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Quds Bank celebrates today its 25th anniversary, taking pride in its significant achievements, and realization of its aspirations of success and expansion in Palestine. The success story of Quds Bank started since its establishment in April 1995 thanks to the contributions of the current and former colleagues of the Board of Directors, executive management and supporting sections. This story of success wouldn't have been achieved without the support of the shareholders and customers who kept pace with the development of the bank since the first day of its establishment, and they are still its source of support.

We are owed to them for abiding by and promoting the bank's approach of providing services for its customers and the community. The banking approach, Quds Bank adopts, is based on innovation and update of banking services and products as well as the principles of professionalism that award no one but those who abide by its ethics and act responsibly. The success Quds Bank has achieved in terms of credibility and expansion is a catalyst for more development and achievement. Accordingly, we shall continue to update and develop our services for the benefit of the customers and shareholders of the bank, so that we can meet their aspirations and enrich their investments. Quds Bank has a clear vision that is aimed to invest in the Palestinian capital towards developing the Palestinian national economy and providing banking solutions relevant to the different sectors as well as improving the life of the community. We shall continue to sincerely act according to this vision as all that starts well ends well. We extend our heart-felt thanks to all those who contributed to the success of Quds Bank, including the members of the board of directors, shareholders, executive management, bank's staff and customers who we seek and aspire to meet their demands.

Wishing Quds Bank all the best

May Quds Bank prosper in the years to come.

Akram Abdul-Latif Jerab

Chairman of Board of Directors

General Overview

Since its establishment in 1995, Quds Bank has been growing to become one of the most outstanding and important banking institutions in Palestine today. It provides the Palestinian market with an integrated package of banking and investment services as well as commercial solutions designed to meet the needs of customers, individuals and companies. It also contributes to the national Palestinian economy.

Quds Bank is registered as a public shareholding limited company with a capital of USD 20 million and increased over the years to reach USD 93.71 million. This success and development has been achieved thanks to the high professionalism reflected in the integrated host of banking services and products provided for its customers of individuals, companies and start-ups and thorough use of robust capital base and genuine expertise in exercising its role in finance.

Quds Bank provides cutting-edge banking products, and financing services for its customers through a network of 39 branches and offices and 55 ATMs throughout the governorates of the homeland.

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

Quds Bank responds to the aspirations of its customers by providing advanced on-line services for them, using Quds 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 its around-the clock “Al Quds Fawri” service through which it can instantaneously transfer money between its customers in Palestine and the customers of Jordan Kuwaiti Bank in Jordan. This service is characterized by the highest standards of speed and safety as transfer transaction is wired through secure Blockchain network, which guarantees the speed of transfer and its 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 give them access to success.

Vision:

Quds Bank seeks to invest in the Palestinian capital to develop the national economy, provide valuable banking solutions for all sectors and improve citizens' life.

Value:

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

Chairman's
Statement

Distinguished Shareholders,

On behalf of the members of the Board of Directors and for me, it is my pleasure to cordially salute and express my sincere gratitude to you. Let me also express my pride in your highly appreciated confidence, as shareholders, in our distinguished bank which occupies a high rank among the banks operating in Palestine. .

I'm pleased to present to you the 24th annual report of Quds Bank detailing our achievements of the year of 2019 and the consolidated financial statements of the year ended at 31st December 2019.

This report also includes the future plan of the bank and shares insight on the requirements of transparence, meeting the rules of good governance and the highest standards as well as the terms and conditions set forth in laws and legislations.

It is with pride, confidence and certainty that I and the honorable members of the board are pleased to present to you the annual report for the year 2020.

This report highlights the performance of Quds Bank during this year, which was characterized by challenges and economic changes inflicted by the global pandemic. It affected the various financial sectors in Palestine and in the world as a whole. It is the effective response to such situation that transformed these challenges into opportunities. It had a significant role in determining the performance trajectory of Quds Bank and a pivotal impact on the relevant results.

The Board of Directors has always converted challenges to opportunities for excellence and development. The results presented in this report confirm the solidity and competence of the strategic plan and qualitative and quantitative development the bank achieved in the different sectors and activities.

Distinguished Shareholders

Quds Bank has maintained its financial position during the year 2020, achieving significant growth in most financial indicators; gross assets increased by 5% to USD 1.4 billion, compared to USD 1.33 billion in 2019, and the total deposits of its customers increased by an amount of USD 68.8 million (7%) to reach USD 1.1 billion, compared to USD 1.03 billion by the end of the year 2019.

This growth had positive impact on the credit facilities portfolio which achieved a significant growth by an amount of USD 58.2 million (7%) to reach USD 847 million by the end of the year 2020, compared to USD 789 million by the end of 2019. The gross revenues of the bank amounted to USD 65.173 million during the year, 2020 compared to USD 66.323 during 2019. In the meantime, the gross expenditures of the bank amounted to USD 51.312 million during the year 2020 compared to USD 55.753 in the year 2019.

The bank achieved after-tax net profits of USD 10.899 million during the year 2020, compared to 2019. These results show growth in the net equity of the shareholders by 5% to USD 5.7 million compared with the year 2019.

Ladies and Gentlemen

Our achievements aren't merely restricted to financial performance. They also include another significant element we sought to efficiently and effectively realize. We were keen to ensure advantages and privileges for our customers in conformance with our strategy to enable Quds Bank to keep its leading role and ensure its excellence with regard to its services and products. To this end, we harnessed all our efforts to provide all banking services and products that live up to the expectations of our customers and meet their needs.

In light of the continuing Covid-19 crisis and clearance conundrum as well as the state of uncertainty and repercussions of the health and economic problems, Quds Bank took many multi-dimensional precautious steps, including support of the medical sector in Palestine. It also supported, in cooperation with the Ministries of Health and Social Development, the government's plans for backing per-diem workers sector which was impacted by the pandemic. In addition, it provided all facilitations for its customers to delay loans repayment and ensure necessary protection for the bank's staff and customers within the framework of the emergency plan in accordance with the instructions of the Palestinian Monetary Authority.

In conformance with the state of digital transformation the banking sector is going through and its master strategy, Quds Bank promotes its contribution to the process of digitization and development of its on-line service quality. It raises the competence of its products, invents solutions and encourages investment. For instance, it improved its technical environment to provide further developed and flexible services. Accordingly, the number of its on-line services' users spiked significantly.

Quds Bank has been keen to cement the policies of promoting the job performance of its staff and increase their job satisfaction. It exerted big efforts to promote its staff's commitment towards its mission and its clients. It continued to build the practical capacities of its staff by providing developed training programs for them. It provided 72 programs and activities for 1193 participants.

In the year 2020, Quds Bank drafted inclusive plan for community responsibility programs based on best practices to promote the spirit of fraternity and synergy in the Palestinian society and translate words into actions. It attached special attention to supporting the sectors of health, education, relief, social and humanitarian activities. It organized 46 such activities and had strong presence in fighting the repercussions of Covid-19 pandemic in Palestine. It allocated NIS 3 million in support of the public and the government to curb the pandemic.

At the start of the year 2021, we began to implement the strategic plan to accomplish our goals. We hereby confirm that we are optimistic of promising opportunities towards growth and development to maintain our leading role and retain our achievements. We shall press ahead towards new horizons that respond to the rapid growth of the Palestinian economy and the promising development opportunities to achieve the best results in accordance with the reputation and history of Quds Bank.

Ladies and Gentlemen

In conclusion, I am pleased to extend my deepest thanks and appreciation to the fellow members of the Board of Directors on the occasion of the end of the fiscal year 2020. I appreciate their keenness, cooperation and interest in Quds Bank. I thank our august shareholders and customers for their confidence and sincerity. I also thank the Palestinian Monetary Authority for its role in cementing the banking system and backing the Palestinian national economy.

Last but not least, I express my appreciation and affection for Quds Bank's managers and staff for their efforts and sincere giving.

Akram Abdul-Latif Jerab

Chairman of 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
- 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-Jazira Bank, Sudan
- Chairman of the Board of Directors, Dar Al-Dawa› Company, Jordan
- 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 the 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).

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 member of the faculty staff, 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, Foussy Consulting Firm, Madrid.

Ibrahim H. 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.
- 30 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).

Waleed N. 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 A. Abu Ramadan

Member of the Board

Senior Consultant in ophthalmology,

- Attended the British Royal Eye Surgery College
- Fellow of the Royal College Surgeons, Edinburgh.
- Mayor of Gaza city and Chairman of the Palestinian Local Authorities Union.
- Chairman of the Board of Directors, Al-Sahel Municipalities Water Authority.
- 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 of Health.

Ahed F. Bseiso

Member of the Board

Bachelor's Degree in Architecture
Cairo University

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

Ruba M. Masruji

Member of the Board

Master's Degree in Business Administration, Birzeit University

- Board member of Masrouji Group.
- Board member and CEO, United Securities Company.
- Board member of the Popular Art Center.
- Board member of Tibaq Publishing House.
- Member of a number of leading Palestinian associations.
- (Inash Al-Usra Association , Applied Research Institute (Arij), Friends of Birzeit University, Miftah, Kamanjati).

Saleh J. 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 Company, 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 M. 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.
- PPA's Advisor for Investment Affairs.
- 30 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 S. Al-Battikhi

Member of the Board

Representative of the Jordan Kuwait Bank

Bachelor's Degree in Political Science and International Relations (Honors), Kent University in Canterbury, UK.

- Head of Retail and Private Banking, JKB.
- Chairman of the Board of Directors, Ejara Financial Leasing Company.
- Chairman of the Board of Directors, Sanad Capital Company (Representative of JKB).
- Chairman of the Board of Directors, United Financial Investments Company.
- Member of the Board of Trustees, Jordan Museum.
- Board Member, Queen Rania Foundation.
- Board member of Al-Diaa Charitable Society for Education of Visually Impaired Children

Muntasser Izzat Abu Dawwas

Member of the Board

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

- General Manager, Investment Bank, Jordan
- Certified Public Accountant, USA

Executive Management

Performance & Excellence

Chief Executive Officer's
Statement

Distinguished Shareholders

stakeholders regardless of the circumstances and challenges it faced. During the past year, Quds Bank was the only Palestinian bank that reported growth in net profits by 42% after tax as compared to the year 2019.

Positive indicators of the solidity of the performance of the bank were new achievements of our effort. The credit facilities portfolio reported growth by 7% to USD 58.2 million compared to the year 2019. While we kept closely watching the new developments, we maintained the good performance of the bank and achieved progressive growth. For example, the bank's customers' deposits grew by 7% reflecting the exceptional ability of the bank to stand firm in the face of any local or international economic challenges. It was able to contain its repercussions instantaneously and achieved the coveted development. It maintained its close connection with its customers to be mindful of their needs and meet them despite the impact of Covid-19 pandemic.

In light of the breakout of Covid-19 pandemic, Quds Bank has adopted a plethora of measures to reduce the burden of the citizens and companies. It also issued some instructions to address the clearance crisis and its repercussions to ensure benefits for the largest affected category and contain the crisis with effective cost.

Ladies and Gentlemen

Quds Bank applied preventive measures to reduce the impact of these challenges on itself and its customers. These measures included delay in loans repayments of individuals and companies. It also delayed installments of credit cards and raised the ceilings of withdrawal and deposit of cash at ATMs in parallel with providing credit cards for the bank's customers through the service of "your card for your house". It launched motivating facilitations which are aimed to support the private sector and enable it to fulfill its role in promoting economic growth through a host of measures that aim to empower the private sector and minimize the risks of the health crisis.

Regarding digital transformation, Quds Bank adapted to the new reality by providing services for its customers through its network of branch offices and multimedia platforms.

During the year 2020, the number of the users of Quds Smart application rose by 87% and the users of Qudsi Online by 65% compared to the year prior.

In light of its effort to promote the course of digital transformation, Quds Bank expands its digital platforms and transactions throughout the electronic space, keeping the barriers facing its transactions within the minimum limit and maintaining strict preventive health measures to ensure health safety.

While Quds Bank knows well that digital economy constitutes one of the pre-requisites of the future economic development process, it seizes the potential growth opportunities which it shall reveal in the foreseeable future.

Quds Bank holds high the contribution of its human resources to its success, and so it continued to provide healthy and appropriate working environment for them by following through the instructions and recommendations of the Ministry of Health and other relevant organizations. It integrated these recommendations into its safety and emergency plans and implemented all basic preventive measures by holding on-line meetings, providing safe technological environment and heeded the disciplines necessary for keeping the privacy and confidentiality of the data.

It implements a series of measures specific to mothers to facilitate their work and enable them to take care of their children. It also designed specific measures for its employees who were infected with Covid-19. It allowed them to work from home or to have paid leave.

Quds Bank confers special value to corporate social responsibility in its strategy. It endeavors to maximize its roles in providing service for the society out of its faith in contributing to develop its surrounding environment.

Mindful of its social responsibility, Quds Bank donated during the year 2020 NIS 3 million for the Ministry of Health as part of its contribution for the health sector. It also drafted an inclusive long-term strategic plan. It now implements and runs a host of development, humanitarian and charitable programs that serve all society categories. Such programs and activities are based on initiatives that fit into the current situation for the benefit of the educational and health sectors as well as the less fortunate categories and humanitarian relief.

Distinguished Shareholders

Mindful of the importance of promoting the bank's capacity to handle any stressful conditions to realize its vision and achieve sustainability, we shall continue our march with hope and confidence that the bank can improve its current position through implementing its strategic plan and achieving its goals.

Last but not least, I extend my sincere thanks to the board of directors for their continual support for the bank. I also extend my thanks to all the employees of the bank for their sincerity and dedication to provide service for the customers of the bank. I thank the Palestinian Monetary Authority for their sincere effort to eliminate all barriers and develop the Palestinian banking system.

I pray that success keeps finding its way to the doorstep of our company

Salah Hidmi
Chief Executive Officer's

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 CEO

- Bachelor's Degree in Financial and Banking Sciences, Amman National University
- Joined Quds Bank on July 15, 2012

Muhammad Salman

Senior Vice President

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

Albeir Habash, CFA

Vice President

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

Muhammad Shawar

Vice President

- Business Banking and Financial Institutions Division Head
- Joined Quds Bank on February 1, 2017

Alaa Titi

Vice President

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

Samih Abdullah

Vice President

- Consumer Banking Division Head
- Bachelor's Degree in Administrative and Economic Sciences Quds Open University
- Joined Quds Bank on January 19, 2020

Mahmoud Odeh

Vice President

- Central Operations Division Head
- Bachelor's Degree in Business Administration, Bethlehem University
- Joined Quds Bank on November 4, 2018

Zaid Jirab, FRM, CFA

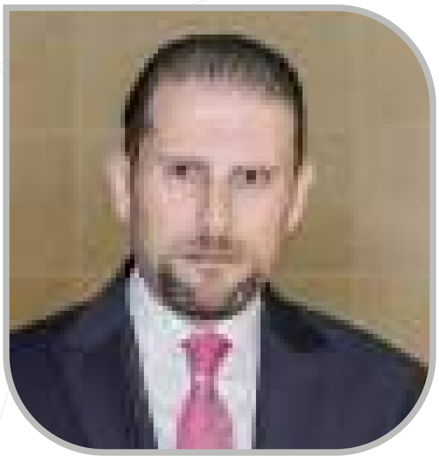
Vice President

- Strategic Planning and Digitization Division Head
- Bachelor's Degree in Commerce McGill University
- Joined Quds Bank on October 11, 2015.

Nagham Assaf

Vice President

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



Fadi Al Kiswani

Vice President

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

Nader Salhi

Vice President

- Foreign Operations Head
Master's Degree in Economics, University of Cannes, France
- Joined Quds Bank on May 25, 2014

Aysar Al Nubani

Vice President

- Businesses and Engineering Services Head
- Bachelor's Degree in Electronic Engineering, Damascus University
- Joined Quds Bank on June 27, 2010

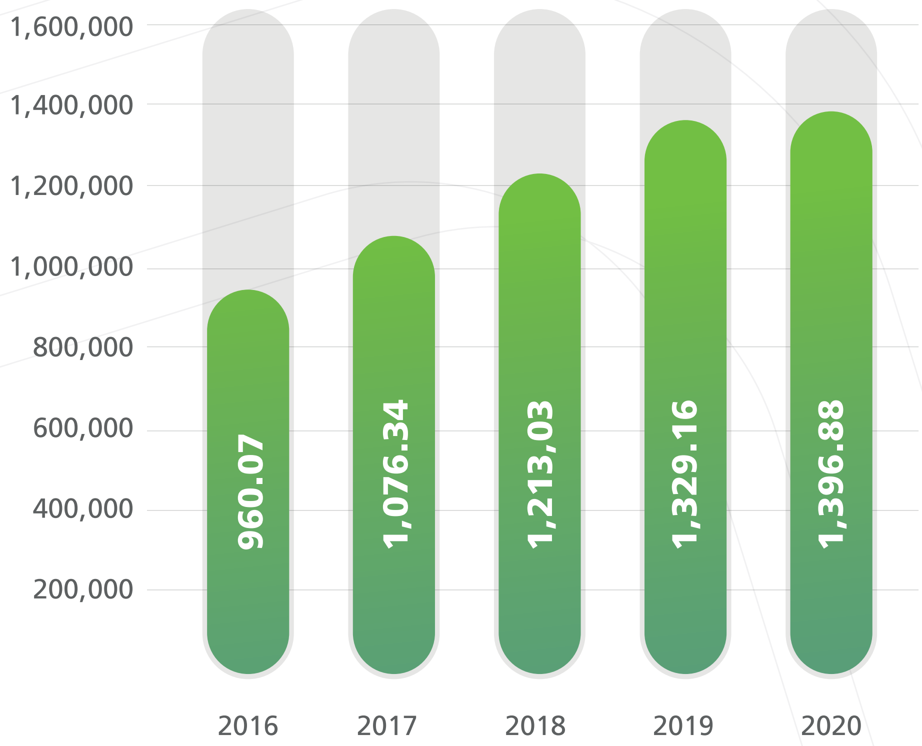
Key Financial Indicators

The Board of Directors of Quds Bank takes pride in the promising achievements of the bank in the year 2020. These achievements which were materialized thanks to the bank's strategic development plans confirm its position in the banking sector as one of the most important and largest leading banks in Palestine.

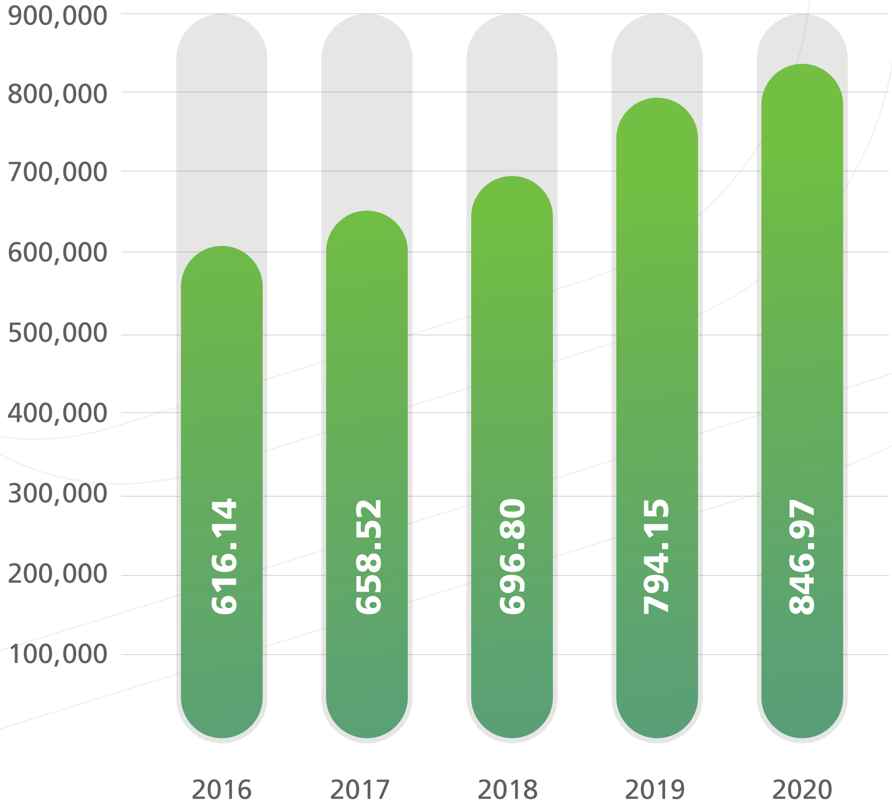
Key Financial Indicators (USD million)

Items	Chronological Figures					Growth Compared to Last Year	CAGR
	2016	2017	2018	2019	2020		
Total Assets	960.07	1,076.34	1,213.03	1,329.16	1,396.88	5.09%	7.79%
Net Credit Facilities	616.14	658.52	697.80	794.15	846.97	6.65%	6.57%
Financial Investments	23.64	12.57	25.64	28.52	49.05	71.98%	15.72%
Gross Customers' Deposits	778.25	855.73	959.42	1,031.17	1,100.01	6.68%	7.17%
Net Equity	89.07	102.73	111.44	114.00	119.45	4.78%	6.05%
Paid Up Capital	61.05	68.38	83.57	90.17	93.17	3.32%	8.82%
Net Interests and Currencies	37.77	42.31	48.75	53.22	51.40	(3.42%)	6.36%
Gross Income	41.02	53.68	57.19	66.19	65.04	(1.74%)	9.66%
Total Expenses	27.48	38.60	42.04	55.62	51.18	(7.98%)	13.24%
Net Profit after Tax	10.47	11.18	11.60	7.70	10.90	41.56%	0.81%
Facilities to Deposits Ratio	79.17%	76.95%	72.73%	77.01%	77.00%	(0.02%)	(0.56%)
Non-Performing Loans Rate	1.64%	2.16%	3.49%	4.32%	4.52%	4.58%	22.49%
Provision Coverage Ratio	66.29%	57.68%	63.90%	64.12%	68.65%	7.05%	0.70%
Return on Assets Ratio	1.19%	1.10%	1.01%	0.67%	0.80%	32.01%	(7.59%)
Return on Net Equity Ratio	12.61%	11.66%	10.83%	7.58%	9.34%	36.70%	(5.84%)
Return on Paid-up Capital Ratio	17.15%	16.35%	15.26%	10.18%	11.89%	34.15%	(7.06%)
Capital Adequacy Ratio 13.73%	13.92%	13.60%	13.02%	13.78%	14.20%	3.06%	0.40%
Adequacy Standard	67.00%	65.67%	63.87%	65.72%	63.28%	(3.72%)	(1.14%)

