



“O you who believe! Be careful of (your duty to) Allah and relinquish what remains (due) from usury, if you are believers, But if you do (it) not, then be apprised of war from Allah and His Messenger; and if you repent, then you shall have your capital; neither shall you make (the debtor) suffer loss, nor shall you be made to suffer loss”

Al-Bakara



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A series of colorful, tilted rectangular shapes in yellow, red, teal, purple, and light blue, arranged in a descending sequence from left to right.

Digital Islamic Banking





About the Bank

The Establishment

The Arab Islamic Bank was established in 1995 and is a public shareholding company. It started its banking activity in early 1996. It carries out banking and investment in accordance with the provisions of Islamic law through the headquarter in Ramallah and Al-Bireh governorate and its branches spread in Palestine. In addition to the Representative Office in the United Arab Emirates (Emirate of Dubai) and the mobile branch “mobi bank”. The number of the Arab Islamic Bank branches and offices reaches thirty. The Bank has no subsidiaries until 31/12/2021.

Vision

A distinguished national Islamic bank, driven by digital, modernity, banking sustainability and distinguished human resources to provide a high-quality, Sharia-compliant banking service wherever clients are in a safe manner.

Mission

Providing comprehensive, modern, high quality and competitive Islamic banking solutions and services, and supporting and developing innovative solutions for future generations and entrepreneurial businesses. Based on our values rooted in the world of Islamic finance, business and banking and contributing to economic development and achieving the principle of solidarity and cooperation and Islamic social goals.

• Strategic Goals

- Digital transformation
- Investing in the development of human cadres
- Maximizing shareholder rights
- Financial Inclusion
- Increasing market share
- Promoting Islamic banking identity and sustainable development
- Enhancing the services of individuals and small business

Establishing a Bank

Digital Islamic Banking



Chairman's Message



Honorable shareholders

I am pleased to welcome you, on behalf of myself and the members of the Board of Directors, to the twenty-sixth annual meeting of the General Assembly of the Arab Islamic Bank. We are pleased to meet you today to present to you the Bank's most important achievements in the past year, despite all the circumstances that Palestine has experienced at all levels. However, the Bank continued to develop, update and innovate to achieve outstanding results that positively reflected on the Bank's performance.

Allow me to begin by giving you a summary of the Bank's works and accomplishments, as well as a summary of the audited financial statements for the fiscal year ending December 31, 2021.

The Bank completed its twenty-sixth year of progress and growth as the largest Islamic banking institution in Palestine and the second largest financial institution among local banks. The year 2021 was a continuation of the bank's career in achieving its strategic goals. The Bank continued to develop its services and products to serve its digital transformation plan to align the development of the global financial market and to be in a competitive position in terms of the quality and development of the services provided. During the past year, the Bank has developed the

app and banking internet to be the most sophisticated app that meets many client needs without having to visit the branch. Also, the product of point-of-sale devices was launched, through which the bank's clients can pay directly to the merchants without the need to use cash and to facilitate the payment operations. The first financing program for workers in Palestine, "Sawaed", was launched. This program is concerned with providing customized benefits for the workforce that help them achieve the requirements of their daily lives with easy terms and competitive benefits. In addition to many systems and programs that were developed during the year.

the bank continued, with regard to financial inclusion, to work on enhancing the policy of financial inclusion through a plan of expansion and geographical spread by opening a new Jenin branch, which includes a self-service electronic branch for clients. Thus, the branch network reached 30 branches and offices, in addition to 62 ATMs spread across all governorates of the country. Moreover, work is underway to implement development projects for new branches and offices that will be opened in 2022, including the Nilin branch. This will put the bank in a distinguished competitive position in the Palestinian banking market in general and in the Islamic finance market in particular. In terms of human resources, the num-

Chairman's Message

ber of bank employees increased due to the restructuring and opening of new branches and offices in the year 2021 to 667 employees, an increase of 4% compared to the year 2020.

From a financial point of view, the bank, despite the continuing effects of the Corona pandemic on the global and local economy, was able to increase its market share in the Palestinian banking market to reach 8% regarding the assets side and 8.6% regarding the deposits and 9.4% regarding financing. The bank was able to raise its assets during the year 2021 by 180.5 million dollars to reach approximately 1,737,5 billion dollars, with a growth rate of 11.5%. The bank also witnessed a growth in client deposits by \$123.2 million, or 9.5%, to reach more than \$1,420 billion. The bank also achieved a growth in direct financing by approximately \$67.3 million by 7.1%, bringing the net financing volume to nearly \$1,012 billion. This distinguished financial activity of the bank was reflected in achieving profits before taxes of about 19,4 million dollars and 11,7 million dollars after taxes, despite the provisions for expected credit losses that need to be allocated as a result of the financial and economic crisis affected by the government salaries crisis and others.

The bank is currently completing raising the paid-in capital from approximately \$91,7 million to \$100 million in the coming years, according to the strategic plan, so that the bank remains committed to the regulatory requirements, whether local ones or relevant international instructions and standards. In compliance with the bank's societal role, the bank provided support and donation in many charitable and humanitarian activities and events, amounting to about 357,000 dollars during the past year, which constituted 3% of the bank's total net profits during the same period.

In conclusion, allow me, on behalf of the Board of Directors and the shareholders, to extend my sincere thanks and appreciation to the Palestine Monetary Authority, the Palestinian Capital Market Authority, the Companies Controller, the Ministry of Trade and National Economy, the Palestine Exchange, the security departments, and all ministries, institutions and official departments for their cooperation and their support for the bank's progress. We also extend our heartfelt thanks to our valued clients for the high confidence they have given us, and we promise them to always be up to their expectations, assuring them of our commitment to providing the best Islamic banking services and products that meet their needs and facilitate their lives. We take this opportunity and extend our appreciation and thanks to Fatwa and Shari'a Supervisory Board, General Manager Hani Nasser, the Executive Management and all the employees and workers of the Bank for their blessed efforts and experience in achieving the Bank's goals. I also extend my thanks and appreciation to the honorable shareholders for their trust in the board of directors and that executive management.

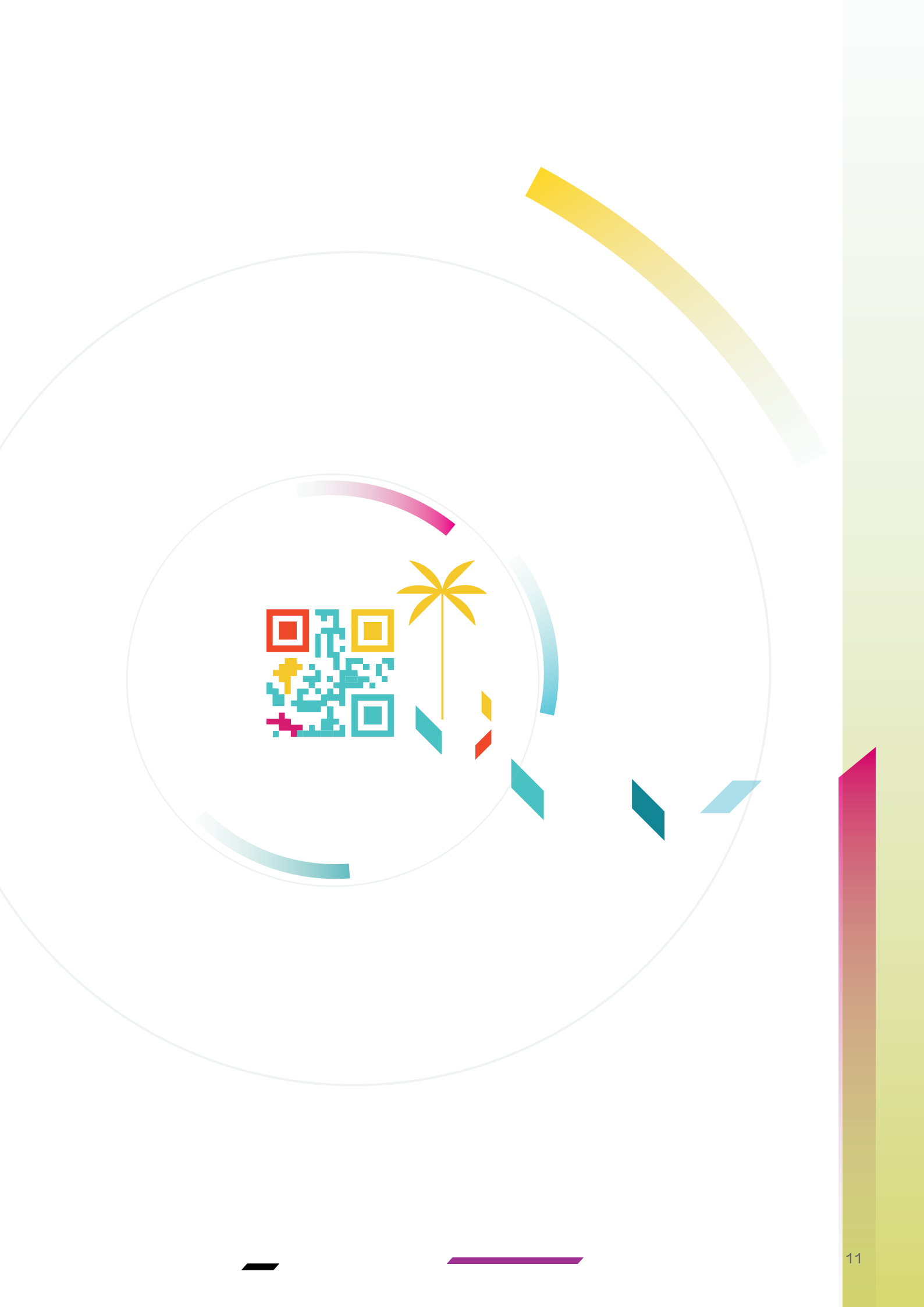
May God help us to advance our pioneering institution towards further progress, development and prosperity, in a way that enhances its position in the banking sector and in a manner that serves our country, our grain, our national economy, and our righteous Sharia.

Rushdi Ghalayini

Chairman of Board of Directors

Board of Directors Members

Name	Membership	The company
Rushdi Mahmoud Rashid Ghalayini	Chairman	Representative of Bank of Palestine Company
Dr. Mohamed Mahmoud Mohamed Nasr	Vice chairman	Representative of the Palestinian Investment Fund
Saqr Mahmoud Suleiman Jundia	Member of the Board of Directors	Representative of Bank of Palestine Company
Wael Abdel Latif Khalil Al Sourani	Member of the Board of Directors	Representative of Bank of Palestine Company
Abdullah Qais Thunayan Al-Ghanim	Member of the Board of Directors	Representative of Bank of Palestine Company
Shady Adnan Ahmed Al-Khatib	Member of the Board of Directors	Representative of Aswaq investments
Sam Sami Salem Bahour	Member of the Board of Directors	Independent member.
Muhammad Awni Muhammad Abu Ramadan	Member of the Board of Directors	Representative of Aswaq investments
Dr. Safaa Ali Taha Nasir El Din	Member of the Board of Directors	Independent member.
Samar Zuhdi Khalil Sawalhi Nakhleh	Member of the Board of Directors	A representative of the small shareholders
Saeb Ibrahim Mohamed Samour	Member of the Board of Directors	Independent member.



Board of Directors Members



Rushdi Mahmoud Rashid Ghalayini

Chairman

Representative of Bank of Palestine Company

Qualifications:

BA in Economics and Computer Science: The American University in Cairo

Date of birth: 26-5-1962

The representative Membership date: 2017

Experiences

General Manager of Bank of Palestine

Risk management, good governance, credit facilities and banking operations

Memberships

Chairman of the Board - Arab Islamic Bank 2021 to date

Member of the Board of Directors of the Investment Bank of the Hashemite Kingdom of Jordan 2014 - until now

Chairman of the Board of Directors of North Industrial International Company

Member of the Board of Directors of Pal Pay for Electronic Payment Company since 2017 till now

Member of the Board of Directors of the Palestinian Company for Cash and Valuables transportation since 2014 till now

Member of the Board of Directors of the Arab Islamic Bank, 2017-2020

Member of the Board of Directors of the Association of Banks in Palestine, 2017-2020

Member of the Board of Directors of the Union of Arab Banks, 2018-2020

Member of the Board of Directors of Education for Employment Foundation, 2015-2018



Dr. Mohamed Mahmoud Mohamed Nasr

Deputy Chairman of the Board

Representative of the Palestinian Investment Fund

Qualifications:

Ph.D. in Economics (Industrial Economics) - Ohio State University, 1986

MA in Economics - Ohio State University, 1985

MA in Business Administration (Marketing) - Wayne State University - Detroit -1982

BA of Commerce (Accounting), Beirut Arab University, 1969

Date of birth: 27-9-1945

The representative Membership date: 2017

Experiences

Professor of Economics - Birzeit University, -1994 till now

Dean of the College of Business and Economics - Birzeit University, 2011 - 2014, 1996 - 1999

General Manager - Palestine Economic Policy Research Institute (MAS), 2007-2008

Head of the Department of Economics - Yarmouk University - Jordan, 1991-1993

Professor of Economics - Yarmouk University - Jordan, 1986-1994

Memberships

Member of the Board of Directors of the Palestine Investment Fund, 2012 – till today

Member of the Board of Directors of Sanad Construction Resources Company, 2016 till today

Member of the Board of Trustees of the Palestinian Economic Policy Research Institute (MAS), 2015 till today

Chairman of the Board of Trustees of the Palestinian Economic Policy Research Institute (MAS), 2018-2021

Chairman of the Board of Directors of Amar Real Estate Group, 2015-2019

Chairman of the Board of Directors of Grand Park Hotel, 2017-2019

Vice Chairman of the Board of Directors of Jericho Industrial Company 2012-2017

Chairman of the Board of Directors of the Palestinian Capital Market Authority 2014-2015

Chairman of the Board of Directors of the Palestinian Governance Institute, 2011-2015

Member of the National Anti-Money Laundering Committee, 2008-2012

Board of Directors Members



Saqr Mahmoud Suleiman Jundia

Member of the Board of Directors
Representative of Bank of Palestine Company

Qualifications

Pre-PhD in Administrative Sciences Preliminary and Complementary Studies (Sadat Academy for Administrative Sciences, Cairo 1993)

MA Economics, Faculty of Commerce, Zagazig University 1990

Date of Birth 1/2/1949

The representative Membership date: 2021

Experiences

Advisor to the Board of Directors of Bank of Palestine Group - since 2020 - until now

Head of Compliance Control Department / Bank of Palestine (2009 - 2020)

General Manager of the Palestinian Banking Institute 2007 - 2009

Executive Director and then Assistant Governor of the Palestinian Monetary Authority 1999-2007

Training Coordinator - Health Services Management Unit HSMU - Palestinian Ministry of Health, in coordination with the Higher Institute of Management, Rome and Hebron University, 1996-1999

General Manager of Team Palestine Company

Expert in the Arab Experts Company in Engineering and Management (TEAM) Egypt 1987-1996

Lecturer at Al-Azhar University, and the Islamic University, Al-Quds open university / Gaza

Memberships

Member of the General Union of Palestinian Writers and Journalists

Founding member of the Palestine Forum for Democracy

Founding member of the Palestine Forum for Democracy

Former Board Member and Secretary of the People's Assembly for Peace and Social Solidarity

Member of the Drafting Committee and the Scientific Committee to Present Papers and Research Papers of the Annual Conference for Training and Administrative Development in the Arab World in Cairo 1989-1995

Professional committees in the Monetary Authority, and bank of Palestine



Wael Abdel Latif Khalil Al Sourani

Bank of Palestine group representative

Qualifications

Bachelor's degree in Biology and Chemistry, Sana'a University, Yemen, June 1993

Date of Birth: 7/2/1967

The representative Membership date: 2021

Experiences

Bank of Palestine, 1995 to 2020

Gaza Business Manager until 2020

Assistant General Manager

Rimal Branch Controller from 2000 to 2002

Khan Yunis branch Controller from 1999 to 2000

Palestinian Red Crescent 1988 to 1989



Abdullah Qais Thunayan Al-Ghanim

Bank of Palestine group representative

Qualifications

Master of International Business Administration (MBA) Thunderbird University International Business 2005
BA in Banking and Finance, Boston University 1996

Date of Birth: 8/2/1976

The representative Membership date: 2021

Experiences

Director of Investment Management, Asia Investments Company, Kuwait 2012-2015
International Finance Corporation - United Arab Emirates 2011-2012
Boubyan Bank, Kuwait 2010-2011
HSBC Bank, Kuwait 2006-2010
Al Muhallab Kuwait Real Estate Company, Kuwait 2006-2021
Assistant General Manager - Gulf Bank 2015-2016
Consultant for RGI for consultancy – 2016

Memberships

Member of the Board of Directors of Bank of Palestine
Member of the Board of Directors of Securities Brokerage
Board Member of Gamiphy.co



Shady Adnan Ahmed Al-Khatib

Member of the Board of Directors
Aswaaq Investment Company representative

Qualifications

MA in Finance and Investment from Western Sydney University/Australia

Date of Birth: 7/8/1976

The representative Membership date: 2021

Experiences

CEO of Aswaaq Investment Company
Portfolio manager at the Palestine Investment Fund 2007 – until today

Memberships

Member of the Board of Directors of Sanad Construction Resources Company
Member of the Board of Directors of Birzeit Pharmaceutical Company
Member of the Board of Directors of the Specialized Arab Medical Complex
Member of the Board of Directors of Siniora Food Industries

Board of Directors Members



Sam Sami Salem Bahour

Member of the Board of Directors
Independent Member

Qualifications

MA in Business Administration, Northwestern University and Tel Aviv University
BA of Applied Science, Computer Technology, Youngstown State University

Date of Birth: 18/10/1964

Membership Date: 2017

Representative of many companies since 2003

Experiences

General Manager, AIM Technologies LLC.
Founder and former Chairman, Americans for a Vibrant Palestinian Economy (AVPE)
He had a role in establishing the Palestinian Telecommunications Company (Paltel).
He had a role in establishing the Arab Palestinian Shopping Centers
He writes regularly about Palestinian affairs

Memberships

Board Member, Friends Schools, 2017 - 2018
Member of the Board of Trustees, Birzeit University, 2004-2010
Company Member of the Board of Directors of "Just Vision"



Muhammad Awni Muhammad Abu Ramadan

Member of the Board of Directors
Representative of Aswaaq investment

Qualifications

Bachelor of Business Administration, Syracuse University, USA

Date of Birth: 24/7/1953

Membership: 2017

Experiences

Chairman of the Board of Directors, Ooredoo Company, 2016 – till today
Chairman of the Board of Directors of the Water Sector Regulatory Council
Minister of Planning, Palestinian National Authority, 2012 - 2014

Memberships

Member of the Board of Directors of the Palestine Investment Fund
Member of the Board of Directors of the Palestinian Capital Market Authority, 2018 – till today



Dr. Safaa Ali Taha Nasir El Din

Member of the Board of Directors

Independent Member

Qualifications

Ph.D. in Electronic Engineering from the Insrup Graduate School of Engineering, University of Bordeaux in France, 2003.

MA in Signal and Image Processing from École Normale Supérieures Institut Toulouse, France, 1996

Bachelor's degree in Electronic Engineering from Al-Quds University, with honor, 1994

Date of Birth: 05/05/1969

The representative Membership date: 2019

Experiences

Secretary-General of the Presidency of Al-Quds University, 2021- till today

Vice President of Al-Quds University for Jerusalem Affairs, 2014-2021

Minister of Communications and Information Technology, thus becoming the first woman to hold this position in the Arab world, 2012-2014

Dean of Hind Al-Husseini College for Girls in Jerusalem / Al-Quds University, 2010-2012

Adviser to the Minister of Communications and Information Technology and Head of the National Team for Information Security and E-Government, 2009-2012

Founding Director, Dean and Head of Quality Unit at Wagdy Institute of Technology, 2004-2009

Part-time lecturer at Al-Quds University, 1999-2000

Memberships

Member of the Board of Directors of Mada Internet Company, 2019 - 2022

Founding member of the Jerusalem Business Incubator, 2017-2022

Member of the Scientific and Technology Committee of the Engineers Syndicate and member of the General Secretariat of the Palestinian Engineers Union, 2017 - 2021

Chairman of the Fiber Home Connectivity Council in the Middle East and North Africa, 2016 - 2018

Member of the board of directors of Education for Employment, 2015 – till now

Member of the Board of Directors of the Palestinian Energy Incubator, 2014 – till now

Member of the Board of Directors of the Jerusalem Endowment Fund, 2014- 2020

Member of the EU Education Reform Expert Group and Erasmus Plus projects, 2014 - 2019

Member of the Board of Directors of the Supreme Council for Creativity and Excellence, Head of the Exploration and Stimulation Committee, as well as the Creativity Support Fund, Member of the Arab and International Cooperation Committee, 2013 - to date

Honorary President of the Society for Anti-Smoking and Health Education, 2013 – till now

President and Founder of the French Alumni Association, 2013 - 2019

Co-founder of the Palestinian Open-Source Community, 2009

Member of the Board of Directors for Girls in Technology

A well-known Palestinian leadership figure who dedicated her time to making Palestine a better place and volunteered in several other institutions serving youth and women

Board of Directors Members



Samar Zuhdi Khalil Sawalhi Nakhleh

Member of the Board of Directors

A representative of the small shareholders

Qualifications

BA in Accounting, Birzeit University, Palestine 2001

MBA, Birzeit University, Palestine, 2007

American Express Leadership Academy at Thunderbird School of Global Management in Arizona, USA - 2016

Date of birth 7/5/1980

The representative Membership date: 2019

Experiences

Financial and Administrative Director - Women's Center for Legal and Social Guidance - Palestine, 2012 – present

Financial and Administrative Director, Palestine Economic Policy Research Institute (MAS), Palestine, 2002-2012

Lecturer at Al-Quds University - Palestine, 2011-2013

Auditor at Al-Wafa and Partners Company (KPMG), Palestine, 2001-2002

Memberships

Treasurer at The Palestinian Youth Association for Leadership and Rights Activation- PYALARA, 2015-2020

Member of a public body in The Palestinian Youth Association for Leadership and Rights Activation- PYALARA, 2015 till now



Saeb Ibrahim Mohamed Samour

Independent Member

Qualifications

Bachelor of Business Administration, Birzeit University, 1982.

Date of Birth: 09/29/1958

Membership date: 2021

Experiences

35 years' experience in the banking sector

Assistant General Manager, Bank of Palestine, 1983 - 2005,

Deputy General Manager, Palestine Islamic Bank, 2005 to 2018.

General Manager of Step Integrated Solutions Company

Memberships

Member of the Palestinian Businessmen Association

Member of the Palestinian Arbitrators Association

Member of the Coordinating Council for Palestinian Private Sector Enterprises

Board of Directors Members



Mr. Hani Salah Nasser	General Director
Date of Birth	12/2/1967
Date of appointment	16/1/2018
scientific certificates	MA and BA Public Administration and Law, Marie Curie University, Poland 1993
Previous work experience	Jericho Branch Manager - Bank of Palestine Hebron Branch Manager - Bank of Palestine Regional Manager for West Bank Branches - Bank of Palestine
Memberships	Member of the Board of Directors of the Palestinian Banks Association Vice Chairman of the Board of Directors of the Palestinian Banking Institute



Mr. Ghassan "Mohammed Hashem Mustafa Jabr	Deputy General Manager for Operations
Date of Birth	25/5/1964
Date of appointment	8/11/2015
scientific certificates	Bachelor of Business Administration - Birzeit University
Previous work experience	Arab Bank, 1994 - 2015, Central Operations Unit Director, Deputy Regional Director Cairo Amman Bank, 1990-1994



Ehsan Kamal Shashaa	Deputy General Manager of Gaza Strip Branches
Date of Birth	5/9/1963
Date of appointment	16/1/2018
scientific certificates	Bachelor of Business Administration - Texas San Marcos State University, USA 1988
Previous work experience	Bank of Palestine 1991-2018



Mr. Maysara Hatem Salameh	Assistant General Manager for Financial Affairs
Date of Birth	15/1/1981
Date of appointment	10/3/2013
scientific certificates	MBA from Birzeit University BA in Accounting and Finance from Birzeit University An American Certified Public Accountant (CPA) from Colorado, USA Certified Management Accountant (CMA) by the American Institute of Management Accountants (IMA). Arab Professional Accountant ACPA by Arab Society of Certified Accountants (ACPA) Palestinian certifies accountant (PCPA) Certified Credit and Financial Analyst (CBCA) – Corporate finance institute CFI

Previous work experience	PricewaterhouseCoopers' 2004- 2013 Senior audit Manager Ernst & Young Global Limited 2003 – 2004 Staff Auditor Cairo Amman Bank 2002 – 2003 Senior Clerk
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Mr. Amjad Ghazi Al-Jabari	CEO of Information Technology Departments
Date of Birth	18/8/1967
Date of appointment	11/10/1997
scientific certificates	MA International Management, University of Glasgow, Scotland / UK Bachelor of Business Administration, Abbas Farhat University, Algeria

Previous work experience	Bank of Jordan 1993-1994 Hebron University 1995 - 1997
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Mr. Fayez Ahmed Shaaban	Administrative affairs manager
Date of Birth	2/8/1963
Date of appointment	2/11/1999
scientific certificates	Business management diploma
Previous work experience	More than 22 years of managerial banking experience



Mr. Mustafa Sharif Abu Khizran	Director of Networks and Systems Department
Date of Birth	26/4/1970
Date of appointment	3/2/2001
scientific certificates	MA in Computer Engineering, Birzeit University Bachelor's degree in Electronic Engineering
Previous work experience	Palestinian Central Bureau of Statistics 1995-2001 Samco Inc 1993 – 1995



Mrs. Adiba Abdullah Afana	Director of Legal Affairs Department
Date of Birth	3/9/1974
Date of appointment	19/2/2001
scientific certificates	Bachelor of Laws, University of Jordan 1996
Previous work experience	Practicing attorney, advocate Adel Abu Diab's office 1998-2001 Trainee Lawyer, Hussein Al-Shyoukhi Lawyer's Office 1996-1998



Mr. Ahmed Abdel Karim Ayyad	Director of the Department of Organization and Work Procedures
Date of Birth	5/10/1978
Date of appointment	1/2/2005
scientific certificates	Master of Quality Management, Arab American University 2020 Bachelor's degree in Computer Information Systems, Al-Quds Open University 2004 Diploma in Programming and Systems Analysis, Al-Balqa Applied University 1997
Previous work experience	Bank of Jordan 1998-2004



Mr. Ahmed Saleh Sartawi	Director of Public Relations and Marketing
Date of Birth	18/10/1980
Date of appointment	21/1/2006
scientific certificates	Master's degree in Management and Marketing, Arab Academy for Banking and Financial Sciences Bachelor's degree in Marketing, An-Najah University Certified Islamic Banker CIP Diploma in Sales and Marketing Management, Cambridge Public Relations and Media Specialist Certificate

Previous work experience	Lecturer at Al-Quds Open University 2012-2013
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Mr. Marwan Mohamed Badawi	Small and medium enterprise sales manager
Date of Birth	28/8/1966
Date of appointment	4/5/2008
scientific certificates	Master's degree in financial and banking sciences
Previous work experience	Al-Rafah Bank 2006-2008 Palestine Commercial Bank 1996-2006 Cairo Amman Bank 1994-1996



Mr. Ammar Younis Khudairi	Director of the Banking Business Systems Department
Date of Birth	22/8/1970
Date of appointment	24/8/2008
scientific certificates	MA Computer Science, Birzeit University Higher Diploma in Computer Programming, Brilliant Institute, Bangalore, India
Previous work experience	Palestine International Bank 1996-2008. Cairo Amman Bank 1994 - 1996



Mr. Taha Mohammed Abu Sariya	Director of the Anti-Money Laundering and Terrorist Financing Department
Date of Birth	5/8/1968
Date of appointment	12/1/1997
scientific certificates	Master's degree in quality management
Previous work experience	Cairo Amman Bank 1994 - 1997



Mr. Ibrahim Ismail Abu Abdo	Director of the Department of Control and Internal Audit
Date of Birth	1/5/1968
Date of appointment	22/7/2009
Scientific Certificates	MA of Business Administration Higher Diploma in Banking Management BA in Accounting
Previous Work Experience	IEgyptian Arab Land Bank 1998 – 2009 Jordan Kuwait Bank 1995 - 1998 Bank of Jordan 1994 - 1995



Mr. Hassan Essam Sabry	Credit department manager
Date of Birth	17/10/1966
Date of appointment	11/10/2009
scientific certificates	Master's degree in Management and Accounting Sciences, Al-Najah National University 1999 Bachelor of Finance and Banking Sciences, Yarmouk University 1989
Previous work experience	Arab Bank, United Arab Emirates 2005 - 2008 Arab Bank, Palestine 1994 - 2005. Arab National Bank, Riyadh 1989 - 1994.



Mr. Hatem Fawzy Sobh	Director of the Finance Control Department
Date of Birth	28/12/1970
Date of appointment	20/12/2009
scientific certificates	Master's degree in Management and Marketing, University of Jordan BA in Finance and Banking, Yarmouk University
Previous work experience	Bank of Jordan 2005 - 2009 An-Najah National University 2003 - 2005 Bank of Jordan 1998 - 2003. Cairo Amman Bank 1993 - 1998



Mr. Rateb Abdullah Atyani	Human Resources and Training Department Manager
Date of Birth	15/11/1969
Date of appointment	12/5/2010
scientific certificates	MBA / Birzeit University 2005 BA in Computer Science / An-Najah National University 1996 Diploma in Programming and Systems Analysis / Jordan
Previous work experience	Cairo Amman Bank 1996 - 2010. Lecturer at Al-Quds Open University 2007-2017



Mr. Saed Miqdad Miqdadi	Risk Management Manager
Date of Birth	29/4/1973
Date of appointment	22/5/2010
Scientific Certificates	Bachelor's in Business Administration, Eastern Mediterranean University, Cyprus Certified Risk Specialist Certified Operation Risk Executive

Previous Work Experience	Al Rafah Bank 2006 - 2010 Jordan Ahli Bank 2003 - 2006 Grandar Bank 2000 - 2003 Cairo Amman Bank 1996 - 2000
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Mrs. Fairouz Fathi Thabaleh	Compliance Department Manager
Date of Birth	24/9/1974
Date of appointment	18/8/2010
scientific certificates	bachelor of Law
Previous work experience	Cairo Amman Bank 1997 - 2010



Mr. Emad Mahmoud Issa	Director of the Follow-up and Collection Department
Date of Birth	10/1/1972
Date of appointment	01/11/2010
scientific certificates	Master's degree in Business Administration - Birzeit University
Previous work experience	Bank of Jordan 2008 - 2010 Quds Bank 2005-2008 Cairo Amman Bank 1998 - 2005



Mr. Abdallah Saleh Hamad Director of Real Estate and Supplies Department

Date of Birth 3/9/1964

Date of appointment 2/1/2011

scientific certificates Masters in Civil Engineering
Bachelor of Civil Engineering

Previous work experience Project Engineer in Engineering Consulting Offices, Al-Sakhra Al-Mosharafa, Federation of Consulting Engineers - Amman until 1994
Director of Buildings Department, Palestinian Communications 1997 - 2010.
Project manager in contracting companies, Palestinian House.
Contractors Company 1994-1996



Mr. Nitham ali alzamel West Bank Branches Manager

Date of Birth 20/8/1967

Date of appointment 19/7/2011

Scientific Certificates Bachelor's in Business Administration
Distinguished Management Diploma

Previous Work Experience 28 years banking experience



Mr. Waseem Ahmed Hajj Asaad Director of Banking Operations Department

Date of Birth 11/5/1981

Date of appointment 20/8/2017

scientific certificates MA in Economics and Law (Excellent Degree) Birzeit University - 2021
2018 - CIB - CIBAFI Certificate
Bachelor of Applied Mathematics in Economics Birzeit University

Previous work experience Foreign Operations Officer at National Bank 2012-2017
Head of Operations Department Jordan Ahli Bank 2010-2012
Head of Administration Department, Al-Quds Real Estate Investment Company 2008-2010
Chief Treasurer, International Bank of Palestine 2005-2008
Arab Bank Deposit Officer 2004-2005



Mr. Suleiman Salem Aarar	Director of Treasury and Capital Markets Department
Date of Birth	18/6/1973
Date of appointment	1/3/2018
scientific certificates	Bachelor of Business Administration, University of Jordan 1995
Previous work experience	Assistant Head of Currency Department - Bank of Palestine 2016-2018 Assistant Director of the Treasury Department, Palestine Commercial Bank 2009-2016



Mr. Qais Atta Ibrahim Muhammad	Acting Director of Personnel Sales Department
Date of Birth	24/9/1989
Date of appointment	10/4/2011
Scientific Certificates	Bachelor of Public Administration - Birzeit University
Previous Work Experience	Assistant Director of the Direct Selling Unit for Individuals at the Arab Islamic Bank Head of the Individuals Division at the Arab Islamic Bank



Mrs. Linda Mahmoud Sheikh Yusuf	Head of shareholder department
Date of Birth	1972/12/1
Date of appointment	27/2/2001
scientific certificates	Business Administration diploma
Previous work experience	Office of the head of the Central Statistical Organization 1995-2001

Islamic Banking

Definition:

They are banking financial institutions to collect and employ funds and provide banking services in conformity with Islamic sharia law. Islamic banks are committed to preventing the transaction of interest and all its forms and deal on the basis of dual private and public ownership.

Its area of work is direct investment (trade) and indirect investment through Islamic financing formats such as speculative (Mudarabah), participation, Murabaha, Salam, Istisna' and lease Contracts.

Islamic banks provide all other banking services provided by commercial banks including credits and guarantees and there is no difference in this regard.

It is recorded that Islamic banking has introduced new mechanisms to the market that have different characteristics than traditional banking in mobilizing savings and attracting investments.

Origin and growth:

The Islamic banking industry began nearly six decades ago, but has moved rapidly from experimentation and testing to expansion and proliferation as a result of raising awareness among clients and investors about Islamic banks and recognizing their importance as one of the most important pillars of the global banking system. Studies show that total Islamic financing assets amounted to \$2,88 trillion dollars by the end of 2021. Total financial assets compatible with sharia law are expected to reach about \$3,69 trillion dollars by 2024 once the global economy recovers from the corona virus financial crisis.

