

Annual Report

**2022**



“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



# Table of Content

■ <b>About the Bank</b>	6	■ <b>Governance and Administrative Structuring</b>	57
■ <b>Chairman's Letter</b>	8	■ Organizational Structure	57
■ <b>Board of Directors Members</b>	10	■ Bank Governance	59
■ <b>Executive Management</b>	20	■ Board of Directors' Role and Responsibilities	64
■ Board of Directors' Report	28	■ Board of Directors' Committees	66
■ Islamic Banking	28	■ Concessions & Bonuses	74
■ Performance Indicators of The Bank	30	■ <b>General Assembly's Meeting</b>	75
■ Branches and ATMs network	34	■ <b>Shareholders' Relations Management</b>	77
■ New Products and Services	36	■ <b>Fatwa Board &amp; Shari'a Controller Duties</b>	82
■ Global Awards	44	■ <b>Report of The Fatwa and Shari'a Supervisory Board</b>	85
■ Social Responsibility	46	■ <b>Auditor's Report and Financial Statements</b>	87
■ Illicit Gains	48		
■ Human Resources & Training	50		



## Sustainable Islamic Banking



## The Establishment

The Arab Islamic Bank Public Shareholding Company (AIB) was established in 1995. The bank started its banking activity in early 1996. The Bank conducts banking and investment activities in accordance with the provisions of Islamic Sharia through its headquarter in Ramallah and Al-Bireh, as well as its branches throughout Palestine. In addition to the Representative Office in the United Arab Emirates (Emirate of Dubai) and the mobile branch "Mobi Bank". The Arab Islamic Bank now has thirty-one branches and offices. The bank has no subsidiaries until December 31st, 2022.

## Our Vision

The Arab Islamic Bank is a prominent national Islamic bank lead by digitalization, modernity, banking sustainability, and highly qualified human resources to provide Sharia-compliant and high-quality banking services to consumers wherever they are in a safe manner.

## Our Mission

The Arab Islamic Bank provides modern, comprehensive, high-quality, and competitive Islamic banking solutions and services, as well as supports and develops innovative solutions for future generations and entrepreneurial businesses, based on our values rooted in the world of Islamic finance, business, and banking. We contribute to economic development while adhering to the principles of solidarity and collaboration and accomplishing Islamic social goals.

## Our Strategic Goals

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



Sustainable Islamic Banking ...

## Chairman's Letter



Our dear Shareholders,

I am delighted to welcome you, on my behalf and on behalf of the members of the Board of Directors, to the twenty-seventh 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. Allow me to begin by giving you a summary of the Bank's works and accomplishments during 2022, as well as a summary of the audited financial statements for the fiscal year ending December 31, 2022.

In the year 2022, with the help and guidance of Allah, and your support and efforts, as well as the unwavering trust of our clients, the bank successfully achieved its strategic goals. We were able to achieve the desired growth for the year, as well as improve and develop the banking services we offer, which is reflected in the clear expansion of our client base and strong financial performance. The bank continued, throughout the past year, to take advantage of relevant technological developments to enhance its digital capabilities, while maintaining digital technology as the foundation for its operations and strategies. As part of its commitment to becoming the leading Islamic digital bank in the banking sector for both companies and individuals in Palestine, and with a focus on placing the customer at the forefront of every digital initiative, the bank has successfully completed several projects in 2022, including, for example, the Video Call service, which enables customers and others to communicate with digital call center staff and request a range of

services both during and outside of business hours. Additionally, the bank provides digital payment services such as QR code payments through its mobile banking application, which allows merchants to accept payments simply by scanning the QR code with their mobile camera. Furthermore, the bank is working on updating and developing its mobile banking application to offer a new set of services as part of its distinguished electronic services package offered to its customers. Moreover, the bank has worked on enhancing and updating its cyber security systems to protect its information assets and avoid associated risks.

Investing in our human resources remains our top priority with every investment, as they are the wealth of the present and the asset of the future. Therefore, through advanced training, we strive to prepare and equip our team to succeed and excel in providing banking services. Our goal is for our outstanding staff to serve as specialized advisors and initiators of suitable financial solutions for individuals and companies, as well as to achieve our ongoing goal of making the Arab Islamic Bank the preferred and attractive work environment for employment. In addition, we will continue to support and qualify female staff for work and achievement in all departments, sectors, and various job levels.

The Islamic Arab Bank opened, as part of its expansion and reaching out to all Palestinian regions and rural areas, and achieving financial inclusion, a new branch in the town of

Ni'lin, Ramallah district, to provide its Islamic banking services to the town and the residents of neighboring areas. With the opening of its branch in Ni'lin, the total number of branches and offices of the Islamic Arab Bank has risen to 31, providing all banking services, as well as 63 ATMs in places where citizens gather in all governorates. The bank is also in the process of opening new electronic branches that keep up with technological developments in the banking sector, in line with the nature and requirements of the digital era, and facilitate customers' access to services at any time.

The Arab Islamic Bank has always been keen to have a positive impact on society through its initiatives in the field of social responsibility, which are characterized by their ethical and social objectives that benefit individuals and society as a whole. This is considered an obligation that can, even in a small way, contribute to fulfilling the community's right. The AIB has contributed around \$644,000 to social responsibility in all sectors, focusing on education, health, poverty alleviation, as well as other cultural, sports, and social sectors. Therefore, achieving sustainability in its broad and comprehensive concept has been one of the bank's goals and strategies, which it will work on implementing in all its upcoming activities and business.

Financially, the Arab Islamic Bank continued to achieve more positive results, as it achieved a net profit after tax of around \$13.1 million by the end of 2022, compared to a profit of around \$11.7 million in 2021, achieving a growth of about 12%. Its operating profit before taxes reached around \$22 million, compared to \$18.5 million in 2021, with a growth rate of about 18%, mainly due to the noticeable growth in the bank's operating revenues.

In terms of other financial indicators, the bank's assets reached \$1,660,725,735, while total customer deposits amounted to \$1,392,048,763. The balance of direct credit facilities also increased to \$1,028,339,808 compared to the previous year, allowing the bank to maintain its distinctive market share and financial performance. Its market share in terms of assets was approximately 8%, while its market share in direct credit facilities reached approximately 9.42%, and its market share in customer deposits was approximately 8.61%. The bank was also able to maintain sufficient credit provisions to face any potential credit losses, whether on direct credit facilities or other financial instruments.

We express our continuous confidence in the bank and its ability to continue towards more success and progress in achieving its goals, supporting the bank's plans for growth and expansion, and enhancing its leading position in the banking sector. The bank also continues to achieve its digital transformation strategy by focusing on expanding the investment base in electronic banking solutions that meet the customers' requirements and provide the best digital services in line with the best practices. Finally, on behalf of the Board of Directors and shareholders, I would like to express our appreciation and gratitude to the Palestine Monetary Authority (PMA), the Palestine Capital Market Authority (PCMA), the Companies Controller, the Palestine Exchange (PEX) for their cooperation and support. We would also like to thank our devoted customers for their trust in us. We pledge to meet their expectations and to be deeply devoted to offering the best Islamic banking services that meet their demands and ease their lives. We would also like to take this opportunity to thank the Consolidated Fatwa and Shari'a Supervisory Board, the Executive Management represented by the General Manager of the bank and all employees, for their blessed and good efforts in achieving the bank's objectives. We also thank our shareholders for their trust in the bank's board of directors and executive management.

May Allah grant us all success in our journey towards realizing further progress, development, and prosperity of our organization to promote its position in the banking sector in a manner that serves our beloved country, our national economy, and our divine Shari'a.

**Rushdi Ghalayini**  
Chairman of the Board of Directors



## Board of Directors Members

Name	Membership	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 Portfolio Company
Sam Sami Salem Bahour	Member of the Board of Directors	Independent member.
Mohammad Awni Mohammad Abu Ramadan	Member of the Board of Directors	Representative of Aswaq Investments Portfolio Company
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	Representative of Minority Shareholders
Saeb Ibrahim Mohammad Samour	Member of the Board of Directors	Independent member.



## Board of Directors Members



### Rushdi Mahmoud Rashid Ghalayini

Chairman

Representative of Bank of Palestine Company

#### Educational Qualifications:

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

Date of Birth: 26-5-1962

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 until now

Chairman of the Board of Directors of North Industrial International Company

Member of the Board of Directors of the Investment Bank of the Hashemite Kingdom of Jordan 2014 - until 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 Pal Pay for Electronic payment Company since 2017 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 Palestinian Banking Institute, 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

Vice Chairman of the Board

Representative of the Palestinian Investment Fund

#### Educational 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

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

Director General - 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 – until now

Member of the Board of Directors of Sanad Construction Resources Company, 2016 until now

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



### Saqr Mahmoud Suleiman Jundia

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

#### Educational 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  
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 Director 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  
Director General 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  
Former President of the Industrial Pollution Control Association  
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

#### Educational Qualifications

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

Date of Birth: 7/2/1967  
Membership date: 2021

#### Experiences

Bank of Palestine, 1995 to 2020  
Gaza Business Manager until 2020  
Assistant General Manager  
Rimal Branch Controller since 2000 until 2002  
Khan Yunis branch Controller since 1999 until 2000  
Palestinian Red Crescent 1988 until 1989



### Abdallah Qais Thunayan Al-Ghanim

Representative of Bank of Palestine Group

#### Educational 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  
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 Ahmad Al-Khatib

Member of the Board of Directors  
Aswaaq Investment Company representative

#### Educational Qualifications

MA in Finance and Investment from Western Sydney University/Australia

Date of Birth: 7/8/1976  
Membership Date: 2017

#### Experiences

CEO of Aswaaq Investment Company  
Portfolio Manager at the Palestine Investment Fund since 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



### Sam Sami Salem Bahour

Member of the Board of Directors  
Independent Member

### Educational Qualification

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 several 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 Center

He writes regularly about Palestinian affairs..

### Memberships

Board Member, Friends Schools, 2017 - 2018

Member of the Board of Trustees, Birzeit University, 2004-2010

Board Member, Open Society Organizations (Middle East and North Africa Program) since 2016 until 2022

Member of the Board of Directors of "Just Vision"



### Mohammad Awni Mohammad Abu Ramadan

Member of the Board of Directors  
Representative of Aswaq Investments Portfolio Company

### Educational Qualification

BA of Business Administration, Syracuse University, USA

Date of Birth: 24/7/1953

Membership Date: 2017

### Experiences

Chairman of the Board of Directors, Ooredoo Company, since 2016 – until 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, since 2018 – until today



### Dr. Safaa Nasir El Din

Member of the Board of Directors  
Independent Member

### Educational Qualification

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

BA degree in Electronic Engineering from Al-Quds University, with honor, 1994

Date of Birth: 05/05/1969

Membership date: 2019

### Experiences

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

Vice President of Al-Quds University for Jerusalem Affairs, since 2014 until 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 of the Minister of Communications and Information Technology and Head of the National Team for Information Security and E-Government, 2009-2012

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 – until now

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

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



### Samar Sawalhi Nakhleh

Member of the Board of Directors  
A representative of Minority Shareholders

#### Educational Qualification

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  
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 until now



### Saeb Ibrahim Mohammad Samour

Independent Member

#### Educational Qualifications

BA of Business Administration, Birzeit University, 1982

Date of Birth: 29/9/1958  
Membership date: 2021

#### Experiences

35 years of 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

# Executive management



Mr. Hani Salah Abd Al-Qader Nasser	General Manager
Date of Birth	12/2/1967
Date of appointment	16/1/2018
Scientific Certificate	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 "Mohammad Hashem Mustafa Jabr	Chief Operations Officer
Date of Birth	25/5/1964
Date of appointment	8/11/2015
Scientific Certificates	BA of Business Administration - Birzeit University
Previous Work Experience	Arab Bank, since 1994 until 2015 Cairo Amman Bank since 1990 until 1994



Ihsan Kamal Omar Sha'sha	Chief Treasury Officer
Date of Birth	05/09/1963
Date of Appointment	16/01/2018
Scientific Certificates	BA of Business Administration - Texas San Marcos State University, USA 1988
Previous Work Experience	Bank of Palestine since 1991 until 2018



Mr. Maysara Hatem Mustafa Salameh	Chief Financial Officer
Date of Birth	15/1/1981
Date of appointment	03/10/2013
Scientific Certificates	MBA Birzeit University BA in Accounting and Finance 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 Certified Accountant (PCPA) Certified Credit and Financial Analyst (CBCA) – Corporate finance institute CFI
Previous Work Experience	Price Water House Coopers 2004- 2013 Senior Audit Manager Ernst & Young Global Limited 2003 – 2004 Auditor Cairo Amman Bank 2002 – 2003 Central Operations Department.



