بنك القدس
Quds Bank

ANNUAL REPORT 2022

Annual Report

2022

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About Quds Bank

Since its establishment in **1995** Quds Bank has grown to become one of the most exceptional and significant banking institutions in Palestine today. It provides the Palestinian market with an integrated package of banking and investment services, as well as commercial solutions designed to meet the unique needs of customers, individuals and companies, and is a significant contributor to the national Palestinian economy.

Quds Bank is registered as a public shareholding limited company with a capital of US$20 million, which increased to reach US100 million. The bank’s success and growth were achieved through an emphasis on professionalism that is reflected in the integrated banking services and products to individuals, companies, and SMEs as well as thorough a robust capital base and financial expertise.

It provides cutting-edge banking products, and financial services for its customers through a network of 39 branches and offices and 54 ATMs throughout Palestine.

Quds Bank is also the first Palestinian bank operating in the Jordanian banking market through its Amman-based representative office. It is a platform used to facilitate transactions between its customers in both the Palestinian and Jordanian markets.

Quds Bank works to meet the unique needs of all its customers, offering innovative online services through the Quds Smart and Quds Online applications that provide state-of-the art technologies that enable clients to complete their banking transactions safely and effectively from anywhere. The bank also recently launched the Al Quds Fawri service, which provides money transfer opportunities around-the-clock for its customers in Palestine and the customers of the Jordan Kuwait Bank in Jordan. The service upholds the highest standards of speed and safety, with all transactions handled through a secure Blockchain network that guarantees speed and immediate delivery.

Vision

To invest Palestinian capital to contribute to the development of the national economy and to provide valuable banking solutions to all sectors simultaneously improve the lives of people and their communities.

Mission

To become the leading bank to provide inclusive and advanced banking solutions through its services that meet the expectations of its customers and lead them to success.

Values

To ensure the highest levels of professional compliance, transparency, fair banking standards and good governance.

Our Journey

1995 Established with a capital of US$20million

2000 Eight branches and offices

2006 Capital increased to US$50 million

2009 Number of branches and offices reaches 14 and number of employees reaches 253

2010 Acquired the Palestinian International Bank

2011 Number of branches and offices reaches 22 and number of employees reaches 452

2016 Capital increased to million 61$US

2018 Acquired the Jordan Kuwait Bank in Palestine

2019 Capital increased to US$90 million and a representative office is opened in the capital city of Amman, Jordan

2020 Number of branches and offices reaches 39 and number of ATMs reaches 54

2022 Capital increased to US$100 million

Most Important Achievements in 2022

Highest net profit in the bank's history

20,90 Million Dollars

Lead ranking in profit indicators among Palestinian banks

13.93%
is percentage of the return on equity

20.68 %
is percentage of the return on share

1.35%
is percentage of the return on assets

AWARDS & RECOGNITIONS

Awards and Recognition

Banker Middle East
AWARD WINNER
2015 BEST BANK In Palestine

BEST SPECIALIZED SAVINGS
BANK PALESTINE | 2016

MOST ACTIVE ISSUING
BANK 2020 | 2021

EBRD TFP AWARD
MOST ACTIVE ISSUING BANK 2020

EBRD TFP AWARD
MOST ACTIVE ISSUING BANK 2021

Chairman's Message

Ladies and Gentlemen,

Welcome to our annual meeting, during which the Board of Directors, the executive management team and shareholders outline and discuss the bank's most important achievements and its strategic direction. On behalf of the Board of Directors, I am also pleased to present to you with Quds Bank's 28th annual report, which includes the bank's future outlook, financial performance, its strategies, and the successes it achieved in 2022.

En Par Banking System

This was an exceptional year, with challenges that led to a slowdown in growth rates in the Palestinian economy. Recovery last year was limited due to several factors, including the continuation of the clearance crisis throughout the year and fluctuations in currency rates, as well as the repercussions of the Ukrainian-Russian crisis. The Palestinian banking system, however, remained consistent and was distinguished by a high level of flexibility the face of challenges. It has therefore, achieved distinguished growth in 2022, at a level that has not been seen for a while, recording positive results in a range of fields and sectors, and the financial sector in particular.

Exceptional Growth in Profits

In 2022, Quds Bank achieved outstanding growth in profits as a result of the diversification of its business and its focus on the effective use of its investments within its operational sectors. Total income amounted to $85.16 million, which is at a 16.89% rate change from 2021. The bank continued to put aside safe allocations for the facilities portfolio, reaching more than $61 million, in addition to what was saved during previous years, confirming the effectiveness of its asset and liability management strategy. The volume of the bank's assets reached $1,452 billion, and total liabilities reached $1,294 billion. Property rights registered at $157 million in 2022, compared to $137 million in 2021, an increase of 14.41%. The paid-up capital increased from $96,433 million in

2021 to $100 million this year, an increase of 3.7%. The data also indicates that the net facilities provided by Quds Bank to its customers amounted to $932.22 million, while the total customer deposits came in at $1.166 billion in 2022. As a result of the continuous adoption of a reserved and calculated approach, the bank achieved profits after tax in the amount of $20.90 million, an increase of 45% over last year.

The achievements were not limited to financial performance only, but also included another notable aspect, its dedication to serving existing and new customers. The bank was also able to continue developing its activities and business model in accordance with its strategic plan, which is based on pillars that include innovation and growth in programs and services that satisfy the unique needs of its customers.

Quds Bank continued to harness financial technology, with multiple contributions in the areas of digitization and modern technology in line with its strategy to further digital transformation at all internal and external levels.

Our Social Responsibility

Corporate social responsibility is one of the basic pillars of Quds Bank, and its contribution goes beyond excellence in customer service. The bank and all its team members are eager to contribute to the well-being and quality of life of the communities within which it operates and champion the principle of sustainability. Therefore, the bank remains steadfast in its commitment to continue participating in the highest levels of corporate social responsibility and launching new programs in this field. During 2022, the bank took part in 60 community activities distributed across a number of sectors and governorates.

Our Employees … Our Priority

In 2022, we did not lose sight of the importance of having qualified and knowledgeable employees capable of translating our plans and applying them with high levels of professionalism. The bank worked hard to provide its employees with a comfortable and stable work environment that propels them to achieve and innovate, with a number of upscaling opportunities, as well as training and skill development programs that keep them up to date on the latest and most innovative developments in the world of banking.

The bank's achievements in 2022 confirm the distinguished and high strategic efficiency it realized in enriching customer experiences, as well as its efforts in raising standards of service delivery and meeting banking needs in line with the objectives of its strategic vision.

Acknowledgement

In conclusion, on behalf of the Board of Directors, I would like to thank the Palestinian Monetary Authority for its continuous efforts to support the banking sector in Palestine, enabling it to face challenges under difficult circumstances. I also offer our gratitude to the executive management team and all the employees who have worked tirelessly to achieve the bank's objectives throughout the year. I also take this opportunity to thank my fellow board members for their continuous support in the advancement of the bank and its continued prosperity. Thank you also to our shareholders and customers for their firm trust in us, which remains the main incentive for us to continue our efforts to maintain and enhance this faith. Quds Bank looks forward to further advancements that serve Palestine and enhance the path of progress and prosperity for our national economy.

Board of Directors

Ahed F. Bseiso
Member of the Board

Ibrahim Abu Dayyeh
Member of the Board

Dr. Hamed Abdel Ghani Jaber
Member of the Board

Dr. Majed A. Abu Ramadan
Member of the Board

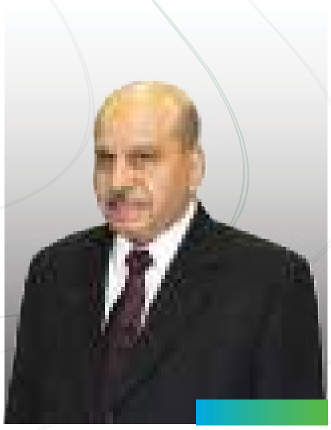
Ruba M. Masruji
Member of the Board

Duried Akram Jerab
Vice-Chairman of the Board

Akram Abdullatif Jerab
Chairman of the Board of Directors

Muntasser I. Abu Dawwas
Member of the Board

Haitham S. Al-Battikhi
Member of the Board



Saleh J. Ihmaid
Member of the Board

Adnan M. Abu Al Humos
Member of the Board

Waleed N. Al Ahmad
Member of the Board

Akram Abdullatif Jerab

Chairman of the Board

Master' s Degree in Business Administration, Durham University, Britain
Bachelor' s Degree in Pharmacy, University of Baghdad

- Chairman of the Board of Directors of the Arab Company for Science and Culture, Qasyun University, Syria
- Chairman of the Board of Directors, Dar Al-Dawa, Jordan
- Member of the Board of Trustees, Jerusalem Open University, Palestine
- Member of the Board of Trustees, Yasser Arafat Foundation
- Major shareholder and member of the Board of Directors, Al-Jazeera Bank, Sudan
- Chairman of the Board of Directors and owner, Cometa Scientific, Britain
- Founder and chairman of the Board of Directors, Al-Karmel Company, Jordan

Duried Akram Jerab

Board Vice Chairman

Master’s Degree in Business Administration, Durham University, Britain
Bachelor’s Degree in Business Administration, Kent University, Britain
Certificate of the Global Banking Program, Colombia University, New York, 2022

- Managing director of the medical section, Al-Karmel Company Group, Jordan
- Member of the Board of Directors of Jordan Investment Bank
- 22 years of experience in trade and marketing of medical supplies and pharmaceuticals
- Numerous investments in the Arab world
- Member of the Board of Directors, Dar Al-Dawa Investment Company, Jordan (2007-2015)
- Member of the Board of Directors, Nutridar, Jordan (2011-2014)
- Member of Entrepreneurs Organization (EO)

Board Member

Ruba Masruji

Master' s Degree in Business Administration

- Board member of Masrouji Group.
- Chairman of Dunya Women' s Cancer Center.
- Chairman of member of Tibaq Publishing House.
- Board member of the Popular Art Center.
- Held several posts, including at the Arab Industrial Trade Chamber, Jerusalem.
- Board member and CEO, United Securities Company.
- Member of a number of leading Palestinian associations.

Board Member

Dr. Majed Abu Ramadan

Senior Consultant in Ophthalmology

- Fellow of the Royal College of Surgeons, Edinburgh.
- Mayor of Gaza city and chairman of the Association of Palestinian Local Authorities.
- Chairman of the Board of Directors, Coastal Municipality Water Utility.
- Chairman of the Board of Directors, Gaza Eye Surgery Company.
- Member of the Board of Trustees, St. John of Jerusalem Eye Hospital, Britain.
- Member of the Board of Trustees, Al-Azhar University.
- Professor of ophthalmology and neurophysiology, Al-Azhar University.
- Former general manager, International Cooperation Administration and the Hospitals Administration, Ministry of Health.

Board Member

Ahed Bseiso

Bachelor' s Degree in Architecture, Cairo University

- Manager and owner of Home Company for Engineering Consultations.
- Chairman of the Board of Directors of the Engineering Concrete Products Company.
- Chairman of the Board of Directors of the House Import Company.
- Board member of Massader Company.
- Member of the Board of Trustees, Quds Open University.
- Member of the Board of Directors of Bayt Riyada.
- AMIDEAST Advisory Board Member.
- Representative, Spanish Olive Palm Organization, Palestine.
- Member of the General Assembly, Palestine Investment Fund.

Board Member

Ibrahim Abu Dayyeh

Bachelor' s Degree in Law
Representative of Al-Shuruq Financial and Real Estate Investments Company

- Chairman of the Board of Directors, Al-Shuruq Financial and Real Estate Investments Company.
- Chairman of the Board of Managers, Al-Sahm International Company for Financial Brokerage and Investments, Jordan.
- 31 years of experience in the banking sector.
- General manager and board member, Palestine Investment Bank (2000 -2011).
- Deputy general manager, Arab Jordan Investment Bank (1990-2000).
- Executive vice president, BNP Paribas, Qatar (1977 -1990).
- Board member of Jordan Petroleum Refinery Company (2019-to date).

Board Member

Dr. Hamed Jaber

Ph.D. in Electrical Engineering

- Chairman of the Board of Directors, Concord Construction Group, Jordan.
- CEO of INFRAROAD Company, Qatar.
- Former board member, Al Jazeera Bank, Sudan.
- Board member, Integrated Building Information Bank.
- Former president, Islamic States Contractors Union.
- Former chairman, Arab Assurers Insurance Company.
- Former board member, Jordanian Contractors Union.
- Founder and faculty member, College of Engineering, University of Jordan (1975-1979).
- Board member, Aqaba University.
- Former member of the Board of Trustees, Aqaba University of Technology.
- Former member of the Board of Consultants, Fossil Consulting Firm, Madrid.

Board Member

Waleed Al Ahmad

Bachelor' s Degree in Electrical Engineering

- Prominent businessman with in-depth experience in the construction field.
- Vice chairman of Board of Directors of Quds Real Estate Company, Palestine.
- Board member, Arab Hotels Company, Palestine.
- Board member, Quds Fund and Endowment.

Muntasser Izzat Abu Dawwas

Bachelor' s Degree in Accounting and Financial Management, Buckingham University

- General manager, InvestBank-Jordan.
- 2022 - Member of the Board of Directors of Jordan Payments and Clearing Company (JOPAC).
- 2019 - Member of the Board of the Institute of Banking Studies.
- 2018 - Member of the Board of the Jordanian Association of Banks.
- 2012 - Member of the Board of Directors, Quds Bank.
- 2011 - Member of the Board of the Islamic International Arab Bank.
- 2011 - Member of the Board of Visa Jordan Card Services Ltd. Co.
- 2011 - Member of the Board of the Arab Bank, Syria.
- 2011 - Member of the Board of El Nasr Arabi Company for Insurance.

Adnan Abu Al Humos

Master' s Degree in Accounting, Golden Gate University, USA

Representative of the Palestinian Pension Agency (PPA)

- Bachelor' s Degree in Accounting, Birzeit University.
- Faculty member at Business and Economics College Birzeit University- Department of Accounting.
- Palestinian Pension Agency' s Advisor for Investment Affairs.
- 31 years of in-depth experience in the financial and investment sector as well as local, regional and international financial markets.
- Financial and investment consultant – CEO of PADICO HOLDING.
- Advisor and member of the Board of Directors of several international companies and organizations.

Board Member

Haitham Al-Battikhi

Royal Military Academy Sandhurst (RMAS), UK, 1996
Bachelor' s Degree in Political Science and International Relations (Honors), Kent University, Canterbury, UK, 2000
Representative of the Jordan Kuwait Bank

- CEO, Jordan Kuwait Bank
- Chairman of the Board of Directors, Ejara Leasing Company (a company completely owned by the bank).
- Chairman of the Board of Directors, United Financial Investments Company.
- Member of the Board of Directors, Quds Bank, Palestine (representative of the Jordan Kuwait Bank), 2018.
- Member of the Board of Directors, Jordan Capital and Investment Fund (representative of Jordan Kuwait Bank), 2021.
- Member of the Board of Trustees, Jordan Museum, from 2017.
- Board member, Queen Rania Foundation, from 2018.
- Board member of Jordan Institute of Directors (JIoD).
- Board member of Al-Diaa Charitable Society for Education of Visually Impaired Children.

Board Member

Saleh Ihmaid

Bachelor' s Degree in Accounting

- Owner of a tea exporting company in Sri Lanka.
- Partner in Al Kamal Shipping and Clearing Co. Ltd, Kuwait, Jordan, and Palestine.
- Board member, Arab Union for Exporters and Logistics.
- Member of the Board of Trustees, Qasyoun University, Syria.
- Board member, Al Takafol Insurance Company.

Chief Executive Officer's Message

Ladies and Gentlemen

I am pleased to present you with Quds Bank's annual report, which outlines its most important achievements for 2022, despite the fact that the Palestinian economy continued to be affected by the repercussions of clearing, the interest rate hikes on the three currencies in circulation as well as the Russian-Ukrainian war, which affects all aspects of life on a global scale. In 2022, the bank achieved strong results, which placed us as the leaders in indicator profitability among Palestinian banks.

Leading the Accomplishment

Quds Bank achieved exceptional financial performance in 2022 by attaining the highest net profit in its history, registering $20.90 million, with a change rate of 45.5% compared with 2021. In continuation of the bank's policy of diversifying sources of income, growth of investments, conservative and a prudential policy in controlling operating expenses, we achieved an increase in total income by 16.89% compared with 2021. The bank's revenues flourished in 2022, with return on assets reaching 1.35% compared to 0.95%, while return on net equity reached 13.93% compared with 11.01%. Furthermore, the paid-up capital amounted to 20.68% compared with 14.06% in 2021, which confirms the solidity and strength of Quds Bank's financial position as well as its ability to respond to changes and challenges while maintaining its position in the Palestinian banking sector.

Advancing Digital Transformation

Quds Bank took decisive steps during 2022 that strengthened its position in the Palestinian banking market and allowed it to continue its growth and development. Within the bank, all internal operations were automated through the two projects, Appian and Middleware. Externally, the bank carried out its digital transformation project, one of the largest ever initiated by the bank, in line with its strategy based on the fact that digital transformation is continuously developing. In 2022, the bank applied its IVR project, as well as the contactless withdrawal service and the cardless withdrawal service on ATMs, in addition to preparing designs and tracks for the new banking application (KONY), which will be launched soon.

Quds Bank is aware of the importance of protecting itself and its customers from risks that may result from our efforts to ensure that our banking business keeps up with global developments and has placed information and cyber security at the forefront of its priorities. This was done not only by attracting the best personnel, using the cutting-edge international systems and following international best practices, but also by establishing a special department to put the strategy into effect.

We Excelled at our Work

During 2022, Quds Bank was honored by Bank of New York Mellon (BNY). Quds Bank was also the most active in processing transfers using the Straight-through Processing (STP) technology. Quds Bank was also recognized as the most active bank in Palestine in international trade operations according to the standards of the European Bank for Reconstruction and Development.

The Foundation of our Progress and Excellence

As part of our strategy to maintain our trajectory of progress and excellence, the bank prioritized its team members, offering them the chance to catch up on the latest developments in the field of banking, which futhers their capabilities and improves their performance. We continued to implement a variety of training programs in 2022, numbering 123, which saw the participation of 1801 employees. In total, 664 employees took part in at least one training activity, which constitutes 90% of the bank's employees.

Committed to Sustainability

Quds Bank's philosophy in the field of corporate social responsibility (CSR) is based on its total commitment to the communities within which it operates. The bank's CSR strategy is characterized by the achievement of sustainable development and having a positive and clear impact on the targeted groups and segments of society.

A large number of the Quds Bank's initiatives focused on relief, youth, health, women and persons with disabilities. In 2022, the bank implemented the Furijat initiative, a competition for productive small projects for those below the poverty line, which aimed to transform participating families from a state of need to a state of production and self-sufficiency. The Najah initiative honored a number of community women from different governorates as a way of helping them continue to to develop their work, while the Rufaqa' initiative was launched as a means to support children who have lost family care. Furthermore, the bank partnered with a number of local institutions across various sectors on projects throughout the year. In recognition of the bank's tangible efforts, the International Union of Arab Bankers named Quds Bank the best bank in the field of corporate social responsibility in Palestine for 2022.

Distinguished Shareholders

As we enter 2023, we are in a stronger position than ever, and we will continue to improve our financial position and our strong performance. I am confident in our ability to build on our solid foundations to achieve the best value for the shareholders.

I would like to conclude by thanking the chairman and members of the Board of Directors for their continuous support, the bank's employees for their tireless efforts in achieving the bank's objectives and all our customers. I would also like to thank all the official institutions we work with, especially the Palestinian Monetary Authority for its sound guidance and concern for the safety of the Palestinian banking system.

We all look forward to another year full of successes and accomplishments, which will allow Quds Bank to remain the most prominent banking destination for all with the help of our joint efforts and the excellence of our services and commitment.

Executive Management

Outstanding Performance and Excellence

Salah Hidmi
Chief Executive Officer

- Bachelor’s Degree in Financial and Banking Sciences, Amman National University.
- Joined Quds Bank on September 2016 ,7

Zaid Al-Jallad
Deputy Chief Executive Officer

• Bachelor’s Degree in Financial and Banking Sciences, Amman National University
• Joined Quds Bank on July 15, 2012
• Resigned from Quds Bank on December 31, 2022

Zaid Jerab CFA, FRM

Head of Strategic Planning and Digital Transformation Division

• Bachelor's Degree in Commerce, majoring in Finance Sciences and Economics, McGill University, Montreal, Canada
• Joined Quds Bank on October 11, 2015

Muhammad Salman

Head of Financial Affairs Division

• Master's Degree in Accounting, University of Jordan
• Joined Quds Bank on September 8, 2013

Muhammad Shawar

Head of Business Banking and Financial Institutions Division

• Master's Degree in Business Administration, Birzeit University
• Joined Quds Bank on February 1, 2017

Alaa Titi

Head of Information Technology Division

- Bachelor's Degree in Computer Systems Engineering, Quds University
- Joined Quds Bank on March 14, 2010

Albeir Habash, CFA

Head of Credit Division

- Bachelor's Degree in Business Administration, Birzeit University
- Joined Quds Bank on August 2, 2009

Fadi Al-Kiswani

Head of Internal Audit Division

- Bachelor's Degree in Business Management, Mutah University
- Joined Quds Bank on March 2, 2014

Sameh Abdullah Mohammed

Head of Consumer Banking Division

- Master's Degree in Sustainable Development (Institutions Setup and Sustainable Development), Quds University
- Joined Quds Bank on January 19, 2020

Mahmoud Odeh

Head of Central Operations Division

- Bachelor's Degree in Business Administration, Bethlehem University
- Joined Quds Bank on November 4, 2018.

Nagham Assaf

Head of Human Capital Division

- Master's Degree in Sustainable Development (Institutions Set up and Sustainable Development), Quds University
- Joined Quds Bank on May 5, 2019

Key Performance Indicators

Through its comprehensive strategic development plans, Quds Bank achieved promising results during 2022, cementing the bank’ s banking position as one of the largest, most important and most innovative banks in Palestine.

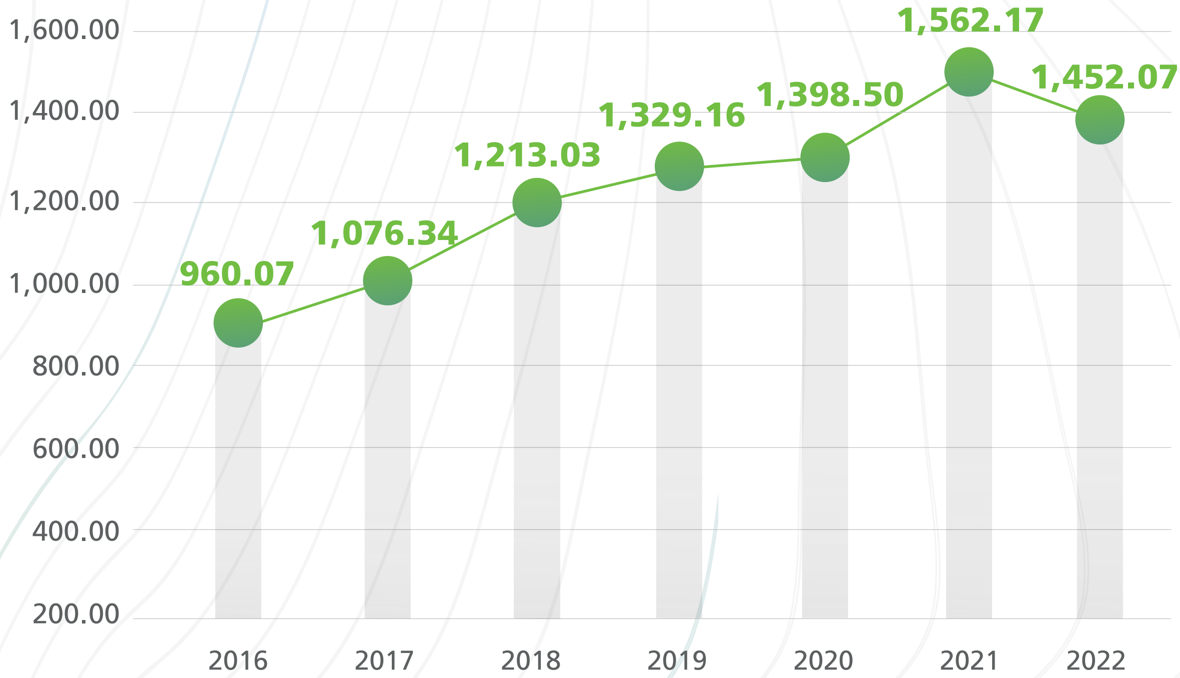

700
600
500
400
300
200
100
0
340
280
120
50
70
120
320
400
460
50
jan.
feb.
mar.
apr.
may
june
july
aug.
sept.
nov.
dec.
Detailed information of changing business activity of subdivisions of main company
Subdivision 1
Subdivision 2
Subdivision 3
Best subdivision value
Product placement in different regions
Main company
Others
Competitors
Subdivisions

Most Important KPIs

Item	2016	2017	2018	2019	2020	2021	2022	Percentage of Growth from Last Year	Compound Annual Growth Rate (CAGR)
Total assets	960.07	1,076.34	1,213.03	1,329.16	1,398.50	1,562.17	1,452.07	-7.5%	17.1%
Net credit facilities	616.14	658.52	697.80	794.15	846.97	953.11	931.52	-2.27%	17.98%
Financial investments	23.64	12.57	25.64	28.52	49.05	78.35	74.77	-4.57%	38.09%
Total customer deposits	778.25	855.73	959.42	1,031.17	1,102.73	1,193.72	1,166.21	-2.30%	18.58%
Net equity	89.07	102.73	111.44	114.00	119.45	136.18	155.34	14.07%	15.12%
Paid-in capital	61.05	68.38	83.57	90.17	93.17	96.43	100.00	3.70%	10.41%
Net interest income and commissions	37.77	42.31	48.75	53.22	51.40	57.76	66.80	15.65%	17.40%
Gross income	41.02	53.68	59.67	66.19	65.04	72.86	85.05	16.56%	18.94%
General and administrative expenses	27.48	38.6	44.52	55.62	51.18	52.32	60.57	15.53%	16.54%
Net profit after tax	10.47	11.18	11.60	7.70	10.90	14.36	20.90	45.50%	30.34%
Net profit after tax (returns to bank shareholders)	10.47	11.18	11.60	7.70	10.90	14.07	20.31	44.35%	29.81%

