البنك الوطني
THE NATIONAL BANK
الوطني TNB

2021
Annual Report
التقرير السنوي

الوطني TNB

2021

Annual Report

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Our Vision

To maintain our leading position as one of Palestine’s leading financial services institutions.

Our Mission

To be the national alternative for Palestinians who seek a sound, modern and superior financial services provider.

About The National Bank (TNB)

The National Bank "TNB" is the second largest bank in Palestine and the fastest growing in the country. 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 or even in the Middle East.

The bank›s Paid-up capital is approximately 105 million US dollars, and its authorized capital was raised to 110 million US dollars in 2021. TNB is managed by a Board of Directors that includes a group of the largest Palestinian companies, and some of the most prominent and talented businesspeople. It has the largest number of shareholders among banks in the country, exceeding 8,700.

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 %25 stake in the Palestine Islamic Bank (PIB). That deal became the largest in the history of the Palestine Stock Exchange, exceeding 70 million US dollars. This was preceded by the acquisition of the assets and liabilities of Bank al Etihad in Palestine in 2015, making it the first acquisition of a Jordanian bank by a Palestinian bank.

The National Bank provides banking services to more than 158,000 clients, through its network of branches located in various governorates of the West Bank, and its well-located 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 TNB. 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 approximately %85 of its energy needs.

35 BRANCHES AND OFFICES

8,719 SHAREHOLDERS

MORE THAN 158k CUSTOMERS
35% OF WHICH ARE WOMEN

43 ATMs
THROUGHOUT THE COUNTRY

MORE THAN 704 EMPLOYEES TO SERVE OUR CUSTOMERS

Foundation

TNB was established on August 2005 ,20, 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.

In 2011, Palestine Telecommunications Company acquired a strategic stake of TNB through a private subscription of 5$ million, bringing its total stake in the bank to 7$ million. As a result, the bank's capital increased to 35$ million.

In 2012, Massar International Company became a new strategic partner, raising the bank›s capital to 40$ million. 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.

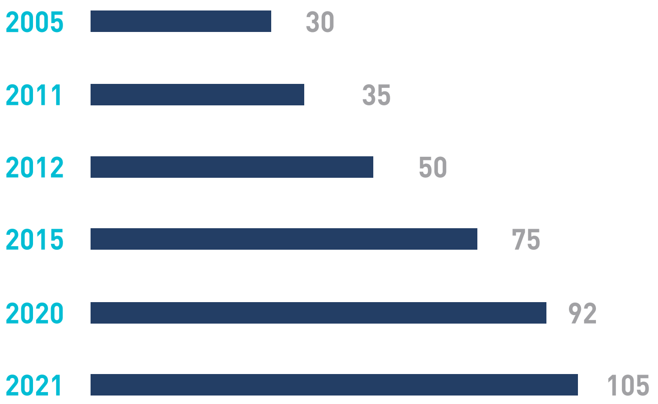
In early 2015, TNB acquired the assets and liabilities of Bank al Etihad in Palestine. Following that deal, Bank al Etihad became a strategic partner in TNB with %10 share of its paid-up capital. This increased TNB's paid-up capital to 75$ million and made it the second largest Palestinian bank. In 2018, 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 105 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.

About Al-Rafah Microfinance Bank

Al-Rafah Microfinance Bank was established in 2005 by a group of reputable Palestinian entrepreneurs and institutions as a specialized microfinance institution. The bank's mission was to develop the microfinance sector in Palestine by facilitating access to finance for these underserved enterprises. Al-Rafah Microfinance Bank was publicly listed, boasting at the time the largest shareholder base in the Palestinian banking sector with over 18,000 shareholders.

About the Arab Palestinian Investment Bank

The Arab Palestinian Investment Bank (APIB) was established in 1997 as a partnership between the Enterprise Investment Company, the International Finance Corporation (IFC), the German Investment and Development Corporation and the Arab Bank Ltd. As the first of its kind in Palestine, the Arab Palestinian Investment Bank's mandate was to offer investment banking services and become the focal point for advisory and financial management of internationally funded development projects and programs. The bank was IFC's first investment in Palestine.



Awards & Recognition

Aman's Integrity award in 2012

CPI Financial/ The Banker Middle East's Best Treasury Management award for 2014.

CPI Financial's Fastest Growing Bank in Palestine award in 2016 ,2014, and 2017

Union of Arab Banks award for the Largest Shareholder Base for 2015.

CPI Financial/ The Banker Middle East's 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.

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

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

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.

Chairman's letter

Ladies and Gentlemen, distinguished shareholders,

After a year full of challenges, myself and the members of Bord have the pleasure to present to you the 2021 Report of the National Bank on the work and financial results of TNB.

Increasing TNB's paid-up capital:

During the year, TNB continued its journey of growth and progress, whereby we were able to secure a strong financial performance and made great strides in laying solid foundations for our bank to support our growth and development plans. During the year 2021, TNB shareholders directly responded to the decision of the extraordinary Meeting of the General Assembly, and raised their investment, after 13 million shares were offered in a secondary public offering and %93 of the increased shares were covered. This increased the bank's Paid up capital from USD 92 million to USD 104.6 million and turned the National Bank to the second largest Palestinian bank. It allowed us to rely on a solid capital base that would support the bank's ambitious development and growth plans, in order to reach new heights in the Palestinian banking market.

Development plans for 2021:

In 2021, we focused on implementing a large part of our development plans to enhance the bank's performance. We appointed a new executive management team with young talents and restructured our organizational chart to promote efficiency and effectiveness. In line with corporate governance best practices, we developed our overall policies and procedures, and promoted the role and independence of our supervisory departments. Additionally, we increased our investment in digital infrastructure.

Financial Results:

In 2021, we were able to achieve satisfactory financial results that met the goals set by the Board of Directors, thereby enhancing the financial status of the Bank. By the end of last year, our net profits reached 14$ million,of which, $8.5 million attributable to the bank›s shareholders. As of December 2021 ,31, the bank's total assets were estimated at 1.63$ billion, our clients' deposits amounted to 1.21$ billion, and the credit facilities and direct financing portfolio reached 877$ million. Our financial statements also show that the bank's revenues amounted to 86.8$ million.

Subsidiaries and affiliates:
In 2021, in line with the PMA directives and to organize the bank's investment portfolios, %100 of the shares of the National Islamic Investment Company were bought, and it is now owned by TNB. Based on the aforementioned, the direct stake of TNB in PIB through the National Investment Company is %25. From the operational perspective, this step did not have any financial impact on the bank or on the shareholder returns, but according to international financial reporting standards, this required the financial statements of the two banks to no longer be consolidated subsequent to 2021/6/30.

Digital services and banking products:

At the level of services and products and in order to advance in our journey towards digital transformation, TNB was at the forefront of remote account opening services, in order to provide access to banking services to Palestinian citizens wherever they may be in the Palestinian territory, and to overcome physical and geographical barriers to benefit from banking services. This comes as a contribution from TNB to financial inclusion in Palestine. In addition, we launched updated versions of Al-Watani Online and Mobile services with advanced features, allowing our customers to benefit from additional services to access their accounts, cards and balances at any time and from anywhere.

Local and international partnerships:

2021 witnessed the renewal of our strategic partnerships and the creation of new partnerships with prominent local and international institutions. In order to support our national economy and promote development, we signed a risk distribution agreement with the European Investment Bank (EIB) to support SMEs in Palestine following the repercussions of the pandemic and facilitate their access to financing and flexible lending with reduced interest rates. This agreement builds on the previous lending agreement with the Bank, which amounted to 50$ million. Moreover, we signed several agreements with major local institutions, most importantly to renew the bank's mandate to preserve and manage the funds and assets of the Palestinian Pension Agency.

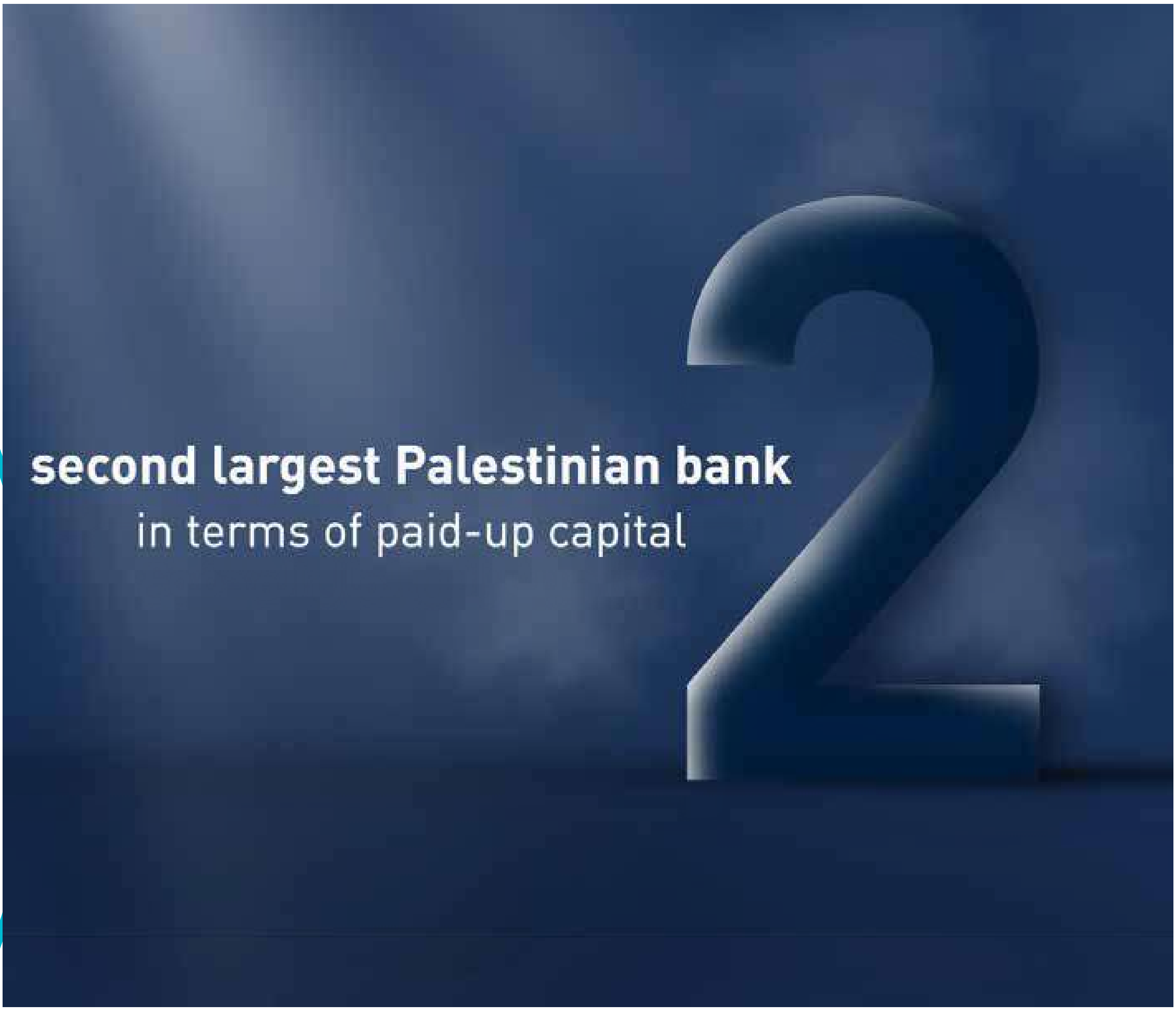
Future Plans:

This year, a new strategic plan will be adopted for the years to come. Its goals are ambitious, and it seeks to build on the effective and efficient growth achieved, increase investments in digital technology, expand the customer base, enhance shareholder returns, ensure calculated geographical expansion, and launch more banking services and products that meet the financial needs of our society. This is in line with the ambitious goals set by the Board of Directors and seeks to ensure our customers and shareholders' satisfaction. We also continue with determination and confidence to strengthen our governance and regulatory frameworks to enhance TNB's position and place it on the regional and global map. Our firm commitment to implement the best governance practices and promote a sound regulation culture, are the main factors behind the bank's success and strengthening its journey in implementing its growth strategy.

Samir Zraiq
Chairman of the Board of Directors

The Bank's Achievements 2021

Second largest Palestinian bank in terms of paid-up capital



The National Bank raised its paid-up capital to 104.55$ million, after calling for a secondary public offering, during which 13.76 million shares were offered with a nominal value of one dollar for each share of the bank's shareholders, as on the date of the extraordinary general assembly meeting. As a result, %93 of the shares offered for subscription were covered, bringing the bank's paid-up capital to 104.55$ million, and making the National Bank the second largest Palestinian bank in terms of capital.
TNB's General Assembly had approved, in its extraordinary meeting, raising the bank's stated capital to 110 million US dollars, and the paid-up capital to 105.53 million US dollars.

Renewing strategic partnerships and concluding new ones with major local institutions

In 2021, the National Bank renewed its strategic partnerships with major Palestinian local institutions, including:

The National Bank as a custodian of the funds and assets of the Palestinian Pension Agency

The National Bank signed a custodianship agreement with the Palestinian Pension Agency, which renews its mandate to manage the Authority's financial portfolio and assets. Under the agreement, TNB provides custody services for all the funds and properties of the Authority, and keeps it abreast of everything related to its portfolio's interests, profits, and rights. TNB also manages any cash and liquidity surpluses in line with the Authority's instructions and investment policy, under the supervision of competent and experienced professionals, to ensure the effective management of the Palestinian retirees' funds.

Renewing the strategic partnership with the High Judicial Council (HJC)

The National Bank and the High Judicial Council signed an agreement renewing their strategic partnership which facilitates 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.

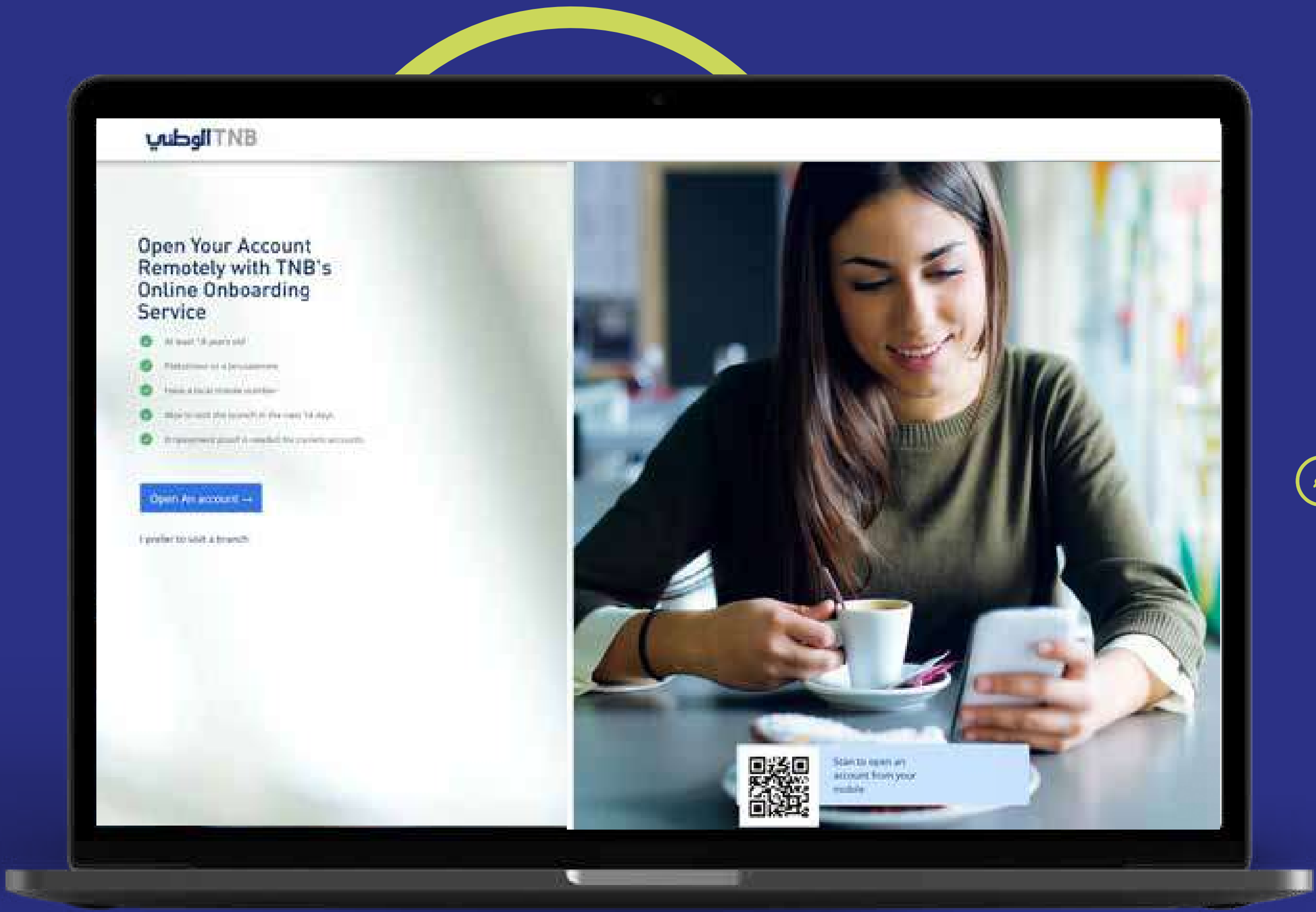
Renewing the partnership with the Palestinian Engineers Association

The Engineers Association and TNB renewed their strategic partnership, by signing a joint cooperation agreement to provide the Association and its members with banking facilities. Under the agreement, TNB will provide a number of facilities with different Priviliges to the Association and its affiliates, including offers on housing loans, car loans, personal loans, and loans to purchase land. It will also offer credit card advantages.

Renewing cooperation with the Palestinian Maintenance Fund

The National Bank and the Palestinian Maintenance Fund renewed their strategic partnership by signing an MoU regarding cooperation on issues of common interest, in order to ensure consistency, harmony and integration, and promote the principles of justice and the rule of law.

In line with its digital transformation strategy...
The first Palestinian bank to offer a remote onboarding service for financial inclusion, savings and current accounts



In line with its strategy to provide advanced digital services, the National Bank launched the Onboarding service, which allows Palestinians to open current, savings, and financial inclusion accounts remotely, easily and safely using digital technology at any time and from anywhere, even outside working hours. This promotes the access of a large number of Palestinian citizens to banking services, allowing TNB to overcome geographical barriers and deliver national banking services to people wherever they are, thus contributing directly to the promotion of financial inclusion in Palestine.

The National Bank reduces carbon emissions by 3,900 tons by investing in solar energy

Through its investment in the Noor Jericho solar PV plant in 2019, with a share of 1.17 MW to cover the needs of its branches and headquarter under the Jerusalem District Electricity Company (JDECO), The National Bank (TNB) was able to reduce its carbon emissions by 3,900 tons within two years, according to reported results. For 2 years, TNB has been cutting down its emissions and integrating several measures in the social and governance areas, to improve its Environmental, Social and Governance (ESG) scores and ensure its sustainable and ethical operations.

Response to mitigate the economic impacts of the COVID19 pandemic

1. Renewed cooperation with the European Investment Bank (EIB) with a risk Sharing agreement in support of the US50$ million lending agreement

The National Bank and the European Investment Bank signed a risk distribution agreement to support SMEs in Palestine, and to facilitate their access to financing in order to support the implementation of the 50$ million lending agreement concluded with the Bank earlier. Through this agreement, TNB was able to ensure financing to Palestinian SMEs, by offering flexible lending terms and low interest rates.

2. Launching a 50$ million lending program for SMEs

The National Bank launched a special program to finance SMEs, with a total sum of 50$ million, in support of this sector, which is considered the most affected by the pandemic and its economic repercussions. The program provides financing in the form of loans with low interest rates and flexible guarantees granted on a case-by-case basis. The maximum funding limit for a single project is 12.5$ million. The program also offers a grace period of up to one year, while the financing period extends over a maximum of 7 years.

3. Launching a specialized lending program for women led SMEs

As part of its role to empower Palestinian women economically, especially after the economic repercussions of the Covid pandemic, the National Bank launched "Hayati" program, which provides 10 million dollars in funding to establish productive income-generating projects led by Palestinian women. The financing ceiling for a single project is up to 100,000$, with preferential interest rates and flexible guarantees, as well as a repayment period of up to 6 years and a grace period of up to six months. "Hayati" allows women with savings accounts to use their savings to obtain 4 times their value in financing to develop their productive projects. Through the program, 3 entrepreneurial projects will be selected and financed without any interest or profit as a community contribution from TNB to support entrepreneurial projects.

Gender Financial inclusion 2021

Since 2015, the National Bank has sought to contribute to the financial inclusion of Palestinian women and their empowerment, especially after releasing its first specialized savings product, offering interest-free loans to women-led SMEs estimated at 3.5$ million. The National Bank has worked tirelessly to raise awareness on banking services among this vast segment of the community, with a particular focus on Palestinian rural and marginalized areas.

In 2021, despite the economic repercussions of the pandemic, The National Bank was able to maintain high financial inclusion ratios, with females accounting for %34 of its total clients. In terms of accounts, females who own current accounts formed %25 of TNB's total clients, a %4 increase compared to %21 the year before. For savings accounts, female savers formed %61 of the total savings accounts, compared to %39 savings accounts owned by males.

TNB's Strategic Plan

The National Bank's strategic plan established ambitious goals to advance the bank's services, maintain our prominent position in the banking sector in Palestine, and grow in a deliberate and profitable manner.