Mr. Amjad Ghazi Sadeq Al-Jabari	Chief Information Technology Officer
Date of Birth	18/8/1967
Date of Appointment	11/10/1997
Scientific Certificates	MA International Management, University of Glasgow, Scotland / UK BA of Business Administration, Abbas Farhat University, Algeria
Previous Work Experience	Bank of Jordan 1993-1994 Hebron University 1995-1997



Mr. Fayez Ahmed Shaaban Shaaban	Administrative affairs Department Manager
Date of Birth	2/8/1963
Date of appointment	2/11/1999
scientific certificates	Business Management diploma
Previous work experience	More than 20 years of managerial banking experience



# Executive management



Mr. Mustafa Sharif Mustafa Abu Khizran	Networks and Systems Department Manager
Date of Birth	26/4/1970
Date of Appointment	3/2/2001
Scientific Certificates	MA of Computer Engineering, Birzeit University BA of Electronic Engineering ISO27001/22301 Lead Implementer and Trainer
Previous Work Experience	Palestinian Central Bureau of Statistics 1995-2001 Samco Inc 1993 – 1995



Mr. Ahmed Saleh Sartawi	Public Relations and Marketing Department Manager
Date of Birth	18/10/1980
Date of Appointment	21/1/2006
Scientific Certificates	MA degree of Management and Marketing, Arab Academy for Banking and Financial Sciences BA degree of Marketing, An-Najah University Certified Islamic Banker CIP Administrative Skills Diploma Public Relations and Media Specialist Certificate Diploma in Sales and Marketing Management, Cambridge
Previous Work Experience	Part time Lecturer at Al-Quds Open University 2012-2013 Over 17 years of banking experience



Mrs. Adiba Abdallah Ibrahim Abu Diab	Legal Affairs Department Manager
Date of Birth	3/9/1974
Date of Appointment	19/2/2001
Scientific Certificates	BA 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. Marwan Mohammad Ahmad Badawi	Small and Medium Enterprise Sale Department Manager
Date of Birth	28/8/1966
Date of appointment	4/5/2008
scientific certificates	MA 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. Ahmed Abdel Karim Ahmad Ayyad	Operations Engineering, Procedures, and Quality Department Manager
Date of Birth	5/10/1978
Date of Appointment	1/2/2005
Scientific Certificates	MA of Quality Management, Arab American University 2020 BA of 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 Arab Islamic Bank - Assistant Manager of the Internal Control and Audit Department 2005-2016



Mr. Ammar Younis Awwad Khudairi	Banking Business Systems Department Manager
Date of Birth	22/8/1970
Date of Appointment	24/8/2008
Scientific Certificates	Master of Computer Science, Birzeit University Higher Diploma in Computer Programming, Brilliant Institute, Bangalore, India Bachelor of Computer Science, University of Bangalore, India
Previous work experience	Palestine International Bank 1996-2008. Cairo Amman Bank 1994-1996.

# Executive management



Mr. Taha Mohammad Abdel Rahman Abu Sariya	Anti-Money Laundering and Terrorist Financing Department Manager
Date of Birth	8/5/1968
Date of Appointment	12/1/1997
Scientific Certificates	MA degree of Quality Management BA of Economy
Previous Work Experience	Cairo Amman Bank 1994 - 1997



Mr. Ibrahim Ismail Ahmad Abu Abdo	Chief of Internal Audit Officer
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	Egyptian Arab Land Bank 1998 – 2009 Jordan Kuwait Bank 1995 - 1998 Bank of Jordan 1994 - 1995



Mr. Hassan Essam Hussein Sabry	Chief Credit Officer
Date of Birth	17/10/1966
Date of Appointment	11/10/2009
Scientific Certificates	MA of Management and Accounting Sciences, An-Najah National University 1999 BA of Finance and Banking Sciences, Yarmouk University 1989
Previous Work Experience	Arab Islamic Bank, Credit Manager 2019 Arab Islamic Bank, Director of Corporate Business Development 2009-2019 Arab Bank, United Arab Emirates 2005 - 2008 Arab Bank, 1994 - 2005 Saudi Arab National Bank, 1989 - 1994



Mr. Hatem Fawzy Sobh Sobh	Chief of Credit Control Officer
Date of Birth	28/12/1970
Date of Appointment	20/12/2009
Scientific Certificates	MA 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 Abdallah Qaseem Atyani	Chief Human Resources Officer
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
Previous Work Experience	Cairo Amman Bank 1996 - 2010. Part Time Lecturer at Al-Quds Open University 2007-2017



Mr. Saed Miqdad Ahmad Miqdadi	Chief Risk Officer
Date of Birth	29/4/1973
Date of Appointment	22/5/2010
Scientific Certificates	BA 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 ANZ GRINDLAYS 2000 - 2003 Cairo Amman Bank 1996 - 2000



Mrs. Fairouz Fathi Ahmad Thabaleh	Chief Compliance Officer
Date of Birth	24/9/1974
Date of Appointment	18/8/2010
Scientific Certificates	BA of Law PAMLA Advanced Certified Islamic Banker CIB Specialist Compliance Certified
Previous Work Experience	Cairo Amman Bank 1997 - 2010



Mr. Emad Mahmoud Mousa Issa	Follow-up and Collection Department Manager
Date of Birth	10/1/1972
Date of Appointment	1/11/2010
Scientific Certificates	MA degree in Business Administration - Birzeit University
Previous Work Experience	Bank of Jordan 2008 - 2010 Quds Bank 2005-2008 Cairo Amman Bank 1998 - 2005

# Executive management



Mr. Abdallah Saleh Sadeq Hamad	Real Estate and Supplies Department Manager
Date of Birth	3/9/1964
Date of Appointment	2/1/2011
Scientific Certificates	MA in Civil Engineering- University of Jordan BA in Civil Engineering- An-Najah National Universit
Previous Work Experience	Director of Buildings Department, Palestine Telecommunications Company (PALTEL) 1997 - 2010. Supervising Engineer in Engineering Consulting Offices, Projects Engineer, Projects manager at a contracting company



Mr. Nitham Ali Daoud Alzamel	Chief Retail Banking Officer
Date of Birth	20/8/1967
Date of Appointment	19/7/2011
Scientific Certificates	BA in Business Administration Distinguished Management Diploma
Previous Work Experience	28 years of banking experienc



Mr. Waseem Ahmad Asaad Hajj Asaad	Central Operations Department Manager
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 BA in Applied Mathematics in Economics Birzeit University Banking and Financial Disputes Arbitrator (Palestinian Ministry of Justice)
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



Mrs. Reem Mustafa Mohammad Juma	Electronic Channels and Digital Services Department Manager
Date of Birth	21/6/1985
Date of Appointment	1/12/2008
Scientific Certificates	Master of Business Administration / Birzeit University BA of Computer Systems Engineerin /Birzeit University
Previous Work Experience	Banking experience for more than 15 years



Mr. Suleiman Salem Suleiman Arar	Capital Markets and Correspondent Banking Department Manager
Date of Birth	18/6/1973
Date of Appointment	1/3/2018
Scientific Certificates	BA 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 Mohammad	Retail- Direct Sale Department Manager
Date of Birth	24/9/1989
Date of Appointment	10/4/2011
Scientific Certificates	BA of Public Administration - Birzeit University
Previous Work Experience	Assistant Director of Direct Sales Unit for Individuals at the Arab Islamic Bank Head of Personal Credit Department at Arab Islamic Bank



Mrs. Tumader Thoraya Yassin Youssef	Corporate Investment Banking Department Manager
Date of Birth	18/8/1975
Date of Appointment	20/7/2022
Scientific Certificates	BA of Accounting - University of Jordan 1993 MA of Business Administration - Birzeit University 2007 CIB Certified Islamic Banker
Previous Work Experience	Director of Corporate Banking Department - Arab Bank 2007-2016 Manager of Corporate Business Development for Central Region - Arab Bank 2016-2019



Mrs. Linda Mahmoud Al-Sheikh Yousuf	Head of shareholder Relations Division
Date of Birth	1/12/1972
Date of Appointment	27/2/2001
Scientific Certificates	Business Administration diploma
Previous Work Experience	Office of the President of the Palestinian Central Bureau of Statistics 1995-2001



# Islamic Banking

## Definition:

Islamic banking is banking financial institutions that collect and employ funds to provide banking services in accordance with Islamic law. Islamic banks operate their investment activities in compliance with the prohibition of dealing with interest in all its forms, whether giving or taking. They also operate on the basis of dual ownership, both private and public.

Their business activities are focused on direct investment (trading) and indirect investment through Islamic financing instruments such as Mudarabah contracts, Musharakah, Murabaha, Salam, Istisna', and Ijarah.

Islamic banks offer all other banking services provided by commercial banks, such as letters of credit and guarantees, with no difference in this regard.

One notable aspect of Islamic banking is that it introduced to the market new mechanisms with different characteristics from traditional banking in mobilizing savings and attracting investments.

## Origin:

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. It is expected that the total value of Shariah-compliant financial assets will reach around 3.69 trillion dollars by 2024.

