

THE NATIONAL BANK
PUBLIC SHAREHOLDING COMPANY LTD.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024



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C.R. No. 562201038

Independent Auditor's Report
To the Shareholders of The National Bank Ltd.

Qualified 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, 2024, 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 information about material accounting policies and information.

In our opinion, except for the potential effects of the matters described in the paragraph of the basis for the qualified opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for the Qualified Opinion

The auditor's report for Palestine Islamic Bank, an associate company owned by TNB, includes a qualification on the net book value of its assets in the Gaza Strip. The gross value, along with the related impairment losses and net book value, is disclosed in Note (49) to the consolidated financial statements. This qualification arises due to the inability to obtain sufficient audit evidence regarding the adequacy of impairments made for these assets, given the uncertainty resulting from the consequences of war on Gaza Strip. Consequently, we were unable to determine whether adjustments were necessary to TNB's investment carrying value in the associate company as of December 31, 2024, or its share of results for the year then ended. The audit report on the consolidated financial statements for the year ending December 31, 2023, was qualified for the same reason.

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 qualified opinion.

Key Audit Matters

In addition to the matters described in the basis for the qualified opinion paragraph, we have identified the following issues as the key audit matters to be disclosed in our report. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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



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Expected Credit Losses "ECL" provision	
Key Audit Matter	Audit Procedures
<p>The estimation process of the expected credit losses of credit facilities in accordance with IFRS (9) is important and complex as it requires significant judgement.</p> <p>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.</p> <p>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.</p> <p>Gross credit facilities amounted to U.S. \$ 870,900,877 as at December 31, 2024. The related ECL amounted to U.S. \$ 53,914,406 as at December 31, 2024.</p> <p>Accounting policies estimates and significant accounting judgments, disclosures of the ECL, and credit risk management are detailed in notes (2, 7, 35, 41 and 49) to the consolidated financial statements.</p>	<p>Our audit procedures included assessing the controls on procedures for granting, recording and monitoring credit facilities, and the process of measuring ECL, including the requirements of the Palestine Monetary Authority (PMA) to verify the effectiveness of the main controls are in place, which determine the impairment in credit facilities and the required provisions against them. Our procedures for testing controls also included assessing whether key controls, in the aforementioned processes had been designed, applied and effectively implemented; in addition to performing the following assessment procedures:</p> <ul style="list-style-type: none"> - The Bank's policies related to the ECL provision in accordance with IFRS (9). - Key assumptions and judgments related to the material increase in credit risk, the definition of default, and the use of macroeconomic inputs to verify that the ECL amounts recorded reflect the underlying credit quality and macroeconomic trends. - The appropriateness of the Bank's staging. - The appropriateness of determining Exposure at Default (EAD), including the consideration of the cash flows repayments and the resultant arithmetical calculations. - The appropriateness of the Probability of Defaults (PD), Exposure at Default (EAD) and Loss Given Defaults (LGD) used for different exposures at different stages. - The appropriateness and objectivity of the internal evaluation of credit facilities and financing. - The accuracy and appropriateness of ECL calculation process - Credit facilities transferred between stages, and the determination basis of significant increase in credit facilities and financing risk in regard to timely identification with a significant deterioration in credit quality. - ECL calculation for credit facilities determined to be individually impaired. We also obtained an understanding of the latest developments in estimated future cash flows, current financial position and any rescheduling or restructuring agreements. - Procedures followed for collaterals valuation in accordance with the evaluation policies of the Bank. - Assessed the adequacy of the disclosures to the consolidated financial statements to ensure compliance with IFRS (9).



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Other information included in the Bank's 2024 Annual Report

Other information consists of the information included in the Bank's 2024 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. It is expected that we will be provided with the bank's annual report for the year 2024 subsequent to the date of our report on the consolidated financial statements. 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 or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, 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 consolidated financial statements reporting process.

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

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

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

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

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



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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank’s ability to continue as a going concern, If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report; however, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the Bank audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Bank as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the Bank 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, 2024 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.

Other Matters

Our appointment as the external auditor for the year ended 31 December 2024 has been made by the Board of Directors, following approval from the Palestine Monetary Authority, and is subject to endorsement at the first General Assembly meeting to be held. Furthermore, the financial statements for the year ended 31 December 2023 and the related auditor’s report thereon will also be subject to the approval of the General Assembly at the same meeting.

Ernst & Young – Middle East
License # 206/2012

Saeed Abdallah

Ernst + Young

Sa’ed Abdallah
License # 105/2003

April 6, 2024
Ramallah – Palestine

The National Bank Company Ltd.

Consolidated Statement of Financial Position
As at December 31, 2024

	Note	2024 U.S. \$	2023 U.S. \$
<u>Assets</u>			
Cash and balances with Palestine Monetary Authority	4	263,466,069	240,672,167
Balances at banks and financial institutions	5	172,978,700	158,394,798
Financial assets at fair value through profit or loss	6	240,000	285,600
Direct credit facilities, net	7	808,063,138	923,954,240
Financial assets at fair value through other comprehensive income items	8	5,612,892	6,332,279
Financial assets at amortized cost	9	52,397,364	51,253,674
Investment in associates	10	50,207,568	50,151,383
Property, plant and equipment	11	21,490,003	21,884,324
Right of use assets	12	6,228,480	6,755,187
Projects in progress	13	1,063,806	1,803,479
Intangible assets	14	2,724,930	2,748,420
Deferred tax assets	15	7,208,746	6,298,657
Other assets	16	7,266,989	20,329,757
Total assets		<u>1,398,948,685</u>	<u>1,490,863,965</u>
<u>Liabilities and Equity</u>			
<u>Liabilities</u>			
Banks and financial institutions' deposits	17	5,266,385	27,904,797
Customers' deposits	18	1,064,822,321	1,090,942,293
Cash margins	19	63,675,042	73,091,609
Loans and borrowings	20	54,752,832	57,489,158
Subordinated loans	21	2,000,000	18,500,000
Sundry provisions	22	7,491,491	7,333,258
Taxes provisions	23	3,147,061	4,806,531
Lease liabilities	24	6,011,748	6,485,590
Other liabilities	25	19,129,637	31,769,857
Total liabilities		<u>1,226,296,517</u>	<u>1,318,323,093</u>
<u>Equity</u>			
Paid-in share capital	1	113,100,000	113,100,000
Share premium	26	17,770,333	17,770,333
Statutory reserve	27	9,329,283	9,226,758
General banking risks reserve	27	3,484,033	3,484,033
Pro-cyclicality reserve	27	5,216,291	5,216,291
Fair value reserve	8	(4,023,511)	(3,109,557)
Retained earnings		27,775,739	26,853,014
Net equity		<u>172,652,168</u>	<u>172,540,872</u>
Total liabilities and equity		<u>1,398,948,685</u>	<u>1,490,863,965</u>

The accompanying notes from 1 to 50 are an integral part of these consolidated financial statements

The National Bank Company Ltd.

Consolidated Income Statement
For the year ended December 31, 2024

	Note	2024 U.S. \$	2023 U.S. \$
Interest income	28	65,100,765	66,339,127
Interest expense	29	(18,102,964)	(17,028,499)
Net interest income		46,997,801	49,310,628
Net commissions income	30	4,039,282	5,973,803
Net interest and commissions income		51,037,083	55,284,431
Foreign currency gains		4,657,571	7,073,819
Net gains from financial assets portfolio	31	150,936	205,589
Bank share of the associate's results of operations	10	250,752	1,220,996
Other revenues	32	109,458	1,942,849
Gross profit		<u>56,205,800</u>	<u>65,727,684</u>
Expenses			
Personnel expenses	33	(20,807,677)	(23,083,062)
Other operating expenses	34	(12,872,581)	(15,083,619)
Depreciation and amortization	11 & 12 & 14	(6,073,989)	(5,913,145)
Expected credit losses provision, net	35	(14,527,913)	(6,255,909)
Total expenses		<u>(54,282,160)</u>	<u>(50,335,735)</u>
Profit for the year before taxes		1,923,640	15,391,949
Taxes expense	23	(898,390)	(989,769)
Profit for the year		<u>1,025,250</u>	<u>14,402,180</u>
Basic and diluted earnings per share of the profit for the year attributable to the equity holders of the Bank	36	<u>0,01</u>	<u>0,13</u>

The accompanying notes from 1 to 50 are an integral part of these consolidated financial statements

The National Bank Company Ltd.

Consolidated Statement of Comprehensive Income
For the year ended December 31, 2024

	<u>Note</u>	<u>2024</u>	<u>2023</u>
		<u>U.S. \$</u>	<u>U.S. \$</u>
Profit for the year		1,025,250	14,402,180
Other comprehensive income items Items not to be reclassified to consolidated income statement in subsequent periods:			
Change in the fair value of financial assets	8	(719,387)	(763,096)
Bank's share of associate's other comprehensive income items	8 & 10	<u>(194,567)</u>	<u>(67,374)</u>
Total other comprehensive income		<u>(913,954)</u>	<u>(830,470)</u>
Net comprehensive income for the year		<u><u>111,296</u></u>	<u><u>13,571,710</u></u>

The accompanying notes from 1 to 50 are an integral part of these consolidated financial statements

The National Bank Company Ltd.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2024

	Paid-in share capital U.S. \$	Share premium U.S. \$	Reserves				Retained earnings U.S. \$	Net equity U.S. \$
			Statutory U.S. \$	General banking risks U.S. \$	Pro-cyclicality U.S. \$	Fair value U.S. \$		
<u>December 31, 2024</u>								
Balance, beginning of the year	113,100,000	17,770,333	9,226,758	3,484,033	5,216,291	(3,109,557)	26,853,014	172,540,872
Profit for the year	-	-	-	-	-	-	1,025,250	1,025,250
Other comprehensive income items	-	-	-	-	-	(913,954)	-	(913,954)
Total comprehensive income for the year	-	-	-	-	-	(913,954)	1,025,250	111,296
Transfers to reserves	-	-	102,525	-	-	-	(102,525)	-
Balance, end of the year	<u>113,100,000</u>	<u>17,770,333</u>	<u>9,329,283</u>	<u>3,484,033</u>	<u>5,216,291</u>	<u>(4,023,511)</u>	<u>27,775,739</u>	<u>172,652,168</u>

	Paid-in share capital U.S. \$	Share premium U.S. \$	Reserves				Retained earnings U.S. \$	Net equity U.S. \$
			Statutory U.S. \$	General banking risks U.S. \$	Pro-cyclicality U.S. \$	Fair value U.S. \$		
<u>December 31, 2023</u>								
Balance, beginning of the year	113,100,000	17,770,333	7,786,540	3,484,033	5,216,291	(2,262,093)	19,529,058	164,624,162
Profit for the year	-	-	-	-	-	-	14,402,180	14,402,180
Other comprehensive income items	-	-	-	-	-	(830,470)	-	(830,470)
Total comprehensive income for the year	-	-	-	-	-	(830,470)	14,402,180	13,571,710
Sale of financial assets at fair value through other comprehensive income items (note 8)	-	-	-	-	-	(16,994)	16,994	-
Cash dividends (note 1)	-	-	-	-	-	-	(5,655,000)	(5,655,000)
Transfers to reserves	-	-	1,440,218	-	-	-	(1,440,218)	-
Balance, end of the year	<u>113,100,000</u>	<u>17,770,333</u>	<u>9,226,758</u>	<u>3,484,033</u>	<u>5,216,291</u>	<u>(3,109,557)</u>	<u>26,853,014</u>	<u>172,540,872</u>

The accompanying notes from 1 to 50 are an integral part of these consolidated financial statements

The National Bank Company Ltd.
Consolidated Statement of Cash Flows
For the year ended December 31, 2024

	Note	2024 U.S. \$	2023 U.S. \$
<u>Operating activities</u>			
Profit for the year before taxes		1,923,640	15,391,949
Adjustments:			
Depreciation and amortization	11 & 12 & 14	6,073,989	5,913,145
Net gains from financial assets portfolio	31	(150,936)	(205,589)
Bank's share of the associate's results of operations	10	(250,752)	(1,220,996)
Interest on lease liabilities	24	270,402	285,858
Expected credit losses provision, net	35	14,527,913	6,255,909
Sundry provisions	22	1,385,483	1,351,266
Losses (Gains) on sale of property, plant and equipment		57,465	(562)
Other non-cash items		112,028	(262,863)
		<u>23,949,232</u>	<u>27,508,117</u>
Changes in assets and liabilities:			
Restricted balances at banks and financial institutions		4,390,365	(422,985)
Statutory cash reserve at Palestine Monetary Authority		5,920,129	3,373,957
Direct credit facilities, net		101,331,746	3,848,875
Other assets		13,062,768	3,711,922
Customers' deposits		(26,119,972)	(42,260,398)
Cash margins		(9,416,567)	(2,519,159)
Other liabilities		(12,579,274)	9,114,502
Net cash flows from operating activities before paid taxes and provisions		100,538,427	2,354,831
Taxes (paid) recovered		(3,467,949)	(2,491,867)
Payments on sundry provisions		(1,227,250)	(599,222)
Net cash flows from (used in) operating activities		<u>95,843,228</u>	<u>(736,258)</u>
<u>Investing activities:</u>			
Purchase of property, plant and equipment		(704,843)	(3,924,963)
Sale of property, plant and equipment		-	27,497
Projects in progress		(2,194,919)	(1,529,784)
Purchase of intangible assets		(601,440)	(514,469)
Net change in financial assets at fair value through other comprehensive income items		-	52,965
Purchase of financial assets at amortized cost		(8,295,279)	(13,552,122)
Maturity of financial assets at amortized cost		7,052,186	2,820,874
Cash dividends received		196,536	1,498,487
Net cash flows from investing activities		<u>(4,547,759)</u>	<u>(15,121,515)</u>
<u>Financing activities:</u>			
Cash dividends paid		(60,946)	(5,441,560)
Loans and borrowings		(2,736,326)	37,109,701
Subordinated loans		(16,500,000)	(12,500,000)
Lease liabilities paid		(1,690,305)	(1,740,736)
Net cash flows (used in) from financing activities		<u>(20,987,577)</u>	<u>17,427,405</u>
Increase in cash and cash equivalents		70,307,892	1,569,632
Cash and cash equivalents, beginning of the year		255,092,640	253,523,008
Cash and cash equivalents, end of the year	37	<u>325,400,532</u>	<u>255,092,640</u>
Interests expense paid		20,084,535	14,629,976
Interests revenue received		68,669,524	69,105,001

The accompanying notes from 1 to 50 are an integral part of these consolidated financial statements

The National Bank Company Ltd.

Notes to the Consolidated Financial Statements As at December 31, 2024

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 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 13 offices located in major Palestinian cities, as well as regular banking services. The Bank also finances the financial needs of the small enterprise sector and other sectors.

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

The Bank's issued and paid-in capital as of December 31, 2021 amounted to U.S. \$ 104,553,948, with a nominal value of U.S.\$ 1 per share.

The General Assembly decided in its meeting held on May 15, 2022, to increase the authorized capital from U.S.\$ 110 million U.S.\$ to 115 million, and to approve the board of directors' recommendation to distribute dividends as bonus shares to shareholders at a rate of 8.13% of the paid-up capital, resulting in the paid-up capital increasing to U.S.\$ 113,100,000 US dollars after the increase.

The Bank's General Assembly also decided in its meeting held on May 3, 2023, to distribute cash dividends of U.S.\$ 0.05 per share, amounting to U.S.\$ 5,655,000.

The Bank's personnel reached (666) and (725) employees as at December 31, 2024 and 2023, respectively.

The consolidated financial statements as at December 31, 2024 were authorized for issuance by the Bank's Board of Directors on March 13, 2025.

2. Consolidated financial statements

The consolidated financial statements comprise the financial statements of The National Bank (the Bank) and its subsidiaries as at December 31, 2024.

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.\$	
		2024	2023	2024	2023
National Islamic Investment Company	Palestine	100	100	74,000,000	74,000,000
Watan Private Investment Company	Palestine	100	100	110,000	110,000

3. Accounting policies

3.1 Basis of consolidation of financial statements

The consolidated financial statements comprise of the financial statements of the Bank and its subsidiaries as of December 31, 2024. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investee to affect its returns.

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

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

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

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

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

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

3.2 Basis of preparation

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

The Bank complies with the local prevailing laws, and in conformity with Palestine 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, financial assets at fair value through other comprehensive income items and financial derivatives that have been measured at fair value at the date of the consolidated financial statements.

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

3.3 Changes in accounting policies

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the prior year except for the adoption of new amendments on the standards effective as of January 1, 2024 shown below:

Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback

The amendments in IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments were applied retrospectively from January 1, 2024 for sale and leaseback transactions entered into after the date of initial application of International Financial Reporting Standard No. (16).

The amendments had no impact on the Bank's consolidated financial statements.