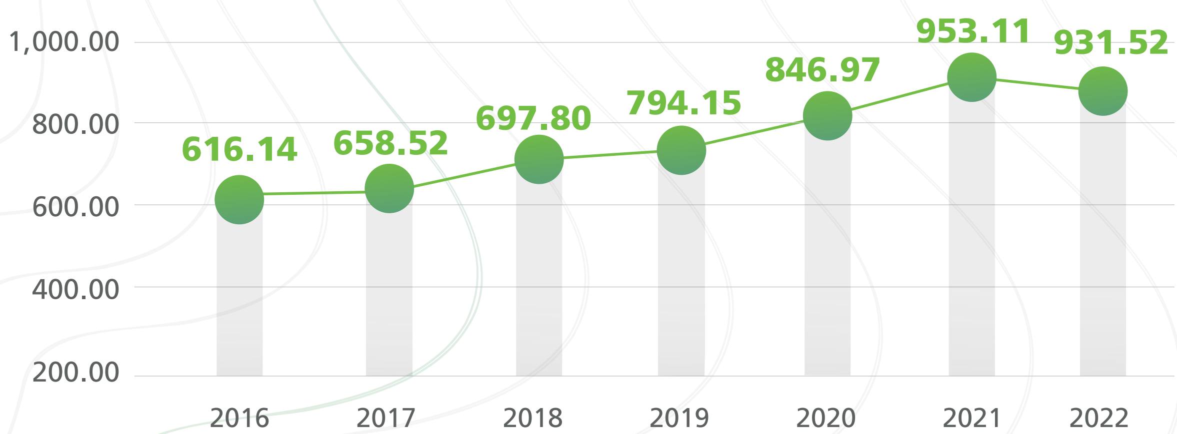
Total Assets

Million Dollars



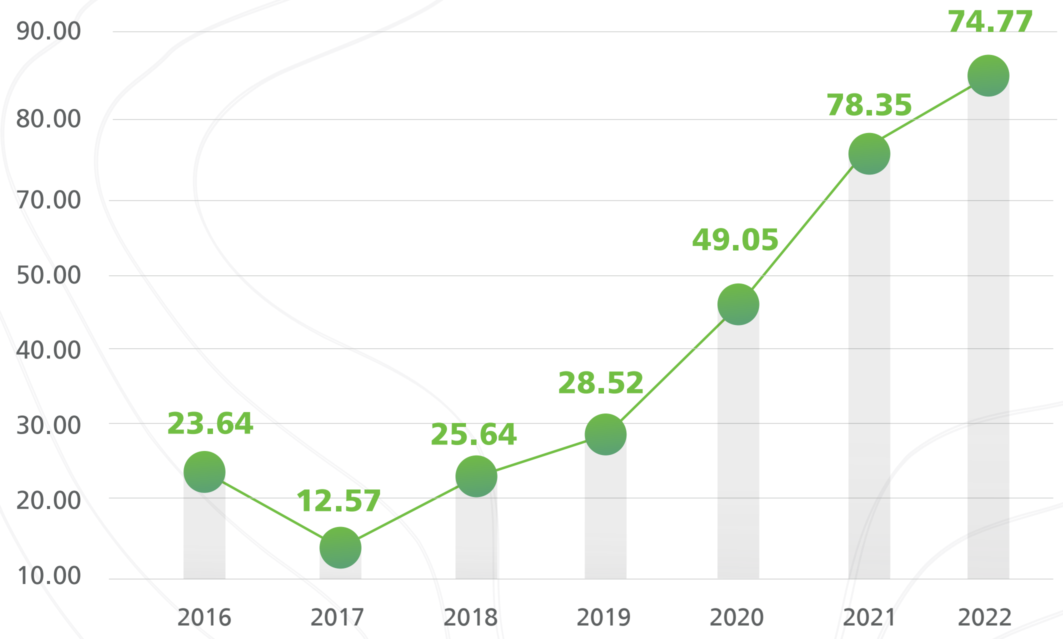
Net Credit Facilities

Million Dollars



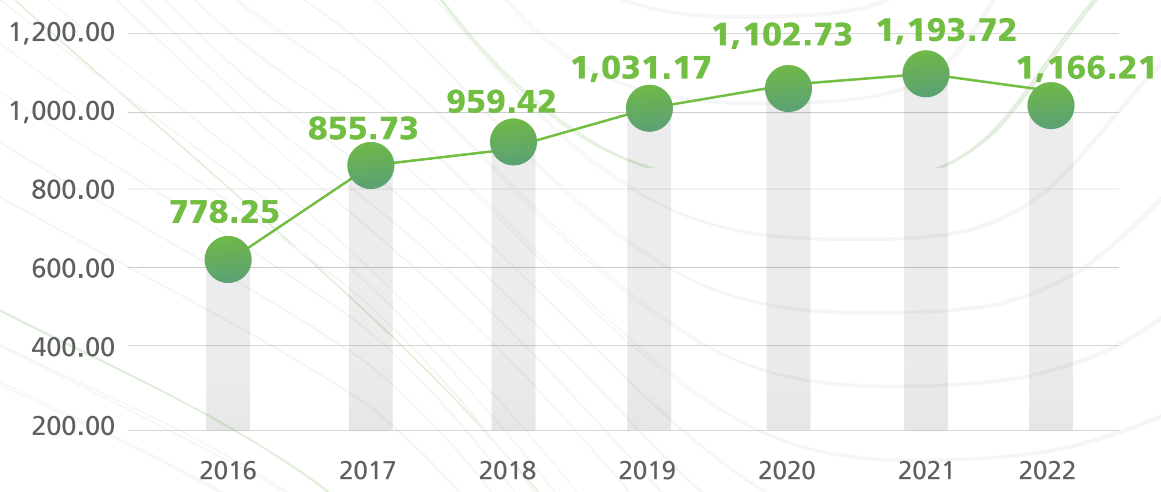
Financial Investments

Million Dollars



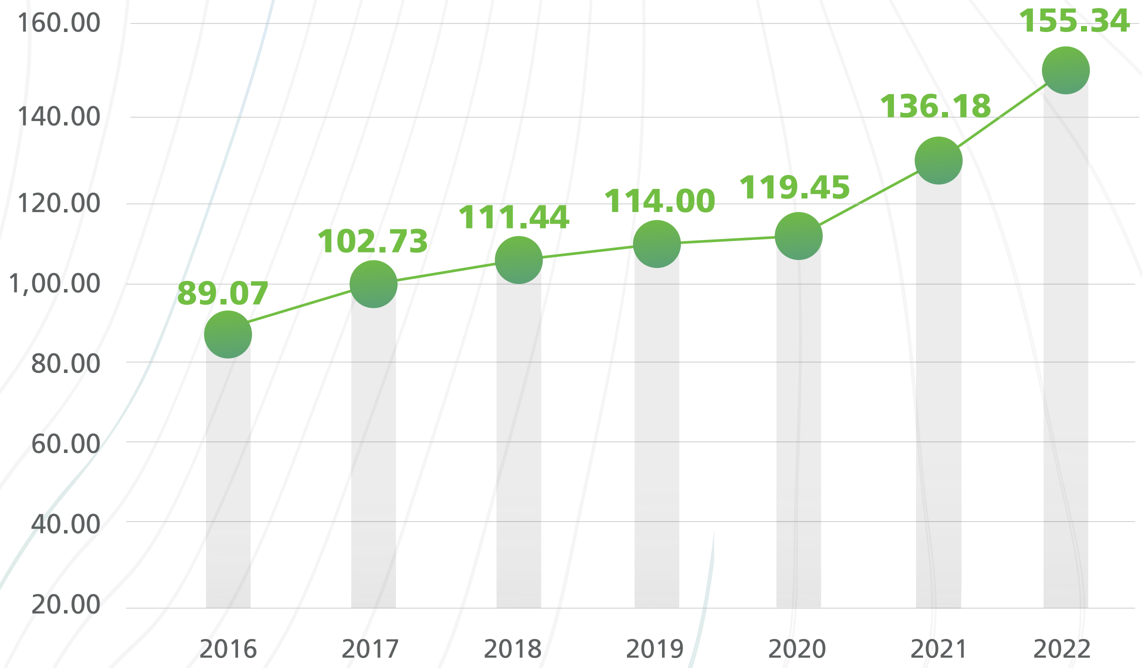
Customer Deposits

Million Dollars



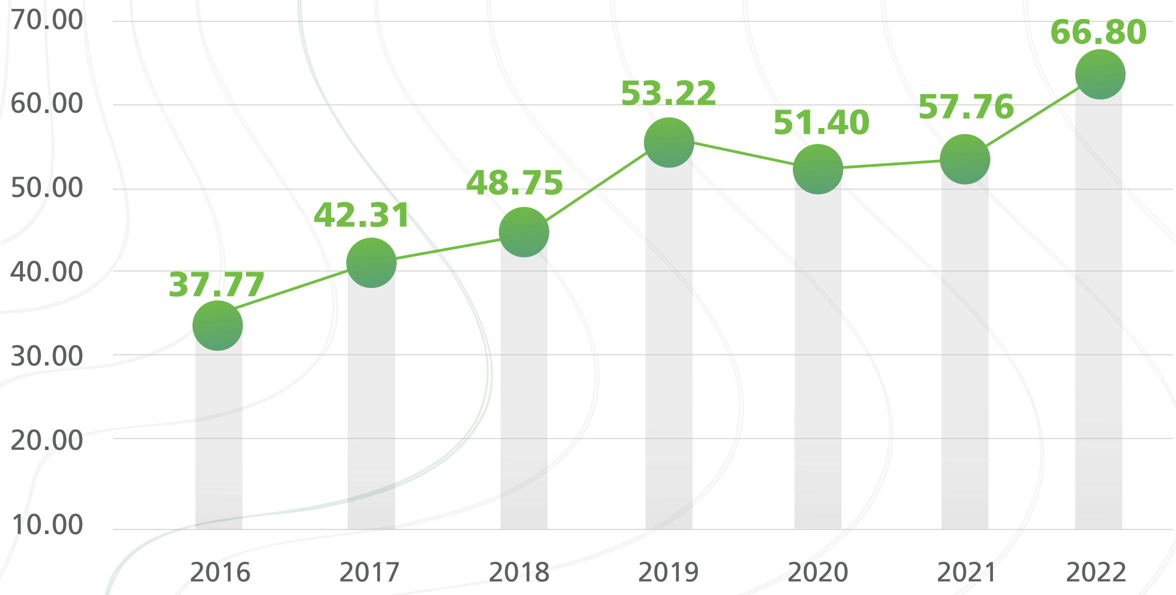
Net Equity

Million Dollars



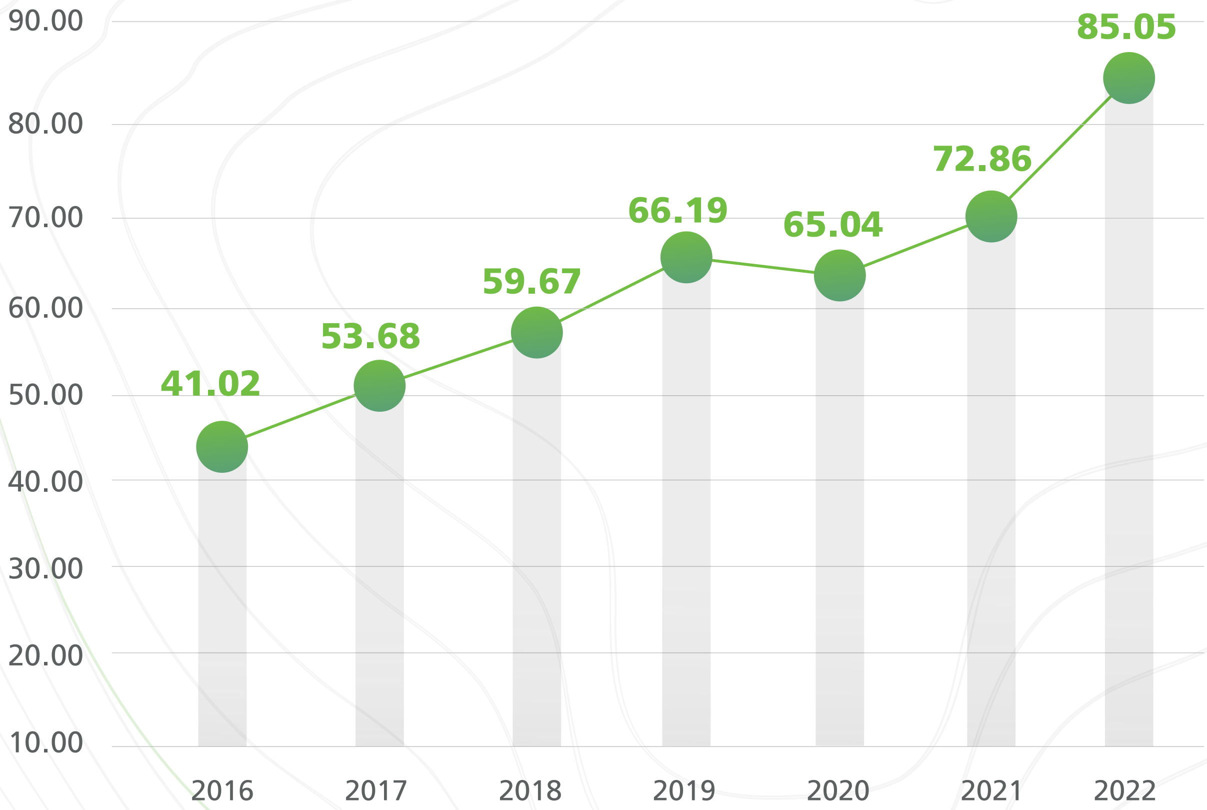
Net Interest and Commissions

Million Dollars



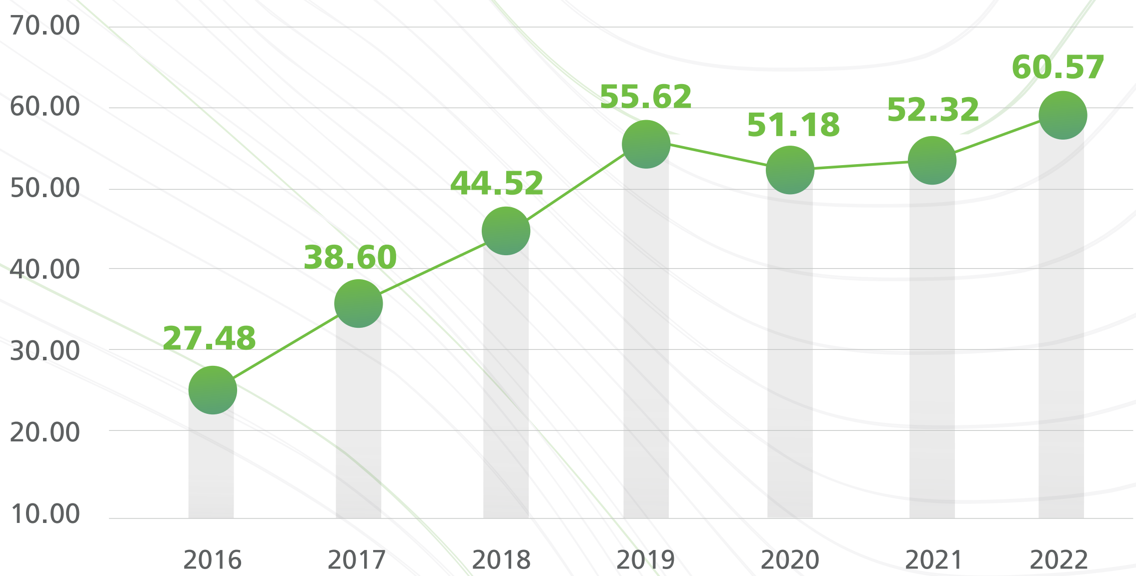
Gross Income

Million Dollars



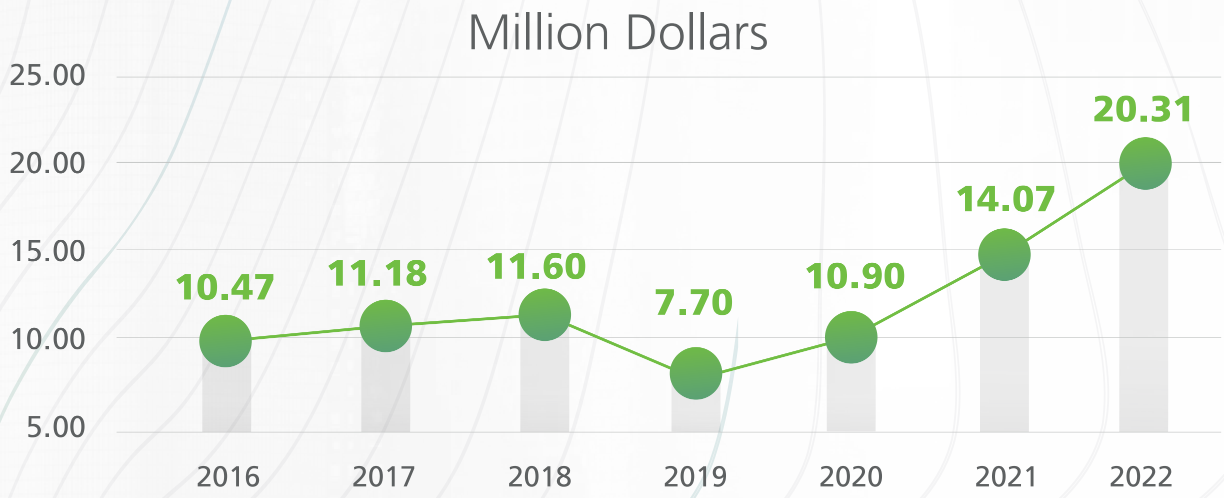
General and Administrative Expenses

Million Dollars



Net Profit after Taxes

(Returning to Bank shareholders)



Strategy of Expansion

2022

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Quds Bank continued to focus on digital banking, with the aim of conducting all transactions at its branches and offices through electronic channels in order to serve customers regardless of their location, without the need to go to a branch, ultimately improving the customer experience and increasing loyalty and retention.

Within its strategic plan, the bank also seeks to expand abroad into neighboring countries. This will increase the trade exchange, reduce the costs of completing commercial operations and provide services in an expedited manner, increasing Quds Bank's competitive advantage.

The number of licensed banks in Palestine reached **13** at the end of **2022**, of which seven are local banks (three of which are Islamic banks) and six foreign banks, operating through a network of bank branches and offices, numbering **379**.

The number of branches and offices of the bank reached **37** branches and offices all over the West Bank and the Gaza Strip, in addition to the representative office in Jordan and the cash office of Al-Najah University. In addition, the bank has **54** ATMs strategically spread across all governorates of the country.

General Administration	Ramallah and Al-Bireh – Al-Masyoun neighborhood Al-Quds Street, Al-Masyoun
Ramallah branch	Ramallah and Al-Bireh, Downtown, Main Street, Rakab/Haj Yasin Building
Al-Bireh Downtown branch	Ramallah and Al-Bireh, Al-Bireh, Al-Ma'aref Street, Burj Al-Bireh Building
Gaza branch	Gaza – Sabra neighborhood Omar al-Mukhtar Street
Nablus branch	Nablus – downtown, Marketplace
Al-Eizariya branch	Jerusalem – Al-Eizariya – Ras al-Kabsa district Downtown, Qabsa junction
Beit Jala branch	Bethlehem – Beit Jala, As-Sahl Street
Salfit branch	Salfit Al-Madinah Al-Munawarah Street
Tubas branch	Tubas, main road near Shifa Hospital
Attil branch	Tulkarm – Attil – Northern neighborhood main road near the entrance to Sha'rawiya
Hebron branch	Hebron, main road, Ibn Rushd Square
Al-Masyoun branch	Ramallah and Al-Bireh, Al-Masyoun neighborhood, Al-Quds Street, Al-Masyoun
Nablus New Office	Nablus, Rafidia, Sudah Building
Al-Bireh branch	Ramallah and Al-Bireh, Al-Bireh, Al-Tahuna Street
Rimal branch	Gaza, Al-Rimal Omar al-Muktar Road
Tulkarm branch	Tulkarm, downtown, Al-Asir Road
Jericho branch	Jericho, Ein Al Sultan Al-Muntazahat Street
Jenin branch	Jenin, downtown, Abu Bakr Street
Jenin Haifa Street branch	Jenin, Haifa Street, Haifa Building
Qalqilia branch	Qalqilia, downtown, Shaima Roundabout
Khan Yunis branch	Khan Yunis, Al-Saqqa Street, Al-Farra Building
Nusseirat branch	Deir el-Balah, Nusseirat, Salaheddin Road
Ras al-Jora branch	Hebron, Ras al-Jora, Nazmi Salah Building
Bethlehem branch	Bethlehem, Al-Mahd Al-Jadida Street
Jabalia branch	Gaza – Jabalia Jabalia Camp, opposite to the UN
Rafah branch	Rafah Najma Roundabout
Beit Lahia branch	Gaza, Beit Lahia, Main Road, Beit Lahia Square
Anabta office	Tulkarm, Anabta Main Road, Bardan Building
An-Najah University office	Nablus An-Najah National University campus
Bidya branch	Salfit, Bidya Main Road
Silat ad-Dhahr office	Jenin, Silat ad-Dhahr, Main Road
Al-Quds Street office	Ramallah and Al-Bireh, Al-Bireh Al-Quds Street, Raj'in roundabout
Qabalan office	Nablus, Qabalan Main Road
Jamma'in office	Salfit, Jamma'in Main Road
Al-Zaytoun office	Gaza, Al-Zaytoun neighborhood, Salaheddin Road
Tarqumiyah office	Hebron, Tarqumiyah Main Road
Ad-Dhahiriya office	Hebron, Ad-Dhahiriya Al-Mashrou' neighborhood, near Chamber of Commerce
Al-Rihan office	Al-Rihan Suburb, Lakasa Mall
Plaza Mall office	Ramallah and Al-Bireh, Al-Balou neighborhood, Plaza Mall
Al-Tira marketing office	Ramallah and Al-Bireh, Al-Tira Batn al-Hawa Street
Representative office	Amman, Jordan, Rabia, Al-Yarmouk Plaza 2

Banking Sector in Palestine

The Palestinian economy was affected by global and regional developments including unprecedented inflation, high interest rates, a strong dollar, debt problems in a number of developing countries and the continuation of the war on Ukraine and its role in aggravating the problem of supply chains, especially with regard to energy and food, as well as the US and European sanctions imposed on Russia, and the competition between the United States and China.

The Palestinian economy also suffered from a number of specific challenges, including the noticeable decline in grants and foreign aid, as well as the repeated Israeli deductions from the funds of the clearing house, in addition to the state of uncertainty of government finances and concern regarding the continued high prices and the decline of the purchasing power per capita, which led to a slowdown in economic growth.

The Palestinian banking sector was also affected by external factors, which indirectly affected its financial position, especially the rise in the price of the US dollar against the shekel, given that 40% of the banking sector's assets are in the shekel currency. The sector was also affected in an indirect manner by the rise global prices, which led to an increase in the cost of lending in the local market.

Financial data related to the Palestinian banking sector during 2022 indicates a decrease in growth rates in total assets of the banking system, totaling 1.04%, compared to 9.95% at the end of 2021. The banking sector's assets amounted to $20,950 million. Customer deposits declined in the Palestinian banking sector at the end of 2022, at a rate of approximately 0.3%, compared to a growth rate of 9.12% at the end of 2021, while deposits registered $16.468 million.

The growth rate of the direct credit facilities portfolio reached 2.57% at the end of 2022, compared to 6.35% at the end of 2021, and the sector's facilities amounted to $10,590 million.

Finally, Quds Bank's market share of credit facilities in the Palestinian banking market reached 8.8% in 2022, while its market share of customer deposits reached 7.08%.

Total assets
rounded to millions (US$)

Item	2017	2018	2019	2020	2021	2022
Banking Sector	15,292	15,442	17,133	18,996	20,885	20,950
Quds Bank	1,076	1,213	1,329	1,397	1,562	1,452

Net direct credit facilities
rounded to millions (US$)

Item	2017	2018	2019	2020	2021	2022
Banking Sector	7,922	8,208	8,757	9,709	10,326	10,590
Quds Bank	659	698	794	847	953	931

Total deposits
rounded to millions (US$)

Item	2017	2018	2019	2020	2021	2022
Banking Sector	11,982	12,227	13,385	15,137	16,518	16,468
Quds Bank	856	959	1,031	1,100	1,194	1,166

Growth rates in total assets
compared to the banking sector

Item	2021	2020	2019	2018	2017	2022
Banking Sector	9.95%	10.87%	10.95%	0.99%	11.63%	1.04%
Quds Bank	11.81%	5.12%	9.73%	12.77%	12.04%	-7.03%

Growth rates in facilities
compared to the banking sector

Item	2017	2018	2019	2020	2021	2022
Banking Sector	16.98%	3.61%	6.77%	10.88%	6.35%	2.57%
Quds Bank	6.98%	5.92%	14.03%	6.68%	12.53%	-2.19%

Growth rates in deposits
compared to the banking sector

Item	2017	2018	2019	2020	2021	2022
Banking Sector	13.08%	2.04%	9.47%	13.09%	9.12%	-0.30%
Quds Bank	10.03%	12.03%	7.53%	6.69%	8.55%	-2.30%

Market share
deposits and facilities

Item	2017	2018	2019	2020	2021	2022
Deposits	7.14%	7.84%	7.70%	7.27%	7.23%	7.08%
Facilities	8.32%	8.50%	9.07%	8.72%	9.23%	8.80%
Total Assets	7.03%	7.86%	7.76%	7.53%	7.48%	6.93%

Future Plans and Strategy

The Bank's Strategic Plan

The year 2022 was a year of evaluation and examination to assess the bank's strategic goals, their achievement, as well as an analysis of the programs implemented between 2020 and 2022. The bank achieved many of its strategic objectives in the previous years, giving it the motivation to launch a new strategic plan for 2023 through 2025 and start laying the groundwork methodically. The plan will focus on the following:

Human Capital Strategy

The bank seeks to develop strategies to enhance the efficiency of its human resource management through strategic programs and projects that work to attract the best talents to work together in all departments and branches, developing their skills and abilities using the best training methods to deal with technological changes and, in turn, raise their productivity and their enthusiasm by investing in them and increasing their motivation to work in the ways that ensure their advancement and career growth.

Customers Strategy

The bank has designed a strategy to ensure a better customer experience by identifying the pain points of customers and their current needs and, accordingly, developing programs to create a better experience for customers before and after purchasing the bank's services and products. This will in turn increase customer satisfaction and loyalty and build strong relationships with them to enable the bank to distinguish itself from competitors with the quality of the services provided and to preserve its good reputation for future customers.

Digital or Technological Transformation Strategy

The bank seeks to design a strategy for a better customer experience by identifying the pain points of customers and their current needs and, consequently, develop programs aimed at creating a good experience for customers before and after purchasing the bank's services and products. This will in turn increase their satisfaction and loyalty and build strong relationships with them to enable the bank to distinguish itself from competitors with the quality of the service provided and to preserve its good reputation for future customers.

Monitoring Environment Strategy

Through its strategic plan, the bank seeks to advance the control environment in the bank as per its general framework, ultimately raising it to the required level through the development of its staff and the application of advanced technological systems to raise the level of efficiency. This will, in turn, reduce the impact of banking risks and put in place the necessary control procedures that will advance the cultural awareness of employees with regard to the concept of oversight, compliance with all local and international regulations and instructions, the adoption of a comprehensive approach towards combating money laundering to improve the results of detecting suspicious transactions.

Financial Strategy

Through its strategic plan, the bank seeks to expand horizontally by creating new sources of revenue through investments or by adapting from a commercial bank into a fully integrated financial institution. The bank also seeks to invest in databases to analyze profitability in all aspects and activities of the bank and to make the right financial decisions that improve the bank's profitability and its operational efficiency.

Innovative Banking

Services and Products

Individuals Banking Services Management

The bank continued to focus on improving the quality of its services and products with the aim of adding innovative value to its customers and diversifying its channels of delivery, in order to enhance its leading role in this market and its well-established reputation of innovation, renewal, and development, and making it the first and preferred choice for customers.

Business Development Department

In line with the bank's vision for getting closer to customers and meeting their needs and aspirations, the Business Development Department prepared services and products during 2022, as follows:

- Offers to public sector institutions and the approval of new companies and institutions in the list of approved companies
- Partnership agreements with car showrooms to increase Quds Bank's market share in car producer
- Launching the **VIP GOLD** campaign for car loans
- Amending the grant policy on the "We are with you" program for vehicles, which targets workers in the West Bank and Gaza
- Designing a grace period campaign for new and willing borrowers for a period of 6 months
- Launching the Quds Bank sales ambassador campaign for branch employees, which aims at motivating and spreading the selling culture.

Wire Transfer (Western Union) Development Unit

Leading Center in Palestine in terms of number of revenues and number of transfers

Quds Bank is the largest network for providing rapid transfers (WU) service in Palestine. It holds the first place in Palestine in terms of the number of revenues and the number of transfers for 2022, according to Western Union Middle East.

In 2022, the bank granted 15 new agencies, bringing the number of the bank's sub-agents by the end of 2022 to 35 agencies with 54 locations.

Promotional campaigns have also been launched according to the 2022 marketing plan, which related to Western Union customers of Quds Bank and sub-agents. 16 rewards were drawn on the Western Union service at the beginning of 2023.

A competition was launched for the best username with the highest growth difference in the number of transfers for 2021 compared to 2022, according to the 2022 marketing plan, for Quds Bank employees and employees of sub-agents. The award was drawn for the best username award for employees of Quds Bank, with the highest percentage of growth difference in the number of transfers for 2021 compared to the year 2022. The award was also drawn for the best username for our sub-agents with the highest growth difference in the number of transfers for 2021 compared to 2022.

Cards Development Unit

The bank's cards of both types (credit and direct debit) were designed to meet customers' needs with the highest level of services and the highest quality standards, as well as security and safety properties. During 2022, the bank launched several campaigns to encourage customers to use of cards.

Service Quality Department

During 2022, the bank worked on continuing to enhance the channels of quality of service provided to customers. The bank continued to carry out regular activities aimed at measuring employees in providing service and customer satisfaction with the services provided to them. These activities enabled the Bank in 2022 to respond to the suggestions and aspirations of customers, and to address complaints and to follow up until their finalization by the relevant departments, as well as to respond to their inquiries and reflect the ideal image of the bank.

1. The annual evaluation of Quds Bank branches and offices to ensure the quality of service through the following:
   - Launching the secret customer program to evaluate employees, branches, and offices
   - Service quality department visits to assess employees, branches, and offices
   - Ensuring that branches and offices adhere to quality-of-service standards by monitoring cameras
2. Honoring distinguished employees in the service quality assessment for 2022
3. Following up on customer objections and complaints
4. Following up on clearance and commitment letters to try to retain clients.
5. Evaluating the quality of service provided by the banking service center staff
6. Evaluating the work environment of the employees in the general administration buildings (Al-Bireh Building, Al-Bireh downtown building)
7. Undertaking random calls to measure the general satisfaction of Quds Bank customers.

Deposits Development Department

Prime

The Prime program is concerned with the accounts of senior individual clients. It was allocated exclusively to specific customers to satisfy and address their expectations in line with their banking needs. The program allows the customer to enjoy a set of high and prestigious benefits in record time and with accuracy, thereby offering multiple amenities to the customer.

Prime Business

The Prime Business program was designed as the first program in the Palestinian private banking sector to focus on the accounts of large companies, institutions, and small projects. It is a qualitative step to provide a clear addition to the senior customers of this sector. The program provides a distinguished banking experience, added value, and a unique service to match customers' aspirations and needs.

Banking Services Center

The bank has a banking services center that enables customers to stay in constant communication to view the services and answer the inquiries. The center operates seven days a week from 8 am until 11 pm, in addition to official holidays. The center receives customer calls, responds to their inquiries, and presents available services.

Pursuant to its plan and vision in developing services provided to customers and transforming them from paper to advanced electronic services around the clock, the bank launched in two phases during 2022 the Interactive Voice Response (IVR) service on the call recording system at the center. This enables customers to register in the system to show on the screen of the relevant employee the name of the calling customer in order to shorten the number of security questions required to provide the service.

In 2022, the center received 68,911 incoming calls and made 52,199 outgoing calls.

The Representative Office in Amman

The representative office focuses its work on providing advice and guidance to companies that seek commercial dealings with Palestine or investments in it, as well as providing services to support the relationship with companies and institutions and those who do business and have investments in Palestine. It also enables these companies to benefit from the bank's long-standing expertise and extensive relations in the business sector in Palestine and Jordan.

Division of Corporate and Financial Institutions Banking Services

Quds Bank provides a multitude of banking solutions for the corporate sector, whereby you can support your projects, grow your potential, and advance your business. Whether you have just launched your startup or you already have your established and successful business, we work together to provide you with continuous support to ensure the success of your company. The Division of Corporate and Financial Institutions Banking Services enjoys strategic priority at Quds Bank through the following departments:

- **Corporate Banking Services Department**

Quds Bank seeks to enhance its relationships with the current customers and to attract new ones to offer them banking facilities and other services necessary for their businesses. It provides services for large enterprises and SMEs through its business centers located in the bank's offices and branches in all the Palestinian governorates. These centers are located in Ramallah, Nablus, Tulkarm, Jenin, Salfit, Hebron, Beit Jala, and Gaza. SMES constitute 95% of the registered operating establishments in Palestine. They are the largest employer for the Palestinian workforce.

The department provides these services through specialized and highly competent liaison personnel who are capable of managing relations with these enterprises and meeting their needs through:

1. Opening company accounts
2. Issuing cheque books
3. Issuing letters of guarantees of all types for various domestic and foreign entities
4. Managing internal and external banking transfers in all currencies
5. Internal and external trade transactions, including imports and exports
6. Purchasing and selling local and foreign currencies at different prices
7. Providing customers with banking facilities that fulfill their needs, including short-term facilities (to finance operating capital) or long-term facilities (to financial fixed assets) through the following products:

- Fixed debit current account
- Mobile debit current account
- Bids-related reducing overdraft
- Long-term loans (financing fixed assets)

- Short-term loans (financing purchases, sales or bank discounts)
- Check discount ceiling
- Revolving loans ceilings
- All types of banking guarantees
- Documentary credits: whether by sight or deferred payment
- Sustainability loans

- **Financial Institutions Unit**

The Financial Institutions Unit seeks to enhance Quds Bank's relations with the regional and international correspondent banks to facilitate banking services and products, such as foreign trade along with the central operations department, international payments, and cross border transfers for retail customers, companies, and organizations. This is in addition to participating in managing and facilitating inter-bank transactions to include foreign money, capital market activities and its derivatives, establishing accounts, and operating and investment accounts.