## Board of Directors Report:

### Islamic banking:

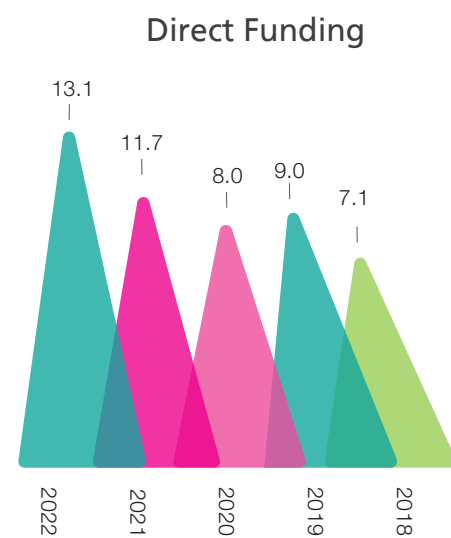
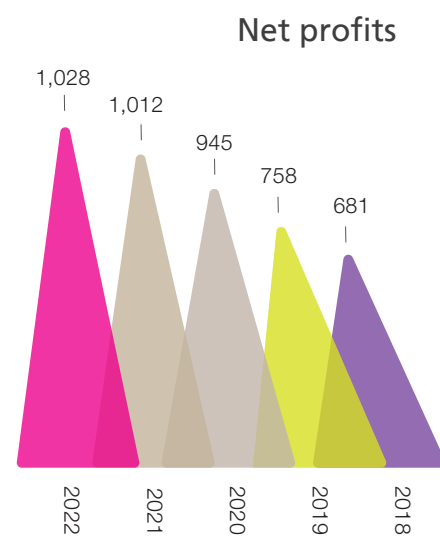
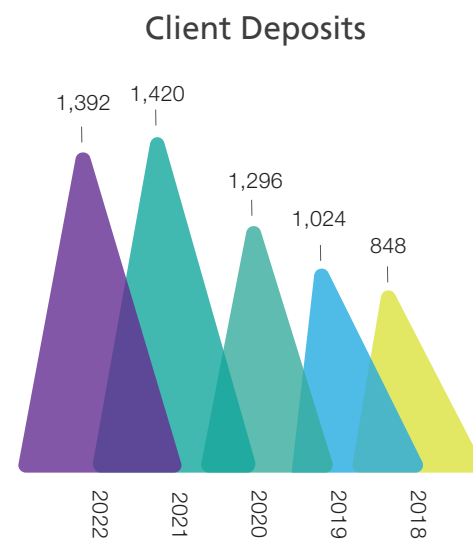
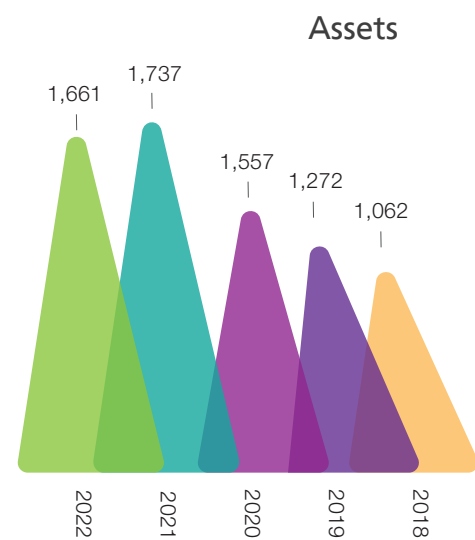
### The Emergence of Islamic Banking in Palestine:

Islamic banking made its debut in Palestine in 1995 with the establishment of the Arab Islamic Bank. Since then, three Islamic banks out of 13 operate in the banking sector, and they have been striving to integrate into the banking market and acquire a significant share of it. Their efforts have been paying off, as the market share of Islamic banks has been steadily increasing. In 2022, their share reached around 17% of the Palestinian banking market. Studies suggest that Islamic banks have the potential to acquire up to 25% of the total banking sector, which presents a significant opportunity for the Islamic banking industry in Palestine to expand its market share. This provides a strong incentive for the Arab Islamic Bank to set strategic goals aimed at doubling its size in terms of client deposits and direct financing, maximizing its profits, and ultimately, maximizing the returns for investors by the end of the 2024 strategic action plan.



# Performance Indicators

The bank continued its remarkable growth across all its financial indicators over the past 5 years, as its assets increased by approximately 599 million dollars, with a growth rate of 56.4%. Direct funding increased by approximately \$347 million dollars by a growth rate of (51%), also client deposits increased by approximately \$544 million with a growth rate of (64.1%). The bank also achieved a net profit of \$13.1 million dollars during the year 2022. As its profits increased by \$6 million dollars, with a growth rate of (84%).



Amounts in Millions Of US Dollars

## Board of Directors Report

### Performance Indicators

### Performance indicators for the Arab Islamic Bank:

The outstanding performance of the bank has resulted in a clear improvement in all its financial indicators, as shown in the table below.

Capital Structure Indicators	2021	2022
The Liabilities and rights of owners of absolute investmentcounts / Assets	92.46%	91.61%
Direct Financing/Equity	772.93%	738.31%
Retained Earnings/Equity	8.93%	10.75%
<b>Liquidity Indicators</b>		
Customer deposits/assets	81.69%	83.82%
Direct Financing / Assets	58.26%	61.92%
Direct Financing / Customer Deposits	71.32%	73.87%
<b>Profitability Indicators</b>		
Finance And Investment Revenue/Total Revenue	82.83%	80.82%
Return on Assets	0.71%	0.77%
Return on Equity	9.31%	9.7%
<b>Volume Indicators</b>		
Assets per branch	78,941,182	75,487,533
Customer deposit rate for each branch	64,522,851	63,274,944
Direct financing rate for each branch	46,018,066	46,742,718

# Board of Directors Report

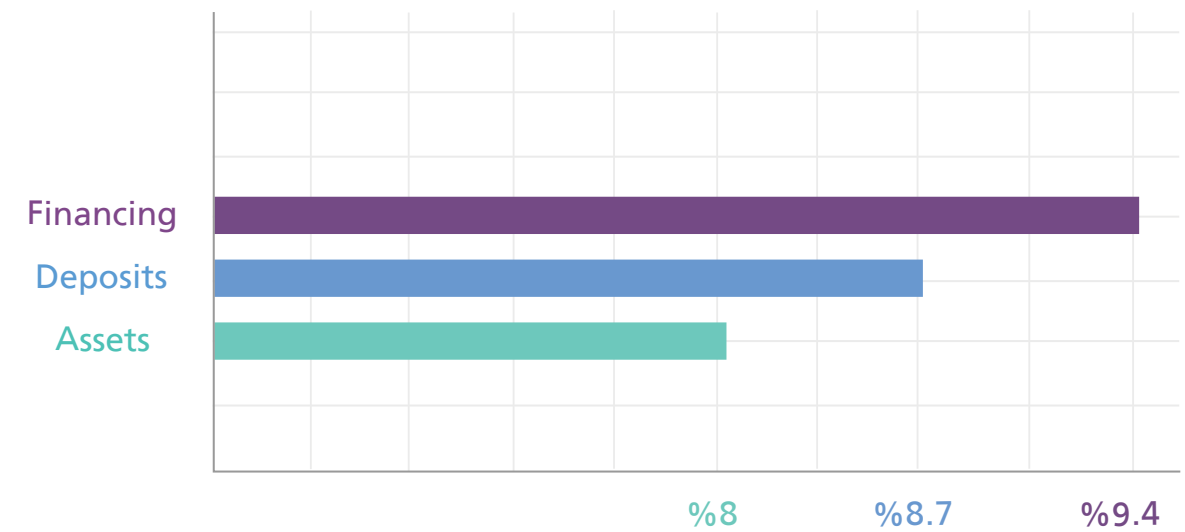
## Performance Indicators

### Market share development

The Arab Islamic Bank has maintained its distinctive market share and financial performance resilience. In terms of assets, its market share in the Palestinian banking sector reached about 8%, while its market share in direct financing reached about 9.4%. As for customer deposits, the bank's market share reached around 8.7%.



2022





## Branches and ATMs Network

In 2022, the Bank made efforts to expand its network of branches and ATMs. It established a new branch in the town of Ni'lin, Ramallah. As a result, the total number of branches and offices of the Arab Islamic Bank, including a representative office in the Emirate of Dubai and the mobile branch "Mobi Bank," reached 31 branches and offices. Additionally, the Bank has 63 ATMs located in all governorates of the country

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

## 31 Branches and Offices





## Advanced Electronic Services

Developing and adding new products is one of the most significant challenges that institutions face in general. It is a process that governs the development of the organization and the expansion of the client base by offering new competitive products to reach new clients and developing existing products and offering new features to clients with the aim of maintaining clients, raising their loyalty and reaching new clients.

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 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. Many new products and services have been developed, and campaigns have been launched for customers during the year 2022:



## Board of Directors Report

### New Products and Service

## QR Code Payment service through the Mobile Bank Application:

The Arab Islamic Bank has launched a service for payment through QR code using the Mobile Bank application at point of sale, allowing customers to make instant payments to merchants easily, quickly, and safely. Customers will not need to use cards or cash during this service and can access it easily through the Mobile Bank application. The QR code on the point of sale can be easily scanned for payment using the mobile camera.



## Video Call Service

The video call service is one of the new technologies launched by the Arab Islamic Bank to engage with the public via the bank's mobile app, online banking services, and the AIB website. The video call service allows AIB customers and non-customers to communicate directly, easily, and securely with customer service officers via video technology. This service provides numerous benefits, including the ability to execute many banking transactions and answer inquiries quickly, as well as activate or deactivate cards and many other banking services. This service is free and available seven days a week between 8:00 a.m. and 11:00 p.m.



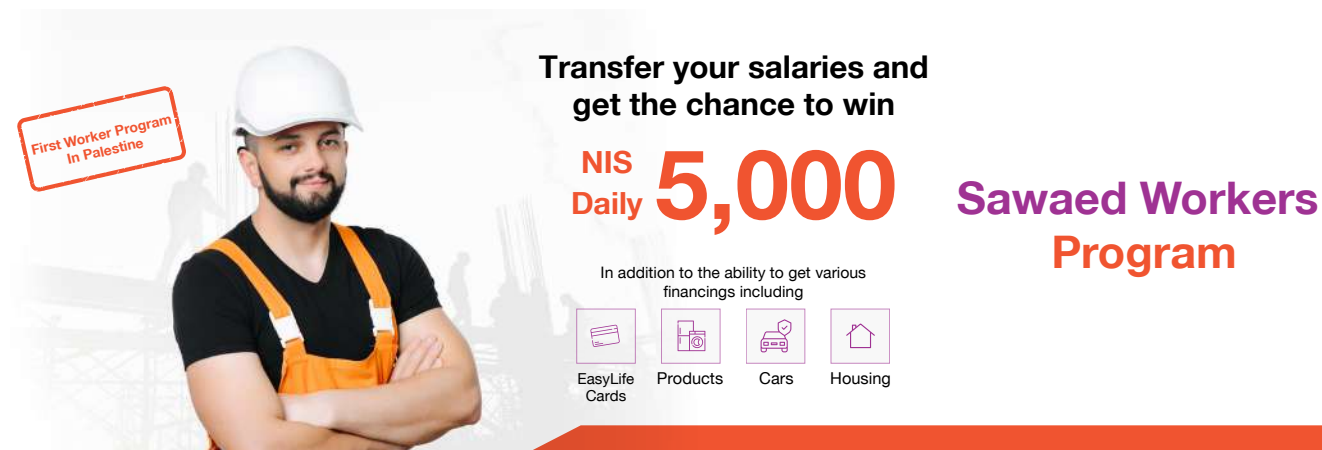
## Savings Accounts Campaign:

The Arab Islamic Bank launched a prize campaign for savings accounts under the slogan “Ten, Five Hundred, and the Opportunity is Strong.” This is part of the bank’s efforts to encourage its customers and the public in general to save by providing an opportunity to win valuable prizes, promoting financial inclusion. The campaign offered savings account holders the chance to win a daily prize worth 10,000 shekels, as well as major prizes worth 500,000 shekels for two winners. 106 customers won the daily prizes, in addition to two winners of the major prizes.



## “Sawaed” Workers Program Campaign:

The Sawaed financing program includes special and diverse benefits that are suitable for the needs of workers and facilitate their financial requirements through distinctive financing programs and favorable conditions (such as the auto financing program, housing financing, and installment cards). It was launched in 2021 and a motivational campaign was launched to encourage the transfer of workers’ salaries to the bank during 2022, with a chance to enter daily draws for prizes worth 5000 shekels when transferring their salaries.



## Board of Directors Report

In addition to the previously provided services and products:

## Internet Banking and Mobile Banking Service

This service allows customers to access banking services from anywhere and at any time without the need to visit the bank, through online banking services or the mobile banking application. This service enables customers to manage their accounts and perform many banking services, such as checking balances of accounts and cards, transferring between accounts, requesting account opening or financing, obtaining special exchange rates, paying bills, and many other exclusive services.



