance for expected credit losses for all loans and other debt financial assets not held at consolidated 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 initial recognition, the Bank records an allowance for the LTECLs.
Stage (3)	Financial assets considered credit impaired. The Bank records an allowance for the LTECLs.

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

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

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

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

When estimating the ECLs, the Bank considers three scenarios (a base case, best and worst). Each of these is associated with different percentages of PDs, EADs and LGDs.

The mechanics of the ECL method are summarized below:

Stage(1)	The 12mECL is calculated as the portion of LTECLs that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.
Stage(2)	When a financial asset has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
Stage(3)	For financial assets considered credit-impaired, the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage (2)

	assets, with the PD set at 100% and the PD is larger than stage (1) and 2.
Loan commitments and letters of credit	When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the financial asset is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the commitment.

Bad debt not previously provided for and written off

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

Credit cards and other revolving facilities

The Bank does not limit its exposure to credit losses to the contractual notice period, but, instead, calculated ECL over a period that reflects the Bank's expectations of the customers' behavior, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products.

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

Expected credit losses is calculated, including the expected period for the exposure and the discounted rate, 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, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS (9) is the same is it was under IAS (39) and PMA instructions.

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

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 brokers.

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 in relation to debt write-off according to International Financial Reporting Standard No. (9) do not differ compared to International Accounting Standard No. (39) and the instructions of the Palestine Monetary Authority.
Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery.

If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are deducted from expected credit loss expense.

Modified facilities

The Bank sometimes makes 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. Modifications may include extension of payments or agreeing to new financing terms. It is the Bank's policy to monitor the scheduled facilities to help ensure that future payments continue to occur. Classification decisions between Stage (2) and Stage (3) are determined on a case-by-case basis.

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 act in their economic best interest.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available.

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 — Quoted (unadjusted) market prices in active markets
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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 and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any, such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Lands are not depreciated. All other costs are recognized in the consolidated income statement as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Useful life (Years)
Real estate	50
Furniture and equipment	6 – 17
Leasehold improvements	5 – 11
Computers	4 – 10
Vehicles	5

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognized.

The assets’ residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

The bank measures the land within real estate, plant and equipment at fair value in accordance with the revaluation model, whereby the revaluation difference is recorded in the consolidated statement of comprehensive income.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or infinite.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Intangible assets with finites lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. The amortization expense on intangible assets with finite lives is recognised in the consolidated income statement.

Intangible assets include computer systems and programs, and the bank’s management estimates the time life so that computer systems and programs are amortized using the straight-line method over the expected useful life of ten years.

Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an 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 banks’ assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present 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, an appropriate valuation model is used. These calculations are corroborated by valuation multiplies quoted share prices for publicly traded companies or other available fair value indicators.

Offsetting

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

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 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.

A reconciliation is made between deferred tax assets and deferred tax liabilities and the net amount is recognized in the consolidated financial statements only when the legally binding rights are available and when they are settled on a settlement basis or the asset is realized, and the liability settled simultaneously.

Provision for end of service indemnity

Provision is made for employees' end of service indemnity is estimated in accordance with the Labor Law effective in Palestine and the Bank's personnel policy.

Foreign currencies

Transactions in foreign currencies during the year are recorded at the exchange rates prevailing on the date of the transactions.

Monetary assets and liabilities are converted at foreign exchange rates prevailing at the date of the consolidated statement of financial position.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are reconverted into US dollars on the date that the fair value was determined.

Gains and losses arising from converting foreign currencies into US dollars are recorded in the consolidated income statement.

Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to ordinary equity holders of the bank by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the bank by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares less treasury shares.

<u>Derivatives recorded at fair value through profit or loss</u>

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 (i.e., the 'underlying').
- 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.

Cash and cash equivalents

Cash and balances that mature within 3 months or less. That consist of cash on hand, balances with Palestine Monetary Authority, balances at banks and financial institutions that mature within 3 months, less balances with banks and financial institutions maturing after three months and banks and restricted cash.

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.

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 the financial statements requires the Bank’s management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues, expenses and the resultant provisions. Considerable judgment is especially required by management in the estimation of the amount and timing of future cash flows. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

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

- Risk management (Note 41)
- Capital management (Note 44)

Following are the most important estimates and judgments used:

- Tax provisions are calculated annually based on prevailing tax laws and the accounting standards that the Bank follows.
- Employees’ indemnity expense is recorded in accordance with the Palestinian Labor Law and in accordance with applicable accounting standards.
- Management reviews periodically the useful lives of the tangible and intangible assets in order to assess the depreciation and amortization for the year based on the assets’ conditions and useful lives and future economic benefits, any impairment is recognized in the income statement.
- Management reviews, on a regular basis, the financial assets that are stated at cost to estimate impairments, if any. Impairment losses (if any) are recognized in the income statement.
- Legal cases provision is established to provide for any legal obligations, if any, based on the opinion of the Bank’s lawyer.
- Determine the lease term for contracts with options for renewal and termination.

<u>Provision for expected credit losses (ECL)</u>

The provision for ECL is reviewed in accordance with the principles established by the Palestine Monetary Authority 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.

<u>Inputs, assumptions and techniques used for ECL calculation – IFRS (9) methodology</u>

Key concepts 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.
- Credit facilities for government employees in Gaza Strip.

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 and multiple scenarios:**

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment in cooperation with international expert in this area. The probability of default, the assumed default loss, the effect on default, and the inputs used in stage 1 and stage 2 for provision for expected credit losses are designed based on changing economic factors (or change in macroeconomic factors) that are directly related to the credit risk related to the portfolio. Each of the macroeconomic scenarios used in calculating the expected credit loss is associated with various macroeconomic factors.

- **Definition of default:**

The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages will be consistent with the definition of default used for internal credit risk management purposes. IFRS (9) does not define default but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due, in addition to some other qualitative factors such as the customer facing financial difficulties, Bankruptcy, death and others.

- **Expected life:**

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

4. Cash and balances at Palestine Monetary Authority

This item comprises the following:

	2022	2021
	U.S. $	U.S. $
Cash in the treasury	106,062,567	137,658,386
Balances with Palestine Monetary Authority:		
Current and demand accounts	28,647,053	30,943,019
Statutory cash reserve	39,949,713	37,120,663
	174,659,333	205,722,068
Provision for expected credit losses	(47,895)	(50,618)
	174,611,438	205,671,450

- According to PMA circular number (67/2010), the Bank shall maintain statutory cash reserves with PMA at 9% of customers' deposits. During 2022, instruction no. (10/2022) was issued, in which the banks calculated 100% on dormant accounts in customer deposits. PMA does not pay interest on statutory cash reserves. According to PMA circular number (2/2012), the outstanding balance of credit facilities granted in Jerusalem for some sectors are deducted before the statutory reserve is calculated.
- PMA does not pay interest on current accounts to the banks.
- Statutory cash reserve is considered a restricted account.

A summary of 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 as of January 1, 2022	68,063,682	-	-	68,063,682
Net change during the year	533,084	-	-	533,084
Balance as of December 31, 2022	68,596,766	-	-	68,596,766

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance as of January 1, 2021	57,585,933	-	-	57,585,933
Net change during the year	10,477,749	-	-	10,477,749
Balance as of December 31, 2021	68,063,682	-	-	68,063,682

The movement of provision for Expected credit loss 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 as of January 1, 2022	50,618	-	-	50,618
Net re-measurement of expected credit losses	(2,723)	-	-	(2,723)
Balance as of December 31, 2022	47,895	-	-	47,895

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance as of January 1, 2021	6,962	-	-	6,962
Net re-measurement of expected credit losses	43,656	-	-	43,656
Balance as of December 31, 2021	50,618	-	-	50,618

5. Balances at banks and financial institutions

	2022	2021
	U.S. $	U.S. $
Local banks and financial institutions:		
Current and on demand accounts	145,936	582,060
Deposits maturing within three months	27,945,588	42,797,123
	28,091,524	43,379,183
Foreign banks and financial institutions:		
Current and on demand accounts	40,025,985	73,295,380
Deposits maturing within three months	63,225,789	39,395,233
	103,251,774	112,690,613
	131,343,298	156,069,796
Provision for expected credit losses	(16,442)	(42,187)
	131,326,856	156,027,609

– Non-interest bearing balances at banks and financial institutions amounted to U.S. $ 40,171,921 and U.S. $ 73,877,440 as at December 31, 2022 and 2021, respectively.

A summary of the movement on the gross carrying amount of the balances at banks and financial institutions is as follows:

	2022			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance as of January 1, 2022	156,069,796	-	-	156,069,796
Net change during the year	(24,726,498)	-	-	(24,726,498)
Balance as of December 31, 2022	131,343,298	-	-	131,343,298

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance as of January 1, 2021	119,092,143	-	-	119,092,143
Net change during the year	36,977,653	-	-	36,977,653
Balance as of December 31, 2021	156,069,796	-	-	156,069,796

The movement on the provision for expected credit losses on balances at banks and financial institutions is as follows:

	2022			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance as of January 1, 2022	42,187	-	-	42,187
Net re-measurement of expected credit losses	(25,745)	-	-	(25,745)
Balance as of December 31, 2022	16,442	-	-	16,442

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance as of January 1, 2021	4,728	-	-	4,728
Net re-measurement of expected credit losses	37,459	-	-	37,459
Balance as of December 31, 2021	42,187	-	-	42,187

6. Financial assets at fair value through profit or loss

This item comprises the following:

	2022	2021
	U.S. $	U.S. $
Quoted stocks in global stock markets	2,658,544	8,187,655
	2,658,544	8,187,655

7. Direct credit facilities

	2022	2021
	U.S. $	U.S. $
Retail		
Current overdrafts	4,427,279	4,893,469
Loans and promissory notes	120,027,692	120,368,201
Credit cards	2,385,931	2,100,477
Corporate		
Current overdrafts	49,824,946	40,361,866
Loans and promissory notes	124,793,833	78,725,922
Governmental and Public sector	93,060,520	79,984,769
	394,520,201	326,434,704
Suspended interests and commissions	(2,831,214)	(1,964,804)
Provision for expected credit losses	(9,320,835)	(7,760,178)
	382,368,152	316,709,722

- The total non-performing credit facilities classified, according to PMA instructions, after deducting the suspended interest as at December 31, 2022 and 2021 amounted to U.S. $ 30,188,407 and U.S. $ 25,462,899, representing 7.71% and 7.85% of the direct credit facilities balance net of suspended interest, respectively.
- The defaulted credit facilities classified, according to PMA instructions and after deducting the suspended interest as at December 31, 2022 and 2021 amounted to U.S. $ 21,899,734 and U.S. $ 20,985,790, representing 5.60% and 6.47% of the direct credit facilities balance net of suspended interest, respectively.
- According to PMA instructions number (1/2008), the defaulted credit facilities for more than 6 years were excluded from the financial statements. These defaulted facilities amounted to U.S. $ 5,764,452 as at December 31, 2022, and the balance of expected credit loss provision amounted to U.S. $ 4,244,398 and suspended interest for defaulted accounts amounted to U.S. $1,520,054.
- Credit facilities granted to Palestine National Authority amounted to U.S. $ 93,060,519, representing 23.76% of gross direct credit facilities after deducting suspended interests as at December 31,2022, for an amount of U.S $ 79,984,769, representing 24.65% of direct credit facilities' balance after deducting suspended interests as at December 31,2021.
- Credit facilities granted to employees of Palestine National Authority amounted to U.S. $ 4,127,172, representing 0.01% of gross direct credit facilities as at December 31,2022, for an amount of U.S $ 4,315,792, representing 0.01% of direct credit facilities' balance as at December 31,2021.
- Credit facilities granted to non-residents amounted to U.S. $ 1,723,654 and U.S. $ 371,996 as at December 31, 2022 and 2021, respectively.
- The fair value of collaterals obtained against direct credit facilities amounted to U.S. $ 197,736,927 and U.S. $ 144,395,272 as at December 31, 2022 and 2021, respectively.

