Annual Report

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2021

بنك القدس
Quds Bank

Annual Report

2021 2021 2021 2021 2021 2021 2021 2021 2021 2021 2021 2021 2021

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General Overview

Since its establishment in 1995, Al-Quds Bank has growninto one of the most vital and prominent banking institutions in Palestine. It provides the Palestinian market with an integrated package of banking and investment services as well as commercial solutions that meet the needs of customers, individuals and companies. Its contribution to the Palestinian national economy is therefore significant.

Al-Quds Bank is registered as a limited joint stock company with a capital of USD 20 million, whichincreased over the years to reach USD 96.172 million. This success and growthhavebeen achieved thanks to the high professionalism reflected in the integrated banking services and products provided toits customers,includingindividuals, companies and start-ups, as well asthe use of a robust capital base and genuine expertise enabling the Bank to play asignificantfinance role.

Al-Quds Bank provides cutting-edge banking and financing products and services for its customers through a network of 40 branches and offices as well as 55 ATMs installed throughout the Palestinian governorates.

Al-Quds Bank is the first Palestinian bank that operates in the Jordanian banking market through its representative office in Amman, which is a platform used to facilitate transactions between customers in both the Palestinian and Jordanian markets.

At Al-Quds Bank, we keep pace withthe aspirations of ourcustomers by providing advanced online services for them, including the use ofQuds Smart and Quds Online applications. The bank is keen to provide state-of-the art technologies, so that its customers can execute their banking transactions safely and easily regardless of where they are. It has recently launched “Al Quds Fawri” service through which the bank’s customers in Palestine can instantaneously transfer money to the customers of Jordan Kuwaiti Bank in Jordan around the clock. This service is characterized by the highest standards of speed and safety as the transfer transaction is wired through the highly secure Blockchain Network, which guarantees a swift transfer and immediate delivery to the beneficiary.

Mission

Quds Bank’s mission is to become a distinctive bank that can provide inclusive and advanced banking solutions through its services that live up to the expectations of its customers and lead them to success.

Vision

Al Quds Bank seeks to invest in the Palestinian capital to contribute to the the development of the national economy, and provide valuable banking solutions for all sectors and improve citizens’ life.

Value

Ensuring the highest levels of professional compliance and best transparent and fair banking standards as well as good governance.

2021

International Awards and Recognition

- 2021 Award of Best Bank in the State of Palestine for Performance Indicators from WUAB.

- 2020 Award of Best Bank in the State of Palestine for Global Trade According to the Standards of the European Bank for Reconstruction and Development (EBRD)

Chairman's

MESSEGE

Chairman's Message

Distinguished Shareholders,

I'm pleased to present to you the annual report of Al-Quds Bank outlining our key achievements of the year 2021 and the consolidated financial statements of the year until 31 December2021,as well as the Bank's future plan for the year 2022. It also presents disclosure requirements and the rules of institutional governance according to the relevant laws, regulations and legislations.

Distinguished Shareholders

The impact of the health and economic crisis arising from the COVID-19 pandemic continued throughout the reporting period as many are still suffering the repercussions of this pandemic. However, the Palestinian economy proved its resilience in the face of all the unprecedented challenges despite the difficulties posed by the pandemic and which overshadowed all economic sectors.

Al-Quds Bank carried out all the necessary measures to make life easier for individuals and companies, focusing on digital transformation to adapt to the "new reality" by allowing better customer access to our services through different outlets, including ATMs and the multiple digital platforms of the Bank, based on the long and medium-term strategic plan.

Al-Quds Bank maintained its financial position during the year 2021, achieving significant growth in most financial indicators; gross assets grew to USD 1.562 billion up by 12% compared with 2020.Growing customer confidence also reflected in the increase in total customer deposits, which increased by (8.5%) to reach USD 1.194 billion, as of 31 December 2021.

It is noteworthy that the credit facilities portfolio increased by (12.5%) to USD 953 million

compared to 2020. Shareholders' equity also increased by (11%) to USD 136 million compared to 2020. The gross income increased by 12% to reach USD 73 million compared with the previous year.
Given these facts, Al-Quds Bank achieved after-tax net profits of USD 14.36 million, up from USD 10.9 million in 2020. This is evidence ofit's the Bank's robust financial position and its ability to cope with the sudden changes and challenges, as well as its leading role in the banking sector.
This outstanding performance is evidenceof our strong strategy which enabled us to reach such targets despite the prevailing economic conditions. The decisive and swift response measures taken up by the bank, including issuing clear and well-thought-out guidelines, for maintaining its advanced financial position enabled usto achieve such strong results.

Ladies and Gentlemen

Al-Quds Bank's attention wasn't merely limited to its financial performance, but was also focused on customer care, exerting all possible efforts to provide cutting-edge banking services and products that to satisfy our customers and meet their needs using up-to-date tools to achieve this target. These tools include Maestro application which provides a set of services and advantages that meet the lifestyle of the customer. On the other hand, Al-Quds Bank took several measures to make life easier for individuals and companies, boostingthe digital services offered toour customers through our multiple digital platforms.
Al-Quds Bank played a significant role to promote its human resources by continually advancing their skills and competences, believing that human resources are a key driverof success, growth and excellence. The Bank delegated a number of its employees to participate in workshops, conferences and training courses, both online and in-person. In total,92 virtual and in-person activities were heldand in which 1124 employees participated.
As Al-Quds Bank places significant emphasis on its human resources for its future outlook, it implemented the second phase of Titles & Bands in 2021 to foster a performance and motivation-driven culture among its employees.
During the year 2021, Al-Quds Bank continued to fulfill its vital social responsibilities by sponsoring sustainable development projects in the areas of health, education, environment, sports and anti-poverty programs. Social responsibility constitutes a key element of the strategy of Al-Quds Bank, which always aspires to be a pioneering model in serving the Palestinian people and its various sectors, building upon its long journey of giving. This journey is based on the Bank's vision of inclusive human development for all sectors and components of the homeland, aiming to lay a solid ground for better future for the generations to come.
Dear Shareholders,
Al-Quds Bank confirms its commitment to the rules of institutional governance and adherence to prudent risk management policy as well as competent internal controls. It implements anti-money laundering and anti-terrorism financing policies in line with the requirements of the regulatory authorities and the international standards. It also fully adheres to transparency,

disclosure and integrity in all its practices and relations with all parties.

During the year 2022, Al-Quds Bank continues to work i with full energy to achieve the goals of its strategy, which includes a road map to make the Bank the first option of customers by providing a broad range of services and products. This would enable the Bank to promote its competitive advantages, increase its market share and accelerate its digital transformation.

Ladies and Gentlemen

In conclusion, I am pleased to extend my deepest thanks and appreciation to our esteemed shareholders and customers for their sincere trust and support, as well as to the fellow members of the Board of Directors for their dedication and unswerving support. I also thank the entire family of the Al-Quds Bank for your giving, efforts and hard work. A bunch of thanks also go the Palestinian Monetary Authority for its role in cementing the banking system in Palestine.

On behalf of Al-Quds Bank, I affirm our commitment to continue our hard work with all our energy and potential to always achieve success and excellence.

Akram Abdul-Latif Jarab
Chairman of the Board of Directors

Board of Directors

Akram Abdullatif Jerab

Chairman of the Board of Directors

Master 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 Company, Jordan
- Member of Board of Trustees, Jerusalem Open University, Palestine
- Member of Board of Trustees, Istiqlal University, Palestine
- Member of 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.

Duraid Akram Jerab

Vice-Chairman of the Board

Master Degree in Business Administration, Durham University, Britain
Bachelor's Degree in Business Administration, Kent University, Britain

- Managing Director of the Medical Section, Al-Karmel Company Group, Jordan
- Member of the Board of Directors of Jordan Investment Bank.
- 17 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 in the Board of Directors, Nutridar, Jordan (2011 - 2014).
- Member of Entrepreneurs Orgnization.

Ibrahim Ahmad Abu Dayyeh

Member of the Board

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

- 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.
- 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.

Dr. Hamed Jaber

Member of the Board

Ph.D. in Electrical Engineering

- Chairman of the Board of Directors, Concord Construction Group, Jordan.
- 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 Board of Trustees Member, Aqaba University of Technology.
- Former Member of the Board of Consultants, Fossil Consulting Firm, Madrid.

Waleed Najeeb Al Ahmad

Member of the Board

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.

Dr. Majed Awni Abu Ramadan

Member of the Board

Senior Consultant in ophthalmology,

- Attended the British Royal Eye Surgery College
- 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, Costal 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 at Al-Azhar University.
- Former General Manager, International Cooperation Administration and the Hospitals Administration, Ministry

Ahed Fayeq Bseiso

Member of the Board

Bachelor's Degree in Architecture, Cairo University

- Manager and Owner of Home Company for Engineering Consultations
- Member of the Board of Trustees, Quds Open University.
- Board member of the Palestinian Association of Banks.
- Member of the Board of Trustees, Palestine Investment Fund
- AMIDEAST Advisory Board Member.
- Chairman of the Board of Directors of the Engineering Concrete Products Company.
- Board member of Amar Company.
- Board member of Massader Palestine.
- Representative, Spanish Olive Palm Organization, Palestine.
- Treasurer of the Palestinian Greek Economic Cooperation Council.

Ruba Muhammad Masruji

Member of the Board

Master's Degree in Business Administration, Birzeit University

- Board member of Masrouji Group.
- Chairman of Dunya Women's Cancer Center.
- Board member of Tibaq Publishing House.
- Board member of the Popular Art Center.
- Board member and CEO, United Securities Company.
- Member of a number of leading Palestinian associations.

Saleh Jaber Ihmaid

Member of the Board

Bachelor's Degree in Accounting

- Owner and chairman of a tea factory in Sri Lanka.
- 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, Qassioun University, Syria.
- Board member, Al Takafol Insurance Company.

Adnan Mustafa Abu Al Humos

Member of the Board

Representative of the Palestinian Pension Agency (PPA)

Master's Degree in Accounting Golden Gate University-USA

- 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 \ Investment Consultant – CEO of PADICO HOLDING.
- Advisor and Member of the Board of Directors of Several Companies and Organizations.

Haitham Samih Al-Battikhi

Member of the Board

Representative of the Jordan Kuwait Bank

- Royal Military Academy Sandhurst (RMAS), UK, 1996
- Bachelor's Degree in Political Science and International Relations (Honors), Kent University in Canterbury, UK.
- 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, Al-Quds Bank, Palestine (representative of the Jordan Kuwait Bank), starting from 2018.
- Member of the Board of Directors, Jordan Capital and Investment Fund (Representative of Jordan Kuwait Bank), starting from 2021.
- Member of the Board of Trustees, Jordan Museum, starting from 2017.
- Board Member, Queen Rania Foundation, starting from 2018
- Board Member of Jordan Institute of Directors (JIoD).
- Board member of Al-Diaa Charitable Society for Education of Visually Impaired Children.

Muntaser Izzat Abu Dawas

Member of the Board

Bachelor Degree in Accounting and Financial Management, Buckingham University

- Chief Executive Officer & General Manager,Invest Bank- Jordan.
- Certified Accountant – US.
- Member of the Board of Save the Children.
- Member of the Board of the Institute of Banking Studies
- Member of the Board of the Association of Banks, 2021.
- 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 El Nasr Arabi Company for Insurance, 2011.
- Member of the Board of the Arab Bank – Syria,2011.

Executive Management

Outstanding Performance & Excellence

Chief Executive Officer's MESSAGE

Distinguished Shareholders

I'm pleased to present you with this annual report on the achievements of the Al-Quds Bank during the last year and our plans for the period to come, which couldn't have been accomplished without your unswerving support and solid confidence that are key for our giving and success. We take pride in Al-Quds Bank in our achievements that saw light despite the exceptional working conditions imposed by COVID-19 pandemic, the repercussions of which still affect our daily life.

Ladies and gentlemen

During the last year, Al-Quds Bank reaped the fruits of the strategic decisions it had made to achieve and maintain long-term added value, achieving an after-tax net profit of32% compared to the previous year.

Thanks to Al-Quds Bank's solid foundation and robust infrastructure, it continued its course steadily and firmly towards new achievements, realizing a 12.5% growth in the credit facilities portfolio to USD 106 million compared to the year 2020. The Bank's deposits also grew by 8.5% to USD 94 million compared to the previous year.

Given its excellent position in the Palestinian banking sector, Al-Quds Bank continues to achieve more progress, ranking second in the year 2021 in terms of after-tax-net profit, achieving USD 14.4 million compared to the banks listed at the Palestinian Exchange.

Al-Quds Bank proved during the last year its excellence obtaining the 2021 Award of the Best Bank in the State of Palestine for Performance Indicators from WUAB, and the 2020 Award of the Best Bank in the State of Palestine for Global Trade According to the Standards of the European Bank for Reconstruction and Development (EBRD).

This is evidence that Al-Quds Bank proved its position in the regional and international financial markets during the last year as well as its resilience in the face of challenges, maintaining an outstanding performance at a steady pace.

Al-Quds Bank always enhances and improves its financial and banking activities and keeps pace with the latest local and international developments in the banking industry . Accordingly, the

Bank contributes to the Palestinian economic growth and development and boosts investments by providing advanced and inclusive banking products and services that meet the needs of all customers and agents of all types, including individuals, businesses and institutions. These services target the public and private sectors alike to promote their contribution in the economic growth. The Bank is also committed to the strategic transformation and automation of most of its banking operations and services, aiming to pioneer in the area of mainstreaming financial technology in all its platforms and banking operations by providing new innovative services to our customers and enhancing customer experience.

Our Distinguished Shareholders,

While Al-Quds Bank achieved outstanding financial results, it continued its focus on human resources and commitment to providing a healthy and appropriate work environment for its staff in light of the spread of the COVID-19 pandemic, by putting in place all basic precautionary measures.

The Bank also attracts highly competent and well-experienced staff with excellent education records to promote its image and reputation as the best and most preferred employer. Accordingly, the Bank continued to reinforce its employment and recruitment policies to attract fresh graduates with high educational attainment as well as professionally competent and highly experienced individuals available in the labor market.

During 2021, Al-Quds Bank updated several human resources-related policies and procedures and reflected the enhancements in its organizational structure on its HR systems. It developed, for example, the job description cards according to the new responsibilities and tasks through the Title & Bands system (phase 2) in accordance with the Bank's organizational structure.

Believing in its responsibility towards the local community, Al-Quds Bank continued its support for community activities in light of the economic and health crisis that hit Palestine. Its support for these activities is based on its strategic plan that basically targets the health and education sectors as well as social and economic development. The plan aims to launch initiatives and provide support for several centers and institutions that adhere to the sustainable development requirements. During the past year, the Bank implemented (43) activities in the sectors of health, environment, education, relief, childhood, women and innovation.

Finally, let me seize this opportunity to extend my deepest thanks and appreciation to the PMA for its cooperation and support for the local financial sector, which has contributed to the safety and stability of the local economy. My thanks also go to all our customers for their trust and sincerity which we feel proud of. I also extend my thanks and appreciation to the Chairman and Members of the Board of Directors for their continual support. And, last but not least, I extend my thanks and appreciation to the Bank's staff for their dedication and sincere efforts towards development and prosperity.

We assure you that we do our best to upgrade our services to the highest levels that meet our customers and shareholders' expectations.

Salah Hidmi
Chief Executive Officer

صلاح هدمي

Salah Hidmi

Chief Executive Officer (CEO)

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

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

Muhammad Salman
Financial Affairs Division Head

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

Albeir Habash CFA
Credit Division Head

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

Muhammad Shawar
Business Banking and financial institutions Head

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

Alaa Titi

Information Technology Head

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

Sameh Abdullah Muhammed

Consumer Banking Head

- Master’s Degree in Sustainable Developement at Quds University.
- Joined Quds Bank on January 19, 2020

Mahmoud Odeh

Central Operations Head

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

Zaid Jerab FRM, CFA

Head of Strategic Planning and Digital Transformation

- Bachelor's Degree in Commerce McGill University
- Joined Quds Bank on October 11, 2015.

Nagham Assaf

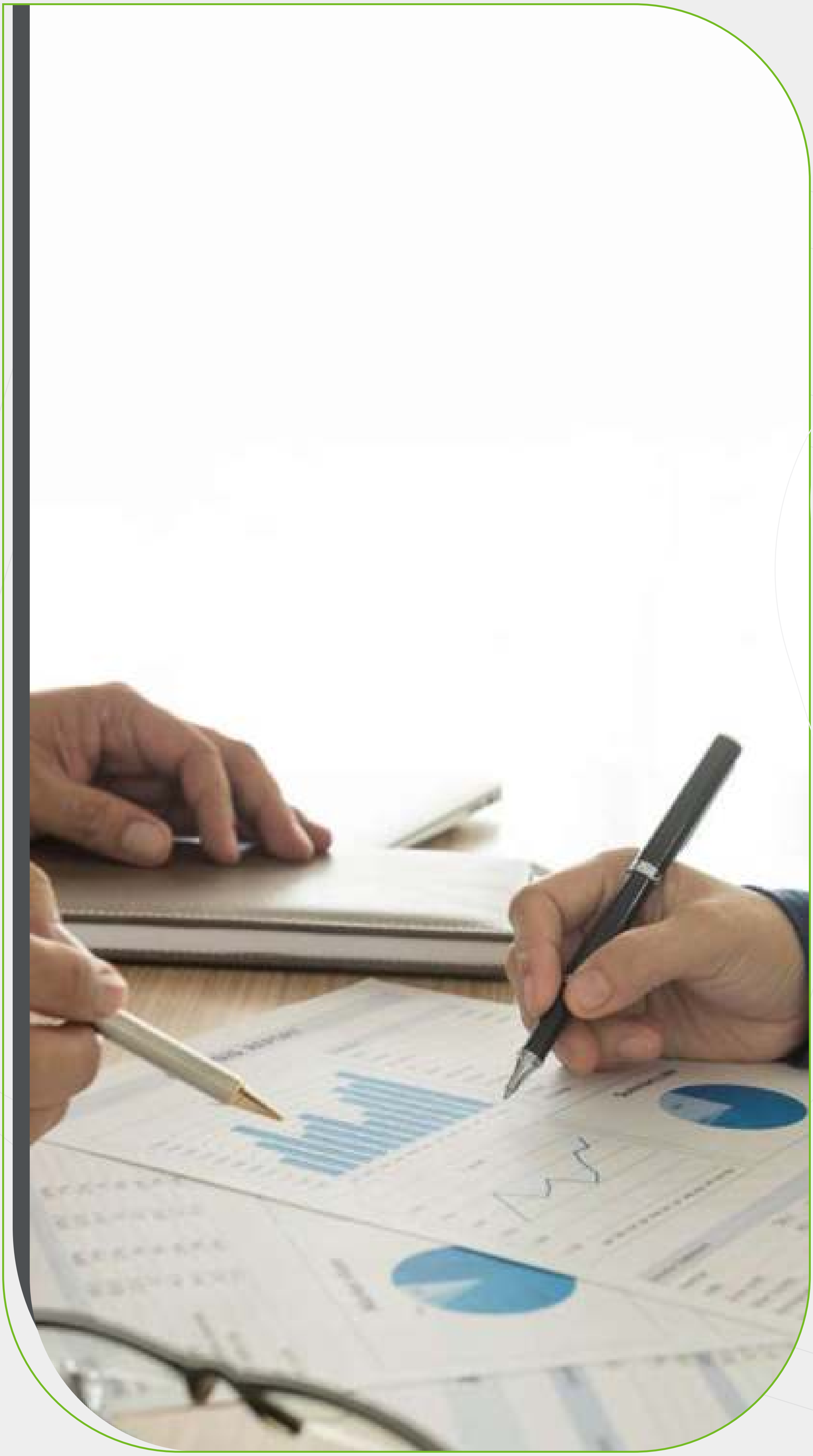
Human Resources Division Head

- MA in Sustainable Development- Institutions and Human Resources Development Al Quds University
- Joined Quds Bank in May 2019

Fadi Al Kiswani

Internal Audit Head

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



Key Performance Indicators

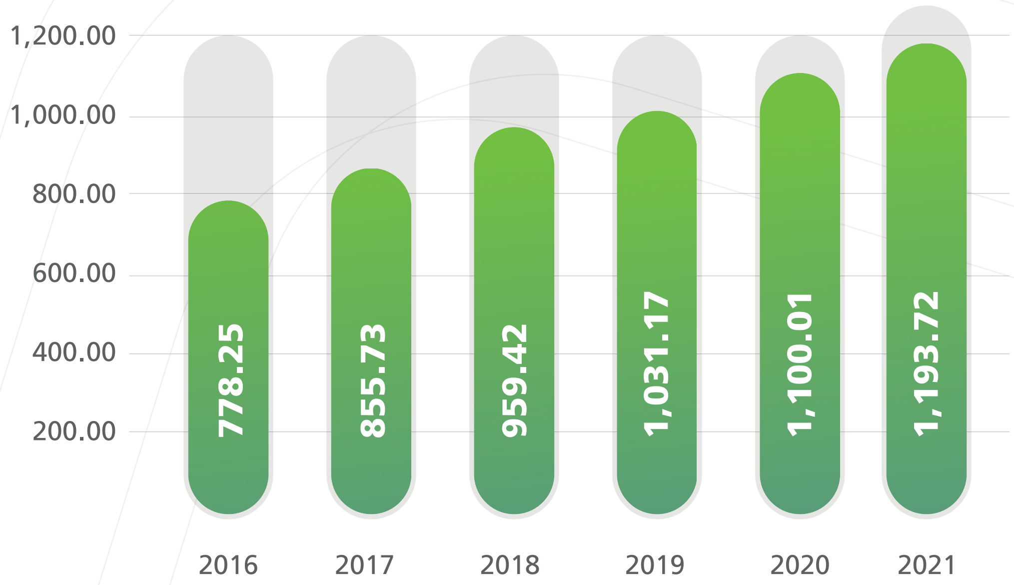
Thanks to the strategic development plans that Al-Quds Bank has introduced over the past years, it achieved promising results during the year 2021 that are a source of pride for the members of the Bank's Board of Directors, proving its banking position as one of the largest and most important pioneering banks in Palestine.

Most important KPIs (in USD millions)									
Statement	Historical data						Growth from previous year	Percentage of growth from previous year	Compound annual growth rate (CAGR)
	2016	2017	2018	2019	2020	2021			
Total assets	960.07	1,076.34	1,213.03	1,329.16	1,396.88	1,562.17	165.29	%11.83	%8.45
Net credit facilities	616.14	658.52	697.80	794.15	846.97	953.11	106.14	%12.53	%7.54
Total customer deposit	778.25	855.73	959.42	1,031.17	1,100.01	1,193.72	93.71	%8.52	%7.39
Financial investments	23.64	12.57	25.64	28.52	49.05	78.35	29.30	%59.74	%22.1
Net equity	89.07	102.37	111.44	114.00	119.45	136.18	16.73	%14	%7.33
Paid-in capital	61.05	68.38	83.57	90.17	39.17	96.43	3.26	%3.5	%7.92
Net interest income and commissions	37.77	42.31	48.75	53.22	51.40	75.76	6.36	%12.37	%7.34
Gross income	41.02	53.68	57.19	66.19	65.04	72.94	7.90	%12.15	%10.07
General and administrative expenses	27.48	38.60	42.04	55.62	51.18	52.40	1.22	%2.38	%11.36
Net profit after tax	10.47	11.18	11.60	7.70	10.90	14.07	3.17	%29.08	%5.05

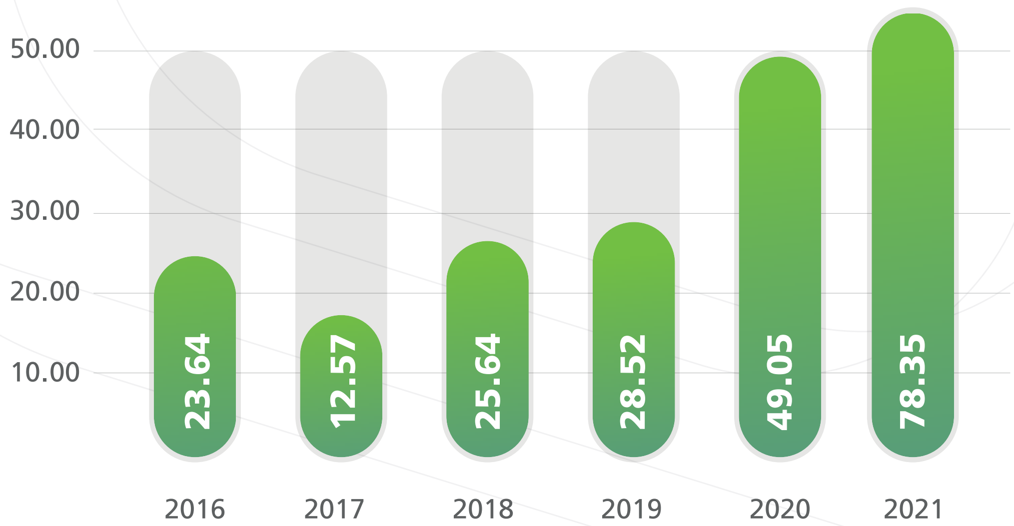
Total assets – USD million

Net credit facilities – USD million

Customer deposits – USD million



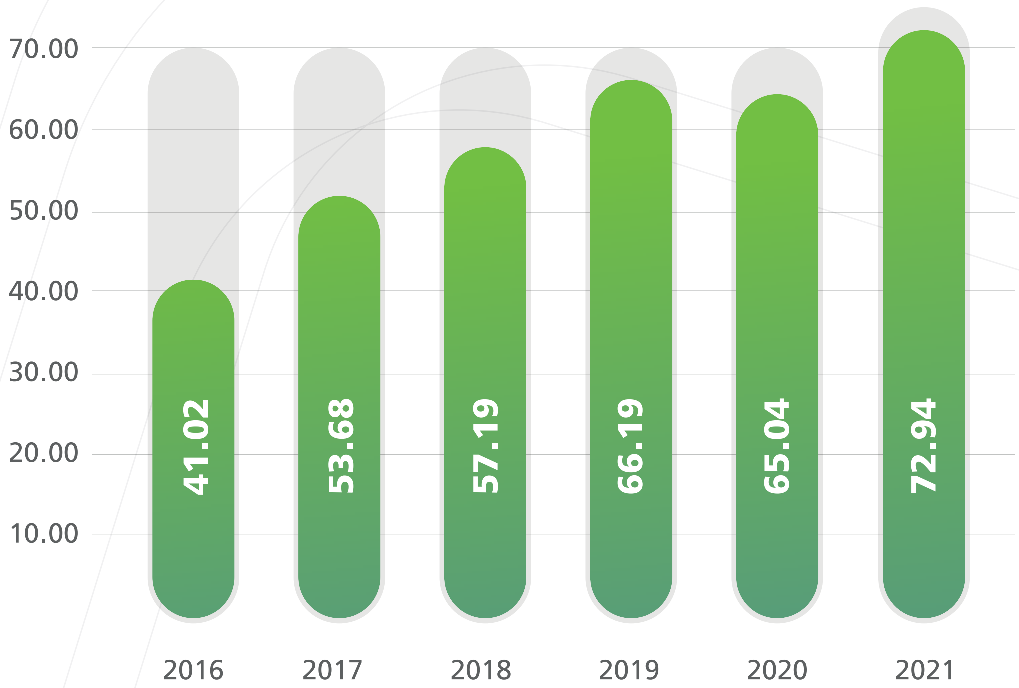
Financial investments – USD million



Net equity – USD million

Net interest and commissions – USD million

Net income – USD million



General and administrative expenses – USD million

The Banking Sector in Palestine

During the year 2021, many developed and developing economies were able to overcome the worst economic recession and return to the path of recovery, thanks to the discovery of vaccines, their continued enhancement and their distribution on a large scale. In addition, intensive vaccine rollout campaigns were carried out in many countries, helping ease the uncertainty surrounding the state of economy and boosting confidence among consumers and investors.