The Unit closely works with the treasury and the financial and commercial banking activities to stay updated of the customers' international requirements, to exchange the latest market standards and requirements, and to contribute to the implementation of international standards for anti-money laundering and terrorism financing.

Quds Bank's strategic plan is based on expanding the network of its correspondent banks at the global level. It set new foundations for its relations with several financial institutions in several countries, including Arab Gulf countries, Europe, China, and Turkey. It continues efforts to fulfill its customers' needs through an international network of correspondent banks, with full compliance with all international compliance provisions.

Recently, the Unit established close relations with several multi-country financial institutions, concluded agreements that enhance the bank's liquidity and international trade, and opened prospects for cooperation with new correspondent banks. Some of the most important partners in this field are:

PARTNER BANKS

PARTNER Development FI's

global trade facilitation program

trade facilitation program
SMEs Financing
Capacity Building: Trade finance,AML/CFT - ICA Cerification
Business Banking Advisory

MidCaps and SMEs Financing

Credit Guarantee Programs

Treasury Department

During 2022, the bank worked to upgrade its relationships with correspondent banks efficiently and effectively and to establish new relations despite the difficult circumstances experienced in the region. It also ensured the consolidation and continuity of banking relations with banks and financial institutions in a number of fields to include trade finance and bank transfers, which contributed to improving the quality of services provided to customers.

The Treasury Department provides buying and selling services for foreign currencies and precious metals at competitive prices, as well as futures products, through which it is possible to execute transactions of buying and selling currencies with a deferred payment plan, which will, in turn, protects the value of assets, cash flows, and currency exchange fluctuations, neutralizing its impact on the budget. The department offers these solutions at competitive prices, with a high-level professionalism, and around the clock services to serve the bank's customers.

The Treasury Department also seeks to continue its role of contributing to the profitability and financial stability of the bank, as well as maintaining liquidity ratios that are in line with the bank's financial commitments. It will also continue developing its performance and services by introducing new products that meet the unique needs of its customers and in line with the latest global developments.

Information Technology Department

The information technology team, by harnessing the latest technologies, has played the largest role in enabling the bank to conduct its operations and provide its services to customers with efficiency and quality.

During 2022, and as part of Quds Bank's vision to automate all its internal operations and provide efficient and specialized services to customers, the Information Technology Department focused on bringing about fundamental changes in the level of digitization of operations and systems by using the best international banking technologies and the application of the latest technical solutions in the field of information technology, as well as employing qualified local and international human resources. These most important aspects included the following:

- Investing in the infrastructure of the Information Technology Department to meet the needs of the strategic development plan for the smart automation and digital transformation operations to present the best services and technical solutions to the bank's customers.
- Developing the infrastructure at the alternate location for the Information Technology Department, ensuring the continuity of operations of systems in the event of disasters.
- Investing in protection and control systems to safeguard the security of information and banking confidentiality in line with the requirements of the Palestinian Monetary Authority and international standards.

Digital Transformation and Electronic Payments Department

The bank continues to affirm its commitment to the adoption of a digital future plan that keeps pace with the development of the banking market. The bank will remain abreast of these changes by providing comprehensive and integrated solutions to its customers, offering them the best banking experiences as well as making the values of a digital culture an essential part of the bank's system as a whole.

In 2022, the bank implemented the following:

- The application of the automated Interactive Voice Response (IVR) system in real life, by entering the account number and ID number, followed by sending the OTP to the approved mobile device of the customer, and then entering a new password and confirming.
- The application of cardless withdrawal service to ATMs of branches and offices, and activating them for all the bank's customers.
- Launching the activation of the contactless withdrawal service at ATMs of branches and offices
- The application of the service of recharging the balance of mobile phones and paying mobile bills of Jawal.
- The application of the service of Paltel bill payment.
- The application of the data update service for individual bank customers through the banking application Quds Smart.
- Completing the replacement of external ATMs with new, advanced automated ATMs.

Central Operations Department

Stemming from an organizational perspective, the Central Operations Department, in line with the bank's plans and strategy to improve the level of efficiency and effectiveness of services provided to customers, was able to achieve important milestones in partnership with the bank's other departments.

Enhancing the automation of several operations

- Open accounts
- Update data
- Passing direct facilities requests, including contract preparation processes, through the APPIAN system
- Applying clearing operations with Israeli banks through the electronic clearing system with paths that help strengthen the relationship between customers and the departments of relationship management with them in the bank
- Enhancing the automation of safe check operations and safety deposit box management systems and their compliance with branches
- The FxOrder system was harmonized and applied to improve the control system and the control environment in intersecting operations of the activities of the Treasury Department, which are carried out at the bank level in general and at the level of the treasury operations unit in particular
- Enhancing the activation of the Dealing System to document the buying and selling of currencies and future deals, including the in terms of documenting customer ceilings and monitoring the positions of open currencies and their evaluations to enhance the management of positions and improve the bank's return, as well as neutralize the risks of changes in currency exchange rates.

Around 35000 outgoing Swift remittances in 2022

The automation of outgoing remittances was advanced through integrated paths to create and approve transfer requests automatically on the banking system, as well as create relevant Swift messages, reviewing them and auditing them through the Controls Departments wherever necessary through the application of an integrated path through the Appian system.

#1 **bank in approving an executing Swift remittances**

Quds Bank has a qualified team of relationship managers in the business sectors that is supported by executive teams in the support departments to provide the best services to foreign trade customers. Recently, the bank the bank was recognized with Best Banks Award for operating in Palestine in 2022 in the field of expediting remittances in an automated manner and without human intervention (STP).

Over 400 international correspondent bank in

The bank has also structured a network of more than 400 reliable international correspondent banks, through which it offers a number of international banking services at competitive prices and conditions, covering all types of international foreign trade products.

1680 credit cards in 2022

Quds Bank has completed the transformation to the system of immediate issuance of direct debit cards and completed the issuance of contactless cards at all its branches over the past year. The requirements to print and issue credit card requests received through the various sales channels from the network of branches and through electronic channels centrally has been completed, expediting the issuance and delivery through the distribution company. This will encourage customers and walk them through the services and electronic platforms provided by the bank through its various applications, ultimately reducing the number of in-person visitors to branches and to promoting the digitization of service channels.

Human Resources

Human capital represents the foundation of Quds Bank's success. At Quds Bank, we understand the importance of providing our team members with access to tools and channels that will ultimately allow them to offer customers the best services and lead them to advance their productivity and progress in their careers. To achieve this, we developed a road map during 2022 that includes several initiatives:

Our Employees

The most significant initiative that was achieved in 2022 was TRAK FAST, which is a career development path that includes the development of specific programs for employees who have obtained an outstanding and exceptional evaluation in order to develop them and prepare them for higher positions. Also in 2022, we continued the performance-based evaluation system as part of our efforts to establish a balanced culture between the volume of an employee's contribution and the rewards received.

Work Environment

Quds Bank pursues a policy of inclusiveness in human capital to improve the work environment. In 2022, we sought to achieve this policy through:

- Amending the Banking Code of Conduct 2022
- Involving employees in the bank's decision-making process and directions.
- Announcing and honoring 11 bright stars in the bank's space.
- Launching the Ramadan competition "Ramadan Jokes".
- Honoring the children of employees who excelled in general secondary school
- Preparing and supervising the Social Committee elections for 2022.
- Preparing a protocol to manage social networking sites for employees.
- Updating and automating a number of procedures and policies for human resource operations.
- Health insurance policy.
- Amending the minimum salaries of unclassified workers.
- Modifying fixed-term employment contracts for indefinite periods and salary increases – and protecting employees.

Investing in Human Resources

We understand our constant responsibility towards the development process of our employees and have devised a training plan for 2022 that achieves their training needs. This has contributed to the advancement of their banking knowledge and culture and the development of their skills, which raises the level of efficiency and performance.
The total number of implemented training activities and programs reached 123. In all, 1801 employees participated, with 664 employees participating in at least one activity, constituting 90% of the bank's employees.
The training activities were distributed internally, locally, and externally as follows:

- 53 male and female employees from the bank were dispatched to participate in workshops, forums and conferences, in person and virtually, in 29 training programs, workshops, forums and conferences outside the state of Palestine.
- A total of 20 programs were implemented locally and 125 employees participated in them.
- There were 47 internal training activities and 1623 employees participated in them.
- The training programs offered to employees cover several areas, the most important of which are intellectual and soft skills programs, as well as programs for managing branches and banking operations, in addition to training programs related to the requirements of the Monetary Authority and training programs related to information technology.

Training Project in Cooperation with EBRD and Frankfurt School

- Soft and intellectual skills programs, such as leadership, communication and outreach, guidance, training of trainers, etc.
- Programs related to credit and small projects, such as Certified Expert in SME Finance and Certified Expert in Financial Analysis.
- Programs related to sales and service, such as customer service and sales.

Training of Recent Employees

A total of five group induction programs were established for new employees, as well as 62 separate training programs within the typical branch plan for practical training for branches and offices. In addition, 31 orientation induction programs were established to introduce the nature of the work of the departments and the branches.

Quuds Bank Educational Platform

We created an educational institution through the launch of the Quds Bank educational platform in cooperation with Salalem, which supports self-education and electronic learning. The platform provides 79 educational programs recorded using the latest specifications and educational methods in the fields of banking technical skills and materials specialized in soft skills.

Student Training Program and Agreement with Universities and Institutes:

- Offering internship opportunities to 57 students from various institutes and universities at the bank’s branches and offices.

- Training 37 students from various institutes and universities as part of the data update project.

- Signing a memorandum of understanding to provide training opportunities for Birzeit University students and a practical training agreement dual studies students with Palestine Polytechnic University.


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Distribution of Employees between Headquarters and the Bank's Branches and Offices

Ungraded Branches	Ungraded Headquarters	Employees of Branches	Employees at Headquarters	Number of Employees
35 employees	38 employees	301 employees	380 employees	754 employees

754

268 female employees 35%

486 male employees 65%

419

Total employees / Headquarters

133 female employees 17%

286 male employees 38%

Headquarters

335

Total employees / Branches

135 female employees 18%

200 male employees 27%

Branches

Diploma	Bachelor's Degree	Master's Degree
60 employees	598 employees	25 employees

Total number of Employees	Below High School	High School & Above
754 employees	27 employees	44 employees

Distribution of Employees by Age

Ages 31-40	303
Ages 22-30	327
Under 22	13
Ages 51-60	25
Ages 41-50	86

Total Number of Employees 754

Distribution of employees according to average age

33	Average age of all employees
40	Average age of headquarters managers
34	Average age in branches
33	Average age in headquarters
41	Average age of branch and office managers

Marketing, Public Relations and Social Responsibility

Marketing, Public Relations, and Social Responsibility

Throughout 2022, the bank launched several marketing campaigns to promote its various products and services, allowing the bank to communicate with customers and potential customers. The campaigns mainly focused on e-marketing and reaching the target group for each service or product in a distinctive way.

Also in 2022, the bank signed an agreement to accredit the Mostafa Salameh, the Jordanian adventurer of Palestinian origin, as its brand ambassador. The agreement includes support for Initiative 777 for Palestine, which will see the adventurer Salameh running seven marathons in seven days on seven continents, with the aim of showcasing Palestinian culture in all parts of the world. During his journey, he will tell stories about the cities of Palestine and present Palestinian figures, customs, traditions and foods.

In addition, initiatives designed to strengthen the bank's name recognition and image were implemented in an innovative way and the bank also participate in several events and activities across various sectors.

Corporate Social Responsibility

Quds Bank's commitment to its corporate social responsibility strategy is based on the fact that it performs a basic, necessary mission towards the local society, based on its firm belief in its role in serving the communities within which it operates, with a clear vision to develop local communities.

A large number of Quds Bank's initiatives in the past year focused on relief, youth, health, women, education, and persons with disabilities. In addition, the bank has partnered with a number of institutions across a range of sectors through associations and non-governmental organizations.

During 2022, the bank implemented 60 community activities distributed across sectors and governorates.

The initiatives implemented by the bank that achieve the sustainability principle are as follows:

Furijat: A competition for productive small projects for those below the poverty line, which aimed to transform participating families from a state of need to a state of production and self-sufficiency. The competition was launched in partnership with the Ministry of Social Affairs and the Palestinian Foundation for Economic Empowerment, which is associated with the International Day for Poverty Reduction.

Najah: It is an initiative that honors empowerment, launched to support a number of women from across the governorates after presenting their success stories. It worked to help and encourage them to develop their businesses and was implemented on the National Day of Palestinian Women in partnership with the Ministry of Women's Affairs.

Rufaqa': It is an initiative that focuses on providing support to a number of institutions that care for children, including orphans and those who have lost family care, and is connected to Palestinian Child Day.

Field	Contribution in USD	Number of institutional partnerships
Relief	100,406,00	13
Health and Environment	276,161	11
Education	25,826	7
Development	60,475	9
Women Empowerment	25,976	5
Childhood	31,000	3
Sports	17,002	3
Care for Persons with Disabilities	20,066	9
Total	556,912.00	60

Shareholder Relations

Shareholder Relations

Quds Bank has developed positive and strong relationships with all shareholders based on transparency and communication, whether through the Shareholders Department or through all the bank's branches. The bank ensures the delivery of an annual report, which is issued at the end of each year, and shareholders, especially small-scale shareholders, to attend the annual meeting of the General Assembly. It also encourages shareholders to vote, either in person or by proxy in the event of their absence. During these meetings, the following is carried out:

- The attendance of the heads of the committees of the Board of Directors.
- The attendance of representatives of the external auditor at the annual meeting of the General Assembly in order to answer any questions that may arise about the audit and the auditor's report.
- Representatives of the Palestine Monetary Authority, the Palestine Exchange, the Capital Market Authority, the Ministry of Economy (Companies Controller) are invited to attend the meeting so that they would check the course of affairs.
- The election of board members who meet the qualifications and conditions upon the expiry of the board's term during the annual meeting of the General Assembly.
- The documentation of all the proceedings of the sessions and reports that happen during the annual General Assembly meeting, including the voting results and the questions posed by shareholders regarding their shareholding.

The annual report is published on the bank's website and the bank communicates with shareholders around the clock through its social media platforms.

The following table shows the shareholders with ownership of more than 5% as of December

The following table shows shares owned by members of the Board of Directors as of December 31, 2022 compared to December 31, 2021:

Name	Nationality	Position	Number of Shares 2021	Number of Shares 2022
Akram Abdullatif Jerab	Jordanian	Chairman	19,246,989	17,958,759
Duraid Akram Jerab	Jordanian	Vice Chairman	3,446,597	3,574,055
Jordan Kuwait Bank Company	Jordanian	Member	10,712,813	11,108,981
Palestinian Pension Commission	Palestinian	Member	14,465,065	16,999,995
Waleed Najeeb Al Ahmad	Palestinian	Member	42,895	31,109
Muntaser Izzat Abu Dawas	Jordanian	Member	47,320	49,069
Saleh Jaber Ihmaid	Jordanian	Member	2,010,767	1,915,126
Ahed Fayeq Bseiso	Palestinian	Member	128,446	93,196
Ruba Mohammad Masruji	Palestinian	Member	126,930	131,623
Majed Awni Mohammad Abu Ramadan	Palestinian	Member	38,078	39,486
Hamed Abdel Ghani Jaber	Jordanian	Member	956,300	164,830
Al-Shurouq Real Estate and Financial Investments Company	Palestinian	Member	31,050	32,198

The following table shows shares owned by relatives of members of the Board of Directors on December 31, 2022 compared to December 31, 2021:

Name	Number of Shares 2021	Number of Shares 2022	Relationship
Akram Abdullatif Hasan Jerab	**19,246,989**	**17,958,759**	**Chairman**
Muhannad Akram Abdullatif Jerab	3,479,307	3,607,974	Son of Akram Jerab
Duraid Akram Abdullatif Jerab	3,446,597	3,574,055	Son of Akram Jerab
Yazan Akram Abdullatif Jerab	3,264,581	3,385,307	Son of Akram Jerab
Zaid Akram Abdullatif Jerab	3,255,724	3,376,123	Son of Akram Jerab
Al-Shurouq Real Estate and Financial Investments Company	**31,050**	**32,198**	**Board Member**
Ibrahim Ahmad Abdel Fattah Abu Dayyeh	260,000	311,094	Chairman of the Board of Al-Shurouq Company
Ahmad Ibrahim Ahmad Abu Dayyeh	10,000	15,369	Vice Chairman of the Board of Al-Shurouq Company
Duraid Akram Abdullatif Jerab	**3,446,597**	**3,574,055**	**Board Vice Chairman**
Akram Abdullatif Jerab	19,246,989	17,958,759	Father
Muhannad Akram Abdullatif Jerab	3,479,307	3,607,974	Brother
Yazan Akram Abdullatif Jerab	3,264,581	3,385,307	Brother
Zaid Akram Abdullatif Jerab	3,255,724	3,376,123	Brother
Saleh Jaber Ahmad Ihmaid	**2,010,767**	**1,915,126**	**Board Member**
Rami Saleh Jaber Muslim	46,890	43,439	Son
Ramzi Saleh Jaber Ihmaid	43,505	82,435	Son
Rula Saleh Jaber Muslim	21,078	21,857	Daughter
Lina Saleh Jaber Muslim	21,078	21,857	Daughter
Dina Saleh Jaber Muslim	21,078	21,857	Daughter
Ruba Mohammad Mahmoud Masruji	**126,930**	**131,623**	**Board Member**
Muhammad Mahmoud Yousef Masruji	507,724	526,500	Father
Masruji Company for Public Trade	380,793	394,875	Board Member
Al-Quds Company for Pharmaceuticals	451,307	817,996	Shareholder
Dina Muhammad Daoud Alami	1,732	1,796	Daughter
Nadine Muhammad Daoud Alami	2,244	2,326	Daughter
Dara Muhammad Daoud Alami	2,138	2,217	Daughter
Waleed Najeeb Mustafa Al Ahmad	**42,895**	**31,109**	**Board Member**
Al-Quds Company for Real Estate Investments	500,000	450,000	Waleed Al-Ahmad - General Manager
Azzam Najeeb Mustafa Al-Ahmad	69,429	71,996	Brother
Hosni Najeeb Mustafa Al-Ahmad	17,355	17,996	Brother

The following table shows shares owned by members of the executive management team on December 31, 2022 compared to December 31, 2021:

Name	Nationality	Position	Number of Shares 2021	Number of Shares 2022
Salah "Mohammad Salim" Salah Hidmi	Palestinian	Chief Executive Officer	21,388	22,178
Zaid Akram Abdellatif Jerab	Jordanian	Head of Strategic Planning and Digital Transformation	3,255,724	3,376,123
Albeir Edmon Emil Habash	Palestinian	Head of Credit Division	9,594	-

Quds Bank maintains its successful relationship with shareholders and investors by responding to their enquiries and through constant communication.

Information is delivered to shareholders in a number of manners, including:

- An annual report provided annually with the delivery of the General Assembly meeting's invitation by email
- Through the bank's branches
- Through the bank's website

Salaries and bonuses for members of the senior executive management team totaled US$1,981,412 as on December 31, 2022, compared with USD1,818,553 in 2021.

Issues submitted for voting

None

Contracts with relevant companies

None

Financial statements

There were no discrepancies between the preliminary financial reports and the

External auditor

Ernst & Young audited the bank's financial statements for 2022, and its fees amounted to US$104,400.

Trading activity during 2022

A summary of Quds Bank's shares trading activity

Item	2021	2022	Change	Change Percentage
Number of traded shares	16,306,298	14,213,467	-2,092,831	-12.83%
Value of traded shares	24,796,462	22,929,059	1,867,403-	-7.53%
Number of executed transactions	2,231	2,371	140	6.28%
Highest share trading price/US$	1.69	1.71	0.02	1.18%
Closing price at year end/US$	1.54	1.61	0.07	4.55%

Board members expenses in 2022

Name	Number of Board Meetings	Attended	Remuneration for Board Members in 2022	Attendance Remuneration of Board and Committee Meetings	Travel and Transport Remuneration	Total /US$
Akram Abdellatif Jerab	6	6	80000	11,000	750	**91,750**
Duraid Akram Jerab	6	6	50,000	23,000	1,984	**74,984**
Palestinian Pension Commission represented by Adnan Abu Al Humos	6	6	40,000	12,000	750	**52,750**
Waleed Najeeb Al-Ahmad	6	6	40,000	23,000	1,500	**64,500**
Ahed Fayeq Bseiso	6	6	40,000	35,000	1,500	**76,500**
Al-Shurouq Real Estate and Financial Investments Company (represented by Mr. Ibrahim Abdel Fattah Abu Dayyeh)	6	6	40,000	6,000	-	**46,000**
Jordan Kuwait Bank Company (represented by Mr. Haitham Al-Battikhi)	6	6	40,000	11,000	-	**51,000**
Ruba Masruji Alami	6	6	40,000	11,000	750	**51,750**
Saleh Jaber Ahmad Ihmaid	6	6	40,000	11,000	1,500	**52,500**
Dr. Hamed Abdel Ghani Jaber	6	4	40,000	11,000	-	**51,000**
Muntaser Abu Dawas	6	6	40,000	15,000	-	**55,000**
Majed Awni Abu Ramadan	6	6	40,000	13,000	2,250	**55,250**
Total			**530,000**	**182,000**	**10,984**	**722,984**
Value Added Tax			**84,800**	**29,120**	-	**113,920**
Total Board Expenses inclusive of Value Added Tax for 2021			**614,800**	**211,120**	**10,984**	**836,904**

Suggested agenda for Quds Bank's 28th ordinary meeting of the General Assembly

• Reading the Board of Director's report for the fiscal year ending on December 31, 2022 and approving it
• Reading the auditor's report for the fiscal year ending on December 31, 2022 and discussing and approving the financial statements for the fiscal year ending on December 31, 2022.
• Clearing members of the Board of Directors of any fiscal liability for the fiscal year ending on December 31, 2022
• Approving the remuneration for board members for 2022
• Electing the bank's external auditors for 2023 and authorizing the board to determine their fees.
• Approving the board's recommendation to distribute cash returns to shareholders of 10%
• Any other issues proposed by the General Assembly to be placed on the meeting's agenda and within the scope of topics discussed at the ordinary meeting of the General Assembly, provided that the topic on the agenda is approved by shareholders representing no less than 10% of the company's shares.

Suggested agenda for Quds Bank's extraordinary meeting of the General Assembly

• Approving the policy of rewards and incentives for the Board of Directors.
• Approving the board's recommendation to raise the capital of the bank from US$100 million to US$125 million in the next five years.

Board's Declarations

In accordance with the disclosure instructions issued by the Palestinian Monetary Authority and the Capital Market Authority:

• The board declares that, to the best of its knowledge, there were no material issues that could impact the sustainability of the bank's operations.
• The board acknowledges its responsibility to prepare the financial statements for year 2022 and that there is an effective regulatory system in the bank.
• The board affirms the correctness, accuracy and completion of data and information stated in the annual report for 2022.
• The bank is committed to the applicable governance regulations and the formation of committees of the board.

Governance

Transparency and Commitment

Commitment to Institutional Governance

In line with the bank's strategic vision and as part of the board's firm belief in the importance of sound institutional governance practices and applications, the regulations administering operations of the banking sector, the Palestinian Monetary Authority regulations, and the international practices included in the Basel committee recommendations regarding institutional governance, in addition to the best practices guide for bank governance in Palestine, and in order to achieve the bank's mission to provide the best banking products based on modern principles to all segments of Palestinian society, the board is committed to implementing the institutional governance guide in accordance with the Palestinian banking environment and the regulatory and legal framework governing the bank's operations and the regulations of the Capital Markets Authority and Palestine Exchange.

The bank reviews, develops, and amends this guide from periodically to ensure it remains up to date with the latest regulations, and publishes it within the annual report on the bank's website and provides it to the public upon request.

The Role of the Board Chairman

In the scope of the chairman's position, the following are considered:

- Separation between the positions for the chairman and the chief executive officer
- No family relationship less than three degrees between the chairman and the chief executive officer
- Separation between the responsibilities of the chairman and the chief executive officer in accordance with the written approved regulations of the board, which are subject to review.
- The chairman exercises all duties and authorities granted to him in accordance with applicable laws Palestinian and the Palestinian Monetary Authority's regulations, and performs those duties delegated to them by the board.

The chairman undertakes the following main duties:

1 Oversees the bank's overall operations and is responsible to the board for managing and monitoring the progress of bank's operations, following up the implementation of the policies set by the board to achieve the bank's goals, in addition to following up and evaluating the bank's general performance in accordance with the strategies, plans, goals, policies, and approved budgets by the board.

2 Ensures the presence of a high and efficient levels of governing controls at the bank and establishes and maintains good relations on the basis of the principle of corporate governance among board members and the executive management team. The chairman also contributes to creating a corporate culture within the board through constructive criticism, encourages the sharing of opinions among board members during meetings, and ensures the delivery of sufficient and appropriate information in a timely manner to all shareholders and board members.

Responsibilities of the Board of Directors :

- The board is responsible for all duties related to the management of the bank, the soundness of its financial position, approving periodic financial statements audited by the external auditor and giving a recommendation to the general assembly to approve an external auditor for the bank. It is also responsible for fulfilling the Palestinian Monetary Authority requirements and serving the benefits of shareholders, depositors, creditors, employees and other relevant parties, as well as ensuring that the bank's management is performing its duties cautiously and responsibly within the scope of applicable rules and regulations and the bank's internal policies.
- Setting the bank's general policy including strategies, targets and work procedures, and periodically reviewing them and ensuring the commitment to them by the executive management team.
- The bank's board is authorized to approve the organizational structure and job descriptions at all levels, in addition to approving policies and work plans for the bank, including risk policy and procedures, while ensuring a measurement tool for risks and setting required limits, and responsibility for the credit, investment, recruitment, performance evaluation and internal control policies.

- The board elects the members of the executive management team, as well as experts and consultants in accordance with the recruitment policy approved by the board. It also determines their salaries, remunerations, and evaluations every year, in addition to a succession plan that ensures the availability of qualified replacements to manage the bank's operations.
- The bank's board is responsible for supervising and overseeing the bank's activities in accordance with the bank's applicable internal rules, regulations, decisions and policies, in line with sound corporate governance principles, as well as requesting necessary reports from the management team in a timely manner.
- The board develops the general framework for management that includes a suitable organizational structure that clarifies authority, responsibilities and the levels of managements, in addition to complete corporate governance, internal control, risk management, compliance, anti-money laundering systems, ethical behavior, treasury systems and standards, and rules and regulations that defer fraud and falsifications.
- The members of the board perform their duties in the interest of the bank in a careful, dedicated manner and ensure the implementation of methods guaranteeing compliance with all rules, laws and regulations. Board members avoid activities that may expose them to conflict of interest or may appear as conflicts of interest and are committed to provide the required time and effort to duly perform their duties for the bank.
- Through the Remunerations and Institutional Governance Committee, the board evaluates the board's performance as a whole at least once annually.
- The board evaluates the chief executive officer annually.
- The board evaluates departments of risk, compliance, internal audit, and anti-money laundering.
- The board determines the appetite for risk at the bank and ensures its alignment with strategic goals, capital, financial plans, and the rewards and incentives practices. It also publishes the framework of the risk appetite for bank levels through an easily understandable risk appetite document.
- The board exercises its regulatory responsibilities through efficient and active coordination among the work units that ensure no gaps in internal controls and the absence of duality of tasks (known as the third-line defense model).
- The board, in partnership with the executive management team and the risk officer, must develop a framework for the risk appetite at the bank and put in place the necessary procedures to ensure compliance and monitoring, inclusive of risk governance filled with a strong culture for risk and risk management, in addition to good determination of risk management responsibilities and internal control jobs.
- The board shall, at least once a year, review the succession plan, which shall include policies and principles for selecting the successor to the chief executive officer in emergencies and in the context of the normal business of the bank, and approve this plan, and it must include an assessment of experience and performance, and the job skills and practices of potential candidates.

Board of Director's Operating Mechanism

- Board meetings are held in accordance with applicable rules and regulations at least once every two months, and the main subjects on the agenda of every meeting are clarified to ensure coverage of all topics.
- The bank provides the board members with sufficient information prior to the meeting to enable them to make sound decisions. Drafts of the minutes of each meeting are signed by all members of the board and include the meeting results are distributed within seven days of the meeting. A copy of the minutes of the meeting is sent to the Palestinian Monetary Authority within one month from the meeting's date.
- The board is responsible for determining the duties and responsibilities of the board secretary in a written and official manner, and the secretary is selected or dismissed through a board decision, taking into consideration the needed experience and qualifications to perform set duties due to their important role in documenting meetings and the decisions made by the board and board committees.
- No member may be a member in more than three Boards of Directors of public shareholding companies on condition that there is no conflict of interest, and the board may not propose the election or reelection of any member who participates in Boards of Directors of more than three companies.
- The board reviews the extent of independence of each one of the independent members at least once a year in light of interests disclosed by the said member, and each independent member shall present the necessary and updated information for this purpose.

Committees of the Board of Directors

- The Board of Directors is ultimately responsible for managing the bank's businesses and affairs. Committees were established to enhance the board's efficiency, effectiveness, competence, and transparency. These committees are required to submit their reports to the Board of Directors, which determines their tasks, duties, responsibilities, tenure, and powers in writing according to the applicable laws and regulations.
- The Board of Directors appoints the members of these committees officially and transparently. It publishes their names and an outline of their tasks and duties in the bank's annual report. Each board committee has the right to directly contact members of the executive management team of the bank through the chairman of the board and the chief executive officer.
- According to the approved governance guide, there shall be six main board committees, and they are: the Executive Committee, the Audit Committee, the Risks and Compliance Committee, the Anti-Money Laundering and Terrorism Financing Committee, the Institutional Governance Committee, the Nominations and Remuneration Committee, and the Investment Committee. Each of these committees should fulfill the responsibilities determined by the Board of Directors according to the applicable laws and regulations. Ad hoc committees could be formed by members of the Board of Directors to address certain issues. A number of committees could be merged together, if necessary.