## Bank Cards:

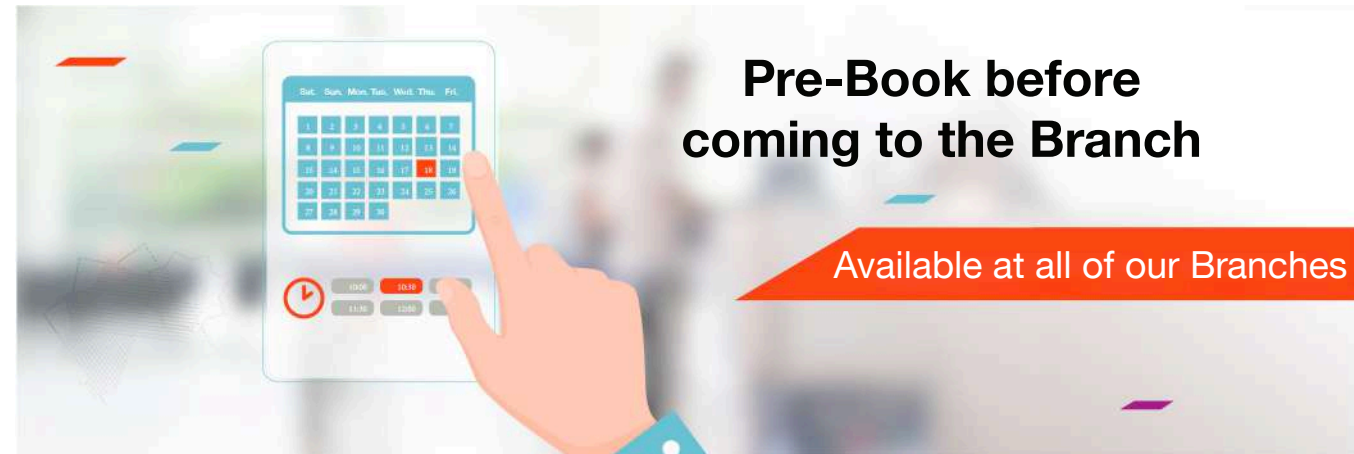
The Arab Islamic Bank offers many cards, including Visa Debit Card, Shopping Card for purchasing from points of sale and online shopping, and the Easy Life Card that enables easy installment of purchases for up to 36 months.





## Pre-Booking Service CVM

The Arab Islamic Bank's pre-booking service is the first of its kind in Palestine, and it is available to all of its customers. The pre-booking service helps in the organization and scheduling of your visit to the AIB branch, ensuring that when you arrive, the bank employee will be waiting for you to offer you the service as quickly as possible. The website allows you to book and schedule your visit.



## Points of Sale

The Arab Islamic Bank launched 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.)



## Board of Directors Report

### Products and Services

## Western Union Money Transfer

The Arab Islamic Bank provides a quick transfer service in collaboration with Western Union, the best global money transfer, through its branches in several governorates throughout the country. You can send and receive money transfers in just a few minutes. Western Union Money Transfer is distinguished by the ease of sending and receiving money, as it is possible to benefit from the network of transfer points, which reaches over 525,000 transfer points dispersed over more than 200 countries and regions worldwide, including Arab Islamic Bank branches and offices.



## AIB Mobi Bank

Based on the Arab Islamic Bank's vision to expand and spread, and from the perspective of applying the principle of financial inclusion, the mobile vehicle service (Mobi Bank) was launched to be the first mobile banking vehicle for an Islamic bank in Palestine. The ultimate purpose of this service is to provide communication and access to rural villages and isolated regions, promote the concept of financial inclusion for people who live outside of the villages and towns where the bank is located, and encourage every citizen to open a bank account. As accounts are opened, cards are issued, and the public is educated about banking services.



# Banking Services

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. The Bank concludes agreements and memorandums of understanding with local community institutions through which it presents competitive offers to various segments of society. The Bank's Personal Financing Department offers 5 basic financing programs including:

## Personal Financing Packages

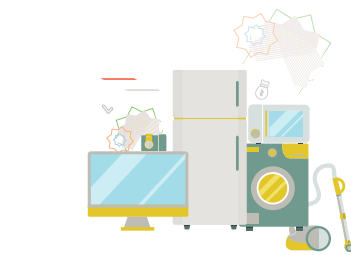
The Bank offers a number of integrated financing programs for individuals, which guarantee the financing of all their life needs in line with the rules of the noble Islamic Sharia. The Bank concludes agreements and memorandums of understanding with local community institutions through which it presents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

**Auto-Financing Program :** The Arab Islamic Bank offers financing for all types of new and used cars through its Auto-Financing Program, which provides distinctive and competitive Murabaha pricing. Customers can benefit from the bank's agreements with all car companies in Palestine, allowing for financing of up to 100% of the car price. The bank also offers solutions and flexible financing options for all income levels, whether salaried or unsalaried, in accordance with the principles of Islamic Sharia.

**Leasing and Owning:** This program enables clients to plan for their future and make informed decisions when selecting their dream home, based on their income level. Under this program, the property is owned by the bank and leased to the client in installments, which are paid over a specific period. Once the final installment is paid, the property is transferred to the client's name. This program covers financing for a range of real estate, including apartments, shops, and any other property that can be owned and rented by the bank. The program follows the guidelines set by the Monetary Authority and is fully compliant with the provisions of Islamic Sharia and in a manner that does not conflict with it.

**Commodity Finance:** The commodity finance program offers a wide range of solutions to the bank's customers in order to suit their personal and professional requirements. The Arab Islamic Bank purchases the commodity to be gained and owned by the customer, then sells it to the customer, through which payments are made in easy monthly installments at a competitive profit rate in line with the Murabaha system. In addition to the possibility of benefiting from Musawamah programs according to the bank's special agreements with various companies.

**Gold-Guaranteed Loans:** The Arab Islamic Bank Gold-Guaranteed Loan program provides customers with Murabaha financing in a simple and easy manner, and no guarantors are required. The program also includes the option of keeping the gold safe in our custody without the need to replace it and provides financing in accordance with Islamic Sharia.



## Banking services

**Istisna'a Financing:** The Arab Islamic Bank finances the construction of houses or manufacturing of goods that customers choose according to their own specifications, so that customers can finish their homes, build a house, or manufacture various commodities according to the installment method of Istisna'a or parallel Istisna'a in compliance with the laws of Islamic Sharia.

## Small and Medium Enterprise Financing

The Arab Islamic Bank considers the small and medium enterprise sector as one of the most promising economic sectors in Palestine, with a bright future and the potential to contribute significantly to the overall development of the Palestinian economy. 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 Corporates Financing Program:

The Bank operates in partnership with large companies in Palestine to contribute to the development and growth of the Palestinian economy. The bank offers a range of innovative solutions that are compliant with Sharia financing principles, such as Murabaha, Mudaraba, Musharaka, Istisna'a, and Ijara that ends with ownership, for major companies through financing their working capital, raw materials, manufacturing and production materials, assets, machinery and equipment, as well as real estate financing and financing industrial and commercial projects. The bank also provides foreign trade services, including documentary credits, collection policies, letters of guarantee, and currency exchange services, all tailored to the nature of these companies' work to achieve the best possible outcomes for all parties.

The Corporate Banking Relationship Managers team, with their extensive experience in various sectors and fields, works closely with clients in the branches to meet their short and long-term banking requirements and needs. They offer a range of benefits, including providing businesses with the necessary financial and professional advice, as well as valuable information to help them make informed decisions.

## 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.



## The Awards that the Arab Islamic Bank Has Won

2022

Best Islamic Bank in Palestine awarded by Palestine Financial Technology Summit Conference "Fintech"

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 EMEA Finance 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 Union of Arab Banks (UAB)

Best Islamic Bank in Palestine awarded by IFN 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

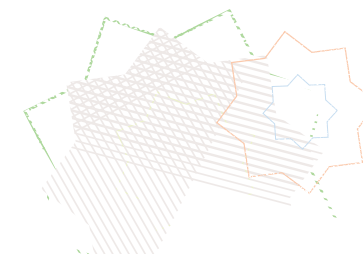
## Board of Directors Report

### Global Awards

## Proud of Our Awards....

A Palestinian Bank with an International Vision

The Best Islamic Bank in Palestine





# Sustainability

Sustainability is an integral 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 give great importance due to its positive impact on society and the organization. The Bank promotes sustainable development on multiple fronts (relevant parties) or 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:

In the year 2022, the share of community contributions to support development and education was the highest. This comes in light of the bank's commitment and interest in promoting the local community by enhancing social responsibility, achieving sustainability, and following up on all sectors and groups that need support and assistance. The percentage of contributions to social responsibility reached approximately 155,081 US dollars..

Sector	(\$)	Contribution Amount
Education	46,109	
Development	66,442	
Culture	37,630	
Health	3,349	
Sport	1,550	
<b>Total</b>	<b>155,081</b>	

Institutional partnerships reached 22

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 of several steps:

- Receiving applications through the bank's branches
- Verifying applications and fulfilling the requirements
- Examining the application by the Department of Public Relations Marketing and the Social Responsibility Committee
- Notifying the shareholders and beneficiaries
- Paying Donations

# Board of Directors Report

## The Arab Islamic Bank activities



Sponsoring the 3rd Digital Learning Conference - An-Najah National University



Sponsoring the Palestinian Real Estate Exhibition 2022



Participating in the Palestine Construction Exhibition in Hebron 2022



The 20th Conference of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) - Bahrain



Participating in the Climate Change Conference



Be a Professional Salesperson Training 2022



The Fintech Conference 2022



Nablus Shopping Festival 2022

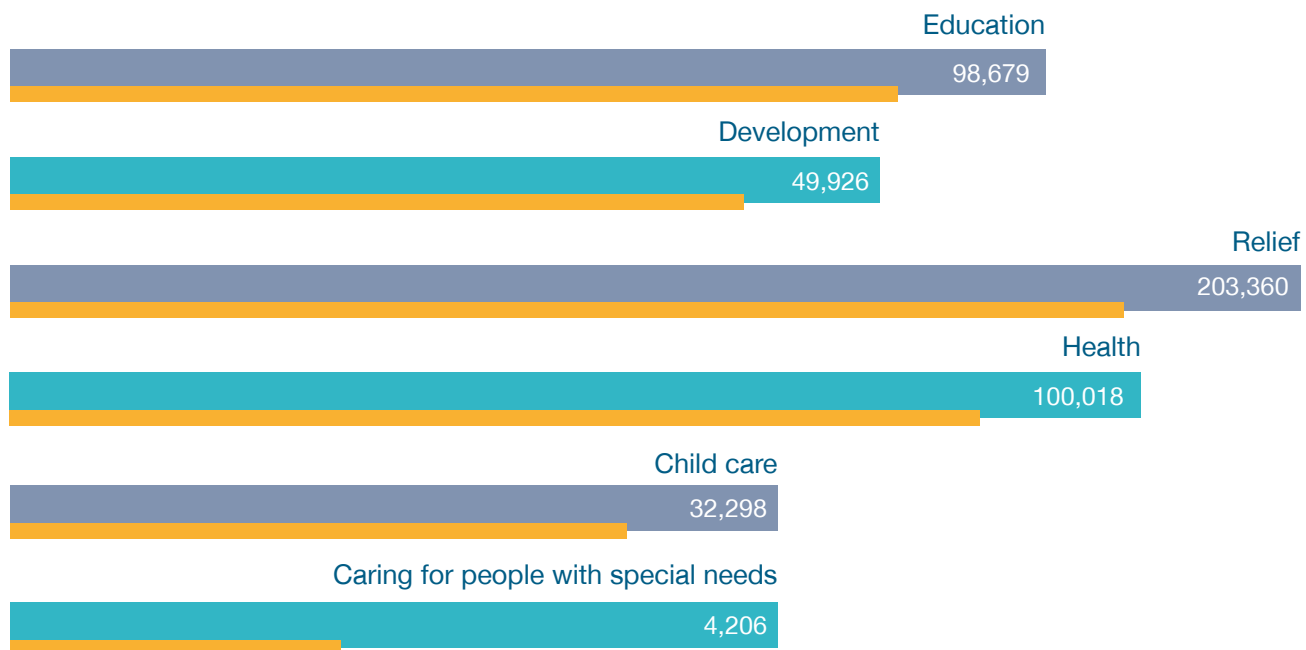


Team Europe Invests in Palestine Conference - Priorities and Funding Opportunities 2022

# Illicit Gains

These are all gains that were achieved from sources or methods that are prohibited by the principles and provisions of Islamic Shariah, or that resulted from some errors in implementation according to the decisions of the Fatwa and Shariah Supervisory Board at the bank. The specialized committee, which is responsible for studying each request and making the appropriate recommendation and decision to be presented to the General Manager and then to the Fatwa and Shariah Supervisory Board, takes action to disburse funds to those parties in need through payment to the supplier.