The manifestations of recovery in Palestine also came to the surface during the year 2021 due to the government's successful control of the pandemic and the decline in the epidemiological situation, in addition to the role played by the Palestine Monetary Authority in promoting the state of economic recovery through a set of proactive measures to provide liquidity to the economy by launching sustainability programs targeting several sectors.

The financial data of the Palestinian banking sector indicates a high growth rate in the total assets of the banking system at a rate of 9.95%, compared to 10.87% at the end of 2020, reaching $20,885 million by the end of the year. Meanwhile, Al-Quds Bank registered a growth of $1,562 million at a rate of 11.81%.

In the meantime, customer deposits in the Palestinian banking sector grew to $16,518 million by the end of the year 2021 at a rate of 9.12%, compared to 13.09% at the end of 2020. Al-Quds Bank also recorded a growth in deposits worth $1,194 million at a rate of 8.55%.

The direct credit facilities portfolio increased by 6.3% at the end of the year 2021, compared to 10.88% at the end of 2020, and reached $10,326 million, while the growth rate in the facilities at Al-Quds Bank grew by 12.53% and reached $953 million.

Finally, the market share of Al-Quds Bank in the credit facilities of the Palestinian banking market reached 9.23% in 2021, while its market share in customer deposits reached 7.23%.

The most important financial indicators of Al-Quds Bank compared with the rest of the banking sector in Palestine

Total assets to the nearest USD million

Statement	2016	2017	2018	2019	2020	2021
Banking sector	13,698	15,292	15,442	17,133	18,996	20,885
Al-Quds Bank	960	1,076	1,213	1,329	1,397	1,562

Net direct credit facilities to the nearest USD million

Statement	2016	2017	2018	2019	2020	2021
Banking sector	6,772	7,922	8,208	8,757	9,709	10,326
Al-Quds Bank	616	659	698	794	847	953

Total deposits to the nearest USD million

Statement	2016	2017	2018	2019	2020	2021
Banking sector	10,596	11,982	12,227	13,385	15,137	16,518
Al-Quds Bank	778	856	959	1,031	1,100	1,194

Growth rate in total assets compared to the banking sector

Statement	2016	2017	2018	2019	2020	2021
Banking sector	12.71%	11.63%	0.99%	10.95%	10.87%	9.95%
Al-Quds Bank	19.39%	12.04%	12.77%	9.73%	5.12%	11.81%

Growth rate in facilities compared to the banking sector

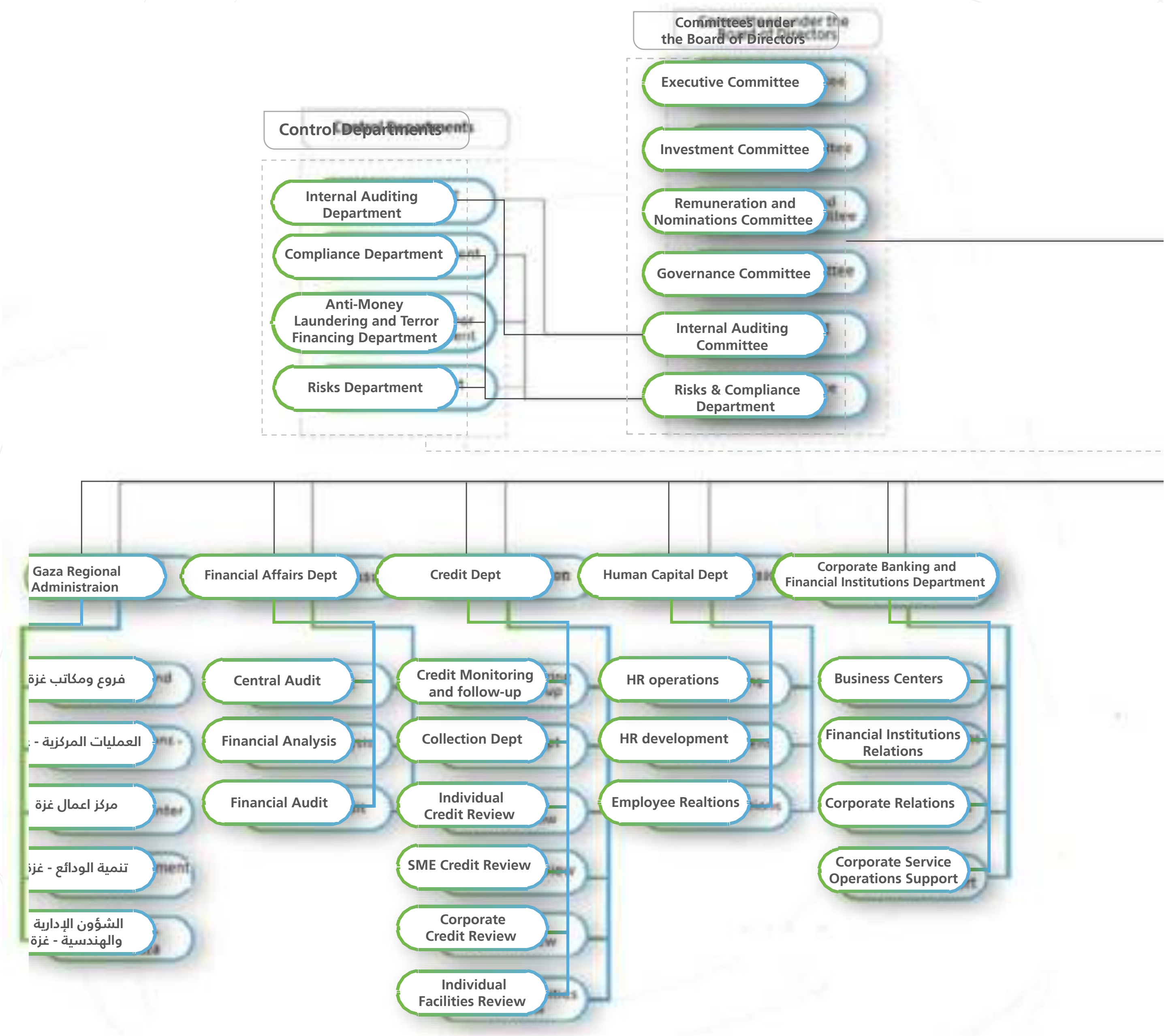
Statement	2016	2017	2018	2019	2020	2021
Banking sector	16.27%	16.98%	3.61%	6.77%	10.88%	6.35%
Al-Quds Bank	42.46%	6.98%	5.92%	14.03%	6.68%	12.53%

Growth rates in deposits compared to the banking sector

Statement	2016	2017	2018	2019	2020	2021
Banking sector	9.75%	13.08%	2.04%	9.47%	13.09%	9.12%
Al-Quds Bank	19.65%	10.03%	12.03%	7.53%	6.69%	8.55%

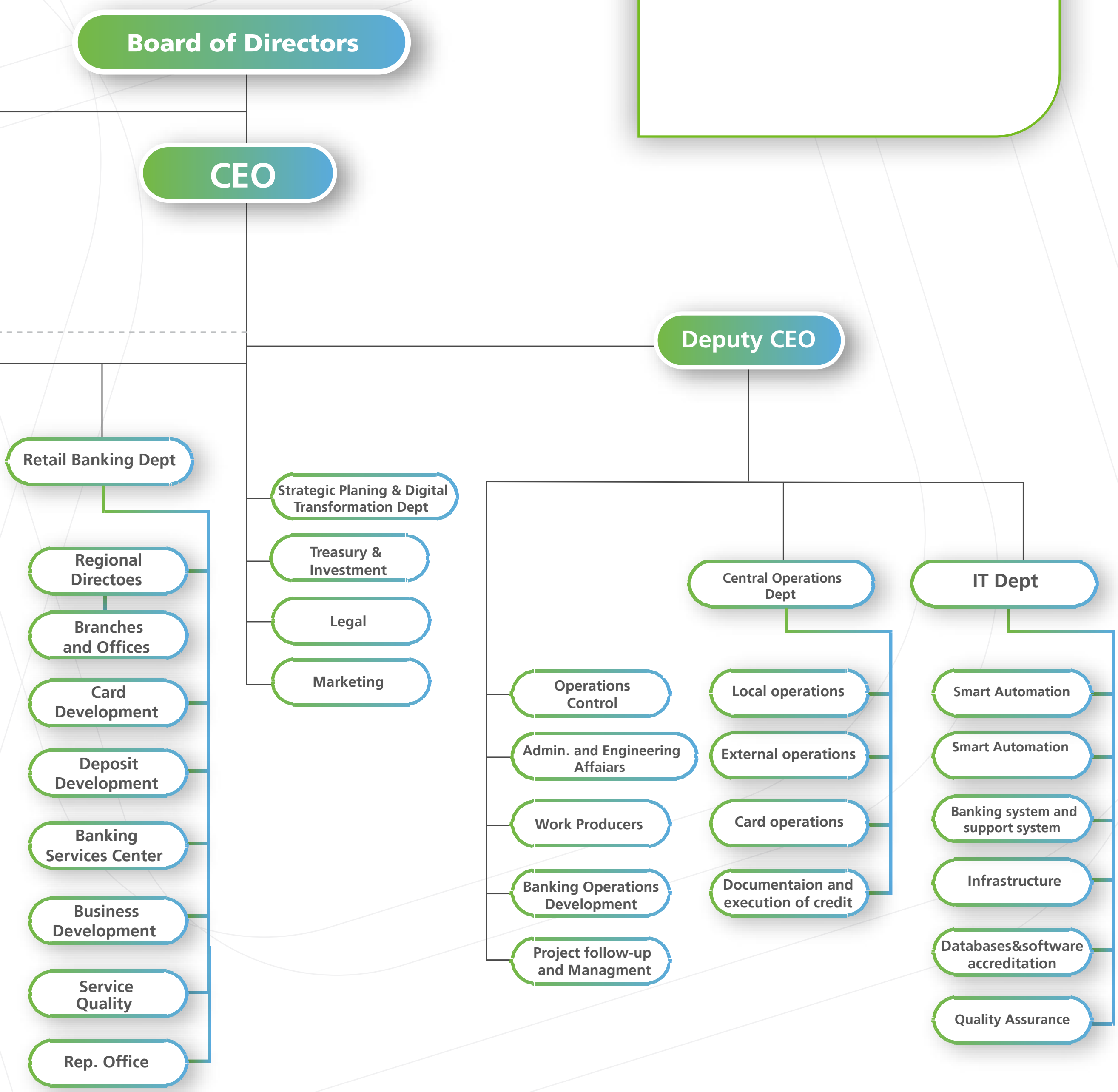
Market share deposits and facilities

Statement	2016	2017	2018	2019	2020	2021
Banking sector	7.34%	7.14%	7.84%	7.70%	7.27%	7.23%
Al-Quds Bank	9.10%	8.32%	8.50%	9.07%	8.72%	9.23%


Committees under the Board of Directors
Executive Committee
Investment Committee
Remuneration and Nominations Committee
Governance Committee
Internal Auditing Committee
Risks & Compliance Department
Control Departments
Internal Auditing Department
Compliance Department
Anti-Money Laundering and Terror Financing Department
Risks Department
Gaza Regional Administraion
فروع ومكاتب غزة
العمليات المركزية -
مركز اعمال غزة
تنمية الودائع - غزة
الشؤون الإدارية والهندسية - غزة
Financial Affairs Dept
Central Audit
Financial Analysis
Financial Audit
Credit Dept
Credit Monitoring and follow-up
Collection Dept
Individual Credit Review
SME Credit Review
Corporate Credit Review
Individual Facilities Review
Human Capital Dept
HR operations
HR development
Employee Realtions
Corporate Banking and Financial Institutions Department
Business Centers
Financial Institutions Relations
Corporate Relations
Corporate Service Operations Support

Organizational Structure

of the year 2021




1,235.01
0.00
25,187.70
7,645.05
210.95
12,411.80
149.16
27,752.93
1.41%

Future and Strategic Plans

are the Core of Our Growth

Strategic Plan and Digital Transformation Strategy

The year 2019-2020 was the first year that saw the implementation of the strategic plan, with the Bank strengthening its organizational, supervisory and technical structures. That was the first stage for the plan execution which comprises three stages. The Bank then proceeded to the stage of "construction" 2021, which focused on diversifying the Bank's services and providing the necessary requirements for that such as expertise and systems.

Then comes the stage of "acceleration" 2022-2023, through which the Bank aspires to reap the desired results and benefits of the plan.

Believing in the importance of human capital as the cornerstone for continuing development, the Bank has paid special attention to and assumed a vital role in significantly enhancing the work environment, as well as training employees and boosting investments to achieve its strategic goals, resulting in many achievements as follows:

- Amending the organizational structure of the Human Capital Division to include the Department of Human Resources Operations, Human Resources Development and Employee Relations, aiming primarily to strengthen and consolidate an integrated system for HR management in a way that contributes to achieving the Bank's goals in accordance with best practices.
- Completing the project on work ethics and job categories based on the HAY methodology, and developing an effective communication plan to convey the idea to the employees in a correct manner so that they can resist the change management.
- Adopting a systematic and fair policy in the area of employee performance evaluation and linking individual performance to the department's performance and the Bank's overall performance.
- Designing a special website for recruitment through which CVs are sent, whereby interviews will be conducted on clear bases and standards and with high transparency.
- Studying the critical positions and enhancing the skills and capacities of the underperforming employees based on certain standards and indicators.

All of this will be based on the principles of justice, transparency, accountability and responsibility, as well as commitment to the highest standards of professional performance.

To enhance the wellbeing of employees, several initiatives were implemented during the year 2021, such as the initiative to honor employees' sons and daughters who passed the Tawjihi high school examination, the Ramadan competition initiative (daily prizes), the employee of the month initiative, the condolence policy as well as the initiative of welcoming new employees.

A clear strategic inter-department correlation has been observed; therefore an HR manager was named in each department to achieve the strategic objectives of managing human capital, which actually helped create a kind of coaching for each department.

Enhancing the quality of services is also a key part of the Bank's strategic objectives, since customer experience constitutes one of the main strategic priorities of the Bank, as most of the services provided by banks are very similar.

Currently, Al-Quds Bank is focusing on all customer service outlets and considering all the obstacles facing the customer. And to ensure a better quality of service, the following has been achieved:

- Adding more services to those provided by the branches as part of the evaluation marks of the branch.
- Surveying and monitoring customer satisfaction on an ongoing basis through phone calls and field visits to customers.
- Applying a confidential client study with an external consulting firm.
- Changing the culture of employees to be quality-focused.
- Focusing on an intensive training program at the branches and conducting placement exams for that program, especially in subjects where employees have weaknesses, or when new services, policies or programs are introduced.
- Signing a Service Level Agreement (SLA) for the Service Quality Department with the executive departments to ensure a speedy customer service.

The Bank also effectively and efficiently settles incoming complaints to enhance customer satisfaction, and complaints are settled within ten days.

In the coming years, as part of the Bank's strategy, it will conduct customer satisfaction surveys in order to ensure customer satisfaction and continuous enhancement in the service delivery, which will reinforce customer satisfaction to ensure their loyalty to the Bank.

The Bank also continued its efforts in the field of digitization and automation, focusing on achieving maximal convenience for customers, by adopting a strategy to develop electronic payment systems, expand digital products, and obtain the best technologies that allow customers to perform their financial transactions in a safe and comfortable manner. The following was achieved during the year 2021:

- Implementation of the IVR automated voice response system for managing communications with the Banking Services Center.
- Introducing the new automated ticket system in the Bank's branches and offices in the West Bank and Gaza, to which many features have been added such as the use of Debit Cards to obtain tickets depending on the customer's classification. Other additions to the system include a data update service and a screen congratulating customers on their birthday. The Maestro classification was also added to the existing classifications in the ticket reservation system.
- Introducing a project to replace all old ATMs with new, advanced ones.
- Contactless parts have been installed by the supplier to all ATMs that support this service.
- Implementing the data update service for the Bank's individual customers through the banking application Quds Smart.
- Implementation of the debit card PIN change project using ATMs.

The Bank's data suggest that the number of customers who subscribed to the Quds Smart service in 2021 increased by 32%, and the number of subscribers to the Quds Online service also increased by 25% during the same year.

As for the number of transactions executed through mobile banking and internet banking, they witnessed an increase by 21% during the year 2021 compared to the year 2020.

The number of checkbooks obtained through electronic channels doubled by 302 percent during the year 2021. The number of requests for facilities through electronic channels also increased by 108% in 2021 compared to 2019.

As for cash deposits and withdrawals through ATMs, the value of cash deposits increased by 49% during the year 2021 compared to the year 2020, while cash withdrawals increased by 9% during the same period.

This is evidence of the success of the Bank's plan to motivate its customers to use digital platforms to meet their various banking needs, in light of the Bank's recent introduction of a new brand of electronic products and services. Work is currently underway to issue the second phase of the internet and mobile banking, which will allow the addition of many more distinguished services.

Al-Quds Bank has been also able to successfully automate 30% of its banking transactions, which is a great achievement in the Bank's digital transformation journey as one of the leading banks in Palestine. This has led to enhancing the customer experience and providing new services as part of the program of digital transformation and automation of banking operations.

The Bank's application of these services will reduce manual transactions and processes, improve efficiency, enhance the quality of outputs, reduce operational risks, and increase overall efficiency in service delivery that is highly customer-focused.

Many programs have been added to the banking system, such as:

- Customer Relationship Management (CRM) system streamlines the implementation of customer-centered strategies. The program stores complete customer-related data that is easily retrievable at any time. CRM also performs a complete analysis of the customer's situation, along with many other features.
- Customer Data Update Program: It allows the Bank's customer service to update the data in the event that new information comes in at any time after the last update or account creation, while keeping this information in the database.
- Deactivated Accounts Reactivation Program: it facilitates the automatic approval of the request to reactivate the account.
- Approvals and Committees System: The system manages and conveys the administrative decisions and approvals by the Bank's committees and organizes the transactions according to the powers predefined on the system. This integrated system works in harmony with other systems and programs such as individual facilities, notifications of administrative approvals and contract arrangements.
- The Stuck Orders and Follow-up System: The system manages and follows up stuck orders/transactions in coordination with the concerned departments and businesses.
- Automatic Document Archiving: the system internally saves all the data of each request or client after closing the task in any program, with the ability to retrieve them when needed.
- The rotating program for granting overdraft ceilings: The system allows the submission of an application for facilitating an overdraft account in an accurate and automated manner from the beginning of the request until its closure.

- Automated reporting of individual facilities transactions.
- The program for granting individual facilities defines the financial ratios of each client, determines the stakeholders, generates contracts and attachments and links them with the contract system. The program then passes the transaction to the competent party for execution according to the type and value of the facility.
- System of Contracts and Notification of Approvals: it regulates the communication of administrative approvals for facilities requests for corporate clients. A notification letter is automatically generated for the client including the administrative approval, and it can be sent to the client by e-mail through the system.
- Account management program linked to the SMS system: The SMS system provides SMS services, including requests to activate or cancel the service, add accounts to the service, cancel accounts from the service, add additional mobile numbers for the customer.
- The program for updating the joint data of companies, clients and accounts of minors: This project primarily aims to update the joint data of corporate and customer accounts as well as accounts of minors, including all data and account information.
- Outgoing money transfers: The program automates all outgoing money transfers from the request stage to the implementation stage.
- Checkbooks: Through the system, all checkbook requests are automated from the request stage to the final examination stage.

This is in addition to many other systems such as the Audit Department System, the System on the Disposal of Checks, the Committee and Meeting Minutes System, the Task Management System, the Report Request System, the Commission Reversal System and the Reservation and Note Management System.

Innovative Banking Products and Services

Individuals Banking Services Management:

The Businesses Development Department consists of the units Western Union Transfer Development and Products Development.
During the year 2021, Al-Quds Bank adopted a unified approach to develop diversified banking services to our customers that meet the best quality standards. It also sought to increase its market share.

Products Development Unit

In line of its vision to provide state-of-the-art services and products for our customers of all types to ensure their loyalty, and in order to achieve financial stability, Al-Quds Bank launched a series of programs and campaigns and signed agreements as follows:

- Launching Maestro Program.
- Signing financing agreements with several companies, institutions and municipal councils.
- Updating the list of the companies and institutions approved for TML loans and circulating the list to the bank's branches, regional managers and relevant departments.
- Updating the facilities programs for the West Bank and the Gaza Strip.
- Approving a letter of undertaking to transfer salary.
- Campaign to delay bank loans payment in the West Bank and Gaza Strip.
- Campaign for reducing interest rate of personal and real estate mortgage loans taken out in JD.
- Campaign for promoting safe deposit funds in the branches entitled "Your belongings are safe… and the first year is free of charge".
- Launching a sales and marketing competition for the employees of branches, offices and direct sales.
- Providing price offers and services to several companies and institutions of the private and public sectors.

Wire Transfer \ Western Union

Given the importance of developing a set of distinctive services and products provided by the bank, it expanded during the year 2021 the network of its sub-agents for fast transfer service as number one agent of Western Union transfers in Palestine. the Bank has a network of 28 agents at 40 locations and 38 branches and offices in the West Bank and Gaza. The aim of this network is to cater to the Palestinian people's needs of transferring and receiving money. The bank has sought to develop the mechanism of fast transfer service in accordance with the best international practices and standards through the Western Union service, one that meets all the compliance requirements and adheres to the protection systems and anti-money-laundering policies. Commissions on transfers issued to Palestine (internal), Jordan, Turkey, China and Egypt have been reduced with competitive commissions for SWIFT transfers, and work is underway to make funds transferrable to customers' accounts (APN).

Service Quality Unit

The Service Quality Unit is aimed to develop the quality of the services provided for bank's customers, live up to their expectations, increase the Bank's competitive capacity, contribute to realizing its objectives and satisfy our customers and employees. It aspires to make the bank its customers and employees' first option and their address for excellence.

Service Quality Unit's Objectives

- All bank's branches in the West Bank and Gaza Strip were visited and evaluated to ensure their compliance with service quality international standards. Recommendations and comments were presented to every branch to achieve further quality service standards.
- The staff participated in training courses addressing diversified topics including credit, local transactions, and credit execution and documentation . These 3-week training courses aimed to increase

bank's staff banking knowledge and reduce errors and requests returned.

- Holding a meeting with all the bank's branches in the West Bank and Gaza to present them with the plan of the Service Quality Department and confirm the importance of compliance with the relevant standards.
- Putting into practice the user clearance guide by providing an interactive system and method for the branches' employees by using the Banks System, which allows the branches' employees to see the guarantees of the borrowers from small lending institutions. Such step contributed to reducing the number of rejected clearance requests.
- Preparing and approving the checklists of facilitating retail products and generalizing them to all bank's branches.
- Tracking rejected requests on a weekly basis (facilities, opening accounts, credit cards) by the relevant executive departments next to which should be attached the name of the on-duty employee, the name of the branch and the cause of rejection. The executive departments follow up these requests with the bank's branches to solve them. The results of these functions are currently considered in the evaluation of the Quality Service.
- Preparing and approving the quality service evaluation forms for the treasurers and customer care employees, as well as evaluation forms for the employees of the bank's branches.
- Holding weekly meetings for each branch manager with his/her employees to transfer experience, learn from mistakes and promote employees' relationships.
- Taking random samples by the branch manager or his/her deputy on a daily basis during three different periods, (morning, mid-afternoon, by end of working hours). These samples are taken by standing near the teller and customer service employees and evaluating performance. Correction and guidance are given for the bank's employees on a daily basis for enhancement and reduction of errors.
- Giving positive impression to our customers and welcoming them as our guests at home by paying attention to every bit and piece. The branch's manager is the "eye of the quality service". The name of the branch is connected with the name of its manager and employees. And, the positive impression about the branch reflects the positive impression of the manager and its employees.
- Tracking operating errors by issuing monthly statements and including them into the results of the service quality evaluation.
- Tracking, processing and handling incoming complaints at Quality Service Department.
- Taking care of ATMs and evaluating the employees responsible for their maintenance (for example in cases when ATMs run out of paper roll, run out of money or run out of service).
- Tracking commitment and clearance letters received at Quality Service Department.
- Preparing monthly reports on the department's achievements including complaints, commitment letters, clearances, ATM out of service, cancelation of credit cards, and customers service evaluation calls report.
- Preparing a report on branch transactions (including employee's name, branch name, type of transaction, customer's name and account number) in cooperation with the Information Technology Department, and making voice calls to measure the customer satisfaction taking into account the diversity of services subject to the survey.
- An evaluation exam was held for all branch employees, with the aim of evaluating the extent to which employees benefit from the training courses, identifying the next steps to be taken for employees' capacities' enhancement.