Suspended interests and commissions

A summary of the movement on the suspended interests is as follows:

	2022	2021
	U.S. $	U.S. $
Balance, beginning of the year	1,964,804	1,160,006
Suspended interest during the year	1,413,000	974,572
Suspended interest transferred to revenues during the year	(82,336)	(35,001)
Suspended interest written off	(365,369)	(27,235)
Write off to off-balance sheet provision	(98,885)	(107,538)
Balance, end of the year	2,831,214	1,964,804

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

	2022			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	273,069,445	30,414,665	22,950,594	326,434,704
Net change during the year	41,770,359	29,646,219	(2,956,734)	68,459,844
Transferred to stage (1)	55,343,195	(54,832,620)	(510,575)	-
Transferred to stage (2)	(13,154,816)	14,880,601	(1,725,785)	-
Transferred to stage (3)	(2,262,143)	(5,085,652)	7,347,795	-
Write off to off-balance sheet	-	-	(244,539)	(244,539)
Written off facilities	-	-	(129,808)	(129,808)
Balance, end of the year	354,766,040	15,023,213	24,730,948	394,520,201

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	257,432,147	26,189,847	17,653,739	301,275,733
Net change during the year	24,927,456	(5,208,566)	5,767,657	25,486,547
Transferred to stage (1)	8,284,390	(7,596,863)	(687,527)	-
Transferred to stage (2)	(17,574,548)	17,682,558	(108,010)	-
Transferred to stage (3)	-	(652,311)	652,311	-
Write off to off-balance sheet	-	-	(327,576)	(327,576)
Balance, end of the year	273,069,445	30,414,665	22,950,594	326,434,704

Provision for expected credit losses

The movement on the provision for expected credit losses of direct credit facilities is as follows:

	2022			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	907,035	341,140	6,512,003	7,760,178
Net change during the year	139,645	(137,259)	2,118,879	2,121,265
Transferred to stage (1)	312,069	(242,889)	(69,180)	-
Transferred to stage (2)	(33,394)	156,017	(122,623)	-
Transferred to stage (3)	(2,742)	(16,984)	19,726	-
Write off to off-balance sheet	-	-	(145,654)	(145,654)
Written off facilities	-	-	(129,808)	(129,808)
Currency exchange differences	-	-	(285,146)	(285,146)
Balance, end of the year	1,322,613	100,025	7,898,197	9,320,835

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	1,035,800	146,881	4,025,291	5,207,972
Net change during the year	102,806	(31,100)	2,632,763	2,704,469
Transferred to stage (1)	5,128	(5,128)	-	-
Transferred to stage (2)	(236,699)	236,699	-	-
Transferred to stage (3)	-	(6,212)	6,212	-
Write off to off-balance sheet	-	-	(220,038)	(220,038)
Currency exchange differences	-	-	67,775	67,775
Balance, end of the year	907,035	341,140	6,512,003	7,760,178

A summary of the movement on gross carrying amount of direct credit facilities for government and public sector is as follows:

	Stage (1)	Stage (2)	Stage (3)	2022
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	79,984,769	-	-	79,984,769
Net change during the year	13,075,751	-	-	13,075,751
Balance, end of the year	93,060,520	-	-	93,060,520

A summary on the movement on the provision for expected credit losses for government and public sector is as follows:

	Stage (1)	Stage (2)	Stage (3)	2022
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	571,639	-	-	571,639
Net change during the year	341,146	-	-	341,146
Balance, end of the year	912,785	-	-	912,785

A summary on the movement on gross carrying amount of direct credit facilities for corporates is as follows:

	Stage (1)	Stage (2)	Stage (3)	2022
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	87,482,643	21,043,780	10,561,365	119,087,788
Net change during the year	25,540,474	30,640,178	(374,199)	55,806,453
Transferred to stage (1)	49,209,670	(48,999,446)	(210,224)	-
Transferred to stage (2)	(6,497,751)	8,116,540	(1,618,789)	-
Transferred to stage (3)	(414,009)	(2,618,165)	3,032,174	-
Write off to off-balance sheet	-	-	(145,654)	(145,654)
Written off facilities	-	-	(129,808)	(129,808)
Balance, end of the year	155,321,027	8,182,887	11,114,865	174,618,779

A summary of the movement on the provision for expected credit losses for corporates is as follows:

	Stage (1)	Stage (2)	Stage (3)	2022
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	77,026	231,950	2,723,946	3,032,922
Net change during the year	(85,936)	(76,235)	2,037,550	1,875,379
Transferred to stage (1)	269,353	(222,418)	(46,935)	-
Transferred to stage (2)	(15,591)	132,469	(116,878)	-
Transferred to stage (3)	(571)	(11,296)	11,867	-
Write off to off-balance sheet	-	-	(244,539)	(244,539)
Written off facilities	-	-	(129,808)	(129,808)
Currency exchange differences	-	-	(285,100)	(285,100)
Balance, end of the year	244,281	54,470	3,950,103	4,248,854

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

	Stage (1)	Stage (2)	Stage (3)	2022
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	105,602,033	9,370,885	12,389,229	127,362,147
Net change during the year	2,873,634	(566,038)	(2,828,841)	(521,245)
Transferred to stage (1)	6,436,698	(6,114,735)	(321,963)	-
Transferred to stage (2)	(6,648,175)	6,755,172	(106,997)	-
Transferred to stage (3)	(1,879,697)	(2,604,958)	4,484,655	-
Balance, end of the year	106,384,493	6,840,326	13,616,083	126,840,902

A summary of the movement on the provision for expected credit losses for retail is as follows:

	Stage (1)	Stage (2)	Stage (3)	2022
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	258,324	109,190	3,788,057	4,155,571
Net change during the year	(119,493)	(61,003)	184,121	3,625
Transferred to stage (1)	46,983	(20,416)	(26,567)	-
Transferred to stage (2)	(18,096)	23,842	(5,746)	-
Transferred to stage (3)	(2,171)	(6,058)	8,229	-
Balance, end of the year	165,547	45,555	3,948,094	4,159,196

The movement on the provision for expected credit losses for direct credit facilities that have been defaulted for more than 6 years is as follows:

	2022	2021
	U.S. $	U.S. $
Balance, beginning of the year	4,605,891	4,583,652
Additions	145,654	220,038
Recoveries (note 31)	(131,226)	(223,026)
Written off	-	(52,841)
Currency exchange differences	(375,921)	78,068
Balance, end of the year	4,244,398	4,605,891

The movement on the suspended interests that have been defaulted for more than 6 years is as follows:

	2022	2021
	U.S. $	U.S. $
Balance, beginning of the year	1,552,475	1,413,450
Additions	98,885	107,538
Suspended transferred to revenues	(153)	(761)
Suspended written off	(533)	(11,900)
Currency exchange differences	(130,620)	44,148
Balance, end of the year	1,520,054	1,552,475

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

	2022	2021
	U.S. $	U.S. $
Manufacturing and mining		
Manufacturing	27,367,607	30,886,902
Tourism, restaurants, and other hotels		
Restaurants	7,104,547	6,060,789
Financial services	4,800,000	3,200,000
Public services		
Telecommunications	5,950,535	6,400,318
Health	910,031	359,486
Education	3,102,457	2,697,955
Public facilities	2,124,578	1,258,894
Professionals	21,098,146	9,393,538
Agricultural and livestock sector		
Agricultural	405,789	763,242
Livestock	3,217,004	2,645,575
General trading		
Internal Trade	55,331,255	48,125,008
External Trade	30,081,485	32,416,328
Real estate and construction		
Construction	79,507,829	34,614,771
Housing	1,054,755	9,085,264
Real estates	13,545,798	10,256,458
Lands	12,302,457	14,865,254
Transportation		
Trade and shipping	12,854,211	10,018,921
Purchase of cars and private vehicles financing	9,803,914	8,271,448
Others in consumer commodities financing		
Credit cards	2,385,931	2,100,477
Financial instruments and stocks investment financing		
Financial companies	-	-
Other	-	611,259
Other in private sector	5,680,139	10,453,244
Public sector	93,060,519	79,984,769
	391,688,987	324,469,900

8. Financial assets at fair value through other comprehensive income

	2022	2021
	U.S. $	U.S. $
Shares quoted in Amman Stock Exchange	47,101	52,293
	47,101	52,293

The movement on the fair value reserve is as follows:

	2022	2021
	U.S. $	U.S. $
Balance, beginning of the year	(25,119)	(33,278)
Change in fair value	(5,192)	8,159
Balance, end of the year	(30,311)	(25,119)

9. Financial assets at amortized cost

	2022	2021
	U.S. $	U.S. $
Foreign governmental bonds*	11,077,661	11,097,903
Quoted bonds	5,954,085	5,578,816
Local governmental treasury bills**	-	697,689
	17,031,746	17,374,408
Provision for expected credit losses	(77,738)	(104,372)
	16,954,008	17,270,036

* This item represents the Bank's investment in financial bonds issued by the Jordanian government, Omani government and Abu Dhabi government with a maturity period of three to nine years. The interest rates on these bonds range between 3.35% to 6.125%.

** This item represents the Bank's investment in government treasury bills, as per Palestine Monetary Authority Circular No. (64/2016), according to which the upper limit of the discount price of treasury bills in the shekel currency is 8% and on treasury bills in the dollar currency is 3% plus 6 months LIBOR. The interest rate on these bonds ranged from 6% to 8% and are due within a year.

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, as at January 1, 2022	8,678,808	8,695,600	-	17,374,408
Net change during the year	5,352,938	(5,695,600)	-	(342,662)
Transferred to stage (1)	3,000,000	(3,000,000)	-	-
Balance, as at December 31, 2022	17,031,746	-	-	17,031,746

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, as at January 1, 2021	12,959,757	1,000,000	-	13,959,757
Net change during the year	(280,949)	3,695,600	-	3,414,651
Transferred to stage (2)	(4,000,000)	4,000,000	-	-
Balance, as at December 31, 2021	8,678,808	8,695,600	-	17,374,408

The movement on provision for expected credit losses 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, as at January 1, 2022	74,451	29,921	-	104,372
Net change during the year	(1,396)	(25,238)	-	(26,634)
Transferred to stage (1)	4,683	(4,683)	-	-
Balance, as at December 31, 2022	77,738	-	-	77,738

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, as at January 1, 2021	9,792	20,905	-	30,697
Net change during the year	75,161	(1,486)	-	73,675
Transferred to stage (2)	(10,502)	10,502	-	-
Balance, as at December 31, 2021	74,451	29,921	-	104,372

10. Property, Plant and Equipment

Below is a summary of the movement on the property, plant and equipment account during the year:

	Land	Real estate	Furniture and equipment	Computers	Leasehold improvements	Vehicles	Total
December 31, 2022	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Cost:							
Balance, beginning of the year	5,769,225	16,407,308	5,501,846	6,645,419	1,625,968	661,051	36,610,817
Additions	-	2,113,965	119,675	130,641	-	202,937	2,567,218
Disposals	-	(1,556,471)	-	-	-	-	(1,556,471)
Balance, end of the year	5,769,225	16,964,802	5,621,521	6,776,060	1,625,968	863,988	37,621,564
Accumulated Depreciation:							
Balance, beginning of the year	-	1,397,877	4,415,000	3,642,814	1,181,209	620,119	11,257,019
Depreciation for the year	-	328,360	350,634	616,579	92,831	86,672	1,475,076
Disposals	-	(64,851)	-	-	-	-	(64,851)
Balance, end of the year	-	1,661,386	4,765,634	4,259,393	1,274,040	706,791	12,667,244
As at December 31, 2022	5,769,225	15,303,416	855,887	2,516,667	351,928	157,197	24,954,320
As at December 31, 2021	5,769,225	15,009,431	1,086,846	3,002,605	444,759	40,932	25,353,798

11. Right-of-use assets

The movement details on right of use assets is as follows:

	2022	2021
	Buildings	Buildings
	U.S. $	U.S. $
Balance, beginning of the year	1,344,517	1,684,976
Additions	170,326	56,130
Depreciation	(417,123)	(396,589)
Balance, end of the year	1,097,720	1,344,517

12. Intangible assets

	Computer systems and software

	U.S. $
Cost:	
Balance, beginning of the year	3,215,870
Additions during the year	644,261
Balance, end of the year	3,860,131
Amortization:	
Balance, beginning of the year	1,972,675
Amortization for the year	215,370
Balance, end of the year	2,188,045
Net book value	
As of December 31, 2022	1,672,086
As of December 31, 2021	1,243,195

13. Deferred tax assets

Deferred tax assets are calculated on the provision for expected credit losses that were previously recognized in the income statement, in addition to the provision for end of service benefits, the movement details on deferred tax assets is as follows:

	2022	2021
	U.S. $	U.S. $
Balance, beginning of the year	1,338,026	912,117
Additions during the year	197,323	425,909
Amortization during the year	(84,102)	-
Balance, end of the year	1,451,247	1,338,026

14. Other Assets

	2022	2021
	U.S. $	U.S. $
Financial derivatives receivable	2,459,198	284,106
Accounts receivable	1,768,380	964,541
Accrued and unreceived interests	1,698,688	1,656,358
Advances to suppliers	1,248,930	839,772
Prepaid expenses	744,086	805,714
Clearing checks	307,585	-
Refundable cash margins	202,294	202,318
Precious metals	188,719	-
Prepaid interests	23,138	10,492
Others	516,906	542,977
	9,157,924	5,306,278

15. Istidama loans from Palestine Monetary Authority

This item represents PMA's deposits as per PMA instructions No. (22/2020) to mitigate the economic impacts of Coronavirus crisis (Covid-19) on the economic activities and projects, especially small and medium enterprises, 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%. Istidama loans from Palestine Monetary Authority amounted to U.S. $847,976, and U.S. $1,408,750 as of December 31, 2022, and 2021, respectively.