Category	(\$) Profits Fund budget
Education	98,679
Development	49,926
Health	100,018
Relief	203,360
Children Care	32,298
Special Needs Care	4,206
<b>Total</b>	<b>488,487</b>



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 fulfilling the requirements
- Examining the application by the Competent Department at the bank
- Opinion and approval of the Consolidated Fatwa and Sharia Supervisory Authority
- Notifying stakeholders and beneficiaries
- Paying Donations directly to the Supplier

The bank affirms its commitment to all policies, provisions, and rules of the corporate governance code in Palestine, ensuring justice, integrity, transparency, and disclosure of financial and non-financial matters in a way that makes the relationship between shareholders, the board of directors, and the executive management characterized by transparency and guarantees the fair pursuit of all interests. This enables shareholders to evaluate the bank's status and level of performance. In addition, accountability is considered in relationships between executive management and the board of directors, between the board of directors and shareholders, and between the board of directors and other relevant parties. The bank also considers the separation of responsibilities and delegation of authorities to all employees, based on the following principles.



## 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 the bank branches and a commitment to provide new services and products to clients, the number of employees at the Arab Islamic Bank has expanded from 668 at the end of 2021 to 685 by the end of 2022, from both genders. With the exception of the ungraded group of about 69, the female population accounts for 33.5%. The employees are divided between the Headquarter and the Bank's branches as follow:



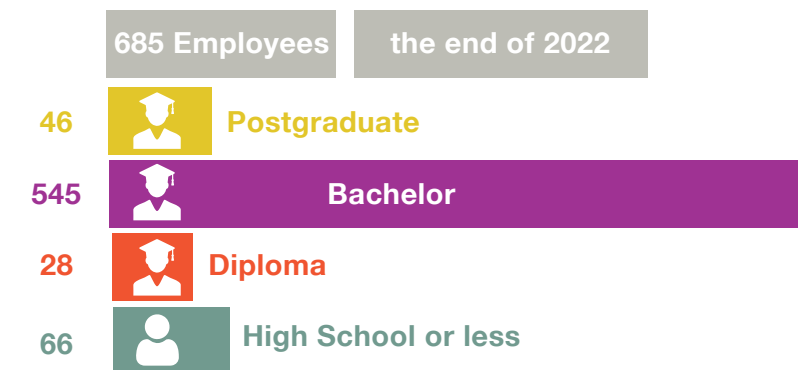
Employees are divided between the General Management and the branches as follows:

	Number of Employees	
	31/12/2021	31/12/2022
Headquarter	253	262
Branches & Offices	415	423
Grand Total	668	685

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 holding BA degrees or higher increased to 591 by the end of 2022, compared to 576 in 2021. The table below depicts the distribution of employees based on their educational qualifications during the previous two years.

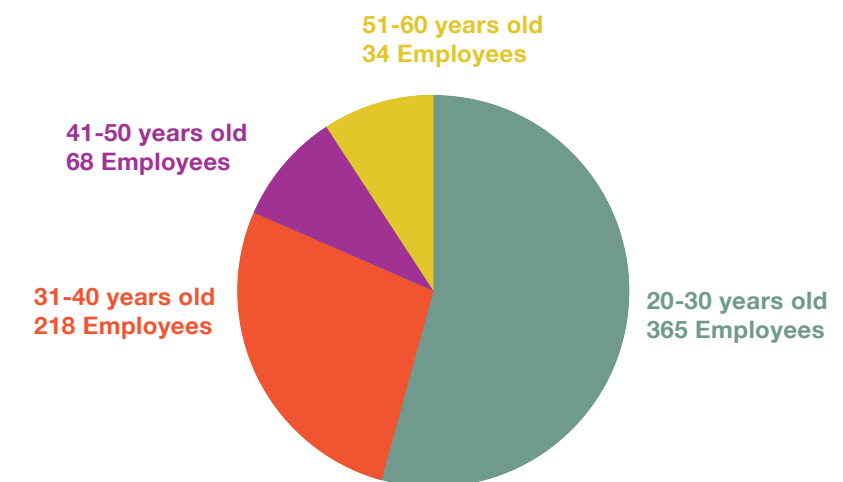
Educational Qualification	Number of Employees 2021	Number of Employees 2022
Postgraduate	42	46
BA	534	545
Diploma	30	28
High School or less	62	66
Total Employees	668	685

## 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	Number of Employees 2022
20-30 years old	376	365
31-40 years old	190	218
41-50 years old	57	68
51-60 years old	45	34
Total Employees	668	685





According to the guidelines of the Arab Islamic Bank's management and the strategic plan for human resources management, many of the main human resources policies and systems have been developed, including the development of the bank's organizational structure to keep pace with the developments at the bank in order to rearrange the work in the different departments on more efficient and professional bases, giving the bank greater strength and solidity. Moreover, the new organizational structure reflects global trends towards more agile, horizontal organizational structures to facilitate the flow and efficiency of work in the bank. All new and updated job descriptions were developed to accompany the new organizational structure, in addition to updating and developing policies and systems such as salary scales, job grading system, employee systems, professional codes of conduct, recruitment policy, and employee selection to become more competitive in the banking market in attracting and retaining competent personnel. As well as developing the leadership competencies system for managers of departments, divisions, and other supervisory positions.

In addition, new standards and principles for selecting new employees have been developed by enhancing recruitment tests such as general tests and English language proficiency tests. The department has also worked towards the development of performance management approach and transition to evaluating employee performance based on pre-determined SMART goals and performance indicators, according to the Balanced Scorecard. This is in line with the bank's developmental plan and aims to focus on the human resources development and enhancing job performance levels.

The bank's management and the HR and training department pays special importance to enhancing a positive work environment. This is achieved through organizing social activities, increasing employee cohesion, and distributing gifts on various occasions, including distributing special gifts to female employees on Mother's Day and International Women's Day.

### Training and Development:

Arab Islamic Bank places great emphasis on the development and training of its human resources, as it believes that the bank's excellence and growth rely on building and developing the performance and capabilities of its employees in line with the bank's aspirations and strategic objectives, to be at the forefront of banking institutions in Palestine.

The Human Resources and Training Department has, continuing the approach of developing human resources, as it represents a key element for the success of the bank, implemented a large set of training programs and activities to meet the needs of bank employees. This includes organizing numerous training programs and appointing employees to attend specialized courses, conferences, and seminars that raise the efficiency and effectiveness of employees, in addition to promoting a positive work environment. This is done within a working methodology that seeks to apply the best practices in this regard in the banking sector.

### Training and development during 2022 focused on a set of key topics and areas, including:

**Investing in training that supports compliance with internal and external regulatory requirements**, through conducting internal training workshops and participating in external programs (local and international) in the fields of combating money laundering and terrorist financing, risk management, compliance, and ensuring awareness in the field of information security to face cases of fraud, in addition to complying with quality standards

**Strengthening the Islamic banking identity of the Arab Islamic Bank and commitment to sharia supervision**, through following up on training and awareness in the field of sharia supervision and its risks and enhancing the Islamic banking characteristics. Working on raising the level of scientific qualifications of a group of first and second-line officials in the headquarter and branches by granting them specialized Islamic professional certificates in their field of work. Some employees have obtained the Certified Islamic Banker (CIB) certificate issued by the General Council for Islamic Banks and Financial Institutions (CIBAFI) in Bahrain after passing the certification exams.

**Investing in qualifying and training new staff members through the implementation of "Banking Qualification Programs"** for the group of new employees in the headquarter and bank branches, to contribute to the development of the skills and knowledge level of new employees and provide them with a base of knowledge that enables them to engage in work at the bank and provide the best services to customers. In addition, they will be recruited to participate in training programs to cover their primary needs for the necessary courses to perform their job duties.

**Updating and training the bank's continuity of operations teams and increasing their readiness** through qualifying and training the authorized emergency response teams in the headquarter and branches to deal with emergency situations in cooperation with the Palestinian Red Crescent Society and in accordance with the instructions of the Palestinian Monetary Authority and in line with the bank's management's approach to comply with all general safety rules to preserve the health and safety of employees, customers, and bank properties.

**Supporting succession plans and career paths is part of the bank's development plan**, which aims to identify potential replacements for important, detailed, and critical positions in the bank and work on their development and qualification to meet the requirements of these positions. In addition, the bank is committed to developing exceptional talents and creating an effective and motivating institutional environment.

**Investing in the development of information technology to ensure the implementation of new projects and systems according to the bank's plans.** This will be achieved through external training to support the implementation of the new version of the 14 IMAL banking system, which will be launched in the bank soon. Additionally, employee readiness will be improved through training programs to obtain specialized certificates in their field of work.

**Investment in developing the performance and enhancing the banking, technical, and administrative skills** of all employees in various job positions within the headquarter and bank branches in the West Bank and Gaza to improve their readiness and develop their performance level by providing them with information and knowledge related to their jobs, which increases the effectiveness of work performance.

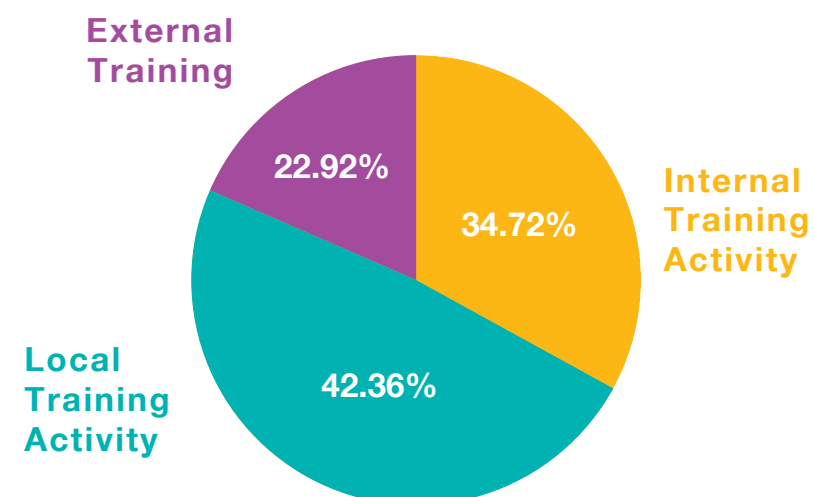
**Investing in cooperative training with local community institutions** through enhancing participation in the dual studies program with Al-Quds University, which is based on theoretical education at the university and practical training in institutions over a period of four years for the student. The bank continued to participate in absorbing new students and following up on the training of participating students in the program, with a total of 6 students during the year 2022.