Cards Development Department

Al-Quds Bank MasterCard™: Credit Card
MasterCards were designed in different types with the logo of "Your Partner".
Quds Bank's MasterCards include:

Credit cards (Silver MasterCard, Titanium MasterCard, World MasterCard, World Elite MasterCard and debit cards) were designed to ensure luxurious experience to customers, flexibility in paying off their purchases and free cash withdrawal inside or outside their country. MasterCard caters to all the needs of the bank's customers. Concurrently, we activated the "Skip Payment" loan delay service for credit cards to make life easy for our customers in light of the global economic crisis and its economic manifestations. Accordingly, we launched the "Contactless Card" feature for all cards and reactivated "Cash-back" service of up to 12% of the total value of customers' purchase within the limits of the permissible ceiling. These services were provided in recognition of our customers' loyalty to our credit card.
Al-Quds Bank is also implementing several important projects for the next year to contribute to the development of the e-payment sector in Palestine, providing special offers to our customers in line with the best global e-payment enhancements.

Deposits Development Department

The Deposits Development Department performs a highly vital role and fulfills significant responsibilities that contribute to implementing and developing the deposits of the bank. It designed Prime and Business Prime under the logo of "Excellence", which constitutes an added value for elite customers as they shall have a distinguished banking experience with top professionalism and comfort. In the year 2020, Al-Quds Bank introduced several advanced systems to keep pace with the advancement of the banking sector to meet the wishes of its customers.

Prime

Al-Quds Bank has maintained its distinction and allocated Individuals Prime program to specific customers to satisfy their needs and live up to their expectations according to their banking requirements. This program allows customers to enjoy remarkable benefits in record time and with infinite accuracy. It presents them with multiple means of comfort and luxury.

Business Prime

Business Prime was the first program of its kind in the Palestinian banking sector. It is concerned with the accounts of elite customers, including senior companies, institutions and small businesses. It provides them with excellent banking experience, an added value and a unique service translated into Business Prime account. Through this service, customers can manage their accounts effectively and easily to their satisfaction.

Banking Services Center

According to its vision regarding provision of state-of-the-art services for its customers, Al-Quds Bank opened the Banking Services Center to enable its customers to stay updated on its services and have their queries answered. The center works from 8:00 am to -11:00 pm every day including on holidays and official feasts. It receives its customers' calls and answers them, and also provides several services, including:
Answering incoming calls as follows:

- Answering all customer inquiries with regard to programs, campaigns and agreements announced by the bank.
- Answering queries related to personal accounts of customers.
- Receiving and submitting complaints to the relevant departments at customers' requests.
- Receiving customers' calls inquiring about deposits and cash withdrawal transactions conducted

at ATMs and reporting ATM failures to the relevant departments.
• Providing debit card-related services.
• Providing credit card-related services.
• Providing support related to the electronic channels of the banking internet services and Quds Smart application.

Division of Corporate and Financial Institutions Banking Services

Al-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. And whether you have just started your startup or already have your n established and successful business , we work together side by side to provide you with continuous support to ensure the success of your company. Al-Quds Bank gives the Division of Corporate and Financial Institutions Banking Services and its sections a strategic priority, and as follows:

Corporate and Financial Institutions Banking Services Department

Corporate Banking Services Department:

Al-Quds Bank seeks to enhance its relationships with the current customers and to attract new ones by offering them a brand range of 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 officers who are capable of building strong relations with these enterprises and cater to their needs through:

• Opening new accounts.
• Issuing cheque books.
• Issuing letters of guarantees for domestic and foreign entities.
• Managing internal and external banking transfers in all currencies.
• Internal and external trade transactions, including imports and exports.
• Purchase and sale of foreign exchange at different prices.
• Providing customers with banking credit facilities that cater to their needs, including short-term credit (financing operating capital) or long-term credit (financing fixed assets) through the following products:
• Fixed debit current account Mobile debit current account Bids-related reducing overdraft.
• Long-term loan (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.

Financial Institutions Department

Financial Institutions Unit seeks to enhance Al-Quds Bank's relations with the regional and international correspondent banks to ease banking services and products such as foreign trade, international payments and trans-national transfers for retail customers, companies and organizations.

It also participates in managing and easing inter-banks transactions to include foreign exchange, capital market activities and its derivatives. It also builds new accounts, such as operating and investment accounts.

This unit closely works with the sections of the treasury and the financial and commercial banking activities to stay updated of the international requirements of the customers, exchange the latest market standards and requirements and contribute to implementing international standards of anti-money laundering and terrorism financing.

Al-Quds Bank's strategic plan is based on expanding the network of its correspondents at international level. It set new bases for its relations with several financial institutions in several countries, including Arab Gulf States, Europe, China and Turkey. It continues to develop to meet its customers' needs through an international network of correspondents, with full compliance with all international relevant provisions.

Treasury & Currency Trading Services

Al-Quds Bank Treasury Department performs a leading role in the management of the bank's assets whereby financial profitability and stability are realized. It contributes to raising the bank's fiscal competence and minimizes operating risks. The department has achieved tangible and stable outcomes throughout its operations, enhancing its performance and promoting its investment capacities. Such outcomes are necessary for the protection of the interests of the bank and the delivery of services to its customers, such asselling and buying different currencies to achieve the trade and profitability objectives and neutralize the risks they might face within the framework of high professionalism.

The department seeks to keep its role as a lever for bank's profitability and stability and to continue to reinforce its performance and services by offering new products in consistence with the bank's aspirations and international developments.
The Treasury Department provides the bank's customers with services of exchange sale and purchase of currencies and precious metals at a competitive price around the clock. It also provides product of forward deals through which sale and purchase of exchange can be conducted at forward date of maturity. This would enable the customer to protect the value of the assets, cash flow and hedging against the fluctuations of the exchange rates and eliminate their impact on the budget.

The department makes maximum efforts to continue to provide these services at competitive prices and with high professionalism around the clock for the benefit of the bank's customers. It also makes maximal efforts to keep pace with up-to-date services to cater for the bank's customers.
During the year, the Bank enhanced its network of relationships with correspondent banks in an efficient and effective manner, building new relations despite the difficult circumstances in the region, and maintaining the consolidation and maintenance of its banking relations with banks and financial institutions in multiple areas in terms of trade finance and remittances. This has contributed to improving the quality of services provided to the customers.
The Treasury Department aims to maintain its important role in contributing to the profitability and financial stability of the Bank as well as maintaining liquidity ratios in line with the bank's financial obligations. The Treasury Department also seeks to continue to enhance its performance and services by introducing new products that meet the aspirations of customers and in line with international developments.

Central Operations Department

The Central Operations Division is the most important executive arm of the bank which supervises the local and foreign operations departments, carries out, monitors and documents credit and cards transactions and on the basis of its organizational capacity.
In accordance with the bank's plans and its continual effort to promote the efficiency and effectiveness of its services by implementing its transactions in short time, it works to reinforce and digitize its systems and provide a package of banking solutions and services, using the latest relevant tools. It always revises its systems to design, carry out and improve its operations to the satisfaction of its customers in accordance with its general goals.
It seeks to provide the best banking service for its customers through its divisions and departments and network of international relations with more than 400 correspondent banks and banking institutions in a large number of countries.
The Central Operations Division seeks to meet the requirements of the different financial firms and institutions as well as the business sectors of importers and exporters. It provides unique banking services and products through a diversified package of international banking services at competitive prices and conditions, covering foreign international trade products. It also promotes and reports the letters of guarantee, document credits, remittances and collection policies.
The department also seeks to meet the increasing growth in customer needs through a qualified team of corporate liaison officers, supported by executive arms in support departments to provide the best services to its business clients.
Thanks to its achievements in this regard, the bank won the award for the best bank operating in Palestine (EBRD) during the year 2021.

During the year 2021, the Central Operations Division and in collaboration with other departments reported significant achievements, including automation of accounts opening and data updating and direct facilities requests using the APPIAN automated system paths. It also fulfilled the requirements of transformation into e-clearance system. It automated the safe checks transactions and their comparison among the branches and completed the Cash Management System which is in use now.

The division adapted and applied FXOrder to enhance the controls and monitoring environment of the operations that intersect with the activities of the Treasury Department and the bank in general.
It started the "Dealing System" for documenting the operations of buying and selling currencies and forward deals, including documenting the ceilings granted to the customers; monitor open currency positions and their valuations to enhance center management, improve bank returns and neutralize the risks of changes in exchange rates at the currency center.
In the context of automating WU settlements and reconciliations for branches and sub-agents and their operations, the bank automated systems for settlement operations and notification. The aim of that is to improve notification outputs, including updating the customers of the development of their settlements and any pending settlements in addition to determining the amounts the customers are required to deposit for ensuring the completion of their settlements.
Automated systems have been also developed to pass the transactions of the national key system to settle cash withdrawal transactions on the bank's ATMs, using the cards of other banks and the transactions of Quds Bank's cards on other banks' ATMs. The system includes settlement of the transactions of sale-points and the sales and purchases of currencies related to incoming and outgoing transactions on accounts in a currency other than the currency of the transaction.
After the completion of the system of instant issuance of debit cards and contactless cards in all branches during the last year, the credit cards application forms that are issued centrally through the electronic platforms are developed to be delivered through delivery companies. This would encourage the customers and orient them to use the electronic channels provided by the bank through its different applications to reduce the number of persons waiting in queue in its branches and promote its digital services.

Among the most important achievements of the Central Operations Division at the level of the Credit Execution and Documentation Department is the completion of the passing requirements and automated execution of clients' requests, including automated preparation of contracts, and passing requests to the relevant committees electronically. This has shortened implementation periods and contributed to enhancing customer satisfaction levels.

The centralization of the management of the various systems has also been strengthened, and new systems have been added to the scope of the tasks of powers standardization to enhance control and oversight, with a comprehensive review of the functional roles of the different systems, including auditing of comprehensive matrix of financial powers as well. This task was accomplished and presented within an integrated proposal for the purposes of authorization and accreditation.

Information Technology Department

Al-Quds Bank is keen to develop its services and products provided to its customers that meet their needs. Against this backdrop, the Information Technology Division adopted a strategy of using the latest technology to ensure service quality and customers' satisfaction and their information security.

It developed the bank's internal environment through:

- Automation of internal banking operations to spare time and efforts and ensure accuracy in executing banking transactions.
- Investing in information security and keeping pace with the development of state-of-art protection systems. For this purpose, it created the Department of Information Systems Management and Control.
- Providing "Quds Fawri" service with the highest standards of speed and security. It was the first bank in Palestine to use this service that allows instant transfer of money among its customers in Palestine and the customers of JKB through secure "block chains". This service is characterized by its safety, speed and instant delivery to the beneficiary.
- Reinforcing the infrastructure of the bank's network to maintain the continuity of its efficient and effective services.
- Investing in human resources in terms of their specialties and developing the bank's internal environment by boosting the services it provides through its electronic channels and using them as an alternative for the conventional in-person services at its branches and offices.


Quds Bank
بنك القدس

Branching and Expansion Strategy

The initiative of the Palestine Monetary Authority to develop a national strategy for the development of FinTech Services in Palestine has had an impact on the geographical expansion of banks, as the focus shifted from opening new branches and offices in the Palestinian banking market in favor of focusing on electronic channels. The recent circumstances that affected the entire world due to the COVID-19 pandemic also affirmed the need to shift to digital banking, as it has become a global trend in force in many countries.

Al-Quds Bank also seeks to expand in strategic areas in a different way and focus on digital banking according to the strategic objectives for the years 2021-2023, in response to the information and communications technology revolution and the resulting digital transformation in recent years.

The number of licensed banks reached 13 at the end of the year 2021, of which 7 are local banks, including 3 Islamic banks, while another 6 are foreign banks.

Currently, Al-Quds Bank has a total of 37 branches and offices across the West Bank and the Gaza Strip, in addition to the electronic marketing office in Tira, the representative office in Jordan and the office of An-Najah National University, which has been converted into a cash office. The Bank also has a total of 54 ATMs spread across the governorates of the country.

General Administration

SCAN CODE
TO REACH
THE OFFICE

General Administration	Ramallah & Al-Bireh Al-Masyoun neighborhood
Ramallah branch	Ramallah & Al-Bireh – Downtown, main highway Rukab St / Hajj Yasin Building
Al-Bireh branch	Ramallah & Al-Bireh – Al-Bireh Al-Maaref St, Burj Al-Bireh Building
Gaza branch	Gaza – Sabra neighborhood Omar al-Mukhtar St
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 St.
Salfit branch	Salfit Al-Madinah Al-Munawarah St.
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	Ramllah & Al-Bireh – Al-Masyoun neighborhood Al-Quds St, Al-Masyoun
Nablus New Office	Nablus – Rafidia Sudah Building
Al-Bireh branch	Ramallah & Al-Bireh Al-Bireh, Al-Tahuna St.
Rimal branch	Gaza – al-Rimal Omar al-Muktar Road
Tulkarm branch	Tulkarm – dotnwotn Al-Asir Road
Jericho branch	Jericho - Ein Al Sultan Al-Muntazahat St.
Jenin branch	Jenin – downtown Abu Bakr St.
Jenin Haifa Street branch	Jenin – Haifa St Haifa Building
Qalqilia branch	Qalqilia, downtown Shaima Roundabout
Khan Yunis branch	Khan Yunis – Al-Saqqa St. 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 St
Jabalia branch	Gaza – Jabalia Jabalia Camp, opposite to the UN
Rafah branch	Rafah Najma Roundabout
Beit Lahia office	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 & Al-Bireh – Al-Bireh Al-Quds St, 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 & Al-Bireh Al-Balou neighborhood, Plaza Mall
Al-Tira marketing office	Ramallah & Al-Bireh – Al-Tira Batn al-Hawa St.
Rep. office	Amman, Jordan, Rabia – Al-Yarmouk Plaza 2

Human Capital

The Secret Behind Our Success

Human Capital

The Human Capital Division contributes to achieving the Bank's goals by taking the lead in providing support in the areas of human resources, and in creating an environment that helps the Bank's family to make the best use of their capabilities. For this purpose, the Human Capital Division was established, and it was not just a change of name but rather a change of conviction and a major shift in the responsibilities and tasks. This resulted in a strategic engagement with the senior management in orchestrating the role of the human factor in the Bank's growth and development.

Human Capital Division consists of three departments:

- Department of Human Resources Development
- Department of Human Resources Operations
- Department of Employee Relations

The most important projects and initiatives that were implemented during 2021:

First: The initiatives related to employees, improving the work environment and job happiness
These included the welcoming day for new employees, honoring the sons and daughters of employees who passed the Tawjihi high school examination, the policy of condolence, introducing flexible working hours for jobs that allow this, the Ramadan competition and the honoring of the employee of the month.

Second: Job Titles and Categories Project – Phase II
In the framework of development which aims to reinforce the Bank's internal environment and in line with the strategic plan, the Bank has adopted a new system that helps designate clear career paths and preserve human competencies and talents through a package of benefits that keep pace with the banking market. To this end, a new system of job titles and categories has been introduced.

Third: Adopting the rewards policy and updating the incentive systems

Fourth: 74 new employees joined the Al-Quds Bank family during 2021. Meanwhile, a new recruitment approach was adopted by providing opportunities for internal development and competition, giving priority to internal appointment for the supervisory positions, updating the employment policy and upgrading the Bank's website to be able to receive applications and Curricylm vitaes.

Training

The following is the business and achievements report for the training activities, which covers the period from the beginning of the year 2021 until 31 December 2021:

First: A total of 92 training activities and programs of all kinds were approved and implemented, in which 1,124 participants participated. This means every 562 employees received at least one activity, which constitutes 75.8% of the Bank's employees.

A total of 229 employees from the General Administration participated in these activities, distributed over 67 training programs. As for the West Bank branches and offices, 753 employees took part in 36 training programs. As for Gaza region branches and offices, 242 participants took part in 23 training programs.

The total cost of these activities amounted to $140,608.84, including $87,406.31 for training fees and $53,202.53 for logistical support.

These activities were carried out in-house, at home and abroad as follows:

- A number of employees of the Bank were dispatched to participate in workshops, forums, conferences, in-person and virtual training courses: 70 participants participated in 29 training programs, workshops, forums and conferences held outside the State of Palestine, whereby the total cost of these activities amounted to $80,832.42.
- A total of 26 programs were implemented at home in which 86 participants took part, at a cost of $30,198.50.
- A total of 37 in-house training activities and programs were implemented, in which 1068 participants participated, at a total cost of $29,577.92.

These activities were distributed to the Bank's sectors as follows:

The Business sector received 28.1% of the total expenditure on training programs and activities, distributed over 3,259 training hours and in which 1,025 participants took part at a total cost of $84,394.08. The Support sector also accounted for 13.8% of the total expenses on the training programs and activities, distributed over 1,776 training hours at a cost of $41,456.11 As for the Control sector, it received 4.9% of the total expenditure on training programs and activities distributed over 602 training hours, at a cost of $14,758.64.

Second: Training of new hires

A total of 68 training programs were carried out, of which 31 programs were implemented as part of the Practical Training Model plan for new employees at the Bank's branches and offices in the West Bank and Gaza. The plan includes practical training and theoretical and practical tests for each employee. Further, 37 orientation and induction programs were carried out as part of the on-boarding plan for new employees and those switching to the departments of the General Administration.

Third: The program of specialized Arab and international professional certificates required by the Palestine Monetary Authority, according to instructions No. 03/2019 and instructions No. 39/2020

The program complied with the instructions, and the professional certificates required for the first or second officials were attained. We are also continuously planning for the future by having the second official prepare for the required professional certificates and offering supervisors a chance to obtain such certificates.

Fourth: The Student Training Program was restarted in July 2021 despite the COVID-19 pandemic, but with adherence to the established health procedures and protocols, including the vaccination requirement. This allowed 38 students from various Palestinian institutes and universities to receive training in various branches and offices in the West Bank and Gaza.

Distribution of employees between the General Administration, branches and offices of the Bank

Number of employees	Employees in the General Administration	Employees in the branches	Ungraded staff General Administration	Ungraded staff branches
732 employees	372 employees	291 employees	29 employees	40 employees

Distribution of employees by gender in the General Administration and branches

Distribution of employees by educational qualification

Master's degree	Bachelor's degree	Diploma
26 employees	552 employees	69 employees

High school and above	Below high school	Total employees
44 employees	41 employees	732 employees

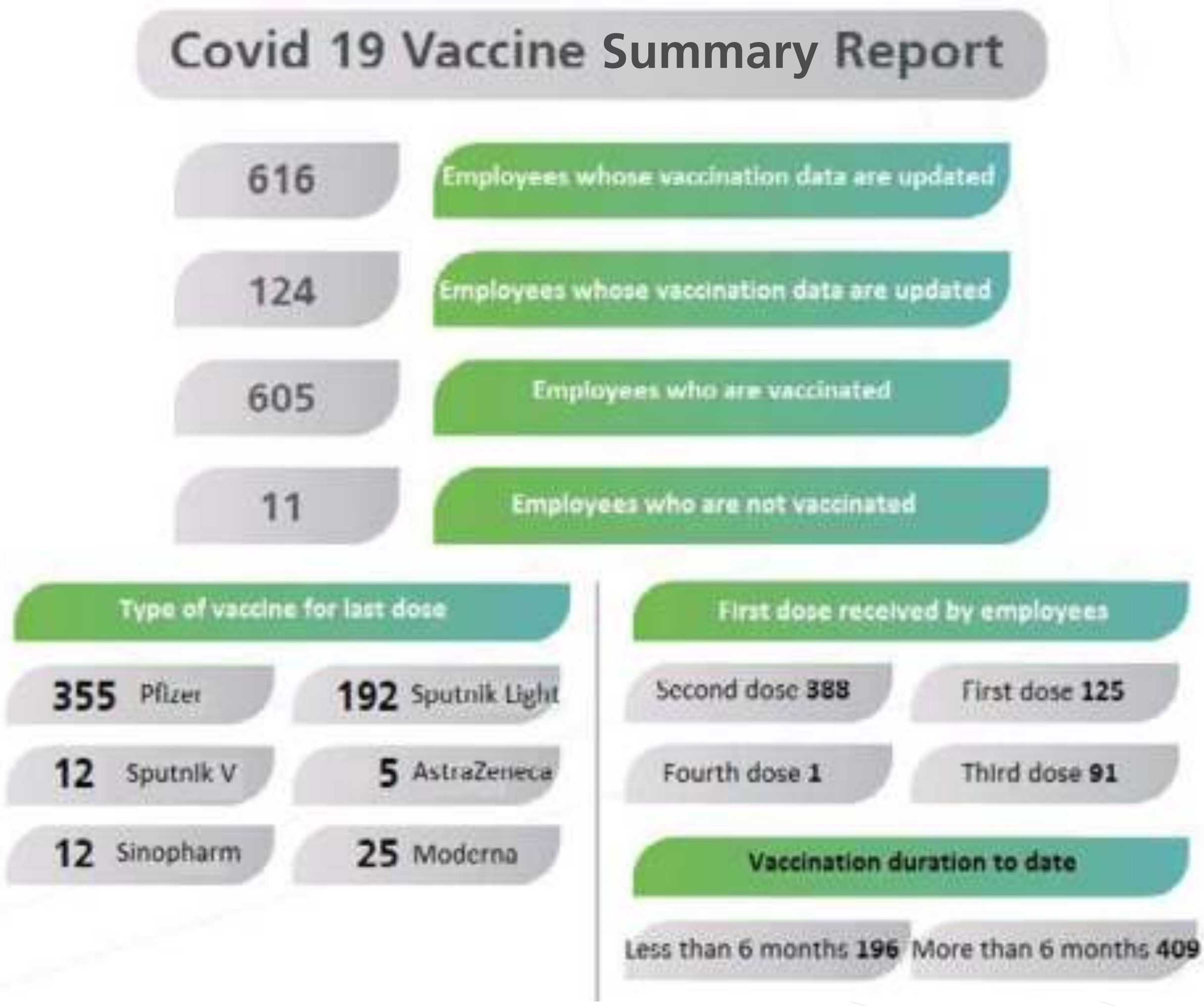
Distribution of employees by age

Distribution of employees by age

Average age of all employees	33
Average age of the employees in the branches	34
Average age of the employees in the General Administration	33
Average age of the directors in the General Administration	39
Average age of the heads of offices and branches	42

Corona Panademic Management

The Human Capital Division has overcome the COVID-19 pandemic crisis, guided by and committed to protocols, health instructions and public safety guidelines by the competent authorities.
In cooperation with the Ministry of Health / Ramallah Health Directorate, the Administration conducted a vaccination campaign for the Bank's employees who had not been vaccinated against COVID-19 in the General Administration building in Al-Masyoun on 21 June 2021.
The Human Capital Division, in coordination with district directors and health directorates, ensured that the Bank's employees in all their workplaces received the vaccines available at the time, whether in the West Bank or the Gaza Strip.
Several of the Bank's employees also volunteered for an antibody test for a research conducted by the Ministry of Health to test antibodies and the efficacy of vaccines.
The number of employees who contracted COVID-19 during the year 2021 reached132 employees.
The number of paid COVID-19 tests in the same year reached 278, at a cost of 36,523 shekels.
The Human Capital Division also prepared a questionnaire that was distributed to all employees in order to update their data regarding the pandemic and vaccination, which it was following up in the tiniest details, and the results were as follows (attached):



Marketing

During the year 2021, the Bank promoted its various products and services, which enabled it to reach all customer segments, provide high-quality content to closely communicate with them, and achieve the desired level of advertising spread.

Therefore, the Bank promoted the Maestro Program through the media and advertising agencies, promoted its Al-Quds Bank MasterCard credit cards of all types and sub-types, and promoted the "Al-Quds Fawry" service, which transfers money immediately between Al-Quds Bank customers in Palestine and Jordan Kuwait Bank customers in Jordan. The Bank also promoted its electronic channels and automated teller machine (ATM) services.

The Bank also launched two promotional campaigns for Western Union remittances issued and received by Al-Quds Bank. During Ramadan, the "Goodness is Always in Us Campaign" was launched, while "Your Joy is Two Joys and the Prize is 200 Campaign" was launched during the Christmas holidays.