16. Banks and financial institutions' deposits

	2022	2021
	U.S. $	U.S. $
Banks and financial institutions inside Palestine:		
Current and on demand accounts	36,494	2,835,954
Deposits maturing within three months	20,566,006	57,878,553
	20,602,500	60,714,507

17. Customers' deposits

	2022	2021
	U.S. $	U.S. $
Current and on demand accounts	241,496,450	225,353,315
Saving deposits	171,576,072	158,134,032
Time deposits subject to notice	155,851,858	135,923,035
	568,924,380	519,410,382

- Public sector's deposits amounted to U.S. $ 4,996,286 and U.S. $ 5,472,215 representing 0.87% and 1.05% of total deposits as at December 31, 2022 and 2021, respectively.
- Non-interest deposits amounted to U.S. $ 241,496,450 and U.S. $ 225,353,315 representing 42.45% and 43.39% of total deposits as at December 31, 2022 and 2021, respectively.
- Dormant deposits amounted to U.S. $ 6,098,632 and U.S. $ 8,650,434 representing 1.06% and 1.66% of total deposits as at December 31, 2022 and 2021, respectively.

18. Cash margins

This item represents cash margins against:

	2022	2021
	U.S. $	U.S. $
Direct credit facilities	29,151,835	30,353,779
Indirect credit facilities	3,573,310	3,781,130
Others	24,950	20,750
	32,750,095	34,155,659

19. Subsidiary Loan

During year 2018, Horizons Real Estate Company, a wholly owned subsidiary of the Bank, signed a loan agreement in the amount of one million US dollar with The National Bank. The balance of these facilities is entitled to an annual declining interest at an average rate of 5%. The total utilized balance of these facilities amounted to $0 and $1,000,000 as at December 31, 2022 and 2021. This loan was due in lump sum payment on January 23, 2022.

20. Sundry provisions

The summary of movement on sundry provisions during the years ended December 31, 2022, and 2021 is as follows:

	Balance, beginning of the year U.S. $	Additions U.S. $	Paid during the year U.S. $	Currency exchange differences U.S. $	Balance, end of the year U.S. $
2022					
Employees' end of service provision*	3,610,381	643,918	(326,547)	-	3,927,752
Lawsuits provision	244,980	200,000	(198,447)	(4,529)	242,004
Other	111,480	-	-	-	111,480
	3,966,841	843,918	(524,994)	(4,529)	4,281,236
2021					
Employees' end of service provision*	3,463,425	405,235	(258,279)	-	3,610,381
Lawsuits provision	421,296	173,393	(350,876)	1,167	244,980
Other	111,480	-	-	-	111,480
	3,996,201	578,628	(609,155)	1,167	3,966,841

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

21. Lease liabilities

Following is the movement on lease liabilities:

	2022 U.S. $	2021 U.S. $
Balance, beginning of the year	1,378,697	1,759,429
Additions during the year	170,326	56,130
Lease payments	(633,525)	(485,919)
Finance costs	41,115	49,057
Balance, end of the year	956,613	1,378,697

The lease liabilities have been discounted (present value calculation) using an interest rate of 3% for a period of 10 years.

The following table represents the classification of terms of leased contract obligations:

	2022 U.S. $	2021 U.S. $
Short-term lease liabilities	342,173	334,440
Long-term lease liabilities	614,440	1,044,257
	956,613	1,378,697

22. Tax provisions

	2022 U.S. $	2021 U.S. $
Balance, beginning of the year	1,467,568	1,109,573
Provision for the year	2,489,991	1,834,068
Paid taxes during the year	(1,534,023)	(1,440,356)
Currency exchange differences	130,239	(35,717)
Balance, end of the year	2,553,775	1,467,568

The Bank didn't reach to final settlements with both the Income Tax and Value Added Tax departments on their results of operations for the years ended 2014 and form the years 2017 to 2021. Income tax and value added tax rates were %15 and %16 as of December 31, 2022. 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.

Global Securities company and Horizons Real Estate Company Limited (subsidiaries companies) have reached a final settlement with the Income Tax Department during the year 2022 on the results of their business operations for the year 2021.

Taxes reported in consolidated income statement represents the following:

	2022	2021
	U.S. $	U.S. $
Provision for the current year	2,489,991	1,834,068
(Additions) amortizations of deferred tax assets (Note 13)	(113,221)	(425,909)
Tax expense for the year	2,376,770	1,408,159

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

	2022	2021
	U.S. $	U.S. $
Accounting profit of the Bank before tax	7,463,889	5,173,841
Non-taxable expenses	968,611	1,311,497
Gross profit subject to VAT	8,432,500	6,485,338
Deduct: value-added tax	(1,163,103)	(894,529)
Value added tax on salaries	(878,441)	(736,511)
Adjustments for the purpose of calculating income tax	(1,252,747)	(1,037,526)
Profit subject to income tax	5,138,209	3,816,772
Income tax	770,731	572,516
Taxes payable for the year	1,933,834	1,467,045
Taxes provided during the year	2,489,991	1,834,068
Actual tax rate	33.4%	35.4%

23. Other liabilities

	2022	2021
	U.S. $	U.S. $
Accounts payable and temporary deposits	5,434,506	3,510,651
Accrued and unpaid interests	1,478,577	1,236,676
Unearned interest and commission income	1,192,377	1,200,917
Deferred tax liabilities (Note 26)	1,010,027	566,921
Certified checks	932,748	3,045,036
Dividends payable	714,381	555,860
Board of Directors bonuses	240,004	127,000
Accrued expenses	216,030	119,449
Financial derivatives payable	182,709	1,367,070
Provision for expected credit losses on indirect credit facilities (note 45)	13,116	16,086
Clearing checks	-	362,323
Others	602,321	266,982
	12,016,796	12,374,971

24. Cash dividends

The Bank's General Assembly, during its meeting held on May 15, 2022 decided to distribute cash dividends 5% of the total paid in share capital by the amount of U.S $ 3,900,000.

25. 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 available for distribution to shareholders without PMA's prior approval.

– **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 after deducting impairment allowance for credit facilities and suspended interest and 0.5% of indirect credit facilities. In accordance with PMA's circulation number (53/2013), no general banking risk reserve is created against the direct credit facilities granted to small and medium enterprises if the conditions mentioned in the circular are met. During 2018, the Bank applied IFRS (9) and utilized this reserve for the ECL of stage (1) and 2 in accordance with PMA instructions No. (2/2018). The reserve will not to be utilized or reduced without PMA's prior approval.

– **Pro-cyclicality reserve**

This reserve represents 15% of net profit after tax in accordance with PMA's instruction number (6/2015), as the Bank stopped deducting this percentage and adding it to the reserve in accordance with 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. (8/2022) regarding the anti-cyclical capital buffe, so that the ratio is between (0.5%) of the risk-weighted assets. The instructions require the bank to commit to forming a capital buffer for cyclical fluctuations within a maximum period of March 31, 2023, and to disclose in the interim and final financial statements as of June 2023. The Bank is prohibited from disposing of the amounts allocated in the cyclical fluctuations reserve item, except for capitalization, after obtaining the prior written approval of Palestinian Monetary Authority.

26. Assets revaluation surplus

During the year 2015, the Bank changed the accounting policy related to the treatment of the land item within property, plant and equipment, so the land to be reported at fair value as of the date of the financial statements. The revaluation surplus amounted to U.S. $ 2,769,449 as at December 31, 2022. The revaluation surplus was recognized in the consolidated other comprehensive income items by the amount of US $ 2,769,449 after deducting the required deferred taxes by the amount of U.S. $ 1,010,027 (note 23).

27. Interest income

This item comprises interest revenues earned on the following accounts:

	2022	2021
	U.S. $	U.S. $
Loans	12,727,561	12,119,276
Government and public sector	5,119,072	4,570,234
Overdraft accounts	4,449,568	4,224,548
Balances at banks and financial institutions	1,258,659	484,252
Financial assets at amortized cost	644,994	768,234
Credit cards	285,041	307,503
	24,484,895	22,474,047

28. Interest expense

This item comprises the following accounts:

	2022	2021
	U.S. $	U.S. $
Interests on customers' deposits:		
Time deposits and subject to notice	4,220,400	4,823,903
Current and on demand accounts	59,087	41,166
Saving deposits	14,518	10,184
Interests on Banks' and financial institutions' deposits	218,544	91,132
Interests paid to Palestine Monetary Authority	207,458	238,602
Cash margins	158,591	202,679
	4,878,598	5,407,666

29. Net commissions

	2022	2021
	U.S. $	U.S. $
Direct credit facilities	1,677,082	1,261,242
Returned Checks	792,644	588,472
Transfers	669,155	656,407
Account's management	634,913	691,772
Indirect credit facilities	466,093	381,314
Other commissions	1,678,896	1,358,932
	5,918,783	4,938,139
Less: commissions paid	(871,779)	(767,936)
Net commissions	5,047,004	4,170,203

30. (Losses) gains form financial assets, Net

	2022	2021
	U.S. $	U.S. $
Dividends revenue	25,580	48,039
Losses from revaluation of financial assets at fair value through profit or loss	(434,144)	(98,410)
Losses from sale of financial assets at fair value through profit or loss	(92,648)	(413,941)
Losses from sale of financial assets at amortized cost	(81,702)	-
	(582,914)	(464,312)

31. Other revenues

	2022	2021
	U.S. $	U.S. $
Fixed assets gains	200,835	-
Check books	162,211	143,800
Recovery from off-balance sheet provisions	131,226	223,026
Safe boxes rental	13,395	9,660
Telegrams and transfers	12,559	11,671
Others	5,870	141,637
	526,096	529,794

32. Personnel expenses

	2022	2021
	U.S. $	U.S. $
Salaries and related benefits	5,763,964	5,363,885
VAT on salaries	839,024	736,511
Provision for employees' end of service	643,918	405,235
Medical expenses	355,942	365,200
Bank's contribution to provident fund*	245,713	230,304
Employees' vacations	65,500	46,497
Training expenses	29,848	14,351
Others	17,861	16,017
	7,961,770	7,178,000

* The Bank monthly deducts 5% from each employee's basic salary, and the Bank contributes 10% from the employee's basic salary.

