TNB الوطني

The National Bank Annual Report 2022

Annual Report 2022

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Our Vision

To be the most pioneering, innovative, and robust bank.

Our Mission

Creat the opportunities of success for our community by being the most responsive bank.

Chairman's Letter

Ladies and gentlemen, esteemed shareholders,

It is my pleasure to present to you the 2022 financial outcomes of The National Bank (TNB). Throughout this year, we continued to make progress and achieve success on all levels. We strengthened our internal organization, contributed to several achievements in the Palestinian banking sector, and recorded unprecedented financial performance.

In 2022, TNB's financial performance was record-breaking as it achieved its highest net profits since its establishment. Shareholders' profits increased by 100% compared to 2021. Furthermore, the bank's market value grew by 20% compared to 2021, reaching $201.3 million, making TNB the second-largest Palestinian bank in terms of market value.

2022 Development Plans

The noticeable growth in TNB's performance and competitive position in the Palestinian banking sector is a reflection of the carefully studied development plans implemented throughout the year. These plans focused on strengthening the bank's foundations and turning them into a solid base supporting further success. We have improved the quality and efficiency of our financial portfolios, promoted control and supervision systems, and developed policies and procedures to govern our work.

In terms of corporate governance, we strengthened top-down good governance. At the Board of Directors, we have modified the statutes of the Board and its committees to ensure complete independence of oversight committees. We also adopted and implemented a number of policies, including a policy to protect the rights of stakeholders, a policy to protect the rights of small shareholders, a disclosure and transparency policy, and a policy for conflict of interest. We were one of the first banks in Palestine to conduct a self-assessment of the performance of the Board and its committees, with recommendations for improving their performance and roles. We also completed the largest governance project in the history of the Palestinian banking system during the year, in cooperation with KPMG. This project laid the foundations for good governance with international standards and most of its provisions have been implemented.

In 2022, we implemented several projects to develop IT systems and infrastructure, which is one of the main pillars of our banking operations and digital transformation. As a result, and due to our commitment to information and electronic payment data security, we were awarded PCI-DSS certificate by the International Payment Cards Protection and Security Council in 2022, following a comprehensive audit. This proves our full compliance with international standards for electronic payment transactions and information security.

Historic financial performance and record net profits

In 2022, TNB achieved its highest financial performance with a net profit of $17 million. This represents a 100% increase in profits for shareholders compared to 2021 when net profits were $8.5 million. As for the bank's financial position, its assets amounted to $1.53 billion, with $1.21 billion of customer deposits. The net direct credit and financing facilities portfolio amounted to $934 million, compared to $879.6 million at the end of 2021, a 6% growth. In 2022, we listed approximately 8.5 million shares on the Palestine Stock Exchange following a decision by TNB's General Assembly to distribute free shares to shareholders. This increased the bank's paid-up capital to $113.1 million, making it the second-largest Palestinian bank in terms of paid-up capital. This solidifies the bank's position and supports its plans for growth and development, allowing for new achievements in the Palestinian banking market. Additionally, the bank's capital adequacy ratio at the end of last year was 15.17%, which is higher than the local and international requirements, confirming the bank's strength and ability to immediately respond to any emergency.

Responsive Banking Programs

In 2022, as part of our national responsibility and in response to the economic challenges our country is witnessing, we launched many campaigns and programs to respond to the actual financial needs of the various segments of Palestinian society, offering Features that reduce the financial burdens on citizens and contribute directly to economic development. These included a campaign to postpone loan installments for a grace period of 9 months for existing and new borrowers, and a special program to improve the financial inclusion of Palestinian workers inside the Green Line. We also continued to focus on supporting SMEs, which constitute the backbone of the Palestinian national economy.

Strategic plan for the next three years

At the end of 2022, TNB's Board of Directors approved the Bank's general strategic plan for the next three years. The plan has ambitious goals and focuses on effective and efficient growth to increase the Bank's market share in various sectors. It also focuses on investing in digital technology to keep pace with the progress in the global banking industry and provide a unique, fast, safe and easy banking experience for customers. In addition to integrating sustainability into our business, to reinforce our social and environmental impact in Palestine and contribute to sustainable development in our homeland.

In conclusion, I would like to extend my deep thanks and appreciation to the Palestine Monetary Authority and its staff for their efforts and full support of our development plans. I would also like to thank our staff and employees for their exceptional efforts during the past year bringing the bank to this level, and our customers and investors for their trust, which was a major reason for our success. We stress that we will continue to achieve our vision and aspirations to bring TNB to the highest ranks among Palestinian banks, to achieve new successes in the Palestinian banking market, and contribute towards buildin our national economy and our Palestinian state.

Samir Zraiq
Chairman of the Board

Cheif Executive Officer's Letter

Dear shareholders,

In 2022, TNB witnessed a number of achievements. The bank's net profit reached a historic level, amounting to $17 million, with a 100% growth rate in shareholders profits. This record-breaking performance reflects our development plans which focused on attracting new deposits, reducing portfolio costs and increasing liquidity ratios for lending. In addition, in the credit facilities portfolio, risks were distributed by diversified sectors. We focused on increasing the volume of retail credit last year, as well as the credit line to SMEs and the corporate sector in Palestine. We were also able to recover credit provesions, which reflected positively on our profits. Furthermore, we developed and strengthened our operations by doubling the number of transactions made in 2022, with a 100% growth rate compared to previous years.

In line with our strategic plans to increase investment in digital technology, we developed our various digital channels in 2022. We added a package of new services to TNB Online and Mobile, so that customers can make most of their banking transactions online wherever they are, at any time, without having to visit the branches. We replaced all our ATMs with the latest generation machines and increased the range of services provided through the Digital Services Center. The percentage of customers served through the Center grew by 23% compared to 2021.

In 2022, we automated our internal operations. In the first stage, we linked banking facilities to an electronic system that includes TNB's relevant departments and branches, to speed up customer banking transactions, reduce time and increase follow-up and performance effectiveness. In the next stage, we will mainstream this experience to include different banking services and products provided by TNB. We will continue to invest in this important sector to provide a unique and advanced banking experience to our customers that is fast, easy, effective, and safe. We will also contribute to the promotion of financial inclusion by developing financial digital technology tools in Palestine and facilitating the delivery of banking services to all citizens wherever they are.

With regards to banking programs and services, we launched in 2022 a package of campaigns, programs and services that meet the financial needs of different segments, including campaigns to postpone loan installments, and specialized programs for Palestinian doctors and workers within the Green Line. We also launched the World Elite luxury card for special customers from MasterCard.

In the next few months, we will issue one of the first sustainability reports (EGS Report) among banks in Palestine, highlighting the bank's social impact, the extent to which our business protects the environment, and our implementation of good governance standards. The report will be prepared based on universally recognized standards (GRI Reporting Standards).

This trend is global and has become a basic requirement for investors. In addition, the integration of sustainability in our business means ensuring growth for the institution, reducing costs on the long term, optimizing the use of resources, and enhancing the trust of customers and investors. We have adopted specific frameworks to implement the internationally agreed global Sustainable Development Goals (SDGs).

We are all confident in TNB's ability to achieve more success in the Palestinian banking market, contributing to the development of the banking industry in Palestine.

Salameh Khalil
Cheif Executive Officer

About The National Bank (TNB)

The National Bank in Breif

The National Bank "TNB" is the second largest bank in Palestine in terms of paid-up caoital and market value. Since its inception, it has proven that it is one of the best and most innovative providers of integrated and comprehensive national banking services for the corporate and retail sectors. It also provides investment, treasury and financing services for small, medium and micro enterprises.

Under the slogan «Confidently Forward», the National Bank provides the finest modern and advanced banking services in Palestine, and seeks to become the bank of choice for Palestinians looking for a strong, secure and sound financial services provider. Its goal is to provide advanced banking services that keep pace with the latest global banking technology developments. TNB has been developing a package of digital services and solutions that are offered for the first time in Palestine and in the Middle East.

The bank's paid-up capital is approximately 113.1 million $, and its stated capital was raised to 115 million $ in 2022. TNB is managed by a Board of directors that includes a group of major local and regional companies, and some of the most prominent businessmen and women. It has the largest number of shareholders among banks in the country, exceeding 8500 shareholders.

TNB carries out the largest number of acquisitions and mergers (A&M transactions) in the country, the most recent of which was the acquisition of the Jordan Commercial Bank (JCB) in Palestine in early 2020. In 2018, It led a consortium of shareholders to acquire a direct stake of %25 in the Palestine Islamic Bank (PIB). That deal became the largest in the history of the Palestine Stock Exchange, exceeding 70 million $. This was preceded by the acquisition of the assets and liabilities of Bank al Etihad in Palestine in 2015, making this the first acquisition for a Jordanian bank by a Palestinian bank.

The National Bank provides banking services to more than 156k clients, through its network of branches located in various governorates of the West Bank, and its well positioned network of ATMs. It also provides its services through its modern digital channels such as Online Banking and the TNB Mobile application for smart phones, in addition to the Digital Service Center, which is the first of its kind in the Middle East. In 2017, after a fifty-year absence of Palestinian banks in Jerusalem, TNB was the first Palestinian bank to inaugurate a branch behind the wall to serve the residents of the city. Environment protection and clean and renewable energy are some of the most important values for the bank; TNB was a leader amongst banks to invest in solar energy; the bank purchased a stake in the "Noor Jericho" solar plant that now provides most of its energy needs.

branches and offices	shareholders	customers	ATMs	Employees
34	8,567	156K	41	718

Foundation

TNB was established on August 20, 2005 as a public joint stock company by Palestinian businesspeople and companies, with the aim of developing the Palestinian economy in general and providing excellent banking services. It was established with a capital of 30 million US dollars: %38 was subscribed by the founders of the bank and the rest by public subscription. The remaining shares were distributed among more than 18,000 shareholders.

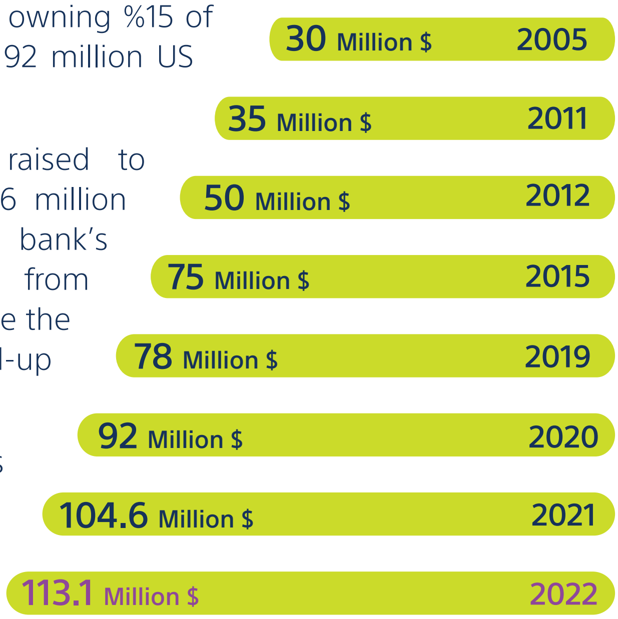
By the end of 2012, the National Bank was re-launched with a new identity, in implementation of the merger agreement between Al Rafah Microfinance Bank and the Arab Palestinian Investment Bank (APIB) with a paid-up capital of 50 million US dollars. TNB became a new strong national banking entity capable of covering all the banking needs of the Palestinian society.

In early 2015, TNB acquired the assets and liabilities of Bank al Etihad in Palestine. Following that deal, Bank al Etihad became a strategic partner in TNB with %10 share of its paid-up capital. This increased TNB's paid-up capital to 75$ million and made it the second largest Palestinian bank. In 2018, TNB led a consortium of shareholders to acquire a stake in Palestine Islamic Bank (PIB), and own %25 of its shares.

In 2019, the General Assembly approved raising the stated capital to 100 million US dollars, and the bank's paid-up capital was increased to 78$ million by distributing %4 bonus shares. In early 2020, TNB acquired the assets and liabilities of the Jordan Commercial Bank in Palestine. The latter became a strategic partner in TNB, after offering a private subscription of 13.76 million shares, and owning %15 of the capital which was raised to approximately 92 million US dollars.

In 2021, the bank's paid-up capital was raised to approximately 104.6 million after offering 13.76 million shares in a secondary public offering to the bank's shareholders leading to the coverage ratio from additional shares to reach %93. TNB thus became the second largest Palestinian bank in terms paid-up capital.

In 2022, to implement the General Assembly's decision to distribute dividends in the form of bonus shares, 8.5 million shares were listed on the Palestine Exchange, raising TNB's paid-up capital from $104.6 million to $113.1 million.



Financial Results 2022

Market Value

201.3 million $

Growth rate 20%

Net Equity

164.6 million $

Growth rate 13%

Net Profit

17 million $

Growth rate 100%*

Profits attributable to TNB shareholders*

The National Bank achieved historical results. By the end of 2022, it achieved a net profit of $17 million, bringing the profits attributable to TNB shareholders to 100% growth rate.

The positive growth indicators of TNB continued in 2022, thus continuing the bank's progress and success. TNB achieved excellent financial outcomes and remarkable progress in its performance, growth, operation and profitability. This reflects the successful implementation of its development plans and strategy.

TNB managed to maintain its competitiveness among Palestinian banks, with an $8.5 million capital increase in 2022, thereby increasing the paid-up capital from $104.6 million to $113.1 million. TNB therefore became the second largest Palestinian bank in terms of paid-up capital and market value, which increased by more than 20% to $201.3 million at the end of 2022.

Capital Adequacy Ratio

15.17%

Higher than local and global requirement

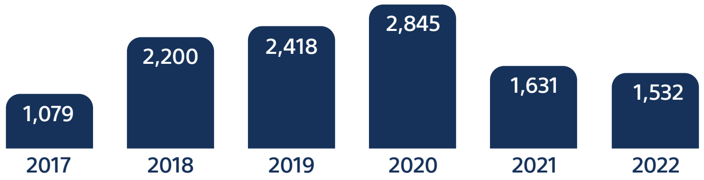
Paid-Up Capital

113.1 million $

second largest Palestinian bank in terms of paid-up capital

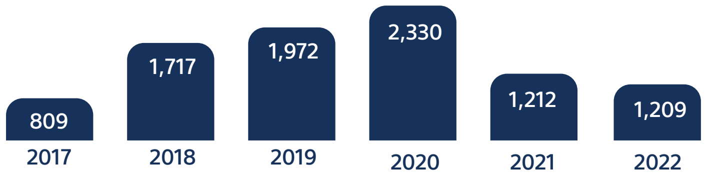
By the end of 2022, TNB had $1.53 billion in total assets, which confirms its strong financial position and its financial solvency.

Total Assets
1,532
million $



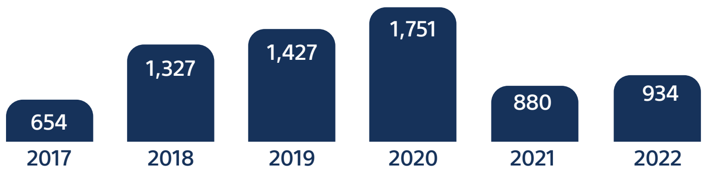
Customer deposits exceeded $1 billion by the end of the year 2022, reaching $1.21 billion, devided between retail and corporate sectors.

Total Deposits
1,209
million $



As of December 31st, 2022, the net portfolio of direct credit financing and facilities amounted to $934 million, compared to $880 million at the end of 2021, with growth of 6%.

Total Liabilities
934
million $



Financial Position Analysis

according to consolidated financial statements	2017	2018	2019	2020	2021	2022
ROA	0.85%	0.73%	0.75%	-0.03%	0.85%	1.07%
ROE	9.43%	8.78%	9.42%	-0.32%	9.55%	10.96%
Facilities/ deposits	80.84%	77.30%	72.35%	75.14%	72.38%	77.3%
Capital Adequacy Ratio	15.95%	15.21%	14.22%	12.61%	14.89%	15.17%
EPS	12.27%	13.50%	10.60%	-6.86%	8.95%	15%
P/E	15.00	12.70	18.18	-22.02	17.88	11.84
Book Value	1.30	1.21	1.23	1.30	1.39	1.46

Achievements 2022

Achieving Unprecedented Historical Profits For 2022, With A Growth Rate Of 100% Profits Attributable To Shareholders.

By the end of 2022, TNB achieved a net profit of $17 million, the highest since its establishment. Returns on equity grew by 100% and reached $17 million, compared to $8.5 million by the end of 2021. Graph for table below.

Tnb Is The Second Largest Palestinian Bank In Terms Of Market Value

TNB ranked second among Palestinian banks in terms of market value, which reached $201.3 million compared to $167.4 million in 2021, with a 20% increase.

Raising The Paid-Up Capital To 113.1 Million $

TNB increased its paid-up capital from $104.6 million to $113.1 million after listing the stock dividends in the Palestine Stock Exchange. The shares were distributed as profits to its shareholders in line with a decision by the General Assembly adopted in its meeting.

Tnb Obtains A Certificate Of Compliance With The Payment Card Industry Data Security Standard (Pci-Dss) From The International Payment Card Industry Security Standards Council

In 2022, TNB obtained the latest version of the Certificate of Compliance with Payment Card Industry Data Security Standard (PCI-DSS) from the International Payment Card Industry Security Standards Council, following a comprehensive audit by accredited auditors, which included the main data center, the backup location, and ATMs across the West Bank, as well as TNB Online and Mobile services, in addition to credit and debit cards.

Updating Tnb's Atm Network In Line With The World's Latest And Most Advanced Generation

In 2022, TNB replaced its ATM network with the most advanced new generation of DN Series ATMs in the world. The new ATMs provide more advanced and comprehensive digital banking services, and operate through an encrypted touch feature. The new ATMs take into account the needs of the visually impaired.

Tnb Wins The Best Digital Banking Solutions Award At The Palestine Financial Technology Summit

The National Bank won the "Best Digital Banking Solutions" award for the pioneering service it launched in the Palestinian market, "online onboarding". The award was delivered on the sidelines of the Palestine Financial Technology Summit held in Ramallah and Gaza – during a live broadcast - under the auspices of the Palestine Monetary Authority, and in strategic partnership with the World Bank.

TNB to Manage the Bank Accounts of the Energy and Natural Resources Authority for the World Bank's Green Projects in Palestine

The National Bank and the Energy and Natural Resources Authority signed a joint cooperation agreement to manage the Energy Authority's bank accounts for the projects of the World Bank and the German Development Bank KFW in the Palestinian energy sector. The agreement also allows the Energy Authority to benefit from the various banking services provided by TNB.

According to the agreement, TNB will open the Energy Authority's bank accounts for the World Bank projects, to disburse and manage project funds in line with donors' conditions and in accordance with the instructions of the Palestinian Ministry of Finance.

Renewing Strategic Partnerships and Concluding New Ones With Major Local Institutions

In 2022, the National Bank renewed its strategic partnerships with major Palestinian local institutions, including:

Signing A Cooperation and Strategic Partnership Agreement With the Palestinian General Federation of Trade Unions

The National Bank and the Palestinian General Federation of Palestinian Trade Unions signed a cooperation and strategic partnership agreement to provide a range of banking services and facilities to the Federation and its members. Under the agreement, TNB provides a package of banking services to the Federation with a set of privileges on facilities, deposits, money transfers and other banking services. In addition to the above, TNB also provides financial advisory services to the Federation through its specialized teams which are ready to give advice on any financial decision.

Renewing the strategic partnership with the Supreme Judicial Council

The National Bank and the Supreme Judicial Council signed an agreement renewing their strategic partnership to facilitate financial transactions by litigants in Palestinian courts in the accounts of the Courts' Departments of Execution, so they can benefit from the banking and investment services provided by the Bank.

Renewing the Strategic Partnership with the Municipality of Nablus

The National Bank and the municipality of Nablus signed a cooperation agreement to renew their strategic partnership, with the aim of facilitating financial transactions for the municipality and citizens.

The agreement renewed TNB's presence in the municipality, which consists of a Teller employee affiliated with the bank, to collect the fees on the daily financial transactions of citizens at the Public Services Center in the municipality of Nablus. Under the agreement, TNB also provides special facilities to the municipality, its members and employees to conduct financial transactions.

Financial Gender Inclusion 2022

TNB: An Effective Contributor To The Promotion Of Financial Inclusion For Palestinian Women

Since 2015, The National Bank has sought to contribute to the financial inclusion of Palestinian women, especially after releasing its first specialized savings product, offering interest-free loans to women-led micro enterprises estimated at $3.5 million to ensure their economic empowerment. Since that period, TNB has constintly worked on reaching out to Palestinian women with its financial and non-financial programs, and to raise banking awareness among women, by focusing on the Palestinian rural areas and reaching out to marginalized regions.

In 2022, The National Bank continued to enhance the financial inclusion rates based on gender. These rates were increased with women constituting 33% of TNB's customers. In terms of accounts, the percentage of women who own current accounts marked 24%. As for women with savings accounts, the results showed an increase by the end of 2022 reaching 64%, compared to 36% for male savers.

Year	Percentage of women in TNB's customer base	Percentage of women who own savings accounts	Percentage of women who own current accounts
2017	32%	51%	22.2%
2018	34%	55%	25%
2019	34.5%	64%	26%
2020	35%	58%	21%
2021	34%	61%	25%
2022	33%	64%	24%

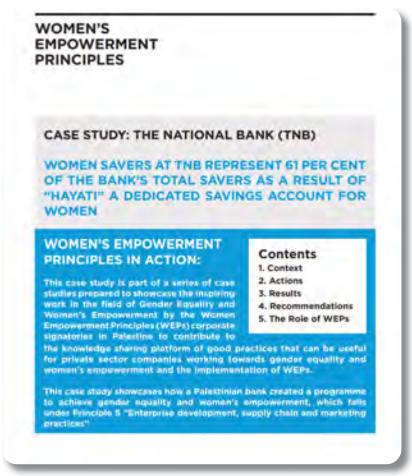
*The increase of financial inclusion rates for Palestinian women over the years at TNB.

In 2022, The National Bank Cooporated with UN Women in Several Initiatives, Including:

The First Case Study Published About Palestine

Publishing TNB's Experience In Empowering Palestinian Women Economically As Part Of The "Hayati" Program, In Cooperation With Un Women

In the first gender financial inclusion case study published about Palestine, UN Women conducted a study in 2022 on the launch of TNB's "Hayati" program, a comprehensive banking program specialized for Palestinian women. The study demonstrates the role of the program in improving the financial inclusion and economic empowerment of Palestinian women. TNB's experience will be the first regional experience to be published on the Women's Empowerment Principles (WEPs) website.


WOMEN'S EMPOWERMENT PRINCIPLES

CASE STUDY: THE NATIONAL BANK (TNB)

WOMEN SAVERS AT TNB REPRESENT 61 PER CENT OF THE BANK'S TOTAL SAVERS AS A RESULT OF "HAYATI" A DEDICATED SAVINGS ACCOUNT FOR WOMEN

WOMEN'S EMPOWERMENT PRINCIPLES IN ACTION:

Contents
1. Context
2. Actions
3. Results
4. Recommendations
5. The Role of WEPs

This case study is part of a series of case studies prepared to showcase the inspiring work in the field of Gender Equality and Women's Empowerment by the Women Empowerment Principles (WEPs) corporate signatories in Palestine to contribute to the knowledge sharing platform of good practices that can be useful for private sector companies working towards gender equality and women's empowerment and the implementation of WEPs.

This case study showcases how a Palestinian bank created a programme to achieve gender equality and women's empowerment, which falls under Principle 5 "Enterprise development, supply chain and marketing practices"

For the third consecutive year

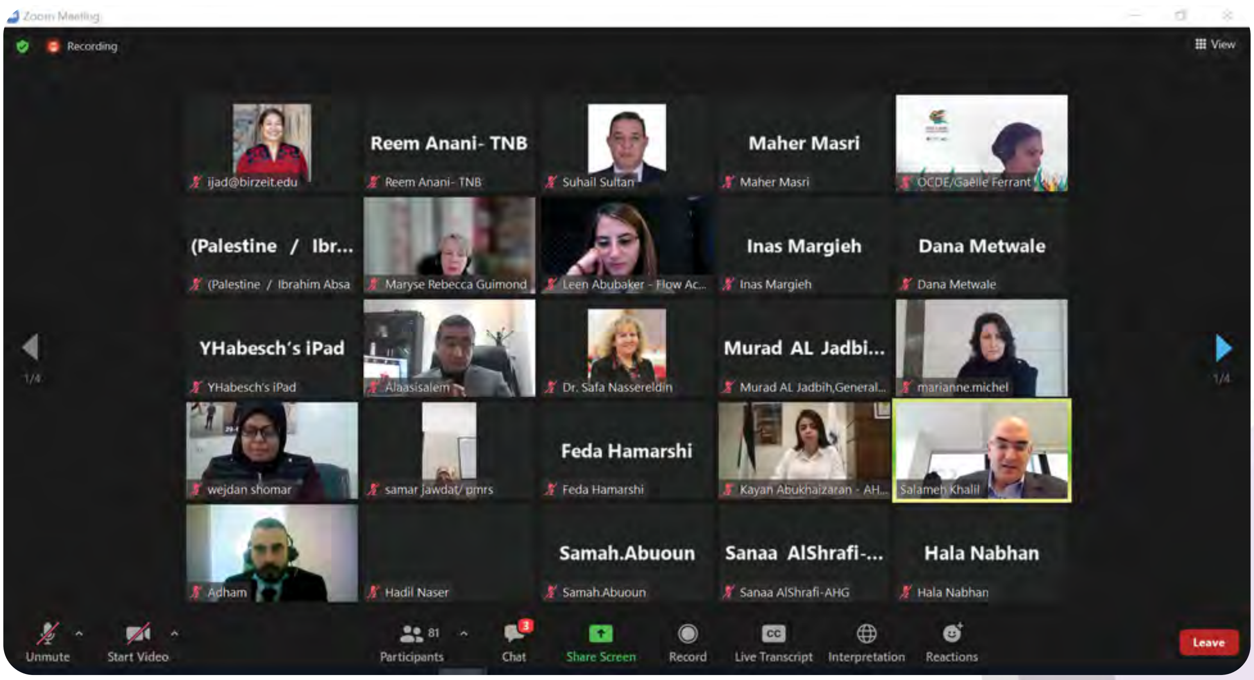
Tnb Participated In The National Campaign To Eliminate All Forms Of Gender-Based Violence In Cooperation With Un Women

The National Bank worked with UN Women's office in Palestine and a number of local and international institutions, as part of the 16-day campaign to eliminate all forms of gender-based violence. TNB participated in a number of activities, including lighting its headquarters building in orange. It also posted awareness messages on its various electronic and social media platforms, emphasizing the rejection of all forms of gender-based violence and raising awareness about this cause in Palestine.

Presenting Tnb's Experience At "Ring The Bell" Ceremony For Gender Equality In The Palestine Stock Exchange

The Palestine Stock Exchange organized "Ring the Bell" ceremony in partnership with UN Women, the International Finance Corporation, and the Palestine Capital Market Authority, entitled "Gender Equality Today for a Sustainable Tomorrow". TNB participated in the "Ring the Bell" ceremony for 2022, with sessions focusing on engaging women to mitigate the impact of climate change, encouraging the use of alternative energy sources, and protecting the environment.

During the sessions, TNB presented its experience in protecting the environment, empowering Palestinian women and engaging them in the mitigation of the effects of climate change. Women constitute 45% of the borrowers' base in the bank's green portfolio, and most of them obtained zero-interest and commission-free financing as part of the "Hayati" program for Palestinian women to establish green projects.



TNB's Strategic Plan

TNB achieved a strong outcome because of its successful digital transformation strategy, designed to improve its competitiveness and bring about drastic changes to start off strong in the coming years. TNB was able to lay a strong foundation for all its departments and cover all business aspects by restructuring its procedures to ensure excellence in implementation and service delivery. It also developed its technological infrastructure and digital channels to keep up with the latest developments in the labor market. TNB thus succeeded in reinforcing its competitive position in the financial market and proved its strength and durability in the banking sector, by achieving financial numbers and outcomes that exceeded expectations.

As part of TNB's vision and objectives to achieve the best returns and provide better and more secure banking services to its customers and partners, it adopted a leadership and profitability strategy for the next three years 2023-2025, based on its vision to be the most pioneering, innovative, and robust bank by creating opportunities for success for the society as the most responsive bank.

To achieve its leadership and profitability strategy, The National Bank aims to:

- Consolidate its competitive position in the Palestinian banking sector to ensure the satisfaction of its shareholders by achieving the best return on their investments.
- Adopt a pioneering approach and provide innovative and integrated digital services that meet the aspirations of its customers, as it is the fastest responsive bank.
- Build and develop a professional and innovative team to provide optimal services.
- Improve the customer experience by upgrading its services and achieving excellent results in customer satisfaction indicators, using "NPS" metric.
- Enhance and develop its supervisory role and achieve the highest levels of banking transparency and governance.
- Ensure a sustainable social impact and enhance its pioneering role in serving the community and supporting the national economy.
- Promote effectiveness and optimal utilization of available resources and digital development through digitization, centralization of operations and automation to improve services.
- Accelerate growth by achieving the best financial and operational indicators.

Confidently Towards a betterfuture, fulfilling the needs of our society, customers and shareholders, to ensure the best value for our bank.

TNB Awards

In continuation of its pioneering and distinguished role in various fields, The National Bank was able to gain local and regional recognition and win numerous awards in various fields, including:

1. Aman's Integrity award in 2012.
2. CPI Financial/ The Banker Middle East's Best Treasury Management award for 2014.
3. CPI Financials' Fastest Growing Bank in Palestine award in 2014, 2016 and 2017, and its affiliate magazine. The Banker Middle East ranked TNB in its 100th edition in 2014 as the fastest growing bank in the Middle East.
4. Union of Arab Banks award for the Largest Shareholder Base for 2015.
5. CPI Financial/ The Banker Middle East's Best Female Empowerment Bank award in the Middle East in 2017.
6. Union of Arab Banks Innovation Award for Women Economic Empowerment in 2017.
7. International Finance Magazine award in 2018, as the Most Innovative Bank in Palestine.

Aman's Integrity award in 2012

Best Treasury Management award for 2014

Fastest Growing Bank in Palestine award in 2014, 2016 and 2017

award for the Largest Shareholder Base for 2015

Best Female Empowerment Bank award in the Middle East in 2017

Union of Arab Banks Innovation Award for Women Economic Empowerment in 2017

International Finance Magazine award in 2018, as the Most Innovative Bank in Palestine

Our Banking Services

The National Banks provides comprehensive, quality and innovative banking solutions to all economic sectors, including corporate, retail, investment and treasury services. It also provides SME lending through a department with well-experienced team of experts.

Retail Services

- Personal loans
- Personal loans for housing purposes
- Overdrafts
- Debit cards
- Mortgages
- Car loans
- MasterCard and Visa credit cards
- VIP services (Platinum)
- Hayati, the first comprehensive integrated banking product package dedicated to Palestinian women

Corporate Services

- Financing trade, industrial and real-estate operations
- Open and fixed overdraft accounts
- Letters of credit
- Bills collection
- Financing fixed assets
- Letters of guarantee
- Bank guarantees
- Financial consultations

MSME Lending

- Gold backed loans
- Project financing
- Home-based projects and businesses managed by women
- Seasonal needs financing
- Group financing
- Personal computer financing
- Financing for public transport
- Financing for people with special needs
- Financing of youth projects
- Financing production-oriented projects aimed at empowering women

Treasury and Investments Services

- Investments in local and international bonds
- Precious commodities and metals
- Custodian Services
- Forward Deals Transactions
- Investment funds
- Spot Deals Transactions
- Swap Deals Transactions

Accounts

- TNB Current Account
- TNB Savings Account
- Financial Inclusion Account
- Joint Account
- Deposits
- Qodwati Account
- Khotwati Account
- Hayati Current Account
- Hayati Savings Account

Al-Watani Savings Account:

The National Bank Savings Account is designed for all Palestinian individuals of all ages, and its goal is to provide a safe place to save money that encourages you to save what you can, today and periodically, to find it tomorrow when you need it.

“Khotwati” Children’s Savings Account

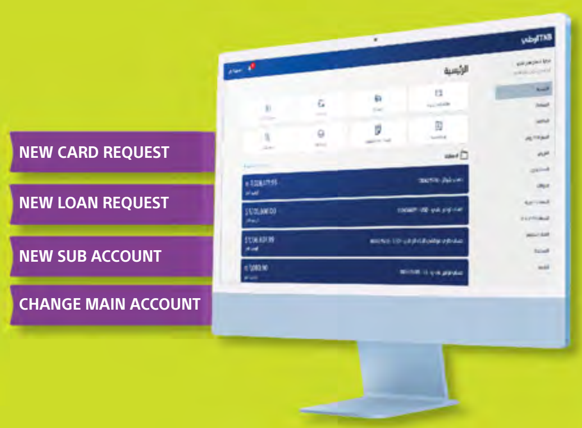
“Khotwati” is a savings account for children from TNB, specially designed to encourage parents to make savings for their children from the day they are born until they turn 17. It provides a safe place for savings, and encourages parents to save what they can save today on a regular basis, so their children can have access to funds when the need arises. This will help in providing them with a better future.

خُطوَتي
حساب توفير الأطفال

Digital services

TNB online

"TNB Online" provides a unique online banking experience, with a modern design and various features to facilitate quick and smooth online banking transactions. It also allows you to control your bank accounts from anywhere and at any time, without having to visit a branch. It provides the highest standards of security and privacy.



TNB Mobile

"TNB Mobile" provides a unique online banking experience, with a modern design and various features to facilitate quick and smooth online banking transactions. It also allows you to control your bank accounts from anywhere and at any time, without having to visit a branch. It provides the highest standards of security and privacy. The app is available on Google Play and the App Store.

E-statement

Customers can have a monthly account statement by email without having to visit the branch.

Cardless service

Through the Cardless service, you can use an ATM without a card. This is the first time such a service is provided in Palestine. It enables customers to benefit from ATM services without the need to carry an ATM card.

This service basically solves the problem of customers forgetting their card, or their need to use an ATM in an emergency. Customers can complete simple banking operations through ATMs such as balance inquiries, cash withdrawals, and cash deposits at ATMs that receive deposits. They can also request a mini account statement and make transfers, without the need to carry their card.