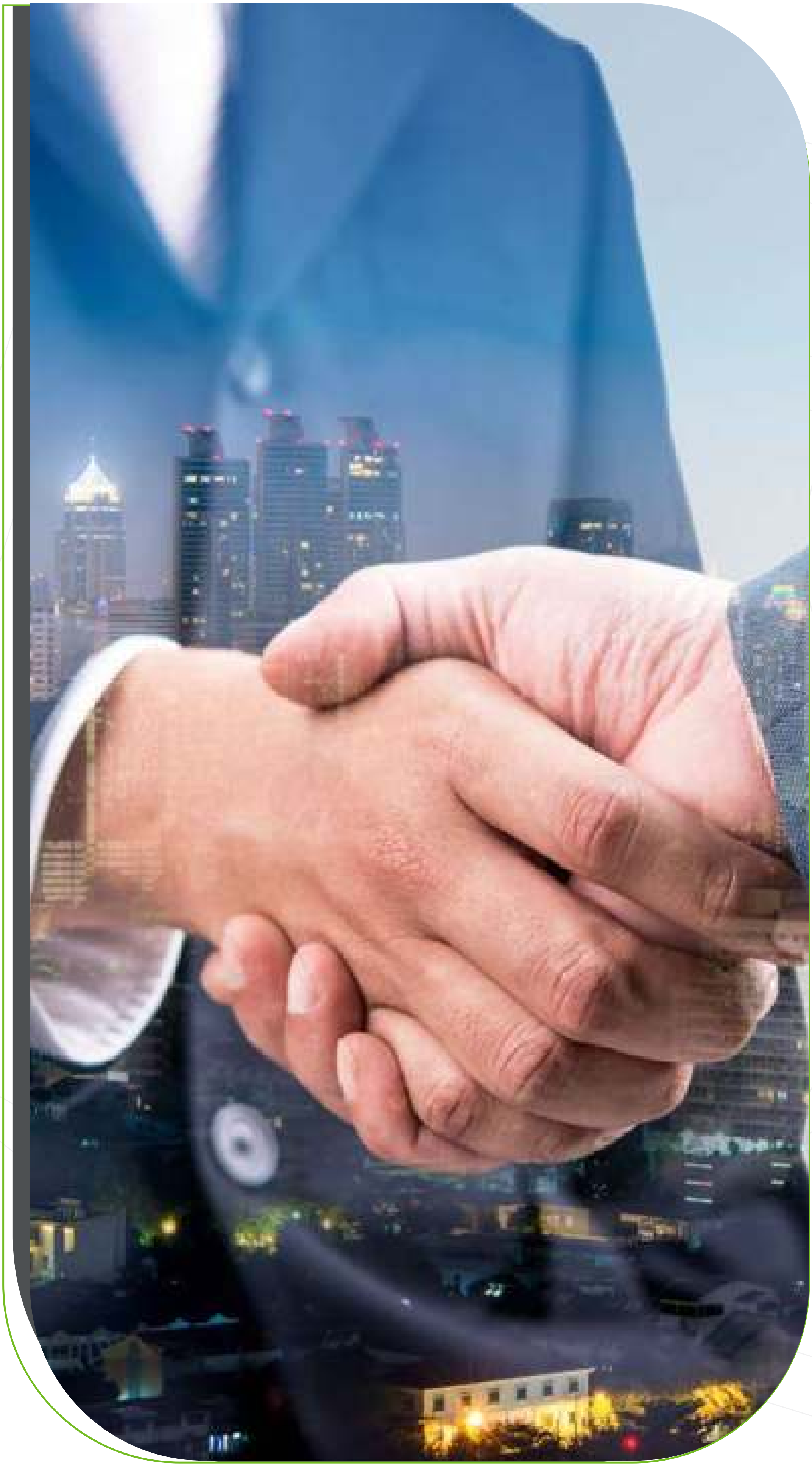
Corporate Social Responsibility

Social Responsibility

The philosophy of Al-Quds Bank in its practice of social responsibility is based on the fact that it performs a basic, necessary mission towards the local society, based on firm belief in its role in serving the local society, which is part of a clear vision aimed at developing local communities in the various regions of its presence.

The societal practices of Al-Quds Bank during the year 2021 had a clear impact on the local communities and the segments of society targeted by the Bank's social responsibility initiatives, which contributed to sustainable development, and achieved a positive and clear impact on the various social groups and segments covered. This is a positive indicator of the Bank's participation in supporting the educational and health wellbeing in the society. A large number of Al-Quds Bank's initiatives were focused on health and education, in addition to providing support and assistance to the less fortunate, people with disabilities and children. The Bank also sponsored conferences and creative seminars, and built partnerships with various institutions in multiple sectors, associations and non-governmental organizations, implementing 43 activities distributed on various sectors.

Distribution of shares by sector	Value of societal shareholding in USD	No. of activities
Relief	97,504.00	12
Health & Environment	235,060.00	7
Education	28,710.00	8
Development	120,763.00	9
Women empowerment	10,000.00	1
Innovation & Youth	10,000.00	1
Childhood	10,500.00	2
Sports	1,000.00	1
Care for persons with disabilities	6,538.00	2
Total	**520,075.00 $**	**43**



Shareholder Relations

Shareholder Relations

Al-Quds Bank is developing positive relationships with all shareholders based on transparency, as it strives to communicate with its shareholders by all possible means, whether through the Shareholders Department or through our branches. This helps maintain a positive relationship with the Bank's shareholders. The Bank is also keen to deliver the annual report issued at the end of each year, and works by all means to encourage shareholders, especially small-scale ones, to attend the annual meeting of the General Assembly. It also encourages shareholders to vote, either in person or by a special personal power of attorney in the event of their absence. During these meetings, the following are also done:

- The heads of the committees working under the board attend the meetings.
- The representatives of the external auditors attend 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 are invited to attend the meeting so that they would check the course of affairs.
- 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.
- Documenting all the proceedings of the sessions and reports on the course of affairs 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 we are in touch with our shareholders around the clock through our pages on the social media platforms.

The following table shows the shareholders whose shareholding exceeds 5% as of 3 December 2021.

	End of 2020		End of 2021	
Name	No. of shares	Percentage of shareholding	No. of shares	Percentage of shareholding
Akram Abdellatif Jerab	18,596,125	19.96%	19,246,989	19.96%
Palestinian Pension Agency	9,315,489	10%	14,465,065	15%
Jordan Kuwait Bank Comapany	9,317,275	10%	10,712,813	11%

The following table shows the shares of the members of the Board of Directors on 31 December 2021 compared to 31 December 2020:

Name	Nationality	Position	Number of shares owned 2020	Number of shares owned 2021
Akram Abdellatif Jerab	Jordanian	Chairman of the Board	18,596,125	19,246,989
Duraid Akram Jerab	Jordanian	Deputy Chairman of the Board	3,330,046	3,446,597
Jordan Kuwait Bank Company	Jordanian	Member of the Board	9,317,275	10,712,813
Palestinian Pension Agency	Palestinian	Member of the Board	9,315,489	14,465,065
Walid Najib Al-Ahmad	Palestinian	Member of the Board	55,176	42,895
Muntaser Abu Dawas	Jordanian	Member of the Board	45,720	47,320
Saleh Jabr Ahmad Hmeid	Jordanian	Member of the Board	1,991,080	2,010,767
Ahed Fayek Bseiso	Palestinian	Member of the Board	124,103	128,446
Ruba Masrouji Alami	Palestinian	Member of the Board	122,638	126,930
Majed Awni Mohammad Abu Ramadan	Palestinian	Member of the Board	36,791	38,078
Hamed Abdelghani Jabr	Jordanian	Member of the Board	1,710,747	956,300
Al-Shorouk Company for Financial and Real Estate Investments	Palestinian	Member of the Board	30,000	31,050

The following table shows the shares of the relatives of the members of the Board of Directors as of 31 December 2021 compared to 31 December 2020:

Name	No. of shares – 2020	No. of shares – 2021	Kinship
Akram Abdellatif Hasn Jerab	**18,596,125**	**19,246,989**	**Chairman of the Board**
Muhannad Akram Abdellatif Jerab	3,361,650	3,479,307	Son of Mr. Akram Jerab
Duraid Akram Abdellatif Jerab	3,330,046	3,446,597	Son of Mr. Akram Jerab
Yazan Akram Abdellatif Jerab	3,154,185	3,264,581	Son of Mr. Akram Jerab
Zaid Akram Abdellatif Jerab	3,145,628	3,255,724	Son of Mr. Akram Jerab
Al-Shorouk Company for Financial and Real Estate Investments	**30,000**	**31,050**	**Member of the Board**
Ibrahim Ahmad Abdel-Fattah Abu Dayya	189,000	260,000	Chairman of the Board of Directors of Al-Shorouk Company
Ahmad Ibrahim Ahmad Abu Dayya	-	10,000	Deputy Chairman of the Board of Directors of Al-Shorouk Company
Duraid Akram Abdellatif Jerab	**3,330,046**	**3,446,597**	**Deputy Chairman of the Board**
Akram Akram Abdellatif Jerab	18,596,125	19,246,989	Father
Muhannad Akram Abdellatif Jerab	3,361,650	3,479,307	Brother
Yazan Akram Abdellatif Jerab	3,154,185	3,264,581	Brother
Zaid Akram Abdellatif Jerab	3,145,628	3,255,724	Brother
Saleh Jabr Ahmad Hmaid	**1,991,080**	**2,010,767**	**Member of the Board**
Rami Saleh Jabr Musallam	26,199	46,890	Son
Ramzi Saleh Jabr Hmaid	11,744	43,505	Son
Rula Saleh Jabr Musallam	20,366	21,078	Daughter
Lina Saleh Jabr Musallam	20,366	21,078	Daughter
Dina Saleh Jabr Musallam	20,366	21,078	Daughter
Jamila Abderrahim Irsheid	18,395	-	Wife
Kamal Jabr Ahmad Hmaid	57,000	40,000	Brother
Fahd Jabr Ahmad Musallam	-	2000	Brother
Ruba Mohammad Mahmoud Masrouji	**122,638**	**126,930**	**Member of the Board**
Mohammad Mahmoud Yousef Masrouji	490,555	507,724	Father
Masrouji General Trading Company	367,916	380,793	**Member of the Board**
Jerusalem Pharmaceuticals Co. Ltd	436,046	451,307	Shareholder
Dina Mohammad Daoud Alami	1,674	1,732	Daughter
Nadine Mohammad Daoud Alami	2,169	2,244	Daughter
Dara Mohammad Daoud Alami	2,066	2,138	Daughter
Walid Najib Mustafa Al-Ahmad	**55,176**	**42,895**	**Member of the Board**
Jerusalem Real Estate Investment Company	500,000	500,000	Walid Al-Ahmad – Managing Director
Azzam Najib Mustafa Al-Ahmad	67,082	69,429	Brother
Husni Najib Mustafa Al-Ahmad	16,769	17,355	Brother

The following table shows the shares of the executive management as of 31 December 2021 compared to 31 December 2020:

Name	Position	Nationality	No. of shares owned 2020	No. of shares owned 2021
Salah 'Mohammad Salim' Salah Hidmi	CEO	Palestinian	20,665	21,388
Zaid Akram Abdellatif Jerab	Head of Strategic Planning and Digital Transformation Department	Jordanian	3,145,628	3,255,724
Alber Edmon Emile Habash	Head of Credit Administration	Palestinian	11,414	9,594

Al-Quds Bank strives to maintain a fruitful relationship with shareholders and investors by answering their inquiries and maintaining contact with them all the time.
Information is communicated to shareholders through:

- The annual report, which is sent annually with the invitation of the General Assembly by e-mail
- The branches of the bank
- The Bank's website

The total salaries and bonuses of the senior executive management amounted to $1,818,553 as of 31 December 2021, compared to $1,834,283 in 2020.

Issues submitted for voting

Inapplicable

Contracts with relevant companies

Inapplicable

Financial Statements

There is no difference between the preliminary financial statements and the financial statements audited by the external auditor

External auditor

The Bank's accounts for the year 2021 were audited by Ernst & Young, and the fees for the external auditor amounted to $100,000.

Trading activity for 2021

Summary of trading activity in the year 2021 for the shares of Al-Quds Bank

Statement	2020	2021	Value of change	Percentage of change
No. of shared traded	8,752,923	16,306,298	7,553,375	86.30%
Value of shares traded	12,442,624	24,796,462	12,353,838	99.29%
No. of deals executed	1,631	2,231	600	36.79%
Highest trading prices in USD	1.58	1.69	0.11	6.96%
Closing price at the end of the year in USD	1.43	1.54	0.11	7.69%

Expenses of Board Members in 2021

Name	No. of board sessions	Attendees	Remuneration of board members for the year 2021	Remuneration for attending board meetings and committees	Travel and commuting expenses	Total in USD
Akram Abdellatif Jarab	6	6	50,000	10,000	-	60,000
Duraid Akram Abdellatif Jerab	6	6	25,000	21,000	-	46,000
Palestinian Pension Agency, represented by Mr. Adnan Abul-Hummus	6	6	25,000	14,000	750	39,750
Walid Najib Al-Ahmad	6	6	25,000	21,000	750	46,750
Ahed Fayek Bseiso	6	6	25,000	31,000		56,750
Al-Shorouk Company for Financial and Real Estate Investments represented by Mr. Ibrahim Abdel-Fattah Abu Dayya	6	6	25,000	8,000	-	33,000
Jordan Kuwait Bank, represented by Mr. Haitham Battikhi	6	6	25,000	10,000	-	35,000
Ruba Masrouji Alami	6	6	25,000	11,000	750	36,750
Saleh Jabr Hmeid	6	6	25,000	10,000	750	37,750
Dr. Hamed Abdel-Ghani Jabr	6	4	25,000	5,000	-	30,000
Muntaser Izzat Abu Dawwas	6	6	25,000	16,000	-	41,000
Dr. Majed Awni Abu Ramadan	6	6	25,000	10,000	750	35,750
Total			**325,000**	**167,000**	**4,500**	496,500
VAT			**52,000**	**26,720**	**-**	78,720
Total expenses of board members including VAT in 2021			**377,000**	**193,720**	**4,500**	575,220

Agenda for the 27th Ordinary Meeting of the General Assembly of Quds Bank

- Reading the board of directors' report of the financial year of 2021 for approval.
- Reading the accounting firm's auditor report on the fiscal year ended on 31 December 2021

- Discussing the financial statements of the company for the year ended as of 31 December 2021 for approval.

- Clearance of financial liability of the members of the board for the fiscal year ended as of 31 December 2021.

- Approval of payment of awards for the members of the board for the year 2021.

- Electing the bank's external auditors for the year 2022 and authorizing the board to determine their fees.

- Approval of the Board's recommendation to distribute a 10.2% dividens to shareholders as follows:
- Cash dividends of 6.5%

- Bonus dividends of 3.7%

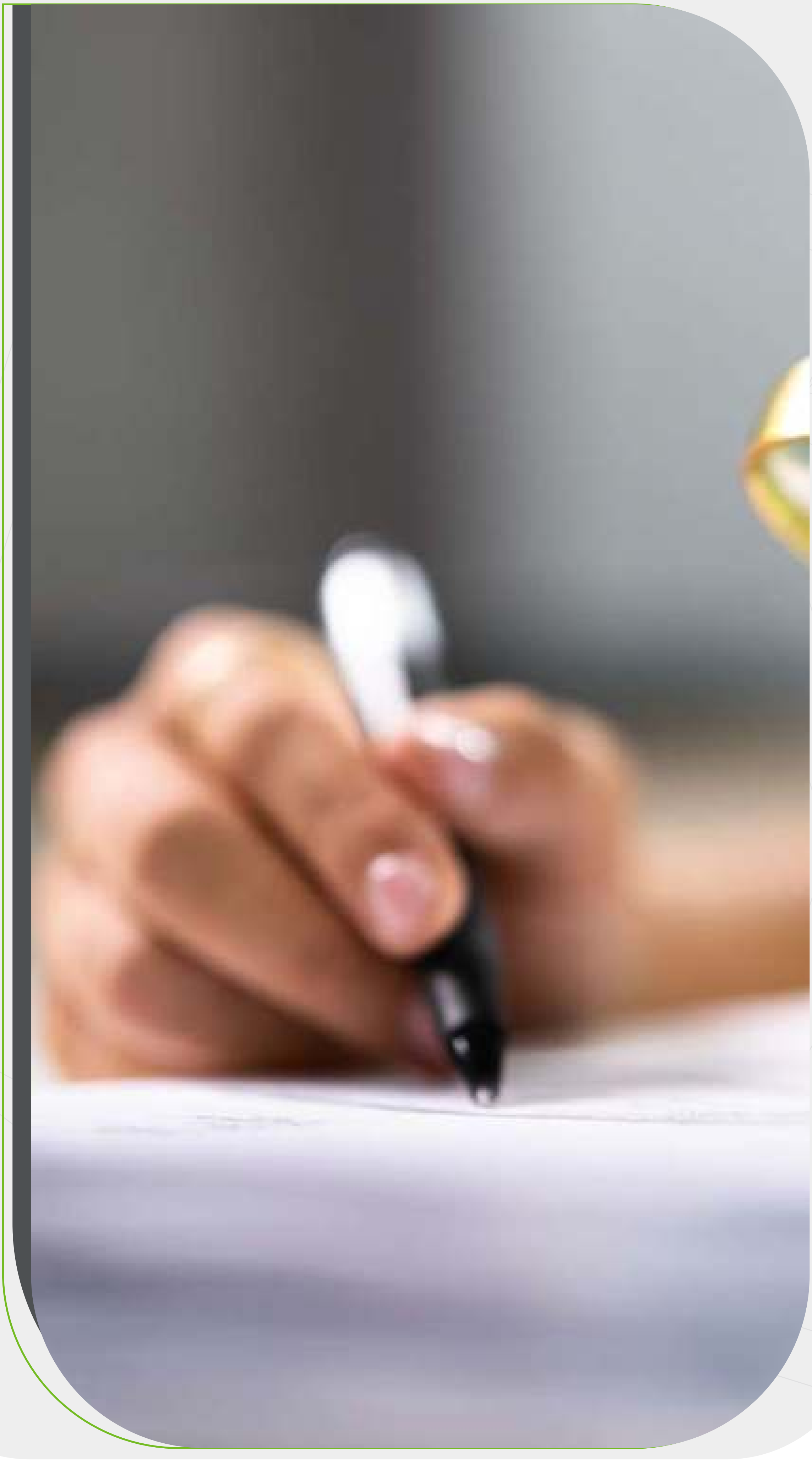
approval the Board's recommendation to issue a Perpetual Bonds in the amount of 15,000,000 USD to support the first tranche of capital over the years 2022 to 2024 and authorize the Executive Management to complete all necessary legal procedures.

Any other matters proposed by the plenary for inclusion in the agenda of the meeting and falling within the scope of the ordinary meeting of the Plenary on the understanding that this proposal would be included in the agenda with the approval of a number of shareholders representing at least 10% of the Company's shares

Disclosures of the Board of Directors

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

- The Board of Directors declares, to the best of its knowledge and belief, that there are no substantial matters that might affect the continuity of the Bank's business.
- The Board of Directors acknowledges its responsibility for preparing the financial statements for the year 2021 and that the Bank has an effective control system.
- The Board of Directors confirms that the information and data contained in the annual report for the year 2021 are correct and complete.
- The Bank is committed to the applicable corporate governance principles and the formation of the Board of Directors' committees.



Governance

Transparency and Commitment

Adherence to Institutional Governance

In line with the bank's strategic vision, its board's belief in the importance of the appropriate institutional governance practices, the banking regulations, the PMA's instructions and the Basel Committee's recommendations on institutional governance, the Palestinian banking governance guidelines and best practices, the bank's mission to provide best modern banking services for all the segments of the Palestinian society, the Board of Directors has committed itself to implementing the institutional governance guidelines in accordance with the Palestinian banking environment, legislations and regulations governing the operations of the banking sector in the country and the instructions of the PMA and the Palestine Exchange.

The bank reviews, develops and fine-tunes this guide to keep pace with the latest relevant updates and instructions and publishes it as part of the annual report on the website of the bank. This manual is also available to the public upon request.

Chairman of the Board of Directors

The Chairman Board of Directors should ensure:

• Separation between the positions of the Chairman of the Board and that of the Chief Executive Officer (CEO).
• No kinship up to the third degree between the Chairman of the Board and the CEO.
• Separation between the responsibilities of the Chairman of the Board and those of the CEO in accordance with written instructions approved by the board. These instructions should be subject to review when needed.
• Exercise by the Chairman of the Board of all the powers and authorities conferred upon him according to the applicable laws in Palestine and the regulations of the PMA, as well as the authorities granted to him thereby.

Responsibilities of the Chairman:

1. Supervising the performance of the bank and implementation of the policies set by the board to realize the targets and goals of the bank. He is also in charge of monitoring and evaluating the general performance of the bank according to the strategies, plans, goals, policies and budgets approved by the board.
2. Ensuring effective and high-quality institutional governance within the bank and creating institutional governance-based constructive relationships between the members of the board and the executive management. The Chairman also contributes to promoting the institutional culture within the board by creating a culture of constructive criticism and encouraging views sharing in the meetings of the board. He also ensures a timely communication of appropriate and adequate information to all the members of the board and shareholders.

Responsibilities of the Board of Directors:

• Management of the activities of the bank, maintaining its solvency and approving the regular financial statements reviewed by the external auditor as well as recommending the General Assembly to accept the external auditor of the bank. Additional tasks include ensuring a proper response to the requirements of the PMA and taking care of the interests of the shareholders, depositors, creditors, employees and other relevant entities. In addition, the Board makes sure that the management of the bank is appropriately done in accordance with the applicable laws and regulations as well as the bank's internal policies.

- Drawing the bank's general policy, including the strategies, objectives and business policies. It must regularly develop these policies and ensure their execution by the executive management.
- The Board of Directors is the authority that has the mandate to approve the organizational chart and the job description of the different levels of the bank. It is also mandated to approve the bank's policies and action plan, including risks policies and their execution procedures. The board makes sure that the bank has the tools to measure these risks and set their necessary limits. In addition, it has the mandate to approve the credit and investment policies as well as the policies of employment, performance evaluation and internal controls.
- The Board of Directors chooses the members of the senior executive management of the bank, experts and consultants in accordance with the recruitment and appointment policies approved thereby. It evaluates their performance and determines their salaries and bonuses annually. It must make sure that the bank has a succession plan for the members of the executive management, including qualified substitutes to manage the bank.
- The Board of Directors supervises and monitors the activities of the bank according to the applicable laws, instructions and decisions, as well as the internal regulations, and the principles of good institutional governance. The board also requests the executive management to submit any necessary reports on due dates.
- The Board of Directors develops a general management framework that includes a suitable organizational chart with clear lines of authority, responsibilities and levels of management. Further, the board develops an integral institutional control system, including internal monitoring and control rules as well as a risk management mechanism. The system also includes compliance oversight and anti-money laundering policies as well as conduct and ethics standards. Likewise, it sets clear treasury operations management and anti-fraud and counterfeit regulations.
- The Board of Directors exercises its duties towards the bank with sincerity and diligence. For instance, it ensures that the bank has the necessary mechanisms that secure the bank's compliance with the applicable legislations, regulations and laws. The members of the board make sure that they exercise their banking duties with no conflict of interest or any manifestation thereof. They ensure adequate time and effort to fulfil their responsibilities towards the bank.
- The Board of Directors evaluates through its nomination, awards and remuneration committee its performance at least once annually.
- The Board of Directors evaluates the CEO annually.
- The Board of Directors evaluates the departments of the bank (risks, compliance, internal audit, and anti-money laundering).
- Determining the framework of the bank's risk appetite and ensuring its alignment with the strategic objectives, capital, financial plans, incentives and bonuses. It should also publish the framework of the risk appetite at all the levels of the bank by developing an understandable risk appetite document.
- Overseeing organizational responsibilities aimed at ensuring effective and efficient coordination between the different operating units to prevent any gaps in the internal controls or duplicity of tasks (3 defense lines).
- The Board of Directors should develop, in partnership with the Executive Management and the Risks Officer, a risk appetite framework and set necessary measures to ensure its implementation and monitoring. The risk governance must involve a strong risk culture and management. The responsibilities and functions of the Risk and Internal Controls Department must be clearly outlined.

Board of Directors' Operating Mechanism:

- It holds regular meetings according to the applicable laws and regulations, with at least one bimonthly meeting. The items of the agenda of every meeting must be specified to ensure the coverage of all relevant topics.
- The bank provides the members of the board of directors with adequate information prior to the meeting to enable them to reach sound decisions. The minutes of the meetings should be

drafted and distributed within a period of seven days from the date of the meeting, and must be signed by all the members of the board. A copy of the minutes must be provided to the PMA within a period of one month from the date of the meeting.

- The Board of Directors has the mandate to officially appoint and dismiss the Secretary General of the Board, taking into consideration the knowledge and experience the Secretary General should have due to the importance of this position. He is responsible for documenting the minutes of all meetings held and the decisions made by the board and subordinate committees.

Board of Directors Committees

- The Board of Directors is ultimately responsible for running the bank's businesses and affairs. It establishes committees 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 annual report of the bank. Each committee of the board has the right to directly contact the Executive Management of the bank through the Chairman of the Board and the CEO.
- The Board of Directors forms (6) main committees (executive committee, audit committee, risks and compliance committee, anti-money laundering and terrorism financing committee, institutional governance, nominations and remuneration committee, and 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 from the members of the Board of Directors to timely address certain issues. A number of committees could be merged together, if necessary.

a. Executive Committee:

The Executive Committee consists of five executive members to ensure compliance of the executive management with credit policies and investment. It is also important to ensure compliance with the powers determined 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 with the results of its work to the board.
The committee meets periodically, in the presence of the Director-General or his representative, and the minutes of these meetings are to be duly prepared.
The committee also has the tasks and duties stipulated in the laws, legislation and instructions of the Palestinian Monetary Authority, and should comply with the best practices and guidelines of the Basel Committee on Banking Supervision. The Committee has the right to invite whoever it deems appropriate to attend its meetings.

Responsibilities of the Executive Committee:

- Approving credit and investment transactions that go beyond the powers of the executive management.
- 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. They must be updated periodically and in line with developments in the economic environment, banking policy and changes in the economy and bank position.
- Ensuring the compliance of the executive management with the credit policies and the powers determined by the Board of Directors.
- Considering the situation of the outstanding troubled debts to develop necessary plans

for their reduction and ensuring adequate allocations against them in accordance with the instructions of the Palestinian Monetary Authority. It is also required to make recommendations for these debts moratorium.

- Submitting periodic reports to the Board of Directors on the status of the credit portfolio in terms of its size and emerging development as well as the facilities classified and the provisions prepared to face any losses. These reports should include follow-up and collection efforts as well as the investment bank's portfolios and any changes in the status of these investments.

b.Audit Committee:

The elected Audit Committee comprises 3 non-executive members of the board. They are all qualified and experienced in accounting and finance management. The committee performs its activities under the supervision of the board and submits its reports and recommendations to it. The Audit Committee convenes regularly in the presence of the Manager of the Audit Department. It duly writes the minutes of these meetings and exercises its responsibilities and duties according to the applicable laws and legislations and the instructions of the PMA, as well as the best international practices and regulatory framework of Basel Committee on Banking Supervision. It may invite to its meetings any person it deems appropriate.