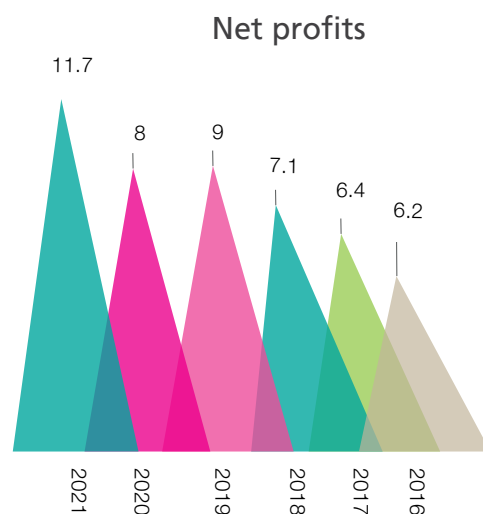
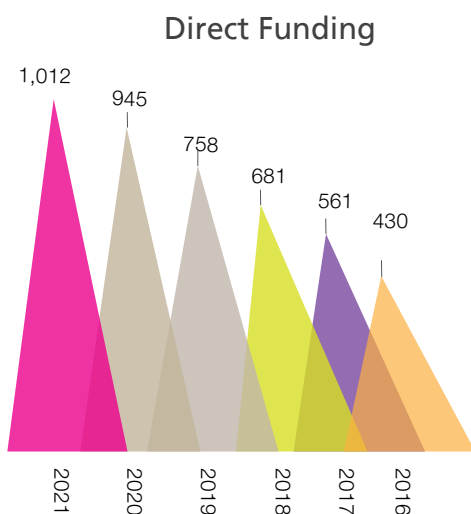
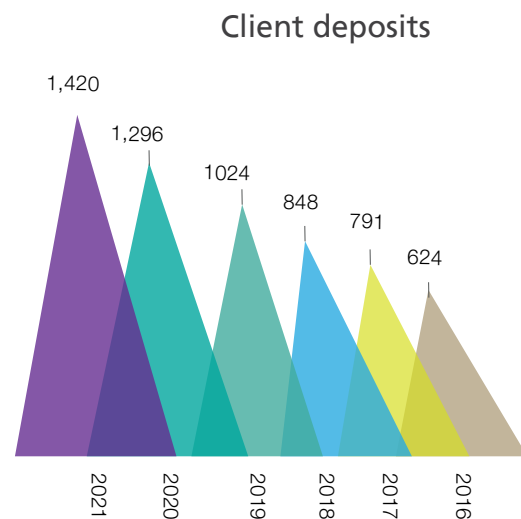
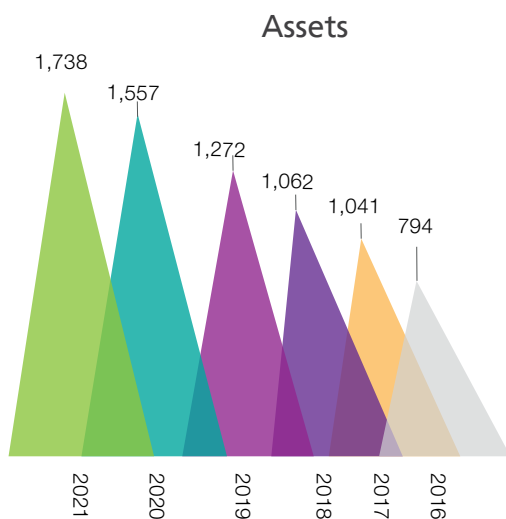
The emergence of Islamic banking in Palestine:

Islamic banking started in Palestine with the establishment of the Arab Islamic Bank in 1995. Three Islamic banks out of 13 now operate in the banking sector. Islamic banks have worked hard to integrate into the banking sector and acquire a share of the banking market. The market share of Islamic banks has evolved year after year. The share of Islamic banks in the Palestinian banking market in 2021 has reached approximately 17.4%. Studies suggest that Islamic banks can acquire 25% of the total banking sector, which means there is a great opportunity for the Islamic banking industry in Palestine to maximize its market share. This constitutes an incentive for the Arab Islamic Bank to set strategic goals aimed at doubling the size of the bank in both client deposits and direct financing and maximizing its profits and thus maximizing the returns of investors with the end of the strategic action plan 2024.



Performance Indicators

The Bank continued its remarkable growth in all its financial indicators as the Bank's business and results doubled over the last 5 years, with its assets rising by nearly \$ 944 million by a growth rate of (119%). Direct funding increased by approximately \$582 million dollars by a growth rate of (135%), also client deposits increased by approximately \$796 million with a growth rate of (127%). The bank also achieved a net profit of \$11.7 million dollars during the year 2021. As its profits increased by \$3.7 million dollars, with a growth rate of (46%) compared to the year 2020.



Amounts in millions of US dollars.

Competitive Position:

The Bank seeks to maximize its market share and achieve the best results of performance indicators, despite the challenges faced by Palestinian reality at various economic, political and social levels. However, the Arab Islamic Bank achieved the best competitive results and achieved tangible growth in all financial aspects when compared with the performance of the banking sector. This is evident through the data that illustrate the growth in the bank's market share in financings, client deposits and profits. It is noted, when comparing the Bank's performance with that of the banking sector, that the bank's performance is distinguished on the one hand, and its opportunity for growth and development on the other hand. As the bank's assets grew in 2021 by 11.5% compared to the growth in the assets of the banking sector by 9%. The bank's funding grew by 7.1% compared to the banking sector's funding growth by only 6.7%. Regarding deposits, Arab Islamic Bank deposits grew by 9.5%, compared to 9.1% for the banking sector.

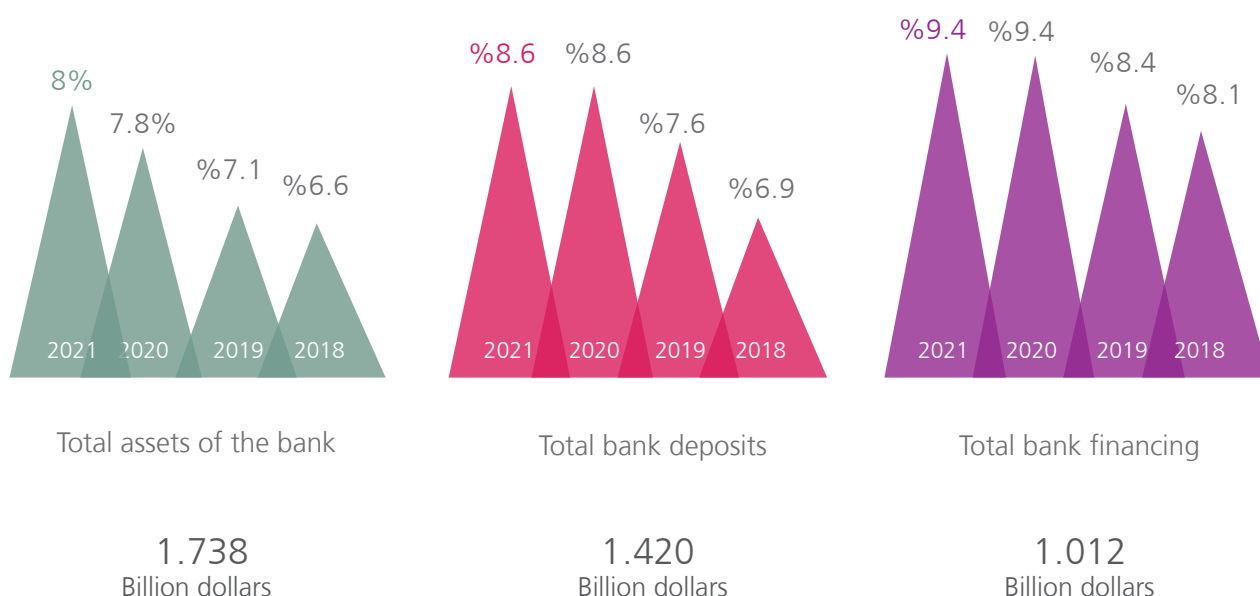
Item /Growth Rate	Direct Funding	Client deposit	Assets
Palestinian Banking Sector	6.7%	9.1%	9%
Arab Islamic Bank	7.1%	9.5%	11.5%



Market Share Development

The Bank continued to achieve remarkable growth results, and this year is considered an important year in the history of the Arab Islamic Bank, as its financial results were reflected in increasing its market share and acquiring new market shares in the banking sector. The most important of which was that the bank was ahead of its competitors in the market share indicators, so that the bank would be in the second place among the local banks. This confirms that the bank is proceeding with plans to enhance its competitiveness to be at the forefront of Palestinian banks and to be the largest Islamic financial institution in Palestine

As the bank's assets increased during the year 2021 to \$1,738 billion, which was positively reflected on the bank's market share to become 8%, compared to 7.8% in the year 2020. The total deposits also increased so the bank's total deposits reached 1,420 billion dollars, with a market share of 8.6%. Regarding financing, the total funds reached 1,012 billion dollars, with a market share of 9.4%



Performance Indicators for the Arab Islamic Bank:

The development of the distinguished bank's performance resulted in a clear improvement in all of the bank's financial indicators, as shown in the table below.

Capital Structure Indicators	2020	2021
Liabilities and equity of unrestricted investment account holders/ assets	92.28%	92.46%
Direct Financing / Equity	785.95%	772.93%
Retained earnings (losses) / equity	5.77%	8.93%
Liquidity indicators		
Client deposits/assets	83.22%	81.69%
Direct financing/assets	60.68%	58.26%
Direct Financing/Client Deposits	72.91%	71.32%
Profitability Indicators		
Financing and investment income/total revenue	105.05%	100.45%
return on assets	0.57%	0.71%
return on equity	6.77%	9.31%
Volume Indicators		
Assets rate per branch	70,797,630	78,980,728
Client deposit rate per branch	58,919,036	64,522,851
Direct financing rate per branch	42,956,812	46,017,036

Branches and ATMs Network

The Bank worked to expand its network of branches and ATMs during the year 2021. A new branch was prepared and opened in the city of Jenin, and the old branch was converted into an office. Thus, the branches and offices of the Arab Islamic Bank, in addition to a representative office in the United Arab Emirates (Emirate of Dubai) and the mobile branch "Mobi Bank" reached 30 branches and offices, in addition to 62 ATMs spread across all governorates of the country.

Hebron ■	Ramallah and Al-Bireh ■	Jenin ■
Hebron branch	Al-Bireh Branch	Jenin Branch
Alharas branch	Ramallah branch	Arab American University office
Yatta branch	Beitunia Branch	Jenin office
Dora Branch	Masyoun Branch	Tulkarm ■
Wadi El Haria office	Birzeit office	Tulkarm Branch
Gaza ■	Al-Rihan Office/Lacasa Mall	Attil Branch
Gaza branch	Jerusalem ■	Qalqilya ■
Khan Yunis Branch	Al Ezariya Branch	Qalqilya branch
Nuseirat branch	Al-Dahiya/Jerusalem Branch	Nablus ■
Alrimal branch	Jericho ■	Nabis Branch - Sufyan Street
Khan Younes ■	Jericho branch	Nablus Branch - Faisal Street
Khan Yunis Branch	Bethlehem ■	
Representative office - Dubai ■	Bethlehem Branch	
Mobi Bank- mobile branch ■	Bethlehem office - industrial area	

Jenin Branch





30 Branches and Offices



Advanced Electronic Services

In the Arab Islamic Bank, the bank's internal environment has been fundamentally developed to enable the bank to know clients' satisfaction and analyze their needs and desires on the one hand and on the other hand, to enhance the bank's ability to implement and apply new products within the best international standards.

The bank's performance indicators are monitored throughout the year and compared with the general performance indicators of the banking sector, and the necessary recommendations are made to contribute to the enhancement and development of the bank's performance, follow-up to the budget implementation of branches and departments, and the development of a comprehensive database to meet the needs of beneficiaries inside and outside the bank. In addition to, analyzing the available data and information, making comparisons between surveys carried out for different periods, documenting statistical bulletins and reports, studying client satisfaction by all methods, including direct or indirect methods such as the Mystery Shopper as well as developing practical plans for the bank's short- and long-term needs of various resources and setting the necessary technical specifications for that.

In 2021, many new products and services were developed, some of which were launched during the same year, and another part of them will be launched in the new year 2022. The following products were among the most important products that were developed and launched during the year:



Sawaed

The Sawaeed financing program (the first workers program in Palestine), which includes special and diversified benefits that suit the needs of clients, and facilitate their financial requirements through distinctive financing programs and easy terms.



برنامج التمويل الأول
في فلسطين المخصص للعمال

برنامج
سواعد

برنامج العمال الأول
في فلسطين

عمالنا وبن ما تكونوا ، احنا معكم

البنك الإسلامي العربي
ARAB ISLAMIC BANK

The advertisement features a central illustration of a smiling man wearing a yellow hard hat and a yellow safety vest over a grey shirt. He has his arms crossed. Behind him is a faint, stylized map of Palestine. The background is white with purple and orange decorative elements. The text is in Arabic, with 'سواعد' (Sawaed) in large purple letters. A red banner at the bottom contains the slogan 'عمالنا وبن ما تكونوا ، احنا معكم'. The Arab Islamic Bank logo is at the bottom left.

“Mobile Bank” Beyond Your Expectations:

the phone number (mobile) only, payment via QR code. In addition to many new services such as (Submit a finance request, request currency exchange, view currency rates, control and manage cards, pay installments to credit cards, transfer card balance, change card currency) as well as request an official account statement and check all your accounts and all the details you need, the possibility of making transfers between your accounts or to client accounts inside the bank or to other accounts outside the bank and making international transfers. The services also include pay services bills such as electricity, water, telephone, mobile phone balance and many other bills, the possibility of opening a sub-account, requesting a check book and other services, Islamic services (donation / zakat / prayer times / direction of the qiblah) and many other advantages. The campaign also included 10 incentive prizes for clients to use the application, where a picking the winner is held every week for the iPhone 12 for clients who use the application.

موبايل بانك..
يفوق توقعاتكم

نسخة جديدة مليئة بالإضافات والخيارات

Available on the
App Store

Google play

البنك الإسلامي العربي
ARAB ISLAMIC BANK

Points of sale

the bank launched, during the year, a points of sale campaign to facilitate the payment process for its clients by providing electronic payment devices including (a machine installed in commercial establishments that enables merchants to accept payments through easy life cards, Visa Electron cards and digital/ e-wallet.)



Banking Services

Personal Finance packages

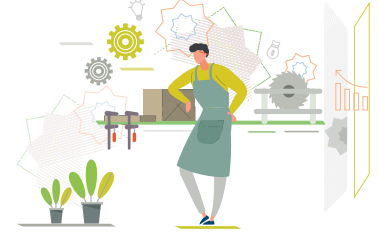
The Bank offers a number of integrated financing programs for individuals, which guarantee the financing of all their life needs in line with the rules of the noble Islamic Sharia. It concludes agreements and memorandums of understanding with local community institutions through which it presents competitive offers to various segments of society. The Bank's Consumer Finance Department offers 5 basic financing programs including:

Car financing: The Arab Islamic Bank, through the Automotive Program, finances all types of new and used cars at distinctive and competitive Murabaha prices. In addition to benefiting from the bank's agreements with all car companies in Palestine at a rate of up to 100% of the car price with finding solutions and the possibility of financing all categories with salaries and without salaries in accordance with the provisions of Islamic Sharia.

Leasing and owning: This program allows clients to plan for the future and take the appropriate decision to choose their dream home in proportion to their income, so that the property is owned by the bank and leased to the client in installments to be paid, so that the property will be transferred to the name of the client with the last paid installment paid. the financing includes apartments, shops, or any real estate that can be owned and rented by the bank. The mechanism and program are carried out according to the instructions of the Monetary Authority and in accordance with the provisions of Islamic Sharia and in a manner that does not conflict with it

Commodity finance: a program that provides many and varied solutions to the bank's clients in order to meet their personal and professional needs. The bank buys the commodity to be obtained and owned by the client and then sells it to the client through easy installments at a competitive profit rate, according to the Murabaha method. In addition to the possibility of benefiting from bargaining programs according to the bank's special agreements with various companies.

Financing with a guarantee of gold: The program allows you to obtain comfortable financing in an easy and simple way, without the need for guarantors and with the provision of safe custody of gold without the need to replace it, in accordance with the provisions of Islamic Sharia



Banking Services

.Istisna'a financing : the bank constructs homes or goods that clients choose according to their own specifications so that clients can finish their homes or build their homes or istisna' different commodities according to the installment method of Istisna'a or parallel Istisna'a in accordance with the provisions of Islamic Sharia..



Small and Medium Enterprises Financing Program:

The Bank considers the small and medium enterprises sector as one of the most promising economic sectors in Palestine, with a great future and a great ability to contribute to the development of the Palestinian economy in general. This is based on the contribution of public finance to the gross domestic product, which exceeds 50%. Hence, the presence of the Small and Medium Enterprises Finance Department in the Bank was of great importance. This department provides the opportunity to obtain the necessary financing and appropriate advice for this broad segment by providing banking and financing services that are in line with Islamic rules and are characterized by flexibility to be able to serve the various fields of work of these projects.



Large Corporate Finance Program:

The Bank works in partnership with large companies in Palestine to contribute to the development and building of the Palestinian economy. The bank provides a set of innovative solutions that are compatible with the Sharia financing formulas of Murabaha, Mudhara, Musharaka, Istisna'a, lease that ends with ownership for major companies through financing working capital, raw materials, manufacturing and production materials, financing assets, machinery and equipment, real estate financing, and financing industrial and commercial projects. The bank also provides foreign trade services represented by documentary credits, collection policies, letters of guarantee and currency exchange services, all of which are commensurate with the nature of the work of these companies and to achieve the best results for all parties. The team of Corporate Banking Relationship Managers works in the branches with extensive experience in various sectors and fields along with clients to meet their short and long-term banking requirements and needs, these various benefits are provided by providing the business with the necessary information, financial and professional advice.



Treasury and Financial Markets:

The Bank worked through the Treasury Department to provide financial services at the best competitive prices in the market for its clients and in compliance with the provisions of the noble Sharia. The Treasury Department provides currency exchange services, investment and savings deposit services. The Treasury Department was also able to achieve good results in managing liquidity, especially in light of the difficult market conditions and challenges of cash liquidity, and it maintained realizing Hungarian returns by investing in the capital markets, which was reflected in the bank's performance in achieving excellent growth rates. Banking services.

Bank Awards

2021

Best Islamic Bank in Palestine, awarded by World Finance Magazine

Best Islamic Financial Institution in Palestine, awarded by Global Finance Magazine

2020

.Best Islamic Bank in Palestine, awarded by Global Finance Magazine

.Best Islamic Bank in Palestine, awarded by emeafinance Magazine

.Best Islamic Bank in Palestine, awarded by World Finance Magazine

Best Islamic Bank in Palestine, awarded by IFN Magazine

2019

.Best Islamic Bank in Palestine, awarded by The Banker Magazine

.Best Islamic Bank in Palestine, awarded by IFN Magazine

Best Islamic Bank in Palestine, awarded by World Finance Magazine

2018

.Best Islamic Bank in Palestine, awarded by IFN Magazine

.Best Islamic Bank in Palestine, awarded by World Finance Magazine

2017

.Best Islamic Bank in Palestine, awarded by IFN Magazine

.Best Islamic Bank in Palestine, awarded by World Finance Magazine

2016

.Best Islamic Bank in Palestine, awarded by IFN Magazine

2012

.Best Islamic Bank in Palestine, awarded by IFN Magazine

2011

.Best Islamic Bank in Palestine, awarded by IFN Magazine

2010

.Best Islamic Bank in Palestine, awarded by IFN Magazine

2009

.Best Islamic Bank in Palestine, awarded by IFN Magazine

Proud of Our Awards....

A Palestinian Bank with an International Vision

The Best Islamic Bank in Palestine



Sustainability

Sustainability is a fragmented part of the Arab Islamic Bank mission and vision and has become one of its important strategies for the next phase, so that the senior management and the Board of Directors attach great importance due to its positive impact on society and the organization. The Bank promotes sustainable development on multiple fronts (relevant parties) and directly through cooperation, partnership agreements with local community and civil institutions, and social responsibility programs. In terms of the bank's internal operations, the bank has also adopted a comprehensive sustainability strategy, which includes a full organization of the bank's relationship with all its partners, including clients, shareholders, employees, and the local community. The sustainability strategy takes into account the impact of the bank's operations on society and the environment.

The Bank's contributions and donations are divided into two main sections:

Social Responsibility:

The percentage of community contributions to culture, development, and education was highest in 2021. This is in accordance with the bank's commitment to and interest in improving the local community by promoting social responsibility, ensuring sustainability, and following up on all sectors and groups in need of support and aid. The share of promotion budget contributions in 2021 was approximately 118 thousand USD.

Sector	Contribution Amount (\$)
Education	8,636
Development	28,199
Culture	68,900
Children	4,000
Sport	6,450
Entrepreneurship and Youth	1,500
Total	117,685

Institutional partnerships reached
26

- The Bank follows an approved policy of community responsibility management that begins with the application recipient and ends with senior management approving the application to achieve the highest standards of transparency and coverage of the largest number of aids. The Social Responsibility Management Mechanism consists

- Receive applications through the bank's branches
- Verify applications and fulfill the requirements.
- Examine the application by the Department of Public Relations and Marketing
- Notify the shareholders and beneficiaries
- Payment of Donations

Board of Directors Report

Social Responsibility



Children Supporting Children Campaign Sponsorship



(Honoring retired teachers in Hebron (Yata



Sponsoring Palestine Real Estate Exhibition



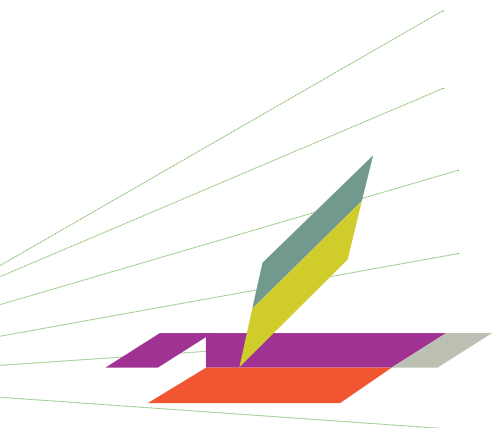
Sponsoring digital education in Gaza



Sponsoring the Palestine Exhibition for Construction Industries



Palestinian Industries Exhibition



Illicit Gains :

It refers to any profits acquired from sources or in ways prohibited by Islamic law's provisions and principles, or resulting from specific execution faults as determined by the Bank's Fatwa and Sharia Supervisory Authority. The competent committee is in charge of reviewing each application and making recommendations and decisions. This is performed so that it may be submitted to the General Manager and subsequently to the Fatwa and Shari'a Supervisory Board for distribution to those in need through payment to the supplier.

Category	Profits Fund budget (\$)
Education	115,610
Development	2,507
Health	80,784
Relief	33,534
Children	1,170
Special Needs Care	6,517
Total	240,127

The Bank follows an approved policy of illicit gains management that begins with the competent committee that consists of (Public Relations and Marketing Department, Compliance Department, Finance Department, Administrative Affairs Department, and Human Resources Department). This is to ensure the highest standards of transparency and coverage of the largest number of aids. The Illicit Gains Disbursement Management Mechanism consists of several steps:

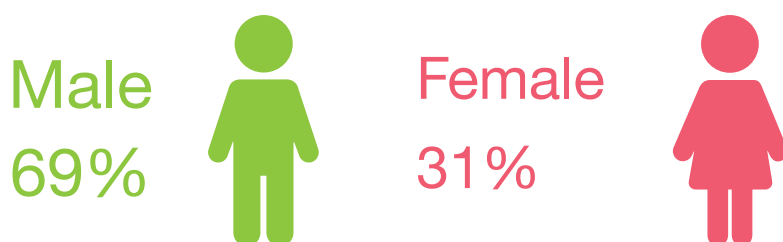
- Receiving applications through branches
- Verifying applications and fulfill the requirements.
- Opinion and approval of the Consolidated Fatwa and Sharia Supervisory Authority
- Notifying stakeholders and beneficiaries
- Paying Donations directly to the Supplier



Human Resources & Training:

The Arab Islamic Bank is distinguished by the cadre that surrounds it with care and attention as one of the bank's most significant assets and plays a critical role in the fulfillment of the bank's objectives. It consists of the best cadres and banking competencies that are carefully and effectively selected through planning, selection, training, incentives, assessment, and the provision of the working environment.

Due to an expansion in the number of branches and a commitment to provide new services and products to clients, the number of employees at the Arab Islamic Bank has expanded from 558 at the end of 2020 to 668 by the end of 2021, with both sexes represented. With the exception of the ungraded group of about 66, the female population accounts for 31 %. The following employees are divided between the General Management and the Bank's branches:



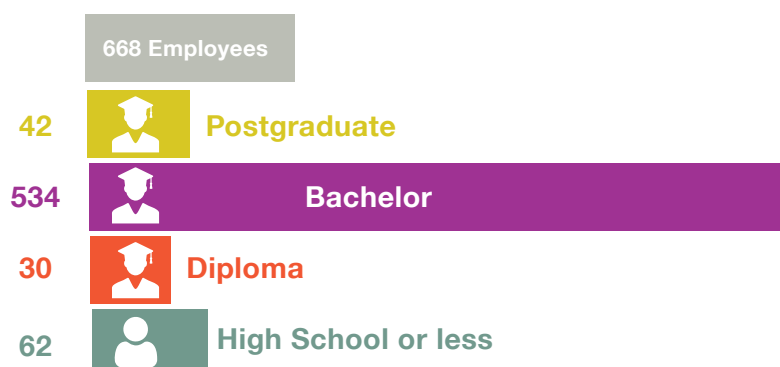
The employees are divided between the General Management and the branches as follows:

	Number of Employees 2020	Number of Employees 2021
General Management	241	253
Branches & Offices	404	415
Grand Total	645	668

In the recruitment processes, the Arab Islamic Bank has distinguished procedures and a reputation for attracting the best competencies from university graduates or experienced professionals. The number of employees with bachelor's degrees or higher increased to 576 by the end of 2021, compared to 558 in 2020. The table below depicts the distribution of employees based on their scientific qualifications during the previous two years.

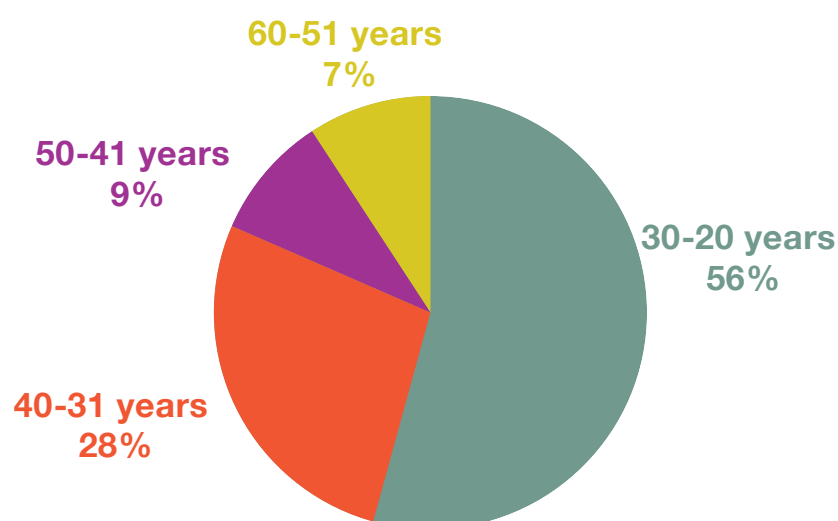
Scientific Qualification	Number of Employees 2020	Number of Employees 2021
Postgraduate	39	42
Bachelor	519	534
Diploma	34	30
High School or less	53	62
Total Employees	645	668

Human Resources & Training:



The Arab Islamic Bank is proud of its cadre, which is distinguished by its youth, because employee age groups are concentrated in the youth generations, as shown in the following distribution:

Age Group	Number of Employees 2021
20-30 years	376
31-40 years	190
41-50 years	57
51-60 years	45
Total Employees	668



Human Resources & Training:

As part of the bank's interest in developing its institutional identity, management approved and implemented the Consolidated Clothing Project for all branch employee, by which all staff members will wear a uniform that the vital colors of the bank's logo and identity. The Bank's management and Human Resources and Training Department also put a high priority on promoting a positive work environment by organizing a variety of social events and activities, increasing cohesion among employees, including the distribution of gifts on various holidays and events, and providing special gifts to female employees on Mother's Day and World Women's Day. In terms of staff members' health, we prepared a medical checkup day for them, and a unique gift of cosmetics and personal care products was presented to each member of the Social Committee.

The bank is pleased of the great responsibilities it has followed and continues to follow throughout the COVID-19 Pandemic to provide the best means for staff comfort and safety, as well as to assure and continually provide the best services to its clients. This is accomplished by coordinating with health departments in various governorates and developing health and preventive measures that provide a safe working environment for staff and clients, as well as significant cooperation with Department of Labour staff in order to maintain their safety in accordance with the plan, education, and labor needs.

Within the context of caring for and developing the career cadre, as well as keeping pace with its development and motivating it, the department has worked in accordance with the bank's development plan to build and develop career development plans within a duly approved and prepared policy. This is to ensure the continuity of essential and critical jobs in the bank by preparing and qualifying replacement staff for critical jobs. It also develops a career plan for the group of competent and skilled employees, developing their abilities and providing them with the necessary skills to build their future and career in the bank, as well as enhancing their technical competencies to reflect on their motivation, increase productivity, and ensure that there are human elements possessing knowledge, skills, and merits that meet the bank's current and future requirements. Furthermore, it provides a stimulating and encouraging learning and development environment, which improves the bank's reputation and increases its ability to attract competent human resources from abroad.

Capacity-Building and Training

The Arab Islamic Bank Management places a high priority on human resource development. It believes that the bank's distinction and prosperity are based on building and developing employee performance and capabilities in accordance with the bank's aspirations and strategic objectives to be at the leading edge of banking institutions in Palestine.

In pursuit of the human resources development approach as a key component of the bank's success, and in light of the ongoing health situation related to the COVID-19 pandemic, which continued throughout 2021, many programs, such as (Zoom, Webex, Teams), in addition to holding many face-to-face programs, have been implemented with great success, leading to the achievement of the most prominent objectives of the annual training plan, where the bank organized nearly (144) specialized training courses, of which (1367) are female and male employees in all of the Bank's services and branches by (5.1542) training hours, as follows:

Training Field	Number of activities	Percentage of the total training	Number of participants	Percentage of total (workforce 645)
Management and Behavioral Skills	21	14.58%	96	14.37%
Banking and credit work	14	9.72%	84	12.57%
Anti- Money laundering & Compliance	23	15.97%	350	52.39%
Bank Qualification Program for New Employees	18	12.5%	30	4.49%
Risk management and information security	13	9.02%	224	33.53%
Training to ensure business continuity	6	4.16%	80	11.97%
Control, internal audit and Sharia Supervision	12	8.33%	138	20.65%
Information Technology	9	6.25%	26	3.89%
Specialized professional certificates and diplomas	3	2.08%	6	0.89%
Training for new systems and products	20	13.88%	298	44.61%
Client Relationship and Marketing Strategies Management	5	3.47%	35	5.23%
Total	144	% 100	1367	204.59%

Distribution according to training activity nature:

Training Activity	Number of courses/ workshops	Number of training hours	Number of employees/ Train- ees with repetitionv
Internal Training Activity	62	232	934
Local Training Activity	39	911.5	210
Local Workshops	4	22.5	12
External Training	39	376.5	211
Total	144	1542.5	1367

The investment areas have emerged in a range of themes, and key areas are focused on the following:

identify possible replacements for significant, necessary, and vital jobs in the bank, as well as train and equip them for the requirements of these jobs. Furthermore, it emphasizes the development of competences and distinct talents, as well as the creation of an effective and stimulating institutional environment that provides job satisfaction and loyalty by building and developing a career path plan to invest in these competencies.

Investment in training that supports compliance with internal and external supervisory authorities' instructions through internal training workshops and participation in (local and international) external programs in the fields of sharia supervisory, risk management, compliance, quality, and keeping pace with the work of anti-money laundering and terrorism financing.

Implementation of the "Banking Qualification Program" for new employees in the General Management and Middle Branches. This is done to support new employees improve their skills and knowledge, as well as their ability to engage in work and provide the best services to clients.

investment in professional certificates specializing in the banking where investment has been made in a variety of employees to obtain specialized professional certificates throughout the year, the most significant of which are:

- CIAE certificate
- CIPM certificate
- Project Management Professional (PMP) certificate
- (ACI) Dealing Certificate Preparation Course

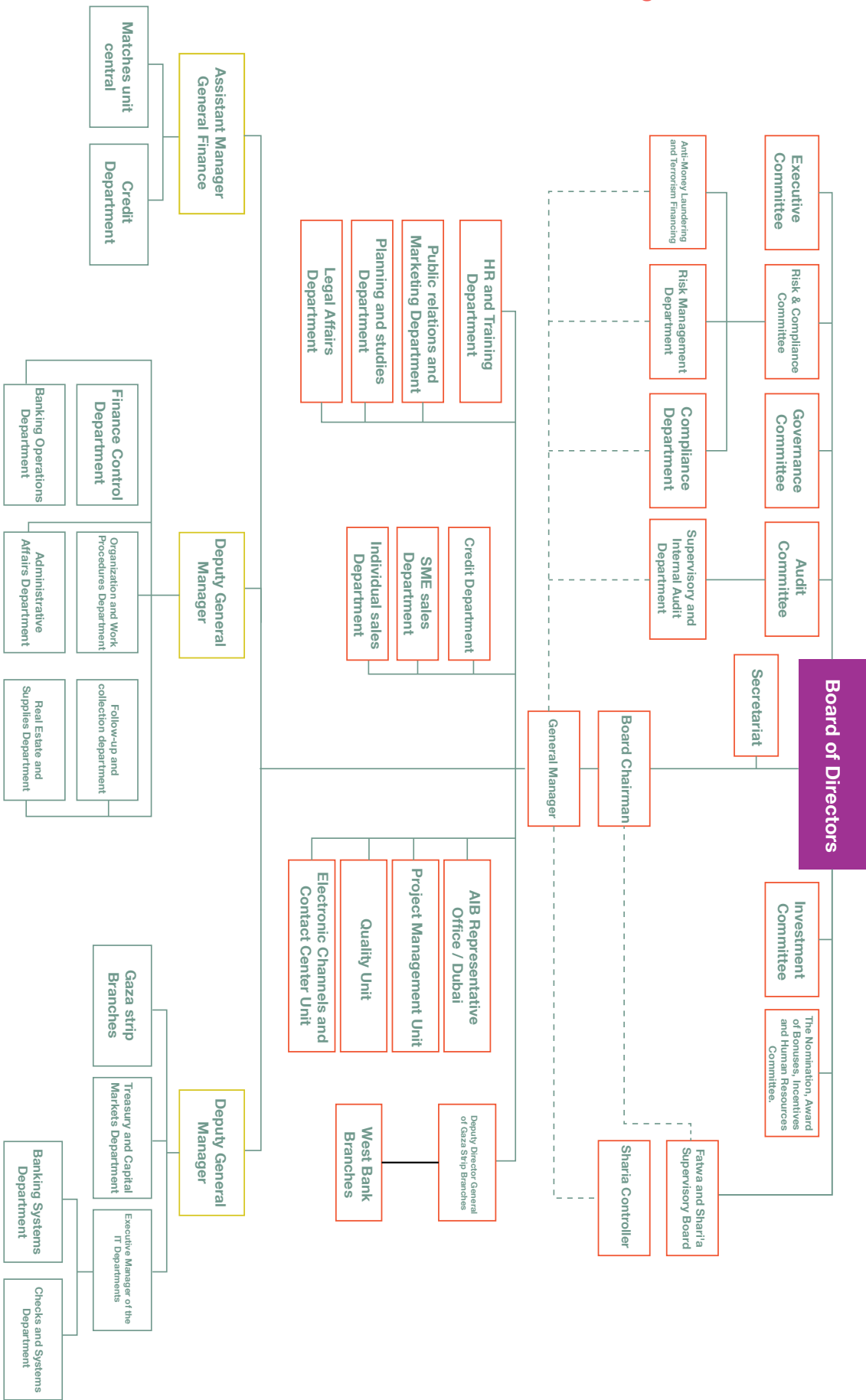
Investing in the development and enhancement of staff members' banking and technical skills in a variety of job positions in management and bank branches in the West Bank and Gaza to enhance their readiness and empower them.