A. Executive Committee

The Executive Committee consists of four board members to ensure compliance of the executive management team with credit policies and investment and with authorities set by the Board of Directors. All the members of the committee must have the knowledge, skills, and necessary experience. The committee works under the supervision of the Board of Directors and submits its reports and recommendations to the board. The committee meets periodically, in the presence of the chief executive officer or his representative, and the minutes of these meetings are duly prepared. The committee undertakes the tasks and duties stipulated in the laws, legislation, and instructions of the Palestinian Monetary Authority, and it must comply with the best practices and guidelines of the Basel Committee on Banking Supervision. The committee has the right to invite whomever it deems appropriate to attend its meetings.

The committee undertakes the following main tasks:

- Approving credit and investment transactions that go beyond the powers of the executive management team (part of the Investment Committee's tasks, according to the approved governance guide).
- Setting the bank's credit and investment policy and the conditions for granting facilities, guarantees, and credit ceilings, as well as the limits of the powers of the executive committees in accordance with the laws and instructions of the Palestinian Monetary Authority, in addition to reviewing and updating them periodically and in line with developments in the economic environment, banking policy, and changes in the bank's position.
- Ensuring the compliance of the executive management team with the credit policies and the powers determined by the Board of Directors.
- Considering the status of failed debts and developing necessary plans to reduce them, as well as ensuring adequate allocations for them in accordance with the instructions of the Palestinian Monetary Authority, in addition to presenting recommendations for these debt write offs.
- Submitting periodic reports to the Board of Directors on the status of the credit portfolio in terms of its volume and emerging development, as well as classified facilities and the provisions prepared to address any losses, and follow-up and collection efforts, in addition to the investment bank's portfolios and any changes in the status of these investments.
- Endorsing marketing plans prepared by the executive management team for all types of credit facilities.
- Approving credit transactions that exceed the authority of the executive management team or the Chairman of the Board.

B. Audit Committee :

The elected Audit Committee is composed of three non-executive board members, all of whom are qualified and experienced in accounting and financial management. The committee performs its activities under the supervision of the board and submits its reports and recommendations to the board. The Audit Committee convenes four times a year.

The committee undertakes the following main tasks:

- Supervising external and internal auditors and monitoring the inclusiveness of their performance, as well as the integrity and accuracy of the financial information provided to the Board of Directors, shareholders and other beneficiaries.
- Reviewing the feedback presented in the reports of the Palestinian Monetary Authority and of the external and internal auditors and following up on measures undertaken in this regard.
- Ensuring the sufficiency and effectiveness of the bank's internal control measures and ensuring the bank's compliance with laws, regulations and instructions issued by the Palestinian Monetary Authority, as well as regulations issued by the Board of Directors and other valid legislations in Palestine.
- Reviewing the periodic financial statements and other financial information before presenting them to the Board of Directors to verify their soundness in line with adopted accounting principles and the requirements of the Palestinian Monetary Authority and laws, as well as the sufficiency of necessary allocations.
- Providing the necessary independence for the Internal Audit Department to perform its duties, approving the appointment or dismissal of its manager and evaluating them annually, and setting clear accountability mechanisms for the Internal Audit Department to enable its staff to perform their duties and responsibilities, as well as approving the duties and authorities delegated to the department.
- Considering the financial reports before presenting them to the Board of Directors, and providing recommendations in their regard, including reports on any changes in the applicable accounting policies or any changes on the bank's accounts resulting from the auditing process or suggestions provided by the accounts auditor, as well as verifying the accuracy of the accounting and controls procedures, their adequacy and the bank's compliance with them.
- Providing advice to the board on nominations, recruitment, end of service, remuneration, and hiring of the external auditor by the General Assembly. The committee ensures that the external auditor is qualified and meets the conditions of the Palestinian Monetary Authority and the applicable laws and legislation.
- Putting in place disclosure and transparency standards and submitting them to the board for approval.
- Coordinating with the Risk Management Department to examine the bank's financial position and performance.
- Examining any issue brought to its attention by the board or any issue it deems appropriate to consider and express an opinion in this regard.
- Reviewing reports prepared by the Internal Audit Department and following up to rectify any violations.

C. Committee on Risk, Compliance, Anti-Money Laundering and Terrorism Financing:

The elected Risk and Compliance Committee is composed of three board members, who all have the necessary knowledge, skills, and expertise. The committee performs its activities under the supervision of the Board of Directors and submits its reports and recommendations to it. It convenes regularly and the minutes of these meetings are duly prepared. The committee performs its duties and responsibilities according to the laws, legislation and instructions of the Palestinian Monetary Authority, as well as best international practices and regulatory framework of Basel Committee. The committee may invite any person it deems appropriate to its meetings.

The committee undertakes the following main tasks:

- Reviewing the policies and strategies related to the management of risks facing the bank, including credit risks, market risks, operating risks, liquidity risks, credit concentration risks, and interest rate risks, etc., before presenting them to the Board of Directors for approval.
- Updating the methods and mechanisms of risk reduction in line with the relevant control procedures to enhance and consolidate the bank's financial position against any risks.
- The executive management team of the bank is responsible for implementing the above-mentioned policies, strategies and approaches under the supervision of the Risk and Compliance Committee.
- Receiving suggestions from the executive management team about the organizational chart of the Risks Department and its development. The committee reviews the suggestions and introduces amendments to submit to the Board of Directors for approval.
- The committee keeps up to date on the rapid developments and the growing complications that risk management faces and submits its periodic reports on these developments to the board.
- Obtaining all information about any matter within its jurisdiction.
- Reviewing the reports of the Compliance Department and following up on its adherence to the operating procedures manual, as well as checking the inclusiveness of these reports and their consistency with the relevant requirements of the Palestinian Monetary Authority to achieve the maximum level of compliance with the appropriate banking laws, regulations, instructions and practices.

D. Corporate Governance Committee:

The elected Corporate Governance Committee is composed of three non-executive board members to coordinate and implement the governance policy. The members of the committee have the ability to read and understand financial statements, as well as the ability to coordinate and link between the department and the complementary tasks of the Corporate Governance and Audit Committees. The members also have adequate legal and banking expertise. The committee convenes twice a year.

The committee undertakes the following main tasks:

- Supervising the implementation of the governance policy through joint action with the administration and the Audit Committee.
- Providing the board with reports and recommendations related to the results of its activities, including evaluations of the compliance with the banking governance guide and suggestions to update the guide to match best international practices.
- Preparing and reviewing the institutional governance guide according to the laws, legislations and instructions issued in this regard.
- Setting the necessary measures to verify and comply with the terms of this guide.
- Following up on any arising developments in this regard.
- Annually reviewing the guide and publishing it at large.
- Ensuring that the executive management team monitors the activities of the bank appropriately and undertakes its role as set in the internal control rules and regulations issued by the Palestinian Monetary Authority.

E. Remuneration and Nominations Committee :

The Remuneration and Nominations Committee is composed of three non-executive Board members, and all these members have the knowledge, skills, and expertise necessary to make independent and objective decisions. The committee acts under the supervision of the Board of Directors and presents its reports and recommendations to it. The committee convenes regularly in the presence of the general manager or his deputy at least twice a year and the minutes of these meetings are duly prepared.

The committee undertakes the following main tasks:

- Preparing standards to be approved by the Board of Directors that set the conditions and qualifications that the board members must meet in terms of skills, experience and other areas deemed necessary.
- Preparing a report to be submitted by the Board of Directors to the shareholders to elect or reelect the members. The report presents the following information:

A- Term of membership, personal details and professional qualifications, as well as information about the candidate's membership in Boards of Directors of other banks and companies, in addition to other positions the candidate occupies and the relationship between the candidate and the bank and their relationship with the other members.

B- Submitting a statement testifying that the candidate has met the requirements set out in the definition of the independent member upon their appointment.

- Submitting recommendations to the Board of Directors regarding changes to the number of board members or any other board committee deemed necessary by the committee.
- Identifying qualified members and submitting recommendations to the board concerning the candidate for a seat if there is a vacancy on any board committee.
- Supervising the design of the rewards and incentives system and ensuring its alignment with the bank's culture and work continuity in the long term, in addition to its alignment with performance and the control environment.
- Supervising human resources policies in general.
- Examining the eligibility of all the candidates of the shareholders suggested for board membership or any other candidates suggested by the executive management team.
- Submitting recommendations to the board from periodically regarding any changes the committee deems necessary to the managerial structure and job description of the key officers.
- Setting an appropriate plan to replace the board chairman, members and key officers and to replacing them in emergency situations or in case of new vacancies.

- Evaluating the performance of the board, its committees and members at least once a year.
- Preparing the remuneration and incentives policy and submitting it to the board for approval and supervising its implementation..
- Reviewing the remuneration and incentives policy periodically or upon the board's request and presenting the board with recommendations to amend or update the policy.
- Conducting periodic evaluations of the effectiveness and efficiency of the remuneration policy to ensure that its goals are realized.
- Ensuring consistency between the bonus payment period and the actual realization of the revenue.
- Submitting recommendations to the board concerning the level of the remunerations and allowances for the board chairman and members, as well as the key officials in the bank.
- Ensuring that the remuneration and incentives policy is consistent with the instructions of the Palestinian Monetary Authority and the internal regulations of the bank.

F- Investment Committee – Added tasks

6. Internal Control and Monitoring System

- The Internal Control and Monitoring System of the bank was built on the basis of the general framework of the internal control system and the instructions of the Palestinian Monetary Authority, as well as the applicable laws and guidelines in this regard.
- The organizational structure of the internal control and monitoring systems is reviewed by the internal and external auditor at least once a year.
- The bank includes into its annual report a statement on the competence of the internal control systems over its financial reports.
- The Board of Directors carries out its responsibilities based on a general framework of internal control and monitoring to verify the efficiency and effectiveness of operations and the credibility of the financial reports as well as adherence to applicable laws and regulations.
- Setting procedures that ensure the timely access of decision-makers to information, including the emergency plan.
- Independence of the Audit and Compliance Departments, the Anti-money Laundering and Terrorism Financing Department and Risk Management Department.

Internal Audit :

Quds Bank is aware of the importance of having an effective internal audit department as it is considered the third line of defense and an added value to the bank. It helps realize the bank's goals and improve its operations by setting a regulated methodology to enhance the competence of its governance, risk management and internal monitoring.

The following are the objectives and responsibilities of the Internal Audit Department:

- Setting an internal audit charter to be approved by the Board of Directors to specify the roles, responsibilities and powers of the department.
- Preparing an annual risk-based audit plan, which must be approved by the board's Audit Committee.
- Checking and assessing the suitability and efficiency of internal control regulations and the mechanisms used by all departments and sections to perform their duties while preventing relevant risks.
- Preparing periodic reports on the competence of the internal control and monitoring systems to minimize any risks that the bank faces and upgrading the control environment to acceptable levels.
- The Internal Audit Department submits its reports to the board's Audit Committee and to the senior executive management team of the bank.

Compliance Department :

As part of Quds Bank's commitment to and alignment with the requirements of the Basel Committee, the Department of Compliance was established as an independent department focused on supervising adherence to regulations, laws, and legislations issued by the various control parties to achieve sound banking practices. The department has outlined all laws, regulations and instructions regulating the bank's work and all employees have knowledge about the concept of compliance through several training courses and workshops. The bank seeks to ensure the independence of the Compliance Department and continuously provides it with competent and well-trained staff.

The following is the general framework of the Compliance Department's work:

- Preparing, reviewing and updating the compliance guide periodically and as needed.
- Preparing an effective methodology to ensure the bank's compliance with all applicable laws and legislations and any relevant instructions and guidelines.
- Submitting periodic reports on the outcomes of its activities and its monitoring of compliance to the Risk and Compliance Committee of the Board of Directors
- Evaluating and monitoring the application of institutional governance guidelines at the bank.
- Monitoring the application of and compliance with the Foreign American Tax Compliance Act (FATCA).

Anti-Money Laundering and Terrorism Financing Department :

Quds Bank implements the best international and local standards in its fight against money laundering and terrorism financing. The bank also ensures full compliance with all the laws, regulations, instructions, orders, codes of conduct and sound banking standards and practices issued by local and international control entities. In view of international developments and in line with best practices in the field of anti-money laundering and terrorism financing, the bank's management and Board of Directors have approved the establishment of an independent department that focuses on fighting money laundering and terrorism financing through a highly qualified team that set in motion the necessary work measures and policies in this regard. The bank also provides all necessary support to the department so it can carry out its mandate as required and practice its powers independently. The bank has equipped the department with the necessary electronic systems to ensure compliance with financial sanctions in line with its policies and to monitor suspicious and unusual operations to prevent/mitigate the risks of money laundering and terrorism financing and ensure that its financial system is not used for illegal means.

Risk Management Department :

At Quds Bank, the Risk Management Department harnesses mechanisms that identify, measure, manage and monitor risks facing the bank, allowing it to address them and prevent any adverse consequences. The purpose of the department is to promote the principles of return and risk in the bank's results.

The process of risk management does not imply full aversion of risk, because risks are an integral part of the banking business. Thus, the bank takes risk to a certain level as part of its strategy while it expects appropriate financial and non-financial returns in line with the acceptable levels of risk. The Risk Management Department has adopted a methodology based on preventative actions as opposed to corrective ones that aim to prevent risks before they occur.

To fulfill the main objectives of the risk management process on the institutional level, the department's activities cover the following business sectors:

The operational sector and its accompanying operational risks by undertaking the following:

- Using a number of tools to measure and manage operating risks, including updating and developing the records of the risks facing the bank's units and setting control measures that reduce risks to acceptable levels. It also records risk occurrences and builds databases that facilitate risk management and provide reliable historical or chronological data to bridge gaps and address them to maintain a sound monitoring environment.

The credit and investment business sector and its accompanying risks by undertaking the following:

- Monitoring the bank's credit activity and its compliance with the policies and limits approved by the Board of Directors and the Palestinian Monetary Authority, and internationally applied standards to reduce credit risk to acceptable levels, in addition to examining new products for compliance with instructions and policies.
- Examining the bank's solvency and investments and its capability of facing multiple crises according to the policies of the treasury and investment, using tools and rates, such as liquidity rate, legal liquidity, LCR and NSFR, in addition to conducting stress tests to examine the bank's ability to face stressful situations.
- Conducting an internal capital adequacy assessment to calculate the internal capital required to confront all types of risks faced by the bank. This matches the desire to achieve the bank's objectives of determining and measuring all types of risks faced by the bank in accordance with the instructions, limits and controls as per the instructions of the Palestinian Monetary Authority.

Technology and data security sector and its accompanying risks by undertaking the following:

- Evaluating and monitoring information and technology security risks at the bank to inform the senior management team about the real situation of the level of business risks and challenges faced by the bank that are associated with the use of technology as the bank endeavors to achieve its goals and carry out its operations and commercial activities.

- Presenting a clear vision and constructive future strategy to define paths and approaches for action that needs to be followed in order to respond to existing security and technological risks and mitigate their effects, while simultaneously monitoring the policies, procedures and controls related to information security and technology, as well as proposing recommendations and improvements to be adopted to advance their efficiency and sufficiency.
- Monitoring and ensuring the bank›s ability to operate under exceptional circumstances in light of any changes by establishing a business continuity plan and the prior assessment of the needs and requirements of preparing information technology sites.

The Risk Management, Compliance and Anti-Money Laundering Committee at the executive management level follows up by reviewing and assessing the work of the relevant departments and submitting periodic reports on the results of its work to the board's Risk, Compliance and Anti-Money Laundering Committee.

7. External Audit

External audit is another level of control and monitoring of the credibility of the financial statements issued by the bank's accounting and information systems, especially in relation to the clear and candid expression of opinion about the extent of fairness and actuality of these statements. In selecting the external auditor, the bank ensures that they are certified by the Palestinian Monetary Authority and have not received any direct or indirect credit facilities from the bank. The Board of Directors must take into consideration the regular turnover and experience of the auditor with other institutions.

Tasks and responsibilities of the external auditor:

1. Auditing the financial statements and accountancy records of the bank in compliance with IFRS and IAS standards.
2. Complying with minimum disclosure requirements in financial statements issued by the Palestinian Monetary Authority.
3. Observing full confidentiality in accordance with professional codes of conduct.
4. Providing the Review and Audit Committee with a copy of its report.
5. Attending the bank's General Assembly meetings to answer any questions from shareholders.
6. Providing the Palestinian Monetary Authority with a copy of the annual report within a period of two months from the date of the end of the fiscal year. The report should include:

- Any breach of the provisions of the relevant applicable laws and regulations, including the bank's internal instructions.
- The auditor's opinion of the adequacy of the internal monitoring and control systems and the sufficiency of allocations for potential risks.
- A verification of the fairness of the statements given to it during the auditing process.

8. Professional Code of Conduct

7. The bank has adopted a Professional Code of Ethics that has been approved by the Board of Directors and that pledges the compliance of all its personnel and members of the board. The Code of Ethics explains the repercussions of violating any of its articles and specifies the ethics, values and principles required of bank employees in four main aspects: integrity, compliance with laws, transparency and loyalty to the bank.

9. The Relationship with the Shareholders

- The bank maintains positive relationships with all its shareholders and encourages them, especially minor shareholders, to attend the annual meeting of the General Assembly and vote in person or by proxy in their absence.
- Shareholders are sent a copy of the annual report by mail, as well as an invitation to the meeting of the General Assembly, its agenda and all information and media items addressed to shareholders in general.
- Representatives of the external auditor attend the annual meeting of the General Assembly to answer any questions about auditing and the auditor's report.
- Representatives of the Palestinian Monetary Authority are invited to attend the meeting of the General Assembly to learn about the bank's latest advancements.
- Qualified members of the board, who meet the necessary qualifications and conditions, are elected during the annual meeting of the General Assembly upon the end of the board's tenure.
- The external auditor is elected, and their fees are set, or the Board of Directors is delegated to set the fees.
- The sessions and reports of the activities of the bank are documented during the annual meeting of the General Assembly, including the results of any votes and any questions from shareholders concerning their contributions.

10. Transparency and Disclosure

Quds Bank's corporate governance strategy is based on the values of integrity, honesty and objectivity with regard to the decisions taken by the relevant authorities in the bank, as well as transparency, disclosure and openness.

The bank believes in the importance of transparency, disclosure, and openness to good corporate governance, and works to ensure full disclosure of all reliable information provided in a timely manner to assist users in making an accurate assessment about the financial position of the bank, its achievements, activities and risks. The bank also regularly provides information about its activities to all relevant parties, including the Palestinian Monetary Authority, shareholders, depositors and the public in general, while focusing on issues that have a fundamental impact on the bank.

Consolidated Financial Statements

for the year 2022

The external auditor's report

QUDS BANK PUBLIC SHAREHOLDING LTD.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

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Building a better working world

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Quds Bank Ltd.

Opinion

We have audited the consolidated financial statements of Quds Bank Ltd. and its subsidiary (collectively the "Bank"), which comprise the consolidated statement of financial position as at December 31, 2022, the 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), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

<table>
<tr><th colspan="2">Expected Credit Losses "ECL" allowances</th></tr>
<tr><th>Key Audit Matter</th><th>Audit Procedures</th></tr>
<tr><td>
The estimation process of the expected credit losses of credit facilities in accordance with IFRS (9) is important and complex as it requires significant judgement.
IFRS (9) requires the use of the ECL model, which requires the Bank's management to use various assumptions and estimates to determine both the time and value of ECL in addition to applying judgment in determining the inputs within the impairment measurement process, including collaterals and default date.
Given the importance of the provisions applied in IFRS (9) and the credit exposures that form a major part of the Bank's assets, ECL calculation is considered a key audit matter.
Gross credit facilities amounted to U.S. $ 986,492,405 as at December 31, 2022. The related ECL amounted to U.S. $ 48,887,906 as at December 31, 2022.
Accounting policies estimates of the ECL are disclosed in note (3) to the consolidated financial statements.
</td><td>
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 Palestinian 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 aforementioned processes had been designed, applied and effectively implemented; in addition to performing the following assessment procedures:

The Bank's policies related to the ECL provision in accordance with IFRS (9).
Key assumptions and judgments related to the material increase in credit risk, the definition of default, and the use of macroeconomic inputs to verify that the ECL amounts recorded reflect the underlying credit quality and macroeconomic trends.
The appropriateness of the Bank's staging.
The appropriateness of determining Exposure at Default (EAD), including the consideration of the cash flows repayments and the resultant arithmetical calculations.
The appropriateness of the Probability of Defaults (PD), Exposure at Default (EAD) and Loss Given Defaults (LGD) used for different exposures at different stages.
The appropriateness and objectivity of the internal evaluation of credit facilities and financing.
The accuracy and appropriateness of ECL calculation process
Credit facilities transferred between stages, and the determination basis of significant increase in credit facilities and financing risk in regard to timely identification with a significant deterioration in credit quality.
ECL calculation for credit facilities determined to be individually impaired. We also obtained an understanding of the latest developments in estimated future cash flows, current financial position and any rescheduling or restructuring agreements.
Procedures followed for collaterals valuation in accordance with the evaluation policies of the Bank.
Assessed the adequacy of the disclosures to the consolidated financial statements to ensure compliance with IFRS (9). Accounting policies estimates and significant accounting judgements, disclosures of the ECL, and credit risk management are detailed in notes (3, 7, 35 and 45) to the consolidated financial statements.

</td></tr>
</table>

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young - Middle East
License # 206/2012

Sa'ed Abdallah

Ernst + Young

Sa'ed Abdallah
License # 105/2003

March 14, 2023
Ramallah - Palestine

Consolidated Statement of Financial Position
As at December 31, 2022

	Notes	2022 U.S. $	2021 U.S. $
ASSETS			
Cash and balances with Palestine Monetary Authority	4	218,215,090	304,542,685
Balances at banks and financial institutions	5	156,316,304	146,630,106
Financial assets at fair value through profit or loss	6	2,282,792	2,488,548
Direct credit facilities	7	931,522,963	953,112,501
Financial assets at fair value through other comprehensive income	8	30,182,823	25,998,997
Financial assets at amortized cost	9	40,374,262	48,114,360
Investment in an associate	10	1,941,691	1,748,346
Property, plant and equipment	11	17,516,182	23,283,089
Right of use assets	12	13,219,074	14,428,720
Projects in progress	13	14,960,562	10,160,274
Intangible assets	14	3,438,691	3,545,294
Deferred tax assets	15	3,936,122	4,550,157
Other assets	16	18,164,573	23,562,232
Total Assets		1,452,071,129	1,562,165,309
LIABILITIES AND EQUITY			
Liabilities			
Palestine Monetary Authority's deposits	17	56,705,400	96,252,600
Banks and financial institutions' deposits	18	3,652,248	10,688,164
Customers' deposits	19	1,065,538,042	1,068,943,050
Cash margins	20	100,665,184	124,772,513
Subordinated loans	21	6,600,000	9,800,000
Istidama loans from Palestine Monetary Authority	22	13,326,096	13,180,205
Loans and borrowing	23	1,666,667	37,000,000
Lease liabilities	24	13,533,801	14,659,176
Taxes provisions	25	2,617,917	5,617,862
Sundry provisions	26	8,995,084	8,432,605
Other liabilities	27	21,143,428	35,047,808
Total Liabilities		1,294,443,867	1,424,393,983
Equity			
Paid-in share capital	1	100,000,000	96,433,796
Statutory reserve	29	12,905,387	10,874,071
General banking risks reserve	29	1,863,517	-
Pro-cyclicality reserve	29	4,757,269	4,757,269
Fair value reserve	8	4,525,721	1,026,733
Retained earnings		31,292,140	23,084,171
Net equity holders of the Bank		155,344,034	136,176,040
Non-controlling interests	3	2,283,228	1,595,286
Net equity		157,627,262	137,771,326
Total liabilities and equity		1,452,071,129	1,562,165,309

The accompanying notes from 1 to 51 are an integral part of these consolidated financial statements

Consolidated Income Statement
For the year ended December 31, 2022

	Notes	2022 U.S. $	2021 U.S. $
Interest income	30	71,706,554	62,879,701
Interest expense	31	(12,617,264)	(12,973,134)
Net interest income		59,089,290	49,906,567
Net commissions	32	7,709,568	7,854,409
Net interest and commissions income		66,798,858	57,760,976
Foreign currencies gains		8,842,590	7,004,710
Net gains from financial assets portfolio	34	3,424,402	2,065,228
Recovered from expected credit losses	35	5,205,126	5,170,504
Bank's share of results of the associate	10	223,345	181,728
Other revenues, net	33	1,013,311	784,479
Gross profit		85,507,632	72,967,625
Expenses			
Provision for expected credit losses	35	16,210,515	11,900,207
Personnel expenses	36	22,068,418	22,068,814
Other operating expenses	37	16,682,903	12,886,116
Depreciation and amortization	11&12&14	5,611,288	5,557,724
Palestine Monetary Authority's fines	38	-	17,053
Total expenses		60,573,124	52,429,914
Profit before taxes		24,934,508	20,537,711
Taxes expense	25	(4,033,947)	(6,173,078)
Profit for the year		20,900,561	14,364,633
Attributable to:			
Equity holders of the Bank		20,313,151	14,066,133
Non-controlling interests		587,410	298,500
		20,900,561	14,364,633
Basic and diluted earnings per share	39	0.20	0.14

The accompanying notes from 1 to 51 are an integral part of these consolidated financial statements

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

	Notes	2022 U.S. $	2021 U.S. $
Profit for the year		20,900,561	14,364,633
Items of other comprehensive income:			
Items not to be reclassified to the consolidated income statement in subsequent periods:			
Change in financial assets at fair value through other comprehensive income	8	5,253,571	6,999,898
The Bank's share of the other comprehensive income of the associate company		(30,000)	(66,854)
Total comprehensive income for the year		5,223,571	6,933,044
		26,124,132	21,297,677
Attributable to:			
Equity holders of the Bank		25,436,190	20,913,865
Non-controlling Interests		687,942	383,812
		26,124,132	21,297,677

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

	Shareholder ownership of the bank's shareholders								
		Reserves							
	Paid-in Share capital	Statutory	General banking risks	Pro-cyclicality	Fair value	Retained earnings	Equity holders of the Bank	Non-controlling interests	Total Equity
December 31, 2022	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	96,433,796	10,874,071	-	4,757,269	1,026,733	23,084,171	136,176,040	1,595,286	137,771,326
Profit for the year	-	-	-	-	-	20,313,151	20,313,151	587,410	20,900,561
Other comprehensive income items	-	-	-	-	5,123,039	-	5,123,039	100,532	5,223,571
Total comprehensive income for the year	-	-	-	-	5,123,039	20,313,151	25,436,190	687,942	26,124,132
Transfers to reserves	-	2,031,316	1,863,517	-	-	(3,894,833)	-	-	-
Gains on sale of financial assets recognized directly in retained earnings	-	-	-	-	(1,624,051)	1,624,051	-	-	-
Stock dividends (note 28)	3,566,204	-	-	-	-	(3,566,204)	-	-	-
Cash dividends (note 28)	-	-	-	-	-	(6,268,196)	(6,268,196)	-	(6,268,196)
Balance, end of the year	100,000,000	12,905,387	1,863,517	4,757,269	4,525,721	31,292,140	155,344,034	2,283,228	157,627,262

	Shareholder ownership of the bank's shareholders								
		Reserves							
	Paid-in Share capital	Statutory	General banking risks	Pro-cyclicality	Fair value	Retained earnings	Equity holders of the Bank	Non-controlling interests	Total Equity
December 31, 2021	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	93,172,750	9,467,445	3,182,400	4,757,269	(3,097,775)	11,972,860	119,454,949	1,083,974	120,538,923
Profit for the year	-	-	-	-	-	14,066,133	14,066,133	298,500	14,364,633
Other comprehensive income items	-	-	-	-	6,847,732	-	6,847,732	85,312	6,933,044
Total comprehensive income for the year	-	-	-	-	6,847,732	14,066,133	20,913,865	383,812	21,297,677
Gains on sale of financial assets recognized directly in retained earnings	-	-	-	-	(2,723,224)	2,723,224	-	-	-
Change in non-controlling interest	-	-	-	-	-	-	-	127,500	127,500
Transfers to reserves	-	1,406,626	-	-	-	(1,406,626)	-	-	-
Stock dividends (note 28)	3,261,046	-	(3,182,400)	-	-	(78,646)	-	-	-
Cash dividends (note 28)	-	-	-	-	-	(4,192,774)	(4,192,774)	-	(4,192,774)
Balance, end of the year	96,433,796	10,874,071	-	4,757,269	1,026,733	23,084,171	136,176,040	1,595,286	137,771,326

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

	Notes	2022 U.S. $	2021 U.S. $
Operating activities			
Profit before taxes		24,934,508	20,537,711
Adjustments for:			
Depreciation and amortization		5,611,288	5,557,724
Provision for expected credit losses, net		11,005,389	6,729,703
Recognized gains on sale of financial assets at fair value through profit or loss		(516,932)	(559,768)
Unrecognized gains on valuation of financial assets at fair value through profit or loss		(1,127,221)	(615,316)
Lawsuits provision		330,000	100,000
End of service provision		1,875,209	1,913,782
Interest on lease liabilities		443,817	521,014
Interest on bonds		(1,283,147)	(1,412,922)
Bank's share of results of the associate		(223,345)	(181,728)
Cash dividends		(1,780,249)	(890,144)
Losses on disposal and impairment of property, plant and equipment		1,646,400	111,955
Other non-cash items		492,765	186,160
		41,408,482	31,998,171
Changes in assets and liabilities:			
Credit facilities		10,839,400	(113,451,751)
Statutory cash reserve at Palestine Monetary Authority		(65,069)	(12,093,983)
Restricted cash		896,042	4,380,008
Other assets		8,422,686	(5,210,350)
Customers' deposits		(3,405,008)	58,046,240
Palestine Monetary Authority's deposits maturing after 3 months		(39,547,200)	59,419,959
Cash margins		(24,107,329)	35,656,672
Other liabilities		(13,825,733)	(4,062,612)
Net cash flows (used in) from operating activities before taxes and paid provision		(19,383,729)	54,682,354
Employees' end of service provision paid		(1,630,334)	(1,256,429)
Legal provision paid		(12,396)	-
Taxes paid		(6,912,497)	(3,192,206)
Net cash flows (used in) from operating activities		(27,938,956)	50,233,719
Investing activities:			
Deposits at banks and financial institutions mature in more than three months		7,089,503	(7,373,030)
Change in financial assets at amortized cost		7,255,245	(15,515,631)
Purchase of financial assets at fair value through other comprehensive income		(1,733,320)	(7,835,685)
Sale of financial assets at fair value through other comprehensive income		2,802,940	2,734,242
Purchase of financial assets at fair value through profit or loss		(1,295,485)	(2,347,344)
Sale of financial assets at fair value through profit or loss		3,145,394	1,118,620
Change in Project in progress		(5,230,714)	(2,704,949)
Purchase of property, plant and equipment		(1,335,260)	(1,511,990)
Sale of property, plant and equipment		-	99,286
Intangible assets		(1,125,099)	(1,052,245)
Interest on bonds received		1,189,349	1,550,996
Cash dividends received		1,780,249	890,144
Net cash flows from (used in) investing activities		12,542,802	(31,947,586)
Financing activities:			
Payments of lease liabilities		(1,784,168)	(1,712,182)
Cash dividends paid		(6,268,196)	(4,429,237)
Subordinated loans		(3,200,000)	(3,200,000)
Istidama loans from Palestine Monetary Authority		145,891	3,369,605
Loans and borrowing		(35,333,333)	37,000,000
Change in non-controlling interest		-	127,500
Net cash flows (used in) from financing activities		(46,439,806)	31,155,686
(Decrease) Increase in cash and cash equivalents		(61,835,960)	49,441,819
Cash and cash equivalents, beginning of the year		311,024,689	261,582,870
Cash and cash equivalents, end of the year	40	249,188,729	311,024,689
Interest expense paid		12,108,846	13,850,288
Interest revenue received		71,484,995	62,700,654

The accompanying notes from 1 to 51 are an integral part of these consolidated financial statements

1. General

Quds Bank (the bank) was established as a public shareholding limited company on April 2, 1995 in Gaza under No. (563200880) in accordance with the Companies Law, with a capital of U.S. $ 20,000,000 at a par value of U.S. $ 1 per share. The Bank started its banking activities in Palestine on January 18, 1997. The Bank's shares were listed for trading on the Palestine Securities Exchange during 2005. The Bank is subject to the Banks Law and the instructions of Palestine Monetary Authority (PMA). During the period from 2005 to December 31, 2022, the Bank increased the authorized, subscribed, and paid-in capital to reach U.S. $ 100,000,000 at a par U.S. $ 1 par value.