Responsibilities of the Audit Committee

- Supervising external and internal auditors and monitoring the inclusiveness of their performance as well as the integrity and accuracy of the financial information provided for the Board of Directors, shareholders and other beneficiaries.
- Reviewing the feedback in the reports of the PMA and the external and internal auditors, in addition to the measures taken thereby.
- Ensuring necessary independence for the Department of Internal Audit to perform its duties, approving the appointment or dismissal of its manager and evaluating him/her annually, and setting accountability mechanisms for the Audit Department to enable its staff to perform their duties and approving the duties and powers delegated to it.
- Considering the financial reports before their submission to the Board of Directors, and providing recommendations thereby. The Audit Committee also provides reports on any changes in the applicable accounting policies or any changes on the bank's accounts due to the auditing process or suggestions provided by the accounts auditor. It verifies the accuracy of the accounting and controls procedures, their adequacy and the bank's compliance therewith.
- Providing advice for the board on nomination, recruitment, end of service, remuneration and hiring of the external auditor by the General Assembly. The committee makes sure that the external auditor is qualified and meets the conditions of the PMA and the applicable laws and legislations.
- Setting forth disclosure and transparency standards and submitting them to the board for approval.
- Considering any issue brought to its attention by the board or any issue it deems appropriate to consider and express opinion thereof.
- Coordinating with the Risk Management Department to consolidate the financial position of the bank and keep its performance transparent.

c .Committee of Risk, Compliance, Anti-money Laundering and Terrorism Financing:

The elected Risk and Compliance Committee comprises 3 members with 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 in the presence of the CEO or his authorized representative. It duly writes the minutes of its meetings and performs its duties and responsibilities according to the laws, legislations and instructions of PMA as well as best international practices and regulatory framework of Basel Committee. The committee may invite any person it deems appropriate to its meetings.

Responsibilities of the Risk and Compliance Committee:

- Reviewing the policies and strategies of the Risks Department which follows up all types of risks facing the bank, including, inter alia, credit risks, market risks, operating risks, liquidity risks, credit concentration risks, interest rate risks. These policies and strategies must be reviewed before submitting them to the board 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 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 about the organizational chart of the Risks Department and its development. The committee reviews the suggestions and introduces amendments to submit them to the board for approval.
- The committee keeps up-to-date on the fast developments and the growing complications that the Risk Department goes through. It 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 their adherence to the operating procedures manual. It also checks the inclusiveness of these reports and their consistence with the relevant requirements of the PMA to achieve maximal compliance with the appropriate banking laws, regulations, instructions and practices.

d .Corporate Governance Committee:

The elected Corporate Governance Committee was comprises 3 non-executive members of the Board of Directors, who coordinate and implement the governance policy. The members of the committee have the ability to read and understand the financial statements. They also have the ability to coordinate and link between the department and the complementary tasks of governance and audit committees. Further, they have adequate legal and banking expertise. The committee convenes twice a year.

Responsibilities of the Corporate Governance Committee:

- Supervising the implementation of the governance policy through joint action with both the Administration and the Audit Committee.
- Providing the board with tasks-based reports and recommendations, including its evaluation of the department's compliance with the banking governance manual and its suggestions to align the manual with best international practices.
- Preparing and reviewing the corporate governance manual according to the laws, legislations and instructions issued thereof.
- Setting forth the measures necessary for realizing the items of this manual.
- Monitoring all relevant developments.
- Annual review of the manual and publishing it at large.
- Making sure that the Executive Management monitors the activities of the bank appropriately and exercises its responsibilities according to the internal control rules and regulations issued by the PMA.

e .Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises 3 non-executive members of the board with adequate knowledge, skills and expertise in the required field. It can take its decisions independently and objectively. The committee acts under the supervision of the Board of Directors and presents its reports and recommendations to it. It convenes regularly in the presence of the CEO or whoever he authorizes. The committee duly writes the minutes of its meetings.

Responsibilities of Remuneration and Nomination Committee

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

a) Term of membership and the professional qualifications and knowledge the candidate should have in the field of banking and management of other companies. It also describes the other positions the candidate occupies and the relationship between the candidate and the bank on one hand and his/her relationship with the other members, on the other.

b) Submitting a statement testifying that the candidate has met the requirements set out in the definition of the independent member upon his/her appointment.

- Submitting recommendations to the Board of Directors concerning the changes that should be made with regard to the number of the members of the board or any of its committees.
- Identifying qualified members and submitting recommendations to the board concerning the candidate for occupying a seat if there is a vacancy at any of the board's committees.
- Supervising the general policies of human resources.
- Examining the eligibility of all the candidates of the shareholders suggested for the membership of the board or any other candidates suggested by the Executive Management.
- Submitting recommendations to the board regarding the changes the committee deems necessary for the structure of the managerial structure and job description of the key officers.
- Setting an appropriate plan to place the chairman and members of the board and key officers and to replace 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.
- Suggesting 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 it with recommendations for amending or updating the policy.
- Conducting periodic evaluation of the effectiveness and efficiency of the remuneration policy to make certain that its goals are realized.
- Ensure that there is 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 the chairman and members of the board as well as the key officials of the bank receive.
- Ensure that the remuneration and incentives policy takes into account all types of risks which the bank could be exposed to when the value of the remuneration is determined.
- Ensure that the policy of granting remunerations and incentives is consistent with the instructions of the Monetary Authority and the internal regulations of the bank.

Investment Committee

The committee is composed of three members of the board of directors and three others from the executive management.

The Responsibilities of the Investment Committee

• Takes the investment decisions delegated to it by the Board of Directors in accordance with the investment policy.
• Submits quarterly reports on portfolio performance, assets assessment, investment returns and performance, and compares results to expectations and requirements in the investment policy.
• Reviews the investment policy periodically and makes recommendations to amend and update it if necessary based on the changes in market conditions.
• Develops the general framework of the investment policy of the bank.

f. Internal Control and Monitoring System

• Al-Quds Bank has built its Internal Control and Monitoring System based on the general framework of the internal monitoring system and the instructions of the PMA as well as the applicable laws and guidelines therein.
• 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 shall include into its annual report a statement on the competence of the internal control and the monitoring systems.
• 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 the financial reports and adherence to the applicable laws and regulations.
• Setting procedures that ensure decision-makers timely access to information, including the emergency plan.
• Independency of the Audit and Compliance Department, Anti-money Laundering and Combating Financing of Terrorism Department and Risks Management Department.

Internal Audit

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

The objectives and responsibilities of internal audit:

• Setting forth 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. It must be approved by the Audit Committee of the board.
• Checking and assessing the suitability and efficiency of the internal control regulations and the mechanism used by all departments and sections to perform their duties and minimize the risk thereof.
• Writing periodical reports on the competence of the internal control, monitoring regulations to minimize the risks which the bank faces, and upgrading the monitoring environment to acceptable levels.
• The Internal Audit Department submits its reports to Senior Management and the Audit Committee.

Compliance Department

In compliance with the requirements of Basel Committee on Banking Supervision, Al-Quds Bank has established the Department of Compliance as an independent department entrusted with

The Department of Compliance has outlined the laws, regulations and instructions governing the bank and educated its staff about the concept of compliance through several training courses and workshops. The bank seeks to ensure the independency of the compliance department and keep providing it with a competent and well-trained staff.

Responsibilities of the Department of Compliance

- Designing, reviewing and updating the compliance manual periodically and whenever needed.
- Preparing an effective mechanism that ensures the bank's compliance with the applicable laws and legislations as well as the relevant bylaws 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 the corporate governance in the bank.
- Monitoring the application of and compliance with the Foreign American Tax Compliance Act (FATCA).
- Other issues.

Anti-Money Laundering and Combating the Financing of Terrorism Department:

Al-Quds Bank seeks to implement the best standards of anti-money laundering and countering the financing of terrorism through its compliance with all the laws, regulations, instructions, orders, codes of conduct and appropriate banking standards and practices issued by local and international monitoring entities.

Given international developments and in cooperation with all administrative levels, the bank continued to raise the awareness of all of its employees to achieve maximal commitment to mitigating the risks of money laundering and terror financing as well as limiting the exploitation of the bank's channels and electronic services for that purpose. And in line with the best practices of countering money laundering, the department carried out the following:

- Establishing a department to combat money laundering and terror financing and appointing a qualified staff. The role of the department is to combat money laundering and terrorism financing, and to protect the bank from the negative effects of these two crimes in accordance with national and international legislations, and in a manner that contributes to improving the environment of combating money laundering and terrorism financing.

- Setting internal controls, work procedures and policies to combat money laundering and terrorism financing.

Establishing an effective control environment and a system to combat money laundering and terrorism financing at the bank level.

- Adopting a risk-based approach.
- Records keeping.
- Training and raising awareness about anti-money laundering and terrorist financing issues.
- Implementation of electronic and automated systems to combat money laundering and terrorism financing.

Risks Management Department:

The main objective of the risk department at Al-Quds Bank is to set up mechanisms to identify, measure, manage and monitor the risks facing the bank, and to enable it to handle them and prevent any adverse consequences. It promotes the principle of (return, risk) in the bank's results. Risk management doesn't imply full aversion of risk since it constitutes an integral part of banking business. Thus, the bank takes risk to a certain level as part of its strategy while it expects appropriate financial and non-financial return in line with the acceptable level of risk.
Risk Department's Responsibilities:

- Using different tools to measure and manage operating risks, including updating and developing the files of the risks facing the banks' units and setting forth oversight measures that reduce risks to acceptable levels. It also records risks occurrences and builds data bases that facilitate risk management. Further, it provides reliable chronological data to bridge the gaps and handle them to maintain an appropriate monitoring environment.
- Monitoring the bank's capability of functioning under exceptional conditions in light of continuing changes. It has drafted a business continuity plan, alternative site and evacuation plan. It also implements the public safety standards and submits reports of the bank's readiness to address emergency situation.
- Monitoring the bank's credit activity and its compliance with the policies and limitations approved by the board of directors, PMA, credit risk-reduction international standards as well as examining new products compliance with instructions and policies.
- Monitoring 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. It also uses Stress Tests to examine the capability of the bank to face stress tests. It also conducts an internal capital adequacy assessment and compares it with the extent of the risks to which the bank is exposed.
- The risk department follows a methodology that is based on precautionary rather than remedial action to prevent risks before they occur. The application of the accounting standard IFRS9 would enhance this methodology, especially since the principle based on it is aimed to measure risks and hedge them from the beginning.
- The Risk Management Department of Al-Quds Bank assesses, on annual basis, the internal capital adequacy to calculate the internal capital needed to face all types of risks the bank is exposed to. This goes in line with its objectives of identifying and measuring all types of risks faced by the bank, according to the instructions, limitations and controls of the Palestinian Monetary Authority.
- Monitoring information security on a continuous basis, identifying and evaluating expected risks, and evaluating the ability and efficiency of procedures and protection systems in light of increasing cyber-attacks and hacking operations facing financial and banking institutions. This is also necessary at a time of rapid growth of online banking services and banking applications and the automation of internal banking operations, which would reduce operational risks.

There is a committee of the senior management responsible for monitoring risk management, compliance and anti-money laundering. It reviews and evaluates the work of the different departments and submits regular reports of the outcomes of its work and submits it to the committee of risks, compliance and anti-money laundering which is formed by the board of directors.

External Audit

External audit is another level of control and monitoring over the credibility of the financial statements issued by the bank's accounting and information systems, especially those related to the auditor's opinion about how fair and realistic these statements are.
The bank makes sure that the external auditor is certified by the PMA and has not received any direct or indirect credit facilities from the bank. The Board of Directors must take into consideration the regular turnover and experiences of the auditor with other institutions.

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 PMA.
3. Observing full confidentiality in accordance with professional codes of conduct.
4. Providing the Review and Audit Committee with a version of the report.
5. Attending the meetings of the General Assembly of the bank to answer any inquiries by shareholders.
6. Providing the PMA with a version of the annual report of the bank 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 as well as the bank's internal instructions.
- The External Auditor's opinion about the adequacy of the internal monitoring and control systems and that of the potential risks provisions.
- Verifying the fairness of the statements given to him for auditing.

Professional Code of Ethics

The bank has adopted the Professional Code of Ethics approved by the Board of Directors and pledged to have all its personnel and members of the board comply thereby. The Code of Ethics explains the repercussions of the breach of any of its provisions and specifies the ethics, values and principles of the staff, including integrity, compliance with laws, transparency and sincerity to the bank.

The Relationship between the Bank and the Shareholders

- The bank develops positive relationships with all the shareholders and encourages them, especially small ones, to attend the annual meeting of the General Assembly. It encourages them to vote in person or by proxy.
- The shareholders are sent an invitation to the meeting of the General Assembly, with its agenda attached thereto, by email. They also receive a soft copy of the annual report and another hard copy.
- External auditors' representatives attend the annual meeting of the General Assembly meeting to answer to any questions that might be asked about auditing and auditor's report.
- Inviting representatives of the PMA to attend the meeting of the General Assembly to keep up-to-date with the situation of the bank.
- Electing qualified members of the new board during the annual meeting of the General Assembly.

- Electing the external auditor and determining his/her remuneration or mandating the board of directors thereof.
- Documenting the sessions and reports of the activities of the bank during the annual meeting of the General Assembly, including the results of the vote and the questions asked by the shareholders concerning their contributions.

Transparency & Disclosure:

Al-Quds Bank corporate governance is characterized by integrity, propriety, honesty, objectivity, transparency, disclosure and openness to the public. These characteristics which distinguish the bank's decisions are key constituents of good corporate governance.

The bank is bent on timely disclosing all authentic information to help the users of such information make accurate assessment of the bank's financial position, achievements, activities and risks. The bank is also keen to provide periodic information about its activities for the relevant authorities, including PMA, shareholders, depositors and the public with more emphasis on the issues that have significant impact on its performance.


August
September
October
November
December
Product 3
Product 4
Fund

Consolidated Financial Statements for the Year 2021 The external auditor's report

QUDS BANK PUBLIC SHAREHOLDING LTD.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

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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, 2021, 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, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (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, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

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Expected Credit Loss "ECL" allowances	
Key Audit Matter	**Audit Procedures**
This is considered as a key audit matter as the management exercises significant judgement to determine when and how much to record as expected credit losses. Direct credit facilities form a major portion of the Banks'assets, there is a risk that inappropriate impairment provisions are booked, whether from the use of inaccurate underlying data, or the use of unreasonable assumptions. Due to the significance of the judgments used in classifying direct credit facilities and Islamic financing into various stages according to IFRS 9 and determining related provisionrequirements, this audit area is considered a key audit risk. The Coronavirus (COVID-19) pandemic has affected the expected credit losses calculation process. Therefore, the Bank adjusted the macroeconomic factors and allocated more weight to the worst-case scenarios in the years 2021 and 2020. As of 31 December 2021, the Bank's gross direct credit facilities amounted to U.S. $ 1,002,436,989 and the provision of expected credit losses amounted to U.S. $ 43,624,795. The policy for the provision for expected credit losses is presented in the accounting policies adopted for the preparation of these consolidated financial statements in note (3).	Our audit procedures included assessing the controls on procedures for granting, recording and monitoring credit facilities and financing, and the process of measuring ECL, including the requirements of Palestine Monetary Authority (PMA) to verify the effectiveness of the main controls are in place, which determine the impairment in direct credit facilities, and required provisions against them. In addition, our audit procedures included the following: • We gained an understanding of the Bank's key direct credit facilities processes, in addition to examination of internal control system of granting, booking and evaluating the effectiveness of the main procedures followed in the granting and booking processes. - We studied and understood the Bank's policy in calculating provisions in comparison with the requirements of International Financial Reporting Standard No. (9) and the relevant regulatory guidelines and instructions. - We evaluated the Bank's expected credit losses model, with special emphasis on alignment with the expected credit losses model and the basic methodology within the requirements of IFRS 9. • We have studied a sample of direct credit facilities and Islamic financing individually, and carried out the following procedures to assess the following: • The appropriateness of staging • The appropriateness of the process of determining exposure at default, including consideration of the cash flows resulting from repayment and the resulting calculations. • The appropriateness of the probability of default, and the exposure at default and the percentage of loss assuming default for the different stages. • Validity and accuracy of the model used in the process of calculating expected credit losses. • Assessing the appropriateness of the Bank's estimation process for an increase in the level of credit risks and the basis for transferring credit exposure between stages, for the exposures that have been transferred between stages, in addition to evaluating the process in terms of appropriate timing to determine the significant increase in credit risk of credit exposures.

	▪ Recalculating of the expected credit losses for direct credit facilities individually, in addition to understanding the latest financing developments in terms of cash flows and financial position, and if there is any scheduling or structuring. ▪ In relation to the future assumptions used by the Bank for calculating ECL, we have discussed these assumptions with management and compared these assumptions to available information including the impact of the coronavirus. ▪ Procedures for evaluating collateral in accordance with the evaluation rules approved by the Bank. - We evaluated the disclosures to the consolidated financial statements to ensure their compliance with International Financial Reporting Standard No. (9). Accounting policies, significant accounting estimates and judgments, disclosure of credit facilities and credit risk management are detailed in the notes (3, 7, 45 and 51) to the consolidated financial statements.

Other information included in the Bank's 2021 Annual Report

Other information consists of the information included in the Bank's 2021 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2021 Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

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

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

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

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

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

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

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

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

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

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or 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, 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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License # 105/2003

April 5, 2022
Ramallah - Palestine

Consolidated Statement of Financial Position
As at December 31, 2021

	Notes	2021 U.S. $	2020 U.S. $
ASSETS			
Cash and balances with Palestine Monetary Authority	4	304,542,685	280,253,087
Balances at banks and financial institutions	5	146,630,106	147,543,294
Financial assets at fair value through profit or loss	6	2,488,548	84,740
Direct credit facilities	7	953,112,501	846,968,474
Financial assets at fair value through other comprehensive income	8	25,998,997	13,897,656
Financial assets at amortized cost	9	48,114,360	32,672,729
Investment in an associate	10	1,748,346	1,633,472
Property, plant and equipment	11	23,283,089	24,828,387
Right of use assets	12	14,428,720	15,567,777
Projects in progress	13	10,160,274	7,648,187
Intangible assets	14	3,545,294	3,508,484
Deferred tax assets	15	4,550,157	3,786,428
Other assets	16	23,562,232	18,489,956
Total Assets		1,562,165,309	1,396,882,671
LIABILITIES AND EQUITY			
Liabilities			
Palestine Monetary Authority's deposits	17	96,252,600	86,522,744
Banks' and financial institutions' deposits	18	10,688,164	2,150,475
Customers' deposits	19	1,068,943,050	1,010,896,810
Cash margins	20	124,772,513	89,115,841
Subordinated loans	21	9,800,000	13,000,000
Istidama loans from Palestine Monetary Authority	22	13,180,205	9,810,600
Loans and borrowing	23	37,000,000	-
Lease liabilities	24	14,659,176	15,486,021
Taxes provisions	25	5,617,862	2,339,122
Sundry provisions	26	8,432,605	7,675,252
Other liabilities	27	35,047,808	39,346,883
Total Liabilities		1,424,393,983	1,276,343,748
Equity			
Paid-in share capital	1	96,433,796	93,172,750
Statutory reserve	29	10,874,071	9,467,445
General banking risks reserve	29	-	3,182,400
Pro-cyclicality reserve	29	4,757,269	4,757,269
Fair value reserve	8	1,026,733	(3,097,775)
Retained earnings		23,084,171	11,972,860
Net equity holders of the Bank		136,176,040	119,454,949
Non-controlling interests	3	1,595,286	1,083,974
Net equity		137,771,326	120,538,923
Total liabilities and equity		1,562,165,309	1,396,882,671

The accompanying notes from 1 to 53 are an integral part of these consolidated financial statements

Consolidated Income Statement
For the year ended December 31, 2021

	Notes	2021 U.S. $	2020 U.S. $
Interest income	30	62,879,701	56,911,799
Interest expense	31	(12,973,134)	(14,452,550)
Net interest income		49,906,567	42,459,249
Net commissions	32	7,854,409	8,937,869
Net interest and commissions income		57,760,976	51,397,118
Foreign currencies gains		7,004,710	7,153,071
Net gains from financial assets	34	2,065,228	446,685
Recovered of expected credit losses	35	5,170,504	5,090,312
Bank's share of results of the associate	10	181,728	123,161
Other revenues, net	33	672,524	833,437
Gross profit		72,855,670	65,043,784
Expenses			
Provision for expected credit losses	35	(11,900,207)	(12,726,323)
Personnel expenses	36	(22,068,814)	(20,895,311)
Other operating expenses	37	(12,774,161)	(12,122,163)
Depreciation and amortization	11,12&14	(5,557,724)	(5,438,026)
Palestine Monetary Authority's fines	38	(17,053)	-
Total expenses		(52,317,959)	(51,181,823)
Profit before taxes		20,537,711	13,861,961
Taxes expense	25	(6,173,078)	(2,962,017)
Profit for the year		14,364,633	10,899,944
Attributable to:			
Equity holders of the Bank		14,066,133	10,897,868
Non-controlling interests		298,500	2,076
		14,364,633	10,899,944
Basic and diluted earnings per share	39	0.15	0.11

The accompanying notes from 1 to 53 are an integral part of these consolidated financial statements

Quds Bank Ltd.

Consolidated Income Statement
For the year ended December 31, 2021

	Notes	2021 U.S. $	2020 U.S. $
Interest income	30	62,879,701	56,911,799
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Net interest and commissions income		57,760,976	51,397,118
Foreign currencies gains		7,004,710	7,153,071
Net gains from financial assets	34	2,065,228	446,685
Recovered of expected credit losses	35	5,170,504	5,090,312
Bank's share of results of the associate	10	181,728	123,161
Other revenues, net	33	672,524	833,437
Gross profit		72,855,670	65,043,784
Expenses			
Provision for expected credit losses	35	(11,900,207)	(12,726,323)
Personnel expenses	36	(22,068,814)	(20,895,311)
Other operating expenses	37	(12,774,161)	(12,122,163)
Depreciation and amortization	11,12&14	(5,557,724)	(5,438,026)
Palestine Monetary Authority's fines	38	(17,053)	-
Total expenses		(52,317,959)	(51,181,823)
Profit before taxes		20,537,711	13,861,961
Taxes expense	25	(6,173,078)	(2,962,017)
Profit for the year		14,364,633	10,899,944
Attributable to:			
Equity holders of the Bank		14,066,133	10,897,868
Non-controlling interests		298,500	2,076
		14,364,633	10,899,944
Basic and diluted earnings per share	39	0.15	0.11

The accompanying notes from 1 to 53 are an integral part of these consolidated financial statements

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

	Notes	2021 U.S. $	2020 U.S. $
Profit for the year		14,364,633	10,899,944
Other comprehensive income:			
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	6,999,898	(20,501)
The Bank's share of the other comprehensive income of the associate company		(66,854)	-
Total comprehensive income for the year		6,933,044	(20,501)
		21,297,677	10,879,443
Attributable to:			
Equity holders of the Bank		20,913,865	10,867,969
Non-controlling Interests		383,812	11,474
		21,297,677	10,879,443

The accompanying notes from 1 to 53 are an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity

For the year ended December 31, 2021

	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
Fair Value reserve for sold financial assets	-	-	-	-	(2,723,224)	2,723,224	-	11,018	11,018
Other comprehensive income	-	-	-	-	6,847,732	-	6,847,732	74,294	6,922,026
Total comprehensive income for the period	-	-	-	-	4,124,508	16,789,357	20,913,865	383,812	21,297,677
Investment payments in a subsidiary	-	-	-	-	-	-	-	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

		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, 2020	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	90,172,750	8,377,658	3,182,400	4,757,269	(3,067,876)	10,575,144	113,997,345	-	113,997,345
Profit for the year	-	-	-	-	-	10,897,868	10,897,868	2,076	10,899,944
Other comprehensive income	-	-	-	-	(29,899)	-	(29,899)	9,398	(20,501)
Total comprehensive income for the period	-	-	-	-	(29,899)	10,897,868	10,867,969	11,474	10,879,443
Investment payments in a subsidiary	-	-	-	-	-	-	-	1,072,500	1,072,500
Transfers to reserves	-	1,089,787	-	-	-	(1,089,787)	-	-	-
Stock dividends (note 28)	3,000,000	-	-	-	-	(3,000,000)	-	-	-
Cash dividends (note 28)	-	-	-	-	-	(5,410,365)	(5,410,365)	-	(5,410,365)
Balance, end 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

The accompanying notes from 1 to 53 are an integral part of these consolidated financial statements

Quds Bank Ltd.