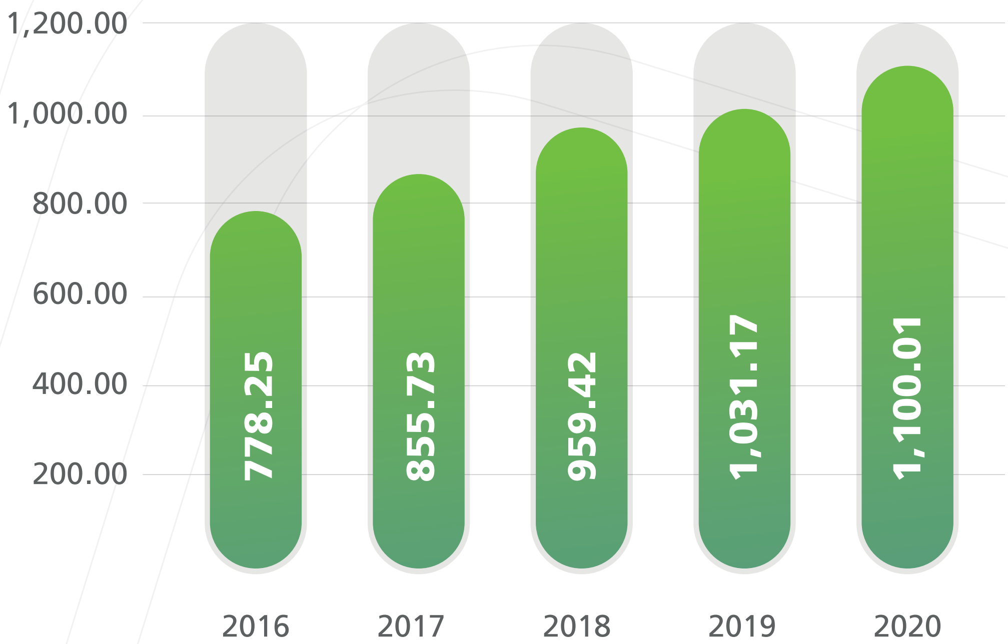
Total Assets (USD Million)



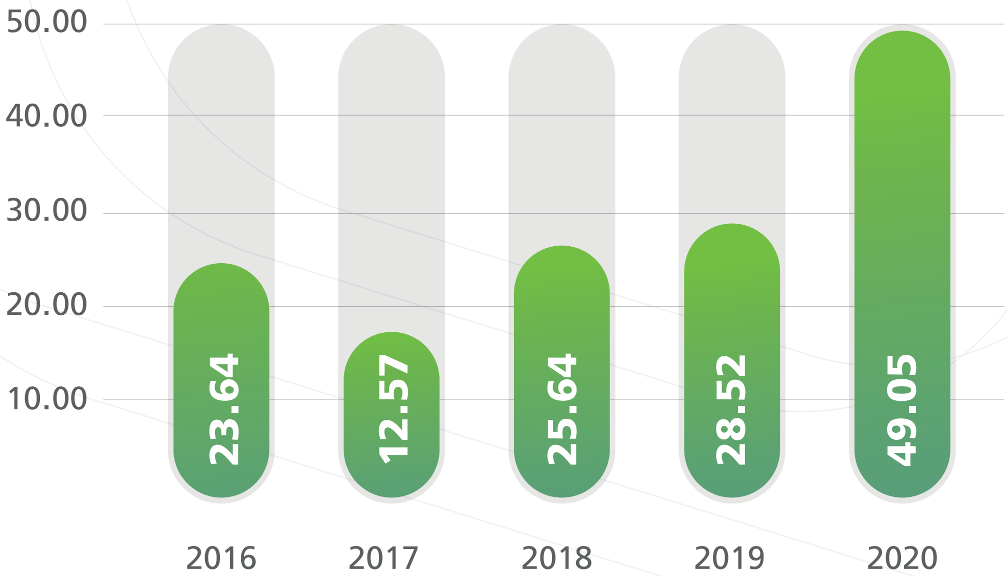
Net Credit Facilities (USD Million)

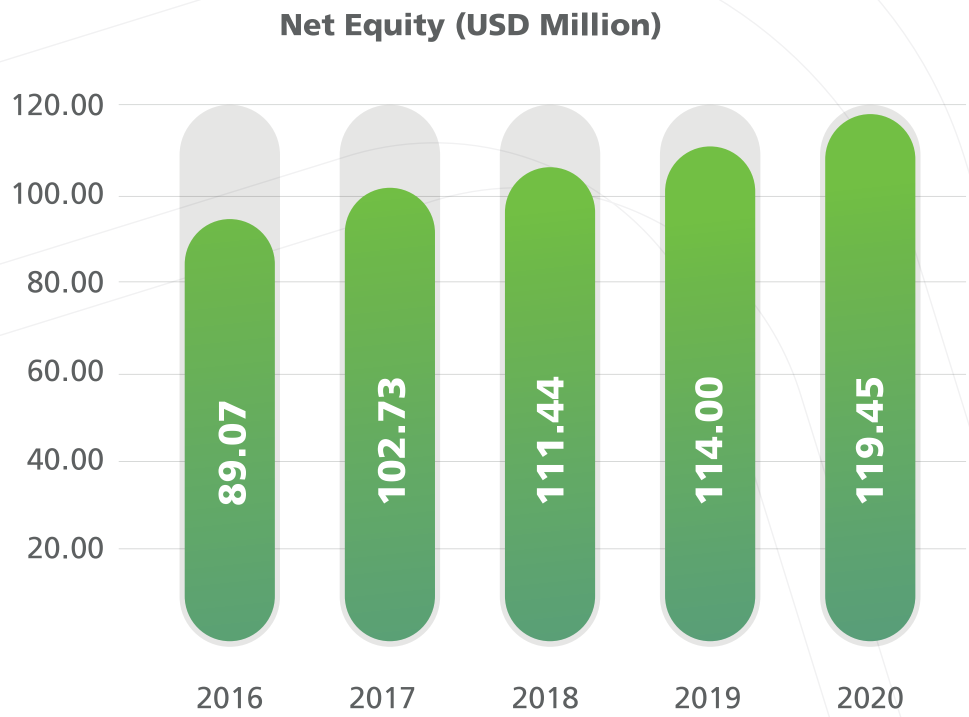


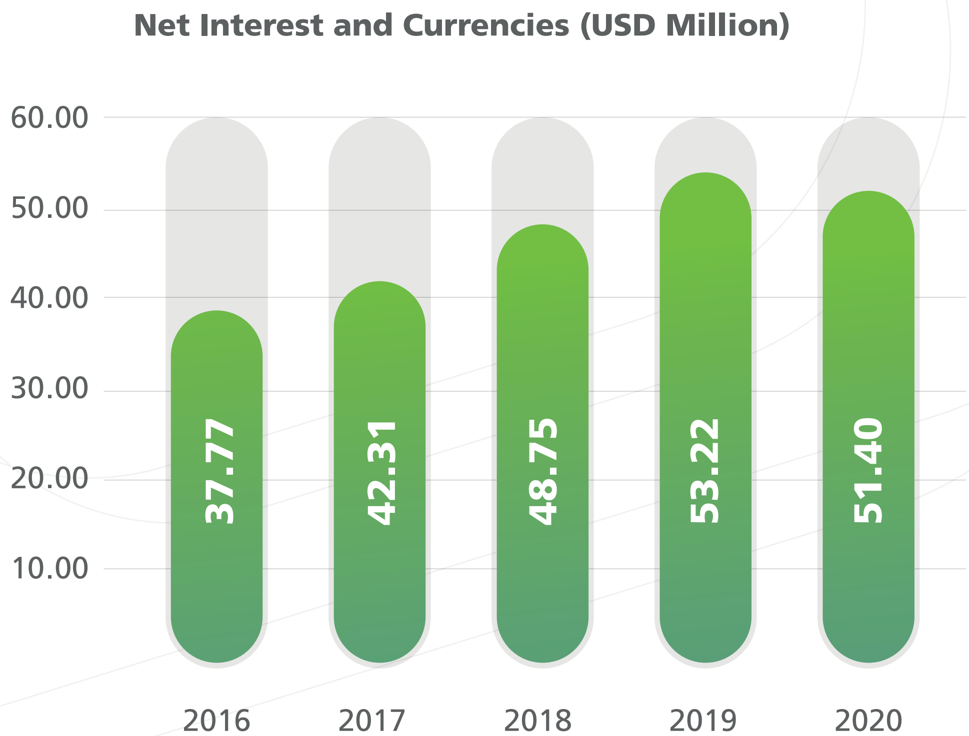
Customers' Deposits (USD Million)

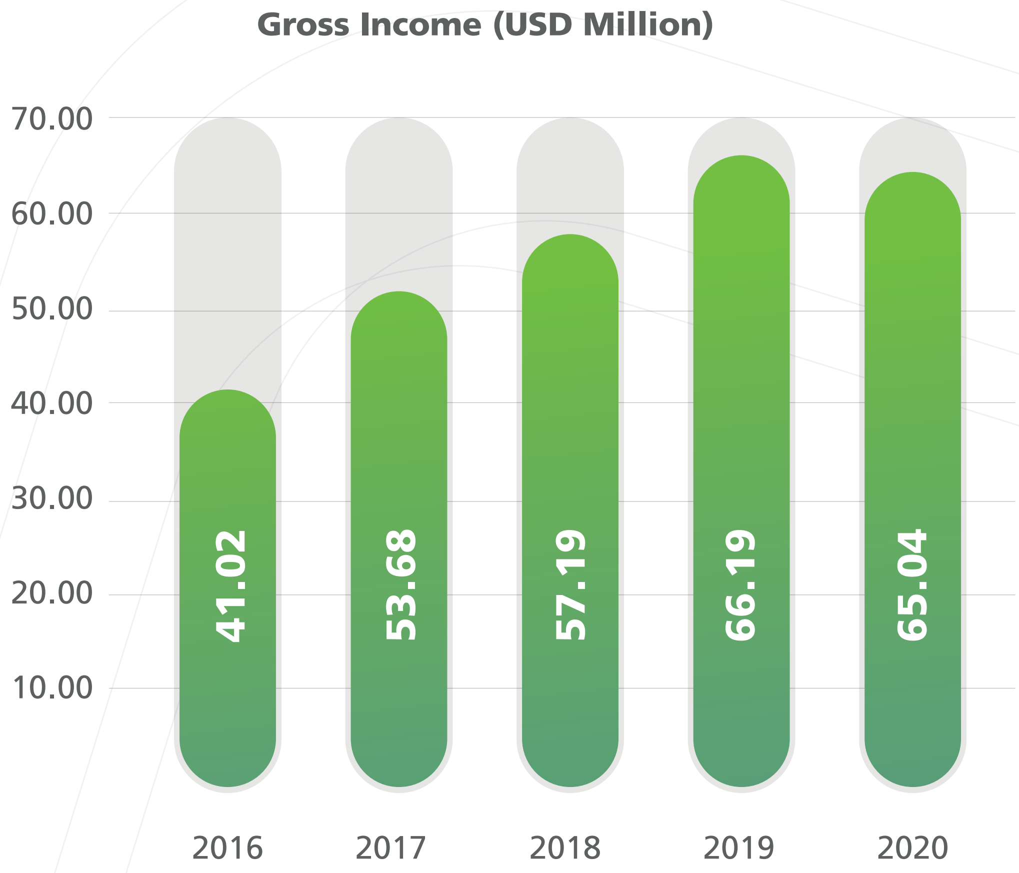


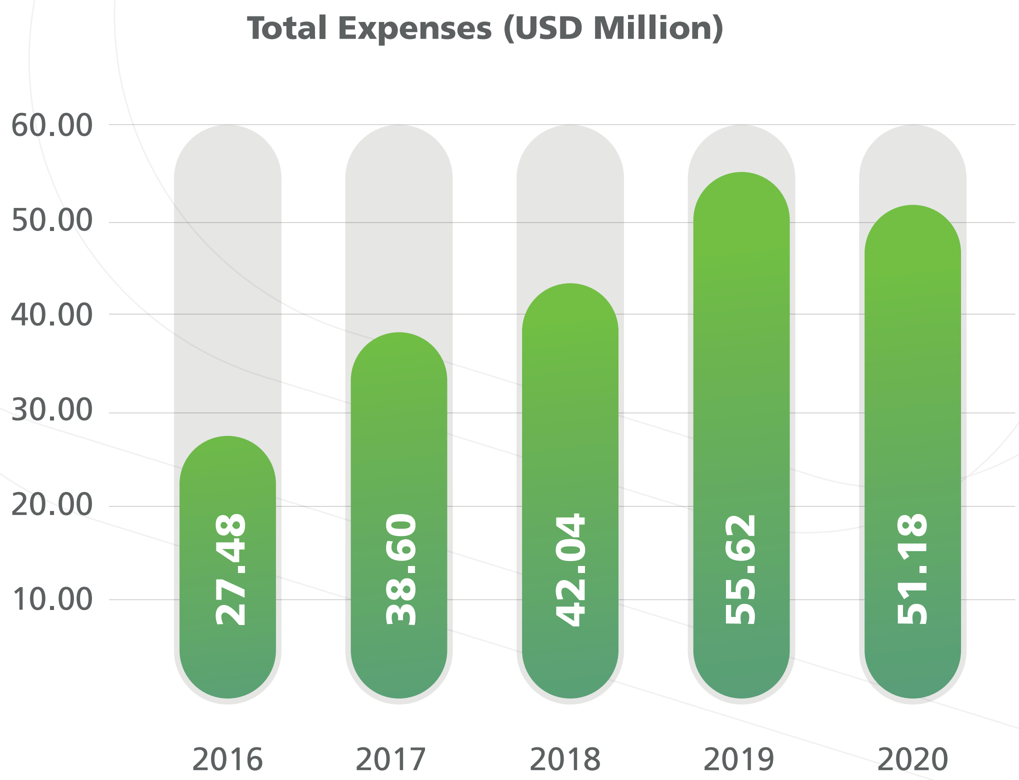
Financial Investments (USD Million)




Net Equity (USD Million)
120.00
100.00
80.00
60.00
40.00
20.00
89.07
102.73
111.44
114.00
119.45
2016
2017
2018
2019
2020


Net Interest and Currencies (USD Million)
60.00
50.00
40.00
30.00
20.00
10.00
37.77
42.31
48.75
53.22
51.40
2016
2017
2018
2019
2020


Gross Income (USD Million)
70.00
60.00
50.00
40.00
30.00
20.00
10.00
41.02
53.68
57.19
66.19
65.04
2016
2017
2018
2019
2020


Total Expenses (USD Million)
60.00
50.00
40.00
30.00
20.00
10.00
27.48
38.60
42.04
55.62
51.18
2016
2017
2018
2019
2020

Palestinian Banking Sector

The crisis that befell Palestine could be the first of its kind in terms of its repercussions on the Palestinian economy in general and the Palestinian financial sector in particular. It is expected that granted credit would decline by 2.9% against a lower decline in the size of the deposits due to sharp decrease in income resources for many citizens. However, the measures which the Palestinian Monetary Authority adopted had effectively subsided the impacts of the crisis.
The financial data of the Palestinian banking sector indicated that the total assets of the banking sector rose to 10.87% as compared to 10.95% by the end of 2019 to reach USD 18.996 million.
Total assets of Quds Bank grew by 5.34% to USD 1400 million.

While customers' deposits in the Palestinian banking sector grew by 13.09% by the end of 2020 compared to 9.47% by the end of 2019 to USD 15.137 million, Quds Bank deposits grew by approximately 6.96% to USD 1.100 million.
The direct credit facilities portfolio also increased by 10.88% by the end of 2020, compared to 77% by the end of 2019 to reach USD 9.709 million whereas Quds Bank's credit facilities grew by 6.68% to reach USD 847 million.
Quds Bank share of credit facilities in the Palestinian banking sector stood at 8.72% in the year 2020 while its market share of customers' deposits reached 7.27%.
The number of licensed banks in Palestine reached 13 by the end of 2020, including 7 local ones (3 Islamic banks) and 6 foreign banks. These banks operate through a network of 379 branches and offices as compared to 370 ones in the year 2019.

Key financial indicators

of Quds Bank compared to the rest of the Palestinian banking sector:

	Statement	2016	2017	2018	2019	2020
Total assets (rounded to USD million)	Banking sector	13,698	15,292	15,442	17,133	18,996
	Al-Quds Bank	960	1,076	1,213	1,329	1,397

	Statement	2016	2017	2018	2019	2020
Net direct credit facilities (rounded to USD million)	Banking sector	6,772	7,922	8,208	8,757	9,709
	Al-Quds Bank	616	659	698	794	847

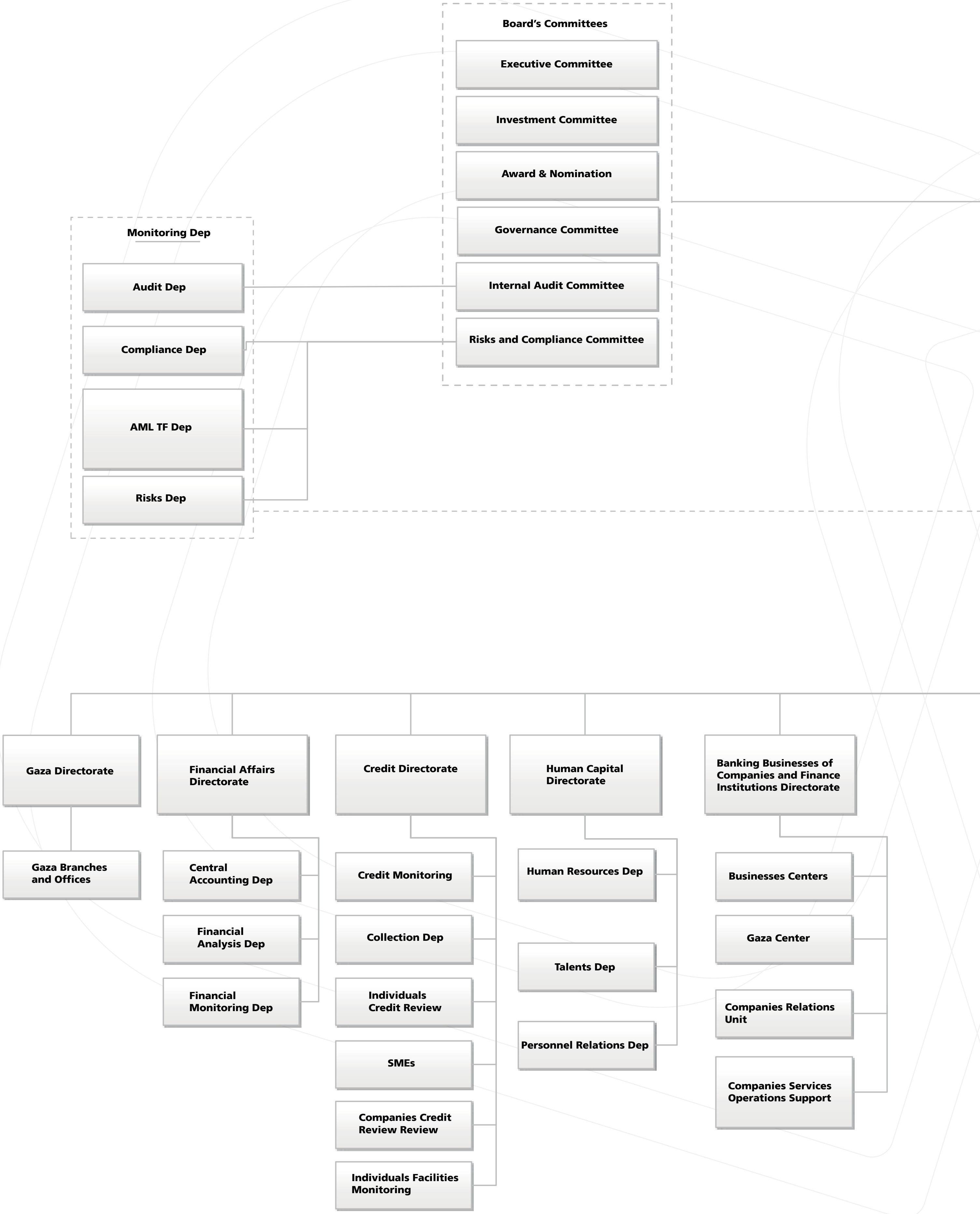
	Statement	2016	2017	2018	2019	2020
Total deposits (rounded to USD million)	Banking sector	10,596	11,982	12,227	13,385	15,137
	Al-Quds Bank	778	856	959	1,031	1,100

	Statement	2016	2017	2018	2019	2020
Growth rates in the total assets compared to the banking sector	Banking sector	12.71%	11.63%	0.99%	10.95%	10.87%
	Al-Quds Bank	19.39%	12.04%	12.77%	9.73%	5.12%

	Statement	2016	2017	2018	2019	2020
Growth rates in the facilities compared to the banking sector	Banking sector	16.27%	16.98%	3.61%	6.77%	10.88%
	Al-Quds Bank	42.46%	6.98%	5.92%	14.03%	6.68%

	Statement	2016	2017	2018	2019	2020
Growth rates in the deposits compared to the banking sector	deposits	9.75%	13.08%	2.04%	9.47%	13.09%
	facilities	19.65%	10.03%	12.03%	7.53%	6.69%

	Statement	2016	2017	2018	2019	2020
Market share Deposits and facilities	deposits	7.34%	7.14%	7.84%	7.70%	7.27%
	facilities	9.10%	8.32%	8.50%	9.07%	8.72%


Board's Committees
Executive Committee
Investment Committee
Award & Nomination
Governance Committee
Internal Audit Committee
Risks and Compliance Committee
Monitoring Dep
Audit Dep
Compliance Dep
AML TF Dep
Risks Dep
Gaza Directorate
Gaza Branches and Offices
Financial Affairs Directorate
Central Accounting Dep
Financial Analysis Dep
Financial Monitoring Dep
Credit Directorate
Credit Monitoring
Collection Dep
Individuals Credit Review
SMEs
Companies Credit Review Review
Individuals Facilities Monitoring
Human Capital Directorate
Human Resources Dep
Talents Dep
Personnel Relations Dep
Banking Businesses of Companies and Finance Institutions Directorate
Businesses Centers
Gaza Center
Companies Relations Unit
Companies Services Operations Support

Organizational Structure of the year 2020

Prospective Plans and Strategy:


1,235.01
0.00
25,187.70
7,645.05
210.95
12,411.80
149.16
27,752.93
23.26
1.41%

Strategic Plan and Digitization Strategy

Quds Bank is implementing its strategic plan that contributed to promoting its financial position and its market share as one of the largest banks in Palestine.
Given the significant value of human resources and their ability to achieve the goals of its strategy, Quds Bank established Human Capital Department which concentrates on best human resources practices. This department which was established within the scope of the bank's vision turned the traditional jobs of the human resources divisions into opportunities to encourage participation, productivity and value of businesses.
The Human Capital Department enhanced the bank's personnel's loyalty, competence and productivity in accordance with its strategy. It drafted effective organizational structures and standardized jobs' titles to lay the corner stone for the project of setting job titles, jobs' weights and job categories in a way that ensures the development of the personnel capacities, increases their job satisfaction, reduces turnover and draws clear job paths.
This approach consolidated unique institutional culture that contributes to promoting the personnel's competence and service quality which, in turn, would increase the bank's profits and investments.
Quds Bank invested in digital technology by creating the Department of Digitization to keep pace with the latest developments in technology towards advanced, faster and easier-to-use banking digitized services. It implements this plan by following up new international developments in automation, digitization and advanced banking services.