33. Other operating expenses

	2022	2021
	U.S. $	U.S. $
Maintenance	1,039,283	773,675
Palestine Deposit Insurance Corporation fees*	1,038,000	334,140
Fees, Licenses, and subscriptions	950,650	771,837
Postage, fax and telephone	776,517	807,187
Cash shipping expense	715,505	626,544
Professional and consulting fees	568,894	440,108
Advertisements and marketing	438,581	118,419
Board of Directors bonuses and remunerations	415,504	384,000
Cleaning expenses	402,855	368,039
Travel and seminars	326,017	285,478
Saving accounts prizes	321,144	76,705
Utilities	264,001	267,618
Stationery and printing	242,777	200,756
Lawsuits provision	200,000	173,393
Rent	122,628	117,150
Donations and charitable work**	97,184	92,763
Insurance	73,741	92,576
Hospitality	71,529	54,880
Fuel and cars expenses	40,298	37,281
Others	237,863	83,320
	8,342,971	6,105,869

* Banks must accrue an annual subscription fee for Palestine Deposit Insurance Corporation (the Corporation) for the corporation's account at 0.3% of total deposit balance specified under this law No. (7) for the year 2013. On December 1, 2019, the Palestine Deposit Insurance Corporation (PDIC) issued a circular No. (3/2019) regarding reducing the minimum subscription fee to (0.2%-0.8%), where on January 1, 2020 the subscription fee percentage will be calculated at 0.2% of the average total deposit instead of 0.3% of the average total deposit. On October 27, 2020, PDIC issued a circular No. (2/2020) regarding reducing the minimum subscription fee to (0.1%-0.8%), and as of October 1, 2020 the subscription fee percentage will be calculated at 0.1% of the average total deposit instead of 0.2% of the average total deposit. On November 9, 2021, the Corporation issued Circular No. (2/2021) regarding raising the fixed subscription fee rate to 0.2% of the average total subject deposits, as of January 1, 2022.

** The Bank provides donations to local authorities, as a part of the Bank's policy to build trust between the different parts of the society. The percentage of donations from the net profit was 1.94% for the year of 2022 compared to 2.40% for the year of 2021.

34. Provision for expected credit losses, Net

This item represents the net re-measurement of expected credit losses provision:

	2022			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Cash and balances at PMA (Note 4)	(2,723)	-	-	(2,723)
Balances at banks and financial institutions (Note 5)	(25,745)	-	-	(25,745)
Direct credit facilities (Note 7)	139,645	(137,259)	2,118,879	2,121,265
Financial assets at amortized cost (Note 9)	(1,396)	(25,238)	-	(26,634)
Indirect credit facilities (Note 45)	(3,572)	602	-	(2,970)
	106,209	(161,895)	2,118,879	2,063,193

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Cash and balances at PMA (Note 4)	43,656	-	-	43,656
Balances at banks and financial institutions (Note 5)	37,459	-	-	37,459
Direct credit facilities (Note 7)	102,806	(31,100)	2,632,763	2,704,469
Financial assets at amortized cost (Note 9)	75,161	(1,486)	-	73,675
Indirect credit facilities (Note 45)	788	2,417	-	3,205
	259,870	(30,169)	2,632,763	2,862,464

35. Palestine Monetary Authority's fines

This item represents fines from the Palestinian Monetary Authority due to the Bank's non-compliance with instructions No. (14) of Decree-Law No. (9) of year 2010 related to foreign employments during 2021 and the Bank's failure to comply with instructions No. (6/2018) related to the security and safety of ATMs during 2020.

36. Basic and diluted earnings per share of the year

	2022	2021
	U.S. $	
Profit for the year	5,087,119	3,765,682
	Shares	
Weighted average number of subscribed shares	78,000,000	78,000,000
	U.S. $	
Basic and diluted earnings per share from the profit of the year	0.065	0.048

37. Cash and cash equivalent

	2022	2021
	U.S. $	U.S. $
Cash and balances with Palestine Monetary Authority	174,659,333	205,722,068
Add: Balances at banks and financial institutions due within three months	131,343,298	156,069,796
Less: Deposits at banks and financial institutions due within three months	(20,602,500)	(60,714,507)
Statutory cash reserve	(39,949,713)	(37,120,663)
	245,450,418	263,956,694

38. 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. Balances as at December 31, 2022, and 2021 and transactions with related parties during the year represented as follows:

	Nature of relationship	2022 U.S. $	2021 U.S. $
Consolidated statement of financial position items:			
Direct credit facilities	Top management and Board of directors	4,316,650	3,782,346
Direct credit facilities	Shareholders	4,178,935	8,143,503
Deposits	Top management and shareholders	2,337,833	738,844
Accrued BOD's bonuses	Board of directors	240,004	127,000
Commitments and contingencies			
Unutilized direct credit facilities limits	Top management	23,560	21,562
Consolidated income statement items:			
Received interests	Top management	22,301	26,830
Received interests	Shareholders	490,556	528,219
Paid interests	Top management	6,601	5,339
Rent expenses	Board of directors	54,000	54,200
BOD's bonuses and remunerations*	Board of directors	415,504	384,000
Top management's share in salaries and related expenses	Top management	801,225	748,411
Top management's share in End-of-service indemnity	Top management	54,222	31,184

- Direct credit facilities granted to related parties as at December 31, 2022 and 2021 represent 2.22% and 3.77%, respectively, of the net direct credit facilities.
- Direct credit facilities granted to related parties as at December 31, 2022 and 2021 represent 9.86% and 12.72%, respectively, of the Bank's capital base.
- Interest rates on direct credit facilities granted to related parties on U.S. $ and JOD range between 3.25% to 24%.
- Interest rates on U.S. $ deposits ranges between 2% to 3.25%.
- Interest rates on Euro deposits range between 1.75% and 2.5%.

* This item includes Board of Directors (BoD) bonuses and allowances for the BoD meetings attendance. Following are the details of Board of Director's allowances for the BoD meetings attendance for years 2022 and 2021:

	2022	2021
	U.S. $	U.S. $
Abd Al Azeez Abu Dayeh	12,000	12,000
Khaleel Naser	12,000	12,000
Sami Ismael Alsyed	12,000	12,000
Yousef Bazyan	12,000	12,000
Waleed Al njjar	12,000	12,000
Basem Abdulhaleem	12,000	12,000
Hanna Necola Atyba	12,000	12,000
Jameel Al-Mouty	12,000	12,000
Adnan Stetieh	12,000	12,000
Tariq Al Haj	12,000	12,000
Talib Al Sare’	10,000	-
Yazan Abu Dayeh	2,000	12,000
	132,000	132,000

According to Article no. (52) of the Bank’s bylaw paragraph (B) of Bank’ internal manual, it states that 5% of the Banks’ annual net income shall be distributed to the members of the Board of Directors which is not distributed yet.

39. Fair value measurement

The following table provides the fair value measurement hierarchy of the Bank’s assets and liabilities. Following are the quantitative disclosures for the fair value and hierarchy for the assets as at December 31, 2022 and 2021:

			Measurement of fair value by		
December 31, 2022		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant non-observable inputs (Level 3)
	Date of evaluation	U.S. $	U.S. $	U.S. $	U.S. $
Financial assets at fair value:					
Financial assets at fair value through profit or loss (note 6):					
Listed-Global markets	December 31,2022	2,658,544	2,658,544	-	-
Financial assets at fair value through other comprehensive income (note 8):					
Listed	December 31,2022	47,101	47,101	-	-
Financial derivatives receivable (note 14)	December 31,2022	2,459,198	-	2,459,198	-
Financial derivatives payable (note 23)	December 31,2022	182,709	-	182,709	-
Land – property, plant, and equipment (note 10)	December 31,2022	5,769,225	-	-	5,769,225

December 31, 2021	Date of evaluation	Total U.S. $	Measurement of fair value by: Quoted prices in active markets (Level 1) U.S. $	Significant observable inputs (Level 2) U.S. $	Significant non-observable inputs (Level 3) U.S. $
Financial assets at fair value:					
Financial assets at fair value through profit or loss (note 6):					
Listed-Global markets	December 31,2021	8,187,655	8,187,655	-	-
Financial assets at fair value through other comprehensive income (note 8):					
Listed	December 31,2021	52,293	52,293	-	-
Financial derivatives receivable (note 14)	December 31,2021	284,106	-	284,106	-
Financial derivatives payable (note 23)	December 31,2021	1,367,070	-	1,367,070	-
Land – property, plant, and equipment (note 10)	December 31,2021	5,769,225	-	-	5,769,225

The Bank did not make any transfers between the above levels during the years 2022 and 2021.

Fair value of financial assets and liabilities

The table below represents a comparison between the carrying amounts and fair values of financial instruments as of December 31, 2022 and 2021:

	Carrying value		Fair value	
	2022	2021	2022	2021
	U.S. $	U.S. $	U.S. $	U.S. $
Financial assets				
Cash and balances at Palestine Monetary Authority	174,611,438	205,671,450	174,611,438	205,671,450
Balances at banks and financial institutions	131,326,856	156,027,609	131,326,856	156,027,609
Financial assets at fair value through profit or loss	2,658,544	8,187,655	2,658,544	8,187,655
Direct credit facilities	382,368,152	316,709,722	382,368,152	316,709,722
Financial assets at fair value through other comprehensive income	47,101	52,293	47,101	52,293
Financial assets at amortized cost	16,954,008	17,270,036	16,488,297	17,322,222
Other financial assets	6,624,864	3,107,323	6,624,864	3,107,323
Total assets	714,590,963	707,026,088	714,125,252	707,078,274
Financial liabilities				
Istidama loans from Palestine Monetary Authority	847,976	1,408,750	847,976	1,408,750
Banks and financial institutions' deposits	20,602,500	60,714,507	20,602,500	60,714,507
Customers' deposits	568,924,380	519,410,382	568,924,380	519,410,382
Cash margins	32,750,095	34,155,659	32,750,095	34,155,659
Subsidiary loan	-	1,000,000	-	1,000,000
Lease liabilities	956,613	1,378,697	956,613	1,378,697
Other financial liabilities	10,811,303	11,157,967	10,811,303	11,157,967
Total liabilities	634,892,867	629,225,962	634,892,867	629,225,962

Fair values of cash and balances at PMA, balances at banks and financial institutions, other financial assets, Istidama loans from Palestine Monetary Authority, banks and financial institutions' deposits, customers' deposits, cash margins, lease liability and other financial liabilities approximate their carrying amounts largely due to the short–term maturities of these instruments.

Fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income and financial asset at amortized cost that are actively traded in active financial markets are determined by referencing to quoted prices at the date of the consolidated financial statements.

Unquoted financial assets at amortized cost are recognized by discounting the expected cash flows using the prevailing interest rates in the financial markets as at the date of the consolidated financial statements.

Fair value of direct credit facilities, lease liabilities and subsidiary loan were determined through the study of different variables such as interest rates, risk factors and the debtor's solvency. The fair value of credit facilities approximates their carrying amounts as at December 31, 2022.

40. Concentration of Assets and Liabilities

	2022					
	Inside Palestine	Jordan	Europe	USA	Others	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Cash and balances at Palestine Monetary Authority	174,611,438	-	-	-	-	174,611,438
Balances at banks and financial institutions	28,091,524	23,402,567	21,880,610	7,833,869	50,118,286	131,326,856
Financial assets at fair value through profit or loss	-	-	2,658,544	-	-	2,658,544
Direct credit facilities	355,859,082	1,723,654	-	-	24,785,416	382,368,152
Financial assets at fair value through other comprehensive income	-	47,101	-	-	-	47,101
Financial assets at amortized cost	-	9,031,557	2,000,000	3,922,451	2,000,000	16,954,008
Property, plant and equipment	24,954,320	-	-	-	-	24,954,320
Right of use assets	1,097,720	-	-	-	-	1,097,720
Intangible assets	1,672,086	-	-	-	-	1,672,086
Deferred tax assets	1,451,247	-	-	-	-	1,451,247
Other assets	8,969,205	-	188,719	-	-	9,157,924
Total assets	596,706,622	34,204,879	26,727,873	11,756,320	76,903,702	746,299,396
Istidama loans from Palestine Monetary Authority	847,976	-	-	-	-	847,976
Banks' and financial institutions' deposits	20,602,500	-	-	-	-	20,602,500
Customers' deposits	544,770,183	24,154,197	-	-	-	568,924,380
Cash margins	32,750,095	-	-	-	-	32,750,095
Sundry provisions	4,281,236	-	-	-	-	4,281,236
Lease liabilities	956,613	-	-	-	-	956,613
Taxes provisions	2,553,775	-	-	-	-	2,553,775
Other liabilities	12,016,796	-	-	-	-	12,016,796
Total liabilities	618,779,174	24,154,197	-	-	-	642,933,371
Paid-in share capital	78,000,000	-	-	-	-	78,000,000
Statutory reserve	10,590,517	-	-	-	-	10,590,517
General banking risks reserve	4,373,811	-	-	-	-	4,373,811
Pro-cyclicality reserve	2,311,126	-	-	-	-	2,311,126
Fair value reserve	(30,311)	-	-	-	-	(30,311)
Assets revaluation surplus	2,769,449	-	-	-	-	2,769,449
Retained earnings	5,351,433	-	-	-	-	5,351,433
Net Equity	103,366,025	-	-	-	-	103,366,025
Total Liabilities and Equity	722,145,199	24,154,197	-	-	-	746,299,396
Off-consolidated balance sheet items:						
Letters of guarantee	19,062,325	-	-	-	-	19,062,325
Letters of credit	3,163,875	-	-	-	-	3,163,875
Acceptances	1,380,594	-	-	-	-	1,380,594
Unutilized direct credit facilities limits	19,116,826	-	-	-	-	19,116,826
	42,723,620	-	-	-	-	42,723,620