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

	Notes	2021 U.S. $	2020 U.S. $
Operating activities			
Profit before taxes		20,537,711	13,861,961
Adjustments for:			
Depreciation and amortization		5,557,724	5,438,026
Provision for expected credit losses, net		6,729,703	7,636,011
Recognized gains on sale of financial assets at fair value through profit or loss		(559,768)	-
Valuation (gains) losses on financial assets at fair value through profit or loss		(615,316)	1,600
Lawsuits provision		100,000	100,000
End of service provision		1,913,782	1,679,208
Interest on lease liabilities		521,014	532,807
Interest on financial assets at amortized cost		(1,412,922)	(1,075,845)
Bank's share of results of the associate		(181,728)	(123,161)
Losses on disposal of property, plant and equipment		111,955	247,745
Other non-cash items		186,160	(715,820)
		32,888,315	27,582,532
Changes in assets and liabilities:			
Credit facilities		(113,451,751)	(65,289,029)
Statutory cash reserve at Palestine Monetary Authority		(12,093,983)	(7,082,523)
Restricted cash		4,380,008	1,228,554
Other assets		(5,210,350)	(1,694,358)
Customers' deposits		58,046,240	73,304,830
Palestine Monetary Authority's deposits maturing after 3 months		59,419,959	(21,026,011)
Cash margins		35,656,672	(4,457,296)
Other liabilities		(4,062,612)	4,566,124
Net cash flows from operating activities before taxes and paid provision		55,572,498	7,132,823
Employees' end of service provision paid		(1,256,429)	(698,505)
Taxes paid		(3,192,206)	(4,669,115)
Net cash flows from operating activities		51,123,863	1,765,203
Investing activities:			
Deposits at banks and financial institutions mature in more than three months		(7,373,030)	-
Change in financial assets at amortized cost		(15,515,631)	(14,747,059)
Purchase of financial assets at fair value through profit or loss and through other comprehensive income		(7,835,685)	(355,508)
Sale of financial assets at fair value through other comprehensive income		2,734,242	-
Purchase of financial assets at fair value through profit or loss		(2,347,344)	-
Sale of financial assets at fair value through profit or loss		1,118,620	-
Project in progress		(2,704,949)	(2,484,041)
Purchase of property, plant and equipment		(1,511,990)	(1,985,638)
Proceeds from sale of property, plant and equipment		99,286	232,070
Intangible assets		(1,052,245)	(540,788)
Interest received on financial asset at amortized cost		1,550,996	1,521,656
Net cash flows used in investing activities		(32,837,730)	(18,359,306)
Financing activities:			
Payments of lease liabilities		(1,712,182)	(1,630,386)
Cash dividends paid		(4,429,237)	(5,200,388)
Subordinated loans		(3,200,000)	(2,000,000)
Istidama loans from Palestine Monetary Authority		3,369,605	9,810,601
Loans and borrowing		37,000,000	-
Non-controlling interest		127,500	1,072,500
Net cash flows from financing activities		31,155,686	2,052,327
Increase (Decrease) in cash and cash equivalents		49,441,819	(14,541,778)
Cash and cash equivalents, beginning of the year		261,582,870	276,124,648
Cash and cash equivalents, end of the year	40	311,024,689	261,582,870
Interest expense paid		13,850,288	13,519,072
Interest revenue received		62,700,654	58,130,106

The accompanying notes from 1 to 53 are an integral part of these consolidated financial statements

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Notes to the Consolidated Financial Statements
December 31, 2021

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, 2021, the Bank increased the authorized, subscribed, and paid-in capital to reach U.S. $ 96,433,796, 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 locates in Palestine, in addition to one representation office in Jordan as of December 31,2021.

The Bank's personnel reached (734), and (738) as at December 31,2021, and 2020, respectively.

The consolidated financial statements were authorized for issuance by the Bank's Board of Directors on March 27, 2022.

2. Consolidated Financial Statements

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

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, 2021
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 Bank and the subsidiary operate in Palestine.

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.

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, 2021. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the 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 (without losing control of them) 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.

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 balance.

The subsidiary assets (including goodwill). Liabilities, and non-controlling interest book value will be excluded in case of losing the control, the surplus or deficit from exclusion will be recorded in the consolidated profit and loss statement. Any remaining investment is recorded at fair value

3.2 Basis of preparation

The consolidated financial statements as at December 31, 2021 have been prepared in accordance with the International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB), and in conformity with PMA regulations.

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 financial statements for the prior year, except that the Bank applied certain amendments to the standards, which are effective for annual periods beginning on or after January 1, 2021 shown below:

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

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

- To require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest,

- To permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued,
- To provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

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

Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

However, the Bank has not received Covid-19-related rent concessions.

Standards Issued But Not Yet Effective

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

Reference to the Conceptual Framework – Amendments to IFRS 3

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

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

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

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

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

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

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

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Bank will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

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

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

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Bank will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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.

3.4 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 FVTPL. Interest income on interest bearing financial assets measured at 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 and advances to customers are recognized when funds are transferred to the customers' accounts. The Bank recognizes balances due to customers when funds are transferred to the Bank.

Commission is recorded as revenue when the related services are provided, moreover dividends are recorded when realized (decided upon by the General Assembly of Shareholders).

Initial measurement of financial instruments

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

Day 1 profit or loss

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

Measurement categories of financial assets and liabilities

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

- Amortized cost
- FVOCI
- FVTPL

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

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

Financial Assets and Liabilities

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

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

The details of these conditions are outlined below:

Business model assessment

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

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

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

The Business model assessment depends on reasonably expected scenarios without taking into consideration the "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 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.

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 entity'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 an entity in accordance with the contract and the cash flows that the entity expects to receive.

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

PD	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.
EAD	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from 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

The consolidated financial statements have been presented in US Dollar, which is the functional currency of the Bank. The Bank's subsidiaries determine their functional currency. Items in the financial statements of the subsidiaries are measured using the subsidiaries functional currencies.

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	2021 %	2020 %
Sadara for financial investments company	Palestine	40	40

	2021 U.S. $	2020 U.S. $
Non-Controlling Interest	1,595,286	1,083,974
Profit allocated to non-controlling interest	298,500	2,076
Share of non-controlling interests in other comprehensive income	85,312	9,398

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 31,2021:

	2021 U.S. $	2020 U.S. $
Balances at banks and financial institutions	983,915	2,717,434
Financial assets at fair value through profit or loss statement	1,138,646	183,750
Financial assets at fair value through other comprehensive income	1,998,883	-
Other assets	5,208	-
Total Assets	4,126,652	2,901,184
Net equity holders	4,126,652	2,901,184
Non-controlling interests	1,595,286	1,083,974

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

	2021	2020
	U.S. $	U.S. $
Interest Revenue	24,903	10,192
Net profit of a portfolio of financial assets	869,467	326
	894,370	10,518
Financing Expenses	(956)	(336)
Foreign currency exchange differences	(6,007)	(320)
General and administrative expenses	(3,678)	(4,673)
Profit before tax	883,729	5,189
Income tax expense	(136,691)	-
Net income	747,038	5,189
Return to Bank's Shareholders	448,223	3,113
Return to Non-Controlling Interests	298,500	2,076

Summary of other comprehensive income statement data for the year ended December 31, 2021:

	2021	2020
	U.S. $	U.S. $
profit of the year	747,038	5,189
Other comprehensive income items	213,278	23,495
Gross comprehensive income	960,316	28,684
Return to the bank's shareholders	576,504	17,210
Returns to non-controlling parties	383,812	11,474

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

	2021	2020
	U.S. $	U.S. $
Operating Activities	10,014	(5,119)
Investment Activities	(1,914,937)	326
Financing Activities	171,404	2,722,227
(Decrease) Increase in cash and cash equivalent	(1,733,519)	2,717,434

4. Cash and Balances with Palestine Monetary Authority

This item comprises the following:

	2021	2020
	U.S. $	U.S. $
Cash on hand *	172,518,174	140,732,166
Balances with PMA:		
Current and demand accounts	24,953,601	44,543,994
Statutory cash reserve	107,070,910	94,976,927
	304,542,685	280,253,087

- According to PMA circular number (67/2010), the Bank shall maintain statutory cash reserves with PMA at 9% of total customers' deposits. PMA does not pay interest or profits on statutory cash reserves. According to PMA circular number (2/2012), the outstanding balance of credit facilities granted in Jerusalem for some sectors are deducted before the statutory reserve is calculated.
- 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. $ 6,014,550 and U.S. $ 4,784,845 as of December 31,2021, and 2020, respectively.

5. Balances at Banks and Financial Institutions

This item comprises the following:

	2021	2020
	U.S. $	U.S. $
Local banks and financial institutions:		
SWAP Deposits maturing within 3 months	10,000,000	-
	10,000,000	-
Foreign banks and financial institutions:		
Current and demand accounts	82,633,350	91,480,886
Deposits maturing within 3 months	46,776,528	56,215,210
Deposits maturing within more than 3 months	7,373,030	-
	136,782,908	147,696,096
	146,782,908	147,696,096
Less: ECL provision	(152,802)	(152,802)
	146,630,106	147,543,294

- Non-interest-bearing balances at banks and financial institutions as at December 31, 2021 and 2020 amounted to U.S. $ 92,633,350 and U.S. $ 91,480,886, respectively.
- Restricted balances at banks and financial institutions as at December 31, 2021 and 2020 amounted to U.S. $ 15,168,800 and U.S. $ 19,548,808, respectively.

The movement on the gross carrying amount of the balances at banks and financial institutions as of December 31,2021, and 2020 is as follows:

	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

	2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	191,751,820	-	-	191,751,820
Net change during the year	(44,055,724)	-	-	(44,055,724)
Balance, ending of the year	147,696,096	-	-	147,696,096

The movement of ECL allowance on balances at banks and financial institutions is as follows:

	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

	2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
As of January 1, 2021	122,683	-	-	122,683
Expected credit loss for the year	30,119	-	-	30,119
As of December 31, 2021	152,802	-	-	152,802

6. Financial Assets at Fair Value Through Profit or Loss

This item comprises the following:

	2021 U.S. $	2020 U.S. $
Shares quoted in Palestine Securities Exchange	84,740	84,740
Shares quoted in foreign financial markets	2,403,808	-
	2,488,548	84,740

7. Direct Credit Facilities

This item comprises the following:

	2021 U.S. $	2020 U.S. $
Retails		
Loans*	314,004,316	284,399,605
Overdrafts accounts	8,615,409	8,961,835
Credit cards	3,574,296	3,110,349
Overdrawn accounts on demand	90,321	1,402,079
Medium and small enterprises		
Loans*	202,251,593	178,451,564
Overdrafts accounts	34,464,228	28,155,680
Credit cards	745,826	785,770
Overdrawn accounts on demand	1,777,045	1,111,600
Corporates		
Loans*	266,734,705	250,766,508
Overdrafts accounts	31,590,516	31,266,398
Credit cards	165,861	180,570
Overdrawn accounts on demand	465,744	1,180,864
Government and public sector		
Loans*	137,957,129	99,212,416
	1,002,436,989	888,985,238
Suspended interest and commissions	(5,699,693)	(3,942,658)
Provision for expected credit losses	(43,624,795)	(38,074,106)
	953,112,501	846,968,474

- Loans are presented net of their related interest and commission received in advance which amounted to U.S. $ 882,736 and U.S. $ 1,395,252 as at December 31, 2021 and 2020, respectively.
- Non-performing direct credit facilities net of suspended interests and commissions according to PMA regulations as at December 31, 2021 and 2020 amounted to U.S. $89,573,119 and U.S. $ 53,817,385 representing (8.99%) and (6.08%) 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, 2021 and 2020 amounted to U.S. $ 41,155,758 and U.S. $ 40,114,253 representing 4.13% and 4.53% 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. $ 21,328,714 and U.S. $ 20,473,404 as at December 31, 2021 and 2020, respectively. The balance of impairment provision and suspended interest for defaulted accounts amounted to U.S. $ 9,511,556 and U.S. $ 10,216,715, respectively.
- Direct credit facilities granted to Palestine National Authority amounted to U.S. $ 137,957,129 and U.S. $ 99,212,416 as at December 31, 2021 and 2020 representing 13.76% and 11.16% of total direct credit facilities, respectively.

- Credit facilities granted to non-residents amounted to U.S. $5,402,921 and U.S. $ 6,558,105 as at December 31, 2021 and 2020, respectively.
- The fair value of collaterals obtained in lieu of direct credit facilities amounted to U.S. $ 460,716,966 and U.S. $398,695,905 as at December 31, 2021 and 2020, respectively.

Suspended interest

Following is the movement on the suspended interest:

	2021	2020
	U.S. $	U.S. $
Balance, beginning of the year	3,942,658	1,929,761
Suspended interest during the year	3,181,019	2,730,552
Recovered suspended interest during the year	(1,158,604)	(592,726)
Suspended interest related to credit facilities being defaulted for more than 6 years.	(272,820)	(124,929)
Currency variance	7,440	-
Balance, end of the year	5,699,693	3,942,658

The movement in the gross carrying amount on direct credit facilities is as follows:

	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
Additions during the year	140,102,117	299,578	20,826,459	161,228,154
Paid during the year	(21,685,112)	(21,875,754)	(22,623,330)	(66,184,196)
Net of Remeasurement	(10,609,375)	27,200,843	3,306,724	19,898,192
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

	2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	705,415,947	78,462,192	37,552,896	821,431,035
Additions during the year	178,051,451	4,022,168	-	182,073,619
Paid during the year	(116,441,624)	(3,761,542)	(2,382,613)	(122,585,779)
Net of Remeasurement	253,852	9,271,670	(1,459,159)	8,066,363
Transfers to stage (1)	27,070,449	(26,311,816)	(758,633)	-
Transfers to stage (2)	(97,195,272)	98,437,362	(1,242,090)	-
Transfers to stage (3)	(5,155,845)	(7,190,665)	12,346,510	-
Balance, end of the year	691,998,958	152,929,369	44,056,911	888,985,238

Provision for Expected Credit Losses

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

	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
Additions during the year	1,598,923	380	9,764,914	11,364,223
Recoveries during the year	(69,370)	(2,871)	(5,035,692)	(5,107,933)
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 change in ECL during the year	51,207	543,837	(60,813)	534,231
Defaulted direct credit facilities for more than 6 years	-	-	(1,490,399)	(1,490,399)
Over right facilities	-	-	30,797	30,797
Foreign currency exchange differences	-	-	219,776	219,770
As of December 31, 2021	4,831,167	10,691,972	28,101,656	43,624,795

	2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
As of January 1, 2020	5,141,071	5,548,676	19,665,812	30,355,559
Additions during the year	3,544,775	158,720	9,728,209	13,431,704
Recoveries during the year	(1,425,462)	(2,000,051)	(5,090,312)	(8,515,825)
Transferred to stage (1)	1,266,248	(1,266,248)	-	-
Transferred to stage (2)	(371,155)	371,155	-	-
Transferred to stage (3)	(7,639)	(1,173,212)	1,180,851	-
Net change in ECL during the year	(761,832)	4,436,800	(1,180,851)	2,494,117
Defaulted direct credit facilities for more than 6 years	-	-	(402,483)	(402,483)
Foreign currency exchange differences	-	-	711,034	711,034
As of December 31, 2020	7,386,006	6,075,840	24,612,260	38,074,106

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:

	2021	2020
	U.S. $	U.S. $
Balance, beginning of the year	9,899,943	9,085,149
Transferred from On-Balance sheet provision	1,490,399	402,483
Recovered during the year	(134,812)	(296,384)
Additions during the year	-	352,659
Foreign currency exchange differences	224,349	356,036
Balance, end of the year	11,479,879	9,899,943

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

	2021	2020
	U.S. $	U.S. $
Public sector	137,957,129	99,212,416
Real estate and construction	209,430,854	188,225,833
Lands	18,561,737	6,960,645
Manufacturing	240,572,391	199,939,140
Agriculture	35,726,759	36,464,870
Tourism	6,427,995	12,420,201
Transportation	1,981,917	2,148,364
Public Services sector	99,329,258	88,593,435
Financial services	44,057,978	42,375,605
Consumer commodities	195,716,428	199,846,107
Car financing	6,974,850	8,855,964
	996,737,296	885,042,580

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

	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	70%	487,658

	31 December 2020			
	Granted amount	Outstanding Balance	Guarantor coverage	Defaulted
Facilities Type	U.S. $	U.S. $	%	U.S. $
Medium and small projects	11,002,252	6,016,059	60%-70%	474,974

8. Financial Assets at Fair Value Through Other Comprehensive Income

	2021	2020
	U.S. $	U.S. $
Quoted shares in Palestine Security Exchange	2,318,555	2,265,311
Quoted shares in foreign financial markets	22,940,692	10,716,632
Unquoted shares	739,750	915,713
	25,998,997	13,897,656

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

	2021	2020
	U.S. $	U.S. $
Balance, beginning of the year	(3,097,775)	(3,067,876)
Change in fair value through other comprehensive income	6,847,732	(29,899)
Gains on sale of financial assets at fair value through other comprehensive income recognized directly in retained earnings	(2,723,224)	-
Balance, end of the year	1,026,733	(3,097,775)

9. Financial Assets at Amortized Cost

Financial assets at amortized cost comprise the following:

	2021	2020
	U.S. $	U.S. $
Treasury bills*	22,999,629	-
Local bonds – unquoted *	8,160,000	15,644,000
Foreign bonds - unquoted **	17,104,372	17,104,370
	48,264,001	32,748,370
Provision for expected credit losses	(149,641)	(75,641)
	48,114,360	32,672,729

* This item represents matured treasury bills amounted to $15,286,596, while the remaining bills mature within a period from less than three months to one year. The interest rates range between 4.5% to 8.00%.

** This item represents the Bank's investment in local and regional securities. Interest rates range between 3.75% to 5.00% and maturity within a period from one to five years.

*** Interest rates range between 5.00% to 7.50% and maturity within a period from one to five years.

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

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	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

	2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	18,001,311	-	-	18,001,311
Investments during the year	14,747,059	-	-	14,747,059
Balance, end of the year	32,748,370	-	-	32,748,370

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

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
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

	2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
As of January 1, 2020	35,951	-	-	35,951
Expected credit losses for the year	39,690	-	-	39,690
As of December 31, 2020	75,641	-	-	75,641

10. Investment in an associate

	Ownership		Book Value	
	2021	2020	2021	2020
	%	%	U.S. $	U.S. $
Experts Turnkey Solution Co.*	32%	32%	1,748,346	1,633,472
			1,748,346	1,633,472

* 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:

	2021	2020
The financial position of the associate:	U.S. $	U.S. $
Total assets	6,884,245	5,881,435
Total liabilities	3,368,998	2,695,251
Total equity	3,515,247	3,186,184
Book value before adjustments	1,124,879	1,019,579
Adjustments	623,467	613,893
Book value after adjustments	1,748,346	1,633,472
Revenues and results of operations:		
Total Revenues	2,708,511	1,615,118
Net Profit	566,646	383,307
Other comprehensive income	(208,918)	-
Total comprehensive income	357,728	383,307
Bank's share of results of the associate	181,728	123,161
The Bank's share of other comprehensive income	(66,854)	-

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

	2021	2020
	U.S. $	U.S. $
Balance, beginning of the year	1,633,472	1,510,311
Bank's share of results of the associate	181,728	123,161
The Bank's share of other comprehensive income	(66,854)	-
Balance, end of the year	1,748,346	1,633,472

11. Property, Plant and Equipment

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

The value of fully depreciated property, plant and equipment that are still used in the Bank's activities amounted to $10,760,746 and $8,515,851 as of December 31, 2021 and 2020, respectively.

Following is the movement on property, plant and equipment as of December 31,2020:

2020	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	4,328,384	10,970,825	933,423	16,818,812	45,934,057
Additions and transfers from project in progress	-	-	429,196	1,287,609	-	1,071,036	2,787,841
Disposals	-	-	(116,748)	(245,744)	(301,055)	(307,472)	(971,019)
Balance, end of the year	8,823,579	4,059,034	4,640,832	12,012,690	632,368	17,582,376	47,750,879
Accumulated Depreciation:							
Balance, beginning of the year	-	885,347	2,997,285	5,530,287	267,945	10,684,977	20,365,841
Depreciation for the year	-	81,181	474,800	1,049,917	94,315	1,347,642	3,047,855
Disposals	-	-	(77,664)	(143,917)	(114,935)	(154,688)	(491,204)
Balance, end of the year	-	966,528	3,394,421	6,436,287	247,325	11,877,931	22,922,492
Net book value							
December 31, 2020	8,823,579	3,092,506	1,246,411	5,576,403	385,043	5,704,445	24,828,387

12. Right of use assets

Following is the movement on the right of use assets:

	2021	2020
	U.S. $	U.S. $
Balance, beginning of the year	15,567,777	17,663,603
Additions during the year	364,323	469,396
Amortization during the year	(1,503,380)	(1,454,178)
Disposals for the year	-	(1,111,044)
Balance, end of the year	14,428,720	15,567,777

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:

	2021	2020
	U.S. $	U.S. $
Balance, beginning of the year	7,648,187	5,966,349
Additions	2,704,949	2,484,041
Transfers to property, plant and equipment (Note 11)	(192,862)	(802,203)
Balance, end of the year	10,160,274	7,648,187

As at December 31, 2021, the estimated cost to complete projects in progress amounted to U.S. $13,017,268. Projects are expected to be completed during the year 2023.

14. Intangible Assets

This item comprises the following:

	2021	2020
	U.S. $	U.S. $
Computer software	2,317,909	1,925,715
Intangible assets resulted from acquisition*	1,227,385	1,582,769
	3,545,294	3,508,484

* 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:

	2021	2020
	U.S. $	U.S. $
Balance, beginning of year	3,508,484	3,903,689
Additions during the year	1,052,245	540,788
Amortization during the year	(1,015,435)	(935,993)
Balance, end of year	3,545,294	3,508,484

15. Deferred tax assets

This amount represents deferred tax assets resulting from movement on expected credit losses for stage (1), and (2) direct credit facilities and 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:

	2021	2020
	U.S. $	U.S. $
Balance, beginning of the year	3,786,428	2,702,144
Additions	763,729	1,084,284
Balance, end of the year	4,550,157	3,786,428

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

16. Other Assets

This item comprises the following:

	2021	2020
	U.S. $	U.S. $
Clearing checks	7,752,401	3,721,525
Positive derivative financial instruments	6,917,384	6,032,008
Accrued interest and commissions	4,889,881	4,710,934
Prepaid expenses	1,617,661	1,552,093
Payments to investment account	1,466,501	1,474,237
Assets obtained by the Bank by calling on collateral	481,885	642,513
Stationery and publications inventory	263,305	222,952
Other	658,526	619,006
	24,047,544	18,975,268
Less: Expected credit loss provision on other assets*	(485,312)	(485,312)
	23,562,232	18,489,956

The movement on expected credit loss provision in 2021 and 2020 is as follows:

	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

	2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
As of January 1, 2020	-	-	485,312	485,312
Expected credit loss for the year	-	-	-	-
As of December 31, 2020	-	-	485,312	485,312

17. Palestine Monetary Authority's Deposits

	2021	2020
	U.S. $	U.S. $
Term deposits maturing within three months	-	49,690,103
Term deposits maturing in more than three months	96,252,600	36,832,641
	96,252,600	86,522,744

18. Banks' and Financial Institutions' Deposits

	2021	2020
	U.S. $	U.S. $
Local banks and financial institutions in Palestine:		
Current and demand accounts	742,062	150,475
Deposits maturing within three months	-	2,000,000
SWAP deposits maturing within three months	9,946,102	-
	10,688,164	2,150,475

19. Customers' Deposits

This item comprises the following:

	2021	2020
	U.S. $	U.S. $
Current and demand accounts	356,191,236	347,245,959
Time deposits	305,460,311	289,594,878
Saving deposits	407,291,503	374,055,973
	1,068,943,050	1,010,896,810

- Public sector deposits amounted to U.S. $ 11,473,883 and U.S. $ 11,484,263 representing 1.07% and 1.14% of total deposits as at December 31, 2021 and 2020, respectively.
- Non-interest-bearing deposits amounted to U.S. $ 356,191,236 and U.S. $ 347,245,959 representing 33.33% and 34.35% of total deposits as at December 31, 2021 and 2020, respectively.
- Dormant deposits amounted to U.S. $ 35,223,879 and U.S. $ 52,959,471 representing 3.30% and 5.24% of total deposits as at December 31, 2021 and 2020, respectively.
- Non-resident customers' deposits amounted to U.S. $ 22,539,621 and U.S. $ 21,362,867 as at December 31, 2021 and 2020, respectively.

20. Cash Margins

This item represents cash margins against:

	2021	2020
	U.S. $	U.S. $
Direct credit facilities	90,327,757	59,945,197
Indirect credit facilities	9,040,513	7,654,176
Others	25,404,243	21,516,468
	124,772,513	89,115,841

21. Subordinated Loan

During the year 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. $ 9,800,000 and U.S. $ 13,000,000 as of December 31, 2021 and December 31, 2020, 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. $ 13,180,205 and U.S. $ 9,810,600 as of December 31, 2021 and December 31, 2020, respectively.

23. Loans and borrowing

	2021	2020
	U.S. $	U.S. $
European Investment Bank*	32,000,000	-
European Bank for Reconstruction and Development**	5,000,000	-
	37,000,000	-

* During the year, the Bank signed an agreement with the European Investment Bank (EIB) 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 with 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%.

** During the year, 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:

	2021	2020
	U.S. $	U.S. $
Balance, beginning of the year	15,486,021	17,298,389
Additions during the year	364,323	469,396
Disposals during the year	-	(1,184,185)
Interest on lease liabilities during the year	521,014	532,807
Payments	(1,712,182)	(1,630,386)
Balance, end of the year	14,659,176	15,486,021

Including:

	2021	2020
	U.S. $	U.S. $
Short-term Lease Liabilities	1,990,589	1,205,632
Long-term Lease Liabilities	12,668,587	14,280,389
	14,659,176	15,486,021

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 31,2021 and December 31, 2020 amounted to U.S. $219,007 and U.S. $ 274,827, respectively (note 37).

25. Taxes provisions

	2021	2020
	U.S. $	U.S. $
Balance, beginning of the year	2,339,122	3,364,323
Additions	7,136,691	5,074,277
Tax incentives discount	(199,884)	(271,215)
Excess from prior years' settlements	-	(756,761)
Payments and advances	(3,192,206)	(4,669,115)
Foreign currency differences	(465,861)	(402,387)
Balance, end of the year	5,617,862	2,339,122

The Bank did not reach a final settlement with the Income Tax and Value Added Tax Department on their results of operations for the years 2019 and 2020. The Bank submitted its tax declaration on the results of its operations on time and is being followed up by the tax consultant for the final settlement.