Significant Achievements:

1. Improving the bank's operating procedures and automating all its operations. To this end, Quds Bank launched a two-year project for automating all banking and supporting operations and systems.
2. Applying the new electronic queue management system in most of the bank's branches and offices in the West Bank and Gaza. The system gives customers priority according to their classification in the debit card and connects them with exchange rate display screens.
3. Installing contactless reader at ATMS to activate the contactless direct debit cards.
4. Developing SMS system in terms of speed and modification of text messages in accordance with the movements of the customers' accounts.
5. Developing ATMs to provide faster and of higher quality and more secure service by installing Anti-Cash & Anti Card Trapping.
6. Developing the operating system WIN 7-WIN 10 in all Wincor ATMs in the West Bank and Gaza Strip.
7. Applying blind – friendly Braille system to enable persons with visual impairment to use ATMs with audio output instructions and special keypad.
8. Organizing joining Quds Smart App for joint accounts and distinguishing it on the bank system.
9. Activating Quds Smart at Huawei Store.
10. Developing and introducing services to Quds Smart App (Quds Fawri Transfers, sending IBAN, QR, Account No.).

Representative Office

Quds Bank Representative Office in the Jordan Capital of Amman serves as an instrument to provide banking consultative services and promote relations with the Palestinian diplomatic agencies. It also maximizes relations between Jordan and Palestine by facilitating banking operations and businesses and creating job opportunities in both countries.

The Representative Office provides advice and guidance for the companies that wish to have commercial activity or investment in Palestine. It also provides communication services for financial firms (Exchange and Insurance) and business people who have investments in Palestine. It avails companies of opportunities to benefit from its experiences and expansive relationships with the business sector in Palestine and Jordan.

Quds Bank inauguration of the Representative Office in Amman constitutes a milestone step in its march and plans towards promoting its presence at regional and international levels.

One of the strengths of the Representative Office in Amman is the broad network of relationships of the Quds Bank, its regional and local connections, inclusive knowledge and financial capacity acquired through its public administration and its Palestine-based branch offices.

Scan the code

Banking Innovative Products and Services

Individuals Banking Services Management:

Businesses Development Department

The Businesses Development Department was created in 2020 within the context of ban's Administration's effort to approve of an organizational structure which meets the needs of the bank. The organizational structure includes the Businesses Development Department and (3) important units (Products Development, Service Quality and Western Union Transfer Development). During the year 2020, we started approval of some units' operating procedures and standardization of work mechanisms and attitudes towards developing diversified banking services to be provided for our customers in accordance with the best quality standards and increasing the bank's market share.

Products Development Unit

The Products Development Unit was reactivated during the second half of the year 2020 when the organizational structure was approved. Since then, the unit used to review and update the credit policies and programs to render them more competitive and attractive for customers. It also renewed and held several agreements and partnerships with a view to create new sales opportunities and promote customers' loyalty to the bank through:

- Updating credit policies and programs to become more competitive in the banking market.
- Holding and renewing purchase financing agreements with automobile companies, technology and education firms.
- Launching auto-loans campaigns.
- Updating and approving the list of the companies eligible for taking loans to promote lending opportunities.
- Designing and sending services and products offers for different institutions and companies.

Service Quality Unit

The bank seeks through the Service Quality Unit to develop the quality of the services provided for its customers to live up to their expectations, increase its competitiveness capacity, contributes to realizing its objectives, satisfy its customers and employees. It aspires to be its customers and employees' first option and their address for excellence.

Service Quality Unit's Objectives

- Preparing and applying the excellent service strategy to further the bank's success.
- Changing the style of treatment with customers and neutralizing the common mistakes in the patterns of thinking and expression.
- Measuring customers' satisfaction by measuring the indicators of the service quality and bank's employees' performance who directly deal with the customers.
- Know-how to give the bank's customers good impression and good reputation about the bank and how to handle and respond to their complaints.
- Enriching bank's branches employees' knowledge about the types of customers and how to deal with them.
- Rendering service quality a goal for all employees by holding periodic examinations.

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 2020 the network of its sub-agents for fast transfer service. It is the biggest major agent of Western Union transfers in Palestine. It has a network of 78 locations, 28 agents at 39 locations and 37 branches and offices in the West Bank and Gaza. The aim of this network is to meet peoples' needs of transferring and receiving money. The bank sought to develop the mechanism of fast transfer service in accordance with the best international practices and standards. It observes all compliance requirements and protection systems and anti- money-laundering policies. The unit has reduced Western Union intra-governorates transfers' commissions and between Palestine and Jordan, Turkey, Egypt and China.

Cards Development Department

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

Quds Bank's MasterCards include: ATM Card and other credit cards (Silver MasterCard, Titanium MasterCard, World MasterCard, and World Elite MasterCard) were designed to ensure luxurious experience to customers, flexibility in paying off their purchases and free cash withdrawal inside or outside their country. MasterCard meets all the needs of the bank's customers.
According to our strategy which is aimed to provide unique services for our customers, we launched the project of delivering credit cards through Aramex Courier and Package Delivery Company in the first quarter of 2020 to promote the lifestyle of our customers and live up to their expectations. Concurrently, we activated the service of Skip Payment of the credit cards to handle the situation arising from the global economic crisis that stormed the world and Palestine. Accordingly, we launched the contactless card and reactivated "Cash-back" service for 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 campaign organized and implemented during the third quarter of the year 2020.
For the purpose of developing banking services and digital financial transactions provided for the customers, Quds Bank signed exclusive long-term partnership with International MasterCard Inc to promote innovative e-payments in Palestine. Within the framework of this significant partnership, Quds Bank shall provide a host of diversified innovative MasterCard solutions to pay its customers via cards including debit cards and prepaid cards to enhance the banking services and payment experiences of the cards-holders in Palestine. This partnership also expands the scope of credit cards issuance in the market in a way that would help increase the purchase power of the cards-holders and ensure easier and faster payment means. On the long run, this approach shall promote e-payments solutions to provide advanced banking solutions for the bank's customers and keep pace with digital transformation process which the financial services industry goes through.
In cooperation with MasterCard Inc, the bank's customers shall have access to innovative financial solutions and more secure payment solutions in the year 2021 by being connected with international e-portfolios, including Apple Pay Wallet and contactless payment wristbands.

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". It constitutes an added value for senior customers as they shall have a distinctive banking experience with top professionalism and mastery. In the year 2020, Quds Bank introduced several advanced systems to keep pace with the development of the banking sector according to the aspirations of its customers.

Prime
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 infinite accuracy. It presents them with means of ease and luxury.

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

Banking Services Center
Based on the attitude and vision of Quds Bank regarding provision of the best services for its customers, it opened the banking services center to enable its customers to keep updated on its services and answer to their questions. The center starts operating from 8:00 am-11:00 pm every day including holidays and official feasts. It receives its customers' calls and answers to them. It also provides several services, including:
Answering incoming calls, including:

- Answering to all customers questions with regard to programs, campaigns and agreements announced by the bank.
- Answering to queries related to personal accounts of customers.
- Receiving complaints and submitting them to the relevant departments based on customers' requests.
- Receiving customers' calls inquiring about deposits and cash withdrawal transactions conducted at ATMs and reporting to the relevant departments of the faults of ATMs.
- Providing debit cards services.
- Providing credit cards services.
- Providing support related to the electronic channels of the banking internet services and applying Quds Smart.
- Submitting customers' accounts-related transactions to the relevant

Corporate Banking Services Department

Corporate Services

Quds Bank provides a wide range of banking solutions for the corporate sector, so that you can support your projects and develop your potential and advance your business, whether you establish a new company or you have a successful company. We work together side by side to provide you with continuous support to ensure the success of your company. Quds Bank gives this department a priority through its different sections:

Corporate and Financial Institutions Banking Services Department

- **Corporate Banking Services Department:**

Quds Bank seeks to enhance its relationships with its current customers and acquire new ones to provide for them banking facilitations and other banking 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, Tulkarem, Jenin, Salfit, Hebron, Beit Jalla 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 managers who have high competence and abilities to run the relations with these enterprises and cater to their needs through:

- Opening new accounts.
- Issuing cheque books.
- Issuing LGs 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 facilitations that respond to their needs, including short-term credit (financing operating capital) or long-term credit (financing fixed assets) through the following products:
    - Secured overdraft.
    - Unsecured overdraft
    - Long-term loan (financing fixed assets).
    - Short-term loans (financing purchases, sales or bank discounts).
    - All types of banking guarantees.
    - A sight letter of credit or standby letter of credit.

- **Financial Institutions Department**

Financial Institutions Department seeks to enhance Quds Bank 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 involves in making accounts, including operating and investment accounts.
This department closely works with the sections of the treasury and the financial and commercial banking activities to keep mindful 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.
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

Quds Bank Treasury Department performs a leading role in the management of the bank’s assets whereby financial profitability and stability is realized. It contributes to raising the bank’s fiscal competence and minimizes operating risks. It achieved tangible and stable outcomes for its operations, developed its performance and promoted its investment capacities. Such outcomes are necessary for the protection of the interests of the bank and provision of service for its customers in selling and buying different currencies to achieve 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 develop its performance and services by offering new products in consistence with the bank's aspirations and international developments.
The Treasury Department provides for the bank's customers services of exchange sale and purchase at 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 that could extend to one year from the date of the signature of the deal. This would enable the customer to protect the value of the assets, cash flow and hedging against the fluctuations of the exchange rates and to eliminate their impact on the budget.

The department makes maximum effort to continue to provide these services at competitive prices and high professionalism around the clock for the benefit of the bank's customers. It also makes its utmost to keep pace with up-to-date services to cater for the bank's customers.

Central Operations Department

The Central Operations Department is the executive arm of the bank for the translation of its products and services. It supervises the local and foreign operations departments, carries out and documents credit and cards transactions and monitors all of them on the basis of its organizational position.
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 develop 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 institution in 80 states.
The Operations Department 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 promotes and reports the letters of guarantee, document credits, remittances and collection policies with a view to meet the growing needs of its customers depending on a qualified staff and managers.
During the year 2020, the Central Operations Department has achieved crucial achievements, including automation of accounts opening and data updating using WF automated system paths. It also fulfilled the requirements of transformation into e-clearance system and its application to the currencies of ($, JD, Euro). It automated the safe checks transactions and their comparison with the branches and completed the Cash Management System which is partially in use now.
In the context of the foreign transactions, it applied Block Chain System with JKB in cooperation with the partner departments. In addition, it adapted and applied FXOrder to improve the controls and monitoring environment of the operations that intersect with the activities of the Treasury Department and the bank in general.
It automated WU transfers tallying processes and applied automated notification system in the bank's branch offices and sub-agents.
With regard to cards, it completed the system of instant issuance of debit cards and delivery of contactless cards in all bank's branches and offices.
One of the important results of the central services department with regard to credit execution

and documentation was its accomplishment of the requirements of handling and responding to the instructions issued to address the repercussions of Covid-19. These instructions are related to payment skip, temporary overdraft and other variables related to handling the repercussions of interruption in public and private sectors employees' salaries transfers.
Finally, it was able to centralize the powers of the users of the systems of PMA and the systems of information of MoNE and integrate the archiving systems of the acquired banks with the Central Portfolio Unit.

Information Technology Department

Quds Bank is keen to develop its services and products to provide them for its customers in accordance with their needs. In light of this desire, the Information Technology launched 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 effort 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 Section of Information Systems Management and Controls.
- 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 Blockchains. This service is characterized by its safety, speed and instant delivery to the beneficiary.
- Developing 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.
- Developing the bank's internal environment by increasing the services it provides through its electronic channels and using them as an alternative for the conventional services at its branches and offices.

Branching and Expansion Strategy


Quds Bank
بنك القدس

Quds Bank continued to focus on electronic channels rather than opening branches and offices in accordance with the goals of its strategy of 2021-2023 which concentrates in digital technology. During the year 2020, it changes the shape of its branches, turning Bidya Office into a branch to provide optimal services for its customers. It also turned al Najah Office into a cash office.
Quds Bank has 38 branches and offices in the West Bank and Gaza. It also has an electronic marketing in Al Tira and a Representative Office in Jordan as well as 55 ATMs in the different governorates.

General Administration	Ramallah and Al-Bireh Jerusalem Street, Al-Masyoun
Ramallah Branch	Downtown Ramallah, Ramallah and Al-Bireh, Main Street, Rukab Street. Hajj Yasin Building
Al-Bireh Branch	Al-Bireh, Ramallah and Al-Bireh, Education Street – Burj Al-Bireh Building
Gaza Branch	Sabra Neighborhood, Gaza,Omar al-Mukhtar Street, opposite to the Municipality Park
Nablus Branch	Downtown Nablus, Nablus Main Market
Al-Ezariya Branch	Ras al-Kabsa, Ezariya, Jerusalem, Main Street, Kabsa Junction
Beit Jala Branch	Beit Jala, Bethlehem Al-Sahl Street
Salfit Branch	Salfit, Medina Street
Tubas Branch	Main Street, Tubas, Near Shifa Hospital
Attil Branch	Attil, Tulkarm, Al-Shamali Neighborhood, Main Street, Sha'rawiya Entrance
Hebron Branch	Main Street, Hebron, Ibn Rushd Roundabout
Al-Masyoun Branch	Al-Masyoun Neighborhood, Ramallah and Al-Bireh, Al-Quds Street, Al-Masyoun
Nablus New Branch	Rafidia, Nablus, Sudah Building
Al-Bireh Branch	Al-Bireh, Ramallah and Al-Bireh, Tahuna Street
Rimal Branch	Rimal, Gaza, Omar al-Mukhtar Street
Tulkarm Branch	Downtown Tulkarm, Tulkarm, Al-Asir Street
Jericho Branch	En al-Sultan, Jericho, Al-Muntazahat Street
Jenin Branch	Downtown Jenin, Jenin, Abu-Bakr Street
Jenin - Haifa Street Branch	Haifa Street, Jenin, Haifa Building
Qalqilia Branch	Downtown Qalqilia, Qalqilia, Shaima Roundabout
Khan Younis Branch	Saqqa Street, Khan Younis, Al-Farra Building
Nusseirat Branch	Nusseirat, Deir el-Balah Salaheddin Street
Ras al-Jora Branch	Ras al-Jora, Hebron, Nazmi Salah Building
Bethlehem Branch	Bethlehem, Al-Mahd Al-Jadid Street
Jabalia Branch	Jabalia, Gaza. Jabalia Refugee Camp, opposite to the UN office
Rafah Branch	Rafah, Al-Najma Roundabout
Beit Lahia Office	Beit Lahia, Gaza, Main Street, Beit Lahia Square
Anabta Office	Tulkarm Main Street, Badran Building
Najah Office	Nablus, Najah National University Campus
Biddya Office	Biddya, Salfit, Main Street
Silat al-Dahr Office	Silat al-Dahr, Jenin, Main Street
Al-Quds Street Office	Al-Bireh, Ramallah and Al-Bireh, Al-Quds Street, Raj'in Street
Qabalan Office	Qabalan, Nablus, Main Street
Jamma'in Office	Jamma'in, Salfit, Main Street
Al-Zaytoun Office	Al-Zaytoun, Gaza, Salaheddin Street
Tarqumia Office	Tarqumia, Hebron, Main Street
Ad-Dhahiriya Office	Ad-Dhahiriya, Hebron, Mashrou' Quarter, near the Chamber of Commerce
Al-Rayhan Office	Al-Rayhan Suburb, Ramallah and Al-Bireh, Lacsa Mall
Plaza Mall Office	Al-Balou, Ramallah and Al-Bireh, Bravo Mall
Al-Tira Office	Al-Tira, Ramallah and Al-Bireh, Batn Al-Hawa Street
Representative Office	Amman, Jordan, Rabia, Yarmouk Plaza 2

Human Capital

The Secret of our Success

The Human Capital

Department contributes to achieving the Bank's goals by providing support in the areas of human resources, and by creating an environment that helps the Bank's family make the best use of their capabilities. This was the reason behind the establishment of the Human Capital Administration, which was not just a change of title but an expression of conviction and a major transformation in responsibilities and tasks. In addition, the creation of the new department aimed at enhancing the strategic cooperation with the senior management in shaping the role of the human factor in the Bank's growth and development.

The Human Capital Department consists of three main divisions:

- Human Resources Operations Department.
- Talents Department.
- Personnel Relations.

Quds Bank recognizes that its personnel are of the most important of its resources, and so it must be attached all attention and care. It believes that its personnel are of high experience and they must be availed of all means of development.

Distribution of employees between the General Administration and the branches and offices of the bank:

Unclassified employees of the branches	Unclassified employees of the administration.	Employees of the branches	Employees of the General Administration	Number of employees
employee 40	employee 25	employee 313	employee 356	employee 734

Distribution of employees by gender in the General Administration and the branches:

Proportion - Males
69% / employee 503

Branches - Males
63% / employee 221

General Administration Males
74% / employee 282

Proportion - Females
31% / employee 231

Branches - Females
33% / employee 117

General Administration Females
30% / employee 114

734 Employees Total

338 Branch employees Total

396 General Administration employees Total

Distribution of employees according to academic qualification:

Diploma	Bachelors	Masters
employee 72	employee 564	employee 28

Total employees	Under Secondary School	High School and above
employee 734	employee 43	employee 27

Distribution of employees by age:

Age group	Employees
31 to 40 years	277
22 to 30 years	341
Less than 22 years	4
51 to 60 years	21
41 to 50 years	91

Total employees

employee 734

Distribution of employees according to average age:

Average age of all employees	33
Average age in the branches of the bank	34
Average age in the General Administration	33
Average age of the directors of the General Administration	40
Average age of the directors of the branches and offices	39

Training Center

The outcomes of the training activities during the reporting period 1\1\2020 – 31\12\2020:

The number of training activities agreed on is 76 training activities of which 72 activities were implemented. These activities were attended by 1193 participants, including 410 from the general administration, distributed over 71 training programs. 600 participants were from the bank's branches and offices in West Bank, distributed over 16 training programs. Concerning Gaza branches and offices, 182 participants attended 8 training programs.
The total cost of the training activities amounted to USD 187,464.06, divided into USD 137,255.38 as training fees, USD 45,645.31 as logistics support and USD 3,921.80 as transportation fees (internship and in-house training) and USD 829.57 as petty cash.

The training activities were distributed as internship, in-house and abroad as follows:

A number of the bank's employees were dispatched to participate in workshops, forums, conferences, face-to-face and virtual training workshops. 60 participants participated in 17 programs, workshops, forums and conferences organized abroad. 4 of these programs were organized face to face and 3 virtual ones. The total cost of these programs which included, Digital Transformation and Innovation،Global Banking Program: Fintech | Digital | Analytics, amounted to USD 129,630.38.
The bank implemented 34 internship programs, attended by 111 participants at the cost of USD 23,325.60.
The bank implemented 25 in-house training activities and programs, attended by 1022 participants at a total cost of USD 29,756.71.

Training activities were distributed among the bank's sectors as follows

First. The business sector accounted for 25.7% of the total expenditures of the training programs and activities, distributed over 1290 training hours, attended by 898 participants at a cost of USD102, 816. The support section accounted for 15% of the total expenditures of the training programs and activities, distributed over 1995 training hours at a cost of USD 59,858. The control sector accounted for 5% of the total expenditures of the training programs and activities, distributed over 867 training hours at a cost USD 20,038.
Second. The Training Center opened opportunity for 31 students of several Palestinian institutes and universities to attend training courses in the different offices and branches of the bank as well as some departments of its general administration. It issued the trainees certificates, but it continues at a very low gear due to Covid-19 pandemic.
Third. Quds Bank is mindful of the Arab and International Specialized Professional Certificates Program and those requested by PMA. Hamza Aqad of Quds employees got CIA in December 2020 which was the last certificate the bank obtained. It sent an official letter confirming its compliance with the instructions of 3\2019 and instructions of 39\2020.
Four. 22 Induction and orientation programs were designed for some of the bank's employees who were moved to other departments or and for the new starters.
Five. 13 practical training programs were designed for new employees of the bank's branches on CSO and CRO. They also sat for banking tests focusing on the operating procedures of their sections and for specific-tasks-practical test to perform their tasks.

Social Responsibility

Social Responsibility:

The social activities of Quds Bank during the Covid- 19 crisis had clear impact on the local communities and the population categories it targeted through the social responsibility initiatives it launched. It contributed to sustainable development and reduced the burden of the beneficiary categories. Such contribution constitutes a positive indicator of the bank's participation in supporting the education and health sectors of the society.