The objectives of The National Bank's strategic plan are as follows:

- Improving resource efficiency, with the aim of achieving a higher return on investment for shareholders.
- Ensuring the advancement of the quality of services provided, and the provision of competitive and responsible banking products that meet the needs of our customers.
- Providing innovative and modern digital banking services and solutions, offering our customers an advanced digital banking experience.
- Achieving a level of profitability that meets the aspirations of TNB shareholders and securing a higher position in the competitive ranking of the Palestinian banking sector.
- Developing and raising the efficiency of the human capital of bank, to provide services in an optimal way.
- Keeping abreast with the era of digital technology by using the banking system to support electronic channels to meet the aspirations of the young generation.
- Adopting an effective and sustainable social responsibility program that focuses on supporting the national economy and the social and environmental sectors.

To achieve the objectives of the strategic plan, TNB worked on the following:

- Focusing on investing in digital technology in providing banking services.
- The deliberate use and reliance on digital channels to provide services and reach unserved places.
- Working on developing responsible banking products based on the actual financial needs of the targeted economic sectors.
- Focusing on the SME sector and increasing funding for it.
- Focusing on the retail sector by developing new and unique products.
- Excellence in the quality of services provided to clients.
- Further training of the human cadre of TNB to bolster its efficiency and ability to provide services to customers in an optimal manner.

This plan is an extension to the 2020-2018 strategic plan, The National Bank will execute a new strategic plan in the year 2022.

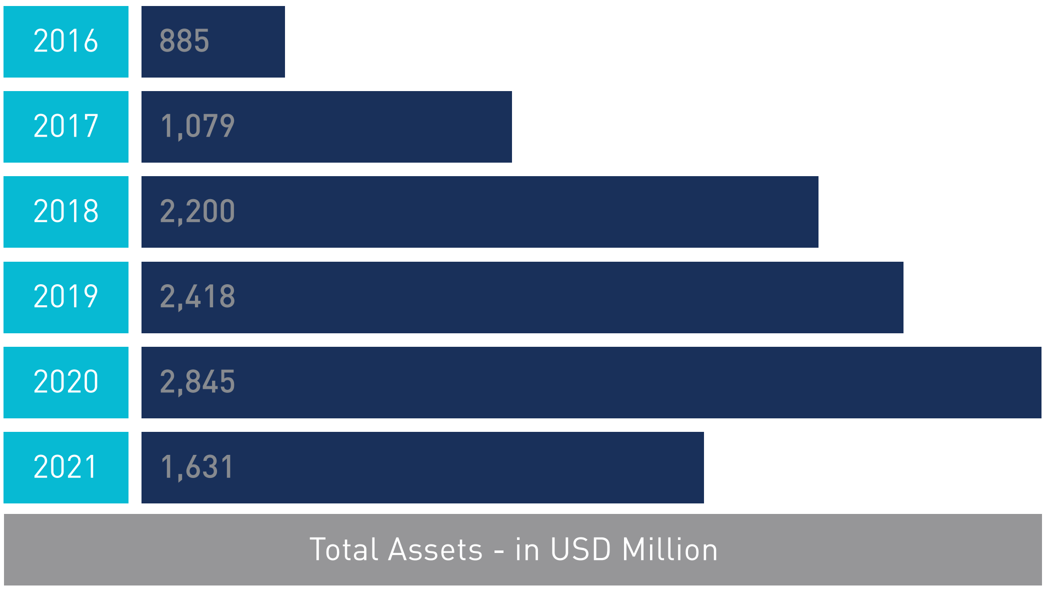
Financial Results 2021

The National Bank's strategic plan established ambitious goals to advance the bank's services, maintain the prominent position in the Palestinian banking sector , and grow in a moderate and profitable manner.

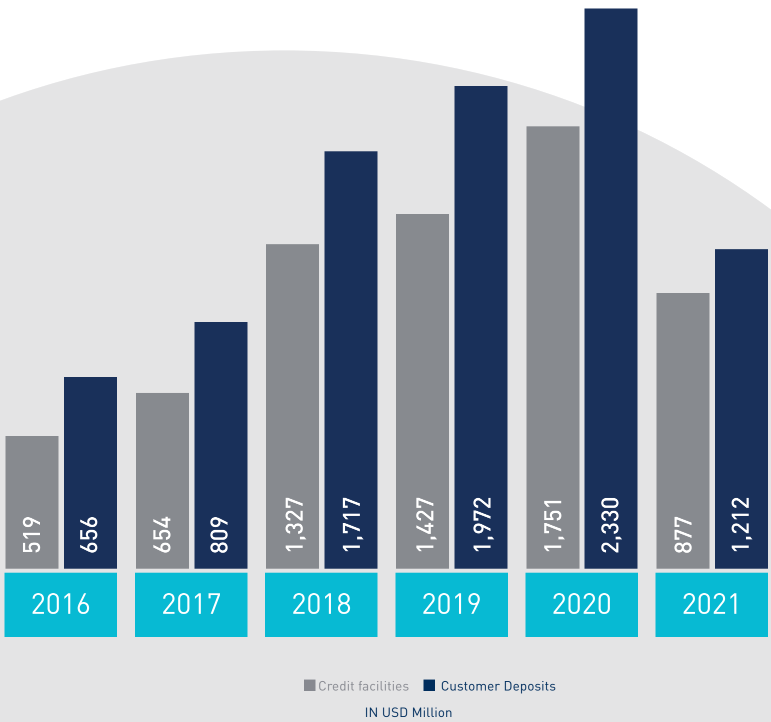
strength and financial solvency. The results were also a clear indicator of the successful development plans that the bank is implementing by improving the efficiency of its financial portfolios and enhancing its financial position.

The National Bank was able to maintain its competitive position among Palestinian banks, as its capital increased in 2021 following a secondary public offering valued at 12.8$ million, bringing the bank's capital to 104.55$ million, which makes it the second largest Palestinian bank in terms of paid-up capital.

The bank's total assets amounted to 1.63$ billion at the end of 2021, which confirms the banks financial position and solvency.

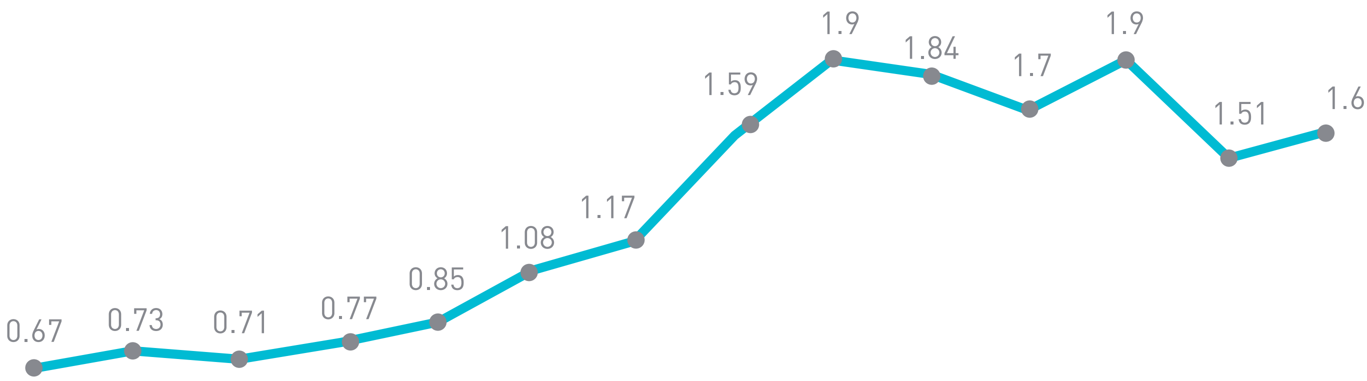


By the end of 2021, customer deposits also exceeded 1$ billion, reaching 1.2$ billion, distributed between the retail and corporate sectors. The net portfolio of credit facilities amounted to 877$ million as of December 2021 ,31.



The bank's total income in the year 2021 reached 86.7$ million, as foreign exchange earnings more than doubled compared to 2020, and reached 8.33$ million, compared to 4.10$ million in 2020.

As for the bank's market value by the end of 2021, it rose to about 167.3$ million. The share price closed at 1.6$ per share on 2021-31-12, compared to 1.51$ per share at the end of 2020.



Market price - USD dollars

TNB's Financial Position Analysis

*According to the consolidated financial statements	2021	2020	2019	2018	2017	2016
ROA*	%0.85	%0.03-	%0.75	%0.73	%0.85	%0.84
ROE*	%9.55	%0.32-	%9.42	%8.78	%9.43	%8.00
Facilities/Deposits*	%72.38	%75.14	%72.35	%77.30	%80.84	%79.20
Capital Adequacy Ratio*	%14.89	%12.61	%14.22	%15.21	%15.95	%14.36
EPS	%8.95	%6.86-	%10.60	%13.50	%12.27	%9.87
P/E	17.88	22.02-	18.18	12.70	15.00	19.30
Book Value	1.39	1.30	1.23	1.21	1.30	1.23

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

► Corporate Services

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

► MSMEs 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
- Forward Deals
- Precious commodities and metals
- Investment funds
- Custodian Services

Foreign Exchange Market

- Spot Deals Transactions: buying and selling currencies for settlement on the spot date.
- Forward Deals Transactions: buying and selling currencies to be paid or received on an obligation beginning at a future start date.
- Swap Deals Transactions: Exchange of one currency for another at fixed dates.

▶ 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.

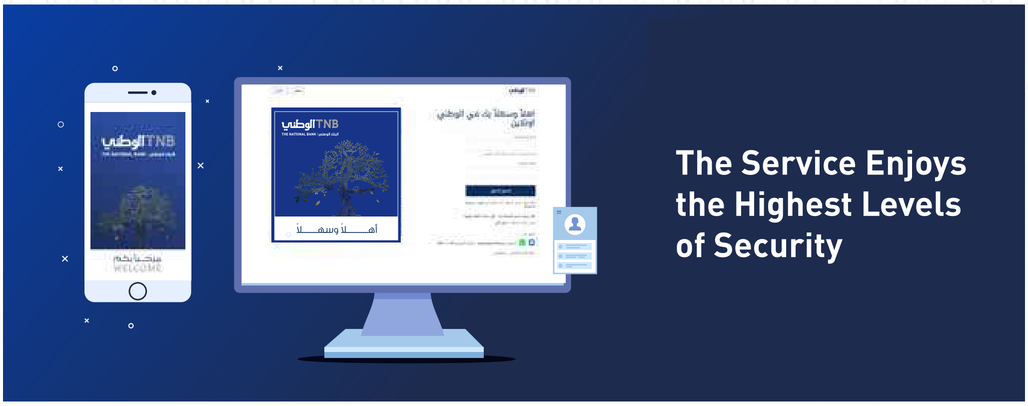
Digital services

Al-Watani online

“Al-Watani 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.

Al-Watani Mobile

“Al-Watani 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.



Onboarding Service

With this service, there is no need to visit a branch to open a new account. Individuals can go on the bank's website and open an account remotely within 20 minutes, easily, and in the currency they need. The banking accounts that are available through this service include, current, savings and financial inclusion banking accounts.

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.

E-statement

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

The Digital Service Center

Through this 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 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.

During the pandemic, to protect its customers, the National Bank encouraged its clients to use electronic channels and services instead of visiting the bank's branches. The number of clients that were served through the digital service center reached 69,011, and %50 of the services were provided through WhatsApp.

With the launch of the remote onboarding service in %59 ,2021 of the customers who used the service were able to fully open and activate the account. The number of customers using Al-Watani Online services and the Al-Watani Mobile application increased by %144, while the number of customers benefiting from the Cardless service increased by %157 compared to 2020.

You can enjoy this advanced service by communicating with our team through:

digitalsupport@tnb.ps   tnb.ps   +970 598 555 555   /TNBPalestine

Al-Watani Savings Account

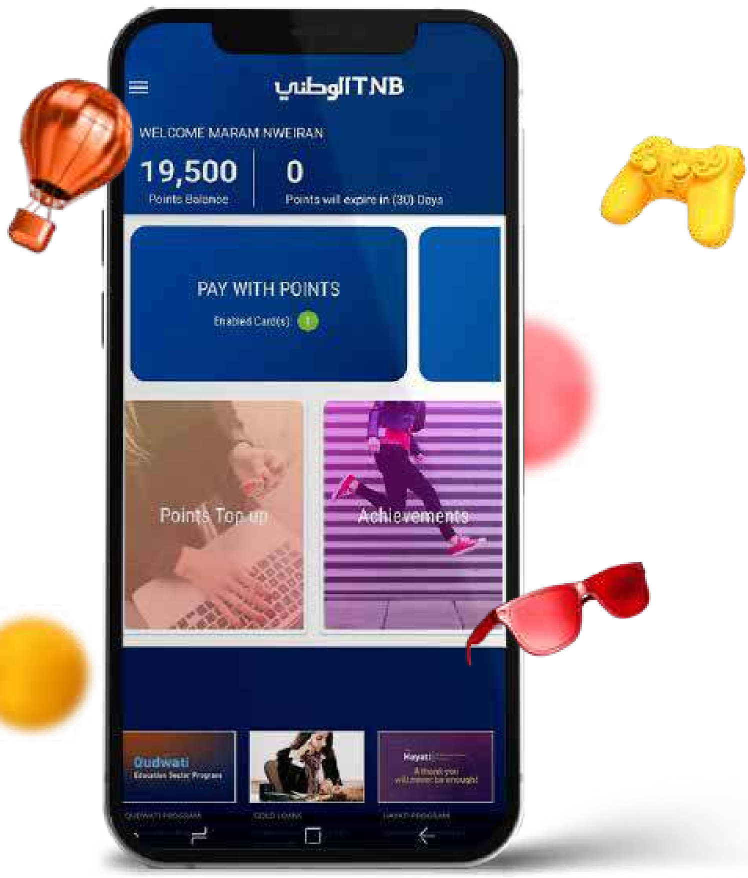
The National Bank Savings Account is designed for all Palestinian individuals of all ages, and its goal is to provide a safe place to save money that encourages you to save what you can, today and periodically, to find it tomorrow when you need it.

Al-Watani savings account features:

- For all age groups
- Can be opened for a child sponsored by a parent or legal guardian
- It is not subject to any commissions
- It is not subject to any interests
- It may be opened without the need of a current account
- No minimum balance required (a minimum balance is however required to enter the prize draw in the event that a prize campaign for savings accounts is taking place)
- There are a number of e-services that may be used (ATM card, internet banking, AMS service, etc).
- Manage your account and make any inquiries through the digital services center.
- Transfer funds between The National Bank's savings account and your current account at TNB.
- Although the aim of a savings account is to save, you can withdraw money from a savings account from an ATM when needed.

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.



Rewards

GET IT ON Google Play

Download on the App Store

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 7/24 service is also provided while traveling and using the card.

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.

PLATINUM
YOU DESERVE لأنك تستحق

“Master Card «Platinum»

Master Card “Platinum” 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 Mastercard is available 7/24, 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 Card

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

Hayati program
womens impowerment program

Hayati | Palestinian Women's 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.

الداعم
الدائم لكِ

تمويل مشاريع بقيمة

$1,000,000

Competitive position

TNB's financial results were accomplished following the implementation of its ambitious strategic plan. This plan helped in transforming its competitive classification to assume a leading position among Palestinian banks. TNB's share of total clients' deposits in the Palestinian banks reached around %13 at the end of 2021.

TNB currently operates through 35 branches and offices in Jerusalem, Ramallah, Nablus, Hebron, Jenin, Bethlehem, Tulkarm and Salfit, in addition to the branches located in Palestinian towns and rural areas which promote the financial inclusion of residents, such as branches and offices located in Araba, Deir Jarir, Dura, Aqraba, Hizma, Al-Aizariya, Sinjil, and Al-Ram. The bank plans to open two new branches in 2022.

Credit facilities	2016	2017	2018	2019	2020	2021
Banking sector	6,872	8,026	8,438	9,039	10,079	10,747
TNB	519	654	1,327	1,427	1,751	877
Market share	%8	%8	%16	%16	%17	%8

Deposits	2016	2017	2018	2019	2020	2021
Banking sector	10,605	11,973	12,227	13,385	15,138	16,518
TNB	656	809	1,717	1,972	2,330	1,212
Market share	%6	%7	%14	%15	%15	%7

The discrepancy in the market share of the National Bank in terms of credit facilities and bank deposits in 2021 resulted from disclosing the financial statements of the National Bank separately without consolidating them with the statements of the Palestinian Islamic Bank (PIB), as a result of the accounting treatment that considers the investment in PIB as an investment in an Associate. It is to note that the separation of information with PIB did not have any financial impact on TNB and its profitability for shareholders, while TNB's share of the profits of PIB was maintained as is.

The 15 major shareholders of the bank

as of December 31,2021 are:

Name	Number of shares	Percentage
ENTERPRISE INVESTMENT COMPANY	16,628,812	%15.9
Jordan Commercial Bank	15,829,411	%15.1
PalTel	15,013,767	%14.4
Bank al Etihad/ Jordan	8,970,000	%8.6
Samir Hilal Mohamed Zuraiq	8,926,219	%8.5
Manal Adel Rifaat Zuraiq	8,885,213	%8.5
Birzeit Pharmaceuticals Company	4,137,100	%4.0
Omar Munib Rasheed Masri	2,870,400	%2.7
Al Rowad Group for Development and Investments	2,692,330	%2.6
SIRAJ PALESTINE FUND I ,LTD	1,963,832	%1.9
SIRAJ PALESTINE FUND I HOLDING	1,894,700	%1.8
Lotus Financial Investment Co	1,808,500	%1.7
Massar International Investment	1,356,644	%1.3
Al Sanabel for Trade and Investment	897,000	%0.9
TNB Employees Savings Fund	885,500	%0.8
	92,759,428	**%88.7**

The board was restructured in 2017 to include three 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.

Board of Directors

as of December 31, 2021


الوطني TNB
الوطني TNB

Mr. Samir Zraiq

Chairman

Mr. Samir Zraiq is a prominent businessman with extensive experience in economic policymaking, asset and portfolio management, as well as financial and strategic planning.

His relationship with The National Bank (TNB) extends for more than nine years, having been a board member since 2012. He has chaired the bank's credit facilities board committee as well as being a member of its investment committee. His belief in TNB's capabilities and leadership role in developing financial services in Palestine has led him to grow his investment in the bank and become one of its major shareholders.

Mr. Zraiq is also the chairman of Palestine Investment & Development Company and Sahem Trading & Investments Company. With his wide and diverse investment experience, Mr. Zraiq has overseen the investments of a number of finance and real estate companies across the Palestinian private sector.

Due to in-depth knowledge of sustainable development, Mr. Zraiq has chaired the Palestinian Businessmen Association and served as the Vice Chairman of the Federation of Arab Businessmen, where he contributed to promoting and attracting Arab and International investments to Palestine.

Furthermore, Mr. Zraiq's track record includes the planning of economic policies at the national level; he is a member of the National Team of Economic Development in Palestine as well as a member of the board of directors of the Social Security Fund. In addition, he is a member of the Palestinian National Committee of the World Trade Organization and a member of the Young Presidents' Organization (YPO)

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 Presidents' Organization (YPO) since 2001 and was selected as a Young Global Leader by the World Economic Forum.

Mr. Caesar Qulajen

Representative of the Jordan Commercial Bank (JCB)

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.

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

Mr. Isam Salfiti

Representative of Bank al Etihad

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 of 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.

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.

Mr. Maen Melhem

Representative of Paltel Group

Mr. Maen Melhem is the General Manager of Palestine Telecommunications Company – Paltel; the leading ICT, fixed-line, broadband operator, Data Center services provider, established in 1997 as a public shareholding company.

Melhem has been the General Manager of Paltel since October 2014. Throughout his tenure, he has overseen a rapid period of development, improving the company's performance in all its various fields. In particular, Paltel – under Melhem – has greatly enhanced the subscribers' experience by launching several new services, products, and campaigns. Paltel has also been able to introduce significant higher internet speed profiles for Palestinian homes.

In 2017, Melhem took a critical strategic step and invested in the establishment of (Tier III) Data Centers in Nablus and Al-Bireh cities, equipped in line with the highest standards to provide quality services to the Palestinian business sector. Melhem then opened the most advanced data center in the region in Al-Bireh.

Before joining Paltel, Melhem was the general manager of Palestine Cellular Communication Company Ltd. - Jawwal. During his four years of service, Melhem and his team implemented a comprehensive work plan that achieved the highest quality of service and subscriber satisfaction. This allowed Jawwal to maintain its position at the top of the telecommunications sector despite the entry of a competing mobile operator in Palestine in 2009. Melhem started his career at Jawwal where he held several management positions including Sales Director and Marketing Director before becoming General Manager.

Melhem is currently a member of the executive committee of the Paltel Group. He is also a Board member of the Golden Wheat Mills. He headed the Federation of Sports for All since 2013. He also chaired the Palestine Federation for Electronic and Intellectual Sports in 2021 which represents Palestine internationally.

Melhem holds a Master's in Business Administration from Al-Quds University and a Bachelor of Accounting and Finance from Hebron University, Palestine. During his career, he attended several international conferences and advanced training programs that enriched his knowledge in the telecom field.

Mr. Hisham Zaid

Representative of Paltel Group

Mr. Hisham Zaid has been the General Manager of Reach for Telecommunication Services, a Paltel Group company since 2018. He has over 15 years of experience in leading telecommunication, IT and financial companies. Reach is Palestine's first and largest call center. It offers outsourcing services to all sectors locally and internationally. Zaid is responsible manages the company and sets its long-term strategic goals and targets.

Since 2008, he has worked alongside the executive team of Paltel Group. For more than 5 years, he has worked with its IT company, Hulul Business Solutions. He served in several roles and functions including managing Hulul's international operations, running its Business Development Department, and developing and leading its Governance & Strategy Department. He was the General Manager of Palmedia Media Center from 20122018-. The company's main focus was providing broadcasting, production, and media transmission services to its clients.

Before joining Paltel Group, Hisham worked with the Palestinian Monetary Authority in 2006, as the Deputy Chief of the IT Policies & Procedures division. He was in charge of setting the strategies and standards of the PMA's IT department.