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

The amendments to IAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

What is meant by a right to defer settlement That a right to defer must exist at the end of the reporting period

That classification is unaffected by the likelihood that an entity will exercise its deferral right. That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments were applied retrospectively from January 1, 2024. The amendments did not have a material impact on the Bank's consolidated financial statements. The amendments had no impact on the Bank's consolidated financial statements.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

The amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments were applied retrospectively from January 1, 2024. The amendments did not have a material impact on the Bank's consolidated financial statements. The amendments had no impact on the Bank's consolidated financial statements.

3.4 International Financial Reporting Standards (IFRS), new interpretations, and amendments issued but not yet effective

The new and amended 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 new and amended standards and interpretations when they become effective:

Amendments to the Classification and Measurement of Financial Instruments– Amendments to IFRS 9 and IFRS 7

In May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

The Amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only.

The Bank is working to determine all the effects of the amendments on the main consolidated financial statements and their related notes.

Lack of exchangeability – Amendments to IAS 21

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

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

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

This standard will result in new presentation of the income statement with some new required totals, in addition to the disclosure of management-defined performance measures.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

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

4. Significant Accounting Policy Information

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

The Bank's income from fees and commissions is generated through a variety of financial services it provides to customers. Revenue from fees and commissions is recognized at the amount that reflects the consideration the Bank expects to receive in exchange for these services that have been provided. The obligations of performance, and the timing of their fulfillment, are identified and defined at the contract inception date. The Bank's revenue contracts do not include multiple performance obligations.

When the Bank provides a service to its customers, the consideration is recognized and recorded immediately upon service delivery at a specific time or at the end of the contract period for the service provided over the contract term.

The Bank considers itself the principal for the revenues it provides due to its control over the services before they are transferred to the customer.

Fees and commissions from providing services recognized over a specific time period

These fees include charges for services rendered within a defined time, accounted for the same period, including credit commissions and custodial service fees, where the customer receives and benefits from the Bank's offerings simultaneously.

The Bank's fees and commissions from services recognized over a specified time period include:

Custodial fees: The Bank charges a fixed annual fee for providing custodial services to its customers, which includes safekeeping purchased securities and processing any income from dividend distributions and interest payments. The customer's share of these services is transferred evenly over the service period, and these fees are recognized as revenue evenly throughout this period, based on elapsed time.

Credit fees integral to financial instruments such as loan origination fees, loan commitment fees that are likely to be drawn, and other related credit fees. Since the benefit of the services is transferred to the customer evenly over a specified period, the fees are recognized as revenue on a straight-line basis.

Fees and commissions from providing services recognized at a specific point in time

Fees and commissions from providing services recognized at a specific point are recognized as soon as the Bank fulfills its performance obligations and transfers control of these services to the customer. This typically occurs upon completion of a transaction or service, or against fees associated with specific performance, after meeting the performance criteria. These fees and commissions arise from negotiating or participating in negotiations for a third party, such as brokerage, where the Bank commits to successfully completing a specific deal outlined in the contract.

Brokerage fees: The Bank buys and sells securities on behalf of its customers and charges a fixed commission for each transaction. The Bank's obligation is to execute these transactions on behalf of the customer, and revenue is recognized once each transaction is executed (i.e., on the trade date) with the commission payable at the trade date. The Bank pays a sales commission to agents for each transaction in return for some brokerage work performed.

The Bank has chosen to apply the practical expedient that allows it to recognize the commission immediately because its consumption period is one year or less.

Contract balances

Contract balances are recognized in the consolidated statement of financial position as follows:

- Fees and commissions receivable included in "Other Assets," representing the Bank's right to an unconditional amount of consideration (only subject to the passage of time for its collection), measured at amortized cost and subject to the expected credit loss provision.
- Prepaid unearned fees and commissions included in "Other Liabilities," representing the Bank's obligation to transfer services to a customer for which consideration has been received in advance. The obligation from unearned fees and commissions received is recognized upon receipt or when due (whichever is earlier). Revenue from unearned fees and commissions is recognized as the bank provides the corresponding services.

Net income realized from trading

Net trading income includes all profits and losses from changes in fair value, related interest income or expenses, and dividend distributions for financial assets and liabilities held for trading.

Dividend income revenues

Dividend income revenues or losses are realized from trading investments in financial assets are recognized upon completion of the trading operation, and dividend income from invested companies is recognized when there is a right to receive it.

Net loss from financial assets and liabilities at fair value through profit or loss

Net loss from financial assets and liabilities at fair value through profit or loss represents non-trading derivatives held for risk management in economic hedging relationships but not designated in financial hedging relationships for assets and liabilities at fair value through profit or loss, as well as non-trading assets at fair value through profit or loss, as required by International Financial Reporting Standard (IFRS 9). This includes changes in fair value, interest, dividends distributed, and exchange rate differences.

Net loss from the derecognition of financial assets at amortized cost or through other comprehensive income items

Net loss from the derecognition of financial assets at amortized cost or through other comprehensive income items includes net loss or profit from the exclusion of financial assets at amortized cost recognized upon sale or derecognition, calculated based on the difference between the carrying amount (including any impairment) and the proceeds received.

Rental and service revenues

Rental and service revenues are classified from leasing contracts that do not transfer the risks and benefits of ownership from the lessor to the lessee as operating leases. The cost incurred in operating lease contracts is added to the book value of the leased asset and recognized as rental income over the lease period.

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
- Fair value through other comprehensive income
- Fair value through profit or loss

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 earned on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in Consolidated income statement as other operating income when the right to the payment has been established.

Financial guarantees, letters of credit and unutilized facilities ceilings

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

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

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

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

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

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

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition.

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

Derecognition other than for substantial modification

A. Financial assets

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

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

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

Or

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

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

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients

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

A transfer only qualifies for derecognition if either:

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

Or

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

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

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

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

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

B. Financial liabilities

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

Impairment of financial assets

Overview of the ECL principles

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

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

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

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

The 12mECL is the portion of LTECLs that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

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

The Bank established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit loss has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its financial assets into stage (1), stage (2) and stage (3), as described below:

- | | |
|-----------|---|
| Stage (1) | When financial assets that its credit risk haven't increased dramatically since initial recognition, the Bank recognizes an allowance based on 12mECLs. |
| Stage (2) | When a financial asset has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. |
| Stage (3) | Financial assets considered credit impaired. The Bank records an allowance for the LTECLs. |

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

The calculation of ECLs

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

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

- | | |
|-----|--|
| PD | The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio. |
| EAD | The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. |
| LGD | The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as percentage of the EAD. |

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

The mechanics of the ECL method are summarized below:

Stage (1)	The 12mECL is calculated as the portion of LTECLs that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.
Stage (2)	When a financial asset has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
Stage (3)	For financial assets considered credit-impaired, the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage (2) assets, with the PD set at 100% and the PD is larger than stage (1) and 2.
Loan commitments and letters of credit	When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the financial asset is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the commitment.

Credit cards and other revolving facilities

The Bank does not limit its exposure to credit losses to the contractual notice period, but, instead, calculated ECL over a period that reflects the Bank's expectations of the customers' behavior, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products.

The interest rate used to discount the ECLs for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities.

Bad debt not previously provided for and written off

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

Forward looking information

In its ECL model, the Bank relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Inflation rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS (9) is the same as 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.

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:

	<u>Useful life (Years)</u>
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.

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 multiples quoted share prices for publicly traded companies or other available fair value indicators.

Intangible Assets

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 Bank management estimates the useful life in a straight-line method over the expected useful life which ranges from five to ten years.

Financial derivatives

Derivative financial instruments (such as foreign 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

International Accounting Standard No. (12) mandates the recognition of temporary timing differences as of the date of the consolidated statement of financial position as deferred taxes. As a result, the Bank may record deferred tax assets or liabilities. Deferred taxes are the taxes expected to be paid or recovered due to temporary timing differences between the values of assets or liabilities in the consolidated financial statements and the values used for calculating taxable profit. Deferred taxes are calculated using the liability method in the consolidated statement of financial position and are computed according to the tax rates expected to be applied when the tax obligation is settled or the deferred tax assets are realized.

Tax expenses due are calculated based on the taxable profits, which differ from the profits reported in the consolidated financial statements as the reported profits include non-taxable revenues or expenses not deductible in the fiscal year but in subsequent years, or acceptable tax losses carried forward, or items that are not taxable or deductible for tax purposes.

A netting is conducted between deferred tax assets and deferred tax liabilities, and the net amount is only shown in the consolidated financial statements when there are enforceable legal rights and when they are settled on a net basis or when the realization of assets and settlement of liabilities occur simultaneously.

Provision for employees' benefits

Provision is made for employees' benefits 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 42)
- Capital management (note 46)

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.

Determining the lease term for contracts with renewal and termination options

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

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.

Going concern principle

These financial statements have been prepared on a going concern basis. The Board of Directors believes that all available measures are being taken to maintain the Bank's continuity and continue its operations in the current business environment and economic conditions as depicted in note (49), noting that the majority of the Bank's business, revenues and cash flows are achieved in the West Bank.

Expected credit losses (ECL) provision

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 Palestine 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.
- Off - balance sheet items: individual basis at facility /customer 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 customer 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.
- 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. Cash and balances with Palestine Monetary Authority

The details of this item is as follows:

	2024	2023
	U.S. \$	U.S. \$
Cash on hand	155,517,923	109,526,365
<u>Balances with PMA:</u>		
Current and demand accounts	11,118,055	28,431,532
Statutory cash reserve	97,101,356	103,021,485
	263,737,334	240,979,382
Provision for expected credit losses	(271,265)	(307,215)
	<u>263,466,069</u>	<u>240,672,167</u>

- According to Palestine Monetary Authority's instructions No. (10/2022) regarding the statutory cash reserve, the Bank should maintain a restricted-withdrawal statutory reserve balance with Palestine Monetary Authority at 9% of the deposits included in the mandatory reserve pool, in addition to 100% of the dormant balances. A percentage of 20% of this reserve is allocated to meet the results of clearing and settlements under the name "Settlement Reserve". The Bank may not dispose of the mandatory reserve with Palestine Monetary Authority, with the exception of the settlement reserve, which the Bank is allowed to exploit in accordance with the instructions in force. According to PMA circular number (2/2012) the outstanding balance of credit facilities granted in Jerusalem for some sectors are deducted before the statutory reserve is calculated.
- PMA does not pay interest on statutory cash reserves, current and demand accounts.

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

	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	131,453,017	-	-	131,453,017
Net change during the year	(23,233,606)	-	-	(23,233,606)
Balance, end of the year	<u>108,219,411</u>	<u>-</u>	<u>-</u>	<u>108,219,411</u>
	2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	133,079,225	-	-	133,079,225
Net change during the year	(1,626,208)	-	-	(1,626,208)
Balance, end of the year	<u>131,453,017</u>	<u>-</u>	<u>-</u>	<u>131,453,017</u>

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

	December 31, 2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	307,215	-	-	307,215
Net re-measurement of expected credit losses for the year	(35,950)	-	-	(35,950)
Balance, end of the year	<u>271,265</u>	<u>-</u>	<u>-</u>	<u>271,265</u>
	December 31, 2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	320,650	-	-	320,650
Net re-measurement of expected credit loss for the year	(13,435)	-	-	(13,435)
Balance, end of the year	<u>307,215</u>	<u>-</u>	<u>-</u>	<u>307,215</u>

5. Balances at banks and financial institutions

	2024	2023
	U.S. \$	U.S. \$
Local banks and financial institutions:		
Current and demand accounts	7,829,269	5,626,173
Deposits maturing within 3 months	<u>1,000,000</u>	<u>23,603,757</u>
	<u>8,829,269</u>	<u>29,229,930</u>
Foreign banks and financial institutions:		
Current and demand accounts	22,729,693	59,591,242
Deposits maturing within 3 months	<u>141,481,537</u>	<u>69,618,293</u>
	<u>164,211,230</u>	<u>129,209,535</u>
	<u>173,040,499</u>	<u>158,439,465</u>
Provision for expected credit losses	<u>(61,799)</u>	<u>(44,667)</u>
	<u>172,978,700</u>	<u>158,394,798</u>

- Non-interest bearing balances at banks and financial institutions amounted to U.S. \$ 30,558,962 and U.S. \$ 65,217,415 as at December 31, 2024 and 2023, respectively.
- Restricted balances at banks and financial institutions amounted to U.S. \$ 9,009,560 and U.S. \$ 13,399,925 as at December 31, 2024 and 2023, respectively.

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

	December 31, 2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	158,439,465	-	-	158,439,465
Net change during the year	14,601,034	-	-	14,601,034
Balance, end of the year	<u>173,040,499</u>	<u>-</u>	<u>-</u>	<u>173,040,499</u>
	December 31, 2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	205,454,585	-	-	205,454,585
Net change during the year	(47,015,120)	-	-	(47,015,120)
Balance, end of the year	<u>158,439,465</u>	<u>-</u>	<u>-</u>	<u>158,439,465</u>

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

	December 31, 2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	44,667	-	-	44,667
Net re-measurement of expected credit loss for the year	17,132	-	-	17,132
Balance, end of the year	<u>61,799</u>	<u>-</u>	<u>-</u>	<u>61,799</u>
	December 31, 2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	8,846	-	-	8,846
Net re-measurement of expected credit loss for the year	35,821	-	-	35,821
Balance, end of the year	<u>44,667</u>	<u>-</u>	<u>-</u>	<u>44,667</u>

6. Financial assets at fair value through profit or loss

	2024	2023
	U.S. \$	U.S. \$
Quoted shares listed at Palestine Exchange	240,000	285,600
	<u>240,000</u>	<u>285,600</u>

The Bank recorded the valuation losses in the consolidated income statement of an amount of U.S. \$ 45,600 as at December 31, 2024, compared to valuation gains in the consolidated income statement of an amount of U.S. \$ 50,400 as of December 31, 2023 (Note 31).

7. Direct credit facilities, net

	2024	2023
	U.S. \$	U.S. \$
Retails		
Overdrafts accounts	14,317,481	10,153,342
Loans and discounted bills	238,900,967	255,929,511
Corporates		
Overdrafts accounts	21,842,762	24,480,964
Loans and discounted bills	200,064,315	257,454,737
Medium and small enterprises		
Overdrafts accounts	2,305,216	4,293,867
Loans and discounted bills	42,165,110	56,919,446
Government and public sector		
Overdraft accounts	76,444,741	73,534,987
Loans and discounted bills	274,860,285	291,239,892
	<u>870,900,877</u>	<u>974,006,746</u>
Suspended interest and profit	(8,923,333)	(8,331,148)
Provision for expected credit losses	<u>(53,914,406)</u>	<u>(41,721,358)</u>
	<u>808,063,138</u>	<u>923,954,240</u>

- Non-performing credit facilities net of suspended interest and profit, according to PMA regulations net of suspended interest and profit, amounted to U.S. \$ 114,355,670 and U.S. \$ 86,112,926 representing 13.27% and 8.92% of direct credit facilities net of suspended interest and profit as at December 31, 2024 and 2023, respectively.
- Defaulted credit facilities, according to PMA regulations net of suspended interest and profit, amounted to U.S. \$ 63,641,965 and U.S. \$ 66,585,811 representing 7.38% and 6.90% of direct credit facilities net of suspended interest and profit as at December 31, 2024 and 2023, respectively.
- According to PMA circular number (1/2008), defaulted direct credit facilities for more than 6 years were excluded from the Bank's consolidated financial statements. These defaulted facilities amounted to U.S. \$ 22,061,209 and U.S. \$ 19,146,814 as at December 31, 2024 and 2023, the balance of provision and suspended interest and profit for defaulted accounts amounted to U.S. \$ 13,545,803 and U.S. \$ 11,251,741 compared to U.S. \$ 8,515,406 and U.S. \$ 7,895,073 as at December 31, 2024 and 2023, respectively.
- Direct credit facilities granted to the Palestinian National Authority amounted to U.S. \$ 351,305,026 representing 40.34% of total direct credit facilities as at December 31, 2024 compared to U.S. \$ 364,774,879 representing 37.45% of total direct credit facilities as at December 31, 2023.
- Credit facilities granted to non-residents as at December 31, 2024 and 2023 amounted to U.S. \$ 1,291,474 and U.S. \$ 1,405,726, respectively.
- Credit facilities granted to public sector employees as at December 31, 2024 and 2023 amounted to U.S. \$ 120,483,040 and U.S. \$ 126,845,522, representing 13.83% and 13.02% of the total direct credit facilities, respectively.
- Direct credit facilities granted to green line workers as at December 31, 2024 and 2023 amounted to U.S. \$ 3,036,874 and U.S. \$ 3,252,392, representing 0.35% and 0.33% of the total direct credit facilities.
- Credit card balances as of December 31, 2024 and 2023 amounted to U.S. \$ 4,981,473 and U.S. \$ 4,398,216, respectively.
- Overdrawn current accounts balances as at December 31, 2024 and 2023 amounted to U.S. \$ 961,547 and U.S. \$ 2,372,191, respectively.
- Credit facilities guaranteed by loan guarantee institutions as at December 31, 2024 and 2023 amounted to U.S. \$ 19,931,675 and U.S. \$ 19,122,485, respectively.
- Fair value of collaterals obtained in line of direct credit facilities, amounted to U.S. \$ 244,308,606 and U.S. \$ 293,293,652 as at December 31, 2024 and 2023, respectively.
- Fair value of collaterals obtained against indirect credit facilities, amounted to U.S. \$ 10,397,052 and U.S. \$ 10,440,930 as at December 31, 2024 and 2023, respectively.