A large number of the bank's initiatives were dedicated to supporting MoH and MoSD to face up to the repercussions of Covid-19. It also sponsored educational initiatives allowing students to continue their education in light of Covid-19 pandemic and providing safe school environment for distinctive students. These initiatives also provide support for differently abled categories, sponsor conferences and workshops on creativity. In addition, Quds Bank has partnerships with universities, schools, hospitals, women organizations and NGOs.

No. of Activities	Value of societal contribution in USD	Contributions by sector
8	136,396.89	Relief
7	825,980.21	Health and environment
12	52,720.34	Education
11	72,657.23	Development
1	7,000.00	Women Empowerment
1	10,000.00	Innovation and youth
2	11,500.00	Childhood
1	1,000.00	Sport
3	13,966.73	Support of Differently Abled People
46	$ 1,131,221.40	Total

Note: during the year 2020, an amount of USD 687,500 was paid in donation to MOH and was debited to the account of the year 2019 according to adjustments made by the auditor.

Shareholders Relationships

Shareholders Relationships:

Quds Bank builds and maintains positive relationships with all shareholders based on transparency, striving to communicate and build positive relationships with them by all possible means, whether through the Shareholders Section or through our widespread branches. The Bank is also keen to hand over the annual report that is released at the end of each year, as well as encourage the shareholders by all means, especially small ones, to attend the annual meeting of the bank's general assembly. During the annual meeting, shareholders are encouraged to conduct voting either in-person or through a representative they authorize in the event of their absence

The annual meetings of the General Assembly of the Bank are arranged as follows:

- The heads of the committees of the board attend the meeting.
- Representatives of the external auditors attend the annual meeting of the General Assembly in order to answer any questions that may be raised regarding the audit and the auditor's report.
- Representatives of the Palestinian Monetary Authority are invited to attend the meeting in order to get the latest updates.
- During the annual meeting of the General Assembly, attendees would elect members of the board who meet the qualifications and conditions at the end of the term of the board.
- Attendees would elect the external auditor and determine their fees, or otherwise authorize the Board of Directors to determine their fees.
- Documenting the minutes and the reports on the course of events during the annual General Assembly meeting, including the results of voting and the questions raised by shareholders regarding their contributions.
- The Bank publishes the annual report on its website, and maintains communication with its shareholders on the bank's social media platforms around the clock.

The following table shows shareholders whose contribution exceeds 5 percent as of 31 December 2020:

	By the end of 2019		By the end of 2020	
Name	Number of shares	Rate of contribution	Number of shares	Rate of contribution
Akram Abdullatif Jarab	19.96%	18,596,125	19.95%	17,997,363
Jordan Kuwait Bank Company	10%	9,317,275	10%	9,017,275
Palestine Pension Agency	10%	9,315,489	8.9%	8,115,547
Al-Shorouq Company for Financial and Real Estate Investments	0.03%	30,000	5.01%	4,519,174

The following table shows the shares of the members of the Board of Directors until 31 December 2020, compared with the shares they had at the end of the previous year until 31 December 2019:

Name	Nationality	Position	Number of owned shares 2019	Number of owned shares 2020
Akram Abdullatif Jarab	Jordanian	Chairman of the Board	17,997,363	18,596,125
Duraid Akram Jarab	Jordanian	Deputy Chairman of the Board	3,222,825	3,330,046
Jordan Kuwait Bank Company	Jordanian	Member of the Board	9,017,275	9,317,275
Palestine Pension Agency	Palestinian	Member of the Board	8,115,547	9,315,489
Walid Najib Al-Ahmad	Palestinian	Member of the Board	53,400	55,176
Muntaser Abu Dawwas	Jordanian	Member of the Board	44,248	45,720
Saleh Jabr Ahmad Hamid	Jordanian	Member of the Board	1,955,348	1,991,080
Ahed Fayeq Bseiso	Palestinian	Member of the Board	120,108	124,103
Ruba Masrouji Alami	Palestinian	Member of the Board	118,690	122,638
Majed Awni Mohammad Abu Ramadan	Palestinian	Member of the Board	35,607	36,791
Hamed Abdul-Ghani Jabr	Jordanian	Member of the Board	1,655,664	1,710,747
Al-Shorouq Company for Financial and Real Estate Investments	Palestinian	Member of the Board	4,519,174	30,000

يبين الجدول التالي ملكية أقارب أعضاء مجلس الإدارة للعام 2020

Name	Number of shares 2019	Number of shares 2020	درجة القرابة
Akram Abdullatif Hasan Jarab	**17,997,363**	**18,596,125**	**Chairman of the Board**
Muhannad Akram Abdullatif Jarab	3,253,411	3,361,650	Son of Mr. Akram Jarab
Duraid Akram Abdullatif Jarab	3,222,825	3,330,046	Son of Mr. Akram Jarab
Yazan Akram Abdullatif Jarab	3,052,626	3,154,185	Son of Mr. Akram Jarab
Zaid Akram Abdullatif Jarab	3,044,345	3,145,628	Son of Mr. Akram Jarab
Al-Shorouq Company for Financial and Real Estate Investments	**4,519,174**	**30,000**	**Member of the Board**
Ibrahim Ahmad Abdul-Fattah Abu Dayyeh	168,055	189,000	Chairman of the Board of Al-Shorouq Company
Ahmad Ibrahim Abu Dayyeh	-	-	Deputy Chairman of the Board of Al-Shorouq Company
Duraid Akram Abdullatif Jarab	**3,222,825**	**3,330,046**	**Deputy Chairman of the Board of Directors**
Akram Abdullatif Hasan Jarab	17,997,363	18,596,125	Father
Muhannad Akram Abdullatif Jarab	3,253,411	3,361,650	Brother
Yazan Akram Abdullatif Jarab	3,052,626	3,154,185	Brother
Zaid Akram Abdullatif Jarab	3,044,345	3,145,628	Brother
Saleh Jabr Ahmad Hamid	**1,955,348**	**1,991,080**	**Deputy Chairman of the Board of Directors**
Rami Saleh Jabr Musallam	25,356	26,199	Son
Ramzi Saleh Jabr Hamid	16,486	11,7	Son
Rola Saleh Jabr Hamid	19,711	20,366	Daughter
Lina Saleh Jabr Musallam	19,711	20,366	Daughter
Dina Saleh Jabr Musallam	19,711	20,366	Daughter
Lina Abdulraheem Ersheed	17,803	18,395	Wife
Kamal Jabr Ahmad Hamid	160,000	57,000	Brother
Ruba Mohammad Mahmoud Masrouji	**118,690**	**122,638**	**Member of the Board**
Mohammad Mahmoud Yousef Masrouji	474,760	490,555	Father
Masrouji Company for General Trade	356,070	367,916	Member of the Board
Jerusalem Pharmaceuticals Co. Ltd.	422,007	436,046	Shareholder
Dina Mohammad Daoud Alami	1,621	1,674	Daughter
Nadin Mohammad Daoud Alami	2,100	2,169	Daughter
Dara Mohammad Daoud Alami	2,000	2,066	Daughter
Walid Najib Mustafa Al-Ahmad	**53,400**	**55,176**	**Member of the Board**
Jerusalem Real Estate Investments Company	500,000	500,000	Walid Al-Ahmad – Director-General
Azzam Najib Mustafa Al-Ahmad	64,923	67,082	Brother
Husni Naji Mustafa Al-Ahmad	16,230	16,769	Brother

The table shows the ownership of the executive management as on 31/12/2020 compared to 31/12/2019:

Name	Nationality	Position	Number of Shares 2020	Number of Shares 2019
Salah Muhammad Salim Hdmi	Palestinian	CEO	20,665	20,000
Zaid Akram Abdullatif Jarab	Jordanian	Head of the Strategic Planning Department and digital transformation	3,145,628	3,044,345
Albeir Admond Emeil Habash	Palestinian	Head of Credit Department	11,414	13,950

Quds Bank is keen to maintain fruitful relationship with the shareholders and investors through responding to their inquiries and constant contact with them.

The shareholders have access to information through:

- Annual report: it is annually attached to the general assembly meeting invitation and sent to the shareholder by mail.
- Quds Bank's branches.
- Quds Bank's website.

The amount of salaries and awards provided for the Executive Management amounted to USD 1,834,283 as of 31 December 2020 compared to USD1, 751,545 in 2019.

Issues referred to voting:
None

Contracts signed with relevant companies
None

Financial Statements:
There is no difference between the primary financial statements and the audited financial statements by the external auditor.

External Auditor:
Ernst & Young Firm audited Quds Bank's accounts of the year 2020 at a cost of $87,000.

Trading Activity during the Year 2020

Quds Bank Trading Activity during the Year 2020:

Items	2020	2019	Change	Change %
Number of traded shares	8,752,923	15,793,610	-7,040,687	%-44.58
Value of traded shares	12,442,624	27,874,933	-15,432,309	%-55.36
Number of executed transactions	1,631	1,909	-278	%-14.56
Most expensive share price ($)	1.58	1.97	-0.39	%-19.80
Closing price by the end of the year	1.43	1.58	-0.15	%-9.49

Board of Directors' Members Expenditures:

Name	Board Sessions	Presence	Board of Directors' Awards, 2020	Allowance for Attending Board and Committees' Meetings	Transportation and Travel Allowance	Total
Akram Abdullatif Hasan Jarab	6	6	50,000	6,000	404	**56,404**
Duraid Akram Abdullatif Jarab	6	6	25,000	13,000	495	**38,495**
Palestinian Pension Agency represented by Adnan Abu Al Homus	6	4	25,000	16,000	-	**41,000**
Waleed Najeeb Al Ahmad	6	6	25,000	13,000	-	**38,000**
Ahed Fayeq Bseso	6	6	25,000	27,000	-	**52,000**
Al-Shorouq Company for Financial and Real Estate Investments, represented by Abdulfataf Abu Dayyeh	6	6	25,000	11,000	750	**36,750**
KJB represented by Haitham Samih Al-Battikhi	6	5	25,000	9,000	-	**34,000**
Ruba Mohammad Mahmoud Masrouji	6	6	25,000	12,000	-	**37,000**
Saleh Jabr Ahmad Hamid	6	6	25,000	6,000	2,250	**33,250**
Hamid Abdulgani Jabr	6	5	25,000	9,000	-	**34,000**
Muntasir Izzat Abu Dawas	6	5	25,000	14,000	-	**39,000**
Magid Awni Abu Ramadan	6	6	25,000	10,000	750	**35,750**
Total			**325,000**	**146,000**	**4,649**	**475,649**
VAT			**52,000**	**23,360**	**-**	**75,360**
Board's Total Expenditures, including VAT during the year 2020			**377,000**	**169,360**	**4,649**	**551,009**

First: Suggested Agenda for the Ordinary Meeting of the General Assembly

- Reading the board of directors' report of the financial year of 2020 for approval.
- Reading the accounting firm's auditor report on the fiscal year ended on 31 December 2020.
- Discussing the financial statements of the company for the year ended as of 31 December 2020 for approval.
- Clearance of financial liability of the members of the board for the fiscal year ended as of 31 December 2020.
- Approval of payment of awards for the members of the board for the year 2020.
- Electing the bank's external auditors for the year 2021 and authorizing the board to determine their fees.
- Approval of the recommendation of the board regarding distribution of dividends among shareholders as follows:

a. Cash dividends of 4.5% of the paid up capital USD 4,192,774 million.
b. Bonus dividends of 3.5% of the paid-up capital, amounting to $3,261,046

Second: Suggested Agenda for the Extraordinary Meeting of the General Assembly of Quds Bank

- Amending the articles of association and bylaws of the company as follows:

First. Amendment of the Company's Articles of Association

- Adding a new term to article (3) of the articles of association of the company on the goals of the company. The new term states that "having access to loans and financing from the different financing sources, including banks, local and foreign financing institutions and issuing general guarantee, including foreign banks guarantees".

Second. Amending the Bylaws of the Company

Adding a new term to article (4) of the bylaw of the company: The new term states that "the board of directors has the power to make decisions concerning borrowing any amount of money and to mortgage the real estate and movable assets of the company and to guarantee third parties within the limits it determines.

Pursuant to the instructions of disclosure and those of the Palestinian Monetary Authority and the Capital Market Authority, the board of directors recognizes that

1. There are no core issues that may affect the continuity of its function;
2. All the data and information of the annual report of the year 2020 are accurate and complete;
3. It is responsible for the financial statements of the year 2020 and that it has effective monitoring system;
4. It abides by the rules of governance in effect and the structure of the committees of the board.

Governance

Transparency and Commitment

Governance

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 categories 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 manual 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.

Board of Directors
The 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 instilling 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, debtors, 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 its internal regulations and in line with 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 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 corporate nomination 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.
• 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. It must have at least a 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. Draft minutes of the meetings should be 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 draft 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 increase 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 a summary of their tasks and duties within 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 five main committees (executive committee, audit committee, risks and compliance committee, institutional governance, nominations and remuneration committee, investment committee). Each of these committees has 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.

Responsibilities of the Executive Committee:

• Authorizing credit and investment transactions that are beyond the mandate of the Executive Management.
• Setting forth the bank's credit and investment policy, credit facilities terms and particulars, guarantees and credit limits as well as the powers of the executive committees according to the applicable laws and regulations of the PMA. It alsoregularly reviews and updates all of the abovementioned items based on the changing economic and banking policies environment.
• Making certain of the Executive Management compliance with the credit policies and the powers determined by the board.
• Considering defaulted debts and setting forth plans to reduce them, and making sure that there are adequate loans provisions in accordance with the regulations of the PMA. It also submits recommendations in relation to writing off these debts.
• Submitting regular reports to the Board of Directors about the status of the credit portfolio. These reports should provide information on the volume of the portfolio, classified facilities, loss provisions and loan collection efforts. It should also provide information on the bank's investment portfolios and any changes thereby.

a. Audit Committee:

The elected Audit Committee is comprised of 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 (4) times per year 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 to be appropriate. It is chaired by Mr.Muntasir Daeas and has Ahed Bseso and Dr. Adnan Abu Al Homus as members.

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 comments of the reports of the PMA and the external and internal auditors, in addition to monitoring the measures taken thereby.
• Ensuring the competence of the bank's internal monitoring procedures and their compliance with the laws, regulations and instructions issued by the PMA as well as the rules of the board and other Palestinian applicable legislations.
• Reviewing the periodic financial statements and information before submitting them to the board to scrutinize their adequacy according to the applicable accounting principles and the requirements of the PMA, as well as the adequacy of the necessary provisions.
• Ensuring necessary independence for the Department of Internal Audit to perform its duties, agreeing to appointing or dismissing its manager performing annual evaluation for him, and setting accountability mechanisms for the Audit Department to enable its staff to do their duties and approving the duties and powers delegated to it.
• Considering financial reports before their submitting 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 ascertains the accuracy of the accounting and controls procedures, their propriety and the bank compliance therewith.
• Providing advice for the board on nomination, appointment, and end of service, remuneration and election of the external auditor by the General Assembly. Making certain 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.
• Coordinating with the Risk Management Department to keep the financial position of the bank and its performance transparent.
• Considering any issue brought to its attention by the board or any issue it deems appropriate to consider and express opinion thereof.

b. Risk and Compliance Committee:
The elected Risk and Compliance Committee was comprised of 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 4 times annually in the presence of the CEO or the one authorized by him. 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 on Banking Supervision. The committee may invite any person it deems appropriate to its meetings. The committee is chaired by Mr. Ahed Bsesso, and has Muntasir Dawwas and Haitham Battikhi as members.

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). They must be reviewed before submitting them to the board for approval.
• Updating the methods and mechanisms of risk reduction in alignment with the relevant control procedures to enhance the bank's financial position against any risks and guarantee its propriety.
• The Executive Management of the bank is responsible for implementing the above-said 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 itself up-to-date on the fast developments and increasing 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 the sphere of its concern.
• Reviewing the reports of the Compliance Department and its adherence to the operating procedures manual. It also reviews the inclusiveness of these reports and consistence with the relevant requirements of the PMA to realize the maximum level of compliance with the appropriate banking laws, regulations, instructions and practices.

c. Corporate Governance Committee:
The elected Corporate Governance Committee was comprised of 3 non-executive members of the Board of Directors to 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. They also have adequate legal and banking expertise.
The committee convenes twice a year. It is chaired by Mr. Magid Abu Ramadan, and has Ahed Bsesso and has Hamed Jaber as members.

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.

d. Remuneration and Nomination Committee

The Remuneration and Nomination Committee is comprised of 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 twice a year in the presence of the CEO or whoever he authorizes. The committee duly writes the minutes of its meetings. It is chaired by Magid Abu Ramadan and has Ahed Bsesso and Hamed Jaber as members.

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 relationship with the other members, on the other.
b) Submitting a statement verifying that the candidate has met the requirments set out in the definition of the independent member upon his 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 about the changes the committee deems necessary for the structure of the Executive Management 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 application.
• 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 remuneration and incentives policy is consistent with the instructions of the PMA and the bylaws of the bank.

Internal Control and Monitoring System
• 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 charter of the internal control and monitoring is reviewed by the internal and external auditor at least once a year.
• In addition to the financial statements, the bank shall include into its annual report a statement on the competence of the internal control and 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 Departments as well as Anti-money Laundering, Preventing Financing of Terrorism and Risks Department.

Internal Audit

Quds Bank is mindful of the importance of having effective internal department. It is viewed as the third defense line and added value to the bank. It helps realize the bank's goals and improve its operations by setting a thorough methodology to improve 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 do their duties and minimize the risk thereof.

• Writing periodical reports on the competence of the internal control and monitoring regulations to minimize the risks which the bank faces and to upgrade the monitoring environment to acceptable levels.

• The Internal Audit Department submits its reports to Senior Management and the Audit Committee.

Compliance Department

Within the context of compliance with the requirements of Basel Committee on Banking Supervision, Quds Bank has established the Department of Compliance as an independent department entrusted with supervising compliance with the laws, regulations and legislations set by oversight bodies to act according to best banking practices.

The Department of Compliance has enumerated 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 in case of need.

• Preparing an effective mechanism that ensures the bank's compliance with the applicable laws and legislations as well as the relevant directives and guidelines.

• Submitting periodic reports on the outcomes of its activities and watch 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).

Anti-Money Laundering and Countering 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 alignment with the best practices of countering money laundering and implementing monitoring entities' requirements, the department carried out the following:

• Establishing Anti-Money Laundering and Countering the Financing of Terrorism Department with qualified staff.
• Providing necessary support for the department, so that it can fulfill its mission and practice its powers independently.
• Approving two systems to promote oversight and monitoring of accounts:
An automated system for examining all financial transactions data to ensure that they are not included within the prohibited international lists, such as the OFAC\UN lists.
An automated system for combating money laundering and terror financing operations. It checks and monitors all financial transactions that take place on the bank's customers' accounts. It also discovers and limits suspicious transactions in order to protect the bank's financial system from exploitation and minimize money laundering and terrorist financing operations.

Risks Management Department:
The main objective of the risk department in Quds Bank is to set up mechanisms to identify measure, manage and monitor the risks facing the bank, enable it to handle them and prevent any adverse consequence. 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 and provides reliable chronological data to bridge the gaps and handle them to maintain appropriate monitoring environment
• Monitoring the bank's capability of functioning under exceptional conditions in light of continuing changes. It has drafted 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 stressors.

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 to shareholders queries.
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 and disclosure.
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 on providing periodic information about its activities for the relevant authorities, including PMA, shareholders, depositors and the public with more stress on the issues that have intrinsic impact on its performance.

Disclosure and Transparency

Quds Bank corporate governance is characterized with integrity, propriety, honesty and objectivity concerning the decisions taken by the relevant authorities in the bank on transparency, disclosure and openness to the society.

Transparency, disclosure and openness constitute the key elements of the good corporate governance in Quds Bank.

Quds Bank timely discloses all reliable information to help users of this information make accurate assessment of the bank's financial position, achievements, activities and risks

The Bank is working hard to provide complete and regular information about its activities to all relevant parties, including PMA, shareholders, depositors and the public in general with particular attention to the issues that have significant impact on it.

Consolidated Financial Statements for the Year 2020

The external auditor’s report

Quds Bank Public Shareholding Ltd.

Consolidated Financial Statements

December 31, 2020

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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, 2020, 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, 2020, 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.

Other matters

The financial statements of Quds Bank Ltd. as at December 31, 2019 were audited by another auditor who issued an unqualified opinion in his report dated March 30, 2020.

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, 2020. 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**
The estimation process of expected credit losses of credit facilities, in addition to balances with banks, balances at banks and financial institutions, and financial assets at amortized cost in accordance with IFRS (9) is important and complex as it requires significant judgement. IFRS (9) requires the use of the ECL model, which requires the bank's management to use various assumptions and estimates to determine both the time and value of ECL in addition to applying judgment in determining the inputs within the impairment measurement process, including collaterals and default date. The Coronavirus (Covid-19) pandemic has affected the expected credit loss calculation process. During the year, the Bank revised its microeconomic indicators and allocated more weight to the worst-case scenarios. In addition to studying the impact of the pandemic on the customers' economic sectors. Given the importance of the provisions applied in IFRS (9) and the credit exposures that form a major part of the Bank's assets, ECL is considered a significant audit risk. Net credit facilities and in addition to balances at banks, and financial institutions, and financial assets at amortized cost amounted to U.S. $ 1,027,184,497 as at December 31, 2020 which compromises 74% of the Bank's total assets. The related ECL amounted to U.S. $ 38,302,549 as of December 31, 2020. The related accounting policies and the ECL disclosers and credit risk management are detailed in notes (3, 5, 7, 10, 27, 44, 52) to the consolidated financial statements.	Our audit procedures included assessing the controls on procedures for granting, recording and monitoring credit facilities, and the process of measuring ECL, including the requirements of Palestine Monetary Authority (PMA) to verify the effectiveness of the main controls in place, which determine the decline in credit facilities, in addition to balances at banks and financial institutions, balances with banking institutions, and financial assets at amortized cost and the required provisions against them. Our procedures for testing controls also included assessing whether key controls, in the aforementioned processes had been designed, applied and effectively implemented; in addition to performing the following assessment procedures: - The Bank's policies related to the ECL provision in accordance with IFRS (9). - Key assumptions and judgments related to the material increase in credit risk, the definition of default, and the use of macroeconomic inputs to verify that the ECL amounts recorded reflect the underlying credit quality and macroeconomic trends, including the impact of the Coronavirus (COVID-19). - The appropriateness of the Bank's staging. - The appropriateness of determining Exposure at Default (EAD), including the consideration of repayments in the cash flows and the resultant arithmetical calculations. - The appropriateness of the Probability of Defaults (PD), Exposure at Default (EAD) and Loss Given Defaults (LGD) used for different exposures at different stages. - The appropriateness and objectivity of the internal evaluation of credit facilities. - The accuracy and appropriateness of ECL calculation process. - Credit facilities transferred between stages, and the determination basis of significant increase in credit facilities risk in regard to timely identification with a significant deterioration in credit quality. - ECL calculation for credit facilities determined to be individually impaired. We also obtained an understanding of the latest developments in estimated future cash flows, current financial position and any rescheduling or restructuring agreements. - Procedures followed for collaterals valuation in accordance with the evaluation policies of the Bank. - Assessed the adequacy of disclosures to ensure compliance with IFRS (9).