Zaid has been a board member of the Palestinian-American Chamber of Commerce since 2018. He holds a Bachelor of Science degree in Computer Science from Northwestern University in Illinois, USA.

Mrs. Dina M. Masri

Member

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 Bachelor's of Science in Environmental Studies from George Washington University, USA.

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 is currently the Chairwoman of al Mustaqbal School, 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).

During the past 23 years Ms. Zraiq has taken the lead 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 – PSD (www.psdpal.org) and the Chairwoman of the Global Young Presidents' Organization - YPO Palestine chapter (www.ypo.org). She is also a member of the Advisory Board for YMCA Ramallah (www.facebook.com/RamallahYMCA).

She was assigned by the Prime Minster Dr. Hamdallah to the Board of the Loan Fund for Undergraduates in Palestine (2017- 2021). She is also a board member of the Arab Investor Forum (www.arabinvestorforum.com).

She is a fellow of the ASPEN Global Leadership Network (AGLN). In 2013, Zraiq earned the Vital Voices Global Leadership Economic Empowerment Award. She participated in many Local and International Conferences.

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.

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 Al Mashreq 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

Mr. Kamal Abu Khadijeh

Minority Shareholders Representative

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.

Board Meetings

Seven board meetings were held in 2021:

Members	Position	Number of meetings attended	Attendance rate
Mr.Samir Zraiq	Chairman	7	%100
Mr.Omar Masri	Vice Chairman	7	%100
Mr.Caesar Qulajen□	Member	2	%29
Mr.Isam Salfiti	Member	7	%100
Mr.Maen Melhem	Member	7	%100
Mr.Hisham Zaid□	Member	4	%57
Mrs.Dina Masri	Member	7	%100
Mrs.Manal Zraiq	Member	7	%100
Mr.Aziz Abdul Jawad	Member	7	%100
Mr.Ayoub Zurub	Member	7	%100
Mr.Kamal Abu Khadijeh	Member	7	%100

- Mr. Talal Nasereddin resigned from his position as Chairman of the Board of Directors on 1- 5 -2021
- Dr. Grace Khoury resigned as a board member on 10 - 5 - 2021

* Mr. Salama Khalil was replaced by Mr. Hisham Zaid as a member of the Board of Directors representing Paltel on 17 - 6 - 2021

* Mr. Michael Sayegh, who resigned on 28 - 6 - 2021, was replaced by Mr. Caesar Qulajen as a member of the Board of Directors representing the Jordan Commercial Bank (JCB) on 22 - 8 - 2021

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, with a maximum of 12 meetings. 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-interest policy is enforced on all TNB employees and affiliates to complement - not replace - the instructions and laws in force governing conflicts of interest.

It is worth noting that in 2021, there were no voting abstentions caused by a conflict of interest, and no contracts or transactions involving conflict of interest were carried out.

Declarations made in 2021

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.

All decisions taken in 2021 were made by a unanimous vote by the Board.

Board of Directors' Committees

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. Hisham Zaid – 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. Maen Melhem – 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.

► Review the internal audit report of the IT Department and follow up on the implementation of recommendations.

► Recommend the approval of changes and amendments to IT policies and procedures.

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. Maen Melhem – 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
Mr. Maen Melhem – Member
Mrs. Manal Zraiq – 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, Remuneration and Corporate Governance 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:

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 31,2021

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).

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

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 listed in 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.

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

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.

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.

He 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. He 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.

He 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.

Mr. Mahmoud Nawahda

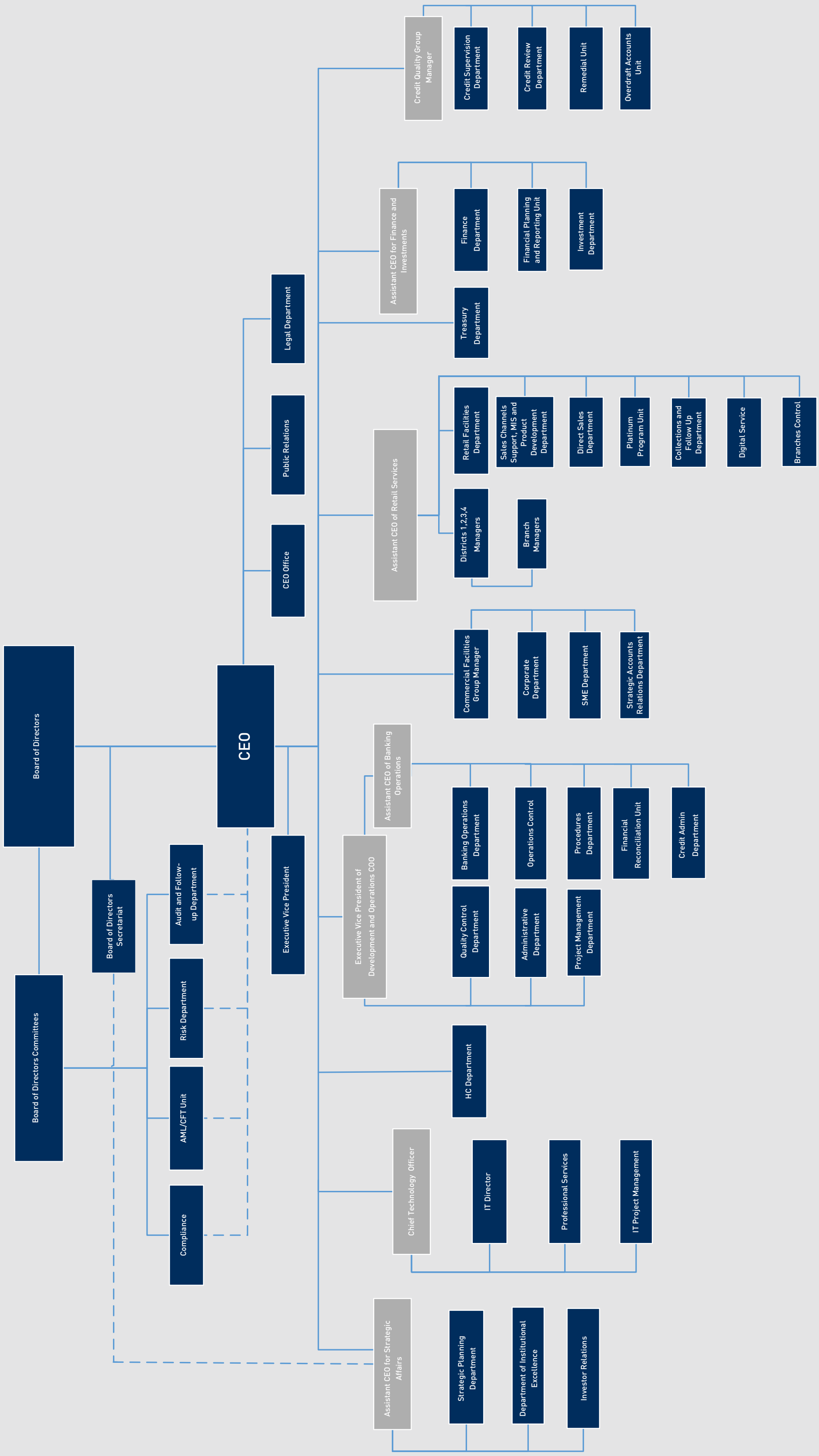
Chief Operations Officer (COO)

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.

He 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).

TNB’s Organizational Structure



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.

TNB is considered a bank of systemic importance locally. This classification is based on special indicators and determinants, including the size of the bank, the volume of its business and other indicators. This classification gives TNB a special importance locally to the banking sector and the local economy of Palestine. It also means any crisis it may be exposed to may have an impact on the economy. For this reason, the Bank developed and adopted additional control measures to monitor and predict risks. It adopted an early warning document to periodically and continuously monitor indicators related to the business and activity risks to which the bank may be exposed. In the event of any crisis, the necessary plans were put in place to address and manage risks. TNB has a crisis management policy, and has developed recovery plans and necessary solutions to ensure a return to normal as soon as possible and with minimal losses.

PMA instructions are implemented to ensure the bank's ability to handle risks by carrying out stress testing to measure risks. Scenarios and hypotheses of varying severity are developed and the bank measures the reaction to them as well as their impact on the adequacy and continuity of its capital.

TNB follows a preventive risk management methodology based on reducing risks before they occur, i.e., a preventive action approach instead of a corrective action. The implementation of the new accounting standard (IFRS9) is an important principle that will enhance this methodology, especially since it is based on measuring and hedging risks from the outset.

To ensure the proper implementation of this methodology, internal controls are monitored and reviewed, and periodic reports are submitted by the Risk Department to the senior executive management and the Board's Risk Committee. The reports address all types of risks facing the bank and give an overview of the situation.

Risks to which the bank is exposed to 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 fixed 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 fulfill 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 decision-maker 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.

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 No. 10.
- 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.

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.

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 is responsible for the regular rotation of the external auditor, while ensuring during the selection process that the external auditor is (1) accredited by the Palestinian Monetary Authority with the necessary professional license from relevant official and professional entities, (2) does not have any suspected conflict of interest, (3) has not received any direct or indirect credit facilities from the bank in their personal capacity or on behalf of their spouse or children, or on behalf of any entity that they are partners in, separately or collectively, by a percentage equal to 5% or more of its shares, or are members of its board of directors. The external auditor must have no direct or indirect benefit related to the bank, or with companies affiliated with the bank. They must not be a manager or employee of the bank or any of the companies affiliated with the bank. They must carry out their duties in compliance with international auditing standards and instructions from the PMA, as follows:

- Performing their duties according to the terms and conditions that regulate the auditing profession and complying with international auditing standards and the Code of Professional Conduct in Auditing.
- Auditing the financial statements and accounting records of the bank in line with IFRS and IAS standards.
- Complying with the minimal disclosure requirements for the financial statements as issued by the PMA.
- Respecting full confidentiality under professional rules of conduct, and not disclosing any information they acquired by virtue of their work, even upon completion of their task at the bank.
- Providing the Audit Committee with a copy of their financial and administrative reports and holding a meeting with the Audit Committee at least once a year.
- Submitting an annual report to the bank's general assembly, stating that the reviewing and auditing activities of the bank and its accounts were conducted in compliance with the IAS, and expressing their opinion regarding the fairness of the financial statements for the period audited, and that they were prepared in accordance with the IFRS and IAS standards.
- Attending the general assembly meetings and answering any questions from the shareholders.
- Presenting a report to the PMA and a copy to the Board within two months from the end of the fiscal year. The report shall include the following:
  - Any violations of the provisions of the Law on banks, the PMA Law and any other applicable legislations committed by the bank during the fiscal year under audit.
  - The opinion of the external auditor on the adequacy of the bank's internal control systems.
  - The opinion of the external auditor on the adequacy of the provisions to mitigate potential risks affiliated with the bank's assets and liabilities.
  - Verifying the accuracy of the data received during the audit.

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.

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.

Training and Development Policy:

The Human Resource Department works on developing employee capacities since it believes that employees are the true capital of the bank. Therefore, investing in employees, by developing and enhancing their capacities continuously is a matter of priority for the bank to strengthen its capacity to respond to customer needs. The Department works collectively to detect needs, develop appropriate plans, and monitor the impact of these activities.

To implement the bank's strategic directions on the development of services provided to customers, and improve the level of job satisfaction and achieve the aspirations of employees for professional development, the Training and Development Unit at the Human Resource Department has been working in 2021 on implementing the following training activities and programs:

Work procedures and policies: employees were trained on policies in place at the bank, in addition to enhancing the concept of implementing the bank's work procedures to reduce any operational mistakes among employees.

- Online Training: training employees and enhancing their capacity to use modern technology and focus on digital transformation by ensuring the participation of employees in online local and foreign training programs. 55 training programs were organized, mostly by the EBRD.
- Retail Credit Policy: a new retail credit policy was adopted. All branch employees in different administrative levels were trained by the Retail Department to increase employee productivity and improve performance to achieve ongoing growth and inform employees of banking products and services.
- Monitoring Procedures: Branch employees have received training on monitoring and compliance policies according to the instructions of the PMA by the AML Unit and the Compliance Unit to strengthen the monitoring role of supervision departments at the bank.
- Upgrading Customer Services: attention to services is one of the essential factors to attract and retain customers by training direct sale employees and branch employees on service quality standards by the Institutional Excellence Department.
- Specialized training programs for the Commercial Department employees: More than 10 training programs were offered to the employees of the Commercial Department to enable employees to study and analyze commercial facilities requests.
- Bilateral Studies Program: A training program was offered to the students of the University of Jerusalem at TNB to provide them with the necessary administrative and banking skills and prepare them for the job market.

► A summary of the trainings data and numbers of participants and training programs implemented during 2021.

63
Technical and banking training programs for Technical Skills

15
Training programs for Soft Skills

55
Online training programs

1,341
Participants in training programs

78
Training programs amounted

Remuneration and Bonuses Policy

- The Policy includes provisions on granting annual bonuses and instructions to assess annual performance and the executive steps that were implemented.
- The performance evaluation process is accumulative and participatory and determines the efficiency and effectiveness of the employee during a specified timeframe according to the specified and previously agreed upon criteria and objectives through the balanced scorecard methodology.
- This policy was developed based on the recommended global practices in this regard in line with the specificity of these functions in Palestine.

Purpose of the policy:

- Achieving the principles of transparency and governance adopted by the National Bank in the performance evaluation policies and the distribution of annual financial bonuses.
- Providing a reference to the Board of Directors and executive management employees on annual bonuses and employee performance evaluation policies.
- Objectivity and fairness in evaluating the performance of bank employees by linking individual performance to institutional performance by using balanced scorecards (BSC).
- Alignment with the Labor Law and the instructions of the PMA by putting in place performance evaluation procedures and determining annual bonuses.

TNB Staff

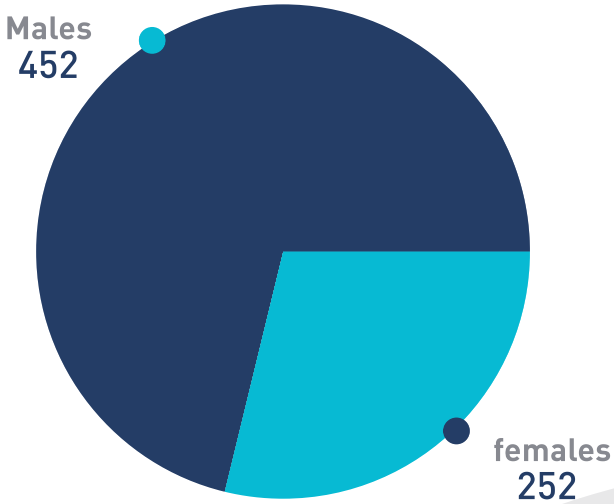
The number of employees at TNB amounted to 704 female and male employees distributed among the headquarters , branches and offices as follows:

as of 31-12-2021

Work Location	Number of employees
Headquarters/Ramallah	323
Ramallah Branch	21
Masyoun Branch	25
Maydan Branch	23
Rawabi Branch	7
Ramallah Al Tahta Branch	9
Deir Jarir Branch	8
Sinjel Branch	9
Al-Ram Main Branch	14
Al-Ram Branch	3
Hizma Branch	9
Jerusalem Branch	18
Al Ezarieh Branch	13
Hebron Branch	22
Bethlehem Main Branch	24
Bethlehem Branch	10
Dura Branch	12
Jenin Main Branch	22
Jenin Branch	8
Rafidia Branch	21
Nablus Main Branch	28
Nablus Branch	12
Aqraba Branch	8
Salfeet Branch	13
Arraba Branch	10
Tulkarem Main Branch	21
Tulkarem Branch	11
Total	**704**

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 who occupy leadership positions at the National Bank reached 22% at the end of 2021. The bank is working on increasing that percentage to 25% by mid-2022.



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. TNB's vision reflects the direction of its human capital and its customers. The academic qualifications of employees as of 31-12-2021 was as follows:

31 Master

543 Bachelor

44 Diploma

86 High school and below

In 2021, the HR Department launched incentives for male and female employees to encourage them to be more creative and innovative. These incentives also aim to increase and enhance the level of communication in unconventional ways between individuals in the institution and the administration, and to create a healthy professional workplace. They included:

► "Exclusively Watani" Program:

A motivational program for employees to encourage them to take initiatives at work and nurture a spirit of creativity and innovation. The program aims to create favorable conditions for individual initiatives from employees to achieve the following objectives:

1. Creating a work environment that is encouraging and favorable towards employee individual initiatives.
2. Encouraging creativity and innovation.
3. Appreciating employee efforts to create a favorable working environment.

- The "Exclusively Watani" Program is built on a number of aspects related to employee conduct:
    1. Social and professional value activities added to the performance of staff.
    2. Social value interest initiatives added to the reputation of the bank.
    3. Added value interest initiatives added to customer relations with the bank.
    4. Initiatives to present creative ideas for new programs and facilitating work methods.
- Mechanisms to identify creative conduct and employee interest conduct.

    1. Introduction from a colleague
    2. Introduction from a manager
    3. Introduction from a customer
    4. Self-identification "self-candidacy"

► "Your Opinion Matters" Portal:

The bank believes in the importance of enhancing the process of communication with all employees at all administrative levels at the bank. The Human Resource Department is committed to developing policies and practices to enhance internal communications at the institution in a professional way, and to reaffirming the importance of communicating in a transparent and professional manner. The "Your Opinion Matters" window was developed as a platform for employees to express their opinion and provide suggestions on improving working methods and participate in the decision-making process.

► Objectives of the "Your Opinion Matters" Portal:

- Creating a culture of communication and interaction between employees at all administrative levels.
- Enhancing the level of communications and internal interaction at the bank.
- Improving the level of partnership among employees in the framework of the decision-making process through their different suggestions.
- Enhancing the response of decisions to the needs of employees.
- Improving the level of ownership of institutional decisions, and therefore the level of compliance with such decisions.
- Providing the opportunity for all employees to participate in institutional building and development.

► Social Activities of employees during 2021

Social activities that were carried out during 2021 had a big 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 that took place in 2021 were:

The bank employees participated in Pink October Campaign to raise the awareness of the importance of early detection of breast cancer.

The participation of the National Bank in the "Injaz Palestine" celebration to honor the pioneering students for the year 2021. The "Thiqa" company, which the National Bank volunteered to supervise its development with the students of Al-Frair Secondary School in Jerusalem, won the "Best Community Impact" award.

During Pink October, The National Bank cooperated with "Dunia Women's Cancer Center" to give an awareness lecture about breast cancer, symptoms and the importance of early detection.

The National Bank participated in a banking literacy open day, for the Economy Department students of Palestine Technical University "Kadoorie".

Bank Shares Owned by Board Members and related shares

as of 31/12/2021

Name	Position	Number of shares owned personally	Number of related shares
Samir Hilal Mohamad Zraiq	Chairman	8,926,219	226,481
Omar Munib Rashid Masri	Vice Chairman	2,870,400	19,440,742
Dina Munib Rashid Masri	Board Member	59,800	-
Ayoub Wael Ayoub Zurub	Board Member	11,500	-
Isam Halim Jaris Salfiti	Board Member	-	9,448,400
Manal Adel Rifat Zraiq	Board Member	8,885,213	-
Kamal Ismail Mohamad Abu Khadijeh	Board Member	10,000	-
Aziz Mahmood Mustafa Abdul Jawad	Board Member	10,000	-
Total		20,773,132	29,175,423

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

	2021	2020
	Consolidated balance sheet items	
Direct credit facilities	11,062,784	30,452,644
Customer deposits	47,129,629	61,287,943
Cash margins	1,518,383	1,520,191
Accounts payable	570,653	325,544
	Consolidated income statement items	
Credit interest and commissions	1,510,689	2,047,930
Debit interest and commissions	612,896	363,920
Advertisement costs	374,838	306,878
Mail and telephone	298,614	271,464
	Consolidated off-balance sheet items:	
LGs and LCs	9,406,390	7,193,341
Unutilized credit limits	3,413,609	5,242,530

Consolidated off-balance sheet items
Consolidated income statement items
Consolidated balance sheet items

Below is a summary of benefits of the Executive Management (salaries, bonuses and other benefits):

	2021	2020
Shares of the executive management in terms of salaries and relevant expenses (short term benefits)	1,381,878	1,805,329
Share of the executive management in terms of end of service remuneration expenses (Long term benefits)	127,958	193,811
Expenses of members of TNB's Board of directors	310,667	310,667

External Auditor

Ernest and Young – Ramallah – Al Masyoun – Padico House – 7th floor

Phone number 02-2421011 P.O. Box 1373

Auditor's Fees

The auditor fees amounted to USD 1,394,212 during 2021.

Bank Shares Trading Activity

Shareholders as of 31-12-2021 reached 8,719. The trading volume reached USD 2,135,116 divided over 1,125,332 shares during 2021. The number of contracts concluded during the same period amounted to 671.

Highest price 2021	Lowest price 2021	Closing price 2021	Closing price 2010	Change %
USD 2.00	USD 1.35	USD 1.60	USD 1.51	%5.96

Profit and Loss of Shareholders Rights and Securities Prices:

	2016	2017	2018	2019	2020	2021
Net profit after tax	7,402,240	9,204,749	8,998,319	7,947,598	5,819,453	8,500,085
Value of dividends in cash	%5.0	%5.0	%5.0	-	-	-
Value of dividends in free shares	-	-	%4.0	-	-	-
Equity	92,495,563	97,567,177	91,906,288	95,698,764	119,488,321	145,744,808
Securities closing prices	1.90	1.84	1.70	1.90	1.51	1.60

Fines and penalties imposed on the bank during 2021

Penalties imposed on TNB reached USD 20,000 during 2021.

Lawsuits against the bank.