The Bank carries out all of its banking and investing activities which include opening current accounts, letters of credit, accepting deposits and lending money through its (26) branches and (12) offices located in Palestine, in addition to one representation office in Jordan as of December 31, 2022.

The Bank's personnel reached (759), and (734) as at December 31,2022, and 2021, respectively.

The consolidated financial statements were authorized for issuance by the Bank's Board of Directors on February 27, 2023.

2. Consolidated Financial Statements

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

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

	Country of incorporation and operations	Main activity	Ownership	Subscribed capital December 31, 2022
Sadara for financial investments company	Palestine	Brokerage	60%	3,000,000

The subsidiary commenced its business during the year 2020.

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

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

3. Accounting Policies

3.1 Basis of consolidation of financial statements

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

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

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

The Bank re-assesses whether or not it controls investees if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of 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 a change in the percentage of ownership in a subsidiary (without losing control of it) is recorded as transactions between owners.

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

The bank records the non-controlling interest share from losses even if there is a deficit in the non-controlling interest's equity.

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

3.2 Basis of preparation

The consolidated financial statements as at December 31, 2022 have been prepared in accordance with the International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB).
The Bank complies with the applicable local laws and the instructions of the PMA.

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

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

3.3 Changes in accounting polices

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended on December 31, 2021, except that the Bank applied certain amendments to the standards, which are effective for annual periods beginning on or after 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 Financial Statements.

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

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

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, the Bank recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

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

<u>Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS (37)</u>

In May 2020, the IASB issued amendments to IAS (37) to specify which costs the Bank 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.

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

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

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

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

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS (9). The amendment clarifies the fees that 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.

The Bank applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the Bank 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

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

Amendments to 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 the Bank will exercise its deferral right,
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

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

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

Definition of Accounting Estimates - Amendments to IAS (8)

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

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

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

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

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

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

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

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

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

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

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

The Bank is currently assessing the impact of the amendments to determine the impact on the Bank’s accounting policy disclosures.

4. Summary of Significant Accounting Policies

Revenue’s recognition

The effective interest rate method

According to IFRS (9), interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortized cost, financial instruments designated at fair value through profit or loss (FVTPL). Interest income on interest bearing financial assets measured at fair value through other comprehensive income (FVOCI) under IFRS (9). The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

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

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

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

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

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

Fee and commission income from providing services where performance obligations are satisfied at a limited period of time
These fees include what is collected through services provided during a specific period of time, as they are calculated for the same period, and include credit commissions and fees for providing the custodian service so that the customer receives and benefits from the benefits provided by the bank at the same time.

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Instruments – Initial Recognition

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

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

Day 1 profit or loss
When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognizes the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized.

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

- Amortized cost
- FVOCI
- FVTPL

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

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

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

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

The details of these conditions are outlined below:

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

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

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank'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 to identify whether they meet the SPPI test.

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

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

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

Derivatives recorded at fair value through profit or loss

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

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

Equity instruments at FVOCI

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

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

Financial assets at fair value through profit or loss

Financial assets and financial liabilities at FVTPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVTPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earnt on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in profit or loss as other operating income when the right to the payment has been established.

Financial assets at amortized cost

The financial assets that the Bank's management aims to maintain according to its business model to collect contractual cash flows, which represents payments from principal and interest on the outstanding debt balance.

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

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

Financial assets may not be reclassified from/to this item except in the cases specified by the International Financial Reporting Standards (IFRS) (in the event that any such asset is sold before its maturity date, the result of the sale will be recorded in the consolidated income statement in a separate item and disclosed in accordance with the requirements of IFRS in particular).

Financial guarantees, letters of credit and unutilized facilities ceilings

The Bank issues financial guarantees, letters of credit and loan commitments.

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

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

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

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

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

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

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

Derecognition other than for substantial modification

A. Financial assets

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

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

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

Or

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

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

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates

- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients

- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

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

Or

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

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

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Bank’s continuing involvement, in which case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

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

B. Financial liabilities

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

Impairment of financial assets

Overview of the ECL principles

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

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

The ECL allowance is based on the credit losses expected to arise over12 months’ expected credit loss (12mECL). Unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the life of the asset (the lifetime expected credit loss or “LTECL”).

The 12mECL is 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.

Both LTECLs and 12mECLs are calculated on either an individual basis or collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has 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 12mECLs.
Stage 2	When a financial asset has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs.
Stage 3	Financial assets considered credit-impaired. The Bank records an allowance for the LTECLs.

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

<u>The calculation of ECLs</u>

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

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 based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities.

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

Bad debt not previously provided for and written off
The facilities that its borrower passed away and do not have sufficient collaterals are written-off in accordance with PMA instructions.

Forborne and modified facilities
The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to the otherwise enforce collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage (2) and Stage (3) are determined on a case-by-case basis.

Lease Contracts

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

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

Payments of operating leases are recognized as expenses on a straight-line basis over the lease term, of fifteen years.

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.

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.

Investment in associates

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

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

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

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

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

Property, plant and equipment

Property, plant and equipment are stated at cost, 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. 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 (except for land) as follows:

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

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.

Business combinations and goodwill

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

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

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

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

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

Where goodwill forms part of a cash-generating unit, and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

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.

Intangible Assets

Other intangible assets

- Other intangible assets acquired through mergers are stated at fair value at the date of acquisition, while other intangible assets (not acquired through mergers) are recorded at cost.
- Intangible assets are to be classified on the basis of either definite or indefinite useful life. Intangible assets with definite useful economic lives are amortized over their useful lives using the straight-line method and recorded as an expense in the consolidated statement of income. Intangible assets with indefinite lives are reviewed for impairment as of the consolidated financial statements date, and impairment loss is recorded in the consolidated statement of income.
- Intangible assets resulting from the banks operations are not capitalized. They are rather recorded in the consolidated statement of income in the same period.

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

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

Financial derivatives

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

Derivatives held for hedging purposes

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

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

Assets obtained by the Bank by calling on collateral
Assets obtained by the Bank by calling on collateral are stated in the consolidated statement of financial position under "Other assets" at the lower of the carrying value or fair value of the assets. These assets are revaluated individually at the date of the consolidated financial statements at fair value. Any impairment loss is recorded in the consolidated income statement. However, any appreciation in the assets' value is not recorded as gain. Subsequently, the gain resulted from the appreciation of the assets value is recorded in the consolidated income statement to the extent of the impairment loss previously recorded.

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

Offsetting
Financial assets and 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.

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

Assets under management on behalf of customers

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

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

Taxes provision

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

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

Provision for end of service indemnity

Provision for employees' end of service indemnity is estimated in accordance with the Labor Law effective in Palestine and the Bank's personnel policy. The bank prepares actuarial study to ensure that the calculated provision is in compliance with IAS 19 requirements.

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 average 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 U.S. $ 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

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

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

Cash and cash equivalents

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

Segments information

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

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

Use of estimates

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

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

- Risk management (note 45)
- Capital management (note 48)

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

Useful lives of tangible and intangible assets

The Bank's management reassesses the useful lives of tangible and intangible assets. Regularly to determine the annual depreciation and amortization according to the condition of these assets and the expected future useful lives, any impairment is recognized in the consolidated income statement, and makes adjustments if applicable, at each financial year end.

Legal case provision

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

Provision for employees' benefits

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

Provision for income tax

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

Fair Value of financial instruments

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

Impairment of non-financial assets

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

Determine the lease term for contracts with renewal and termination options

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

Provision for expected credit losses (ECL)
The provision for ECL is reviewed in accordance with the principles established by the Palestinian 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.

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 and SMEs portfolio: individual basis at facility /customer level
- Deposits at Financial Institutions and PMA: individual basis at facility / bank level
- Debt instruments measured at amortized cost (bonds): individual basis at instrument level.

Inputs, assumptions and techniques used for ECL calculation – IFRS 9 methodology
Key concepts in IFRS 9 that have the most significant impact and require a high level of judgment, as considered by the Bank while determining the impact assessment, are:

- Assessment of significant increase in credit risk (SICR)

To assess whether the credit risk on a financial asset has increased significantly since origination, the Bank compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Bank’s existing risk management processes.

The assessment of significant increases in credit risk will be performed quarterly for each individual exposure based on the following factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage (1) to Stage (2):

- Management has established thresholds for significant increases in credit risk based on movement in the customer’s internal credit grade and the related PDs relative to initial recognition.
- 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-day 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 substantial increase for customers who are reported to the bank by regulatory and governmental authorities as having high risks.
- The bank assumes a substantial 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-day period if the bank has reasonable and supported information without incurring unnecessary costs or efforts that show that the credit risk has not increased significantly since the initial recognition.
- Non-performing credit facilities for government employees in Gaza Strip and West Bank.

Movements between Stage (2) and Stage (3) are based on whether financial assets are credit -impaired as at the reporting date. The determination of credit-impairment under IFRS 9 will be similar to the individual assessment of financial assets for objective evidence of impairment under IAS (39), as mentioned 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.

PD, Loss Given Default (LGD) and Exposure at Default (EAD) inputs used to estimate Stage (1), Stage (2), and Stage (3) credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

Each macroeconomic scenario used in our expected credit loss calculation will have forecasts of the relevant macroeconomic variable.

The estimation of expected credit losses in Stage (1) and Stage (2) will be a discounted probability- weighted estimate that considers a minimum of three future macroeconomic scenarios.

The base case scenario will be based on macroeconomic forecasts (e.g. GDP, and unemployment rate). Upside and downside scenarios will be set relative to the base case scenario based on reasonably possible alternative macroeconomic conditions.

- Definition of default

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

- Expected Life

When measuring 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.

IFRS (9) governance

To ensure proper compliance of the IFRS (9) implementation, a steering committee was formed consisting of the Chief Risk Officer, Chief Credit Officer, Chief Financial Officer, Financial Controller and Head of IT department with the responsibilities to provide decisions /feedback on the work plan regarding implementation and adoption of IFRS (9) to ensure all relevant policies and procedures are updated in line with the new requirements and systems are modified / updated for the new requirements, in addition to present the ECL results to the top management and related Committees of the Board of Directors.

Material Partly Owned Subsidiary

The following is the financial information about Sadara Financial Investments Company (Sadara), which is not wholly owned by the Bank and has material interests of non-controlling parties:

Name of the company	Country of incorporation and operations	2022	2021
		%	%
Sadara for financial investments company	Palestine	40	40
		U.S. $	U.S. $
Non-Controlling Interest		2,283,228	1,595,286
Profit allocated to non-controlling interest		587,410	298,500
Share of non-controlling interests in other comprehensive income		100,532	85,312

A summary of subsidiaries' financial information before eliminating all intra-bank balances and transaction are provided below:

Summarized statement of financial position as of December 31,2022:

	2022	2021
	U.S. $	U.S. $
Balances at banks and financial institutions	1,161,981	983,915
Financial assets at fair value through profit or loss statement	2,265,867	1,138,646
Financial assets at fair value through other comprehensive income	2,386,827	1,998,883
Other assets	-	5,208
Total Assets	5,814,675	4,126,652
Net equity holders	5,708,070	4,126,652
Non-controlling interests	2,283,228	1,595,286

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

	2022	2021
	U.S. $	U.S. $
Interest Revenue	9,495	24,903
Net profit of a portfolio of financial assets	1,441,505	869,467
	1,451,000	894,370
Financing Expenses	-	(956)
Foreign currency exchange differences	314	(6,322)
General and administrative expenses	(68,045)	(3,678)
Profit before tax	1,383,269	883,414
Income tax recovery (expense)	85,257	(136,691)
Net income	1,468,526	746,723
Return to Bank's Shareholders	881,116	448,223
Return to Non-Controlling Interests	587,410	298,500

Summary of other comprehensive income statement data for the year ended December 31, 2022:

	2022	2021
	U.S. $	U.S. $
Profit of the year	1,468,526	747,038
Other comprehensive income items	251,330	213,278
Gross comprehensive income	1,719,856	960,316
Return to the Bank's shareholders	1,031,914	576,504
Returns to non-controlling parties	687,942	383,812

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

	2022	2021
	U.S. $	U.S. $
Operating Activities	61,168	10,014
Investment Activities	(518,108)	(1,914,937)
Financing Activities	278,874	171,404
Decrease in cash and cash equivalent	(178,066)	(1,733,519)

4. Cash and Balances with Palestine Monetary Authority

This item comprises the following:

	2022	2021
	U.S. $	U.S. $
Cash on hand *	108,846,736	172,518,174
Balances with PMA:		
Current and demand accounts	2,232,375	24,953,601
Statutory cash reserve	107,135,979	107,070,910
	218,215,090	304,542,685

- According to PMA instructions number (10/2022) the Bank shall maintain statutory cash reserves with PMA at 9% of deposits included in the mandatory reserve, in addition to 100% of the stagnant balances. 20% of this reserve is allocated to offset the results of clearing and settlements under the name of "settlement reserve". The Bank may not dispose of the mandatory reserve with PMA, except for the settlement reserve, which the Bank is allowed to utilize in accordance with the instructions in force. PMA does not pay any interest on mandatory reserve balances.
- PMA does not pay interest on current accounts.

* This item includes amounts held by Aman Company (money transportation company) related to cash shipment and ATM Feeding, which amounted to U.S $ 5,379,898 and U.S. $ 6,014,550 as of December 31, 2022, and 2021, respectively.

5. Balances at Banks and Financial Institutions

This item comprises the following:

	2022	2021
	U.S. $	U.S. $
Local banks and financial institutions:		
SWAP Deposits maturing within 3 months	532,100	10,000,000
	532,100	10,000,000
Foreign banks and financial institutions:		
Current and demand accounts	46,132,394	82,633,350
Deposits maturing within 3 months	109,370,130	46,776,528
Deposits maturing after 3 months	283,527	7,373,030
	155,786,051	136,782,908
	156,318,151	146,782,908
Provision for expected credit losses	(1,847)	(152,802)
	156,316,304	146,630,106

- Non-interest-bearing balances at banks and financial institutions as at December 31, 2022 and 2021 amounted to U.S. $ 46,664,494 and U.S. $ 92,633,350, respectively.
- Restricted balances at banks and financial institutions as at December 31, 2022 and 2021 amounted to U.S. $ 14,272,758 and U.S. $ 15,168,800, respectively.

The movement on the gross carrying amount of the balances at banks and financial institutions as of December 31, 2022, and 2021 is as follows:

	2022			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	146,782,908	-	-	146,782,908
Net change during the year	9,535,243	-	-	9,535,243
Balance, ending of the year	156,318,151	-	-	156,318,151

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	147,696,096	-	-	147,696,096
Net change during the year	(913,188)	-	-	(913,188)
Balance, ending of the year	146,782,908	-	-	146,782,908

The movement on 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. $
As of January 1, 2022	152,802	-	-	152,802
Recovery of expected credit losses for the year, net	(150,955)	-	-	(150,955)
As of December 31, 2022	1,847	-	-	1,847

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
As of January 1, 2021	152,802	-	-	152,802
Expected credit loss for the year	-	-	-	-
As of December 31, 2021	152,802	-	-	152,802

6. Financial Assets at Fair Value Through Profit or Loss

This item comprises the following:

	2022	2021
	U.S. $	U.S. $
Shares quoted in Palestine Securities Exchange	16,925	84,740
Shares quoted in foreign financial markets	2,265,867	2,403,808
	2,282,792	2,488,548

7. Direct Credit Facilities

This item comprises the following:

	2022	2021
	U.S. $	U.S. $
Retails		
Loans*	288,034,481	314,004,316
Overdrafts accounts	7,983,021	8,615,409
Credit cards	4,127,376	3,574,296
Overdrawn accounts on demand	106,221	90,321
Medium and small enterprises		
Loans*	187,039,708	202,251,593
Overdrafts accounts	34,322,380	34,464,228
Credit cards	909,874	745,826
Overdrawn accounts on demand	706,776	1,777,045
Corporates		
Loans*	274,566,438	266,734,705
Overdrafts accounts	40,101,545	31,590,516
Credit cards	84,628	165,861
Overdrawn accounts on demand	647,822	465,744
Government and public sector		
Loans*	147,862,135	137,957,129
	986,492,405	1,002,436,989
Suspended interests and commissions	(6,081,536)	(5,699,693)
Provision for expected credit losses	(48,887,906)	(43,624,795)
	931,522,963	953,112,501

- Loans are presented net of their related interest and commission received in advance which amounted to U.S. $ 584,992 and U.S. $ 882,736 as at December 31, 2022 and 2021, respectively.
- Non-performing direct credit facilities net of suspended interests and commissions according to PMA regulations as at December 31, 2022 and 2021 amounted to U.S. $122,677,048 and U.S. $ 89,573,119 representing (12.51%) and (8.99%) of credit facilities net of suspended interests and commissions, respectively.
- Defaulted credit facilities net of suspended interests and commissions according to PMA regulations as at December 31, 2022 and 2021 amounted to U.S. $ 65,559,619 and U.S. $ 41,155,758 representing 6.69% and 4.13% of credit facilities net of suspended interests and commissions, respectively.
- According to PMA instructions number (1/2008), defaulted credit facilities for more than 6 years were excluded from the consolidated financial statements. These defaulted credit facilities amounted to U.S. $ 24,713,553 and U.S. $ 21,328,714 as at December

31, 2022 and 2021, respectively. These balances includes suspended interests and commissions for defaulted accounts amounted to U.S. 9,500,303 and U.S. $ 9,511,556, respectively.

- Direct credit facilities granted to Palestine National Authority amounted to U.S. $ 147,862,135 and U.S. $137,957,129 as at December 31, 2022 and 2021 representing 14.99% and 13.76% of total direct credit facilities, respectively.
- Credit facilities granted to non-residents amounted to U.S. $4,577,857 and U.S. $ 5,402,921 as at December 31, 2022 and 2021, respectively.
- Direct credit facilities granted to the public sector employees as at December 31, 2022 and 2021 amounted to U.S. $ 207,072,954 and U.S. $ 219,440,707 representing 22.23% and 23.02% of net direct credit facilities, respectively. Which also represents 135.66% and 141.25% of regulatory capital as of December 31, 2022 and 2021, respectively.
- The fair value of collaterals obtained in lieu of direct credit facilities amounted to U.S. $ 377,381,560 and U.S. $460,716,966 as at December 31, 2022 and 2021, respectively.

Suspended interests and commissions

Following is the movement on the suspended interests and commissions:

	2022	2021
	U.S. $	U.S. $
Balance, beginning of the year	5,699,693	3,942,658
Suspended interests and commissions during the year	2,036,997	3,181,019
Suspended interests and commissions transferred to revenues during the year	(820,012)	(1,158,604)
Suspended interests and commissions related to credit facilities being defaulted for more than 6 years.	(610,806)	(272,820)
Written off interest during the year	(411,305)	-
Currency variance	186,969	7,440
Balance, end of the year	6,081,536	5,699,693

The movement on the gross carrying amount on 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	695,870,029	259,711,509	46,855,451	1,002,436,989
Net change during the year	40,264,489	(37,457,636)	(14,659,475)	(11,852,622)
Transfers to stage (1)	119,289,803	(119,038,140)	(251,663)	-
Transfers to stage (2)	(67,585,887)	68,887,370	(1,301,483)	-
Transfers to stage (3)	(4,957,596)	(34,051,155)	39,008,751	-
Defaulted direct credit facilities for more than 6 years	-	-	(4,091,962)	(4,091,962)
Balance, end of the year	782,880,838	138,051,948	65,559,619	986,492,405

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	691,998,958	152,929,369	44,056,911	888,985,238
Net change during the year	107,807,630	5,624,667	1,509,853	114,942,150
Transfers to stage (1)	33,029,466	(33,029,466)	-	-
Transfers to stage (2)	(134,780,151)	134,780,151	-	-
Transfers to stage (3)	(2,185,874)	(593,212)	2,779,086	-
Defaulted direct credit facilities for more than 6 years	-	-	(1,490,399)	(1,490,399)
Balance, end of the year	695,870,029	259,711,509	46,855,451	1,002,436,989

Provision for Expected Credit Losses

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

	2022			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
As of January 1, 2022	4,831,167	10,691,972	28,101,656	43,624,795
Additions during the year	600,003	3,640,000	11,886,981	16,126,984
Recovered during the year	-	-	(4,869,842)	(4,869,842)
Transferred to stage (1)	4,043,412	(4,006,201)	(37,211)	-
Transferred to stage (2)	(167,735)	847,543	(679,808)	-
Transferred to stage (3)	(15,740)	(7,100,176)	7,115,916	-
Net re-measurement of expected credit loss provision during the year	(395,114)	(561,423)	701,279	(255,258)
Written off facilities	-	-	(22,499)	(22,499)
Write off for defaulted direct credit facilities provisions for more than 6 years	-	-	(4,091,962)	(4,091,962)
Foreign currency exchange differences	-	-	(1,624,312)	(1,624,312)
As of December 31, 2022	8,895,993	3,511,715	36,480,198	48,887,906

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
As of January 1, 2021	7,386,006	6,075,840	24,612,260	38,074,106
Transferred to stage (1)	1,361,515	(1,361,515)	-	-
Transferred to stage (2)	(5,451,145)	5,451,145	-	-
Transferred to stage (3)	(45,969)	(14,844)	60,813	-
Net re-measurement of expected credit loss provision during the year	1,580,760	541,346	4,668,409	6,790,515
Write off for defaulted direct credit facilities provisions for more than 6 years	-	-	(1,490,399)	(1,490,399)
Written off facilities	-	-	30,797	30,797
Foreign currency exchange differences	-	-	219,776	219,776
As of December 31, 2021	4,831,167	10,691,972	28,101,656	43,624,795

A summary of the movement on the expected credit loss provision for direct credit facilities that have been impaired for more than 6 years is as follows:

	2022	2021
	U.S. $	U.S. $
Balance, beginning of the year	11,479,879	9,899,943
Transferred from on-Balance sheet provision	4,091,962	1,490,399
Recovered during the year	(335,284)	(134,812)
Additions during the year	83,538	-
Written off provision	(12,358)	-
Foreign currency exchange differences	(713,885)	224,349
Balance, end of the year	14,593,852	11,479,879

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

	2022	2021
	U.S. $	U.S. $
Public sector	147,862,135	137,957,129
Real estate loans	219,775,522	209,430,854
Lands	9,831,537	18,561,737
Commercial and manufacturing financing	240,191,424	240,572,391
Agriculture	30,627,533	35,726,759
Tourism	5,857,481	6,427,995
Transportation	1,765,512	1,981,917
Public services sector	98,164,858	99,329,258
Financial services sector	61,415,021	44,057,978
Consumer commodities	157,325,634	195,716,428
Vehicles financing	7,594,212	6,974,850
	980,410,869	996,737,296

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

	31 December 2022			
	Granted amount	Outstanding Balance	Guarantor coverage	Defaulted
Facilities Type	U.S. $	U.S. $	%	U.S. $
Medium and small projects	22,354,292	12,340,749	30-70	375,251

	31 December 2021			
	Granted amount	Outstanding Balance	Guarantor coverage	Defaulted
Facilities Type	U.S. $	U.S. $	%	U.S. $
Medium and small projects	13,422,928	7,828,943	30-70	487,658

8. Financial Assets at Fair Value Through Other Comprehensive Income

	2022	2021
	U.S. $	U.S. $
Quoted shares in Palestine Security Exchange	2,179,899	2,318,555
Quoted shares in foreign financial markets	27,263,174	22,940,692
Unquoted shares	739,750	739,750
	30,182,823	25,998,997

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

	2022	2021
	U.S. $	U.S. $
Balance, beginning of the year	1,026,733	(3,097,775)
Change in fair value through other comprehensive income	5,123,039	6,847,732
Gains on sale of financial assets at fair value through other comprehensive income recognized directly in retained earnings	(1,624,051)	(2,723,224)
Balance, end of the year	4,525,721	1,026,733

9. Financial Assets at Amortized Cost

Financial assets at amortized cost comprise the following:

	2022	2021
	U.S. $	U.S. $
Government Treasury bills*	6,915,545	22,999,629
Local bonds – unquoted *	7,821,000	8,160,000
Foreign bonds - unquoted **	26,272,211	17,104,372
	41,008,756	48,264,001
Provision for expected credit losses	(634,494)	(149,641)
	40,374,262	48,114,360

* This item represents treasury bills maturing within a period less than three months to one year. The interest rates range between 4.5% to 8%.

** Interest rates on these bonds range between 3.75% to 5% and maturity within a period less than one year to five years.

***Interest rates range between 5% to 7.50% and maturity within a period less than one year to five years.

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

	2022			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	48,264,001	-	-	48,264,001
Investments during the year	16,220,028	-	-	16,220,028
Matured investments	(23,475,273)	-	-	(23,475,273)
Balance, end of the year	41,008,756	-	-	41,008,756

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	32,748,370	-	-	32,748,370
Investments during the year	31,567,817	-	-	31,567,817
Matured investments	(16,052,186)	-	-	(16,052,186)
Balance, end of the year	48,264,001	-	-	48,264,001

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

	2022			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
As of January 1, 2022	149,641	-	-	149,641
Expected credit losses for the year	484,853	-	-	484,853
As of December 31, 2022	634,494	-	-	634,494

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
As of January 1, 2021	75,641	-	-	75,641
Expected credit losses for the year	74,000	-	-	74,000
As of December 31, 2021	149,641	-	-	149,641

10. Investment in an associate

	Ownership		Book Value	
	2022	2021	2022	2021
	%	%	U.S. $	U.S. $
Experts Turnkey Solution Co.*	32	32	1,941,691	1,748,346
			1,941,691	1,748,346

* Experts Turnkey Solutions is an advanced IT company which focuses on delivering high quality and reliable technology solutions to customers to help them maintain continuity, productivity, security, data integrity and systems.

Experts Turnkey Solutions Company is a private shareholding company registered with the Palestine Ministry of National Economy, on December 28, 2010, under registration number (562508416), with a capital of U.S. $ 1,369,231.

Following is summarized information related to the Bank’s investment in its associate:

	2022	2021
The financial position of the associate:	U.S. $	U.S. $
Total assets	8,478,650	6,998,136
Total liabilities	4,376,097	3,482,889
Total equity	4,102,553	3,515,247
Book value before adjustments	1,312,817	1,124,879
Adjustments	628,874	623,467
Book value after adjustments	1,941,691	1,748,346
Revenues and results of operations:		
Total Revenues	2,847,754	2,708,511
Net Profit	694,154	566,646
Other comprehensive income	(93,700)	(208,918)
Total comprehensive income	600,454	357,728
Bank’s share of results of the associate	223,345	181,728
Bank's share of other comprehensive income	(30,000)	(66,854)

Following is a summary of changes on investment value in its associate:

	2022	2021
	U.S. $	U.S. $
Balance, beginning of the year	1,748,346	1,633,472
Bank’s share of results of the associate	223,345	181,728
Bank's share of other comprehensive income	(30,000)	(66,854)
Balance, end of the year	1,941,691	1,748,346

11. Property, Plant and Equipment

Following is the movement on property, plant and equipment as of December 31,2022:

2022	Land U.S. $	Buildings U.S. $	Furniture and equipment U.S. $	Computers and Software U.S. $	Vehicles U.S. $	Leasehold improvements U.S. $	Total U.S. $
Cost:							
Balance, beginning of the year	8,823,579	3,962,906	4,631,565	12,374,534	567,925	18,127,711	48,488,220
Additions and transfers from project in progress	-	-	60,674	1,328,820	89,997	286,195	1,765,686
Disposals	(1,244,019)	(3,962,906)	(742,146)	(1,454,459)	(87,000)	(2,104,474)	(9,595,004)
Balance, end of the year	7,579,560	-	3,950,093	12,480,518	570,922	16,309,432	40,658,902
Accumulated Depreciation:							
Balance, beginning of the year	-	978,860	3,775,112	6,907,579	293,254	13,250,326	25,205,131
Depreciation for the year	-	74,416	412,305	1,241,193	81,251	1,177,999	2,987,164
Disposals	-	(1,053,276)	(680,734)	(1,262,686)	(52,804)	(2,000,075)	(5,049,575)
Balance, end of the year	-	-	3,506,683	7,117,709	321,701	12,428,250	23,142,720
Net book value							
December 31, 2022	7,579,560	-	443,410	5,362,809	249,221	3,881,182	17,516,182

The value of fully depreciated property, plant and equipment that are still used in the Bank's activities amounted to $13,111,295 and $10,760,746 as of December 31, 2022 and 2021, respectively.