Suspended interest and profit

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

	2024	2023
	U.S. \$	U.S. \$
Balance, beginning of the year	8,331,148	12,016,508
Suspended interests and profits during the year	3,236,097	5,692,609
Suspended interests and profits transferred to revenues during the year	(665,377)	(394,602)
Suspended interests written off during the year	(447,075)	(3,872,747)
Transferred to off balance sheet	(777,300)	-
Interests and profits in suspense related to the credit facilities being defaulted for more than 6 years.	(667,456)	(5,035,818)
Currency exchange differences	(86,704)	(74,802)
Balance, end of the year	<u>8,923,333</u>	<u>8,331,148</u>

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

	December 31, 2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	798,483,529	100,606,258	74,916,959	974,006,746
Net change during the year	(71,048,882)	(27,704,331)	(120,157)	(98,873,370)
Transferred to stage (1)	5,612,539	(5,031,728)	(580,811)	-
Transferred to stage (2)	(118,016,435)	125,004,119	(6,987,684)	-
Transferred to stage (3)	(4,441,646)	(5,127,844)	9,569,490	-
Write-off	-	-	(447,075)	(447,075)
Transferred to off balance sheet	-	-	(777,300)	(777,300)
Transferred from credit facilities that have been defaulted for more than 6 years	-	-	(3,008,124)	(3,008,124)
Balance, end of the year	<u>610,589,105</u>	<u>187,746,474</u>	<u>72,565,298</u>	<u>870,900,877</u>

	December 31, 2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	836,025,010	77,488,757	76,316,044	989,829,811
Net change during the year	(12,160,697)	15,979,363	(2,956,484)	862,182
Transferred to stage (1)	18,787,656	(16,757,950)	(2,029,706)	-
Transferred to stage (2)	(40,167,031)	45,391,835	(5,224,804)	-
Transferred to stage (3)	(4,001,409)	(21,495,747)	25,497,156	-
Write-off	-	-	(4,427,501)	(4,427,501)
Transferred from credit facilities that have been defaulted for more than 6 years	-	-	(12,257,746)	(12,257,746)
Balance, end of the year	<u>798,483,529</u>	<u>100,606,258</u>	<u>74,916,959</u>	<u>974,006,746</u>

Provision for expected credit losses

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

	December 31, 2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	11,666,896	3,827,218	26,227,244	41,721,358
Transferred to stage (1)	521,812	(284,494)	(237,318)	-
Transferred to stage (2)	(2,439,083)	3,031,000	(591,917)	-
Transferred to stage (3)	(62,306)	(252,590)	314,896	-
Recovery of credit loss provision	(884,641)	(1,059,495)	(1,878,869)	(3,823,005)
Net re-measurement of expected credit losses for the year	(180,481)	3,309,722	15,141,092	18,270,333
Transferred from provision of defaulted direct credit facilities for more than 6 years	-	-	(2,340,668)	(2,340,668)
Currency exchange differences	(8,622)	(6,378)	(10,324)	(25,324)
Other	-	-	111,712	111,712
Balance, end of the year	<u>8,613,575</u>	<u>8,564,983</u>	<u>36,735,848</u>	<u>53,914,406</u>

	December 31, 2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	7,689,059	3,374,391	32,681,023	43,744,473
Transferred to stage (1)	2,402,608	(1,469,191)	(933,417)	-
Transferred to stage (2)	(425,776)	2,671,795	(2,246,019)	-
Transferred to stage (3)	(46,176)	(1,130,851)	1,177,027	-
Recovery of credit loss provision	(387,376)	(310,363)	(1,938,288)	(2,636,027)
Net re-measurement of expected credit losses for the year	2,516,938	716,349	5,668,455	8,901,742
Transferred from provision of defaulted direct credit facilities for more than 6 years	-	-	(7,221,928)	(7,221,928)
Write-off	-	-	(754,754)	(754,754)
Currency exchange differences	(82,381)	(24,912)	(62,754)	(170,047)
Other	-	-	(142,101)	(142,101)
Balance, end of the year	<u>11,666,896</u>	<u>3,827,218</u>	<u>26,227,244</u>	<u>41,721,358</u>

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

	2024	2023
	U.S. \$	U.S. \$
Balance, beginning of the year	11,251,741	4,186,567
Transferred from expected credit losses provision for direct credit facilities	2,340,668	7,221,928
Bad debts	-	(216,469)
Currency exchange differences	(46,606)	59,715
Balance, end of the year	<u>13,545,803</u>	<u>11,251,741</u>

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

	2024	2023
	U.S. \$	U.S. \$
Public sector	351,305,026	364,774,879
Real estate and construction loans	175,405,462	194,170,981
Industry, trade and agricultural sector	125,612,410	167,489,381
Service sector	80,297,785	101,658,841
Consumption loans	129,356,861	137,581,516
	<u>861,977,544</u>	<u>965,675,598</u>

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

	2024	2023
	U.S. \$	U.S. \$
Shares quoted in Palestine Security Exchange	4,849,052	5,559,299
Shares quoted in foreign financial markets	685,472	694,612
Unquoted shares	78,368	78,368
	<u>5,612,892</u>	<u>6,332,279</u>

Following is the movement on the fair value reserve account:

	2024	2023
	U.S. \$	U.S. \$
Balance, beginning of the year	(3,109,557)	(2,262,093)
Change in fair value	(719,387)	(763,096)
Sale of financial assets at fair value through other comprehensive income items	-	(16,994)
Bank's share of associate's other comprehensive income items	(194,567)	(67,374)
Balance, end of the year	<u>(4,023,511)</u>	<u>(3,109,557)</u>

9. Financial assets at amortized cost

Financial assets at amortized costs consist of the following:

	Bonds and treasury bills*	Quoted bonds**	Unquoted bonds***	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<u>December 31, 2024</u>				
Local	-	-	10,081,600	10,081,600
Foreign	7,384,915	39,837,184	-	47,222,099
	<u>7,384,915</u>	<u>39,837,184</u>	<u>10,081,600</u>	<u>57,303,699</u>
Provision for expected credit losses	(4,845,769)	(27,002)	(33,564)	(4,906,335)
	<u>2,539,146</u>	<u>39,810,182</u>	<u>10,048,036</u>	<u>52,397,364</u>
<u>December 31, 2023</u>				
Local	-	-	10,207,400	10,207,400
Foreign	14,537,214	31,315,992	-	45,853,206
	<u>14,537,214</u>	<u>31,315,992</u>	<u>10,207,400</u>	<u>56,060,606</u>
Provision for expected credit losses	(4,759,680)	(24,957)	(22,295)	(4,806,932)
	<u>9,777,534</u>	<u>31,291,035</u>	<u>10,185,105</u>	<u>51,253,674</u>

- * Financial assets at amortized cost represent the Bank's investment in quoted Lebanese treasury bills and Omani, Saudi and Canadian government treasury bonds, where the interest rate on these assets ranges from 4.72% to 7.63% and matures within one to nine years. During 2020 the Bank classified the Lebanese bonds as defaulted instruments based on the announced ratings of international rating agencies, the total recorded provisions against these bonds amounted U. S. \$ 4.84 million. In addition, the Bank has suspended interest revenues from these bonds.
- ** This item represents the Bank's investment in financial bonds issued by foreign companies maturing within one to nine years, with an interest rates on bonds ranges from 4.55% to 6.90%.
- *** This item represents the Bank's investment in financial bonds issued by local companies maturing within one to two years, with an interest rates on the bonds range from (EURO IBOR 6 months +1.6%), with a minimum range between 4.75% to 7.81%.

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

	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	48,713,083	1,980,588	5,366,935	56,060,606
Net change during the year	1,215,842	14,186	13,065	1,243,093
Balance, end of the year	<u>49,928,925</u>	<u>1,994,774</u>	<u>5,380,000</u>	<u>57,303,699</u>

	2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	39,813,168	-	5,312,640	45,125,808
Transfer to stage (2)	(1,968,579)	1,968,579	-	-
Net change during the year	10,868,494	12,009	54,295	10,934,798
Balance, end of the year	<u>48,713,083</u>	<u>1,980,588</u>	<u>5,366,935</u>	<u>56,060,606</u>

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

	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	45,088	24,342	4,737,502	4,806,932
Net re-measurement of expected credit losses for the year	(5,792)	697	104,498	99,403
Balance, end of the year	<u>39,296</u>	<u>25,039</u>	<u>4,842,000</u>	<u>4,906,335</u>

	2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	101,622	-	4,737,502	4,839,124
Transfer to stage (2)	(5,065)	5,065	-	-
Net re-measurement of expected credit losses for the year	(51,469)	19,277	-	(32,192)
Balance, end of the year	<u>45,088</u>	<u>24,342</u>	<u>4,737,502</u>	<u>4,806,932</u>

10. Investment in associates

	Ownership percentage		Book Value	
	2024	2023	2024	2023
	%	%	U.S. \$	U.S. \$
Palestine Islamic Bank	24.85	24.85	50,207,568	50,151,383
			<u>50,207,568</u>	<u>50,151,383</u>

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

	2024	2023
	U.S. \$	U.S. \$
Balance, beginning of the year	50,151,383	50,240,259
Bank's share of results of the associate	250,752	1,220,996
Bank's share in other comprehensive income items of the associate	(194,567)	(67,374)
Cash dividends	-	(1,242,498)
Balance, end of the year	<u>50,207,568</u>	<u>50,151,383</u>

The following table provides a summary of the financial information related to the Bank's investments in associates company as at 31 December 2024 and 2023:

	Palestine Islamic Bank	
	2024	2023
	U.S. \$	U.S. \$
<u>Financial position of associates</u>		
Total assets	<u>1,599,846,630</u>	<u>1,567,621,149</u>
Total liabilities	<u>1,451,618,932</u>	<u>1,419,619,547</u>
Net equity	<u>148,227,698</u>	<u>148,001,602</u>
Book value before adjustment	36,834,583	36,778,398
Implied goodwill	13,372,985	13,372,985
Book value after adjustment	<u>50,207,568</u>	<u>50,151,383</u>
<u>Revenue and Business Results</u>		
Net revenue	64,907,814	70,707,231
Operational, administrative and general expenses	(35,044,461)	(35,685,056)
Depreciation and amortization	(4,576,847)	(4,548,844)
Financing expenses	(136,395)	(151,877)
Impairment losses	(26,461,987)	(25,984,664)
Other income	2,340,738	2,522,925
Profit before tax for the year	1,028,862	6,859,715
Tax expense	(19,794)	(1,946,252)
Net profit for the year after tax	1,009,068	4,913,463
The Bank's share of the results of the year's business year	<u>250,752</u>	<u>1,220,996</u>
The Bank's share of other comprehensive income items	<u>(194,567)</u>	<u>(67,374)</u>

During 2024, the Bank implemented a resource management system to organize its tangible and intangible assets. The scope of implementation included recoding all tangible assets across all bank locations, identifying and sorting all intangible assets, and reorganizing them into a unified asset register. This process resulted in the reclassification of many assets within asset categories. This process had no financial impact on the bank.

12. Right of use assets

This item represents the right to use of branches, cars and ATMs. The expected useful life of branches, ATMs and cars was calculated over a period ranges from 5 to 10 years. Following is the movement on the right to use assets:

	<u>2024</u>	<u>2023</u>
	U.S. \$	U.S. \$
Balance, beginning of the year	6,755,187	6,000,996
Additions during the year	954,028	2,495,729
Disposals	(7,967)	(403,564)
Depreciation for the year	<u>(1,472,768)</u>	<u>(1,337,974)</u>
Balance, end of the year	<u><u>6,228,480</u></u>	<u><u>6,755,187</u></u>

13. Projects in progress

This item comprises of expansion works and leasehold improvements for Watan (subsidiary). Following is the movement on projects in progress during the year:

	<u>2024</u>	<u>2023</u>
	U.S. \$	U.S. \$
Balance, beginning of the year	1,803,479	273,695
Additions	2,194,919	1,529,784
Transferred to property, plant and equipment (note 11)	(1,706,297)	-
Transferred to intangible assets (note 14)	<u>(1,228,295)</u>	-
Balance, end of the year	<u><u>1,063,806</u></u>	<u><u>1,803,479</u></u>

14. Intangible assets

	<u>2024</u>	<u>2023</u>
	U.S. \$	U.S. \$
Computer programs	2,724,930	2,748,420
	<u><u>2,724,930</u></u>	<u><u>2,748,420</u></u>

Movement on computer programs and intangible assets during both years was as follows:

	<u>2024</u>	<u>2023</u>
	U.S. \$	U.S. \$
Balance, beginning of the year	2,748,420	3,849,183
Additions	601,440	514,469
Transferred from projects in progress (note 13)	1,228,295	-
Amortization	(1,120,609)	(1,615,232)
Transferred to property, plant and equipment (note 11)	<u>(732,616)</u>	-
Balance, end of the year	<u><u>2,724,930</u></u>	<u><u>2,748,420</u></u>

15. Deferred tax assets

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

Following is the movement on deferred tax assets:

	<u>2024</u>	<u>2023</u>
	U.S. \$	U.S. \$
Balance, beginning of the year	6,298,657	4,709,866
Additions	<u>910,089</u>	<u>1,588,791</u>
Balance, end of the year	<u><u>7,208,746</u></u>	<u><u>6,298,657</u></u>

16. Other assets

This item includes the following:

	<u>2024</u>	<u>2023</u>
	U.S. \$	U.S. \$
Accrued interest income	3,266,642	8,835,401
Clearing Cheques	1,762,540	4,779,806
Prepaid expenses	734,486	2,140,991
Printings and stationery	377,288	297,386
Seized assets	180,000	-
Due from related party	165,825	850,212
Settlement accounts for ATM and credit cards	-	2,463,539
Others	780,208	962,422
	<u><u>7,266,989</u></u>	<u><u>20,329,757</u></u>

17. Banks and financial institutions' deposits

	<u>2024</u>	<u>2023</u>
	U.S. \$	U.S. \$
Local banks and financial institutions:		
Current and demand deposits	4,797,218	1,682,110
Deposits maturing within 3 months	-	23,513,500
	<u>4,797,218</u>	<u>25,195,610</u>
Foreign banks and financial institutions:		
Current and demand deposits	<u>469,167</u>	<u>2,709,187</u>
	<u>469,167</u>	<u>2,709,187</u>
	<u><u>5,266,385</u></u>	<u><u>27,904,797</u></u>

18. Customers' deposits

	<u>2024</u>	<u>2023</u>
	U.S. \$	U.S. \$
Retails		
Current and demand accounts	152,613,610	148,618,930
Saving deposits	263,103,558	299,269,713
Term deposits	163,564,001	174,578,231
Debit balances – temporarily credit	186,511	465,106
Corporates		
Current and demand accounts	106,771,870	89,529,195
Saving deposits	5,223,605	5,328,994
Term deposits	76,979,869	73,225,743
Debit balances – temporarily credit	1,725,968	1,302,334
SME		
Current and demand accounts	66,694,997	66,300,926
Saving deposits	4,778,585	7,308,309
Term deposits	41,149,841	51,230,893
Debit balances – temporarily credit	589,978	41,989
Government and public sector		
Current and demand accounts	101,815,826	90,459,186
Saving deposits	896,689	790,256
Term deposits	78,727,413	82,492,488
	<u>1,064,822,321</u>	<u>1,090,942,293</u>

- Public sector deposits as at December 31, 2024 and 2023 amounted to U.S. \$ 181,439,928 and U.S. \$ 173,741,930 representing 17,04% and 15,93% of total deposits, respectively.
- Non-interest bearing deposits amounted to U.S. \$ 595,362,777 and U.S. \$ 652,329,264 representing 55,91% and 59,80% of the total deposits as at December 31, 2024 and 2023, respectively.
- Customer rigid deposits as at December 31, 2024 and 2023 amounted to U.S. \$ 42,766,786 and U.S. \$ 34,395,478, representing 4.02% and 3.15% of total deposits, respectively.

19. Cash margins

This item consists of cash margins against:

	<u>2024</u>	<u>2023</u>
	U.S. \$	U.S. \$
Direct credit facilities	45,358,127	49,638,781
Indirect credit facilities	2,811,503	7,690,416
Others	15,505,412	15,762,412
	<u>63,675,042</u>	<u>73,091,609</u>

- Interest-bearing cash margins as at December 31, 2024 and 2023 amounted to U.S. \$ 13,703,329 and U.S. \$ 16,296,293, representing 21,52% and 22.30% of the total cash margins, respectively.