The value of lawsuits filed against the bank reached USD 44,809,467 and USD 8,613,713 in 31-12-2020 and 31-12-2021 respectively The amount of 10,169,998 from these lawsuits included the normal activity of the bank while the rest of the amount, 34,639,469, 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 discrepancy in the growth rates in the financial statements including the income statement, is a result of the National Islamic Investments Company (NIIC) deal that took place in 2021; TNB bought 100% of its subsidiary's shares from the shareholders, and in return TNB granted them their shares in the Palestine Islamic Bank (PIB), while TNB maintained a direct share of 25% in PIB and 2 seats on the board. Due to this transaction, and in line with the international financial reporting standards, the financial statements of PIB and TNB will no longer be consolidated after 30-6-2021.

Our Corporate Social Responsibility

TNB looks at social responsibility in a different way and believes it is not merely limited to donating a certain percentage from our net profits to serve specific sectors in society. It also encompasses social responsibility at the heart of the work of the bank and is part of its different policies to constitute an integrated circle to serve all sectors of society, contribute to the national economy, and to protecting the environment in order to provide sustainable contributions to develop the Palestinian society in a sustainable and effective manner.

The bank's social contributions according to the consolidated financial statements reached USD 380,000 in 2021, distributed over the following sectors:

Sector	Contributions (in USD)	Number of institutional partnerships
Health and environment	114,162.35	21
Education	131,889.85	23
Development	73,037.80	8
Women's empowerment	26,100.00	7
Relief	25,750.00	10
Childhood and innovation	2,500.00	2
Care for persons with special needs	7,000.00	3
Total	380,440.00	64

Some Social Contributions in 2021

Some of Our Sustainable Projects

Environmental Conservation and National Energy Autonomy

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. At the end of 2021, reports show that the National Bank managed to reduce carbon emissions by 3900 tons since purchasing a share in the solar park. For two years in a row, TNB continued to protect the climate and preserve the environment, by enhancing socially sustainable practices related to governance best practices (ESG) to achieve job sustainability.

Economic Empowerment of Palestinian Women

For the sixth year in a row, the empowerment of Palestinian Women formed an integral pillar and important sector in the corporate social program of the bank. TNB allocated a part of its social contribution to focus on 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. In 2021, the bank granted renewed loans for productive projects led by women in the amount of USD 10 million with preferential interest rates, as a way to respond to the repercussions of the COVID-19 pandemic on the SMEs sector that largely affected women-led SMEs. TNB believes that such projects can achieve sustainable development, by enabling women's economic empowerment and financial autonomy. Entrepreneurial projects help women secure a regular monthly income for themselves and their families, as well as open 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 helped make this project an effective contributor to sustainable development and the social and economic empowerment of Palestinian women.

In 2021, the National Bank sponsored the 100th anniversary of the Arab Women Association to support the Association's message of empowering, supporting and strengthening the role and capacity of Palestinian women in society.

TNB participated, along with UN Women in Palestine, and a number of local and international institutions, in the 16-day campaign to combat all forms of gender-based violence. The bank also participated in a series of activities that included lighting their headquarters in orange and uploading awareness messages across its electronic channels and social media. Bank employees wore orange to reaffirm their rejection of all forms of gender-based violence and to raise awareness about this issue in Palestine.

The National Bank is an effective contributor to developing Fintech solutions

Developing 3 leading Fintech solutions

As part of our social responsibility to contribute to developing digital tools and solutions to meet urgent needs in the financial industry in Palestine from young Palestinians with skills in digital technology at the global level, the National Bank in 2021 cooperated with Flow Accelerator to develop 3 Fintech solutions for the Palestinian market, as follows:

OCTOBI

Entrepreneur: Shirin Yassine

Sector: Data Analysis and Business Intelligence

Description: A program that combines big data, business intelligence and data mining. It relies on internal and external data to create predictions and advanced information boards to support business growth and control financial transactions in banks.

Agile Bluebook

Entrepreneur: Ahmed Kanaan

Sector: Insurance and Data

Description: A smart program and website to evaluate and price cars through data science and artificial intelligence to provide a necessary reference for pricing and reducing any problems.

PROS

Entrepreneurs: Naiim Al Shakhir and Bahaa Jouda

Sector: Security and Data

Description: A technological solution that uses artificial intelligence to uncover financial crimes such as money laundering and fraud for more secure transactions.

Contribution to Health Sector Development

In 2021, the National Bank sponsored and supported a number of medical activities, equipped Palestinian health centers, and contributed to increasing the awareness of Palestinian doctors of the latest achievement in science and medical technology.

Banking literacy

In 2021, the National Bank continued to play a role in spreading digital banking awareness among different sectors of society. The bank also contributed to providing banking awareness by organizing workshops for 2000 students from the Economy College at the Palestine Technical University - Khadoorie.

International Initiatives adopted and implemented by TNB

International Initiatives

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

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

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labor

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labor;
- Principle 5: the effective abolition of child labor; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10: 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:

- • Principle 1: Establish high-level corporate leadership for gender equality
- • Principle 2: Treat all women and men fairly at work – respect and support human rights and nondiscrimination
- • Principle 3: Ensure the health, safety and well-being of all women and men workers
- • Principle 4: Promote education, training, and professional development for women
- • Principle 5: Implement enterprise development, supply chain and marketing practices that empower women
- • Principle 6: Promote equality through community initiatives and advocacy
- • Principle 7: 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.

Branchs' Network

Headquarters

Ramallah, Al Maysoun, Mahmoud Darwish Square

Tel: 02 2946090 / Fax: 02 2946114 / P.O. Box 700, Ramallah, Palestine

Al Masyoun Branch: Mahmoud Darwish Square, the National Bank HQ
Tel: 02 2946090 / Fax: 02 2946114 / P.O. Box 700, Ramallah, Palestine

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

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

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

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

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

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

Al Ram Branch: Mahmoud Darwish Square, the National Bank HQ
Tel: 02 2348920 / Fax: 02 2348921 / P.O. Box 1

Al Ram office: Faisal Alhusainin Stadium
Tel: 02 2340225 / Fax: 02 2340226 / P.O. Box 11

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Tulkarem Branch: City Center, Samarah W Alaraj Building, El Shemali Street

Tel: 09 2676585 / Fax: 09 2676591 / P.O. Box 330

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

Tel: 09 2519225 / Fax: 09 25119205 / P.O. Box 55

Trust office: Nablus, amman street

Tel: 09 2380802

Ramallah court office: Ramallah court

Tel: 02 2422251

Nablus court office: Nablus court

Tel: 09 2330405

Hebron court office: Hebron court

Tel: 02-2255420

Tulkarem court office: Tulkarem court

Tel: 09-2689580

Qalqelia court office: Qalqelia court

Tel: 09-2930778

Nablus municipality office:Nablus munici-pality building

Tel: 09-2333484

Yatta court office: Yatta court

Tel: 02-2277207

Doura court office: Doura court

Tel: 02-2285328

Salfeet court office:salfeet court

Tel: 09-2565847

ATM Network

Ramallah and Al Bireh Governorate

- Al Masyoun, National Bank Building, near Mahmou 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 Catholic School
- Sinjil Branch: Municipality Street
- Ramallah el Tahta branch, Berlin Street

Rawabi City

- 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


الوطني TNB
www.tnb.ps

Format and Ways of Delivering Information to 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

Ernst & Young
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Building a better working world

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, 2021, consolidated income statement, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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

Expected Credit Losses "ECL" allowances:	
Key Audit Matter	**Audit Procedures**
Expected Credit Losses "ECL" allowances: The estimation process of the expected credit losses of credit facilities and Islamic financing, balances at banks and financial institutions, cash and balances with Palestine Monetary Authority, and financial assets at amortized cost in accordance with IFRS (9) is important and complex as it requires significant judgement. IFRS (9) requires the use of the ECL model, which requires the bank's management to use various assumptions and estimates to determine both the time and value of ECL in addition to applying judgment in determining the inputs within the impairment measurement process, including collaterals and default date. The Coronavirus (COVID-19) pandemic has affected the expected credit losses calculation process. During the prior year, the bank revised its microeconomic indicators and allocated more weight to the worst-case scenarios. 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 and Islamic financing, balances at banks and financial institutions and PMA and financial assets at amortized cost amounted to U.S. $ 1,440,209,300 as at December 31, 2021. The related ECL amounted to U.S. $ 47,263,038 as at December 31, 2021. Accounting policies estimates and significant accounting judgments, disclosures of the ECL, and credit risk management are detailed in notes (3, 6, 7, 9, 11, 46 and 55) to the consolidated financial statements.	Our audit procedures included assessing the controls on procedures for granting, recording and monitoring credit facilities and Islamic financing, 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 Islamic financing, balances at banks and financial institutions, financial assets at amortized cost and the required provisions against them. Our procedures for testing controls also included assessing whether key controls, in the aforementioned processes had been designed, applied and effectively implemented; in addition to performing the following assessment procedures: - The bank's policies related to the ECL provision in accordance with IFRS (9). - Key assumptions and judgments related to the material increase in credit risk, the definition of default, and the use of macroeconomic inputs to verify that the ECL amounts recorded reflect the underlying credit quality and macroeconomic trends, including the impact of the Coronavirus (COVID-19). - The appropriateness of the Bank's staging. - The appropriateness of determining Exposure at Default (EAD), including the consideration of 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 and Islamic financing 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 and Islamic financing 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).

Other information included in the Bank's 2021 Annual Report

Other information consists of the information included in the Bank's 2021 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2021 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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 of the consolidated financial statements.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.
Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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, 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young - Middle East
License # 206/2012

Abdelkarim M.
Ernst + Young

Abdelkarim Mahmoud
License # 101/2017

March 30, 2022
Ramallah - Palestine

Public Shareholding Company Ltd.
Consolidated Financial Statements
December 31, 2021

Consolidated Statement of Financial Position
As at December 31, 2021

	Note	December 31, 2021 U.S. $	December 31, 2020 U.S. $
Assets			
Cash and balances with Palestine Monetary Authority	6	290,606,441	608,939,817
Balances at banks and financial institutions	7	322,310,801	215,989,883
Financial assets at fair value through profit or loss	8	1,487,573	2,527,347
Direct credit facilities and Islamic financing	9	876,853,992	1,750,545,046
Financial assets at fair value through other comprehensive income items	10	17,706,139	16,611,633
Financial assets at amortized cost	11	25,674,745	31,055,118
Investment in associates	12	48,090,281	11,669,721
Investment properties	13	-	8,375,983
Property, plant and equipment	14	19,824,277	49,267,935
Right of use assets	15	6,826,148	16,025,258
Projects in progress	16	269,695	3,018,587
Intangible assets	17	5,079,498	32,340,660
Deferred tax assets	18	4,163,823	10,793,439
Other assets	19	12,290,486	87,584,877
Total assets		1,631,183,899	2,844,745,304
Liabilities and Equity			
Liabilities			
Banks and financial institutions' deposits	20	147,387,483	97,129,607
Customers' deposits	21	1,139,385,865	2,169,333,639
Cash margins	22	72,122,853	160,223,899
Loans and borrowings	23	51,005,307	80,914,178
Subordinated loans	24	35,000,000	40,000,000
Sundry provisions	25	6,326,286	16,364,190
Taxes provisions	26	1,281,190	3,333,360
Lease liabilities	27	6,715,176	15,806,540
Other liabilities	28	26,214,931	40,694,871
Total liabilities		1,485,439,091	2,623,800,284
Equity			
Paid-in share capital	1	104,553,948	91,764,707
Share premium	29	17,770,333	17,770,333
Statutory reserve	30	6,086,418	5,236,409
General banking risks reserve	30	4,085,562	4,085,562
Pro-cyclicality reserve	30	5,216,291	5,216,291
Fair value reserve	10	(2,033,671)	(6,881,906)
Retained earnings		10,065,927	2,296,925
Net equity holders of the Bank		145,744,808	119,488,321
Non-controlling interests	5	-	101,456,699
Net equity		145,744,808	220,945,020
Total liabilities and equity		1,631,183,899	2,844,745,304

The accompanying notes from 1 to 55 are an integral part of these consolidated financial statements

Consolidated Income Statement
For the year ended December 31, 2021

	Note	2021 U.S. $	2020 U.S. $
Interest income	31	58,334,492	56,763,716
Interest expense	32	(23,376,010)	(21,576,189)
Net interest income		34,958,482	35,187,527
Net financing and investment income	33	24,294,044	37,576,146
Net commissions income	34	11,848,325	15,988,674
Net interest and commissions and financing and investment income		71,100,851	88,752,347
Foreign currency gains		8,326,980	4,100,813
Net gains from financial assets portfolio	35	1,727,158	1,143,132
Net bank's share of results of associates	12	1,957,443	147,510
Other revenues	36	3,581,591	347,738
Gross profit		86,694,023	94,491,540
Expenses			
Personnel expenses	37	29,726,666	35,234,422
Other operating expenses	38	18,501,552	24,828,812
Depreciation and amortization	14&15&17	7,437,024	9,775,613
Net re-measurement of provisions for expected credit losses for the year, net	39	11,954,142	20,222,147
Impairment of investment properties	13	694,156	86,110
Legal provision	25	195,970	69,902
Palestine Monetary Authority's fines	40	20,000	708,209
Total expenses		68,529,510	90,925,215
Profit for the year before taxes		18,164,513	3,566,325
Taxes expense	26	(4,241,777)	(4,279,762)
Profit (loss) for the year		13,922,736	(713,437)
Attributable to:			
Equity holders of the Bank		8,500,085	(5,819,453)
Non-controlling interests		5,422,651	5,106,016
		13,922,736	(713,437)
Basic and diluted earnings (losses) per share attributable to the equity holders of the Bank	41	0.09	(0.07)

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

	2021 U.S. $	2020 U.S. $
profit (loss) for the year	13,922,736	(713,437)
Other comprehensive income items		
Items not to be reclassified to consolidated income statement in subsequent periods:		
Change in the fair value of financial assets	5,230,890	(1,608,991)
Bank's share of other comprehensive income of associates	173,591	(113,371)
Total other comprehensive income	5,404,481	(1,722,362)
Net comprehensive income for the year	19,327,217	(2,435,799)
Attributable to:		
Equity holders of the Bank	13,348,320	(7,181,032)
Non-controlling interests	5,978,897	4,745,233
	19,327,217	(2,435,799)

The accompanying notes from 1 to 55 are an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity
For the year ended December 31, 2021

	Paid-in share capital	Share premium	Reserves: Statutory	Reserves: General banking risks	Reserves: Pro-cyclicality	Reserves: 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
Net 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 5)	-	-	-	-	-	-	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 accompanying notes from 1 to 55 are an integral part of these consolidated financial statements

	Paid-in share capital	Share premium	Reserves				Retained earnings	Net equity holders of the Bank	Non-controlling interests	Net equity
			Statutory	General banking risks	Pro-cyclicality	Fair value				
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
December 31, 2020										
Balance, beginning of the year	78,000,000	564,451	5,236,409	3,425,111	5,216,291	(5,520,327)	8,776,829	95,698,764	96,711,466	192,410,230
Loss for the year	-	-	-	-	-	-	(5,819,453)	(5,819,453)	5,106,016	(713,437)
Other comprehensive income items	-	-	-	-	-	(1,361,579)	-	(1,361,579)	(360,783)	(1,722,362)
Net comprehensive income for the year	-	-	-	-	-	(1,361,579)	(5,819,453)	(7,181,032)	4,745,233	(2,435,799)
Increase in paid-in capital - Business acquisition (note 4)	13,764,707	17,205,882	-	-	-	-	-	30,970,589	-	30,970,589
Transfers to reserves	-	-	-	660,451	-	-	(660,451)	-	-	-
Balance, end 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

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

	Note	2021 U.S. $	2020 U.S. $
Operating activities			
Profit for the year before taxes		18,164,513	3,566,325
Adjustments for:			
Depreciation and amortization		7,437,024	9,775,613
Net gains from financial assets portfolio		(1,727,158)	(1,143,132)
Net bank's share of results of associates		(2,154,918)	(147,510)
Interest on lease liabilities		381,275	531,154
Net re-measurement of provisions for expected credit losses for the year, net		11,954,142	20,222,147
Losses (gains) from valuation of deposits at below market interest rate		408,572	(2,451,432)
(Recovery) of losses arising from modifying Islamic financing of a subsidiary		(1,708,220)	7,970,600
Sundry provisions		2,808,966	4,135,004
Gains on sale of investment properties		-	(3,368)
Gains on sale of property, plant and equipment		-	(67,410)
Impairment of investment properties		694,156	86,110
Other non-cash items		404,626	1,436,763
		36,662,978	43,910,864
Changes in assets and liabilities:			
Restricted balances at banks and financial institutions		(16,473,390)	2,607,880
Statutory cash reserve at Palestine Monetary Authority		(40,828,086)	(21,383,781)
Direct credit facilities and Islamic financing		43,407,358	(261,601,711)
Other assets		21,925,749	(20,262,298)
Customers' deposits		134,661,951	197,316,545
Cash margins		(20,060,011)	19,422,700
Other liabilities		11,156,253	3,757,665
Net cash flows from (used in) operating activities before paid taxes and provisions		170,452,802	(36,232,136)
Taxes paid		(4,388,404)	(6,585,928)
Sundry provisions paid		(3,271,828)	(5,772,766)
Net cash flows from (used in) operating activities		162,792,570	(48,590,830)
Investing activities:			
Balances at banks and financial institutions maturing in more than 3 months		(8,206,251)	(26,989,581)
Deposits at banks and financial institutions maturing in more than 3 months		-	25,000,000
Sale of investment properties		-	185,000
Purchase of property, plant and equipment		(1,264,078)	(2,695,417)
Sale of property, plant and equipment		87,276	165,640
Projects in progress		(183,127)	(771,219)
Purchase of intangible assets		(723,213)	(1,040,360)
Net change in financial assets at fair value through other comprehensive income items		(5,480,326)	-
Net change in financial assets at amortized cost		(5,710,617)	32,035,658
Cash flows from business acquisition		-	76,407,301
Cash outflows from disposal of a subsidiary		(363,360,810)	-
Cash dividends received		1,617,224	1,303,258
Net cash flows (used in) from investing activities		(383,223,922)	103,600,280
Financing activities:			
Lease liabilities paid		(2,469,775)	(2,379,143)
Paid-in share capital		12,789,241	-
Subordinated loans		(5,000,000)	-
Loans and borrowings		(29,908,871)	46,326,273
Net cash flows (used in) from financing activities		(24,589,405)	43,947,130
Net (decrease) increase in cash and cash equivalents		(245,020,757)	98,956,580
Cash and cash equivalents, beginning of the year		544,610,581	445,654,001
Cash and cash equivalents, end of the year	42	299,589,824	544,610,581
Interests expense paid		22,586,146	19,404,295
Interests revenue received		54,034,325	43,200,780

Notes to the Consolidated Financial Statements

As at December 31, 2021

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 25 branches and its 8 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 general assembly decided in its meeting held on April 16, 2019 to increase the bank's capital to 100,000,000 shares and the authorized and paid in capital to U.S. $ 100,000,000 at U.S. $ 1 par value each. The general assembly decided at the same meeting to distribute U.S. $ 3,000,000 as stock dividends. Accordingly, as at December 31, 2019 the authorized and paid in capital amounted to U.S. $ 78,000,000. In addition, during 2020, the Bank acquired Jordan Commercial Bank's branches in Palestine, through a stock issuance of 13,764,707 shares of the National Bank's shares through private issuance. As a result, the Bank's authorized, subscribed and paid in capital amounted to U.S. $ 91,764,707 at U.S. $ 1 par value each as at December 31, 2020.

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 Bank's personnel reached 704 and 721 employees as at December 31, 2021 and 2020, respectively.
The consolidated financial statements as at December 31, 2021 were authorized for issuance by the Bank's Board of Directors on March 9, 2022.

2. Consolidated financial statements

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

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.$	
		2021	2020	2021	2020
National Islamic Investment Company	Palestine	100	54.78	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, 2021. 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.

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 1 January 2021 shown below:

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

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

- To require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest,
- To permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued,
- To provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

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

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

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

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

However, the Bank has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

Standards Issued But Not Yet Effective

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

Reference to the Conceptual Framework – Amendments to IFRS 3

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

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

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

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

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

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

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

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.
The amendments are not expected to have a material impact on the Bank.

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

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

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

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

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

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

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

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

Definition of Accounting Estimates - Amendments to IAS 8

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

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

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

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

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

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

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

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 and Islamic financing 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 46)
- Capital management (note 50)

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.

4. Business acquisition

On July 29, 2020, the Bank acquired the operations of Jordan Commercial Bank (JCB) in Palestine. The acquisition agreement (the agreement) states that after obtaining the required approvals from the Palestinian Monetary Authority, the Central Bank of Jordan, the Palestinian Capital Market Authority, and all other relevant formal parties. The Acquisition was performed through a subscription by JCB in 13,764,707 stock shares of the National Bank through private issuance which represents 15% of the paid in capital of the Bank after JCB's subscription amounted to 91,764,707 shares at that time. The value of shares subscribed by JCB in the Bank's capital amounted to U.S. $ 30,970,589.

As part of the agreement, the two banks agreed to initiate a swap deposit deal with preferential terms in favor of the National Bank as a compensation of the fair value variances of some assets and liabilities acquired. The Bank measured these swap deposits and presented them at fair value (market value) in accordance with the IFRS (3) "Business Combinations" based on IFRS (13) "fair value measurement".

The Bank recorded the acquisition at fair value. The purchase price allocation of the acquisition in accordance with the IFRS (3) "Business Combinations". These consolidated financial statements for the year 2020 do not include the results of Jordan Commercial Bank for the first six-month period for the year 2020.

5. 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 (note 12). 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.