The Digital Service Center

Through the Digital Service Center, customers can communicate directly with TNB staff from wherever they are, and at any time, without the need to visit the bank's branches. The center's staff members are dedicated to answering questions and enquiries from clients and shareholders and providing banking services, without reliance on traditional chat robots, through social media platforms such as Facebook Messenger, WhatsApp, email, or the bank's website. To enhance communication with the largest category of TNB's customers, the conversation service was added to TNB's Instagram account in 2022.

As part of its strategic plan for digital transformation, TNB pushed its customers to resort to electronic services, channels and social media platforms for their banking transactions instead of going to branches. In fact, 84,707 services were served digitally, a 23% increase compared to 2021. In 56% of the cases, the service was provided though TNB's WhatsApp account. In terms of excellence in service delivery and quality, the customer satisfaction rate reached 4.41/5.

Contact Information:

+970 598 555 555

www.tnb.ps

www.facebook.com/TNBPalestine

https://www.instagram.com/tnbpalestine

digitalsupport@tnb.ps

Other Services

Western Union

Send and receive money safely and quickly through the Western Union service from The National Bank. This service offers you the ability to send and receive money without the need for an account and from anywhere in the world.

Online Bill Payment

To ensure the customer's comfort and provide the best service, TNB offers online bill payment service for all public utility services. No need to waste your time and wait in long queues to pay bills.

Tax Payment

To save your time and effort, The National Bank offers to pay your taxes in any of its branches.

Safe Deposit Boxes

Do not worry about your valuables and important documents. The safety deposit boxes provided by The National Bank have a high security system and are designed in different sizes and shapes to suit the needs of all customers. Our price offers cater to everyone.

World Elite Master Card Credit Card

The National Bank (TNB) offers you the World Elite MasterCard Credit Card, under the title of "Luxury... your choice". The Card is provided to select customers, and provides them with a wide range of exclusive benefits and bespoke services specifically designed to meet our customers' expectations and offer them the lifestyle they deserve.

TNB's Elite Customers and VIP Service team follows up on matters related to the World Elite MasterCard Credit Card, thus ensuring a unique Customer Experience for you, wherever you are. Thanks to this experience, you do not have to visit the Bank's branches, while staying up-to-date with the latest exclusive benefits and preferential offers, hence enabling you to benefit from all the Card's features and enjoy a financial power exceeding your expectations!

The Visa Signature Card

The TNB Visa Signature card offers a number of benefits that are perfect for you, enriching your travel experience regardless of your destination around the world!

The Visa Signature card is the ideal travel partner and offers exclusive benefits and rewards. It gives its holder VIP status in locations where the card is used. Benefits include travel insurance, purchase protection, medical and legal transfers in case of emergency, and international services to help clients. A 24/7 service is also provided while traveling and using the card.

"Platinum" Master Card

"Platinum" Master Card is designed specifically to suit your lifestyle, and provides you with the luxury to access the finest and best services easily and conveniently wherever you are in the world. It offers exceptional benefits for shopping and travel, including access to numerous business lounges in airports in the region.

TNB Master Card (Silver & Gold)

TNB Master card is available 24/7, anywhere you are in the world. You can use it to withdraw cash from any ATM around the world, or to pay for your purchases online or via POS locally and internationally.

Debit Cards

Withdraw cash from over 700 ATMs for different banks in Palestine without any commission.

Rewards Program

TNB offers the innovative TNB Rewards program for clients who use TNB's Silver, Gold, and Platinum credit cards. The program allows card users to accumulate reward points every time a credit card is used, whether for making purchases at points of sale or through online shopping transactions. They can exchange their points through various electronic channels at any point in time, anywhere around the world.

Platinum Service

The National Bank aims to provide world-class services and banking solutions to its customers. In line with this policy, it established the Platinum department specially for its elite customers, they receive the highest levels of attention through exceptional, professional and fast services.

Hayati program

In 2017, the National Bank relaunched "Hayati" program and transformed it into an integrated banking program dedicated to meeting the comprehensive financial needs of Palestinian women. It became the first of its kind in the Palestinian banking market. The program provides all banking services, which include accounts of all kinds and all types of loans, in addition to credit cards and immediate deductions, with various facilities and preferential interest rates. It also provides its participants with checkbooks and cards with special designs bearing the program's color and logo.

حياتي
برنامج
المرأة الفلسطينية

Subsidiaries and Affiliates

WatanInvest

The National Bank owns 100% of “WatanInvest Private Shareholding Company”, which was acquired following an agreement between Al Rafah Microfinance Bank and the Arab Palestinian Investment Bank. Accordingly, the Arab Palestinian Investment Bank became wholly owned by TNB and its name was changed.

National Islamic Investment Company (NIIC)

The National Bank owns %100 of the National Islamic Investment Company, which was established in 2018. Through NIIC, TNB acquired a direct stake in the Palestine Islamic Bank (PIB) amounting to %25 of its shares.

Competitive Position

Market Share from Credit Facilities

8.5%

Market Share from Deposits

7.3%

TNB's financial results, which can be attributed to its ambitious strategic plan, allowed it to improve its competitive ranking. In fact, TNB's share of the total customer deposits in Palestinian banks reached 12.4% by the end of 2022.

Credit Facilities

	2017	2018	2019	2020	2021	2022
Banking Sector	8,026	8,438	9,039	10,079	10,747	11,045
TNB	654	647	656	873	880	934

Deposits

	2017	2018	2019	2020	2021	022
Banking Sector	11,973	12,227	13,385	15,138	16,518	16,468
TNB	809	814	918	1,165	1,212	1,209

Growth rates in Credit Facilities

	2017	2018	2019	2020	2021	2022
Banking Sector	16.80%	5.13%	7.12%	11.51%	6.63%	2.77%
TNB	25.90%	-1.07%	1.39%	33.08%	0.80%	6.19%

Growth Rates in Deposits

	2017	2018	2019	2020	2021	2022
Banking Sector	12.90%	2.12%	9.47%	13.10%	9.12%	0.30%-
TNB	23.30%	0.62%	12.78%	26.91%	4.03%	0.25%-

Market Share

	2017	2018	2019	2020	2021	2022
Market Share from Credit Facilities	8.14%	7.67%	7.26%	8.66%	8.19%	8.54%
Market Share from Deposits	6.75%	6.65%	6.85%	7.69%	7.34%	7.34%

TNB currently operates through thirty-four branches and offices across Jerusalem, Ramallah, Nablus, Hebron, Jenin, Bethlehem, Tulkarem, and Salfit, as well as branches in Palestinian towns and rural areas, thereby contributing towards financial inclusion of their residents, such as branches and offices in Arraba, Deir Jarir, Dura, Aqraba, Hezma, Al-Eizariya, Sinjil, and Al-Ram. TNB plans to open a new branch in 2023.

Corporate Governance

- The National Bank is committed to the highest standards of good governance, and work is carried out in accordance with the PMA's Governance Guide and instructions.
- The relationship between the bank's management, represented by its Board and executive management, and the shareholders is based on a framework that ensures the implementation of sound management and governance in achieving its objectives and realizing various benefits for stakeholders, including minority shareholders. The governance system provides detailed, accurate and timely information about TNB and the responsibilities of the Board and its different committees towards the bank and shareholders.
- The National Bank is committed to sound governance practices and the highest standards of efficiency and accuracy in its activities in line with PMA instructions which are in line with the latest international best practices and the Basel Committee recommendations on governance.
- The bank is committed to meeting the needs of the Palestinian community by providing banking services using the most modern and sound methods and ensuring services are provided in a proper manner to different stakeholders. Additionally, the bank supports the community by sponsoring different social activities. This promotes its national affiliation and identity and is a part of its social responsibility.

Board of Directors

As of December 31, 2022

Board of Directors

Mr. Samir Zraiq
Chairman of the Board of Directors

A prominent local and regional businessman and economist, with wide investments in several sectors in Palestine and abroad, Zraiq has extensive experience in economic policy design, asset and portfolio management, and financial and strategic planning.

Mr. Samir Zraiq is the Chairman of the Board of Directors at TNB, the fastest growing bank, and he has been dedicated to raising the standards of financial services in Palestine. His relationship with TNB goes back 10 years, as he has been a member the Board since 2012. He chaired the credit committee and was a member of the investment committee. Because he believes in the bank and its ability to raise the standards of financial services in Palestine, he invested by purchasing a stake which made him one of its major shareholders.

Zraiq is the Chairman of the Board of Palestine Investment & Development Company PID, a public shareholding company listed on the Palestine Exchange. It is the first holding company established in Palestine and it works in various investments fields, including real estate, financial, educational and other commercial investments.

Zraiq is also the Chairman of the Board of Directors at Sahem Trading & Investments, a leading Palestinian brokerage and investment services company. He led the company to become one of the most highly ranked in terms of market share in the Palestine Stock Exchange, strategic partnerships, research services, and issuance management. He supervised the investments of a large group of private companies in the financial and real estate sectors, based on his investment experience which combines excellent knowledge and unique skills, and led many companies on the path of excellence and distinction.

He chaired the Board of Directors of the Federation of Palestinian Businessmen Associations, the Palestinian Businessmen Association in Jerusalem, and was the Vice-President of the Federation of Arab Businessmen. He is passionate about sustainable development in the Palestinian private sector and has worked towards promoting economic activity and designing national economic policies.

He was a member of the National Economic Development Team in Palestine, a Board member of the Social Security Fund and the Chairman of its Investment Committee. He was also a member of the national team responsible for Palestine's bid to join the World Trade Organization, a Board member at the Supreme Council for Creativity and Excellence, and the Chairman of the Board at the Young Leaders Foundation (YPO).

Board of Directors

Mr. Omar M. Masri
Vice-Chairman

Mr. Omar M. Masri is a businessman with over 30 years of experience in the banking and energy sectors. Since 2006, he has been the Group Managing Director of the Edgo group, a regional company with operations in the fields of oil & gas, power, water, and infrastructure. Prior to Edgo, Omar established and managed Atlas Investment Group ("Atlas") in 1996, a regional investment banking firm, and in 2004, the Arab Bank acquired Atlas and established it as the bank's Investment Banking arm, known today as AB Invest. He was appointed as Arab Bank's first Global Head of Investment Banking and represented Arab Bank on the boards of several affiliate and sister entities, including the Arab National Bank in Saudi Arabia. He was the first individual in Jordan to be granted the Certified Financial Consultant, Broker, and Investment Manager License by the Jordan Securities Commission. In 2004, Omar was invited to be a member of the Dubai International Financial Exchange (DIFX) Practitioner Committee to assist in the establishment of the Dubai International Financial Centre (DIFC)'s DIFX operation.

In 2002, Omar founded the Chartered Financial Analyst (CFA) Institute's Jordan chapter and became its first chairman. Prior to establishing Atlas, he was a fund manager at Foreign & Colonial Emerging Markets in London, UK, where he structured and managed the first regional Middle East investment fund in the world, which was listed on the New York Stock Exchange.

Omar has a B.B.A. in Finance from the George Washington University in Washington, DC. In 1990, he completed a two-year, intensive wholesale credit-training program at the Philadelphia National Bank/Wharton Business School in Philadelphia and subsequently managed the bank's correspondent banking relationships in Thailand and Japan. Omar has been a member of the Young President's Organization (YPO) since 2001 and was selected as a Young Global Leader by the World Economic Forum.

Board of Directors

Mr. Caesar Qulajen has been the General Manager of Jordan Commercial Bank since 2015. He has more than 30 years of banking experience. He has diverse experience in the banking and financial sectors in Jordan and abroad. Qulajen represents JCB on the boards of several companies, including Middle East Payment Services (MEPS), First Jordan Investment Company, and Al Hussein Fund for Excellence.

Prior to joining JCB, he was the Deputy General Manager of the Housing Bank for Trade and Finance, and the CEO of Abram for Industrial and Commercial Investments

in Saudi Arabia. Prior, he was the Assistant General Manager for the Saudi American Bank (Samba), where he worked for 2 years. He was a Principal Manager at Arthur Andersen in Saudi Arabia and the Social Security Corporation.

Mr. Caesar Qulajen

Representative of the Jordan Commercial Bank (JCB)

Qulajen holds a master's degree in Business Administration from the University of Dallas, Texas.

Board of Directors

Mr. Isam Salfiti has been the Chairman of "Bank al Etihad" since 1997 and has used his 48-year experience in the economic and banking sectors to enrich the bank's strategy and growth and development plans. Between 1989 and 2008, he was the General Manager of the Bank.

In 2006, he established a wholly owned subsidiary o Bank Al Etihad named "Al Etihad Brokerage". In addition, Salfiti is currently the Chairman of Jordan Hotels and Tourism, and he is a Board member of the King Hussein Foundation, Zara Investments, and the Jordan Education for Employment Foundation, where he is also a member of the Board of Trustees. Salfiti did not lose sight of his interest in education, as he is a board member of the Baccalaureate School and the Jubilee School.

Mr. Isam Salfiti

Representative of Bank al Etihad

He previously held several positions, most notably Board member of the Council of Higher Education – Ministry of Higher Education and Scientific Research, the Salfiti & Sons Exchange Company in Amman and Beirut, the Union Land Development, Union Tobacco & Cigarettes Co., the Jordanian Businessmen Association, the Swiss Jordanian Business Club, the Anglo Jordanian Society, and the Red Sea Institute of Cinematic Arts. He was also the Deputy Director General of the Arab Financial Corporation and the Vice Chairman of the Integrated Tourism Company. He was a member of the Boards of Trustees of the University of Jordan.

Salfiti was born in Jaffa in 1944. He graduated in 1967 with a B.A. in Economics from the American University of Beirut. Salfiti is considered a reference in economy in Jordan and has supported the Jordanian economy in general and the banking sector in particular in many ways. He also supported the community and participated in various events to promote education and culture in Jordan. He was the Chairman of Jordan Festivals held in 2010.

Board of Directors

Mrs. Masri is a board member in many leading companies of the private and public sectors in Palestine. She is known for supporting charitable causes and initiatives that promote cultural sustainability and empowerment of Palestinians in various sectors through the Munib Rashid Al Masri Foundation for Development.

In the nineties, Masri worked for Manufacturers Hanover Bank in New York for 3 years and then moved to the UK to manage the family business. In 1995, she relocated to Palestine to help her family in the establishment of many companies in various sectors, which include consumer goods, beverages, construction, and car trading companies.

Masri obtained a Master of Business Administration and a Bachelo'r of Science in Environmental Studies from George Washington University, USA.

Mrs. Dina M. Masri
Member

Mrs. Manal Zraiq
Member

A businesswoman with extensive experience in executive business, Zraiq is a skilled communicator and has proven her team building and employee development abilities. She currently occupies several positions in several private Palestinian companies in various fields. She is currently the Chairwoman of al Mustaqbal School, a member of the Board of Directors of the Arab American University, the Chairwoman of Zoom Advertising and a board member of Sahem Trading & Investments. She is also a board member in publicly traded companies such as the National Bank (TNB), and Palestine Investment & Development (PID).

For over 25 years, Ms. Zraiq has played a pioneering role as Partner & CEO of Massar International Group investment projects, Siraj Fund Companies, and Bayti Real Estate Investment Company (the developer of Rawabi City). In 2016, she founded the Rawabi English Academy. She also served as a member of Rawabi Municipal Council for two consecutive terms. She has provided financial and administrative oversight for new business initiatives in journalism, IT, financial services, real estate, and media.

She was a founder and the first chairwoman of the Palestinian Businesswomen Forum and remains a member of its Board. She is a Board member of Partners for Sustainable Economy and a Board member and former Chairwoman of the Board of Directors at the Young Leaders Foundation in Palestine. She was appointed by the former Prime Minister, Dr. Rami Hamdallah, as a member of the Board of Directors of the Loan Fund for Undergraduates in Palestine for 2017-2021. She is also a member of the Executive Board and a member of the Board of Trustees of the Global Arab Investor Forum.

In addition, she is a fellow of the ASPEN Global Leadership Network (AGLN). In 2013, Zraiq earned the Vital Voices Global Leadership Economic Empowerment Award. In 2022, she received the (Global Impact) award for the Middle East from the Young Leaders Foundation (YPO) for her initiative “Investing in Education and Empowering Youth”. She also participated in many local and international conferences.

Board of Directors

Mr. Nimer Abdul Wahed
Representative of Paltel Group

Nimer Abdul Wahed is the Head of the Real Estate Sector at the Palestine Development and Investment Company (PADICO), and a member of the Boards of a number of public and private shareholding companies, including Arkan Real Estate, Wasel Distribution and Logistics Services, Palestine Real Estate Investment Company, the Palestinian Company for Rental and Leasing (PalLease), the Jericho Agricultural and Industrial City Development, Management and Operation Company, and Pal Gas Company for Services and Distribution. He is also a member in a number of civil society organizations such as the Palestinian American Chamber of Commerce.

Abdul Wahed has more than 20 years of experience in developing and managing companies in general and real estate companies in particular. Prior to joining PADICO, he was the Head of Financial Management at Bayti Real Estate Investment Company (the company developing Rawabi City) and an Audit Officer at Ernst & Young. This allowed him to develop strong skills in financial and commercial operation management and supervision, performance analysis and monitoring, and short-term and long-term goal evaluation.

He holds a master's degree in Business Administration from Birzeit University and a CPA certificate from the United States of America. He is also a member of the American Society of Certified Public Accountants. During his career, he took part in a number of international and local conferences and advanced training programs.

Board of Directors

Mr. Abdulnasser Altibi

Representative of Paltel Group

Abdulnasser Altibi is the Chief Financial Officer of the Palestinian Telecommunications Group and a leader in the information and communications technology sector in Palestine. He is responsible for managing and supervising financial and administrative affairs and procurement, and developing strategic plans to implement the company's vision and objectives.

Altibi has held this position since 2021. He is also a member of the Boards of many companies affiliated with PalTel, such as Jawwal, Jawwal Pay, and others.

He has more than 13 years of experience in financial management, financial analysis, auditing, accounting and financial affairs management. He previously held several positions, most notably the group's financial controller. He was also an auditor at Ernst & Young in Ramallah before joining the group.

Altibi holds a bachelor's degree in Accounting from Birzeit University, and acquired many international professional certificates in finance and accounting. He is a Certified Public Accountant (CPA) and Certified Financial Analyst (CFA).

Board of Directors

Mr. Aziz Abdul Jawad
Independent Member

Mr. Aziz Abdul Jawad is the Chairman of Al-Wataniya Insurance Company. He served previously as a consultant of the Board of Directors between 2013 and 2019. He has been the Chairman of the Board of Al- Abraj National Company since 2014. Abdul Jawad held a seat on the Board of Directors of Safa Bank and the International Chamber of Commerce (ICC). In 2009, he became the CEO of Al-Wataniya Insurance for two years, after being its general manager for 15 years.

Abdul Jawad started his career in 1967 at the Kuwait Insurance Company, where he held a number of vital positions, the last of which was the deputy general manager. In 1994, he was selected as the representative of the Palestinian Market at the Council of the General Arab Insurance Federation and continued to represent Palestine until 2007. Abdul Jawad has been a board member in numerous companies and organizations, including: the Palestinian Capital Market Authority, Al-Nokhba for Medical Services and Consultations, Mt. David Hospital, and the Palestinian Road Accident Casualties Compensation Fund. In 2008, he chaired the Board of Directors of the Palestinian Insurance Federation. He has a Bachelor’s degree in Accounting from the University of Cairo.

Board of Directors

Mr. Ayoub Zurub
Independent Member

A respected figure within the regional financial and insurance sectors, Zurub brings over 20 years of relevant industry experience in which he spearheaded multiple companies and federations, both in Palestine and Jordan. As CEO and board member of AlMashreq insurance company and executive manager and board member of the Jordan French Insurance Company, Zurub lends unique insights to cement the abovementioned institutions' standings as prominent market players. Among his contributions during his previous tenure as board member of the Palestinian Capital Markets Authority, he provided valuable knowledge to actively support the development of the Authority's corporate governance. He is also an advocate for the digitalization of solutions in the financial sector; a risk management and mitigation specialist; and an expert on the impact of international financial reporting standards on financial services companies. Furthermore, he has established a number of logistics companies since 2003 and managed various projects across the region, including in Palestine. In 2014, he expanded into the real estate sector. He is now the Chairman of Alaqariya Commercial and Investment company.

Zurub is currently board member of Sadad, an electronic payment service provider, and many other companies in the financial services and investment sectors. He is the vice chairman of both Jordan Management and Consulting, a leasing and investment company, and Medservice, a leading medical third-party administrator. He previously chaired the board of the Palestinian Insurance Federation and was a member of the National Committee for Financial Inclusion.

Zurub holds a bachelor's degree in Finance and Risk Management, from the University of Florida in the US.

Board of Directors

Mr. Abu Khadijeh is the General Manager and main partner of Rasil Express (Fedex), Palestine. He has a rich experience and has worked in some of the largest and most reputable companies in Palestine. Between 2007 and 2012, he was the Deputy CEO and CFO at Paltel.

He was the CFO of Medical Supplies and Services, Unipal and the National Beverage Company/Coca- Cola in Palestine and led many important restructuring processes, purchases, sales and mergers.

He served as a Board member in several Palestinian companies such as Brico, Jericho Gate, Vitel and others. He is also a board member in some NGOs.

Abu Khadijeh holds a Master of Business Administration from the Kellogg School of Management, Northwestern University in Chicago, the US.

Mr. Kamal Abu Khadijeh

Minority Shareholders Representative

Board Meetings

Seven board meetings were held in 2022:

Attendance rate	Number of meetings attended	Position	Members
100%	6	Chairman	Mr. Samir Zraiq
100%	6	Vice Chairman	Mr. Omar Masri
100%	6	Member	Mr. Caesar Qulajen
67%	4	Member	Mr. Isam Salfiti
100%	6	Member	Mrs. Dina Masri
100%	6	Member	Mrs. Manal Zraiq
50%	3	Member	Mr. NimerAbdul Wahed*
50%	3	Member	Mr. Abdulnasser Altibi*
100%	6	Member	Mr. Aziz Abdul Jawad
83%	5	Member	Mr. Ayoub Zurub
100%	6	Member	Mr.KamalAbu Khadijeh

Both Mr. Hisham Zaid and MR. Maen Melhem were replaced by Mr. Nimer Abdul Wahed and Mr. Abulnasser Altibi as members of the Board of Directors representing Paltel based on PMA approval on 30-6-2022.

Role and Responsibilities of the Chairman of the Board

The Chairman of the Board of Directors exercises all duties and powers granted to them by the laws in force in Palestine and the instructions of the Palestinian Monetary Authority. He shall separate between the positions of the Chairman of the Board and the Chief Executive Officer.

The Chairman of the Board of Directors has the following main roles:

- Supervise and follow-up on TNB's business and the Board's policies to achieve the goals and objectives set therein, as well as follow up on the evaluation of the Bank's overall performance in line with the strategies, plans, objectives, policies and budgets approved by the Board.
- Maintain a constructive relationship between the Bank's management and the members of the Board of Directors and promote an institutional culture that encourages constructive criticism, different points of view and discussions during the decision-making process.
- Ensure that the Bank's corporate governance standards are in place and decisions are made on a solid foundation and promote and ensure the expression and discussion of different opinions and points of view during the decision-making process.
- Ensure that Board members and shareholders receive adequate information in a timely manner.

Board of Directors Composition

The board was restructured in 2017 to include independent members and a representative of the minority shareholders, in line with corporate governance best practices and PMA's regulation No. 10 of 2017, and in implementation of the PMA Corporate Governance Guide.

Independent Member: A member of the Board of Directors who is not subject to any external influences limiting their ability to make substantive decisions in favor of the Bank.

Member Representing Minority Shareholders: A member of the Board of Directors representing minority shareholders whose shares or the shares of their relatives do not exceed two in a thousand.

Attendance Policy of Board Meetings

The bank complies with the Remunerations Committee's recommendations in respect of the attendance allowance of members of the board, noting that they are determined as follows:

The allowance of the Chairman of the Board of Directors is fixed at $24,000, and the Board members allowance is set at $14,000 for each member, with $1,000 paid for attending each Board session.

An amount of 625$ is paid to the member for each of the Board committee meetings they attend. The maximum amount that may be paid to a member of one committee for all meetings shall be set at $7,500, with the exception of the Credit Committee where the maximum amount for attending all meetings is $10,000.

Board Practices and Conflicts of Interest

The National Bank seeks to create an effective, transparent and cooperative work environment. For this reason, it adopted rules and regulations for professional conduct and appropriate work ethics. On this basis, a conflict of interest policy has been prepared and approved by the Board of Directors to promote and protect those values. It will prevent any misuse which may create a conflict of interest. The policy aims to:

- Protect the interests of the bank and all the parties it deals with, by stating the policies and procedures regulating a conflict of interest to the shareholders, the Board of Directors, the Bank's Committees, the executive management, employees, auditors, consultants and other stakeholders as needed, in accordance with the applicable laws and regulations and TNB's regulations and policies.
- Define clear investment mechanisms and policies, whether the investments are strategic (in banks, for example) and/or in associations and/or in service companies, which may be subject to a conflict of interest at the bank or at the level of stakeholders (retail).
- Reduce risks to customers while minimizing the risk of legal liability, regulatory criticism or harming the bank's commercial interests and reputation and ensuring that procedures are in line with the legislative requirements and administrative procedures that have been established in accordance with internal regulations.
- Gain the trust of the bank's customers by preventing and reducing conflicts of interest or managing them in accordance with the applicable regulations.

- Improve communication and transparency and ensure that all decision-making processes are impartial and objective.
- State how TNB regulates a conflict of interest to each member of the Board of Directors, the committees, senior management, employees, auditors, and everyone affiliated with the bank.
- Clarify conflict situations and how they are dealt with in line with the Bank's objectives of accountability and transparency.

The Conflict of Interests Policy applies to all employees and affiliates of TNB. The Policy shall serve as a complementary instrument, rather than a substitutive one, to the instructions and laws in force in the Country governing conflict of interests cases.

As part of The National Bank's applied governance framework, the Bank has adopted a policy for protecting stakeholders, including shareholders, supervisory bodies, customers, suppliers, employees, and any external entity with whom business is conducted. Protection shall ensure the respect and protection of their rights pursuant to the laws and instructions issued by the competent supervisory bodies.

In general, the Policy essentially aims at determining the guiding principles governing the Bank's relationships with the relevant stakeholders and enabling them to file complaints and grievances, as well as to report violations. Furthermore, the Bank guarantees the protection of stakeholder rights. In return, it is expected from stakeholders to comply with their obligations governed by contracts, laws, and regulations issued by the competent supervisory bodies.

Declarations made in 2022

The Board of Directors of The National Bank declares that there are no special matters that may affect the continuity of the bank's business and acknowledges and confirms the following:

- All information and financial statements included in the annual report are accurate and complete.
- The implemented internal controls and monitoring systems for financial reporting are effective and in place.
- There is a framework to evaluate the effectiveness of internal controls and monitoring systems in the bank.
- There are approved policies that prevent conflict of interest and protect stakeholders rights.

Board of Directors' Committees

Executive Committees

- **Credit Committee**
  - Mr. Samir Zraiq – Chairman
  - Mr. Kamal Abu Khadijeh – Member
  - Mrs. Dina M. Masri – Member
- **Investment Committee**
  - Mr. Omar M. Masri – Chairman
  - Mr. Samir Zraiq – Member
  - Mr. Isam Salfiti – Member
  - Mr. Nimer Abdul Wahed – Member
- **Digital Transformation Committee**
  - Mr. Omar M. Masri – Chairman
  - Mr. Isam Salfiti – Member
  - Mr. Nimer Abdul Wahed – Member

Regulatory committees

- **Internal Audit Committee**
  - Mr. Aziz Abdul Jawad – Chairman
  - Mrs. Manal Zraiq – Member
  - Mr. Abdulnasser Altibi – Member
- **Risk and Compliance Committee**
  - Mr. Ayoub Zurub – Chairman
  - Mrs Manal Zraiq – member
  - Mr. Abdulnasser Altibi – Member
- **Nomination, Rewards and Incentives Committee**
  - Mr. Ayoub Zurub – Chairman
  - Mr. Samir Zraiq – member
  - Mr. Omar Masri – member
  - Mr. Caesar Qulajen – member
  - Mr. Aziz Abdul Jawad – member

Executive Committees

Credit Committee

The Credit Committee consists of three members of the Board and has specific Board-approved written duties and authorization.

Committee members

• Mr. Samir Zraiq – Chairman • Mr. Kamal Abu Khadijeh – Member • Mrs. Dina M. Masri – Member

Role and responsibilities:

- Develop credit strategies that clearly define the targeted quality of credit, return and growth, accepted risks and their impact on the target return, and the burden on capital. In the long term, strategies should take into consideration the different economic cycles, and should be evaluated annually based on the business results and in line with the PMA instruction. Strategies should be approved by the Board of Directors.
- Establish a credit risk management framework, that determines risk appetite, accepted risk, and risk tolerance, and define acceptable credit concentrations in line with the PMA instruction. The framework should be approved by the Board of Directors.
- Set specific standards to ensure the executive management is able to implement credit policies and strategies approved by the Board of Directors and manage the risks of credit activities.
- Regularly inform the Board of Directors of the status of the operating and non operating credit portfolio at the bank and the percentage of credit concentration and recommend measures that limit risks exceeding TNB's accepted risks. Recommend, to the Board of Directors, the limits for granting credit access.
- Review the credit policy, credit strategies and the general credit risk management framework periodically or whenever needed and re-evaluate them independently of the executive management. Work on ensuring they are adopted by the Board of Directors.
- Approve or recommend for approval funding requests submitted to the committee, while ensuring there is no conflict of interest between the members of the committee and the party submitting the funding request.
- Review all supervisory reports related to the various credit operations and approve them or recommend them for approval by the Board.
- Coordinate with all Board committees and work with them on all matters related to credit operations, whether the Audit Committee, the Risk Committee, the Asset and Liability Committee (ALCO) and other relevant committees.
- Ensure the Executive Management establishes and adequately adheres to the Bank›s internal control and oversight systems in its policies, procedures, and credit operations or in related activity approved by the Board.

Meetings:

The Committee holds at least six meetings per year.

Investment Committee

The Investment Committee consists of four members of the Board of Directors. The Chairman shall be chosen by the members of the Committee and shall be an executive member.

Committee members

- Mr. Omar M. Masri – Chairman
- Mr. Samir Zraiq – Member
- Mr. Isam Salfiti – Member
- Mr. Nimer Abdul Wahed – Member

Roles and responsibilities:

- Review the bank's investment strategy before it is approved by the Board, at least once a year, or more often when needed.
- Assess the performance of the current investment portfolio in terms of risk and return.
- Monitor the movement of arab, regional and international capital market indices to benefit from their indicators.
- Divide the investment portfolio into equity and debt instruments, including treasury transfers and government bonds, and include foreign instruments.
- Respect the investment restrictions set out in the Banking Law and PMA instructions.
- Always compare the investments' market value to the book value.
- Suggest purchases and sales, maintain the investment portfolio, carry out operations in line with its mandate, and maximize returns on investments while ensuring a balance between risks and returns.
- Review and approve the credit limits related to correspondent banks.
- Follow up on the reports of the Assets and Liabilities Committee, review its performance, and take appropriate decisions.
- Provide the Board of Directors with periodic reports on the bank's investment position and provide information about any material changes that may occur without delay.

Meetings:

The Committee holds at least four meetings (once every three months) per year.

Digital Transformation Committee

The committee consists of three members and may be reinforced by members from the executive management and relevant departments, provided that the majority of its members are Board members. The Chairman shall be chosen by the members of the Committee.

Committee members:

• Mr. Omar M. Masri – Chairman • Mr. Isam Salfiti – Member • Mr. Nimer Abdul Wahed – Member

Roles and responsibilities:

- **Oversee IT strategies:**
  - The committee reviews all matters that would define the IT strategic directions of the bank with the aim of positioning the bank alongside international technologically advanced banks in line with best practices and the technologies.
  - Supervise the progress of digital transformation and manage information technology processes to ensure their efficiency and effective contribution to the bank's goals, and to submit recommendations to the Board of Directors on important IT investments.
  - Keep the Board or the relevant body abreast of any development that might negatively affect the project's progress, by submitting performance and compliance reports on the project implementation plan. Assess the performance of the IT Department Director and the performance of the department as a whole on an annual basis.
  - Assess current and future IT and digital transformation trends.
- **Oversee IT related risks:**
  - Review IT risks, including information security and cyber security risks, as well as the controls adopted by the management to mitigate them.
  - Develop policies and procedures to support such controls in line with the Bank's risk appetite.
  - Ensure that all internal and external control requirements are implemented by reviewing all control reports of the IT Department and taking the necessary corrective measures.

Meetings:

The Committee holds at least four meetings (once every three months) per year.

Regulatory committees

Internal Audit Committee

The Internal Audit Committee consists of three members of the Board. The Chairman shall be an independent member chosen by the Board members.

Committee members:

• Mr. Aziz Abdul Jawad – Chairman • Mrs. Manal Zraiq – Member • Mr. Abdulnasser Altibi – Member

Roles and responsibilities:

- Provide recommendations on nominating, agreeing on the fees, and ensuring the independence of an external auditor. The nomination must be approved by the Board and the General Assembly.
- Assess the independence of the external auditor at least once a year through the following:
  - Assess the extent to which they are providing services that fall outside the scope of the audit and affect its independence.
  - Obtain a report from the external auditor explaining any relationship between them and the bank or any other person or institution that might affect their independence.
- Review the bank's accounting and financial practices.
- Review the financial statements and identify any accounting issues which have a material impact on the annual and semi-annual statements, preliminary statements, and any statement and clarification related to the bank's financial performance. This includes reviewing and confirming the following:
  - Any material changes to the accounting policies.
  - Mechanisms to record essential or unusual events, especially when there is more than one way to record them.
  - Ensuring the bank complies with the applicable international accounting standards and that management provides appropriate estimates and judgments, taking into account the external auditor's assessment of the financial statements.
  - The clarity and completeness of disclosures in the bank's annual report and the way they are presented.
  - Ensuring that all material data is reported in the annual report and other financial statements.
  - Reviewing the Bank's controls and internal and financial regulations systems on an annual basis, in cooperation with the Risk and Compliance Committee.
  - The Committee shall submit a report on its views to the Board of Directors if it is not satisfied with any aspect of the draft financial report, taking into account the issues reported by the external auditor.