	2021					
	Inside Palestine	Jordan	Europe	USA	Others	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Cash and balances at Palestine Monetary Authority	205,671,450	-	-	-	-	205,671,450
Balances at banks and financial institutions	42,797,123	34,072,363	23,204,070	27,186,950	28,767,103	156,027,609
Financial assets at fair value through profit or loss	-	-	8,187,655	-	-	8,187,655
Direct credit facilities	310,448,141	150,000	-	-	6,111,581	316,709,722
Financial assets at fair value through other comprehensive income	-	52,293	-	-	-	52,293
Financial assets at amortized cost	697,689	9,159,235	4,572,308	-	2,840,804	17,270,036
Property, plant and equipment	25,353,798	-	-	-	-	25,353,798
Right of use assets	1,344,517	-	-	-	-	1,344,517
Intangible assets	1,243,195	-	-	-	-	1,243,195
Deferred tax assets	1,338,026	-	-	-	-	1,338,026
Other assets	5,306,278	-	-	-	-	5,306,278
Total assets	594,200,217	43,433,891	35,964,033	27,186,950	37,719,488	738,504,579
Istidama loans from Palestine Monetary Authority	1,408,750	-	-	-	-	1,408,750
Banks' and financial institutions' deposits	60,714,507	-	-	-	-	60,714,507
Customers' deposits	503,996,489	15,413,893	-	-	-	519,410,382
Cash margins	34,134,909	-	-	-	-	34,155,659
Subsidiary loan	1,000,000	-	-	-	-	1,000,000
Sundry provisions	3,966,841	-	-	-	-	3,966,841
Lease liabilities	1,378,697	-	-	-	-	1,378,697
Tax provisions	1,467,568	-	-	-	-	1,467,568
Other liabilities	12,374,971	-	-	-	-	12,374,971
Total liabilities	620,463,482	15,413,893	-	-	-	635,877,375
Paid-in share capital	78,000,000	-	-	-	-	78,000,000
Statutory reserve	10,081,805	-	-	-	-	10,081,805
General banking risks reserve	3,492,926	-	-	-	-	3,492,926
Pro-cyclicality reserve	2,249,383	-	-	-	-	2,249,383
Fair value reserve	(25,119)	-	-	-	-	(25,119)
Assets revaluation surplus	3,212,555	-	-	-	-	3,212,555
Retained earnings	5,615,654	-	-	-	-	5,615,654
Net Equity	102,627,204	-	-	-	-	102,627,204
Total Liabilities and Equity	723,090,686	15,413,893	-	-	-	738,504,579
Off-consolidated balance sheet items:						
Letters of guarantee	18,379,272	-	-	-	-	18,379,272
Letters of credit	1,062,114	-	-	-	-	1,062,114
Acceptances	1,485,220	-	-	-	-	1,485,220
Unutilized direct credit facilities limits	19,035,121	-	-	-	-	19,035,121
	39,961,727	-	-	-	-	39,961,727

41. Risks management

The Risk Management Committee, consisting of members from the Board of Directors and the Executive Management, oversees the general framework for risk management for the Bank, which aims to measure, monitor and control credit, operational, liquidity and market risks and any other risks that the Bank may be exposed to in the future. The Bank is working on developing risk management in terms of programs and systems of measurement, control and oversight.

The risks are summarized as follows:

First: 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 manages credit risk by setting ceilings for direct credit facilities (retail or corporate) and total loans and debts 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.

1. Exposures to credit risk

	2022	2021
	U.S. $	U.S. $
Consolidated statement of financial position items		
Balances at Palestine Monetary Authority	68,548,871	68,013,064
Balances at banks and financial institutions	131,326,856	156,027,609
Direct credit facilities		
Retail	121,019,427	121,918,440
Corporates	169,200,990	115,378,152
Public sector	92,147,735	79,413,130
Financial assets at fair value through profit or loss	2,658,544	8,187,655
Financial assets at amortized cost	16,954,008	17,270,036
Other financial assets	6,624,864	3,107,323
	608,481,295	569,315,409
Off-consolidated statement of financial position items		
Letters of guarantees	19,062,325	18,879,272
Letters of credit	3,163,875	1,062,114
Acceptances	1,380,594	1,485,220
Unutilized direct credit facilities limits	19,116,826	19,035,121
	42,723,620	40,461,727

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

December 31,2022	Retails	Corporates	Government and public sector	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Low risks	101,912,030	154,943,222	93,060,520	349,915,772
Acceptable risks	8,188,237	4,628,437	-	12,816,674
Watch list	3,124,552	3,932,255	-	7,056,807
Non-performing:				
Substandard	2,190,112	601,053	-	2,791,165
Doubtful	923,507	584,802	-	1,508,309
Loss	10,502,464	9,929,010	-	20,431,474
Total	126,840,902	174,618,779	93,060,520	394,520,201
Suspended interests and commissions	(1,662,279)	(1,168,935)	-	(2,831,214)
Expected credit losses provision	(4,159,196)	(4,248,854)	(912,785)	(9,320,835)
	121,019,427	169,200,990	92,147,735	382,368,152

December 31,2021	Retails	Corporates	Government and public sector	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Low risks	107,244,062	89,441,824	79,984,769	276,670,655
Acceptable risks	7,302,116	15,169,831	-	22,471,947
Watch list	77,104	4,901,114	-	4,978,218
Non-performing:				
Substandard	1,109,834	1,529,217	-	2,639,051
Doubtful	3,114,818	301,505	-	3,416,323
loss	8,514,213	7,744,297	-	16,258,510
Total	127,362,147	119,087,788	79,984,769	326,434,704
Suspended interests and commissions	(1,288,090)	(676,714)	-	(1,964,804)
Expected credit losses provision	(4,155,617)	(3,032,922)	(571,639)	(7,760,178)
	121,918,440	115,378,152	79,413,130	316,709,722

3. Following is the fair value of collaterals obtained against credit facilities:

December 31,2022	Retails	Corporates	Total
	U.S. $	U.S. $	U.S. $
Collaterals against:	66,534,702	104,027,862	170,562,564
Low risks	4,821,445	4,515,824	9,337,269
Acceptable risks	1,815,538	2,723,308	4,538,846
Watch list			
Non-performing:			
Substandard	1,313,430	951,104	2,264,534
Doubtful	318,558	498,256	816,814
Loss	4,291,098	5,925,802	10,216,900
Total	79,094,771	118,642,156	197,736,927
Include:			
Cash margins	13,081,562	19,622,344	32,703,906
Real estate	52,510,067	78,765,101	131,275,168
Quoted stocks	5,926,727	8,890,089	14,816,816
Vehicles and equipment	7,576,415	11,364,622	18,941,037
	79,094,771	118,642,156	197,736,927

December 31,2021	Retails	Corporates	Total
	U.S. $	U.S. $	U.S. $
Collaterals against:			
Low risks	60,175,282	54,606,871	114,782,153
Acceptable risks	4,397,697	5,368,300	9,765,997
Watch list	99,501	1,995,632	2,095,133
Non-performing:			
Substandard	1,985,387	815,625	2,801,012
Doubtful	3,021,564	1,505,672	4,527,236
Loss	5,216,645	5,207,096	10,423,741
Total	74,896,076	69,499,196	144,395,272
Include:			
Cash margins	22,910,159	11,224,750	34,134,909
Real estate	33,500,114	34,073,606	67,573,720
Quoted stocks	1,861,638	17,991,405	19,853,043
Vehicles and equipment	16,624,165	6,209,435	22,833,600
	74,896,076	69,499,196	144,395,272

4. Following is the fair value of collaterals obtained against gross credit exposures as at December 31, 2022 and 2021:

2022	Gross exposure	Fair value of collaterals: Cash margins	Real estate	Quoted stocks	Vehicles and equipment	Gross collaterals	Net Exposure after collaterals	ECL
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Credit exposures relating to items on consolidated statement of financial position:								
Balances at Palestine Monetary Authority	68,548,871	-	-	-	-	-	68,548,871	47,895
Balances at banks and financial institutions	131,343,298	-	-	-	-	-	131,343,298	16,442
Direct credit facilities:								
Retails	126,840,902	13,081,563	52,510,067	5,926,726	7,576,415	79,094,771	47,746,131	4,159,196
Corporates	174,618,779	19,622,343	78,765,101	8,890,090	11,364,622	118,642,156	55,976,623	4,248,854
Government and public sector	93,060,520	-	-	-	-	-	93,060,520	912,785
Financial assets at amortized cost	17,031,746	-	-	-	-	-	17,031,746	77,738
Other financial assets	6,624,864	-	-	-	-	-	6,624,864	-
Total	618,068,980	32,703,906	131,275,168	14,816,816	18,941,037	197,736,927	420,332,053	9,462,910
Credit exposures of off consolidated balance-sheet items:	42,723,620	-	-	-	-	-	42,723,620	13,116
	42,723,620	-	-	-	-	-	42,723,620	13,116

2021	Gross exposure	Fair value of collaterals: Cash margins	Real estate	Quoted stocks	Vehicles and equipment	Gross collaterals	Net Exposure after collaterals	ECL
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Credit exposures relating to items on consolidated statement of financial position:								
Balances at Palestine Monetary Authority	68,063,682	-	-	-	-	-	68,063,682	50,618
Balances at banks and financial institutions	156,027,609	-	-	-	-	-	156,027,609	42,187
Direct credit facilities:								
Retails	127,362,147	22,910,159	33,500,114	1,861,638	16,624,165	74,896,076	52,466,071	4,155,571
Corporates	119,087,788	11,224,750	34,073,606	17,991,405	6,209,435	69,499,196	49,588,592	3,032,922
Government and public sector	79,984,769	-	-	-	-	-	79,984,769	571,639
Financial assets at amortized cost	17,270,036	-	-	-	-	-	17,270,036	104,372
Other financial assets	3,107,323	-	-	-	-	-	3,107,323	-
Total	570,903,354	34,134,909	67,573,720	19,853,043	22,833,600	144,395,272	426,508,082	7,957,309
Credit exposures of off consolidated balance-sheet items:	39,961,727	-	-	-	-	-	39,961,727	16,086
	39,961,727	-	-	-	-	-	39,961,727	16,086

2022	Gross exposure	Fair value of collaterals: Cash margins	Accepted bank guarantees	Real estate	Quoted stocks	Vehicles and equipment	Others	Total gross collaterals	Net Exposure after collaterals	ECL
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Credit exposures relating to items on consolidated statement of financial position:										
Retail	13,616,083	2,510,926	-	5,599,886	480,000	1,322,127	-	9,912,939	3,703,144	4,159,196
Corporate	11,114,865	1,323,953	-	5,790,175	-	810,027	-	7,924,155	3,190,710	4,248,854
Total	24,730,948	3,834,879	-	11,390,061	480,000	2,132,154	-	17,837,094	6,893,854	8,408,050

2021	Gross exposure	Fair value of collaterals: Cash margins	Accepted bank guarantees	Real estate	Quoted stocks	Vehicles and equipment	Others	Total gross collaterals	Net Exposure after collaterals	ECL
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Credit exposures relating to items on consolidated statement of financial position:										
Retail	12,389,229	1,158,950	-	8,672,535	-	735,952	-	10,567,437	1,821,792	3,788,057
Corporate	10,561,365	604,030	-	7,054,153	1,318,360	303,143	-	9,279,686	1,281,679	2,723,946
Total	22,950,594	1,762,980	-	15,726,688	1,318,360	1,039,095	-	19,847,123	3,103,471	6,512,003