20. Loans and borrowings

	Balance in U.S. \$	Collateral	Interest rate (%)
<u>2024</u>			2,204%+ LIBOR Euro
European Investment Bank*	27,321,000	None	6 months
Palestine Monetary Authority**	<u>27,431,832</u>	None	3,9
	<u>54,752,832</u>		
<u>2023</u>	Balance in U.S. \$	Collateral	Interest rate (%)
			2,204%+ LIBOR Euro
European Investment Bank*	38,629,500	None	6 months
Palestine Monetary Authority**	18,304,098	None	5,25
Sanad Fund for MSME***	<u>555,560</u>	None	4.1
	<u>57,489,158</u>		

* During 2020, the Bank signed an agreement with the European Investment Bank to support small and medium enterprises. During 2023, the Bank withdrew EUR 35 million from the signed agreement during the year. This loan is repaid in 8 equal semi-annual installments, the first installment is due on February 16, 2024 and the repayment expires on August 16, 2027, at an interest rate of 2,204% + 6 months Euro-SOFER.

** During 2020, the Palestine Monetary Authority granted the bank incentive deposits of ILS 200 million divided into three deposits maturing over three years at a maturity of a deposit each year with interest ranging between 1.6% and 2%, as incentives for the bank as a result of its acquisition of Jordan Commercial Bank branches in Palestine, the first deposit was due during 2021 worth ILS 67 million, and the second deposit was due during 2022 with a value of ILS 67 million. During the year 2023, the Bank renewed the deposit from the Palestine Monetary Authority in the amount of ILS 66 million maturing on 13 August, 2024 at an interest rate of 5.25%. The Bank has fully repaid the deposit amount during the early months of the year 2024. During June 2024, the Palestine Monetary Authority granted the Bank a loan of NIS 100 million at a fixed interest rate of 3.9%, maturing in October 2025.

*** In 2019, the Bank signed an agreement with the Sanad Fund for Micro, Small and Medium Enterprises in the amount of U.S. \$ 5 million to support small and medium enterprises. This loan is repaid in 9 equal semi-annual installments, the first installment is due on January 5, 2020 and was repaid on January 5, 2024. The loan is due at an interest rate of 6.4127%, and it was agreed between the two parties during 2021 to reduce the interest rate on the loan to 4.1%.

21. Subordinated loans

Over the past years, the Bank has obtained subsidy loans under agreements signed with several local individuals and companies totaling U.S. \$ 40 million at an annual interest rate ranging from 5.15% to 5.75%, repaid on a monthly basis, while the principal is repaid at maturity during 2024 and 2025. For the purposes of calculating capital adequacy, the Bank calculates loans as part of the second tranche of the Bank's capital in accordance with the instructions of the Palestine Monetary Authority emanating from the decisions of the Basel Committee.

During the year, the Bank repaid U.S. \$ 16.5 million of these subordinated loans for a balance of U.S. \$ 2 million as at December 31, 2024 compared to U.S. \$ 18.5 million as at December 31, 2023.

22. Sundry Provisions

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

	Balance, beginning of the year	Provided during the year	Paid during year	Balance, end of the year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<u>December 31, 2024</u>				
Employees' end of service provision	7,133,258	1,385,483	(1,227,250)	7,291,491
Lawsuits provision	200,000	-	-	200,000
	<u>7,333,258</u>	<u>1,385,483</u>	<u>(1,227,250)</u>	<u>7,491,491</u>
<u>December 31, 2023</u>				
Employees' end of service provision	6,381,214	1,351,266	(599,222)	7,133,258
Lawsuits provision	200,000	-	-	200,000
	<u>6,581,214</u>	<u>1,351,266</u>	<u>(599,222)</u>	<u>7,333,258</u>

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

23. Taxes provisions

	<u>2024</u>	<u>2023</u>
	U.S. \$	U.S. \$
Balance, beginning of the year	4,806,531	4,720,244
Provision for the year	2,042,869	5,671,710
Excess in prior years provisions	-	(3,034,000)
Discount on paid advances	(234,390)	(59,150)
Payments during the year	(3,467,949)	(2,491,867)
Currency variance	-	(406)
Balance, end of the year	<u>3,147,061</u>	<u>4,806,531</u>

The Bank has obtained final clearances from the Income Tax and Value Added Tax departments for the results of their business until 2022. The bank has submitted the tax return for the results of operations for the year 2023 on time, and the tax advisor is following up to reach final settlement.

Watan company (the subsidiary) reached a final tax settlement with the Income Tax Department for its results of operations up to the year 2020. The company has not reached a final clearance with the Income Tax Department for its results of operations for the years 2021, 2022 and 2023, noting that the company submitted its tax returns on time and is continuing to follow up on the final settlement with the tax authorities.

The income tax rates is 15% and value added tax rate is %16 for the years 2023 and 2024. According to Law No. (4) for the year 2014, concerning the amendment of Law No. (8) for the year 2011 related to income taxes, the 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:

	<u>2024</u>	<u>2023</u>
	U.S. \$	U.S. \$
Provision for the current year	2,042,869	5,671,710
Excess in prior years provisions	-	(3,034,000)
Amortization of deferred tax assets, net	(910,089)	(1,588,791)
Discount on paid advances	(234,390)	(59,150)
Taxes expense for the year	<u>898,390</u>	<u>989,769</u>

Reconciliation between accounting income and taxable income is as follows:

	2024	2023
	U.S. \$	U.S. \$
Accounting profit	1,923,640	15,391,949
Profit subject to Value Added Tax	8,483,759	22,542,266
Profit subject to income tax	1,617,592	13,819,684
Value Added Tax on profit for the year	1,170,174	3,109,278
Income tax	554,639	2,340,038
Total taxes for the year	1,724,813	5,449,316
Provision for the year	2,042,869	5,671,710

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

24. Lease liabilities

Following is the movement on lease liabilities:

	2024	2023
	U.S. \$	U.S. \$
Balance, beginning of the year	6,485,590	5,907,210
Additions	954,028	2,495,729
Disposals	(7,967)	(462,471)
Payments	(1,690,305)	(1,740,736)
Interest expense on lease liabilities	270,402	285,858
Balance, end of the year	6,011,748	6,485,590

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, 2024 amounted to U.S. \$ 419,555 and for the year ended December 31, 2023 amounted to U.S. \$ 318,539 (Note 34).

25. Other liabilities

	2024	2023
	U.S. \$	U.S. \$
Unpaid accrued interest	3,825,187	5,806,758
Settlement accounts for ATM and credit cards	2,732,083	3,485,088
Negative financial derivatives	2,514,123	6,712,417
Accrued expenses	2,013,005	2,136,990
Accounts payable	1,631,013	3,446,442
Unearned interest and commission income	1,112,062	1,821,615
Accrued payroll taxes	1,006,803	539,865
Unpaid cash dividends	963,023	1,023,969
Certified checks and incoming transfers	725,093	3,019,487
Provision for Palestine Deposit Insurance Corporation	427,757	454,000
Restricted balances	395,555	400,863
Accrued bonuses	172,500	1,232,706
Istidama loans	132,536	236,179
Others	1,478,897	1,453,478
	19,129,637	31,769,857

26. Share premium

On January 25, 2015, the Bank and Union Bank–Jordan signed an agreement enabling the admission of the latter 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.

27. Reserves

– Statutory reserve

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

– General banking risks reserve

This item represents the amount of risk reserve deducted in accordance with PMA's regulations number (6/2015) based on 1.5% of direct credit facilities after deducting expected credit losses provision for credit facilities and suspended interest and profit and 0.5% of indirect credit facilities. According to PMA's generalization number (53/2013), the general banking risks reserve is not held against the small and medium sized companies if the conditions indicated in the generalization are applicable on it. During 2018, the Bank adopted IFRS (9), and recorded the impact of IFRS (9) from this reserve, in reference to Stage (1) and Stage (2) expected credit losses, as per PMA instructions number (2/2018). The reserve is not to be utilized or reduced without PMA's prior approval.

– Pro-cyclicality reserve

This reserve represents 15% of net profit in accordance with PMA's instruction No. (6/2015), the Bank seized transfers to the reserve according to PMA instructions No. (1/2018) which set the percentage at 0.57% of risk-weighted assets as anti-cyclical capital buffer. The instructions allow Banks to utilize the pro-cyclicality reserve balance for the purpose of this buffer. According PMA instructions No. (13/2019) the percentage is set to be 0.66% of risk-weighted assets as anti-cyclical capital buffer for the year 2019. The bank will be obligated to disclosure requirements of the anti-cyclical capital buffer starting from March 31, 2023. The Banks are not allowed to utilize the balance of the reserve without PMA's prior approval. During 2022, PMA issued instructions No. (8/2022) regarding the anti-cyclical capital buffer, so that the percentage is 0.5% of risk-weighted assets, and the commitment to form the buffer within a maximum period of March 31, 2023. The Bank is also prohibited from disposing of the amounts allocated in the periodic fluctuations reserve item, except for capitalization, after obtaining the prior written PMA's approval.

28. Interest income

This item represents the interest income on the following accounts:

	<u>2024</u>	<u>2023</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Retails		
Overdraft accounts	647,395	788,344
Loans and discounted bills	<u>16,193,633</u>	<u>19,003,589</u>
	16,841,028	19,791,933
Corporates		
Overdraft accounts	1,906,688	2,135,531
Loans and discounted bills	<u>16,633,612</u>	<u>20,262,409</u>
	18,540,300	22,397,940
Government and public sector	20,139,931	19,265,617
	<u>55,521,259</u>	<u>61,455,490</u>
Balances at banks and financial institutions	6,761,719	2,449,241
Financial assets at amortized cost, net	<u>2,817,787</u>	<u>2,434,396</u>
	<u>65,100,765</u>	<u>66,339,127</u>

29. Interest expense

This item comprises the following accounts:

	<u>2024</u>	<u>2023</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Interest on customers' deposits:		
Current and demand accounts	921,217	584,559
Term deposits	12,641,083	12,849,473
Cash margins	464,432	550,042
Interests on loans and borrowings	2,644,389	1,512,734
Interest on subordinated loans	972,853	1,153,819
Interest on banks and financial institutions' deposits	188,588	92,014
Interest paid on lease liabilities	<u>270,402</u>	<u>285,858</u>
	<u>18,102,964</u>	<u>17,028,499</u>

30. Net commissions income

	<u>2024</u>	<u>2023</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Commissions income		
Direct credit facilities	1,647,992	2,423,107
Account management	888,039	1,137,137
Transfers	350,588	809,967
Returned and deferred checks	1,109,700	1,053,057
Commission on cash deposit	161,641	542,924
Indirect credit facilities	389,403	591,839
Other banking services	<u>199,281</u>	<u>599,995</u>
	4,746,644	7,158,026
Commissions expense	<u>(707,362)</u>	<u>(1,184,223)</u>
	<u>4,039,282</u>	<u>5,973,803</u>

31. Net gains from financial assets portfolio

	<u>2024</u>	<u>2023</u>
	U.S. \$	U.S. \$
Dividend from financial assets at FVTOCI	196,536	255,989
Losses on sale of financial assets at FVTPL	<u>(45,600)</u>	<u>(50,400)</u>
	<u>150,936</u>	<u>205,589</u>

32. Other revenues

	<u>2024</u>	<u>2023</u>
	U.S. \$	U.S. \$
Recovery of restricted balances with the bank	-	1,317,000
Others	<u>109,458</u>	<u>625,849</u>
	<u>109,458</u>	<u>1,942,849</u>

33. Personnel expenses

	<u>2024</u>	<u>2023</u>
	U.S. \$	U.S. \$
Salaries, allowances, and benefits of employees	14,929,485	16,401,784
Value Added Tax on salaries	2,455,322	2,946,021
Provision for employees' benefits	1,385,483	1,351,266
Bank's contribution to the provident fund*	960,399	976,582
Health insurance	800,762	747,769
Training expense	106,700	288,849
Travel and transportation	104,313	281,684
Clothing	20,445	18,639
Others	44,768	70,468
	<u>20,807,677</u>	<u>23,083,062</u>

* 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.

34. Other operating expenses

	2024	2023
	U.S. \$	U.S. \$
Fees, licenses and subscriptions	4,841,045	5,267,764
Palestine Deposit Insurance Corporation subscription fees	1,805,317	1,820,177
Insurance	1,385,639	1,460,831
Professional and consulting fees	831,052	868,359
Maintenance	728,218	1,138,650
Advertisements and marketing	438,447	1,744,053
Telephone and postage	429,197	253,758
Rent (note 24)	419,555	318,539
Donations and sponsorships*	360,000	420,000
Utilities	272,530	261,683
Stationary and printings	195,451	237,550
Property tax	194,212	106,458
Board of Directors Remuneration	172,500	201,295
Hospitality	98,037	93,348
Cash shipment	81,950	82,339
Transportation and vehicle expenses	73,615	49,160
Others	545,816	759,655
	<u>12,872,581</u>	<u>15,083,619</u>

* The Bank provides donations and sponsorships in the social, sports and other fields as part of the Bank's policy to build bonds of trust between the various building blocks of society. The percentage of donations from the net profit for the year is 35.11% for the year 2024 compared to 2.92% of the net profit for the year 2023.

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

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

	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balances with Palestine Monetary Authority (Note 4)	(35,950)	-	-	(35,950)
Balances at banks and financial institutions (Note 5)	17,132	-	-	17,132
Direct and indirect credit facilities, net (Note 7)	(1,065,122)	2,250,227	13,262,223	14,447,328
Financial assets at amortized cost (Note 9)	(5,792)	697	104,498	99,403
	<u>(1,089,732)</u>	<u>2,250,924</u>	<u>13,366,721</u>	<u>14,527,913</u>
	2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balances with Palestine Monetary Authority (Note 4)	(13,435)	-	-	(13,435)
Balances at banks and financial institutions (Note 5)	35,821	-	-	35,821
Direct and indirect credit facilities, net (Note 7)	2,129,562	405,986	3,730,167	6,265,715
Financial assets at amortized cost (Note 9)	(56,534)	24,342	-	(32,192)
	<u>2,095,414</u>	<u>430,328</u>	<u>3,730,167</u>	<u>6,255,909</u>

36. Basic and diluted earnings per share

	2024	2023
	U.S. \$	
Profit for the year attributable to shareholders of the Bank	1,025,250	14,402,180
	Shares	
Weighted average of subscribed shares	113,100,000	113,100,000
	U.S. \$	
Basic and diluted earnings per share from profit of the year	0.01	0.13

37. Cash and cash equivalents

	2024	2022
	U.S. \$	
Cash and balances with Palestine Monetary Authority	263,737,334	240,979,382
Add: Balances at banks and financial institutions maturing within 3 months	173,040,499	158,439,465
Less: Banks and financial institutions' deposits maturing within 3 months	(5,266,385)	27,904,797))
Restricted balances at banks and financial institutions	(9,009,560)	(13,399,925)
Statutory cash reserve	(97,101,356)	(103,021,485)
	<u>325,400,532</u>	<u>255,092,640</u>

38. 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, 2023 and 2022 and the transactions with related parties:

	Board Members & Executive Management	Major Shareholders	Other*	Total
2024	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<u>Statement of consolidated financial position items:</u>				
Direct credit facilities, net	10,354,772	-	4,060,381	14,415,153
Customers' deposits	15,409,311	20,463,241	6,677,493	42,550,045
Cash margins	512,665	1,200	494,824	1,008,689
Accounts payable	-	209,583	-	209,583
Other assets	-	165,825	-	165,825
<u>Consolidated off balance sheet items:</u>				
Letters of guarantees	1,215,219	401,051	-	1,616,270
Unutilized credit limits	619,199	-	128,034	747,233
	Board Members & Executive Management	Major Shareholders	Other*	Total
2023	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<u>Statement of consolidated financial position items:</u>				
Direct credit facilities, net	9,582,935	-	3,544,352	13,127,287
Customers' deposits	12,634,000	18,067,763	3,687,088	34,388,851
Cash margins	953,854	1,304	14,694	969,852
Accounts payable	-	204,764	-	204,764
Other assets	-	850,212	-	850,212
<u>Consolidated off balance sheet items:</u>				
Letters of guarantees	1,215,219	409,756	-	1,624,975
Unutilized credit limits	2,605,088	139,167	236,279	2,980,534

	Board Members & Executive Management	Major Shareholders	Other*	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<u>December 31, 2024</u>				
<u>Consolidated income statement items:</u>				
Interest and commission income	587,885	-	157,326	745,211
Interest and commission expense	311,572	531,724	8,132	851,428
Telephone and postage and Leased lines	-	2,445,176	-	2,445,176
Remuneration of Board Members	172,500	-	-	172,500
	Board Members & Executive Management	Major Shareholders	Other*	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<u>December 31, 2023</u>				
<u>Consolidated income statement items:</u>				
Interest and commission income	744,240	44,810	218,850	1,007,900
Interest and commission expense	313,049	656,289	68,213	1,037,551
Telephone and postage and Leased lines	-	2,185,412	-	2,185,412
Remuneration of Board Members	201,295	-	-	201,295

* This item includes branch managers, employees other than the executive management and their relatives, as disclosed to the Palestine Monetary Authority.