- Coordination between the internal and external auditors.
- Review the scope and results of the audit and discuss them with the external auditor.

- Ensure there is a clear and transparent mechanism that allows all bank employees to report any irregular or illegal behavior or practice and ensures a professional and objective follow-up.
- Supervise the bank's compliance with legal and regulatory requirements.
- Review the reports prepared by the Internal Audit Department and follow up on the amendment of violations.
- Adopt the annual audit plan and the internal audit charter and monitor their implementation to ensure a comprehensive audit of all banking and administrative activities, including those assigned to external parties.
- Ensure the independence of the Internal Audit Department, so that the internal audit is carried out directly by the Committee. In other terms, ensure the committee submits reports, appoints the director and employees of the Internal Audit Department, and determines their salaries, bonuses and annual raises.

Meetings:

The Committee holds at least four meetings (once every three months) per year.

Risk and Compliance Committee

The Risk Committee consists of three members of the Board of Directors. All members of the Committee shall have academic qualifications and practical experience in risk management, practices, and related issues.

Committee members:

• Mr. Ayoub Zurub – Chairman • Mrs Manal Zraiq – member • Mr. Abdulnasser Altibi – Member

Roles and responsibilities:

- Nominate the Director of the Risk Department, the Director of the Compliance Department and the Director of the AML Department, determine their fees and ensure they have the appropriate expertise and academic qualifications.
- Review and discuss the risk, compliance and AML policy and recommend it to the Board of Directors for approval.
- Ensure the Risk Department conducts stress tests periodically to make sure it is capable of withstanding shocks and facing high risks.
- Compare the actual risks of the bank with the accepted risk document and address any inconsistency on a periodic and continuous basis.
- Review the strategy of the Bank's Risk Department and the annual plan of the Risk Management Department before their submission to the Board for approval.
- Follow-up on the implementation of the Business Continuity Plan "BCP" and the Disaster Recovery Plan "DRP".
- Monitor the capital adequacy ratio, and ensure it is consistent with PMA instructions and decisions of the Basel Committee on Banking Supervision, in terms of the minimum limits, and ensure the estimated budgets and strategies of the bank are on the right track.
- Review the risks related to issuing banking products or outsourcing services.
- Provide advice and submit the necessary reports to the Board of Directors on the current and future status of the bank's risk appetite and risk culture. Supervise capital strategies and the management of liquidity and any risks related to the bank's activities and business to ensure they are in line with the approved risk appetite. Supervise the implementation by the senior management of a risk appetite framework.
- Formal and informal exchange between the Committee, the Risk Department and the Department Manager to obtain the necessary reports on the bank's risk profile, risk culture, permissible limits and any violations thereof, in addition to risk mitigation plans.
- Determine the risks associated with the bank's business, develop a comprehensive current and future strategy on risk tolerance and mitigation, and supervise the implementation of that strategy by the senior executive management.
- Submit periodic reports to the Board of Directors on the risks that the bank faces or may be exposed to and inform the Board of any material changes that occur in the bank's situation without delay.

- Ensure there is an appropriate risk management environment in the bank, including studying the suitability of the bank's organizational structure and ensuring there are qualified employees working independently to manage the basic risks facing the bank, in line with a clear risk management system.

- Review reports issued by the Risk, Compliance and AML departments and submit them to the Board.

- Approve the annual plan of the Compliance Department and the Anti-Money Laundering Unit.

- Determine the principles of compliance that the bank must respect in line with the laws and instructions in force and take the necessary measures to promote of integrity and sound professional practices in the Bank.

- Supervise and control the work of the Compliance Department and evaluate the efficiency of implementing the compliance policy annually in the report submitted by the executive management to ensure the bank is compliant. The Board of Directors may delegate this responsibility to a separate committee it appoints or to the Audit Committee.

- Ensure the compliance monitoring function is independent of the bank's activities and business.

- Follow-up and supervise the systems and policies adopted by the Bank to avoid cases of fraud, bribery and corruption, and to obtain reports showing cases of non-compliance.

- Follow-up and ensure there are systems and procedures that allow employees, contractors or any external party to report any reservations or errors in the financial reports or any other matters.

- Establish an AML/CFT function to follow up on the compliance with the AML/CFT Law, provided this job is assigned to an independent employee at the level of Director called AML/CFT Officer.

- Supervise the AML/CFT function in the bank and approve the charter or any other official document under which this function is established.

- Adopt a manual of policies and procedures for the AML/CFT Department based on risks (RBA), the FATF recommendations, international best practices, and the basic principles and guidelines issued by the Basel Committee on Effective Banking Supervision. This manual should clearly define the priorities and responsibilities of the position, working methods, reporting mechanisms and the presentation of results. It should include a mechanism for taking corrective measures in the event of any violations. The Manual should be submitted to the Board of Directors for final approval.

Meetings:

The Committee holds at least four meetings (once every three months) per year

Nomination, Rewards and Incentives Committee

The Nomination, Remuneration and Governance Committee consists of five members of the Board of Directors. It shall have specific written tasks and powers approved by the Board of Directors.

Committee members:

- Mr. Ayoub Zurub – Chairman
- Mr. Samir Zraiq – member
- Mr. Omar Masri – member
- Mr. Caesar Qulajen – member
- Mr. Aziz Abdul Jawad – member

Roles and responsibilities related to corporate governance:

Supervise the implementation of the governance policy framework in the bank.

Submit reports and recommendations to the Board on the results achieved, including evaluating the compliance with the Bank's Governance Manual and submitting proposals to amend the Manual to ensure consistency with best practices.

Role and responsibilities related to remunerations and incentives:

- Oversee the design of the rewards and incentives system and ensure it is compatible with the bank's culture and long-term business continuity.
- Oversee the implementation of the rewards and incentives policy/methodology.
- Supervise strategic projects on the bank's human capital.
- Conduct a periodic review of the policy/methodology for granting rewards, incentives, and benefits, or upon the Board's recommendation, and submitting recommendations to the Board to amend or update this policy.
- Conduct a periodic assessment of the adequacy and effectiveness of the rewards policy to ensure it achieves its objectives.
- Submit recommendations to the Board on the remunerations and allowances of the Chairman, Board members and main officials in the Bank.
- Ensure that the policy/methodology for rewards, incentives and benefits takes into consideration all types of risks to which the bank is exposed when determining rewards to ensure a balance between profits and risks.
- Ensure that the rewards and incentives policy is consistent with PMA instructions and the bank's internal system.
- Submit periodic reports on the Committee's work and achievements.

Role and responsibilities related to nominations:

- Prepare standards to be approved by the Board for the conditions and qualifications that must be met by members and senior management in terms of skills, experience and any other factors it deems appropriate.

- Submit recommendations to the Board on changes it believes are required in the number of members of the Board or a committee.
- Submit nominations to the Board in the event of a vacancy (including a vacant seat resulting from the increase in the number of Board members).
- Review the eligibility of all candidates and any candidate proposed by the management.
- Determine the members qualified to fill the vacancy in any committee and submit a recommendation to the Board.
- Assess the performance of the Board, committees, and members at least once a year.
- Oversee the human resources policies in general.
- Submit recommendations to the Board from time to time about any changes the Committee believes are necessary in the management structure or job descriptions of main officials.
- Develop an appropriate plan to ensure the replacement of the Chairman and members of the Board of Directors and key officials in cases of emergency or when vacancies arise due to unforeseen circumstances.
- Supervise the training of board members on banking governance.

Meetings:

The Committee holds at least two meetings per year for each of its responsibilities.

Executive Management

As of December 31, 2022

Executive Management

Mr. Salameh Khalil
Chief Executive Officer (CEO)

Mr. Salameh Khalil is a highly experienced executive with a career spanning over 20 years. His in-depth knowledge includes financial planning and strategy, risk management, treasury, internal controls, auditing, and accounting. Prior to his appointment as CEO of The National Bank (TNB), he was the Chief Financial Officer of Palestine Telecommunication Group (Paltel Group), he was responsible for managing the financial, administrative, human resource and procurement operations of the Group and supervising it, in addition to setting the strategic objectives of the Group within that scope. Mr. Khalil is a board member of various Group subsidiaries such as Jawwal, Jericho Gate Real Estate, Palvest, in addition to his board membership in TNB since 2013.

Before joining Paltel Group, Mr. Khalil was the Vice President of Finance of Bloom Holdings in the United Arab Emirates. His role included defining the Group's financial strategies, treasury activities, financing the Group's operations and projects, internal controls and preparing budgets and financial statements. Before working at Bloom Holdings, Mr. Khalil worked at Ernst and Young in Ramallah as an audit manager, where he managed the audit of leading corporates and international institutions including the European Commission, World Bank and USAID. in addition, Mr. Khalil also managed international projects for the Palestinian Ministry of Finance; consulted on audit and internal controls, budgeting, risk management and institutional capacity building for the sovereign institutional infrastructure.

Mr. Khalil obtained a Bachelor of Accounting from Birzeit University in 2000, and holds several additional accounting accreditations, including: Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Project Finance Specialist (CPFS) and Master Financial Controller (MFC).

Executive Management

Mr. Zaher Muala

Deputy Chief Executive Officer

Zaher Muala is the Deputy Chief Executive Officer of TNB. He joined the executive team following the acquisition of the Jordan Commercial Bank, where he had served as the Regional Manager since 2018.

Muala has a diversified banking experience on the local, regional, and international levels, spanning more than 20 years in corporate, retail, SMEs, strategic planning, project management and development, building analytical systems, data analysis and other fields. Muala also serves on the board member of MEPS Palestine.

Muala started his career in the United States in 2000. He worked for several banks including JP Morgan Chase, Washington Mutual Bank, and UBS/PaineWebber.

In 2007, he joined the Arab Bank Group/Amman where he worked for 11 years as a Vice President and in various positions at the Headquarters. During this period, Muala managed a group of portfolios for the Bank's global network.

Mr. Muala holds a bachelor's degree in Business Administration from Marygrove College in Detroit, United States of America.

Executive Management

Mr. Anan Zagha

Chief Financial Officer (CFO)

Anan Zagha joined TNB as the Chief Financial Officer in late 2020. He started his career at Ernst & Young (EY) MENA - Palestine, where he was a Senior Audit Manager responsible for the largest companies listedin the Palestine Stock Exchange (PEX). Later on, he joined EY's branch in Belgium to continue in his role as a Senior Audit Manager, where he also managed the audit of large listed companies, and supervised the audit quality for EY's branches there.

With an experience extending for over 12 years, Anan has gained a vast knowledge in International Financial Reporting Standards (IFRS), internal control and monitoring systems, and coaching in the relevant fields.

Mr. Zagha holds a bachelor's degree in Accounting from Birzeit University, Palestine, as well as international accounting and finance certifications including Certified Public Accountant (CPA).

Executive Management

Mr. Haitham Najjar
Chief Strategy Officer (CSO)

Haitham Najjar is the Chief Strategy Officer at TNB and has more than 14-years of experience in investment and strategic planning. He joined TNB in 2011 and held several positions including Investment and Financial Institutions Department Manager and Strategic Planning Department Manager. Najjar played an important role in managing and planning the bank's Merger and Acquisition transactions, including: the merger with the Arab Palestinian Investment Bank (APIB), the acquisition of Bank Al Etihad, the acquisition of JCB, and the acquisition of a majority stake in the Palestine Islamic Bank (PIB), where he also managed building synergy between TNB and its affiliate PIB.

Prior to joining TNB, Najjar worked for two years as a Research Manager at Sahem Trading and Investment, where he was responsible for issuing initial specialized investment analysis reports for the Palestine Stock Exchange. Najjar's experience also extends to academia: in 2009, he was a lecturer in financial management at the Department of Economics at Al-Najah National University.

Najjar started his career in the Hashemite Kingdom of Jordan. He worked for four years at Palestine Development and Investment Company (PADICO) and Tanmia Securities Company, consecutively, as a Senior Financial Analyst, Investment Consultant, and Financial Broker.

Najjar holds a master's degree in Administrative and Financial Sciences from the New York Institute of Technology, and a Bachelor's Degree in Finance and Banking from Al-Najah National University, Palestine. Najjar is also one of the first individuals in Jordan to obtain a Certified Financial Planner (CFP) certification by the Jordan Securities Commission.

Executive Management

Mr. Ayman Dahadha

Chief Retail Banking Officer

A well-known local banking expert, with a diversified banking experience of more than 24 years in the Palestinian system. Mr. Dahadha's expertise is diverse and includes: Credit facilities for retail, strategy development, designing banking products, studying and analyzing markets and customer behavior, and sales management. He also has administrative experience in regional branches.

Mr. Dahadha started his career in 1997 working for the regional department of the Arab Bank in Palestine. He left a clear mark when he contributed to the establishment of the first retail department in the Palestinian banking system in 2004 and built the bank's retail department in 2008.

Mr. Dahadha was promoted several times and held important administrative positions at a young age, mainly Director of sales and credit facilities for the retail sector. He also managed the bank's network of branches in the West Bank, where he was the branch manager in the north, center, and south for several years.

Mr. Dahadha holds a bachelor's degree in accounting from Birzeit University, a master's degree in business administration from Al-Quds University / Abu Dis, and received accredited international certificates, including the Certified Lender Business Banker (CLBB) from the Federation of American Banks.

Executive Management

Mr. Mahmoud Nawahda

Chief Operations Officer (COO)

A financial and banking expert with more than 21 years of experience in the Palestinian banking system and financial affairs. Nawahda's experience is diverse in these two areas and includes management and control of financial and banking operations, treasury services management, management of administrative affairs, employee affairs and information technology. He also has experience in banking services for the corporate sector, customer service, audit and financial control.

Nawahda worked in the regional department of the Arab Bank in Palestine for 13 years, where he held several positions, including: Director of Banking Operations Supervision, Director of Financial Operations, and Deputy Director of the Banking Operations Sector. He then moved to Jordan Commercial Bank (JCB) where he was the Head of Banking Operations and Support(COO). He started his career at the Palestinian Ministry of Finance, where he was the Head of Internal Audit, and managed the Internal Control Development Department.

Mr. Nawahda holds a bachelor's degree in accounting from An- Najah National University. He also has specialized certifications in financial markets and treasury, internal auditing, information security, money laundering (AML), and know your customer (KYC).

Mr. Adel Hassan

Cheif Technology Officer

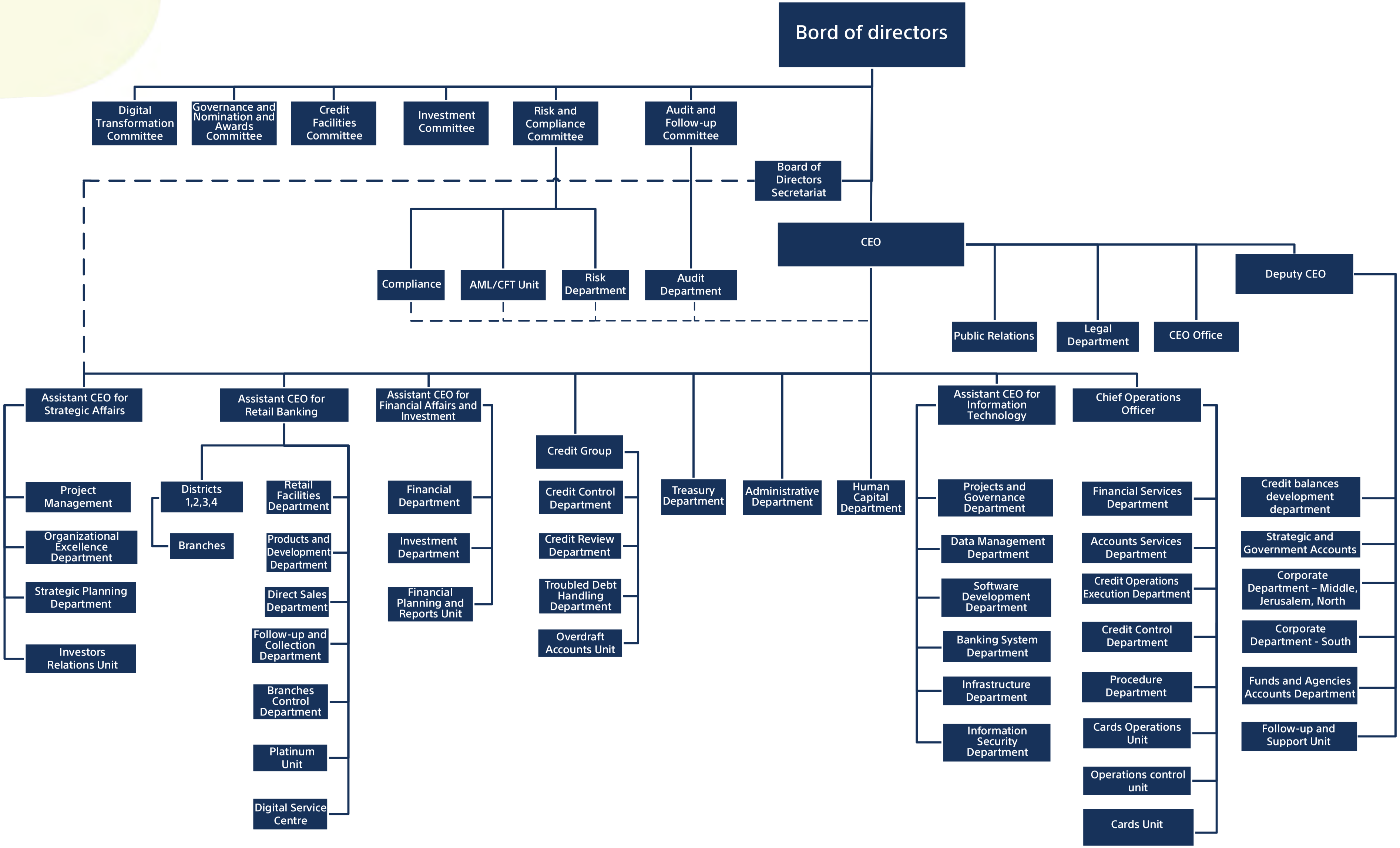
Adel Hassan is an engineer with an extensive 24-year experience in IT, digital transformation, information security, cyber security, system management, and e-clouds. He held a number of leadership positions in a number of leading local banks in Palestine.

Hassan began his professional career in 1998, as an electrical engineer in the Bethlehem 2000 project and Jacir Palace. He moved to Cairo Amman Bank / Palestine in 2004 and worked there until 2015 as the Director of the IT Infrastructure Department. He then joined Bank of Palestine as the Director of Infrastructure and IT Projects. Hassan joined TNB in 2020 to develop IT infrastructure and systems and start the bank's journey of digital transformation.

Mr. Hassan made many contributions to artificial intelligence, machine learning, data science and analysis, as well as digital currencies and cryptography. He conducted research and wrote several articles that were approved and published on the largest international scientific platforms.

Mr. Hassan holds a bachelor's degree in Electrical Engineering from Birzeit University, and a master's degree in Computer Science from the Arab American University, which he obtained in 2019 before joining a PhD program in Information Technology Engineering.

Organizational Structure



Controls and Monitoring Systems

The bank and its management are committed to using internal and external auditors, compliance officers and AML/CFT liaison officers and their reports on the internal control systems. They are focused on maintaining an effective and independent regulatory system in their activities and in their direct contact with Board committees. The bank realizes the importance of an effective audit department to reinforce internal control systems which support comprehensive banking controls. The Bank also has a Compliance Department to monitor and ensure compliance of the various departments with relevant laws, regulations, and instructions and submit reports to the relevant Board committees. The Bank attaches great importance to the Anti-Money Laundering Department which is the focal point that monitors effective ML/TF identification and prevention. It provides assistance and guidance to senior management to ensure effective and efficient ML/TF risk management.

The Bank ensures that the external auditor is regularly rotated, licensed and PMA accredited. The external auditor represents another level of control over the credibility of the financial statements issued by the Bank and should give an opinion on the fairness of the financial statements.

The bank ensures that written policies for all banking activities are circulated at all managerial levels and regularly reviewed to ensure any amendment or change in laws, regulations, and any other matters are included.

Internal Audit

The bank recognizes the importance of an effective Internal Audit Department to reinforce internal control systems and support comprehensive banking controls.

The department will play a role in achieving the bank's objectives through a structured systematic approach to evaluate and improve the effectiveness of risk management, monitoring, and reinforcing governance. The Internal Audit Department has a sufficient number of qualified trained personnel that are adequately remunerated. It is authorized to access any information or contact any employee. It has all the necessary authorizations to perform its duties as required. The functions and duties of the Department are as follows:

- Develop an annual risk-based audit plan and present it to senior management and the Audit Committee for review and approval. Report to the senior management and the Audit Committee on restrictions that limit the resources available for the internal audit plan.
- Ensure that each audit task in the internal plan is implemented including identifying the objectives and scope, allocating and overseeing sufficient resources, documenting work programs and test results, and reporting results with conclusions and recommendations which can be implemented by the relevant parties.
- Submit a detailed report and summary of the results of all audit visits, recommendations, and follow-up procedures to the Audit Committee. Follow-up on the audit results and any measure that needs to be taken and inform the senior management and the Audit Committee on a periodic basis of any measures which have not been effectively implemented.
- Maintain a professional team of auditors with the knowledge, skills, experience, and professional degrees to carry out an internal audit. Develop an integrated training

plan for the internal audit staff, to encourage them to stay abreast of the profession's developments, ensure their commitment to the principles of honesty and objectivity and maintain confidentiality and efficiency.

- Take measures to ensure that the Internal Audit Department's work is implemented in accordance with the international framework of professional auditing practices, the requirements of control authorities and the business' policies and procedures.
- Grant auditors complete, direct and unhindered access to all functions, and allow them to examine all records, access all material assets, and contact staff in order to carry out any auditing task. The auditor will be held accountable for protecting the confidentiality of records and information
- .The Internal Audit Executive Manager shall ensure the organizational independence of the Audit Committee's internal audit activity at least once a year. They shall disclose any interference in the definition of the auditing scope and its completion and report its results. Any repercussions attributed to this interference shall be reported.
- Maintain a quality assurance and improvement program that covers all internal auditing aspects. The program includes an assessment of the extent to which the internal audit is in line with standards, an assessment of its efficiency and effectiveness, and an identification of opportunities for improvement.

External Audit

The Bank ensures regular rotation of the external auditor. As such, the external auditor shall be certified by the Palestine Monetary Authority, licensed by the competent official and professional authorities for practicing the profession, shall not be a party to a conflict of interests, and must not have obtained any direct or indirect credit facilities from the Bank in return for a personal guarantee, whether in their favor, or that of their spouses, offspring, or any establishment in which they are individual or joint shareholders, holding no less than 5% of the shares, or board members. The external auditor shall not hold any direct or indirect interest with the Bank or its subsidiaries. Moreover, they should not hold the position of director, employee at the Bank or its subsidiaries, and shall assume their tasks in line with the International Standards on Auditing and the instructions of the Palestine Monetary Authority. Such tasks shall be carried out in accordance with the following:

- Abiding by provisions and terms governing the auditing profession as well as International Standards and Guidance on Auditing, professional ethical rules, and professional principles;
- Auditing the Bank's financial data, books, and records in line with the International Financial Reporting Standards and International Standards on Auditing;
- Complying with the minimum disclosure standards for financial data as issued by the Palestine Monetary Authority;
- Maintaining full confidentiality and abstaining from disclosing information they obtain as part of their work, even after the completion of their task for the Bank;
- Providing the Auditing Committee with a copy of their financial and administrative reports, whereby the external auditor shall meet with the Auditing Committee no less than once yearly;
- Submitting an annual report before the Bank's General Assembly, whereby the report shall state that their review and auditing for the Bank's businesses and account were

conducted in accordance with International Standards and Guidance on Auditing, and that the report was drafted pursuant to International Standards on Accounting and International Financial Reporting Standards;

- Attending the meetings of the Bank's General Assembly and responding to the stakeholders' relevant inquiries;
- Submitting a report before the Palestine Monetary Authority and a copy thereof to the Bank's Board of Directors within two months as of the end of the financial year, whereby the report shall include the following:
  - Any violation of the provisions of the Banking and PMA Laws, among other legislations in force, committed by the Bank during the fiscal year for which data was reviewed and audited;
  - The external auditor's opinion on the adequacy of the Bank's supervision and internal control systems;
  - The external auditor's opinion on the adequacy of allocations to balance potential asset and obligations risks; and
  - The verification of the soundness of the information made available to them during the auditing process.

Compliance

The National Bank envisions becoming one of the leading financial institutions in Palestine and recognizes that compliance is key in this regard. In order to reaffirm and enhance this commitment, TNB has put in place the following principles for good compliance.

- Every bank employee is responsible for compliance.
- No fear of reporting violations.
- Refraining from targeting profits at the expense of compliance.
- Our reputation matters.

TNB is committed to complying with all laws issued by legislative authorities, instructions issued by the PMA and Palestinian laws. The bank continuously works on updating its internal policies and procedures to remain compliant with new publications of supervisory authorities and follow-up on their implementation. The bank also follows up on and examines international best practices to maintain its good reputation among local and international banks.

Compliance will allow the bank to become a leading institution in the local financial sector by following international best practices in line with the bank's own values. The Compliance Department is responsible for examining and evaluating the internal policies and procedures approved by the Board of Directors in line with the laws and regulations of the supervisory authority. The Department is also in charge of assessing risks related to violating compliance regulations and the impact of such violation by carrying out regular and comprehensive assessments and examinations of compliance-related risks. Should any deficiencies be identified, they should be followed up and necessary corrective measures must be taken.

The Compliance Department also issues policies and procedures requiring detailed information from customers and continuous updates of customer information at TNB branches on an ongoing basis. These updates and information are required to protect the bank's interests, shareholders, and customers particularly from any legal repercussions that may result in the classification of customers or the bank on lists of non-compliant entities.

TNB, from its Board to its specialized departments, strives to implement rules and practices in line with instructions in the PMA's Guide for Rules and Best Practices for Corporate Governance for Banks in Palestine.

The Compliance Department is also responsible for receiving customers' complaints and suggestions in order to achieve the highest level of customer satisfaction with the provided banking services. The Compliance Department receives complaints and works on resolving any issues in line with the regulations and interests of the customer.

Foreign Account Tax Compliance Act (FATCA)

TNB is committed to the gradual implementation of FATCA within a specified timeframe. FATCA is a US law aimed at preventing tax evasion by US taxpayers through non-US financial institutions and foreign investment instruments.

As for FATCA, TNB is officially registered to comply with the US Tax Compliance Law. The bank prepared a brief and a workplan to amend all of its systems to be compliant with the law. The forms for opening accounts and updating customer data were amended to be in line with the law that requires all new and current customers of the bank to fill the approved "citizenship forms", signing them and presenting them with the remaining documents required to open an account.

Disclosure and Transparency

TNB maintains high levels of transparency toward its shareholders and customers, among other relevant stakeholders and active parties in the market. This is achieved through disclosing accurate and sufficient information in a timely manner, in accordance with the International Financial Reporting Standards and the Palestinian Monetary Authority's instructions in force issued pursuant to the applied Banking Law and relevant legislations. In fact, the Bank is fully aware of the changes introduced to the Financial Disclosure and Transparency International Practices, and it is also keen on:

- Ensuring that the disclosure process is clear, continuous, and available to all the market's involved parties, is comparable, and is carried out through various, easily accessible, and low-cost tools;
- Disclosing all information related to materiality in a timely manner, upon ensuring all parties' accessibility to such information;
- Offering significant and meaningful information on the Bank's activities to the Palestinian Monetary Authority and shareholders, as well as to customers, other banks, and the general public, upon focusing on topics of concern for shareholders, whereby the Bank would periodically disclose such information and ensure its availability to all parties;
- Ensuring that the Bank's annual reports include adequate and useful information enabling shareholders, investors, customers, among other relevant stakeholders to be sufficiently aware of the Bank's status; and
- Maintaining communication channels with supervisory authorities, customers, others banks, and the general public.

Investors Relations

TNB is committed to the principles of transparency and disclosure of all financial information, reports and statements in line with the instructions of the supervisory authorities, namely the Palestine Capital Market Authority and the Palestine Monitary Authority. In 2022, a policy of disclosure and transparency, a policy for the protection of shareholders' rights, and a general framework for interaction and communication with small shareholders were approved. TNB ensures easy access by shareholders and stakeholders to this information by adhering to the disclosure instructions in the Palestine Stock Exchange in addition to its different media channels and social media accounts.

Major Shareholders

as of December 31, 2022:

Name	Number of shares	Percentage
Arkaan Real estate Company	21,443,760	18.96%
ENTERPRISE INVESTMENT COMPANY	17,980,729	15.90%
Jordan Commercial Bank	17,116,337	15.13%
Bank al Etihad/ Jordan	11,299,258	9.99%
Samir Hilal Mohamed Zraiq	9,651,918	8.53%
Manal Adel Rifaat Zraiq	9,337,253	8.26%
Omar Munib Rasheed Masri	3,103,762	2.74%
Al Rowad Group for Development and Investments	2,911,215	2.57%
Massar International Investment	2,811,127	2.49%
SIRAJ PALESTINE FUND I ,LTD	2,123,490	1.88%
TNB Employees Savings Fund	1,231,624	1.09%
Al Sanabel for Trade and Investment	969,925	0.86%
Paltel	881,900	0.78%
Palestinian Co for investment and development	800,354	0.71%
Siraj Palestine Fund I holding	583,655	0.52%
	102,246,307	90.40%

Bank Shares Owned by Board Members and related shares

as of December 31, 2022

Name	Position	Number of shares owned personally	Number of related shares
Samir Hilal Mohamad Zraiq	Chairman	9,651,918	1,353,698*
Omar Munib Rashid Masri	Vice Chairman	3,103,762	21,021,266*
Dina Munib Rashid Masri	Board Member	64,661	-
Ayoub Wael Ayoub Zurub	Board Member	12,434	-
Isam Halim Jaris Salfiti	Board Member	-	11,299,258
Manal Adel Rifat Zraiq	Board Member	9,337,253	-
Kamal Ismail Mohamad Abu Khadijeh	Board Member	10,812	-
Aziz Mahmood Mustafa Abdul Jawad	Board Member	10,812	-
Salameh Saji Salameh Khalil	Executive Manager	18,085	-
Total		22,209,737	33,674,222

* Shares held by Board members are not included.

Transactions with other related parties

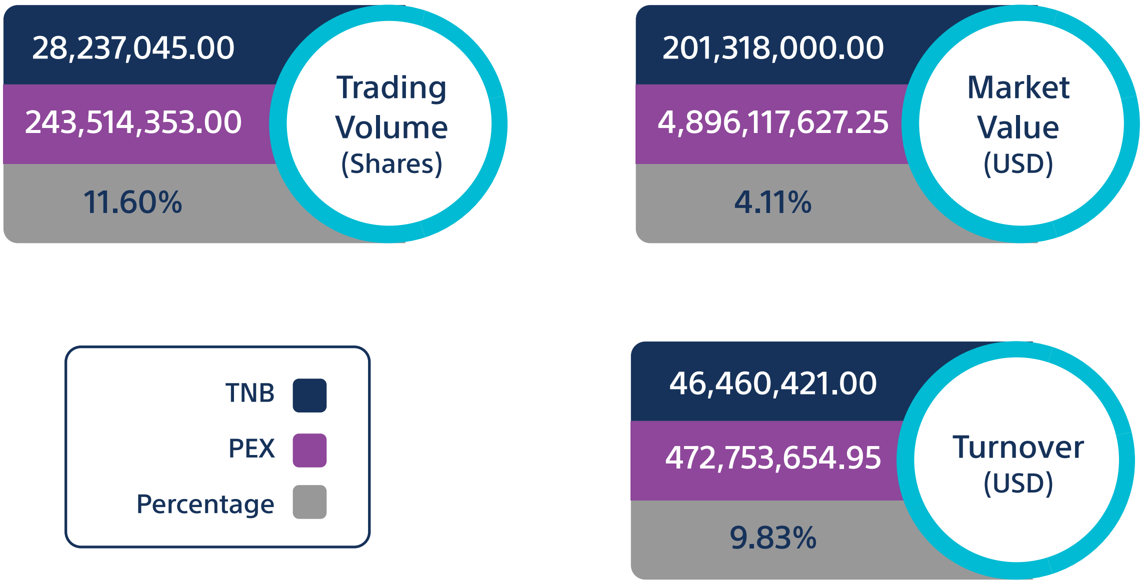
The bank considers major shareholders, the executive management, and majority-owned companies as related parties. Throughout the year, there were transactions with these entities consisting of deposits, credit facilities and cash margins, as follows:

	2022 USD	2021 USD
Consolidated balance sheet items		
Direct credit facilities	13,572,406	11,062,784
Customer deposits	58,917,891	47,129,629
Cash margins	1,621,123	1,518,383
Accounts payable	508,935	570,653
Consolidated income statement items		
Credit interest and commissions	1,292,738	1,510,689
Debit interest and commissions	763,686	612,896
Advertisement costs	184,297	374,838
Mail and telephone	78,537	298,614
Leased lines of communication	2,232,198	1,875,825
Consolidated off-balance sheet items		
LGs and LCs	11,482,487	9,406,390
Unutilized credit limits	7,677,782	3,413,609

Trading activity

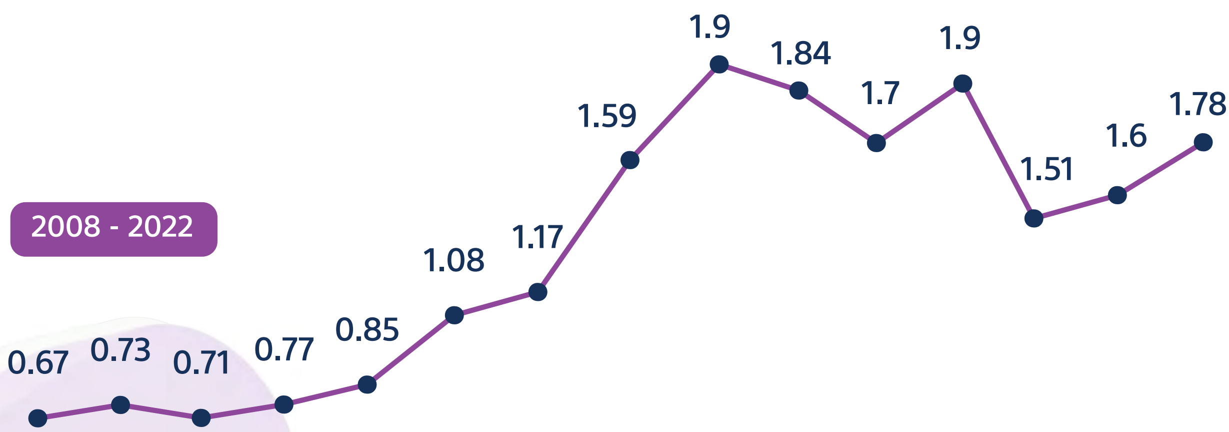
As of 31/12/2022, TNB had 8,576 shareholders, thereby maintaining its position as the largest bank in terms of the number of shareholders in 2022. The trading volume was at 46,460,421 divided into 28,237,045 shares in 2022. The number of executed contracts was 931.