Following are the details of the book value of assets, liabilities and rights of Non-controlling interests that were excluded:

	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, which is not wholly owned and has material interests in the non-controlling interests up to the date of disposal:

Proportionate of equity interest held by non-controlling interests:

Company name	Country of origin and business	2021	2020
		%	%
The National Islamic Investment Company	Palestine	-	45.22

Non-controlling interests in the material subsidiary:

	2021	2020
	U.S. $	U.S. $
The National Islamic Investment Company	-	101,456,699
	-	101,456,699

Profit attributable to non-controlling interests:

	2021	2020
	U.S. $	U.S. $
The National Islamic Investment Company	5,422,651	5,106,016
	5,422,651	5,106,016
Share of non-controlling interest of other comprehensive income	556,246	(360,783)
	5,978,897	4,745,233

A summary of the subsidiary's financial information before eliminating all intra-bank balances and transactions:

Income statement and statement of comprehensive income information summary until the date of the disposal for the year ended December 31, 2020:

	The National Islamic Investment Company	
	For the period from the beginning of the year until the date of disposal	2020
	U.S. $	U.S. $
Revenues	30,493,417	50,328,476
Personnel expenses	(10,005,230)	(18,967,795)
General and administrative expenses	(9,097,836)	(16,647,746)
Depreciation and amortization	(2,155,955)	(4,930,239)
Other revenues	89,140	213,311
Profit before taxes	9,323,536	9,996,007
Tax expense	(2,926,059)	(3,379,762)
Profit for the year	6,397,477	6,616,245
Other comprehensive income for the year	740,180	(480,085)
Total comprehensive income for the year	7,137,657	6,136,160
Attributable to:		
Equity holders of the Bank	1,158,760	1,390,927
Non-controlling interests	5,978,897	4,745,233
	7,137,657	6,136,160

Statement of financial position information summary as at December 31, 2021 and 2020:

	The National Islamic Investment Company	
	2021	2020
	U.S. $	U.S. $
Total assets	-	1,530,942,350
Total liabilities	-	(1,385,476,703)
Total equity	-	145,465,647
Attributable to:		
Equity holders of the Bank	-	44,008,948
Non-controlling interests	-	101,456,699
	-	145,465,647

Statement of cash flows information summary until the date of disposal and for the year ended December 31, 2020:

	The National Islamic Investment Company	
	2021	2020
	U.S. $	U.S. $
Operating activities	32,188,616	(39,077,562)
Investing activities	(2,207,535)	4,450,317
Financing activities	76,870,967	29,748,432
Increase in cash and cash equivalent	106,852,048	(4,878,813)

6. Cash and balances with Palestine Monetary Authority

The details of this item is as follows:

	2021	2020
	U.S. $	U.S. $
Cash on hand	133,200,231	257,114,735
Balances with PMA:		
Current and demand accounts	49,813,619	162,286,576
Deposits maturing within 3 months	-	15,693,935
Statutory cash reserve	107,986,869	174,049,873
Restricted balances	-	147,000
	291,000,719	609,292,119
Provision for expected credit losses	(394,278)	(352,302)
	290,606,441	608,939,817

- 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 and Islamic financing 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.
- Restricted amounts as of December 31, 2020 amounted to U.S. $147,000.

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

	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 5)	(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

	December 31, 2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	262,350,685	-	-	262,350,685
Business acquisition	41,765,563	-	-	41,765,563
Net change during the year	48,061,136	-	-	48,061,136
Balance, end of the year	352,177,384	-	-	352,177,384

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

	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 losses	41,976	-	-	41,976
Balance, end of the year	394,278	-	-	394,278

	December 31, 2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	370,331	-	-	370,331
Re-measurement of expected credit losses	(18,029)	-	-	(18,029)
Balance, end of the year	352,302	-	-	352,302

7. Balances at banks and financial institutions

	2021	2020
	U.S. $	U.S. $
Local banks and financial institutions:		
Current and demand accounts	6,251,177	5,081,581
Deposits maturing within 3 months	119,409,162	7,811,497
Deposits maturing after 3 months	32,607,289	-
	158,267,628	12,893,078
Foreign banks and financial institutions:		
Current and demand accounts	101,786,567	103,226,020
Deposits maturing within 3 months	59,751,029	74,738,364
Deposits maturing after 3 months	2,585,799	26,989,581
	164,123,395	204,953,965
	322,391,023	217,847,043
Provision for expected credit losses	(80,222)	(1,857,160)
	322,310,801	215,989,883

- Non-interest bearing balances at banks and financial institutions amounted to U.S. $ 244,252,720 and U.S.$ 116,119,097 as at December 31, 2021 and 2020, respectively.
- Restricted balances at banks and financial institutions amounted to U.S.$ 23,234,478 and U.S. $ 6,761,088 as at December 31, 2021 and 2020, respectively.

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

	December 31, 2021			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	216,157,140	-	1,689,903	217,847,043
Disposal of a subsidiary (note 5)	(208,003,887)	-	(1,689,903)	(209,693,790)
Net change during the year	314,237,770	-	-	314,237,770
Balance, end of the year	322,391,023	-	-	322,391,023

	December 31, 2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	158,147,415	-	1,689,903	159,837,318
Business acquisition (note 4)	22,393,611	-	-	22,393,611
Net change during the year	35,616,114	-	-	35,616,114
Balance, end of the year	216,157,140	-	1,689,903	217,847,043

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

	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 5)	(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

	December 31, 2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	87,520	-	1,689,903	1,777,423
Business acquisition (note 4)	31,522	-	-	31,522
Re-measurement of expected credit loss	48,215	-	-	48,215
Balance, end of the year	167,257	-	1,689,903	1,857,160

8. 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, 2021 and December 31, 2020 was U.S. $1,487,573 and U.S. $ 2,527,347, respectively.

9. Direct credit facilities and Islamic financing

	2021	2020
	U.S. $	U.S. $
Retails		
Overdrafts accounts	8,505,487	7,664,103
Loans and discounted bills*	190,113,047	199,804,388
Islamic financing	-	493,542,044
Corporates		
Overdrafts accounts	28,472,084	39,610,252
Loans and discounted bills*	246,367,829	247,334,643
Islamic financing	-	206,943,548
Medium and small enterprises		
Overdrafts accounts	8,776,027	16,674,023
Loans and discounted bills*	41,219,886	47,334,933
Islamic financing	-	68,395,316
Government and public sector		
Overdraft accounts	83,157,227	81,666,070
Loans and discounted bills*	323,025,537	276,298,628
Islamic financing	-	132,458,148
	929,637,124	1,817,726,096
Suspended interest and profit	(10,700,514)	(11,999,161)
Provision for expected credit losses	(42,082,618)	(55,181,889)
	876,853,992	1,750,545,046

* Loans and discounted bills are presented net of unearned interest and commission income which amounted to of U.S. $ 2,565,312 as at December 31, 2021 and U.S. $ 3,081,505 as at December 31, 2020.

- Non-performing credit facilities and Islamic financing net of suspended interest and profit, according to PMA regulations net of suspended interest and profit, amounted to U.S. $ 130,155,572 and U.S. $ 188,689,170 representing 14.16% and 10.45% of direct credit facilities and Islamic financing net of suspended interest and profit as at December 31, 2021 and 2020, respectively.

- Defaulted credit facilities and Islamic financing, according to PMA regulations net of suspended interest and profit, amounted to U.S. $ 67,768,846 and U.S. $ 99,884,581 representing 7.37% and 5.53% of direct credit facilities and Islamic financing net of suspended interest and profit as at December 31, 2021 and 2020, respectively.
- According to PMA circular number (1/2008), defaulted direct credit facilities and Islamic financing for more than 6 years were excluded from the bank's consolidated financial statements. These defaulted facilities and Islamic financing amounted to U.S. $ 8,653,991 as at December 31, 2021, the balance of provision and suspended interest and profit for defaulted accounts amounted to U.S. $ 3,826,045 and U.S. $ 4,827,946 respectively.
- Direct credit facilities and Islamic financing granted to the Palestinian National Authority amounted to U.S. $ 406,182,764 representing 43.69% of total direct credit facilities and Islamic financing as at December 31, 2021 compared to U.S. $ 490,422,846 representing 26.98% of total direct credit facilities and Islamic financing as at December 31, 2020.
- Credit facilities and Islamic financing granted to non-residents as at December 31, 2021 and 2020 amounted to U.S. $ 209,993 and U.S. $ 532,420, respectively.
- Credit card balances as of December 31, 2021 and 2020 amounted to $ 7,495,919 and $ 29,257,596, respectively.
- Overdrawn current accounts balances as at December 31, 2021 and 2020 amounted to U.S.$ 10,343,718 and U.S. $ 20,015,826 , respectively.
- Credit facilities guaranteed by loan guarantee institutions as at December 31, 2021 and 2020 amounted to U.S. 11,171,221 and U.S. $ 5,442,730, respectively. The defaulted balances of these facilities as of December 31, 2021 and 2020 amounted to U.S. $ 530,009 and U.S. $ 571,606 respectively.
- Fair value of collaterals obtained in line of credit facilities and Islamic financing, amounted to U.S. $ 223,942,124 and U.S. $ 725,431,130 as at December 31, 2021 and 2020, respectively.

Suspended interest and profit

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

	2021	2020
	U.S. $	U.S. $
Balance, beginning of the year	11,999,161	8,918,144
Suspended interested transferred to the bank due to business acquisition (note 4)	-	4,221,920
Disposal of a subsidiary (note 5)	(1,669,582)	-
Suspended interests and profits during the year	5,064,755	3,186,468
Suspended interests and profits transferred to revenues during the year	(3,045,809)	(4,145,595)
Suspended interests written off during the year	(1,533,331)	-
Interests and profits in suspense related to the credit facilities and Islamic financing being defaulted for more than 6 years.	(249,039)	(413,466)
Currency exchange differences	134,359	231,690
Balance, end of the year	10,700,514	11,999,161

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

	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 5)	(720,336,889)	(117,524,928)	(45,275,841)	(883,137,658)
Net change during the year	(42,363,700)	6,734,133	30,371,967	(5,257,600)
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 and Islamic financing that have been defaulted for more than six years	-	-	306,286	306,286
Balance, end of the year	751,499,049	99,668,715	78,469,360	929,637,124

	December 31, 2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	1,154,900,917	240,758,523	69,655,207	1,465,314,647
Business acquisition (note 4)	76,515,107	3,288,166	20,878,952	100,682,225
Net change during the year	297,265,620	(42,350,906)	(1,942,523)	252,972,191
Transferred to stage (1)	72,533,122	(70,990,588)	(1,542,534)	-
Transferred to stage (2)	(82,041,743)	89,524,094	(7,482,351)	-
Transferred to stage (3)	(18,260,705)	(14,814,371)	33,075,076	-
Credit facilities and Islamic financing that have been in default for more than six years	-	-	(1,242,967)	(1,242,967)
Balance, end of the year	1,500,912,318	205,414,918	111,398,860	1,817,726,096

Provision for expected credit losses

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

	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 5)	(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	-
Net Re-measurement for the expected credit losses for the year	412,379	(349,233)	11,767,364	11,830,510
Transferred from provision of defaulted direct credit facilities and Islamic financing 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

	December 31, 2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	7,368,964	5,470,899	16,815,562	29,655,425
Business acquisition (note 4)	761,387	239,408	7,650,893	8,651,688
Transferred to stage (1)	1,184,947	(1,011,858)	(173,089)	-
Transferred to stage (2)	(424,181)	1,869,360	(1,445,179)	-
Transferred to stage (3)	(45,230)	(190,818)	236,048	-
Net Re-measurement for the expected credit losses for the year	3,092,453	603,673	13,346,654	17,042,780
Transferred to provision of defaulted direct credit facilities and Islamic financing for more than 6 years	-	-	(829,501)	(829,501)
Currency exchange differences	15,936	6,498	(211,149)	(188,715)
Other	-	-	850,212	850,212
Balance, end of the year	11,954,276	6,987,162	36,240,451	55,181,889

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

	2021	2020
	U.S. $	U.S. $
Balance, beginning of the year	6,554,484	4,086,251
Disposal of a subsidiary (note 5)	(2,415,364)	-
Provision transferred to the bank due to business acquisition (note 4)	-	1,656,430
(Transferred to) from expected credit loss provision for direct credit facilities	(306,286)	829,501
Bad debts	(93,727)	(325,545)
Currency exchange differences	86,938	307,847
Balance, end of the year	3,826,045	6,554,484

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

	2021	2020
	U.S. $	U.S. $
Public sector	406,182,764	490,422,846
Real estate loans	87,732,604	335,822,771
Industry, trade and agricultural sector	140,981,478	404,044,761
Service sector	84,948,698	94,195,390
Consumption loans	199,091,066	481,241,167
	918,936,610	1,805,726,935

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

	2021	2020
	U.S. $	U.S. $
Shares quoted in Palestine Security Exchange	16,882,891	15,263,049
Shares quoted in foreign financial markets	744,880	627,588
Unquoted shares	78,368	720,996
	17,706,139	16,611,633

Following is the movement on the fair value reserve account:

	2021	2020
	U.S. $	U.S. $
Balance, beginning of the year	(6,881,906)	(5,520,327)
Change in fair value	4,637,258	(1,333,406)
Bank's share of associates' other comprehensive income	210,977	(28,173)
Balance, end of the year	(2,033,671)	(6,881,906)

11. Financial assets at amortized cost

Financial assets at amortized costs consist of the following:

	Bonds and treasury bills*	Quoted bonds**	Unquoted bonds***	Listed Islamic Sukuk****	Unlisted Islamic Sukuk****	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
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
December 31, 2020						
Local	664,496	-	11,457,500	-	-	12,121,996
Foreign	5,110,519	4,391,830	-	2,916,337	11,283,498	23,702,184
	5,775,015	4,391,830	11,457,500	2,916,337	11,283,498	35,824,180
Provision for expected credit losses	(4,393,044)	(2,849)	(119,746)	(3,630)	(249,793)	(4,769,062)
	1,381,971	4,388,981	11,337,754	2,912,707	11,033,705	31,055,118

* Financial assets at amortized cost represent the investment in foreign bonds and treasury bills that consist of quoted Lebanese treasury bills and unquoted Jordanian treasury bills where the interest rate on these assets ranges from 3% to 8.25% and matures within two to three years. During 2020, the Bank classified the Lebanese bonds as defaulted instruments based on the announced ratings of international rating agencies, which resulted in recording additional provisions amounted to U. S. $ 3.3 million. Accordingly, the provision recorded against these bonds reached U. S. $ 4.4 million. the bank's investment in Palestinian government treasury bills, as per PMA circulars Number (2016/64) according to which the upper limit of the price discount of treasury bills in New Israeli Shekel is 8% and in U.S. $ is (6 months LIBOR +3%).

** This item represents the bank's investment in foreign firms issued bonds, which mature in five to seven years. The interest rates on these bonds range between 4.05% to 6.62%.

*** This item represents the bank's investment in local corporate issued bonds, which mature in four to five years. The interest rates on these bonds range between 3.75% to 5%.

**** This item represents Palestine Islamic Bank's investment in Islamic bonds in foreign markets as at December 31, 2020.

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

	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 5)	(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

	December 31, 2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	55,198,048	10,660,380	-	65,858,428
Business acquisition (note 4)	2,001,410	-	-	2,001,410
Net change during the year	(30,231,607)	(2,004,115)	200,064	(32,035,658)
Transferred to stage (2)	1,490,463	(1,490,463)	-	-
Transferred to stage (3)	-	(4,910,455)	4,910,455	-
Balance, end of the year	28,458,314	2,255,347	5,110,519	35,824,180

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

	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 5)	(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

	December 31, 2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance as of January 1, 2020	541,973	1,041,347	-	1,583,320
Business acquisition (note 4)	36,561	-	-	36,561
Net re-measurement of expected credit losses	(201,536)	(756)	3,351,473	3,149,181
Transferred to stage (2)	169	(169)	-	-
Transferred to stage (3)	-	(1,040,230)	1,040,230	-
Balance as of December 31, 2020	377,167	192	4,391,703	4,769,062

12. Investment in associates

	Ownership percentage		Book Value	
	2021	2020	2021	2020
	%	%	U.S. $	U.S. $
Palestine Islamic Bank*	24.85	-	48,090,281	-
Al- Takaful insurance**	-	27.83	-	8,136,515
Palestine Ijara Company***	-	33.33	-	3,533,206
			48,090,281	11,669,721

* 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 as of December 31, 2021. 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 5).

** This item represents as of December 31, 2020 the investment of Palestine Islamic Bank in the shares of Al-Takaful Insurance Company a limited public company (TIC). TIC was established and headquartered in Ramallah and initiated its operations at the end of 2006 through the practice of all insurance and reinsurance activities in accordance with the Islamic Shariaa' and through its headquarters in the city of Ramallah and its branches deployed in Palestine. TIC's capital amounted to U.S. $ 10,000,000 as of December 31, 2020.

*** This item represents as of December 31, 2020 the investment of Palestine Islamic Bank in the shares of the Palestine Ijara Company (Ijara). The company is based in Ramallah. Ijara practices Islamic leasing for small and medium enterprises in accordance with Islamic Shariaa'. As of December 31, 2020, the capital of Ijara amounted to US $ 12,000,000.

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

	2021 U.S. $	2020 U.S. $
Balance, beginning of the year	11,669,721	11,635,582
Disposal of a subsidiary (note 5)	34,704,431	-
Bank's share of results of associates	1,957,443	147,510
Bank's share in other comprehensive income items	173,591	(113,371)
Cash dividends	(414,905)	-
Balance, end of the year	48,090,281	11,669,721

* 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.

** The statement of income and comprehensive income for the Takaful and Ijarah companies represents a summary of the income statement and comprehensive income for the period from the beginning of the year until the date of the disposal.

The following table summarizes the financial information relating to the Bank's investment in its associates as at December 31, 2021 and 2020:

	Palestine Islamic Bank*		Al-Takaful insurance		Ijara	
	2021*	2020	2021**	2020	2021***	2020
The financial position of associates:	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Total assets	1,656,582,345	-	-	80,722,784	-	24,964,249
Total liabilities	1,517,128,752	-	-	59,837,636	-	14,364,626
Equity	139,453,593	-	-	20,885,148	-	10,599,623
Book value before adjustments	34,654,218	-	-	5,812,337	-	3,533,208
Adjustments	13,436,063	-	-	2,324,178	-	-
Book value after adjustments	48,090,281	-	-	8,136,515	-	3,533,208
Revenues and results of operations:						
Net revenues	33,785,893	-	5,307,948	8,933,460	1,091,510	2,436,310
Administrative and general expenses	(21,195,553)	-	(3,764,173)	(6,822,128)	(492,071)	(1,737,966)
Depreciation and amortization	(2,188,218)	-	(424,927)	(882,900)	(16,377)	(76,183)
Finance costs	(212,093)	-	(24,410)	(38,193)	(241,982)	(537,323)
Valuation of investment proprieties	(493,232)	-	-	-	-	-
Other revenues	155,758	-	522,834	1,863,442	62,494	(97,265)
Income before tax	9,852,555	-	1,617,272	3,053,681	403,574	(12,427)
Tax expense	(2,564,842)	-	(590,069)	(835,155)	(86,239)	(200,215)
Net income after tax	7,287,713	-	1,027,203	2,218,526	317,335	(212,642)
Adjustments	161,973	-	(1,027,203)	(1,468,530)	-	29,001
Net income after tax – Adjusted	7,449,686	-	-	749,996	317,335	(183,641)
Bank's share of results of the associates	1,851,665	-	-	208,724	105,778	(61,214)
Bank's share from other comprehensive income items	223,341	-	(49,750)	(113,371)	-	-

13. Investment properties

Investment properties are stated at cost. Following is the details of the movement of investment properties during the year:

	2021	2020
	U.S. $	U.S. $
Balance, beginning of the year	8,375,983	8,643,725
Disposal of a subsidiary (note 5)	(15,714,302)	-
Additions	7,862,504	-
Transferred from property, plant and equipment (note 14)	169,971	-
Sale of investment properties	-	(181,632)
Valuation loss on investment properties	(694,156)	(86,110)
Balance, end of the year	-	8,375,983

Investment properties fair value as at December 31, 2020 amounted to U.S. $ 8,375,983.

14. Property, plant and equipment

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

	Real estate proprieties	Furniture, equipment and leasehold improvements	Computers	Vehicles	Solar panels	Total
December 31, 2021	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Cost:						
Balance, beginning of the year	26,867,882	47,328,554	10,479,497	1,643,067	1,463,973	87,782,973
Disposal of a subsidiary (note 5)	(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 16)	-	134,519	-	-	-	134,519
Transfer to investment properties (note 13)	(169,971)	-	-	-	-	(169,971)
Disposals	-	(170,897)	(59,740)	(163,722)	-	(394,359)
Balance, end of year	10,955,110	25,126,551	5,271,013	1,388,451	1,463,973	44,205,098
Accumulated depreciation:						
Balance, beginning of the year	6,097,699	24,507,546	7,176,987	663,090	69,716	38,515,038
Disposal of a subsidiary (note 5)	(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	16,932,770	3,809,850	609,644	149,879	24,380,821
Net book value						
At December 31, 2021	8,076,432	8,193,781	1,461,163	778,807	1,314,094	19,824,277
At December 31, 2020	20,770,183	22,821,008	3,302,510	979,977	1,394,257	49,267,935

15. Right of use assets

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

	2021	2020
	U.S. $	U.S. $
Balance, beginning of the year	16,025,258	17,349,668
Disposal of a subsidiary (note 5)	(7,523,837)	-
Business acquisition (note 4)	-	995,222
Additions during the year	426,567	278,548
Disposals	(285,425)	-
Depreciation for the year	(1,816,415)	(2,598,180)
Balance, end of the year	6,826,148	16,025,258

16. Projects in progress

This item comprises of computer software and banking system development for The National Bank, expansion works and leasehold improvements for Watan.