Following is the movement on property, plant and equipment as of December 31,2021:

2021	Land U.S. $	Buildings U.S. $	Furniture and equipment U.S. $	Computers and Software U.S. $	Vehicles U.S. $	Leasehold improvements U.S. $	Total U.S. $
Cost:							
Balance, beginning of the year	8,823,579	4,059,034	4,640,832	12,012,690	632,368	17,582,376	47,750,879
Additions and transfers from project in progress	-	-	58,214	1,101,303	-	545,335	1,704,852
Disposals	-	(96,128)	(67,481)	(739,459)	(64,443)	-	(967,511)
Balance, end of the year	8,823,579	3,962,906	4,631,565	12,374,534	567,925	18,127,711	48,488,220
Accumulated Depreciation:							
Balance, beginning of the year	-	966,528	3,394,421	6,436,287	247,325	11,877,931	22,922,492
Depreciation for the year	-	81,180	437,486	1,063,851	83,997	1,372,395	3,038,909
Disposals	-	(68,848)	(56,795)	(592,559)	(38,068)	-	(756,270)
Balance, end of the year	-	978,860	3,775,112	6,907,579	293,254	13,250,326	25,205,131
Net book value							
December 31, 2021	8,823,579	2,984,046	856,453	5,466,955	274,671	4,877,385	23,283,089

12. Right of use assets

Following is the movement on the right of use assets:

	2022	2021
	U.S. $	U.S. $
Balance, beginning of the year	14,428,720	15,567,777
Additions during the year	297,670	364,323
Disposals for the year	(39,299)	-
Depreciation during the year	(1,468,017)	(1,503,380)
Balance, end of the year	13,219,074	14,428,720

13. Projects in Progress

The item includes the cost of the construction of the Banks' new headquarter and other projects. Following is the movement on the projects in progress:

	2022	2021
	U.S. $	U.S. $
Balance, beginning of the year	10,160,274	7,648,187
Additions during the year	5,230,714	2,704,949
Transfers to property, plant and equipment (note 11)	(430,426)	(192,862)
Balance, end of the year	14,960,562	10,160,274

As at December 31, 2022, the estimated cost to complete projects in progress amounted to U.S. $15,952,950. Projects are expected to be completed during 2023.

14. Intangible Assets

This item comprises the following:

	2022	2021
	U.S. $	U.S. $
Computer software and others	2,649,760	2,362,923
Intangible assets resulted from acquisition*	788,931	1,182,371
	3,438,691	3,545,294

* This item represents the fair value of the intangible assets associated with core customer deposits resulted from the Bank's acquisition of the assets and liabilities of Jordan Kuwait Bank Palestine Branch during the year 2018.

Following is the movement on intangible assets:

	2022	2021
	U.S. $	U.S. $
Balance, beginning of year	3,545,294	3,508,484
Additions during the year	1,125,099	1,052,245
Amortization during the year	(1,156,107)	(1,015,435)
Disposals	(75,595)	-
Balance, end of year	3,438,691	3,545,294

15. Deferred tax assets

This amount represents deferred tax assets resulting from movement on expected credit losses for stage (1), and (2) of direct credit facilities, deposits at Banks and financial institutions and financial assets at amortized cost, in additions to employees' end of service provision and lawsuits provision.

Following is the movement on deferred tax assets during the year:

	2022	2021
	U.S. $	U.S. $
Balance, beginning of the year	4,550,157	3,786,428
Change during the year	(614,035)	763,729
Balance, end of the year	3,936,122	4,550,157

The income tax rate on deferred tax assets amounted to 26.7% according to the tax laws prevailing in Palestine.

16. Other Assets

This item comprises the following:

	2022	2021
	U.S. $	U.S. $
Accrued interest	5,111,440	4,889,881
Positive derivative financial instruments - Banks	4,938,010	-
Accounts receivable	3,080,528	-
Prepaid expenses	1,902,253	1,617,661
Payments to investment account	1,277,758	1,466,501
Clearing checks	797,436	7,752,401
Positive derivative financial instruments - Customers	666,717	6,917,384
Stationery and printings	249,256	263,305
Assets obtained by the Bank by calling on collateral	-	481,885
Other	626,487	658,526
	18,649,885	24,047,544
Less: Expected credit loss provision on other assets	(485,312)	(485,312)
	18,164,573	23,562,232

The movement on expected credit loss provision for other assets in 2022 and 2021 is as follows:

	2022			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
As of January 1, 2022	-	-	485,312	485,312
Expected credit loss for the year	-	-	-	-
As of December 31, 2022	-	-	485,312	485,312

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
As of January 1, 2021	-	-	485,312	485,312
Expected credit loss for the year	-	-	-	-
As of December 31, 2021	-	-	485,312	485,312

17. Palestine Monetary Authority's Deposits

	2022	2021
	U.S. $	U.S. $
Term deposits maturing in more than three months	56,705,400	96,252,600
	56,705,400	96,252,600

18. Banks and Financial Institutions' Deposits

	2022	2021
	U.S. $	U.S. $
Local banks and financial institutions:		
Current and demand accounts	985,806	742,062
SWAP deposits maturing within three months	522,500	9,946,102
	1,508,306	10,688,164
Foreign banks and financial institutions:		
Current and demand accounts	2,143,942	-
	3,652,248	10,688,164

19. Customers' Deposits

This item comprises the following:

	2022	2021
	U.S. $	U.S. $
Current and demand accounts	363,435,721	356,191,236
Time deposits	320,263,427	305,460,311
Saving deposits	381,838,894	407,291,503
	1,065,538,042	1,068,943,050

- Public sector deposits amounted to U.S. $ 11,406,435 and U.S. $ 11,473,883 representing 1.07% of total gross deposits as at December 31, 2022 and 2021, respectively.
- Non-interest-bearing deposits amounted to U.S. $ 363,435,721 and U.S. $ 356,191,236 representing 34.11% and 33.32% of total gross deposits as at December 31, 2022 and 2021, respectively.
- Dormant deposits amounted to U.S. $ 31,169,473 and U.S. $ 35,223,879 representing 2.93% and 3.30% of total gross deposits as at December 31, 2022 and 2021, respectively.
- Non-resident customers' deposits amounted to U.S. $28,688,131 and U.S. $ 22,539,621 as at December 31, 2022 and 2021, respectively.

20. Cash Margins

This item represents cash margins against:

	2022	2021
	U.S. $	U.S. $
Direct credit facilities	54,443,774	90,327,757
Indirect credit facilities	8,992,653	9,040,513
Others	37,228,757	25,404,243
	100,665,184	124,772,513

21. Subordinated Loan

During 2019, the Bank obtained loans in accordance with agreements signed with a total of U.S. $ 15,000,000 with an annual interest rate of 5%, payable on 5 annual installments with a grace periods ranging between four and five months. For the purposes of capital adequacy calculation, these loans are accounted for as part of the second tier of capital according to PMA instructions and Basel III. The outstanding balance amounted U.S. $ 6,600,000 and U.S. $ 9,800,000 as of December 31, 2022 and December 31, 2021, respectively.

22. Istidama Loans from Palestine Monetary Authority

This item represents the PMA's deposits as per PMA instructions number (22/2020) to mitigate the economic impacts of Coronavirus (Covid-19) crisis on economic activities and projects especially the 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 amounted to U.S. $ 13,326,096 and U.S. $ 13,180,205 as of December 31, 2022 and December 31, 2021, respectively.

23. Loans and borrowing

	2022	2021
	U.S. $	U.S. $
European Investment Bank*	-	32,000,000
European Bank for Reconstruction and Development**	1,666,667	5,000,000
	1,666,667	37,000,000

* During 2021, the Bank signed an agreement with the European Investment Bank (EIB) in an amount of U.S. $ 32 million for the purpose of financing credit facilities to support small and medium enterprises. This loan is to be settled through in 14 semi-annual installments, the repayment starts after a grace period of 3 years, where the first installment is due on April 26, 2024 and the last installment will become due on October 26, 2031. The loan is subject to an annual interest rate of six-month LIBOR plus 2.416%. The Bank has fully settled the loan during the year.

** During 2021, the Bank signed an agreement with the European Bank for Reconstruction and Development (EBRD) for an amount of U.S. $ 5 million for the purpose of financing credit facilities to support small and medium enterprises. This loan is to be settled through in 3 semi-annual installments with a grace period of 6 months, where the first installment is due on December 1, 2022 and the last installment will become due on December 1, 2023. The loan is subject to an annual interest rate of LIBOR plus 3.5%.

24. Lease liabilities

Following is the movement on lease liabilities:

	2022	2021
	U.S. $	U.S. $
Balance, beginning of the year	14,659,176	15,486,021
Additions during the year	297,670	364,323
Disposals during the year	(82,694)	-
Finance cost on lease liabilities during the year	443,817	521,014
Payments	(1,784,168)	(1,712,182)
Balance, end of the year	13,533,801	14,659,176

Including:

	2022	2021
	U.S. $	U.S. $
Short-term Lease Liabilities	1,837,773	1,990,589
Long-term Lease Liabilities	11,696,028	12,668,587
	13,533,801	14,659,176

The liabilities related to rent contracts represent the recognition of the lease liabilities at the present value of the lease payments that must be paid over the life of the contract. Rental payments include fixed payments (that include payments that are within their contents fixed payments) minus incentives for the accrued rent and variable rent payments that depend on indicators or agreed upon rates as per the terms of the contract, and the amounts expected to be collected under the residual value guarantees. Rent contracts also include the accrued amount when implementing the purchase option that the entity will certainly implement and the termination amount for the rent contract, if the entity intends to implement the termination option as per the terms of the contracts.

The liabilities related to rent contracts are discounted using a discount rate of 3.25%.

The amount of the lease expense for short-term contracts and lease contracts of low-value assets that were recognized in the consolidated income statement for the year ended December 31, 2022 and December 31, 2021 amounted to U.S. $147,363 and U.S. $ 219,007, respectively (note 37).

25. Taxes provisions

	2022	2021
	U.S. $	U.S. $
Balance, beginning of the year	5,617,862	2,339,122
Additions	6,627,327	7,136,691
Tax incentives discount	(247,380)	(199,884)
Excess in prior years' provision	(2,960,035)	-
Payments and advances	(6,912,497)	(3,192,206)
Foreign currency differences	492,640	(465,861)
Balance, end of the year	2,617,917	5,617,862

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

The Bank has reached to a final settlement with the Income Tax and Value Added Tax Department on their results of operations for the year 2021, which resulted in excess of U.S. $ 2,833,658 recorded in the consolidated income statement.

The income tax rate was 15% and value added tax rate was 16% as at 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%.

Details of taxes provision are as follows:

	2022	2021
	U.S. $	U.S. $
Provision for the year	6,627,327	7,136,691
Deferred tax assets (note 15)	614,035	(763,729)
Excess in prior years' provision	(2,960,035)	-
Discounts on tax advances	(247,380)	(199,884)
Income tax expense for the year	4,033,947	6,173,078

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

	2022	2021
	U.S. $	U.S. $
Accounting profit	24,934,508	20,537,711
Net profit subject to Value Added Tax	20,042,033	21,390,656
Value Added Tax	2,764,418	2,950,435
Profit subject to income tax	9,683,286	7,624,138
Income Tax	1,973,223	2,016,870
Tax payable for the year	4,737,641	4,967,305
Tax provisions for the year	6,627,326	7,136,691
Effective tax rate	27%	%35

26. Sundry Provisions

The movement on sundry provisions was as follows:

	Balance, beginning of the year	Expense during the year	Paid during year	Balance, end of the year
	U.S. $	U.S. $	U.S. $	U.S. $
December 31, 2022				
Employees’ end of service provision	8,096,511	1,875,209	(1,630,334)	8,341,386
Lawsuits provision	336,094	330,000	(12,396)	653,698
	8,432,605	2,205,209	(1,642,730)	8,995,084

	Balance, beginning of the year	Expense during the year	Paid during year	Balance, end of the year
	U.S. $	U.S. $	U.S. $	U.S. $
December 31, 2021				
Employees’ end of service provision	7,439,158	1,913,782	(1,256,429)	8,096,511
Lawsuits provision	236,094	100,000	-	336,094
	7,675,252	2,013,782	(1,256,429)	8,432,605

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

27. Other Liabilities

	2022	2021
	U.S. $	U.S. $
Certified checks and inward transfers	8,878,267	17,618,202
Accrued and not paid interests	4,900,685	4,382,772
Unearned commission income	2,736,899	2,407,437
Accrued bonuses, incentives and expense	1,844,999	2,593,600
Others	1,047,250	2,694,530
Accounts payable	623,932	384,248
Accrued Board of Directors bonuses	614,800	377,000
Provision for expected credit losses on indirect facilities (note 49)	251,875	330,522
Temporary deposits	189,378	388,549
Cash dividends payable	55,343	366,408
Negative derivative financial instruments	-	3,504,540
	21,143,428	35,047,808

Following is the movement on gross indirect facilities during the year:

	2022			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	138,202,654	-	-	138,202,654
Net change during the year	10,027,107	-	-	10,027,107
Balance, ending of the year	148,229,761	-	-	148,229,761

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	129,420,649	-	-	129,420,649
Net change during the year	8,782,005	-	-	8,782,005
Balance, ending of the year	138,202,654	-	-	138,202,654

Following is the movement on provision for expected credit loss for indirect facilities:

	2022			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, as of January 1, 2022	330,522	-	-	330,522
(Recovery) expected credit losses for the year	(78,647)	-	-	(78,647)
Balance as of December 31, 2022	251,875	-	-	251,875

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, as of January 1, 2021	330,522	-	-	330,522
Expected credit losses for the year	-	-	-	-
Balance as of December 31, 2021	330,522	-	-	330,522

28. Cash and stock dividends

The Bank's General Assembly, during its ordinary meeting held on April 26, 2022, approved dividends distribution of U.S. $ 9,834,400, as stock dividends of U.S. $ 3,566,204 and as cash dividends of U.S. $ 6,268,196 for the Bank's shareholders, each in proportion to what he owns from the shares of the Bank.

The Bank's General Assembly, during its ordinary meeting held on April 8, 2021, approved a dividends distribution of U.S. $ 7,453,820, as stock dividends of U.S. $ 3,261,046 and this is at the rate of 3,182,400 US Dollars from the general banking risks reserve account, U.S. $ 78,646 from the retained earnings account, and U.S. $ 4,192,774 as cash dividends for the Bank's shareholders, each in proportion to what he owns from the shares of the Bank.

29. Reserves

Statutory reserve

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

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 expected credit losses provision for credit facilities, suspended interest and commissions and 0.5% of indirect credit facilities. In accordance with PMA's circulation number (53/2013), a general banking risk reserve is not 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 is not to be utilized or reduced without PMA's prior approval. Based on the Bank's General Assembly decision and the Palestinian Monetary Authority approval, during 2021, the Bank capitalized the reserve amounted U.S. $ 3,182,400 based on pro-rata ownership of the Bank's shareholders in the Bank's share capital. During 2022, the Bank raised the reserve balance by U.S. $ 1,863,517. Additionally, PMA issued during 2022 circulation number (317/2022) in regards of amending instructions number (2/2018) which is related to the calculation of general banking risks reserve, this circulation will be effective by the end of 2023.

Pro-cyclicality reserve

This reserve represents 15% of net profit in accordance with PMA's instruction number (6/2015), the Bank seized transfers to the reserve according to PMA instructions No (1/2018) which set the percentage at 0.57% of risk-weighted assets. The instructions allow Banks to utilize the pro-cyclicity reserve balance for the purpose of this buffer. According to PMA instructions No (13/2019) the percentage is set to be 0.66% of risk-weighted assets for the year 2019. During 2022, PMA issued Instructions No. (8/2022) regarding the anti-cyclical capital buffer, so that the percentage is 0.5% of risk-weighted assets, and the commitment to form the buffer within a maximum period of March 31, 2023, and disclosure within the interim and annual financial statements as of June 2023. The Bank is also prohibited from disposing of the amounts allocated in the periodic fluctuations reserve item, except for capitalization, after obtaining the prior written PMA's approval.

30. Interest Income

This item comprises interest revenues earned on the following accounts:

	2022	2021
	U.S. $	U.S. $
Loans	59,354,960	52,159,273
Overdraft and overdrawn accounts	6,521,924	6,283,458
Balances at Banks and financial institutions	2,726,225	1,077,013
Credit cards	1,266,803	1,014,908
Financial assets at amortized cost	1,283,147	1,412,922
Discounted bills	553,495	932,127
	71,706,554	62,879,701

31. Interest Expense

This item comprises interest and profits incurred on the following accounts:

	2022	2021
	U.S. $	U.S. $
Interest on customers' deposits:		
Current and demand accounts	181,020	97,452
Time deposits	8,651,836	9,030,585
Saving accounts	1,211	1,048
	8,834,067	9,129,085
Cash Margins	1,389,681	1,407,364
Interest on PMA's deposits	1,338,448	1,510,176
Interest on subordinated loans	388,000	549,806
Interest on Banks and financial institutions' deposits	82,247	143,840
Interest on loans and borrowing	584,821	232,863
	12,617,264	12,973,134

32. Net Commissions

This item comprises commissions against the following:

	2022	2021
	U.S. $	U.S. $
Commissions income		
Direct credit facilities	4,875,300	5,093,343
Indirect credit facilities	947,777	1,012,234
Checks	974,386	801,837
Bank transfers	1,844,313	2,183,086
Accounts' management	1,760,764	1,683,245
Other banking services	1,531,566	1,113,909
	11,934,106	11,887,654
Commissions expense		
Local Banks and financial institutions	112,499	105,694
Foreign Banks and financial institutions	667,748	571,364
Other commission expenses	3,444,291	3,356,187
	4,224,538	4,033,245
	7,709,568	7,854,409

33. Other Revenues, net

	2022	2021
	U.S. $	U.S. $
Check books revenue	250,435	248,706
Safe boxes rental	75,130	68,061
Postal, fax, telegram and telephone revenues	27,876	29,937
Other revenues	659,870	437,775
	1,013,311	784,479

34. Net Gains from Financial Assets Portfolio

This item comprises the following:

	2022	2021
	U.S. $	U.S. $
Valuation gains on financial assets at fair value through profit or loss	1,127,221	615,316
Gains on sale of financial assets at fair value through profit or loss	516,932	559,768
Dividend from financial assets at fair value through other comprehensive income	1,780,249	890,144
	3,424,402	2,065,228

35. Net remeasurement of expected credit losses

	2022	2021
	U.S. $	U.S. $
Expected credit losses:		
Expected credit loss on direct credit facilities from stage (3)	18,987,157	9,764,914
Net additions and transfers of ECL on direct credit facilities between stage (1) and (2)	(3,115,431)	2,061,293
Expected credit loss provision on defaulted direct credit facilities for more than 6 years	83,538	-
Expected credit loss on financial assets at amortized costs	484,853	74,000
Recovery from expected credit loss on cash at banks and financial institutions	(150,955)	-
Recovery from expected credit loss on indirect credit facility	(78,647)	-
	16,210,515	11,900,207
Recovered from expected credit losses:		
Recovery from expected credit loss on direct credit facilities from stage (3)	(4,869,842)	(5,035,692)
Recovery from expected credit loss on defaulted direct credit facilities for more than 6 years	(335,284)	(134,812)
	(5,205,126)	(5,170,504)
	11,005,389	6,729,703

36. Personnel Expenses

	2022	2021
	U.S. $	U.S. $
Salaries and related benefits	15,301,196	15,569,983
Value Added tax on salaries	2,501,026	2,319,190
Provision for employees' end of service	1,875,209	1,913,782
Medical expenses	878,045	916,531
Bank contribution to provident fund *	660,344	653,874
Travel and transportation	331,052	287,305
Training expenses	293,334	133,672
Clothing allowances	110,670	146,443
Employees' life insurance	58,568	69,792
Employees' vacations allowance	53,269	49,946
Other	5,705	8,296
	22,068,418	22,068,814

* This account represents the Bank's contribution to the employees' provident fund which represents 10% of employees' monthly basis salary, while the employees' share is 5% and can be raised to 10%.

The Employee provident fund is managed by a management committee composed of representatives of the Bank's management and representatives of employees.

37. Other Operating Expenses

	2022	2021
	U.S. $	U.S. $
Palestine Deposit Insurance Corporation Fees*	1,939,923	1,076,055
Mail, phone and swift	1,927,589	1,895,717
Software	1,759,440	1,513,835
Losses on disposal of property, plant and equipment	1,646,400	111,955
Maintenance	1,060,810	1,046,350
Professional and legal fees	913,652	830,412
Board of Directors expenses and remuneration	836,904	575,220
Water, electricity and fuel	810,518	763,493
Donations and sponsorships**	556,912	519,728
Fees, licenses and subscriptions	541,199	452,097
Cleaning	463,804	468,404
Finance cost on lease liabilities (note 24)	443,817	521,014
Stationery, printing and checkbooks	407,149	345,227
Services	390,518	462,305
Advertising and marketing	378,103	345,351
Clearing checks expense	342,802	271,083
Insurance fees	342,084	332,408
Lawsuits provision	330,000	100,000
Meetings expenses	271,654	234,553
Fees and taxes	224,137	240,392
Vehicle and transportation expenses	197,476	195,100
Rents (note 24)	147,363	219,007
Hospitality	140,916	114,225
Other	609,733	252,185
	16,682,903	12,886,116

* Based law No. (7) for the year 2013 the Palestine Deposit Insurance Corporation (PDIC) was established. Starting from 2014 banks must accrue an annual subscription fee 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, a circular No. (3/2019) PDIC issued regarding reducing the minimum subscription fee to (0.2%-0.8%), where as at 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 at October 1, 2020 the subscription fee percentage will be calculated at 0.1% of the average total deposit instead of 0.2% of the average total deposit. On November 9, 2021, the Corporation issued Circular No. (2/2021) regarding raising the fixed subscription fee rate to 0.2% of the average total subject deposits starting from at January 1, 2022.

** The Bank provides donations and sponsorship to different social and sport fields according to the Bank's policy for community support. Donations and sponsorships represent 2.66% of net profit for the year 2022 and 3.62% for the year 2021.

38. Palestine Monetary Authority's fines

This item represents fines imposed by PMA on the Bank for the year ended December 31, 2021 related to non-compliance with PMA instructions and the related laws and regulations.

39. Basic and Diluted Earnings Per Share

	2022	2021
	U.S. $	
Profit for the year attributable to shareholders of the Bank	20,313,151	14,066,133
	Shares	
Weighted average of subscribed shares	100,000,000	100,000,000
	U.S. $	
Basic and diluted share of profit for the year	0.20	0.14

40. Cash and Cash Equivalents

	2022	2021
	U.S. $	U.S. $
Cash and balances with PMA	218,215,090	304,542,685
Add: Balances at banks and financial institutions	156,318,151	146,782,908
Less: deposits of banks and banking institutions and PMA that mature within three months	(3,652,248)	(10,688,164)
Less: deposits of banks and banking institutions that mature after three months	(283,527)	(7,373,030)
Restricted cash	(14,272,758)	(15,168,800)
Statutory cash reserve	(107,135,979)	(107,070,910)
	249,188,729	311,024,689

41. Related Party Transactions

Related parties represent major shareholders, the Board of Directors, key management personnel of the Bank, and entities controlled, jointly controlled or significantly influenced by such parties. Transactions with related parties are carried out within the bank's normal operating activities and on equivalent conditions to those prevailing in bank transactions with other parties. Transactions with related parties during the year represented by deposits and credit facilities are as follows:

	Nature of relationship	2022 U.S. $	2021 U.S. $
Statement of consolidated financial position items:			
Direct credit facilities*	Board of Directors and Executive Management	4,335,800	5,933,175
Direct credit facilities	Shareholders and their related parties	13,032,066	14,967,575
Customer deposits	Board of Directors and Executive Management	2,383,180	3,018,740
Customer deposits	Shareholders and their related parties	6,969,422	4,667,231
Board of Directors remunerations	Board of Directors and Executive Management	614,800	377,000
Indirect credit facilities	Board of Directors and Executive Management	14,905	22,755
Indirect credit facilities	Shareholders and their related parties	3,250,431	1,951,233
Unutilized credit facilities limits	Board of Directors and Executive Management	347,183	543,473
Unutilized credit facilities limits	Shareholders and their related parties	4,087,795	3,859,662
Consolidated income statement items:			
Interest and commission income	Board of Directors and Executive Management	817,556	450,869
Interest and commission income	Shareholders and their related parties	1,793,296	707,757
Interest and commission expense	Board of Directors and Executive Management	28,542	17,143
Interest and commission expense	Shareholders and their related parties	67,605	36,311
Board of Directors expenses and remunerations**	Board of Directors and Executive Management	836,904	575,220
Salaries and related expenses	Board of Directors and Executive Management	1,981,412	1,818,553

* This item includes branches' managers, non-executive employees and their relatives, and shareholders as disclosed to PMA.

- Net direct credit facilities granted to related parties as at December 31, 2022 and 2021 represent 1.86% and 2,19%, respectively, from the net direct credit facilities. Noting that credit facilities granted to related parties includes granted credit facilities to board of directors, executive management, and by their guarantee and Shareholders and their related parties.
- Net direct credit facilities granted to related parties as at December 31, 2022 and 2021 represent 11.35% and 13.81% respectively, from the Bank's regulatory capital.

- Interest on U.S. $ direct credit facilities for related parties ranges between 3% to 7.5%.
- Interest on U.S. $ deposits ranges between 1.5% to 4.05%.
- Interest on Euro deposits ranges between 0.5% to 2%.

** This item includes the remuneration of the members of the Board of Directors of Al-Quds Bank in the amount of U.S. $ 614,800 as at December 31, 2022 and U.S. $ 377,000 as at December 31, 2021.

Following are the details of board of directors' remuneration for December 31, 2022 and 2021:

	2022	2021
	U.S. $	U.S. $
Akram Abed Latif Jrab	80,000	50,000
Dored Abed Latif Jrab	50,000	25,000
Palestine Pension Agency	40,000	25,000
Walid Najeb Ahmad	40,000	25,000
Ahed Fayeq Bseiso	40,000	25,000
Al-Shoroq Company (represented by Mr. Ibrahim Abed Fatah Abu Dayeh)	40,000	25,000
Jordan Kuwait Bank (represented by Mr. Haitham Al-Batekhi)	40,000	25,000
Ruba Masrouji Al-Alami	40,000	25,000
Saleh Jaber Hmeid	40,000	25,000
Dr. Hamed Abed Al-Ghani Jaber	40,000	25,000
Montaser Ezat Abu Dowas	40,000	25,000
Dr. Majed Awni Abu Ramadan	40,000	25,000
Total	530,000	325,000
Value Added tax	84,800	52,000
	614,800	377,000

42. Fair Value Measurement

The following table provides the quantitative fair value measurement hierarchy of the Bank's assets as of December 31, 2022 and 2021, respectively:

December 31,2022			Measurement of fair value by		
			Quoted prices in active markets	Significant observable input	Significant non-observable inputs
		Total	(Level 1)	(Level 2)	(Level 3)
	Date of evaluation	U.S. $	U.S. $	U.S. $	U.S. $
Financial assets measured at fair value:					
Financial assets at fair value through profit or loss (note 6):					
Quoted- Palestine Stock Exchange	December 31, 2022	16,925	16,925	-	-
Quoted- Foreign market	December 31, 2022	2,265,867	2,265,867	-	-
Financial assets at fair value through other comprehensive income (note 8):					
Quoted- Palestine Stock Exchange	December 31, 2022	2,179,899	2,179,899	-	-
Quoted- Foreign market	December 31, 2022	27,263,174	27,263,174	-	-
Unquoted	December 31, 2022	739,750	-	-	739,750
Derivative financial instruments (note 44):					
Positive derivatives – Customers	December 31, 2022	666,717	-	666,717	-
Negative Derivatives - Banks	December 31, 2022	4,938,010	-	4,938,010	-
Financial assets accounted for in its fair value:					
Financial assets at amortized cost (note 9):					
Treasury bills	December 31, 2022	6,762,357	-	-	6,762,357
Unquoted- Foreign bonds	December 31, 2022	25,909,603	-	-	25,909,603
Unquoted- Local bonds	December 31, 2022	7,702,302	-	-	7,702,302

December 31, 2021			Measurement of fair value by		
			Quoted prices in active markets	Significant observable input	Significant non-observable inputs
		Total	(Level 1)	(Level 2)	(Level 3)
	Date of evaluation	U.S. $	U.S. $	U.S. $	U.S. $
Financial assets measured at fair value					
Financial assets at fair value through profit or loss (note 6):					
Quoted- Palestine Stock Exchange	December 31, 2021	84,740	84,740	-	-
Quoted- Foreign market	December 31, 2021	2,403,808	2,403,808	-	-
Financial assets at fair value through other comprehensive income (note 8):					
Quoted- Palestine Stock Exchange	December 31, 2021	2,318,555	2,318,555	-	-
Quoted- Foreign market	December 31, 2021	22,940,692	22,940,692	-	-
Unquoted	December 31, 2021	739,750	-	-	739,750
Derivative financial instruments (note 44):					
Positive derivatives	December 31, 2021	6,917,384	-	6,917,384	-
Negative Derivatives	December 31, 2021	3,504,540	-	3,504,540	-
Financial assets accounted for in its fair value:					
Financial assets at amortized cost (note 9):					
Treasury bills	December 31, 2021	22,999,629	-	-	22,999,629
Unquoted- Foreign bonds	December 31, 2021	17,028,731	-	-	17,028,731
Unquoted- Local bonds	December 31, 2021	8,086,000	-	-	8,086,000

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

Fair Value of Financial Instruments

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

	Carrying amount		Fair value	
	2022	2021	2022	2021
	U.S. $	U.S. $	U.S. $	U.S. $
Financial assets				
Cash and balances with Palestine Monetary Authority	218,215,090	304,542,685	218,215,090	304,542,685
Balances at banks and financial institutions	156,316,304	146,630,106	156,316,304	146,630,106
Financial assets at fair value through profit or loss				
Quoted stocks	2,282,792	2,488,548	2,282,792	2,488,548
Direct credit facilities	931,522,963	953,112,501	931,522,963	953,112,501
Financial assets at fair value through other comprehensive income:				
Quoted stocks	29,443,073	25,259,247	29,443,073	25,259,247
Unquoted stocks	739,750	739,750	739,750	739,750
Financial assets at amortized cost:				
Treasury bills	6,762,357	22,999,629	6,762,357	22,999,629
Unquoted -Foreign bonds	25,909,603	17,028,731	25,909,603	17,028,731
Unquoted -local bonds	7,702,302	8,086,000	7,702,302	8,086,000
Other financial assets	11,513,603	19,559,666	11,513,603	19,559,666
Total assets	1,390,407,837	1,500,446,863	1,390,407,837	1,500,446,863
Financial liabilities				
Palestine Monetary Authority's deposits	56,705,400	96,252,600	56,705,400	96,252,600
Banks and financial institutions' Deposits	3,652,248	10,688,164	3,652,248	10,688,164
Customers' deposits	1,065,538,042	1,068,943,050	1,065,538,042	1,068,943,050
Cash margins	100,665,184	124,772,513	100,665,184	124,772,513
Subordinated loan	6,600,000	9,800,000	6,600,000	9,800,000
Istidama loans from Palestine Monetary Authority	13,326,096	13,180,205	13,326,096	13,180,205
Loans and borrowing	1,666,667	37,000,000	1,666,667	37,000,000
Leased Liabilities	13,533,801	14,659,176	13,533,801	14,659,176
Other financial liabilities	18,154,654	32,309,849	18,154,654	32,309,849
Total liabilities	1,279,842,092	1,407,605,557	1,279,842,092	1,407,605,557

The fair value of the financial assets and liabilities are included at the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair values of cash and balances with Palestine Monetary Authority, balances at banks and financial institutions, other financial assets, Palestine Monetary Authority's deposits, banks and financial institutions deposits, customers' deposits, cash margins, 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 that are actively traded in active financial markets is determined by reference to quoted prices at the date of the consolidated financial statements.