Training the newly formed critical processes team, which was gathered from the Southern branches to work in the banks' proposed alternative office in Bethlehem in the event of an emergency that necessitates its use. The team received training in the following departments: banking operations, credit, treasury and financial markets, and funding control.

Investment in cooperative training with local community institutions by increasing participation in the Dual Studies program with Al-Quds University, which combines theoretical education at the university with practical training at institutions over a four-year period. The bank provided continuous follow-up to the training of 6 students who participated in the program during the year 2021, with training and work at the bank for three months during each university semester. In addition, an agreement has been signed with the Palestinian Fund for Employment to train 9 trainees at the Employment and Training Program (Tamheer) for 5 months in bank branches in the West Bank and Gaza Strip during the year 2021 (Tamheer) for 5 months in bank branches in the West Bank and Gaza Strip during the year 2021.



Organizational Structure



Governance and Administrative Structuring

The Bank affirms its commitment to all policies, provisions, and rules of the Corporate Governance Code in Palestine, ensuring equity, impartiality, transparency, and disclosure of financial and other matters in order to make the relationship between shareholders, the Board of Directors, and executive management transparent. In addition, it ensures that all interests are met fairly in order for contributors to assess the bank's status and performance, as well as to account for accountability in the relationships between executive management and the Board of Directors, the Board of Directors and shareholders, and the Board of Directors and other relevant entities. It moreover considers the division of tasks and delegation of responsibility to all bank employees, based on the following principles:

1. General Assembly Meetings::

Ordinary and extraordinary General Assembly meetings are convened at the invitation of the Board of Directors and are notified to shareholders at least 14 days in advance. The invitation must be published in local newspapers at least two weeks before the meeting. At the General Assembly Meeting, the shareholders will hear the external auditor's report as well as the Fatwa and Sharia Supervisory Authority's reports. Any questions will be answered at the meeting, and the arrangement will be discussed. An ordinary meeting is held once a year, while an extraordinary meeting is convened whenever the agenda requires it.

2. Equal Rights of Shareholders:

The AIB's Board of Directors considers that all of its shareholders shall enjoy all of the rights granted to them by the laws, regulations, and relevant instructions, including the right to provide ownership records; the right to be invited to the General Assembly Meetings; the right to fair treatment of all shareholders and their enjoyment of the same rights, whether in distributing cash and in-kind profits; and the right to vote, and to participate in priority underwritings, in any new releases.

3. Company's Management:

The Arab Islamic Bank currently has 11 members on its Board of Directors. The elected member of the Board of Directors must own at least 7,000 shares. All board members have financial and economic experience, and the board meets on a regular and as-needed basis, with at least six annual meetings.

The board of directors of the bank has also established several standing committees, including:

- The Executive Committee
- The Audit Committee
- The Risk Management Committee
- The Governance Committee
- The Investment Committee
- The Nomination, Award of Bonuses, Incentives and Human Resources Committee.
- The Sustainability Committee

The Executive Management is led by a General Manager who is competent, credible, and has extensive banking and economic experience, and senior executive management officials with the necessary qualifications and expertise have been appointed. The General Manager developed and supervised the implementation of the bank's Board of Directors-approved strategic plans. Furthermore, the Board of Directors' and Executive Management's responsibilities are separate in regard of the bank's day-to-day operations.

4. Risk Management:

Risk management is known to be: the process of identifying, measuring and assessing the risks to which the Bank is exposed, and developing strategies for its management. These strategies include risk management methods as follows:

1. Transfer risk
2. Avoid risk
3. Accept risk
4. Mitigate risk

The objectives of the risk management process are:

- Preventing risk and use the best methods to protect the bank from potential material losses.
- mitigating the effects of risk, ensuring the continuation of the bank's work
- Implementing preventive and precautionary measures to minimize business disruption and to provide a healthy and safe environment.
- Activating the control and early warning systems so that any risk can be predicted and prevented from the outset.
- Maintaining the bank's capital's solidity and strength, and adhere to capital adequacy ratios within the guidelines of Basel and the monetary authority.

In order to achieve transparency and compliance with the regulatory authorities' and PMA's resolutions, the Bank employs the most recent international banking standards in the management of all types of risks, including financing, operation, market and liquidation, business, reputation and business continuity, and information security, as well as relying on international standards emanating from the guidance of Basel Committee II and Basel III. This is done to accomplish proper hedging of the bank's financial risk that may occur through financing, external investments, and operational activities. An internal evaluation of ICAAP is also being prepared. Existing control procedures are required to assure adequate control over the adequacy of the bank's capital for all risks arising from the various bank businesses that have not been hedged under Pillar I of Basel II, such as expansion, concentration, and/or entry into new markets; legal issues; and/or changes in strategic planning, according to Pillar II of Basel II guidelines. This is done to preserve asset quality and an availability of liquidity to fulfill requirements. Testing Stress is prepared and reflected on the reality of the bank's financial data in order to identify the extent of its impact on the bank's risk, profits, and assets in order to appropriately hedge the bank's capital in line with the guidance and recommendations of the Basel II Committee. Furthermore, the bank conducts business continuity checks and tests the alternate location to ensure the procedure of exceptional circumstances as well as the readiness to apply the bank's business to maintain continuity in providing the best banking services to the bank's clients in emergency circumstances. This is in addition to holding workshops for all bank departments to identify and quantify the size of the risks for each of the best banking practices, as well as relying on auxiliary tools in determining and evaluating the size and level of the unit and limiting and/or mitigating them based on credit risks arising from financing granted to the bank's clients and market risks arising from investing in local and international capital markets. The Bank's goal is to develop and enhance its supervisory role in managing liquidity risks by enhancing its current methodologies and procedures for supervising and analyzing the liquidity situation, as well as the extent of the verification gaps between assets and liabilities. This was developed in accordance with international standards in order to provide a comprehensive and integrated view of the management of the bank's assets and demands, with the aim of maintaining the bank's assets and enhancing the bank's ability to meet the needs of its clients, particularly in extraordinary circumstances. This is accomplished through promoting the Department of Business Risk Management's supervisory role as well as the daily activities of the Department of Treasury and Financial Markets.

5. Anti-Money Laundering and Terrorism Financing

All external and internal anti-money laundering and terrorism financing policies and instructions in the Arab Islamic Bank are implemented in coordination with all administrative levels and in accordance with all developments in anti-money laundering and terrorism financing to protect the Bank from the possibility of passing any suspicious transactions that could result in material losses or affect the Bank's relationships with other parties. This is accomplished by increasing public awareness and knowledge among employees about the importance of anti-money laundering management through training courses and brochures, as well as ensuring the extent of the departments' commitment to the provisions of the anti-money laundering law and the instructions issued under it, and by implementing know-your-client (KYC) in accordance with the rules at various levels and requirements.

6. Compliance Management:

The Compliance Department verifies compliance with all instructions of the Palestine Monetary Authority to protect the Bank from financial or legal penalties or reputation risks that may result from non-compliance with local and international instructions and laws. The Board of Directors shall ensure the independence of the Compliance Department and the availability of adequate, trained, and qualified cadres, as well as having a compliance policy documented by the Board of Directors under the Compliance guideline covering all aspects of compliance to ensure compliance with applicable laws and regulations. To achieve the above, it is the Compliance Department's responsibility to:

- Verifying the employees' commitment to implement the monetary authority's instructions on all the bank's products and services.
- Providing compliance guidance to all departments and branches, as well as penalties for violating the Monetary Authority's instructions, which in turn works to improve work according to best practices.
- Addressing client complaints through follow-up with related Departments to reduce the frequency of client problems, which reflects the Bank's positive vision.
- Cooperating with external and internal auditors to verify the integrity of the procedures applied in the compliance field.
- Providing the Board of Directors with periodic reports on the extent of compliance in the Bank.
- Contribute to raising staff's awareness of compliance through direct training sessions.
- Conducting field visits in order to verify compliance with laws, policies and procedures related to compliance.
- Verifying the compliance to FATCA.

7. Audit

Audit work at the Arab Islamic Bank is carried out by two separate entities:

To fulfill the main objective of internal audit, the Internal Audit Department examines and evaluates the following aspects of the bank's operations:

- The Bank's commitment to regulatory and legal requirements, including instructions, resolutions, and guidelines issued by the Monetary Authority and other legislation in force, despite the evaluation of this aspect by the compliance officer.
- The executive management's commitment to the bank's general policies, internal supervisory controls, risk controls, and work procedure guides, including all departments and branches of the bank.
- The extent to which the bank's organizational structure is consistent with the needs and operations of the bank; the extent to which the job description is compatible with the organizational structure; and the commitment to tasks and responsibilities
- Continuity, credibility, and accuracy of information systems, as well as the credibility and punctuality of financial statements and administrative information.
- The effectiveness and efficiency of risk management procedures and risk assessment methodology.
- Accuracy and credibility of accounting records and financial reports.
- Audit processes and evaluate internal controls for implementation, as well as their economic feasibility.
- The Bank's system for assessing capital adequacy in terms of connecting it to estimating the levels of risk it faces.
- Compliance with the Board of Directors' codes of ethics and conduct .
- Review and verify the existence of the bank's asset protection means.

8. Disclosure and Transparency:

Arab Islamic Bank complies with the disclosure requirements contained in the applicable laws, regulations, and instructions, including both daily disclosure of material matters and periodic disclosure of financial statements and the content of the annual report, verifying that the necessary information is accessible to Rapporteurs and external stakeholders such as shareholders, investors, and clients. Disclosure is accomplished through a variety of media and advertising platforms, the most important of which are the bank's website, local newspapers, the Palestine Exchange website, and other means to deliver the relevant information to stakeholders in a timely manner.

9. Other stakeholders

The Arab Islamic Bank prioritizes the preservation of all shareholders in the bank, including shareholders, employees, clients, and all those with whom the bank has a relationship. It deals with each of them in accordance with laws, regulations, and instructions that guarantee the rights of each of them. It operates in accordance with the Bank's bylaws, Financial and Administrative System, and the relevant laws in force, such as the Labour Code, the Companies Law, and the contracts signed between the Bank and each of the concerned parties.

Other Disclosures:

Relevant parties' contracts and transactions:

There are no contracts, projects or connections held by the bank with the Chairman of the Board of Directors, the Board members, the General Manager, or any bank employee or their relatives.

Potential risks:

There are no potential risks to the bank during the next fiscal year that would have a material impact on the bank.

Subsidiaries & Sister Companies:

The bank has no subsidiaries and sister companies.

Auditors:

Ernst & Young company was elected to audit the bank's accounts for 2021.

Discrepancies between preliminary data previously disclosed and final data:

There is no difference between preliminary data previously disclosed and final data

Non-recurrent operations:

There is no financial impact on non-recurring operations that occurred during the fiscal year, and were not included in the main bank activity.

International Quality Standards:

To cover all aspects of risk management, the bank employs Basel I standards and guidelines, some Basel II standards and guidelines, best practices for governance and best governance practices, as well as all Palestine Monetary Authority instructions..

Concessions:

The Bank has no government protection or Concessions for its products under laws, regulations, or otherwise, nor has it obtained any patents or franchise rights.

Legal Procedures:

The number of cases filed with the bank has reached 31 as of December 31, 2021. These cases were worth \$570,586, but the cost of dealing with them was only \$22,463. The bank will not incur any responsibilities other than those allocated to address those cases, at the discretion of the bank's management and lawyers.

Foreign Investments:

Foreign investments in Sukuk (legal instruments) and investments in Islamic banks, funds, deposit certificates, bank assemblies, and shares on a local and international level totaled US \$62,023,455, while foreign investments in sukuks and investments totaled US \$57,569,814 on 12/31/2020.

Capital Investment :

At the end of December 2021, the bank's net capital investment was \$2,606,907 USD, up from \$5,822,333 USD at the end of December 2020.

Resolutions with material impact:

There have been no resolutions issued by executive, judicial, or legislative authorities, international organizations, the occupation authority, or any other entity that have a material impact on the Bank's work, products, competitiveness, or sustainability.

Reliance on Main Suppliers and Clients:

To cover its various purchases, the Arab Islamic Bank operates with a large number of local and external suppliers. The bank does business with two companies, and the proportion of its purchases from each is approximately 10% of the bank's total purchases.

Our purchases from the Palestinian Al-Takaful Insurance Company accounted for 11% of our total.

Adequacy of control and internal control systems:

The Executive Management's framework for evaluating the effectiveness of internal control and management is through the existence of three independent departments directly under the Audit Committee, the Governance and Compliance Committee, that emerged from the Board of Directors in accordance with the instructions of the Palestine Monetary Authority and other supervisory authorities. These departments apply and evaluate internal control and management systems to the bank's various operations, which are the Departments of Risk Management, Internal Audit, and Compliance Control, whereas the former implements control measures to control the expected risks on various aspects of the bank's banking and non-banking business, such as credit, market, and operational risks, and so on, the Internal Audit Department examines the commitment of all departments and branches of the bank in terms of applying control and management systems. It also gives recommendations to address any gaps through the periodic inspections it carries out. The Compliance Department follows up on the bank's implementation of the instructions of the Palestinian Monetary Authority and external supervisory authorities concerned with the bank's compliance with the rules of governance and transparency. It must be noted that the reports of these departments are submitted directly to the committees emanating from the board of directors, which in turn submits them to the board of directors.

Furthermore, external auditors conduct periodic inspections to the bank's departments and branches, as well as reporting and recommendations, to assess the efficacy of internal control and management systems. Furthermore, they prepare an annual report that coincides with the disclosure of financial statements and the extent to which the executive management adheres to the bank's general policies, internal controls and risk management, work procedures, guidelines, regulations, and internal administrative instructions. It will be submitted to the Audit Committee, which will then submit it to the Board of Directors with its recommendations, including a copy to the Bank's Executive Management.

It should be noted that the Arab Islamic Bank seeks to avoid any gaps and fundamental weaknesses in internal control and management systems through periodic follow-up and evaluation, modification, and development of such systems, to ensure that they remain on the right track and are in sync with changes and developments at various levels related to the sound Islamic banking industry.

Board of Directors' Role and Responsibilities:

- Reviewing, approving, and monitoring the executive management's long-term strategic objectives and action plans.
- Monitoring overall performance and progress towards achieving strategic objectives.

Governance and Administrative Structuring

- Evaluating the main risks and the steps that are taken by the management to monitor and control those risks.
- Determining the level of risk tolerance and ensuring a culture of risk
- Supervising the validity of the financial statements to ensure compliance with legal and regulatory requirements, as well as ensuring the quality of performance and independence of the external and internal auditors.
- Examining and approving major transactions, including important credit resolutions, capital allocations, and capital expenditures, in accordance with the content of the authorization structure.
- Supervising investment and financing activities and made basic investment and financing decisions.
- Supervising and approving the policies and framework for human resource management and governance.
- Selecting and recommending candidates for membership of the Board of Directors to be elected by shareholders.
- Selecting, preparing, and evaluating potential candidates for executive management positions and supervising the formulation of replacement plans.
- Determining the bonuses policies for board members and senior managers.
- Evaluating the general performance of the board and the efficiency of its members and taking the necessary corrective measures when necessary.
- Supervising the governance framework to ensure compliance with agreed policies and provisions.
- Maintaining the integrity of shareholder relations by protecting their rights and holding meetings in compliance with applicable laws and regulations.
- Ensuring that the interests of shareholders are taken into account.

Meetings of the Board of Directors and its committees:

In 2021, the AIB's Board of Directors and its committees held periodic meetings to discuss, examine, and approve all matters relating to the bank's status, each in its own concern. The number of meetings is shown below, noting that all meetings of the Board of Directors reached a full quorum. Furthermore, the Board of Directors, its committees, members, and senior managers have been evaluated; the Board constantly follows up on the results of the evaluation; and there are no disputes between the Board of Directors and the Audit Committee.

Entity	Number of Meetings in 2021
Board of Directors	8
Risk Management Committee	8
Investment Committee	5
Audit Committee	11
Executive Committee	24
Nomination, Award of Bonuses, Incentives and Human Resources Committee	6
Governance Committee	5

Noting that all meetings of the Board of Directors reached a full quorum. Furthermore, the Board of Directors, its committees, members, and senior managers have been evaluated; the Board constantly follows up on the results of the evaluation; and there are no disputes between the Board of Directors and the Audit Committee.

Board of Directors' Meetings:

Position	Number of attendance of (8) meetings	Attendance percentage of (8) meetings
Dr. Mohamed Mahmoud Nasr	8	100%
Mr. Muhammad Awni Muhammad Abu Ramadan	8	100%
Mr. Shady Adnan Al-Khatib	8	100%
Mr. Rushdi Mahmoud Al-ghilani	8	100%
Mr. Sam Sami Bahour	8	100%
Dr. Safaa Nasir El Din	8	100%
Ms. Samar Nakhleh	8	100%
Mr. Saeb Ibrahim Samour	7	88%
Mr. Saqer Mahmoud Jandia	7	88%
Mr. Abdullah Qais Al-Ghanim	5	63%
Mr. Wael Abdel Latif Al Sourani	7	88%
Dr. Atef Kamal Alawna	2	25%
Mr. Suleiman Mohammad Tuma " Qmaila"	2	25%
Mr. Maher Jawad Fareh	1	13%

- Mr. Suleiman Qmaila: resigned on 30/03/2021
- Mr. Maher Jawad Fareh: resigned on 30/03/2021
- Dr. Atef Kamal Alawna: resigned on 30/03/2021
- Mr. Saeb Ibrahim Samour: Appointment of a new session of the Board on 30/03/2021
- Mr. Saqer Mahmoud Jandia: Appointment of a new session of the Board on 30/03/2021
- Mr. Abdullah Qais Al-Ghanim: Appointment of a new session of the Board on 30/03/2021
- Mr. Mr. Wael Abdel Latif Al Sourani: Appointment of a new session of the Board on 30/03/2021

Board of Directors' Committees:

The Executive Committee - permanent committee

Members & Rapporteurs:

- Mr. Rushdi Al-ghilani – Board's Chairman / Committee Chairman
- Mr. Wael Al Sourani – Board's Member/ Member
- Mr. Shady Al-Khatib – Board's Member/ Member
- Mr. Abdallah Al-Ghanem - Board's Member/ Member
- Mr. Hatem Suboh- Finance Control Manager/ Committee Secretary

Committee's Duties and Powers:

- Approving all financing transactions, whether granting, amendment, or cancellation of more than \$20 million of the Internal Financing Committee's authority and recommending it to the Board of Directors for further approval.
- recommend to the Board that it approve the bank's credit policy, the conditions for granting facilities, guarantees, credit ceilings, and the limits of the Financing Committee's power in the General Management.
- determining the profit rates for the structured financing programs when approved and to be reviewed twice during the year.
- Deciding on bad debts
- Cancelling the indebtedness based on the recommendation of the Financing committee and Promotion of the Board of Directors and within the committee's ceiling.
- Approving the rescheduling or restructuring of funds approved by the Financing Committee within the Committee's powers.
- The committee must be provided with financing requests that surpass the Financing Committee's powers in the General Management.
- It has continuous access to all reports, data, and studies that enable it to perform its work professionally and efficiently.
- Inform the Board of Directors completely and on a regular basis on the position of the bank's credit portfolio in terms of size, developments, categorized facilities and allocations prepared to face potential losses, and follow-up and collection activities.
- Reporting any major changes in the bank's credit portfolio to the Board of Directors immediately.
- recommending the adoption of the bank's credit policy, the conditions for granting facilities and guarantees, credit ceilings, and the limits of the Financing Committee's powers in the General Management, in accordance with the laws and instructions of the supervisory authority, as well as the Risk Management Department's decisions and recommendations and banking standards, and presenting them to the Board of Directors for approval. The committee is also in charge of examining credit policies on a regular basis and revising them in response to changes in the economic, political, and banking environments, as well as changes in the bank's position.
- Approving the executive management's marketing strategy in order to grant credit facilities in all forms.
- Verifying that the bank's executive management follows the credit policies and powers appointed by the Board of Directors.
- Examining requests for grant and/or renewal of funds submitted by the Financing Committee in the Executive Management and making suitable decisions in line with the powers and ceilings entrusted to the committee and the instructions of the supervisory authorities.
- Assessing the condition of existing bad debts, developing the appropriate strategies to reduce them and verifying the adequacy of allocations against them in compliance with supervisory authorities' instructions, as well as submitting recommendations related to the execution of these debts
- Releasing it from its responsibilities: Every year, the committee is released of its responsibilities during the General Assembly Meeting.

Audit Department - permanent committee

Members & Rapporteurs:

- Mr. Saeb Samour - Board's member/ Committee's Chairman
- Mr. Sam Bahour -Board's member/ member
- Mr. Sager Jandia- Board's member/ member
- Mr. Muhammad Abu Ramadan - Board's member/ member
- Ms. Samar Nakhleh - Board's member/ member
- Mr. Ibrahim Abuabdo- Internal Audit Department Manager/ Committee Secretary

Committee's Duties and Powers:

- Reviewing the interim and annual financial statements of the bank and discussing them with the management and the external auditor, as well as provisions and estimates related to the financial statements.
- Supervising the bank's compliance with legal and regulatory requirements.
- Reviewing the bank's financial and internal control systems.
- Coordinating with the Risk Management Committee to ensure the bank's financial position and performance.
- The Committee regularly submits reports on its work to the Board.
- Nominate the external auditor, determine his fees, and dismiss him, provided that the Board and the General Assembly approve this.
- Evaluating the independence of the external auditor at least once a year.
- Reviewing the accounting and financial practices of the bank.
- Reviewing the scope and results of the audit and discussing them with the external auditor, as well as clarifying any difficulties encountered and any obstacles that prevented him from obtaining the required information or documents, or any disagreements or difficulties with the management.
- Reviewing the minutes of the Fatwa and Shari'a Supervisory Department and making the necessary recommendations
- Performing direct supervision of the Control and Internal Audit Department by taking the necessary measures to ensure the continuity of the internal audit function in a manner consistent with the nature and size of the activity.
- Directly contacting the internal and external auditors and the bank's advisors.
- Contact any employee of the bank.
- Carrying out any investigations or inspections as it deems appropriate to perform its duties.
- Obtaining any specialized advice that may be required
- Requesting and receiving reports on the reappointment and fees of the external auditors and submitting the results of their work to the annual general meeting of shareholders, provided that the committee chairman shall attend to answer the shareholders' questions.
- Releasing it from its responsibilities: Every year, the committee is released of its responsibilities during the general assembly meeting.

Risk & Compliance Management Committee- permanent committee

Risk & Compliance Management Committee- permanent committee

- Mr. Sam Bahour - Board's member/ Committee's Chairman
- Dr. Mohamed Nasr - -Board's member/ member
- Mr. Saeb Samour - Board's -Board's member/ member
- Mr. Saqer Jandia-Board's member/ member
- Dr. Safaa Nasir El Din -Board's member/ member
- Mr. Saed Miqdadi -Risk Management Department Manager / Committee Secretary

Committee's Duties and Powers:

- determining the risks associated with the bank's business and developing a comprehensive current and future strategy with regard to the degree of risk tolerance and limiting it, and supervising the implementation of that strategy by the senior executive management.
- Exchange formal and informal communication between it and the Risk Management Department in order to enhance the effectiveness of the Committee.
- Providing the Board with periodic reports on the risks that the bank faces or may be exposed to, the bank must inform the Board of any fundamental changes that occur in the bank's position without delay.
- Verifying the presence of an acceptable risk management environment in the bank, including an examination of the bank's organizational structure and the presence of a competent cadre working independently to manage the bank's risks in accordance with a defined risk management system.
- Developing risk management policies in the bank.
- Verifying executive management's commitment to risk management policies, as well as their performance in meeting established goals and objectives.
- verifying the bank's commitment to the legislative system in terms of laws, instructions, regulations, rules of conduct, and standards of sound professional practices that govern the work of the banking system and the performance of banks in Palestine; and following up on the executive management's commitment, particularly the PMA's and other Palestinian Authority requirements and instructions.
- Reviewing and approving the policies, procedures, work programs, and annual plans of the Compliance Department; performing annual updates and reviews; and presenting the department's policies after approval by the committee to the Board of Directors for approval.
- Reporting to the Board on the level of the bank's compliance and compliance monitoring activity in the bank
- Supervising the compliance department in the bank to ensure obtaining periodic reports on the level of compliance in the bank and any violations of compliance requirements.
- Verifying the bank's commitment to the legislative system related to laws, regulations, instructions, rules of conduct, and standards of sound professional practices regarding anti-money laundering and terrorism financing, especially Decree Law No. 20 of 2015 and its amendments and instructions issued thereunder.
- Supervising the executive management's commitment to the requirements of the Monetary Authority and other regulatory authorities in Palestine, as well as the approved bank work procedures related to anti-money laundering and terrorism financing, as well as finding appropriate ways to comply with the requirements of anti-money laundering and terrorism financing laws and instructions.
- Examining anti-money laundering and terrorism funding reports, as well as other communications sent to executive management.
- Submitting to the Board reports on the bank's anti-money laundering and terrorism financing efforts, as well as the level and degree of the bank's risk exposure in this regard.

Governance Committee

Members & Rapporteurs:

- Dr. Safaa Nasir El Din - Board's member/ Committee's Chairman
- Mr. Sam Bahour -Board's member/ member
- Mr. Muhammad Ramadan - Board's member/ member
- Mr. Saqer Jandia - Board's member/ member
- Ms. Samar Nakhleh - Board's member/ member
- Mr. Jamal Kilani- Chairman of Fatwa and Shari'a Supervisory Board
- Ms. Fayruz Thabaleh - Director of Compliance Department/ Committee Secretary

Committee's Duties and Powers:

- Supervising the governance policy framework's execution, collaborating with management, the Audit Committee, and the Fatwa and Shari'a Supervisory Board.
- Providing the Board with reports and recommendations results and outcomes of its duties, including assessing the extent of compliance with the Bank's governance guidelines and proposing amendments to conform to best practices.
- It is understood that the committee's duties and responsibilities are not limited to the duties and responsibilities referred to in this charter, and that the committee may perform additional tasks, responsibilities, and duties as required by corporate and banking governance rules and in accordance with changing circumstances, conditions, and legal conditions, or based on an assignment from the Board of Directors.

Investment Committee – Permanent Committee

Members & Rapporteurs:

- Mr. Abdallah Al-Ghanem – committee chairman
- Mr. Shady Al-Khatib / Member
- Mr. Wael Al Sourani / Member
- Mr. Rushdi Al-ghilani / member
- Mr. Suleiman Arar - Director of Treasury and Capital Markets Department/ Committee Secretary

Committee's Duties and Powers:

- Assisting the Board of Directors in investing the bank's assets by developing investment strategies and procedures (subject to Board approval) and following up on implementation, as well as evaluating investment portfolios and submitting reports and recommendations to the Board of Directors in this regard.
- Assisting the board of directors in carrying out its duties of reviewing investment policies and standards, examining investment opportunities and their compatibility with the bank's strategy, following up on and evaluating the bank's existing or upcoming investments, submitting recommendations in this regard, and supervising the management's use of them in the business.
- Assisting the Board in developing investment guidelines and supervising investment activities that have been approved by the Board.
- Regularly monitoring investment results and ensuring compliance with the bank's investment objectives and guidelines.
- preparing periodic reports on overall investment results to assist in the implementation of the bank's investment operations
- reviewing all reports and studies on the status of foreign investments, the bank's current investments, the conditions of the local and international financial markets, and all data that allows the committee to perform its duties efficiently and professionally.
- Informing the Board of Directors of the bank's investment portfolio on a regular basis and without delay of any fundamental changes in the status of these investments.
- Developing the bank's investment policy; reviewing and updating it on a regular basis; ensuring compliance with applicable laws, instructions, and banking standards; and submitting it to the Board of Directors for approval, provided that the policy clearly defines the mechanism for making investment decisions, as well as the limits of powers and the various positions in accordance with risk management resolutions and ceilings.
- Approving investments and holding various securities in accordance with the committee's authority, as well as submitting recommendations to the board of directors on investment decisions that exceed the committee's power.
- Verifying the Management's commitment to implementing investment resolutions in accordance with the committee's ceilings and powers.
- The Investment Committee shall have the following powers, taking into account any special provisions that may be mentioned in this regard:
 - Purchasing and selling listed and unlisted companies' shares on the stock exchange on the Treasury and Financial Markets Department's recommendation.
 - Collaborating and underwriting new companies.
 - Contributing to mutual funds on the Treasury and Financial Markets Department's recommendation.
 - Underwriting in certificates of deposit and/or sukuk on the recommendation of the Treasury and Financial Markets Department.
 - Approving deposit certificates and sukuk that are compatible with Islamic Sharia provisions, which the bank prepares and manages, and commits to covering them completely or making best efforts on the recommendation of the Treasury and Financial Markets Department.
 - Approving the bank's various capital market operations, including mergers and acquisitions, as well as obtaining licenses to practice financial services and professions approved by the Capital Market Authority and custodian services in accordance with the Board of Directors' strategies and directions.
 - On the recommendation of the Treasury and Financial Markets Department, determining the financial intermediaries accredited to trade in securities on the stock exchange.
 - Approving the ceiling of open currency positions allowed to be kept under the management of the Treasury and Financial Markets Department upon the recommendation of the Treasury and Capital Markets Department
 - Approving the ceilings for dealing with banks and financial and banking institutions based on the recommendations of the Treasury and Capital Markets Department and/or the relevant sub-committees
 - Direct communication with the General Manager, his deputies, and his assistants regarding the scope of their work.
 - requesting and reviewing the necessary relevant reports, data, and information.
 - Exchanging reports and information with other committees formed by the Board of Directors.
 - Hiring consultants and experts based on the needs of the committee and in accordance with the Bank's policies.
 - Exercising all other powers stipulated other than those mentioned above, in accordance with its own provisions wherever they are mentioned in these instructions, and/or any powers and resolutions within the committee's jurisdiction and/or consistent with the purpose of establishing the committee.

Nomination, Award of Bonuses, Incentives and Human Resources Committee – Permanent Committee

Members & Rapporteurs:

- Dr. Mohamed Nasr – Board’s Vice Chairman/ Committee Chairman
- Mr. Abdallah Al-Ghanem – Board’s member/ member
- Mr. Saeb Samour – Board’s member/ member
- Mr. Rateb Atyani – Director of HR & Training Department / Committee secretary.

First: Duties & Responsibilities

The committee’s role is to assist the board of directors in fulfilling its responsibilities, which include nominating board members, reviewing and following up on bonuses and incentive policies for directors and employees, succession planning for employees and managers, and reviewing the bank’s human resources strategy and policies. The committee is responsible for the following duties in order to fulfill this role:

A. Nomination:

1. Preparing standards for board members that comply with the PMA’s governance regulations
2. Examining committee formation proposals submitted by the chairman of the board and making recommendations to the board.
3. Evaluating the performance of the board and the performance of all committees and all members at least once a year.

B. Bonuses and incentives:

1. Examining the Board’s bonuses system and recommending to the Board of Directors any amendments, as well as the amounts distributed to members of the Board, including annual bonuses, membership allowance, chairing the Board and committees, and any other bonuses and Concessions
2. Reviewing the bank’s employee programs and policies to verify that they are designed to attract, motivate, and preserve managers and employees with the necessary skills and experience to implement the bank’s strategy, objectives, and programs, and recommending to the board any amendments suggested by the committee in this regard.
3. Evaluating the General Manager ‘s performance and recommending to the Board the size of his annual bonuses in light of meeting the annual plan’s objectives, taking into account the bonuses of executive directors in banks and similar institutions, previous years’ bonuses, and other financial results of the Bank In addition, reviewing the performance evaluation of the deputy General Manager and his assistants and recommending to the Board the value of their annual bonuses based on the General Manager ‘s recommendation and achieving the bank’s objectives.

C. Human Resources (HR):

1. Reviewing the Bank's main human resources policies and recommending to the Board to adopt them and any amendments thereto, to ensure that they are fair, competitive, and consistent with the Bank's long-term vision, objectives, and interests, and compatible with modern best practices in HR management.
2. Reviewing the systems, instructions, and procedures related to human resources, bonuses, and incentives, including evaluation forms, appointment and promotion procedures, salary and incentive's structure, key performance indicators (KPIs), career path plan, and any amendments thereto, etc.,
3. Reviewing the bank's HR plan, development and training programs, and developing the skills of managers and employees.
4. Reviewing the bank's succession management plans and programs and submitting suggestions and recommendations to the Board of Directors
5. Reviewing any issues concerning human resources, bonuses, and incentives and submitting recommendations to the Board of Directors , so that the Board is able to take appropriate resolutions at the appropriate time.
6. Observing and reviewing the human resources section of the annual report prepared by the Human Resources Department, and recommending it for approval by the Board of Directors before it is included in the report.
7. Ensuring that the Monetary Authority and the Board of Directors' instructions regarding the committee's scope of work are implemented by executive management
8. Carrying out any other duties assigned to it by the Board.