Other information included in the Bank's 2020 Annual Report

Other information consists of the information included in the Bank's 2020 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2020 Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

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

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

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

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

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

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

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

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

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- 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, 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young – Middle East
License # 206/2012

Sa'ed Abdallah

Ernst + Young

Sa'ed Abdallah
License # 105/2003

March 31, 2021
Ramallah - Palestine

Quds Bank Ltd.

Consolidated Statement of Financial Position
As at December 31, 2020

	Notes	2020 U.S. $	Restated (Note 50) 2019 U.S. $
ASSETS			
Cash and balances with Palestine Monetary Authority	4	280,253,087	242,456,505
Balances at banks and financial institutions	5	147,543,294	191,629,137
Financial assets at fair value through profit or loss	6	84,740	86,340
Direct credit facilities	7	846,968,474	789,145,715
Loans at fair value	8	-	5,077,573
Financial assets at fair value through other comprehensive income	9	13,897,656	8,189,255
Financial assets at amortized cost	10	32,672,729	17,965,360
Investment in an associate	11	1,633,472	1,510,311
Property, plant and equipment	12	24,828,387	25,568,216
Right of use assets	13	15,567,777	17,663,603
Projects in progress	14	7,648,187	5,966,349
Intangible assets	15	3,508,484	3,903,689
Deferred tax assets	16	3,786,428	2,702,144
Other assets	17	18,489,956	17,296,938
Total Assets		1,396,882,671	1,329,161,135
LIABILITIES AND EQUITY			
Liabilities			
Palestine Monetary Authority's deposits	18	86,522,744	87,858,600
Banks' and financial institutions' deposits	19	2,150,475	19,411,962
Customers' deposits	20	1,010,896,810	937,591,980
Cash margins	21	89,115,841	93,573,137
Subordinated loans	22	13,000,000	15,000,000
Istidama loans from Palestine Monetary Authority	23	9,810,600	-
Lease liabilities	24	15,486,021	17,298,389
Taxes provisions	25	2,339,122	3,364,323
Sundry provisions	26	7,675,252	6,594,549
Other liabilities	27	39,346,883	34,470,850
Total Liabilities		1,276,343,748	1,215,163,790
Equity			
Paid-in share capital	1	93,172,750	90,172,750
Statutory reserve	29	9,467,445	8,377,658
General banking risks reserve	29	3,182,400	3,182,400
Pro-cyclicality reserve	29	4,757,269	4,757,269
Fair value reserve	9	(3,097,775)	(3,067,876)
Retained earnings		11,972,860	10,575,144
Net equity holders of the Bank		119,454,949	113,997,345
Non-controlling interests	3	1,083,974	-
Net equity		120,538,923	113,997,345
Total liabilities and equity		1,396,882,671	1,329,161,135

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

Consolidated Income Statement
For the year ended December 31, 2020

	Notes	2020 U.S. $	Restated (Note 50) 2019 U.S. $
Interest income	30	56,911,799	57,527,445
Interest expense	31	(14,452,550)	(13,690,840)
Net interest income		42,459,249	43,836,605
Net commissions	32	8,937,869	9,387,761
Net interest and commissions income		51,397,118	53,224,366
Foreign currencies gains		7,153,071	8,428,562
Recovered of expected credit losses	35	5,090,312	3,966,265
Net gains from financial assets	34	446,685	345,625
Bank's share of results of the associate	11	123,161	77,185
Other revenues, net	33	833,437	144,754
Gross profit		65,043,784	66,186,757
Expenses			
Personnel expenses	36	(20,895,311)	(22,628,399)
Other operating expenses	37	(12,122,163)	(13,596,732)
Depreciation and amortization	12, 13&15	(5,438,026)	(5,051,003)
Provision for expected credit losses	35	(12,726,323)	(14,340,614)
Total expenses		(51,181,823)	(55,616,748)
Profit before taxes		13,861,961	10,570,009
Taxes expense	25	(2,962,017)	(2,870,951)
Profit for the year		10,899,944	7,699,058
Attributable to:			
Equity holders of the Bank		10,897,868	7,699,058
Non-controlling interests		2,076	-
		10,899,944	7,699,058
Basic and diluted earnings per share	38	0.12	0.08

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

Consolidated Statement of Comprehensive Income
For the year ended December 31, 2020

	2020	Restated (Note 50) 2019
	U.S. $	U.S. $
Profit for the year	10,899,944	7,699,058
Other comprehensive income:		
Other comprehensive income items not to be reclassified to the consolidated income statement in subsequent periods:		
Change in the fair value of financial assets	(20,501)	(464,864)
Total other comprehensive income	(20,501)	(464,864)
Total comprehensive income for the year	10,879,443	7,234,194
Attributable to:		
Equity holders of the Bank	10,867,969	7,234,194
Non-controlling Interests	11,474	-
	10,879,443	7,234,194

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

Consolidated Statement of Changes in Equity
For the year ended December 31, 2020

			Reserves							
	Paid-in share capital	Additional paid-in 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. $	U.S. $
Balance, beginning of the year	90,172,750	-	8,730,503	3,182,400	4,757,269	(3,067,876)	13,750,747	117,525,793	-	117,525,793
Prior year adjustments- (note 50)	-	-	(352,845)	-	-	-	(3,175,603)	(3,528,448)	-	(3,528,448)
Balance, beginning of the period – adjusted	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

			Reserves							
	Paid-in share capital	Additional paid-in capital	Statutory	General banking risks	Pro-cyclicality	Fair value	Retained earnings	Equity holders of the Bank	Non-controlling interests	Total Equity
December 31,2019	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	83,570,667	6,602,083	7,607,752	3,182,400	4,757,269	(2,603,012)	8,325,950	111,443,109	-	111,443,109
Profit for the year	-	-	-	-	-	-	7,699,058	7,699,058	-	7,699,058
Other comprehensive income	-	-	-	-	-	(464,864)	-	(464,864)	-	(464,864)
Total comprehensive income	-	-	-	-	-	(464,864)	7,699,058	7,234,194	-	7,234,194
Transfers to reserves	-	-	769,906	-	-	-	(769,906)	-	-	-
Stock dividends (note 28)	6,602,083	(6,602,083)	-	-	-	-	-	-	-	-
Cash dividends (note 28)	-	-	-	-	-	-	(4,679,958)	(4,679,958)	-	(4,679,958)
Balance, end 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

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

Quuds Bank Ltd.

Consolidated Statement of Cash Flows
For the year ended December 31, 2020

	Notes	2020 U.S. $	2019 U.S. $
Operating activities			
Profit before taxes		13,861,961	10,570,009
Adjustments for:			
Depreciation and amortization		5,438,026	5,051,003
Provision for expected credit losses, net		7,636,011	10,374,349
Valuation loss on financial assets at fair value through profit or loss		1,600	4,166
Lawsuits provision		100,000	100,000
End of service provision		1,679,208	1,494,541
Interest on lease liabilities		532,807	573,208
Bank's share of results of the associate		(123,161)	(77,185)
Losses on disposal of property, plant and equipment		247,745	674,453
Other non-cash items		(715,820)	(201,816)
		28,658,377	28,562,728
Changes in assets and liabilities:			
Direct credit facilities		(65,289,029)	(101,210,064)
Statutory cash reserve at Palestine Monetary Authority		(9,895,591)	(4,223,462)
Loans at fair value		-	(5,077,573)
Other assets		(1,193,019)	18,067,188
Customers' deposits		73,304,830	59,699,803
Palestine Monetary Authority's deposits maturing after 3 months		(21,026,011)	57,858,651
Cash margins		(4,457,296)	12,123,877
Other liabilities		4,566,124	6,834,518
Net cash flows from operating activities before taxes and paid provision		4,668,385	72,635,666
Employees' end of service provision paid		(698,505)	(992,286)
Taxes paid		(4,669,115)	(2,892,933)
Lawsuit provision paid		-	(71,400)
Net cash flows (used in) from operating activities		(699,235)	68,679,047
Investing activities:			
Deposits at banks and financial institutions mature in more than three months		-	7,052,186
Purchase of financial assets at amortized cost		(14,747,059)	487,652
Purchase of financial assets at fair value through profit or loss and through other comprehensive income		(355,508)	(2,990,639)
Changes in project in progress		(2,484,041)	1,691,195
Purchase of property, plant and equipment		(1,985,638)	(2,640,562)
Proceeds from sale of property, plant and equipment		176,542	-
Proceeds from sale of investment properties		-	290,847
Intangible assets		(540,788)	-
Net cash flows (used in) from investing activities		(19,936,492)	3,890,679
Financing activities:			
Payments of lease liabilities		(1,630,386)	(1,728,370)
Cash dividends paid		(5,200,388)	(4,679,958)
Subordinated loans		(2,000,000)	15,000,000
Istidama loans from Palestine Monetary Authority		9,810,601	
Non-controlling interests		1,072,500	-
Net cash flows from financing activities		2,052,327	8,591,672
(Decrease) Increase in cash and cash equivalents		(18,583,400)	81,161,398
Cash and cash equivalents, beginning of the year		296,902,010	215,740,612
Cash and cash equivalents, end of the year	39	278,318,610	296,902,010
Interest expense paid		13,519,072	12,202,136
Interest revenue received		58,130,106	57,775,920

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

Notes to the Consolidated Financial Statements
December 31, 2020

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, 2020, the Bank increased the authorized, subscribed, and paid-in capital to reach U.S. $ 93,172,750, at a par U.S. $ 1 par value.

The Bank carries out all of its banking activities which include opening current accounts, letters of credit, accepting deposits and lending money through its (25) branches and (13) offices locates in Palestine, in addition to one representation office in Jordan as of December 31,2020.

The Bank's personnel reached (738), and (741) as at December 31,2020, and 2019, respectively.

The consolidated financial statements were authorized for issuance by the Bank's Board of Directors during their meeting number (2) for the year 2021 held on March 30, 2021 and by PMA on March 30, 2021.

2. Consolidated Financial Statements

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary as at December 31, 2020.

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

	Country of incorporation and operations	Main activity	Ownership	Subscribed capital December 31,2020
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.

Material Partly owned Subsidiaries

The financial information of Sadara for financial investments company (Sadara) that have material non-controlling interest are provided below:

Company Name	Country of incorporation and operations	2020 %
Sadara for financial investments company	Palestine	40

	U.S. $
Non-Controlling Interest	1,083,974
Profit allocated to non-controlling interest	2,076

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 31,2020:

	2020
	U.S. $
Balances at banks and financial institutions	2,717,434
Financial assets at fair value through other comprehensive income	183,750
Total Assets	2,901,184
Net equity holders	2,901,184
Non-controlling interests	1,083,974

Summarized income statement information for the year ended December 31, 2020:

	2020
	U.S. $
Interest Revenue	10,192
Interest Expense	(210)
Foreign currencies gains	(320)
Other operating expense	(4,799)
Other revenues	326
Net income	5,189
Equity holders of the Bank	3,113
Non-Controlling Interests	2,076

Summarized cash flows for the year ended December 31,2020:

	2020
	U.S. $
Operating Activities	(5,119)
Investment Activities	326
Financing Activities	2,722,227
Increase in cash and cash equivalent	2,717,434

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, 2020. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

The Bank re-assesses whether or not it controls investees if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statement from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

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

3.2 Basis of preparation

The consolidated financial statements as at December 31, 2020 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 and its subsidiary.

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 year ended December 31, 2019, except that the Bank applied certain amendments to the standards, which are effective for annual periods beginning on or after January 1, 2020 shown below:

Amendments to IFRS (3): Definition of a Business

The IASB issued amendments to the definition of "business" in IFRS (3) - "Business Combinations" to assist enterprises determine whether the group of activities and assets acquired meet the definition of "business" or not. These amendments clarify the minimum business requirements, remove the assessment of whether market participants are able to replace any non-existent business elements, and add guidelines to help entities assess whether the acquired operation is material, determine business definitions and outputs, and add an optional fair value concentration test.

The amendments have been applied to transactions that are either a business merger or the acquisition of assets whose acquisition date is on or after the beginning of the first annual reporting period that began on or after January 1, 2020. Thus, the bank has not had to reconsider these transactions that occurred on Earlier periods.

The applied amendments did not impact the Bank's consolidated financial statements.

Amendments to IAS (1) and IAS (8): Definition of "Material"

The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to, the Bank.

Amendments to IFRS (7) and IFRS (9) Interest Rate Benchmark Reform

Amendments to the interest rate standards of IFRS (9) and IFRS (7) include a number of reliefs that apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if it gives raise to uncertainty about the timing and / or amount of benchmark-based cash flows of the hedged item or hedging instrument. During the period prior to replacing the current interest rate standard with a risk-free rate (RFR). This may lead to uncertainty as to whether the prospective trade is likely and whether the future hedging relationship is effective.

The amendments are effective for financial periods beginning on or after January 1, 2020. The amendment must be done retrospectively. However, any hedging relationships that were previously canceled cannot be reinstated upon the request, and no hedging relationships can be assigned based on past experience.

After completing the first phase, the IASB shifts its focus to matters that may affect financial reporting when replacing the current interest rate standard with a RFR. This is referred to as the second phase of the IASB project.

The applied amendments did not impact the Bank's consolidated financial statements, and it is not expected that there will be any future impact on the Bank.

Amendments to IAS (19): amendment, curtailment or settlement of the plan

Amendments to IAS (19) clarify the accounting treatment when the plan's amendment, curtailment, or settlement occurs during the fiscal year. The amendments also clarify that the Bank must first determine any past service cost, profit or loss from settlement, without taking into account the impact of the asset ceiling. This amount is recognized in the consolidated income statement.

Then the effect on the asset ceiling is determined after modifying, reducing or settling the plan. Any change, except for amounts, is recognized in the net interest in the consolidated statement of comprehensive income.

The applied amendments did not impact the Bank's consolidated financial statements.

Amendments to IFRS (16): Covid-19 Related Rent Concessions

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. This relates to any reduction in lease payments which are originally due on or before 30 June 2021. 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.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. These amendments had no impact on the consolidated financial statements of the Bank.

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.

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

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

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

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

IBOR reform Phase 2

IBOR reform Phase 2, which will be effective on 1 January 2021, includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR) .

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis .IBOR reform Phase 2 provides temporary reliefs that allow the Bank's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Bank to amend hedge designations and hedge documentation.

This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and / or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. For the retrospective assessment of hedge effectiveness, the Bank may elect on a hedge by hedge basis to reset the cumulative fair value change to zero.

The Bank may designate an interest rate as a non-contractually specified, hedged risk component of changes in the fair value or cash flows of a hedged item, provided the interest rate risk component is separately identifiable, e.g., it is an established benchmark that is widely used in the market to price loans and derivatives. For new RFRs that are not yet an established benchmark, relief is provided from this requirement provided the Bank reasonably expects the RFR to become separately identifiable within 24 months.

For hedges of groups of items, the Bank is required to transfer to subgroups those instruments that reference RFRs. Any hedging relationships that prior to application of IBOR reform Phase 2, have been discontinued solely due to IBOR reform and meet the qualifying criteria for hedge accounting when IBOR reform Phase 2 is applied, must be reinstated upon initial application.

The bank did not early adopt the amendments as the uncertainty arising from the amendment does not affect the hedging relationships to the extent that the relationship is required to be terminated.

3.4 Summary of Significant Accounting Policies

Revenues recognition

The effective interest rate method

According to IFRS (9) Interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortized cost, financial instruments designated at 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

Fees income can be divided into the following two categories:

- Fees income earned from services that are provided over a certain period of time. Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and private wealth and asset management fees, custody and other management fees.
- Fee income forming an integral part of the corresponding financial instrument

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

Dividend income

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

Service and rent revenues

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

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.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the ECL requirements, starting from 1 January 2019.

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.

The calculation of ECLs

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

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

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

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery taking into consideration PMA instructions with regard to this matter.

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

Forborne and modified facilities and financing

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to the otherwise enforce collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties. 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.

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.

Repurchase and resale agreements

Purchased assets with corresponding commitment to sell at a specific future date are not recognized in the consolidated financial statements because the Bank has no control over such assets and the related risks and benefits are not transferred to the Bank upon occurrence. Payments related to these contracts are recoded under deposits with banks and other financial institutions or loans and advances in accordance with the nature of each case. The difference between the purchase price and resale price is recoded as interest revenue amortized over the life of the contract using the effective interest rate method.

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

A- Goodwill

- Goodwill is recorded at cost, and represents the excess amount paid to acquire or purchase the investment in an associate or a subsidiary on the date of the transaction over the fair value of the net assets of the associate or subsidiary at the acquisition date. Goodwill resulting from the investment in a subsidiary is recorded as a separate item as part of intangible assets, while goodwill resulting from the investment in an associated company constitutes part of the investment in that company.
- Goodwill is distributed over the cash generating units for the purpose of testing the impairment in its value.
- The value of goodwill is tested for impairment on the date of the consolidated financial statements. Good will value is reduced when there is evidence that its value has declined or the recoverable value of the cash generating units is less than book value. The decline in the values is recoded in the consolidated statement of income as impairment loss.

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

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

Cash flow hedges: It is the hedging of the risks of changes in cash flows of the current and expected assets and liabilities of the bank that have an impact on the consolidated income statement. If the conditions for an effective cash flow hedge apply, the gains or losses resulting from the change in the fair value of the hedging instrument are recorded in the items of other comprehensive income and transferred to the consolidated income statement in the period in which the hedged cash flow affects the consolidated statement of income.

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

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.

Derivatives held for trading purposes

The fair value of derivative financial instruments held for trading purposes is recognized in the consolidated statement of financial position, and the change in fair value is recorded in the consolidated statement of income.

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.

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 Palestinian Social Security Law (the law) was expected to be implemented during 2018, but it was suspended in accordance with a presidential decree dated January 28, 2019. The dialogue with the relevant parties will continue in order to reach a national consensus on the provisions of the law and its date of entry into force. The law requires employers to settle the end of service benefits for the periods preceding the application of the provisions of the Law.

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.

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.

The impact of the repercussions of Corona Virus (Covid 19) on the Bank:

The following are the most important of these explanations that had an impact on the Bank's consolidated financial statements:

1- Granting loans under a support program

The Bank granted goodwill loans as part of Palestine Monetary Authority / Corona Support Program for small and medium-sized and collected interest / returns at a rate of 3% according to the instructions of Palestine Monetary Authority.

2- The effect on expected credit losses

The impact of the Corona pandemic on the calculation of expected credit losses is explained in Note No. (52).

This was accompanied with some measures taken by the Palestinian government and Palestine Monetary Authority (which had an impact on the banking sector and the bank's business), the most important of which are:

- Allowing for postponement of facilities' installments for customers of the affected economic sectors, including companies and individuals, and allowing banks to postpone the installments of retail customers and conduct rescheduling / restructuring of customer debts on relaxed terms.
- Reducing the cost of financing Palestine Monetary Authority support program to finance and support developmental economic sectors.
- Supporting small and medium-sized companies through a financing program at 3% interest rates, in order to enable these companies to maintain their businesses and employees.
- Customers with returned checks for financial reasons were not included in the list of customers who are in default and were not charged with commissions.

These measures imposed by Palestine Monetary Authority affected the bank's business results for the fiscal year ending on December 31, 2020, as indicated in Note No. (52) related to the calculation of expected credit losses.

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 44)
- Capital management (note 47)

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.

Provision for expected credit losses (ECL)

Financial assets are assessed for impairment on the basis described in "impairment of financial assets".

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 and is consistent with the instructions of the PMA.

The Bank's policy of identifying the common elements to measure credit risk and ECL on an individual basis is based on:

- Retail portfolio: individual basis at facility/ country level (overdraft, overdrawn, and loans)
- Corporate 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.
- Restructuring and/or rescheduling on the customers' accounts/ facilities during the assessment period is considered as indicator for SICR.
- Instruments which are 30 days past due have experienced a significant increase in credit risk as per the standard rebuttable presumption.
- Government employees in Gaza.
- Two notches decrease in the financial assets rating.
- Overdraft that is overdue for more than 60 days.

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) and Stage (2) 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 the measurement of expected credit losses and the assessment to determine movement between stages will be consistent with the definition of default used for internal credit risk management purposes. IFRS (9) does not define default but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

- **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.

4. Cash and Balances with Palestine Monetary Authority

This item comprises the following:

	2020	2019
	U.S. $	U.S. $
Cash on hand *	140,732,166	118,322,063
Balances with PMA:		
Current and demand accounts	41,730,926	36,240,038
Statutory cash reserve	97,789,995	87,894,404
	280,253,087	242,456,505

- 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 account includes cash custodied at Aman Co. amounted to U.S. $ 4,784,845, and U.S. $ 2,957,153 as of December 31,2020, and 2019, respectively.