Many internal and external programs and workshops were implemented, during 2022, leading to the achievement of the main goals of the annual training plan. The bank organized approximately 144 specialized training programs and courses that covered all the mentioned main topics and fields, and 955 participants from all bank departments and branches benefited from them, with a total of 2,129 training hours as follows:  
Distribution according to training fields:

Training Field	Number of courses/ workshops	Percentage of the total training	The number of employees/ trainees with repetition	Percentage of total workforce (684)
Management, Behavioral and marketing Skill	25	17.36%	123	17.98%
Training and development in the field of risk management	7	4.87%	95	13.88%
Training and development in combating money laundering and compliance	10	6.94%	141	20.61%
Training and development in the field of control, internal auditing, and Shari'a supervision	13	9.03%	107	15.64%
Banking qualification programs for new employees	32	22.22%	42	6.14%
Training aimed at supporting job tasks in branches.	14	9.73%	206	30.11%
Training for new systems and products.	3	2.08%	19	2.77%
Training aimed at ensuring the continuity of work within the instructions of the monetary authority.	11	7.63%	96	14.03%
Information Technology	12	8.33%	21	3.07%
Developing staff performance in the financial and credit field	17	11.81%	105	15.35%
<b>total</b>	<b>144</b>	<b>100%</b>	<b>955</b>	<b>139.58%</b>

Distribution according to training activity nature:

Training Activity	Number of courses/ workshops	Number of training hours	Number of employees/ Trainees with repetition
Internal Training Activity	50	258	408
Local Training Activity	61	1243	441
External Training	33	628	106
<b>Total</b>	<b>144</b>	<b>2129</b>	<b>955</b>



The investment areas in a variety of main topics and fields emerged as follows:

Starting to work on building and implementing the Succession and Career Path plans, as part of the Bank's Development plan, which aims to identify potential successors for critical and important positions in the bank and to develop and prepare them to meet the requirements of these positions. In addition, there is a focus on developing outstanding competencies and talents, and creating an effective and motivating institutional environment that ensures increased job satisfaction and loyalty through the establishment and development of a career path plan to invest in these competencies.

Investing in training that supports compliance with internal and external regulatory requirements, through conducting internal training workshops and participating in external programs (local and international) in the fields of Shariah supervision, risk management, compliance, and quality management, and keeping pace with developments in the work of combating money laundering and terrorist financing.

Implementing of "Banking Qualification Programs" for the group of new employees in the headquarter and bank branches, to contribute to the development of the skills and knowledge level of new employees and provide them with a base of knowledge that enables them to engage in work and provide the best services to customers.

Investing in specialized professional certificates in the banking sector, where a group of employees were invested in obtaining specialized professional certificates during the year, including:

- Certified Islamic Arbitrator and Expert (CIAE)
- Certified International Purchasing Manager (CIPM)
- Project Management Professional (PMP) certification
- Dealing Certificate Preparation Course (ACI) Certification

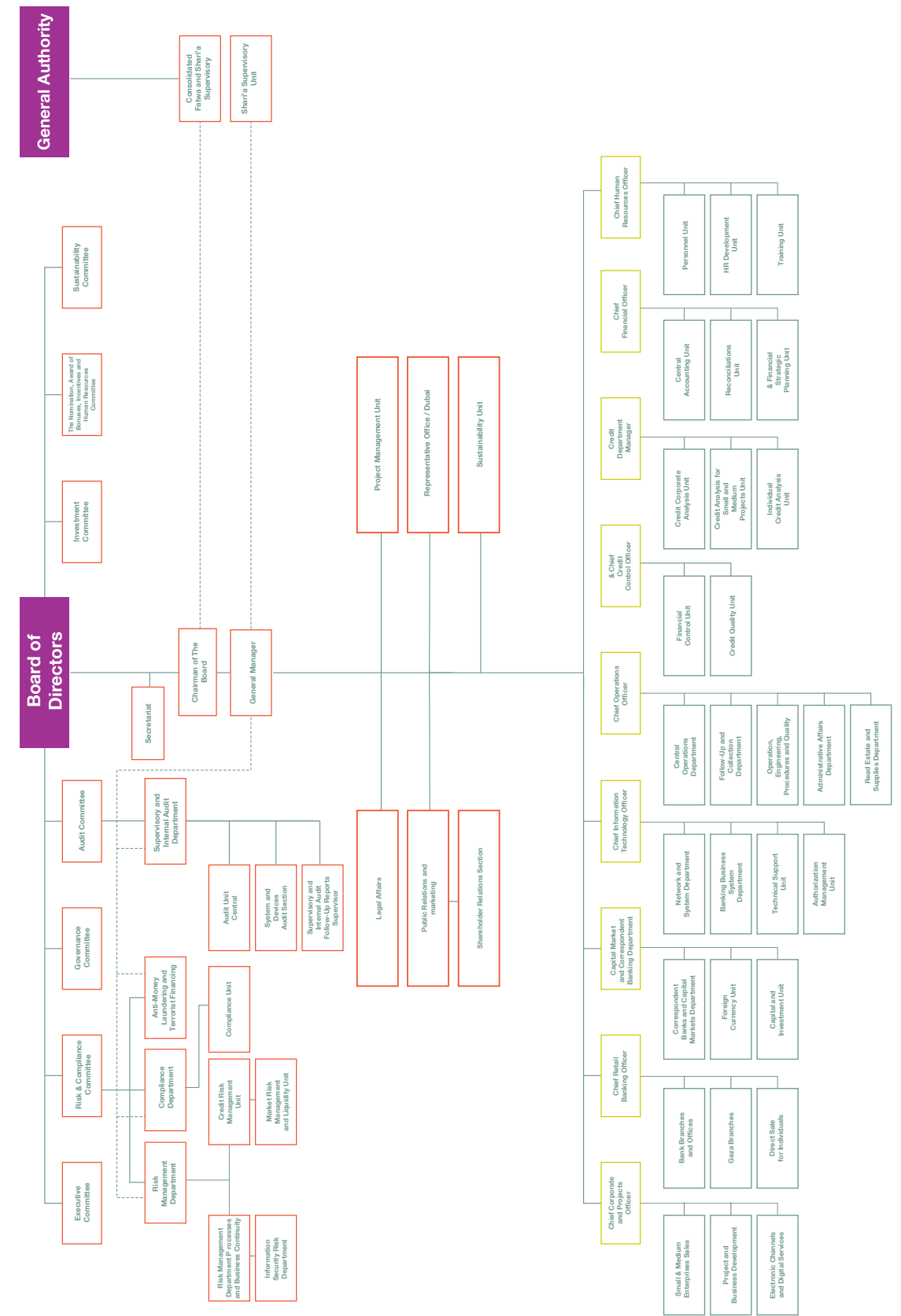
Investing in developing and enhancing the banking and technical skills of employees in various job positions in the headquarter and branches of the bank in the West Bank and Gaza, in order to improve their readiness and enable them better.

Training the new critical operations team that was prepared from the southern branches to work at the proposed alternate site for the bank in the city of Bethlehem in case of emergency conditions that require the use of the site. The team was trained on the most important critical operations in the areas of banking operations, credit, treasury and money markets, and financing control.

Investing in cooperative training with local community institutions through enhancing participation in the dual studies program with Al-Quds University, which is based on theoretical education at the university and practical training in institutions over a period of four years for the student. The bank continued to participate in absorbing new students and following up on the training of participating students in the program, with a total of 6 students during 2021. Through a training and work program lasting for a full 3 months in the bank during each academic semester, an agreement was also signed with the Palestinian Employment Fund to train 9 trainees on the employment and training program (Tameer) for a period of 5 months in the bank's branches in the West Bank and Gaza Strip.

# Governance and Administrative Structure

## Organizational Structure







# Governance and Administrative Structure

The bank affirms its commitment to all policies, provisions, and rules of the corporate governance code in Palestine, ensuring justice, integrity, transparency, and disclosure of financial and non-financial matters in a way that makes the relationship between shareholders, the board of directors, and the executive management characterized by transparency and guarantees the fair pursuit of all interests. This enables shareholders to evaluate the bank's status and level of performance. In addition, accountability is considered in relationships between executive management and the board of directors, between the board of directors and shareholders, and between the board of directors and other relevant parties. The bank also considers the separation of responsibilities and delegation of authorities to all employees, based on the following principles:

## 1. General Assembly Meetings:

Ordinary and extraordinary general assembly meetings are held upon call from the Board of Directors. Shareholders are notified at least 14 days before the meeting. The announcement is made in local newspapers at least two weeks before the meeting. Shareholders listen to the external audit report and the report of the unified Fatwa and Sharia Supervision Board at the general assembly meeting. Any inquiries they may have are addressed during the meeting, and the items on the agenda are discussed in order. The ordinary general assembly meeting is held once a year, and the extraordinary general assembly meeting is held whenever necessary.

## 2. Equal shareholder rights:

The Board of Directors of the Arab Islamic Bank ensures that each shareholder of the bank enjoys all the rights granted to them under the applicable laws, regulations, and instructions, which include the right to access ownership records, the right to receive invitations to attend General Assembly meetings, the right to fair treatment of all shareholders and to enjoy the same rights, whether in the distribution of cash and in-kind profits or the right to transfer or mortgage shares, the right to vote and elect, and the right to priority subscription in any new shares.

## 3. The Company's Management:

The current Board of Directors of the Arab Islamic Bank consists of 11 members, and membership in the board of directors requires the elected member to own no less than 7,000 shares. The members of the board of directors have financial and economic expertise, and the board meets regularly and whenever necessary, with no less than six annual meetings.

In addition, the bank's board of directors formed several permanent committees, including:

- The Executive Committee
- The Audit Committee
- The Risk Management Committee
- The Governance Committee
- The Investment Committee
- The Nomination, Rewards, Incentives, and Human Resources Committee
- The Sustainability Committee

# Governance and Administrative Structure

## bank governance

The Executive Management is led by a General Manager who possesses competence, integrity, extensive banking and economic expertise. Prominent officials with the required qualifications and experience have also been appointed to the executive management. The general manager develops and monitors the implementation of the bank's strategic plans, as approved by the Board of Directors. There is also a clear separation between the responsibilities of the Board of Directors and those of the executive management with regard to the bank's day-to-day operations.

## 4. Risk Management:

The risk management is defined as the process of identifying, measuring, and evaluating the risks that the bank is exposed to, and developing strategies to manage them. These strategies include methods for mitigating risks as follows:

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

## The purpose of risk management:

- Preventing the occurrence of risk, and following the best methods that protect the bank from potential financial losses.
  - Minimizing the impacts resulting from the risk if it occurs, to ensure the continuity of the bank's operations.
  - Activating preventive and precautionary measures to reduce business disruption and providing a healthy and safe environment.
- Activating the monitoring and early warning system so that it is possible to predict the emergence of any risk and anticipate risks before they occur.
- Maintaining the strength and stability of the bank's capital, and complying with the capital adequacy ratios within the Basel regulations and the central bank's instructions.

The bank applies the latest international banking standards in managing all types of risks, whether they are financing risks, operations, market and liquidity risks, business and reputation continuity, information security, in order to achieve transparency and compliance with regulatory decisions and instructions of the Palestinian Monetary Authority, and in accordance with international standards derived from the Basel II and III Committee guidelines, and in coordination with the Palestinian Monetary Authority, to provide sufficient hedging for the bank's capital from risks that may arise from granting external financing and investments, and the bank's operational activities according to Pillar I of Basel II guidelines. An internal assessment is also prepared for the sufficiency of capital adequacy (ICAAP) according to Pillar II of the Basel II guidelines, while reinforcing existing regulatory measures to ensure sufficient hedging of the bank's capital adequacy for all risks that may arise from the bank's various activities and that have not been hedged within Pillar I of Basel II guidelines. These risks may arise from expansion and/or concentration and/or entry into new markets and/or legal issues and/or changes in strategic planning, in order to maintain asset quality and liquidity adequacy to meet emergent requirements.