Second: Committee's Powers

The committee's authority is emanating from the bank's internal system, the rules and best practices of bank governance in Palestine, the Monetary Authority's instructions, labor law, and relevant laws and legislation. The following resources and powers are required for the committee to carry out its duties and responsibilities:

1. Communicating directly with the General Manager or the Deputy and assistants in order to inquire about any of the issues related to the decisions of the Committee.
2. Requesting any reports, data, or information that the committee requires from any official or employee of the bank within its jurisdiction and reviewing them.
3. Recruiting independent consultants and experts as needed by the committee to provide necessary advice and/or assist the committee in carrying out its tasks in accordance with the bank's policies and procedures.
4. As needed, exchanging reports and information with the various committees of the Board of Directors, particularly the Risk and Compliance Committ

First: Duties & Responsibilities:

Members & Rapporteurs:

- | | |
|--------------------------|---------------------------------|
| • Committee Chairman | Samar Sawalhi |
| • Dr. Mohamed Nasr | Committee Member |
| • Saqer Jandia | Committee Member |
| • Dr. Safaa Nasir El Din | Committee Member |
| • Ahmad Sartawi | PR Manager/ Committee Secretary |

First: Duties & Responsibilities:

- 1- Recommending to the Board the approval of the sustainability charter, its framework, policies, procedures, strategic priorities, and objectives to guide the correct implementation of sustainability in all stages and jobs of the Bank.
- 2- Assisting in the formulation of a comprehensive strategy for sustainability and the promotion of environmental protection and responsibility for the Bank.
- 3- supporting and directing the Sustainability Unit, and ensuring the achievement of its tasks at the bank level.
- 4- discussing and approving the sustainability plan and the necessary budgets for its approval.
- 5- Discussing the sustainability reports prepared by the concerned unit in the bank
- 6- Supervising the bank's disclosure reports on the bank's annual report concerning sustainability, reviewing them before approving and publishing them in appropriate ways.
- 7- reviewing and evaluating the sustainability objectives and priorities and the extent to which they are reflected in all aspects of the bank's business and governance.
- 8- Ensuring that the bank's banking products are compatible with the needs of clients, protecting the environment, and financing projects that support the community.

Powers:

1. Inviting bank officials, executive directors, employees, and strategy consultants to attend meetings as observers in order to question them and discuss the explanations and clarifications.
2. Using the services of consultants, experts, and outside consultants in accordance with the bank's policy
3. Directing communication with the General Manager, his deputies, and assistants regarding the scope of his work.
4. requesting and reviewing the necessary related reports, data, and information.
5. Exchanging reports and information with other Board-created committees.

The Board of Directors' Chairman and Members have the following Concessions and Bonuses:

The Chairman's and Board of Directors' Concessions and Bonuses were granted in accordance with the Board of Directors' bonuses system, which was approved in Board of Directors meeting No. 01/2017 on 02/15/2017.

- The bonuses and expenses of the Board's members during 2021:

Name	Number of the Board's meetings	Transfers of board meetings	Bonuses of the Board's members	Amount before tax	Tax	Amount due to the members
Rushdi Al-ghilani	8	35,500	22,988	58,488	5,849	52,639
Mohamed Nasr	8	19,000	22,988	41,988	4,199	37,789
Shady Al-Khatib	8	26,500	22,988	49,488	4,949	44,539
Sam Bahour	8	24,000	22,988	46,988	4,699	42,289
Saeb Samour	7	19,500	20,115	39,615	3,962	35,654
Muhammad Abu Ramadan	8	20,000	22,989	42,989	4,299	38,690
Safaa Nasir El Din	8	18,500	22,989	41,489	4,149	37,340
Samar Nakhleh	8	20,500	22,989	43,489	4,349	39,140
Saqer Jandia	7	20,000	20,115	40,115	4,012	36,104
Wael Al Sourani	7	21,500	20,115	41,615	4,162	37,454
Abdallah Al-Ghanem	5	18,500	14,368	32,868	3,287	29,581
Maher Farah	1	3,000	2,874	5,874	587	5,287
Suleiman Qamlia	2	4,500	5,747	10,247	1,025	9,222
Atef Alawna	2	10,000	5,747	15,747	1,575	14,172
Total	87	261,000	250,000	511,000	51,100	459,900

The Executive Management Personnel Have the Following Concessions and Bonuses:

The executive management's salaries, Concessions, and bonuses are based on the authorized salary scale in compliance with the bank's internal circular No. 3/T/2009 and the Risk, Governance, and Compliance Committee's resolution No. 1/2011.

The policy for determining the allowance for attending board meetings:

It is the amended Board of Directors bonuses system, which was adopted at the Board of Directors Meeting No. 1/2017 on February 15, 2017.

First: Transportation allowance for the Board's members and its committees:

a. Members of the Board of Directors:

A member of the Board of Directors receives a monthly transportation allowance of \$1,000 for attending periodic meetings. A portion of the total number of meetings in that month is deducted from the stated amount, equal to the percentage of the number of sessions that the member did not attend.

The Chairman of the Board of Directors is likewise given \$2,000 per month as a transportation allowance for attending periodic meetings, with a proportion of the amount deducted equal to the percentage of sessions in that month.

b. Transportation allowance for the committees emanating from the Board

Executive Committees: Each member of the committee receives \$1,000 per month as a transportation allowance for attending periodic meetings, with a percentage of the aforementioned amount deducted equivalent to the percentage of meetings the member did not attend to the total number of meetings in that month.

Second: The annual bonuses "of the profits":

The Chairman and members of the Board of Directors shall be paid 3% of the profits prepared for distribution to shareholders, with a minimum of \$20,000 for each member, provided that the total pay does not exceed 10% of the net profits planned for distribution.

Third: Movement and Traveling:

A full passenger car or a first-class seat is used if traveling by plane, train, or ship.

Fourth: Travel and daily expenses:

The chairman and members of the board of directors are reimbursed with first-class seats, hotel bills, and a daily allowance of \$500 per day "for all countries except Europe, where the value becomes 500 euros per day," 500 sterling pounds for the UK, and \$500 for the United States and Canada. The departure tax, real expenditures and transportation to and from the airport, as well as the costs of crossing bridges and borders, must be paid. The day spent travelling and returning is included in the daily wage.

The above applies to members residing outside Palestine when they perform official duties inside Palestine.

The above-mentioned bonuses and transportation allowances are subject to the Income Tax Law.

General Assembly Meeting

Concessions & Bonuses

The agenda of the ordinary general assembly meeting of the Arab Islamic Bank for the year 2020:

1. Reading of the minutes of the session held on March 30, 2021.
2. Reading and discussing the Board of Directors' report on the Bank's business during the year 2021 and its financial plan, and approving it.
3. Hearing the report of the Consolidated Fatwa and Sharia Supervisory Board for the year 2021 on the bank's financial statements and final accounts.
4. Hearing the auditors' report for the year 2021 on the bank's financial statements and final accounts
5. Discussing and approving the financial statements for the fiscal year 2021.
6. Approving the distribution of cash profits of 4,000,000 at a rate of 36.4% of the stock's nominal value.
7. Approving the distribution of bonus shares of 4,500,000 \$/share at a rate of 9.4% of the share's nominal value.
8. Approving the disbursement of an amount of \$250,000 in bonuses for the members of the bank's board of directors for the year 2021.
9. releasing the board's members from liability for the fiscal year ending December 31st, 2021 in accordance with the law
10. Electing the bank's auditors for the year 2022 and authorizing the Board of Directors to determine their fees.

Voting by a class of securities: -

Ordinary General Assembly Meeting on the 2020 budget:

Shareholders voted during the last ordinary general assembly meeting held on March 30, 2021, to approve the financial statements and release the members of the Board of Directors from liability for the fiscal year ending December 31, 2020. A total of \$220,000 USD (two hundred and twenty thousand US dollars) has been disbursed. It was also unanimously approved as bonuses to the Chairman and members of the Board of Directors for the bank's business results for the year 2020.

Furthermore, it was approved to distribute cash profits (\$2,565,000—two million five hundred sixty-five thousand US dollars) at a rate of 9.2 % of the nominal value, as well as bonus shares (\$3,250,000/share—three million two hundred fifty shares) at a rate of 3.67 % of the nominal value to the shareholder as of 03/29/2021.

- Electing a new board of directors after the resignation of the previous board, in accordance with the company's bylaw and the law:

- Mr. Rushdi Mahmoud Rashid Ghalayini – Representative of Bank of Palestine.
- Mr. Saqer Mahmoud Jandia - Representative of Bank of Palestine.
- Mr. Wael Abdel Latif Khalil Al Sourani - Representative of Bank of Palestine.
- Mr. Abdullah Qais Thunayan Al-Ghanim - Representative of Bank of Palestine.
- Dr. Mohamed Mahmoud Mohamed Nasr - Representative of Palestine Investment Fund.
- Mr. Shady Adnan Ahmed Al-Khatib - Representative of ASWAQ Investment Company.
- Mr. Sam Sami Salem Bahour – Independent member
- Mr. Muhammad Awni Muhammad Abu Ramadan - Representative of ASWAQ Investment Company.
- Dr. Safaa Ali Taha Nasir El Din - Independent member
- Mr. Muhammad Awni Muhammad Abu Ramadan - Representative of ASWAQ Investment Company.
- Dr. Safaa Ali Taha Nasir El Din - Independent member
- Ms. Samar Zuhdi Khalil Sawalhi Nakhleh - Representative of Small shareholders
- Mr. Saeb Ibrahim Mohamed Samour – Independent Member

Ernst & Young company was elected to audit the bank's accounts for 2021.

General Assembly Meeting

Shareholders' Relations Management Major shareholders

At the end of 2021, the Arab Islamic Bank had 1,210 shareholders, and the authorized capital was \$100,000,000/share, while the paid-up and registered on the Palestine Exchange was \$91,719,252/share. The table 2 illustrates the investors who control 5% or more of the paid-in capital as of December 31, 2021.

Name of Shareholder	Number of shares as of December 31, .2021	Percentage %	Number of shares as of December .31, 2021	Percentage %
Bank of Palestine	47,751,073	%52	46,059,052	52%
ASWAQ Investment Company.	23,453,867	%26	22,622,798	26%
Palestine Investment Fund.	8,705,959	9%	8,397,471	9%

Company Control

Name of Shareholder	Number of shares as of December 31, .2021	Percentage %
Bank of Palestine	47,751,073	52%

Shareholder Relations Department

Companies affiliated to the Palestine Investment Fund Company

Shareholder Relations Management

Name of Shareholder	Number of shares as of December 31/12/2020	Percentage %
ASWAQ Investment Company.	23,453,867	26%
Palestine Investment Fund	8,705,959	9%
Total	32,159,826	35%

Profits and losses with shareholders' equity and securities prices:

Budget	Profit/ Loss after Tax	Distributing Bonus Shares	Distribution shares percentage	Cash Distribution	Shareholders' Net right at the end of the year	Share Closing Price at the end of the year
2016	6,220,821	-	0%	12.0%	75,209,854	1.6
2017	6,402,924	-	0%	0%	106,995,915	1.8
2018	7,103,320	9,919,252	13.0%	4.0%	109,394,827	1.6
2019	9,010,282	3,550,000	4.0%	4.7%	116,563,640	1.7
2020	8,014,336	3,250,000	3.7%	2.9%	120,243,730	1.6
2021	11,689,174	4,500,000	4.9%	4.36%	130,978,505	1.8

Exchange activity of the bank's shares in the Palestine Stock Exchange:

	2021	2020	Percentage of change from the previous year
Shares issued by the bank	100,000,000	100,000,000	0.0%
Subscribed & Listed Shares	91,719,252	88,419,252	0.0%
opening price\$	1.58	1.71	0.0%
Maximum Price \$	1.88	1.75	0.0%
Minimum Price \$	1.53	1.39	0.0%
Closing Price \$	1.8	1.59	13.21%
Share Trading Sessions	163	124	31.45%
Number of shareholders	1210	1,186	2.02%
Traded Shares value " USD"	2,665,340	1,383,890	92.60%
Traded Shares Number " share"	1,566,311	902,691	73.52%
Executed transactions	601	448	34.15%
stock turnover rate	1.71%	1.02%	67.37%

Securities owned by the members of the Board of Directors and the executive management

A: Ownership of the Board's Legal Members

Name of the Member	Position	representative" " Nationality	Number of shares as of .December 31, 2021	Number of shares as of .December 31, 2020
Palestine Investment Fund Represented by Dr. Mohamed Mahmoud Mohamed Nasr	Member	Palestinian	8,705,959	8,397,471
Bank of Palestine- Represented by: Mr. Rushdi Mahmoud Ghalayini Mr. Saqer Mahmoud Suleiman Jandia Mr. Wael Abdel Latif Khalil Al Sourani. Mr. Abdullah Qais Thunayan Al-Ghanim	Members 4	Palestinian	47,751,073	46,059,052
ASWAQ Investment Company – represented by: Mr. Shady Adnan Ahmed Al-Khatib Mr. Muhammad Awni Muhammad Abu Ramadan	Two Members	Palestinian	23,453,867	22,622,798

B: Ownership of Board's members and Company's Representatives:

Name of the Member" repre- sentative"	Name of the member company	Position	Number of shares as of December 31, .2021 31/12/2021	Number of shares as of December 31, 2020 31/12/2020
Dr. Mohamed Mahmoud Mo- hamed Nasr	Palestine Investment Fund	Board's Vice Chair- man	30,162	29,094
Mr. Sam Bahour	Independent	Member	12,838	12,384
Ms. Samar Zuhdi Nakhleh	Small shareholders	Member	10,800	10,418
Dr. Safaa Taha Nasir El Din	Independent	Member	7,559	7,292
السيد صائب ابراهيم محمد سمور	Independent	Member	7,018	0

C: Ownership of the Executive Management

Name of the Person	Position	Nationality	Number of shares as of .December 31, 2021	Number of shares as of .December 31, 2020
Mr. Ghassan "Mohammed Hashem Mustafa Jabr	Deputy General Manager	Palestinian	1,222	1,179
Mr. Saed Miqdad Miqdadi	Risk Management Manager& Board's Secretary	Palestinian	6,137	5,920
Mr. Rateb Abdullah Atyani	Human Resources and Training Department Manager	Palestinian	14,673	14,154

Shareholders' Relations Management

D: Ownership the board and executive management relatives (wife & minor children only)

Name of the Person	Kinship degree to the Board & executive management	Nationality	Number of shares as of .December 31, 2021	umber of shares as of Decem-.ber 31, 2020
Suzan Jamal Nasr	Wife of the Board's Vice Chairman	Palestinian	2,077	2,004

Funds ownership for bank employees:

Fund Name	Nationality	Number of shares as of .December 31, 2021	Number of shares as of December 31, 2020
AIB Employees Provident Fund	Palestinian	200,000	235,929

- There are no companies controlled by the executive management.

B: Ownership of Board's members and Company's Representatives:

1. Arab Islamic Bank website, Shareholder Relations (aib.ps),
2. The websites of the Palestine Stock Exchange and the Palestine Capital Market Authority. All fundamental data is disclosed according to the disclosure system in force in Palestine.
3. Official correspondence is in the official mail, and sometimes e-mail and fax are used.
4. Local newspapers in Palestine.
5. Phone call with the Shareholders' Department 0097022941823 and by e-mail (linda@aib.com).
6. Through all branches and offices of the Arab Islamic Bank located inside Palestine.
7. Annual reports issued by the bank.

Fatwa Board & Shari'a Controller Duties:

Mr. Dr. Jamal Zaid Kilani - Chairman of the Consolidated Fatwa and Shari'a Supervisory Board since 2018 until now.

- Member of the Consolidated Fatwa and Shari'a Supervisory Board at the AIB from 2013 to 2018.
- From 2012 to the present, he has been a member of Palestine Higher Fatwa Council.
- Dean of the Faculty of Sharia at An-Najah National University from 2010 until now.
- Participated in presenting scientific research at many local and international conferences on Islamic economics and banking.
- Published many peer-reviewed scientific research on contemporary financial issues in specialized journals.



Dr. Anas Zaher Al-Masry - member and Rapporteur since 2018 until now.

- Member of the Consolidated Fatwa and Shari'a Supervisory Board at the AIB since 2018 until now.
- Since 2018, Assistant Professor in the Department of Banking and Financial Sciences at the College of Business and Economics at Palestine Technical University-Kadoorie.
- Ph.D. in Islamic Economics and Banking-Yarmouk University-Jordan, 2015.
- Participated in presenting scientific research at many local and international conferences about the economy and Islamic banking.
- Published many peer-reviewed scientific researches in specialized journals.



Dr. Mohammad Wajeeh Hanini – Member since 2020 until now.

- Member of the Consolidated Fatwa and Shari'a Supervisory Board at the AIB since 2020 until now.
- Vice-Chairman of the Supreme Shari'a Supervisory Board in the PMA from 2018 to 2020.
- Assistant Professor and Director of the Master's Program at the College of Law and Public Administration at Birzeit University since 2009 until now.
- PhD in Islamic Banks and Financial Markets from the Arab Academy for Banking and Financial Sciences, Jordan 2008.
- Participated in presenting scientific papers in many local and international conferences on Islamic economics and banking.



Fatwa Board & Shari'a Controller Duties

The Arab Islamic Bank formed the Consolidated Fatwa and Shari'a Supervisory Board, which contains three members who hold a doctoral degree in Islamic financial transactions jurisprudence with exper

tise in the work of Islamic financial institutions, as follows:

The work mechanism of the Consolidated Fatwa and Shari'a Supervisory Board: The Fatwa Board shall meet at the invitation of its chairman, or upon a resolution of the bank's board of directors, or at the request of the majority of its members.

2. The Fatwa Board's chairman has the right to urge exceptional meetings when needed.
3. The Fatwa Board has the right to fully and unconditionally access all records, transactions, and information, including reference to bank employees and consultants.
4. preparing periodic reports to be submitted to management and reports to shareholders.

Duties and Powers of the Consolidated Fatwa and Shari'a Supervisory Board:

1. Supervising the bank's business and activities to ensure compliance with Islamic transaction jurisprudence; and reviewing operations to ensure they are free of any legal impediments.
2. Establishing and expressing an opinion about the bank's commitment to Islamic financial transactions jurisprudence; providing periodic Shari'a supervisory reports to the Board of Directors, as well as semi-annual and annual Shari'a supervisory reports to the general assembly; and publishing its report, provided that it contains any activities that violate Islamic Sharia.
3. Preparing a guide for the legal procedures of work that includes the various operations of the bank, including the necessary rules to control dealing with traditional banks.
4. Settling the Shari'a interpretation disputes that may arise between internal Shari'a control and the bank's management, and its ruling is binding on both parties.
5. verifying the existence of a sound internal control system that ensures the application of Islamic financial transaction jurisprudence as approved by the bank's Fatwa Board, and implementing the annual Shari'a supervision program, which includes monitoring all of the bank's activities in accordance with a specific annual plan.
6. Determining the disbursement aspects and authorizing the illicit gains Fund's disbursement operations.
7. Adopting the contract forms required for the bank's operations and activities, such as agreements, policies, products, transactions, and financial statements.
8. Examining the reports and comments of the resident Shari'a Controller on the performance of the executive management's daily work and its compatibility with Shari'a requirements, and directing them as required.
9. Providing guidance, counseling, training, education and awareness to all bank employees regarding Shari'a provisions and related fatwas.
10. Adopting the policy of distributing profits and charging losses to investment accounts
11. Working on finding legal alternatives to any laws, regulations, contracts, and work applications that are presented to it, and not stopping at a fatwa regarding its approval or non-conformity with the provisions of Islamic transaction jurisprudence, so that it presents to the bank's executive management what it deems appropriate of initiatives and suggestions for new products.



Mr. Tariq Al-Sayed Ahmed Secretariat of the Fatwa Board and the resident Shari'a supervisor:

Mr. Tariq Ismail Al-Sayed Ahmed – Shari'a Controller, since 2016 until now.

- The Secretariat of the Consolidated Fatwa and Shari'a Supervisory Board at the AIB since 2016 until now.
- Head of Product Development Department at the AIB from 2016 to 2017.
- Holds a number of international professional fellowships specialized in Islamic finance CSAA, CIFE, CIB, CIAE.
- Participated in presenting scientific papers in many local and international conferences on Islamic economics and banking.
- Published many refereed scientific researches in specialized journals

resident Shari'a Controller position has been established, with technical subordination to the Consolidated Fatwa and Shari'a Supervisory Board. It is prohibited to assign him to any work that conflicts with his supervisory responsibilities, and he must follow the Code of Ethics issued by the Accounting and Auditing Organization for Islamic Financial Institutions. The Shari'a Controller must at least meet the following requirements:

- A- Have at least a Bachelor's degree in one of the related specialties.
- B- Have a certified Shari'a Controller certificate.
- C- Provided with practical experience and appropriate training on Shari'a supervision tasks.

Duties and Powers of the Resident Shari'a Controller:

1. Examining and evaluating the adequacy and effectiveness of the bank's compliance with the fatwas issued by the Fatwa Authority.
2. Verifying the bank's management's commitment to the fatwas issued by the Fatwa Authority in all daily business.
3. Providing guidance, counseling, and training to all bank employees in relation to Shari'a rulings and related fatwas
4. The Shari'a Controller should spread knowledge by printing fatwas, guidelines, and instructions issued by the Fatwa and Shari'a Supervisory Board about the products and services provided by the bank.
5. At least every five years, he shall update the Shari'a Supervisory Manual. The Board of Directors and the Fatwa Authority are the two bodies with the authority to approve any amendments recommended by the Risk, Governance and Compliance Committees.
6. Developing a plan for internal Shari'a supervision, in which the timetable for Shari'a supervision is clarified, provided that it is approved by the Fatwa Authority and the Board of Directors.
7. Creating a special guide for internal Shari'a supervision that clarifies the objectives, powers, and responsibilities, if approved by the Consolidated Fatwa and Shari'a Supervisory Board.
8. Developing a quarterly report for the Consolidated Fatwa and Shari'a Supervisory Board. He shall submit a copy of this report to the Board of Directors, as well as a copy to the Board's Internal Audit Committee, explaining the purpose, scope, and results of the internal Shariah control, as well as its opinion on future improvements and corrective action, to be reviewed in light of the results or recommendations.

Board and the resident Shari'a supervisor

Report of The Fatwa and Shari'a Supervisory Board

Report of the Consolidated Fatwa and Shari'a Supervisory Board for the period ending on December 31, 2021.

Praise be to Allah the Lord of the worlds and may the blessings and peace of Allah be upon the most honored of messengers
our master Muhammad and upon all his family and companion

Dear respected shareholders of the Arab Islamic Bank PLC,

Peace be upon you;

Based on the Authorization Letter (copy attached herein), we hereby present the following report:

During this period, we reviewed the applicable principles and contracts related to the transactions and applications offered by the company. In addition, we have expressed our opinion on whether the company has committed to the provisions and principles of Islamic Shari'a through Fatwas, resolutions, and specific instructions issued by us.

The management is in charge of ensuring that the company operates in accordance with Islamic Shari'a. Our responsibility is limited to expressing our independent opinion about the corporate processes that we have reviewed and preparing this report for you.

We conducted our monitoring, which included examining the company's documentation and procedures based on the testing of each type of operation.

We planned and carried out our monitoring in order to receive the information and explanations deemed necessary to provide us with sufficient proof that enables us to offer reasonable confirmation that the company abided by and did not violate the principles and provisions of Islamic Shari'a.

In our opinion:

The contracts, operations, and transactions entered into and performed by the company between January 1st, 2021 and December 31st, 2021 that we reviewed are not, for the most part, in controversy with the principles and provisions of Islamic Shari'a, and revenues earned from non-Shari'a transactions were transferred to the non-Shari'a revenues account.

The distribution of profits and losses on the investment account is consistent with our methodology and does not violate Islamic Shari'a principles.

During the specified period, earnings from resources or methods that are not accepted by the principles and provisions of Islamic Shari'a were distributed for charitable purposes.

Each shareholder is responsible for paying the due Zakat in accordance with Islamic Shari'a principles and provisions.

The Bank is committed to the resolutions issued by the Higher Sharia Supervisory Board (HSSB)

We ask Allah for guidance and rightness

Peace be upon you all,

Mr. Jamal Kilani

Chairman of Fatwa and Shari'a Supervisory Board

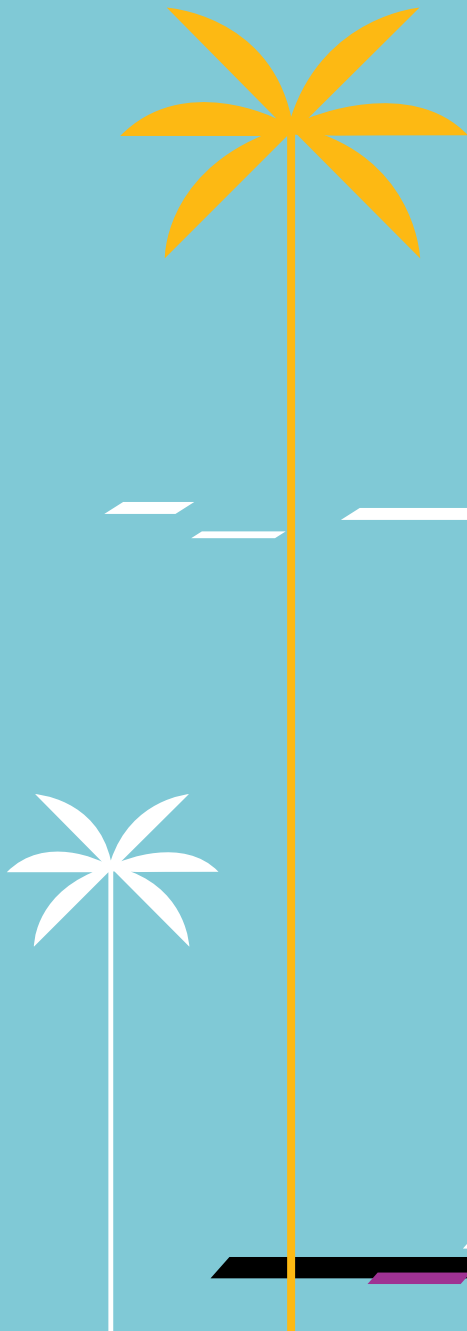
Dr. Anas Zaher Al-Masry

Member & Rapporteur

Dr. Mohammad Wajeesh Hanini

Member

Location and time: Ramallah – AIB HQ: 28/ Rajab/1443 Hijri, corresponding to March 1st, 2022



Financial Statements 2021

December 31, 2021

Independent Auditor's Report to the shareholders of Arab Islamic Bank

Opinion

We have audited the financial statements of Arab Islamic Bank (the Bank), which comprise the statement of financial position as at December 31, 2021, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows, and statement of earnings and disbursements prohibited by Shari'a for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2021, and its financial performance and its cash flows, and earnings and disbursements prohibited by Shari'a for the year then ended in accordance with the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Bank, and in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Basis for Opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by AAOIFI. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements as at December 31, 2021. These matters were addressed in the context of our audit of the 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 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 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 financial statements.

Key Audit Matter	Audit Procedures
<p>Expected Credit Loss “ECL” provision:</p> <p>The process of estimating expected credit losses for customers’ receivables, financings, balances and investment accounts at banks and financial institutions, and balances with Palestine Monetary Authority, and financial assets at amortized cost in accordance with the Islamic Financial Reporting Standard No. (30) is important, complex and requires significant judgment.</p> <p>Islamic Financial Reporting Standard No. (30) requires the use of the expected credit losses model. This requires the Bank’s management to use several assumptions and estimates to determine the timing and value of expected credit losses as well as applying judgment to determine the inputs to the impairment measurement process including assessing collaterals and determining the date of default.</p> <p>Due to the importance of the judgements applied in Islamic Financial Reporting Standard No. (30) and credit exposures that form major portion of the Bank’s assets, ECL was considered as Key Audit Matter.</p> <p>The net balance of direct Islamic financing, balances at banks and financial institutions and Palestin Monetary Authority Balances, investments with Islamic banks, and financial assets at amortized cost of the Bank as at December 31, 2021 amounted to U.S. \$ 1,384,573,474. The balance of the expected credit loss provision on these assets was U.S. \$17,435,886 as at December 31, 2021.</p> <p>Accounting policies, estimates and significant accounting judgments, disclosure of provision for expected credit losses, and credit risk management are detailed in notes (2, 3, 4, 5, 6, 8, 25, 36, 46, and 53) in the accompanying financial statements.</p>	<p>Our audit procedures included the assessment of the controls over the granting, booking and monitoring processes of receivables and finances, and the process of measuring expected credit losses, effectiveness of the main key controls in place, which determine the expected credit losses of customers’ receivables and finances, balances and investment accounts at banks. As part of the control testing procedures, we assessed whether the key controls in the above processes were designed, implemented, and operating effectively, as well as procedures for assessing the following:</p> <ul style="list-style-type: none"> - The Bank's policy regarding the provision for expected credit losses in accordance with the Islamic Financial Reporting Standard No. (30). - Studying and understanding the expected credit loss model used in calculating provisions and its compatibility with the requirements of Islamic Financial Accounting Standard No. (30) and the relevant regulatory guidelines and directives. - Key assumptions and judgments relating to significant increase in credit risk, definition of default, and use of macroeconomic inputs to verify that reported ECL amounts reflect underlying credit quality and macroeconomic trends. - The appropriateness of the classification stages. - The appropriateness of the process of determining credit exposure in the event of default, including consideration of the cash flows resulting from repayment and the resulting calculations. - The appropriateness of the probability of default, the credit exposure at default and the percentage of loss assuming default for the different stages. - The appropriateness and objectivity of the internal evaluation of funds. - The correctness and appropriateness of the process of calculating expected credit losses. - The process of calculating the expected credit losses for financing individually in addition to understanding the latest developments in financing in terms of cash flows and if there is any scheduling or structuring. - Legal agreements and attachments related to them to ensure the existence of guarantees and the existence of the legal right related to them. - We also assessed whether the disclosures of the financial statements appropriately reflect the requirements of the accounting standards for Islamic financial institutions issued by the Accounting and Auditing Organization for Islamic Financial Institutions.

Other information included in the Bank's 2021 Annual Report

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Bank, and in accordance with AAOIFI, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 AAOIFI 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 financial statements.

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements as at December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young - Middle East
License # 206/2012

Sa'ed Abdallah

Ernst & Young

Sa'ed Abdallah
License # 105/2003

Ramallah - Palestine
March 31, 2022

STATEMENT OF FINANCIAL POSITION

As at December 31, 2021

	Notes	2021 U.S. \$	2020 U.S. \$
Assets			
Cash and balances with Palestine Monetary Authority	3	516,345,938	401,742,907
Balances at banks and financial institutions	4	86,947,263	88,072,938
Investments at Islamic banks	5	3,265,453	4,062,368
Direct Islamic financing	6	1,012,397,444	945,049,866
Financial assets at fair value through other comprehensive income	7	3,426,088	6,828,571
Financial assets at amortized cost	8	33,709,792	29,048,404
Investment properties	9	25,962,178	25,884,919
Property and equipment	10	22,280,308	23,291,018
Projects in progress	11	307,407	704,734
Right of use assets	12	6,822,166	7,936,131
Deferred tax assets	13	4,252,402	3,647,117
Intangible assets	14	1,692,743	1,448,234
Other assets	15	19,296,823	19,331,569
Total assets		1,736,706,005	1,557,048,782
Liabilities, unrestricted investment accounts and equity			
Liabilities			
Istidama loans from Palestine Monetary Authority	16	6,488,216	3,186,310
Palestine Monetary Authority's deposits	17	93,472,818	66,954,209
Banks and financial institutions' deposits	18	42,777,964	27,227,946
Customers' deposits	19	382,445,006	325,966,069
Cash margins	20	90,915,025	73,742,621
Sundry provisions	21	7,611,857	6,730,683
Tax provisions	22	8,086,661	3,207,609
Deferred tax liabilities	23	2,849,573	2,645,839
Lease liabilities	24	7,243,380	8,252,944
Other liabilities	25	17,694,298	22,380,723
Total Liabilities		659,584,798	540,294,937
Unrestricted investment accounts	26	946,142,702	896,510,119
Equity			
Paid-in share capital	1	91,719,252	88,469,252
Statutory reserve	27	8,508,264	7,339,348
General banking risk reserve	27	8,374,674	8,374,674
Pro-cyclicality reserve	27	4,113,369	4,113,369
Investment properties reserve	9	7,806,223	7,254,718
Cumulative change in fair value reserve	7	(1,243,533)	(2,243,628)
Retained earnings		11,700,256	6,935,997
Net equity		130,978,505	120,243,730
Total liabilities, unrestricted investment accounts and equity		1,736,706,005	1,557,048,782

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

INCOME STATEMENT

For the year ended December 31, 2021

	Notes	2021 U.S. \$	2020 U.S. \$
<u>Revenues</u>			
Financing and investment revenues	28	59,521,517	49,298,803
Less: Return on unrestricted investment accounts	29	(12,605,978)	(11,833,700)
Bank's share of income from financing and investment		46,915,539	37,465,103
Net commission revenues	30	6,357,113	4,742,458
Foreign currencies exchange gain		5,080,958	3,820,998
Financial assets gain	31	284,288	372,596
Other revenues	32	614,978	525,550
Total revenues		59,252,876	46,926,705
<u>Expenses</u>			
Personnel expenses	33	(16,993,754)	(15,682,067)
Other operating expenses	34	(12,655,132)	(11,840,550)
Depreciation and amortization	35	(4,700,589)	(4,420,371)
Impairment loss, net	36	(6,326,572)	(4,019,381)
Total expenses		(40,676,047)	(35,962,369)
Profit before taxes		18,576,829	10,964,336
Taxes expense	22	(6,887,655)	(2,950,000)
Profit for the year		11,689,174	8,014,336
Basic and diluted earnings per share	40	0.127	0.087

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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2021

	Notes	2021 U.S. \$	2020 U.S. \$
Profit for the year		<u>11,689,174</u>	<u>8,014,336</u>
Items not to be reclassified in the income statement in subsequent periods:			
Change in fair value of financial assets	7	1,059,096	(369,455)
Unrealized gains on revaluation of investment properties	9	755,243	48,050
Deferred taxes	23	<u>(203,738)</u>	<u>(12,841)</u>
Other comprehensive income		<u>1,610,601</u>	<u>(334,246)</u>
Total comprehensive income for the year		<u><u>13,299,775</u></u>	<u><u>7,680,090</u></u>

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

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2021

	Reserves							
	Paid-in share capital	Statutory	General banking risk	Pro-cyclicality	Investment properties	Cumulative change in fair value	Retained earnings	Net equity
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
December 31, 2021								
Balance, beginning of the year	88,469,252	7,339,348	8,374,674	4,113,369	7,254,718	(2,243,628)	6,935,997	120,243,730
Profit for the year	-	-	-	-	-	-	11,689,174	11,689,174
Other comprehensive income	-	-	-	-	551,505	1,059,096	-	1,610,601
Total comprehensive income for the year	-	-	-	-	551,505	1,059,096	11,689,174	13,299,775
Gain on sale of financial assets at fair value through other comprehensive income recognized in retained earnings	-	-	-	-	-	(59,001)	59,001	-
Transfers to reserves	-	1,168,916	-	-	-	-	(1,168,916)	-
Stock dividends distributed (note 42)	3,250,000	-	-	-	-	-	(3,250,000)	-
Cash dividends distributed (note 42)	-	-	-	-	-	-	(2,565,000)	(2,565,000)
Balance, end of the year	<u>91,719,252</u>	<u>8,508,264</u>	<u>8,374,674</u>	<u>4,113,369</u>	<u>7,806,223</u>	<u>(1,243,533)</u>	<u>11,700,256</u>	<u>130,978,505</u>
December 31, 2020								
Balance, beginning of the year	84,919,252	6,537,914	7,812,746	4,113,369	7,219,509	(1,874,173)	7,835,023	116,563,640
Profit for the year	-	-	-	-	-	-	8,014,336	8,014,336
Other comprehensive income	-	-	-	-	35,209	(369,455)	-	(334,246)
Total comprehensive income for the year	-	-	-	-	35,209	(369,455)	8,014,336	7,680,090
Transfers to reserves	-	801,434	561,928	-	-	-	(1,363,362)	-
Stock dividends distributed (note 42)	3,550,000	-	-	-	-	-	(3,550,000)	-
Cash dividends distributed (note 42)	-	-	-	-	-	-	(4,000,000)	(4,000,000)
Balance, end of the year	<u>88,469,252</u>	<u>7,339,348</u>	<u>8,374,674</u>	<u>4,113,369</u>	<u>7,254,718</u>	<u>(2,243,628)</u>	<u>6,935,997</u>	<u>120,243,730</u>

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

STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

	Notes	2021 U.S. \$	2020 U.S. \$
Operating activities			
Profit before taxes		18,576,829	10,964,336
Adjustments for:			
Sundry provisions		1,153,206	1,147,373
Depreciation and amortization		4,700,589	4,420,371
Impairment Loss		6,326,572	4,019,381
Cash dividends received		(284,288)	(372,596)
Losses on disposal of property and equipment		67,584	19,231
Gain from disposal of right of use assets		(1,600)	-
Finance costs on lease liabilities		245,063	286,739
		<u>30,783,955</u>	<u>20,484,835</u>
Changes in assets and liabilities:			
Statutory cash reserve		(17,772,483)	(22,553,868)
Direct Islamic financing		(71,498,509)	(190,737,877)
Other assets		(65,254)	(4,257,226)
Customers' deposits		56,478,941	74,853,860
Cash margins		17,172,404	15,818,285
Other liabilities		(4,632,277)	3,396,947
Net cash flows used in operating activities before taxes and provisions		<u>10,466,777</u>	<u>(102,995,044)</u>
Taxes paid		(2,813,884)	(1,974,424)
Sundry provisions paid		(272,032)	(222,981)
Net cash flows used in operating activities		<u>7,380,861</u>	<u>(105,192,449)</u>
Investing activities			
PMA Deposits maturing after three months		-	20,000,000
Deposits of banks and financial institutions maturing after three months		(7,896,686)	20,759,516
Balances at banks and financial institutions maturing after three months		(12,454,280)	3,526,093
Investments at Islamic banks maturing after three months		1,062,368	(552,854)
Purchase of financial assets at fair value through other comprehensive income		(123,151)	-
Sale of financial assets at fair value through other comprehensive income		4,584,736	-
Matured financial assets at amortized cost		8,000,000	1,000,000
Purchase of financial assets at amortized cost		(13,400,000)	-
Purchase of investment properties		-	(159,000)
Purchase of property and equipment		(1,244,085)	(1,850,073)
Projects in progress additions		(629,102)	(3,315,951)
Proceeds from sale of property and equipment		66,258	37,759
Purchase of intangible assets		(733,720)	(497,309)
Cash dividends Received		284,288	372,596
Net cash flows (used in) from investing activities		<u>(22,483,374)</u>	<u>39,320,777</u>
Financing activities			
Cash dividends distributions		(2,565,000)	(4,000,000)
Lease liabilities paid		(1,203,058)	(1,146,568)
Istidama loans from PMA		3,301,906	3,186,310
Increase in unrestricted investment accounts		49,632,587	181,985,293
Net cash flows from financing activities		<u>49,166,435</u>	<u>180,025,035</u>
Increase in cash and cash equivalents		<u>34,063,922</u>	<u>114,153,363</u>
Cash and cash equivalents, beginning of the year		322,286,438	208,133,075
Cash and cash equivalents, end of the year	39	<u>356,350,360</u>	<u>322,286,438</u>

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

Statement of Earnings and Disbursements Prohibited by Shari'a

For the year ended December 31, 2021

	2021	2020
	U.S. \$	U.S. \$
Sources of earnings prohibited by Shari'a		
Interest	307,971	29,293
Profit from direct Islamic financing	125,875	59,526
Total earnings prohibited by Shari'a	433,846	88,819
Disbursements		
Donations	(240,127)	(88,819)
Total disbursements	(240,127)	(88,819)
Balance of prohibited by Shari'a, end of the year	193,719	-

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

1. General

Arab Islamic Bank P.L.C. (the Bank) was incorporated in Al-Bireh, Palestine as a public shareholding company in accordance with the Companies' Law of 1964 and registered in Palestine under number (563201011) on January 8, 1995.