6. Concentration in risk exposures according to the geographical area is as follows:

	Inside Palestine	Jordan	Israel	Europe	USA	Others	Gross
2022	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balances at Palestine Monetary Authority	68,548,871	-	-	-	-	-	68,548,871
Balances at banks and financial institutions	28,091,524	23,402,567	48,466,665	21,880,610	7,833,869	1,651,621	131,326,856
Direct credit facilities	355,859,082	1,723,654	-	-	-	24,785,416	382,368,152
Financial assets at fair value through profit or loss	-	-	-	2,658,544	-	-	2,658,544
Financial assets at amortized cost	-	8,913,819	-	2,000,000	3,922,451	2,117,738	16,954,008
Other financial assets	6,436,145	-	-	188,719	-	-	6,624,864
Total as at December 31, 2022	458,935,622	34,040,040	48,466,665	26,727,873	11,756,320	28,554,775	608,497,737
Off consolidated statement of financial position items:							
Letters of guarantee	19,062,325	-	-	-	-	-	19,062,325
Letters of credit	3,163,875	-	-	-	-	-	3,163,875
Acceptances	1,380,594	-	-	-	-	-	1,380,594
Unutilized direct credit facilities limits	19,116,826	-	-	-	-	-	19,116,826
Total as at December 31, 2022	42,723,620	-	-	-	-	-	42,723,620

	Inside Palestine	Jordan	Israel	Europe	USA	Others	Gross
2021	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balances at Palestine Monetary Authority	68,013,064	-	-	-	-	-	68,013,064
Balances at banks and financial institutions	42,797,123	34,072,363	26,407,443	23,204,070	27,186,950	2,359,660	156,027,609
Direct credit facilities	310,448,141	150,000	-	-	-	6,111,581	316,709,722
Financial assets at fair value through profit or loss	-	-	-	8,187,655	-	-	8,187,655
Financial assets at amortized cost	697,689	9,159,235	-	4,572,308	-	2,840,804	17,270,036
Other financial assets	3,107,323	-	-	-	-	-	3,107,323
Total as at December 31, 2021	425,063,340	43,381,598	26,407,443	35,964,033	27,186,950	11,312,045	569,315,409
Off consolidated statement of financial position items:							
Letters of guarantee	18,879,272	-	-	-	-	-	18,879,272
Letters of credit	1,062,114	-	-	-	-	-	1,062,114
Acceptances	1,485,220	-	-	-	-	-	1,485,220
Unutilized direct credit facilities limits	19,035,121	-	-	-	-	-	19,035,121
Total as at December 31, 2021	40,461,727	-	-	-	-	-	40,461,727

7. Concentration of risk exposures according to IFRS (9) Stages as at December 31, 2022 and 2021 is as follows:

	2022			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Inside Palestine	419,181,461	15,023,213	24,730,948	458,935,622
Jordan	34,040,040	-	-	34,040,040
Europe	26,727,873	-	-	26,727,873
USA	11,756,320	-	-	11,756,320
Israel	48,466,665	-	-	48,466,665
Others	28,571,217	-	-	28,571,217
Total	568,743,576	15,023,213	24,730,948	608,497,737

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Inside Palestine	372,010,280	30,414,665	22,950,594	425,375,539
Jordan	43,381,598	-	-	43,381,598
Europe	33,148,354	8,665,679	-	41,814,033
USA	27,186,950	-	-	27,186,950
Israel	26,407,443	-	-	26,407,443
Others	5,149,846	-	-	5,149,846
Total	507,284,471	39,080,344	22,950,594	569,315,409

8. Concentration of risk exposures according to economic sector is as follows:

2022	Financial	Industrial and tourism	Commercial	Real estate	Financial Securities	Government and Public Sector	Others	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balances at Palestine Monetary Authority	68,548,871	-	-	-	-	-	-	68,548,871
Balances at banks and financial institutions	131,352,017	-	-	-	-	-	-	131,352,017
Direct credit facilities	14,603,914	30,198,827	119,365,097	106,410,832	-	93,060,520	18,728,962	382,368,152
Financial assets at fair value through profit or loss	-	-	-	-	2,658,544	-	-	2,658,544
Financial assets at amortized cost	-	-	-	-	16,954,008	-	-	16,954,008
Other financial assets	2,186,273	-	-	-	-	-	4,429,872	6,616,145
Total as at December 31, 2022	216,691,075	30,198,827	119,365,097	106,410,832	19,612,552	93,060,520	23,158,834	608,497,737

2021	Financial	Industrial and tourism	Commercial	Real estate	Financial Securities	Government and Public Sector	Others	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balances at Palestine Monetary Authority	68,013,064	-	-	-	-	-	-	68,013,064
Balances at banks and financial institutions	156,027,609	-	-	-	-	-	-	156,027,609
Direct credit facilities	8,281,661	30,886,902	90,560,256	61,221,895	-	79,984,769	45,774,239	316,709,722
Financial assets at fair value through profit or loss	-	-	-	-	8,187,655	-	-	8,187,655
Financial assets at amortized cost	-	-	-	-	17,270,036	-	-	17,270,036
Other financial assets	3,107,323	-	-	-	-	-	-	3,107,323
Total as at December 31, 2021	235,429,657	30,886,902	90,560,256	61,221,895	25,457,691	79,984,769	45,774,239	569,315,409

9. Distribution of risk exposures according to IFRS (9) stages as at December 31, 2022 and 2021 is as follows:

	2022			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Financial	216,691,075	-	-	216,691,075
Financial securities	19,612,552	-	-	19,612,552
Real estate	95,812,478	6,874,598	3,723,756	106,410,832
Industrial and tourism	25,446,974	4,101,008	650,845	30,198,827
Commercial	94,961,143	4,047,607	20,356,347	119,365,097
Public sector	93,060,520	-	-	93,060,520
Others	23,158,834	-	-	23,158,834
Total	568,743,576	15,023,213	24,730,948	608,497,737

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Financial	235,429,657	-	-	235,429,657
Financial securities	16,792,012	8,665,679	-	25,457,691
Real estate	43,586,242	7,984,264	9,651,389	61,221,895
Industrial and tourism	24,908,830	5,412,262	565,810	30,886,902
Commercial	69,626,669	16,676,999	4,256,588	90,560,256
Public sector	79,984,769	-	-	79,984,769
Others	45,774,239	-	-	45,774,239
Total	516,102,418	38,739,204	14,473,787	569,315,409

10. **Macroeconomic Factors, Forward Looking Information and Multiple Scenarios:**

When estimating the ECLs, the Bank considers three scenarios (a base, best and worst scenarios). 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
Gross Domestic Product	Base case	40%	4	4	2	2	2	2
	Best case	30%	11	11	9	9	9	9
	Worst case	30%	(3)	(4)	(5)	(5)	(5)	(5)
Unemployment rates	Base case	40%	(3)	(5)	(7)	(8)	(9)	(9)
	Best case	30%	(1)	(4)	(5)	(7)	(7)	(7)
	Worst case	30%	1	(7)	(9)	(10)	(10)	(11)

Following is 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 (%) 2021	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
Gross Domestic Product	Base case	40%	4	6	4	2	2	2
	Best case	30%	13	14	12	11	10	10
	Worst case	30%	(4)	(2)	(4)	(6)	(6)	(6)
Unemployment rates								
	Base case	40%	(1)	(2)	(3)	(3)	(3)	(3)
	Best case	30%	(18)	(19)	(19)	(20)	(20)	(20)
	Worst case	30%	16	14	14	14	14	13

Second: Market risk

Market risk arises from changes in interest rate risk, equity price risk and foreign currency risk. The Bank's board of Directors sets the limits for acceptable risks. This is periodically monitored by the Bank's management.

1. 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 a certain period. 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 decreases in interest rate is expected to be equal and opposite to the effect of the increase shown below:

	2022		2021	
Currency	Increase in interest rate (basis point)	Interest income sensitivity (consolidated income statement)	Increase in interest rate (basis point)	Interest income sensitivity (consolidated income statement)
U.S. $	10	(107,892)	10	(56,137)

Interest rate re-pricing sensitivity gap:

December 31, 2022	Interest rate re-pricing sensitivity gap						
	less than a month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	More than a year	Non-interest-bearing items	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Assets							
Cash and balances at Palestine Monetary Authority	-	-	-	-	-	174,611,438	174,611,438
Balances at banks and financial institutions	32,351,590	47,134,147	11,480,479	-	-	40,360,640	131,326,856
Financial assets at fair value through profit or loss	-	-	-	-	-	2,658,544	2,658,544
Direct credit facilities	41,175,506	4,339,639	9,694,181	35,235,831	291,922,995	-	382,368,152
Financial assets at fair value through other comprehensive income	-	-	-	-	-	47,101	47,101
Financial assets at amortized cost	-	-	-	-	16,954,008	-	16,954,008
Property, plant and equipment	-	-	-	-	-	24,954,320	24,954,320
Right of use assets	-	-	-	-	-	1,097,720	1,097,720
Intangible assets	-	-	-	-	-	1,672,086	1,672,086
Deferred tax assets	-	-	-	-	-	1,451,247	1,451,247
Other assets	188,719	-	-	-	-	8,969,205	9,157,924
Total Assets	73,715,815	51,473,786	21,174,660	35,235,831	308,877,003	255,822,301	746,299,396
Liabilities							
Istidama loans from Palestine Monetary Authority	-	-	-	-	847,976	-	847,976
Banks and financial institutions' deposits	20,602,500	-	-	-	-	-	20,602,500
Customers' deposits	101,418,495	40,858,236	22,424,232	162,726,967	-	241,496,450	568,924,380
Cash margins	10,618,659	2,352,002	1,290,849	9,215,395	9,273,190	-	32,750,095
Sundry Provisions	-	-	-	-	-	4,281,236	4,281,236
Lease liabilities	-	-	-	342,173	614,440	-	956,613
Tax provisions	-	-	-	-	-	2,553,775	2,553,775
Other liabilities	-	-	-	-	-	12,016,796	12,016,796
Total Liabilities	132,639,654	43,210,238	23,715,081	172,284,535	10,735,606	260,348,257	642,933,371
Equity							
Paid-in share capital	-	-	-	-	-	78,000,000	78,000,000
Statutory reserve	-	-	-	-	-	10,590,517	10,590,517
General banking risks reserve	-	-	-	-	-	4,373,811	4,373,811
Pro-cyclicality reserve	-	-	-	-	-	2,311,126	2,311,126
Fair value reserve	-	-	-	-	-	(30,311)	(30,311)
Assets revaluation Surplus	-	-	-	-	-	2,769,449	2,769,449
Retained earnings	-	-	-	-	-	5,351,433	5,351,433
Net Equity	-	-	-	-	-	103,366,025	103,366,025
Total liabilities and equity	132,639,654	43,210,238	23,715,081	172,284,535	10,735,606	363,714,282	746,299,396
Interest rate re-pricing sensitivity gap	(58,923,839)	8,263,548	(2,540,421)	(137,048,704)	298,141,397	(107,891,981)	-
Cumulative gap	(58,923,839)	(50,660,291)	(53,200,712)	(190,249,416)	107,891,981	-	-