5. Balances at Banks and Financial Institutions

This item comprises the following:

	2020	2019
	U.S. $	U.S. $
Local banks and financial institutions:		
Deposits maturing within 3 months or less	-	38,085,423
	-	38,085,423
Foreign banks and financial institutions:		
Current and demand accounts	91,480,886	80,822,086
Deposits maturing within 3 months or less	56,215,210	72,844,311
	147,696,096	153,666,397
	147,696,096	191,751,820
Less: ECL allowance	(152,802)	(122,683)
	147,543,294	191,629,137

- Non-interest-bearing balances at banks and financial institutions as at December 31, 2020 and 2019 amounted to U.S. $ 91,480,886 and U.S. $ 80,022,086, respectively. In addition, balances at banks and financial institutions include swap deposits amounted U.S. $ 12,000,000 as at December 31, 2019.
- Restricted balances at banks and financial institutions as at December 31, 2020 and 2019 amounted to U.S. $ 19,548,808 and U.S. $ 688,215, respectively.

The movement on the gross carrying amount of the balances at banks and financial institutions as of December 31,2020, and 2019 is as follows:

	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

	2019			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	160,904,786	-	-	160,904,786
Net change during the year	30,847,034	-	-	30,847,034
Balance, ending of the year	191,751,820	-	-	191,751,820

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

	2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	122,683	-	-	122,683
Net ECL for the year	30,119	-	-	30,119
Balance, ending of the year	152,802	-	-	152,802

	2019			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	101,500	-	-	101,500
Net ECL for the year	21,183	-	-	21,183
Balance, ending of the year	122,683	-	-	122,683

6. Financial Assets at Fair Value Through Profit or Loss

This item comprises investment in shares of companies listed in Palestine Securities Exchange with a fair value of U.S. $ 84,740 and U.S. $ 86,340 as at December 31, 2020 and 2019, respectively.

7. Direct Credit Facilities

This item comprises the following:

	2020	2019
	U.S. $	U.S. $
Loans	792,229,631	710,934,624
Overdraft accounts	88,237,881	94,533,770
Discounted bills	8,517,726	15,962,641
	888,985,238	821,431,035
Suspended interests	(3,942,658)	(1,929,761)
Provision for expected credit losses	(38,074,106)	(30,355,559)
	846,968,474	789,145,715

- Loans are presented net of their related interest and commission received in advance which amounted to U.S. $ 1,395,252 and U.S. $ 1,860,713 as at December 31, 2020 and 2019, respectively.
- Non-performing direct credit facilities net of suspended interests and commissions according to PMA regulations as at December 31, 2020 and 2019 amounted to U.S. $53,817,385 and U.S. $ 43,222,535 representing (6.08%) and (5.27%) 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, 2020 and 2019 amounted to U.S. $ 40,019,140 and U.S. $ 35,433,851 representing (4.52%) and (4.32%) 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. $ 20,473,404 and U.S. $ 18,798,765 as at December 31, 2020 and 2019, respectively. The balance of impairment provision and suspended interest for defaulted accounts amounted to U.S. $ 10,216,715 and U.S. $ 9,395,912, respectively.
- Direct credit facilities granted to Palestine National Authority as at December 31, 2020 and 2019 amounted to U.S. $ 99,212,416 and U.S. $ 53,148,287 representing (11.16%) and (6.47%) of gross direct credit facilities, respectively.
- Credit facilities granted to non-residents amounted to U.S. $6,558,105 and U.S. $ 10,166,233 as at December 31, 2020 and 2019, respectively.
- The fair value of collaterals obtained in lieu of direct credit facilities amounted to U.S. $ 428,136,549 and U.S. $ 532,523,736 as at December 31, 2020 and 2019, respectively.

Suspended interest

Following is the movement on the suspended interest:

	2020	2019
	U.S. $	U.S. $
Balance, beginning of the year	1,929,761	773,872
Suspended interest during the year	2,730,552	1,329,917
Recovered suspended interest during the year	(592,726)	(116,665)
Suspended interest related to credit facilities being defaulted for more than 6 years.	(124,929)	(57,363)
Balance, end of the year	3,942,658	1,929,761

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

	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

	2019			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	602,214,668	92,179,089	24,533,365	718,927,122
Additions during the year	234,347,711	-	-	234,347,711
Paid during the year	(105,926,969)	(6,004,403)	(15,069,564)	(127,000,936)
Net of Remeasurement	(2,229,438)	(765,391)	(1,132,048)	(4,126,877)
Transfers to stage (1)	39,142,385	(36,766,824)	(2,375,561)	-
Transfers to stage (2)	(42,597,671)	43,234,667	(636,996)	-
Transfers to stage (3)	(19,534,739)	(13,414,946)	32,949,685	-
Write off	-	-	(715,985)	(715,985)
Balance, end of the year	705,415,947	78,462,192	37,552,896	821,431,035

Provision for Expected Credit Losses

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

	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	(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

	2019			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
As of January 1, 2019	2,268,979	4,967,540	13,113,226	20,349,745
Additions during the year	2,449,141	1,585,595	10,338,551	14,373,287
Recoveries	(1,120,122)	(486,975)	(3,572,434)	(5,179,531)
Transferred to stage (1)	2,010,518	(2,010,518)	-	-
Transferred to stage (2)	(219,185)	219,185	-	-
Transferred to stage (3)	(14,486)	(1,085,623)	1,100,109	-
Net change in ECL during the year	(233,774)	2,359,472	(1,100,109)	1,025,589
Defaulted direct credit facilities for more than 6 years	-	-	(598,414)	(598,414)
Foreign currency exchange differences	-	-	384,883	384,883
As of December 31, 2019	5,141,071	5,548,676	19,665,812	30,355,559

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:

	2020	2019
	U.S. $	U.S. $
Balance, beginning of the year	9,085,149	8,339,131
Transferred from On-Balance sheet provision	402,483	598,414
Recovered during the year	(296,384)	(393,832)
Additions	352,659	-
Foreign currency exchange differences	356,036	541,436
Balance, end of the year	9,899,943	9,085,149

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

	2020	2019
	U.S. $	U.S. $
Public sector	99,212,416	53,184,287
Real estate and construction	188,225,833	159,265,991
Lands	6,960,645	14,538,579
Manufacturing	199,939,140	229,047,984
Agriculture	36,464,870	36,585,900
Tourism	12,420,201	10,858,318
Transportation	2,148,364	3,054,719
Public Services sector	88,593,435	62,990,537
Financial services	42,375,605	52,467,150
Consumer commodities	199,846,107	183,259,706
Car financing	8,855,964	14,248,103
	885,042,580	819,501,274

8. Loans at fair value

The Bank signed a share sale agreement with the repurchase option on August 18, 2019, in which 3 million shares were purchased in the Investment Bank Public Shareholding Company Ltd. registered in Jordan under No. (173) at a price of JOD 1.2 per share for a total amounted to JOD 3.6 million (equivalent to U.S. $ 5,077,573).

The sale agreement states that the seller has the right to repurchase the shares at the aforementioned selling price (JOD 1.2) from the Bank during a period of three years from the date of signing the agreement. The Bank is not titled to dispose these shares unless the seller fails to implement certain conditions.

The above financial transaction did not result in the transfer of ownership and the risks inherent to the buyer due to the existence of the conditions of re-purchase option at the selling price (fixed price), and accordingly the Bank did not recognize the shares purchased in the consolidated statement of financial position but rather the amount paid as a loan at fair value at a fixed interest rate of 12%.

During the year, the Bank exercised the right to repurchase at fair value and settled the outstanding loan balance through the acquisition of the aforementioned shares. The Bank recognized these shares as financial assets at fair value through comprehensive income. This transaction resulted in a gain of U.S. $ 295,821 to the consolidated income statement.

9. Financial Assets at Fair Value Through Other Comprehensive Income

	2020	2019
	U.S. $	U.S. $
Quoted shares in Palestine Security Exchange	2,265,311	2,299,654
Quoted shares in foreign financial markets	10,716,632	5,087,265
Unquoted shares	915,713	802,336
	13,897,656	8,189,255

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

	2020	2019
	U.S. $	U.S. $
Balance, beginning of the year	(3,067,876)	(2,603,012)
Change in fair value through comprehensive income	(29,899)	(464,864)
Balance, end of the year	(3,097,775)	(3,067,876)

10. Financial Assets at Amortized Cost

Financial assets at amortized cost comprise the following:

	2020	2019
	U.S. $	U.S. $
Local unquoted bonds*	15,644,000	10,770,000
Foreign unquoted bonds**	17,104,370	7,231,311
	32,748,370	18,001,311
Provision for expected credit losses	(75,641)	(35,951)
	32,672,729	17,965,360

* Interest rates range between 3.75% and 5.50% and maturity within a period from one to four 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:

	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
Net change during the year	14,747,059	-	-	14,747,059
Balance, end of the year	32,748,370	-	-	32,748,370

	2019			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	18,534,945	-	-	18,534,945
Net change during the year	(533,634)	-	-	(533,634)
Balance, end of the year	18,001,311	-	-	18,001,311

The movement on provision for ECL of financial assets at amortized cost is as follows:

	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
Net expected credit losses for the year	39,690	-	-	39,690
As of December 31, 2020	75,641	-	-	75,641

	2019			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
As of January 1, 2019	81,933	-	-	81,933
Net expected credit losses for the year	(45,982)	-	-	(45,982)
As of December 31, 2019	35,951	-	-	35,951

11. Investment in an associate

	Ownership		Book Value	
	2020	2019	2020	2019
	%	%	U.S. $	U.S. $
Experts Turnkey Solution Co.	32%	35%	1,633,472	1,510,311
			1,633,472	1,510,311

* 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. $ 1,269,231.

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

	2020	2019
The financial position of the associate:	U.S. $	U.S. $
Total assets	5,881,435	5,363,044
Total liabilities	2,695,251	3,025,239
Total equity	3,186,184	2,337,805
Book value before adjustments	1,019,579	818,232
Adjustments	613,893	692,079
Book value after adjustments	1,633,472	1,510,311
Revenues and results of operations:		
Total Revenues	1,615,118	1,811,579
Net Profit	383,307	220,528
Other comprehensive income	-	-
Total comprehensive income	383,307	220,528
Bank's share	123,161	77,185

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

	2020	2019
	U.S. $	U.S. $
Balance, beginning of the year	1,510,311	1,433,126
Bank's share of results of the associate	123,161	77,185
Balance, end of the year	1,633,472	1,510,311

12. Property, Plant and Equipment

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

Following is the movement on property, plant and equipment as of December 31,2019:

2019	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	13,092,779	4,059,034	4,233,598	10,034,228	945,472	16,757,968	49,123,079
Additions and transfers from project in progress	-	-	141,172	1,554,164	189,354	755,872	2,640,562
Disposals	(4,269,200)	-	(46,386)	(617,567)	(201,403)	(695,028)	(5,829,584)
Balance, end of the year	8,823,579	4,059,034	4,328,384	10,970,825	933,423	16,818,812	45,934,057
Accumulated Depreciation							
Balance, beginning of the year	-	804,168	2,687,427	5,196,735	301,901	9,907,444	18,897,675
Depreciation for the year	-	81,179	334,311	882,294	119,815	1,294,290	2,711,889
Disposals	-	-	(24,453)	(548,742)	(153,771)	(516,757)	(1,243,723)
Balance, end of the year	-	885,347	2,997,285	5,530,287	267,945	10,684,977	20,365,841
Net book value December 31, 2019	8,823,579	3,173,687	1,331,099	5,440,538	665,478	6,133,835	25,568,216

13. Right of use assets

Following is the movement on the right of use assets:

	2020	2019
	U.S. $	U.S. $
Balance, beginning of the year	17,663,603	-
Impact of implementation IFRS (16)	-	18,463,559
Balance, beginning of the year - adjusted	17,663,603	18,463,559
Additions during the year	469,396	667,147
Amortization during the year	(1,454,178)	(1,467,103)
Disposals for the year	(1,111,044)	-
Balance, end of the year	15,567,777	17,663,603

14. 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:

	2020	2019
	U.S. $	U.S. $
Balance, beginning of the year	5,966,349	3,718,633
Additions	2,484,041	3,808,805
Transfers to property, plant and equipment (Note 12)	(802,203)	(1,561,089)
Balance, end of the year	7,648,187	5,966,349

As at December 31, 2020, the estimated cost to complete projects in progress amounted to U.S. $ 12,779,535. Projects are expected to be completed during the year 2022.

15. Intangible Assets

This item comprises the following:

	2020	2019
	U.S. $	U.S. $
Computer software	1,925,715	1,927,480
Goodwill*	1,582,769	1,976,209
	3,508,484	3,903,689

* 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:

	2020	2019
	U.S. $	U.S. $
Balance, beginning of year	3,903,689	4,775,700
Additions during the year	540,788	-
Amortization during the year	(935,993)	(872,011)
Balance, end of year	3,508,484	3,903,689

16. 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:

	2020	2019
	U.S. $	U.S. $
Balance, beginning of the year	2,702,144	1,066,727
Additions	1,084,284	1,635,417
Balance, end of the year	3,786,428	2,702,144

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

17. Other Assets

This item comprises the following:

	2020	2019
	U.S. $	U.S. $
Accrued interest and commissions	4,710,934	4,489,174
Clearing checks	3,721,525	6,705,998
Prepaid expenses	1,552,093	1,654,788
Payments to investment account	1,474,237	1,524,354
Positive derivative financial instruments	6,032,008	1,956,039
Assets obtained by the Bank by calling on collateral	642,513	803,141
Stationery and publications inventory	222,952	199,587
Other	619,006	449,169
	18,975,268	17,782,250
Less: Expected credit loss provision on other assets*	(485,312)	(485,312)
	18,489,956	17,296,938

The movement on expected credit loss provision is as follows:

	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
Net expected credit loss for the year	-	-	-	-
As of December 31, 2020	-	-	485,312	485,312

	2019			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
As of January 1, 2019	-	-	-	-
Net expected credit loss for the year	-	-	485,312	485,312
As of December 31, 2019	-	-	485,312	485,312

18. Palestine Monetary Authority's Deposits

	2020	2019
	U.S. $	U.S. $
Term deposits maturing within 3 months	49,690,103	29,999,949
Term deposits maturing in more than 3 months	36,832,641	57,858,651
	86,522,744	87,858,600

19. Banks' and Financial Institutions' Deposits

	2020	2019
	U.S. $	U.S. $
Local banks and financial institutions:		
Current and demand accounts	150,475	412,483
Deposits maturing within 3 months	2,000,000	18,999,479
	2,150,475	19,411,962
Foreign banks and financial institutions:		
Current and demand accounts	-	-
	-	-
	2,150,475	19,411,962

20. Customers' Deposits

This item comprises the following:

	2020	2019
	U.S. $	U.S. $
Current and demand accounts	347,245,959	280,997,990
Saving deposits	289,594,878	311,240,821
Time deposits	374,055,973	345,353,169
	1,010,896,810	937,591,980

- Public sector deposits amounted to U.S. $ 11,484,263 and U.S. $ 8,969,230 representing 1.14% and 0.96% of total deposits as at December 31, 2020 and 2019, respectively.
- Non-interest-bearing deposits amounted to U.S. $ 339,304,988and U.S. $ 277,461,844 representing 33.56% and 29,59% of total deposits as at December 31, 2020 and 2019, respectively.
- Dormant deposits amounted to U.S. $ 52,959,471 and U.S. $ 35,849,398 representing 5.24% and 3.82% of total deposits as at December 31, 2020 and 2019, respectively.
- Non-resident customers' deposits amounted to U.S. $ 21,362,867 and U.S. $ 29,940,469 as at December 31, 2020 and 2019, respectively.

21. Cash Margins

This item represents cash margins against:

	2020	2019
	U.S. $	U.S. $
Direct credit facilities	59,945,197	68,030,116
Indirect credit facilities	7,654,176	8,414,083
Others	21,516,468	17,128,938
	89,115,841	93,573,137

22. 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 111 international regulations. The outstanding balance amounted U.S. $ 13,000,000 and U.S. $ 15,000,000 as of December 31, 2020 and December 31, 2019, respectively.

During the year 2020 the bank obtained additional subordinated loan amounted to U.S. $ 1,000,000 with an annual interest rate of 5% and payable on five annual installments.

23. 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. $ 9,810,600 as of December 31, 2020.

24. Lease liabilities

Following is the movement on lease liabilities:

	2020 U.S. $	2019 U.S. $
Balance, beginning of the year	17,298,389	-
Impact of implementation IFRS (16)	-	17,786,404
Balance, beginning of the year adjusted	17,298,389	17,786,404
Additions	469,396	667,147
Disposals	(1,184,185)	-
Interest on lease liabilities during the year	532,807	573,208
Payments	(1,630,386)	(1,728,370)
Balance, end of the year	15,486,021	17,298,389

Including:

	2020 U.S. $	2019 U.S. $
Short-term Lease Liabilities	1,205,632	1,153,224
Long-term Lease Liabilities	14,280,389	16,145,165
	15,486,021	17,298,389

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 31,2020 and December 31, 2019 amounted to U.S. $ 274,827 and U.S. $ 338,008, respectively (note 37).

25. Taxes provisions

	2020	2019
	U.S. $	U.S. $
Balance, beginning of the year	3,364,323	1,952,704
Additions	5,074,277	4,712,345
Tax incentives discount	(271,215)	(205,977)
Excess from prior years' settlements	(756,761)	-
Payments and advances	(4,669,115)	(2,892,933)
Foreign currency differences	(402,387)	(201,816)
Balance, end of the year	2,339,122	3,364,323

During the year, the Bank reached a final settlement with both Income Tax and Value Added Tax departments on its results of operations for the year 2018.

The Bank submitted its tax declaration on the results of its operations for year 2019 on time and is following up the tax consultant on the final settlement.

Details of taxes provision are as follows:

	2020	2019
	U.S. $	U.S. $
Provision for the year	5,074,277	4,712,345
Deferred tax assets	(1,084,284)	(1,635,417)
Excess of prior years' provision	(756,761)	-
Discounts on tax advances	(271,215)	(205,977)
Income tax expense for the year	2,962,017	2,870,951

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

	2020	2019
	U.S. $	U.S. $
Value Added Tax		
Accounting profit	13,861,961	10,570,009
Profit subject to Value Added Tax	13,798,942	11,409,739
Value Added tax	1,903,302	1,573,757
Profit subject to income tax	9,558,880	6,345,494
Income Tax	1,108,832	951,824
Tax payable for the year	3,012,134	2,525,581
Tax provisions for the year	5,074,273	4,712,345
Effective tax rate	37%	45%

As at December 31, 2019, income tax and value added tax rates were %15 and %16, respectively. According to Law No. (4) for the year 2014, concerning the amendment of Law No. (8) for the year 2011 related to income taxes; income tax rate on profits resulted from financing small and medium enterprises equals to %10.

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

26. Sundry Provisions

The movement on sundry provisions was as follows:

	Balance, beginning of the year	Provided during the year	Paid during year	Balance, end of the year
	U.S. $	U.S. $	U.S. $	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
December 31, 2019				
Employees' end of service provision	5,956,200	1,494,541	(992,286)	6,458,455
Lawsuits provision	107,494	100,000	(71,400)	136,094
	6,063,694	1,594,541	(1,063,686)	6,594,549

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

	2020	2019
	U.S. $	U.S. $
Certified checks and incoming transfers	15,125,941	19,362,179
Negative derivative financial instruments	10,247,595	773,045
Accrued and not paid interests	5,259,926	4,316,256
Unearned commission income	2,484,159	3,297,277
Accounts payable	1,813,260	1,920,332
Accrued bonuses, incentives and expense	1,320,464	2,257,349
Temporary deposits	626,044	747,261
Dividends payable	602,871	393,021
Accrued Board of Directors bonuses	411,800	377,000
Provision for expected credit losses on indirect facilities (note 48)	330,522	230,590
Others	1,124,301	796,540
	39,346,883	34,470,850

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

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

	2019			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Gross exposure at beginning of the year	71,133,853	-	-	71,133,853
Net change during the year	17,777,108	-	-	17,777,108
Gross exposure at end of the year	88,910,961	-	-	88,910,961

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

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

	2019			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, as of January 1, 2019	142,267	-	-	142,267
Net expected credit losses for the year	88,323	-	-	88,323
Balance as of December 31, 2019	230,590	-	-	230,590

28. Dividends

The Bank's General Assembly, during its meeting held on April 12, 2020, approved 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.

The Bank's General Assembly, during its meeting held on April 21, 2019, approved an amount of U.S. $ 6,602,083 as stock dividends distribution, by capitalizing the additional paid-in capital and an amount of U.S.$ 4,679,958 as cash dividends.

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 and suspended interest 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.