Stress testing is conducted and its results are reflected in the bank's financial data to determine its impact on the bank's profits and expected risk assets. This is done to ensure sufficient capital adequacy and in accordance with the guidelines and recommendations of the Basel II Committee. In addition, continuity tests are conducted from the alternate site and the alternate site is tested to ensure that the bank's operations continue under exceptional circumstances and that the bank's business practices are ready to maintain the continuity of providing the best banking services to its customers in emergency situations. Workshops are also held for all bank departments to identify and determine the level of risk for each unit and to limit and/or mitigate them based on best banking practices. Additionally, tools are used to assist in identifying and evaluating the level of credit risk arising from loans granted to bank customers and market risks arising from investments in local and global capital markets. The bank aims to develop and strengthen its supervisory role in managing liquidity risks by improving its current methodology and procedures for monitoring and assessing the liquidity position and the size of the mismatch between assets and liabilities. This is based on international measurement standards to provide a comprehensive and integrated view of the bank's assets and liabilities management, aiming to preserve the bank's assets and enhance its ability to meet the needs of its customers,

# Governance and Administrative Structure

## bank governance

especially in unusual circumstances. This is achieved by enhancing the supervisory role of the Risk Management Department over the treasury and money markets' daily operations and activities.

### 5. Anti-Money Laundering/Combating the Financing of Terrorism:

All internal and external anti-money laundering and terrorism financing policies and instructions are being implemented in coordination with all administrative levels in the Arab Islamic Bank, and are kept up to date with all developments in the field of anti-money laundering, in order to protect the bank from the possibility of passing any suspicious transactions that may result in material losses or negatively affect its relationships with other parties. This is achieved through raising public awareness and knowledge among employees about the importance of anti-money laundering management, by conducting training courses and disseminating guidance brochures. It also involves ensuring the commitment of all departments to the provisions of anti-money laundering laws and instructions issued under them, and implementing the "Know-Your-Client" (KYC) policy in accordance with its various levels and requirements.

### 6. Compliance Management:

The Compliance Department is responsible for verifying compliance with all instructions from the Palestine Monetary Authority to protect the bank from exposure to financial, legal, and reputational sanctions that may result from non-compliance with local and international laws and regulations. The Board of Directors ensures the independence of the Compliance Department and guarantees the availability of sufficient, trained, and qualified human resources. In addition, a documented compliance policy is provided by the Board of Directors in accordance with the Compliance Guide, covering all aspects of compliance to ensure compliance with applicable laws and regulations. To achieve the above, the Compliance Department is responsible for:

- Ensuring employees comply with the instructions of the Monetary Authority for all bank services and products.
- Providing advice to all departments and branches on compliance and the penalties resulting from violating the Monetary Authority instructions, which in turn promotes best practices.
- Addressing customer complaints by following up with relevant departments to reduce customer issues and reflect the bank's vision positively.
- Collaborating with external and internal auditing authorities to verify the soundness of compliance procedures.
- Providing periodic reports to the Board of Directors on the extent of compliance in the bank.
- Contributing to increasing awareness among employees in the field of compliance by holding direct training courses and regularly publishing awareness messages.
- Conducting field visits to verify compliance with laws, policies, and procedures related to compliance.
- Verifying compliance with the US tax law FATCA.
- Continuously updating policies and procedures to ensure they are in line with the latest developments in instructions and regulatory circulars..

### 7. Auditing:

There are two separate entities that conduct auditing in Arab Islamic Bank:

External Audit, which is conducted by a licensed auditing firm that is accredited and possesses the necessary expertise and competence. It conducts its work impartially and independently from the bank, the board of directors, and the executive management.

The Internal Audit Department, which reports directly to the Audit Committee established by the Board of Directors, is responsible for examining and evaluating the adequacy and effectiveness of the internal control system and the procedures used by all departments and divisions of the bank to perform their assigned tasks. The department prepares all internal audit reports and submits them to the aforementioned committee, which in turn directs these reports to the Board of Directors after attaching its own recommendations. Given the importance of internal control and its role in supporting comprehensive banking supervision, both the bank's Board of Directors and the Audit Committee believe that having an internal audit function that is highly professional and independent is essential to increasing operational efficiency of the bank's processes and improving the performance

of risk management, internal control, and corporate governance systems. The main objective of internal auditing is to examine and evaluate the adequacy and effectiveness of the internal control system and the mechanism by which tasks are assigned to all departments and divisions of the bank are achieved, ensuring that the executive management adheres to the approved plans, policies, and objectives of the bank set by the Board of Directors, as well as the extent of compliance with current instructions and laws, ensuring the bank's good performance, development, and stability. The internal auditing activity has been directed towards the highest levels of risk exposure of the bank (auditing operations are based on risk) and towards increasing efficiency and effectiveness in operations.

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 enforce legislations, 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 approach.
- 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:

The 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, ensuring 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 that the bank may face during the next fiscal year that would have a material impact on the bank.

## Subsidiaries & Sister Companies:

The bank has no subsidiaries nor sister companies.

## Auditors

Ernst & Young, auditing, financial, and consulting services company.

## The difference between previously disclosed preliminary data and final data

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

## Non-recurrent operations:

There is no financial impact from non-recurring transactions that occurred during the fiscal year and do not fall within the bank's core activity.

## International Quality Standards:

The bank applies Basel II standards and guidelines, best governance practices, as well as all instructions of the Palestine Monetary Authority to cover all aspects of risk management.

## Concessions:

There is no government protection or privileges granted to the bank or any of its products under laws, regulations, or otherwise. Additionally, the bank has not obtained any patents or proprietary rights.

## Legal Procedures:

The number of cases filed against the bank was 33 and 31 cases as of December 31, 2022 and 2021, respectively, within the bank's normal business activities.

The value of the cases filed against the bank was \$371,900 and \$570,586 as of December 31, 2022 and 2021, respectively.

According to the bank's management and lawyers' estimation, the bank will not incur any liabilities except for what has been allocated to address those cases.

## 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 \$81,922,835, as of 31/12/2022 while foreign investments in sukuks and investments in Islamic banks totaled US \$62,023,455 on 12/31/2021.

## Capital Investment:

At the end of December 2022, the bank's net capital investment was \$2,321,527 USD, while it was \$2,606,907 USD at the end of December 2021.

## 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.

# Governance and Administrative Structure

## bank governance

### Reliance on Main Suppliers and Clients:

The Arab Islamic Bank deals with many local and foreign suppliers to cover its various purchases, and there are three companies that the bank deals with. The percentage of its purchases from each of them is close to 10% of the total purchases of the bank:

- Trust Insurance Company, where our purchases from the company reached 13%
- NTS Information Systems Company, where our purchases from the company reached 12%
- OFFTEC Palestine, where our purchases from the company reached 11%

### Adequacy of Internal control and oversight systems:

The executive management framework for evaluating the effectiveness of internal control and auditing consists of three independent departments directly under the Revision and Audit Committee and the Governance and Compliance Committee, which are both established by the Board of Directors in accordance with the instructions of the Palestinian Monetary Authority and other regulatory authorities. These departments apply and evaluate internal control and auditing systems for various operations in the bank. They include the Risk Management Department, the Internal Control and Auditing Department, and the Compliance Monitoring Department. The first department develops control measures to manage expected risks on various banking and non-banking aspects of the bank, including credit, market, operations, and others. While the Internal Audit Department examines the compliance of all bank departments and branches with control and monitoring systems and provides recommendations to address any gaps through periodic inspection processes. Whereas the Compliance Monitoring Department monitors the bank's compliance with the instructions of the Palestine Monetary Authority and external regulatory bodies concerned with the bank's adherence to governance and transparency rules. It should be noted that the reports of these departments are directly submitted to the committees emanating from the Board of Directors, each in its respective area, which in turn submits them to the Board of Directors.

In addition, external auditors periodically examine the effectiveness of the bank's internal control and monitoring systems through their periodic visits to the bank's departments and branches, and submit their reports and recommendations. They also prepare an annual report that coincides with the disclosure of financial statements, through which they evaluate the control systems and the extent of the executive management's adherence to the bank's general policies, internal control regulations, risk management, work procedures and systems, and administrative instructions. This report is presented to the Revision and Audit Committee, which in turn submits it to the Board of Directors along with its recommendations, and sends a copy to the bank's executive management.

It should be noted here that Arab Islamic Bank always seeks to avoid any gaps or fundamental weaknesses in its internal control and supervision systems through regular follow-up and evaluation of these systems, as well as modifying and developing them to ensure compliance with changes and developments in various areas 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 the overall performance and progress towards achieving strategic objectives.
- 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 making 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 2022, 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.

## Governance and Administrative Structure

### bank governance

Entity	Number of Meetings in 2022
Board of Directors	6
Risk and Compliance Committee	9
Investment Committee	5
Revision and Audit Committee	12
Executive Committee	28
Human Resources, Nomination Bonuses and Incentives Committee	7
Governance Committee	4
Sustainability Committee	6

Noting that all meetings of the Board of Directors and its committees 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 Meeting Attendance Record

Name	Number of attendances of (7) meetings	Attendance percentage of (7) meetings
Dr. Mohamed Mahmoud Nasr	7	100%
Mr. Mohammad Awni Abu Ramadan	7	100%
Mr. Shady Adnan Al-Khatib	7	100%
Mr. Rushdi Mahmoud Al-Ghalayini	7	100%
Mr. Sam Sami Bahour	7	100%
Dr. Safaa Naser Al-Din	7	100%
Ms. Samar Nakhleh	7	100%
Mr. Saeb Ibrahim Samour	7	100%
Mr. Saqer Mahmoud Jandia	7	100%
Mr. Abdallah Qais Al-Ghanim	4	57%
Mr. Wael Abdel Latif Al-Sourani	7	100%

## Governance and Administrative Structuring

### Board of Directors Committees

## The Executive Committees permanent committee

### Members & Rapporteurs

- Mr. Rushdi Al-Ghalayini – 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

## The Committee’s Tasks and Authorities

- 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.
- Recommending for the Board to approve the bank’s credit policy, the conditions for granting facilities, guarantees, credit ceilings, and the limits of the Financing Committee’s powers in the headquarter.
- Determining the profit rates for the structured financing programs when approved provided 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 is presented with financing requests that exceed the authority of the finance committee in the general management.
- Continuous review of all reports, data, and studies that enable the committee to perform its work professionally and efficiently.
- Informing the Board of Directors fully and periodically about the status of the bank’s credit portfolio, including its size, emerging developments, classified facilities, provisions made to address any losses, and follow-up and collection efforts.
- 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 compliance to 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.
- Reviewing 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.
- Exoneration from its responsibilities: The committee is exonerated from its responsibilities during the annual general meeting.

## Governance and Administrative Structuring

### Board of Directors’ Committees

## The Review and Audit Committee – a permanent committee

### The Members & Rapporteurs:

- Mr. Saeb Samour - Board’s member/ Committee’s Chairman
- Mr. Sam Bahour -Board’s member/ member
- Mr. Saqer Jundia- Board’s member/ member
- Mr. Mohammad Abu Ramadan - Board’s member/ member
- Ms. Samar Nakhleh - Board’s member/ member
- Mr. Ibrahim Abu Abdo- Internal Audit Department Manager/ Committee Secretary

## The Committee’s Tasks and Authorities

- 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.
- Nominating the external auditor, determining his fees, and dismissing 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 board and making the necessary recommendations
- Direct supervision of the internal audit and control department, 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.
- Contacting 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.
- Exoneration from its responsibilities: The committee is exonerated from its responsibilities during the annual general meeting.