- Direct credit facilities granted to related parties as at December 31, 2024 and 2023 constitute 1.78% and 1.42%, respectively, of net direct credit facilities. Note that the facilities of related parties represent facilities granted to members of the Board of Directors and executive management or under their sponsorship.

- Direct credit facilities granted to related parties as at December 31, 2024 and 2023 constitute 10.44% and 9.15%, respectively, of the Bank's capital base.

- Interest rates on credit facilities granted to relevant parties range as follows:

	2024	2023
	U.S. \$	U.S. \$
Board Members and their Stakeholders	%9-%6.25	%9-%6.25
Bank employees identified as relevant as per the instructions	%12 - %2	%12 - %2
Others	%7	%7
Credit Cards	%24-%12	%24-%12

Interest rates on deposits range from zero to 4% (including current accounts).

The following is a summary of the benefits (salaries, bonuses and other benefits) of senior management:

	<u>2024</u>	<u>2023</u>
	U.S. \$	U.S. \$
Executive management share of salaries and related benefits (short-term benefits)	<u>1,134,950</u>	<u>1,307,767</u>
Executive management share of indemnity (long-term benefits)	<u>55,762</u>	<u>69,735</u>
TNB Board of Directors' remunerations	<u>172,500</u>	<u>201,295</u>

Board of Director remunerations for the years ended 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
	U.S. \$	U.S. \$
Samir Zraiq	41,250	40,000
Dina M. Masri	26,875	27,500
Kamal Abu Khadijeh	26,875	27,500
Omar M. Masri	26,875	23,750
Ayoub Zurub	26,250	23,750
Manal Zraiq	24,375	23,750
Aziz Abdul Jawad	-	7,634
Abdel Nasser Tebi	-	7,634
Nemir Abdelwahed	-	7,009
Cesar Hani Kolajin	-	6,384
Isam Salfiti	-	6,384
	<u>172,500</u>	<u>201,295</u>

39. Fair value measurement

The following table provides the quantitative fair value measurement hierarchy of the Bank's assets and liabilities as of December 31, 2024 and 2023:

<u>December 31, 2024</u>	<u>Date of measurement</u>	<u>Total</u> U.S. \$	<u>Measurement of fair value by</u>		
			<u>Quoted prices in active markets (Level 1)</u> U.S. \$	<u>Significant observable input (Level 2)</u> U.S. \$	<u>Significant non-observable inputs (Level 3)</u> U.S. \$
<u>Financial assets at fair value:</u>					
<u>Financial assets at fair value through profit or loss (Note 6):</u>					
Quoted - Palestine Security Exchange	December 31, 2024	240,000	240,000	-	-
<u>Financial assets at fair value through other comprehensive income (Note 8):</u>					
Quoted - Palestine Security Exchange	December 31, 2024	4,849,052	4,849,052	-	-
Quoted - foreign markets	December 31, 2024	685,472	685,472	-	-
Unquoted	December 31, 2024	78,368	-	-	78,368
<u>Financial assets for which fair value is disclosed:</u>					
<u>Financial assets at amortized cost (Note 9):</u>					
Quoted	December 31, 2024	42,624,557	42,624,557	-	-
Unquoted	December 31, 2024	10,072,071	-	-	10,072,071
<u>Financial liabilities measured at its fair value:</u>					
Negative financial derivatives (note 25)	December 31, 2024	2,514,123	-	2,514,123	-
<u>December 31, 2023</u>	<u>Date of measurement</u>	<u>Total</u> U.S. \$	<u>Measurement of fair value by</u>		
			<u>Quoted prices in active markets (Level 1)</u> U.S. \$	<u>Significant observable input (Level 2)</u> U.S. \$	<u>Significant non-observable inputs (Level 3)</u> U.S. \$
<u>Financial assets at fair value:</u>					
<u>Financial assets at fair value through profit or loss (Note 6):</u>					
Quoted - Palestine Security Exchange	December 31, 2023	285,600	285,600	-	-
<u>Financial assets at fair value through other comprehensive income (Note 8):</u>					
Quoted - Palestine Security Exchange	December 31, 2023	5,559,299	5,559,299	-	-
Quoted - foreign markets	December 31, 2023	694,612	694,612	-	-
Unquoted	December 31, 2023	78,368	-	-	78,368
<u>Financial assets for which fair value is disclosed:</u>					
<u>Financial assets at amortized cost (Note 9):</u>					
Quoted	December 31, 2023	33,868,418	33,868,418	-	-
Unquoted	December 31, 2023	17,353,991	-	-	17,353,991
<u>Financial liabilities measured at its fair value:</u>					
Negative financial derivatives (note 25)	December 31, 2023	6,712,417	-	6,712,417	-

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, 2023 and 2022:

	Carrying amount		Fair value	
	2024	2023	2024	2023
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Financial assets				
Cash and balances with Palestine Monetary Authority	263,466,069	240,672,167	263,466,069	240,672,167
Balances at banks and financial institutions	172,978,700	158,394,798	172,978,700	158,394,798
Financial assets at fair value through profit or loss	240,000	285,600	240,000	285,600
Direct credit facilities, net	808,063,138	923,954,240	808,063,138	923,954,240
Financial assets at fair value through other comprehensive income				
Quoted	5,534,524	6,253,911	5,534,524	6,253,911
Unquoted	78,368	78,368	78,368	78,368
Financial assets at amortized cost:				
Quoted	42,349,328	33,899,683	42,624,557	33,868,418
Unquoted	10,048,036	17,353,991	10,072,071	17,353,991
Other financial assets	5,975,215	17,891,380	5,975,215	17,891,380
Total assets	<u>1,308,733,378</u>	<u>1,398,784,138</u>	<u>1,309,032,642</u>	<u>1,398,752,873</u>
Financial liabilities				
Banks' and financial institutions' deposits	5,266,385	27,904,797	5,266,385	27,904,797
Customers' deposits	1,064,822,321	1,090,942,293	1,064,822,321	1,090,942,293
Cash margins	63,675,042	73,091,609	63,675,042	73,091,609
Loans and borrowings	54,752,832	57,489,158	54,752,832	57,489,158
Subordinated loans	2,000,000	18,500,000	2,000,000	18,500,000
Lease liabilities	6,011,748	6,485,590	6,011,748	6,485,590
Other financial liabilities	18,017,575	29,948,242	18,017,575	29,948,242
Total liabilities	<u>1,214,545,903</u>	<u>1,304,361,689</u>	<u>1,214,545,903</u>	<u>1,304,361,689</u>

Fair values of financial assets and liabilities are shown in accordance with the values at which exchanges between interested parties can take place, excluding compulsory sales or liquidations.

The fair values of cash, balances with the Palestine Monetary Authority, balances with banks and banking institutions, other financial assets, deposits of banks and banking institutions, customer deposits, cash insurances and other financial liabilities are very close to their book values as these instruments have short-term repayment or collection periods.

The fair value of financial assets at fair value is determined by gains or losses and financial assets at fair value through other comprehensive income items and financial assets at amortized cost listed, which have market prices at their trading prices at the date of the consolidated financial statements.

Financial assets at unamortized cost, borrowed funds, supporting loans and lease liabilities are shown by discounting projected cash flows using the prevailing interest rates in the financial markets.

The fair value of direct credit facilities was determined by studying various variables such as interest rates, risk factors and debtor capacity. The book value of the credit facility does not differ from its fair value as at December 31, 2024.

40. Concentration of assets and liabilities

	2024					Total U.S. \$
	Palestine	Jordan	Europe	USA	Others	
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	
Cash and balances with PMA	263,466,069	-	-	-	-	263,466,069
Balances at banks and financial institutions	12,942,803	82,249,544	74,764,106	2,653,859	368,388	172,978,700
Financial asset at fair value through profit or loss	240,000	-	-	-	-	240,000
Direct credit facilities, net	806,771,664	9,664	4,371	61,897	1,215,542	808,063,138
Financial assets at fair value through other comprehensive income	4,927,420	685,472	-	-	-	5,612,892
Financial assets at amortized cost	10,048,036	-	11,488,057	9,635,181	21,226,090	52,397,364
Investment in associates	50,207,568	-	-	-	-	50,207,568
Property, plant and equipment	21,490,003	-	-	-	-	21,490,003
Right of use assets	6,228,480	-	-	-	-	6,228,480
Projects in progress	1,063,806	-	-	-	-	1,063,806
Intangible assets	2,724,930	-	-	-	-	2,724,930
Deferred tax assets	7,208,746	-	-	-	-	7,208,746
Other assets	7,266,989	-	-	-	-	7,266,989
Total Assets	1,194,586,514	82,944,680	86,256,534	12,350,937	22,810,020	1,398,948,685
Banks and financial institutions' deposits	4,797,218	-	-	-	469,167	5,266,385
Customers' deposits	1,060,804,925	229,377	1,643,559	1,536,412	608,048	1,064,822,321
Cash margins	62,667,634	1,087	1,002,932	2,630	759	63,675,042
Loans and borrowings	27,431,832	-	27,321,000	-	-	54,752,832
Subordinated loans	2,000,000	-	-	-	-	2,000,000
Sundry provisions	7,491,491	-	-	-	-	7,491,491
Taxes provisions	3,147,061	-	-	-	-	3,147,061
Lease liabilities	6,011,748	-	-	-	-	6,011,748
Other liabilities	19,129,637	-	-	-	-	19,129,637
Total Liabilities	1,193,481,546	230,464	29,967,491	1,539,042	1,077,974	1,226,296,517
Paid-in share capital	113,100,000	-	-	-	-	113,100,000
Share premium	17,770,333	-	-	-	-	17,770,333
Statutory reserve	9,329,283	-	-	-	-	9,329,283
General banking risks reserve	3,484,033	-	-	-	-	3,484,033
Pro-cyclicality reserve	5,216,291	-	-	-	-	5,216,291
Fair value reserve	(1,861,049)	(2,162,462)	-	-	-	(4,023,511)
Retained earnings	27,775,739	-	-	-	-	27,775,739
Net Equity	174,814,630	(2,162,462)	-	-	-	172,652,168
Total liabilities and equity	1,368,296,176	(1,931,998)	29,967,491	1,539,042	1,077,974	1,398,948,685
Consolidated off balance sheet items:						
Letters of guarantees	18,239,029	50,000	-	-	-	18,289,029
Letters of credit	4,610,744	660,000	4,186,917	-	2,074,347	11,532,008
Unutilized direct credit facilities limits	28,452,251	-	-	-	-	28,452,251
	51,302,024	710,000	4,186,917	-	2,074,347	58,273,288

	2023					
	Palestine	Jordan	Europe	USA	Others	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Cash and balances with PMA	240,672,167	-	-	-	-	240,672,167
Balances at banks and financial institutions	29,214,925	39,743,759	71,573,976	17,288,536	573,602	158,394,798
Financial asset at fair value through profit or loss	285,600	-	-	-	-	285,600
Direct credit facilities, net	922,548,514	6,607	26,612	61,438	1,311,069	923,954,240
Financial assets at fair value through other comprehensive income	5,637,667	694,612	-	-	-	6,332,279
Financial assets at amortized cost	10,185,105	7,168,886	9,294,892	5,226,284	19,378,507	51,253,674
Investment in associates	50,151,383	-	-	-	-	50,151,383
Property, plant and equipment	21,884,324	-	-	-	-	21,884,324
Right of use assets	6,755,187	-	-	-	-	6,755,187
Projects in progress	1,803,479	-	-	-	-	1,803,479
Intangible assets	2,748,420	-	-	-	-	2,748,420
Deferred tax assets	6,298,657	-	-	-	-	6,298,657
Other assets	16,701,870	3,616,224	10,638	-	1,025	20,329,757
Total Assets	1,314,887,298	51,230,088	80,906,118	22,576,258	21,264,203	1,490,863,965
Banks and financial institutions' deposits	25,195,615	-	2,679,678	-	29,504	27,904,797
Customers' deposits	1,086,398,163	570,676	1,140,856	1,904,707	927,891	1,090,942,293
Cash margins	73,083,217	2,374	1,138	3,251	1,629	73,091,609
Loans and borrowings	18,304,098	-	39,185,060	-	-	57,489,158
Subordinated loans	18,500,000	-	-	-	-	18,500,000
Sundry provisions	7,333,258	-	-	-	-	7,333,258
Taxes provisions	4,806,531	-	-	-	-	4,806,531
Lease liabilities	6,485,590	-	-	-	-	6,485,590
Other liabilities	31,769,857	-	-	-	-	31,769,857
Total Liabilities	1,271,876,329	573,050	43,006,732	1,907,958	959,024	1,318,323,093
Paid-in share capital	113,100,000	-	-	-	-	113,100,000
Share premium	17,770,333	-	-	-	-	17,770,333
Statutory reserve	9,226,758	-	-	-	-	9,226,758
General banking risks reserve	3,484,033	-	-	-	-	3,484,033
Pro-cyclicality reserve	5,216,291	-	-	-	-	5,216,291
Fair value reserve	(927,005)	(2,182,552)	-	-	-	(3,109,557)
Retained earnings	26,853,014	-	-	-	-	26,853,014
Net Equity	174,723,424	(2,182,552)	-	-	-	172,540,872
Total liabilities and equity	1,446,599,753	(1,609,502)	43,006,732	1,907,958	959,024	1,490,863,965
Consolidated off balance sheet items:						
Letters of guarantees	26,041,583	390,000	78,663	-	-	26,510,246
Letters of credit	10,518,664	-	1,247,181	-	-	11,765,845
Unutilized direct credit facilities limits	32,749,855	-	-	-	-	32,749,855
	69,310,102	390,000	1,325,844	-	-	71,025,946

41. 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):

	<u>2024</u>	<u>2023</u>
	U.S. \$	U.S. \$
Consolidated statement of financial position items		
Balances with Palestine Monetary Authority	107,948,146	131,145,802
Balances at banks and financial institutions	172,978,700	158,394,798
Direct credit facilities, net	808,063,138	923,954,240
Financial assets at amortized cost	52,397,364	51,253,674
Other financial assets	5,975,215	17,891,380
	<u>1,147,362,563</u>	<u>1,282,639,894</u>
Consolidated off balance sheet items		
Letters of guarantee	18,289,029	26,510,246
Letters of credit	11,532,008	11,765,845
Unutilized credit limits	28,452,251	32,749,855
	<u>58,273,288</u>	<u>71,025,946</u>
	<u>1,205,635,851</u>	<u>1,353,665,840</u>

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

	Retails	Real estates	Corporates	Government and public sector	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<u>December 31, 2024</u>					
Low risk	43,914,580	81,683,438	133,686,061	351,305,026	610,589,105
Acceptable risk	38,452,937	63,393,115	35,186,718	-	137,032,770
Watch list	25,974,621	19,738,895	5,000,188	-	50,713,704
Non-performing:					
Substandard	2,761,096	903,895	1,016,933	-	4,681,924
Doubtful	2,070,768	2,610,003	1,268,282	-	5,949,053
Loss	15,399,419	8,607,209	37,927,693	-	61,934,321
Total	128,573,421	176,936,555	214,085,875	351,305,026	870,900,877
Suspended interests	(3,202,590)	(1,531,093)	(4,189,650)	-	(8,923,333)
Expected credit losses provision	(14,829,545)	(16,428,528)	(17,052,301)	(5,604,032)	(53,914,406)
	<u>110,541,286</u>	<u>158,976,934</u>	<u>192,843,924</u>	<u>345,700,994</u>	<u>808,063,138</u>

	Retails	Real estates	Corporates	Government and public sector	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<u>December 31, 2023</u>					
Low risk	98,138,695	150,574,436	184,995,519	364,774,879	798,483,529
Acceptable risk	5,855,999	31,698,133	43,525,011	-	81,079,143
Watch list	9,966,730	4,338,914	5,221,471	-	19,527,115
Non-performing:					
Substandard	3,860,022	551,771	3,657,676	-	8,069,469
Doubtful	3,181,601	1,268,485	14,201,038	-	18,651,124
Loss	14,015,296	6,905,182	27,275,888	-	48,196,366
Total	135,018,343	195,336,921	278,876,603	364,774,879	974,006,746
Suspended interests	(2,763,954)	(1,165,940)	(4,401,254)	-	(8,331,148)
Expected credit losses provision	(12,008,330)	(14,367,530)	(9,831,084)	(5,514,414)	(41,721,358)
	<u>120,246,059</u>	<u>179,803,451</u>	<u>264,644,265</u>	<u>359,260,465</u>	<u>923,954,240</u>