The Bank commenced operations in early 1996. The Bank is licensed to provide all banking services, financing, trading and investing activities in accordance with Islamic Shari'a principles through its headquarters in Al-Bireh, 22 branches and 6 offices.

The Bank is a subsidiary of Bank of Palestine P.L.C, which owns a controlling interest of 52.06% of the Bank's capital. As a result, the Bank's financial statements are with the financial statements of Bank of Palestine.

A Shari'a Supervisory Board (the Board), which comprises three members appointed by members of the General Assembly of the Bank, supervises the Bank's operations. The Board's role is to review the Bank's activities and transactions to ensure the Bank's compliance with Islamic Shari'a Rules and Principles.

The Extraordinary General Assembly decided at its meeting held on April 2, 2017, to increase the bank's capital to 75 million US dollar through secondary subscription to shareholders on that date. During the year 2017, the amount of 25,000,000 US dollars was subscribed, where the authorized and paid-up capital of the bank as on December 31, 2017 amounted to 75,000,000 US dollars, with a nominal value of one US dollar per share. The Extraordinary General Assembly decided in its meeting held on March 25, 2019 to capitalize the amount of 9,919,252 US dollars from the profits, add it to the capital and distribute it as free shares to the shareholders. At its meeting held on March 25, 2020, the Ordinary General Assembly decided to capitalize the amount of \$3,550,000 from profits, add it to the capital, and distribute it as free shares to shareholders. The Ordinary General Assembly decided, in its meeting held on March 30, 2021, to capitalize the amount of 3,250,000 US dollar of profits, add it to the capital and distribute it as free shares to shareholders, so that the paid-up capital of the bank as on December 31, 2021 amounted to 91,719,252 US dollar.

The total number of the Bank's staff reached (685) and (640) as at December 31, 2021 and 2020, respectively.

The financial statements were approved by the Bank's Shari'a Supervisory Board during their meeting number (7) held on March 1, 2022 and issued its shariaa' report on them.

The financial statements were authorized for issuance by the Bank's Board of Directors during their meeting number (01/2022) held on March 14, 2022.

2. Accounting policies**2.1 Basis of preparation**

The financial statements have been prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and in compliance with Islamic Shari'a Rules and Principles as determined by the Bank's Shari'a Supervisory Board, prevailing and Palestine Monetary Authority (PMA) regulations.

The financial statements have been prepared under a historical cost basis, except for financial assets at fair value through equity and investment properties that have been measured at fair value at the date of the financial statements.

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

The standards issued by the International Accounting Standard Board and the interpretations issued by International Financial Reporting Interpretations Committee issued by the International Accounting Standards Board are applied in absence of accounting standards issued by AAOIFI.

2.2 Changes in accountig policies

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2020 except for the adoption of new standards effective as of 1 January 2021 shown below:

FAS 32 Ijarah

This standard supersedes FAS 8 “Ijarah and Ijarah Muntahia Bittamleek”. The standard aims at setting out principles for the classification, recognition, measurement, presentation and disclosure of Ijarah type transactions including their different forms entered into by an institution, in both the capacities of lessor and lessee. This standard shall be effective beginning or after 1 January 2021, with early adoption permitted. The Bank applied the requirements of Islamic Financial Accounting Standard No. (32) and there was no effect from the application of this standard on the bank’s financial statements, as part of the standard replaced International Financial Reporting Standard No. (16), which was previously applied from the date of December 1, 2019.

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

Financial Accounting Standard No. 1 - Amended 2021 (Public Presentation and Disclosure in Financial Statements)

Financial Accounting Standard 1 - Revised 2021 “Public Presentation and Disclosure in Financial Statements” defines and improves comprehensive presentation and stipulated disclosure requirements in line with international best practices and replaces Financial Accounting Standard No. 1. The standard is applicable to all Islamic financial institutions and other institutions that follow international standards. Financial Accounting issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). FAS 1 - Revised 2021 is in line with the amendments to the AAOIFI Financial Reporting Conceptual Framework (Revised 2020) (Conceptual Framework). Revised Financial Accounting Standard 1 - 2021 will help prepare clear, transparent and understandable financial statements, and in turn will help users of financial statements make better economic decisions.

This standard will be applied from 1 January 2023, with early application permitted.

Financial Accounting Standard No. 37 "Financial Reporting for Endowment Institutions"

This standard sets out the comprehensive accounting and financial reporting requirements for endowment institutions and similar institutions, including general presentation and disclosure requirements, and special presentation requirements such as yield requirements and basic accounting treatments related to some aspects of endowment institutions. The principles contained in this standard are consistent with the principles and provisions of Sharia, and this helps to reach a better understanding of the information contained in the general-purpose financial statements and enhances the confidence of stakeholders in endowment institutions.

This standard will be effective from 1 January 2022, with early application permitted. The newly established endowment institution must apply this standard since its establishment

Financial Accounting Standard No. 38 "(Wa'ad), (Khiar), (Tahawot)"

This standard describes the accounting and reporting principles and requirements for (Wa'ad), (Khiar) and (Tahawot) arrangements for Islamic financial institutions.

Many products such as Murabaha and Ijara offered by institutions incorporate the implementation of a Wa'ad or option in one way or another. An additional Wa'ad or Khiar, in line with this Standard, is a Wa'ad or Khiar associated with a Shariah-compliant arrangement with respect to its structure that does not give rise to any asset or liability unless it turns into an impaired contract or liability.

On the other hand, a Wa'ad product or Khiar is a stand-alone arrangement that is Shariah compliant and is used either as a regular product or, sometimes, for the purpose of hedging. It may take the form of a single transaction, series or group of transactions and may transform into a future transaction or series of transactions, in line with the principles and rules of Islamic Sharia. Such transactions give rise to an asset or liability for the parties, subject to the terms specified in this Standard.

This standard will be effective from 1 January 2022, with early application permitted.

Financial Accounting Standard No. 39 "Financial Reporting on Zakat"

This standard improves and replaces the previously issued Financial Accounting Standard 9 "Zakat". This standard aims to specify the accounting treatment of zakat in the records of Islamic financial institutions, including presentation and disclosure in their financial statements.

The standard describes the principles of financial reporting.

The applicable law is based on the obligation of Islamic financial institutions to pay Zakat. Additionally, in the event that an Islamic financial institution is not required by law or its founding charter to pay zakat, it must still determine and disclose the amount of zakat due for the benefit of the various stakeholders.

This standard will be applied as of January 1, 2023. Early application is permitted.

Financial Accounting Standard No. 40 "Financial Reporting for Islamic Finance Windows"

This standard enhances and replaces Financial Accounting Standard 18 "Islamic Financial Services Provided by Conventional Financial Institutions" and sets out the financial reporting requirements applicable to conventional financial institutions providing Islamic financial services.

This standard requires traditional financial institutions that provide Islamic financial services through Islamic financing windows to prepare and submit financial statements for Islamic financing windows in line with the requirements of this standard and other financial accounting standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). This standard provides principles of financial reporting including presentation and disclosure requirements applicable to Islamic finance windows.

This standard will be applied as of January 1, 2024 on the financial statements of Islamic financing windows for conventional financial institutions, allowing early application, taking into account the simultaneous application of Financial Accounting Standard No. 1 "Public Presentation and Disclosure in Financial Statements."

2.3 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 a specific economic environment that are exposed to risks and returns different from those of other segments working in other economic environments.

4 Summary of significant accounting policies

Revenues and expenses recognition

Profit income is recognized as the profit accrues using the effective profit method except for profit and commission income on non-performing facilities.

Income from Islamic financing is recognized based on the accrual basis of accounting, commission income is recognized when the services are rendered. Dividends income are recognized when the right to receive dividends is established.

Expenses are recognized when incurred based on the accrual basis of accounting.

Financial assets and liabilities

Financial assets at amortized cost

The Bank measures financial investments at amortized cost if both of the following conditions are met:

The financial assets are 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.

Financial instruments for which both conditions apply are initially measured at fair value taking into account any discount or premium on acquisition, fees and costs that are an integral part of the effective interest rate (EIR), unless the Bank elected to classify these investments through profit or loss. Interest recorded using EIR.

The effective profit rate is the profit rate that is used to discount future cash flows on the life of the instrument, or lower period in other cases, to equal the book value of at initial recognition.

At initial recognition the bank can irreversibly classify the instrument that fulfilled the conditions mentioned above as a financial asset at fair value through profit or loss if this moves or substantially decrease the inconsistency of accounting treatment if it is classified as amortized cost.

Financial assets at fair value through profit or loss (FVTPL)

Debt instrument financial assets that do not meet the amortized cost criteria or that meet the criteria, but the Bank has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL.

The Bank has not designated a debt instrument financial asset as at FVTPL. Upon initial recognition, the Bank classifies equity instruments at fair value through profit or loss except for investments that are not held for trading for which the Bank can classify it at fair value through other comprehensive income (FVOCI).

Financial assets at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss.

Dividends are recognized when the right of the payment has been established.

Financial assets at fair value through other comprehensive income (FVTOCI)

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 Equity not held for trading. Such classification is determined on an instrument-by-instrument basis. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

FVOCI instruments are initially measured at fair value considering acquisition costs, FVOCI instruments are subsequently measured at fair value with gains or losses arising due to changes in fair value recognized at OCI in the fair value reserve. When the Bank decided to dispose such instruments, gains or losses recorded previously in the fair value reserve are reclassified directly to retained earnings not through profit or loss.

Dividends are recognized in profit or loss 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 the income statement.

The Bank applies the new category of debt instruments 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 testing.

Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

International Financial Reporting Standard No. (9) Financial Instruments

Pursuant to the instructions of the Palestine Monetary Authority No. (2/2018) regarding the application of International Financial Reporting Standard No. (9), the Bank applied International Financial Reporting Standard No. (9) for the year 2014 on the date of the mandatory application of the standard on January 1, 2018, where the Bank evaluated the requirements Expected credit loss model, amendments related to classification and measurement adjustments for financial instruments. Noting that the Bank implemented the first stage (classification and measurement) of International Financial Reporting Standard No. (9) issued in 2009 on January 1, 2012.

The standard has been applied retrospectively and in line with International Financial Reporting Standard No. (9) (Financial Instruments), without amending the comparative figures. The impact of applying the standard on January 1, 2018 was recognized by reversing the effect on retained earnings in the statement of equity, with respect to the bank's own funds only.

The bank has applied the requirements of Financial Accounting Standard No. (30) "Impairment of assets, credit losses and high-risk obligations" on the mandatory application date of January 1, 2021. This standard shows the accounting treatment related to impairment and expected credit losses for financing, investments and obligations with high risks in Islamic financial institutions. The requirements of this standard regarding expected credit losses are very similar to the requirements of International Financial Reporting Standard No. (9).

The Bank's management has prepared a study to determine that the application of Financial Accounting Standard No. (30) compared with International Financial Reporting Standard No. (9), and it has not been found that there are material effects.

Impairment of financial assets

Overview of the ECL principles

The application of Islamic Financial Accounting Standard No. (30) and International Financial Reporting Standard No. (9) "Financial Instruments" has fundamentally changed the method of calculating the impairment loss for the bank's finances 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) "Financial Instruments: Recognition and Measurement".

The Bank records provisions for expected credit losses for all financing and debt financial assets that are not held at fair value through the income statement, in addition to facility commitments and financial guarantee contracts, collectively referred to as "financial instruments".

In response to the instructions of the Palestine Monetary Authority No. (23/2020), the bank started during the year 2020 a program to ease payments to support its affected customers by postponing the profits / principals of the loan due for a period of 4 months to six months so that they were given a deadline to pay their deferred installments until the date of December 31, 2021. These paid waivers are considered as short-term liquidity for the purpose of addressing the borrower's cash flow issues. The Bank believes that the extension of payment waivers does not automatically lead to a material increase in credit risk as the impact on the customer is expected to be in the short term. For all other clients, the Bank continues to consider the severity and potential impact of Covid-19 on the economic sector, future outlook, cash flows, financial strength, mobility and change in risk profile along with past history in identifying a material increase in credit risk.

Equity instruments are not subject to impairment testing under Islamic Financial Accounting Standard No. (30) and International Financial Reporting Standard No. (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 has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit loss has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its Islamic financing 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 financial assets have 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,
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 loan 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 loan 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 loan.

Forward looking information

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

- Gross Domestic Production (GDP) growth
- Unemployment rates

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

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements.

Collateral, unless repossessed, is not recorded on the Bank's 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.

Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. 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 recorded in other revenues.

Forborne and modified Islamic financing

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to the otherwise enforce collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis.

Islamic financing

Islamic financing is carried at cost net of allowance for impairment losses and profit in suspense.

Profit and commission on non-performing Islamic financing are suspended according to PMA instructions.

Islamic financing and related impairment provision are written off when collection procedures become ineffective, according to PMA regulations. The excess in the provision for impairment losses, if any, is transferred to the income statement. Collections of previously written off facilities are recognized as revenues.

In accordance with PMA regulations, Islamic financing that are in default for more than 6 years together with related profit in suspense and impairment provisions are excluded from the financial statements.

The continuous evaluation of a significant increase in the credit risk of renewed Islamic financing is like the evaluation applied to other financing. The profit rate used to discount the expected credit losses for the credit cards is the effective return rate.

Financial assets investments

Financial assets investments are initially measured at fair value plus cost of acquisition if they are not classified at fair value through profit or loss (FVTPL). Subsequent to initial recognition all financial assets are stated at fair value or amortized cost as above.

Derecognition of financial assets

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for the amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset.

Fair value measurement

The Bank measures most of its financial instruments and discloses some of its non-financial assets such as investment properties, at fair value at each reporting 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 and liability
- In the absence of a principal market, in the most advantageous market for the asset and liability

The principal or the most advantageous market must be accessible 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 to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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.

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.

External appraisers are involved for valuation of significant assets, such as investment properties. The Bank decides, after discussions with the external appraiser, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, 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.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the 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

Impairment of financial assets

The Bank assesses at financial statement date whether there is any objective evidence that a financial asset or group of financial assets is impaired. If such evidence exists, any impairment loss is recognized in the income statement.

Equity instruments classified as financial assets at fair value through equity - if there is a prolonged decline in the fair value below cost, the decline is measured at the original cost, and the period of the prolonged decline is measured from the period of decline of fair value below cost. Impairment is the difference between cost and fair value, less any impairment loss previously recognized in the income statement.

For debt instruments classified as financial assets and carried at cost - impairment is the difference between amortized cost and fair value less any impairment loss previously recognized in the income statement.

Return on unrestricted investment accounts

Returns are distributed to unrestricted investment accounts according to the Bank's policy and after deducting the Bank's share as a Mudarib.

Profits from jointly financed Islamic financing and investments are distributed according to the average monthly balances of such investments. The distribution for all currencies is as follows:

	Share of deposits in profits	Bank's share	Unrestricted investment accounts' share
	%	%	%
Saving and cash margins sharing profits	50	95	5
Deposits maturing within 1 month	50	95	5
Deposits maturing within 3 months	50	95	5
Deposits maturing within a period of more than 3 months	65	95	5
Deposits maturing within 1 year	85	95	5

The Bank bears all administrative costs. In addition, the executive management of the Bank adjusts the profit percentage distributed to unrestricted investment accounts according to the Bank's results as well as prevailing market rates.

Customer average profit reserve

The excess of adjusted profits, if any, is recorded in customer average profit reserve to face the volatility of returns on unrestricted investment accounts. In case that the amortized profit to be distributed is less than the realized profit, the Bank uses customer average profit reserve. In case of the absence of profits for distribution, the Bank has the right to grant non-refundable gifts for the unrestricted investment accounts.

Finance contracts

Finance contracts are recorded at cost after deducting suspended profits and the impairment provision for impaired Islamic financing.

A provision for impaired Islamic financing is made when it is not possible to collect the amounts owed to the Bank, when there is objective evidence that an event had an adverse impact on the future cash flows of finance contracts and when the impairment can be reasonably estimated. The impairment is recorded in the income statement.

According to PMA instructions, profits on non-performing finance contracts are suspended.

Finance contracts are written off when measures taken to collect these amounts are deemed impractical. Any excess in the provision is transferred to the income statement. Collected amounts already written off are recorded as revenues.

Murabaha receivables

Murabaha is a sale contract between the Bank and the customer where the Bank sells the customer a product at a price above its cost after the difference is determined (Murabaha Rebeh). The Bank applies a binding promise in accordance with standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions.

Ijara receivables

Ijara is the benefit of ownership against compensation and is divided into two types:

Operating Ijara: are lease contracts that do not end with the lessee to own the leased asset.

Ijara muntahia bittamleek: are leases, which expire with the lessee owning the leased asset and take several types as reflected in the standard lease and capital lease in accordance with the Accounting and Auditing Organization for Islamic Financial Institutions.

Ijara receivables are recorded at cost including direct cost to make ready for intended use, net of suspended profits and impairment provision for impaired Islamic financing. Income is distributed in proportion to the financial periods covered by the lease contract. Maintenance expenses are recorded in the financial period in which they occur.

Istisna'a financing

Istisna'a is a contract of sale between the Bank as maker or contractor and the owner of the contract (the buyer), where the Bank undertakes to build or manufacture the subject of the contract, upon request of the owner of the contract and according to his/her specifications, for the right price and in a manner agreed upon payment, whether paid in advance or by installments or deferring payment to a specific date in the future. Istisna'a is recorded at fair value of consideration paid after deducting the suspended profits and impairment provision for impaired Islamic financing.

Musharaka

Musharaka is when the Bank and the customer contribute capital in equal or different percentages for the purpose of constructing a new project or participating in an existing one. Each of the Bank and the owner become owners of shares in a fixed or declining manner earning the right to a share in profits. Loss is divided according to each partner's share of capital. Musharaka is recorded at fair value of the consideration paid net of suspended profits and impairment provision for impaired Islamic financing.

Mudaraba

Mudaraba is a partnership in which the Bank contributes capital whereas the other party (mudarib) invests it in a project or certain activity in exchange for a specified share in profits under the condition that the mudarib bears the loss in the case of neglect or violation of the terms of Mudaraba. Gains and losses are recorded on the accrual basis if they can be reliably measured. Otherwise, gain is recorded when the mudarib distributes it while losses are recognized in the income statement when announced by the mudarib. Mudaraba is recorded at fair value of consideration paid net suspended profits and impairment provision for impaired Islamic financing.

Tawarooq

Tawarooq is the purchase of a commodity at a deferred bargaining or murabaha price and then selling it to a non-seller to obtain cash at a fair price, and this product (which has been approved by PMA and its Shari'a Supervisory Board temporarily for a specific period related to the Corona pandemic) allows the Bank's customers to obtain cash to cover their needs and obligations in accordance with the provisions and controls of Sharia standards.

Investment properties

Properties held for rental, or for capital appreciation purposes, or both, are classified as investments properties. Investments properties are measured initially at cost including transaction costs, being the fair value of the consideration given and acquisition charges associated with the property. Subsequent to initial recognition, investment properties are stated at fair value and changes in fair value are recognized in the statement of comprehensive income. In case of decline in the carrying value of these properties a provision should be taken and recognized in the income statement in the period where the decline occurs.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. All other repair and maintenance costs are recognized in the income statement as incurred. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives at the following annual rates:

	Useful life (Years)
Buildings	50
Furniture, equipment and leasehold improvements	5-14
Motor vehicles	10
Computers	5

An item of property 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 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.

Project 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 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 amounts 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.

Intangible assets

The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Intangible assets acquired separately are measured on initial recognition at cost.

The useful lives of the intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization expense on intangible assets with finite lives is recognized in the income statement. Intangible assets with indefinite useful lives are tested for impairment annually and the impairment expenses are recognized in the income statement.

Intangible assets resulting from the Bank's operations are not capitalized and should be recognized in the income statement in the period the expenditure was incurred.

Intangible assets are reviewed for impairment at each reporting date. Also, the economic useful lives for definite life intangible assets are reassessed and any adjustments are made in the subsequent periods.

Intangible assets comprise computer system and programs. The Bank's management estimates the useful lives of the intangibles ; the intangibles are amortized using the straight line method based on the expected useful lives of 5 years.

Assets obtained by the Bank by calling on collateral

Assets obtained by the Bank by calling on collateral are stated in the statement of financial position under "Other assets" at the lower of the carrying value or fair value of the assets. These assets are revaluated individually at the date of the financial statements at fair value. Any impairment loss is recorded in the income statement. However, any appreciation in the assets' value is not recorded as gain. Subsequently, the gain resulted from the appreciation of the assets value is recorded in the income statement to the extent of the impairment loss previously recorded.

Earnings prohibited by Shari'a

The Bank records earnings prohibited by Shari'a in a special account that is shown in the statement of financial position within other liabilities. This amount is disbursed on charitable activities as determined by the Bank's Shari'a Supervisory Board.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the 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 settle on a net basis, or to realize the asset and settle the liability simultaneously.

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as of the date of the financial statements arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

Tax provisions

The Bank provides for income taxes in accordance with the rates enforced by law, regulations of Palestine, International Accounting Standards (12). This standard calls for the recognition of temporary differences resulting from time as deferred taxes as of the statement of financial position date. As a result, the bank may have to record deferred tax assets or liabilities.

Deferred income tax is provided for using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred taxes are calculated according to tax rates that are expected to be applicable on the date of the tax settlement or the realization of deferred tax assets.

Income tax expense is calculated based on taxable income that may differ from accounting income as the later includes non-taxable income or non-deductible expenses. Such income or expenses might be taxable/deductible in the following years.

A settlement is made between deferred tax assets and deferred tax liabilities and the net amount is recognized in the financial statements only when the legally binding rights are available and when they are settled on a settlement basis or the asset is realized and the liability settled simultaneously.

Provision for employees' indemnity

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

Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Bank (after deducting income and any related expenses on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Cash and cash equivalents

Cash and cash equivalents represent cash and balances maturing within three months. It includes cash on hand and cash balances at PMA, cash at financial institutions, and investments at Islamic banks maturing within three months after subtracting banks and financial institutions' deposits that mature within three months and restricted balances.

Foreign currencies

Foreign currency transactions during the year are recorded using exchange rates that were in effect at the dates of transactions. Monetary assets and liabilities in foreign currencies are translated at the exchange rates prevailing at the financial statements date as issued by PMA. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates prevailing at the date of determining the fair value. Foreign currency exchange gains or losses are recognized in the income statement.

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.

Use of estimates

The preparation of the financial statements requires the Bank's management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues, expenses and the resultant provisions. Considerable judgment is especially required by management in the estimation of the amount and timing of future cash flows. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

Management believes that estimates are reasonable and are as follows:

- Tax provisions are calculated annually based on prevailing tax laws and the accounting standards that the Bank follows.
- Employees' indemnity expense is recorded in accordance with the Palestinian Labor Law and in accordance with applicable accounting standards.
- Management reviews periodically the useful lives of the tangible and intangible assets in order to assess the depreciation and amortization for the year based on the assets' conditions and useful lives and future economic benefits, any impairment is recognized in the income statement.
- Management reviews, on a regular basis, the financial assets that are stated at cost to estimate impairments, if any. Impairment losses (if any) are recognized in the income statement.
- The fair value of investment properties is determined through appraisers certified or accredited by the Palestine Capital Market Authority.
- Legal cases provision is established to provide for any legal obligations, if any, based on the opinion of the Bank's lawyer.

- Provision for impairment - ECL are reviewed based on PMA instructions and applicable IFRs as follows:

In determining impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

The Bank computes the provision for impairment of financial assets according to the International Financial Reporting Standards (IFRSs) and PMA instructions.

The Bank has followed the following criteria to determine the ECL calculation at Collective Basis vs on individual basis as follow:

- Retail portfolio: individual basis based on the product level and country (Murabaha, Ijara receivables, Qorod hasana, Mudaraba and Istisna'a)
- Corporate portfolio: individual basis at facility /customer level
- Financial Institutions: individual basis at facility / bank level
- Debt instruments measured at amortized cost: individual basis at instrument level.

Inputs, assumptions and techniques used for ECL calculation - Islamic Financial Reporting Standards (30) and IFRS 9 methodology

Key concepts in IFRS 9 that have the most significant impact and require a high level of judgment, as considered by the Bank while determining the impact assessment, are:

- Assessment of Significant Increase in Credit Risk (SICR)

To assess whether the credit risk on a financial asset has increased significantly since origination, the Bank compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Bank's existing risk management processes.

The assessment of significant increases in credit risk will be performed quarterly for each individual exposure based on the following factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:

1. 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.
2. Islamic Financial Accounting Standard No. (30) and International Financial Reporting Standard No. (9) (Financial Instruments) include a presumption of a significant increase in the credit risk of financial instruments that have defaulted and matured for more than 30 days. In this regard, the Bank has adopted a 30-day period.
3. The bank assumes a significant increase in financial instruments that have defaulted and matured for 30 days during the previous measurement period. Two notches down in the rating of the financial asset.
4. The bank classifies the customers that the management deems to put them under surveillance within the second stage as an indicator of the significant increase in credit risk.
5. Any schedules or adjustments made to clients' accounts during the evaluation period are taken into consideration as an indicator of the significant increase in credit risk.
6. The bank assumes a significant increase for clients whose economic sectors the management considers to be of high risk.

7. The bank assumes a substantial increase for customers who are reported to the bank by the regulatory authorities and government agencies that they are of high risk.
8. The bank assumes a substantial increase for customers who breach debt covenants.
9. Clients of corporate sectors whose cash flows have fallen, the efficacy of their existing projects, and the breaches in the acceptable debt ratios have occurred
10. Government employees in the Gaza Strip.
11. A two-grade drop in the credit rating of financial assets.
12. The bank refutes the concept of a substantial increase related to the assumed 30-day period if the bank has reasonable and supported information without incurring unnecessary costs or efforts showing that the credit risk has not increased significantly since the initial recognition.

The change between stage two and stage three depends on whether the financial instruments are distressed as at the end of the financial period. The method for determining default of financial instruments in accordance with Islamic Financial Accounting Standard No. (30) and International Financial Reporting Standard (9) is similar to the method for determining the occurrence of default for financial assets in accordance with International Accounting Standard No. (39) (Financial Instruments: Recognition and Measurement). As shown in the definition of Default.

- **Macroeconomic Factors, Forward Looking Information and Multiple Scenarios**

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment in cooperation with international expert in this area.

PD, Loss Given Default (LGD) and Exposure at Default (EAD) inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

Each macroeconomic scenario used in our expected credit loss calculation will have forecasts of the relevant macroeconomic variable.

The estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios.

The base case scenario will be based on macroeconomic forecasts (e.g. GDP, unemployment rate, inflation and interest rate). Upside and downside scenarios will be set relative to the base case scenario based on reasonably possible alternative macroeconomic conditions.

Scenarios will be probability-weighted according to the best estimate of their relative likelihood based on historical frequency and current trends and conditions; Probability weights will be updated on a quarterly basis. All scenarios considered will be applied to all portfolios subject to expected credit losses with the same probabilities.

In 2020 and 2021, the bank and due to COVID 19 increased the weight of worst-case scenario.

- **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. The standard 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, and others.

- **Expected Life**

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

Islamic Financial Reporting Standards (30) governance

To ensure proper compliance of the implementation, a steering committee was formed with the responsibilities to provide decisions/ feedback on the work plan regarding implementation and adoption of IFRS 9 to ensure all relevant policies and procedures are updated in line with the new requirements and systems are modified / updated for the new requirements, in addition to present the ECL results to the top management and related Committees of the Board of Directors.

3. Cash and balances with Palestine Monetary Authority

This item represents the following:

	2021	2020
	U.S. \$	U.S. \$
Cash on hand	287,109,017	222,963,171
Balances with PMA:		
Current and demand accounts	25,123,235	21,029,223
Swap deposits maturing within 3 months	75,246,827	46,191,820
Statutory cash reserve	129,331,176	111,558,693
	516,810,255	401,742,907
	(464,317)	-
	<u>516,345,938</u>	<u>401,742,907</u>

- According to PMA instructions (67/2010), the Bank is required to maintain a statutory reserve of %9 of all customers' deposits. Statutory reserves are calculated on a monthly basis.
- No profit is earned on statutory cash reserves and current and demand accounts.

The following is a summary of the movement on the total balances with the Palestinian Monetary Authority:

	2021			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	178,779,736	-	-	178,779,736
Net change during the year	50,921,502	-	-	50,921,502
Balance, end of the year	<u>229,701,238</u>	<u>-</u>	<u>-</u>	<u>229,701,238</u>

	2020			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	111,564,307	-	-	111,564,307
Net change during the year	67,215,429	-	-	67,215,429
Balance, end of the year	<u>178,779,736</u>	<u>-</u>	<u>-</u>	<u>178,779,736</u>

The following is a summary of the movement in the provision for expected credit losses on balances with the Palestinian Monetary Authority:

	2021			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	-	-	-	-
Net change during the year	464,317	-	-	464,317
Balance, end of the year	464,317	-	-	464,317

4. Balances at banks and financial institutions

This item represents the following:

	2021	2020
	U.S. \$	U.S. \$
Local banks and financial institutions		
Deposits maturing within 3 months	10,014,104	-
	10,014,104	-
Foreign banks and financial institutions		
Current and demand accounts	45,456,003	71,053,700
Deposits maturing within 3 months	10,000,000	-
Deposits maturing within 3 months	-	8,462,623
Deposits maturing after 3 months	21,622,122	9,167,842
	87,092,229	88,684,165
ECL provision	(144,966)	(611,227)
	86,947,263	88,072,938

- Non-profit bearing balances at banks and financial institutions amounted to U.S. \$ 65,470,107 and U.S. \$ 71,053,700 as at December 31, 2021 and 2020, respectively.