Highest price 2022	Lowest price 2022	Closing price 2022	Closing price 2021	Change %
USD 1.90	USD 1.40	USD 1.78	USD 1.60	11.25%



With regards to the market share, it increased this year to $201.3 million, making TNB the second largest Palestinian bank in terms of market capitalization, with a 20% increase compared to 2021. TNB's share price closed at $1.78 on 12-31-2022 compared to $1.6 at the end of 2021.

Market share



Profit and Loss of Shareholders Rights and Securities Prices:

	2017	2018	2019	2020	2021	2022
Net profit after tax	9,204,749	8,998,319	7,947,598	(5,819,453)	13,922,736	17,001,2018
Value of dividends in cash	5%	5%	-	-	-	-
Value of dividends in free shares	-	4%	-	-	8.13%	-
Equity	97,567,177	91,906,288	95,698,764	119,488,321	145,744,808	164,624,162
Securities closing prices	1.84	1.7	1.9	1.51	1.6	1.78

100%

Profit Growth Rate

Profits Attributable to Shareholders.

Disclosures

External Auditor

Ernest and Young – Ramallah – Al Masyoun – Padico House – 7^{th} floor
Phone number 02-2421011 P.O. Box 1373

Auditor's Fees

The auditor fees amounted to USD 884,845 during 2022.

Fines and penalties imposed on the bank during 2022

There was no penalties imposed on TNB during 2022.

Lawsuits against the bank

The value of lawsuits filed against the bank reached 50,049,156 December 31, 2022. Most of the amount was related to operational events, while in the opinion of the legal advisor, and the executive management of the bank they have no legal grounds.

The bank management and the legal advisor estimate that no obligations will result from these lawsuits except for what was allocated.

Control of the bank

There are no entities controlling the bank, directly or indirectly.

Reliance on Main Suppliers and Customers

There are no local or international main supplier or customers that constitute 10% of the bank's purchases or sales.

Privileges

There are no governmental privileges or immunities for the bank or any of its products under laws, regulations or others. There are no patents or franchises acquired by the bank.

Non-Recurring Transactions

The National Insurance Company compensated the National Bank in terms of its financial coverage policy. Compensation amounted to USD 3 million and was listed under the other revenues item of the National Bank's audited financial data.

Voting Abstentions Caused by a Conflict of Interest, and Contracts or Transactions Involving Conflict of Interest

In 2022 there were no voting abstentions caused by a conflict of interest, and no contracts or transactions involving conflict of interest were carried out.

In cases where there are transactions or decisions related to the members of the Board of Directors, they are excluded from voting on those decisions.

Summary of Benefits of the Executive Management (salaries, bonuses and other benefits):

	2022 USD	2021 USD
Shares of the executive management in terms of salaries and relevant expenses (short term benefits)	1,558,437	1,381,878
Share of the executive management in terms of end of service remuneration expenses (Long term benefits)	144,377	127,958

Expenses of members of TNB's Board of directors:

	2022 USD	2021 USD
Expenses of members of TNB's Board of directors	307,000	310,667

Risk Policy and Methodology

The National Bank manages risks on a permanent and continuous basis by identifying and measuring all types of risks that the bank faces. The bank's risk management methodology is based on a holistic approach of practices and norms. The Risk Department is separate from business and operational processes departments. Business centers are the first line of defense, and there is an independent department, the Risk Department, that manages, measures and monitors risks related to the bank's various activities on an ongoing basis. The Risk Department is affiliated to the Board of Directors' Risk Committee. It acts as a second line of defense, and the risks are monitored and controlled through specific thresholds and ratios approved either by the Board of Directors or the PMA.

The effectiveness of internal controls and safety and security measures that minimize the impact on the Bank's activities are ensured as a third line of defense.

Additionally, the management and the Risk Department analyze the bank's financial statements through the Assets and Liabilities Committee. They assess various risks and take the necessary decisions to manage them in line with the management's expectations of adequate profits while maintaining reasonable and controlled levels of risk.

The Bank established and adopted additional supervisory procedures for monitoring and forecasting risks, namely in the Early Warning Document pursuant to which the Bank's activities and business-related potential risk indicators are constantly and periodically monitored. Moreover, in the event of any crisis, the necessary plans for responding to such risks and managing them were elaborated through a Crisis Management Policy as well as establishing recovery plans and identifying relevant solutions to ensure a smooth return to normalcy at the earliest while avoiding major losses.

TNB also applies instructions of the Palestine Monetary Authority in terms of Stress Testing. Such application serves as a tool to measure risk, whereby it is used for developing scenarios and hypotheses of varying levels of severity, measuring response thereto, and measuring their impact on the Bank's capital adequacy and sustainability. In accordance with the aforementioned, TNB's adopted risk management policy is based on a preventive principle aimed at mitigating risks before their occurrence. In other terms, the Bank opts for a Preventive Action methodology rather than a Corrective Action one. Moreover, the application of the new accounting standard (IFRS9) is deemed important in terms of fostering this methodology, namely since it rests upon measuring risks and preventing them at an early stage. With the aim of ensuring the correct application of this methodology, internal controls are monitored and reviewed. Periodic reports are submitted by the Risk Department to the Risk and Compliance Committee of the Board of Directors, upon presentation to the Higher Executive Management, whereby these reports tackle all types of risks faced by the bank, and explore the current Bank's status.

Risks to which the bank is exposed are as follows:

Operational Risks

Operational risks are the risks of loss attributed to the failure or inadequacy of internal procedures, the human element, systems, and external events. This definition includes legal risks, reputational risks and organizational risks as adopted by the National Bank.

The identification, evaluation and management of operational risks are one of the main factors of success and prosperity and help the bank to achieve its desired goals. Operational risks arising from internal or external events may have a material impact on the bank's business and may lead to losses or failure to achieve strategic objectives. They may negatively affect the bank's reputation.

For this reason, the National Bank seeks to provide comprehensive approaches, policies and procedures and equip itself with the tools necessary to manage operational risks, strategic risks, reputational risks, outsourcing risks and fraud risks in line with best practices.

Market Risks

Market risks are current or future risks that could affect the bank's revenues and capital due to fluctuations in interest rates, exchange rates, stock prices and commodity prices.

The bank manages its market risks by adhering to the general framework set by PMA instructions. It adopts and implements various policies to regulate investments and manage assets and liabilities. The bank also has a set of procedures for these matters.

Interest Rate Risks

Interest rate risks are risks attributed to fluctuations in interest rates, which may have a negative impact on the bank's revenues and capital.

Interest rate changes can affect many investments, but they directly affect the value of bonds and other fixe income securities. Therefore, bonds and their interest rates are carefully monitored so that the appropriate investment decision is taken. In addition, there are multiple aspects of interest rate risks, mainly the difference in maturity dates against the fixed interest rate between the bank's assets, liabilities and off-balance sheet financial positions. Fluctuations in the interest rate are natural and can have a clear impact on the bank's revenues, both positively and negatively.

To ward off any risks that may arise as a result of fluctuations in interest rates, the National Bank monitors these fluctuations periodically through the Assets and Liabilities Committee and takes the necessary decisions to prevent them.

Exchange Rate Risks

They represent the losses that the bank can incur as a result of an adverse change in currency rates after maintaining long or short open positions. They can be defined as the risks that the bank faces while revaluing currencies based on floating exchange rates. This can affect the value of assets and liabilities and the bank's financial position, which may lead to significant losses.

The National Bank follows various strategies to hedge these risks, as foreign exchange positions are monitored on a daily basis to ensure they are maintained within the limits approved by the Board of Directors and compatible with PMA instructions. Any change in exchange rates for financial centers is studied and appropriate action is taken to address any potential risks.

Liquidity Risks

Liquidity risks are the risks that may lead to losses as a result of the bank's inability to meet its obligations on due dates. This is attributed to the bank's inability to provide the necessary financing or insufficient liquid assets to meet these obligations.

Liquidity crises are usually associated with the scarcity or absence of funding sources in the market as a result of a defect in the banking system, a decrease in the volume of liquidity between banks, or the occurrence of large withdrawals from the bank or the banking sector in general. Liquidity risks may also appear when cash inflows in the bank are lower than the corresponding cash outflows.

The National Bank effectively manages the liquidity gap between its assets and liabilities for the short and long term according to the principles set out in its approved policies and procedures. Management determines the appropriate mechanisms for liquidity management and the provision of appropriate liquidity sources in each period based on the circumstances at the time.

Credit Risks

Credit risk arises from a possible inability and/or unwillingness of the borrower or the third party to fulfil its obligations to the Bank in the specified times, which leads to losses.

In this context, TNB is strengthening its institutional frameworks for credit management through organizational structures that separate credit granting from follow-up and by setting ceilings and powers for the terms and amounts of direct credit facilities (retail/ corporate). It also set out general ceilings on credit rates approved by the Board of Directors or specified in the instructions of the supervisory authority. These ceilings reduce and limit credit risks. The bank also monitors credit risks and works continuously to assess the credit status of customers and ensure it obtains appropriate guarantees from them. The bank follows the following principles to reduce credit risks:

- Determining accepted risk levels and risk limits for the credit portfolio.
- Follow-up on the status of credit concentrations with the bank to verify there is no abuse.
- Studying the risks of any proposed new product and submitting recommendations.

Technology and Information Security Risks:

According to best practice, IT security risks are defined as risks attributed to the exploitation by a (internal or external) factor, cause or threat of weaknesses and gaps in the existing IT security environment, to negatively affect the confidentiality, integrity and availability of information and supporting technological assets, (such as information systems, databases, network systems... etc) and inflicting losses that may affect the bank's business and commercial objectives.

The National Bank manages IT security risks through a set of vital and important operations that aim to identify the true level of business risks and challenges TNB faces while using technology to achieve its objectives and carry out its commercial operations and activities. This is to ensure that decision-making processes are based on an awareness of the real levels of risks facing the bank, and to enhance the ability of the decisionmaker to take rational and relevant decisions in a timely manner. This is also to ensure a clear vision and constructive future plans that define the courses and strategies to be followed in order to respond to the existing technological risks and mitigate their effects.

Disclosures and Transparency

The bank continuously seeks to maintain the highest levels of transparency towards its shareholders, clients and the market by disclosing accurate and timely information in accordance with international financial reporting standards, PMA regulations and related laws.

The bank keeps up with the changes in international practices of transparency and financial disclosures. It is committed to the following:

- Ensuring disclosure procedures are clear, continuous, and accessible to all market players for comparison, and ensuring information is disclosed through various easily accessible and low-cost methods.
- Disclosing all information of relative importance in a timely manner, ensuring they reach all parties concerned.
- Disclosing important information on its activities the PMA, shareholders, clients, other banks, and the public, with a special focus on issues that may raise concern for shareholders. The bank discloses this information periodically through easily accessible portals.
- Ensuring annual reports include adequate and useful information that keep investors, depositors and other stakeholders abreast of the bank's status.
- Maintaining lines of communication with regulatory authorities, shareholders, depositors, other banks, and the public.

Anti-Money Laundering and Combating Terrorism Financing (AML/CFT)

The National Bank is committed to working within the legal frameworks related to AML/CFT efforts based on Palestinian Law No 20 updated in 2015. The bank also implements AML/CFT instructions and regulations issued by the Financial Follow-up Unit (FFU), the PMA and the FATF according to banking best practices. The bank approved a policy dedicated to combatting this crime and preventing any possible transaction through the bank. This policy is continuously reviewed and updated in cooperation with the skilled experts in the field. A contract was signed with PWC to update the latest policy, particularly in light of the increasing risks of money laundering transactions and the diverse ML methods used given the latest technological advancements in the financial and banking sectors, and to maintain the reputation of the bank in the local and international banking community. The AML/CFT Unit carries out its work independently in accordance with the PMA instructions. The PMA is responsible for preparing periodic reports on measures taken by the bank to prevent this phenomenon. The AML/CFT Unit at the bank also follows up on financial and banking transactions to verify the compliance of branches with its considerations, by reviewing procedures carried out by each branch to verify its compliance with the relevant AML instructions. Furthermore, any suspected transaction shall be reported to the competent authority according to the Palestinian law, which is the FFU.

The bank also examines the AML/CFT monitoring environment by using best methods and practices to maintain a low-risk investment environment.

Know Your Customer (KYC)

As part of the efforts to complement the AML policy, in accordance with the instructions of the PMA and the provisions of the AML/CFT Decree Law No 20 of 2015, and to ensure the full implementation of local and international best practices in this regard, the Compliance Department and AML/CFT Unit at the bank monitor compliance with the procedures related to customer information before and after opening an account, the method for documenting these accounts, the purpose of opening such accounts, and classifying them based on the estimated level of risk. This would allow to draw a clear picture on the nature of customer activities, and would reinforce the effectiveness of control procedures, in addition to enhancing the ability to make the right decision on the way to deal with customers in different sectors.

Customer data is continuously updated, and the accuracy and effectiveness of this process is monitored to ensure the presence of customers and enhance ways of communicating with them.

Banking Secrecy Provisions

TNB remains committed to the provisions of banking secrecy through the approved policies that have been circulated to all employees, regardless of their position. It is prohibited to share any data, information or statements about customer accounts and personal data available in bank records, whether directly or indirectly, unless there is a prior written approval from the account holder or by virtue of a decision from a competent judicial authority according to Palestinian law, or regulatory authorities accredited by the PMA. No confidential information received during the performance of the employee's roles and responsibilities can be used to achieve any personal gains or in any way that violates the law or adversely affects the interest of the institution.

Human Capital

Induction and training policy

Based on TNB's strategy to invest in its human capital, the Human Capital Department develops and invests in the human cadre. TNB recognizes that human resources are the real capital, they raise the bank's market share, ensure a rapid response to meet customer needs and provide high quality customer service.

We always strive to improve the skills of our human resources by providing training programs and developing their necessary life skills. We work on maintaining the employees who have exceptional skill and knowledge. Accordingly, initiatives and incentive programs were launched and implemented to lift the morale of employees, promote their sense of belonging to TNB, and create a satisfactory work environment that meets their needs.

Main projects completed in 2022:

1. Preparing and approving several policies and programs to improve working methods, consolidate values and protect the rights of employees, most importantly:
   - Job grievance policy
   - Job replacement policy
   - Recruitment and employment policy
   - Overtime policy
   - The employee facilities policy was amended, and interest rates were changed following the replacement of the variable pricing system LIBOR with SOFR.
2. Reinforcing the role of the women: to ensure gender equality, and based on the important role women play at work and their achievements and continuous contribution to the implementation of TNB's goals in different sectors, equal opportunities were provided to help women in their career development by assuming important leadership positions and becoming a major component in the Bank's leadership. For this reason, a group of women were promoted to leadership positions in management departments and/or branches of TNB.

Training and Development:

TNB is aware that excellence can only be achieved by promoting and polishing the skills of employees. We have therefore intensified our investment and development of human resources to improve the skills they need for their jobs. We provided various training programs to hone their skills and qualify them to assume higher leadership positions. 60 training programs were provided for 1135 employees from different branches and departments.

Main Training Programs for 2022:

1. Training program for new employees: An integrated banking training program / banking diploma was designed and implemented for newly appointed branch and sales employees. It contains more than 12 banking programs and 135 training hours. It was implemented

through a network of internal trainers specialized in the banking sector. The most important areas it covers include:

- Compliance with the instructions of the PMA and training on AML/CFT and KYC supervision.
- TNB's culture: Providing employees with sufficient banking information about TNB's banking products and services (Product Knowledge).
- Excellence in customer service, basics of banking operations, commercial facilities, credit policy and other diverse banking fields.

2. **Cross Selling Program:** Customer relations employees were trained on how to sell banking products and services to increase sales and achieve the required profitability.
3. **The Credit Policy Program:** Preparing and implementing a training program for all branch employees at various administrative levels on the retail credit policy. It addresses credit granting conditions and how to grant facilities to individuals. Problems were also raised by branch employees on credits, how to improve customer service and speed up the response to credit requests. The training program was provided for more than 250 employees in different branches.
4. **Excellence in Customer Service Program:** Training employees on service quality standards, starting with how to receive a customer until their request is completed. Giving attention to customer service is one of the most key elements to attract new customers and maintain the current customer base.
5. **Program for strengthening supervisory functions in the bank:** Branch employees were trained on supervisory policies and compliance with PMA instructions by the AML and Compliance Units. Accordingly, regional internal workshops were set up for all branches to train employees on compliance and KYC policies and discuss customer complaints.
6. **Employees in management positions** (senior officers and/or officers) were granted specialized professional certificates in line with PMA instructions and supported to successfully pass the exams and obtain the required professional certificate.
7. A number of employees were sent to participate in external training programs, forums, and conferences to benefit from international expertise and learn about international experiences.

The following is a summary of the trainings and number of participants for 2022:

2022 Training Details	
Number of training programs: 60	
Branches	32
Headquarters	28
Number of participant: 1135	
Branches	1000
Headquarters	135
Male	542
Female	593

Bonuses and Insintives

- This policy includes provisions for granting annual bonuses, instructions for annual performance appraisal, and applicable operational steps.
- Performance appraisal is a cumulative and participatory process. It determines the employee's efficiency and effectiveness during a specific period of time based on agreed criteria and goals and the balanced scorecard methodology.
- This policy has been developed based on the recommended international practices in this field and in a manner that respects the privacy of the workplace in Palestine.

The Goals of the Policy

- Implement TNB's principles of transparency and governance with regard to policies for performance assessment and annual financial rewards.
- Provide a reference to TNB's Board of Directors and senior management on the policies for performance assessment and annual financial rewards.
- Ensure objectivity and fairness in the assessment of employee performance by linking individual performance with institutional performance using the balanced scorecards methodology (BSC).
- Ensure alignment with the Labor Law and PMA instructions by establishing performance appraisal procedures and determining annual financial rewards.
- Motivate and enhance employee loyalty and performance to achieve TNB's objectives.

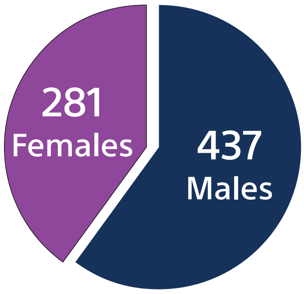
Bank Employees

As of 31-12-2022, there were 718 employees at TNB's headquarter and branches as follows:

Location	Number of employees
Headquarters	378
Ramallah Branch	15
Masyoun Branch	22
Maydan Branch	20
Rawabi Branch	8
Deir Jarir Branch	7
Sinjel Branch	9
Al Ram Branch	12
Hizma Branch	7
Dheyat Albareed Branch	15
Al Ezarieh Branch	12
Hebron Branch	21
Bethlehem Main Branch	20
Bethlehem Branch	11
Dura Branch	13
Jenin Main Branch	21
Jenin Branch	9
Rafidia Branch	21
Nablus Main Branch	24
Nablus Branch	12
Aqraba Branch	8
Salfeet Branch	12
Arraba Branch	9
Tulkarem Main Branch	21
Tulkarem Branch	11
Total	718

Distribution by Gender:

The National Bank continues to invest in women in the workplace. It is working hard to develop and hone their skills and capacities in order to provide them with the opportunity to compete and access leadership positions. The percentage of women in leadership positions at the National Bank reached 30% at the end of 2022.



718 Employees

Academic Qualifications of Bank Employees

The National Bank is proud of its young cadre. The Bank is working on continuously investing in developing and enhancing the capacity of its staff, while keeping them informed of the latest scientific achievements in all fields. This is TNB's vision for its human capital and its customers.

The academic qualification of employees as of 31-12-2022 was as follows:

33 Master

1 PHD

562 Bachelor

44 Diploma

78 High school and below

Social Activities of employees during 2022:

Social activities carried out in 2022 had a great impact on motivating employees and breaking barriers between them. These social activities also strengthened bonds between employees and management through interaction in leisure activities, participating in special occasions and holidays. Some of the social activities in 2022 included:

1. Retreat Day

An entertainment event entitled "No limits, Stay Happy with TNB" was organized for employees in Jericho. More than 500 employees participated in the event which was sought to deepen the ties among employees and break the ice with the executive management. Several teams took part in games, tests, competitions, and a talent show. They sang and danced dabke, which had a positive impact on them and their performance at work.

2. Recreational Activity - My Coffee with TNB:

A morning activity was planned for the employees. Each employee was offered coffee and some cookies at their arrival to work following an agreement with external suppliers to motivate them before they start working. This was organized to entertain employees and relieve their work pressure.

3. Honoring Outstanding Employees:

In order to encourage employees and motivate them to work and be creative, a ceremony was organized to honor outstanding employees based on different criteria, for example:

- Highest profit-generating employee
- Best branch for sales
- Outstanding customer service employees



4. Establishing the TNB Football team

In 2022, a special TNB Football team was formed. It includes 15 employees from various departments and branches that represent the bank in matches against other banks and local companies. Al-Watani team participated in its first Futsal tournament for private sector companies. It reached the semi-finals in the first tournament and was cheered on by the employees.



Volunteer Work Program

Given the importance of volunteer work and its role in strengthening staff's belonging to society and the sense of responsibility to address different challenges, the volunteer work program was developed. In 2022, it led to several initiatives, the most prominent of which include:

"Share the warmth" Donation Fund for Needy Families

TNB staff launched the "Share the warmth" initiative to donate clothes, books, toys and food for needy families. A fund was allocated at the entrance of the General Administration to collect these donations. In 2022, winter clothes, food parcels during the holy month of Ramadan, bags and stationery were donated as part of the back-to-school campaign. TNB coordinates with the "Your Surplus" association to distribute donations to families.

Volunteering with INJAZ Palestine to prepare students for the business world

In 2022, TNB managers and staff volunteered at the Injaz Palestine Foundation to raise awareness and promote financial and banking knowledge among students in Palestinian schools and universities. These lectures, which take place throughout the year, prepare students for the world of business and financial transactions, and build models for student companies that can be applied on the ground.

Volunteering for the National Cleanliness Day

In cooperation with the Ramallah Municipality, and under the slogan "We Cultivate Culture to Live Cleanly", a group of TNB managers and employees participated in a cleaning campaign that included the vicinity of the General Administration building in Al-Masyoun neighborhood as part of the National Cleanliness Day campaign. TNB believes in the importance of promoting a culture of volunteering and raising awareness of the importance of protecting the environment and keeping it clean and healthy.

Organizational Excellence and Quality Assurance

In line with the vision of TNB's General Management and based on our commitment to provide outstanding service to our customers, we implemented the standards of quality service and excellence in sales channels, points of contact with the customer and internal departments. We developed supporting programs and systems to improve the quality and speed of service to our customers and improve their experience.

Building on the culture of service excellence and to promote customer loyalty, we measured the customer experience at all levels in multiple contact points, with periodic and unannounced field visits to branches, customer voice systems, phone calls and personal interviews with customers inside the branches. The aim was to analyze performance reports on institutional excellence and quality of service delivery. In addition, we communicate with all customers wishing to terminate their relationship with the bank to find out the reason and try to persuade them otherwise, analyze customer complaints to identify the root causes and adopt corrective and preventative measures, and coordinate with the various departments to improve and develop the service.

The Department of Institutional Excellence and Quality Control identified areas for continuous improvement and development for our employees. It focused on the human element in particular, through a program of employee suggestions and satisfaction surveys. It trained current and new employees on the standards of service quality and the customer service culture. It also monitored the development of employee and branch performance periodically to ensure that quality standards are implemented and a healthy work environment is in place for our employees. In addition, it adopted a system of material and moral rewards to motivate employees to excel when providing services to our customers. It developed the Mystery Customer Program, which had an impact on the customer experience by pushing for the adoption of the best international and local standards so that TNB ranks first in terms of service quality and customer satisfaction in line with its goals and vision.

Our Corporate Social Responsibility

The National Bank has a different perspective on social responsibility. It is not limited to the donation of a fixed percentage of its net profits to certain sectors in society. Social responsibility is at the core of TNB's work and in line with its different policies. It consists of serving different sectors in society, supporting the national economy, and contributing to the protection of the environment. TNB's contributions are sustainable and have a lasting and effective impact on the development of the Palestinian society.

TNB's social contributions reached $215,000 in 2022, divided into the following sectors:

Sector	Number of partnerships	Contribution amount ($)
Education	8	79,000
Health and environment	3	17,000
Women empowerment	11	55,000
Development	6	54,000
Care for People with special needs	2	10,000
Total	30	215,000

2022 Social Contributions

One of our sustainable projects

Protecting the environment and promoting national energy independence

In a unique step among banks in Palestine, TNB bought a share in the Noor Jericho park for solar power, owned by Massader Palestine, a subsidiary of the Palestine Investment Fund to cover the energy needs of its branches and headquarters in the region under the control of the Electricity Company in Jerusalem. This investment is an environmental, national and social step. Palestine is one of the countries with the highest number of sunny days year-round. The use of renewable energy sources will play an effective role and will constitute one of the solutions to end dependency on Israel's energy, while preserving the environment in a sustainable way and to use natural resources without harming the environment. The 2022 reports showed that the National Bank was able to:

For three consecutive years, TNB has continued to protect the environment, and instill socially sustainable practices based on ESG best practices to achieve sustainability in its business.

Economic Empowerment of Palestinian Women

For the seventh year in a row, the empowerment of Palestinian Women formed an integral pillar in the corporate social program of the bank. TNB allocated some of its social contributions to the empowerment of Palestinian women, in an attempt to increase financial inclusion and economic empowerment through the launch of the "Hayati" program. The National Bank granted Palestinian women entrepreneurs zero-interest loans in the amount of USD 3.5 million. The success stories of women-led projects and initiatives highlight their achievements on the ground. TNB believes that such projects can achieve sustainable development, by enabling women's economic empowerment and financial autonomy. Entrepreneurial projects help women to secure a regular monthly income for themselves and their families, and provide new job opportunities that reduce unemployment, particularly among women workers, who frequently work in such projects, therefore increasing job opportunities for women. These projects can also increase demand for project supplies from Palestinian merchants, ultimately leading to the promotion of domestic trade. These factors together made this project an effective contributor to sustainable development and the social and economic empowerment of Palestinian women.

The Tulkarem refugee Camp girls' team puts Palestine on the map in the Street Child World Cup, sponsored by TNB

In 2022, and as part of its goal to empower Palestinian girls, TNB exclusively sponsored the Tulkarem refugee Camp girls' football team, "Sports for Life," to represent Palestine in the Street Child World Cup, which was held on the margins of the World Cup in Doha, Qatar.

During the tournament, the girls stressed the just demands of Palestinian children to the world, and their right to education, freedom of expression, and to a dignified life just like all other children in the world.

Partenrs with Buseniss Women Forum at the annual women's bazaar

To ensure the economic empowerment of Palestinian women, TNB strengthened its partnership with the Forum for Businesswomen by sponsoring the exhibition entitled "Your gifts are different when you get them from us." The bazaar showcased more than 85 projects by Palestinian women entrepreneurs, including jewelry, Palestinian embroidery, food, soap and many other products.

On the International Women's Day
The National Bank launches a free e-commerce training course for women entrepreneurs

In cooperation with digital marketing expert Ahmed Barakat, TNB launched an intensive free training course on e-commerce and digital marketing for women entrepreneurs. The course focused on designing digital marketing campaigns on various social media platforms, and consolidating digital marketing strategies based on scientific foundations and user analyzes on various platforms. 25 women from different Palestinian regions participated in the course. They came from different fields, including embroidery, soap, nursery, recycling, flower arrangements, photography, event planning, and more. TNB took this initiative given the need for women entrepreneurs to develop their e-marketing skills. E-commerce has become essential for promoting products and services, thus increasing sales and improving project income.

In support of the development of the digital economy in Palestine
The National Bank sponsors the Palestine FinTech Summit

The National Bank presented its platinum sponsorship to the Palestine FinTech Summit, which included sessions, extensive dialogues, and presentations on opportunities, challenges, and the future of financial technology in Palestine. It highlights global innovations in this field, which include payment technologies, blockchain, and artificial intelligence with the participation of international, regional, and local experts in this field.

Supporting Palestinian National Products

Based on its national and social responsibility and in support of Palestinian national products, The National Bank sponsored the Al-Harjah Market organized by the Ramallah Municipality, and the Jenin Shopping Festival organized by the Jenin Chamber of Commerce and Industry.

This year, more than 175 projects took part in the **Al-Harjah Market**. Products comprised handicrafts, food and heritage works. The market also included a group of cultural and artistic performances and activities, a a children’s movie, a puppet-making workshop, a theatrical play, and musical performances.

As for the **Jenin Shopping Festival**, it included 85 participating Palestinian companies in 2022 from various sectors that presented their products and services to visitors and shoppers in the largest economic event in Jenin, visited by more than between 50 to 60 thousand people from various Palestinian regions.

TNB Supporting Children with Disabilities

In view of the importance of rehabilitation programs for the development of children with disabilities and their physical and mental capabilities and facilitate their integration into society, the National Bank cooperated with the Princess Basma Charitable Foundation in Jerusalem, to provide rehabilitation and care for 30 Palestinian children with disabilities who are receiving treatment at the institution.

In the same vein, on the occasion of the International Day for Children, the National Bank cooperated with the Takween Center for Brain and Psychological Care for Children, with the aim of providing care to a group of children suffering from brain diseases and psychological and behavioral disorders and receiving treatment at the Center. The support includes covering the cost of the treatment for children to enhance their physical, cognitive and behavioral skills and improve their wellbeing and the lives of their families.

Banking Literacy

In 2022, the National Bank continued to digitally spread banking awareness to different sectors in society. It also raised banking awareness by holding educational lectures in Palestinian schools and universities.

International Initiatives

International Initiatives adopted and implemented by TNB

The National Bank oversees the integration of international ethical, social, and environmental initiatives into its business and adheres to best practices in implementing their principles, to guarantee an integral contribution towards developing the Palestinian society.

UN GLOBAL COMPACT
WE SUPPORT

United Nations Global Compact

In 2013, The National Bank was proud to join the United Nations Global Compact (UNGC) initiative for business and become a signatory to the UNGC´s universally accepted ten principles for human rights, labor, environment and anti-corruption. The National Bank integrated these principles into its day-to-day operations and has since designed a variety of responsible and sustainable lending products to match the diverse and evolving needs of the Palestinian society.

The ten principles are:

Human Rights

- Businesses should support and respect the protection of internationally proclaimed human rights; and
- make sure that they are not complicit in human rights abuses.

Labor

- Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- the elimination of all forms of forced and compulsory labor;
- the effective abolition of child labor; and
- the elimination of discrimination in respect of employment and occupation.

Environment

- Businesses should support a precautionary approach to environmental challenges;
- undertake initiatives to promote greater environmental responsibility; and
- encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Businesses should work against corruption in all its forms, including extortion and bribery.

The Women's Empowerment Principles (WEPs)

Ever since inception, The National Bank focuses on gender equality through its unique programs, enabling women to be self-dependent and productive members of the Palestinian society. In the year 2015, The National Bank has signed the Women Empowerment Principles which is a joint initiative of the United Nations Global Compact.

The seven principles:

- Establish high-level corporate leadership for gender equality.
- Treat all women and men fairly at work – respect and support human rights and nondiscrimination.
- Ensure the health, safety and well-being of all women and men workers.
- Promote education, training, and professional development for women.
- Implement enterprise development, supply chain and marketing practices that empower women.
- Promote equality through community initiatives and advocacy.
- Measure and publicly report on progress to achieve gender equality.

OPIC Environmental and Social policy

The National Bank is proud to be the first bank in Palestine to adopt and implement OPIC's Social and Environmental policy. To ensure the best implementation, The National Bank has built a strict monitoring system to track its investments and projects adhering to the policy's principles on compliance with law, human rights, gender equality and women's empowerment, labour right, protection of natural habitats, conservation of biological diversity, climate change, pollution prevention and resource efficiency, public health, physical and cultural heritage and the protection of agricultural lands and soil conservation.