3. Following is the fair value of collaterals obtained against total credit exposures as at December 31, 2024 and 2023:

December 31, 2024	Gross credit risk exposure	Fair value of collaterals					Total collaterals	Net Exposure after collaterals	ECL
		Cash margins	Real estate	Quoted stocks	Vehicles and equipment	Others			
	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	108,219,411	-	-	-	-	-	-	108,219,411	271,265
Balances at banks and financial institutions	173,040,499	-	-	-	-	-	-	173,040,499	61,799
Direct credit facilities:									
Retails	253,218,448	21,595,319	57,784,584	318,698	9,846,533	2,775,287	92,320,421	160,898,027	21,009,702
SMEs	44,470,326	3,375,212	21,710,178	10,226	4,506,434	6,940,663	36,542,713	7,927,613	4,098,930
Corporates	221,907,077	17,359,045	56,098,318	10,744,970	13,657,057	5,071,304	102,930,694	118,976,383	23,150,836
Government and public sector	351,305,026	6,304,163	-	-	-	-	6,304,163	345,000,863	5,604,032
Financial assets at amortized cost	57,303,699	-	-	6,210,615	-	-	6,210,615	51,093,084	4,906,335
Other financial assets	5,975,215	-	-	-	-	-	-	5,975,215	-
Total	<u>1,215,439,701</u>	<u>48,633,739</u>	<u>135,593,080</u>	<u>17,284,509</u>	<u>28,010,024</u>	<u>14,787,254</u>	<u>244,308,606</u>	<u>971,131,095</u>	<u>59,102,899</u>
Credit exposures of consolidated off balance sheet items:									
	58,273,288	10,397,052	-	-	-	-	10,397,052	47,876,236	50,906
	<u>58,273,288</u>	<u>10,397,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,397,052</u>	<u>47,876,236</u>	<u>50,906</u>

December 31, 2023	Gross credit risk exposure	Fair value of collaterals					Total collaterals	Net Exposure after collaterals	ECL
		Cash margins	Real estate	Quoted stocks	Vehicles and equipment	Others			
		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	131,453,017	-	-	-	-	-	131,453,017	307,215	
Balances at banks and financial institutions	158,439,465	-	-	-	-	-	158,439,465	44,667	
Direct credit facilities:									
Retails	266,082,853	15,346,265	60,407,121	258,777	10,557,017	10,469,233	97,038,413	169,044,440	15,117,016
SMEs	61,213,313	6,271,124	27,870,060	126,572	4,546,338	7,439,238	46,253,332	14,959,981	3,876,207
Corporates	281,935,701	20,593,190	90,819,700	9,528,342	12,788,950	5,416,182	139,146,364	142,789,337	17,114,126
Government and public sector	364,774,879	2,769,599	-	-	-	-	2,769,599	362,005,280	5,514,414
Financial assets at amortized cost	56,060,606	-	-	8,085,944	-	-	8,085,944	47,974,662	4,806,932
Other financial assets	17,891,380	-	-	-	-	-	-	17,891,380	-
Total	<u>1,337,851,214</u>	<u>44,980,178</u>	<u>179,096,881</u>	<u>17,999,635</u>	<u>27,892,305</u>	<u>23,324,653</u>	<u>293,293,652</u>	<u>1,044,557,562</u>	<u>46,780,577</u>
Credit exposures of consolidated off balance sheet items:									
	<u>71,025,946</u>	<u>10,440,930</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,440,930</u>	<u>60,585,016</u>	<u>99,595</u>
	<u>71,025,946</u>	<u>10,440,930</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,440,930</u>	<u>60,585,016</u>	<u>99,595</u>

4. Fair value of collaterals obtained against Stage (3) credit exposures as at December 31, 2024 and 2023 is as follows:

December 31, 2024	Fair value of collaterals							Total collaterals	Net Exposure after collaterals	ECL
	Gross credit risk exposure	Cash margins	Accepted bank guarantees	Real estate	Quoted stocks	Vehicles and equipment	Others			
	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	20,967,779	870,981	-	5,920,418	-	2,330,357	122,319	9,244,075	11,723,704	13,109,783
SMEs	9,234,880	1,512,446	-	5,011,765	-	779,010	5,430	7,308,651	1,926,229	3,831,768
Corporates	33,439,306	322,798	-	13,164,848	1,865,137	904,701	-	16,257,484	17,181,822	19,794,297
Total	<u>63,641,965</u>	<u>2,706,225</u>	<u>-</u>	<u>24,097,031</u>	<u>1,865,137</u>	<u>4,014,068</u>	<u>127,749</u>	<u>32,810,210</u>	<u>30,831,755</u>	<u>36,735,848</u>
	Fair value of collaterals									
December 31, 2023	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	20,218,212	862,203	-	6,263,619	-	2,813,521	101,853	10,041,196	10,177,016	9,700,117
SMEs	8,415,997	1,545,856	-	4,922,902	-	617,408	5,478	7,091,644	1,324,353	3,268,544
Corporates	37,951,602	1,165,055	-	21,288,782	1,540,682	1,629,341	-	25,623,860	12,327,742	13,258,583
Total	<u>66,585,811</u>	<u>3,573,114</u>	<u>-</u>	<u>32,475,303</u>	<u>1,540,682</u>	<u>5,060,270</u>	<u>107,331</u>	<u>42,756,700</u>	<u>23,829,111</u>	<u>26,227,244</u>

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

	Palestine	Arab countries	Europe	USA	Others	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balances with Palestine Monetary Authority	107,948,146	-	-	-	-	107,948,146
Balances at banks and financial institutions	8,829,269	82,617,932	78,877,640	2,653,859	-	172,978,700
Direct credit facilities, net	806,771,664	9,664	4,371	61,897	1,215,542	808,063,138
Financial assets at amortized cost	10,048,036	9,160,126	11,488,057	9,635,181	12,065,964	52,397,364
Other financial assets	5,975,215	-	-	-	-	5,975,215
Total as at December 31, 2024	<u>939,572,330</u>	<u>91,787,722</u>	<u>90,370,068</u>	<u>12,350,937</u>	<u>13,281,506</u>	<u>1,147,362,563</u>
Total as at December 31, 2023	<u>1,107,357,839</u>	<u>61,277,622</u>	<u>80,879,506</u>	<u>22,514,820</u>	<u>10,610,107</u>	<u>1,282,639,894</u>
Consolidated off balance sheet items:						
Letters of guarantees	18,239,029	50,000	-	-	-	18,289,029
Letters of credit	4,610,744	660,000	4,186,917	-	2,074,347	11,532,008
Unutilized direct credit facilities limits	28,452,251	-	-	-	-	28,452,251
Balance as December 31, 2024	<u>51,302,024</u>	<u>710,000</u>	<u>4,186,917</u>	<u>-</u>	<u>2,074,347</u>	<u>58,273,288</u>
Balance as December 31, 2023	<u>69,310,102</u>	<u>390,000</u>	<u>1,325,844</u>	<u>-</u>	<u>-</u>	<u>71,025,946</u>

6. Concentration of risk exposures according to IFRS (9) Stages as at December 31, 2024 and 2023 is as follows:

	December 31, 2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Palestine	733,484,722	179,081,491	27,006,117	939,572,330
Arab countries	89,279,987	1,969,735	538,000	91,787,722
Europe	90,370,068	-	-	90,370,068
USA	12,350,937	-	-	12,350,937
Others	13,281,506	-	-	13,281,506
Total	<u>938,767,220</u>	<u>181,051,226</u>	<u>27,544,117</u>	<u>1,147,362,563</u>
	December 31, 2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Palestine	970,220,232	96,779,040	40,358,567	1,107,357,839
Arab countries	58,691,943	1,956,246	629,433	61,277,622
Europe	80,879,506	-	-	80,879,506
USA	22,514,820	-	-	22,514,820
Others	10,610,107	-	-	10,610,107
Total	<u>1,142,916,608</u>	<u>98,735,286</u>	<u>40,988,000</u>	<u>1,282,639,894</u>

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

	<u>Public</u>	<u>Financial</u>	<u>Commercial</u>	<u>Real estate</u>	<u>Other</u>	<u>Total</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
Balances with Palestine Monetary Authority	-	107,948,146	-	-	-	107,948,146
Balances at banks and financial institutions	-	172,978,700	-	-	-	172,978,700
Direct credit facilities, net	345,700,994	-	117,876,049	158,646,806	185,839,289	808,063,138
Financial assets at amortized cost	-	52,397,364	-	-	-	52,397,364
Other financial assets	-	5,975,215	-	-	-	5,975,215
Total as at December 31, 2024	<u>345,700,994</u>	<u>339,299,425</u>	<u>117,876,049</u>	<u>158,646,806</u>	<u>185,839,289</u>	<u>1,147,362,563</u>

	<u>Public</u>	<u>Financial</u>	<u>Commercial</u>	<u>Real estate</u>	<u>Other</u>	<u>Total</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
Balances with Palestine Monetary Authority	-	131,145,802	-	-	-	131,145,802
Balances at banks and financial institutions	-	158,394,798	-	-	-	158,394,798
Direct credit facilities, net	359,260,465	-	159,901,616	179,803,451	224,988,708	923,954,240
Financial assets at amortized cost	-	51,253,674	-	-	-	51,253,674
Other financial assets	-	17,891,380	-	-	-	17,891,380
Total as at December 31, 2023	<u>359,260,465</u>	<u>358,685,654</u>	<u>159,901,616</u>	<u>179,803,451</u>	<u>224,988,708</u>	<u>1,282,639,894</u>

8. Distribution of risk exposures according to IFRS (9) stages as at December 31, 2024 and 2023 is as follows:

	2024			Total
	Stage (1)	Stage (2)	Stage (3)	
	U.S. \$	U.S. \$	U.S. \$	
Cash and balances with PMA	107,948,146	-	-	107,948,146
Balances at banks and financial institutions	172,978,700	-	-	172,978,700
Public sector	345,700,994	-	-	345,700,994
Real estate	70,178,086	79,732,507	8,736,213	158,646,806
Manufacturing, trade and agriculture	70,874,808	34,766,916	12,234,325	117,876,049
Services sector	64,525,649	5,650,557	2,068,959	72,245,165
Consumption loans	50,695,993	58,931,511	3,966,620	113,594,124
Financial assets at amortized cost	49,889,629	1,969,735	538,000	52,397,364
Other financial assets	5,975,215	-	-	5,975,215
Total	938,767,220	181,051,226	27,544,117	1,147,362,563

	2023			Total
	Stage (1)	Stage (2)	Stage (3)	
	U.S. \$	U.S. \$	U.S. \$	
Cash and balances with PMA	131,145,802	-	-	131,145,802
Balances at banks and financial institutions	158,394,798	-	-	158,394,798
Public sector	359,260,465	-	-	359,260,465
Real estate	133,704,313	35,313,182	10,785,956	179,803,451
Manufacturing, trade and agriculture	105,268,576	41,642,304	12,990,736	159,901,616
Services sector	78,929,752	6,602,338	13,353,466	98,885,556
Consumption loans	109,653,527	13,221,216	3,228,409	126,103,152
Financial assets at amortized cost	48,667,995	1,956,246	629,433	51,253,674
Other financial assets	17,891,380	-	-	17,891,380
Total	1,142,916,608	98,735,286	40,988,000	1,282,639,894

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, 2024:

Macro-economic variables	Scenario used	Assigned weight for each scenario (%)	Percentage change in macro-economic variables (%) 2024	Percentage change in macro-economic variables (%) 2025	Percentage change in macro-economic variables (%) 2026	Percentage change in macro-economic variables (%) 2027	Percentage change in macro-economic variables (%) 2028
<u>GDP</u>	Base case	40	(24.85)	(0.60)	14.43	7.78	(2.59)
	Best case	-	(17.61)	6.64	21.67	15.02	4.65
	Worst case	60	(32.09)	(7.84)	7.18	0.53	(9.84)
<u>Inflation rates</u>	Base case	40	2.50	2.54	2.59	2.61	2.63
	Best case	-	4.88	4.93	4.97	5.00	5.01
	Worst case	60	0.12	0.16	0.20	0.23	0.25

Following are the macroeconomic factors impact on the forward-looking information based on multiple scenarios as at December 31, 2023:

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 (%)
			2023	2024	2025	2026	2027
<u>GDP</u>	Base case	40	(3.70)	(6.80)	0.40	4.25	4.09
	Best case	-	3.28	0.18	7.38	11.24	11.08
	Worst case	60	(10.68)	(13.78)	(6.59)	(2.73)	(2.89)
<u>Inflation rates</u>	Base case	40	3.31	3.33	3.31	3.31	3.31
	Best case	-	1.57	1.59	1.57	1.57	1.56
	Worst case	60	5.06	5.07	5.06	5.05	5.05

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:

	2024	2023
	U.S. \$	U.S. \$
Private Sector:		
AAA+ to A-	39,829,179	31,790,494
BBB+ to B-	1,982,149	8,648,642
Less than B-	538,000	629,433
Unrated	10,048,036	10,185,105
Total	<u>52,397,364</u>	<u>51,253,674</u>

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 repricing 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:

Currency	2024		2023	
	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	(171,162)	10	(249,870)
ILS	10	(100,908)	10	(146,504)
JOD	10	(111,655)	10	(107,151)
Other currencies	10	2,654	10	(4,320)

December 31, 2024	Interest rate re-pricing sensitivity gap							
	Less than 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 to 3 years	More than 3 years	Non-interest bearing	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Assets								
Cash and balances with PMA	-	-	-	-	-	-	263,466,069	263,466,069
Balances with banks and financial institutions	142,419,738	-	-	-	-	-	30,558,962	172,978,700
Financial assets at fair value through profit or loss	-	-	-	-	-	-	240,000	240,000
Direct credit facilities, net	13,678,941	13,363,441	66,814,029	52,135,152	149,338,751	512,732,824	-	808,063,138
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	5,612,892	5,612,892
Financial assets at amortized cost	2,283,626	2,077,034	-	877,250	29,166,381	17,993,073	-	52,397,364
Investment in associates	-	-	-	-	-	-	50,207,568	50,207,568
Property, plant and equipment	-	-	-	-	-	-	21,490,003	21,490,003
Right of use assets	-	-	-	-	-	-	6,228,480	6,228,480
Projects in progress	-	-	-	-	-	-	1,063,806	1,063,806
Intangible assets	-	-	-	-	-	-	2,724,930	2,724,930
Deferred tax assets	-	-	-	-	-	-	7,208,746	7,208,746
Other assets	-	-	-	-	-	-	7,266,989	7,266,989
Total assets	158,382,305	15,440,475	66,814,029	53,012,402	178,505,132	530,725,897	396,068,445	1,398,948,685
Liabilities								
Banks and financial institutions' deposits	-	-	-	-	-	-	5,266,385	5,266,385
Customers' deposits	270,376,966	64,743,281	42,300,401	91,679,950	358,946	-	595,362,777	1,064,822,321
Cash margins	1,039,065	1,013,899	5,069,257	3,955,554	2,625,554	-	49,971,713	63,675,042
Loans and borrowings	27,431,832	4,553,500	-	4,553,500	18,214,000	-	-	54,752,832
Subordinated loans	-	2,000,000	-	-	-	-	-	2,000,000
Sundry provisions	-	-	-	-	-	-	7,491,491	7,491,491
Taxes provisions	-	-	-	-	-	-	3,147,061	3,147,061
Lease Liabilities	9,797	19,594	34,119	427,798	1,615,912	3,904,528	-	6,011,748
Other Liabilities	-	-	-	-	-	-	19,129,637	19,129,637
Total liabilities	298,857,660	72,330,274	47,403,777	100,616,802	22,814,412	3,904,528	680,369,064	1,226,296,517
Equity								
Paid-in share capital	-	-	-	-	-	-	113,100,000	113,100,000
Share premium	-	-	-	-	-	-	17,770,333	17,770,333
Statutory reserve	-	-	-	-	-	-	9,329,283	9,329,283
General banking risks reserve	-	-	-	-	-	-	3,484,033	3,484,033
Pro-cyclicality reserve	-	-	-	-	-	-	5,216,291	5,216,291
Fair value reserve	-	-	-	-	-	-	(4,023,511)	(4,023,511)
Retained earnings	-	-	-	-	-	-	27,775,739	27,775,739
Net equity	-	-	-	-	-	-	172,652,168	172,652,168
Total liabilities and equity	298,857,660	72,330,274	47,403,777	100,616,802	22,814,412	3,904,528	853,021,232	1,398,948,685
Interest rate re-pricing sensitivity gap	(140,475,355)	(56,889,799)	19,410,252	(47,604,400)	155,690,720	526,821,369	(456,952,787)	-
Cumulative gap	(140,475,355)	(197,365,154)	(177,954,902)	(225,559,302)	(69,868,582)	456,952,787	-	-