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

	2021	2020
	U.S. $	U.S. $
Balance, beginning of the year	3,018,587	3,240,568
Disposal of a subsidiary (note 5)	(2,790,000)	-
Additions*	183,127	771,219
Transferred to property, plant and equipment (note 14)	(134,519)	(530,519)
Transferred to intangible assets (note 17)	(7,500)	(202,500)
Impairment of projects in progress	-	(260,181)
Balance, end of the year	269,695	3,018,587

* Additions on projects in process represent payments for the new banking system development for Palestine Islamic Bank up to the date of disposal, in addition to expenditures of opening new branches.

17. Intangible assets

	2021	2020
	U.S. $	U.S. $
Computer programs	5,079,498	6,497,192
Intangible assets resulted from acquisition	-	25,843,468
	5,079,498	32,340,660

Movement on computer programs and intangible assets during the year 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 5)	(886,542)	(4,974,712)	(19,452,065)	(1,193,003)	(26,506,322)
Additions	723,213	-	-	-	723,213
Transfers from projects in progress (note 16)	7,500	-	-	-	7,500
Amortization	(1,261,865)	-	-	(223,688)	(1,485,553)
Balance, end of the year	5,079,498	-	-	-	5,079,498

	December 31, 2020				
	Computer programs	Bank license (fair value)*	Goodwill*	Other*	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balance, beginning of the year	6,467,875	4,974,712	19,452,065	1,864,067	32,758,719
Business acquisition (note 4)	99,052	-	-	-	99,052
Additions	1,040,360	-	-	-	1,040,360
Transfers from projects in progress (note 16)	202,500	-	-	-	202,500
Amortization	(1,312,595)	-	-	(447,376)	(1,759,971)
Balance, end of the year	6,497,192	4,974,712	19,452,065	1,416,691	32,340,660

* These items represent the intangible assets resulted from the Bank's acquisition of Palestine Islamic Bank in 2018. In addition, the item of intangible assets (others) represents the fair value of core customers deposits as an intangible asset resulted from the purchase price allocation of Palestine Islamic Bank.

18. Deferred tax assets

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

Following is the movement on deferred tax assets:

	2021	2020
	U.S. $	U.S. $
Balance, beginning of the year	10,793,439	7,960,085
Disposal of a subsidiary (note 5)	(6,419,136)	-
Additions	171,719	4,320,291
Amortization	(382,199)	(1,486,937)
Balance, end of the year	4,163,823	10,793,439

19. Other assets

This item includes the following:

	2021	2020
	U.S. $	U.S. $
Accrued interest income	8,218,035	48,406,075
Prepaid expenses	1,483,853	2,248,642
Settlement accounts for ATM and credit cards	592,960	628,493
Printings and stationery	271,599	693,466
Due from Value Added Tax department	201,806	434,127
Clearing checks	-	28,565,672
Accounts receivable, advances and temporary expenses of subsidiaries*	-	2,923,957
Settlement accounts for credit cards	-	353,558
Others	1,522,233	3,330,887
	12,290,486	87,584,877

* This item includes accounts receivable resulting from customers' Islamic financing amounted to U.S. $ 2,462,903 as at December 31, 2020. Advances and a temporary accounts amounted to U.S. $ 343,107, foreign credit cards withdrawals at bank's ATMs amounted to U.S. 9,944.

20. Banks and financial institutions' deposits

	2021	2020
	U.S. $	U.S. $
Local banks and financial institutions:		
Current and demand deposits	8,425,404	2,934,296
Deposits maturing within 3 months	136,157,078	70,882,073
Incentive deposits maturing in more than 3 months*	-	22,548,568
	144,582,482	96,364,937
Foreign banks and financial institutions:		
Current and demand deposits	2,805,001	764,670
	2,805,001	764,670
	147,387,483	97,129,607

- PMA deposits in the bank amounted to U.S $ 91,674,556 as at December 31, 2020 from total deposits.

* This item represents as of December 31, 2020 the value of motivational deposits from the Palestinian Monetary Authority to the Subsidiary company before disposal Palestine Islamic Bank to mitigate the economic impacts of the Coronavirus (COVID 19) crisis on the subsidiary's activities and the accompanied losses resulted from the deferral of customers installments during 2020. Motivational deposits mature within three years. PMA implies an interest rate that is below market at 0.5%. The bank treated the effect of the difference between the interest rate of the deposit and the market interest rate in accordance with IAS (20) - "Accounting for Government Grants and Disclosure of Government Assistance", and recorded a gain of U.S. $ 2,451,432 to the consolidated income statement in net financing and investment income (note 33).

21. Customers' deposits

	2021	2020
	U.S. $	U.S. $
Current and demand accounts	421,768,152	705,999,481
Saving deposits	282,189,140	252,411,685
Term deposits	428,451,920	437,300,916
Debit balances – temporarily credit	6,976,653	6,048,784
	1,139,385,865	1,401,760,866
Unrestricted investment accounts		
Saving deposits	-	548,342,041
Time deposits	-	219,230,732
	1,139,385,865	2,169,333,639

- Public sector deposits as at December 31, 2021, and 2020 amounted to U.S. $123,336,678 and U.S. $ 112,695,603 representing 10.82% and 5.19% of total deposits, respectively.
- Non-interest bearing deposits amounted to U.S. $ 630,420,373 and U.S. $ 867,871,587 representing 55.33% and 40.01% of the total deposits as at December 31, 2021 and 2020, respectively.

22. Cash margins

This item consists of cash margins against:

	2021	2020
	U.S. $	U.S. $
Direct credit facilities and Islamic financing	49,807,492	103,664,829
Indirect credit facilities and Islamic financing	10,260,369	17,001,356
Others	12,054,992	39,557,714
	72,122,853	160,223,899

23. Loans and borrowings

	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		

	Balance in U.S. $	Collateral	Interest rate (%)
2020			
PMA*	62,191,955	None	1.6-2
Palestine Investment Bank**	1,500,000	Stocks and promissory notes	4.375
European Bank for Reconstruction and Development***	13,333,334	None	3.54 & 6.71
Sanad Fund for MSME****	3,888,889	None	6.4127
	80,914,178		

* 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 the year in an amount of ILS 67 million.

** This item represents a loan for WATAN (the subsidiary) for an amount of U.S. $ 4 million as at December 31, 2020 from a local Bank. The loan is to be settled in 8 annual equal installments, after a grace period of 12 months, starting from June 1, 2016 and ending on June 1, 2023, the average interest rate on the loan is 4.375%. The loans was obtained through the mortgage of stocks owned by the Bank. The company made early repayment of the entire loan amount during the year.

*** 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 the year, the two parties signed an agreement to reduce the interest rate on the loan from 6.71% to 3.595%. Additionally, during the year, the bank signed an agreement with the European Development Bank for the purpose of supporting the private sector and in particular supporting small and medium enterprises in the amount of 10 million U.S $. 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 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 5 January 2020 and the last payment is due on 5 January 2024. The loan has an annual interest rate of 6.4127%. During the year, the two parties reached an agreement to reduce the interest rate on the loan to 4.1%.

24. 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 include 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 $ 5 million from these subordinated loans so that the outstanding balance amounted to U.S $ 35 million as at December 31, 2021, and U.S $ 40 million as at December 31, 2020.

25. 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, 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
December 31, 2020					
Employees' end of service provision	14,958,299	2,391,659	4,065,102	(5,748,801)	15,666,259
Lawsuits provision	647,964	4,030	69,902	(23,965)	697,931
	15,606,263	2,395,689	4,135,004	(5,772,766)	16,364,190

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

26. Taxes provisions

	2021	2020
	U.S. $	U.S. $
Balance, beginning of the year	3,333,360	3,117,045
Tax advances resulted from business acquisitions (note 4)	-	(423,953)
Disposal of a subsidiary (note 5)	(1,757,684)	-
Provision for the year	4,080,832	7,221,429
Discount on paid advance	(49,535)	(108,313)
Payments during the year	(4,388,404)	(6,585,928)
Currency difference	62,621	113,080
Balance, end of the year	1,281,190	3,333,360

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 2021 and 2020. 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:

	2021	2020
	U.S. $	U.S. $
Provision for the current year	4,080,832	7,221,429
Additions on deferred tax assets, net *	210,480	(2,833,354)
Discount on paid advance	(49,535)	(108,313)
Taxes expense for the year	4,241,777	4,279,762

* This item represents the balance of deferred tax assets calculated on impairment losses related to direct credit facilities and Islamic financing, 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:

	2021	2020
	U.S. $	U.S. $
Accounting profit	18,164,513	3,566,325
Income subject to Value Added Tax	19,720,080	27,769,679
Income subject to income tax	13,850,801	9,293,848
Value Added Tax on profit for the year	2,720,011	3,830,301
Income tax	2,077,620	2,394,077
Total taxes for the year	4,797,631	6,224,378
Provision for the year	4,080,832	7,221,429

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

27. Lease liabilities

Following is the movement on lease liabilities:

	2021	2020
	U.S. $	U.S. $
Balance, beginning of the year	15,806,540	16,475,482
Business acquisition (note 4)	-	900,499
Disposal of a subsidiary (note 5)	(7,087,133)	-
Additions	426,567	278,548
Disposals	(342,298)	-
Payments	(2,469,775)	(2,379,143)
Interest expense on lease liabilities	381,275	531,154
Balance, end of the year	6,715,176	15,806,540

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

The amount of the lease expense for short-term contracts and lease contracts of low-value assets that were recognized in the consolidated income statement for the year ended December 31, 2021 amounted to U.S. $ 366,778. (note 38).

28. Other liabilities

	2021	2020
	U.S. $	U.S. $
Negative financial derivatives	4,290,953	6,661,286
Unpaid accrued interest	4,136,027	3,346,163
Accounts payable	3,785,795	3,888,229
Certified checks and incoming transfers	3,647,263	7,367,215
Unearned interest and commission income	2,565,312	3,081,505
Restricted amounts	1,886,525	1,853,565
Settlement accounts for ATM and credit cards	1,029,806	1,084,273
Accrued bonuses	860,000	1,423,175
Unpaid cash dividends	856,329	2,118,405
Accrued expenses	600,845	2,018,214
Istidama loans*	714,088	1,229,344
Accrued payroll taxes	613,861	345,403
Clearing checks	481,345	-
Provision for Palestine Deposit Insurance Corporation	248,026	479,960
Temporary and intermediary accounts for subsidiaries	-	1,138,233
Return on unrestricted investment accounts	-	1,103,792
Provision for PMA fines	-	1,020,522
Others	498,756	2,535,587
	26,214,931	40,694,871

* As per PMA instructions number (8/2021) to mitigate the economic impacts of Coronavirus (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.

29. 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.

30. 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 and Islamic financing after deducting impairment allowance for credit facilities and suspended interest and profit and 0.5% of indirect credit facilities and Islamic financing. 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 (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.

31. Interest income

This item represents the interest income on the following accounts:

	2021	2020
	U.S. $	U.S. $
Retails		
Overdraft accounts	1,546,259	1,664,800
Loans and discounted bills	15,005,275	15,607,618
	16,551,534	17,272,418
Corporates		
Overdraft accounts	2,596,412	3,279,278
Loans and discounted bills	15,016,974	15,402,141
	17,613,386	18,681,419
Government and public sector	21,564,062	17,266,912
	55,728,982	53,220,749
Balances at banks and financial institutions	1,209,202	663,139
Balances at PMA	159,947	532,023
Financial assets	1,236,361	2,347,805
	58,334,492	56,763,716

32. Interest expense

This item comprises the following accounts:

	Book value at the date of disposal	2020
	U.S. $	U.S. $
Interest on customers' deposits:		
Current and demand accounts	1,008,892	924,180
Term deposits	16,057,271	13,021,087
Cash margins	1,578,819	1,503,020
Interests on loans and borrowings	1,767,550	832,397
Interest on subordinated loans	2,151,378	2,175,306
Interest on banks and financial institutions' deposits	313,054	893,665
Interest on PMA deposits	117,771	1,695,380
Interest paid on lease liabilities	381,275	531,154
	23,376,010	21,576,189

33. Net investments and financing Income

	2021	2020
	U.S. $	U.S. $
Revenues from financing*	27,521,622	43,800,206
Investment returns on financial institutions	409,531	696,651
	27,931,153	44,496,857
Less: return of unrestricted investment accounts	(3,637,109)	)6,920,711(
	24,294,044	37,576,146

* Investment and financing income for the year 2020 is presented in net after deducting losses resulting from modification of Islamic financing of a subsidiary (Palestine Islamic Bank) for an amount of U.S. $ 7,970,600 and adding profits from the government grants for an amount of U.S. $ 2,451,432 related to the compensation for modification losses and all related costs (note 55) in accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance".

34. Net commissions income

	2021	2020
	U.S. $	U.S. $
Commissions income		
Direct credit facilities and Islamic financing	4,838,509	7,015,301
Account management	2,818,355	4,046,385
Returned and deferred checks	1,130,721	1,732,653
Indirect credit facilities and Islamic financing	1,112,925	1,361,829
Commission on cash deposit	1,087,047	1,267,378
Transfers	1,106,364	1,198,365
Other banking services	1,706,516	2,113,326
	13,800,437	18,735,237
Commissions expense	(1,952,112)	(2,746,563)
	11,848,325	15,988,674

35. Net gains from financial assets portfolio

	2021	2020
	U.S. $	U.S. $
Dividend from financial assets at FVTOCI	1,070,446	1,130,146
Dividend from financial assets at FVTPL	131,873	173,112
Profits (losses) on sale of financial assets at FVTPL	524,839	(160,126)
	1,727,158	1,143,132

36. Other revenues

	2021	2020
	U.S. $	U.S. $
Recovery of balances related to the operational event (note 54)	2,750,000	-
Key money and rent	400,000	-
Others	431,591	347,738
	3,581,591	347,738

37. Personnel expenses

	2021	2020
	U.S. $	U.S. $
Salaries, allowances, and benefits of employees	20,862,210	24,879,167
Value Added Tax on salaries	3,149,268	3,744,399
Provision for employees' end of service	2,612,996	4,065,102
Bank's contribution to the provident fund*	1,384,282	854,707
Health insurance	1,127,228	1,416,357
Training expense	145,402	118,500
Clothing allowances	142,911	211,793
Travel and transportation	67,053	222,822
Recovery of unutilized leaves	-	(417,787)
Others	235,316	139,362
	29,726,666	35,234,422

* 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.

38. Other operating expenses

	2021	2020
	U.S. $	U.S. $
Fees, licenses and subscriptions	4,807,757	5,683,590
Maintenance and cleaning	2,150,953	2,760,964
Professional and consulting fees	1,394,212	1,922,457
Palestine Deposit Insurance Corporation*	1,552,823	3,229,832
Advertisements and marketing	1,439,293	1,069,268
Telephone and postage	1,192,206	1,536,978
Insurance	1,048,086	995,048
Utilities	567,826	854,709
Stationary and printings	414,056	626,115
Donations and sponsorships**	380,439	1,071,602
Rent	366,778	348,306
Transportation and vehicle expenses	352,304	228,312
Hospitality	208,814	218,456
Mortgage insurance fees	138,036	151,607
Cash shipment	114,770	74,025
Property tax	91,145	233,226
Operational losses (note 54)	-	1,665,446
Others	2,282,054	2,158,871
	18,501,552	24,828,812

* The Palestinian Deposit Insurance Corporation (the Corporation) was established in accordance with Law No. (7) of 2013. Banks must accrue an annual subscription fee of %0.3 starting in year 2014 from the total deposits specified by the abovementioned Law. On December 1, 2020, The Corporation issued a circular No. (3/2020) regarding reducing the minimum subscription fee to (0.2%-0.8%), where at January 1, 2020 the subscription fee percentage will be calculated at 0.2% of the average total deposit instead of 0.3% of the average total deposit. On November 27, 2020, 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 next year.

** 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 2.7% from the net profit for the year 2021 compared to 150.2% of the net loss for the year for the year 2020.

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

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

	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 credit facilities and Islamic financing	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

	2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balances with Palestine Monetary Authority	(18,029)	-	-	(18,029)
Balances at banks and financial institutions	48,215	-	-	48,215
Direct credit facilities and Islamic financing	3,092,453	603,673	13,346,654	17,042,780
Financial assets at amortized cost	(201,536)	(756)	3,351,473	3,149,181
	2,921,103	602,917	16,698,127	20,222,147

40. 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.

41. Basic and diluted earnings per share

	2021	2020
	U.S. $	
Profit (loss) for the year attributable to shareholders of the Bank	8,500,085	(5,819,453)
	Shares	
Weighted average of subscribed shares	94,962,017	83,845,287
	U.S. $	
Basic and diluted earnings per share from profit (loss) of the year	0,09	(0,07)

42. Cash and cash equivalents

	2021	2020
	U.S. $	U.S. $
Cash and balances with Palestine Monetary Authority	291,000,719	609,292,119
Add: Balances at banks and financial institutions maturing within 3 months	287,197,935	190,857,462
Less: Banks and financial institutions' deposits maturing within 3 months	(147,387,483)	(74,581,039)
Restricted balances at banks and financial institutions	(23,234,478)	(6,761,088)
Statutory cash reserve	(107,986,869)	(174,049,873)
Reserved balances with PMA	-	(147,000)
	299,589,824	544,610,581

43. 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, 2021 and the transactions with related parties:

	Nature of relationship	2021 U.S. $	2020 U.S. $
Statement of consolidated financial position items:			
Direct credit facilities and Islamic financing	Board of Directors and Others*	11,062,784	30,452,644
Customers' deposits	Board of Directors and Others*	47,129,629	61,287,943
Cash margins	Board of Directors and Others*	1,518,383	1,520,191
Accounts payable	Board of Directors and Others*	570,653	325,544
Consolidated income statement items:			
Interest and commission income	Board of Directors and Others*	1,510,689	2,047,930
Interest and commission expense	Board of Directors and Others*	612,896	363,920
Advertisement and marketing expenses	Major shareholders and related entities	374,838	306,878
Telephone and postage	Major shareholders and related entities	298,614	271,464
Off consolidated balance sheet items:			
Letters of credit and guarantees	Board of Directors and Others*	9,406,390	7,193,341
Unutilized credit limits	Board of Directors and Others*	3,413,609	5,242,530

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

- Direct credit facilities and Islamic financing granted to related parties as at December 31, 2021 and 2020 accounted for 1.26% and 1.74%, respectively, of the net direct credit facilities and Islamic financing. Credit facilities and Islamic financing granted to related parties are for members of Board of Directors and executive management or in their capacity as guarantors.
- Direct credit facilities and Islamic financing granted to related parties as at December 31, 2021 and 2020 represent 9.31% and 13.38%, respectively, of the regulatory Bank's capital.
- Interest on credit facilities and Islamic financing 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:

	2021	2020
	U.S. $	U.S. $
Executive management share of salaries and related benefits (short-term benefits)	1,381,878	1,805,329
Executive management share of indemnity (long-term benefits)	127,958	193,811
TNB Board of Directors' remunerations	310,667	156,500

Board of Director remunerations for the years ended 2021 and 2020 were as follows:

	2021	2020
	U.S. $	U.S. $
Samir Zraiq	38,500	18,875
Maen Melhem	30,375	13,250
Manal Zraiq	28,500	15,750
Dina M. Masri	26,625	14,125
Aziz Abdul Jawad	26,625	14,500
Kamal Abu khadijeh	26,625	17,000
Omar M. Masri	26,000	11,375
Ayoub Zurub	24,125	4,625
Isam Salfiti	24,125	6,875
Michel Al Sayegh	14,333	1,000
Hisham Hikmat Zaid	12,250	-
Talal Nasser Aldeen	12,500	20,750
Grace Khoury	7,292	9,500
Cesar Hani Kolajin	7,292	-
Salameh Khaleel	5,500	8,875
	310,667	156,500

44. Fair value measurement

The following table provides the quantitative fair value measurement hierarchy of the Bank's assets and liabilities as of December 31, 2021 and 2020:

			Measurement of fair value by		
December 31, 2021		Total	Quoted prices in active markets (Level 1)	Significant observable input (Level 2)	Significant non-observable inputs (Level 3)
	Date of measurement	U.S. $	U.S. $	U.S. $	U.S. $
Financial assets at fair value:					
Financial assets at fair value through profit or loss (Note 8):					
Quoted – Palestine Security Exchange	December 31, 2021	1,487,573	1,487,573	-	-
Financial assets at fair value through other comprehensive income (Note 10):					
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 11)					
Quoted	December 31, 2021	5,346,569	5,346,569	-	-
Unquoted	December 31, 2021	20,454,684	-	-	20,454,684

December 31, 2020	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 8):					
Quoted – Palestine Security Exchange	December 31, 2020	2,527,347	2,527,347	-	-
Financial assets at fair value through other comprehensive income (Note 10):					
Quoted – Palestine Security Exchange	December 31, 2020	15,263,049	15,263,049	-	-
Quoted – foreign markets	December 31, 2020	627,588	627,588	-	-
Unquoted	December 31, 2020	720,996	-	-	720,996
Financial assets for which fair value is disclosed:					
Financial assets at amortized cost (Note 11)					
Quoted	December 31, 2020	16,992,466	16,992,466	-	-
Unquoted	December 31, 2020	14,609,567	-	-	14,609,567
Investment properties (Note 13)	December 31, 2020	8,375,983	-	-	8,375,983

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

- Sensitivity of fair value measurements to changes in unobservable market data (level 3):

Authorized external valuators are charged with valuing material assets such as investment properties and investment in unquoted financial assets. After discussion with these external valuators, the Bank selects the methods and inputs to be used for valuation in each case, which are mostly sale prices for similar lands during the year and are calculated at fair value per square meter of land multiplied by the square meter.