December 31, 2021	Interest rate re-pricing sensitivity gap						
	less than a month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	More than a year	Non-interest-bearing items	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Assets							
Cash and balances at Palestine Monetary Authority	-	-	-	-	-	205,671,450	205,671,450
Balances at banks and financial institutions	-	82,099,551	-	-	-	73,928,058	156,027,609
Financial assets at fair value through profit or loss	-	-	-	-	-	8,187,655	8,187,655
Direct credit facilities	34,105,045	3,594,457	8,029,543	29,185,303	241,795,374	-	316,709,722
Financial assets at fair value through other comprehensive income	-	-	-	-	-	52,293	52,293
Financial assets at amortized cost	-	-	697,689	-	16,572,347	-	17,270,036
Property, plant and equipment	-	-	-	-	-	25,353,798	25,353,798
Right of use assets	-	-	-	-	-	1,344,517	1,344,517
Intangible assets	-	-	-	-	-	1,243,195	1,243,195
Deferred tax assets	-	-	-	-	-	1,338,026	1,338,026
Other assets	-	-	-	-	-	5,306,278	5,306,278
Total Assets	34,105,045	85,694,008	8,727,232	29,185,303	258,367,721	322,425,270	738,504,579
Liabilities							
Istidama loans from Palestine Monetary Authority	-	-	-	-	1,408,750	-	1,408,750
Banks and financial institutions' deposits	60,714,507	-	-	-	-	-	60,714,507
Customers' deposits	169,102,238	37,455,647	20,556,789	146,755,231	-	145,540,477	519,410,382
Cash margins	11,808,827	8,453,612	2,930,646	8,002,456	2,739,103	221,015	34,155,659
Subsidiary Loan	-	-	-	1,000,000	-	-	1,000,000
Sundry Provisions	-	-	-	-	-	3,966,841	3,966,841
Lease liabilities	-	260,774	297,284	820,639	-	-	1,378,697
Tax provision	-	-	-	-	-	1,467,568	1,467,568
Other liabilities	-	-	-	-	-	12,374,971	12,374,971
Total Liabilities	241,625,572	46,170,033	23,784,719	156,578,326	4,147,853	163,570,872	635,877,375
Equity							
Paid-in share capital	-	-	-	-	-	78,000,000	78,000,000
Statutory reserve	-	-	-	-	-	10,081,805	10,081,805
General banking risks reserve	-	-	-	-	-	3,492,926	3,492,926
Pro-cyclicality reserve	-	-	-	-	-	2,249,383	2,249,383
Fair value reserve	-	-	-	-	-	(25,119)	(25,119)
Assets revaluation Surplus	-	-	-	-	-	3,212,555	3,212,555
Retained earnings	-	-	-	-	-	5,615,654	5,615,654
Net equity	-	-	-	-	-	102,627,204	102,627,204
Total liabilities and equity	241,625,572	46,170,033	23,784,719	156,578,326	4,147,853	266,198,076	738,504,579
Interest rate re-pricing sensitivity gap	(207,520,527)	39,523,975	(15,057,487)	(127,393,023)	254,219,868	56,227,194	-
Cumulative gap	(207,520,527)	(167,996,552)	(183,054,039)	(310,447,062)	(56,227,194)	-	-

2. Equity price change 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:

	2022			2021		
	Increase in index	Effect on consolidated income statement	Effect on equity	Increase in index	Effect on consolidated income statement	Effect on equity
Index	**(%)**	U.S. $	U.S. $	**(%)**	U.S. $	U.S. $
Foreign markets	10	265,854	4,710	10	818,766	5,229

3. Foreign currency risk

These are the risks of the change in value of financial instruments resulting from the change in foreign exchange rates. The U.S. $ is the functional currency of the Bank. The Bank's Board of Directors annually sets the acceptable currencies that can take a position in and the limits of the financial position for each currency. And such position is monitored on a daily basis to ensure maintaining the foreign currency position within the established limits, and hedging strategies are used to ensure maintaining the foreign currency position within the set limits.

The Jordanian Dinar (JOD) exchange rate is fixed 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 decrease in currency rates is expected to be equal and opposite to the effect of the increase stated below:

	2022		2021	
Currency	Increase in currency rate (%)	Effect on consolidated income statement U.S. $	Increase in currency rate (%)	Effect on consolidated income statement U.S. $
ILS	10+	(7,241,033)	10+	(231,925)
Euro	10+	1,876,396	10+	536,254
JOD	10+	(959,664)	10+	(358,198)
Other currencies	10+	(21,222)	10+	(369)

Following is the net foreign currencies position of the Bank:

	JOD	Euro	ILS	Others	Total
December 31, 2022	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Assets					
Cash and balances at Palestine Monetary Authority	21,206,964	698,699	112,362,711	-	134,268,374
Balances at banks and financial institutions	22,799,011	23,295,900	54,861,747	611,438	101,568,096
Direct credit facilities	21,839,082	4,320,698	199,240,383	-	225,400,163
Other assets	1,012,498	368	135,083	-	1,147,949
Total Assets	66,857,555	28,315,665	366,599,924	611,438	462,384,582
Liabilities					
Banks and financial institutions' deposits	15,667,542	3,410,204	1,524,754	-	20,602,500
Customers' deposits	56,308,550	5,681,671	272,186,356	822,822	334,999,399
Cash margins	3,263,056	429,369	18,229,070	-	21,921,495
Other liabilities	1,215,051	30,457	2,249,415	835	3,495,758
Total Liabilities	76,454,199	9,551,701	294,189,595	823,657	381,019,152
Net concentration inside the statement of financial position	(9,596,644)	18,763,964	72,410,329	(212,219)	81,365,430
Commitments and contingencies outside the statement of financial position	2,796,633	1,677,364	46,466,216	-	50,940,213

December 31, 2021	JOD	Euro	ILS	Others	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Total Assets	75,501,106	15,802,198	354,125,156	1,050,128	446,478,588
Total Liabilities	79,046,673	10,688,721	258,640,493	2,036,843	350,412,730
Net concentration inside the statement of financial position	(3,545,567)	5,113,477	95,484,663	(986,715)	96,065,858
Commitments and contingencies outside the statement of financial position	668,514	2,082,839	17,966,241	-	20,717,594

Third: 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 and liabilities with liquidity in mind, and monitors future cash flows and liquidity and maintains sufficient amount of cash and cash equivalents and liquid financial assets.

Liquidity management policy at the Bank aims to maximize sources of liquidity at the lowest possible cost. Liquidity management aims to maintain stable sources of funding that is considered reliable with an appropriate cost.

Liquidity is measured, controlled and managed on the basis of normal and emergency conditions. This includes the use of analysis of the maturities of the assets and liabilities and various financial ratios.

The table below summarizes the allocation of liabilities (undiscounted) on the basis of the remaining contractual liability as at the consolidated financial statements date:

December 31, 2022	less than a Month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	from 1 year to 3 years	More than 3 years	Without maturity	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Liabilities:								
Banks and financial institutions' deposits	21,014,550	-	-	-	-	-	-	21,014,550
Customers' deposits	101,418,495	40,858,236	24,051,502	167,608,776	-	-	244,136,479	578,073,488
Cash margins	10,618,659	2,352,002	1,290,849	9,399,703	2,114,558	2,970,237	4,188,395	32,934,403
Istidama loans from Palestine Monetary Authority	-	-	-	-	873,415	-	-	873,415
Lease liabilities	-	-	-	342,173	643,138	-	-	985,311
Tax provisions	-	-	-	-	-	-	2,553,775	2,553,775
Other liabilities	-	-	-	-	-	-	12,016,796	12,016,796
Total liabilities	133,051,704	43,210,238	25,342,351	177,350,652	3,631,111	2,970,237	262,895,445	648,451,738

December 31, 2021	less than a Month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	from 1 year to 3 years	More than 3 years	Without maturity	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Liabilities:								
Banks and financial institutions' deposits	-	60,916,518	-	-	-	-	-	60,916,518
Customers' deposits	169,150,886	37,466,422	20,574,531	147,008,546	-	-	145,540,477	519,740,862
Cash margins	11,809,464	8,454,979	2,931,594	8,002,887	2,538,975	200,276	200,265	34,138,440
Istidama loans from Palestine Monetary Authority	-	-	-	-	1,479,188	-	-	1,479,188
Subsidiary Loan		-	-	-	1,050,000	-	-	1,050,000
Lease liabilities	-	261,861	301,000	886,071	-	-	-	1,448,932
Tax provisions	-	-	-	-	-	-	1,467,568	1,467,568
Other liabilities	-	-	-	-	-	-	12,395,721	12,395,721
Total liabilities	180,960,350	107,099,780	23,807,125	155,897,504	5,068,163	200,276	159,604,031	632,637,229

Liquidity Coverage Ratio (LCR)

During 2019, PMA issued instructions No. (4/2019) in regard to 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 organized way.

The table below shows the calculation of the liquidity coverage ratio as at December 31, 2022:

Item	Value before discount rates / flows (average) U.S. $	Value after discount rates / flows (average) U.S. $
High quality liquid stock	181,075,323	181,075,323
Total cash outflows for high quality liquid assets	122,914,947	122,914,947
Retail deposits including small corporates:		
A- Stable deposits	130,273,237	6,513,662
B- Less stable deposits	491,952,943	49,385,999
Deposits and other unguaranteed facilities for companies without retail and small business customers:		
Operating deposits and Non-operating deposits	65,952,233	16,488,058
Non-cancelled credit lines and required liquidity within 30 days	106,295,298	5,314,765
Total high-quality liquid assets	181,075,323	181,075,323
Net cash outflows	122,914,947	122,914,947
Liquidity Coverage Ratio (%)		147%

The table below shows the calculation of the liquidity coverage ratio as at December 31, 2021:

Item	Value before discount rates / flows (average) U.S. $	Value after discount rates / flows (average) U.S. $
High quality liquid stock	234,380,545	224,618,614
Total cash outflows for high quality liquid assets	248,001,331	193,400,981
Retail deposits including small corporates:		
A- Stable deposits	94,886,278	4,744,314
B- Less stable deposits	310,229,829	31,022,983
Deposits and other unguaranteed facilities for companies without retail and small business customers:		
Operating deposits and Non-operating deposits	63,272,483	15,818,121
Non-cancelled credit lines and required liquidity within 30 days	87,356,819	4,367,841
Total high-quality liquid assets	234,380,545	224,618,614
Net cash outflows	248,001,331	193,400,981
Liquidity Coverage Ratio (%)		120%

Net Stable Funding Ratio (NSFR)

The PMA's instructions No. (5/2019) 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 balance sheet 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 mentioned ratio as at December 31, 2022 and 2021:

	2022	2021
	U.S. $	U.S. $
Item		
Regulatory capital	86,062,176	92,497,321
Retail deposits and small institutions (stable)	437,851,129	475,172,596
Retail deposits and small institutions (less stable)	97,973,904	91,175,881
Secured and unsecured financing (deposits)	45,804,530	46,680,710
Other funding and deposits	-	-
Other liabilities categories (which are not included in the categories above)	-	-
Gross stable funding available	667,691,739	705,526,508
Claims on central banks	-	1,004,717
Quoted financial instruments which represent liabilities on or guarantee from	-	-
Level 2 -type (A) unrestricted high quality liquid assets	615,151	760,772
Level 2 -type (B) unrestricted high quality liquid assets	500,000	500,763
Loans	184,850,728	171,307,621
Deposits with other financial institutions (authorized to accept deposits) for operational reasons	14,038,438	62,015,172
20% of derivatives on the liability side (which is the negative replacement cost amounts) before subtracting the value guarantee margin	-	7,617,782
Obligations related to trade finance operations (includes guarantees and letters of credit)	227,223	159,180
Cash, securities, and other assets provided as a margin for the initial value guarantee of derivative contracts and cash or other assets provided as a contribute to the default fund of a central counterparty	-	465,966
Financial assets issued or guaranteed by banks and financial institutions	-	-
Non-performing loans	21,057,844	17,875,815
Other total assets	10,547,871	12,841,383
Credit and liquidity financing not subject to cancellation and subject to conditional cancellation	4,891,355	4,367,841
Off balance sheet exposures not included in the previous categories	13,730,494	2,680,161
Other future and potential financing commitments:	-	-
Gross stable financing required	250,459,104	281,597,173
Net Stable Funding Ratio	267%	251%

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%.

	U.S. $
Total Exposure Scale	750,954,747
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	(11,632,170)
Amendments related to items outside the statement of financial position	(30,145,216)
Total Leverage Exposure Scale	709,117,361
First tranche of capital	89,494,075
Leverage Ratio	12.62%

42. Information on the Bank's business segments

A. Information on the Bank's activities

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

- **Retails banking**: Includes handling individual customers' deposits, and providing consumer type loans, overdrafts, credit cards facilities and other services.
- **Corporates and institutions**: Include handling deposits, loans, credit facilities and other financial services for corporate and institutional customers.
- **Treasury:** includes providing trading and treasury services and managing Bank's funds and investments.
- **Other segments:** this contains other items not mentioned above (such as other revenues and legal fees).