December 31, 2023	Interest rate re-pricing sensitivity gap							
	Less than 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 to 3 years	More than 3 years	Non-interest bearing	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Assets								
Cash and balances with PMA	-	-	-	-	-	-	240,672,167	240,672,167
Balances with banks and financial institutions	73,988,426	14,976,080	-	-	-	-	69,430,292	158,394,798
Financial assets at fair value through profit or loss	-	-	-	-	-	-	285,600	285,600
Direct credit facilities, net	15,620,279	15,241,974	76,206,248	59,463,924	170,331,681	587,090,134	-	923,954,240
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	6,332,279	6,332,279
Financial assets at amortized cost	445,404	-	-	7,351,982	24,675,222	18,781,066	-	51,253,674
Investment in associates	-	-	-	-	-	-	50,151,383	50,151,383
Property, plant and equipment	-	-	-	-	-	-	21,884,324	21,884,324
Right of use assets	-	-	-	-	-	-	6,755,187	6,755,187
Projects in progress	-	-	-	-	-	-	1,803,479	1,803,479
Intangible assets	-	-	-	-	-	-	2,748,420	2,748,420
Deferred tax assets	-	-	-	-	-	-	6,298,657	6,298,657
Other assets	-	-	-	-	-	-	20,329,757	20,329,757
Total assets	90,054,109	30,218,054	76,206,248	66,815,906	195,006,903	605,871,200	426,691,545	1,490,863,965
Liabilities								
Banks and financial institutions' deposits	4,360,000	15,000,000	-	-	-	-	8,544,797	27,904,797
Customers' deposits	111,793,005	69,613,314	57,117,519	139,310,266	60,361,940	-	652,746,249	1,090,942,293
Cash margins	1,235,679	1,205,753	6,028,478	4,704,036	3,122,369	-	56,795,294	73,091,609
Loans and borrowings	555,560	4,828,687	-	23,132,786	28,972,125	-	-	57,489,158
Subordinated loans	-	-	-	16,500,000	2,000,000	-	-	18,500,000
Sundry provisions	-	-	-	-	-	-	7,333,258	7,333,258
Taxes provisions	-	-	-	-	-	-	4,806,531	4,806,531
Lease Liabilities	10,009	20,017	34,856	437,044	1,650,836	4,332,828	-	6,485,590
Other Liabilities	-	-	-	-	-	-	31,769,857	31,769,857
Total liabilities	117,954,253	90,667,771	63,180,853	184,084,132	96,107,270	4,332,828	761,995,986	1,318,323,093
Equity								
Paid-in share capital	-	-	-	-	-	-	113,100,000	113,100,000
Share premium	-	-	-	-	-	-	17,770,333	17,770,333
Statutory reserve	-	-	-	-	-	-	9,226,758	9,226,758
General banking risks reserve	-	-	-	-	-	-	3,484,033	3,484,033
Pro-cyclicality reserve	-	-	-	-	-	-	5,216,291	5,216,291
Fair value reserve	-	-	-	-	-	-	(3,109,557)	(3,109,557)
Retained earnings	-	-	-	-	-	-	26,853,014	26,853,014
Net equity	-	-	-	-	-	-	172,540,872	172,540,872
Total liabilities and equity	117,954,253	90,667,771	63,180,853	184,084,132	96,107,270	4,332,828	934,536,858	1,490,863,965
Interest rate re-pricing sensitivity gap	(27,900,144)	(60,449,717)	13,025,395	(117,268,226)	98,899,633	601,538,372	(507,845,313)	-
Cumulative gap	(27,900,144)	(88,349,861)	(75,324,466)	(192,592,692)	(93,693,059)	507,845,313	-	-

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:

Market	2024			2023		
	Increase in Index	Effect on consolidated income statement	Effect on consolidated equity	Increase in index	Effect on consolidated income statement	Effect on consolidated equity
	(%)	U.S. \$	U.S. \$	(%)	U.S. \$	U.S. \$
Palestine Security Exchange	10	24,000	484,905	10	28,560	555,930
Foreign financial markets	10	-	68,547	10	-	69,461
Unquoted Shares	10	-	7,837	10	-	7,837

3. Foreign currency risk

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

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

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

Currency	2024		2023	
	Increase in currency rate	Effect on consolidated income statement	Increase in currency rate	Effect on consolidated income statement
	%	U.S. \$	%	U.S. \$
ILS	10	17,859	10	(311,351)
Other currencies	10	(154,874)	10	291,101

Following is the net foreign currencies position of the Bank:

	JOD U.S. \$	ILS U.S. \$	Other currencies U.S. \$	Total U.S. \$
<u>December 31, 2024</u>				
<u>Assets</u>				
Cash and balances at PMA	33,851,182	167,810,963	4,903,995	206,566,140
Balances at banks and financial institutions	82,204,359	23,079,575	37,328,814	142,612,748
Direct credit facilities, net	119,498,049	446,412,357	50,968,860	616,879,266
Financial assets at amortized cost	-	-	2,081,600	2,081,600
Other financial assets	3,834,142	2,839,388	187,916	6,861,446
Total assets	<u>239,387,732</u>	<u>640,142,283</u>	<u>95,471,185</u>	<u>975,001,200</u>
<u>Liabilities</u>				
Banks and financial institutions' deposits	201,108	568,524	1,064	770,696
Customers' deposits	230,152,859	408,526,758	64,832,080	703,511,697
Cash margins	6,796,246	27,644,630	3,183,810	37,624,686
Loans and borrowings	-	27,431,832	27,321,000	54,752,832
Other financial liabilities	3,124,836	175,791,953	109,579	179,026,368
Total liabilities	<u>240,275,049</u>	<u>639,963,697</u>	<u>95,447,533</u>	<u>975,686,279</u>
Net concentration in the consolidated statement of financial position	<u>(887,317)</u>	<u>178,586</u>	<u>23,652</u>	<u>(685,079)</u>
Contingent liabilities off the consolidated statement of financial position	<u>2,207,268</u>	<u>11,586,392</u>	<u>6,703,142</u>	<u>20,496,802</u>
<u>December 31, 2023</u>				
<u>Assets</u>				
Cash and balances at PMA	32,944,963	151,222,148	4,926,093	189,093,204
Balances at banks and financial institutions	39,378,569	22,578,415	31,025,996	92,982,980
Direct credit facilities, net	136,171,118	486,384,597	55,875,346	678,431,061
Financial assets at amortized cost	7,168,886	-	2,197,295	9,366,181
Other financial assets	30,125,913	4,315,395	679,124	35,120,432
Total assets	<u>245,789,449</u>	<u>664,500,555</u>	<u>94,703,854</u>	<u>1,004,993,858</u>
<u>Liabilities</u>				
Banks and financial institutions' deposits	1,983,532	574,776	941	2,559,249
Customers' deposits	231,118,900	441,707,361	43,186,370	716,012,631
Cash margins	7,940,144	33,976,105	3,658,493	45,574,742
Loans and borrowings	-	18,304,098	38,629,500	56,933,598
Other financial liabilities	3,041,860	173,051,725	6,317,536	182,411,121
Total liabilities	<u>244,084,436</u>	<u>667,614,065</u>	<u>91,792,840</u>	<u>1,003,491,341</u>
Net concentration in the consolidated statement of financial position	<u>1,705,013</u>	<u>(3,113,510)</u>	<u>2,911,014</u>	<u>1,502,517</u>
Contingent liabilities off the consolidated statement of financial position	<u>2,276,076</u>	<u>11,202,532</u>	<u>6,489,821</u>	<u>19,968,429</u>

III. Liquidity risk

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

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

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

	Less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months up to 1 year	From 1 to 3 years	More than 3 years	Without maturity	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<u>December 31, 2024</u>								
Liabilities:								
Banks' and financial institutions' deposits	5,266,385	-	-	-	-	-	-	5,266,385
Customers' deposits	866,493,664	66,046,900	42,611,838	92,680,145	366,034	-	-	1,068,198,581
Cash margins	1,039,065	1,018,616	5,069,257	3,955,554	52,597,267	-	-	63,679,759
Loans and borrowings	27,431,832	4,553,500	-	4,553,500	18,214,000	-	-	54,752,832
Subordinated loans	-	2,000,000	-	-	-	-	-	2,000,000
Sundry provisions	-	-	-	-	-	-	7,491,491	7,491,491
Taxes provisions	-	-	-	3,147,061	-	-	-	3,147,061
Lease liabilities	26,048	51,871	77,246	470,185	2,785,306	3,168,870	-	6,579,526
Other liabilities	12,178,759	742,241	-	6,208,637	-	-	-	19,129,637
Total liabilities	912,435,753	74,413,128	47,758,341	111,015,082	73,962,607	3,168,870	7,491,491	1,230,245,272
	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. \$
<u>December 31, 2023</u>								
Liabilities:								
Banks' and financial institutions' deposits	12,904,797	15,000,000	-	-	-	-	-	27,904,797
Customers' deposits	765,033,586	70,621,977	57,559,385	140,304,127	62,086,122	-	-	1,095,605,197
Cash margins	1,236,635	1,205,753	6,028,478	4,704,036	59,917,663	-	-	73,092,565
Loans and borrowings	567,392	6,045,113	-	24,314,595	22,036,833	10,109,403	-	63,073,336
Subordinated loans	-	-	-	17,257,266	2,116,219	-	-	19,373,485
Sundry provisions	-	-	-	-	-	-	7,333,258	7,333,258
Taxes provisions	-	-	-	4,806,531	-	-	-	4,806,531
Lease liabilities	26,810	53,391	79,510	483,958	2,866,901	3,611,885	-	7,122,455
Other liabilities	20,226,359	1,232,706	-	9,673,750	-	-	637,042	31,769,857
Total liabilities	799,995,579	94,158,940	63,667,373	201,544,263	149,023,738	13,721,288	7,970,300	1,330,081,481

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, 2024:

	Amount before discount rates / (average) flows	Amount after discount rates / (average) flows
	U.S. \$	U.S. \$
High quality liquid assets*	<u>286,564,734</u>	<u>278,115,574</u>
Retail deposits including small and medium corporates:		
A- Stable deposits	216,321,269	10,816,063
B- Less stable deposits	432,082,293	53,271,215
Deposits and other unguaranteed facilities for companies without retail and small business customers:		
A- Operating deposits	20,832,135	5,208,034
B- Non-operating deposits	<u>128,708,223</u>	<u>97,888,716</u>
Guaranteed financing and deposits	797,943,920	167,184,028
Non-cancelled credit lines and required liquidity within 30 days	28,452,251	8,126,812
Any other cash outflows	<u>402,325,325</u>	<u>26,778,044</u>
	1,228,721,496	202,088,884
Gross cash outflows	<u>6</u>	<u>202,088,884</u>
Other cash inflows	<u>180,903,744</u>	<u>142,299,793</u>
Gross cash inflow	<u>180,903,744</u>	<u>142,299,793</u>
Net cash outflow after adjustments		<u>59,789,091</u>
Total high-quality liquid assets after adjustments		<u>278,115,574</u>
Net cash outflow after adjustment		<u>59,789,091</u>
Liquidity Coverage Ratio (%)		<u>%465</u>
Minimum percentage according to PMA instructions (%)		<u>%100</u>

The table below shows the calculation of the mentioned ratio as of December 31, 2023:

	Amount before discount rates / (average) flows	Amount after discount rates / (average) flows
	U.S. \$	U.S. \$
High quality liquid assets*	<u>268,622,567</u>	<u>256,835,311</u>
Retail deposits including small and medium corporates:		
C- Stable deposits	235,279,206	11,763,960
D- Less stable deposits	354,994,102	41,429,006
Deposits and other unguaranteed facilities for companies without retail and small business customers:		
C- Operating deposits	16,461,671	1,068,828
D- Non-operating deposits	<u>191,682,852</u>	<u>76,673,141</u>
Guaranteed financing and deposits	798,417,831	130,934,935
Non-cancelled credit lines and required liquidity within 30 days	32,749,855	1,637,493
Any other cash outflows	<u>412,241,953</u>	<u>26,733,896</u>
Gross cash outflows	<u>1,243,409,639</u>	<u>159,306,324</u>
Other cash inflows	<u>152,643,828</u>	<u>78,726,421</u>
Gross cash inflow	<u>152,643,828</u>	<u>78,726,421</u>
Net cash outflow after adjustments		<u>80,579,903</u>
Total high-quality liquid assets after adjustments		<u>256,835,311</u>
Net cash outflow after adjustment		<u>80,579,903</u>
Liquidity Coverage Ratio (%)		<u>%319</u>
Minimum percentage according to PMA instructions (%)		<u>%100</u>

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. In all cases, this percentage must not be less than 100%.

The table below shows the calculation of the mentioned ratio as of December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
	U.S. \$	U.S. \$
Stable retail deposits and small institutions	178,917,564	183,290,953
Less stable retail deposits and small institutions	205,628,058	223,916,502
Guaranteed and unguaranteed financing (deposits)	463,061,998	492,105,235
Other deposits and financing	184,738,860	195,732,072
Other commitments (not included in previous categories)	<u>2,834,141</u>	<u>12,829,549</u>
Gross stable funding available	<u>1,035,180,621</u>	<u>1,107,874,311</u>
Level 1 unrestricted high quality liquid assets	28,475	27,722
Level 2 -type (A) unrestricted high quality liquid assets	1,206,611	818,882
Level 2 -type (B) unrestricted high quality liquid assets	17,830,086	15,564,814
Loans	622,089,571	741,584,499
Unquoted financial assets	9,164,022	14,384,868
Quoted financial assets	3,703,853	2,667,413
Non-performing loans	39,193,617	62,693,178
Other assets	39,789,605	12,209,509
Revocable and unconditional credit facilities and liquidity	1,422,613	1,825,696
Future obligations	<u>1,229,291</u>	<u>1,637,493</u>
Gross stable funding required	<u>735,657,744</u>	<u>853,414,074</u>
Net Stable Funding Ratio	<u>%141</u>	<u>%130</u>
Minimum percentage according to PMA instructions (%)	<u>%100</u>	<u>%100</u>

Financial Leverage Ratio

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

The table below shows the calculation of the financial leverage ratio as of December 31, 2024:

	<u>2024</u>
	<u>U.S. \$</u>
Total exposure scale	1,632,511,557
Regulatory amendments related to investments in banks, financial institutions, insurance companies, and commercial entities combined for accounting purposes, but outside the scope of the regulatory assembly	
Adjustments related to derivative exposures	38,173,068
Adjustments related to off balance sheet items	163,021,401
Other adjustments/exposures	36,943,743
Total Exposure Scale	<u>2,724,930</u>
First tranche of capital net capital	<u>128,270,137</u>
Financial leverage ratio as of December 31, 2024	<u>%9,22</u>
Minimum percentage according to PMA instructions (%)	<u>%4</u>
	<u>2023</u>
	<u>U.S. \$</u>
Total exposure scale	1,715,363,865
Regulatory amendments related to investments in banks, financial institutions, insurance companies, and commercial entities combined for accounting purposes, but outside the scope of the regulatory assembly	
Adjustments related to derivative exposures	37,060,036
Adjustments related to off balance sheet items	139,559,737
Other adjustments/exposures	47,570,239
Total Exposure Scale	<u>2,748,420</u>
First tranche of capital net capital	<u>129,248,383</u>
Financial leverage ratio as of December 31, 2023	<u>%8.68</u>
Minimum percentage according to PMA instructions (%)	<u>4%</u>

42. 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

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

December 31, 2024	Retails	public sector	Corporate	Treasury	Other	2024	2023
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Gross revenues	<u>19,409,952</u>	<u>20,330,558</u>	<u>20,577,777</u>	<u>14,638,765</u>	<u>109,458</u>	<u>75,066,510</u>	<u>83,940,406</u>
Net re-measurement of expected credit losses provision for the year	<u>(6,896,010)</u>	<u>(89,618)</u>	<u>(7,461,700)</u>	<u>(80,585)</u>	<u>-</u>	<u>(14,527,913)</u>	<u>(6,255,909)</u>
Segment results	<u>7,360,109</u>	<u>16,895,265</u>	<u>7,588,853</u>	<u>9,994,604</u>	<u>(160,944)</u>	<u>41,677,887</u>	<u>59,471,775</u>
Unallocated expenses						<u>39,754,247</u>	<u>44,079,826</u>
Profit for the year before taxes						<u>1,923,640</u>	<u>15,391,949</u>
Taxes expense						<u>(898,390)</u>	<u>(989,769)</u>
Profit for the year						<u>1,025,250</u>	<u>14,402,180</u>
Other information							
Total segment assets	<u>227,649,832</u>	<u>345,700,994</u>	<u>234,712,312</u>	<u>544,902,593</u>	<u>45,982,954</u>	<u>1,398,948,685</u>	<u>1,490,863,965</u>
Total segment liabilities	<u>611,578,431</u>	<u>191,878,238</u>	<u>325,040,694</u>	<u>62,019,217</u>	<u>35,779,937</u>	<u>1,226,296,517</u>	<u>1,318,323,093</u>
Investment in associates						<u>50,207,568</u>	<u>50,151,383</u>
Capital expenditures						<u>3,501,202</u>	<u>5,969,216</u>
Depreciation and amortization						<u>6,073,989</u>	<u>5,913,145</u>

b. Geographical distribution information

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

	Local		Foreign		Total	
	2024 U.S. \$	2023 U.S. \$	2024 U.S. \$	2023 U.S. \$	2024 U.S. \$	2023 U.S. \$
Gross revenues	<u>65,813,228</u>	<u>79,597,755</u>	<u>9,253,282</u>	<u>4,342,651</u>	<u>75,066,510</u>	<u>83,940,406</u>
Total assets	<u>1,194,586,514</u>	<u>1,314,887,298</u>	<u>204,362,171</u>	<u>175,976,667</u>	<u>1,398,948,685</u>	<u>1,490,863,965</u>
Capital expenditures	<u>3,501,202</u>	<u>5,969,216</u>	<u>-</u>	<u>-</u>	<u>3,501,202</u>	<u>5,969,216</u>