Branches Network

Headquarters

Ramallah, Al Maysoun, Mahmoud Darwish Square

Tel: 02 2946090

Fax: 02 2946114

P.O. Box 700, Ramallah, Palestine

Branches

Al Masyoun Branch:
Mahmoud Darwish Square, the National Bank HQ
P.O. Box 700
Tel: 02 2977731, Fax: 02 2977730

Ramallah Branch:
Al Irsal Street, Al Masa building
P.O. Box 700
Tel: 02 2978700, Fax: 02 2978701

Al Maydan Branch:
Yaser Arafat Square, Ramallah
P.O. Box 700
Tel: 02 2983311, Fax: 02 2983310

Deir Jarir Branch:
Deir Jarir, Main Street
P.O. Box 700
Tel: 02 2899781, Fax: 02 2899786

Rawabi Branch:
Commercial Center, Rawabi city
P.O. Box 700
Tel: 02 2825171, Fax: 02 2825172

Sinjel Branch:
Sinjel, Municipality building
P.O. Box 1
Tel: 02 2808070, Fax: 02 2808071

Dahyet Al Bareed Branch:
Beit Hanina, Jerusalem
P.O. Box 60376
Tel: 02 2348970, Fax: 02 2348971

Al Ram Branch:
Main Street
P.O. Box 1
Tel: 02 2348920, Fax: 02 2348921

Hizma Branch:
Main Street
P.O. Box 1
Tel: 02 2353370, Fax: 02 2353371

Eizariya Branch:
Eskan Square
P.O. Box 30
Tel: 02 2792407, Fax: 02 2792411

Nablus Branch:
Amman Street, Trust Building
P.O. Box 13
Tel: 09 2380802, Fax: 09 2380801

Rafidia Branch:
Nablus, Rafidia – Main Street
P.O. Box 200
Tel: 09 2354101, Fax: 09 2354110

Nablus Branch:
City Center, Anabtawi Building
P.O. Box 1502
Tel: 09 2382191, Fax: 09 2381958

Aqraba Branch:
City Center
P.O. Box 13
Tel: 09 2597641, Fax: 09 2597640

Jenin Branch:
Abu Sbaa Center
P.O. Box 195
Tel: 04 2502931, Fax: 04 2502930

Jenin Branch:
Alnasra street. Saad el Din Khalaf
P.O. Box 112
Tel: 04 2502088, Fax: 04 2502087

Arraba Branch:
Arraba
P.O. Box 195
Tel: 04 2469870, Fax: 04 2469871

Hebron Branch:
Al Salam Street
P.O. Box 313
Tel: 02 2216222, Fax: 02 2216231

Doura Branch:
Jaffa Street, Kazem Al Shareef Building
P.O. Box 2022
Tel: 02 2281871, Fax: 02 2281870

Bethlehem Branch:
Jerusalem Hebron Street
P.O. Box 633
Tel: 02 2771370, Fax: 02 2771371

Bethlehem Branch:
Almahd Street
P.O. Box 172
Tel: 02 2767230, Fax: 02 2767237

Tulkarem Branch:
Yasser Arafat Street, Kettaneh Building
P.O. Box 63
Tel: 09 2696980, Fax: 09 2696981

Tulkarem Branch:
City Center, Samarah W Alaraj Building, El Shemali St.
P.O. Box 330
Tel: 09 2676585, Fax: 09 2676591

Salfeet Branch:
Almadeena Almonawara Street, next to the Al-Quds Open University, P.O. Box 55
Tel: 09 2519225, Fax: 09 25119205

OFFICES:

Nablus Municipality Office
Nablus, Nablus Municipality
Tel: 09-2333484

Trust Office
Nablus, Amman ST.
Tel: 09-2380802

Hebron Court Office
Hebron, Hebron Court
Tel: 02-2255420

Doura Court Office
Doura, Doura Court
Tel: 02-2285328

Ramallah Court Office
Ramallah, Ramallah Court
Tel: 02-2422251

Salfeet Court Office
Salfeet, Salfeet Court
Tel: 09-2565847

Tulkarm Court Office
Tulkarm, Tulkarm Court
Tel: 09-2689580

Qalqelia Court Office
Qalqelia, Qalqelia Court
Tel: 09-2930778

Nablus Court Office
Nablus, Nablus Court
Tel: 09-2330405

Yatta Court Office
Yatta, Yatta Court
Tel: 09-2565847

ATM Network

Ramallah and Al Bireh Governorate

- Al Masyoun, National Bank Building, near Mahmoud Darwish Square
- Al Maydan Branch, Yaser Arafat Square, Ramallah
- Ramallah Branch, Al Irsal Street, Al Masah Building
- Deir Jarir Branch, Main Street
- Plaza Mall, Al Balou'
- Gardens Supermarket, Al Teereh
- Atari and Ilyan Gas Station, Industrial Zone, Betunia Street
- Al Swais Gas Station, Ramallah Street – Jerusalem
- Birzeit, Harb Supermarket, Main Street
- Jawwal Headquarters, Bira, Al Balou'
- Al Sahel Street, Ramallah el Tahta, near Odeh Store
- Sinjil Branch: Municipality Street
- Ramallah el Tahta branch, Berlin Street
- Rawabi Branch, Commercial Center

Jerusalem Governorate

- Al Ram Branch, Main Street
- Al Ram Branch, near Faisal Al Hussaini Stadium
- Dahyet Al Barred Branch; Beit Hanina
- Hizma Branch, Main Street
- Al Ezarieh Branch, El Iskan Roundabout

Bethlehem Governorate

- Bethlehem Branch, Jerusalem – Hebron
- Nativity Street, next to Nissan Halls
- Beit Jala, near Beit Jala Municipality
- Beit Sahour, Al Shaeb Market

Hebron Governorate

- Hebron Branch, Al Salam Street
- Bravo Supermarket, Ain Sara Street
- Dora Branch, Jaffa Street

Jericho Governorate

- Al Huda gas station, Main Street

Nablus Governorate

- Nablus Branch, Amman Street, Trust Building
- Rafidya, Rafidya Branch – Main Street
- Commercial Center, City Center
- Aqraba, City Center
- University National Alnajah Hospital ATM

Jenin Governorate

- Jenin Branch, Commercial Abu El Sebaa Complex
- Arraba, Arraba Branch
- Arab American University
- Prince Faisal Street (Al Makated Street)
- Jenin Branch, Alnasrah Street, Saad el Din Khalaf

Tulkarem Governorate

- Tulkarem Branch, Kittna Building
- Tulkarem Branch, City Center, Sammara w Al Araj, El Shamali Street

Salfeet Governorate

- Salfeet Branch, Almadeena Almonawara Street, next to the Open University in Jerusalem

Communication Channels with Shareholders

- Distributing the annual report to shareholders through the headquarters and branches in all areas and through the mail.
- Through the bank's website, where financial and managerial data and reports are published.
- Through the Palestinian Exchange and the Capital Market Authority websites, where financial statements are published quarterly, semi-annually, and annually.
- Announcements in local newspapers.

For more information, contact the Investor Relations Department at the National Bank on the following:

The National Bank – Headquarters
Ramallah – Al Masyoun – Mahmoud Darwish Circle
Tel: 02 2946090 extension 9022
Fax: 02 2946114
Email: IR@TNB.PS

External Auditor Report

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

Tel: +972 22421011
Fax: +972 22422324
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Independent Auditor's Report
To the Shareholders of The National Bank Ltd.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

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Expected Credit Losses "ECL" allowances	
Key Audit Matter	Audit Procedures
The estimation process of the expected credit losses of credit facilities in accordance with IFRS (9) is important and complex as it requires significant judgement. IFRS (9) requires the use of the ECL model, which requires the Bank's management to use various assumptions and estimates to determine both the time and value of ECL in addition to applying judgment in determining the inputs within the impairment measurement process, including collaterals and default date. Given the importance of the provisions applied in IFRS (9) and the credit exposures that form a major part of the Bank's assets, ECL calculation is considered a key audit matter. Gross credit facilities amounted to U.S. $ 989,829,811 as at December 31, 2022. The related ECL amounted to U.S. $ 43,744,473 as at December 31, 2022. Accounting policies estimates and significant accounting judgments, disclosures of the ECL, and credit risk management are detailed in notes (3, 8, 37 and 44) 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 the Palestinian Monetary Authority (PMA) to verify the effectiveness of the main controls are in place, which determine the impairment in credit facilities and the required provisions against them. Our procedures for testing controls also included assessing whether key controls, in the aforementioned processes had been designed, applied and effectively implemented; in addition to performing the following assessment procedures: - The Bank's policies related to the ECL provision in accordance with IFRS (9). - Key assumptions and judgments related to the material increase in credit risk, the definition of default, and the use of macroeconomic inputs to verify that the ECL amounts recorded reflect the underlying credit quality and macroeconomic trends. - The appropriateness of the Bank's staging. - The appropriateness of determining Exposure at Default (EAD), including the consideration of the cash flows repayments and the resultant arithmetical calculations. - The appropriateness of the Probability of Defaults (PD), Exposure at Default (EAD) and Loss Given Defaults (LGD) used for different exposures at different stages. - The appropriateness and objectivity of the internal evaluation of credit facilities and financing. - The accuracy and appropriateness of ECL calculation process - Credit facilities transferred between stages, and the determination basis of significant increase in credit facilities and financing risk in regard to timely identification with a significant deterioration in credit quality. - ECL calculation for credit facilities determined to be individually impaired. We also obtained an understanding of the latest developments in estimated future cash flows, current financial position and any rescheduling or restructuring agreements. - Procedures followed for collaterals valuation in accordance with the evaluation policies of the Bank. - Assessed the adequacy of the disclosures to the consolidated financial statements to ensure compliance with IFRS (9).

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Other information included in the Bank's 2022 Annual Report

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

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 when obtaining it 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.

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

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

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

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

Ernst & Young - Middle East
License # 206/2012

Abdelkarim M.
Ernst + Young

Abdelkarim Mahmoud
License # 101/2017

March 21, 2023
Ramallah - Palestine

Consolidated Financial Statements

The National Bank Company Ltd.

Consolidated Statement of Financial Position

As at December 31, 2022

	Note	December 31, 2022 U.S. $	December 31, 2021 U.S. $
Assets			
Cash and balances with Palestine Monetary Authority	5	234,756,606	290,606,441
Balances at banks and financial institutions	6	205,445,739	319,725,002
Financial assets at fair value through profit or loss	7	336,000	1,487,573
Direct credit facilities	8	934,068,830	879,617,049
Financial assets at fair value through other comprehensive income items	9	7,148,340	17,706,139
Financial assets at amortized cost	10	40,286,684	25,674,745
Investment in associates	11	50,240,259	48,090,281
Property, plant and equipment	12	20,946,235	19,824,277
Right of use assets	13	6,000,996	6,826,148
Projects in progress	14	273,695	269,695
Intangible assets	15	3,849,183	5,079,498
Deferred tax assets	16	4,709,866	4,163,823
Other assets	17	24,255,119	11,688,938
Total assets		1,532,317,552	1,630,759,609
Liabilities and Equity			
Liabilities			
Banks and financial institutions' deposits	18	67,636,451	147,387,483
Customers' deposits	19	1,133,202,691	1,139,385,865
Cash margins	20	75,610,768	72,122,853
Loans and borrowings	21	20,379,457	51,005,307
Subordinated loans	22	31,000,000	35,000,000
Sundry provisions	23	6,581,214	6,326,286
Taxes provisions	24	4,720,244	1,281,190
Lease liabilities	25	5,907,210	6,715,176
Other liabilities	26	22,655,355	25,790,641
Total liabilities		1,367,693,390	1,485,014,801
Equity			
Paid-in share capital	1	113,100,000	104,553,948
Share premium	27	17,770,333	17,770,333
Statutory reserve	28	7,786,540	6,086,418
General banking risks reserve	28	3,484,033	4,085,562
Pro-cyclicality reserve	28	5,216,291	5,216,291
Fair value reserve	9	(2,262,093)	(2,033,671)
Retained earnings		19,529,058	10,065,927
Net equity		164,624,162	145,744,808
Total liabilities and equity		1,532,317,552	1,630,759,609

The National Bank Company Ltd.

Consolidated Income Statement

For the year ended December 31, 2022

	Note	2022 U.S. $	2021 U.S. $
Interest income	29	59,001,169	58,144,977
Interest expense	30	(17,366,084)	(23,376,010)
Net interest income		41,635,085	34,768,967
Net financing and investment income	31	-	24,294,044
Net commissions income	32	7,491,592	11,848,325
Net interest and commissions and financing and investment income		49,126,677	70,911,336
Foreign currency gains		9,005,796	8,326,980
Net gains from financial assets portfolio	33	1,428,405	1,727,158
Bank share of the associate's results of operations	11	3,803,069	1,957,443
Other revenues	34	3,315,934	3,581,591
Gross profit		66,679,881	86,504,508
Expenses			
Personnel expenses	35	22,978,764	30,067,791
Other operating expenses	36	13,352,422	17,970,912
Depreciation and amortization	12&13&15	6,173,524	7,437,024
Expected credit losses provision	37	4,593,553	11,954,142
Investments properties impairment		-	694,156
Legal provision	23	-	195,970
Palestine Monetary Authority's fines	38	-	20,000
Total expenses		47,098,263	68,339,995
Profit for the year before taxes		19,581,618	18,164,513
Taxes expense	24	(2,580,400)	(4,241,777)
Profit for the year		17,001,218	13,922,736
Attributable to:			
Equity holders of the Bank		17,001,218	8,500,085
Non-controlling interests		-	5,422,651
		17,001,218	13,922,736
Basic and diluted earnings per share attributable to the equity holders of the Bank	39	0,15	0,09

The National Bank Company Ltd.

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2022

	2022 U.S. $	2021 U.S. $
Profit for the year	17,001,218	13,922,736
Other comprehensive income items		
Items not to be reclassified to consolidated income statement in subsequent periods:		
Change in the fair value of financial assets	2,025,728	5,230,890
Bank's share of associate's other comprehensive income items	(147,592)	173,591
Total other comprehensive income	1,878,136	5,404,481
Net comprehensive income for the year	18,879,354	19,327,217
Attributable to:		
Equity holders of the Bank	18,879,354	13,348,320
Non-controlling interests	-	5,978,897
	18,879,354	19,327,217

The National Bank Company Ltd.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

			Reserves							
	Paid-in share capital	Share premium	Statutory	General banking risks	Pro-cyclicality	Fair value	Retained earnings	Net equity holders of the Bank	Non-controlling interests	Net equity
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
December 31, 2022										
Balance, beginning of the year	104,553,948	17,770,333	6,086,418	4,085,562	5,216,291	(2,033,671)	10,065,927	145,744,808	-	145,744,808
Profit for the year	-	-	-	-	-	-	17,001,218	17,001,218	-	17,001,218
Other comprehensive income items	-	-	-	-	-	1,878,136	-	1,878,136	-	1,878,136
Total comprehensive income for the year	-	-	-	-	-	1,878,136	17,001,218	18,879,354	-	18,879,354
Sale of financial assets at fair value through other comprehensive income items	-	-	-	-	-	(2,106,558)	2,106,558	-	-	-
Stock dividends (note 1)	8,503,653	-	-	-	-	-	(8,503,653)	-	-	-
Transfers	42,399	-	-	-	-	-	(42,399)	-	-	-
Transfers to reserves	-	-	1,700,122	(601,529)	-	-	(1,098,593)	-	-	-
Balance, end of the year	113,100,000	17,770,333	7,786,540	3,484,033	5,216,291	(2,262,093)	19,529,058	164,624,162	-	164,624,162

			Reserves							
	Paid-in share capital	Share premium	Statutory	General banking risks	Pro-cyclicality	Fair value	Retained earnings	Net equity holders of the Bank	Non-controlling interests	Net equity
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
December 31, 2021										
Balance, beginning of the year	91,764,707	17,770,333	5,236,409	4,085,562	5,216,291	(6,881,906)	2,296,925	119,488,321	101,456,699	220,945,020
Profit for the year	-	-	-	-	-	-	8,500,085	8,500,085	5,422,651	13,922,736
Other comprehensive income items	-	-	-	-	-	4,848,235	-	4,848,235	556,246	5,404,481
Total comprehensive income for the year	-	-	-	-	-	4,848,235	8,500,085	13,348,320	5,978,897	19,327,217
Disposal of a subsidiary (note 4)	-	-	-	-	-	-	118,926	118,926	(107,435,596)	(107,316,670)
Raise in paid-in capital (note 1)	12,789,241	-	-	-	-	-	-	12,789,241	-	12,789,241
Transfers to reserves	-	-	850,009	-	-	-	(850,009)	-	-	-
Balance, end of the year	104,553,948	17,770,333	6,086,418	4,085,562	5,216,291	(2,033,671)	10,065,927	145,744,808	-	145,744,808

The National Bank Company Ltd.

Consolidated Statement of Cash Flows

For the year ended December 31, 2022

	Note	2022 U.S. $	2021 U.S. $
Operating activities			
Profit for the year before taxes		19,581,618	18,164,513
Adjustments for:			
Depreciation and amortization	12&13&15	6,173,524	7,437,024
Net gains from financial assets portfolio	33	(1,428,405)	(1,727,158)
Bank's share of the associate's results of operations	11	(3,803,069)	(1,957,443)
Interest on lease liabilities	25	239,997	381,275
Expected credit losses provision	37	4,593,553	11,954,142
Valuation of deposits at below market interest rate		-	408,572
Modification gains losses arising of a subsidiary		-	(1,708,220)
Sundry provisions	23	1,477,467	2,808,966
Losses on sale of property, plant and equipment		10,479	-
Investment properties impairment		-	694,156
Other non-cash items		225,289	404,626
		27,070,453	36,860,453
Changes in assets and liabilities:			
Restricted balances at banks and financial institutions		10,257,538	(16,473,390)
Statutory cash reserve at Palestine Monetary Authority		1,591,427	(40,828,086)
Direct credit facilities		(59,057,134)	40,644,301
Other assets		(12,234,481)	22,527,297
Customers' deposits		(5,718,965)	134,661,951
Cash margins		3,487,915	(20,060,011)
Other liabilities		(3,135,286)	10,534,488
Net cash flows (used in) from operating activities before paid taxes and provisions		(37,738,533)	167,867,003
Taxes recovered (paid)		312,611	(4,388,404)
Payments on sundry provisions		(1,222,539)	(3,271,828)
Net cash flows (used in) from operating activities		(38,648,461)	160,206,771
Investing activities:			
Balances at banks and financial institutions maturing in more than 3 months		32,607,289	(5,620,452)
Purchase of property, plant and equipment		(3,993,831)	(1,264,078)
Sale of property, plant and equipment		33,518	87,276
Projects in progress		(4,000)	(183,127)
Purchase of intangible assets		(1,338,644)	(723,213)
Sale of financial assets at fair value through profit or loss		3,170,945	-
Purchase of financial assets at fair value through profit or loss		(1,669,929)	-
Net change in financial assets at fair value through other comprehensive income items		12,583,527	(5,480,326)
Purchase of financial assets at amortized cost		(14,994,970)	(20,691,834)
Matured of financial assets at amortized cost		-	14,981,217
Cash outflows from disposal of a subsidiary		-	(363,360,810)
Cash dividends received		2,321,461	1,617,224
Net cash flows from (used in) investing activities		28,715,366	(380,638,123)
Financing activities:			
Lease liabilities paid		(1,507,871)	(2,469,775)
Payments to increase paid-in capital		-	12,789,241
Subordinated loans		(4,000,000)	(5,000,000)
Loans and borrowings		(30,625,850)	(29,908,871)
Net cash flows used in financing activities		(36,133,721)	(24,589,405)
Decrease in cash and cash equivalents		(46,066,816)	(245,020,757)
Cash and cash equivalents, beginning of the year		299,589,824	544,610,581
Cash and cash equivalents, end of the year		253,523,008	299,589,824
Interests expense paid		17,669,586	22,586,146
Interests revenue received		54,592,091	56,606,915

Notes to the Consolidated Financial Statements

As at December 31, 2022

1. General

The National Bank Company Ltd. (the Bank) was registered in 2005 in Ramallah, Palestine under the name of "Al-Rafah Bank for Micro Finance" as a public shareholding limited company under registration no. (562601146) with its head office in Ramallah – Palestine. The Bank operates within the framework and in compliance with applicable laws and regulations in Palestine

The Bank provides all banking activities related to its activities within the framework of the laws in force in Palestine through its head office, its 24 branches and its 11 offices located in major Palestinian cities, as well as regular banking services. The Bank also finances the financial needs of the small enterprise sector and other sectors.

The Extraordinary General Assembly decided in its meeting held on July 29, 2021, to raise the Bank's paid-in capital by 15%, and to raise the authorized capital from $100 million to U.S. $110 million, with a nominal value of U.S. $ 1 per share. The Bank's issued and paid-in capital as of December 31, 2021 amounted to U.S. $ 104,553,948, with a nominal value of U.S.$ 1 per share.

The General Assembly decided in its meeting held on May 15, 2022, to raise the authorized capital from U.S. $ 110 million to U.S. $ 115 million, and approve on the Board of Directors' recommendation to increase the Bank's paid-in share capital by 8.13% through stock dividends bringing the paid-in share capital of the Bank to U.S. $ 113,100,000 as at December 31, 2022.

The Bank's personnel reached 718 and 704 employees as at December 31, 2022 and 2021, respectively.

The consolidated financial statements as at December 31, 2022 were authorized for issuance by the Bank's Board of Directors on February 27, 2023.

2. Consolidated financial statements

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

The financial statements of the subsidiaries, which are National Islamic Investment Company (NIIC) and Watan Private Investment Company, are consolidated with the Bank's financial statements based on the consolidation of a line-by-line basis of assets, liabilities and result of the Bank with the assets, liabilities, and results of subsidiaries after eliminating all intercompany balances and transactions between the Bank and its subsidiaries.

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

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

	Country of incorporation and operations	Ownership %		Subscribed capital U.S.$	
		2022	2021	2022	2021
National Islamic Investment Company	Palestine	100	100	74,000,000	74,000,000
Watan Private Investment Company	Palestine	100	100	110,000	110,000

3. Accounting policies

3.1 Basis of consolidation of financial statements

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

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

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

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

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

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

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

3.2 Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB).

The Bank complies with the local prevailing laws, and in conformity with Palestinian Monetary Authority(PMA)regulations.

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

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

3.3 Changes in accounting policies

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

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

IFRS (17) Insurance Contracts

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

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

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

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

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

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

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

Definition of Accounting Estimates - Amendments to IAS (8)

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

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

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

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

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

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

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

Deferred tax relating to assets and liabilities arising from a single transaction - Amendments to IAS (12)

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

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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

4. Summary of significant accounting policies

Revenues recognition

The effective interest rate method

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

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

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

Interest and similar income and expense

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

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

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

Fees and commissions 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.

Financial Instruments – Initial Recognition

Date of recognition

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

Initial measurement of financial instruments

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

Day 1 for 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 income of the bank. 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 solely payments of principal and interest (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.

Debt instruments at FVOCI

The bank applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost.

Where the bank holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to the consolidated income statement.

Equity instruments at FVOCI

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

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

Financial assets at fair value through profit or loss

Financial assets and financial liabilities at FVTPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in Consolidated income statement with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the Consolidated income statement. Interest earned or incurred on instruments designated at FVTPL is accrued in interest income or interest expense, respectively, using the EIR, taking into 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 Consolidated income statement 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 income statement as provision for expected credit losses.

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

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

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 income statement.

Impairment of financial assets

Overview of the ECL principles

Applying the International Financial Reporting Standard No. (9) has fundamentally changed the method of calculating the impairment loss on facilities for the Bank through the approach of the expected credit loss method with a forward-looking view instead of recognizing the loss when the loss is incurred according to International Accounting Standard No. (39) from January 1, 2018.

The Bank recorded 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 over 12 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 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.

Bad debt not previously provided for and written off

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

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
- Inflation 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.

Repossessed Collaterals

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. Modifications may include extension of payments or agreeing to new financing terms. Classification decisions between Stage (2) and Stage (3) are determined on a case-by-case basis.

Lease Contracts

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

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

Right-of-use assets

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

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

Lease Liabilities

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

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

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

Short-term leases and leases of low-value assets

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

Government grants

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

Fair value measurement

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants 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)
Real estates	40
Furniture, equipment and leasehold improvements	5-20
Computers	6
Vehicles	6
Solar Energy	10-20

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 acquisitions and goodwill

Business acquisitions 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 acquisition, 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 acquisition 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.

Investments properties

Investments properties are measured initially at cost less impairments in accumulated book value. The carrying amount of the investment properties is tested for impairment when events or changes in circumstances indicate that the carrying amount of the asset cannot be recovered. Where such evidence exists and when the carrying amount exceeds its recoverable amount, the carrying amount of the recoverable amount is reduced.

Investment in properties are derecognized when they are no longer used and there are no future economic benefits expected to be incurred as a result of disposal. The difference between the proceeds from disposal of the asset and the carrying amount is recognized in the consolidated statement of income in the period of derecognition.

Transfers from or to investment in properties are made only when there is a change in use. When the investment property is transferred to the item of property, plant and equipment used by the Bank, the cost of the property transferred for use is the carrying amount at the date of transfer. If the Bank considers the transfer of its property to investment property, the Bank continues to use the accounting policies for property, plant and equipment until the date of change in use.

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, subsequently, the cost of goodwill is reduced by any impairment in the investment value.

Goodwill is distributed over the cash generating units for the purpose of testing the impairment in its value.

The value of goodwill is tested for impairment on the date of the consolidated financial statements. Goodwill value is reduced when there is evidence that its value has declined or the recoverable value of the cash generating units is less than book value. The decline in the values is recoded in the consolidated income statement as impairment loss.

B. Other intangible assets

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 income statement. Intangible assets with indefinite lives are reviewed in statement income for impairment as of the consolidated financial statements date, and impairment loss is recorded in the consolidated income statement.

Intangible assets resulting from the banks operations are not capitalized. They are rather recorded in the consolidated income statement in the same period.

Any indications of impairment in the value of intangible assets as 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. The intangible assets include computer software and programs, the license of the Palestinian Islamic Bank, customer deposits. The Bank management estimates the useful life so that computer systems and programs and customer deposits are amortized in a straight-line method over the expected useful life which ranges from five to ten years. As for the license of the Palestine Islamic Bank has an indefinite and is not amortized.

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

Fair value hedges: A hedge against the risk of changes in the fair value of the bank's assets and liabilities. If the conditions for a fair value hedge are applicable, the gains and losses resulting from the change in the fair value of the hedged derivative financial instruments and the change in the fair value of the hedged assets or liabilities 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 other comprehensive income items and transferred to the consolidated income statement in the period in which the hedged cash flow affects the consolidated income statement.

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

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

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

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.

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 income statement.

Assets under management on behalf of customers

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

Provisions

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

Taxes provision

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

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

Provision for end of service indemnity

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

Foreign currencies

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

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

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

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

Cash and cash equivalents

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

Segments information

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

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

Use of estimates

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

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

- Risk management (note 44)
- Capital management (note 48)

In the Bank's management's belief that its estimates within the consolidated financial statements are reasonable, and they are as follows:

Impairment of goodwill

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

Useful lives of tangible and intangible assets

The Bank's management reassesses the useful lives of tangible and intangible assets., 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 employee benefits. Management believes that these estimates and assumptions are reasonable. Employees benefits expense for the year was charged in accordance with the Palestinian Labor Law and in line with international accounting standards.

Provision for income tax

The Bank's management uses certain estimates in determining the provision for income tax. The Bank's management believes that the estimates and assumptions used are reasonable. 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.

Financial assets at amortized cost

The management periodically reviews the financial assets that appear at amortized cost to estimate any impairment in their value, and the impairment is taken into the unconsolidated income statement for the year.

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.

Investments properties

The management depends on the assumptions of accredited and licensed appraisers for the valuation of investment properties.

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/customer level
- Corporate portfolio: individual basis at facility /customer level

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

Inputs, assumptions and techniques used for ECL calculation – IFRS (9) methodology

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 below factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage (1) to Stage (2):

- Management has established thresholds for significant increases in credit risk based on movement in the customer's internal credit grade and the related PDs relative to initial recognition.
- IFRS 9 (Financial Instruments) includes a presumption of a significant increase in credit risk for financial instruments that have defaulted and matured for more than 30 days. In this regard, the Bank has approved a 30-day period.
- All performing facilities with DPD greater than or equal to 30 DPD on previous quarter
- Any client identified by the senior management / Board as having significant increase in credit risk and enhanced monitoring is required.
- All facilities that have been restructured in the past due to credit risk related factors or which were NPL in the past 12 months to be considered Stage 2.
- All facilities working in high credit risk industries (identified at assessment date if any)
- All facilities identified by regulatory authorities or government to have an SICR.
- All customer exposures breaching debt covenants.
- All corporate customers that have decrease in Expected Cash flow and liquidity issues, assessing feasibility studies for new projects, increase in debt ratios etc.
- Government employees in Gaza.
- Two or more notches decrease in the financial assets rating.
- The Bank rebuts the 30 days past due rule if the Bank has reasonable and supportable information that is available without undue cost or effort and demonstrates that the credit risk has not increased significantly since initial recognition.

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.

- **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 including the comprehensiveness of the definition of quantitative and non-quantitative information during the selection process IFRS (9) does not define default but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due. In addition to some qualitative factors such as financial difficulties, bankruptcy, death or others.

- **Expected Life**

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

IFRS (9) governance

To ensure proper compliance of the IFRS (9) implementation, a steering committee was formed consisting of the Risk Management Manager, Credit Quality Head, Chief Financial Officer, and other related Banks' department including the Bank's head of IT. The steering committee is responsible 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.

Disposal of a subsidiary and its material shares until the date of the disposal

On July 15, 2021, the Bank signed a memorandum of understanding with its partners (the shareholders of The National Company (the Company)). The partners agreed to exist the investment except for the bank, through the partners' relinquishing all their shares in the National Company to the benefit of the Bank in exchange for the National Company's relinquishing its shares in Palestine Islamic Bank to the partners, that is equivalent to the percentage of the contribution of each of the partners in the Company. Hence, the contribution of each of the partners becomes direct in the Palestine Islamic Bank, accordingly, TNB direct ownership percentage in ISBK reached 24.85%. Therefore, Palestine Islamic Bank's financial statements were not consolidated with financial statements of the bank as at December 31, 2021. The Bank's management believes that it has the ability to influence the financial and operational policies of the Palestinian Islamic Bank through its' representation in its board of directors which consists of the chairman in addition to two other members. Thus, the remaining share of the investment in the Palestine Islamic Bank was transferred from an investment in a subsidiary to an investment in an associate. The remaining investment in Palestine Islamic Bank was re-evaluated at fair value based on International Financial Reporting Standards. This disposal did not result in any gains or losses in the consolidated income statement. This event is not classified as discontinued operations as it did not meet the requirements under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

The consolidated income statement for the period ended December 31, 2021 includes the results of the subsidiary operations until the date of disposal, while the financial statements for the same period of the current year do not include the results of the subsidiary as a result of the disposal, as it appears within the Bank's share of associate's results of operations.

Following are the details of the carrying amounts of the assets, liabilities and non-controlling interests that have been disposed of:

	Book value at the date of disposal
	U.S. $
Assets	
Cash and balances with Palestine Monetary Authority	410,399,187
Balances at banks and financial institutions	207,918,613
Financial assets at fair value through profit or loss	1,563,893
Islamic financing	856,844,919
Financial assets at fair value through other comprehensive income items	9,616,710
Financial assets at amortized cost	11,007,573
Investment in associates	11,308,252
Investment properties	15,714,302
Property, plant and equipment	26,441,984
Right-of-use assets	7,523,837
Projects in progress	2,790,000
Intangible assets	26,506,322
Deferred tax assets	6,419,136
Other assets	8,880,435
Total assets	1,602,935,163
Liabilities	
Banks and financial institutions' deposits	172,648,473
Customers' deposits	1,164,609,725
Cash margins	68,041,035
Sundry provisions	9,575,042
Lease Liabilities	7,087,133
Taxes provisions	1,757,684
Other liabilities	25,886,718
Total liabilities	1,449,605,810
Non-controlling interests	107,435,596
Bank's net investment in Palestine Islamic Bank	45,893,757

Following is the financial information of the subsidiary (National Islamic Investments Company), which is not wholly owned and has material interests in the non-controlling interests for the period from December 1, 2021 up to the date of disposal:

	U.S. $
Revenues	
Net financing and investment income	24,185,588
Interest income	225,862
Net commissions income	4,690,320
Foreign currency gains	1,926,935
Net gains from financial assets portfolio	656,214
Bank share of the associates results of operations	105,778
Other revenues	89,140
Total Revenues	31,879,837
Expenses	
Personnel expenses	(10,005,230)
General and administrative expenses	(5,847,880)
Expected credit losses	(2,536,099)
Depreciation and amortization	(2,379,643)
Impairment of investment properties	(694,156)
Legal provision	(19,701)
Profit before taxes	10,397,128
Tax expense	(3,272,692)
Profit for the year	7,124,436
Other comprehensive income for the year	740,180
Total comprehensive income for the year	7,864,616
Attributable to:	
Equity holders of the Bank	1,885,719
Non-controlling interests	5,978,897
Operating activities	32,188,616
Investing activities	(2,207,535)
Financing activities	76,870,967
Increase in cash and cash equivalent	106,852,048
Non-controlling interests in the material subsidiary	-
Profits attributable to non-controlling interests in the material subsidiary	5,422,651
Non-controlling interest’s share of comprehensive income	556,246

5. Cash and balances with Palestine Monetary Authority

The details of this item is as follows:

	2022	2021
	U.S. $	U.S. $
Cash on hand	101,998,031	133,200,231
Balances with PMA:		
Current and demand accounts	26,683,783	49,813,619
Statutory cash reserve	106,395,442	107,986,869
	235,077,256	291,000,719
Provision for expected credit losses	(320,650)	(394,278)
	234,756,606	290,606,441

- 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 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.
- PMA pays interest on term deposits at market interest rates.

Following is the summary of the movement on the gross balances with PMA:

	December 31, 2022			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	157,800,488	-	-	157,800,488
Net change during the year	(24,721,263)	-	-	(24,721,263)
Balance, end of the year	133,079,225	-	-	133,079,225

	December 31, 2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	352,177,384	-	-	352,177,384
Disposal of a subsidiary (note 4)	(214,738,540)	-	-	(214,738,540)
Net change during the year	20,361,644	-	-	20,361,644
Balance, end of the year	157,800,488	-	-	157,800,488

The movement on the provision for expected credit losses for the balances with the Palestine Monetary Authority is as follows:

	December 31, 2022			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	394,278	-	-	394,278
Net re-measurement of expected credit losses	(73,628)	-	-	(73,628)
Balance, end of the year	320,650	-	-	320,650

	December 31, 2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	352,302	-	-	352,302
Net re-measurement of expected credit loss	41,976	-	-	41,976
Balance, end of the year	394,278	-	-	394,278

6. Balances at banks and financial institutions

	2022	2021
	U.S. $	U.S. $
Local banks and financial institutions:		
Current and demand accounts	8,552,270	6,251,177
Deposits maturing within 3 months	68,526,798	119,409,162
Deposits maturing after 3 months	-	32,607,289
	77,079,068	158,267,628
Foreign banks and financial institutions:		
Current and demand accounts	99,762,964	101,786,567
Deposits maturing within 3 months	28,612,553	59,751,029
	128,375,517	161,537,596
	205,454,585	319,805,224
Provision for expected credit losses	(8,846)	(80,222)
	205,445,739	319,725,002

- Non-interest bearing balances at banks and financial institutions amounted to U.S. $ 152,741,861 and U.S.$ 224,252,720 as at December 31, 2022 and 2021, respectively.
- Restricted balances at banks and financial institutions amounted to U.S.$ 12,976,940 and U.S. $ 23,234,478 as at December 31, 2022 and 2021, respectively.