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

	Bank services for Retail	Bank services for Corporate	Treasury	Other	Total 2022	Total 2021
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Gross revenues	14,341,315	14,111,379	2,731,679	3,129,425	34,313,798	30,088,032
Net ECL provisions	(3,625)	(2,114,670)	55,102	-	(2,063,193)	(2,862,464)
Segment results	14,337,690	11,996,709	2,786,781	3,129,425	32,250,605	27,225,568
Unallocated expenses					(24,786,716)	(22,051,727)
Profit before taxes					7,463,889	5,173,841
Taxes expense					(2,376,770)	(1,408,159)
Profit for the year					5,087,119	3,765,682
<u>**Other information**</u>						
Capital expenditures					3,211,479	1,017,783
Depreciation and amortization					2,107,569	2,068,887
					2022	2021
Total segment assets	231,918,295	180,079,636	306,068,989	28,232,476	746,299,396	738,504,579
Total segment liabilities	316,693,899	288,204,114	21,450,477	16,584,881	642,933,371	635,877,375

B. Geographical distribution information

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

	Local		Foreign		Total	
	2022	2021	2022	2021	2022	2021
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Gross revenues	30,855,356	28,141,267	3,458,442	1,946,765	34,313,798	30,088,032
Capital expenditures	3,211,479	1,017,783	-	-	3,211,479	1,017,783
Total assets	596,706,622	552,414,679	149,592,774	186,089,900	746,299,396	738,504,579

43. Maturity analysis of assets and liabilities

The following table depicts the analysis of assets and liabilities according to their maturities as at December 31, 2022:

December 31, 2021	less than a month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	More than a year	Non-interest-bearing items	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Assets							
Cash and balances at Palestine Monetary Authority	-	-	-	-	-	174,611,438	174,611,438
Balances at banks and financial institutions	32,351,590	47,134,147	11,480,479	-	-	40,360,640	131,326,856
Financial assets at fair value through profit or loss	-	-	-	-	-	2,658,544	2,658,544
Direct credit facilities	41,175,506	4,339,639	9,694,181	35,235,831	291,922,995	-	382,368,152
Financial assets at fair value through other comprehensive income	-	-	-	-	-	47,101	47,101
Financial assets at amortized cost	-	-	-	-	16,954,008	-	16,954,008
Property, plant and equipment	-	-	-	-	-	24,954,320	24,954,320
Right-of-use assets	-	-	-	-	-	1,097,720	1,097,720
Intangible assets	-	-	-	-	-	1,672,086	1,672,086
Deferred tax assets	-	-	-	-	-	1,451,247	1,451,247
Other assets	188,719	-	-	-	-	8,969,205	9,157,924
Total Assets	73,715,815	51,473,786	21,174,660	35,235,831	308,877,003	255,822,301	746,299,396
Liabilities							
Istidama loans from Palestine Monetary Authority	-	-	-	-	847,976	-	847,976
Banks' and financial institutions' deposits	20,602,500	-	-	-	-	-	20,602,500
Customers' deposits	101,418,495	40,858,236	22,424,232	162,726,967	-	241,496,450	568,924,380
Cash margins	10,618,659	2,352,002	1,290,849	9,215,395	9,273,190	-	32,750,095
Sundry provisions	-	-	-	-	-	4,281,236	4,281,236
Tax provision	-	-	-	342,173	614,440	-	956,613
Lease liability	-	-	-	-	-	2,553,775	2,553,775
Other liabilities	-	-	-	-	-	12,016,796	12,016,796
Total Liabilities	132,639,654	43,210,238	23,715,081	172,284,535	10,735,606	260,348,257	642,933,371
Equity							
Paid-in share capital	-	-	-	-	-	78,000,000	78,000,000
Statutory reserve	-	-	-	-	-	10,590,517	10,590,517
General banking risks reserve	-	-	-	-	-	4,373,811	4,373,811
Pro-cyclicality reserve	-	-	-	-	-	2,311,126	2,311,126
Fair value reserve	-	-	-	-	-	(30,311)	(30,311)
Assets revaluation surplu	-	-	-	-	-	2,769,449	2,769,449
Retained earnings	-	-	-	-	-	5,351,433	5,351,433
Net Equity	-	-	-	-	-	103,366,025	103,366,025
Total liabilities and equity	132,639,654	43,210,238	23,715,081	172,284,535	10,735,606	363,714,282	746,299,396
Interest rate re-pricing sensitivity gap	(58,923,839)	8,263,548	(2,540,421)	(137,048,704)	298,141,397	(107,891,981)	-
Cumulative gap	(58,923,839)	(50,660,291)	(53,200,712)	(190,249,416)	107,891,981	-	-

The following table depicts the analysis of assets and liabilities according to their maturities as at December 31, 2021:

December 31, 2021	less than a month U.S. $	From 1 month to 3 months U.S. $	From 3 months to 6 months U.S. $	From 6 months to 1 year U.S. $	More than a year U.S. $	Non-interest-bearing items U.S. $	Total U.S. $
Assets							
Cash and balances at Palestine Monetary Authority	-	-	-	-	-	205,671,450	205,671,450
Balances at banks and financial institutions	-	82,099,551	-	-	-	73,928,058	156,027,609
Direct credit facilities	-	-	-	-	-	8,187,655	8,187,655
Financial assets at fair value through profit or loss	34,105,045	3,594,457	8,029,543	29,185,303	241,795,374	-	316,709,722
Financial assets at fair value through other comprehensive income	-	-	-	-	-	52,293	52,293
Financial assets at amortized cost	-	-	697,689	-	16,572,347	-	17,270,036
Property, plant and equipment	-	-	-	-	-	25,353,798	25,353,798
Right-of-use assets	-	-	-	-	-	1,344,517	1,344,517
Intangible assets	-	-	-	-	-	1,243,195	1,243,195
Deferred tax assets	-	-	-	-	-	1,338,026	1,338,026
Other assets	-	-	-	-	-	5,306,278	5,306,278
Total Assets	34,105,045	85,694,008	8,727,232	29,185,303	258,367,721	322,425,270	738,504,579
Liabilities							
Istidama loans from Palestine Monetary Authority	-	-	-	-	1,408,750	-	1,408,750
Banks' and financial institutions' deposits	60,714,507	-	-	-	-	-	60,714,507
Customers' deposits	169,102,238	37,455,647	20,556,789	146,755,231	-	145,540,477	519,410,382
Cash margins	11,808,827	8,453,612	2,930,646	8,002,456	2,739,103	221,015	34,155,659
Subsidiary loan	-	-	-	1,000,000	-	-	1,000,000
Sundry provisions	-	-	-	-	-	3,966,841	3,966,841
Lease liabilities	-	260,774	297,284	820,639	-	-	1,378,697
Tax provisions	-	-	-	-	-	1,467,568	1,467,568
Other liabilities	-	-	-	-	-	12,374,971	12,374,971
Total Liabilities	241,625,572	46,170,033	23,784,719	156,578,326	4,147,853	163,570,872	635,877,375
Equity							
Paid-in share capital	-	-	-	-	-	78,000,000	78,000,000
Statutory reserve	-	-	-	-	-	10,081,805	10,081,805
General banking risks reserve	-	-	-	-	-	3,492,926	3,492,926
Pro-cyclicality reserve	-	-	-	-	-	2,249,383	2,249,383
Fair value reserve						(25,119)	(25,119)
Assets revaluation surplu	-	-	-	-	-	3,212,555	3,212,555
Retained earnings	-	-	-	-	-	5,615,654	5,615,654
Net Equity	-	-	-	-	-	102,627,204	102,627,204
Total liabilities and equity	241,625,572	46,170,033	23,784,719	156,578,326	4,147,853	266,198,076	738,504,579
Interest rate re-pricing sensitivity gap	(207,520,527)	39,523,975	(15,057,487)	(127,393,023)	254,219,868	56,227,194	-
Cumulative gap	(207,520,527)	(167,996,552)	(183,054,039)	(310,447,062)	(56,227,194)	-	-

44. Capital management

The primary objective of the Bank's capital management is to ensure that it maintains adequate capital ratios in order to support its business and maximize shareholders value. The Bank manages its capital structure and makes adjustments to it in light of changes in business conditions. The Bank did not make any adjustments to the objectives, policies, and actions concerning capital management for current year.

The capital adequacy ratio is computed in accordance with the PMA's instructions No. (8/2018) derived from Basel III regulations. Following are the capital adequacy rates for the year:

	2022			2021		
	Amount	Percentage to assets	Percentage to risk – weighted assets	Amount	Percentage to assets	Percentage to risk – weighted assets
	U.S. $	%	%	U.S. $	%	%
Basic capital	89,494,075	11,99	19,28	88,930,757	12,04	22,49
Regulatory capital	95,114,138	12,74	20,49	93,749,975	12,69	23,71

The Bank manages the capital in a manner that ensures the continuity of its operations and achieves the highest possible return on shareholders' equity. The capital for the year 2022 is computed in accordance with PMA instructions No. (8/2018) based on Basel III guidelines, as shown in the following table:

	2022

	U.S. $
Net common shares (CET 1)	89,494,075
Tier 1 of capital	89,494,075
Tier 2 of capital, net	5,620,063
Capital base	95,114,138
Credit risks	406,926,581
Market risks	9,760,671
Operational risks	47,585,646
Total risk weighted assets	464,272,989
Percentage of common stocks (CET 1) to risk weighted assets	19,28%
Percentage of Tier 1 of capital to risk weighted assets	19,28%
Percentage of Tier 2 of capital to risk weighted assets, net	1,21%
Percentage of Tier 1 to assets	11,99%
Percentage of regulatory capital to assets	12,74%
Capital adequacy ratio	20,49%

45. Commitments and contingent liabilities

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

	2022	2021
	U.S. $	U.S. $
Letters of guarantees	19,062,325	18,379,272
Letters of credit	3,163,875	1,062,114
Acceptances	1,380,594	1,485,220
Unutilized credit facilities limits	19,116,826	19,035,121
Gross commitments and contingent liabilities	42,723,620	39,961,727
ECL provision	(13,116)	(16,086)
Net commitments and contingent liabilities	42,710,504	39,945,641

The summary of the movement on the gross carrying amount of commitments and contingent liabilities is as follows:

	Stage (1)	Stage (2)	Stage (3)	2022
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	29,893,436	9,961,611	106,680	39,961,727
Net change during the year	3,733,051	(883,729)	(87,429)	2,761,893
Transferred to stage (1)	4,981,868	4,962,617	(19,251)	-
Transferred to stage (2)	(58,143)	58,143	-	-
Balance end of the year	38,550,212	4,173,408	-	42,723,620

The movement of the provision for expected credit losses on commitments and contingent liabilities is as follows:

	Stage (1)	Stage (2)	Stage (3)	2022
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	11,631	4,455	-	16,086
Net change during the year	(3,572)	602	-	(2,970)
Transferred to stage (1)	2,442	(2,442)	-	-
Transferred to stage (2)	(46)	46	-	-
Balance end of the year	10,455	2,661	-	13,116

The Bank’s forward contracts for the sale and purchase of currencies to existing clients as at December 31, 2022 and December 31, 2021 amounted to U.S. $ 108,073,911 and U.S. $ 94,603,508, respectively, and they are not disclosed in the commitments and contingent liabilities due to the Bank's coverage of the risks of these contracts by concluding corresponding contracts with other banks, in addition to reserving cash margins at a rate of 10% to cover any deviations in prices or failure of the customer to abide by the contract.

46. Lawsuits against the Bank

The value of lawsuits filed against the Bank within normal activities amounted to U.S. $ 2,243,505 and U.S. $ 2,767,584 as of December 31, 2022, and December 31, 2021, respectively. The Bank's management and lawyer believe that no additional provision is required other than what was provided for these lawsuits.

During the year 2019, the Bank and as it was notified that a lawsuit filed against the Bank in the American courts by people demanding compensation based on allegations related to the years from 2000 to 2002, the Bank has taken all legal measures for the purpose of rejecting all the allegations against it, which it denies for many reasons, including that the American courts have no jurisdiction to hear the case in addition, the allegations lack of legal and factual basis. During the year 2020, the American court accepted the Bank's lawyer's request to dismiss the lawsuit because the court did not have jurisdiction to hear the case. Then, during the year 2020, the litigant appealed the decision issued to request the case's dismissal. The plaintiffs filed their reply brief on June 2021. The Court of Appeals heard oral argument on the appeal on February 2022, the appeal is is still pending the court. The Bank's management and lawyer believe that, the Bank will not have any obligations for this case.

47. Concentration of risk in geographical area

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

www.pibbank.com