43. Maturities of assets and liabilities

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

December 31, 2024	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
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Assets								
Cash and balances with PMA	10,846,790	-	-	-	-	-	252,619,279	263,466,069
Balances at banks and financial institutions	142,419,738	-	-	-	-	-	30,558,962	172,978,700
Financial asset at fair value through profit or loss	-	-	-	-	-	-	240,000	240,000
Direct credit facilities, net	13,678,941	13,363,441	66,814,029	52,135,152	149,338,751	512,732,824	-	808,063,138
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	5,612,892	5,612,892
Financial assets at amortized Cost	2,283,626	2,077,034	-	877,250	29,166,381	17,993,073	-	52,397,364
Investment in associates	-	-	-	-	-	-	50,207,568	50,207,568
Property, plant and equipment	-	-	-	-	-	-	21,490,003	21,490,003
Right of use assets	-	-	-	-	-	-	6,228,480	6,228,480
Projects in progress	-	-	-	-	-	-	1,063,806	1,063,806
Intangible assets	-	-	-	-	-	-	2,724,930	2,724,930
Deferred tax assets	-	-	-	-	-	-	7,208,746	7,208,746
Other assets	-	-	-	-	-	-	7,266,989	7,266,989
Total Assets	169,229,095	15,440,475	66,814,029	53,012,402	178,505,132	530,725,897	385,221,655	1,398,948,685
Liabilities								
Banks and financial institutions' deposits	5,266,385	-	-	-	-	-	-	5,266,385
Customers' deposits	865,739,743	64,743,281	42,300,401	91,679,950	358,946	-	-	1,064,822,321
Cash margins	1,039,065	1,013,899	5,069,257	3,955,554	52,597,267	-	-	63,675,042
Loans and Borrowing	27,431,832	4,553,500	-	4,553,500	18,214,000	-	-	54,752,832
Subordinated loans	-	2,000,000	-	-	-	-	-	2,000,000
Sundry provisions	-	-	-	-	-	-	7,491,491	7,491,491
Taxes provisions	-	-	-	3,147,061	-	-	-	3,147,061
Lease liabilities	23,897	47,588	70,868	431,362	2,555,327	2,882,706	-	6,011,748
Other liabilities	12,178,759	742,241	-	6,208,637	-	-	-	19,129,637
Total Liabilities	911,679,681	73,100,509	47,440,526	109,976,064	73,725,540	2,882,706	7,491,491	1,226,296,517
Equity								
Paid-in share capital	-	-	-	-	-	-	113,100,000	113,100,000
Share premium	-	-	-	-	-	-	17,770,333	17,770,333
Statutory reserve	-	-	-	-	-	-	9,329,283	9,329,283
General banking risks reserve	-	-	-	-	-	-	3,484,033	3,484,033
Pro-cyclicality reserve	-	-	-	-	-	-	5,216,291	5,216,291
Fair value reserve	-	-	-	-	-	-	(4,023,511)	(4,023,511)
Retained earnings	-	-	-	-	-	-	27,775,739	27,775,739
Net equity	-	-	-	-	-	-	172,652,168	172,652,168
Total liabilities and equity	911,679,681	73,100,509	47,440,526	109,976,064	73,725,540	2,882,706	180,143,659	1,398,948,685
Maturity gap	(742,450,586)	(57,660,034)	19,373,503	(56,963,662)	104,779,592	527,843,191	205,077,996	-
Cumulative maturity gap	(742,450,586)	(800,110,620)	(780,737,117)	(837,700,779)	(732,921,187)	(205,077,996)	-	-

December 31, 2023	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
<u>Assets</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
Cash and balances with PMA	28,124,317	-	-	-	-	-	212,547,850	240,672,167
Balances at banks and financial institutions	130,018,793	14,976,080	-	-	-	-	13,399,925	158,394,798
Financial asset at fair value through profit or loss	-	-	-	-	-	-	285,600	285,600
Direct credit facilities, net	15,620,279	15,241,974	76,206,248	59,463,924	170,331,681	587,090,134	-	923,954,240
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	6,332,279	6,332,279
Financial assets at amortized Cost	445,404	-	-	7,351,982	24,675,222	18,781,066	-	51,253,674
Investment in associates	-	-	-	-	-	-	50,151,383	50,151,383
Property, plant and equipment	-	-	-	-	-	-	21,884,324	21,884,324
Right of use assets	-	-	-	-	-	-	6,755,187	6,755,187
Projects in progress	-	-	-	-	-	-	1,803,479	1,803,479
Intangible assets	-	-	-	-	-	-	2,748,420	2,748,420
Deferred tax assets	-	-	-	-	-	-	6,298,657	6,298,657
Other assets	-	-	-	-	-	-	20,329,757	20,329,757
Total Assets	174,208,793	30,218,054	76,206,248	66,815,906	195,006,903	605,871,200	342,536,861	1,490,863,965
<u>Liabilities</u>								
Banks and financial institutions' deposits	12,904,797	15,000,000	-	-	-	-	-	27,904,797
Customers' deposits	764,539,254	69,613,314	57,117,519	139,310,266	60,361,940	-	-	1,090,942,293
Cash margins	1,235,679	1,205,753	6,028,478	4,704,036	59,917,663	-	-	73,091,609
Loans and Borrowing	555,560	4,828,687	-	23,132,785	19,314,750	9,657,376	-	57,489,158
Subordinated loans	-	-	-	16,500,000	2,000,000	-	-	18,500,000
Sundry provisions	-	-	-	-	-	-	7,333,258	7,333,258
Taxes provisions	-	-	-	4,806,531	-	-	-	4,806,531
Lease liabilities	24,413	48,617	72,400	440,684	2,610,554	3,288,922	-	6,485,590
Other liabilities	20,226,359	1,232,706	-	9,673,750	-	-	637,042	31,769,857
Total Liabilities	799,486,062	91,929,077	63,218,397	198,568,052	144,204,907	12,946,298	7,970,300	1,318,323,093
<u>Equity</u>								
Paid-in share capital	-	-	-	-	-	-	113,100,000	113,100,000
Share premium	-	-	-	-	-	-	17,770,333	17,770,333
Statutory reserve	-	-	-	-	-	-	9,226,758	9,226,758
General banking risks reserve	-	-	-	-	-	-	3,484,033	3,484,033
Pro-cyclicality reserve	-	-	-	-	-	-	5,216,291	5,216,291
Fair value reserve	-	-	-	-	-	-	(3,109,557)	(3,109,557)
Retained earnings	-	-	-	-	-	-	26,853,014	26,853,014
Net equity	-	-	-	-	-	-	172,540,872	172,540,872
Total liabilities and equity	799,486,062	91,929,077	63,218,397	198,568,052	144,204,907	12,946,298	180,511,172	1,490,863,965
Maturity gap	(625,277,269)	(61,711,023)	12,987,851	(131,752,146)	50,801,996	592,924,902	162,025,689	-
Cumulative maturity gap	(625,277,269)	(686,988,292)	(674,000,441)	(805,752,587)	(754,950,591)	(162,025,689)	-	-

44. Bank development policies

Based on the bank's strategic plan and the bank's keenness to meet the banking needs of customers and serve them in an integrated manner, the bank has expanded into many new sectors to serve this goal, as the most prominent features of the bank's strategic plan are the following:

- Launching a new banking system and supporting systems as one of the main pillars on which the bank is based.
- Establish a central archive for all financial and non-financial transactions of the bank.
- Expanding the network of branches and ATMs to cover all areas in the West Bank. Work on creating investment service division to manage Bank's and customers' investments.
- Automate all workflows of the bank to accelerate the bank's operations and provide services to customers easily, quickly and remotely. Train and develop specialized team for various banking services.
- Developing new non-traditional products that meet the multiple banking needs of customers in terms of lending and investment in all banking sectors (individuals, companies, small enterprises, treasury, and small and medium enterprises).
- Improve customer service procedures with speed and efficiency that reflect the bank's vision and objectives.
- Developing the investment arm of the Bank to enhance investment management for the benefit of customers and the Bank.
- Building and developing strategic partnerships with financial institutions and companies.
- Developing and training a specialized team in various banking matters from the bank's human staff.

45. 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 years 2024 and 2023.

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

	2024			2023		
	Amount	Percentage to assets	Percentage to risk - weighted assets	Amount	Percentage to assets	Percentage to risk - weighted assets
	U.S. \$	%	%	U.S. \$	%	%
Regulatory capital	<u>138,019,567</u>	<u>9,87</u>	<u>17,77</u>	<u>143,482,497</u>	<u>9,62</u>	<u>16,71</u>
Basic capital	<u>128,270,137</u>	<u>9,17</u>	<u>16,52</u>	<u>129,248,383</u>	<u>8,67</u>	<u>15,05</u>

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

	<u>2024</u>	<u>2023</u>
	U.S. \$	U.S. \$
Net common stocks (CET 1)	128,270,137	129,248,383
Tier 1 of capital	128,270,137	129,248,383
Tier 2 of capital	9,749,430	14,234,114
Capital base	<u>138,019,567</u>	<u>143,482,497</u>
Credit risk	653,600,294	737,734,337
Market risk	5,139,206	3,684,711
Operational risk	117,883,353	117,266,218
Total risk weighted assets	<u>776,622,853</u>	<u>858,685,266</u>
	<u>%</u>	<u>%</u>
Percentage of net common stocks (CET 1) to risk weighted assets	<u>16.52</u>	<u>15.05</u>
Percentage of Tier 1 of capital to risk weighted assets	<u>16.52</u>	<u>15.05</u>
Percentage of Tier 2 of capital to risk weighted assets	<u>1.26</u>	<u>1.66</u>
Percentage of Tier 1 to assets	<u>9.17</u>	<u>8.67</u>
Percentage of regulatory capital to assets	<u>9.87</u>	<u>9.62</u>
Capital adequacy ratio	<u>17.77</u>	<u>16.71</u>

46. Commitments and contingencies

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

	<u>2024</u>	<u>2023</u>
	U.S. \$	U.S. \$
Letters of guarantees	18,289,029	26,510,246
Letters of credit	11,532,008	11,765,845
Unutilized credit limits	28,452,251	32,749,855
	<u>58,273,288</u>	<u>71,025,946</u>

47. Law suits against the Bank

The value of the cases brought against the Bank amounted to a total amount of U.S. \$67,677,807 and U.S. \$ 61,201,642 as at December 31, 2024 and 2023, respectively. Noting that the majority of this amount of U.S. \$ 32,594,766 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.

48. 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.

49. War on the Gaza Strip

At the beginning of October 2023, the Gaza Strip (the Strip) was exposed to a war, which significantly affected all economic activities in the Strip, in addition to destruction of many facilities and properties. The West Bank has also been affected by the closures and restrictions on the movement of between cities and repeating closure for outside boarders.

These events has negatively affected economic activities in Palestine, and lead to a decrease in private sector revenues, green lines Palestinian workers' earnings, government revenue from local taxes and fees, clearance revenues compared to the beginning of the war, and consequently, it may affect the ability of customers to meet their obligations towards the Banks on time. The Bank's exposure to the facilities granted to the government, its employees, and green line Palestine workers is disclosed in Note (7).

Management's actions

In response to the war on the Gaza Strip, from the first day, the Bank has activated its business continuity and crisis plans to address the effects of this war on The Bank, which was represented by several measures as follows:

- Identifying possible closure scenarios in the West Bank to ensure the continuity of the bank's essential functions and defining responsibilities for emergency teams for different scenarios, in addition to activate remote work systems and distribute employees across branches closer to their places of residences
- The Bank worked on evaluating all the horizons of this war, which is represented in preparing stress scenarios for the following horizons:
 - Direct effects inside the Gaza Strip
 - Liquidity management and its indicators
 - The effects in the West Bank areas
 - Investment in the Palestine Islamic Bank
 - Operational risks

However, it is expected that this event will affect the Bank's operational activities, investments, revenues, and business results due to the following effects:

A. The direct effects on the Bank from banking operations inside the Gaza Strip:

- The Bank does not have any branches or offices that provide financial and banking services to customers inside the Gaza Strip.
- The Bank does not have any facilities granted to customers inside the Gaza Strip.
- The Bank does not have cash in vaults or ATMs inside the Gaza Strip.

Therefore, there are no direct effects on The National Bank from banking operations inside the Gaza Strip as a result of the war.

B. Cash and Liquidity:

The Bank regularly monitors its liquidity situation to ensure sufficient levels of liquidity to meet its anticipated needs and continue its operations.

As at December 31, 2024, cash and balances at the Palestine Monetary Authority, excluding the statutory cash reserve (Note 4), and balances at banks and financial institutions (Note 5), amounted to U.S. \$ 339,676,477, representing 31,90% of total customer deposits.

The liquidity coverage ratio and the stable funding ratio are higher than the ratios set by the Palestine Monetary Authority, as disclosed in Note (41).

C. Effects in the West Bank areas - Provision for expected credit losses:

The Bank has assessed borrowers for indicators of inability to pay, taking into consideration the underlying reason for any financial difficulty and whether it is likely to be temporary as a result of the war or long-term. At the end of this year and prior year, the Bank has also updated the macroeconomic factors and updated the probability weighted scenarios by applying a greater weight of 60% for the worst-case scenario starting December 31, 2023, which led to an increase in the provision for expected credit losses.

D. Investment in the associate company (Palestine Islamic Bank):

The National Bank owns 24.85% of the Palestine Islamic Bank (PIB) as of December 31, 2024 and 2023. PIB is considered one of the banks operating in the Gaza Strip affected by the war. The net book value of the investment in the PIB amounted to U.S. \$ 50,207,568 (2023: U.S. \$ 50,151,383). The net book value of PIB's assets in the Gaza Strip as of December 31, 2024 amounted to U.S. \$ 93,004,640 (2023: U.S. \$ 135,398,760), after deducting impairment provisions amounted to U.S. \$ 40,055,565 (2023: U.S. \$ 27,779,081). PIB's management calculated these provisions according to their best estimate and based on available information in light of the state of uncertainty beyond management's control due to the continuation of the war.

E. Operational Risks:

The Bank believes it has sufficient financial resources to continue its operations in the West Bank by taking the necessary actions to adapt to emerging changes and ensure the Bank's continuity through the implementation of continuity plans.

As a result, the effects of this ongoing war are still unclear and cannot be accurately predicted at the current time. The management continues to monitor this event and study its impact on the financial position and operational performance of the Bank. Moreover, management believes that there are no substantial doubts about the Bank's or its associate company's ability to continue their businesses in the future.

50. Subsequent Events

Subsequent to the date of the financial statements, the President of the State of Palestine issued Decision-Law No. (3) of 2025 to organize dealing with the loan's installments and terms. This law grants the Palestinian Monetary Authority the right, in specific cases outlined in the Decision-Law, to issue binding instructions to banks to amend loan terms and installments, including extending repayment periods, restructuring debts and installments, or determining interest rates, ensuring that the interest rate does not exceed the interbank lending rate. Accordingly, the Palestinian Monetary Authority issued Instruction No. (1) of 2025 regarding the management of debt maturities of credit financing granted to individuals in Gaza Strip and public sector employees in West Bank, the instructions requested the Banks to shift the repayment schedule for all loans in Gaza Strip for the period from October 1, 2023, until July 1, 2025. In addition, the repayment schedule for all loans for public sector employees in West Bank should be shifted from October 1, 2023, until December 31, 2024, through granting a new loan to the borrowers, with the bank collecting interest on the due amounts that does not exceed the interbank lending rate (6 Months SOFR).

This event is considered a modification to assets according to International Financial Reporting Standard (IFRS) No. 9, which requires the recognition of the difference between the present value of the modified contractual cash flows, discounted at the original effective interest rate, and the total book value prior to the modification as a credit facilities modification loss within the consolidated income statement. According to the preliminary estimates by the bank's management, the financial impact of these modifications is expected to amount to \$ U.S 2 million, which will be recorded in the consolidated income statement for the year 2025. As a result of these modifications, the bank has updated the inputs used for calculating the Expected Credit Loss (ECL) provision for the year 2024.