Loans obtained by the bank, subordinated loans, istidama loans, lease liability, and financial assets at amortized cost through discounting forecasted cash flows using interest rates based on financial market.

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

43. Concentration of Assets and Liabilities

	2022					
	Palestine	Jordan	Europe	America	Other	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Cash and balances with Palestine Monetary Authority	218,215,090	-	-	-	-	218,215,090
Balances at banks and financial institutions	532,100	48,599,562	31,352,842	37,576,072	38,255,72 8	156,316,304
Financial assets at fair value through profit or loss	16,925	2,265,867	-	-	-	2,282,792
Direct credit facilities	882,624,841	7,501,071	-	-	41,397,05 1	931,522,963
Financial assets at fair value through other comprehensive income	2,179,899	26,448,421	-	-	1,554,503	30,182,823
Financial assets at amortized cost	14,464,658	25,272,211	-	-	637,393	40,374,262
Investment in an associate	1,941,691	-	-	-	-	1,941,691
Property, plant and equipment	17,516,182	-	-	-	-	17,516,182
Right of use assets	13,219,074	-	-	-	-	13,219,074
Projects in progress	14,960,562	-	-	-	-	14,960,562
Intangible assets	3,438,691	-	-	-	-	3,438,691
Deferred tax assets	3,936,122	-	-	-	-	3,936,122
Other assets	18,164,573	-	-	-	-	18,164,573
Total Assets	1,191,210,408	110,087,132	31,352,842	37,576,072	81,844,67 5	1,452,071,129
Palestine Monetary Authority's deposits	56,705,400	-	-	-	-	56,705,400
Banks and financial institutions' deposits	1,508,306	-	-	-	2,143,942	3,652,248
Customers' deposits	1,036,849,911	28,688,131	-	-	-	1,065,538,042
Cash Margins	100,665,184	-	-	-	-	100,665,184
Subordinated loans	6,600,000	-	-	-	-	6,600,000
Istidama loans from Palestine Monetary Authority	13,326,096	-	-	-	-	13,326,096
Loans and borrowing	1,666,667	-	-	-	-	1,666,667
Lease liabilities	13,533,801	-	-	-	-	13,533,801
Taxes provisions	2,617,917	-	-	-	-	2,617,917
Sundry provisions	8,995,084	-	-	-	-	8,995,084
Other liabilities	21,143,428	-	-	-	-	21,143,428
Total Liabilities	1,263,611,794	28,688,131	-	-	2,143,942	1,294,443,867
Paid-in share capital	100,000,000	-	-	-	-	100,000,000
Statutory reserve	12,905,387	-	-	-	-	12,905,387
General banking risks reserve	1,863,517	-	-	-	-	1,863,517
Pro-cyclicality reserve	4,757,269	-	-	-	-	4,757,269
Fair value reserve	4,525,721	-	-	-	-	4,525,721
Retained earnings	31,292,140	-	-	-	-	31,292,140
Net equity holders of the Bank	155,344,034	-	-	-	-	155,344,034
Non-controlling interests	2,283,228	-	-	-	-	2,283,228
Net equity	157,627,262	-	-	-	-	157,627,262
Total liabilities and equity	1,423,382,998	28,688,131	-	-	-	1,452,071,129
Items out of consolidated financial position:						
Letter of Guarantees	46,944,812	-	-	-	-	46,944,812
Letter of Credit	6,775,953	-	-	-	-	6,775,953
Acceptances	854,442	-	-	-	-	854,442
Unutilized credit facilities limits	93,654,554	-	-	-	-	93,654,554
	148,229,761	-	-	-	-	148,229,761

	2021					
	Palestine	Jordan	Europe	America	Other	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Cash and balances with Palestine Monetary Authority	304,542,685	-	-	-	-	304,542,685
Balances at banks and financial institutions	10,000,000	42,094,678	31,994,206	35,242,804	27,298,418	146,630,106
Financial assets at fair value through profit or loss	84,740	2,403,808	-	-	-	2,488,548
Direct credit facilities	891,700,707	9,621,949	-	-	51,789,845	953,112,501
Financial assets at fair value through other comprehensive income	3,058,304	21,475,990	-	-	1,464,703	25,998,997
Financial assets at amortized cost	31,085,630	16,028,730	-	-	1,000,000	48,114,360
Investment in an associate	1,748,346	-	-	-	-	1,748,346
Property, plant and equipment	23,283,089	-	-	-	-	23,283,089
Right of use assets	14,428,720	-	-	-	-	14,428,720
Projects in progress	10,160,274	-	-	-	-	10,160,274
Intangible assets	3,545,294	-	-	-	-	3,545,294
Deferred tax assets	4,550,157	-	-	-	-	4,550,157
Other assets	23,562,232	-	-	-	-	23,562,232
Total Assets	1,321,750,178	91,625,155	31,994,206	35,242,804	81,552,966	1,562,165,309
Palestine Monetary Authority's deposits	96,252,600	-	-	-	-	96,252,600
Banks and financial institutions' deposits	10,688,164	-	-	-	-	10,688,164
Customers' deposits	1,068,943,050	-	-	-	-	1,068,943,050
Cash Margins	124,772,513	-	-	-	-	124,772,513
Subordinated loans	9,800,000	-	-	-	-	9,800,000
Istidama loans from Palestine Monetary Authority	13,180,205	-	-	-	-	13,180,205
Loans and borrowing	-	-	37,000,000	-	-	37,000,000
Lease liabilities	14,659,176	-	-	-	-	14,659,176
Taxes provisions	5,617,862	-	-	-	-	5,617,862
Sundry provisions	8,432,605	-	-	-	-	8,432,605
Other liabilities	35,047,808	-	-	-	-	35,047,808
Total Liabilities	1,387,393,983	-	37,000,000	-	-	1,424,393,983
		-	-	-	-	
Paid-in share capital	96,433,796	-	-	-	-	96,433,796
Statutory reserve	10,874,071	-	-	-	-	10,874,071
General banking risks reserve	-	-	-	-	-	-
Pro-cyclicality reserve	4,757,269	-	-	-	-	4,757,269
Fair value reserve	1,026,733	-	-	-	-	1,026,733
Retained earnings	23,084,171	-	-	-	-	23,084,171
Net equity holders of the Bank	136,176,040	-	-	-	-	136,176,040
Non-controlling interests	1,595,286	-	-	-	-	1,595,286
Net equity	137,771,326	-	-	-	-	137,771,326
Total liabilities and equity	1,525,165,309	-	37,000,000	-	-	1,562,165,309
Items out of consolidated financial position:						
Letter of Guarantees	46,159,131	-	-	-	-	46,159,131
Letter of Credit	10,505,728	-	-	-	-	10,505,728
Acceptances	2,167,344	-	-	-	-	2,167,344
Unutilized credit facilities limits	79,370,451	-	-	-	-	79,370,451
	138,202,654	-	-	-	-	138,202,654

44. Derivative Financial Instruments

The following table includes details of derivative financial instruments at year end:

December 31, 2022	Positive Fair Value	Negative Fair Value	Nominal value maturity
	U.S. $	U.S. $	U.S. $
Positive derivative – Customers	666,717	-	215,970,457
Positive derivative - Banks	4,938,010	-	220,908,467

December 31, 2021	Positive Fair Value	Negative Fair Value	Nominal value maturity
	U.S. $	U.S. $	U.S. $
Positive derivative – Customers	6,917,384	-	393,448,506
Negative derivative - Banks	-	3,504,540	389,943,966

45. Risk Management

The Bank discloses information to help the users of the consolidated financial statements to assess the nature and level of risk the Bank is exposed to as a result of its financial instruments as at the date of the consolidated financial statements as follows:

Risk management framework

Risks related to the Bank’s activities is managed, measured and monitored continuously to remain within the permissible limits, and given the importance of the risk management process on the Bank's profits, tasks and monitoring responsibilities associated to these risks are distributed among employees.

Risk management process

The Board of Directors and the risk management committee are responsible for identifying and controlling risks; in addition, there are several parties which are responsible for managing and monitoring risks in the area in which the Bank operates.

Risk management committee

Risk management committee are responsible for developing risks strategies and applying the principles, general framework and allowed limits.

Risk measurement and reporting system

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk the Bank is willing to accept, Information is collected from different departments and analyzed for early identification of potential risks. This information is presented to the Bank’s Board of Directors, the risk management committee and the executive departments responsible for risk management committee.

Risks

The Bank follows different policies in managing various risks as part of determined strategies. The Bank’s risk departments monitor and control risks and optimize strategic diversification of financial assets and financial liabilities. These risks include credit risk, operational risk, market risk (interest rate risk, currency risk and equity price risk) and liquidity risk.

I. Credit Risk

Credit risks are those risks resulting from the default or inability of counterparties to the financial instrument to repay their commitment to the Bank. The Bank, through credit risk management, sets ceilings for direct credit facilities (retail or corporate) and total loans granted to each sector and each geographical area. The Bank also monitors credit risks and continuously evaluates the credit standing of customers. The Bank also obtains appropriate collaterals from customers.

1. Gross exposures to credit risk (net of ECL provisions and interest in suspense and prior to collaterals and other risk mitigations):

	2022	2021
	U.S. $	U.S. $
Consolidated statement of financial position items		
Cash and balances with Palestine Monetary Authority	109,368,354	132,024,511
Balances at banks and financial institutions	156,316,304	146,630,106
Direct credit facilities	931,522,963	953,112,501
Financial assets at amortized cost	40,374,262	48,114,360
Other financial assets	11,513,603	19,559,666
	1,249,095,486	1,299,441,144
Items not included in the consolidated statement of financial position		
Letters of guarantees	46,692,937	45,959,131
Letters of credit	6,775,953	10,505,728
Acceptances	854,442	2,167,344
Unutilized credit facilities limits	93,654,554	79,239,929
	147,977,886	137,872,132

2. Exposures to credit facility is distributed based on risk rating as follows:

December 31,2022	Retail	Corporate	Government and Public sector	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Low risk	246,020,302	389,478,846	147,862,135	783,361,283
Acceptable risk	37,882,564	36,496,270	-	74,378,834
Watchlist	5,754,242	57,438,428	-	63,192,670
Non-performing:				
Substandard	700,297	2,256,083	-	2,956,380
Doubtful	404,866	591,452	-	996,318
Defaulted	10,012,876	51,594,044	-	61,606,920
Total	300,775,147	537,855,123	147,862,135	986,492,405
Suspended Interest	(1,484,647)	(4,596,889)	-	(6,081,536)
Expected credit loss	(15,033,545)	(31,218,308)	(2,636,053)	(48,887,906)
	284,256,955	502,039,926	145,226,082	931,522,963

December 31,2021	Retail	Corporate	Government and Public sector	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Low risk	182,464,122	375,448,778	137,957,129	695,870,029
Acceptable risk	118,070,206	93,228,903	-	211,299,109
Watchlist	11,038,307	37,374,093	-	48,412,400
Non-performing:				
Substandard	953,479	640,087	-	1,593,566
Doubtful	1,931,304	5,476,528	-	7,407,832
Defaulted	11,826,924	26,027,129	-	37,854,053
Total	326,284,342	538,195,518	137,957,129	1,002,436,989
Suspended Interest	(1,897,299)	(3,802,394)	-	(5,699,693)
Expected credit loss	(23,034,667)	(18,993,439)	(1,596,689)	(43,624,795)
	301,352,376	515,399,685	136,360,440	953,112,501

3. Following is the Fair value of collaterals obtained against total credit exposures as of December 31, 2022 and 2021:

2022	Total value of exposure	Fair value of collaterals					Total value of collaterals	Net Exposure after collaterals	Expected credit loss
		Cash margins	Real estate	Quoted stocks	Vehicles and equipment	Other			
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Credit exposures related to items in the statement of financial position:									
Balances at banks and financial institutions	156,318,151	-	-	-	-	-	-	156,318,151	1,847
Credit facilities:									
Retail	349,135,190	15,187,700	40,610,651	1,027,947	8,877,922	81,813	65,786,033	283,349,157	15,033,545
Medium and small corporate	189,106,401	19,561,571	117,788,358	10,176,086	5,848,259	12,431,809	165,806,083	23,300,318	19,537,997
Large corporate	294,307,138	32,127,306	39,106,343	60,573,520	9,245,627	4,736,648	145,789,444	148,517,694	11,680,311
Government and public sector	147,862,135	-	-	-	-	-	-	147,862,135	2,636,053
Financial assets at amortized cost	41,008,756	-	-	-	-	-	-	41,008,756	634,494
Other financial assets	11,513,603	-	-	-	-	-	-	11,513,603	485,312
Total	1,189,251,374	66,876,577	197,505,352	71,777,553	23,971,808	17,250,270	377,381,560	811,869,814	50,009,559
Credit exposure related to off-balance sheet items	148,229,761	8,992,653	-	-	-	-	8,992,653	139,237,108	251,875

2021	Total value of exposure	Fair value of collaterals: Cash margins	Real estate	Quoted stocks	Vehicles and equipment	Other	Total value of collaterals	Net Exposure after collaterals	Expected credit loss
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Credit exposures related to items in the statement of financial position:									
Balances at banks and financial institutions	451,325,593	-	-	-	-	-	-	451,325,593	152,802
Credit facilities:									
Retail	324,387,043	28,134,486	53,307,729	396,876	16,232,454	503,818	98,575,363	225,811,680	23,034,667
Medium and small corporate	229,516,650	25,846,226	89,875,258	14,774,045	16,163,668	5,239,257	151,898,454	77,618,196	14,480,914
Large corporate	304,876,474	32,820,950	76,360,064	58,890,670	35,807,810	2,837,560	206,717,054	98,159,420	4,512,525
Government and public sector	137,957,129	3,526,095	-	-	-	-	3,526,095	134,431,034	1,596,689
Financial assets at amortized cost	48,264,001	-	-	-	-	-	-	48,264,001	149,641
Other financial assets	19,559,666	-	-	-	-	-	-	19,559,666	330,522,48 5,312
Total	1,515,886,556	90,327,757	219,543,051	74,061,591	68,203,932	8,580,635	460,716,966	1,055,169,590	44,412,550
Credit exposure related to off-balance sheet items	138,202,654	9,040,513	-	-	-	-	9,040,513	129,162,141	330,522

4. Following is Fair value of collaterals obtained against Stage (3) credit exposures as of December 31, 2022 and 2021:

2022	Total value of exposure	Fair value of collaterals: Cash margins	Precious metals	Real estate	Quoted stocks	Vehicles and equipment	Total value of collaterals	Net Exposure after collaterals	Expected credit loss
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Credit exposures related to items in the statement of financial position:									
Credit facilities:									
Retail	9,633,392	304,780	-	944,738	-	25,658	1,275,176	8,358,216	7,834,658
Corporate and institutions	49,844,690	182,994	-	19,974,561	-	307,987	20,465,542	29,379,148	28,645,540
Total	59,478,082	487,774	-	20,919,299	-	333,645	21,740,718	37,737,364	36,480,198

2021	Total value of exposure	Fair value of collaterals: Cash margins	Precious metals	Real estate	Quoted stocks	Vehicles and equipment	Total value of collaterals	Net Exposure after collaterals	Expected credit loss
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Credit exposures related to items in the statement of financial position:									
Credit facilities:									
Retail	14,710,902	314,083	-	931,728	-	224,413	1,470,224	13,240,678	10,121,827
Corporate and institutions	32,144,549	300,509	-	7,947,022	-	661,579	8,909,110	23,235,439	17,979,829
Total	46,855,451	614,592	-	8,878,750	-	885,992	10,379,334	36,476,117	28,101,656

5. Concentration of risk exposures according to the geographical area is as follows:

Risk exposure is allocated based on geographic area as follows:

	Palestine	Jordan	Israel	Others	Total
December 31, 2022	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balances with PMA	109,368,354	-	-	-	109,368,354
Balances at banks and financial institutions	808,363	48,599,562	-	106,908,379	156,316,304
Direct credit facilities	882,624,841	7,501,071	-	41,397,051	931,522,963
Financial assets at amortized cost	14,102,051	25,272,211	-	1,000,000	40,374,262
Other financial assets	11,513,603	-	-	-	11,513,603
Total as at December 31, 2022	1,018,417,212	81,372,844	-	149,305,430	1,249,095,486
Total as at December 31, 2021	1,084,370,514	67,745,357	27,298,418	120,026,855	1,299,441,144
Off-balance sheet items:					
Letter of Guarantee	46,944,812	-	-	-	46,944,812
Letter of credit	6,775,953	-	-	-	6,775,953
Acceptances	854,442	-	-	-	854,442
Unutilized credit facilities limits	93,654,554	-	-	-	93,654,554
Total as at December 31, 2022	148,229,761	-	-	-	148,229,761
Total as at December 31, 2021	138,202,654	-	-	-	138,202,654

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

	Stage (1)	Stage (2)	Stage (3)	2022
	U.S. $	U.S. $	U.S. $	U.S. $
Palestine	1,075,506,529	101,692,950	22,997,885	1,200,197,364
Jordan	7,501,071	-	-	7,501,071
Israel	-	-	-	-
Others	8,549,768	32,847,283	-	41,397,051
Total	1,091,557,368	134,540,233	22,997,885	1,249,095,486

	Stage (1)	Stage (2)	Stage (3)	2021
	U.S. $	U.S. $	U.S. $	U.S. $
Palestine	822,296,875	249,019,537	13,054,102	1,084,370,514
Jordan	67,745,357	-	-	67,745,357
Israel	27,298,418	-	-	27,298,418
Others	120,026,855	-	-	120,026,855
Total	1,037,367,505	249,019,537	13,054,102	1,299,441,144

7. Concentration of risk exposures according to economic sectors is as follows:

2022	Public Sector U.S. $	Financial U.S. $	Commercial U.S. $	Real estate U.S. $	Industrial and Tourism U.S. $	Securities U.S. $	Investment U.S. $	Others U.S. $	Total U.S. $
Balances with PMA	-	109,368,354	-	-	-	-	-	-	109,368,354
Balances at banks and financial institutions	-	156,316,304	-	-	-	-	-	-	156,316,304
Direct credit facilities	145,226,082	37,321,431	177,517,911	202,161,901	69,482,476	-	6,042,449	293,770,713	931,522,963
Financial assets at amortized cost	6,915,546	32,458,716	-	1,000,000	-	-	-	-	40,374,262
Other financial assets	-	-	-	-	-	-	11,513,603	-	11,513,603
December 31, 2022	152,141,628	335,464,805	177,517,911	203,161,901	69,482,476	-	17,556,052	293,770,713	1,249,095,486

2021	Public Sector U.S. $	Financial U.S. $	Commercial U.S. $	Real estate U.S. $	Industrial and Tourism U.S. $	Securities U.S. $	Investment U.S. $	Others U.S. $	Total U.S. $
Balances with PMA	-	132,024,511	-	-	-	-	-	-	132,024,511
Balances at banks and financial institutions	-	146,630,106	-	-	-	-	-	-	146,630,106
Direct credit facilities	136,360,440	37,939,127	176,994,560	227,592,581	69,281,686	6,042,449	-	298,901,658	953,112,501
Financial assets at amortized cost	22,925,629	24,189,653	-	999,078	-	-	-	-	48,114,360
Other financial assets	-	-	-	-	-	-	19,559,666	-	19,559,666
December 31, 2021	159,286,069	340,783,397	176,994,560	228,591,659	69,281,686	6,042,449	19,559,666	298,901,658	1,299,441,144

8. Macroeconomic Factors, Forward Looking Information and Multiple Scenarios

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

Following are the macroeconomic factors impact on the forward-looking information based on multiple scenarios as at December 31, 2022:

Macroeconomic Factors	ECL scenario	Assigned probabilities	Percentage change in economic variables (%)	Percentage change in economic variables (%)	Percentage change in economic variables (%)	Percentage change in economic variables (%)	Percentage change in economic variables (%)	Percentage change in economic variables (%)
		(%)	2022	2023	2024	2025	2026	2027
GDP	Base case	65	1.61	1.16	0.12	(0.18)	(0.13)	(0.08)
	Best case	10	9.96	7.78	6.74	6.44	6.49	6.54
	Worst case	25	(4.27)	(5.46)	(6.5)	(6.8)	(6.75)	(6.7)
Unemployment rates								
	Base case	65	5.69	3.8	2.49	2.17	2.29	1.95
	Best case	10	7.58	4.44	3.13	2.81	2.93	2.59
	Worst case	25	4.27	3.15	1.84	1.52	1.64	1.3

Following are the macroeconomic factors impact on the forward-looking information based on multiple scenarios as at December 31, 2021:

Macroeconomic Factors	ECL scenario	Assigned probabilities	Percentage change in economic variables (%)	Percentage change in economic variables (%)	Percentage change in economic variables (%)	Percentage change in economic variables (%)	Percentage change in economic variables (%)	Percentage change in economic variables (%)
		(%)	2021	2022	2023	2024	2025	2026
GDP	Base case	65	2.01	3.57	1.74	0.12	(0.18)	(0.13)
	Best case	10	9.25	10.80	8.98	7.36	7.06	7.11
	Worst case	25	(5.23)	(3.67)	(5.50)	(7.12)	(7.42)	(7.37)
Unemployment rates								
	Base case	65	1.19	1.69	1.59	1.59	1.59	1.59
	Best case	10	2.01	2.52	2.42	2.42	2.42	2.42
	Worst case	25	0.36	0.86	0.76	0.76	0.76	0.76

9. Classification of debt securities facilities based on risk rating

The table below analyzes the credit exposure of the debt securities using the credit rating as per the global credit rating agencies:

	2022	2021
	U.S. $	U.S. $
Private Sector:		
AAA+ TO A-	-	-
BBB+ TO B-	-	-
CCC TO C	-	-
Unrated	41,008,756	48,264,001
Total	41,008,756	48,264,001

II. <u>Market risk</u>

Market risk arises from changes in interest rates, exchange rates of foreign currencies and stock prices. The Bank's Board of Directors sets the limits for acceptable risks. This is periodically monitored by the Bank's management through risk management.

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 certain periods. The Bank manages those risks by reviewing the interest rate on assets and liabilities through its strategy on risk management.

Interest rates on assets and liabilities are reviewed periodically and the Bank regularly follows up the actual cost of funds and takes appropriate decisions regarding pricing based on the prevailing prices.

The effect of expected decrease in interest rate is expected to be equal and opposite to the effect of the increase shown below:

	2022		2021	
Currency	Increase in interest rate (basis points)	Interest income sensitivity (consolidated income statement) U.S. $	Increase in interest rate (basis points)	Interest income sensitivity (consolidated income statement) U.S. $
US Dollar	10	1,206,522	10	111,741
New Israeli Shekels	10	1,343,630	10	1,127,121
Jordanian Dinar	10	34,411	10	29,811
Other currencies	10	(1,036)	10	4,403

Interest rate re-pricing sensitivity gap

December 31, 2022	Up to 1 Month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 3 years	More than 3 years	Non-interest bearing items	Total
	Interest rate re-pricing sensitivity gap							
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Assets								
Cash and balances with Palestine Monetary Authority	108,846,737	109,368,353	-	-	-	-	-	218,215,090
Balances at banks and financial institutions	155,647,180	669,124	-	-	-	-	-	156,316,304
Financial assets at fair value through profit or loss	-	-	-	-	-	-	2,282,792	2,282,792
Direct credit facilities	91,428,368	79,413,872	118,775,997	139,206,803	203,686,542	299,011,381	-	931,522,963
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	30,182,823	30,182,823
Financial assets at amortized cost	6,281,052	-	-	22,951,462	1,000,000	10,141,748	-	40,374,262
Investment in an associate	-	-	-	-	-	-	1,941,691	1,941,691
Property, plant and equipment	-	-	-	-	-	-	17,516,182	17,516,182
Right-of-use assets	-	-	-	-	-	-	13,219,074	13,219,074
Projects in progress	-	-	-	-	-	-	14,960,562	14,960,562
Intangible assets	-	-	-	-	-	-	3,438,691	3,438,691
Deferred tax asset	-	-	-	-	-	-	3,936,122	3,936,122
Other assets	10,258,801	-	-	-	-	-	7,905,772	18,164,573
Total Assets	372,462,138	189,451,349	118,775,997	162,158,265	204,686,542	309,153,129	95,383,709	1,452,071,129
Liabilities								
Palestine Monetary Authority's deposits	-	-	14,176,350	42,529,050	-	-	-	56,705,400
Banks and financial institutions' deposits	3,129,748	522,500	-	-	-	-	-	3,652,248
Customers' deposits	534,158,298	257,215,467	73,653,998	146,832,681	39,484,476	14,193,122	-	1,065,538,042
Cash margins	21,585,696	20,331,636	20,585,410	19,854,222	15,448,552	2,859,668	-	100,665,184
Subordinated loan	-	-	-	-	6,600,000	-	-	6,600,000
Istidama loans from Palestine Monetary Authority	13,326,096	-	-	-	-	-	-	13,326,096
Loans and borrowing	1,666,667	-	-	-	-	-	-	1,666,667
Lease liability	-	-	-	-	-	-	13,533,801	13,533,801
Tax provisions	-	-	-	-	-	-	2,617,917	2,617,917
Sundry Provision	-	-	-	-	-	-	8,995,084	8,995,084
Other liabilities	15,016,843	-	-	-	-	-	6,126,585	21,143,428
Total Liabilities	588,883,348	278,069,603	108,415,758	209,215,953	61,533,028	17,052,790	31,273,387	1,294,443,867
Equity								
Paid-in share capital	-	-	-	-	-	-	100,000,000	100,000,000
Statutory reserve	-	-	-	-	-	-	12,905,387	12,905,387
General banking risks reserve	-	-	-	-	-	-	1,863,517	1,863,517
Pro-cyclicality reserve	-	-	-	-	-	-	4,757,269	4,757,269
Fair value reserve	-	-	-	-	-	-	4,525,721	4,525,721
Retained earnings	-	-	-	-	-	-	31,292,140	31,292,140
Total equity holders of the Bank	-	-	-	-	-	-	155,344,034	155,344,034
Non-controlling interests	-	-	-	-	-	-	2,283,228	2,283,228
Total Equity	-	-	-	-	-	-	157,627,262	157,627,262
Total liabilities and equity	588,883,348	278,069,603	108,415,758	209,215,953	61,533,028	17,052,790	188,900,649	1,452,071,129
Interest rate re-pricing sensitivity gap	(216,421,210)	(88,618,254)	10,360,239	(47,057,688)	143,153,514	292,100,339	(93,516,940)	-
Cumulative gap	(216,421,210)	(305,039,464)	(294,679,225)	(341,736,913)	(198,583,399)	93,516,940	-	-

December 31, 2021

	Interest rate re-pricing sensitivity gap							
	Up to 1 Month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 3 years	More than 3 years	Non-interest bearing items	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Assets								
Cash and balances with Palestine Monetary Authority	-	-	-	-	-	-	304,542,685	304,542,685
Balances at banks and financial institutions	-	46,776,528	-	-	7,373,030	-	92,480,548	146,630,106
Financial assets at fair value through profit or loss	-	-	-	-	-	-	2,488,548	2,488,548
Direct credit facilities	87,668,835	68,066,039	86,908,950	71,295,885	216,918,337	422,254,455	-	953,112,501
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	25,998,997	25,998,997
Financial assets at amortized cost	15,436,238	-	-	-	23,667,761	9,010,361	-	48,114,360
Investment in an associate	-	-	-	-	-	-	1,748,346	1,748,346
Property, plant and equipment	-	-	-	-	-	-	23,283,089	23,283,089
Right-of-use assets	-	-	-	-	-	-	14,428,720	14,428,720
Projects in progress	-	-	-	-	-	-	10,160,274	10,160,274
Intangible assets	-	-	-	-	-	-	3,545,294	3,545,294
Deferred tax asset	-	-	-	-	-	-	4,550,157	4,550,157
Other assets	-	-	-	-	-	-	23,562,232	23,562,232
Total Assets	103,105,073	114,842,567	86,908,950	71,295,885	247,959,128	431,264,816	506,788,890	1,562,165,309
Liabilities								
Palestine Monetary Authority's deposits	-	-	-	32,084,222	64,168,378	-	-	96,252,600
Banks and financial institutions' deposits	742,065	9,946,099	-	-	-	-	-	10,688,164
Customers' deposits	573,317,862	93,555,471	103,887,678	123,266,222	14,903,062	160,012,755	-	1,068,943,050
Cash margins	38,665,874	20,154,887	33,585,474	16,859,874	11,525,001	3,981,403	-	124,772,513
Subordinated loan	-	-	-	-	9,800,000	-	-	9,800,000
Istidama loans from Palestine Monetary Authority	13,180,205	-	-	-	-	-	-	13,180,205
Loans and borrowing	-	-	2,285,714	2,285,714	14,142,857	18,285,715	-	37,000,000
Lease liability	-	-	-	-	-	-	14,659,176	14,659,176
Tax provisions	-	-	-	-	-	-	5,617,862	5,617,862
Sundry provision	-	-	-	-	-	-	8,432,605	8,432,605
Other liabilities	-	-	-	-	-	-	35,047,808	35,047,808
Total Liabilities	625,906,006	123,656,457	139,758,866	174,496,032	114,539,298	182,279,873	63,757,451	1,424,393,983
Equity								
Paid-in share capital	-	-	-	-	-	-	96,433,796	96,433,796
Statutory reserve	-	-	-	-	-	-	10,874,071	10,874,071
Pro-cyclicality reserve		-	-	-	-	-	4,757,269	4,757,269
Fair value reserve	-	-	-	-	-	-	1,026,733	1,026,733
Retained earnings	-	-	-	-	-	-	23,084,171	23,084,171
Total equity holders of the Bank	-	-	-	-	-	-	136,176,040	136,176,040
Non-controlling interests	-	-	-	-	-	-	1,595,286	1,595,286
Total Equity	-	-	-	-	-	-	137,771,326	137,771,326
Total liabilities and equity	625,906,006	123,656,457	139,758,866	174,496,032	114,539,298	182,279,873	201,528,777	1,562,165,309
Interest rate re-pricing sensitivity gap	(522,800,933)	(8,813,890)	(52,849,916)	(103,200,147)	133,419,830	248,984,943	305,260,113	-
Cumulative gap	(522,800,933)	(531,614,823)	(584,464,739)	(687,664,886)	(554,245,056)	(305,260,113)	-	-

2. Equity price risk

Equity price risk results from changes in fair value of equity instruments. The effect of the expected decrease in equity instrument prices is equal and opposite to the effect of the increase stated below:

	2022			2021		
	Increase in indicator	Effect on consolidated income statement	Effect on consolidate equity statement	Increase in indicator	Effect on consolidated income statement	Effect on consolidate equity statement
Currency	(%)	U.S. $	U.S. $	(%)	U.S. $	U.S. $
Financial assets through profit and loss	5	114,140	-	5	124,427	-
Financial assets through other comprehensive income	5	-	1,472,154	5	-	1,262,962

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 US Dollar is the functional currency of the Bank. The Bank's Board of Directors annually sets the limits of the financial position for each currency, and such position is monitored on a daily basis and hedging strategies are used to ensure maintaining the foreign currency position within the set limits.