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

	2021			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	73,122,563	15,561,602	-	88,684,165
Net change during the year	(1,591,936)	-	-	(1,591,936)
Transferred to stage 1	15,561,602	(15,561,602)	-	-
Balance, end of the year	87,092,229	-	-	87,092,229

	2020			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	60,342,067	872,820	-	61,214,887
Net change during the year	27,469,278	-	-	27,469,278
Transferred to stage 2	(14,688,782)	14,688,782	-	-
Balance, end of the year	73,122,563	15,561,602	-	88,684,165

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

	2021			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	503,974	107,253	-	611,227
Net ECL for the year	(466,261)	-	-	(466,261)
Transferred to stage 2	107,253	(107,253)	-	-
Balance, end of the year	<u>144,966</u>	<u>-</u>	<u>-</u>	<u>144,966</u>

	2020			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	33,123	1,259	-	34,382
Net ECL for the year	576,845	-	-	576,845
Transferred to stage 2	(105,994)	105,994	-	-
Balance, end of the year	<u>503,974</u>	<u>107,253</u>	<u>-</u>	<u>611,227</u>

5. Investments at Islamic banks

This item represents the following:

	2021	2020
	U.S. \$	U.S. \$
Investments maturing within 3 months	3,108,626	2,328,036
Investments maturing after 3 months	3,000,000	4,062,368
	6,108,626	6,390,404
ECL provision	(2,843,173)	(2,328,036)
	<u>3,265,453</u>	<u>4,062,368</u>

The movement of Investments at islamic banks is as follows:

	2021			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	3,000,000	-	3,390,404	6,390,404
Net change during the year	-	-	(281,778)	(281,778)
Balance, end of the year	<u>3,000,000</u>	<u>-</u>	<u>3,108,626</u>	<u>6,108,626</u>

	2020			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	7,441,751	-	3,390,404	10,832,155
Net change during the year	(4,441,751)	-	-	(4,441,751)
Balance, end of the year	<u>3,000,000</u>	<u>-</u>	<u>3,390,404</u>	<u>6,390,404</u>

The movement of the ECL provision on investments at Islamic banks is as follows:

2021				
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	28,036	-	2,300,000	2,328,036
Net ECL for the year	(27,505)	-	542,642	515,137
Balance, end of the year	531	-	2,842,642	2,843,173

2020				
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	41,931	-	2,300,000	2,341,931
Net ECL for the year	(13,895)	-	-	(13,895)
Balance, end of the year	28,036	-	2,300,000	2,328,036

6. Direct Islamic financing

This item represents the following:

	2021	2020
	U.S. \$	U.S. \$
Murabaha receivables	690,265,394	666,577,205
Tawarooq*	190,292,300	152,442,793
Ijara muntahia bittamleek	88,004,339	82,694,485
Istisna'a financing	30,709,692	26,820,149
Mudaraba financing	21,107,779	24,405,507
Current overdraft accounts	5,378,452	1,170,757
	1,025,757,956	954,110,896
Suspended profits	(1,183,379)	(671,828)
ECL allowance	(12,177,133)	(8,389,202)
	1,012,397,444	945,049,866

* This item represents the financing for the purchase of a commodity at a deferred bargaining or murabaha price, then selling it to a non-seller to obtain cash at a fair price, and this product allows the bank's customers to obtain cash to cover their needs and obligations in accordance with the provisions and controls of Sharia standards.

- Direct Islamic financing is presented net of unearned profits which amounted to U.S. \$ 96,181,501 and U.S. \$ 92,360,279 as at December 31, 2021 and 2020, respectively.
- Downgraded direct Islamic financing net of suspended profits according to PMA regulations amounted to U.S. \$ 30,595,758 representing (%2.99) of gross Islamic financing and U.S. \$ 19,574,583 representing (%2.05) of gross direct Islamic financing as at December 31, 2021 and 2020, respectively.
- Defaulted direct Islamic financing net of suspended profits according to PMA regulations amounted to U.S. \$ 21,201,801 representing (%2.07) of gross Islamic financing and U.S. \$ 14,362,611 representing (%1.51) of gross direct Islamic financing as at December 31, 2021 and 2020, respectively.
- Direct Islamic financing granted to Palestinian National Authority and by its guarantee amounted to U.S. \$ 192,200,653 representing (%18.74) of gross Islamic financing and U.S. \$ 168,588,306 representing (%17.67) of gross Islamic financing as at December 31, 2021 and 2020, respectively.
- Fair value of customers' collaterals against direct Islamic financing according to PMA regulations amounted to U.S. \$ 606,784,632 and U.S. 658,652,599 as at December 31, 2021 and 2020, respectively.

- Islamic financing granted to non-residents amounted to U.S. \$ 2,828,432 and U.S. \$ 3,190,744 as at December 31, 2021 and 2020, respectively.
- According to PMA circular number (1/2008), defaulted direct Islamic financing for more than 6 years were written off from financial statements. These defaulted direct Islamic financing amounted to U.S. \$ 798,062 and U.S. \$ 767,443 as at December 31, 2021 and 2020, respectively.
- The balance of the provision and the suspended profits for troubled accounts as on December 31, 2021 and 2020 amounted to \$5,786,141 and \$3,162,108, respectively.

Movement on the gross direct islamic financing during the year was as follows:

	2021			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	511,577,595	427,498,862	15,034,439	954,110,896
Net change during the year	99,830,032	(30,091,282)	1,941,736	71,680,486
Transferred to stage 1	164,315,798	(164,122,733)	(193,065)	-
Transferred to stage 2	(90,801,229)	95,960,469	(5,159,240)	-
Transferred to stage 3	(3,035,451)	(7,759,285)	10,794,736	-
Written-off	-	-	(33,426)	(33,426)
Balance, end of the year	<u>681,886,745</u>	<u>321,486,031</u>	<u>22,385,180</u>	<u>1,025,757,956</u>

	2020			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	633,819,160	107,807,320	21,618,139	763,244,619
Net change during the year	75,997,226	136,610,447	(21,647,274)	190,960,399
Transferred to stage 1	7,971,972	(7,852,028)	(119,944)	-
Transferred to stage 2	(200,119,832)	200,665,474	(545,642)	-
Transferred to stage 3	(6,090,931)	(9,732,351)	15,823,282	-
Written-off	-	-	(94,122)	(94,122)
Balance, end of the year	<u>511,577,595</u>	<u>427,498,862</u>	<u>15,034,439</u>	<u>954,110,896</u>

Movement on the ECL provision on islamic financing during the year was as follows:

	2021			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	3,498,311	2,400,611	2,490,280	8,389,202
Transferred to stage 1	665,318	(645,864)	(19,454)	-
Transferred to stage 2	(301,062)	419,151	(118,089)	-
Transferred to stage 3	(1,290)	(20,756)	22,046	-
Loss of Islamic financing during the year	1,288,476	1,597,062	2,806,940	5,692,478
ECL recovery during the year	(529,500)	(796,086)	(578,961)	(1,904,547)
Recovery of impaired Islamic financing	-	-	2,456	2,456
Excluding defaults for more than 6 years	-	-	(32,858)	(32,858)
Foreign currencies differences	-	-	30,402	30,402
Balance, end of the year	<u>4,620,253</u>	<u>2,954,118</u>	<u>4,602,762</u>	<u>12,177,133</u>

	2020			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	1,939,482	1,518,557	1,532,823	4,990,862
Transferred to stage 1	45,213	(11,128)	(34,085)	-
Transferred to stage 2	(739,901)	775,054	(35,153)	-
Transferred to stage 3	(23,696)	(28,645)	52,341	-
Loss of Islamic financing during the year	2,447,530	436,537	1,599,947	4,484,014
ECL recovery during the year	(170,317)	(289,764)	(606,910)	(1,066,991)
Recovery of impaired Islamic financing	-	-	3,380	3,381
Excluding defaults for more than 6 years	-	-	(85,593)	(85,593)
Foreign currencies differences	-	-	63,530	63,529
Balance, end of the year	3,498,311	2,400,611	2,490,280	8,389,202

The movement on suspended profits was as follows:

	2021	2020
	U.S. \$	U.S. \$
Balance, beginning of the year	671,828	524,747
Suspended profits during the year	652,060	419,954
Suspended profits transferred to revenues	(142,008)	(281,721)
Suspended profits written off for Islamic financing in default for more than 6 years	(568)	(8,529)
Foreign currencies differences	2,067	17,377
Balance, end of the year	1,183,379	671,828

The movement on the provision for impaired Islamic financing in default for more than 6 years was as follows:

	2021	2020
	U.S. \$	U.S. \$
Balance, beginning of the year	609,534	527,322
Provision during the year	32,858	85,593
Recovery during the year	(2,456)	(3,381)
Balance, end of the year	639,936	609,534

Following is a summary of the movement on the total direct credit financing to individuals:

	2021			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	61,535,924	185,306,103	7,116,263	253,958,290
Net change during the year	35,250,105	(14,375,628)	(1,789,616)	19,084,861
Transferred to stage 1	43,748,920	(43,697,517)	(51,403)	-
Transferred to stage 2	(24,175,738)	25,549,381	(1,373,643)	-
Transferred to stage 3	(808,186)	(2,065,902)	2,874,088	-
Balance, end of the year	115,551,025	150,716,437	6,775,689	273,043,151

	2020			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	152,442,075	55,287,063	7,674,146	215,403,284
Net change during the year	(10,282,130)	55,559,678	(6,722,542)	38,555,006
Transferred to stage 1	3,242,213	(3,193,432)	(48,781)	-
Transferred to stage 2	(81,389,043)	81,610,956	(221,913)	-
Transferred to stage 3	(2,477,191)	(3,958,162)	6,435,353	-
Balance, end of the year	61,535,924	185,306,103	7,116,263	253,958,290

Following is a summary of the movement in the provision for expected credit losses on direct credit finance to individuals:

	2021			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	996,886	853,342	1,145,702	2,995,930
Transferred to stage 1	342,442	(182,816)	(159,626)	-
Transferred to stage 2	(780,157)	111,599	668,558	-
Transferred to stage 3	(344)	(5,526)	5,870	-
Loss of Islamic financing during the year	395,663	292,057	(362,128)	325,592
ECL recovery during the year	59,021	(211,957)	(154,148)	(307,084)
Excluding defaults for more than 6 years	-	-	654	654
Recovery of impaired Islamic financing	-	-	(8,748)	(8,748)
Foreign currencies differences	-	-	8,095	8,095
Balance, end of the year	1,013,511	856,699	1,144,229	3,014,439

	2020			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	581,845	455,567	459,847	1,497,259
Transferred to stage 1	12,038	(2,963)	(9,075)	-
Transferred to stage 2	(196,998)	369,286	(172,288)	-
Transferred to stage 3	(6,303)	(7,627)	13,930	-
Loss of Islamic financing during the year	651,651	116,228	425,986	1,193,865
ECL recovery during the year	(45,347)	(77,149)	410,424	287,928
Excluding defaults for more than 6 years	-	-	900	900
Recovery of impaired Islamic financing	-	-	(22,789)	(22,789)
Foreign currencies differences	-	-	38,767	38,767
Balance, end of the year	996,886	853,342	1,145,702	2,995,930

The following is a summary of the movement on the total direct credit financing for SMEs:

	2021			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	50,780,902	62,501,038	4,533,600	117,815,540
Net change during the year	27,324,459	(17,567,779)	(902,893)	8,853,787
Transferred to stage 1	20,295,863	(20,272,016)	(23,847)	-
Transferred to stage 2	(11,215,533)	11,852,789	(637,256)	-
Transferred to stage 3	(374,931)	(958,407)	1,333,338	-
Balance, end of the year	86,810,760	35,555,625	4,302,942	126,669,327

	2020			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	83,917,219	20,339,215	4,714,507	108,970,941
Net change during the year	(6,992,026)	18,016,571	(2,179,946)	8,844,599
Transferred to stage 1	1,051,366	(1,035,547)	(15,819)	-
Transferred to stage 2	(26,392,368)	26,464,329	(71,961)	-
Transferred to stage 3	(803,289)	(1,283,530)	2,086,819	-
Balance, end of the year	50,780,902	62,501,038	4,533,600	117,815,540

The movement in the provision for expected credit losses on direct credit financing of SMEs enterprises is as follows:

	2021			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	863,954	890,982	206,731	1,961,667
Transferred to stage 1	82,178	(79,775)	(2,403)	-
Transferred to stage 2	(37,186)	51,772	(14,586)	-
Transferred to stage 3	(159)	(2,564)	2,723	-
Loss of Islamic financing during the year	(149,688)	(439,042)	326,062	(262,668)
ECL recovery during the year	(265,403)	(98,330)	(71,512)	(435,245)
Excluding defaults for more than 6 years	-	-	303	303
Recovery of impaired Islamic financing	-	-	(4,059)	(4,059)
Foreign currencies differences	-	-	3,755	3,755
Balance, end of the year	493,696	323,043	447,014	1,263,753

	2020			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	387,896	403,711	106,565	898,172
Transferred to stage 1	5,585	(1,375)	(4,210)	-
Transferred to stage 2	192,123	(187,781)	(4,342)	-
Transferred to stage 3	(2,927)	(3,538)	6,465	-
Loss of Islamic financing during the year	1,187,014	53,921	588,604	1,829,539
ECL recovery during the year	(905,737)	626,044	(484,044)	(763,737)
Excluding defaults for more than 6 years	-	-	418	418
Recovery of impaired Islamic financing	-	-	(10,572)	(10,572)
Foreign currencies differences	-	-	7,847	7,847
Balance, end of the year	863,954	890,982	206,731	1,961,667

The following is a summary of the movement on the total direct credit financing of large corporations:

	2021			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	230,672,463	179,691,721	3,384,576	413,748,760
Net change during the year	13,643,121	1,852,125	4,634,245	20,129,491
Transferred to stage 1	100,271,015	(100,153,200)	(117,815)	-
Transferred to stage 2	(55,409,958)	58,558,299	(3,148,341)	-
Transferred to stage 3	(1,852,334)	(4,734,976)	6,587,310	-
Written-off	-	-	(33,426)	(33,426)
Balance, end of the year	<u>287,324,307</u>	<u>135,213,969</u>	<u>11,306,549</u>	<u>433,844,825</u>

	2020			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	331,730,074	32,181,042	9,229,486	373,140,602
Net change during the year	(9,587,132)	63,034,198	(12,744,786)	40,702,280
Transferred to stage 1	3,678,393	(3,623,049)	(55,344)	-
Transferred to stage 2	(92,338,421)	92,590,189	(251,768)	-
Transferred to stage 3	(2,810,451)	(4,490,659)	7,301,110	-
Written-off	-	-	(94,122)	(94,122)
Balance, end of the year	<u>230,672,463</u>	<u>179,691,721</u>	<u>3,384,576</u>	<u>413,748,760</u>

The following is a summary of the movement in the provision for expected credit losses on direct credit facilities and financing for large companies:

	2021			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	752,763	656,287	1,137,847	2,546,897
Transferred to stage 1	240,698	(383,273)	142,575	-
Transferred to stage 2	516,281	255,780	(772,061)	-
Transferred to stage 3	(787)	(12,666)	13,453	-
Loss of Islamic financing during the year	(15,121)	1,744,047	2,843,006	4,571,932
ECL recovery during the year	(323,118)	(485,799)	(353,301)	(1,162,218)
Excluding defaults for more than 6 years	-	-	1,499	1,499
Recovery of impaired Islamic financing	-	-	(20,051)	(20,051)
Foreign currencies differences	-	-	18,552	18,552
Balance, end of the year	<u>1,170,716</u>	<u>1,774,376</u>	<u>3,011,519</u>	<u>5,956,611</u>

	2020			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	85,035	659,279	966,412	1,710,726
Transferred to stage 1	27,590	(6,790)	(20,800)	-
Transferred to stage 2	(735,026)	593,549	141,477	-
Transferred to stage 3	(14,466)	(17,480)	31,946	-
Loss of Islamic financing during the year	608,863	266,388	585,357	1,460,608
ECL recovery during the year	780,767	(838,659)	(533,290)	(591,182)
Excluding defaults for more than 6 years	-	-	2,062	2,062
Recovery of impaired Islamic financing	-	-	(52,232)	(52,232)
Foreign currencies differences	-	-	16,915	16,915
Balance, end of the year	752,763	656,287	1,137,847	2,546,897

The following is a summary of the movement on the total direct credit facilities and financing to the public sector:

	2021			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	168,588,306	-	-	168,588,306
Net change during the year	23,612,347	-	-	23,612,347
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Balance, end of the year	192,200,653	-	-	192,200,653

	2020			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	65,729,792	-	-	65,729,792
Net change during the year	102,858,514	-	-	102,858,514
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Balance, end of the year	168,588,306	-	-	168,588,306

The following is a summary of the movement in the provision for expected credit losses on direct credit facilities and financing to the public sector:

2021				
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	884,708	-	-	884,708
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
ECL During the year	1,057,622	-	-	1,057,622
Balance, end of the year	1,942,330	-	-	1,942,330

2020				
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	884,708	-	-	884,708
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Balance, end of the year	884,708	-	-	884,708

Following is the distribution of Islamic financing net of suspended profits by economic sector:

	2021	2020
	U.S. \$	U.S. \$
Public Sector	192,200,653	168,588,306
	192,200,653	168,588,306
Manufacturing and Agricultural		
Manufacturing	34,090,814	33,589,650
Agricultural	31,497,548	36,780,330
	65,588,362	70,369,980
Services	58,844,455	65,541,585
	58,844,455	65,541,585
Wholesale and Retail		
Internal trade	165,432,307	127,584,623
Financing of professions	23,554,544	18,388,027
	188,986,851	145,972,650
Real Estate		
Home and home improvements	113,705,156	112,892,795
Commercial and investment	49,510,935	45,592,957
	163,216,091	158,485,752
Land		
Personal	58,196,217	56,238,620
Investment	108,078,688	102,013,168
	166,274,905	158,251,788
Consumers' Financing		
Car financing	128,588,426	125,091,674
Consumable goods financing	60,874,834	61,137,333
	189,463,260	186,229,007
	1,024,574,577	953,439,068

7. Financial assets at fair value through other comprehensive income

Financial assets at fair value include the following:

	Domestic U.S. \$	Foreign U.S. \$	Total U.S. \$
<u>December 31, 2021</u>			
Quoted shares	-	161,523	161,523
Unquoted shares	2,945,006	319,559	3,264,565
	<u>2,945,006</u>	<u>481,082</u>	<u>3,426,088</u>
	Domestic U.S. \$	Foreign U.S. \$	Total U.S. \$
<u>December 31, 2020</u>			
Quoted shares	3,564,619	-	3,564,619
Unquoted shares	2,945,006	318,952	3,263,958
	<u>6,509,625</u>	<u>318,952</u>	<u>6,828,577</u>

Some of the bank investments in Unquoted shares as at December 31, 2021 and December 31, 2020 are shown at their fair value with an amount of U.S. \$ 319,559 and U.S. \$ 318,952. An amount of U.S. \$ 607 was recorded as a revaluation of foreign company shares to reflect its market value. Bank's management believes that fair values of such financial assets are not materially different from their carrying amounts at the financial statements.

Following is the movement on the cumulative change in fair value for financial assets during the year:

	2021 U.S. \$	2020 U.S. \$
Balance, beginning of the year	(2,243,628)	(1,874,173)
Change in fair value	1,059,096	(369,455)
Profits from the sale of financial assets at fair value through the statement of comprehensive income, recorded in retained earnings	(59,001)	-
Balance, end of the year	<u>(1,243,533)</u>	<u>(2,243,628)</u>

8. Financial assets at amortized cost

This item represents the Bank's investment in Islamic Sukuk at an expected rate of return from %3.23 to %7.88, for a period of 8 months to 9 years.

	2021 U.S. \$	2020 U.S. \$
Financial assets at amortized cost	35,913,425	30,513,425
Provision for impairment of financial assets at amortized cost	(2,203,633)	(1,465,021)
	<u>33,709,792</u>	<u>29,048,404</u>

The movement of financial assets at amortized cost is as follows:

	2021		
	Stage 1 U.S. \$	Stage 2 U.S. \$	Stage 3 U.S. \$
Balance, beginning of the year	23,000,000	6,250,000	1,263,425
Net change during the year	5,300,000	-	100,000
Transferred to stage 2	(250,000)	250,000	-
Transferred to stage 3	(2,300,000)	-	2,300,000
Balance, end of the year	<u>25,750,000</u>	<u>6,500,000</u>	<u>3,663,425</u>

	2020			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	20,750,000	9,500,000	1,263,425	31,513,425
Net change during the year	2,250,000	(3,250,000)	-	(1,000,000)
Balance, end of the year	<u>23,000,000</u>	<u>6,250,000</u>	<u>1,263,425</u>	<u>30,513,425</u>

The movement of the Provision for impairment of financial assets at amortized cost is as follows:

	2021			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	158,520	43,076	1,263,425	1,465,021
Net ECL for the year	(61,388)	-	800,000	738,612
Transferred to stage 2	(94,527)	94,527	-	-
Transferred to stage 3	(1,870)	-	1,870	-
Balance, end of the year	<u>735</u>	<u>137,603</u>	<u>2,065,295</u>	<u>2,203,633</u>

	2020			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	11,655	296,083	1,263,425	1,571,163
Net ECL for the year	146,865	(253,007)	-	(106,142)
Balance, end of the year	<u>158,520</u>	<u>43,076</u>	<u>1,263,425</u>	<u>1,465,021</u>

9. Investment properties

Following is the movement on Investment properties:

	2021	2020
	U.S. \$	U.S. \$
Balance, beginning of the year	25,884,919	25,677,869
Additions during the year	363,000	159,000
Investment properties impairment loss	(1,040,984)	-
Change in fair value during the year	755,243	48,050
Balance, end of the year	<u>25,962,178</u>	<u>25,884,919</u>

Following is the movement on investment properties reserve:

	2021	2020
	U.S. \$	U.S. \$
Balance, beginning of the year	7,254,718	7,219,509
Unrealized gains on revaluation	755,243	48,050
Deferred tax liabilities	(203,738)	(12,841)
Balance, end of the year	<u>7,806,223</u>	<u>7,254,718</u>

10. Property and equipment

This item represents the following:

	Furniture, equipment and leasehold improvements					Total	
	Buildings		Motor vehicles	Computers		U.S. \$	U.S. \$
	U.S. \$	U.S. \$	U.S. \$	U.S. \$			
December 31, 2021							
Cost:							
Balance, beginning of the year	6,583,699	25,785,235	1,377,702	9,085,462		42,832,098	
Additions	-	1,796,971	74,750	398,793		2,270,514	
Disposals	-	(94,866)	(157,490)	(54,567)		(306,923)	
Balance, end of the year	6,583,699	27,487,340	1,294,962	9,429,688		44,795,689	
Accumulated depreciation:							
Balance, beginning of the year	425,340	12,544,211	376,234	6,195,295		19,541,080	
Depreciation for the year	115,803	1,742,747	133,241	1,155,591		3,147,382	
Disposals	-	(65,618)	(56,285)	(51,178)		(173,081)	
Balance, end of the year	541,143	14,221,340	453,190	7,299,708		22,515,381	
Net book value	6,042,556	13,266,000	841,772	2,129,980		22,280,308	
		Furniture, equipment and leasehold improvements					
	Buildings		Motor vehicles	Computers	Total		
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$		
December 31, 2020							
Cost:							
Balance, beginning of the year	5,553,522	23,616,101	1,235,858	7,961,752		38,367,233	
Additions	1,030,177	3,024,009	141,844	1,314,323		5,510,353	
Disposals	-	(854,875)	-	(190,613)		(1,045,488)	
Balance, end of the year	6,583,699	25,785,235	1,377,702	9,085,462		42,832,098	
Accumulated depreciation:							
Balance, beginning of the year	323,160	11,781,639	248,948	5,241,131		17,594,878	
Depreciation for the year	102,180	1,579,807	127,286	1,144,658		2,953,931	
Disposals	-	(817,235)	-	(190,494)		(1,007,729)	
Balance, end of the year	425,340	12,544,211	376,234	6,195,295		19,541,080	
Net book value	6,158,359	13,241,024	1,001,468	2,890,167		23,291,018	

Property and equipment, include fully depreciated assets with an amount of U.S. \$ 15,729,036 and U.S. \$ 13,512,838 that still used in the operations of the bank as of December 31, 2021 and December 31, 2020, respectively.

11. Project in progress

This item represents the balance of branches and offices under construction as at 31 December 2021 and 2020. The value of the expansion and leasehold improvements of the Bank's headquarters and branches. The expected estimated cost of completion of the projects in progress is U.S. \$ 616,774. These projects are expected to be completed in 2022.

Movement on project in progress is as follows:

	2021 U.S. \$	2020 U.S. \$
Balance, beginning of the year	704,734	1,049,063
Additions	629,102	3,315,951
Transferred to property and equipments	(1,026,429)	(3,660,280)
Balance, end of the year	<u>307,407</u>	<u>704,734</u>

12. Right of use assets

Following is the movement of right of use:

	2021 U.S. \$	2020 U.S. \$
Balance, beginning of the year	7,936,131	8,287,217
Additions	64,822	665,218
Disposals	(114,791)	-
Depreciation for the year	(1,063,996)	(1,016,304)
Balance, end of the year	<u>6,822,166</u>	<u>7,936,131</u>

13. Deferred tax assets

The movement on the deferred tax assets was as follows:

	2021 U.S. \$	2020 U.S. \$
Balance, beginning of the year	3,647,117	2,774,291
Additions	677,983	932,416
Amortization	(72,698)	(59,590)
Balance, end of the year	<u>4,252,402</u>	<u>3,647,117</u>

The balance of deferred tax assets represents the result of impairment losses related to investments with Islamic banks and financial assets at amortized cost, which was previously recognized in the income statement, in addition to stage 1 and 2 ECL allowances on Islamic Financing, the provision for employees' indemnity and the provision for legal cases.

14. Intangible assets

Intangible assets include computer systems and programs. The movement on intangible assets was as follows:

	2021 U.S. \$	2020 U.S. \$
Cost		
Balance, beginning of the year	5,979,013	5,481,704
Additions	733,720	497,309
Balance, end of the year	6,712,733	5,979,013
Amortization		
Balance, beginning of the year	4,530,779	4,080,643
Amortization for the year	489,211	450,136
Balance, end of the year	5,019,990	4,530,779
Net book value	<u>1,692,743</u>	<u>1,448,234</u>

15. Other assets

This item represents the following:

	2021 U.S. \$	2020 U.S. \$
Clearing checks	10,003,474	12,571,202
Account receivable, advances and temporary expenses	6,726,215	3,937,839
Accrued revenues not received	1,395,417	1,256,909
Prepaid expenses	914,920	1,347,898
Stationery and printings	256,797	217,721
	<u>19,296,823</u>	<u>19,331,569</u>

16. Istidama loans from PMA

This item represents the value of the Monetary Authority's deposits in accordance with the instructions of the Palestinian Monetary Authority No. (22/2020) and (8/2021) with the aim of mitigating the economic effects of the Corona Virus (Covid 19) crisis on economic activities and projects, especially small and medium enterprises, so that the Monetary Authority meets a return of a percentage of 0.5% on the financing granted by it, and the bank is committed to collecting a reducing return of a maximum of 3% from the borrowers. The balance of sustainability loans amounted to \$6,488,216 and \$3,186,310 as of December 31, 2021 and 2020.

17. Palestine Monetary Authority deposits

	2021 U.S. \$	2020 U.S. \$
Swap deposits maturing within 3 months	73,472,818	43,844,655
Investment deposits maturing within 3 months	-	3,109,550
Incentivize deposits maturing more than 3 months*	20,000,000	20,000,000
	<u>93,472,818</u>	<u>66,954,205</u>

* This item represents the value of incentivize deposits from PMA with the aim of mitigating the economic effects of the Coronavirus (COVID 19) crisis on the Bank's activities and the subsequent losses as a result of postponing customers' installments during the year 2020. These deposits are due within three years and PMA collects a return of 0.5% on it.

18. Banks and financial institutions' deposits

	2021	2020
	U.S. \$	U.S. \$
Banks and financial institutions inside Palestine:		
Current and demand accounts	1,010,601	749,930
Swap deposits maturing within 3 months	10,000,000	-
Banks deposits and financial institutions maturing within 3 months	3,275,202	732,676
Banks deposits and financial institutions maturing after than 3 months	16,543,330	24,440,016
	<u>30,829,133</u>	<u>25,922,622</u>
Banks and financial institutions outside Palestine:		
Current and demand accounts	1,948,831	1,305,324
Swap deposits maturing within 3 months	10,000,000	-
	<u>11,948,831</u>	<u>1,305,324</u>
	<u>42,777,964</u>	<u>27,227,946</u>

19. Customers' deposits

	2021	2020
	U.S. \$	U.S. \$
Current and demand accounts	<u>382,445,006</u>	<u>325,966,065</u>

- Total deposits comprise of customers' deposits (Note 19), cash margins (Note 20) and unrestricted investment accounts (Note 26) which amounted to U.S. \$ 1,419,502,733 and U.S. \$ 1,296,218,801 as at December 31, 2021 and 2020, respectively.
- Restricted deposits amounted to U.S. \$ 99,544,760 and U.S. \$ 54,205,257 representing %7.01 and %4.18 of the total deposits as at December 31, 2021 and 2020, respectively.
- Government deposits amounted to U.S. \$ 13,458,079 and U.S. \$ 12,478,087 representing %0.95 and %0.96 of the total deposits as at December 31, 2021 and 2020, respectively.
- Quasi-governmental deposits amounted to U.S. \$ 7,008,753 and U.S. \$ 5,073,244 representing %0.49 and %0.39 of the total deposits as at December 31, 2021 and 2020, respectively.
- Dormant deposits amounted to U.S. \$ 7,163,061 and U.S. \$ 5,952,964 representing %0.5 and %0.46 of the total deposits as at December 31, 2021 and 2020, respectively.
- Non-profit bearing deposits amounted to U.S. \$ 382,445,006 and U.S. \$ 325,966,065 representing %26.94 and %25.15 of the total deposits as at December 31, 2021 and December 31, 2020, respectively.

20. Cash margins

	2021	2020
	U.S. \$	U.S. \$
Direct Islamic financing	69,210,613	54,632,962
Indirect Islamic financing	13,803,494	12,502,629
Other margins	7,900,918	6,607,030
	<u>90,915,025</u>	<u>73,742,621</u>

All cash margins are cash margins that participates in profits.

21. Sundry provisions

This item represents the following provisions:

	Balance, beginning of the year U.S. \$	Additions for the year U.S. \$	Used during the Year U.S. \$	Balance, end of the year U.S. \$
December 31, 2021				
Provision for employees' indemnity	6,708,220	1,153,206	(272,032)	7,589,394
Provision for legal cases	22,463	-	-	22,463
	<u>6,730,683</u>	<u>1,153,206</u>	<u>(272,032)</u>	<u>7,611,857</u>
December 31, 2020				
Provision for employees' indemnity	5,783,828	1,147,373	(222,981)	6,708,220
Provision for legal cases	22,463	-	-	22,463
	<u>5,806,291</u>	<u>1,147,373</u>	<u>(222,981)</u>	<u>6,730,683</u>

22. Tax provisions

The movement on tax provisions during the years ended December 31, 2021 and 2020 was as follows:

	2021 U.S. \$	2020 U.S. \$
Balance, beginning of the year	3,207,605	1,359,203
Provision for the year	6,788,364	3,822,826
Provision for previous years	704,576	-
Payments during the year	(704,576)	(218,962)
Advance payments	(1,909,308)	(1,755,462)
Balance, end of the year	<u>8,086,661</u>	<u>3,207,605</u>

Income tax expense reported in income statement represents the following:

	2021 U.S. \$	2020 U.S. \$
Provision for the year	7,492,940	3,822,826
Deferred tax assets additions	(677,983)	(932,416)
Deferred tax assets amortization	72,698	59,590
Balance, end of the year	<u>6,887,655</u>	<u>2,950,000</u>

The reconciliation between accounting income and taxable income is as follows:

	2021 U.S. \$	2020 U.S. \$
Bank's accounting profit before tax	18,576,829	10,964,336
Profit not subject to tax	(2,599,399)	(3,894,165)
Non-deductible tax expenses	5,246,203	2,745,979
Profit subject to Value Added Tax (VAT)	21,223,633	9,816,150
Less: VAT on income	(3,020,309)	(1,353,952)
Revenues not subject to income tax	(1,971,660)	(1,753,511)
Taxable income	16,231,664	6,708,687
Statutory income tax	2,487,250	731,303
Total taxes for the year	<u>5,507,558</u>	<u>2,085,255</u>
Tax provided by the Bank	<u>6,788,364</u>	<u>3,822,826</u>
Effective tax rate	<u>%37</u>	<u>%35</u>



During the year, the Bank reached a final settlement with the tax departments on the results of its business until 2018, where an amount of U.S.\$ 704,576 was paid as an additional expense for income tax. The actual amounts of taxes that may be paid depend on the results of final clearances with the tax departments. The bank did not reach final settlements with the income tax and value added tax departments about its business results for the year 2019 and 2020. The bank submitted the tax return on its business results for the years 2019 and 2020 on time, and the tax advisor is following up with the final clearances.

The legal rate of income tax was 15%, and the legal rate of value-added tax was 16%, as on December 31, 2021 and 2020. In accordance with the provisions of Resolution No. (4) of 2014 amending Resolution No. (8) of 2011 regarding income tax, the income tax on profits resulting from financing small and medium enterprises shall be collected at the rate of 10% of those profits.

23. Deferred tax liabilities

The movement on the deferred tax liabilities is as follows:

	2021	2020
	U.S. \$	U.S. \$
Balance, beginning of the year	2,645,835	2,632,994
Additions	203,738	12,841
Balance, end of the year	2,849,573	2,645,835

The balance of deferred tax liabilities is a result of the revaluation of investment properties which was presented within the investment properties reserve in equity.

24. Lease liabilities

Following is the movement on lease liabilities:

	2021	2020
	U.S. \$	U.S. \$
Balance, beginning of the year	8,252,944	8,447,555
Additions	64,822	665,218
Disposales	(116,391)	-
Payments	(1,203,058)	(1,146,568)
Cost of lease liabilities during the year (Note 34)	245,063	286,739
Balance, ending of the year	7,243,380	8,252,944

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

The liabilities related to rent contracts are deducted using 3.4% discount rate as of December 31, 2021, total rent liabilities amount is U.S. \$ 11,268,150 as of December 31, 2021.

	2021	2020
	U.S. \$	U.S. \$
Short term liabilities	1,062,786	881,112
Long term liabilities	6,180,594	7,371,832
	7,243,380	8,252,944

The amount of the lease expense for short-term contracts and lease contracts of low-value assets that were recognized in the income statement for the year ended December 31, 2020 is U.S. \$ 73,209, and on December 31, 2021 amounted U.S. \$ Zero. (Note 34)

25. Other liabilities

This item represents the following:

	2021	2020
	U.S. \$	U.S. \$
Certified checks	8,557,053	14,249,895
Temporary accounts and intermediary accounts	2,407,286	3,082,139
Return on unrestricted investment accounts	2,767,005	2,433,883
Trade payables	2,509,516	1,430,368
Accrued taxes	823,588	667,554
Board of Directors remuneration	250,000	220,000
Earnings prohibited by shari'a	193,719	-
Provision for commitments and contingencies (Note 38)	122,664	176,812
Other credit balances	63,467	120,072
	<u>17,694,298</u>	<u>22,380,723</u>

26. Unrestricted investment accounts

This item represents the following:

	2021	2020
	U.S. \$	U.S. \$
Time deposits	376,558,646	389,145,762
Saving deposits	569,584,056	507,364,353
	<u>946,142,702</u>	<u>896,510,115</u>

27. Reserves

Statutory reserve

As required by the Companies' Law and Banking Law, 10% of the net profit after tax is transferred to the statutory reserve. This transfer will continue until the total reserve balance equals the Bank's paid-in share capital. This reserve is not available for distribution to shareholders and cannot be utilized without the prior approval of PMA.