Following is the summary of movement on the gross balances with banks and financial institutions:

	December 31, 2022			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	319,805,224	-	-	319,805,224
Net change during the year	(114,350,639)	-	-	(114,350,639)
Balance, end of the year	205,454,585	-	-	205,454,585

	December 31, 2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	212,672,610	-	1,689,903	214,362,513
Disposal of a subsidiary (note 4)	(208,003,887)	-	(1,689,903)	(209,693,790)
Net change during the year	315,136,501	-	-	315,136,501
Balance, end of the year	319,805,224	-	-	319,805,224

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

	December 31, 2022			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	80,222	-	-	80,222
Net re-measurement of expected credit loss	(71,376)	-	-	(71,376)
Balance, end of the year	8,846	-	-	8,846

	December 31, 2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	167,257	-	1,689,903	1,857,160
Disposal of a subsidiary (note 4)	(85,274)	-	(1,689,903)	(1,775,177)
Net re-measurement of expected credit loss	(1,761)	-	-	(1,761)
Balance, end of the year	80,222	-	-	80,222

7. Financial assets at fair value through profit or loss

This item represents the bank's investment in quoted shares at Palestine Securities Exchange, the fair value of the investments as of December 31, 2022 and December 31, 2021 was U.S. $336,000 and U.S. $ 1,487,573, respectively.

8. Direct credit facilities

	2022	2021
	U.S. $	U.S. $
Retails		
Overdrafts accounts	12,616,853	8,505,487
Loans and discounted bills*	247,557,130	190,113,047
Corporates		
Overdrafts accounts	25,327,221	28,472,084
Loans and discounted bills*	262,732,365	246,367,829
Medium and small enterprises		
Overdrafts accounts	6,972,239	8,776,027
Loans and discounted bills*	61,264,688	41,219,886
Government and public sector		
Overdraft accounts	73,573,390	83,157,227
Loans and discounted bills*	299,785,925	325,788,594
	989,829,811	932,400,181
Suspended interest and profit	(12,016,508)	(10,700,514)
Provision for expected credit losses	(43,744,473)	(42,082,618)
	934,068,830	879,617,049

* Loans and discounted bills are presented net of unearned interest and commission income which amounted to of U.S. $ 2,402,185 as at December 31, 2022 and U.S. $ 2,565,312 as at December 31, 2021.

- Non-performing credit facilities net of suspended interest and profit, according to PMA regulations net of suspended interest and profit, amounted to U.S. $ 127,155,449 and U.S. $ 130,155,572 representing 13.00% and 14.12% of direct credit facilities net of suspended interest and profit as at December 31, 2022 and 2021, respectively.
- Defaulted credit facilities, according to PMA regulations net of suspended interest and profit, amounted to U.S. $ 64,299,537 and U.S. $ 67,768,846 representing 6.58% and 7.35% of direct credit facilities net of suspended interest and profit as at December 31, 2022 and 2021, respectively.
- According to PMA circular number (1/2008), defaulted direct credit facilities for more than 6 years were excluded from the Bank's consolidated financial statements. These defaulted facilities amounted to U.S. $ 8,773,346 and U.S. $ 8,653,991 as at December 31, 2022 and 2021, the balance of provision and suspended interest and profit for defaulted accounts amounted to U.S. $ 4,186,567 and U.S. $ 4,586,779 compared to U.S. $ 3,826,045 and U.S. $ 4,827,946 as at December 31, 2022 and 2021, respectively.
- Direct credit facilities granted to the Palestinian National Authority amounted to U.S. $ 373,359,315 representing 37.72% of total direct credit facilities as at December 31, 2022 compared to U.S. $ 408,945,821 representing 43.86% of total direct credit facilities as at December 31, 2021.
- Credit facilities granted to non-residents as at December 31, 2022 and 2021 amounted to U.S. $ 2,135,007 and U.S. $ 209,993, respectively.

- Credit facilities granted to public sector employees as at December 31, 2022 and 2021 amounted to U.S. $ 110,716,463 and U.S. $ 78,962,097, representing 11.19% and 8.47% of the total direct credit facilities, respectively.
- Credit card balances as of December 31, 2022 and 2021 amounted to $ 4,431,285 and $ 7,495,919, respectively.
- Overdrawn current accounts balances as at December 31, 2022 and 2021 amounted to U.S.$ 10,901,872 and U.S. $ 10,343,718 , respectively.
- Credit facilities guaranteed by loan guarantee institutions as at December 31, 2022 and 2021 amounted to U.S. 14,265,899 and U.S. $ 11,171,221, respectively. The defaulted balances of these facilities as of December 31, 2022 and 2021 amounted to U.S. $ 157,902 and U.S. $ 530,009 respectively.
- Fair value of collaterals obtained in line of credit facilities, amounted to U.S. $ 270,860,490 and U.S. $ 223,942,124 as at December 31, 2022 and 2021, respectively.

Suspended interest and profit

Following is the summary of the movement on the suspended interest and profit:

	2022	2021
	U.S. $	U.S. $
Balance, beginning of the year	10,700,514	11,999,161
Disposal of a subsidiary (note 4)	-	(1,669,582)
Suspended interests and profits during the year	4,137,880	5,064,755
Suspended interests and profits transferred to revenues during the year	(917,226)	(3,045,809)
Suspended interests written off during the year	(784,448)	(1,533,331)
Interests and profits in suspense related to the credit facilities being defaulted for more than 6 years.	(504,060)	(249,039)
Currency exchange differences	(616,152)	134,359
Balance, end of the year	12,016,508	10,700,514

Following is the summary of the movement on the gross balance of direct credit facilities:

	December 31, 2022			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	754,262,106	99,668,715	78,469,360	932,400,181
Net change during the year	85,382,352	(18,458,566)	(8,175,606)	58,748,180
Transferred to stage (1)	40,500,532	(39,246,535)	(1,253,997)	-
Transferred to stage (2)	(40,781,936)	44,168,126	(3,386,190)	-
Transferred to stage (3)	(3,338,044)	(8,642,983)	11,981,027	-
Transferred from credit facilities that have been defaulted for more than six years	-	-	(1,318,550)	(1,318,550)
Balance, end of the year	836,025,010	77,488,757	76,316,044	989,829,811

	December 31, 2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	1,500,912,318	205,414,918	111,398,860	1,817,726,096
Disposal of a subsidiary (note 4)	(720,336,889)	(117,524,928)	(45,275,841)	(883,137,658)
Net change during the year	(39,600,643)	6,734,133	30,621,006	(2,245,504)
Transferred to stage (1)	70,208,964	(61,066,118)	(9,142,846)	-
Transferred to stage (2)	(55,317,925)	75,409,116	(20,091,191)	-
Transferred to stage (3)	(1,603,719)	(9,298,406)	10,902,125	-
Transferred from credit facilities that have been defaulted for more than six years	-	-	57,247	57,247
Balance, end of the year	754,262,106	99,668,715	78,469,360	932,400,181

Provision for expected credit losses

Following is the movement on the provision for expected credit losses:

	December 31, 2022			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	6,688,019	2,709,575	32,685,024	42,082,618
Transferred to stage (1)	1,539,361	(928,774)	(610,587)	-
Transferred to stage (2)	(415,573)	1,245,890	(830,317)	-
Transferred to stage (3)	(35,003)	(118,723)	153,726	-
Expected credit losses recoveries	(1,065,768)	(1,986,709)	(5,109,560)	(8,162,037)
Net re-measurement of expected credit losses for the year	1,520,042	2,748,870	8,498,478	12,767,390
Transferred from provision of defaulted direct credit facilities for more than 6 years	-	-	(814,490)	(814,490)
Currency exchange differences	(542,019)	(295,738)	(1,482,647)	(2,320,404)
Other	-	-	191,396	191,396
Balance, end of the year	7,689,059	3,374,391	32,681,023	43,744,473

	December 31, 2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	11,954,276	6,987,162	36,240,451	55,181,889
Disposal of a subsidiary (note 4)	(5,352,561)	(5,021,413)	(14,249,183)	(24,623,157)
Transferred to stage (1)	846,265	(466,366)	(379,899)	-
Transferred to stage (2)	(1,080,176)	3,170,105	(2,089,929)	-
Transferred to stage (3)	(118,040)	(1,632,014)	1,750,054	-
Expected credit losses recoveries	(1,722,259)	(915,198)	(5,022,815)	(7,660,272)
Net re-measurement of expected credit losses for the year	2,134,638	565,965	16,790,179	19,490,782
Transferred from provision of defaulted direct credit facilities and for more than 6 years	-	-	306,286	306,286
Bad debts	-	-	(420,741)	(420,741)
Currency exchange differences	25,876	21,334	208,621	255,831
Other	-	-	(448,000)	(448,000)
Balance, end of the year	6,688,019	2,709,575	32,685,024	42,082,618

Following is the movement on the expected credit loss provision for direct credit facilities that have been defaulted for more than 6 years:

	2022	2021
	U.S. $	U.S. $
Balance, beginning of the year	3,826,045	6,554,484
Disposal of a subsidiary (note 4)	-	(2,415,364)
Transferred from (to) expected credit losses provision for direct credit facilities	814,490	(306,286)
Bad debts	(184,306)	(93,727)
Currency exchange differences	(269,662)	86,938
Balance, end of the year	4,186,567	3,826,045

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

	2022	2021
	U.S. $	U.S. $
Public sector	373,359,315	408,945,821
Real estate loans	182,583,963	127,537,118
Industry, trade and agricultural sector	169,570,843	143,781,430
Service sector	103,172,229	114,563,024
Consumption loans	149,126,953	126,872,274
	977,813,303	921,699,667

9. Financial assets at fair value through other comprehensive income items

	2022	2021
	U.S. $	U.S. $
Shares quoted in Palestine Security Exchange	6,326,615	16,882,891
Shares quoted in foreign financial markets	743,357	744,880
Unquoted shares	78,368	78,368
	7,148,340	17,706,139

Following is the movement on the fair value reserve account:

	2022	2021
	U.S. $	U.S. $
Balance, beginning of the year	(2,033,671)	(6,881,906)
Change in fair value	2,025,728	4,637,258
Sale of financial assets at fair value through other comprehensive income items	(2,106,558)	-
Bank's share of associate's other comprehensive income items	(147,592)	210,977
Balance, end of the year	(2,262,093)	(2,033,671)

10. Financial assets at amortized cost

Financial assets at amortized costs consist of the following:

	Bonds and treasury bills*	Quoted bonds**	Unquoted bonds***	Total
	U.S. $	U.S. $	U.S. $	U.S. $
December 31, 2022				
Local	-	-	10,128,400	10,128,400
Foreign	16,561,068	18,436,340	-	34,997,408
	16,561,068	18,436,340	10,128,400	45,125,808
Provision for expected credit losses	(4,814,378)	(10,173)	(14,573)	(4,839,124)
	11,746,690	18,426,167	10,113,827	40,286,684
December 31, 2021				
Local	-	-	10,263,900	10,263,900
Foreign	15,721,574	4,395,191	-	20,116,765
	15,721,574	4,395,191	10,263,900	30,380,665
Provision for expected credit losses	(4,555,349)	(2,052)	(148,519)	(4,705,920)
	11,166,225	4,393,139	10,115,381	25,674,745

* Financial assets at amortized cost represent the Bank's investment in quoted Lebanese treasury bills and in unquoted Jordanian treasury bills, where the interest rate on these assets ranges from 3.25% to 8.25% and matures within one to five years. During 2020 the Bank classified the Lebanese bonds as defaulted instruments based on the announced ratings of international rating agencies, the total recorded provisions against these bonds amounted U. S. $ 4.7 million. In addition, the Bank has suspended interest revenues from these bonds.

** This item represents the Bank's investment in financial bonds issued by foreign companies maturing within three to six years, with an interest rates on bonds ranges from 4.05% to 6.62%.

*** This item represents the Bank's investment in financial bonds issued by local companies maturing within three to four years, with an interest rates on the bonds range from 3.75% to 5%.

The fair value of quoted financial bonds as at December 31, 2022 and 2021 amounted to U.S. $ 19,575,609 and U.S. $ 5,346,569, respectively, while the fair value of unquoted financial bonds as at 31 December 2022 and 2021 was U.S. $ 20,842,615 and U.S. $ 20,454,684 respectively.

Following is the summary of the movement on the gross of financial assets at amortized cost:

	December 31, 2022			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	25,162,040	-	5,218,625	30,380,665
Net change during the year	14,651,128	-	94,015	14,745,143
Balance, end of the year	39,813,168	-	5,312,640	45,125,808

	December 31, 2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	28,458,314	2,255,347	5,110,519	35,824,180
Disposal of a subsidiary (note 4)	(8,898,785)	(2,255,347)	-	(11,154,132)
Net change during the year	5,602,511	-	108,106	5,710,617
Balance, end of the year	25,162,040	-	5,218,625	30,380,665

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

	December 31, 2022			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	314,217	-	4,391,703	4,705,920
Net re-measurement of expected credit losses	(212,595)	-	345,799	133,204
Balance, end of the year	101,622	-	4,737,502	4,839,124

	December 31, 2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	377,167	192	4,391,703	4,769,062
Disposal of a subsidiary (note 4)	(146,367)	(192)	-	(146,559)
Net re-measurement of expected credit losses	83,417	-	-	83,417
Balance, end of the year	314,217	-	4,391,703	4,705,920

11. Investment in associates

	Ownership percentage		Book Value	
	2022	2021	2022	2021
	%	%	U.S. $	U.S. $
Palestine Islamic Bank*	24.85	24.85	50,240,259	48,090,281
			50,240,259	48,090,281

* TNB signed a memorandum of understanding with the shareholders of The National Islamic Investment Company (the Company). The partners agreed to exist the investment except for the bank, through the partners' relinquishing all their shares in the National Company to the benefit of the Bank in exchange for the Company's relinquishing its shares in Palestine Islamic Bank to the partners, that is equivalent to the percentage of the contribution of each shareholder in the Company. Hence, the contribution of each shareholder will become direct in the Palestine Islamic Bank; Accordingly, the percentage of TNB's contribution to the shares of Palestine Islamic Bank will be 24.85%. Therefore, the Palestine Islamic Bank's financial statements were not consolidated with financial statements of TNB. TNB's management believes that it has the ability to influence the financial and operational policies of the Palestinian Islamic Bank through its' representation in its board of directors which consists of the chairman in addition to two other members. Thus, the remaining share of the investment in the Palestine Islamic Bank was transferred from an investment in a subsidiary to an investment in an associate (note 4).

The summary of the movement on investments in associates is as follow:

	2022	2021
	U.S. $	U.S. $
Balance, beginning of the year	48,090,281	11,669,721
Disposal of a subsidiary (note 4)	-	34,704,431
Bank's share of results of the associate	3,803,069	1,957,443
Bank's share in other comprehensive income items	(147,592)	173,591
Cash dividends	(1,242,499)	(414,905)
Other	(263,000)	-
Balance, end of the year	50,240,259	48,090,281

The following table summarizes the financial information relating to the Bank's investment in its associates as at December 31, 2022 and 2021:

	Palestine Islamic Bank*	
	2022	2021*
The financial position of associates	**U.S. $**	**U.S. $**
Total assets	1,515,811,313	1,656,425,003
Total liabilities	1,367,452,060	1,517,775,923
Equity	148,359,253	138,649,080
Book value before adjustments	36,867,274	34,454,296
Goodwill	13,372,985	13,635,985
Book value after adjustments	50,240,259	48,090,281
Revenues and results of operations		
Net revenues	66,432,475	33,785,893
Administrative and general expenses	(40,183,341)	(21,195,553)
Depreciation and amortization	(4,383,129)	(2,188,218)
Finance costs	(180,465)	(212,093)
Valuation of investment proprieties	(800,000)	(493,232)
Other revenues	665,811	155,758
Income before tax	21,551,351	9,852,555
Tax expense	(6,247,250)	(2,564,842)
Net income after tax	15,304,101	7,287,713
Adjustments	-	161,973
Net income after tax – Adjusted	15,304,101	7,449,686
Bank's share of results of the associate	3,808,069	1,851,665
Bank's share from other comprehensive income items	(147,592)	223,341

The income and comprehensive income statement for the Palestine Islamic Bank represents the summary of the comprehensive income and income statement for the period from the date of transferring the remaining share of the investment in the Palestine Islamic Bank from an investment in a subsidiary to an investment in an associate until December 31, 2021.

12. Property, plant and equipment

Following is the summary of the movement of property ,plant and equipment during the year:

December 31, 2022	Real estate proprieties U.S. $	Furniture, equipment and leasehold improvements U.S. $	Computers U.S. $	Vehicles U.S. $	Solar panels U.S. $	Total U.S. $
Cost:						
Balance, beginning of the year	10,955,110	25,126,551	5,271,013	1,388,451	1,463,973	44,205,098
Additions	920,000	2,756,956	316,875	-	-	3,993,831
Transfer to other assets	(331,700)	-	-	-	-	(331,700)
Disposals	-	(100,314)	-	(129,311)	-	(229,625)
Balance, end of year	11,543,410	27,783,193	5,587,888	1,259,140	1,463,973	47,637,604
Accumulated depreciation:						
Balance, beginning of the year	2,878,678	16,932,770	3,809,850	609,644	149,879	24,380,821
Depreciation for the year	174,309	1,716,078	490,740	34,886	80,163	2,496,176
Disposals	-	(70,374)	-	(115,254)	-	(185,628)
Balance, end of the year	3,052,987	18,578,474	4,300,590	529,276	230,042	26,691,369
Net book value						
At December 31, 2022	8,490,423	9,204,719	1,287,298	729,864	1,233,931	20,946,235
At December 31, 2021	8,076,432	8,193,781	1,461,163	778,807	1,314,094	19,824,277

December 31, 2021	Real estate proprieties U.S. $	Furniture, equipment and leasehold improvements U.S. $	Computers U.S. $	Vehicles U.S. $	Solar panels U.S. $	Total U.S. $
Cost:						
Balance, beginning of the year	26,867,882	47,441,575	11,403,176	606,367	1,463,973	87,782,973
Disposal of a subsidiary (note 4)	(15,779,602)	(23,208,937)	(5,332,709)	(90,894)	-	(44,412,142)
Additions	36,801	1,043,312	183,965	-	-	1,264,078
Transfer from projects in progress (note 14)	-	134,519	-	-	-	134,519
Transfer to investment properties	(169,971)	-	-	-	-	(169,971)
Disposals	-	(170,897)	(59,740)	(163,722)	-	(394,359)
Balance, end of year	10,955,110	25,239,572	6,194,692	351,751	1,463,973	44,205,098
Accumulated depreciation:						
Balance, beginning of the year	6,097,699	24,589,448	7,473,910	284,265	69,716	38,515,038
Disposal of a subsidiary (note 4)	(3,605,888)	(10,241,878)	(4,071,709)	(50,683)	-	(17,970,158)
Depreciation for the year	386,867	2,837,999	756,343	73,684	80,163	4,135,056
Disposals	-	(170,897)	(51,771)	(76,447)	-	(299,115)
Balance, end of the year	2,878,678	17,014,672	4,106,773	230,819	149,879	24,380,821
Net book value						
At December 31, 2021	8,076,432	8,224,900	2,087,919	120,932	1,314,094	19,824,277

13. Right of use assets

Following is the details of the movement of right of use assets:

	2022	2021
	U.S. $	U.S. $
Balance, beginning of the year	6,826,148	16,025,258
Disposal of a subsidiary (note 4)	-	(7,523,837)
Additions during the year	454,190	426,567
Disposals	(170,953)	(285,425)
Depreciation for the year	(1,108,389)	(1,816,415)
Balance, end of the year	6,000,996	6,826,148

14. Projects in progress

This item comprises of expansion works and leasehold improvements for Watan (subsidiary).

Following is the movement on projects in progress during the year:

	2022	2021
	U.S. $	U.S. $
Balance, beginning of the year	269,695	3,018,587
Disposal of a subsidiary (note 4)	-	(2,790,000)
Additions*	4,000	183,127
Transferred to property, plant and equipment (note 12)	-	(134,519)
Transferred to intangible assets	-	(7,500)
Balance, end of the year	273,695	269,695

15. Intangible assets

	2022	2021
	U.S. $	U.S. $
Computer programs	3,849,183	5,079,498
	3,849,183	5,079,498

Movement on computer programs and intangible assets during the year of 2022 was as follows:

	December 31, 2022
	U.S. $
Balance, beginning of the year	5,079,498
Additions	1,338,644
Amortization	(2,568,959)
Balance, end of the year	3,849,183

Movement on computer programs and intangible assets during the year of 2021 was as follows:

	December 31, 2021				
	Computer programs	Bank license (fair value)	Goodwill	Other	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	6,497,192	4,974,712	19,452,065	1,416,691	32,340,660
Disposal of a subsidiary (note 4)	(886,542)	(4,974,712)	(19,452,065)	(1,193,003)	(26,506,322)
Additions	723,213	-	-	-	723,213
Transfers from projects in progress	7,500	-	-	-	7,500
Amortization	(1,261,865)	-	-	(223,688)	(1,485,553)
Balance, end of the year	5,079,498	-	-	-	5,079,498

16. Deferred tax assets

Deferred tax assets is calculated on impairment losses related to direct credit facilities, balances with banks and financial institutions, and financial assets at amortized cost in addition to some other accounts.

Following is the movement on deferred tax assets:

	2022	2021
	U.S. $	U.S. $
Balance, beginning of the year	4,163,823	10,793,439
Disposal of a subsidiary (note 4)	-	(6,419,136)
Additions	546,043	171,719
Amortization	-	(382,199)
Balance, end of the year	4,709,866	4,163,823

17. Other assets

This item includes the following:

	2022	2021
	U.S. $	U.S. $
Accrued interest income	11,601,275	7,192,197
Positive financial derivatives	5,134,602	-
Receivables from insurance company (Note 34)	3,000,000	-
Prepaid expenses	1,809,463	1,483,853
Receivables from related party	850,212	850,212
Settlement accounts for ATM and credit cards	647,601	592,960
Printings and stationery	188,775	271,599
Due from Value Added Tax department	154,212	201,806
Seized assets	132,200	-
Others	736,779	1,096,311
	24,255,119	11,688,938

18. Banks and financial institutions' deposits

	2022	2021
	U.S. $	U.S. $
Local banks and financial institutions:		
Current and demand deposits	22,480,838	8,425,404
Deposits maturing within 3 months	45,061,953	136,157,078
	67,542,791	144,582,482
Foreign banks and financial institutions:		
Current and demand deposits	93,660	2,805,001
	93,660	2,805,001
	67,636,451	147,387,483

19. Customers' deposits

	2022	2021
	U.S. $	U.S. $
Current and demand accounts	406,091,914	421,768,152
Saving deposits	282,392,836	282,189,140
Term deposits	433,862,681	428,451,920
Debit balances – temporarily credit	10,855,260	6,976,653
	1,133,202,691	1,139,385,865

- Public sector deposits as at December 31, 2022, and 2021 amounted to U.S. $173,633,003 and U.S. $ 123,336,678 representing 15.32% and 10.82% of total deposits, respectively.
- Non-interest bearing deposits amounted to U.S. $ 645,502,311 and U.S. $ 630,420,373 representing 56.96% and 55.33% of the total deposits as at December 31, 2022 and 2021, respectively.

20. Cash margins

This item consists of cash margins against:

	2022	2021
	U.S. $	U.S. $
Direct credit facilities	53,118,741	49,807,492
Indirect credit facilities	10,125,361	10,260,369
Others	12,366,666	12,054,992
	75,610,768	72,122,853

21. Loans and borrowings

	Balance in U.S. $	Collateral	Interest rate (%)
2022			
PMA*	18,712,787	None	2
Sanad Fund for MSME***	1,666,670	None	4.1
	20,379,457		

	Balance in U.S. $	Collateral	Interest rate (%)
2021			
PMA*	42,671,971	None	1.8-2
European Bank for Reconstruction and Development**	5,555,556	None	3.54 and 3.595
Sanad Fund for MSME***	2,777,780	None	4.1
	51,005,307		

* During 2020, PMA granted the Bank an incentive deposit amounted to ILS 200 million divided into three deposits maturing within three years, in which one deposit matures each year with interest ranged between 1.6% to 2% as an incentive to the bank as a result of the acquisition of Jordan Commercial Bank's branches in Palestine. The first deposit matured during 2021 in an amount of ILS 67 million and the second deposit matured during 2022 in an amount of ILS 67.

** During 2019, the Bank signed an agreement with the European Bank for Reconstruction and Development – covered by the European Bank's project, which was launched in 1999 to promote foreign trade between the economies - Trade facilitation for an amount of U.S. $ 5 million for the purpose of reconstruction and development in Palestine through funding medium and small enterprises. This loan is repayable in 9 equal annual installments, starting upon the expiry of the 18 month grace period, the first installment was due on December 10, 2020, and the last payment is due on December 11, 2023. The loan has an annual interest rate of 6.71%. During 2021, the two parties signed an agreement to reduce the interest rate on the loan from 6.71% to 3.595%. Additionally, during 2021, the Bank signed an agreement with the European Bank for Reconstruction and Development for the purpose of supporting the private sector and in particular supporting small and medium enterprises in the amount of U.S $ 10 million. The loan is to be settled in 3 annual installments, the repayment starts after a one-year grace period. The loan has an interest rate of 3.54%. During the year, the Bank made early repayment of the full loan amount.

*** During 2019, the Bank signed an agreement with Sanad Fund for MSME for an amount of U.S. $ 5 million to support small and medium enterprises. This loan is repayable in 9 equal annual installments. The first installment is due on January 5, 2020 and the last payment is due on January 5, 2024. The loan has an annual interest rate of 6.41%. During 2021, the two parties reached an agreement to reduce the interest rate on the loan to 4.1%.

22. Subordinated loans

During the past years, the Bank obtained subordinated loans in accordance with subordinated loans agreements signed with several individuals and local companies totaling U.S. $ 40 million with an annual interest rate ranging from 5.15% to 5.75%, interest is payable on a monthly basis while the loan principal is settled on maturity during 2024 and 2025. For the purposes of calculating capital adequacy, the Bank includes these loans as part of the second tranche of the Bank's capital in accordance with the PMA's regulations and Basel Committee decisions when computing its capital adequacy. During the year, the Bank paid an amount of U.S $ 4 million from these subordinated loans so that the outstanding balance amounted to U.S $ 31 million as at December 31, 2022 compared to U.S $ 35 million as at December 31, 2021.

23. Sundry Provisions

Following is the summary of the movement on the sundry provisions during the year:

	Balance, beginning of the year	Business acquisition (note 4)	Provided during the year	Paid during year	Balance, end of the year
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
December 31, 2022					
Employees' end of service provision	6,126,286	-	1,477,467	(1,222,539)	6,381,214
Lawsuits provision	200,000	-	-	-	200,000
	6,326,286	-	1,477,467	(1,222,539)	6,581,214
December 31, 2021					
Employees' end of service provision	15,666,259	(9,011,141)	2,612,996	(3,141,828)	6,126,286
Lawsuits provision	697,931	(563,901)	195,970	(130,000)	200,000
	16,364,190	(9,575,042)	2,808,966	(3,271,828)	6,326,286

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

24. Taxes provisions

	2022	2021
	U.S. $	U.S. $
Balance, beginning of the year	1,281,190	3,333,360
Disposal of a subsidiary (note 4)	-	(1,757,684)
Provision for the year	4,705,981	5,062,432
Excess in prior years provisions	(1,544,599)	(981,600)
Discount on paid advances	(34,939)	(49,535)
Payments during the year	(485,197)	(4,388,404)
Recovery of excess amounts paid in prior years	791,090	-
Currency variance	6,718	62,621
Balance, end of the year	4,720,244	1,281,190

The Bank obtained a final settlement from both Income Tax and Value Added Tax departments on their results of operations until the year 2020. The income tax rates and value added tax rates were %15 and %16, respectively for the years 2022 and 2021. According to Law No. (4) for the year 2014, concerning the amendment of Law No. (8) for the year 2011 related to income taxes; income tax rate on profits resulted from financing small and medium enterprises equals to %10 from those profits.

Taxes expense reported in consolidated income statement represents the following:

	2022	2021
	U.S. $	U.S. $
Provision for the current year	4,705,981	5,062,432
Excess in prior years provisions	(1,544,599)	(981,600)
(Additions) amortization on deferred tax assets, net *	(546,043)	210,480
Discount on paid advances	(34,939)	(49,535)
Taxes expense for the year	2,580,400	4,241,777

* This item represents the balance of deferred tax assets calculated on impairment losses related to direct credit facilities, balances at banks and financial institutions and financial assets at amortized cost, in addition to some other accounts.

Reconciliation between accounting income and taxable income is as follows:

	2022	2021
	U.S. $	U.S. $
Accounting profit	19,581,618	18,164,513
Profit subject to Value Added Tax	22,343,827	19,720,080
Profit subject to income tax	13,579,686	13,850,801
Value Added Tax on profit for the year	3,081,907	2,720,011
Income tax	2,242,336	2,077,620
Total taxes for the year	5,324,243	4,797,631
Provision for the year	4,705,981	5,062,432

The Bank's management and tax consultant believe that the taxes provisions are sufficient to cover all tax liabilities.

25. Lease liabilities

Following is the movement on lease liabilities:

	2022	2021
	U.S. $	U.S. $
Balance, beginning of the year	6,715,176	15,806,540
Disposal of a subsidiary (note 4)	-	(7,087,133)
Additions	656,014	426,567
Disposals	(197,361)	(342,298)
Payments	(1,506,616)	(2,469,775)
Interest expense on lease liabilities	239,997	381,275
Balance, end of the year	5,907,210	6,715,176

The amount of the lease expense for short-term contracts and lease contracts of low-value assets that were recognized in the consolidated income statement for the year ended December 31, 2022 amounted to U.S. $ 324,316 and for the year ended December 31, 2021 amounted to U.S. $ 366,778 (note 36).

26. Other liabilities

	2022	2021
	U.S. $	U.S. $
Accounts payable	3,600,072	3,285,795
Unpaid accrued interest	3,408,235	3,711,737
Unearned interest and commission income	2,402,185	2,565,312
Certified checks and incoming transfers	1,973,787	3,647,263
Accrued expenses	1,945,229	600,845
Accrued bonuses	1,889,211	860,000
Restricted amounts	1,818,528	1,886,525
Settlement accounts for ATM and credit cards	1,421,193	1,029,806
Accrued payroll taxes	1,042,687	613,861
Unpaid cash dividends	810,529	856,329
Clearing checks	636,715	481,345
Istidama loans*	566,558	714,088
Provision for Palestine Deposit Insurance Corporation	466,484	248,026
Negative financial derivatives	-	4,290,953
Others	673,942	998,756
	22,655,355	25,790,641

* As per PMA instructions number (8/2021) to mitigate the economic impacts of Corona-virus (COVID-19) outbreak on the economic activities and projects especially the small and medium projects. Istidama Loans were granted by PMA in which PMA charges the Bank an interest of 0.5% on the credit facilities granted and the Bank earns a declining interest at a maximum rate of 3% from borrowers.

27. Share premium

On January 25, 2015, the Bank and Union Bank–Jordan signed an agreement enabling the admission of the later as a strategic partner in the Bank with a 5.4% share of capital, equivalent of 4,031,794 shares of U.S. $ 1 par value for each share, and share premium of U.S. $ 0.14 per share, resulting in a total share premium of U.S. $ 564,451.

Additionally, on July 29, 2020, the Bank and Jordan Commercial Bank (JCB) signed an agreement enabling the admission of JCB as a strategic partner in the Bank with a 15% share of capital, equivalent of 13,764,707 shares of U.S. $ 1 par value for each share, and share premium of U.S. $ 1.25 per share, resulting in a total share premium of U.S. $ 17,205,882.

28. Reserves

- Statutory reserve

As required by the Banking Law, 10% of net profit is transferred to the statutory reserve and shall continue until the total reserve balance equals the Bank's paid-in share capital. The reserve is not to be utilized without PMA's prior approval.

- **General banking risks reserve**

This item represents the amount of risk reserve deducted in accordance with PMA's regulations number (6/2015) based on 1.5% of direct credit facilities after deducting expected credit losses provision for credit facilities and suspended interest and profit and 0.5% of indirect credit facilities. According to PMA's generalization number (53/2013), the general banking risks reserve is not held against the small and medium sized companies if the conditions indicated in the generalization are applicable on it. During 2018, the Bank adopted IFRS (9), and recorded the impact of IFRS (9) from this reserve, in reference to Stage (1) and Stage (2) expected credit losses, as per PMA generalization number (2/2018). The reserve is not to 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 No. (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 as anti-cyclical capital buffer. The instructions allow Banks to utilize the pro-cyclicity reserve balance for the purpose of this buffer. According PMA instructions No. (13/2019) the percentage is set to be 0.66% of risk-weighted assets as anti-cyclical capital buffer for the year 2019. The bank will be obligated to disclosure requirements of the anti-cyclical capital buffer starting from March 31,2023. The Banks are not allowed to utilize the balance of the reserve without PMA's prior approval. During 2022, PMA issued Instructions No. (8/2022) regarding the anti-cyclical capital buffer, so that the percentage is 0.5% of risk-weighted assets, and the commitment to form the buffer within a maximum period of March 31, 2023, and disclosure within the interim and annual financial statements as of June 2023. The Bank is also prohibited from disposing of the amounts allocated in the periodic fluctuations reserve item, except for capitalization, after obtaining the prior written PMA's approval.