Pro-cyclicality reserve

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:

	2020	2019
	U.S. $	U.S. $
Loans	45,509,540	45,592,146
Overdraft and overdrawn accounts	7,191,740	6,715,809
Balances at Banks and financial institutions	1,317,190	1,745,218
Credit cards	1,062,861	1,355,278
Financial assets at amortized cost	1,075,846	1,066,508
Discounted bills	754,622	848,130
Loans at fair value	-	204,356
	56,911,799	57,527,445

31. Interest Expense

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

	2020	2019
	U.S. $	U.S. $
Interest on customers' deposits		
Current and demand accounts	364,369	253,520
Time deposits	10,527,580	10,703,549
Saving accounts	781	739
	10,892,730	10,957,808
Cash Margins	1,019,401	709,897
Interest on PMA's deposits	1,625,582	943,727
Interest on subordinated loans	702,154	504,166
Interest on banks and financial institutions' deposits	212,683	575,242
	14,452,550	13,690,840

32. Net Commissions

This item comprises commissions against the following:

	2020	2019
	U.S. $	U.S. $
Commissions income:		
Direct credit facilities	3,693,329	3,777,617
Indirect credit facilities	940,991	931,491
Checks	978,888	1,264,771
Bank transfers	1,973,827	1,821,576
Accounts' management	2,615,672	2,617,117
Other banking services	297,062	406,170
	10,499,769	10,818,742
Commissions expense:		
Local banks and financial institutions	113,921	72,252
Foreign banks and financial institutions	461,026	419,396
Other commission expenses	986,953	939,333
	1,561,900	1,430,981
	8,937,869	9,387,761

33. Other Revenues, net

	2020	2019
	U.S. $	U.S. $
Check books revenue	245,189	330,236
Safe boxes rental	64,940	64,472
Postal, fax, telegram and telephone revenues	49,381	52,024
Loss on disposal of property, plant and equipment	(247,745)	(674,454)
Sundry	721,672	372,476
	833,437	144,754

34. Net Gains from Financial Assets

This item comprises the following:

	2020	2019
	U.S. $	U.S. $
Unrealized losses from revaluation of financial assets through profit or loss	(1,600)	(4,166)
Dividend from financial assets at fair value through other comprehensive income	152,464	349,403
Gain from revaluation of exercised repurchase option (Note 8)	295,821	-
Other	-	388
	446,685	345,625

35. Net remeasurement of expected credit losses

	2020 U.S. $	2019 U.S. $
Expected credit loss on direct credit facilities from stage (3)	9,728,209	10,338,551
Recovery on expected credit loss on direct credit facilities from stage (3)	(5,090,312)	(3,572,434)
Net additions and transfers of ECL on direct credit facilities between stage (1) and (2)	2,772,099	3,453,228
Expected credit loss on cash at banks and financial institutions	30,119	21,183
Loss (recovery) of expected credit loss on financial assets at amortized costs	39,690	(45,982)
Expected credit loss on indirect facility	99,932	88,323
Expected credit loss provision on other assets	-	485,312
Provision (Recovery) on expected credit loss on direct credit facilities for more than 6 years	56,274	(393,832)
	7,636,011	10,374,349

36. Personnel Expenses

	2020 U.S. $	2019 U.S. $
Salaries and related benefits	14,562,077	16,387,453
Value Added tax on salaries	2,336,760	2,423,980
Provision for employees' end of service	1,679,208	1,494,541
Medical expenses	938,566	784,872
Bank contribution to provident fund *	663,058	664,203
Travel and transportation	293,562	364,635
Training expenses	159,467	248,391
Clothing allowances	130,331	99,289
Employees' life insurance	81,656	96,649
Employees' vacations allowance	41,175	60,342
Other	9,451	4,044
	20,895,311	22,628,399

* 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

	2020 U.S. $	2019 U.S. $
Mail, phone and swift	1,741,187	1,663,949
Palestine Deposit Insurance Corporation Fees*	1,542,132	2,643,469
Maintenance and repairs	1,074,270	1,223,820
Software	978,648	798,000
Water, electricity and fuel	707,302	749,771
Donations and sponsorships**	668,722	925,322
Professional and legal fees	568,775	598,550
Board of Directors expenses and remuneration	551,009	505,555
Interest on lease liability	532,807	573,208
Fees, licenses and subscriptions	454,033	437,621
Services	441,396	378,211
Cleaning expenses	419,645	403,732
Advertising and publicity	286,039	362,330
PMA clearance room expenses	374,410	480,471
Stationery, printing and checkbooks	344,389	375,204
Rents	274,827	338,008
Insurance fees	260,350	233,349
Fees and taxes	233,634	204,232
Vehicle and transportation expenses	151,773	174,602
Lawsuits provision	100,000	100,000
Hospitality	96,417	121,722
Meetings expenses	92,822	234,741
Other	227,576	70,865
	12,122,163	13,596,732

* Banks must accrue an annual subscription fee for Palestine Deposit Insurance Corporation (PDIC) 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 November 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.

** 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 6.14% of net profit for the year 2020 and 12.02% for the year 2019.

38. Basic and Diluted Earnings Per Share

	2020	2019
	U.S. $	
Profit for the year attributable to shareholders of the Bank	10,897,868	7,699,058
	Shares	
Weighted average of subscribed shares	93,172,750	93,172,750
	U.S. $	U.S. $
Basic and diluted earnings per share attributable to shareholders of the Bank	0.12	0.08

39. Cash and Cash Equivalents

	2020 U.S. $	2019 U.S. $
Cash and balances with PMA	280,253,087	242,456,505
Add: Balances at banks and financial institutions	147,696,096	191,751,820
Less: Balances at banks and financial institutions maturing within 3 months	(51,840,578)	(49,411,911)
Statutory cash reserve	(97,789,995)	(87,894,404)
	278,318,610	296,902,010

40. Related Party Transactions

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

	Nature of relationship	2020 U.S. $	2019 U.S. $
Statement of consolidated financial position items:			
Direct credit facilities	Board of Directors and Executive Management*	7,572,169	5,976,954
Direct credit facilities	Shareholders and their related parties*	21,641,406	21,800,716
Deposits	Shareholders and their related parties*	2,650,772	1,423,267
Deposits	Shareholders and their related parties*	5,911,205	2,531,203
Board of Directors remunerations	Shareholders and their related parties*	411,800	377,000
Indirect credit facilities	Shareholders and their related parties*	64,343	54,887
Indirect credit facilities	Shareholders and their related parties*	1,108,759	342,835
Consolidated income statement items:			
Interest and commission income	Board of Directors and Executive Management*	192,418	313,082
Interest and commission income	Shareholders and their related parties*	1,075,440	1,251,304
Interest and commission expense	Board of Directors and Executive Management*	13,028	19,218
Interest and commission expense	Shareholders and their related parties*	83,555	28,184
Board of Directors expenses and remunerations**	Board of Directors and Executive Management*	516,209	505,555
Salaries and related expenses	Board of Directors and Executive Management*	1,834,283	1,751,545

* 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, 2020 and 2019 represent 3.45% and 3.52%, 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.

- Net direct credit facilities granted to related parties as at December 31, 2020 and 2019 represent 21.14% and 21.90% respectively, from the Bank's regulatory capital.
- Interest on U.S. $ direct credit facilities for related parties ranges between 3% to 8.5%.
- 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 board of directors' remuneration of Quds Bank in the amount of U.S. $ 377,000 for the years 2020 and 2019.

Following are the details of board of directors' remuneration for December 31, 2020 and 2019:

	2020	2019
	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

41. Fair Value Measurement

The following table provides the quantitative fair value measurement hierarchy of the Bank's assets and liabilities as of December 31, 2020 and December 31, 2019, respectively:

			Measurement of fair value by		
December 31,2020		Total	Quoted prices in active markets (Level 1)	Significant observable input (Level 2)	Significant non-observable inputs (Level 3)
	Date of evaluation	U.S. $	U.S. $	U.S. $	U.S. $
Financial assets 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 9):					
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
Financial assets accounted for in its fair value:					
Financial assets at amortized cost (note 10):					
Unquoted- Foreign bonds	December 31, 2020	17,056,420	-	-	17,056,420
Unquoted- Local bonds	December 31, 2020	15,616,309	-	-	15,616,309

December 31,2019	Date of evaluation	Total	Measurement of fair value by: Quoted prices in active markets (Level 1)	Significant observable input (Level 2)	Significant non-observable inputs (Level 3)
		U.S. $	U.S. $	U.S. $	U.S. $
Financial assets at fair value					
Financial assets at fair value through profit or loss (note 6):					
Quoted- Palestine Stock Exchange	December 31, 2019	86,340	86,340	-	-
Financial assets at fair value through other comprehensive income (note 9):					
Quoted- Palestine Stock Exchange	December 31, 2019	2,299,654	2,299,654	-	-
Quoted- Foreign market	December 31, 2019	5,087,265	5,087,265	-	-
Unquoted	December 31, 2019	802,336	-	-	802,336
Financial assets accounted for in its fair value:					
Financial assets at amortized cost (note 10):					
Unquoted- Foreign bonds	December 31, 2019	7,231,311	-	-	7,231,311
Unquoted- Local bonds	December 31, 2019	10,734,049	-	-	10,734,049

The Bank has not made any transfers between the above levels during 2020 and 2019.

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, 2020 and 2019:

	Carrying amount		Fair value	
	2020	2019	2020	2019
	U.S. $	U.S. $	U.S. $	U.S. $
Financial assets				
Cash and balances with PMA	280,253,087	242,456,505	280,253,087	242,456,505
Balances at banks and financial institutions	147,543,294	191,629,137	147,543,294	191,629,137
Financial assets at fair value through profit or loss	84,740	86,340	84,740	86,340
Direct credit facilities	846,968,474	789,145,715	846,968,474	789,145,715
Loans at fair value	-	5,077,573	-	5,077,573
Financial assets at fair value through other comprehensive income:				
Quoted stocks	12,981,943	7,386,919	12,981,943	7,386,919
Unquoted stocks	915,713	802,336	915,713	802,336
Financial assets at amortized cost:				
Unquoted -Foreign bonds	15,616,309	10,734,049	15,616,309	10,734,049
Unquoted -local bonds	17,056,420	7,231,311	17,056,420	7,231,311
Other financial assets	14,464,467	13,151,211	14,464,467	13,151,211
Total assets	1,335,884,447	1,267,701,096	1,335,884,447	1,267,701,096
Financial liabilities				
Palestine Monetary Authority's deposits	86,522,744	87,858,600	86,522,744	87,858,600
Banks and financial institutions' Deposits	2,150,475	19,411,962	2,150,475	19,411,962
Customers' deposits	1,010,896,810	937,591,980	1,010,896,810	937,591,980
Cash margins	89,115,841	93,573,137	89,115,841	93,573,137
Subordinated loan	13,000,000	15,000,000	13,000,000	15,000,000
Istidama loans from Palestine Monetary Authority	9,810,600	-	9,810,600	-
Leased Liabilities	15,486,021	17,298,389	15,486,021	17,298,389
Other financial liabilities	36,532,202	30,942,983	36,532,202	30,942,983
Total liabilities	1,263,514,693	1,201,677,051	1,263,514,693	1,201,677,051

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, due to banks and financial institutions, some customers' deposits, some 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, 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, 2020.

42. Concentration of Assets and Liabilities

	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	15,593,316	17,079,413	-	-	-	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	1,195,193,037	77,900,460	39,322,880	43,364,630	41,101,664	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	40,209,986	-	-	-	-	40,209,986
	95,894,997	-	-	-	-	95,894,997

	2019					
	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	242,456,505	-	-	-	-	242,456,505
Balances at banks and financial institutions	79,232,109	51,724,976	46,164,125	14,507,927	-	191,629,137
Financial assets at fair value through profit or loss	86,340	-	-	-	-	86,340
Direct credit facilities	784,068,141	5,077,574	-	-	-	789,145,715
Loans at on fair value	-	5,077,573	-	-	-	5,077,573
Financial assets at fair value through other comprehensive income	3,101,989	3,587,212	-	-	1,500,054	8,189,255
Financial assets at amortized cost	10,734,049	7,231,311	-	-	-	17,965,360
Investment in an associate	1,510,311	-	-	-	-	1,510,311
Property, plant and equipment	25,568,216	-	-	-	-	25,568,216
Right of use assets	17,663,603	-	-	-	-	17,663,603
Projects in progress	5,966,349	-	-	-	-	5,966,349
Intangible assets	3,903,689	-	-	-	-	3,903,689
Deferred tax assets	2,702,144	-	-	-	-	2,702,144
Other assets	17,296,938	-	-	-	-	17,296,938
Total Assets	1,194,290,383	72,698,646	46,164,125	14,507,927	1,500,054	1,329,161,135
Palestine Monetary Authority's deposits	87,858,600	-	-	-	-	87,858,600
Banks' and financial institutions' deposits	19,411,962	-	-	-	-	19,411,962
Customers' deposits	937,591,980	-	-	-	-	937,591,980
Cash Margins	93,573,137	-	-	-	-	93,573,137
Subordinated loans	15,000,000	-	-	-	-	15,000,000
Lease liabilities	17,298,389	-	-	-	-	17,298,389
Taxes provisions	3,364,323	-	-	-	-	3,364,323
Sundry provisions	6,594,549	-	-	-	-	6,594,549
Other liabilities	34,470,850	-	-	-	-	34,470,850
Total Liabilities	1,215,163,790	-	-	-	-	1,215,163,790
Paid-in share capital	90,172,750	-	-	-	-	90,172,750
Statutory reserve	8,377,658	-	-	-	-	8,377,658
General banking risks reserve	3,182,400	-	-	-	-	3,182,400
Pro-cyclicality reserve	4,757,269	-	-	-	-	4,757,269
Fair value reserve	(3,067,876)	-	-	-	-	3,067,876-
Retained earnings	10,575,144	-	-	-	-	10,575,144
Net equity holders of the Bank	113,997,345	-	-	-	-	113,997,345
Total liabilities and equity	1,329,161,135	-	-	-	-	1,329,161,135
Items out of consolidated financial position:						
Letter of Guarantees	47,909,250	-	-	-	-	47,909,250
Letter of Credit	9,237,058	-	-	-	-	9,237,058
Unutilized credit facilities limits	26,972,828	-	-	-	-	26,972,828
	84,119,136	-	-	-	-	84,119,136

43. Derivative Financial Instruments

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

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

December 31,2019	Positive Fair Value	Negative Fair Value	Nominal value maturity
	U.S. $	U.S. $	U.S. $
Currency sale contract	1,956,039	-	239,987,232
Currency purchase contract	-	773,045	239,214,187

44. 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):

	2020	2019
	U.S. $	U.S. $
Consolidated statement of financial position items		
Cash and balances with Palestine Monetary Authority	280,253,087	242,456,505
Balances at banks and financial institutions	147,543,294	191,629,137
Loans at fair value	-	5,077,573
Direct credit facilities	846,968,474	789,145,715
Financial assets at amortized cost	32,672,729	17,965,360
Other financial assets	14,464,467	13,151,211
	1,321,902,051	1,259,425,501
Commitments and contingencies		
Letters of guarantees	47,284,506	47,909,250
Letters of credit	8,400,505	9,237,058
Acceptances	1,036,234	4,791,826
Unutilized credit facilities limits	72,699,404	26,972,828
	129,420,649	88,910,961

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

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

December 31,2019	Retail	Corporate	Government and Public sector	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Low risk	198,116,009	445,045,898	53,148,287	696,310,194
Acceptable risk	63,496,626	16,092,582	-	79,589,208
Watchlist	3,183,549	4,795,188	-	7,978,737
Non-performing:				
Substandard	1,549,839	11,098,268	-	12,648,107
Doubtful	3,180,337	3,805,448	-	6,985,785
Defaulted	5,926,309	11,992,695	-	17,919,004
Total	275,452,669	492,830,079	53,148,287	821,431,035
Suspended Interest	(1,009,539)	(920,22)	-	(1,929,761)
Expected credit loss	(14,440,036)	(15,108,105)	(807,418)	(30,355,559)
	260,003,094	476,801,752	52,340,869	789,145,715

3. **Following is the Fair value of collaterals obtained against total credit exposures as of December 31,2020 and 2019:**

		Fair value of collaterals							
2020	Total value of exposure U.S. $	Cash margins U.S. $	Real estate U.S. $	Quoted stocks U.S. $	Vehicles and equipment U.S. $	Other U.S. $	Total value of collaterals U.S. $	Net Exposure after collaterals U.S. $	Expected credit loss 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	152,801
Credit facilities:									
Retail	299,973,136	34,233,455	46,819,998	4,545	21,160,145	101,695	102,319,838	197,653,298	17,258,625
Medium and small corporate	206,116,529	35,678,702	80,711,762	8,898,835	7,198,621	4,612,499	137,100,419	69,016,110	15,111,393
Large corporate	283,683,158	19,203,684	78,446,365	45,292,557	43,936,069	1,837,617	188,716,292	94,966,866	4,327,557
Government and public sector	99,212,415	-	-	-	-	-	-	99,212,415	1,376,531
Financial assets at amortized cost	32,748,370	-	-	-	-	-	-	32,748,370	75,641
Total	1,349,682,791	89,115,841	205,978,125	54,195,937	72,294,835	6,551,811	428,136,549	921,546,242	38,302,548
Credit exposure related									
Off-balance Sheet items	95,844,997	-	-	-	-	-	-	95,844,997	99,932

2019	Total value of exposure U.S. $	Fair value of collaterals: Cash margins U.S. $	Real estate U.S. $	Quoted stocks U.S. $	Vehicles and equipment U.S. $	Other U.S. $	Total value of collaterals U.S. $	Net Exposure after collaterals U.S. $	Expected credit loss U.S. $
Credit exposures related to items in the statement of financial position:									
Balances at banks and financial institutions	434,085,642	-	-	-	-	-	-	434,085,642	122,683
Credit facilities:									
Retail	275,452,669	32,340,384	48,028,190	19,545	25,968,295	94,407	106,450,821	169,001,848	14,439,412
Medium and small corporate	217,370,646	31,799,640	159,628,835	8,991,868	21,192,595	3,884,872	225,497,810	8,127,164-	11,146,650
Large corporate	275,459,433	12,722,465	123,040,779	52,547,225	-	1,145,285	189,455,754	86,003,679	3,961,455
Government and public sector	53,148,287	3,966,981	4,410,482	2,741,888	-	-	11,119,351	42,028,936	807,418
Financial assets at amortized cost	17,965,360	-	-	-	-	-	-	17,965,360	35,951
Other financial assets	8,275,595	-	-	-	-	-	-	8,275,595	-
Total	1,281,757,632	80,829,470	335,108,286	64,300,526	47,160,890	5,124,564	532,523,736	749,233,896	30,513,569
Credit exposure related									
Off-balance Sheet items	88,910,962	-					-	-	30,744,159

4. **Following is Fair value of collaterals obtained against Stage (3) credit exposures as of December 31,2020 and 2019:**

2020	Total value of exposure	Fair value of collaterals					Total value of collaterals	Net Exposure after collaterals	Expected credit loss
		Cash margins	Precious metals	Real estate	Quoted stocks	Vehicles and equipment			
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Credit exposures related to items in the 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	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

2019	Total value of exposure	Fair value of collaterals					Total value of collaterals	Net Exposure after collaterals	Expected credit loss
		Cash margins	Precious metals	Real estate	Quoted stocks	Vehicles and equipment			
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Credit exposures related to items in the statement of financial position:									
Credit facilities:									
Retail	14,774,590	327,083	-	1,049,074	-	575,634	1,951,791	12,822,799	9,849,210
Corporate	22,778,306	503,262	-	10,779,619	-	318,707	11,601,588	11,176,718	9,816,602
Total	37,552,896	830,345	-	11,828,693	-	894,341	13,553,379	23,999,517	19,665,812

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

Risk exposure is allocated based on geographic area as follows:

	Palestine	Jordan	Israel	Others	Total
December 31, 2020	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Cash and balances with PMA and financial institutions	308,203,939	36,904,932	28,103,654	54,583,856	427,796,381
Direct credit facilities	792,667,336	14,454,509	-	39,846,629	846,968,474
Financial assets at amortized cost	15,593,316	17,079,413	-	-	32,672,729
Other financial assets	8,432,459	-	-	6,032,008	14,464,467
Total as at December 31, 2020	1,124,897,050	68,438,854	28,103,654	100,462,493	1,321,902,051
Total as at December 31, 2019	1,088,467,658	63,025,322	41,257,764	61,597,184	1,252,129,604
Items out of consolidated financial position:					
Letter of Guarantee	47,284,506	-	-	-	47,284,506
Letter of credit	8,400,505	-	-	-	8,400,505
Unutilized credit facilities limits	40,209,986	-	-	-	40,209,986
Total as at December 31, 2020	95,894,997	-	-	-	95,894,997
Total as at December 31, 2019	84,119,136	-	-	-	84,119,136

6. **Concentration of risk exposures according to IFRS (9) Stages as of December 31, 2020 and 2019 is as follows:**

	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

	Stage (1)	Stage (2)	Stage (3)	2019
	U.S. $	U.S. $	U.S. $	U.S. $
Palestine	974,382,331	78,462,192	35,623,135	1,088,467,658
Jordan	63,025,322	-	-	63,025,322
Israel	41,257,764	-	-	41,257,764
Others	61,597,184	-	-	61,597,184
Total	1,140,262,601	78,462,192	35,623,135	1,254,347,928

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	-	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	-	-	-	-	-	13,982,396	-	-	13,982,396
December 31, 2020	99,212,416	486,229,328	199,939,140	189,224,911	12,420,201	23,816,948	15,616,309	294,960,727	1,321,419,980

	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	-	124,134,442	-	-	-	-	-	-	124,134,442
Balances at banks and financial institutions	-	191,629,137	-	-	-	-	-	-	191,629,137
Direct credit facilities	53,148,287	57,262,636	164,668,425	159,265,991	75,237,877	47,389,577	-	264,458,242	821,431,035
Loans with a repurchase option on fair value	-	5,077,573	-	-	-	-	-	-	5,077,573
Financial assets at amortized cost	-	17,965,360	-	-	-	-	-	-	17,965,360
Other financial assets	-	-	-	-	-	-	-	13,151,211	13,151,211
December 31, 2019	53,148,287	396,069,148	164,668,425	159,265,991	75,237,877	47,389,577	-	277,609,453	1,173,388,758

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, 2020:

Economic variables	ECL scenario	Assigned probabilities	Percentage change in economic variables (%)	Percentage change in economic variables (%)	Percentage change in economic variables (%)	Percentage change in economic variables (%)	Percentage change in economic variables (%)	Percentage change in economic variables (%)
		(%)	2020	2021	2022	2023	2024	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

Following are the macroeconomic factors impact on the forward-looking information based on multiple scenarios as at December 31, 2019:

Economic variables	ECL scenario	Assigned probabilities	Percentage change in economic variables (%)	Percentage change in economic variables (%)	Percentage change in economic variables (%)	Percentage change in economic variables (%)	Percentage change in economic variables (%)	Percentage change in economic variables (%)
		(%)	2019	2020	2021	2022	2023	2024
GDP								
	Base case	80	1	(0,8)	(0,8)	(0,8)	(0,8)	(0,8)
	Best case	10	1	0,58	0,58	0,58	0,58	0,58
	Worst case	10	1	(2,18)	(2,18)	(2,18)	(2,18)	(2,18)
Unemployment rates								
	Base case	80	(1,53)	(2,71)	(2,71)	(2,71)	(2,71)	(2,71)
	Best case	10	(1,53)	(4,59)	(4,59)	(4,59)	(4,59)	(4,59)
	Worst case	10	(1,53)	(0,83)	(0,83)	(0,83)	(0,83)	(0,83)

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:

	2020	2019
	Financial assets at amortized cost	Financial assets at amortized cost
Credit Rating	U.S. $	U.S. $
Private Sector:		
A- to AAA	-	-
B- to BBB+	-	-
C to CCC	-	-
Unrated	32,748,370	18,001,311
Total	32,748,370	18,001,311