Details of taxes provision are as follows:

	2021	2020
	U.S. $	U.S. $
Provision for the year	7,136,691	5,074,277
Deferred tax assets (note 15)	(763,729)	(1,084,284)
Excess of prior years' provision	-	(756,761)
Discounts on tax advances	(199,884)	(271,215)
Income tax expense for the year	6,173,078	2,962,017

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

	2021 U.S. $	2020 U.S. $
Accounting profit	20,537,711	13,861,961
Profit subject to Value Added Tax	21,390,656	13,798,942
Value Added tax	2,950,435	1,903,302
Profit subject to income tax	7,624,138	9,558,880
Income Tax	2,016,870	1,108,832
Tax payable for the year	4,967,305	3,012,134
Tax provisions for the year	7,136,691	5,074,277
Effective tax rate	%35	%37

The income tax rate was 15% and value added tax rate was %16 as at December 31, 2021. 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 on profits resulted from financing small and medium enterprises equals to %10 of those profits.

Based on management and tax consultant of the Bank, the tax provision recorded is sufficient.

26. Sundry Provisions

The movement on sundry provisions was as follows:

	Balance, beginning of the year U.S. $	Expense during the year U.S. $	Paid during year U.S. $	Balance, end of the year 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

	Balance, beginning of the year U.S. $	Expense during the year U.S. $	Paid During year U.S. $	Balance, end of the year U.S. $
December 31, 2020				
Employees' end of service provision	6,458,455	1,679,208	(698,505)	7,439,158
Lawsuits provision	136,094	100,000	-	236,094
	6,594,549	1,779,208	(698,505)	7,675,252

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

27. Other Liabilities

	2021 U.S. $	2020 U.S. $
Certified checks and incoming transfers	17,618,202	15,125,941
Accrued and not paid interests	4,382,772	5,259,926
Negative derivative financial instruments	3,504,540	10,247,595
Accrued bonuses, incentives and expense	2,593,600	1,320,464
Unearned commission income	2,407,437	2,484,159
Temporary deposits	388,549	626,044
Accounts payable	384,248	1,813,260
Accrued Board of Directors bonuses	377,000	411,800
Dividends payable	366,408	602,871
Provision for expected credit losses on indirect facilities (note 49)	330,522	330,522
Others	2,694,530	1,124,301
	35,047,808	39,346,883

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

2021	Stage (1) U.S. $	Stage (2) U.S. $	Stage (3) U.S. $	Total 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

2020	Stage (1) U.S. $	Stage (2) U.S. $	Stage (3) U.S. $	Total U.S. $
Balance, beginning of the year	88,910,961	-	-	88,910,961
Net change during the year	40,509,688	-	-	40,509,688
Balance, ending of the year	129,420,649	-	-	129,420,649

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

2021	Stage (1) U.S. $	Stage (2) U.S. $	Stage (3) U.S. $	Total 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

2020	Stage (1) U.S. $	Stage (2) U.S. $	Stage (3) U.S. $	Total U.S. $
Balance, as of January 1, 2020	230,590	-	-	230,590
Expected credit losses for the year	99,932	-	-	99,932
Balance as of December 31, 2020	330,522	-	-	330,522

28. Cash and stock dividends

The Bank's General Assembly, during its meeting held on April 8, 2021, approved dividends distribution of U.S. $ 7,453,820, as cash dividends of U.S. $ 4,192,774 and as stock dividends of U.S. $ 3,261,046based on pro-rata ownership of the Bank's shareholders in the Bank's share capital,. An approval was obtained from Palestine Monetary Authority (PMA) to release an amount of U.S. $ 3,182,400 from the General Banking Risk Reserve.

The Bank's General Assembly, during its meeting held on April 12, 2020, approved a dividends distribution of U.S. $ 8,410,365, as stock dividends of U.S. $ 3,000,000 and as cash dividends of U.S. $ 5,410,365 based on pro-rata ownership of the Bank's shareholders in the Bank's share capital.

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 impairment allowance for credit facilities, suspended interest and commissions and 0.5% of indirect credit facilities after deducting checks under collection, accepted letter of guarantees, inward letter of credits and derivatives. 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. The reserve is not to be utilized or reduced without PMA's prior approval. During 2018, the Bank applied IFRS 9 and utilized this reserve for the ECL of stage (1) and (2) in accordance with PMA instructions No. (2/2018). The reserve will not be utilized or reduced without PMA's prior approval. Based on the Bank's General Assembly decision and the Palestinian Monetary Authority approval, During the year, 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.

Pro-cyclicality reserve/Pro-cyclicality reserve capital buffer

This reserve represents 15% of net profit in accordance with PMA's instruction (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. The bank will be obligated to disclose the counter cyclical capital source in its financial statements starting from March 31,2023. The Banks are not allowed to utilize the balance of the reserve without PMA's prior approval. During the year, the Bank did not deduct pro-cyclicality reserve based on understandings with the Palestine Monetary Authority.

30. Interest Income

This item comprises interest revenues earned on the following accounts:

	2021	2020
	U.S. $	U.S. $
Loans	52,159,273	45,509,540
Overdraft and overdrawn accounts	6,283,458	7,191,740
Balances at Banks and financial institutions	1,077,013	1,317,190
Credit cards	1,014,908	1,062,861
Financial assets at amortized cost	1,412,922	1,075,846
Discounted bills	932,127	754,622
	62,879,701	56,911,799

31. Interest Expense

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

	2021	2020
	U.S. $	U.S. $
Interest on customers' deposits		
Current and demand accounts	97,452	364,369
Time deposits	9,030,585	10,527,580
Saving accounts	1,048	781
	9,129,085	10,892,730
Cash Margins	1,407,364	1,019,401
Interest on PMA's deposits	1,510,176	1,625,582
Interest on subordinated loans	549,806	702,154
Interest on banks and financial institutions' deposits	143,840	212,683
Interest on loans and borrowing	232,863	-
	12,973,134	14,452,550

32. Net Commissions

This item comprises commissions against the following:

	2021	2020
	U.S. $	U.S. $
Commissions income:		
Direct credit facilities	2,952,374	3,693,329
Indirect credit facilities	1,012,233	940,991
Checks	801,837	978,888
Bank transfers	2,183,086	1,973,827
Accounts' management	2,392,152	2,615,672
Other banking services	405,002	297,062
	9,746,684	10,499,769
Commissions expense:		
Local banks and financial institutions	105,694	113,921
Foreign banks and financial institutions	571,364	461,026
Other commission expenses	1,215,217	986,953
	1,892,275	1,561,900
	7,854,409	8,937,869

33. Other Revenues, net

	2021	2020
	U.S. $	U.S. $
Check books revenue	248,706	245,189
Safe boxes rental	68,061	64,940
Postal, fax, telegram and telephone revenues	29,937	49,381
Loss on disposal of property, plant and equipment	(111,955)	(247,745)
Sundry	437,775	721,672
	672,524	833,437

34. Net Gains from Financial Assets

This item comprises the following:

	2021	2020
	U.S. $	U.S. $
Valuation gains (losses) on financial assets at fair value through profit or loss	615,316	(1,600)
Recognized gains on sale of financial assets at fair value through profit or loss	559,768	-
Dividend from financial assets at fair value through other comprehensive income	890,144	152,464
Gain from revaluation of exercised repurchase option	-	295,821
	2,065,228	446,685

35. Net remeasurement of expected credit losses

	2021	2020
	U.S. $	U.S. $
Expected credit loss on direct credit facilities from stage (3)	9,764,914	9,728,209
Recovery on expected credit loss on direct credit facilities from stage (3)	(5,035,692)	(5,090,312)
Net additions and transfers of ECL on direct credit facilities between stage (1) and (2)	2,061,293	2,772,099
Loss (recovery) of expected credit loss on financial assets at amortized costs	74,000	39,690
Expected credit loss on cash at banks and financial institutions	-	30,119
Expected credit loss on indirect facility	-	99,932
Provision (Recovery) on expected credit loss on direct credit facilities for more than 6 years	(134,812)	56,274
	6,729,703	7,636,011

36. Personnel Expenses

	2021	2020
	U.S. $	U.S. $
Salaries and related benefits	15,569,983	14,562,077
Value Added tax on salaries	2,319,190	2,336,760
Provision for employees' end of service	1,913,782	1,679,208
Medical expenses	916,531	938,566
Bank contribution to provident fund *	653,874	663,058
Travel and transportation	287,305	293,562
Training expenses	133,672	159,467
Clothing allowances	146,443	130,331
Employees' life insurance	69,792	81,656
Employees' vacations allowance	49,946	41,175
Other	8,296	9,451
	22,068,814	20,895,311

* 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%.

37. Other Operating Expenses

	2021	2020
	U.S. $	U.S. $
Mail, phone and swift	1,895,717	1,741,187
Software	1,513,835	978,648
Palestine Deposit Insurance Corporation Fees*	1,076,055	1,542,132
Maintenance and repairs	1,046,350	1,074,270
Professional and legal fees	830,412	568,775
Water, electricity and fuel	763,493	707,302
Board of Directors expenses and remuneration	575,220	551,009
Interest on lease liabilities	521,014	532,807
Donations and sponsorships**	519,728	668,722
Cleaning expenses	468,404	419,645
Services	462,305	441,396
Fees, licenses and subscriptions	452,097	454,033
Advertising and publicity	345,351	286,039
Stationery, printing and checkbooks	345,227	344,389
Insurance fees	332,408	260,350
PMA clearance room expenses	271,083	374,410
Fees and taxes	240,392	233,634
Meetings expenses	234,553	92,822
Rents (Note 24)	219,007	274,827
Vehicle and transportation expenses	195,100	151,773
Hospitality	114,225	96,417
Lawsuits provision	100,000	100,000
Other	252,185	227,576
	12,774,161	12,122,163

* 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, a circular No. (2/2021) PDIC issued regarding rising the fixed subscription fee rate to 0.2% of the average total deposits, as of the beginning of the next year

** 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 3,62% of net profit for the year 2021 and 6.14% for the year 2020.

38. Palestine Monetary Authority's fines

This item represents fines imposed by PMA on the Bank and its subsidiary 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

	2021	2020
	U.S. $	
Profit for the year attributable to shareholders of the Bank	14,066,133	10,897,868
	Shares	
Weighted average of subscribed shares	96,433,796	96,433,796
	U.S. $	
Basic and diluted share of profit for the year	0.15	0.11

40. Cash and Cash Equivalents

	2021	2020
	U.S. $	U.S. $
Cash and balances with PMA	304,542,685	280,253,087
Add: Balances at banks and financial institutions maturing within three months	146,782,908	147,696,096
Less: deposits of banks and banking institutions that mature within three months	(10,688,164)	(51,840,578)
Less: deposits of banks and banking institutions that mature within more than three months	(7,373,030)	-
restricted cash	(15,168,800)	(19,548,808)
Statutory cash reserve	(107,070,910)	(94,976,927)
	311,024,689	261,582,870

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	2021 U.S. $	2020 U.S. $
Statement of consolidated financial position items:			
Direct credit facilities*	Board of Directors and Executive Management	5,933,175	7,572,169
Direct credit facilities	Shareholders and their related parties	14,967,575	21,641,406
Deposits	Board of Directors and Executive Management*	3,018,740	2,650,772
Deposits	Shareholders and their related parties	4,667,231	5,911,205
Board of Directors remunerations	Board of Directors and Executive Management*	377,000	377,000
Indirect credit facilities	Board of Directors and Executive Management*	22,755	64,343
Indirect credit facilities	Shareholders and their related parties	1,951,233	1,108,759
Unutilized credit facilities limits	Board of Directors and Executive Management	543,473	325,763
Unutilized credit facilities limits	Shareholders and their related parties	3,859,662	3,811,632
Consolidated income statement items:			
Interest and commission income	Board of Directors and Executive Management	450,869	192,418
Interest and commission income	Shareholders and their related parties	707,757	1,075,440
Interest and commission expense	Board of Directors and Executive Management	17,143	13,028
Interest and commission expense	Shareholders and their related parties	36,311	83,555
Board of Directors expenses and remunerations**	Board of Directors and Executive Management	575,220	551,009
Salaries and related expenses	Board of Directors and Executive Management	1,818,553	1,834,283

* 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, 2021 and 2020 represent 2.19% and 3.45%, 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, 2021 and 2020 represent 13.45%% and 21.41% 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 377,000 US dollars as on December 31, 2021 and 377,000 US dollars as on December 31, 2020.

Following are the details of board of directors' remuneration for December 31, 2021 and 2020:

	2021	2020
	U.S. $	U.S. $
Akram Abed Latif Jrab	50,000	50,000
Dored Abed Latif Jrab	25,000	25,000
Palestine Pension Agency	25,000	25,000
Walid Najeb Ahmad	25,000	25,000
Ahed Fayeq Bseiso	25,000	25,000
Al-Shoroq Company (represented by Mr. Ibrahim Abed Fatah Abu Dayeh)	25,000	25,000
Jordan Kuwait Bank (represented by Mr. Haitham Al-batekhi)	25,000	25,000
Ruba Masrouji Al-Alami	25,000	25,000
Saleh Jaber Ahmed	25,000	25,000
Dr. Hamed Abed Al-Ghani Jaber	25,000	25,000
Montaser Ezat Abu Dowas	25,000	25,000
Dr. Majed Awni Abu Ramadan	25,000	25,000
Total	325,000	325,000
Value Added tax	52,000	52,000
	377,000	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, 2021 and 2020, respectively:

			Measurement of fair value by		
December 31,2021	Date of evaluation	Total U.S. $	Quoted prices in active markets (Level 1) U.S. $	Significant observable input (Level 2) U.S. $	Significant non-observable inputs (Level 3) 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

			Measurement of fair value by		
December 31,2020	Date of evaluation	Total U.S. $	Quoted prices in active markets (Level 1) U.S. $	Significant observable input (Level 2) U.S. $	Significant non-observable inputs (Level 3) 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, 2020	84,740	84,740	-	-
Financial assets at fair value through other comprehensive income (note 8):					
Quoted- Palestine Stock Exchange	December 31, 2020	2,265,311	2,265,311	-	-
Quoted- Foreign market	December 31, 2020	10,716,632	10,716,632	-	-
Unquoted	December 31, 2020	915,713	-	-	915,713
Derivative financial instruments (note 44):					
Positive derivatives	December 31, 2020	6,023,008	6,023,008	-	-
Negative Derivatives	December 31, 2020	10,247,595	10,247,595	-	-
Financial assets accounted for in its fair value:					
Financial assets at amortized cost (note 9):					
Unquoted- Foreign bonds	December 31, 2020	17,056,420	-	-	17,056,420
Unquoted- Local bonds	December 31, 2020	15,616,309	-	-	15,616,309

The Bank has not made any transfers between the above levels during 2021 and 2020.

Fair Value of Financial Instruments

The table below represents a comparison between the carrying amounts and fair values of financial instruments as at December 31, 2021 and 2020:

	Carrying amount		Fair value	
	2021	2020	2021	2020
	U.S. $	U.S. $	U.S. $	U.S. $
Financial assets				
Cash and balances with PMA	304,542,685	280,253,087	304,542,685	280,253,087
Balances at banks and financial institutions	146,630,106	147,543,294	146,630,106	147,543,294
Financial assets at fair value through profit or loss				
Quoted stocks	2,488,548	84,740	2,488,548	84,740
Direct credit facilities	953,112,501	846,968,474	953,112,501	846,968,474
Financial assets at fair value through other comprehensive income:				
Quoted stocks	25,259,247	12,981,943	25,259,247	12,981,943
Unquoted stocks	739,750	915,713	739,750	915,713
Financial assets at amortized cost:				
Treasury bills	22,999,629	-	22,999,629	-
Unquoted -Foreign bonds	17,028,731	17,056,420	17,028,731	17,056,420
Unquoted -local bonds	8,086,000	15,616,309	8,086,000	15,616,309
Other financial assets	19,559,666	14,464,467	19,559,666	14,464,467
Total assets	1,500,446,863	1,335,884,447	1,500,446,863	1,335,884,447
Financial liabilities				
Palestine Monetary Authority's deposits	96,252,600	86,522,744	96,252,600	86,522,744
Banks and financial institutions' Deposits	10,688,164	2,150,475	10,688,164	2,150,475
Customers' deposits	1,068,943,050	1,010,896,810	1,068,943,050	1,010,896,810
Cash margins	124,772,513	89,115,841	124,772,513	89,115,841
Subordinated loan	9,800,000	13,000,000	9,800,000	13,000,000
Istidama loans from Palestine Monetary Authority	13,180,205	9,810,600	13,180,205	9,810,600
Loans and borrowing	37,000,000	-	37,000,000	-
Leased Liabilities	14,659,176	15,486,021	14,659,176	15,486,021
Other financial liabilities	32,309,849	36,532,202	32,309,849	36,532,202
Total liabilities	1,407,605,557	1,263,514,693	1,407,605,557	1,263,514,693

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

Fair values of cash and balances with PMA, balances at banks and financial institutions, other financial assets, PMA deposits, banks and financial institutions 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 were estimated by using expected cashflows discounted by interest rates of comprehensive assets with the same terms and risks presented 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, 2021.

43. Concentration of Assets and Liabilities

	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
Unutilized credit facilities limits	79,370,451	-	-	-	-	79,370,451

	2020					
	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	280,253,087	-	-	-	-	280,253,087
Balances at banks and financial institutions	27,950,852	36,904,932	39,322,880	43,364,630	-	147,543,294
Financial assets at fair value through profit or loss	84,740	-	-	-	-	84,740
Direct credit facilities	792,667,336	14,454,509	-	-	39,846,629	846,968,474
Financial assets at fair value through other comprehensive income	3,181,015	9,461,606	-	-	1,255,035	13,897,656
Financial assets at amortized cost	15,644,000	16,028,729	-	-	1,000,000	32,672,729
Investment in an associate	1,633,472	-	-	-	-	1,633,472
Property, plant and equipment	24,828,387	-	-	-	-	24,828,387
Right of use assets	15,567,777	-	-	-	-	15,567,777
Projects in progress	7,648,187	-	-	-	-	7,648,187
Intangible assets	3,508,484	-	-	-	-	3,508,484
Deferred tax assets	3,786,428	-	-	-	-	3,786,428
Other assets	18,489,956	-	-	-	-	18,489,956
Total Assets	1,195,243,721	76,849,776	39,322,880	43,364,630	42,101,664	1,396,882,671
Palestine Monetary Authority's deposits	86,522,744	-	-	-	-	86,522,744
Banks' and financial institutions' deposits	2,150,475	-	-	-	-	2,150,475
Customers' deposits	1,010,896,810	-	-	-	-	1,010,896,810
Cash Margins	89,115,841	-	-	-	-	89,115,841
Subordinated loans	13,000,000	-	-	-	-	13,000,000
Istidama loans from Palestine Monetary Authority	9,810,600	-	-	-	-	9,810,600
Lease liabilities	15,486,021	-	-	-	-	15,486,021
Taxes provisions	2,339,122	-	-	-	-	2,339,122
Sundry provisions	7,675,252	-	-	-	-	7,675,252
Other liabilities	39,346,883	-	-	-	-	39,346,883
Total Liabilities	1,276,343,748	-	-	-	-	1,276,343,748
Paid-in share capital	93,172,750	-	-	-	-	93,172,750
Statutory reserve	9,467,445	-	-	-	-	9,467,445
General banking risks reserve	3,182,400	-	-	-	-	3,182,400
Pro-cyclicality reserve	4,757,269	-	-	-	-	4,757,269
Fair value reserve	(3,097,775)	-	-	-	-	(3,097,775)
Retained earnings	11,972,860	-	-	-	-	11,972,860
Net equity holders of the Bank	119,454,949	-	-	-	-	119,454,949
Non-controlling interests	1,083,974	-	-	-	-	1,083,974
Net equity	120,538,923	-	-	-	-	120,538,923
Total liabilities and equity	1,396,882,671	-	-	-	-	1,396,882,671
Items out of consolidated financial position:						
Letter of Guarantees	47,284,506	-	-	-	-	47,284,506
Letter of Credit	8,400,505	-	-	-	-	8,400,505
Unutilized Credit Facilities limits	72,699,404	-	-	-	-	72,699,404

44. Derivative Financial Instruments

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

December 31,2021	Positive Fair Value	Negative Fair Value	Nominal value maturity
	U.S. $	U.S. $	U.S. $
Currency sale contract	6,917,384	-	393,448,506
Currency purchase contract	-	3,504,540	389,943,966

December 31,2020	Positive Fair Value	Negative Fair Value	Nominal value maturity
	U.S. $	U.S. $	U.S. $
Currency sale contract	6,032,008	-	309,747,637
Currency purchase contract	-	10,247,595	299,500,042

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 and 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):

	2021	2020
	U.S. $	U.S. $
Consolidated statement of financial position items		
Cash and balances with Palestine Monetary Authority	304,542,685	280,253,087
Balances at banks and financial institutions	146,630,106	147,543,294
Direct credit facilities	953,112,501	846,968,474
Financial assets at amortized cost	48,114,360	32,672,729
Other financial assets	19,559,666	14,464,467
	1,471,959,318	1,321,902,051
Commitments and contingencies		
Letters of guarantees	45,959,131	47,084,506
Letters of credit	10,505,728	8,400,505
Acceptances	2,167,344	1,036,234
Unutilized credit facilities limits	79,239,929	72,568,882
	137,872,132	129,090,127

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

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

December 31,2020	Retail	Corporate	Government and Public sector	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Low risk	183,629,672	409,156,870	99,212,416	691,998,958
Acceptable risk	92,312,307	47,063,935	-	139,376,242
Watchlist	7,003,255	6,549,872	-	13,553,127
Non-performing:			-	-
Substandard	1,740,961	5,724,952	-	7,465,913
Doubtful	2,161,663	2,091,004	-	4,252,667
Defaulted	12,736,898	19,601,433	-	32,338,331
Total	299,584,756	490,188,066	99,212,416	888,985,238
Suspended Interest	(1,719,074)	(2,223,584)	-	(3,942,658)
Expected credit loss	(17,550,454)	(19,147,121)	(1,376,531)	(38,074,106)
	280,315,228	468,817,361	97,835,885	846,968,474

3. **Following is the Fair value of collaterals obtained against total credit exposures as of December 31,2021 and 2020:**

2021	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	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
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	44,257,759
Credit exposure related Off-balance Sheet items	138,202,654	9,040,513	-	-	-	-	9,040,513	129,162,141	330,522

2020	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	427,949,183	-	-	-	-	-	-	427,949,183	152,802
Credit facilities:									
Retail	299,973,136	23,027,682	46,819,998	4,545	21,160,145	101,695	91,114,065	208,859,071	17,258,625
Medium and small corporate	206,116,529	23,999,850	80,711,762	8,898,835	7,198,621	4,612,499	125,421,567	80,694,962	15,111,393
Large corporate	283,683,158	10,544,412	78,446,365	45,292,557	43,936,069	1,837,617	180,057,020	103,626,138	4,327,557
Government and public sector	99,212,415	2,373,253	-	-	-	-	2,373,253	96,839,162	1,376,531
Financial assets at amortized cost	32,748,370	-	-	-	-	-	-	32,748,370	75,641
Other financial assets	14,464,467	-	-	-	-	-	-	14,464,467	330,522
Total	1,364,147,258	59,945,197	205,978,125	54,195,937	72,294,835	6,551,811	398,965,905	965,181,353	38,633,071
Credit exposure related									
Off-balance Sheet items	129,420,649	7,654,176	-	-	-	-	7,654,176	121,766,473	99,932

4. **Following is Fair value of collaterals obtained against Stage (3) credit exposures as of December 31,2021 and 2020:**

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

2020	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	16,291,775	341,781	-	1,462,462	-	439,651	2,243,894	14,047,881	10,991,544
Corporate and institutions	27,765,136	360,562	-	8,867,901	-	229,422	9,457,885	18,307,251	13,620,716
Total	44,056,911	702,343	-	10,330,363	-	669,073	11,701,779	32,355,132	24,612,260

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
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
December 31, 2021					
Cash and balances with PMA and financial institutions	314,542,685	42,094,678	27,298,418	67,237,010	451,172,791
Direct credit facilities	891,700,707	9,621,949	-	51,789,845	953,112,501
Financial assets at amortized cost	31,085,630	16,028,730	-	1,000,000	48,114,360
Other financial assets	19,559,666	-	-	-	19,559,666
Total as at December 31, 2021	1,256,888,688	67,745,357	27,298,418	120,026,855	1,471,959,318
Total as at December 31, 2020	1,124,897,050	68,438,854	28,103,654	100,462,493	1,321,902,051
Items out of consolidated financial position:					
Letter of Guarantee	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
Total as at December 31, 2021	138,202,654	-	-	-	138,202,654
Total as at December 31, 2020	129,420,649	-	-	-	129,420,649

6. **Concentration of risk exposures according to IFRS (9) Stages as of December 31, 2021 and 2020 is as follows:**

	Stage (1)	Stage (2)	Stage (3)	2021
	U.S. $	U.S. $	U.S. $	U.S. $
Palestine	994,815,049	249,019,537	13,054,102	1,256,888,688
Jordan	67,745,357	-	-	67,745,357
Israel	27,298,418	-	-	27,298,418
Others	120,026,855	-	-	120,026,855
Total	1,209,885,679	249,019,537	13,054,102	1,471,959,318

	Stage (1)	Stage (2)	Stage (3)	2020
	U.S. $	U.S. $	U.S. $	U.S. $
Palestine	931,853,428	152,929,369	40,114,253	1,124,897,050
Jordan	68,438,854	-	-	68,438,854
Israel	28,103,654	-	-	28,103,654
Others	100,462,493	-	-	100,462,493
Total	1,128,858,429	152,929,369	40,114,253	1,321,902,051

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

	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. $
Cash and balances with PMA	-	304,542,685	-	-	-	-	-	-	304,542,685
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	513,301,571	176,994,560	228,591,659	69,281,686	6,042,449	19,559,666	298,901,658	1,471,959,318