29. Interest income

This item represents the interest income on the following accounts:

	2022	2021
	U.S. $	U.S. $
Retails		
Overdraft accounts	1,657,049	2,288,693
Loans and discounted bills	14,162,479	12,550,491
	15,819,528	14,839,184
Corporates		
Overdraft accounts	2,093,273	5,232,335
Loans and discounted bills	17,646,352	13,920,593
	19,739,625	19,152,928
Government and public sector	20,868,596	21,547,355
	56,427,749	55,539,467
Balances at banks and financial institutions	1,301,815	1,209,202
Balances at PMA	-	159,947
Financial assets	1,271,605	1,236,361
	59,001,169	58,144,977

30. Interest expense

This item comprises the following accounts:

	2022	2021
	U.S. $	U.S. $
Interest on customers' deposits:		
Current and demand accounts	640,223	1,008,892
Term deposits	13,271,972	16,057,271
Cash margins	607,422	1,578,819
Interests on loans and borrowings	853,306	1,767,550
Interest on subordinated loans	1,676,202	2,151,378
Interest on banks and financial institutions' deposits	76,962	313,054
Interest on PMA deposits	-	117,771
Interest paid on lease liabilities	239,997	381,275
	17,366,084	23,376,010

31. Net investments and financing Income

	2022	From January 1, 2021 until disposal date
	U.S. $	U.S. $
Revenues from financing	-	27,521,622
Investment returns on financial institutions	-	409,531
	-	27,931,153
Less: return of unrestricted investment accounts	-	(3,637,109)
	-	24,294,044

The consolidated income statement for the period ended December 31, 2021 includes the results of the subsidiary company's operations until the date of disposal, while the financial statements for the same period of the current year do not include the results of the subsidiary as a result of the disposal (note 4). The disposal is not classified as discontinued operations as it did not meet the requirements under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

32. Net commissions income

	2022	2021
	U.S. $	U.S. $
Commissions income		
Direct credit facilities	3,102,035	4,838,509
Account management	1,185,603	2,818,355
Transfers	1,002,543	1,106,364
Returned and deferred checks	952,076	1,130,721
Commission on cash deposit	873,719	1,087,047
Indirect credit facilities	653,386	1,112,925
Other banking services	953,229	1,706,516
	8,722,591	13,800,437
Commissions expense	(1,230,999)	(1,952,112)
	7,491,592	11,848,325

33. Net gains from financial assets portfolio

	2022	2021
	U.S. $	U.S. $
Dividend from financial assets at FVTOCI	1,062,775	1,070,446
Dividend from financial assets at FVTPL	16,187	131,873
Gain on sale of financial assets at FVTPL	349,443	524,839
	1,428,405	1,727,158

34. Other revenues

	2022	2021
	U.S. $	U.S. $
Recovery of balances related to the operational event*	3,000,000	2,750,000
Key money and rent	-	400,000
Others	315,934	431,591
	3,315,934	3,581,591

* This item represents the insurance company's reimbursement for the Bank's Blanket Bond during 2022 in the amount of U.S. $ 3 million and a recovery of U.S. $ 2.75 million during 2021 from a party related to an operating event suffered by the Bank in previous years.

35. Personnel expenses

	2022	2021
	U.S. $	U.S. $
Salaries, allowances, and benefits of employees	16,448,452	20,862,210
Value Added Tax on salaries	2,561,201	3,149,268
Provision for employees' end of service	1,477,467	2,612,996
Bank's contribution to the provident fund*	899,810	1,384,282
Health insurance	751,412	1,127,228
Travel and transportation	294,022	345,664
Training expense	255,527	145,402
Clothing allowances	42,222	142,911
Others	248,651	297,830
	22,978,764	30,067,791

* The Bank contributes 10% of the basic salary of the employee and the employee contributes between 5% to 10% of the basic salary to the Provident Fund based on the years of employment. The uninvested Provident Fund balance is shown under customers' deposits.

36. Other operating expenses

	2022	2021
	U.S. $	U.S. $
Fees, licenses and subscriptions	4,836,321	4,618,242
Palestine Deposit Insurance Corporation*	1,691,792	1,552,823
Maintenance	1,313,964	2,150,953
Insurance	1,165,691	1,048,086
Professional and consulting fees	844,845	1,394,212
Advertisements and marketing	700,000	1,439,293
Rent (note 25)	324,316	366,778
Stationary and printings	296,716	414,056
Telephone and postage	281,684	1,192,206
Utilities	224,440	567,826
Donations and sponsorships**	215,000	380,439
Mortgage insurance fees	131,993	138,036
Hospitality	108,482	208,814
Property tax	85,450	91,145
Cash shipment	85,373	114,770
Transportation and vehicle expenses	60,658	73,693
BOD and general assembly meetings expenses	24,894	5,221
Others	960,803	2,214,319
	13,352,422	17,970,912

* On November 27, 2020, The Palestinian Deposit Insurance Corporation (the Corporation)issued a circular No. (2/2020) regarding reducing the minimum subscription fee to (0.1%-0.8%), and as at October 1, 2020 the subscription fee percentage will be calculated at 0.1% of the average total deposit instead of 0.2% of the average total deposit.

On November 9, 2021, the Corporation issued Circular No. (2/2021) regarding raising the fixed subscription fee to 0.2% of the average total deposits, as of the beginning of the 2022.

** The Bank provides donations and sponsorships for social, sports' fields events, and others as part of the Bank's commitment to society development, and effective contribution to raise standards of living in the Palestinian community. Donations amounted to 1.26% from the net profit for the year 2022 compared to 2.7% of the net loss for the year for the year 2021.

37. Net re-measurement of provision for expected credit losses for the year

The item consists of net re-measurement for expected credit losses:

	2022			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balances with Palestine Monetary Authority	(73,628)	-	-	(73,628)
Balances at banks and financial institutions	(71,376)	-	-	(71,376)
Direct and indirect credit facilities	454,274	762,161	3,388,918	4,605,353
Financial assets at amortized cost	(212,595)	-	345,799	133,204
	96,675	762,161	3,734,717	4,593,553

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balances with Palestine Monetary Authority	41,976	-	-	41,976
Balances at banks and financial institutions	(1,761)	-	-	(1,761)
Direct and indirect credit facilities	412,379	(349,233)	11,767,364	11,830,510
Financial assets at amortized cost	83,417	-	-	83,417
	536,011	(349,233)	11,767,364	11,954,142

38. Palestine Monetary Authority fines

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

39. Basic and diluted earnings per share

	2022	2021
	U.S. $	
Profit for the year attributable to shareholders of the Bank	17,001,218	8,500,085
	Shares	
Weighted average of subscribed shares	109,945,259	94,962,017
	U.S. $	
Basic and diluted earnings per share from profit of the year	0,15	0.09

40. Cash and cash equivalents

	2022	2021
	U.S. $	U.S. $
Cash and balances with Palestine Monetary Authority	235,077,256	291,000,719
Add: Balances at banks and financial institutions maturing within 3 months	205,454,585	287,197,935
Less: Banks and financial institutions' deposits maturing within 3 months	(67,636,451)	(147,387,483)
Restricted balances at banks and financial institutions	(12,976,940)	(23,234,478)
Statutory cash reserve	(106,395,442)	(107,986,869)
	253,523,008	299,589,824

41. Related party transactions

The Bank considers the major shareholders, Board of Directors, key management personnel of the Bank, and entities controlled, jointly controlled or significantly influenced by such parties as related parties. Following are the balances as at December 31, 2022 and 2021 and the transactions with related parties:

	Nature of relationship	2022	2021
		U.S. $	U.S. $
Statement of consolidated financial position items:			
Direct credit facilities	Board of Directors and Others*	13,572,406	11,062,784
Customers' deposits	Board of Directors and Others*	58,917,891	47,129,629
Cash margins	Board of Directors and Others*	1,621,123	1,518,383
Accounts payable	Board of Directors and Others*	508,935	570,653
Consolidated income statement items:			
Interest and commission income	Board of Directors and Others*	1,292,738	1,510,689
Interest and commission expense	Board of Directors and Others*	763,686	612,896
Advertisement and marketing expenses	Major shareholders and related entities	184,297	374,838
Telephone and postage	Major shareholders and related entities	78,537	298,614
Leased lines	Major shareholders and related entities	2,232,198	1,875,825
Consolidated off balance sheet items:			
Letters of credit and guarantees	Board of Directors and Others*	11,482,487	9,406,390
Unutilized credit limits	Board of Directors and Others*	7,677,782	3,413,609

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

- Direct credit facilities granted to related parties as at December 31, 2022 and 2021 accounted for 1.45% and 1.26%, respectively, of the net direct credit facilities. Credit facilities granted to related parties are for members of Board of Directors and executive management or in their capacity as guarantors.

- Direct credit facilities granted to related parties as at December 31, 2022 and 2021 represent 9.97% and 9.31%, respectively, of the regulatory Bank's capital.
- Interest on credit facilities ranges between 2% and 8%.
- Interest on deposits ranges between zero and 3.5%.

Key management personnel remuneration (salaries, bonuses and other benefits) are as follows:

	2022	2021
	U.S. $	U.S. $
Executive management share of salaries and related benefits (short-term benefits)	1,558,437	1,381,878
Executive management share of indemnity (long-term benefits)	144,377	127,958
TNB Board of Directors' remunerations	307,000	310,667

Board of Director remunerations for the years ended 2022 and 2021 were as follows:

	2022	2021
	U.S. $	U.S. $
Samir Zraiq	42,500	38,500
Manal Zraiq	31,250	28,500
Aziz Abdul Jawad	30,000	26,625
Dina M. Masri	27,500	26,625
Kamal Abu Khadijeh	27,500	26,625
Omar M. Masri	27,500	26,000
Ayoub Zurub	25,250	24,125
Cesar Hani Kolajin	22,500	7,292
Isam Salfiti	21,125	24,125
Abd Naser Tebi	15,000	-
Maen Melhem	13,750	30,375
Nemir abd alwahed	11,875	-
Hisham Hikmat Zaid	11,250	12,250
Michel Al Sayegh	-	14,333
Talal Nasser Aldeen	-	12,500
Grace Khoury	-	7,292
Salameh Khaleel	-	5,500
	307,000	310,667

42. Fair value measurement

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

December 31, 2022	Date of measurement	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 7):					
Quoted – Palestine Security Exchange	December 31, 2022	336,000	336,000	-	-
Financial assets at fair value through other comprehensive income (Note 9):					
Quoted – Palestine Security Exchange	December 31, 2022	6,326,615	6,326,615	-	-
Quoted – foreign markets	December 31, 2022	743,357	743,357	-	-
Unquoted	December 31, 2022	78,368	-	-	78,368
Financial assets for which fair value is disclosed:					
Financial assets at amortized cost (Note 10):					
Quoted	December 31, 2022	19,575,609	19,575,609	-	-
Unquoted	December 31, 2022	20,842,615	-	-	20,842,615
Financial liabilities measured at its fair value:					
Positive financial derivatives (note 17)	December 31, 2022	5,134,602	-	5,134,602	-

December 31, 2021	Date of measurement	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 7):					
Quoted – Palestine Security Exchange	December 31, 2021	1,487,573	1,487,573	-	-
Financial assets at fair value through other comprehensive income (Note 9):					
Quoted – Palestine Security Exchange	December 31, 2021	16,882,891	16,882,891	-	-
Quoted – foreign markets	December 31, 2021	744,880	744,880	-	-
Unquoted	December 31, 2021	78,368	-	-	78,368
Financial assets for which fair value is disclosed:					
Financial assets at amortized cost (Note 10)					
Quoted	December 31, 2021	5,346,569	5,346,569	-	-
Unquoted	December 31, 2021	20,454,684	-	-	20,454,684
Financial liabilities measured at its fair value:					
Negative financial derivatives (note 26)	December 31, 2021	4,290,953	-	4,290,953	-

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

Fair value of financial assets and liabilities

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

	Carrying amount		Fair value	
	2022	2021	2022	2021
	U.S. $	U.S. $	U.S. $	U.S. $
Financial assets				
Cash and balances with Palestine Monetary Authority	234,756,606	290,606,441	234,756,606	290,606,441
Balances at banks and financial institutions	205,445,739	319,725,002	205,445,739	319,725,002
Financial assets at fair value through profit or loss	336,000	1,487,573	336,000	1,487,573
Direct credit facilities	934,068,830	879,617,049	934,068,830	879,617,049
Financial assets at fair value through other comprehensive income	7,148,340	17,706,139	7,148,340	17,706,139
Financial assets at amortized cost:				
Local unquoted bonds	10,113,827	10,115,381	10,113,827	10,115,381
Foreign unquoted bonds	10,728,788	10,339,303	10,728,788	10,339,303
Foreign quoted bonds	19,444,069	5,220,061	19,575,609	5,346,569
Treasury bills	-	-	-	-
Other financial assets	22,124,681	9,933,486	22,124,681	9,933,486
Total assets	1,444,166,880	1,544,750,435	1,444,298,420	1,544,876,943
Financial liabilities				
Banks' and financial institutions' deposits	67,636,451	147,387,483	67,636,451	147,387,483
Customers' deposits	1,133,202,691	1,139,385,865	1,133,202,691	1,139,385,865
Cash margins	75,610,768	72,122,853	75,610,768	72,122,853
Loans and borrowings	20,379,457	51,005,307	20,379,457	51,005,307
Subordinated loans	31,000,000	35,000,000	31,000,000	35,000,000
Lease liabilities	5,907,210	6,715,176	5,907,210	6,715,176
Other financial liabilities	20,253,170	23,225,329	20,253,170	23,225,329
Total liabilities	1,353,989,747	1,474,842,013	1,353,989,747	1,474,842,013

- The fair value of the financial assets and liabilities are included at the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.
- Fair values of cash and balances with Palestine Monetary Authority, balances at banks and financial institutions, other financial assets, banks and financial institutions' deposits, customers' deposits, cash margins, and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income that are actively traded in active financial markets is determined by reference to quoted prices at the date of the consolidated financial statements.
- Loans and borrowings, subordinated loans, lease liabilities and financial assets at amortized cost were measured using the expected discounted future cash flows using prevailing market interest rates.
- 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 are approximately similar to their carrying amounts as of December 31, 2022.

43. Concentration of assets and liabilities

	2022					
	Palestine	Jordan	Europe	USA	Others	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Cash and balances with PMA	234,756,606	-	-	-	-	234,756,606
Balances at banks and financial institutions	77,075,647	19,582,835	60,344,007	47,921,651	521,599	205,445,739
Financial asset at fair value through profit or loss	336,000	-	-	-	-	336,000
Direct credit facilities	931,933,823	2,135,007	-	-	-	934,068,830
Financial assets at fair value through other comprehensive income	6,404,983	743,357	-	-	-	7,148,340
Financial assets at amortized cost	10,113,828	10,153,650	5,930,218	4,298,926	9,790,062	40,286,684
Investment in associates	50,240,259	-	-	-	-	50,240,259
Property, plant and equipment	20,946,235	-	-	-	-	20,946,235
Right of use assets	6,000,996	-	-	-	-	6,000,996
Projects in progress	273,695	-	-	-	-	273,695
Intangible assets	3,849,183	-	-	-	-	3,849,183
Deferred tax assets	4,709,866	-	-	-	-	4,709,866
Other assets	21,942,455	1,138,318	103,265	34,673	1,036,408	24,255,119
Total Assets	1,368,583,576	33,753,167	66,377,490	52,255,250	11,348,069	1,532,317,552
Banks and financial institutions' deposits	67,542,791	-	-	-	93,660	67,636,451
Customers' deposits	1,127,813,694	758,991	753,710	2,270,678	1,605,618	1,133,202,691
Cash margins	74,508,754	40,869	116,902	321,304	622,939	75,610,768
Loans and borrowings	18,712,787	-	1,666,670	-	-	20,379,457
Subordinated loans	31,000,000	-	-	-	-	31,000,000
Sundry provisions	6,581,214	-	-	-	-	6,581,214
Taxes provisions	4,720,244	-	-	-	-	4,720,244
Lease liabilities	5,907,210	-	-	-	-	5,907,210
Other liabilities	22,655,355	-	-	-	-	22,655,355
Total Liabilities	1,359,442,049	799,860	2,537,282	2,591,982	2,322,217	1,367,693,390
Paid-in share capital	113,100,000	-	-	-	-	113,100,000
Share premium	17,770,333	-	-	-	-	17,770,333
Statutory reserve	7,786,540	-	-	-	-	7,786,540
General banking risks reserve	3,484,033	-	-	-	-	3,484,033
Pro-cyclicality reserve	5,216,291	-	-	-	-	5,216,291
Fair value reserve	(128,286)	(2,133,807)	-	-	-	(2,262,093)
Retained earnings	19,529,058	-	-	-	-	19,529,058
Net Equity	166,757,969	(2,133,807)	-	-	-	164,624,162
Total liabilities and equity	1,526,200,018	(1,333,947)	2,537,282	2,591,982	2,322,217	1,532,317,552
Consolidated off balance sheet items:						
Letters of guarantees	26,518,854	2,921	52,815	-	-	26,574,590
Letters of credit	16,916,358	-	5,885,026	-	-	22,801,384
Unutilized direct credit facilities limits	40,068,655	-	-	-	-	40,068,655
	83,503,867	2,921	5,937,841	-	-	89,444,629

	2021					
	Palestine	Jordan	Europe	USA	Others	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Cash and balances with PMA	290,606,441	-	-	-	-	290,606,441
Balances at banks and financial institutions	158,257,345	42,617,054	68,605,565	48,932,832	1,312,206	319,725,002
Financial asset at fair value through profit or loss	1,487,573	-	-	-	-	1,487,573
Direct credit facilities	879,407,056	209,993	-	-	-	879,617,049
Financial assets at fair value through other comprehensive income	16,961,259	744,880	-	-	-	17,706,139
Financial assets at amortized cost	10,101,192	10,353,492	483,242	-	4,736,819	25,674,745
Investment in associates	48,090,281	-	-	-	-	48,090,281
Property, plant and equipment	19,824,277	-	-	-	-	19,824,277
Right of use assets	6,826,148	-	-	-	-	6,826,148
Projects in progress	269,695	-	-	-	-	269,695
Intangible assets	5,079,498	-	-	-	-	5,079,498
Deferred tax assets	4,163,823	-	-	-	-	4,163,823
Other assets	10,993,331	635,161	8,664	-	51,782	11,688,938
Total Assets	1,452,067,919	54,560,580	69,097,471	48,932,832	6,100,807	1,630,759,609
Banks and financial institutions' deposits	144,582,482	-	1,413,852	-	1,391,149	147,387,483
Customers' deposits	1,124,022,982	713,514	931,057	1,214,669	12,503,643	1,139,385,865
Cash margins	71,073,282	42,356	2,030	320,829	684,356	72,122,853
Loans and borrowings	42,671,971	-	8,333,336	-	-	51,005,307
Subordinated loans	35,000,000	-	-	-	-	35,000,000
Sundry provisions	6,326,286	-	-	-	-	6,326,286
Taxes provisions	1,281,190	-	-	-	-	1,281,190
Lease liabilities	6,715,176	-	-	-	-	6,715,176
Other liabilities	25,790,641	-	-	-	-	25,790,641
Total Liabilities	1,457,464,010	755,870	10,680,275	1,535,498	14,579,148	1,485,014,801
Paid-in share capital	104,553,948	-	-	-	-	104,553,948
Share premium	17,770,333	-	-	-	-	17,770,333
Statutory reserve	6,086,418	-	-	-	-	6,086,418
General banking risks reserve	4,085,562	-	-	-	-	4,085,562
Pro-cyclicality reserve	5,216,291	-	-	-	-	5,216,291
Fair value reserve	98,613	(2,132,284)	-	-	-	(2,033,671)
Retained earnings	10,065,927	-	-	-	-	10,065,927
Net Equity	147,877,092	(2,132,284)	-	-	-	145,744,808
Total liabilities and equity	1,605,341,102	(1,376,414)	10,680,275	1,535,498	14,579,148	1,630,759,609
Consolidated off balance sheet items:						
Letters of guarantees	24,458,645	2,015,726	187,256	-	-	26,661,627
Letters of credit	15,279,146	-	9,995,119	-	-	25,274,265
Unutilized direct credit facilities limits	40,728,408	-	-	-	-	40,728,408
	80,466,199	2,015,726	10,182,375	-	-	92,664,300

44. Risk management

The Bank's risk management committee, which comprises members of the Board of Directors together with executive management, supervises the general framework of risk management. The Committee monitors and evaluates credit risks, operating, liquidity risks and market risks and any other future risks. The Bank is developing its risk management function through programs, measurement tools, and controls and monitoring procedures.

Following is a summary of the risks:

I. Credit risks

Credit risks are those risks resulting from the default 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, continuously evaluates the credit standing of customers, and obtains appropriate collaterals from customers.

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

	2022	2021
	U.S. $	U.S. $
Consolidated statement of financial position items		
Balances with Palestine Monetary Authority	132,758,575	157,406,210
Balances at banks and financial institutions	205,445,739	319,725,002
Direct credit facilities	934,068,830	879,617,049
Financial assets at amortized cost	40,286,684	25,674,745
Other financial assets	22,124,681	9,933,486
	1,334,684,509	1,392,356,492
Consolidated off balance sheet items		
Letters of guarantee	26,574,590	26,661,627
Letters of credit	22,801,384	25,274,265
Unutilized credit limits	40,068,655	40,728,408
	89,444,629	92,664,300
	1,424,129,138	1,485,020,792

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

December 31, 2022	Retails U.S. $	Real estates U.S. $	Corporates U.S. $	Government and public sector U.S. $	Total U.S. $
Low risk	15,646,236	162,523,097	26,599,558	373,359,315	578,128,206
Acceptable risk	133,320,817	-	139,208,831	-	272,529,648
Watch list	36,602,069	-	26,253,843	-	62,855,912
Non-performing:					
Substandard	3,052,070	-	7,607,955	-	10,660,025
Doubtful	2,146,979	-	10,198,056	-	12,345,035
Loss	19,824,969	-	33,486,016	-	53,310,985
Total	210,593,140	162,523,097	243,354,259	373,359,315	989,829,811
Suspended interests	(5,832,060)	(1,940,489)	(4,243,959)	-	(12,016,508)
Expected credit losses provision	(13,126,049)	(12,753,339)	(14,828,625)	(3,036,460)	(43,744,473)
	191,635,031	147,829,269	224,281,675	370,322,855	934,068,830

December 31, 2021	Retails U.S. $	Real estates U.S. $	Corporates U.S. $	Government and public sector U.S. $	Total U.S. $
Low risk	9,762,617	88,450,108	35,949,739	408,945,821	543,108,285
Acceptable risk	74,799,694	-	173,636,116	-	248,435,810
Watch list	21,939,412	-	40,447,314	-	62,386,726
Non-performing:					
Substandard	2,042,632	-	8,890,010	-	10,932,642
Doubtful	2,815,113	-	7,628,320	-	10,443,433
Loss	18,429,748	-	38,663,537	-	57,093,285
Total	129,789,216	88,450,108	305,215,036	408,945,821	932,400,181
Suspended interests	(4,523,892)	(717,504)	(5,459,118)	-	(10,700,514)
Expected credit losses provision	(12,219,229)	(3,743,673)	(22,714,023)	(3,405,693)	(42,082,618)
	113,046,095	83,988,931	277,041,895	405,540,128	879,617,049

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

		Fair value of collaterals							
December 31, 2022	**Gross credit risk exposure**	**Cash margins**	**Real estate**	**Quoted stocks**	**Vehicles and equipment**	**Others**	**Total collaterals**	**Net Exposure after collaterals**	**ECL**
	U.S. $	**U.S. $**	**U.S. $**	**U.S. $**	**U.S. $**	**U.S. $**	**U.S. $**	**U.S. $**	**U.S. $**
Credit exposures relating to items on consolidated statement of financial position:									
Balances at Palestine Monetary Authority	133,079,225	-	-	-	-	-	-	133,079,225	320,650
Balances at banks and financial institutions	205,445,739	-	-	-	-	-	-	205,445,739	8,846
Direct credit facilities:									
Retails	260,173,983	15,646,236	49,580,843	286,104	12,425,915	14,366,177	92,305,275	167,868,708	16,529,622
SMEs	68,236,927	7,293,056	20,044,093	62,099	3,916,565	7,520,010	38,835,823	29,401,104	4,419,687
Corporates	288,059,586	19,306,502	92,898,161	9,841,712	12,912,857	4,760,159	139,719,391	148,340,195	19,758,700
Government and public sector	373,359,315	-	-	-	-	-	-	373,359,315	3,036,464
Financial assets at amortized cost	45,125,809	-	-	-	-	-	-	45,125,809	4,839,124
Other financial assets	22,124,681	-	-	-	-	-	-	22,124,681	-
Total	1,395,605,265	42,245,794	162,523,097	10,189,915	29,255,337	26,646,346	270,860,489	1,124,744,776	48,913,093
Credit exposures of consolidated off balancesheet items:	89,444,629	10,125,361	-	-	-	-	10,125,361	79,319,268	118,931
	89,444,629	10,125,361	-	-	-	-	10,125,361	79,319,268	118,931

		Fair value of collaterals							
December 31, 2021	**Gross credit risk exposure**	**Cash margins**	**Real estate**	**Quoted stocks**	**Vehicles and equipment**	**Others**	**Total collaterals**	**Net Exposure after collaterals**	**ECL**
	U.S. $	**U.S. $**	**U.S. $**	**U.S. $**	**U.S. $**	**U.S. $**	**U.S. $**	**U.S. $**	**U.S. $**
Credit exposures relating to items on consolidated statement of financial position:									
Balances at Palestine Monetary Authority	157,800,488	-	-	-	-	-	-	157,800,488	394,278
Balances at banks and financial institutions	319,805,224	-	-	-	-	-	-	319,805,224	80,222
Direct credit facilities:									
Retails	198,618,534	9,623,665	43,693,994	371,601	14,702,533	1,178,853	69,570,646	129,047,888	14,774,269
SMEs	49,995,913	2,574,358	19,810,588	59,917	3,856,695	1,139,925	27,441,483	22,554,430	4,482,039
Corporates	274,839,913	10,977,403	87,813,518	12,640,856	12,276,489	3,221,729	126,929,995	147,909,918	19,420,617
Government and public sector	408,945,821	-	-	-	-	-	-	408,945,821	3,405,693
Financial assets at amortized cost	30,380,665	-	-	-	-	-	-	30,380,665	4,705,920
Other financial assets	9,933,486	-	-	-	-	-	-	9,933,486	-
Total	1,450,320,044	23,175,426	151,318,100	13,072,374	30,835,717	5,540,507	223,942,124	1,226,377,920	47,263,038
Credit exposures of consolidated off balance sheet items:	92,664,300	9,783,048	-	-	-	-	9,783,048	82,881,252	113,057
	92,664,300	9,783,048	-	-	-	-	9,783,048	82,881,252	113,057

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

		Fair value of collaterals								
December 31, 2022	Gross credit risk exposure	Cash margins	Accepted bank guarantees	Real estate	Quoted stocks	Vehicles and equipment	Others	Total collaterals	Net Exposure after collaterals	ECL
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Credit exposures relating to items on consolidated statement of financial position:										
Retails	18,647,801	329,903	-	3,557,942	-	2,503,107	290,506	6,681,458	11,966,343	11,119,214
SMEs	10,346,417	146,389	-	3,776,733	-	1,082,283	1,086,809	6,092,214	4,254,203	3,938,411
Corporates	35,305,319	1,149,345	-	13,777,683	1,320,241	3,488,569	264,033	19,999,871	15,305,448	17,623,398
Total	64,299,537	1,625,637	-	21,112,358	1,320,241	7,073,959	1,641,348	32,773,543	31,525,994	32,681,023

		Fair value of collaterals								
December 31, 2021	Gross credit risk exposure	Cash margins	Accepted bank guarantees	Real estate	Quoted stocks	Vehicles and equipment	Others	Total collaterals	Net Exposure after collaterals	ECL
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Credit exposures relating to items on consolidated statement of financial position:										
Retails	18,338,183	246,590	-	4,757,520	9,241	2,524,726	460,909	7,998,986	10,339,197	10,840,300
SMEs	8,345,241	249,829	-	4,385,248	-	961,195	341,148	5,937,420	2,407,821	3,995,010
Corporates	41,085,422	1,317,177	-	13,895,958	371,394	3,964,153	2,107,497	21,656,179	19,429,243	17,849,714
Total	67,768,846	1,813,596	-	23,038,726	380,635	7,450,074	2,909,554	35,592,585	32,176,261	32,685,024

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

	Palestine	Arab countries	Europe	USA	Others	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balances with Palestine Monetary Authority	132,758,575	-	-	-	-	132,758,575
Balances at banks and financial institutions	77,075,647	19,582,835	60,344,007	47,921,651	521,599	205,445,739
Direct credit facilities	931,933,823	2,135,007	-	-	-	934,068,830
Financial assets at amortized cost	10,113,827	13,508,957	5,930,218	4,298,926	6,434,756	40,286,684
Other financial assets	18,961,805	1,988,530	103,265	34,673	1,036,408	22,124,681
Total as at December 31, 2022	1,170,843,677	37,215,329	66,377,490	52,255,250	7,992,763	1,334,684,509
Total as at December 31, 2021	1,211,823,883	61,478,000	69,097,470	48,932,832	1,024,307	1,392,356,492
Consolidated off balance sheet items:						
Letters of guarantees	26,518,854	2,921	52,815	-	-	26,574,590
Letters of credit	16,916,358	-	5,885,026	-	-	22,801,384
Unutilized direct credit facilities limits	40,068,655	-	-	-	-	40,068,655
Balance as December 31, 2022	83,503,867	2,921	5,937,841	-	-	89,444,629
Balance as December 31, 2021	80,466,199	2,015,726	10,182,375	-	-	92,664,300

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

	December 31, 2022			
	Stage (1)	**Stage (2)**	**Stage (3)**	**Total**
	U.S. $	**U.S. $**	**U.S. $**	**U.S. $**
Palestine	1,065,110,798	74,114,366	31,618,513	1,170,843,677
Arab countries	36,640,191	-	575,138	37,215,329
Europe	66,377,490	-	-	66,377,490
USA	52,255,250	-	-	52,255,250
Others	7,992,763	-	-	7,992,763
Total	1,228,376,492	74,114,366	32,193,651	1,334,684,509

	December 31, 2021			
	Stage (1)	**Stage (2)**	**Stage (3)**	**Total**
	U.S. $	**U.S. $**	**U.S. $**	**U.S. $**
Palestine	1,080,069,979	96,959,140	34,794,764	1,211,823,883
Arab countries	60,651,078	-	826,922	61,478,000
Europe	69,097,470	-	-	69,097,470
USA	48,932,832	-	-	48,932,832
Others	1,024,307	-	-	1,024,307
Total	1,259,775,666	96,959,140	35,621,686	1,392,356,492

7. Concentration in risk exposures according to economic sector is as follows:

	Public	Financial	Commercial	Real estate	Agricultural	Other	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balances with Palestine Monetary Authority	-	132,758,575	-	-	-	-	132,758,575
Balances at banks and financial institutions	-	205,445,739	-	-	-	-	205,445,739
Direct credit facilities	370,321,922	-	157,674,029	169,830,624	-	236,242,255	934,068,830
Financial assets at amortized cost	-	40,286,684	-	-	-	-	40,286,684
Other financial assets	-	22,124,681	-	-	-	-	22,124,681
December 31, 2022	370,321,922	400,615,679	157,674,029	169,830,624	-	236,242,255	1,334,684,509

	Public	Financial	Commercial	Real estate	Agricultural	Other	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balances with Palestine Monetary Authority	-	157,406,210	-	-	-	-	157,406,210
Balances at banks and financial institutions	-	319,725,002	-	-	-	-	319,725,002
Direct credit facilities	405,540,128	-	125,081,964	83,988,931	-	265,006,026	879,617,049
Financial assets at amortized cost	-	25,674,745	-	-	-	-	25,674,745
Other financial assets	-	9,933,486	-	-	-	-	9,933,486
December 31, 2021	405,540,128	512,739,443	125,081,964	83,988,931	-	265,006,026	1,392,356,492

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

	December 31, 2022			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Cash and balances with PMA	132,758,575	-	-	132,758,575
Balances at banks and financial institutions	205,445,739	-	-	205,445,739
Public sector	370,321,922	-	-	370,321,922
Real estate	130,341,600	27,416,217	12,072,807	169,830,624
Manufacturing, trade and agriculture	131,968,031	10,683,834	15,021,831	157,673,696
Services sector	79,519,959	16,757,678	2,710,743	98,988,380
Consumption loans	116,183,582	18,308,836	2,761,790	137,254,208
Financial assets at amortized cost	39,711,546	-	575,138	40,286,684
Other financial assets	22,124,681	-	-	22,124,681
Total	1,228,375,635	73,166,565	33,142,309	1,334,684,509

	December 31, 2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Cash and balances with PMA	157,406,210	-	-	157,406,210
Balances at banks and financial institutions	319,725,002	-	-	319,725,002
Public sector	405,540,128	-	-	405,540,128
Real estate	57,108,536	19,669,494	7,210,901	83,988,931
Manufacturing, trade and agriculture	88,031,410	35,646,189	1,404,365	125,081,964
Services sector	79,739,759	4,622,110	130,256	84,492,125
Consumption loans	117,443,312	37,021,347	26,049,242	180,513,901
Financial assets at amortized cost	24,847,823	-	826,922	25,674,745
Other financial assets	9,933,486	-	-	9,933,486
Total	1,259,775,666	96,959,140	35,621,686	1,392,356,492

9. Macroeconomic Factors, Forward Looking Information and Multiple Scenarios:

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

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

Macro-economic variables	Scenario used	Assigned weight for each scenario	Percentage change in macro-economic variables (%)	Percentage change in macro-economic variables (%)	Percentage change in macro-economic variables (%)	Percentage change in macro-economic variables (%)	Percentage change in macro-economic variables (%)	Percentage change in macro-economic variables (%)
		(%)	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
GDP	Base case	40	1.61	1.16	0.12	(0.18)	(0.13)	(0.08)
	Best case	30	9.96	7.78	6.74	6.44	6.49	6.54
	Worst case	30	(4.27)	(5.46)	(6.5)	(6.8)	(6.75)	(6.7)
Inflation rates								
	Base case	40	5.69	3.8	2.49	2.17	2.29	1.95
	Best case	30	7.58	4.44	3.13	2.81	2.93	2.59
	Worst case	30	4.27	3.15	1.84	1.52	1.64	1.3

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

Macro-economic variables	Scenario used	Assigned weight for each scenario	Percentage change in macro-economic variables (%)	Percentage change in macro-economic variables (%)	Percentage change in macro-economic variables (%)	Percentage change in macro-economic variables (%)	Percentage change in macro-economic variables (%)	Percentage change in macro-economic variables (%)
		(%)	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
GDP	Base case	40	2.01	3.57	1.74	0.12	(0.18)	(0.13)
	Best case	30	9.25	10.80	8.98	7.36	7.06	7.11
	Worst case	30	(5.23)	(3.67)	(5.50)	(7.12)	(7.42)	(7.37)
Unemployment rates								
	Base case	40	1.19	1.69	1.59	1.59	1.59	1.59
	Best case	30	2.01	2.52	2.42	2.42	2.42	2.42
	Worst case	30	0.36	0.86	0.76	0.76	0.76	0.76

* The bank has assigned a weighted average ratio of 100% to the worst scenario when estimating expected credit losses related to public sector employees in the southern governorates.