The following table represents the sensitivity of the fair value of investment properties:

	Increase/ decrease in fair value	Effect on fair value
	%	U.S. $
2021		
Value per square meter	+5	-
Value per square meter	-5	-
2020		
Value per square meter	+5	418,799
Value per square meter	-5	(418,799)

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, 2021 and 2020:

	Carrying amount		Fair value	
	2021	2020	2021	2020
	U.S. $	U.S. $	U.S. $	U.S. $
Financial assets				
Cash and balances with Palestine Monetary Authority	290,606,441	608,939,817	290,606,441	609,292,119
Balances at banks and financial institutions	322,310,801	215,989,883	322,310,801	214,132,723
Financial assets at fair value through profit or loss	1,487,573	2,527,347	1,487,573	2,527,347
Direct credit facilities and Islamic financing	876,853,992	1,750,545,046	876,853,992	1,750,545,046
Financial assets at fair value through other comprehensive income	17,706,139	16,611,633	17,706,139	16,611,633
Financial assets at amortized cost:				
Local unquoted bonds	10,115,381	11,337,754	10,115,381	11,337,754
Foreign unquoted bonds	10,339,303	-	10,339,303	-
Foreign quoted bonds	5,220,061	5,107,797	5,346,569	5,654,712
Treasury bills	-	663,155	-	663,155
Islamic sukuk	-	13,946,412	-	13,946,412
Other financial assets	10,535,034	84,208,642	10,535,034	84,208,642
Total assets	1,545,174,725	2,709,877,486	1,545,301,233	2,708,919,543
Financial liabilities				
Banks' and financial institutions' deposits	147,387,483	97,129,607	147,387,483	97,129,607
Customers' deposits	1,139,385,865	2,169,333,639	1,139,385,865	2,169,333,639
Cash margins	72,122,853	160,223,899	72,122,853	160,223,899
Loans and borrowings	51,005,307	80,914,178	51,005,307	80,914,178
Subordinated loans	35,000,000	40,000,000	35,000,000	40,000,000
Lease liabilities	6,715,176	15,806,540	6,715,176	15,806,540
Other financial liabilities	23,649,619	37,613,366	23,649,619	37,613,366
Total liabilities	1,475,266,303	2,601,021,229	1,475,266,303	2,601,021,229

- 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 and Islamic financing 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 and Islamic financing are approximately similar to their carrying amounts as of December 31, 2021.

45. Concentration of assets and liabilities

	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	45,202,853	68,605,565	48,932,832	1,312,206	322,310,801
Financial asset at fair value through profit or loss	1,487,573	-	-	-	-	1,487,573
Direct credit facilities and Islamic financing	876,643,999	209,993	-	-	-	876,853,992
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	11,170,589	1,059,451	8,664	-	51,782	12,290,486
Total Assets	1,449,482,120	57,570,669	69,097,471	48,932,832	6,100,807	1,631,183,899
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	26,214,931	-	-	-	-	26,214,931
Total Liabilities	1,457,888,300	755,870	10,680,275	1,535,498	14,579,148	1,485,439,091
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	1,605,765,392	(1,376,414)	10,680,275	1,535,498	14,579,148	1,631,183,899
Consolidated commitments and contingencies						
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 and Islamic financing limits	40,728,408	-	-	-	-	40,728,408
	80,466,199	2,015,726	10,182,375	-	-	92,664,300

	2020					
	Palestine	Jordan	Europe	USA	Others	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Cash and balances with PMA	608,939,817	-	-	-	-	608,939,817
Balances at banks and financial institutions	12,811,095	77,342,898	85,954,345	-	39,881,545	215,989,883
Financial asset at fair value through profit or loss	2,527,347	-	-	-	-	2,527,347
Direct credit facilities and Islamic financing	1,750,012,626	532,420	-	-	-	1,750,545,046
Financial assets at fair value through other comprehensive income	15,984,045	627,588	-	-	-	16,611,633
Financial assets at amortized cost	12,000,909	11,033,706	959,121	-	7,061,382	31,055,118
Investment in associates	11,669,721	-	-	-	-	11,669,721
Investment properties	8,375,983	-	-	-	-	8,375,983
Property, plant and equipment	49,267,935	-	-	-	-	49,267,935
Right of use assets	16,025,258	-	-	-	-	16,025,258
Projects in progress	3,018,587	-	-	-	-	3,018,587
Intangible assets	32,340,660	-	-	-	-	32,340,660
Deferred tax assets	10,793,439	-	-	-	-	10,793,439
Other assets	87,192,645	-	1,477	-	390,755	87,584,877
Total Assets	2,620,960,067	89,536,612	86,914,943	-	47,333,682	2,844,745,304
Banks and financial institutions' deposits	96,364,937	-	-	-	764,670	97,129,607
Customers' deposits	2,152,730,947	565,182	1,140,372	1,511,830	13,385,308	2,169,333,639
Cash margins	159,094,189	41,813	1,986	312,311	773,600	160,223,899
Loans and borrowings	63,691,955	-	17,222,223	-	-	80,914,178
Subordinated loans	40,000,000	-	-	-	-	40,000,000
Sundry provisions	16,364,190	-	-	-	-	16,364,190
Taxes provisions	3,333,360	-	-	-	-	3,333,360
Lease liabilities	15,806,540	-	-	-	-	15,806,540
Other liabilities	40,694,871	-	-	-	-	40,694,871
Total Liabilities	2,588,080,989	606,995	18,364,581	1,824,141	14,923,578	2,623,800,284
Paid-in share capital	91,764,707	-	-	-	-	91,764,707
Share premium	17,770,333	-	-	-	-	17,770,333
Statutory reserve	5,236,409	-	-	-	-	5,236,409
General banking risks reserve	4,085,562	-	-	-	-	4,085,562
Pro-cyclicality reserve	5,216,291	-	-	-	-	5,216,291
Fair value reserve	(6,881,906)	-	-	-	-	(6,881,906)
Retained earnings	2,296,925	-	-	-	-	2,296,925
Net Equity attributable to shareholders of the Bank	119,488,321	-	-	-	-	119,488,321
Non-controlling interest	101,456,699	-	-	-	-	101,456,699
Net Equity	220,945,020	-	-	-	-	220,945,020
Total liabilities and equity	2,809,026,009	606,995	18,364,581	1,824,141	14,923,578	2,844,745,304
Consolidated commitments and contingencies						
Letters of guarantees	89,497,260	9,884	203,270	-	-	89,710,414
Letters of credit	13,357,646	-	3,661,675	-	-	17,019,321
Unutilized direct credit facilities and Islamic financing limits	89,092,223	-	-	-	-	89,092,223
	191,947,129	9,884	3,864,945	-	-	195,821,958

46. 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):

	2021	2020
	U.S. $	U.S. $
Consolidated statement of financial position items		
Balances with Palestine Monetary Authority	157,406,210	351,825,082
Balances at banks and financial institutions	322,310,801	215,989,883
Direct credit facilities and Islamic financing	876,853,992	1,750,545,046
Financial assets at amortized cost	25,674,745	31,055,118
Other financial assets	10,535,034	84,208,642
	1,392,780,782	2,433,623,771
Consolidated commitments and contingencies		
Letters of guarantee	26,661,627	89,710,414
Letters of credit	25,274,265	17,019,321
Unutilized credit limits	40,728,408	89,092,223
	92,664,300	195,821,958
	1,485,445,082	2,629,445,729

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

	Retails	Real estates	Corporates	Government and public sector	Total
December 31, 2021	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Low risk	9,762,617	88,450,108	35,949,739	406,182,764	540,345,228
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	406,182,764	929,637,124
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	402,777,071	876,853,992

	Retails	Real estates	Corporates	Government and public sector	Total
December 31, 2020	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Low risk	109,035,268	277,704,419	156,280,163	490,422,846	1,033,442,696
Acceptable risk	264,920,404	51,681,644	266,993,022	-	583,595,070
Watch list	31,027,237	3,016,009	55,246,224	-	89,289,470
Non-performing:					
Substandard	5,279,221	512,363	13,129,429	-	18,921,013
Doubtful	2,830,758	238,242	12,119,475	-	15,188,475
Loss	23,680,398	3,789,302	49,819,672	-	77,289,372
Total	436,773,286	336,941,979	553,587,985	490,422,846	1,817,726,096
Suspended interests	(3,791,551)	(1,436,042)	(6,771,568)	-	(11,999,161)
Expected credit losses provision	(18,441,150)	(8,274,930)	(24,594,062)	(3,871,747)	(55,181,889)
	414,540,585	327,231,007	522,222,355	486,551,099	1,750,545,046

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

December 31, 2021	Gross credit risk exposure	Fair value of collaterals						Net Exposure after collaterals	ECL
		Cash margins	Real estate	Quoted stocks	Vehicles and equipment	Others	Total collaterals		
	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	322,391,023	-	-	-	-	-	-	322,391,023	80,222
Direct credit facilities and Islamic financing:									
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	406,182,764	-	-	-	-	-	-	406,182,764	3,405,693
Financial assets at amortized cost	30,380,665	-	-	-	-	-	-	30,380,665	4,705,920
Other financial assets	10,535,034	-	-	-	-	-	-	10,535,034	-
Total	1,450,744,334	23,175,426	151,318,100	13,072,374	30,835,717	5,540,507	223,942,124	1,226,802,210	47,263,038
Credit exposures of off consolidated 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

December 31, 2020	Gross credit risk exposure	Fair value of collaterals: 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	352,177,384	-	-	-	-	-	-	352,177,384	352,302
Balances at banks and financial institutions	217,847,043	-	-	-	-	-	-	217,847,043	1,857,160
Direct credit facilities and Islamic financing:									
Retails	701,010,535	29,813,890	195,079,260	1,934,703	119,563,606	1,348,202	347,739,661	353,270,874	25,860,523
SMEs	132,404,272	20,849,589	66,821,491	64,987	11,952,505	767,747	100,456,319	31,947,953	19,402,744
Corporates	493,888,443	45,066,106	176,050,094	15,337,688	29,370,445	8,145,739	273,970,072	219,918,371	6,046,876
Government and public sector	490,422,846	3,265,078	-	-	-	-	3,265,078	487,157,768	3,871,746
Financial assets at amortized cost	35,824,180	-	-	-	-	-	-	35,824,180	4,769,062
Other financial assets	84,208,642	-	-	-	-	-	-	84,208,642	-
Total	2,507,783,345	98,994,663	437,950,845	17,337,378	160,886,556	10,261,688	725,431,130	1,782,352,215	62,160,413
Credit exposures of off consolidated balance-sheet items:	195,821,958	14,383,850	-	-	-	-	14,383,850	181,438,108	127,537
	195,821,958	14,383,850	-	-	-	-	14,383,850	181,438,108	127,537

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

		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

		Fair value of collaterals								
December 31, 2020	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	31,916,246	889,602	-	15,398,202	-	3,393,624	64,962	19,746,390	12,169,856	15,075,029
SMEs	18,464,694	874,743	-	6,486,642	-	470,500	99,893	7,931,778	10,532,916	4,667,032
Corporates	49,503,640	713,870	-	25,470,253	372,500	2,887,552	3,000,000	32,444,175	17,059,465	16,498,390
Total	99,884,580	2,478,215	-	47,355,097	372,500	6,751,676	3,164,855	60,122,343	39,762,237	36,240,451

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

	Palestine U.S. $	Arab countries U.S. $	Europe U.S. $	USA U.S. $	Others U.S. $	Total U.S. $
Balances with Palestine Monetary Authority	157,406,210	-	-	-	-	157,406,210
Balances at banks and financial institutions	158,257,345	46,465,084	68,605,565	48,932,832	49,975	322,310,801
Direct credit facilities and Islamic financing	876,643,999	209,993	-	-	-	876,853,992
Financial assets at amortized cost	10,101,192	14,121,701	483,242	-	968,610	25,674,745
Other financial assets	9,415,137	1,105,512	8,663	-	5,722	10,535,034
Total as at December 31, 2021	1,211,823,883	61,902,290	69,097,470	48,932,832	1,024,307	1,392,780,782
Total as at December 31, 2020	2,210,466,122	88,909,024	86,914,943	-	47,333,682	2,433,623,771
Off consolidated 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 and Islamic financing limits	40,728,408	-	-	-	-	40,728,408
Balance as December 31, 2021	80,466,199	2,015,726	10,182,375	-	-	92,664,300
Balance as December 31, 2020	191,947,129	9,884	3,864,945	-	-	195,821,958

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

	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	61,075,368	-	826,922	61,902,290
Europe	69,097,470	-	-	69,097,470
USA	48,932,832	-	-	48,932,832
Others	1,024,307	-	-	1,024,307
Total	1,260,199,956	96,959,140	35,621,686	1,392,780,782

	December 31, 2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Palestine	1,940,255,826	206,566,167	63,644,129	2,210,466,122
Arab countries	85,935,053	2,255,155	718,816	88,909,024
Europe	86,914,943	-	-	86,914,943
USA	-	-	-	-
Others	47,333,682	-	-	47,333,682
Total	2,160,439,504	208,821,322	64,362,945	2,433,623,771

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

	Public U.S. $	Financial U.S. $	Commercial U.S. $	Real estate U.S. $	Agricultural U.S. $	Other U.S. $	Total U.S. $
Balances with Palestine Monetary Authority	-	157,406,210	-	-	-	-	157,406,210
Balances at banks and financial institutions	-	322,310,801	-	-	-	-	322,310,801
Direct credit facilities and Islamic financing	402,777,071	-	125,081,964	83,988,931	-	265,006,026	876,853,992
Financial assets at amortized cost	-	25,674,745	-	-	-	-	25,674,745
Other financial assets	-	10,535,034	-	-	-	-	10,535,034
December 31, 2021	402,777,071	515,926,790	125,081,964	83,988,931	-	265,006,026	1,392,780,782

	Public U.S. $	Financial U.S. $	Commercial U.S. $	Real estate U.S. $	Agricultural U.S. $	Other U.S. $	Total U.S. $
Balances with Palestine Monetary Authority	-	351,825,082	-	-	-	-	351,825,082
Balances at banks and financial institutions	-	215,989,883	-	-	-	-	215,989,883
Direct credit facilities and Islamic financing	486,551,099	-	376,119,424	327,231,007	10,681,098	549,962,418	1,750,545,046
Financial assets at amortized cost	-	31,055,118	-	-	-	-	31,055,118
Other financial assets	-	84,208,642	-	-	-	-	84,208,642
December 31, 2020	486,551,099	683,078,725	376,119,424	327,231,007	10,681,098	549,962,418	2,433,623,771

8. Distribution of risk exposures according to IFRS (9) stages as at December 31, 2021 and 2020 is as follows:

	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	322,310,801	-	-	322,310,801
Public sector	402,777,071	-	-	402,777,071
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	10,535,034	-	-	10,535,034
Total	1,260,199,956	96,959,140	35,621,686	1,392,780,782

	December 31, 2020			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Cash and balances with PMA	351,825,082	-	-	351,825,082
Balances at banks and financial institutions	215,989,883	-	-	215,989,883
Public sector	486,551,099	-	-	486,551,099
Real estate	261,649,815	56,012,335	9,568,857	327,231,007
Manufacturing, trade and agriculture	285,722,781	71,551,886	29,525,855	386,800,522
Services sector	82,884,579	2,067,330	1,317,721	86,269,630
Consumption loans	363,526,476	76,934,616	23,231,696	463,692,788
Financial assets at amortized cost	28,081,147	2,255,155	718,816	31,055,118
Other financial assets	84,208,642	-	-	84,208,642
Total	2,160,439,504	208,821,322	64,362,945	2,433,623,771

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, 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)
Inflation 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

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

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 (%)
		(%)	2020	2021	2022	2023	2024	2025
GDP	Base case	40	(19.10)	5.69	2.70	(0.31)	(0.26)	(0.23)
	Best case	30	(11.39)	13.40	10.41	7.40	7.45	7.48
	Worst case	30	(22.96)	1.84	(1.16)	(4.17)	(4.12)	(4.09)
Unemployment rates								
	Base case	40	26.77	(12.42)	(7.80)	0.77	0.76	0.76
	Best case	30	19.37	(13.19)	(8.36)	0.83	0.82	0.82
	Worst case	30	30.47	(12.07)	(7.55)	0.74	0.74	0.73

* 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:

	2021	2020
	U.S. $	U.S. $
Private Sector:		
AAA+ to A-	474,217	3,668,063
BBB+ to B-	14,272,416	3,626,934
Less than B-	826,920	718,816
Unrated	10,101,192	22,378,150
Government and public sector	-	663,155
Total	25,674,745	31,055,118

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:

	2021		2020	
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	(311,824)	10	(103,312)
ILS	10	52,898	10	(80,039)
JOD	10	(101,510)	10	(72,447)
Other currencies	10	3,578	10	22,599

December 31, 2021	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
	Interest rate re-pricing sensitivity gap							
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Assets								
Cash and balances with PMA	-	-	-	-	-	-	290,606,441	290,606,441
Balances with banks and financial institutions	-	36,658,488	13,827,054	22,165,865	5,406,674	-	244,252,720	322,310,801
Financial assets at fair value through profit or loss	-	-	-	-	-	-	1,487,573	1,487,573
Direct credit facilities and Islamic financing	16,605,679	92,578,413	14,817,133	36,084,934	184,075,870	532,691,963	-	876,853,992
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	-	-	-	-	-	-	12,290,486	12,290,486
Total assets	16,885,140	129,236,901	28,644,187	58,404,247	200,230,049	547,186,294	650,597,081	1,631,183,899
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	-	-	-	-	-	-	26,214,931	26,214,931
Total liabilities	118,403,692	90,248,177	83,569,831	187,552,430	118,950,454	25,003,889	861,710,618	1,485,439,091
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	1,007,455,426	1,631,183,899
Interest rate re-pricing sensitivity gap	(101,518,552)	38,988,724	(54,925,644)	(129,148,183)	81,279,595	522,182,405	(356,858,345)	-
Cumulative gap	(101,518,552)	(62,529,828)	(117,455,472)	(246,603,655)	(165,324,060)	356,858,345	-	-

December 31, 2020	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
	Interest rate re-pricing sensitivity gap							
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Assets								
Cash and balances with PMA	-	15,341,633	-	-	-	-	593,598,184	608,939,817
Balances with banks and financial institutions	64,156,381	19,567,978	-	16,146,426	-	-	116,119,098	215,989,883
Financial assets at fair value through profit or loss	-	-	-	-	-	-	2,527,347	2,527,347
Direct credit facilities and Islamic financing	175,804,360	108,628,585	130,801,683	193,861,235	588,161,852	553,287,331	-	1,750,545,046
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	16,611,633	16,611,633
Financial assets at amortized cost	-	663,155	5,002,321	9,582,956	7,068,058	8,738,628	-	31,055,118
Investment in associates	-	-	-	-	-	-	11,669,721	11,669,721
Investment properties	-	-	-	-	-	-	8,375,983	8,375,983
Property, plant and Equipment	-	-	-	-	-	-	49,267,935	49,267,935
Right of use assets	-	-	-	-	-	-	16,025,258	16,025,258
Projects in progress	-	-	-	-	-	-	3,018,587	3,018,587
Intangible assets	-	-	-	-	-	-	32,340,660	32,340,660
Deferred tax assets	-	-	-	-	-	-	10,793,439	10,793,439
Other assets	-	-	-	-	-	-	87,584,877	87,584,877
Total assets	239,960,741	144,201,351	135,804,004	219,590,617	595,229,910	562,025,959	947,932,722	2,844,745,304
Liabilities								
Banks and financial institutions' deposits	19,590,467	44,031,637	-	-	25,000,000	-	8,507,503	97,129,607
Customers' deposits	909,356,692	97,341,906	60,551,946	213,719,922	19,952,483	539,103	867,871,587	2,169,333,639
Cash margins	2,146,200	6,938,686	4,836,481	11,893,419	107,570,539	-	26,838,574	160,223,899
Loans and borrowings	5,651	16,406	516,589	20,867,846	42,285,463	17,222,223	-	80,914,178
Subordinated loans	-	-	-	-	-	40,000,000	-	40,000,000
Sundry provisions	-	-	-	-	-	-	16,364,190	16,364,190
Taxes provisions	-	-	-	-	-	-	3,333,360	3,333,360
Lease Liabilities	164,688	329,374	991,388	2,328,421	1,652,365	10,340,304	-	15,806,540
Other Liabilities	-	-	-	-	-	-	40,694,871	40,694,871
Total liabilities	931,263,698	148,658,009	66,896,404	248,809,608	196,460,850	68,101,630	963,610,085	2,623,800,284
Equity								
Paid-in share capital	-	-	-	-	-	-	91,764,707	91,764,707
Share premium	-	-	-	-	-	-	17,770,333	17,770,333
Statutory reserve	-	-	-	-	-	-	5,236,409	5,236,409
General banking risks reserve	-	-	-	-	-	-	4,085,562	4,085,562
Pro-cyclicality reserve	-	-	-	-	-	-	5,216,291	5,216,291
Fair value reserve	-	-	-	-	-	-	(6,881,906)	(6,881,906)
Retained earnings	-	-	-	-	-	-	2,296,925	2,296,925
Net equity holders of the Bank	-	-	-	-	-	-	119,488,321	119,488,321
Non-controlling interests	-	-	-	-	-	-	101,456,699	101,456,699
Net equity	-	-	-	-	-	-	220,945,020	220,945,020
Total liabilities and equity	931,263,698	148,658,009	66,896,404	248,809,608	196,460,850	68,101,630	1,184,555,105	2,844,745,304
Interest rate re-pricing sensitivity gap	(691,302,956)	(4,456,658)	68,907,600	(29,218,991)	398,769,060	493,924,329	(236,622,384)	-
Cumulative gap	(691,302,956)	(695,759,614)	(626,852,014)	(656,071,005)	(257,301,945)	236,622,384	-	-

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:

	2021			2020		
	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	148,757	1,688,289	10	252,735	1,526,305
Foreign financial markets	10	-	74,488	10	-	62,759
Unquoted Shares	10	-	7,837	10	-	72,100