General banking risk 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 Islamic financing after deducting impairment allowance for credit facilities and suspended interest and profit and 0.5% of indirect Islamic financing. According to PMA's generalization number (53/2013), the general banking risks reserve is not held against the small and medium sized companies if the conditions indicated in the generalization are applicable on it. The directed credit facilities granted to small and medium sized companies amounted to U.S.\$14,937,362 as at December 31, 2021 and an amount of U.S. 12,742,182 as at December 31, 2020. The reserve is not to be utilized or reduced without PMA's prior approval. During 2018 the Bank adopted IFRS (9) and recorded the impact of IFRS (9) from this reserve, in reference to Stage 1 and Stage 2 expected credit losses, as per PMA generalization number (2/2018).

Pro-cyclicality reserve

The periodic fluctuations reserve item represents the value of the deductions made in accordance with the instructions of the Palestinian Monetary Authority No. (6/2015) at a rate of 15% of net profits after taxes, as the bank stopped deducting this percentage and adding it to the reserve item according to instructions No. (01/2018), which specified A rate of 0.57% of the risk-weighted assets as an anti-cyclical capital source. The instructions allowed banks to use the amounts formed in the cyclical fluctuation reserve item for the purposes of this source. According to instructions No. (13/2019), a percentage of 0.66% of the Risk-weighted assets as an anti-cyclical capital source for the year 2019, bearing in mind that banks are required to comply with the disclosure requirements for the anti-cyclical capital source as of 31/3/2023, whereby banks are prohibited from disposing of the amounts allocated in the provision for cyclical fluctuations for any purpose except pursuant to the prior written approval of the Palestinian Monetary Authority.

28. Financing and investment revenues

This item represents revenues from the following:

	2021	2020
	U.S. \$	U.S. \$
Murabaha investments	42,945,859	38,827,133
Tawarooq Revenue	8,316,210	2,250,949
Ijara muntahia bittamleek	3,659,321	3,292,921
Income from investments in Islamic Sukuk	1,737,126	1,662,154
Istisna'a financing	1,727,337	1,087,590
Mudaraba	680,072	1,254,195
Income from investments in Islamic institutions banks	455,592	923,861
	<u>59,521,517</u>	<u>49,298,803</u>

29. Return on unrestricted investment accounts

This item represents revenues as following:

	2021	2020
	U.S. \$	U.S. \$
Time deposits	11,664,662	11,227,693
Cash margins	499,419	286,254
Saving deposits	441,897	319,753
	<u>12,605,978</u>	<u>11,833,700</u>

30. Net commissions

This item represents the following:

	2021	2020
	U.S. \$	U.S. \$
Commissions received on:		
Accounts' management, cash withdrawals and deposits and outgoing transfers	3,309,873	2,580,717
Checks under collection, post-dated checks and checkbooks	1,255,820	1,118,451
ATMs and VISA cards	1,127,653	731,008
Indirect Islamic financing	476,673	366,493
Dormant accounts	198,001	150,405
Other	944,642	601,603
	<u>7,312,662</u>	<u>5,548,677</u>
Commissions paid	<u>(955,549)</u>	<u>(806,219)</u>
	<u>6,357,113</u>	<u>4,742,458</u>

31. Financial assets gain

This item represents the proceeds from the distribution of financial assets amounting to \$284,288 and \$372,596 as of December 31, 2021 and 2020.

32. Other revenues

This item represents revenues from the following:

	<u>2021</u>	<u>2020</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Rental income from investment properties	230,000	230,000
Others	384,978	295,550
	<u>614,978</u>	<u>525,550</u>

33. Personnel expenses

This item represents the following:

	<u>2021</u>	<u>2020</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Salaries and related benefits	12,323,279	11,384,922
VAT on salaries	1,971,660	1,821,588
Provision for employees' indemnity	1,153,206	1,147,373
Medical expenses	784,883	648,367
The Bank's contribution in the provident fund*	518,249	491,521
Travel, accommodation and transportation	149,264	108,817
Training expenses	93,213	79,479
	<u>16,993,754</u>	<u>15,682,067</u>

* During the year 2017, the Bank established a provident fund for its employees. The Bank deducts %5 of each employee's monthly basic salary and matches it with an additional %5 as the Bank's contribution for employees in service for less than 5 years, %8 for employees in service for the period from 5 years to less than 10 years and %10 for employees in service for the period of 10 years and more. The Fund's balance is kept in a separate bank account within customers' deposits. This item represents the Bank's contribution in this fund.

34. Other operating expenses

This item represents the following:

	2021	2020
	U.S. \$	U.S. \$
Maintenance and cleaning	1,679,451	1,493,829
Telephone, fax and postage	1,524,537	1,408,063
Fees, license and subscriptions	1,471,591	901,162
Deposit Insurance Corporation fees*	1,299,793	1,784,865
Cash shipping costs	1,153,833	671,533
Utilities	635,969	663,561
Insurance	633,143	594,830
Board of Directors' remuneration	547,907	472,198
Stationery, printings and supplies	517,842	453,062
Savings accounts gift box	204,083	159,957
Vehicles and transportation	382,484	382,194
Social responsibility (donations)**	274,965	352,191
Professional and consultancy fees	245,992	185,479
Cost of lease liabilities	245,063	286,739
Advertisements and marketing	170,688	465,101
Paid banks' profits	140,320	667,035
Hospitality	110,012	92,672
Guarding	62,203	40,627
VAT on leased properties	31,724	31,724
Rents	-	73,209
Sundry	1,323,532	660,519
	<u>12,655,132</u>	<u>11,840,550</u>

* Banks are required to accrue and account for annual subscription fees for Palestine Deposit Insurance Corporation at a rate of %0.3 of total deposits specified by law number (7) for the year 2013. As of January 1, 2019, Palestine Deposit Insurance Corporation issued a circular no. (03/2019) regarding reducing the minimum subscription fees to (%0.2 - %0.8), and as of January 1, 2020 the subscription fees will be 0.2% of the average total deposits instead of 0.3%. In October 27, 2020 a circular from Palestine Deposit Insurance Corporation no. (02/2020) regarding reducing the minimum subscription fees to (0.1% - 0.8%) as at October 1, 2020, the percentage of the annual subscription will be 0.1% of total average customer deposits instead of 0.2% of the average total deposits. On November 9, 2021, the Corporation issued Circular No. (2/2021) regarding raising the fixed subscription fee rate to 0.2% of the average total subject deposits, as of the beginning of 2022.

** The Bank receives donation applications in connection with its social responsibility covering all kinds of charities through its branches located in different cities. These applications are sent to the Planning and Research Department within the General Administration to be assessed by executive management, which studies applications, ensures accuracy of all information, and gives recommendations to the Shari'a Supervisory Board of the Bank to give their Shari'a opinion. If the application is accepted, beneficiaries are informed, and payments are made directly to suppliers. Donations comprise %2.35 and %4.39 of net income as at December 31, 2021 and 2020, respectively.

35. Depreciation and amortization

This item represents depreciation and amortization of the following:

	2021	2020
	U.S. \$	U.S. \$
Property and equipment	3,147,382	2,953,931
Right of use assets	1,063,996	1,016,304
Intangible assets	489,211	450,136
	<u>4,700,589</u>	<u>4,420,371</u>

36. Impairment loss, Net

This item represents impairment loss as of 31 December 2021, 2020:

	2021	2020
	U.S. \$	U.S. \$
Net revaluation of expected credit loss of balances at banks and financial institutions (Note 4)	(466,261)	576,845
Net revaluation of expected credit loss of investments at islamic banks (Note 5)	515,137	(13,895)
Net revaluation of expected credit loss of investment at Palestine Monetary Authority (Note 3)	464,317	-
Net revaluation of expected credit loss of direct Islamic financing (Note 6)	3,787,931	3,417,022
Net revaluation of expected credit loss of financial assets at amortized cost (Note 8)	738,612	(106,142)
Net revaluation of expected credit loss of indirect Islamic financing (Note 38)	(54,148)	145,551
Investment properties impairment loss (Note 9)	1,040,984	-
Expected credit loss provision for accounts receivable	300,000	-
	<u>6,326,572</u>	<u>4,019,381</u>

37. Zakat

Each shareholder bears the responsibility for Zakat payment, in which the Bank, with the consent of Shari'a Supervisory Board, annually informs the shareholders with the amount of Zakat due on each share. Zakat per share for the year 2021 amounted to U.S. \$ 0.02082. (2020 amounted to U.S. \$ 0.01456).

38. Commitments and contingencies

Total outstanding commitments and contingent liabilities as at the financial statements date are as follows:

	2021	2020
	U.S. \$	U.S. \$
Unutilized limits of direct Islamic financing	92,232,758	112,862,248
Letter of guarantees	44,639,221	41,458,554
Letter of credits	10,045,446	6,811,288
Savings accounts gift box	322,700	388,850
Acceptances	68,280	5,861
	<u>147,308,405</u>	<u>161,526,801</u>

The movement on Credit loss reserve as following:

	2021			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Beginning Balance	176,812	-	-	176,812
Net credit loss for the year end	(122,509)	68,361	-	(54,148)
Ending balance	54,303	68,361	-	122,664

The balance of the expected credit loss is shown in other liabilities (Note 25).

39. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	2021	2020
	U.S. \$	U.S. \$
Cash and balances with PMA	516,810,255	401,742,907
Add: Balances at banks and financial institutions maturing within 3 months	65,470,107	79,516,323
Investments at Islamic banks maturing within 3 months	3,108,626	2,328,036
Less: PMA deposits	(73,472,818)	(46,954,205)
Banks and financial institutions' deposits maturing within 3 months	(26,234,634)	(2,787,930)
Statutory cash reserve	(129,331,176)	(111,558,693)
	<u>356,350,360</u>	<u>322,286,438</u>

40. Basic and diluted earnings per share

This item represents the following:

	2021	2020
	U.S. \$	
Profit for the year	11,689,174	8,014,336
	Shares	
Weighted average number of subscribed shares	91,719,252	91,719,252
	U.S. \$	
Basic and diluted earnings per share	0.127	0.087

41. Sources of financing of Bank's assets and investments

This item represents the following:

	2021			2020		
	Joint financing	Self- financing	Total	Joint financing	Self- financing	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Cash and balances with PMA	516,345,938	-	516,345,938	401,742,907	-	401,742,907
Balances at banks and financial institutions	86,947,263	-	86,947,263	88,072,938	-	88,072,938
Investments at Islamic banks	3,265,453	-	3,265,453	4,062,368	-	4,062,368
Direct Islamic financing	1,012,397,444	-	1,012,397,444	945,049,866	-	945,049,866
Financial assets at fair value through other comprehensive income	-	3,426,088	3,426,088	-	6,828,577	6,828,577
Financial assets at amortized cost	-	33,709,792	33,709,792	-	29,048,404	29,048,404
Investment properties	-	25,962,178	25,962,178	-	25,884,919	25,884,919
Property and equipment	-	22,280,308	22,280,308	-	23,291,018	23,291,018
Right of use assets	-	6,822,166	6,822,166	-	7,936,131	7,936,131
Project in progress	-	307,407	307,407	-	704,734	704,734
Deferred tax assets	-	4,252,402	4,252,402	-	3,647,117	3,647,117
Intangible assets	-	1,692,743	1,692,743	-	1,448,234	1,448,234
Other assets	10,003,474	9,293,349	19,296,823	12,571,202	6,760,367	19,331,569
	<u>1,628,959,572</u>	<u>107,746,433</u>	<u>1,736,706,005</u>	<u>1,451,499,281</u>	<u>105,549,501</u>	<u>1,557,048,782</u>

42. Cash and stock dividends

The General Assembly of the Bank approved, in its meeting held on March 30, 2021, the distribution of cash dividends to shareholders of 2.9% of the nominal value of the share, with a total amount of \$2,565,000, and the distribution of free shares to shareholders at a rate of 3.67% of the nominal value of the share, with a total amount of \$3,250,000 On the bank's business results for the year 2020.

The Bank's General Assembly, in its meeting held on March 25, 2020, approved the distribution of cash dividends to shareholders at a rate of 4.71% of the nominal value of the share, with a total amount of \$4,000,000, and the distribution of free shares to shareholders at a rate of 4.18% of the nominal value of the share, with a total amount of \$3,550,000 for the bank's business results for the year 2019.

43. Additional paid-in capital

The extraordinary general assembly of the bank, in its session held on April 2, 2017, approved offering 25 million shares for secondary subscription to shareholders on that date, with a nominal value of one US dollar per share, and a premium of 0.25 US dollars per share. \$25,000,000 and a premium of \$6,250,000 were subscribed. The Extraordinary General Assembly of the Bank approved in its session held on March 25, 2019 the capitalization of the issue premium balance of \$6,250,000 and its addition to the capital.

44. Related party transactions

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

	Nature of relationship	2021 U.S. \$	2020 U.S. \$
Statement of financial position items:			
Direct Islamic financing	Board of Directors and executive management	40,661,901	43,101,199
Deposits	Board of Directors and executive management	35,552,167	42,110,857
Board of Directors' accrued remuneration	Board of Directors	250,000	220,000
Statement of financial position items			
Indirect Islamic financing	Board of Directors and executive management	9,505,161	19,910,341
Income statement items:			
Profit received	Board of Directors and executive management	2,328,536	1,905,022
Profit paid	Board of Directors and executive management	624,814	668,893

- Direct Islamic financing granted to related parties as at December 31, 2021 and 2020 represent %4.02 and %4.56 of the net Islamic financing, respectively.
- Direct Islamic financing granted to related parties as at December 31, 2021 and 2020 represent %31.75 and %37.63 of the Bank's regulatory capital respectively.
- Average profit on Islamic financing in U.S. \$ granted to related parties ranges between %1.72 to %6.

The Board of Directors and executive management remuneration (Salaries, Bonus and other benefits) are as follows:

	2021	2020
	U.S. \$	U.S. \$
Board of Directors' remuneration *	250,000	220,000
Board of Directors' travel and transportation expenses*	261,004	217,000
Executives' management salaries and related benefits	853,931	1,125,893
Executives' management end of service indemnity	61,448	81,875

* Following are the details of the Board of Directors' bonuses and travel expenses for the years 2020 and 2019:

		2021	2020
	Representing	U.S. \$	U.S. \$
Rushdi Al-Ghalayeni	Bank of Palestine	58,489	47,258
Mohammad Nasser	Palestine Investment Fund	41,989	39,758
Shadi Al-Khateeb	Aswaq Investment Portfolio	49,489	47,258
Sam Buhour	Individual	46,989	41,758
Maher Farah	Bank of Palestine	5,874	35,258
Salman Qumaleh	Bank of Palestine	10,247	36,341
Mohammad AbuRamadan	Aswaq Investment Portfolio	42,989	38,258
Safa Nasser Eldeen	Individual	41,989	38,758
Samar Nakhleh	Small Shareholder	43,489	38,758
Saeb Samour	Individual	39,615	-
Saqer Jundiyah	Bank of Palestine	40,115	-
Abdallah AlGhanem	Bank of Palestine	32,868	-
Wail AlSourani	Bank of Palestine	41,615	-
Atef Alawneh	Bank of Palestine	15,747	61,760
Faysal Al-Shawa	Bank of Palestine	-	11,835
		511,504	437,000

Policy of remuneration and bonuses

The Bank has clear governing rules of practice of remuneration and bonuses, where the aim of this policy is to establish governance, control, fair and equitable distribution of rewards for all employees within clear and specific instructions based on the level of performance taking into account all types of risks to which the Bank might be exposed to in addition to PMA instructions.

45. Concentration of assets and off statement of financial position items

Following is breakdown of the Bank's assets and off-balance sheet items by geographical area and segment:

	Palestine	Jordan	Israel	Others	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
December 31, 2021					
Cash and balances with PMA	516,345,938	-	-	-	516,345,938
Balances at banks and financial institutions	10,014,104	37,752,644	11,828,685	27,351,830	86,947,263
Investments at Islamic banks	-	-	-	3,265,453	3,265,453
Direct Islamic financing	1,009,569,012	2,828,432	-	-	1,012,397,444
Financial assets at fair value through other comprehensive income	2,945,006	161,523	-	319,559	3,426,088
Financial assets at amortized cost	-	-	-	33,709,792	33,709,792
Investment properties	25,962,178	-	-	-	25,962,178
Property and equipment	22,280,308	-	-	-	22,280,308
Projects in progress	307,407	-	-	-	307,407
Right of use assets	6,822,166	-	-	-	6,822,166
Deferred tax assets	4,252,402	-	-	-	4,252,402
Intangible assets	1,692,743	-	-	-	1,692,743
Other assets	19,296,823	-	-	-	19,296,823
Total assets	1,619,488,087	40,742,599	11,828,685	64,646,634	1,736,706,005
Commitments and Contingencies					
Unutilized Islamic financing limits	92,232,758	-	-	-	92,232,758
Letter of credit	44,639,221	-	-	-	44,639,221
Letter of guarantees	10,045,446	-	-	-	10,045,446
Savings accounts gifts box	322,700	-	-	-	322,700
Acceptances	68,280	-	-	-	68,280
	147,308,405	-	-	-	147,308,405
December 31, 2020					
Cash and balances with PMA	401,742,907	-	-	-	401,742,907
Balances at banks and financial institutions	-	33,628,945	23,462,065	30,981,928	88,072,938
Investments at Islamic banks	-	-	-	4,062,368	4,062,368
Direct Islamic financing	941,859,122	34,994	3,129,124	26,626	945,049,866
Financial assets at fair value through other comprehensive income	6,509,625	-	-	318,952	6,828,577
Financial assets at amortized cost	-	-	-	29,048,404	29,048,404
Investment properties	25,884,919	-	-	-	25,884,919
Property and equipment	23,291,018	-	-	-	23,291,018
Right of use assets	704,734	-	-	-	704,734
Projects in progress	7,936,131	-	-	-	7,936,131
Deferred tax assets	3,647,117	-	-	-	3,647,117
Intangible assets	1,448,234	-	-	-	1,448,234
Other assets	19,331,569	-	-	-	19,331,569
Total assets	1,432,355,376	33,663,939	26,591,189	64,438,278	1,557,048,782
Commitments and Contingencies					
Unutilized Islamic financing limits	112,862,248	-	-	-	112,862,248
Letter of guarantees	41,458,554	-	-	-	41,458,554
Letter of credit	6,811,288	-	-	-	6,811,288
Savings accounts gifts box	388,850	-	-	-	388,850
Acceptances	5,681	-	-	-	5,681
	161,526,801	-	-	-	161,526,801

According to segment	2021			2020		
	Assets	Liabilities and unrestricted investment accounts and equity	Commitments and contingencies	Assets	Liabilities and unrestricted investment accounts and equity	Commitment and contingencies
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Retail	274,212,246	1,303,273,548	342,100	275,356,843	1,074,790,457	388,850
Corporate	617,078,991	238,835,720	130,527,902	547,518,244	334,845,288	140,371,419
Small and medium co.	121,106,207	8,371,970	16,438,403	122,174,779	6,826,786	20,766,532
Treasury	643,694,534	142,738,998	-	529,755,194	97,368,461	-
Others	80,614,027	43,485,769	-	82,243,722	43,217,790	-
Total	1,736,706,005	1,736,706,005	147,308,405	1,557,048,782	1,557,048,782	161,526,801

46. Risk management

The Bank manages, assesses, and monitors its operating risks on an ongoing basis in order to limit it to an acceptable level. The Bank identified assets that are subject to various risks (operating risk, credit risk, and market risk). The tasks and monitoring responsibilities concerning risk management are divided between the Bank's employees in all management levels.

Risk management process

The Board of Directors is responsible for identifying and controlling risks. In addition, there are several parties in different departments who are also responsible for risk management. The Board of Directors is responsible for developing the overall risk management approach and for approving the risk management strategies and principles.

The Bank has established policies and procedures to control risks and mitigate their effect as much as possible. The Risk Management Department monitors the effectiveness of the risk management process on a monthly basis.

The Bank discloses any information relevant to the financial statements users that pertain to the nature and extent of the risks that apply to the Bank and its financial instruments as at the financial statements date. They are as following:

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 islamic financing (retail or corporate) and total financing granted to each sector and each geographical area. The Bank also monitors credit risks and continuously evaluates the credit standing of customers. The Bank also obtains appropriate collaterals from customers.

Gross exposures to credit risk (net of ECL provisions and interest and profits in suspense and prior to collaterals and other risk mitigations):

	2021 U.S. \$	2020 U.S. \$
Statement of financial position Items:		
Balances with Palestine Monetary Authority	229,236,921	178,779,736
Balances at banks and financial institutions	86,947,263	88,072,938
Investments at Islamic banks	3,265,453	4,062,368
Direct Islamic financing	1,012,397,444	945,049,866
Financial assets at amortized cost	33,709,792	29,048,404
Other assets	18,125,106	17,765,950
Total statement of financial position items	1,383,681,979	1,262,779,262
Commitments and contingencies:		
Unutilized Islamic financing limits	92,232,758	112,862,248
Letter of guarantee	44,639,221	41,458,554
Letter of credit	10,045,446	6,811,288
Savings accounts gift box	322,700	388,850
Acceptances	68,280	5,861
Total commitments and contingencies	147,308,405	161,526,801

2021	Total exposure			ECL			Collateral as coverage percentage		
	Stage 1 U.S. \$	Stage 2 U.S. \$	Stage 3 U.S. \$	Stage 1 U.S. \$	Stage 2 U.S. \$	Stage 3 U.S. \$	Stage 1 U.S. \$	Stage 2 U.S. \$	Stage 3 U.S. \$
Cash and balances with PMA	229,701,238	-	-	464,317	-	-	%0.20	%0.00	%0.00
Balances at banks and financial institutions	87,092,229	-	-	144,966	-	-	%0.17	%0.00	%0.00
Direct Islamic financing	681,886,745	321,486,031	22,385,180	4,620,253	2,954,118	4,602,762	%0.68	%0.92	%20.56
Individuals	115,551,025	150,716,437	6,775,689	1,013,511	856,699	1,144,229	%0.88	%0.57	%16.89
Small and medium size business	86,810,760	35,555,625	4,302,942	493,696	323,043	447,014	%0.57	%0.91	%10.39
Large corporate	287,324,307	135,213,969	11,306,549	1,170,716	1,774,376	3,011,519	%0.41	%1.31	%26.64
Public sector	192,200,653	-	-	1,942,330	-	-	%1.01	-	-
Financial assets at amortized cost	25,750,000	6,500,000	3,663,425	735	137,603	2,065,295	%0.00	%2.12	%61.40
Other assets	18,125,106	-	300,000	-	-	300,000	-	-	%100
Total	1,042,555,318	327,986,031	26,348,605	5,230,271	3,091,721	6,968,057	%0.50	%0.94	%26.45
Credit exposure related to off-balance sheet items:	118,044,219	28,873,206	-	54,303	68,361	-	%0.05	%0.24	-

2020	Total exposure			ECL			Collateral coverage percentage		
	Stage 1 U.S. \$	Stage 2 U.S. \$	Stage 3 U.S. \$	Stage 1 U.S. \$	Stage 2 U.S. \$	Stage 3 U.S. \$	Stage 1 U.S. \$	Stage 2 U.S. \$	Stage 3 U.S. \$
Cash and balances with PMA	178,779,736	-	-	-	-	-	%0.00	%0.00	%0.00
Balances at banks and financial institutions	73,122,563	15,561,602	-	503,974	107,253	-	%0.69	%0.69	%0.00
Direct Islamic financing	511,577,595	427,498,862	15,034,439	3,498,311	2,400,611	2,490,280	%0.68	%0.56	%16.56
Individuals	61,535,924	185,306,103	7,116,263	996,886	853,342	1,145,702	%1.62	%0.46	%16.10
Small and medium size business	50,780,902	62,501,038	4,533,600	863,954	890,982	206,731	%1.70	%1.43	%4.56
Large corporate	230,672,463	179,691,721	3,384,576	752,763	656,287	1,137,847	%0.71	%0.37	%33.62
Public sector	168,588,306	-	-	884,708	-	-	%0.00	-	-
Financial assets at amortized cost	23,000,000	6,250,000	1,263,425	158,520	43,076	1,263,425	%0.69	%0.69	%100.00
Other assets	17,765,950	-	-	-	-	-	-	-	-
Total	804,245,844	449,310,464	16,297,864	4,160,805	2,550,940	3,753,705	%0.52	%0.57	%23.03
Credit exposure related to off-balance sheet items:	161,132,090	-	-	176,812	-	-	%0.11	-	-

The fair value of the collateral for Stage 2 and Stage 3:

2021	Total exposure			ECL			Net exposure		
	Stage 2 U.S. \$	Stage 3 U.S. \$	Total U.S. \$	Stage 2 U.S. \$	Stage 3 U.S. \$	Total U.S. \$	Stage 2 U.S. \$	Stage 3 U.S. \$	Total U.S. \$
Individuals	150,716,437	6,775,689	157,492,126	103,558,605	5,053,169	108,611,774	47,157,832	1,722,520	48,880,352
Small and medium size business	35,555,625	4,302,942	39,858,567	27,392,228	2,556,546	29,948,774	8,163,397	1,746,396	9,909,793
Large corporate	135,213,969	11,306,549	146,520,518	79,002,522	8,197,934	87,200,456	56,211,447	3,108,615	59,320,062
Total	321,486,031	22,385,180	343,871,211	209,953,355	15,807,649	225,761,004	111,532,676	6,577,531	118,110,207
2020	Total exposure			ECL			Net exposure		
	Stage 2 U.S. \$	Stage 3 U.S. \$	Total U.S. \$	Stage 2 U.S. \$	Stage 3 U.S. \$	Total U.S. \$	Stage 2 U.S. \$	Stage 3 U.S. \$	Total U.S. \$
Individuals	185,306,103	7,116,263	192,422,366	124,395,362	4,939,011	129,334,373	60,910,741	2,177,252	63,087,993
Small and medium size business	62,501,038	4,533,600	67,034,638	51,425,682	1,953,554	53,379,236	11,075,356	2,580,046	13,655,402
Large corporate	179,691,721	3,384,576	183,076,297	171,992,046	2,504,399	174,496,445	7,699,675	880,177	8,579,852
Total	427,498,862	15,034,439	442,533,301	347,813,090	9,396,964	357,210,054	79,685,772	5,637,475	85,323,247

A. Distribution of exposures by classification stages in accordance with Islamic Financial reporting standards (30) and IFRS (9) as of 31 December 2021:

	Stage 1	Stage 2	Stage 3	2021	2020
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balances with PMA	229,236,921	-	-	229,236,921	178,779,736
Balances at banks and financial institutions	86,947,263	-	-	86,947,263	88,072,938
Investments at Islamic banks	2,999,469	-	265,984	3,265,453	4,062,368
Public sector	190,258,323	-	-	190,258,323	167,703,598
Manufacturing and agricultural	36,070,239	27,830,870	14,039	63,915,148	96,115,231
Service sector	29,338,040	22,059,265	6,209,339	57,606,644	79,137,072
Wholesale and retail trade	108,655,947	76,453,020	2,255,938	187,364,905	161,446,889
Real estate	91,986,960	67,661,172	558,513	160,206,645	163,149,318
Land	91,207,093	67,074,794	6,470,896	164,752,783	174,999,820
Consumption financing	129,749,890	57,452,792	1,090,314	188,292,996	102,497,938
Financial assets at amortized cost	26,049,265	6,362,397	1,298,130	33,709,792	29,048,404
Other financial assets	18,125,106	-	-	18,125,106	17,765,950
Total	1,040,624,516	324,894,310	18,163,153	1,383,681,979	1,262,779,262

B. Distribution of exposures by classification stages in accordance with Islamic Financial reporting standards (30) and IFRS (9) as of 31 December 2021:

	Stage 1	Stage 2	Stage 3	2021	2020
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Palestine	931,617,146	308,994,193	16,599,039	1,257,210,378	1,157,299,200
Jordan	30,783,416	8,296,706	-	39,080,122	21,833,660
Israel	14,452,055	-	-	14,452,055	11,413,220
Other	63,771,899	7,603,411	1,564,114	72,939,424	72,233,182
Total	1,040,624,516	324,894,310	18,163,153	1,383,681,979	1,262,779,262

C. Collaterals Fair value for net credit exposures

	Fair value of collaterals									
	Total exposure	Cash margins	Accepted bank guarantees	Real Estate	Quoted stocks	Vehicles and equipment	Others	Total collaterals	Net Exposure	ECL
December 31, 2021	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 statement of financial position:										
Cash and balances at Palestine Monetary Authority	229,701,238	-	-	-	-	-	-	-	229,701,238	464,317
Balances at banks and financial institutions	87,092,229	-	-	-	-	-	-	-	87,092,229	144,966
Investments at Islamic banks	6,108,626	-	-	-	-	-	-	-	6,108,626	2,843,173
Direct Islamic financing										
Individuals	271,413,098	27,232,359	2,523,540	102,812,013	6,881,594	32,332,402	15,025,903	186,807,811	84,605,287	3,014,439
Small and medium size business	108,897,230	1,344,627	1,545,994	62,116,340	4,214,039	10,681,642	1,443,073	81,345,715	27,551,515	1,263,753
Large corporate	453,246,975	30,194,189	4,203,264	163,779,931	11,457,165	62,628,014	66,368,543	338,631,106	114,615,869	5,956,611
Public sector	192,200,653	-	-	-	-	-	-	-	192,200,653	1,942,330
Financial assets at amortized cost	35,913,425	-	-	-	-	-	-	-	35,913,425	2,203,633
Other assets	18,425,106	-	-	-	-	-	-	-	18,425,106	300,000
Total	1,402,998,580	58,771,175	8,272,798	328,708,284	22,552,798	105,642,058	82,837,519	606,784,632	796,213,948	18,133,222
Letters of credit	10,045,446	136,062	-	-	-	-	-	136,062	9,909,384	4,075
Letters of guarantee	44,639,221	4,775,245	-	-	-	-	-	4,775,245	39,863,976	99,862
Other exposures	92,623,738	17,312,362	-	-	-	-	-	17,312,362	75,311,376	18,727

December 31, 2020	Total exposure	Fair value of collaterals							Net Exposure	ECL
		Cash margins	Accepted bank guarantees	Real Estate	Quoted stocks	Vehicles and equipment	Others	Total collaterals		
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Credit exposures relating to items on statement of financial position:										
Cash and balances at Palestine										
Monetary Authority	178,779,736	-	-	-	-	-	-	-	178,779,736	-
Balances at banks and financial institutions	88,684,165	-	-	-	-	-	-	-	88,684,165	611,227
Investments at Islamic banks	6,390,404	-	-	-	-	-	-	-	6,390,404	2,328,036
Direct Islamic financing										
Individuals	274,500,429	21,323,195	2,533,831	105,956,088	6,906,658	32,464,258	15,087,181	184,271,211	90,229,218	2,995,930
Small and medium size business	109,738,948	1,470,953	1,663,799	69,574,389	4,535,148	11,495,581	1,553,035	90,292,905	19,446,043	1,961,667
Large corporate	401,283,213	25,426,288	4,704,879	196,741,920	12,824,457	70,102,009	74,288,930	384,088,483	17,194,730	2,546,897
Public sector	168,588,306	-	-	-	-	-	-	-	168,588,306	884,708
Financial assets at amortized cost	30,513,425	-	-	-	-	-	-	-	30,513,425	1,465,021
Other assets	17,765,950	-	-	-	-	-	-	-	17,765,950	-
Total	1,276,244,576	48,220,436	8,902,509	372,272,397	24,266,263	114,061,848	90,929,146	658,652,599	617,591,977	12,793,486
Letters of credit	6,811,288	116,997	-	-	-	-	-	116,997	6,694,291	8,311
Letters of guarantee	41,458,554	4,106,131	-	-	-	-	-	4,106,131	37,352,423	46,373
Other exposures	113,256,959	14,886,531	-	-	-	-	-	14,886,531	98,370,428	122,128

E. Classification of debt securities based on risk rating:

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

Credit Rating	2021	2020
	U.S. \$	U.S. \$
A- to AAA	16,999,129	14,066,645
B- to BBB+	15,112,533	14,981,759
Unrated	1,598,130	-
Total	33,709,792	29,048,404

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.