10. Classification of debt securities based on risk degree

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

	2022	2021
	U.S. $	U.S. $
Private Sector:		
AAA+ to A-	14,651,144	474,217
BBB+ to B-	14,946,575	14,272,416
Less than B-	575,138	826,920
Unrated	10,113,827	10,101,192
Total	40,286,684	25,674,745

II. Market risk

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

1. Interest rate risk

Interest rate risk arises from the probable 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 in through its strategy on risk management.

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

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

	2022		2021	
Currency	**Increase in interest rate (basis points)**	**Interest income sensitivity (consolidated income statement)**	**Increase in interest rate (basis points)**	**Interest income sensitivity (consolidated income statement)**
U.S. $	10	(223,581)	10	(311,824)
ILS	10	(133,957)	10	52,898
JOD	10	(81,423)	10	(101,510)
Other currencies	10	(25,756)	10	3,578

	Interest rate re-pricing sensitivity gap							
December 31, 2022	Less than 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 to 3 years	More than 3 years	Non-interest bearing	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Assets								
Cash and balances with PMA	-	-	-	-	-	-	234,756,606	234,756,606
Balances with banks and financial institutions	50,203,906	2,499,972	-	-	-	-	152,741,861	205,445,739
Financial assets at fair value through profit or loss	-	-	-	-	-	-	336,000	336,000
Direct credit facilities	15,791,275	15,408,829	77,040,483	60,114,879	172,196,314	593,517,050	-	934,068,830
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	7,148,340	7,148,340
Financial assets at amortized cost	308,536	2,831,176	122,882	-	11,192,213	25,831,877	-	40,286,684
Investment in associates	-	-	-	-	-	-	50,240,259	50,240,259
Property, plant and Equipment	-	-	-	-	-	-	20,946,235	20,946,235
Right of use assets	-	-	-	-	-	-	6,000,996	6,000,996
Projects in progress	-	-	-	-	-	-	273,695	273,695
Intangible assets	-	-	-	-	-	-	3,849,183	3,849,183
Deferred tax assets	-	-	-	-	-	-	4,709,866	4,709,866
Other assets	-	-	-	-	-	-	24,255,119	24,255,119
Total assets	66,303,717	20,739,977	77,163,365	60,114,879	183,388,527	619,348,927	505,258,160	1,532,317,552
Liabilities								
Banks and financial institutions' deposits	-	-	-	-	-	-	67,636,451	67,636,451
Customers' deposits	157,750,565	86,325,058	63,362,870	135,538,873	44,358,621	364,393	645,502,311	1,133,202,691
Cash margins	1,278,268	1,247,310	6,236,254	4,866,164	3,727,504	-	58,255,268	75,610,768
Loans and borrowings	555,555	-	555,555	18,712,787	555,560	-	-	20,379,457
Subordinated loans	-	-	-	-	31,000,000	-	-	31,000,000
Sundry provisions	-	-	-	-	-	-	6,581,214	6,581,214
Taxes provisions	-	-	-	-	-	-	4,720,244	4,720,244
Lease Liabilities	9,116	18,232	31,748	398,069	1,503,616	3,946,429	-	5,907,210
Other Liabilities	-	-	-	-	-	-	22,655,355	22,655,355
Total liabilities	159,593,504	87,590,600	70,186,427	159,515,893	81,145,301	4,310,822	805,350,843	1,367,693,390
Equity								
Paid-in share capital	-	-	-	-	-	-	113,100,000	113,100,000
Share premium	-	-	-	-	-	-	17,770,333	17,770,333
Statutory reserve	-	-	-	-	-	-	7,786,540	7,786,540
General banking risks reserve	-	-	-	-	-	-	3,484,033	3,484,033
Pro-cyclicality reserve	-	-	-	-	-	-	5,216,291	5,216,291
Fair value reserve	-	-	-	-	-	-	(2,262,093)	(2,262,093)
Retained earnings	-	-	-	-	-	-	19,529,058	19,529,058
Net equity	-	-	-	-	-	-	164,624,162	164,624,162
Total liabilities and equity	159,593,504	87,590,600	70,186,427	159,515,893	81,145,301	4,310,822	969,975,005	1,532,317,552
Interest rate re-pricing sensitivity gap	(93,289,787)	(66,850,623)	6,976,938	(99,401,014)	102,243,226	615,038,105	(464,716,845)	-
Cumulative gap	(93,289,787)	(160,140,410)	(153,163,472)	(252,564,486)	(150,321,260)	464,716,845	-	-

December 31, 2021	Interest rate re-pricing sensitivity gap Less than 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 to 3 years	More than 3 years	Non-interest bearing	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Assets								
Cash and balances with PMA	-	-	-	-	-	-	290,606,441	290,606,441
Balances with banks and financial institutions	-	36,658,488	13,827,054	22,165,865	2,820,875	-	244,252,720	319,725,002
Financial assets at fair value through profit or loss	-	-	-	-	-	-	1,487,573	1,487,573
Direct credit facilities	19,368,736	92,578,413	14,817,133	36,084,934	184,075,870	532,691,963	-	879,617,049
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	17,706,139	17,706,139
Financial assets at amortized cost	279,461	-	-	153,448	10,747,505	14,494,331	-	25,674,745
Investment in associates	-	-	-	-	-	-	48,090,281	48,090,281
Property, plant and Equipment	-	-	-	-	-	-	19,824,277	19,824,277
Right of use assets	-	-	-	-	-	-	6,826,148	6,826,148
Projects in progress	-	-	-	-	-	-	269,695	269,695
Intangible assets	-	-	-	-	-	-	5,079,498	5,079,498
Deferred tax assets	-	-	-	-	-	-	4,163,823	4,163,823
Other assets	-	-	-	-	-	-	11,688,938	11,688,938
Total assets	19,648,197	129,236,901	28,644,187	58,404,247	197,644,250	547,186,294	649,995,533	1,630,759,609
Liabilities								
Banks and financial institutions' deposits	-	-	-	-	-	-	147,387,483	147,387,483
Customers' deposits	116,474,252	82,072,474	78,454,034	161,408,618	67,473,423	3,082,691	630,420,373	1,139,385,865
Cash margins	1,365,848	7,614,745	1,218,736	2,968,052	8,875,117	-	50,080,355	72,122,853
Loans and borrowings	555,555	555,555	3,888,889	22,051,963	23,953,345	-	-	51,005,307
Subordinated loans	-	-	-	-	16,500,000	18,500,000	-	35,000,000
Sundry provisions	-	-	-	-	-	-	6,326,286	6,326,286
Taxes provisions	-	-	-	-	-	-	1,281,190	1,281,190
Lease Liabilities	8,037	5,403	8,172	1,123,797	2,148,569	3,421,198	-	6,715,176
Other Liabilities	-	-	-	-	-	-	25,790,641	25,790,641
Total liabilities	118,403,692	90,248,177	83,569,831	187,552,430	118,950,454	25,003,889	861,286,328	1,485,014,801
Equity								
Paid-in share capital	-	-	-	-	-	-	104,553,948	104,553,948
Share premium	-	-	-	-	-	-	17,770,333	17,770,333
Statutory reserve	-	-	-	-	-	-	6,086,418	6,086,418
General banking risks reserve	-	-	-	-	-	-	4,085,562	4,085,562
Pro-cyclicality reserve	-	-	-	-	-	-	5,216,291	5,216,291
Fair value reserve	-	-	-	-	-	-	(2,033,671)	(2,033,671)
Retained earnings	-	-	-	-	-	-	10,065,927	10,065,927
Net equity	-	-	-	-	-	-	145,744,808	145,744,808
Total liabilities and equity	118,403,692	90,248,177	83,569,831	187,552,430	118,950,454	25,003,889	1,007,031,136	1,630,759,609
Interest rate re-pricing sensitivity gap	(98,755,495)	38,988,724	(54,925,644)	(129,148,183)	78,693,796	522,182,405	(357,035,603)	-
Cumulative gap	(98,755,495)	(59,766,771)	(114,692,415)	(243,840,598)	(165,146,802)	357,035,603	-	-

2. Equity price change risk

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

	2022			2021		
	Increase in Index	Effect on consolidated income statement	Effect on consolidated equity	Increase in index	Effect on consolidated income statement	Effect on consolidated equity
Market	(%)	U.S. $	U.S. $	(%)	U.S. $	U.S. $
Palestine Security Exchange	10	33,600	632,662	10	148,757	1,688,289
Foreign financial markets	10	-	74,336	10	-	74,488
Unquoted Shares	10	-	7,837	10	-	7,837

3. Foreign currency risk

These are the risks of the change in value of financial instruments resulting from the change in foreign exchange rates. The U.S. $ is the functional currency of the Bank. The Board of Directors sets the limit of the financial position for each currency, and such position is monitored on a daily basis to ensure maintaining the foreign currency position within the established limits.

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 decrease in currency rate (%) is expected to be equal and opposite to the effect of the increase shown below:

	2022		2021	
Currency	Increase in currency rate	Effect on consolidated income statement	Increase in currency rate	Effect on consolidated income statement
	%	U.S. $	%	U.S. $
ILS	10	(18,162)	10	(22,921)
Other currencies	10	227,406	10	36,174

Following is the net foreign currencies position of the Bank:

December 31, 2022	JOD U.S. $	ILS U.S. $	Other currencies U.S. $	Total U.S. $
Assets				
Cash and balances at PMA	37,687,257	127,612,925	7,697,393	172,997,575
Balances at banks and financial institutions	24,034,615	88,718,653	24,311,520	137,064,788
Direct credit facilities	164,458,375	476,701,977	52,656,732	693,817,084
Financial assets at amortized cost	10,153,650	-	2,121,228	12,274,878
Other financial assets	55,222,965	3,681,294	1,716,219	60,620,478
Total assets	291,556,862	696,714,849	88,503,092	1,076,774,803
Liabilities				
Banks and financial institutions' deposits	18,685,970	15,398,061	911	34,084,942
Customers' deposits	266,128,130	396,865,615	55,033,335	718,027,080
Cash margins	4,434,733	29,652,159	3,412,014	37,498,906
Loans and borrowings	-	18,712,788	-	18,712,788
Other financial liabilities	1,502,966	236,267,850	27,782,777	265,553,593
Total liabilities	290,751,799	696,896,473	86,229,037	1,073,877,309
Net concentration in the consolidated statement of financial position	805,063	(181,624)	2,274,055	2,897,494
Contingent liabilities off the consolidated statement of financial position	3,048,310	26,581,289	14,821,854	44,451,453

December 31, 2021	JOD U.S. $	ILS U.S. $	Other currencies U.S. $	Total U.S. $
Assets				
Cash and balances at PMA	36,125,065	175,981,582	7,351,207	219,457,854
Balances at banks and financial institutions	42,956,710	159,555,571	26,073,425	228,585,706
Direct credit facilities	133,925,519	474,801,365	52,560,701	661,287,585
Financial assets at amortized cost	10,353,493	-	2,229,553	12,583,046
Other assets	88,710,576	4,095,525	1,611,856	94,417,957
Total assets	312,071,363	814,434,043	89,826,742	1,216,332,148
Liabilities				
Banks and financial institutions' deposits	37,652,120	1,496,280	125,966	39,274,366
Customers' deposits	265,538,461	358,601,141	72,991,847	697,131,449
Cash margins	4,635,749	21,088,517	1,487,829	27,212,095
Loans and borrowings	-	42,671,972	-	42,671,972
Other liabilities	2,024,491	390,805,345	14,859,356	407,689,192
Total liabilities	309,850,821	814,663,255	89,464,998	1,213,979,074
Net concentration in the consolidated statement of financial position	2,220,542	(229,212)	361,744	2,353,074
Contingent liabilities off the consolidated statement of financial position	2,075,342	25,265,577	19,680,087	47,021,006

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

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

Liquidity is measured, controlled and managed on the basis of normal and emergency conditions. This includes the use of analysis of the maturities of the assets and liabilities and various financial ratios. The table below summarizes the allocation of liabilities (undiscounted) on the basis of the remaining contractual liability as at the financial statements date:

	Less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months up to 1 year	From 1 to 3 years	More than 3 years	Without maturity	Total
December 31, 2022	**U.S. $**	**U.S. $**	**U.S. $**	**U.S. $**	**U.S. $**	**U.S. $**	**U.S. $**	**U.S. $**
Liabilities:								
Banks' and financial institutions' deposits	22,574,498	45,061,953	-	-	-	-	-	67,636,451
Customers' deposits	803,528,200	87,245,115	64,077,460	136,229,747	44,943,641	367,579	-	1,136,391,742
Cash margins	1,279,559	1,247,310	6,236,254	4,866,164	61,982,772	-	-	75,612,059
Loans and borrowings	610,182	-	591,379	18,712,787	574,066	-	-	20,488,414
Subordinated loans	-	-	-	-	34,297,016	-	-	34,297,016
Sundry provisions	-	-	-	-	-	-	6,581,214	6,581,214
Taxes provisions	-	-	-	4,720,244	-	-	-	4,720,244
Lease liabilities	9,918	19,753	33,820	401,449	2,196,382	4,352,867	-	7,014,189
Other liabilities	14,174,446	1,889,211	-	4,269,720	-	-	2,321,978	22,655,355
Total liabilities	842,176,803	135,463,342	70,938,913	169,200,111	143,993,877	4,720,446	8,903,192	1,375,396,684

	Less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months up to 1 year	From 1 to 3 years	More than 3 years	Without maturity	Total
December 31, 2021	**U.S. $**	**U.S. $**	**U.S. $**	**U.S. $**	**U.S. $**	**U.S. $**	**U.S. $**	**U.S. $**
Liabilities:								
Banks' and financial institutions' deposits	22,640,843	124,746,640	-	-	-	-	-	147,387,483
Customers' deposits	740,518,368	83,068,757	79,423,415	169,106,969	67,596,370	3,139,493	-	1,142,853,372
Cash margins	1,365,848	7,614,745	1,218,736	2,968,052	15,140,578	43,850,605	-	72,158,564
Loans and borrowings	646,600	-	4,015,999	22,972,105	24,803,420	-	-	52,438,124
Subordinated loans	-	-	-	-	20,249,071	23,054,641	-	43,303,712
Sundry provisions	-	-	-	-	-	-	6,326,286	6,326,286
Taxes provisions	-	-	-	1,281,190	-	-	-	1,281,190
Lease liabilities	8,064	5,457	8,254	1,146,273	2,406,397	4,105,438	-	7,679,883
Other liabilities	20,489,803	856,329	-	4,444,509	-	-	-	25,790,641
Total liabilities	785,669,526	216,291,928	84,666,404	201,919,098	130,195,836	74,150,177	6,326,286	1,499,219,255

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 of December 31, 2022:

	Amount before discount rates / (average) flows	Amount after discount rates / (average) flows
	U.S. $	U.S. $
High quality liquid assets	260,300,948	248,532,342
Retail deposits including small and medium corporates:		
A. Stable deposits	222,155,003	11,107,750
B. Less stable deposits	392,492,116	48,372,363
Deposits and other unguaranteed facilities for companies without retail and small business customers:		
A. Operating deposits	30,008,099	7,024,533
B. Non-operating deposits	205,285,532	82,114,213
Guaranteed financing and deposits	849,940,750	148,618,859
Non-cancelled credit lines and required liquidity within 30 days	40,068,655	2,003,433
Any other cash outflows	445,668,725	76,297,149
Gross cash outflows	1,335,678,130	226,919,441
Guaranteed credit facilities		
Cash inflow from working credit	-	-
Other cash inflows	210,373,282	94,248,928
Gross cash inflow	210,373,282	94,248,928
Net cash outflow after adjustments		132,670,513
Total high-quality liquid assets after adjustments		248,532,342
Net cash outflow after adjustment		132,670,513
Liquidity Coverage Ratio (%)		187%

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

	Amount before discount rates / (average) flows	Amount after discount rates / (average) flows
	U.S. $	U.S. $
High quality liquid assets	213,655,740	198,678,781
Retail deposits including small and medium corporates:		
A. Stable deposits	75,679,476	3,783,974
B. Less stable deposits	545,428,154	69,267,351
Deposits and other unguaranteed facilities for companies without retail and small business customers:		
A. Operating deposits	5,791,977	1,196,923
B. Non-operating deposits	112,755,889	45,102,356
Guaranteed financing and deposits	739,655,496	119,350,604
Non-cancelled credit lines and required liquidity within 30 days	40,728,408	2,036,420
Any other cash outflows	483,900,947	24,879,652
Gross cash outflows	1,264,284,851	146,266,676
Guaranteed credit facilities		
Cash inflow from working credit	-	-
Other cash inflows	164,292,265	70,903,435
Gross cash inflow	164,292,265	70,903,435
Net cash outflow after adjustments		75,363,241
Total high-quality liquid assets after adjustments		198,678,781
Net cash outflow after adjustment		75,363,241
Liquidity Coverage Ratio (%)		264%

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 of December 31, 2022 and 2021:

	2022	2021
	U.S. $	U.S. $
Stable retail deposits and small institutions	178,750,627	162,527,373
Less stable retail deposits and small institutions	219,181,459	228,044,771
Guaranteed and unguaranteed financing (deposits)	540,341,833	619,614,545
Other deposits and financing	211,258,176	57,507,373
Other commitments (not included in previous categories)	9,356,394	33,831,580
Gross stable funding available	-	-
Stable retail deposits and small institutions	1,158,888,489	1,101,525,642
Level 1 unrestricted high quality liquid assets	26,843	-
Level 2 -type (A) unrestricted high quality liquid assets	315,058	217,789
Level 2 -type (B) unrestricted high quality liquid assets	11,855,339	741,934
Unmortgaged loans and deposits provided for the financial institutions	-	66,028,652
Loans	751,538,143	572,855,638
Financial assets issued or guaranteed by banks and financial institutions	-	-
Unquoted financial assets	9,273,043	49,634
Quoted financial assets	1,959,315	17,846
Non-performing loans	107,047,704	88,589,396
Other assets	14,923,387	12,510,379
Revocable and unconditional credit facilities and liquidity	2,171,761	2,036,420
Future obligations	2,003,433	2,041,964
Off-balance sheet exposures not included in the previous categories	-	-
Gross stable funding required	901,114,026	745,089,652
Net Stable Funding Ratio	129%	148%

Financial Leverage Ratio

The Palestinian Monetary Authority issued Instructions No.(24/2021) regarding the application of the financial leverage ratio, as these instructions aim to reduce the accumulation of financial leverage in banks in order to reduce any pressures on the financial system and the economy in general, and to enhance capital requirements. It should be noted that the financial leverage ratio should not be less than 4% in all cases.

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

	2022
	U.S. $
Total exposure scale	1,839,382,560
Regulatory amendments related to investments in banks, financial institutions, insurance companies, and commercial entities combined for accounting purposes, but outside the scope of the regulatory assembly	37,885,078
Adjustments related to derivative exposures	200,967,400
Amendments related to securities financing operations	-
Adjustments related to off balance sheet items	58,847,437
Other adjustments/exposures	3,849,183
Total Exposure Scale	1,537,833,462
First tranche of capital net capital	113,750,868
Financial leverage ratio as of December 31, 2022	7.4%

45. Segments information

A. Information on the Bank's business segments:

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

- **Retail accounts:** Includes handling individual customers' deposits, and providing consumer type loans, overdrafts, credit cards facilities and other services.
- **Corporate and institution accounts:** Includes handling loans, credit facilities, deposits and current accounts for corporate and institutional customers.
- **Public sector accounts:** Includes handling loans, credit facilities, deposits and current accounts for public sector.
- **Treasury:** Includes providing trading and treasury services and managing the Bank's funds and investments.

in addition, the bank's activities were distributed into two main business sectors

- **The commercial banking sector:** includes deposits, credit facilities and other commercial banking services.
- **The Islamic banking sector:** includes deposits, credit financing, and other Islamic banking services.

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

December 31, 2022	Retails	Corporate and public sector	Treasury	Other	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Gross revenues	19,593,701	44,370,633	17,794,946	3,517,684	85,276,964
Net re-measurement of expected credit losses provision	(1,207,402)	(3,397,951)	11,800	-	(4,593,553)
Segment results	12,146,907	32,464,470	14,207,471	3,267,480	62,086,328
Unallocated expenses					(42,504,710)
Profit before taxes					19,581,618
Taxes expense					(2,580,400)
Profit for the year					17,001,218
Other information					
Total segment assets	237,219,194	696,849,636	538,213,628	60,035,094	1,532,317,552
Total segment liabilities	663,165,400	545,648,059	119,015,908	39,864,023	1,367,693,390
Investment in associates					50,240,259
Capital expenditures					5,790,665
Depreciation and amortization					6,173,524

December 31, 2021	Retails	Corporate and public sector	Treasury	Other	Total	Back to Commercial Banking sector	Back to Islamic Banking sector
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Gross revenues	38,845,113	55,081,164	17,755,404	3,788,058	115,469,739	80,670,691	34,799,048
Net re-measurement of expected credit losses provision	(2,176,188)	(9,547,458)	(230,496)	-	(11,954,142)	(9,418,043)	(2,536,099)
Segment results	21,900,943	32,446,277	15,331,588	4,871,558	74,550,366	45,610,825	28,939,541
Unallocated expenses					(56,385,853)	(36,227,340)	(20,158,513)
Profit (loss) before taxes					18,164,513	9,383,485	8,781,028
Taxes expense					(4,241,777)	(883,400)	(3,358,377)
Profit for the year					13,922,736	8,500,085	5,422,651
Other information							
Total segment assets	183,345,559	693,508,433	705,451,690	48,453,927	1,630,759,609	1,630,759,609	-
Total segment liabilities	631,624,466	579,884,252	232,968,500	40,537,583	1,485,014,801	1,485,014,801	-
Investment in associates					48,090,281	48,090,281	-
Capital expenditures					2,170,418	1,224,085	946,333
Depreciation and amortization					7,437,024	3,880,070	3,556,954

B. Geographical distribution information

The following is the geographic distribution of the Bank's revenue, assets and capital expenditures:

	Local		Foreign		Total	
	2022	2021	2022	2021	2022	2021
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Gross revenues	83,471,381	113,499,396	1,805,583	1,970,343	85,276,964	115,469,739
Total assets	1,366,747,547	1,463,042,291	165,570,005	167,717,318	1,532,317,552	1,630,759,609
Capital expenditures	5,336,475	2,170,418	-	-	5,336,475	2,170,418

46. Maturities of assets and liabilities

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

December 31, 2021	Less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 3 years	More than 3 years	Non-interest bearing	Total
Assets	**U.S. $**	**U.S. $**	**U.S. $**	**U.S. $**	**U.S. $**	**U.S. $**	**U.S. $**	**U.S. $**
Cash and balances with PMA	128,361,164	-	-	-	-	-	106,395,442	234,756,606
Balances at banks and financial institutions	108,306,388	84,162,411	-	-	-	-	12,976,940	205,445,739
Financial asset at fair value through profit or loss	-	-	-	-	-	-	336,000	336,000
Direct credit facilities	15,791,275	15,408,829	77,040,483	60,114,879	172,196,314	593,517,050	-	934,068,830
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	7,148,340	7,148,340
Financial assets at amortized Cost	308,536	2,831,176	122,882	-	11,192,213	25,831,877	-	40,286,684
Investment in associates	-	-	-	-	-	-	50,240,259	50,240,259
Property, plant and equipment	-	-	-	-	-	-	20,946,235	20,946,235
Right of use assets	-	-	-	-	-	-	6,000,996	6,000,996
Projects in progress	-	-	-	-	-	-	273,695	273,695
Intangible assets	-	-	-	-	-	-	3,849,183	3,849,183
Deferred tax assets	-	-	-	-	-	-	4,709,866	4,709,866
Other assets	647,601	-	-	1,809,463	12,451,487	-	9,346,568	24,255,119
Total Assets	253,414,964	102,402,416	77,163,365	61,924,342	195,840,014	619,348,927	222,223,524	1,532,317,552
Liabilities								
Banks and financial institutions' deposits	22,574,498	45,061,953	-	-	-	-	-	67,636,451
Customers' deposits	803,252,876	86,325,058	63,362,870	135,538,873	44,358,621	364,393	-	1,133,202,691
Cash margins	1,278,268	1,247,310	6,236,254	4,866,164	61,982,772	-	-	75,610,768
Loans and Borrowing	555,555	-	555,555	18,712,787	555,560	-	-	20,379,457
Subordinated loans	-	-	-	-	31,000,000	-	-	31,000,000
Sundry provisions	-	-	-	-	-	-	6,581,214	6,581,214
Taxes provisions	-	-	-	4,720,244	-	-	-	4,720,244
Lease liabilities	9,116	18,232	31,748	398,069	1,503,616	3,946,429	-	5,907,210
Other liabilities	14,174,446	1,889,211	-	4,269,720	-	-	2,321,978	22,655,355
Total Liabilities	841,844,759	134,541,764	70,186,427	168,505,857	139,400,569	4,310,822	8,903,192	1,367,693,390
Equity								
Paid-in share capital	-	-	-	-	-	-	113,100,000	113,100,000
Share premium	-	-	-	-	-	-	17,770,333	17,770,333
Statutory reserve	-	-	-	-	-	-	7,786,540	7,786,540
General banking risks reserve	-	-	-	-	-	-	3,484,033	3,484,033
Pro-cyclicality reserve	-	-	-	-	-	-	5,216,291	5,216,291
Fair value reserve	-	-	-	-	-	-	(2,262,093)	(2,262,093)
Retained earnings	-	-	-	-	-	-	19,529,058	19,529,058
Net equity	-	-	-	-	-	-	164,624,162	164,624,162
Total liabilities and equity	841,844,759	134,541,764	70,186,427	168,505,857	139,400,569	4,310,822	173,527,354	1,532,317,552
Maturity gap	(588,429,795)	(32,139,348)	6,976,938	(106,581,515)	56,439,445	615,038,105	48,696,170	-
Cumulative maturity gap	(588,429,795)	(620,569,143)	(613,592,205)	(720,173,720)	(663,734,275)	(48,696,170)	-	-

December 31, 2021	Less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 3 years	More than 3 years	Non-interest bearing	Total
Assets	**U.S. $**	**U.S. $**	**U.S. $**	**U.S. $**	**U.S. $**	**U.S. $**	**U.S. $**	**U.S. $**
Cash and balances with PMA	182,619,572	-	-	-	-	-	107,986,869	290,606,441
Balances at banks and financial institutions	95,298,951	132,435,880	17,606,571	50,993,637	2,820,875	-	20,569,088	319,725,002
Financial asset at fair value through profit or loss	-	-	-	-	-	-	1,487,573	1,487,573
Direct credit facilities	19,368,736	92,578,413	14,817,133	36,084,934	184,075,870	532,691,963	-	879,617,049
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	17,706,139	17,706,139
Financial assets at amortized Cost	279,461	-	-	153,448	10,747,505	14,494,331	-	25,674,745
Investment in associates	-	-	-	-	-	-	48,090,281	48,090,281
Property, plant and equipment	-	-	-	-	-	-	19,824,277	19,824,277
Right of use assets	-	-	-	-	-	-	6,826,148	6,826,148
Projects in progress	-	-	-	-	-	-	269,695	269,695
Intangible assets	-	-	-	-	-	-	5,079,498	5,079,498
Deferred tax assets	-	-	-	-	-	-	4,163,823	4,163,823
Other assets	1,165,258	-	-	12,449	3,474,332	290,582	6,746,317	11,688,938
Total Assets	298,731,978	225,014,293	32,423,704	87,244,468	201,118,582	547,476,876	238,749,708	1,630,759,609
Liabilities								
Banks and financial institutions' deposits	23,508,111	91,196,749	3,745,000	28,937,623	-	-	-	147,387,483
Customers' deposits	740,159,886	82,072,474	78,454,034	168,143,357	67,473,423	3,082,691	-	1,139,385,865
Cash margins	1,365,848	7,614,745	1,218,736	2,968,052	15,140,579	43,814,893	-	72,122,853
Loans and Borrowing	555,555	555,555	3,888,889	22,051,963	23,953,345	-	-	51,005,307
Subordinated loans	-	-	-	-	16,500,000	18,500,000	-	35,000,000
Sundry provisions	-	-	-	-	-	-	6,326,286	6,326,286
Taxes provisions	-	-	-	1,281,190	-	-		1,281,190
Lease liabilities	8,037	5,403	8,172	1,123,797	2,148,569	3,421,198	-	6,715,176
Other liabilities	20,054,093	1,716,329	-	2,565,312	-	-	1,454,907	25,790,641
Total Liabilities	785,651,530	183,161,255	87,314,831	227,071,294	125,215,916	68,818,782	7,781,193	1,485,014,801
Equity								
Paid-in share capital	-	-	-	-	-	-	104,553,948	104,553,948
Share premium	-	-	-	-	-	-	17,770,333	17,770,333
Statutory reserve	-	-	-	-	-	-	6,086,418	6,086,418
General banking risks reserve	-	-	-	-	-	-	4,085,562	4,085,562
Pro-cyclicality reserve	-	-	-	-	-	-	5,216,291	5,216,291
Fair value reserve	-	-	-	-	-	-	(2,033,671)	(2,033,671)
Retained earnings	-	-	-	-	-	-	10,065,927	10,065,927
Net equity	-	-	-	-	-	-	145,744,808	145,744,808
Total liabilities and equity	785,651,530	183,161,255	87,314,831	227,071,294	125,215,916	68,818,782	153,526,001	1,630,759,609
Maturity gap	(486,919,552)	41,853,038	(54,891,127)	(139,826,826)	75,902,666	478,658,094	85,223,707	-
Cumulative maturity gap	(486,919,552)	(445,066,514)	(499,957,641)	(639,784,467)	(563,881,801)	(85,223,707)	-	-

47. Bank development policies

In accordance with its strategic plan, and its mission to satisfy the customers' needs, of excellent service, the Bank has expanded its operations across new sectors. The Bank's strategic plans mainly includes:

- Develop a network of branches and ATMs across the West Bank.
- Develop new non-traditional products that satisfy the customers' needs, especially loans and investments across all sectors (retail, corporate, microfinance projects, treasury, and SMEs).
- Improve customer service procedures to make them more efficient and timely in accordance with the Bank's vision and goals.
- Work on creating investment service division to manage Bank's and customers' investments.
- Build and develop strategic partnerships with financial institutions and entities.
- Train and develop specialized team for various banking services.
- Develop and enhance the banking systems and software to provide customers with a faster and easier banking services.

48. Capital management

The primary objective of the Bank's capital management is to ensure that it maintains adequate capital ratios in order to support its business and maximize shareholder value. The Bank manages its capital structure and makes adjustments to it in light of changes in business and economic conditions. The Bank did not make any adjustments to the goals, and policies concerning capital management for current and prior year, except for increase in the Bank's authorized capital from U.S. $ 110 million to U.S. $ 115 million, and the distribution of stock dividends to shareholders of 8.13% of the paid-in capital to reach U.S. $ 113,100,000 (note 1).

The capital adequacy ratio is computed in accordance with the PMA's instructions number (8/2018) derived from Basel Committee III. The following is the capital adequacy ratio for the year:

	2022			2021		
	Amount	Percentage to assets	Percentage to risk – weighted assets	Amount	Percentage to assets	Percentage to risk – weighted assets
	U.S. $	%	%	U.S. $	%	%
Regulatory capital	136,189,429	8,89	15,17	118,780,102	7,28	15,17
Basic capital	113,750,868	7,42	12,67	99,206,640	6,08	12,67

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

	December 31, 2022
	U.S. $
Net common stocks (CET 1)	113,750,868
Tier 1 of capital	113,750,868
Tier 2 of capital	22,438,562
Capital base	136,189,430
Credit risk	789,907,587
Market risk	3,751,120
Operational risk	103,883,749
Total risk weighted assets	897,542,456
	%
Percentage of net common stocks (CET 1) to risk weighted assets	12,67
Percentage of Tier 1 of capital to risk weighted assets	12,67
Percentage of Tier 2 of capital to risk weighted assets	2,50
Percentage of Tier 1 to assets	7,42
Percentage of regulatory capital to assets	8,89
Capital adequacy ratio	15,17

49. Commitments and contingencies

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

	2022	2021
	U.S. $	U.S. $
Letters of guarantees	26,574,590	26,661,627
Letters of credit	22,801,384	25,274,265
Unutilized credit limits	40,068,655	40,728,408
	89,444,629	92,664,300

Outstanding forward contracts for currency sales and purchases as at December 31, 2022 amounted to U.S. $ 2,140,951 (December 31,2021: U.S. $ 5,559,881) which are hedged with other banks, in addition to obtaining cash margins ranging from 5% to 10% from each contract value to cover unforeseen prices changes and customers non-compliance with the signed contract.

50. Law suits against the Bank

The value of the cases brought against the Bank amounted to a total amount of U.S. $ 50,049,156 and U.S. $ 44,809,467 as at December 31, 2022 and 2021, respectively. Noting that the majority of this amount of U.S. $ 32,866,675 is related to the operational event lawsuits, and in the opinion of the legal advisor and the executive management of the bank, that they are not based on any legal basis.

The Bank's management and lawyer believe that the provision is sufficient against these litigations except what is assigned.

51. Concentration of risk per geographic area

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

52. Comparative figures

Some of the financial balances as at December 31, 2021 have been reclassified to match the presentation of the balances, as at December 31, 2022.