	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. $
Cash and balances with PMA	-	280,253,087	-	-	-	-	-	-	280,253,087
Balances at banks and financial institutions	-	147,543,294	-	-	-	-	-	-	147,543,294
Direct credit facilities	99,212,416	42,375,605	199,939,140	188,225,833	12,420,201	9,834,552	-	294,960,727	846,968,474
Financial assets at amortized cost	-	16,057,342	-	999,078	-	-	15,616,309	-	32,672,729
Other financial assets	-	-	-	-	-	14,464,467	-	-	14,464,467
December 31, 2020	99,212,416	486,229,328	199,939,140	189,224,911	12,420,201	24,299,019	15,616,309	294,960,727	1,321,902,051

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, 2021:

Macroeconomic Factors	ECL scenario	Assigned probabilities (%)	Percentage change in economic variables (%) 2021	Percentage change in economic variables (%) 2022	Percentage change in economic variables (%) 2023	Percentage change in economic variables (%) 2024	Percentage change in economic variables (%) 2025	Percentage change in economic variables (%) 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

Following are the macroeconomic factors impact on the forward-looking information based on multiple scenarios as at December 31, 2020:

Macroeconomic Factors	ECL scenario	Assigned probabilities (%)	Percentage change in economic variables (%) 2020	Percentage change in economic variables (%) 2021	Percentage change in economic variables (%) 2022	Percentage change in economic variables (%) 2023	Percentage change in economic variables (%) 2024	Percentage change in economic variables (%) 2025
GDP	Base case	65	(19.10)	5.69	2.70	(0.31)	(0.26)	(0.23)
	Best case	10	(11.39)	13.40	10.41	7.40	7.45	7.48
	Worst case	25	(22.96)	1.84	(1.16)	(4.17)	(4.12)	(4.09)
Unemployment rates								
	Base case	65	26.77	(12.42)	(7.80)	0.77	0.76	0.76
	Best case	10	19.37	(13.19)	(8.36)	0.83	0.82	0.82
	Worst case	25	30.47	(12.07)	(7.55)	0.74	0.74	0.73

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:

	2021	2020
Credit Rating	U.S. $	U.S. $
Private Sector:		
A- to AAA+	-	-
B- to BBB+	-	-
C to CCC	-	-
Unrated	48,264,001	32,748,370
Total	48,264,001	32,748,370

II. Market risk

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

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:

	2021		2020	
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	(111,741)	10	(105,320)
New Israeli Shekels	10	(1,127,121)	10	(2,712,864)
Jordanian Dinar	10	(29,811)	10	(362,384)
Other currencies	10	(4,403)	10	(33,561)

Interest rate re-pricing sensitivity gap

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 year	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 associates	-	-	-	-	-	-	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)	-	-

December 31, 2020	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 year	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	-	-	-	-	-	-	280,253,087	280,253,087
Balances at banks and financial institutions	91,328,084	56,215,210	-	-	-	-	-	147,543,294
Financial assets at fair value through profit or loss	-	-	-	-	-	-	84,740	84,740
Direct credit facilities	18,483,712	32,968,091	60,622,299	61,962,445	268,407,086	404,524,841	-	846,968,474
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	13,897,656	13,897,656
Financial assets at amortized cost	-	-	-	-	23,028,728	9,644,001	-	32,672,729
Investment in associates	-	-	-	-	-	-	1,633,472	1,633,472
Property, plant and equipment	-	-	-	-	-	-	24,828,387	24,828,387
Right-of-use assets	-	-	-	-	-	-	15,567,777	15,567,777
Projects in progress	-	-	-	-	-	-	7,648,187	7,648,187
Intangible assets	-	-	-	-	-	-	3,508,484	3,508,484
Deferred tax asset	-	-	-	-	-	-	3,786,428	3,786,428
Other assets	-	-	-	-	18,489,956	-	-	18,489,956
Total Assets	109,811,796	89,183,301	60,622,299	61,962,445	309,925,770	414,168,842	351,208,218	1,396,882,671
Liabilities								
Palestine Monetary Authority's deposits	15,003,103	24,876,400	46,643,241	-	-	-	-	86,522,744
Banks and financial institutions' deposits	-	-	-	-	-	2,150,475	-	2,150,475
Customers' deposits	340,546,933	215,058,232	177,361,303	186,326,812	91,603,530	-	-	1,010,896,810
Cash margins	34,755,170	17,823,168	15,149,693	12,476,218	8,911,584	-	-	89,115,841
Subordinated loan	-	-	-	-	-	13,000,000	-	13,000,000
Istidama loans from Palestine Monetary Authority	-	-	-	-	9,810,600	-	-	9,810,600
Lease liability	27,659	55,318	1,122,655	1,364,442	1,654,966	11,260,981	-	15,486,021
Tax provisions	-	-	-	-	-	-	2,339,122	2,339,122
Sundry provision	-	-	-	-	-	-	7,675,252	7,675,252
Other liabilities	18,333,777	-	-	-	21,013,106	-	-	39,346,883
Total Liabilities	408,666,650	257,813,118	240,276,892	200,167,472	132,993,786	26,411,456	10,014,374	1,276,343,748
Equity								
Paid in share capital	-	-	-	-	-	-	93,172,750	93,172,750
Statutory reserve	-	-	-	-	-	-	9,467,445	9,467,445
General banking risks reserve	-	-	-	-	-	-	3,182,400	3,182,400
Pro-cyclicality reserve	-	-	-	-	-	-	4,757,269	4,757,269
Fair value reserve	-	-	-	-	-	-	(3,097,775)	(3,097,775)
Retained earnings	-	-	-	-	-	-	11,972,860	11,972,860
Total equity holders of the Bank	-	-	-	-	-	-	119,454,949	119,454,949
Non-controlling interests	-	-	-	-	-	-	1,083,974	1,083,974
Total Equity	-	-	-	-	-	-	120,538,923	120,538,923
Total liabilities and equity	408,666,650	257,813,118	240,276,892	200,167,472	132,993,786	26,411,456	130,553,297	1,396,882,671
Interest rate re-pricing sensitivity gap	(298,854,854)	(168,629,817)	(179,654,593)	(138,205,027)	176,931,984	387,757,386	220,654,921	-
Cumulative gap	(298,854,854)	(467,484,671)	(647,139,264)	(785,344,291)	(608,412,307)	(220,654,921)	-	-

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:

	2021			2020		
Currency	Increase in indicator (%)	Effect on consolidated income statement U.S. $	Effect on consolidate equity statement U.S. $	Increase in indicator (%)	Effect on consolidated income statement U.S. $	Effect on consolidate equity statement U.S. $
Financial assets through profit and loss	5	124,427	-	5	4,237	-
Financial assets through other comprehensive income	5	-	1,299,950	5	-	694,883

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:

	2021		2020	
Currency	Increase in currency rate (%)	Effect on consolidated income statement U.S. $	Increase in currency rate (%)	Effect on consolidated income statement U.S. $
New Israeli Shekels	10	128,028	10	584,926
Other currencies	10	(142,553)	10	(112,941)

Following is the foreign currencies position of the Bank:

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

December 31, 2020	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	96,900,604	33,808,837	144,748,746	4,794,900	-	280,253,087
Balances at banks and financial institutions	66,808,975	29,611,880	28,181,077	18,450,549	4,490,813	147,543,294
Financial assets at fair value through profit or loss	84,740	-	-	-	-	84,740
Direct credit facilities	262,187,154	79,782,962	497,392,624	7,605,734	-	846,968,474
Financial assets at fair value through other comprehensive Income	1,750,068	10,892,553	-	-	1,255,035	13,897,656
Financial assets at amortized cost	12,424,359	14,104,370	-	6,144,000	-	32,672,729
Investment in an associate	1,633,472	-	-	-	-	1,633,472
Property, plant and equipment	24,647,827	180,560	-	-	-	24,828,387
Right of use assets	11,084,192	4,404,563	79,022	-	-	15,567,777
Projects in progress	7,082,361	295,321	67,753	202,752	-	7,648,187
Intangible assets	3,482,625	25,859	-	-	-	3,508,484
Deferred tax assets	3,786,428	-	-	-	-	3,786,428
Other assets	(78,560)	3,860,114	14,671,785	36,617	-	18,489,956
Total Assets	491,794,245	176,967,019	685,141,007	37,234,552	5,745,848	1,396,882,671
Liabilities						
Palestine Monetary Authority's deposits	15,003,094	-	71,519,650	-	-	86,522,744
Banks and financial institutions' deposits	2,002,776	-	146,959	731	9	2,150,475
Customers' deposits	441,847,459	161,418,359	383,232,470	20,193,643	4,204,879	1,010,896,810
Cash margins	38,562,239	15,228,899	33,981,502	1,258,402	84,799	89,115,841
Subordinated loans	13,000,000	-	-	-	-	13,000,000
Istidama loans from Palestine Monetary Authority	9,810,600	-	-	-	-	9,810,600
Lease liabilities	10,995,535	4,411,998	78,488	-	-	15,486,021
Taxes provisions	5,321,612	-	(2,982,490)	-	-	2,339,122
Sundry provisions	7,667,758	7,494	-	-	-	7,675,252
Other liabilities	18,574,468	4,162,933	15,726,363	883,103	16	39,346,883
Total Liabilities	562,785,541	185,229,683	501,702,942	22,335,879	4,289,703	1,276,343,748
Total Equity	122,988,700	(2,285,336)	-	-	(164,441)	120,538,923
Consolidated statement of financial position concentration	(193,979,996)	(5,977,328)	183,438,065	14,898,673	1,620,586	-
Contingent liabilities outside the financial position	328,120,494	128,071	(183,783,666)	(14,830,387)	(213,863)	129,420,649

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:

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

December 31, 2020	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	15,001,621	34,701,349	37,200,967	-	-	-	-	86,903,937
Banks and financial institutions' deposits	-	2,017,312	-	-	-	-	-	2,017,312
Customers' deposits	352,338,033	222,504,410	183,502,262	192,778,193	94,775,211	-	-	1,045,898,109
Cash margins	35,151,381	18,027,005	15,320,678	12,613,356	9,006,909	-	-	90,119,329
Subordinated loan	250,000	2,500,000	1,250,000	-	13,140,000	210,000	-	17,350,000
Istidama loans from Palestine Monetary Authority	-	-	-	-	9,859,653	-	-	9,859,653
Lease liabilities	28,558	57,116	1,159,141	1,408,788	1,708,752	11,626,963	-	15,989,316
Tax provisions	-	-	-	-	-	-	2,339,122	2,339,122
Sundry provisions	-	-	-	-	-	-	7,675,252	7,675,252
Other liabilities	39,346,883	-	-	-	-	-	-	39,346,883
Total liabilities	442,116,476	279,807,192	238,433,048	206,800,335	128,490,525	11,836,963	10,014,374	1,317,498,913

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, 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 and medium corporates:		
A- Stable deposits	349,926,819	17,496,341
B- Less stable deposits	319,690,184	39,746,123
Other deposits and other unguaranteed facilities for companies:		
A- Operating deposits		
B- Non-operating deposits	449,020,515	224,467,822
Guaranteed financing and deposits		
Cash flows from derivative contracts:		
A- Cash flows related to net exposure on derivatives	93,441,727	93,441,727
B- Cash flows related to Collaterals on contracts		
Non-cancelled credit lines and required liquidity within 30 days	79,370,451	63,760,652
Gross cash outflows		441,836,771
Guaranteed credit facilities		
Cash inflow from working credit	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

The table below shows the calculation of the mentioned ratio as at December 31, 2020:

	Amount before discount rates / average flows	Amount after discount rates / average flows
	U.S. $	U.S. $
High quality liquid assets		280,253,088
Retail deposits including small and medium corporates:		
C- Stable deposits	342,663,526	17,133,176
D- Less stable deposits	315,645,574	39,701,988
Other deposits and other unguaranteed facilities for companies:		
C- Operating deposits	-	-
D- Non-operating deposits	311,551,757	144,438,915
Guaranteed financing and deposits		
Cash flows from derivative contracts:		
C- Cash flows related to net exposure on derivatives	96,023,508	96,023,508
D- Cash flows related to Collaterals on contracts	-	-
Non-cancelled credit lines and required liquidity within 30 days	40,209,986	27,432,351
Gross cash outflows		327,560,744
Guaranteed credit facilities		
Cash inflow from working credit	29,240,215	14,620,107
Other cash inflows	96,023,508	96,023,508
Gross cash inflow	272,807,017	218,320,794
Net cash outflow after adjustments		109,239,950
Total high quality liquid assets after adjustments		280,253,088
Net cash outflow after adjustment		109,239,950
Liquidity Coverage Ratio as of December 31,2020		257%

Net Stable Funding Ratio (NSFR)

PMA issued instructions No. (5/2018) in regard of applying Net Stable Funding Ratio (NSFR), which is considered one of key reforms to promote a more resilient banking sector. A sustainable funding structure is intended to reduce the likelihood that disruptions to a bank's regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items, and promotes funding stability

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

	2021
	U.S. $
Regulatory capital	152,234,216
Stable deposits-small and medium corporation	335,234,844
Retail and Small Scale Deposits (for less stable)	432,469,887
Guaranteed and unguaranteed financing (deposits)	180,938,425
Other funding and deposits	113,781,934
Others (not mentioned above)	-
Gross funding available	1,214,659,306
Level 1 unrestricted high liquidity assets	16,999,322
Level 2-(A) unrestricted high liquidity assets	1,181,904
Level 2-(B) unrestricted high liquidity assets	4,366,166
Financial assets issued or guaranteed by banks and financial institutions	17,772,643
Loans	926,835,414
Financial instruments or collaterals from financial institutions and banks	2,000,000
Unquoted financial assets	27,124,403
Quoted financial assets	15,781,126
Non performing credit facilities	43,624,794
Other assets	77,296,617
Non-canceled credit facilities and line of credits	3,968,523
Obligations related to commercial funding	2,924,106
Gross financing required	1,139,875,018
Net Stable Funding Ratio	%107

The table below shows the calculation of the mentioned ratio as at December 31, 2020:

	2020
	U.S. $
Regulatory capital	141,143,592
Stable deposits-small and medium corporation	329,157,300
Retail and Small Scale Deposits (for less stable)	408,982,200
Guaranteed and unguaranteed financing (deposits)	158,050,000
Other funding and deposits	-
Others (not mentioned above)	-
Gross funding available	1,037,333,092
Level 1 unrestricted high liquidity assets	-
Level 2-(A) unrestricted high liquidity assets	-
Level 2-(B) unrestricted high liquidity assets	2,609,000
Financial assets issued or guaranteed by banks and financial institutions	14,754,300
Loans	641,008,300
Financial instruments or collaterals from financial institutions and banks	2,000,000
Unquoted financial assets	26,948,278
Quoted financial assets	7,665,000
Non performing credit facilities	42,109,915
Other assets	70,988,000
Non-canceled credit facilities and line of credits	2,010,500
Obligations related to commercial funding	2,781,750
Gross financing required	812,875,043
Net Stable Funding Ratio	%128

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:

					Total	
	Retail	Corporate, and Institutions	Treasury	Other	2021	2020
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Gross revenues	12,457,505	48,937,473	12,334,981	8,820,616	82,550,575	75,967,922
Provision for ECL	(5,484,213)	(1,171,490)	(74,000)	-	(6,729,703)	(7,636,011)
Segment results	6,973,292	47,765,983	12,260,981	8,820,616	75,820,872	68,331,911
Unallocated expenses					(55,283,161)	(54,469,950)
Profit before taxes					20,537,711	13,861,961
Taxes expense					(6,173,078)	(2,962,017)
Profit for the year					14,364,633	10,899,944
Other segment information:						
Total segment assets	308,492,737	644,619,764	529,523,042	79,529,766	1,562,165,309	1,396,882,671
Total segment liabilities	756,201,154	437,514,409	166,920,969	63,757,451	1,424,393,983	1,276,343,748
Capital expenditures					5,826,369	5,479,863
Depreciation and amortization					5,557,724	5,438,026

Geographical distribution information

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

	Domestic		Foreign		Total	
	2021	2020	2021	2020	2021	2020
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Gross revenues	79,285,532	73,574,576	3,265,043	2,393,346	82,550,575	75,967,922
Total assets	1,324,452,133	1,195,193,037	237,713,176	201,689,634	1,562,165,309	1,396,882,671
Capital expenditures	5,826,369	5,479,863	-	-	5,826,369	5,479,863

47. Maturities of Assets and Liabilities

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

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	10,000,000	46,776,528	-	-	7,373,030	-	82,480,548	146,630,106
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 associates	-	-	-	-	-	-	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	14,244,367	-	-	-	-	-	9,317,865	23,562,232
Total Assets	127,349,433	114,842,567	86,908,950	71,295,885	247,959,128	431,264,823	482,544,523	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	38,665,875	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 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	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)	-	-

December 31,2020	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	56,215,210	-	224,037,877	-	-	-	-	280,253,087
Balances at banks and financial institutions	147,543,294	-	-	-	-	-	-	147,543,294
Financial assets at fair value profit or loss	-	-	-	-	-	-	84,740	84,740
Direct credit facilities	18,483,712	32,968,091	60,622,299	61,962,445	268,407,086	404,524,841	-	846,968,474
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	13,897,656	13,897,656
Financial assets at amortized cost	-	-	-	-	23,028,728	9,644,001	-	32,672,729
Investment in associates	-	-	-	-	-	-	1,633,472	1,633,472
Property, plant and equipment	-	-	-	-	-	-	24,828,387	24,828,387
Right-of use assets	-	-	-	-	-	-	15,567,777	15,567,777
Projects in progress	-	-	-	-	-	-	7,648,187	7,648,187
Intangible assets	-	-	-	-	-	-	3,508,484	3,508,484
Deferred tax asset	-	-	-	-	-	-	3,786,428	3,786,428
Other assets	14,464,467	-	-	-	-	-	4,025,489	18,489,956
Total Assets	236,706,683	32,968,091	284,660,176	61,962,445	291,435,814	414,168,842	74,980,620	1,396,882,671
Liabilities								
Palestine Monetary Authority's deposits	15,003,103	24,876,400	46,643,241	-	-	-	-	86,522,744
Banks and financial institutions' deposits	-	-	-	-	-	2,150,475	-	2,150,475
Customers' deposits	340,546,933	215,058,232	177,361,303	186,326,812	91,603,530	-	-	1,010,896,810
Cash margins	34,755,178	17,823,168	15,149,693	12,476,218	8,911,584	-	-	89,115,841
Subordinated loan	3,200,000	-	-	-	9,600,000	200,000	-	13,000,000
Istidama loans from Palestine Monetary Authority	-	-	-	-	9,810,600	-	-	9,810,600
Lease liabilities	27,659	55,318	1,122,655	1,364,442	1,654,966	11,260,981	-	15,486,021
Tax provisions	-	-	-	-	-	-	2,339,122	2,339,122
Sundry Provisions	-	-	-	-	-	-	7,675,252	7,675,252
Other liabilities	39,346,883	-	-	-	-	-	-	39,346,883
Total Liabilities	432,879,756	257,813,118	240,276,892	200,167,472	121,580,680	13,611,456	10,014,374	1,276,343,748
Equity								
Paid-in share capital	-	-	-	-	-	-	93,172,750	93,172,750
Statutory reserve	-	-	-	-	-	-	9,467,445	9,467,445
General banking risks reserve	-	-	-	-	-	-	3,182,400	3,182,400
Pro-cyclicality reserve	-	-	-	-	-	-	4,757,269	4,757,269
Fair value reserve	-	-	-	-	-	-	(3,097,775)	(3,097,775)
Retained earnings	-	-	-	-	-	-	11,972,860	11,972,860
Total equity holders of the Bank	-	-	-	-	-	-	119,454,949	119,454,949
Non-controlling interests	-	-	-	-	-	-	1,083,974	1,083,974
Total equity	-	-	-	-	-	-	120,538,923	120,538,923
Total Liabilities and Equity	432,879,756	257,813,118	240,276,892	200,167,472	121,580,680	13,611,456	130,553,297	1,396,882,671
Maturity gap	(196,173,073)	(224,845,027)	44,383,284	(138,205,027)	169,855,134	400,557,386	(55,572,677)	-
Cumulative maturity gap	(196,173,073)	(421,018,100)	(376,634,816)	(514,839,843)	(344,984,709)	55,572,677	-	-

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:

	2021			2020		
	Amount	Percentage to assets	Percentage to risk - weighted assets	Amount	Percentage to assets	Percentage to risk - weighted assets
	U.S. $	%	%	U.S. $	%	%
Regulatory capital	155,354,583	9.94	14.06	136,467,911	9.77	13.73
Basic capital	131,739,481	8.43	11.92	111,616,865	7.99	11.23

The Bank manages its capital in a way that ensures the continuity of its operations and achieves the highest possible return on shareholders' equity. The capital for the year ended 2021 is computed in accordance with PMA instructions No. (8/2018) derived from Basel III international regulations, as shown in the following table:

	December 31, 2021
	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 balance sheet)	

	%
Percentage of net common stocks (CET 1) to risk weighted assets	11.92
Percentage of the first bracket of capital to risk weighted assets	11.92
Percentage of the second bracket of capital 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

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 2020 is computed in accordance with PMA instructions No. (8/2018) derived from Basel III international regulations, as shown in the following table:

	December 31, 2020
	U.S. $
Total basic equity capital	117,356,209
Deduct:	
Regulatory Adjustments:	
Goodwill and other intangible assets	(3,508,484)
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	(2,230,860)
Net common stocks (CET 1)	**111,616,865**
Additional paid-in capital (Additional T1)	-
Capital Tier 1	111,616,865
Capital Tier 2	24,851,046
Capital base	**136,467,911**
Risk weighted assets	
Credit risk	874,352,919
Market risk	7,197,173
Operational risk	112,491,733
Total risk weighted assets	**994,041,825**
Total assets (consolidated balance sheet)	1,396,882,671
	%
Percentage of net common stocks (CET 1) to risk weighted assets	11.23
Percentage of the first bracket of capital to risk weighted assets	11.23
Percentage of the second bracket of capital to risk weighted assets	2.50
Capital adequacy ratio	13.73
Percentage of Capital Tier 1 to assets	7.99
Percentage of regulatory capital to assets	9.77

49. Commitments and Contingent Liabilities

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

	2021	2020
	U.S. $	U.S. $
Letters of guarantees	46,159,131	47,284,506
Letters of credit	10,505,728	8,400,505
Acceptances	2,167,344	1,036,234
Unutilized credit facilities limits	79,370,451	72,699,404
	138,202,654	129,420,649
Expected credit loss on indirect credit facilities (Note 27)	(330,522)	(330,522)
	137,872,132	129,090,127

50. Lawsuits Against the Bank:

The number of cases filed against the bank reached (44) and (47) cases as on December 31, 2021 and 2020, respectively, within the normal activity of the bank. The value of the cases amounted to an amount equivalent to 17,170,908 US dollars and an amount equivalent to 15,496,970 US dollars as on December 31, 2021 and 2020, 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. The impact of Coronavirus (Covid-19) on the calculation of expected credit loss allowance and the relevant instructions of the Palestinian Monetary Authority

Expected credit loss allowance calculation

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

According to IFRS (9), a credit facility is required to move from the stage (1) to stage (2) if, and only if, there has been a significant increase in credit risk since inception. A significant increase in credit risk occurs when there is a significant increase in the risk of default.

The Bank has assessed the borrowers for other indications of unwillingness to pay, considering the underlying cause of any financial difficulty and whether it is likely to be temporary as a result of the spread of COVID-19 or in the longer term.

Relevant PMA instructions

As a result of the spread of Coronavirus (COVID-19), PMA issued instructions No. (4/2020) on March 15, 2020 related to the PMA's measures to mitigate the effects of the health crisis. The instructions included a set of decisions to instruct the banks to postpone customers installments for four months, and six months for the tourism sector. Banks were prohibited from collecting any additional fees, commissions or additional interest on the differed installments. In accordance with the instructions, the Bank postponed installments of its customers.

This was accompanied by some measures taken by the Palestinian government and Palestine Monetary Authority (which had an impact on the banking sector and the Bank's activities), such as not including customers with returned checks for financial reasons on the list of customers who had failed to pay and not charged them with the resulting commissions.

On July 22, 2020, PMA issued instructions No. (27/2020) regarding mitigating the effects of the financial crisis and the Coronavirus crisis, accordingly the bank restructure or reschedule the facilities during the period from July 1, 2020 to December 31, 2021.

In response to the instructions of the Palestinian Monetary Authority No. (23/2020), the bank started during the year 2020 a payment relief program to support its affected customers by postponing the due installments for a period of four months to six months so that they were given a grace period to pay their deferred installments.

On May 9, 2021, the Palestinian Monetary Authority issued instructions No. (9/2021) regarding extending instructions No. (27/2020), and allowing the application of the above-mentioned instructions on the installments expected to be due until December 31, 2021, and the credit obligations that will be due on Customers affected by the current economic conditions through restructuring or scheduling, with the aim of supporting operational challenges and financing short-term liquidity in accordance with the conditions set out in the above-mentioned instructions.

Istidama Program Loans

In accordance with the PMA instruction No. (22/2020) to mitigate the economic effect of Coronavirus crisis (COVID-19), the Bank granted loans through PMA support program, to support small and medium enterprises companies and to enable them to maintain their businesses and employees through financing program with an interest rate of 3% based on the instructions of PMA (Istidama Program). The balance of facilities under Istidama program amounted to $13,180,205 as of December 31,2021.

52. 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.

53. Subsequent Events

Subsequent to the date of the consolidated financial statements, a war broke out between Ukraine and Russia which affected global trade and logistics. The Bank's management has studied the impact of this war on the Bank's foreign activities, as the Bank's management believes that there is no direct exposure to the Bank's operational activities.

However, the extent and duration of these effects are still not clear and depend on the future developments that cannot be accurately predicted at the time, and therefore, the Bank was not able to estimate the potential impact as the date of the consolidated financial statements approval. Noting that future developments may have an impact on future financial results, cash flows, the financial position, the Bank's credit facilities and investments portfolio, and the change in interest rates globally.