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:

	2020		2019	
	Increase in interest rate	Interest income sensitivity (consolidated income statement)	Increase in interest rate	Interest income sensitivity (consolidated income statement)
Currency	(basis points)	U.S. $	(basis points)	U.S. $
US Dollar	10	(105,320)	10	(518,146)
New Israeli Shekels	10	(2,712,864)	10	(1,511,517)
Jordanian Dinar	10	(362,384)	10	(126,282)
Other currencies	10	(33,561)	10	(147,899)

Interest rate re-pricing sensitivity gap

December 31, 2020	Interest rate re-pricing sensitivity gap							
	Up to 1 Month U.S. $	More than 1 month to 3 months U.S. $	More than 3 months to 6 months U.S. $	More than 6 months to 1 year U.S. $	More than 1 year to 3 year U.S. $	More than 3 years U.S. $	Non-interest bearing items U.S. $	Total 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	34,755,178	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	120,538,923
Cumulative gap	(298,854,854)	(467,484,671)	(647,139,264)	(785,344,291)	(608,412,307)	(220,654,921)	-	-

December 31, 2019	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	-	-	-	-	-	-	242,456,505	242,456,505
Balances at banks and financial institutions	80,542,977	30,264,071	-	-	-	-	80,822,089	191,629,137
Financial assets at fair value through profit or loss	-	-	-	-	-	-	86,340	86,340
Direct credit facilities	592,024,747	34,107,121	43,670,027	58,512,561	37,235,579	23,595,680	-	789,145,715
Financial assets at fair value through other comprehensive income	-	-	-	-	5,077,573	-	-	5,077,573
Financial assets at amortized cost	-	-	-	-	-	-	8,189,255	8,189,255
Investment in associates	-	4,231,311	-	-	10,734,048	3,000,001	-	17,965,360
Property, plant and equipment	-	-	-	-	-	-	1,510,311	1,510,311
Right-of-use assets	-	-	-	-	-	-	25,568,216	25,568,216
Projects in progress	-	-	-	-	-	-	17,663,603	17,663,603
Intangible assets	-	-	-	-	-	-	5,966,349	5,966,349
Deferred tax asset	-	-	-	-	-	-	3,903,689	3,903,689
Other assets	-	-	-	-	-	-	2,702,144	2,702,144
Total Assets	-	-	-	-	-	-	17,296,938	17,296,938
Liabilities	672,567,724	68,602,503	43,670,027	58,512,561	53,047,200	26,595,681	406,165,439	1,329,161,135
Palestine Monetary Authority's deposits								
Banks and financial institutions' deposits	30,000,000	-	-	-	57,858,600	-	-	87,858,600
Customers' deposits	5,641,748	13,357,731	-	-	-	-	412,483	19,411,962
Cash margins	717,478,321	66,045,643	44,383,284	94,906,839	10,515,946	4,261,947	-	937,591,980
Subordinated loan	10,749,980	6,878,089	9,615,333	16,137,405	23,374,204	26,818,126	-	93,573,137
Istidama loans from Palestine Monetary Authority	-	-	-	-	-	15,000,000	-	15,000,000
Lease liability	-	-	-	-	-	17,298,389	-	17,298,389
Tax provisions	-	-	-	-	-	-	3,364,323	3,364,323
Sundry provision	-	-	-	-	-	-	6,594,549	6,594,549
Other liabilities	-	-	-	-	-	-	34,470,850	34,470,850
Total Liabilities	763,870,049	86,281,463	53,998,617	111,044,244	91,748,750	63,378,462	44,842,205	1,215,163,790
Equity								
Paid-in share capital	-	-	-	-	-	-	90,172,750	90,172,750
Statutory reserve	-	-	-	-	-	-	8,377,658	8,377,658
General banking risks reserve	-	-	-	-	-	-	3,182,400	3,182,400
Pro-cyclicality reserve	-	-	-	-	-	-	4,757,269	4,757,269
Fair value reserve	-	-	-	-	-	-	(3,067,876)	(3,067,876)
Retained earnings	-	-	-	-	-	-	10,575,144	10,575,144
Total equity holders of the Bank	-	-	-	-	-	-	113,997,345	113,997,345
Non-controlling interests	-	-	-	-	-	-	-	-
Total Equity	-	-	-	-	-	-	113,997,345	113,997,345
Total liabilities and equity	763,870,049	86,281,463	53,998,617	111,044,244	91,748,750	63,378,462	158,839,550	1,329,161,135
Interest rate re-pricing sensitivity gap	(91,302,325)	(17,678,960)	(10,328,590)	(52,531,683)	(38,701,550)	(36,782,781)	247,325,889	113,997,345
Cumulative gap	(91,302,325)	(108,981,285)	(119,309,875)	(171,841,558)	(210,543,108)	(247,325,889)	-	-

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:

	2020			2019		
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	4,237	-	5	4,317	-
Financial assets through other comprehensive income	5	-	649,097	5	-	369,346

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:

	2020		2019	
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	584,926	10	1,486,869
Other currencies	10	(112,941)	10	154,438

Following is the foreign currencies position of the Bank:

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
Consolidated statement of financial position concentration	(70,991,296)	(8,262,664)	183,438,065	14,898,673	1,456,145	120,538,923
Contingent liabilities outside the financial position	328,120,494	128,071	(183,783,666)	(14,830,387)	(213,863)	129,420,649

December 31, 2019	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	70,403,908	29,420,411	138,191,702	4,440,484	-	242,456,505
Balances at banks and financial institutions	27,422,747	47,305,470	85,729,285	21,032,041	10,139,594	191,629,137
Financial assets at fair value through profit or loss	25,599	60,741	-	-	-	86,340
Direct credit facilities	310,844,694	104,804,957	366,395,047	7,101,017	-	789,145,715
Financial assets at fair value through other comprehensive Income	-	5,077,573	-	-	-	5,077,573
Financial assets at amortized cost	1,573,923	5,201,452	-	-	1,413,880	8,189,255
Investment in an associate	13,734,049	4,231,311	-	-	-	17,965,360
Property, plant and equipment	1,510,311	-	-	-	-	1,510,311
Right of use assets	24,842,972	485,824	101,854	137,566	-	25,568,216
Projects in progress	12,333,581	5,222,811	107,211	-	-	17,663,603
Intangible assets	5,966,349	-	-	-	-	5,966,349
Deferred tax assets	3,877,830	25,859	-	-	-	3,903,689
Other assets	2,702,144	-	-	-	-	2,702,144
Total Assets	(3,937,379)	8,301,820	12,900,756	28,458	3,283	17,296,938
Liabilities	471,300,728	210,138,229	603,425,855	32,739,566	11,556,757	1,329,161,135
Palestine Monetary Authority's deposits						
Banks and financial institutions' deposits	30,000,000	-	57,858,600	-	-	87,858,600
Customers' deposits	7,011,221	11,988,715	411,350	667	9	19,411,962
Cash margins	394,387,351	164,496,156	351,617,812	23,502,907	3,587,754	937,591,980
Subordinated loans	41,559,091	21,905,501	29,276,616	760,814	71,115	93,573,137
Istidama loans from Palestine Monetary Authority	15,000,000	-	-	-	-	15,000,000
Lease liabilities	12,633,763	4,630,226	34,400	-	-	17,298,389
Taxes provisions	3,158,346	-	205,977	-	-	3,364,323
Sundry provisions	6,587,055	7,494	-	-	-	6,594,549
Other liabilities	8,795,921	9,411,501	15,334,191	929,188	49	34,470,850
Total Liabilities	519,132,748	212,439,593	454,738,946	25,193,576	3,658,927	1,215,163,790
Consolidated statement of financial position concentration	(47,832,020)	(2,301,364)	148,686,909	7,545,990	7,897,830	113,997,345
Contingent liabilities outside the financial position	(178,547,331)	-	282,152,454	6,151,522	(20,845,683)	88,910,962

III. Liquidity risk

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

The table below summarizes the assets and liabilities on the basis of the remaining contractual maturities as of the date of consolidated financial statements:

December 31, 2020	Up to 1 Month U.S. $	More than 1 month to 3 months U.S. $	More than 3 months to 6 months U.S. $	More than 6 months up to 1 year U.S. $	More than 1 year to 3 years U.S. $	More than 3 years U.S. $	Without maturity U.S. $	Total 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	1,408,786	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	201,232,082	206,800,336	176,748,743	11,836,963	10,014,374	1,328,556,166

December 31, 2019	Up to 1 Month U.S. $	More than 1 month to 3 months U.S. $	More than 3 months to 6 months U.S. $	More than 6 months up to 1 year U.S. $	More than 1 year to 3 years U.S. $	More than 3 years U.S. $	Without maturity U.S. $	Total U.S. $
Liabilities								
Palestine Monetary Authority's deposits	30,003,242	-	-	-	59,339,994	-	-	89,343,236
Banks and financial institutions' deposits	6,237,992	13,762,655	-	-	-	-	-	20,000,647
Customers' deposits	316,816,721	201,290,497	166,006,874	175,981,459	89,630,523	4,368,497	-	954,094,570
Cash margins	36,604,954	18,886,058	16,053,150	13,340,243	9,871,607	-	-	94,756,011
Other liabilities	34,470,850	-	-	-	-	-	-	34,470,850
Subordinated loan	312,500	625,000	937,500	1,875,000	7,500,000	7,500,000	-	18,750,000
Sundry provisions	-	-	-	-	-	-	6,594,549	6,594,549
Tax provision	-	-	-	-	-	-	3,364,323	3,364,323
Lease liabilities	31,977	63,955	1,297,934	1,577,470	1,913,354	13,019,143	-	17,903,833
Total liabilities	424,478,236	234,628,165	184,295,458	196,138,495	168,255,477	24,887,640	9,958,872	1,242,642,342

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, 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:		
A- Stable deposits	342,663,526	17,133,176
B- Less stable deposits	315,645,574	39,701,988
Other deposits and other unguaranteed facilities for companies:		
A- Operating deposits	-	-
B- Non-operating deposits	311,551,757	144,438,915
Guaranteed financing and deposits		
Cash flows from derivative contracts:		
A- Cash flows related to net exposure on derivatives	96,023,508	96,023,508
B- 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	218,321,795
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%

The table below shows the calculation of the mentioned ratio as at December 31, 2019:

	Amount before discount rates / average flows	Amount after discount rates / average flows
	U.S. $	U.S. $
High quality liquid assets		242,498,821
Retail deposits including small and medium corporates:		
C- Stable deposits	320,494,515	16,024,726
D- Less stable deposits	263,286,826	32,339,600
Other deposits and other unguaranteed facilities for companies:		
C- Operating deposits	-	-
D- Non-operating deposits	309,257,371	153,253,537
Guaranteed financing and deposits		
Cash flows from derivative contracts:		
C- Cash flows related to net exposure on derivatives	70,602,915	70,602,915
D- Cash flows related to Collaterals on contracts	-	-
Non-cancelled credit lines and required liquidity within 30 days	27,461,582	14,220,301
Gross cash outflows		289,513,548
Guaranteed credit facilities		
Cash inflow from working credit	33,266,927	16,633,464
Other cash inflows	70,602,915	70,602,915
Gross cash inflow	274,008,937	254,780,857
Net cash outflow after adjustments		72,378,387
Total high quality liquid assets after adjustments		242,498,821
Net cash outflow after adjustment		72,378,387
Liquidity Coverage Ratio as of December 31,2019		%335

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, 2020:

	2020
	U.S. $
Regulatory capital	141,143,592
Stable deposits-small and medium corporation	329,157,300
Stable deposits -small and medium corporation	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

The table below shows the calculation of the mentioned ratio as at December 31, 2019:

	2019
	U.S. $
Regulatory capital	129,918,225
Stable deposits-small and medium corporation	309,137,622
Stable deposits -small and medium corporation	364,262,098
Guaranteed and unguaranteed financing (deposits)	144,604,493
Other funding and deposits	57,858,600
Others (not mentioned above)	-
Gross funding available	1,005,781,038
Level 1 unrestricted high liquidity assets	-
Level 2-(A) unrestricted high liquidity assets	-
Level 2-(B) unrestricted high liquidity assets	2,353,088
Financial assets issued or guaranteed by banks and financial institutions	19,175,200
Loans	597,535,150
Financial instruments or collaterals from financial institutions and banks	4,766,916
Unquoted financial assets	16,088,295
Quoted financial assets	-
Non performing credit facilities	42,109,915
Other assets	95,436,366
Non-canceled credit facilities and line of credits	1,373,079
Obligations related to commercial funding	2,865,451
Gross financing required	781,703,460
Net Stable Funding Ratio	129%

45. 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 and public sector.

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

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

	Retail	Corporate, institutions and public sector	Treasury	Other	Total 2020	Total 2019
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Gross revenues	18,644,099	32,748,653	10,596,700	4,125,936	66,115,388	62,143,307
Provision for ECL	(622,047)	(7,013,964)	-	-	(7,636,011)	(10,374,348)
Segment results	18,022,052	25,734,689	10,596,700	4,125,936	58,479,377	51,768,959
Unallocated expenses					(44,617,416)	(41,198,950)
Profit before taxes					13,861,631	
Taxes expense					(2,962,017)	(2,870,951)
Profit for the year					10,899,944	7,699,058
Other segment information:						
Total segment assets	281,407,541	565,560,933	476,084,978	73,829,219	1,396,882,671	1,329,161,135
Total segment liabilities	700,465,992	399,546,659	111,483,819	64,847,278	1,276,343,748	1,215,163,790
Depreciation and amortization					5,479,863	5,555,425
Capital expenditures					5,438,026	5,051,003

Geographical distribution information

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

	Domestic		Foreign		Total	
	2020	2019	2020	2019	2020	2019
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Net profit	8,506,598	6,379,365	2,393,346	1,319,693	10,899,944	7,699,058
Total assets	1,195,193,037	1,158,073,602	201,689,634	171,087,533	1,396,882,671	1,329,161,135
Capital expenditures	5,479,863	5,555,425	-	-	5,479,863	5,555,425

46. Maturities of Assets and Liabilities

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

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 reserv	-	-	-	-	-	-	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	-	-

December 31, 2019	Less than 1 month	From 1 month up to 3 month	From 3 month up to 6 month	From 6 month up to 1 year	From 1 year up to 3 year	More than 3 year	Without maturity	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Assets								
Cash and balances with Palestine Monetary Authority	242,456,505	-	-	-	-	-	-	242,456,505
Balances at banks and financial institutions	191,629,137	-	-	-	-	-	-	191,629,137
Financial assets at fair value profit or loss	-	-	-	-	-	-	86,340	86,340
Direct credit facilities	17,221,824	30,717,351	56,483,599	57,732,253	250,082,864	376,907,824	-	789,145,715
	-	-	-	5,077,573	-	-	-	5,077,573
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	8,189,255	8,189,255
Financial assets at amortized cost	-	1,770,000	-	-	-	16,195,360	-	17,965,360
Investment in associates	-	-	-	-	-	-	1,510,311	1,510,311
Property, plant and equipment	-	-	-	-	-	-	25,568,216	25,568,216
Right-of use assets	-	-	-	-	-	-	17,663,603	17,663,603
Projects in progress	-	-	-	-	-	-	5,966,349	5,966,349
Intangible assets	-	-	-	-	-	-	3,903,689	3,903,689
Deferred tax asset	-	-	-	-	-	-	2,702,144	2,702,144
Other assets	13,151,211	-	-	-	-	-	4,145,727	17,296,938
Total Assets	464,458,677	32,487,351	56,483,599	62,809,826	250,082,864	393,103,184	69,735,634	1,329,161,135
Liabilities								
Banks and financial institutions' deposits	29,369,918	27,095,876	50,804,768	-	-	-	-	107,270,562
Customers' deposits	315,852,290	199,463,359	164,500,010	172,815,388	84,960,933	-	-	937,591,980
Cash margins	36,493,523	18,714,627	15,907,433	13,100,239	9,357,314	-	-	93,573,137
Subordinated loan	-	2,000,000	1,000,000	-	-	12,000,000	-	15,000,000
Lease liabilities	30,896	61,792	1,254,042	1,524,126	1,848,651	12,578,882	-	17,298,389
Tax provisions	-	-	-	-	-	-	3,364,323	3,364,323
Sundry Provisions	-	-	-	-	-	-	6,594,549	6,594,549
Other liabilities	34,470,850	-	-	-	-	-	-	34,470,850
Total Liabilities	416,217,477	247,335,654	233,466,253	187,439,754	96,166,897	24,578,882	9,958,872	1,215,163,790
Equity								
Paid-in share capital	-	-	-	-	-	-	90,172,750	90,172,750
Statutory reserve	-	-	-	-	-	-	8,377,658	8,377,658
General banking risks reserve	-	-	-	-	-	-	3,182,400	3,182,400
Pro-cyclicality reserve	-	-	-	-	-	-	4,757,269	4,757,269
Fair value reserve	-	-	-	-	-	-	(3,067,876)	(3,067,876)
Retained earnings	-	-	-	-	-	-	10,575,144	10,575,144
Total equity	-	-	-	-	-	-	113,997,345	113,997,345
Total Liabilities and Equity	416,217,477	247,335,654	233,466,253	187,439,754	96,166,897	24,578,882	123,956,217	1,329,161,135
Maturity gap	48,241,200	(214,848,303)	(176,982,654)	(124,629,928)	153,915,967	368,524,302	(54,220,583)	-
Cumulative maturity gap	48,241,200	(166,607,104)	(343,589,758)	(468,219,686)	(314,303,719)	54,220,583	-	-

47. 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:

	2020			2019		
	Amount	Percentage to assets	Percentage to risk - weighted assets	Amount	Percentage to assets	Percentage to risk - weighted assets
	U.S. $	%	%	U.S. $	%	%
Regulatory capital	136,467,911	9,77	13,73	126,830,784	9,53	13,78
Basic capital	111,616,865	7,99	11,23	103,382,426	7,77	11,24

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	117,356,212
Deduct:	
Regulatory Adjustments:	
Goodwill and other intangible assets	(3,508,487)
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

48. Commitments and Contingent Liabilities

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

	2020	2019
	U.S. $	U.S. $
Letters of guarantees	47,284,506	47,909,250
Letters of credit	8,400,505	9,237,058
Acceptances	1,036,234	4,791,826
Unutilized credit facilities limits	72,699,404	26,972,827
	129,420,649	88,910,961
Expected credit loss on indirect credit facilities (Note 27)	(330,522)	(230,590)
	129,090,127	88,680,371

49. Lawsuits Against the Bank

The number of lawsuits filed against the Bank as at December 31, 2020 and 2019 was (47) and (35) in the normal course of business with a total amount of U.S. $ 15,496,970 and U.S. $ 15,814,804, respectively. The Bank's management and lawyer believe that no additional provision is required other than what was provided.

50. Prior year restatement

The financial statements for the year 2019 have been modified to restate the expected credit losses on direct facilities in addition to employees' expenses, donations and sponsorships and revaluation of deferred tax asset and some other assets.

The effect of the amendments on the consolidated statement of financial position as of December 31, 2019:

	Before restatement	Restatement	After restatement
	U.S. $	U.S. $	U.S. $
Direct credit facilities	790,511,855	(1,366,140)	789,145,715
Other assets	17,782,250	(485,312)	17,296,938
Deferred tax asset	2,361,598	340,546	2,702,144
Other liabilities	32,453,308	2,017,542	34,470,850
Statutory reserve	8,730,503	(352,845)	8,377,658
Retained earnings	13,750,747	(3,175,603)	10,575,144

The effect of the amendments on the consolidated income statement as of December 31, 2019:

	Before restatement	Restatement	After restatement
	U.S. $	U.S. $	U.S. $
Employees Expenses	21,298,357	1,330,042	22,628,399
Other operating expenses	12,909,232	687,500	13,596,732
Expected credit loss provision	8,522,897	1,851,452	10,374,349
Income before tax	14,439,003	(3,868,994)	10,570,009
Income tax expense	3,211,497	(340,546)	2,870,951
Net income for the year	11,227,506	(3,528,448)	7,699,058
Share for equity holders of the Bank	11,227,506	(3,528,448)	7,699,058

The effect of the amendments on the basic and diluted earnings per share as of December 31, 2019:

	Before restatement	Restatement	After restatement
	U.S. $	U.S. $	U.S. $
Equity holders of the bank	0.13	(0.05)	0.08

51. Comparative figures

Certain comparative figures of the consolidated financial statements as of December 31, 2019 were reclassified to conform with the presentation as of December 31, 2020. Except for prior year restatement mentioned in note (50), these reclassifications had no effect on the net income and equity of prior years.

52. 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), credit facilities and Islamic financing to be transferred from stage (1) to stage (2) if, and only if, there has been a significant increase in credit risk after initial recognition.

The bank evaluated its 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 consequence of the spread of COVID-19 or as a long-term financial difficulty.

During the year, the bank updated the macroeconomic factors according to the latest publications of the International Monetary Fund and the Palestinian Central Bureau of Statistic, in addition to changing the weights possibilities of macroeconomic scenarios by assigning higher weights for the worst-case scenario, which negatively affected the calculation of the expected credit loss provisions.

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. Additionally, On July 22, 2020, PMA issued instructions No. (27/2020) regarding mitigating the effects of the financial crisis and the Coronavirus crisis, under which it included a set of decisions to determine the necessary procedures and measures to mitigate the economic effects of the crisis and enabling the economy to overcome it. According to the instructions, during the year the Bank granted some of its customers a temporary overdraft account for a period of six months to repay the due installments of the loans at the interest rate of the original loan contract minus 1%.

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.

During the year 2020, and in response to the instructions PMA No. (23/2020), the Bank, started a program to reduce payments to support the affected customers by postponing the deferred installments for a period of four to six months, by granting a grace period to pay the deferred installments. The Bank postponed/ restructured installments related to credit facilities for the affected economic sectors including companies and individuals to comply with PMA instructions No. (23/2020)

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 $9,810,600 as of December 31,2020.

53. Subsequent events

Subsequent to the consolidated financial statements date, the Bank's Board of Directors, during its meeting held on March 10, 2021, decided to recommend to the general assembly the distribution of cash dividends to shareholders by 4.5% of the paid in capital, in addition to a stock dividends by 3.5% .

54. 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.