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

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

	2022		2021	
	Increase in currency rate	Effect on consolidated income statement	Increase in currency rate	Effect on consolidated income statement
Currency	(%)	U.S. $	(%)	U.S. $
New Israeli Shekels	10	53,711	10	128,028
Other currencies	10	(945,573)	10	(142,553)

Following is the foreign currencies position of the Bank:

December 31, 2022	USD U.S. $	JOD U.S. $	ILS U.S. $	EUR U.S. $	Others U.S. $	Total U.S. $
Assets						
Cash and balances with Palestine Monetary Authority	68,104,491	33,560,733	113,168,865	3,338,064	42,937	218,215,090
Balances at banks and financial institutions	40,015,025	46,341,478	40,825,682	17,674,904	11,459,215	156,316,304
Financial assets at fair value through profit or loss	16,925	2,265,867	-	-	-	2,282,792
Direct credit facilities	274,533,682	56,232,307	591,554,458	9,202,516	-	931,522,963
Financial assets at fair value through other comprehensive Income	1,381,580	26,855,435	-	-	1,945,808	30,182,823
Financial assets at amortized cost	4,865,505	23,272,211	6,915,546	5,321,000	-	40,374,262
Investment in an associate	1,941,691	-	-	-	-	1,941,691
Property, plant and equipment	17,335,622	180,560	-	-	-	17,516,182
Right of use assets	9,226,206	3,986,861	6,007	-	-	13,219,074
Projects in progress	9,698,366	347,337	4,553,374	361,485	-	14,960,562
Intangible assets	3,412,832	25,859	-	-	-	3,438,691
Deferred tax assets	3,936,122	-	-	-	-	3,936,122
Other assets	(1,522,148)	6,516,917	7,254,727	32,583	-	12,282,079
Total Assets	432,945,899	199,585,565	764,278,659	35,930,552	13,447,960	1,446,188,635
Liabilities						
Palestine Monetary Authority's deposits	-	-	56,705,400	-	-	56,705,400
Banks and financial institutions' deposits	2,669,218	-	982,389	633	8	3,652,248
Customers' deposits	381,681,102	163,913,657	490,405,261	19,208,763	10,329,259	1,065,538,042
Cash margins	50,085,507	15,043,970	33,539,663	669,548	1,326,496	100,665,184
Subordinated loans	6,600,000	-	-	-	-	6,600,000
Istidama loans from Palestine Monetary Authority	13,326,096	-	-	-	-	13,326,096
Loans and borrowing	1,666,667	-	-	-	-	1,666,667
Lease liabilities	9,436,187	4,097,614	-	-	-	13,533,801
Taxes provisions	2,617,917	-	-	-	-	2,617,917
Sundry provisions	8,987,590	7,494	-	-	-	8,995,084
Other liabilities	7,864,043	3,982,041	8,451,264	454,496	391,584	21,143,428
Total Liabilities	484,934,327	187,044,776	590,083,977	20,333,440	12,047,347	1,294,443,867
Total Equity	152,960,260	4,531,706	167	86	135,043	157,627,262
Consolidated statement of financial position concentration	(204,948,688)	8,009,083	174,194,515	15,597,026	1,265,570	(5,882,494)
Contingent off-balance sheet obligations	196,030,069	-	(174,731,623)	(15,573,503)	157,551	5,882,494

December 31, 2021	USD U.S. $	JOD U.S. $	ILS U.S. $	EUR U.S. $	Others U.S. $	Total U.S. $
Assets						
Cash and balances with Palestine Monetary Authority	78,717,083	60,080,025	162,610,420	3,135,157	-	304,542,685
Balances at banks and financial institutions	55,692,556	39,919,098	27,034,278	16,615,216	7,368,958	146,630,106
Financial assets at fair value through profit or loss	1,349,902	1,138,646	-	-	-	2,488,548
Direct credit facilities	250,530,311	60,947,372	633,351,131	8,283,687	-	953,112,501
Financial assets at fair value through other comprehensive Income	1,450,657	23,083,677	-	-	1,464,663	25,998,997
Financial assets at amortized cost	20,636,956	14,104,370	7,713,034	5,660,000	-	48,114,360
Investment in an associate	1,748,346	-	-	-	-	1,748,346
Property, plant and equipment	23,102,529	180,560	-	-	-	23,283,089
Right of use assets	10,335,196	4,049,358	44,166	-	-	14,428,720
Projects in progress	8,386,143	346,096	804,037	623,998	-	10,160,274
Intangible assets	3,519,435	25,859	-	-	-	3,545,294
Deferred tax assets	4,550,157	-	-	-	-	4,550,157
Other assets	11,714,838	2,070,407	9,727,672	49,315	-	23,562,232
Total Assets	471,734,109	205,945,468	841,284,738	34,367,373	8,833,621	1,562,165,309
Liabilities						
Palestine Monetary Authority's deposits	-	-	96,252,600	-	-	96,252,600
Banks and financial institutions' deposits	2,776	-	10,684,706	673	9	10,688,164
Customers' deposits	439,366,859	178,868,694	419,766,441	23,189,781	7,751,275	1,068,943,050
Cash margins	69,162,301	15,850,713	38,843,342	899,707	16,450	124,772,513
Subordinated loans	9,800,000	-	-	-	-	9,800,000
Istidama loans from Palestine Monetary Authority	13,180,205	-	-	-	-	13,180,205
Loans and borrowing	37,000,000	-	-	-	-	37,000,000
Lease liabilities	10,472,928	4,140,018	46,230	-	-	14,659,176
Taxes provisions	19,921,229	(183,679)	(14,119,688)	-	-	5,617,862
Sundry provisions	8,425,110	7,495	-	-	-	8,432,605
Other liabilities	17,053,865	3,869,002	13,164,749	960,176	16	35,047,808
Total Liabilities	624,385,273	202,552,243	564,638,380	25,050,337	7,767,750	1,424,393,983
Total Equity	135,856,752	1,869,388	-	-	45,186	137,771,326
Consolidated statement of financial position concentration	(288,507,916)	1,523,837	276,646,358	9,317,036	1,020,685	-
Contingent off-balance sheet obligations	290,242,391	-	(277,926,642)	(9,294,852)	391,946	3,412,843

III. Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors future cash flows and liquidity and maintains sufficient amount of cash and cash equivalents.

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 liabilities (Undiscounted) on the basis of the remaining contractual maturities as of the date of consolidated financial statements:

	Up to 1 Month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months up to 1 year	More than 1 year to 3 years	More than 3 years	Without maturity	Total
December 31, 2022	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Liabilities								
Palestine Monetary Authority's deposits	-	-	14,176,350	42,529,050	-	-	-	56,705,400
Banks and financial institutions' deposits	3,129,748	522,500	-	-	-	-	-	3,652,248
Customers' deposits	534,529,627	257,751,890	73,961,209	148,057,561	40,472,616	14,785,118	-	1,069,558,021
Cash margins	21,607,729	20,393,896	20,711,484	20,097,413	16,016,233	3,034,806	-	101,861,561
Subordinated loan	-	-	-	-	7,590,000	-	-	7,590,000
Istidama loans from Palestine Monetary Authority	15,547,112	-	-	-	-	-	-	15,547,112
Loans and borrowing	1,673,611	-	-	-	-	-	-	1,673,611
Lease liabilities	188,479	378,993	573,072	1,164,471	4,951,115	7,866,523	-	15,122,653
Tax provisions	-	-	-	-	-	-	2,617,917	2,617,917
Sundry provisions	-	-	-	-	-	8,995,084	-	8,995,084
Other liabilities	15,016,843	-	-	-	-	6,126,585	-	21,143,428
Total liabilities	591,693,149	279,047,279	109,422,115	211,848,495	69,029,964	40,808,116	2,617,917	1,304,467,035

December 31, 2021	Up to 1 Month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months up to 1 year	More than 1 year to 3 years	More than 3 years	Without maturity	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Liabilities								
Palestine Monetary Authority's deposits	-	-	-	32,202,701	64,405,336	-	-	96,608,037
Banks and financial institutions' deposits	744,805	9,982,827	-	-	-	-	-	10,727,632
Customers' deposits	575,434,980	93,900,948	104,271,309	123,721,413	14,958,095	160,603,642	-	1,072,890,387
Cash margins	38,808,658	20,229,314	33,709,497	16,922,133	11,567,560	3,996,104	-	125,233,266
Subordinated loan	-	-	-	-	9,836,189	-	-	9,836,189
Istidama loans from Palestine Monetary Authority	13,248,876	-	-	-	-	-	-	13,248,876
Loans and borrowing	-	-	2,294,155	2,294,155	14,195,083	18,353,240	-	37,136,633
Lease liabilities	-	-	-	-	-	-	14,773,309	14,773,309
Tax provisions	-	-	-	-	-	-	5,638,607	5,638,607
Sundry provisions	-	-	-	-	-	-	8,463,744	8,463,744
Other liabilities	35,177,231	-	-	-	-	-	-	35,177,231
Total liabilities	663,414,550	124,113,089	140,274,961	175,140,402	114,962,263	182,952,986	28,875,660	1,429,733,911

Liquidity Coverage Ratio (LCR)

During 2018, PMA issued instructions No. (4/2018) 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 efficient way.

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

	Amount before discount rates / average flows	Amount after discount rates / average flows
	U.S. $	U.S. $
High quality liquid assets	229,903,146	229,903,146
Retail deposits including small enterprises' deposits:		
A- Stable deposits	308,243,578	15,412,179
B- Less stable deposits	486,908,299	36,681,574
Unguaranteed deposits and forms of financing for non-retail legal persons and small enterprises:		
A- Operating deposits		
B- Non-operating deposits	372,213,327	132,304,044
Guaranteed financing and deposits	1,167,365,204	184,397,797
Cash outflows from derivative contracts:		
A- Cash outflows related to net exposure on derivatives		
B- Cash outflows related to Collaterals on contracts		
Non-canceled credit lines and liquidity and on cancelled lines within a period of 30 days		94,454,282
Other cash outflows	54,575,208	2,728,760
Gross cash outflows	1,221,940,412	281,580,839
Guaranteed credit facilities		
Cash inflow from performing loans		
Other cash inflows	194,624,361	145,186,026
Gross cash inflow	194,624,361	145,186,026
Net cash outflow after adjustments		136,394,813
Total high quality liquid assets after adjustments		229,903,146
Net cash outflow after adjustment		136,394,813
Liquidity Coverage Ratio as of December 31,2022		169%

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

	Amount before discount rates / average flows	Amount after discount rates / average flows
	U.S. $	U.S. $
High quality liquid assets		329,107,329
Retail deposits including small enterprises' deposits:		
A- Stable deposits	349,926,819	17,496,341
B- Less stable deposits	319,690,184	39,746,123
Unguaranteed deposits and forms of financing for non-retail legal persons and small enterprises:		
A- Operating deposits		
B- Non-operating deposits	449,020,515	224,467,822
Guaranteed financing and deposits		
Cash outflows from derivative contracts:		
A- Cash outflows related to net exposure on derivatives	93,441,727	93,441,727
B- Cash outflows related to Collaterals on contracts		
Non-canceled credit lines and liquidity and on cancelled lines within a period of 30 days	79,370,451	63,760,652
Gross cash outflows		441,836,771
Guaranteed credit facilities		
Cash inflow from performing loans	41,601,807	20,800,903
Other cash inflows	93,441,727	93,441,727
Gross cash inflow	261,479,738	193,013,558
Net cash outflow after adjustments		248,823,213
Total high quality liquid assets after adjustments		
Net cash outflow after adjustment		329,107,329
Liquidity Coverage Ratio as of December 31,2021		248,823,213
		%132

Net Stable Funding Ratio (NSFR)

PMA issued instructions No. (5/2018) in regard of applying Net Stable Funding Ratio (NSFR). A sustainable funding ratio aims to enhance the bank's liquidity risk management by maintaining more stable sources of funding to align asset maturities inside and outside the balance sheet, and reducing 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:

	2022
	U.S. $
Regulatory capital	162,248
Retail and small enterprises deposits (for less stable)	736,906
Guaranteed and unguaranteed financing (deposits)	187,503
Other funding and deposits	56,705
Gross funding available	1,143,362
Level 2-(B) unrestricted high liquidity assets	23,948
Loans	870,241
Deposits at financial institutions (stated for deposits acceptance) for operating activities	143,384
Off balance sheet exposures	5,489
Other potential future financing obligations:	2,686
Gross financing required	1,045,748
Net Stable Funding Ratio as of December 31,2022	109%

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

	2021
	U.S. $
Regulatory capital	152,234
Retail and small enterprises deposits (for stable)	335,234
Retail and small enterprises deposits (for less stable)	432,469
Guaranteed and unguaranteed financing (deposits)	180,938
Other funding and deposits	113,781
Gross funding available	1,214,656
Level 1 unrestricted high liquidity assets	16,999
Level 2-(A) unrestricted high liquidity assets	1,181
Level 2-(B) unrestricted high liquidity assets	4,366
Financial assets issued or guaranteed by banks and financial institutions	17,772
Loans	926,835
Financial instruments or collaterals from financial institutions and Banks	2,000
Unquoted financial assets	27,124
Quoted financial assets	15,781
Non-performing credit facilities	43,624
Other assets	77,296
Non-canceled credit facilities and line of credits	3,968
Obligations related to commercial funding	2,924
Gross financing required	1,139,870
Net Stable Funding Ratio as of December 31,2021	107%

PMA issued Instructions No. (24/2021) regarding the application of the financial leverage ratio. 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 should not be less than 4% in all cases.

The table below shows the calculation of the financial leverage ratio as at December 31, 2022:

	financial leverage ratio
	U.S. $
Total Exposure Scale (Exposures inside the statement of financial position + derivatives exposures + securities finance exposures + exposures outside the statement of financial position)	1,821,170,673
Regulatory amendments related to investments in banks, financial institutions, insurance companies and commercial entities grouped for accounting purposes, but outside the scope of regulatory aggregation. (What is deducted from the first tranche of the capital)	11,060,470
Amendments related to derivatives exposures	213,535,761
Amendments related to items outside the statement of financial position	98,371,049
Total Leverage Exposure Scale	1,498,203,393
First tranche of capital net capital	134,703,275
Leverage Ratio	8.99%

46. Segment Information

Information on the Bank's business segments

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

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

Corporate, institutions and public sector banking: Includes handling loans, credit facilities, deposits and current accounts for corporate, institutional customers.

Treasury: Includes providing trading and treasury services and managing Bank's funds and investment.

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

	Retail	Corporate, and institutions	Treasury	Other	Total 2022	Total 2021
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Gross revenues	26,575,505	52,520,865	17,034,633	1,013,311	97,144,314	82,662,530
Provision for ECL	(422,338)	(10,249,153)	(333,898)	-	(11,005,389)	(6,729,703)
Segment results	26,153,167	42,271,712	16,700,735	1,013,311	86,138,925	75,932,827
Unallocated expenses					(61,204,417)	(55,395,116)
Profit before taxes					24,934,508	20,537,711
Taxes expense					(4,033,947)	(6,173,078)
Profit for the year					20,900,561	14,364,633
Other segment information						
Total segment assets	284,799,494	646,723,469	449,312,962	71,235,204	1,452,071,129	1,562,165,309
Total segment liabilities	743,352,989	422,850,237	60,357,648	67,882,993	1,294,443,867	1,424,393,983
Capital expenditures					7,693,095	5,271,205
Depreciation and amortization					5,611,288	5,557,724

Geographical distribution information

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

	Domestic		Foreign		Total	
	2022	2021	2022	2021	2022	2021
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Gross revenues	95,761,044	79,397,487	1,383,270	3,265,043	97,144,314	82,662,530
Total assets	1,223,405,984	1,324,452,133	228,665,145	237,713,176	1,452,071,129	1,562,165,309
Capital expenditures	7,693,095	5,271,205	-	-	7,693,095	5,271,205

47. Maturities of Assets and Liabilities

The following table depicts the analysis of assets and liabilities according to their maturities:

December 31,2022	Less than 1 month U.S. $	From 1 month up to 3 month U.S. $	From 3 month up to 6 month U.S. $	From 6 month up to 1 year U.S. $	From 1 year up to 3 year U.S. $	More than 3 year U.S. $	Without maturity U.S. $	Total U.S. $
Assets								
Cash and balances with Palestine Monetary Authority	108,846,737	109,368,353	-	-	-	-	-	218,215,090
Balances at banks and financial institutions	532,100	109,370,130	-	-	283,527	-	46,130,547	156,316,304
Financial assets at fair value profit or loss	-	-	-	-	-	-	2,282,792	2,282,792
Direct credit facilities	73,363,475	79,413,872	114,775,997	97,322,458	208,921,364	357,725,797	-	931,522,963
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	30,182,823	30,182,823
Financial assets at amortized cost	6,281,052	-	-	22,951,462	1,000,000	10,141,748	-	40,374,262
Investment in an associate	-	-	-	-	-	-	1,941,691	1,941,691
Property, plant and equipment	-	-	-	-	-	-	17,516,182	17,516,182
Right-of use assets	-	-	-	-	-	-	13,219,074	13,219,074
Projects in progress	-	-	-	-	-	-	14,960,562	14,960,562
Intangible assets	-	-	-	-	-	-	3,438,691	3,438,691
Deferred tax asset	-	-	-	-	-	-	3,936,122	3,936,122
Other assets	10,424,701	-	-	-	-	-	7,739,872	18,164,573
Total Assets	199,448,065	298,152,355	114,775,997	120,273,920	210,204,891	367,867,545	141,348,356	1,452,071,129
Liabilities								
Palestine Monetary Authority's deposits	-	-	14,176,350	42,529,050	-	-	-	56,705,400
Banks and financial institutions' deposits	3,129,748	522,500	-	-	-	-	-	3,652,248
Customers' deposits	534,158,298	257,215,467	73,653,998	146,832,681	39,484,476	14,193,122	-	1,065,538,042
Cash margins	21,585,696	20,331,636	20,585,410	19,854,222	15,448,552	2,859,668	-	100,665,184
Subordinated loan	-	-	-	-	6,600,000	-	-	6,600,000
Istidama loans from Palestine Monetary Authority	13,326,096	-	-	-	-	-	-	13,326,096
Loans and borrowing	1,666,667	-	-	-	-	-	-	1,666,667
Lease liabilities	187,969	375,939	563,908	1,127,817	4,511,267	6,766,901		13,533,801
Tax provisions	-	-	-	-	-	-	2,617,917	2,617,917
Sundry Provisions	-	-	-	-	-	8,995,084	-	8,995,084
Other liabilities	15,016,843	-	-	-	-	6,126,585	-	21,143,428
Total Liabilities	589,071,317	278,445,542	108,979,666	210,343,770	66,044,295	38,941,360	2,617,917	1,294,443,867
Equity								
Paid-in share capital	-	-	-	-	-	-	100,000,000	100,000,000
Statutory reserve	-	-	-	-	-	-	12,905,387	12,905,387
General banking risks reserve	-	-	-	-	-	-	1,863,517	1,863,517
Pro-cyclicality reserve	-	-	-	-	-	-	4,757,269	4,757,269
Fair value reserve	-	-	-	-	-	-	4,525,721	4,525,721
Retained earnings	-	-	-	-	-	-	31,292,140	31,292,140
Total equity holders of the Bank	-	-	-	-	-	-	155,344,034	155,344,034
Non-controlling interests	-	-	-	-	-	-	2,283,228	2,283,228
Total equity	-	-	-	-	-	-	157,627,262	157,627,262
Total Liabilities and Equity	589,071,317	278,445,542	108,979,666	210,343,770	66,044,295	38,941,360	160,245,179	1,452,071,129
Maturity gap	(234,394,046)	(88,434,141)	6,636,410	(88,389,695)	150,203,225	335,897,482	(81,519,235)	-
Cumulative maturity gap	(234,394,046)	(322,828,187)	(316,191,777)	(404,581,472)	(254,378,247)	81,519,235	-	-

December 31,2021	Less than 1 month U.S. $	From 1 month up to 3 month U.S. $	From 3 month up to 6 month U.S. $	From 6 month up to 1 year U.S. $	From 1 year up to 3 year U.S. $	More than 3 year U.S. $	Without maturity U.S. $	Total U.S. $
Assets								
Cash and balances with Palestine Monetary Authority	-	-	-	-	-	-	304,542,685	304,542,685
Balances at banks and financial institutions	155,647,180	669,124	-	-	-	-	-	156,316,304
Financial assets at fair value profit or loss	-	-	-	-	-	-	2,488,548	2,488,548
Direct credit facilities	87,668,828	68,066,039	86,908,950	71,295,885	216,918,337	422,254,462	-	953,112,501
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	25,998,997	25,998,997
Financial assets at amortized cost	15,436,238	-	-	-	23,667,761	9,010,361	-	48,114,360
Investment in an associate	-	-	-	-	-	-	1,748,346	1,748,346
Property, plant and equipment	-	-	-	-	-	-	23,283,089	23,283,089
Right-of use assets	183,598	367,197	550,795	1,101,590	4,406,358	6,609,536	-	13,219,074
Projects in progress	-	-	-	-	-	-	14,960,562	14,960,562
Intangible assets	96,428	192,855	289,284	578,565	1,919,798	361,761	-	3,438,691
Deferred tax asset	-	-	-	-	-	-	3,936,122	3,936,122
Other assets	10,258,801	-	-	-	-	-	7,905,772	18,164,573
Total Assets	354,677,271	190,011,401	115,616,076	121,954,075	216,247,520	374,838,842	78,725,944	1,452,071,129
Liabilities								
Palestine Monetary Authority's deposits	-	-	-	32,084,222	64,168,378	-	-	96,252,600
Banks and financial institutions' deposits	742,065	9,946,099	-	-	-	-	-	10,688,164
Customers' deposits	573,317,862	93,555,471	103,887,678	123,266,222	14,903,062	160,012,755	-	1,068,943,050
Cash margins	38,665,875	20,154,887	33,585,474	16,859,874	11,525,001	3,981,402	-	124,772,513
Subordinated loan	-	-	-	-	9,800,000	-	-	9,800,000
Istidama loans from Palestine Monetary Authority	13,180,205	-	-	-	-	-	-	13,180,205
Loans and borrowing	-		2,285,714	2,285,714	14,142,857	18,285,715	-	37,000,000
Lease liabilities	-	-	-	-	-	-	14,659,176	14,659,176
Tax provisions	-	-	-	-	-	-	5,617,862	5,617,862
Sundry Provisions	-	-	-	-	-	-	8,432,605	8,432,605
Other liabilities	35,047,808	-	-	-	-	-	-	35,047,808
Total Liabilities	660,953,815	123,656,457	139,758,866	174,496,032	114,539,298	182,279,872	28,709,643	1,424,393,983
Equity								
Paid-in share capital	-	-	-	-	-	-	96,433,796	96,433,796
Statutory reserve	-	-	-	-	-	-	10,874,071	10,874,071
Pro-cyclicality reserv	-	-	-	-	-	-	4,757,269	4,757,269
Fair value reserve	-	-	-	-	-	-	1,026,733	1,026,733
Retained earnings	-	-	-	-	-	-	23,084,171	23,084,171
Total equity holders the Bank	-	-	-	-	-	-	136,176,040	136,176,040
Non-controlling interests	-	-	-	-	-	-	1,595,286	1,595,286
Total equity	-	-	-	-	-	-	137,771,326	137,771,326
Total Liabilities and Equity	660,953,815	123,656,457	139,758,866	174,496,032	114,539,298	182,279,872	166,480,969	1,562,165,309
Maturity gap	(533,604,382)	(8,813,890)	(52,849,916)	(103,200,147)	133,419,830	248,984,951	316,063,554	-
Cumulative maturity gap	(533,604,382)	(542,418,272)	(595,268,188)	(698,468,335)	(565,048,505)	(316,063,554)	-	-

48. 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 on goals, policies, and actions concerning capital management for current and prior year.

The capital adequacy ratio is computed in accordance with the PMA's instructions derived from Basel Committee regulations. The following are the capital adequacy rates:

	2022			2021		
	Amount	Percentage to assets	Percentage to risk – weighted assets	Amount	Percentage to assets	Percentage to risk – weighted assets
	U.S. $	%	%	U.S. $	%	%
Regulatory capital	152,631,868	10.51	14.46	155,354,583	9.94	14.06
Basic capital	134,703,275	9.28	12.76	131,739,481	8.43	11.92

The Bank maintains appropriate paid-up capital for operational risk purposes and also monitors capital adequacy in accordance with the Basel Framework in compliance with PMA instructions.

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

	December 31, 2022
	U.S. $
Total basic equity capital	145,763,745
Deduct:	
Regulatory Adjustments:	
Investments in the capital of subsidiaries whose accounts are not consolidated with the bank's accounts	-
Goodwill and other intangible assets	3,438,691
Mutual investments in the capital of banks, financial institutions and insurance companies	2,599,575
Investments in the capital of banks, financial institutions, and insurance companies outside the scope of regulatory consolidation, in which the Bank owns less than 10% of the ordinary shares issued by that institution.	5,022,204
Net common stocks (CET 1)	134,703,275
Additional paid-in capital (Additional T1)	
Capital Tier 1	134,703,275
Capital Tier 2	17,928,593
Capital base	152,631,868
Risk weighted assets	
Credit risk	917,974,152
Market risk	7,522,923
Operational risk	129,767,526
Total risk weighted assets	1,055,264,601
Total assets (consolidated statement of financial position)	
	%
Percentage of net common stocks (CET 1) to risk weighted assets	12.76
Percentage of the Capital Tier 1 to risk weighted assets	12.76
Percentage of the Capital Tier 2 to risk weighted assets	1.70
Capital adequacy ratio	14.46
Percentage of Capital Tier 1 to assets	9.28
Percentage of regulatory capital to assets	10.51

	December 31, 2021
	U.S. $
Total basic equity capital	137,771,323
Deduct:	
Regulatory Adjustments:	
Goodwill and other intangible assets	(3,545,294)
Investments in the capital of subsidiaries whose accounts are not consolidated with the bank's accounts	-
Mutual investments in the capital of banks, financial institutions and insurance companies	(2,486,548)
Net common stocks (CET 1)	131,739,481
Additional paid-in capital (Additional T1)	-
Capital Tier 1	132,655,430
Capital Tier 2	22,699,153
Capital base	155,354,583
Risk weighted assets	
Credit risk	986,696,853
Market risk	-
Operational risk	118,511,284
Total risk weighted assets	1,105,208,137
Total assets (consolidated statement of financial position)	

	%
Percentage of net common stocks (CET 1) to risk weighted assets	11.92
Percentage of the Capital Tier 1 to risk weighted assets	11.92
Percentage of the Capital Tier 2 to risk weighted assets	2.05
Capital adequacy ratio	14.06
Percentage of Capital Tier 1 to assets	8.43
Percentage of regulatory capital to assets	9.94

49. 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	46,944,812	46,159,131
Letters of credit	6,775,953	10,505,728
Acceptances	854,442	2,167,344
Unutilized credit facilities limits	93,654,554	79,370,451
	148,229,761	138,202,654
Expected credit loss on indirect credit facilities (note 27)	(251,875)	(330,522)
	147,977,886	137,872,132

50. Lawsuits Against the Bank:

The number of cases filed against the bank reached (62) and (44) cases as on December 31, 2022 and 2021, respectively, within the normal activity of the bank. The value of the cases amounted to U.S. $ 51,394,100 and an amount equivalent to U.S. $ 17,170,908 as at December 31, 2022 and 2021, respectively, and in the assessment of the Bank's management and lawyers, the bank will not have any obligations in response to these cases except for what has been allocated to confront them.

51. Concentration of Risk in Geographical Area

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

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