During the year 2020, because of the impact of the Corona virus, the bank gave more weight to the worst scenario. Following is the macroeconomic factors impact on the forward-looking information based on multiple scenarios as of January 31, 2021:

Macroeconomic factors	Scenario used	Weight weighted for each scenario (%)	Percentage change in Macroeconomic factors (%) 2021	Percentage change in Macroeconomic factors (%) 2022	Percentage change in Macroeconomic factors (%) 2023	Percentage change in Macroeconomic factors (%) 2024	Percentage change in Macroeconomic factors (%) 2025	Percentage change in Macroeconomic factors (%) 2026
Gross domestic product	Base scenario	50	4.40	6.00	4.10	2.40	2.00	2.00
	Best scenario	0	12.71	14.31	12.41	10.71	10.31	10.31
	Worst scenario	50	(3.91)	(2.31)	(4.91)	(5.91)	(6.31)	(6.31)
Unemployment rates	Base scenario	50	25.6	25.3	25.2	25.1	25.1	25.00
	Best scenario	0	21.25	20.95	20.85	20.75	20.75	20.65
	Worst scenario	50	29.95	29.65	29.55	29.45	29.45	29.35

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

Macroeconomic factors	Scenario used	Weight weighted for each scenario (%)	Percentage change in Macroeconomic factors (%) 2020	Percentage change in Macroeconomic factors (%) 2021	Percentage change in Macroeconomic factors (%) 2022	Percentage change in Macroeconomic factors (%) 2023	Percentage change in Macroeconomic factors (%) 2024	Percentage change in Macroeconomic factors (%) 2025
Gross domestic product	Base scenario	50	(19.10)	5.69	2.70	(0.31)	(0.26)	(0.23)
	Best scenario	0	(11.39)	13.40	10.41	7.40	7.45	7.48
	Worst scenario	50	(22.96)	1.84	(1.16)	(4.17)	(4.12)	(4.09)
Unemployment rates	Base scenario	50	32.20	28.20	26.00	26.02	26.4	26.60
	Best scenario	0	30.32	26.32	24.12	24.32	24.52	24.72
	Worst scenario	50	33.14	29.14	26.94	27.14	27.34	27.54

The following tables show the impact of various scenarios on the provision for credit losses. This table shows both the contribution to the total allocations for each probability weighted scenario as well as the overall incremental effect on the allocations for applying multiple economic scenarios compared to the allocations that would have resulted from applying a 100% weighting to the base case scenario:

		Balances at banks and financial institutions	Small and medium size business	Large corporate	Public sector	Indirect credit facilities and financing	Total	
2021	PMA U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	
Base scenario (50%)	151,886	36,196	1,242,424	596,248	2,803,954	639,466	49,771	5,519,945
Best scenario (0%)	-	-	-	-	-	-	-	-
Worst scenario (50%)	312,430	108,771	1,772,015	667,505	3,152,658	1,302,863	72,893	7,389,134
Total	464,317	144,966	3,014,439	1,263,753	5,956,611	1,942,330	122,664	12,909,078
		Balances at banks and financial institutions	Small and medium size business	Large corporate	Public sector	Indirect credit facilities and financing	Total	
2021	PMA U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	
Base scenario (50%)	-	236,121	1,273,345	876,413	1,179,181	318,944	60,748	3,944,749
Best scenario (0%)	-	-	-	-	-	-	-	-
Worst scenario (50%)	-	375,106	1,722,585	1,085,254	1,367,716	565,764	116,065	5,232,491
Total	-	611,227	2,995,930	1,961,667	2,546,897	884,708	176,812	9,177,240

The Following schedule represent the impact on each scenario with 100% base:

	Balances at banks and financial institutions							
	PMA	Individuals	Small and medium size business	Large corporate	Public sector	Indirect credit facilities and financing	Total	
2021	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	
Base scenario	303,773	72,391	2,484,847	1,192,496	5,607,907	1,278,933	11,039,889	
Best scenario	135,790	20,258	1,731,923	1,079,384	3,266,749	574,573	6,905,926	
Worst scenario	624,861	217,541	3,544,030	1,335,009	6,305,315	2,605,727	14,778,267	
Total	1,064,423	310,190	7,760,800	3,606,889	15,179,971	4,459,233	32,724,083	

	Balances at banks and financial institutions		Small and medium size business		Large corporate		Public sector		Indirect credit facilities and financing		Total	
	PMA		Individuals									
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
2021												
Base scenario	-	472,241	2,546,689	1,752,825	2,358,361	637,888	121,495	7,889,499				
Best scenario	-	136,874	1,550,910	1,699,489	1,447,990	391,651	118,273	5,345,187				
Worst scenario	-	750,213	3,445,170	2,170,509	2,735,432	1,131,528	232,129	10,464,982				
Total	-	1,359,328	7,542,769	5,622,823	6,541,783	2,161,067	471,897	23,699,667				

II. Equity Price risk

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

	2021			2020		
	Increase in index	Effect on income statement	Effect on equity	Increase in index	Effect on income statement	Effect on equity
Market	%	U.S. \$	U.S. \$	%	U.S. \$	U.S. \$
Palestine Securities Exchange	10	-	16,152	10	-	356,462

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The U.S. \$ is the functional currency for the Bank. The Board of Directors has set limits on positions by currency on an annual basis. In accordance with the Bank's policy, positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

The effect of expected decrease in foreign currency rates is equal to and in opposition to the effect of increases shown below:

	2021			2020		
	Increase in currency rate	Effect on income statement	Effect on equity	Increase in currenc y rate	Effect on income statement	Effect on equity
Currency	%	U.S. \$	U.S. \$	%	U.S. \$	U.S. \$
ILS	10	(71,352)	-	10	(187,256)	-
Other currencies	10	41,219	-	10	39,455	-

	Equivalent to U.S. \$			
<u>December 31, 2021</u>	JOD	ILS	Other currencies	Total
Assets				
Cash and balances with PMA	125,909,553	290,452,402	2,591,689	418,953,644
Balances at banks and financial institutions	49,423,030	8,411,846	17,705,929	75,540,805
Direct Islamic financing	116,517,215	435,050,466	9,246,255	560,813,936
Financial assets at fair value through equity	161,523	-	319,559	481,082
Investments properties	1,608,317	-	-	1,608,317
Other assets	363,994	11,925,676	22,081	12,311,751
Total assets	<u>293,983,632</u>	<u>745,840,390</u>	<u>29,885,513</u>	<u>1,069,709,535</u>
Liabilities				
PMA deposits	-	73,472,818	-	73,472,818
Banks and financial institutions' deposits	-	17,367,099	-	17,367,099
Customers' deposits	60,590,115	206,888,848	10,661,836	278,140,799
Cash margin accounts	8,894,051	40,535,521	2,266,452	51,696,024
Other liabilities	2,103,899	126,356,418	5,297,686	133,758,003
Total liabilities	<u>71,588,065</u>	<u>464,620,704</u>	<u>18,225,974</u>	<u>554,434,743</u>
Unrestricted investment accounts	<u>222,674,182</u>	<u>281,933,206</u>	<u>11,247,351</u>	<u>515,854,739</u>
Total liabilities and unrestricted investment account	<u>294,262,247</u>	<u>746,553,910</u>	<u>29,473,325</u>	<u>1,070,289,482</u>
Statement of financial position concentration	<u>(278,615)</u>	<u>(713,520)</u>	<u>412,188</u>	<u>(579,947)</u>
Commitments and contingencies	<u>25,931,894</u>	<u>25,164,545</u>	<u>9,124,236</u>	<u>60,220,675</u>
	Equivalent to U.S. \$			
<u>December 31, 2020</u>	JOD	ILS	Other currencies	Total
Total assets	261,896,666	660,652,547	17,120,481	939,669,694
Total liabilities	58,249,163	378,622,590	11,156,101	448,027,854
Unrestricted investment accounts	204,051,715	283,902,512	5,569,830	493,524,057
Statement of financial position concentration	<u>(404,212)</u>	<u>(1,872,555)</u>	<u>394,550</u>	<u>(1,882,217)</u>
Commitments and contingencies	3,690,845	45,239,655	8,548,281	57,478,781

IV. 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 arranges diversified funding sources, manages assets and liability with liquidity in mind, and monitors future cash flows and liquidity.

The table below summarizes the allocation of assets and liabilities on the basis of the remaining contractual entitlement as at December 31, 2020 and 2019:

December 31, 2021	Less than 1 month U.S. \$	More than 1 month up to 3 months U.S. \$	More than 3 months up to 6 months U.S. \$	More than 6 months up to 1 year U.S. \$	More than 1 year up to 3 years U.S. \$	More than 3 years U.S. \$	Without maturity U.S. \$	Total U.S. \$
Assets								
Cash and balances with PMA	311,767,936	75,246,826	-	-	-	-	129,331,176	516,345,938
Balances at banks and financial institutions	45,311,035	20,014,106	21,622,122	-	-	-	-	86,947,263
Investment at Islamic banks	265,453	-	3,000,000	-	-	-	-	3,265,453
Direct Islamic financing	96,649,193	128,701,369	126,826,978	168,247,049	292,869,018	199,103,837	-	1,012,397,444
Financial assets at fair value through Equity	-	-	-	-	-	-	3,426,088	3,426,088
Financial assets at amortized cost	-	4,859,792	500,000	-	11,950,000	16,400,000	-	33,709,792
Investment properties	-	-	-	-	-	-	25,962,178	25,962,178
Property and equipment	-	-	-	-	-	-	22,280,308	22,280,308
Right of use assets	-	-	-	-	-	-	307,407	307,407
Projects in progress	-	-	-	-	-	-	6,822,166	6,822,166
Deferred tax assets	-	-	-	-	-	-	4,252,402	4,252,402
Intangible assets	-	-	-	-	-	-	1,692,743	1,692,743
Other assets	7,177,139	4,676,273	4,876,273	2,567,138	-	-	-	19,296,823
Total assets	461,170,756	233,498,366	156,825,373	170,814,187	304,819,018	215,503,837	194,074,468	1,736,706,005
Liabilities, unrestricted investment accounts and equity								
Liabilities								
Istidama loans from the Palestinian Monetary Authority	-	-	-	-	6,488,216	-	-	6,488,216
PMA deposits	-	73,472,818	-	-	20,000,000	-	-	93,472,818
Banks and financial institutions' deposits	4,871,274	21,363,358	2,060,173	4,206,867	10,276,292	-	-	42,777,964
Customers' deposits	382,445,006	-	-	-	-	-	-	382,445,006
Cash margin	-	9,748,027	28,683,616	32,447,701	19,575,856	459,825	-	90,915,025
Sundry provisions	-	-	-	-	-	-	7,611,857	7,611,857
Tax provisions	-	-	-	8,086,661	-	-	-	8,086,661
Deferred tax liabilities	-	-	-	-	-	-	2,849,573	2,849,573
Lease liabilities	-	-	-	-	-	-	7,243,380	7,243,380
Other liabilities	-	-	-	-	-	-	122,664	122,664
Total liabilities	823,573	250,000	8,557,053	7,941,008	56,340,364	459,825	17,827,474	659,584,798
Unrestricted investment accounts	388,139,853	104,834,203	39,300,842	52,682,237	5,451,796	-	-	946,142,702
Equity	189,768,453	208,423,089	243,134,685	299,364,679	5,451,796	-	-	946,142,702
Paid-in share capital	-	-	-	-	-	-	91,719,252	91,719,252
Statutory reserve	-	-	-	-	-	-	8,508,264	8,508,264
General banking risk reserve	-	-	-	-	-	-	8,374,674	8,374,674
Pro-cyclicality reserve	-	-	-	-	-	-	4,113,369	4,113,369
Investment properties reserve	-	-	-	-	-	-	7,806,223	7,806,223
Cumulative change in fair value	-	-	-	-	-	-	(1,243,533)	(1,243,533)
Retained earnings	-	-	-	-	-	-	11,700,256	11,700,256
Total equity	-	-	-	-	-	-	130,978,505	130,978,505
Total liabilities, unrestricted investment accounts and equity	577,908,306	313,257,292	282,435,527	352,046,916	61,792,160	459,825	148,805,979	1,736,706,005
Maturity gap	(116,737,550)	(79,758,926)	(125,610,154)	(181,232,729)	243,026,858	215,044,012	45,268,489	-
Cumulative maturity gap	(116,737,550)	(196,496,476)	(322,106,630)	(503,339,359)	(260,312,501)	(45,268,489)	-	-

December 31, 2020	Less than 1 month U.S. \$	More than 1 month up to 3 months U.S. \$	More than 3 months up to 6 months U.S. \$	More than 6 months up to 1 year U.S. \$	More than 1 year up to 3 years U.S. \$	More than 3 years U.S. \$	Without maturity U.S. \$	Total U.S. \$
Assets								
Cash and balances with PMA	293,842,111	-	-	-	-	-	107,900,796	401,742,907
Balances at banks and financial institutions	47,631,282	22,167,989	-	18,273,667	-	-	-	88,072,938
Investment at Islamic banks	-	2,383,150	1,679,218	-	-	-	-	4,062,368
Direct Islamic financing	46,543,269	80,664,755	60,183,343	134,429,884	198,254,417	424,974,198	-	945,049,866
Financial assets at fair value through								
Equity	-	-	-	-	-	-	6,828,577	6,828,577
Financial assets at amortized cost	-	2,611,892	970,147	970,147	10,186,546	14,309,672	-	29,048,404
Investment properties	-	-	-	-	-	-	25,884,919	25,884,919
Property and equipment	-	-	-	-	-	-	23,291,018	23,291,018
Right of use assets	-	-	-	-	-	-	704,734	704,734
Projects in progress	-	-	-	-	-	-	7,936,131	7,936,131
Deferred tax assets	-	-	-	-	-	-	3,647,117	3,647,117
Intangible assets	-	-	-	-	-	-	1,448,234	1,448,234
Other assets	-	7,087,024	8,477,746	3,766,799	-	-	-	19,331,569
Total assets	388,016,662	114,914,810	71,310,454	157,440,497	208,440,963	439,283,870	177,641,526	1,557,048,782
Liabilities, unrestricted investment accounts and equity								
Liabilities								
Istidama loans from the Palestinian Monetary Authority	-	-	-	-	3,186,310	-	-	3,186,310
PMA deposits	-	49,415,325	-	-	17,538,880	-	-	66,954,205
Banks and financial institutions' deposits	1,346,266	25,881,680	-	-	-	-	-	27,227,946
Customers' deposits	325,966,065	-	-	-	-	-	-	325,966,065
Cash margin	-	-	7,374,263	-	22,244,944	25,738,658	-	73,742,621
Sundry provisions	-	-	-	-	-	-	6,730,683	6,730,683
Tax provisions	-	-	-	-	-	-	-	3,207,605
Deferred tax liabilities	-	-	-	3,207,605	-	-	2,645,835	2,645,835
Lease liabilities	-	-	-	-	-	-	8,252,944	8,252,944
Other liabilities	-	-	-	-	8,952,290	-	-	22,380,723
Total liabilities	327,312,331	78,654,113	4,476,144	5,595,181	51,922,424	25,738,658	17,629,462	540,294,937
Unrestricted investment accounts	146,058,273	200,266,997	340,051,800	207,114,192	3,018,853	-	-	896,510,115
Equity								
Paid-in share capital	-	-	-	-	-	-	88,469,252	88,469,252
Statutory reserve	-	-	-	-	-	-	7,339,348	7,339,348
General banking risk reserve	-	-	-	-	-	-	8,374,674	8,374,674
Pro-cyclicality reserve	-	-	-	-	-	-	4,113,369	4,113,369
Investment properties reserve	-	-	-	-	-	-	7,254,718	7,254,718
Cumulative change in fair value	-	-	-	-	-	-	(2,243,628)	(2,243,628)
Retained earnings	-	-	-	-	-	-	6,935,997	6,935,997
Total equity	-	-	-	-	-	-	120,243,730	120,243,730
Total liabilities, unrestricted investment accounts and equity	473,370,604	278,921,110	351,902,207	234,301,734	54,941,277	25,738,658	137,873,192	1,557,048,782
Maturity gap	(85,353,942)	(164,006,300)	(280,591,753)	(76,861,237)	153,499,686	413,545,212	39,768,334	2
Cumulative maturity gap	(85,353,942)	(249,360,242)	(529,951,995)	(606,813,232)	(453,313,546)	(39,768,334)	-	-

The following table shows the balances of the Bank's undiscounted financial liabilities as at 31 December 2021 and 2020 by contractual maturity period:

	Less than 1 month U.S. \$	From 1 to 3 months U.S. \$	From 3 to 6 months U.S. \$	From 6 months to 1 year U.S. \$	From 1 to 3 years U.S. \$	More than 3 years U.S. \$	Non-interest bearing U.S. \$	Total U.S. \$
December 31, 2021								
Liabilities								
Istidama loans from the Palestinian Monetary Authority	-	-	-	-	6,708,815	-	-	6,708,815
PMA deposits	-	75,970,894	-	-	20,680,000	-	-	96,650,894
Banks' and financial institutions' deposits	5,036,897	22,089,712	2,130,219	4,349,900	10,625,686	-	-	44,232,414
Customers' deposits	382,445,006	-	-	-	-	-	-	382,445,006
Cash margins	-	10,079,460	29,658,859	33,550,923	20,241,435	475,459	-	94,006,136
Sundry Provisions	-	-	-	-	-	-	7,611,857	7,611,857
Tax provisions	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	8,382,687	-	-	-	8,382,687
Lease liabilities	-	-	-	-	-	-	2,849,573	2,849,573
Other liabilities	-	-	-	-	-	-	7,243,380	7,243,380
Total Liabilities	851,574	258,500	8,847,993	8,469,502	58,255,936	475,459	122,664	18,550,233
Rights of unrestricted investment account holders	388,333,477	108,398,566	40,637,071	54,753,012	57,827,474	475,459	17,827,474	668,680,995
Total liabilities and Rights of unrestricted investment account holders	199,256,876	218,844,243	255,291,419	314,332,913	57,724,386	-	-	993,449,837
Total assets based on expected maturity	587,590,353	327,242,809	295,928,490	369,085,925	63,980,322	475,459	17,827,474	1,662,130,832
	461,170,756	233,498,366	156,825,373	170,814,187	304,819,018	215,503,837	194,074,468	1,736,706,005
December 31, 2020								
Liabilities								
Istidama loans from the Palestinian Monetary Authority	-	-	-	-	3,186,310	-	-	3,186,310
PMA deposits	21,761,450	48,699,781	-	-	-	-	-	70,461,231
Banks' and financial institutions' deposits	1,413,579	27,175,764	-	-	-	-	-	28,589,343
Customers' deposits	342,264,368	-	-	-	-	-	-	342,264,368
Cash margins	-	-	7,742,976	19,303,994	23,357,191	27,025,591	-	77,429,752
Sundry Provisions	-	-	-	-	-	-	7,067,217	7,067,217
Tax provisions	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	3,892,011	-	-	-	3,892,011
Lease liabilities	-	-	-	-	-	-	2,778,127	2,778,127
Other liabilities	-	-	-	-	-	-	8,665,591	8,665,591
Total Liabilities	-	3,524,963	4,699,951	5,874,940	9,399,905	-	-	23,499,759
Rights of unrestricted investment account holders	365,439,397	79,400,508	12,442,927	29,070,945	35,943,406	27,025,591	18,510,935	567,833,709
Total liabilities and Rights of unrestricted investment account holders	153,361,187	210,280,347	357,054,390	217,469,902	3,169,796	-	-	941,335,622
Total assets based on expected maturity	518,800,584	289,680,855	369,497,317	246,540,847	39,113,202	27,025,591	18,510,935	1,509,169,331
	388,016,662	114,914,810	71,310,454	158,404,384	208,440,963	439,283,870	177,176,711	1,557,547,854

Liquidity Coverage Ratio (LCR)

During 2018, PMA issued instructions No. (4/2018) in regard of Liquidity Coverage Ratio (LCR), which is considered one of the quantitative corrective tools issued by Basel Committee. According to the issued instructions LCR should not be lower than 100% in any case.

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

	Amount before discount rates / Average flows	Amount after discount rates / Average flows
	U.S. \$	U.S. \$
High quality liquid assets	803,055,520	700,376,959
Retail deposits including small and medium corporates:		
A- Less stable deposits	783,595,285	78,359,528
B- Term deposits with a maturity of more than 30 days	406,260,853	10,257,027
Other deposits and other unguaranteed facilities for companies:		
A- Operating deposits	208,810,507	52,202,627
B- non-operating deposits	156,197,080	88,145,612
Guaranteed financing and deposits	365,007,587	140,348,239
Governmental Deposits	13,458,079	5,383,232
PMA Deposits	99,961,034	39,984,414
Bank Deposits	42,777,966	42,777,966
Other financial institutions deposits	7,008,753	2,803,501
Guaranteed financing and deposits	1,718,069,557	319,913,907
Non-cancelled credit lines and required liquidity within 30 days	38,010,155	25,895,653
Long Term	152,514,631	10,405,650
Gross cash outflows	1,908,594,343	356,215,210
Guaranteed Islamic financing	71,670,729	35,835,365
Gross cash inflow	71,670,729	35,835,365
Net cash outflow after adjustments		231,763,290
Total high-quality liquid assets after adjustments		700,376,959
Net cash outflow after adjustment		231,763,290
Liquidity coverage ratio (%)		302%

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

	Amount before discount rates / Average flows	Amount after discount rates / Average flows
	U.S. \$	U.S. \$
High quality liquid assets	<u>490,154,942</u>	<u>460,497,448</u>
Retail deposits including small and medium corporates:		
C- Less stable deposits	1,072,551,823	77,444,883
D- Term deposits with a maturity of more than 30 days	466,433	-
Other deposits and other unguaranteed facilities for companies:		
C- Operating deposits	<u>205,649,214</u>	<u>51,412,303</u>
Guaranteed financing and deposits	<u>205,649,214</u>	<u>51,412,303</u>
Governmental Deposits	12,478,087	4,991,235
PMA Deposits	70,140,515	28,056,206
Bank Deposits	27,227,945	27,227,945
Other financial institutions deposits	<u>5,073,244</u>	<u>5,073,244</u>
Guaranteed financing and deposits	<u>1,393,587,261</u>	<u>194,205,816</u>
Non-cancelled credit lines and required liquidity within 30 days	<u>33,819,741</u>	<u>26,970,959</u>
Long Term	<u>191,716,240</u>	<u>10,008,560</u>
Gross cash outflows	<u>1,619,123,242</u>	<u>231,185,335</u>
Guaranteed Islamic financing	<u>51,480,587</u>	<u>25,740,294</u>
Gross cash inflow	<u>51,480,587</u>	<u>25,740,294</u>
Net cash outflow after adjustments		<u>205,445,041</u>
Total high-quality liquid assets after adjustments		<u>460,497,448</u>
Net cash outflow after adjustment		<u>205,445,041</u>
Liquidity coverage ratio (%)		<u>%224</u>

Net Stable Funding Ratio (NSFR)

During 2018, PMA issued instructions No. (5/2018) in regard of applying Net Stable Funding Ratio (NSFR). The table below shows the calculation of the mentioned ratio as of December 31, 2021:

Description	2021	2020
	U.S. \$	U.S. \$
Regulatory capital	128,040,166	115,319,262
Less stable retail deposits	1,071,706,420	977,642,911
Guaranteed and unguaranteed financing	114,638,670	105,361,229
Gross funding available	1,314,385,256	1,198,323,402
Level 1 unrestricted high liquidity assets	189,299	53,388
Level 2 unrestricted high liquidity assets	49,409,135	6,006,275
Level 3 unrestricted high liquidity assets	25,217,556	23,651,219
Islamic Financing	436,374,232	603,652,602
Home Loans	159,906,059	136,646,352
Deposits in other financial institutions	17,089,780	16,794,947
Financial assets issued or guaranteed by banks and financial institutions	3,264,565	2,945,006
Unquoted financial assets	-	3,883,572
Non-performing Islamic Financing	5,131,055	939,949
Other assets	77,992,906	72,719,905
Non-cancellable credit facilities and line of credits	4,611,638	5,643,112
Future obligations	508,475	340,857
	2,231,961	2,072,928
	17,105	27,018,932
Gross funding required	781,943,766	902,369,044
Net Stable Funding Ratio (NSFR)	%168	%133

47. Fair value measurement

The fair value measurement hierarchy of the Bank's assets and liabilities as at December 31, 2021:

31, 2021.

	Date of measurement	Fair value measurement using			
		Total	Quoted prices	Significant	Significant
			in active	observable	unobservable
			markets	inputs	inputs
		(Level 1)	(Level2)	(Level3)	
		U.S. \$	U.S. \$	U.S. \$	U.S. \$
Assets measured at fair value:					
Financial asset at fair value through equity (Note 7):					
Quoted	December 31, 2021	161,523	161,523	-	-
Unquoted	December 31, 2021	3,264,565	-	-	3,264,565
Financial assets at amortized cost disclosed (Note 8)	December 31, 2021	33,709,792	33,709,792	-	-
Investment properties (Note 9)	December 31, 2021	25,962,178	-	-	25,962,178

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

		Fair value measurement using			
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level2)	Significant unobservable inputs (Level3)
Date of measurement		U.S. \$	U.S. \$	U.S. \$	U.S. \$
<u>Assets measured at fair value:</u>					
Financial asset at fair value					
through equity (Note 7):					
Quoted	December 31, 2020	3,564,619	3,564,619	-	-
Unquoted	December 31, 2020	3,263,958	-	-	3,263,958
Financial assets at amortized					
cost disclosed (Note 8)					
	December 31, 2020	29,048,404	29,048,404	-	-
Investment properties (Note 9)	December 31, 2020	25,884,919	-	-	25,884,919

There have been no transfers between Level 1, Level 2 and Level 3 during the year.

- Sensitivity of data not observable (Stage 3):

External certified appraisers are required to evaluate material assets such as investment properties and invest in unlisted financial assets. After discussion with these external appraisers, the Bank selects methods and inputs that will be used for valuation in each case.

48. Fair value of financial instruments

The table below represents a comparison by class of the carrying amounts and fair values of the Bank's financial instruments carried in the financial statements as at December 31, 2021 and 2020:

	Carrying amount		Fair value	
	2021	2020	2021	2020
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Financial assets				
Cash and balances with PMA	516,345,938	401,742,907	516,345,938	401,742,907
Balances at banks and financial institutions	86,947,263	88,072,938	86,947,263	88,072,938
Investment at Islamic banks	3,265,453	4,062,368	3,265,453	4,062,368
Direct Islamic financing	1,012,397,444	945,049,866	1,012,397,444	945,049,866
Financial assets at fair value through equity:				
Quoted shares	161,523	3,564,619	161,523	3,564,619
Unquoted shares	3,264,565	3,263,958	3,264,565	3,263,958
Financial assets at amortized cost	33,709,792	29,048,404	29,048,404	29,048,404
Other assets	18,125,106	17,765,950	18,125,106	17,765,950
Total assets	1,674,217,084	1,492,571,010	1,674,217,084	1,492,571,010
Financial liabilities				
Sustainability loan	6,488,216	3,186,310	6,488,216	3,186,310
PMA deposits	93,472,818	66,954,205	93,472,818	66,954,205
Banks and financial institutions' deposits	42,777,964	27,227,946	42,777,964	27,227,946
Customers' deposits	382,445,006	325,966,065	382,445,006	325,966,065
Cash margin accounts	90,915,025	73,742,621	90,915,025	73,742,621
Leasehold obligations	7,243,380	8,252,944	7,243,380	8,252,944
Other liabilities	17,571,634	22,203,911	17,571,634	22,203,911
Total liabilities	640,914,043	527,534,002	640,914,043	527,534,002
Unrestricted investment accounts	946,142,702	896,510,115	946,142,702	896,510,115

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

Fair values of cash and balances with PMA, balances at banks and financial institutions, investments at Islamic banks, financial assets at amortized cost, other financial assets, PMA deposits, banks and financial institutions' deposits, customers' deposits, cash margin and other financial liabilities approximate their carrying amounts.

The fair value of the quoted financial assets at fair value through equity that have a market price are set in accordance with the prices traded on the date of the financial statements.

Financial assets at fair value through equity that do not have a market price were stated at cost less impairment, as the fair value of such assets cannot be reliably measured. In management's opinion, the fair value of the unquoted financial assets at fair value through equity does not significantly differ from their value presented on the financial statements.

The fair value of portfolio financing is determined through the consideration of different variables such as rates of return, risk factors and the debtor's ability to pay. The carrying value for Islamic financing approximates its fair value as at December 31, 2021.

The fair value of financial assets at amortized cost was estimated using the expected future cash flows using the same discount rate for other banks with similar conditions and risks.

49. Segment information

a. Information on the Bank's business segments:

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

Retail banking: Principally handling individual customers' deposits and providing them with Islamic financing and other services.

Corporate banking: Principally handling Islamic financing, deposits and current accounts for corporate and institutional customers.

Treasury: Principally providing trading and treasury services and the management of the Bank's funds and investments.

Following the Bank's business segments:

	Retail	Corporate	Treasury	Others	2021
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Gross revenue	30,381,487	34,259,974	7,557,964	614,978	72,814,403
ECL allowance on Islamic financing	(963,590)	(2770,193)	(1,251,805)	(1,340,984)	(6,326,572)
Segment results					66,487,831
Unallocated expenses					(48,411,002)
Profit before taxes					18,576,829
Taxes expense					(6,637,655)
Profit for the year					11,689,174
Other information					
Total segment assets	395,318,453	617,078,991	643,694,534	80,364,027	1,736,706,005
Total segment liabilities and unrestricted investment accounts	1,172,295,043	247,207,690	142,738,998	43,235,769	1,605,477,500
Capital expenditures					2,606,907
Depreciation and amortization					4,700,589
	Retail	Corporate	Treasury	Others	2020
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Gross revenue	24,562,889	27,698,576	6,779,609	525,550	59,566,624
ECL allowance on Islamic financing	(1,902,197)	(1,660,376)	(456,808)	-	(4,019,381)
Segment results					55,547,243
Unallocated expenses					(44,582,907)
Profit before taxes					10,964,336
Taxes expense					(2,950,000)
Profit for the year					8,014,336
Other information					
Total segment assets	242,991,173	514,737,837	438,199,285	361,120,487	1,557,048,782
Total segment liabilities and unrestricted investment accounts	854,434,719	169,128,250	93,774,455	319,467,628	1,436,805,052
Capital expenditures					5,822,333
Depreciation and amortization					4,420,371

b. Geographical distribution information

This disclosure represents the geographical distribution of the Bank's operations. The Bank mainly carries out its activities in Palestine which represents the local operations. In addition, the Bank carries out its activities outside Palestine which represents the foreign operations.

Following is the distribution of the Bank's revenue, assets and capital expenditures according to geographical sector:

	Local		Foreign		Total	
	2021	2020	2021	2020	2021	2020
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Total revenues	70,621,686	56,980,609	2,192,717	2,586,015	72,814,403	59,566,624
Total assets	1,619,488,087	1,441,479,295	117,217,918	115,569,487	1,736,706,005	1,557,048,782
Capital expenditures	2,606,907	5,822,333	-	-	2,606,907	5,822,333

50. Capital management

The primary objective of the Bank's capital management is to ensure that it maintains adequate capital ratios in order to support its business and maximize equity value.

The Bank manages its capital structure and adjusts it in light of changes in business conditions. The Bank did not make any adjustments to objectives and policies related to the capital structure during the year, except for raising the paid-in share capital by U.S. \$ 9,919,252 during 2019, and U.S. \$ 3,550,000 during 2020.

The capital adequacy ratio is computed in accordance with PMA regulations derived from Basel Committee regulations computed as follows:

	2021			2020		
	Amount	Percentage to assets	Percentage to risk - weighted assets	Amount	Percentage to assets	Percentage to risk - weighted assets
	U.S. \$	%	%	U.S. \$	%	%
Regulatory capital	124,046,961	7.14	13.57	114,527,656	7.36	13.43
Basic capital	109,104,865	6.28	11.93	100,601,104	6.46	11.79

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

	December 31, 2021
	U.S. \$
Net common stocks (CET 1)	91,719,252
The first bracket of capital	109,104,865
The second bracket of capital	14,942,096
Capital base	124,046,961
Credit risk	824,337,619
Market risk	-
Operational risk	90,006,035
Total risk weighted assets	914,343,654
	%
Percentage of common stocks (CET 1) to risk weighted assets	10.03
Percentage of the first bracket of capital to risk weighted assets	11.93
Percentage of the second bracket of capital to risk weighted assets	1.63
Percentage of the first bracket to assets	6.28
Percentage of regulatory capital to assets	7.14
Capital adequacy ratio	13.57

51. Legal cases against the Bank

In the normal course of business, the number of litigations filed against the Bank was (31) and (27) as at December 31, 2021 and 2020, respectively. The litigations filed against the Bank amounted to U.S. \$ 570,586 and U.S. \$ 816,238 as at December 31, 2021 and 2020, respectively. The Bank's management and lawyer believe that the provision for legal cases is sufficient against these litigations.

52. Concentration of risk in geographical 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.

53. The impact of coronavirus (Covid 19) on the expected credit loss calculation

Calculation of the expected credit losses

Determining the expected credit loss provision for credit financing requires the Bank's management to issue important judgments and judgments to estimate the amounts and timing of future cash flows, in addition to estimating any substantial increase in the credit risk of financial assets after their initial recognition, in addition to taking into consideration future measurement information for expected credit losses.

In accordance with the Islamic Financial Accounting Standard No. (30) and in accordance with International Financial Reporting Standard (9), credit financing must be transferred from stage (1) to stage (2) if, and only if, there has been a material increase in credit risk since inception. A significant increase in credit risk occurs when there is a significant increase in the risk of default.

The Bank assessed borrowers for other indications of unwillingness to pay, considering the underlying cause of any financial difficulty and whether it is likely to be temporary because of the spread of Covid-19 or in the long term.

During the year, the Bank also updated the macroeconomic factors according to the latest issue from the International Monetary Fund and the Palestinian Central Bureau of Statistics, in addition to changing the weighted possibilities for macroeconomic scenarios by calculating larger weights for the worst-case scenario, which negatively affected the calculation of the ECL provision.

Relevant Palestine Monetary Authority instructions

As a result of the spread of Coronavirus (Covid-19), on March 15, 2020, PMA issued Instructions No. (4/2020) related to PMA measures to mitigate the effects of the health crisis, as it included a set of decisions, the most prominent of which was instructing banks to postpone customer payments for four months and the tourism sector for six months extendable, in which banks are prohibited from collecting any additional fees, commissions or returns on the deferred installments. Based on these instructions, the Bank has postponed the financing installments to the customers. Also, on June 30, 2020, PMA issued Instructions No. (23/2020) that required Islamic banks to grant customers whose installments were postponed a grace period to pay their deferred installments until December 31, 2021. This was accompanied by some measures taken by the Palestinian government and PMA (which had an impact on the banking sector and the Bank's business), such as not including customers who has declined checks for financial reasons in the black list and not charging them with the any commissions.

In July 22, 2020, PMA issued Instructions No. (27/2020) regarding mitigating the effects of the financial crisis and the Coronavirus crisis, according to which the Bank restructured or rescheduled funds or granted the customer a temporary securitization ceiling in the amount of installments owed on him or restructured the lease-to-own In addition to granting the customer, upon his request, a temporary securitization ceiling in the value of his obligations during the period from July 1, 2020 until January 1, 2021.

In response to the instructions of PMA No. (23/2020), the Bank began during the year 2020 a program to reduce payments to support its affected customers by postponing the installments due for a period of four months to six months, so that they were given a grace period to pay their deferred installments. The Bank has postponed / restructured the financing installments of clients of the affected economic sectors from companies and individuals without adding any returns in accordance with the instructions of PMA No. (23/2020).

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

These paid exemptions are short-term liquidity for the purpose of addressing the borrower's cash flow issues. The Bank believes that extending payment does not automatically lead to a material increase in credit risk as the impact on the customer is expected to be in the short term. For all other customers, the Bank continues to consider the severity and extent of the potential impact of (COVID-19) on the economic sector, future outlook, cash flows, financial strength, mobility, and change in the risk profile along with the previous record in identifying a significant increase in credit risk.

Incentivize deposits from Palestine Monetary Authority

During 2020, the Bank received an incentivize deposit from PMA amounting to U.S. \$ 20 million at a yield less than the market return with a maturity of three years, with the aim of mitigating the economic effects of the Coronavirus (COVID 19) crisis on the Bank's activities and the subsequent losses due to the delay in customer payments during the year 2020.

Istidama Sustainability Program from the Palestine Monetary Authority

In accordance with the instructions of PMA No. (22/2020) and with the aim of mitigating the economic effects of the Coronavirus crisis (COVID 19) on economic activities and projects, especially small and medium enterprises, sustainable financing has been granted by PMA so that the Bank is committed to collecting a diminishing return of up to 3% of Borrowers.

The Accounting Board of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)

On May 21, 2020, the Accounting Board of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) issued a statement "of the accounting effects and consequences of the Corona epidemic" to provide clarifications and explanations regarding the accounting treatment in accordance with the financial accounting standards issued by AAOIFI. In line with the requirements of the AAOIFI, the Bank will amortize the remaining amount of the deferred profits related to the deferred instalments over the remaining period of the financing facilities as AAOIFI does not allow neither recording financing facilities on net present value (NPV) nor applying the concept of opportunity cost in accounting.