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:

	2021		2020	
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	42,848,168	10	33,556,255
Other currencies	10	1,370,630	10	553,098

Following is the net foreign currencies position of the Bank:

	JOD	ILS	Other currencies	Total
December 31, 2021	U.S. $	U.S. $	U.S. $	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 and Islamic financing	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 financial assets	4,225,566	4,095,525	756,344	9,077,435
Total assets	227,586,353	814,434,043	88,971,230	1,130,991,626
Liabilities				
Banks and financial institutions' deposits	37,652,120	1,496,280	60,063	39,208,463
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
Other financial liabilities	3,229,943	4,766,425	725,192	8,721,560
Total liabilities	311,056,273	385,952,363	75,264,931	772,273,567
Net concentration in the consolidated statement of financial position	(83,469,920)	428,481,680	13,706,299	358,718,059
Contingent liabilities of off the consolidated statement of financial position	2,075,342	25,265,577	19,680,087	47,021,006

	JOD	ILS	Other currencies	Total
December 31, 2020	U.S. $	U.S. $	U.S. $	U.S. $
Assets				
Cash and balances at PMA	118,258,268	318,230,585	11,811,188	448,300,041
Balances at banks and financial institutions	83,325,068	13,976,975	12,652,906	109,954,949
Direct credit facilities and Islamic financing	238,126,772	902,883,380	63,792,729	1,204,802,881
Financial assets at amortized cost	11,283,498	664,496	2,457,500	14,405,494
Other assets	32,985,580	65,799,807	3,837,274	102,622,661
Total assets	483,979,186	1,301,555,243	94,551,597	1,880,086,026
Liabilities				
Banks and financial institutions' deposits	-	68,821,260	79	68,821,339
Customers' deposits	501,052,997	827,371,599	80,709,811	1,409,134,407
Cash margins	18,919,441	58,537,147	6,636,011	84,092,599
Other liabilities	9,642,532	11,262,692	1,674,719	22,579,943
Total liabilities	529,614,970	965,992,698	89,020,620	1,584,628,288
Net concentration in the consolidated statement of financial position	(45,635,784)	335,562,545	5,530,977	295,457,738
Contingent liabilities of off the consolidated statement of financial position	3,596,699	50,151,205	30,262,278	84,010,182

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:

December 31, 2021	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
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Liabilities:								
Banks' and financial institutions' deposits	23,508,111	91,196,749	3,745,000	28,937,623	-	-	-	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	20,914,093	856,329	-	4,444,509	-	-	-	26,214,931
Total liabilities	786,961,084	182,742,037	88,411,404	230,856,721	130,195,836	74,150,177	6,326,286	1,499,643,545

December 31, 2020	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
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Liabilities:								
Banks' and financial institutions' deposits	25,649,094	44,031,637	-	845,411	1,606,021	25,462,212	-	97,594,375
Customers' deposits	1,777,355,076	98,751,879	60,950,415	214,668,238	19,918,005	659,065	-	2,172,302,678
Cash margins	2,146,200	6,940,826	4,836,481	38,731,993	61,411,040	46,159,499	-	160,226,039
Loans and borrowings	5,651	16,406	516,589	20,915,337	42,394,091	17,359,197	-	81,207,271
Subordinated loans	-	-	-	-	-	48,913,963	-	48,913,963
Sundry provisions	-	-	-	-	-	-	16,364,190	16,364,190
Taxes provisions	-	2,043,961	-	1,289,399	-	-	-	3,333,360
Lease liabilities	165,237	332,668	1,001,302	2,374,989	1,850,649	12,408,365	-	18,133,210
Other liabilities	35,660,832	932,012	-	4,102,027	-	-	-	40,694,871
Total liabilities	1,840,982,090	153,049,389	67,304,787	282,927,394	127,179,806	150,962,301	16,364,190	2,638,769,957

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, 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:		
Stable deposits	75,679,476	3,783,974
Less stable deposits	545,428,154	69,267,351
Deposits and other unguaranteed facilities for companies without retail and small business customers:		
Operating deposits	5,791,977	1,196,923
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%

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

	Amount before discount rates / (average) flows	Amount after discount rates / (average) flows
	U.S. $	U.S. $
High quality liquid assets	620,628,035	609,353,996
Retail deposits including small and medium corporates:		
Stable deposits	761,839,878	38,091,994
Less stable deposits	908,218,831	103,283,394
Deposits and other unguaranteed facilities for companies without retail and small business customers:		
Operating deposits	61,361,834	15,165,090
Non-operating deposits	608,533,188	204,590,997
Guaranteed financing and deposits	2,339,953,731	361,131,475
Non-cancelled credit lines and required liquidity within 30 days	52,823,463	2,641,173
Any other cash outflows	310,651,374	310,651,374
Gross cash outflows	2,703,428,568	674,424,022
Guaranteed credit facilities		
Cash inflow from working credit	26,076,636	13,038,318
Other cash inflows	499,699,380	362,841,157
Gross cash inflow	525,776,016	375,879,475
Net cash outflow after adjustments		298,544,547
Total high-quality liquid assets after adjustments		609,353,996
Net cash outflow after adjustment		298,544,547
Liquidity Coverage Ratio		%204

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, 2021 and 2020:

	2021 U.S. $	2020 U.S. $
Regulatory capital	162,527,373	228,931,503
Stable retail deposits	228,044,771	690,772,881
Un-stable retail deposits	619,614,545	962,277,349
Guaranteed and unguaranteed funding	57,507,373	94,750,344
Other funding	33,831,580	73,824,000
Others	-	28,476,000
Gross funding available	1,101,525,642	2,079,032,077
Level 1 unrestricted high liquidity assets	-	-
Level 2 -type (A) unrestricted high liquidity assets	217,789	1,776,930
Level 2 -type (B) unrestricted high liquidity assets	741,934	9,868,049
Unmortgaged loans and deposits provided for the financial institutions	66,028,652	-
Restricted high liquidity and mortgaged assets	-	73,519,629
Claims on central banks	-	6,347,000
Loans	572,855,638	1,435,048,174
Financial assets issued or guaranteed by banks and financial institutions	-	-
Unquoted financial assets	49,634	18,795,871
Quoted financial assets	17,846	-
Non-performing loans	88,589,396	86,476,500
Other assets	12,510,379	55,949,048
Non-cancel credit facilities and line of credits	-	1,813,437
Revocable and unconditional credit facilities and liquidity	2,036,420	-
Future obligations	2,041,964	7,789,260
Off-balance sheet exposures not included in the previous categories	-	3,156,260
Gross funding required	745,089,652	1,700,540,158
Net Stable Funding Ratio	148%	%122

47. 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, 2021	Retails	Corporate	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	34,170,184	55,888,784	20,456,268	5,144,018	115,659,254	80,860,206	34,799,048
Expected credit losses provision (recovery)	(2,176,188)	(9,547,458)	(230,496)	-	(11,954,142)	(9,418,043)	(2,536,099)
Segment results	22,090,458	32,446,277	15,331,588	4,871,558	74,739,881	45,800,340	28,939,541
Unallocated expenses					(56,575,368)	(36,416,855)	(20,158,513)
Profit 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	705,875,980	48,453,927	1,631,183,899	1,631,183,899	-
Total segment liabilities	631,624,466	579,884,252	233,392,790	40,537,583	1,485,439,091	1,485,439,091	-
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

December 31, 2020	Retails	Corporate	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	51,749,904	56,871,612	12,530,935	4,582,552	125,735,003	66,653,408	59,081,595
Expected credit losses provision (recovery)	(10,926,690)	(6,116,089)	(3,179,368)	-	(20,222,147)	(14,549,322)	(5,672,825)
Segment results	25,719,569	45,273,899	1,860,492	1,415,433	74,269,393	29,766,414	44,502,979
Unallocated expenses					(70,703,068)	(34,685,867)	(36,017,201)
Profit (loss) before taxes					3,566,325	(4,919,453)	8,485,778
Taxes expense					(4,279,762)	(900,000)	(3,379,762)
(Loss) profit for the year					(713,437)	(5,819,453)	5,106,016
Other information							
Total segment assets	682,636,516	1,068,444,247	542,861,739	550,802,802	2,844,745,304	1,496,402,318	1,348,342,986
Total segment liabilities	1,632,387,827	697,169,711	218,519,185	75,723,561	2,623,800,284	1,377,927,376	1,245,872,908
Investment in associates					11,669,721	-	11,669,721
Capital expenditures					4,506,996	3,009,713	1,497,283
Depreciation and amortization					9,775,613	4,845,374	4,930,239

b. Geographical distribution information

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

	Local		Foreign		Total	
	2021	2020	2021	2020	2021	2020
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Gross revenues	113,688,911	124,094,642	1,970,343	1,640,361	115,659,254	125,735,003
Total assets	1,463,466,581	2,624,444,597	167,717,318	220,300,707	1,631,183,899	2,844,745,304
Capital expenditures	10,462,172	4,506,996	-	-	10,462,172	4,506,996

48. 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	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	5,406,674	-	20,569,088	322,310,801
Financial asset at fair value through profit or loss	-	-	-	-	-	-	1,487,573	1,487,573
Direct credit facilities and Islamic financing	16,605,679	92,578,413	14,817,133	36,084,934	184,075,870	532,691,963	-	876,853,992
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	888,533	290,582	9,933,664	12,290,486
Total Assets	295,968,921	225,014,293	32,423,704	87,244,468	201,118,582	547,476,876	241,937,055	1,631,183,899
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	-	-	1,879,197	26,214,931
Total Liabilities	785,651,530	183,161,255	87,314,831	227,071,294	125,215,916	68,818,782	8,205,483	1,485,439,091
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	153,950,291	1,631,183,899
Maturity gap	(489,682,609)	41,853,038	(54,891,127)	(139,826,826)	75,902,666	478,658,094	87,986,764	-
Cumulative maturity gap	(489,682,609)	(447,829,571)	(502,720,698)	(642,547,524)	(566,644,858)	(87,986,764)	-	-

December 31, 2020	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	419,548,311	15,341,633	-	-	-	-	174,049,873	608,939,817
Balances at banks and financial institutions	171,739,214	19,567,978	-	15,313,723	-	-	9,368,968	215,989,883
Financial asset at fair value through profit or loss	-	-	-	-	-	-	2,527,347	2,527,347
Direct credit facilities and Islamic financing	161,816,852	108,628,585	130,801,683	193,782,391	187,660,952	967,854,583	-	1,750,545,046
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	16,611,633	16,611,633
Financial assets at amortized Cost	-	663,155	5,002,321	9,582,956	269,295	15,537,391	-	31,055,118
Investment in associates	-	-	-	-	-	-	11,669,721	11,669,721
Investment properties	-	-	-	-	-	-	8,375,983	8,375,983
Property, plant and equipment	-	-	-	-	-	-	49,267,935	49,267,935
Right of use assets	-	-	-	-	-	-	16,025,258	16,025,258
Projects in progress	-	-	-	-	-	-	3,018,587	3,018,587
Intangible assets	-	-	-	-	-	-	32,340,660	32,340,660
Deferred tax assets	-	-	-	-	-	-	10,793,439	10,793,439
Other assets	17,829,714	1,564,970	1,465,016	-	-	3,579,181	63,145,996	87,584,877
Total Assets	770,934,091	145,766,321	137,269,020	218,679,070	187,930,247	986,971,155	397,195,400	2,844,745,304
Liabilities								
Banks and financial institutions' deposits	25,646,538	44,031,637	-	845,411	1,606,021	25,000,000	-	97,129,607
Customers' deposits	1,777,228,279	97,341,906	60,551,946	213,719,922	19,834,160	657,426	-	2,169,333,639
Cash margins	2,146,200	6,938,686	4,836,481	38,731,993	61,411,040	46,159,499	-	160,223,899
Loans and Borrowing	5,651	16,406	516,589	20,867,846	42,285,463	17,222,223	-	80,914,178
Subordinated loans	-	-	-	-	-	40,000,000	-	40,000,000
Sundry provisions	-	-	-	-	-	-	16,364,190	16,364,190
Taxes provisions	-	2,043,961	-	1,289,399	-	-	-	3,333,360
Lease liabilities	164,688	329,374	991,388	2,328,421	1,652,365	10,340,304	-	15,806,540
Other liabilities	36,147,861	932,012	-	3,614,998	-	-	-	40,694,871
Total Liabilities	1,841,339,217	151,633,982	66,896,404	281,397,990	126,789,049	139,379,452	16,364,190	2,623,800,284
Equity								
Paid-in share capital	-	-	-	-	-	-	91,764,707	91,764,707
Share premium	-	-	-	-	-	-	17,770,333	17,770,333
Statutory reserve	-	-	-	-	-	-	5,236,409	5,236,409
General banking risks reserve	-	-	-	-	-	-	4,085,562	4,085,562
Pro-cyclicality reserve	-	-	-	-	-	-	5,216,291	5,216,291
Fair value reserve	-	-	-	-	-	-	(6,881,906)	(6,881,906)
Retained earnings	-	-	-	-	-	-	2,296,925	2,296,925
Net equity holders of the Bank	-	-	-	-	-	-	119,488,321	119,488,321
Non-controlling interest	-	-	-	-	-	-	101,456,699	101,456,699
Net equity	-	-	-	-	-	-	220,945,020	220,945,020
Total liabilities and equity	1,841,339,217	151,633,982	66,896,404	281,397,990	126,789,049	139,379,452	237,309,210	2,844,745,304
Maturity gap	(1,070,405,126)	(5,867,661)	70,372,616	(62,718,920)	61,141,198	847,591,703	159,886,190	-
Cumulative maturity gap	(1,070,405,126)	(1,076,272,787)	(1,005,900,171)	(1,068,619,091)	(1,007,477,893)	(159,886,190)	-	-

49. 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.

50. 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 the bank raising its paid-in capital by 15%, and raising the authorized capital from $100 million to $110 million, with a nominal value of one dollar per share (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:

	2021			2020		
	Amount	Percentage to assets	Percentage to risk – weighted assets	Amount	Percentage to assets	Percentage to risk – weighted assets
	U.S. $	%	%	U.S. $	%	%
Regulatory capital	118,780,102	7.28	15.17	210,064,407	7.38	12.61
Basic capital	99,206,640	6.08	12.68	168,035,917	5.91	10.08

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 2021 is computed in accordance with PMA instructions No. (8/2018) derived from Basel III guidelines, as shown in the following table:

	December 31, 2021
	U.S. $
Net common stocks (CET 1)	99,206,640
Tier 1 of capital	99,206,640
Tier 2 of capital	19,573,462
Capital base	118,780,102
Credit risk	688,494,483
Market risk	6,338,277
Operational risk	88,115,727
Total risk weighted assets	782,938,487
	%
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	6.08
Percentage of regulatory capital to assets	7.28
Capital adequacy ratio	15.17

51. Commitments and contingencies

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

	2021	2020
	U.S. $	U.S. $
Letters of guarantees	26,661,627	89,710,414
Letters of credit	25,274,265	17,019,321
Unutilized credit limits	40,728,408	89,092,223
	92,664,300	195,821,958

Outstanding forward contracts for currency sales and purchases as at December 31, 2021 amounted to 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.

52. Law suits against the Bank

The value of the cases brought against the Bank amounted to a total amount of U.S. $ 44,809,467 and U.S. $ 8,613,713 as at December 31, 2021 and 2020, respectively. Noting that the majority of this amount of U.S. $ 34,639,469 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.

53. 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.

54. Losses from an operational event

During 2020, the Bank's board of directors discovered improper banking operations within the Bank. Accordingly, the Bank's board of directors formed a committee to investigate the event and assessed the impact and causes of this operational event. The event was committed by performing improper banking operations such as bank transfers and treasury operations for the benefit of other parties related to this event. The impact of the event was quantified at U.S. $ 9.6 million, in which an amount of U.S. $ 2.6 million is related to 2020, and amount of U.S. $ 7 million related to prior years and its accounting impact was recorded in the relevant years. Accordingly, the consolidated financial statements for previous years were not adjusted. During 2020, an amount of U.S. $ 867,000 was recovered, bringing the net impact of the event for the year to U.S. $ 1.7 million, which was recorded as operational losses. In 2020, the Bank recorded U.S. $ 1,020,522 as a provision related to PMA fines on the operational event which was recorded under other liabilities and other expenses items, later on, the amount of fines were decreased to U.S. $ 670,000 as agreed between the Bank and PMA.

The Bank's management has begun to take the necessary legal measures to recover and claim the full amounts from all parties involved in this incident. The Bank's management and the legal advisor believe that this event will not result in any additional losses, except for what has been mentioned. During the year, a settlement was reached with one of the parties related to the event, which resulted in the recovery of part of these losses in the amount of U.S. $ 2,750,000. This recovery was recognized as other income in the consolidated income statement.

55. The impact of Coronavirus (Covid-19) on the calculation of expected credit loss allowance and the relevant instructions of the Palestinian Monetary Authority

Expected credit loss allowance calculation

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

According to IFRS (9), credit facilities and Islamic financing to be transferred from stage (1) to stage (2) if, and only if, there has been a significant increase in credit risk after initial recognition.

The bank evaluated its borrowers for other indications of unwillingness to pay, considering the underlying cause of any financial difficulty, and whether it is likely to be temporary as a consequence of the spread of COVID-19 or as a long-term financial difficulty.

During the year, the Bank also updated the macroeconomic factors according to the latest release from the International Monetary Fund and the Palestinian Central Bureau of Statistics, in addition to changing the likely possibilities of macroeconomic scenarios that affected the calculation of the expected credit loss provisions.

Relevant PMA instructions

As a result of the spread of Coronavirus (COVID-19), PMA issued instructions No. (4/2020) on March 15, 2020 related to the PMA's measures to mitigate the effects of the health crisis. The instructions included a set of decisions to instruct the banks to postpone customers installments for four months, and six months for the tourism sector. Banks were prohibited from collecting any additional fees, commissions or additional interest on the differed installments. In accordance with the instructions, the Bank postponed installments of its customers. Additionally, on June 30, 2020, PMA issued instructions No. (23/2020) which obligates Islamic banks to grant customers, whose installments have been postponed, a grace period to pay the deferred installments until December 31, 2021. The instructions also included other measures taken by the Palestinian Government and PMA (which had an impact on the banking sector and the operations of the bank) such as not to classify customers with returned checks for financial reasons as defaulted and not to charge them with the related commissions.

On July 22, 2020, PMA issued instructions No, (27/2020) regarding mitigating the effects of the financial crisis and the Coronavirus crisis, under which the Bank restructured and rescheduled the credit facilities and Islamic financing, or granted the customers a temporary Tawarruq limits in the amount of the deferred installments or restructuring the finance lease in ownership in addition to granting the customer (based on his request) Tawarruq limit (Tawarruq) for the value of his obligations during the period from July 1, 2020 to January 1, 2021.

In response to the instructions PMA No. (23/2020), during the year 2020, the Bank started a program to reduce payments to support the affected customers by postponing the accrued installments for a period of four to six months, in which customers are granted a grace period to pay the deferred installments. These payments reliefs are considered a short-term liquidity support to address the borrower's potential cash flow issues issues. The Bank believes that payments extension does not automatically lead to a significant increase in credit risk as the impact on the customer is expected to be in the short term. For all other customers, the bank continues to consider the severity and potential impact of COVID-19 on the economic sector, future outlook, cash flows, financials strength, mobility and change in risk profile along with historical records in identifying a significant increase in credit risk.

PMA issued Instructions No. (9/2021) on May 9, 2021, regarding the extension of Instructions No. (27/2020) allowing the implementation of the mentioned instructions on installments expected to become due until December 31, 2021. The credit obligations that will be due on affected customers as a result of the current economic conditions are dealt with through restructuring or rescheduling of facilities, to support operational challenges and short-term financing liquidity in accordance with the conditions mentioned in the above instructions.

Additionally, the Palestine Islamic Bank has postponed/restructured the financing installments for its customers affected by COVID-19 including companies and individuals, without additional returns in accordance with PMA instructions No. (23/2020). The deferred profits are amortized over the extended contractual term of the financing. Based on that, The Bank has unified the accounting policies of its subsidiary and associate when preparing the consolidated financial statements. This amendment has been treated with in accordance with IFRS (9) - modification of assets, in which the difference between the present value of future cash flows and the book value was recognized as losses resulting from modification of the Islamic financing of the Bank's subsidiary – later an associate under net financing and investment income (Note 33) in an amount of U.S. $ 7,970,600 in the condensed consolidated income statement as at December 31, 2020. During the period from January 1, 2021 till the date of the disposal, an amount of U.S. $ 1,708,220 was recognized to the consolidated income statement, due to the lose of the control, the gains were included in Bank's share of the associates' results of operations.

To compensate for these losses, during year 2020, the subsidiary received a deposit of U.S. $ 25 million from PMA at a below market interest rate maturing September 27, 2023. The deposit was classified as a governmental grant in accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance". The purpose of this deposit is to compensate the Bank for modification losses and all other related costs due to deferral of installments. The benefit of the subsidized financing interest rate was calculated on a systematic basis in accordance with the accounting for government grants.

Accordingly, a total income of U.S. $ 2,451,432 was recorded in the consolidated income statement as of December 31, 2020 under the net financing and investment income item (Note 33), where the calculation included that the management applied some estimates in the recognition and measurement of revenue from this grant. During the period from January 1, 2021 until the date of disposal of the subsidiary, an amount of U.S. $ 408,572 was charged to the consolidated income statement in relation to the adjustment of the first day profit. Subsequent to the loss of control, the effect of the first day's profit adjustment is included in the Bank's share of the associate's business results.

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

Istidama Program Loans

The Bank and its subsidiary granted loans through PMA support program (Istidama Program), to support small and medium enterprises companies and to enable them to maintain their businesses and employees through Mysar financing program with an interest / return rate of 3% in accordance to the instructions of PMA.