## The Risk Management and Compliance Committee – a Permanent Committee

- Mr. Sam Bahour - Board's member/ Committee's Chairman
- Dr. Mohammed Nasr -Board's member/ member
- Mr. Saeb Samour - Board's -Board's member/ member
- Mr. Saqer Jundia -Board's member/ member
- Dr. Safaa Naser El Din -Board's member/ member
- Mr. Saed Miqdadi –Risk Management Department Manager / Committee Secretary

## The Committee's Tasks and Authorities

- 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 the committee 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 the executive management's compliance 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.
- Submitting reports to the board on the bank's level of compliance and the 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.
- Reviewing 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

## Governance and Administrative Structuring

### Board of Directors' Committees

and degree of the bank's risk exposure in this regard.

## The Governance Committee - a Permanent Committee

### Members & Rapporteurs:

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

## The Committee's Tasks and Authorities

- 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 tasks and responsibilities of the Committee are not limited to those mentioned in this charter. The Committee may exercise additional functions or responsibilities and duties, and adopt additional policies and procedures in accordance with the rules of corporate governance and banks, and according to the changing work circumstances, legislative, regulatory, and legal conditions, or based on a mandate from the Board of Directors and in line with the goals, purposes, and requirements of institutional governance.



## The Investment Committee – a Permanent Committee

### Members & Rapporteurs:

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

### Secretary

## The Duties of the Committee:

- 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.
- Monitoring investment results regularly 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.
- Keeping the board of directors regularly informed of the status of the investment portfolio of the bank and promptly informing it of any significant changes that may occur 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 Powers of the Committee:

- 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.
- Identifying certified financial brokers for securities trading on the stock exchange by the Treasury and Capital Markets Department.
- 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.

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

### Members & Rapporteurs:

- Dr. Mohammed 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: Tasks & 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 managers 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 tasks in order to fulfill this role:

### A-Nomination:

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

### B-Bonuses and Incentives:

- 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

- 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.
- 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:

- Reviewing the Bank's main human resources policies and recommending it 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.
- 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.,
- Reviewing the bank's HR plan, development and training programs, and developing the skills of managers and employees.
- Reviewing the bank's succession management plans and programs and submitting suggestions and recommendations to the Board of Directors
- 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.
- 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
- Ensuring the executive management complies with the instructions of the Monetary Authority and the board of directors regarding the scope of the committee's work.
- Carrying out any other duties assigned to it by the Board.

## Governance and management structure

### Benefits and rewards

## Second: The Committee's Powers

The committee derives its powers from the bank's internal regulations, best practices for banking governance in Palestine, instructions issued by the Monetary Authority, as well as labor laws, relevant regulations, and legislation. The committee shall have the necessary resources and powers to perform its duties and responsibilities.

- 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.
- Requesting any reports, data, or information that the committee requires from any official or employee of the bank within its jurisdiction and reviewing them.
- 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.
- Exchanging reports and information with the various committees of the Board of Directors, when necessary, particularly with the Risk and Compliance Committee.

## The Sustainability Committee

### Members & Rapporteurs:

Samar Sawalhi - Committee Chairman

Dr. Mohammed Nasr – Committee Member

Saqer Jundia– Committee Member

Dr. Safaa Nasir El Din- Committee Member

Ahmad Sartawi – Public Relations Manager/ Committee Secretary

## First: Tasks & Responsibilities:

- 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.
- Assisting in the formulation of a comprehensive strategy for sustainability and the promotion of environmental protection and responsibility for the Bank.
- Supporting and directing the Sustainability Unit, and ensuring the achievement of its tasks at the bank level.
- Discussing and approving the sustainability plan and the necessary budgets for its approval.
- Discussing the sustainability reports prepared by the concerned unit in the bank
- Supervising the bank's disclosure reports on the bank's annual report concerning sustainability, reviewing them before approving and publishing them in appropriate ways.
- 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.
- 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:

- 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.
- Using the services of consultants, experts, and outside consultants in accordance with the bank's policy
- Directing communication with the General Manager, his deputies, and assistants regarding the scope of his work.
- Requesting and reviewing the necessary related reports, data, and information.
- Exchanging reports and information with other Board-created committees.

## The Concessions and rewards enjoyed by the chairman and members of the board of directors.

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 15/02/2017.

- The bonuses and expenses of the Board's members during 2022:

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	7	38,500	25,730	64,230	6,423	57,807
Mohamed Nasr	7	23,000	25,730	48,730	4,873	43,857
Shady Al-Khatib	7	26,500	25,730	52,230	5,223	47,007
Sam Bahour	7	25,500	25,730	51,230	5,123	46,107
Mohammad Abu Ramadan	7	20,000	25,730	45,730	4,573	41,157
Safaa Nasir El Din	7	21,500	25,730	47,230	4,723	42,507
Samar Nakhleh	7	23,500	25,730	49,230	4,923	44,307
Saeb Samour	7	26,000	25,730	51,730	5,173	46,557
Wael Al Sourani	7	26,000	25,730	51,730	5,173	46,557
Saqer Jandia	7	28,000	25,730	53,730	5,373	48,357
Abdallah Al-Ghanem	4	21,583	14,700	36,283	3,628	32,655
Total		280,083	272,000	552,083	55,208	496,875

## The Concessions and Bonuses that Executive Management Personnel Enjoy

Salaries, concessions, and rewards enjoyed by executive management personnel are granted according to the approved salary scale and in accordance with the internal circular of the bank No. 3/T/2009 dated 14/9/2009 and based on the resolution of the Risk, Governance, and Compliance Committee 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:

- Members of the Board of Directors:

An amount of \$1,000 is paid monthly to a board member as a transportation allowance for attending regular meetings. A percentage of the mentioned amount is deducted, equivalent to the ratio of the number of meetings that the member did not attend to the total number of meetings in that month.

In addition, a transportation allowance of \$2,000 is paid monthly to the chairman of the board for attending regular meetings, and a percentage is deducted from the amount equivalent to the ratio of the number of meetings in that month.

- 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 regular meetings. A percentage of the mentioned amount is deducted, equivalent to the ratio of the number of meetings that the member did not attend to the total number of meetings in that month.

All other committees: According to Board Resolution No. 8/2017 on 28/12/2017, each member of the committee receives \$500 attending the regular meetings.

### 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 it 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.

### Fourthly: Travel Expenses and Daily Allowances:

The chairman and members of the Board of Directors are paid for first-class travel tickets, hotel bills, and a daily allowance of \$500 for all countries except Europe, where the amount becomes 500 euros per day, and \$500 for Britain and \$500 for the United States and Canada.

Departure tax, fees, and actual transportation to and from the airport, as well as the expenses of crossing bridges and borders, are also paid. They are calculated as part of the daily allowance on the day of departure and return.

The above applies to members residing outside Palestine when performing official duties within Palestine.

The mentioned benefits and transportation allowances are subject to the Income Tax Law.

## The agenda of the ordinary general assembly meeting of Arab Islamic Bank of 2022

- Reading of the minutes of the session held on April 18, 2022.
- Reading and discussing the Board of Directors' report on the Bank's business during the year 2022 and its future plan, and approving it.
- Hearing the report of the Consolidated Fatwa and Sharia Supervisory Board for the year 2022 on the bank's financial statements and final accounts.
- Hearing the auditors' report for the year 2022 on the bank's financial statements and final accounts



- Discussing and approving the financial statements for the fiscal year 2022.
- Approving the distribution of cash profits of 4,000,000 at a rate of 4.15% of the stock's nominal value.
- Approving the distribution of bonus shares of 3,780,748 \$/share at a rate of 3.92% of the share's nominal value.
- Approving the disbursement of an amount of \$272,000 as bonuses for the members of the bank's board of directors for the year 2022.
- Releasing the board's members from liability for the fiscal year ending December 31st, 2022 in accordance with the law
- Electing the bank's auditors for the year 2023 and authorizing the Board of Directors to determine their fees.

### The agenda for the extraordinary general assembly meeting:

- Approving the policy for rewards, bonuses, incentives, and fees for the Board of Directors, Executive Management, and employees of the Arab Islamic Bank.
- Approving the amended Savings Fund system for employees of the Arab Islamic Bank.
- Approving an increase in the bank's capital by 1,119,252 US dollars through the distribution of free shares to shareholders (proportional to their current holdings) as of the date of the general assembly meeting, so that the bank's capital after the increase becomes 101,119,252 US dollars.
- Authorizing the Board of Directors to increase the capital within a period not exceeding five years, up to a ceiling of 12,808,748 US dollars, so that the bank's capital after the increase becomes 114,000,000 US dollars, and authorizing the board to determine the mechanism, method, and timing of the increase, as well as each stage of it.
- Approving the amendment of the Memorandum of Association and Articles of Association related to the capital, and its adoption through amending the fifth article of the Memorandum of Association and the sixth article of the Articles of Association, to read as follows: "The company's capital consists of 101,119,252 US dollars, divided into 101,119,252 shares, with a value of one US dollar per share."
- Authorizing the Board of Directors to complete the legal and official procedures with the relevant departments to implement the decisions of the general assembly.

### Voting by a Class of securities: - Ordinary General Assembly Meeting on the 2021 budget:

Shareholders voted during the last ordinary general assembly meeting held on April 18, 2022, to approve the financial statements and release the members of the Board of Directors from liability for the fiscal year ending December 31, 2021. The General Assembly unanimously decided to approve the payment of a \$250,000 annual bonus to the members of the Board of Directors for the Bank's performance during the year 2021, as stated in the annual report.

The General Assembly has decided to approve the distribution of cash dividends in the amount of \$4,000,000 (four million US dollars) at a rate of 4.36% of the nominal value of the share, to the shareholder until the end of the working day on April 17, 2022. The General Assembly has approved the distribution of 4,500,000 (shares) free of charge, four million and five hundred thousand shares at a rate of 4.90% of the nominal value of the share, to the shareholders holding the shares until the end of the working day on April 17, 2022.

In addition, approval has been granted for the Arab Islamic Bank's Employee Savings Fund and its bylaw, and Ernst & Young has been elected as the bank's auditor for 2022. The General Assembly has decided to authorize the Board of Directors to

## Shareholder Relations Management

### Major Shareholders

determine their fees.

At the end of 2022, the Arab Islamic Bank had 1232 shareholders, and the authorized capital was \$100,000,000/share, while the paid-up and registered on the Palestine Exchange was \$96,219,252/share on 31/12/2022. The table below illustrates the investors who control 5% or more of the paid-in capital as of December 31, 2022.

Shareholder name	Number of shares		Percentage %	
	as 31/12/2022	as 31/12/2021		
Bank of Palestine	50,093,872	47,751,073	52.06%	52.06%
ASWAQ Investment Company	24,604,578	23,453,867	25.57%	25.57%
Palestine Investment Fund	9,133,097	8,705,959	9.49%	9.49%

### Control of the Company

Name of Shareholder	Number of shares as of 31/12/2022	Percentage %
Bank of Palestine	50,093,872	52.06%

### Companies affiliated to the Palestine Investment Fund Company

Name of Shareholder	Number of shares as of 31/12/2022	Percentage %
ASWAQ Investment Company.	24,604,578	25.57%
Palestine Investment Fund	9,133,097	9.49%
Total	33,737,675	35.06%

### Profits and losses with shareholders' equity and securities prices:

Budget	Profit/ Loss after Tax	Distributing Bonus Shares	Distribution shares percentag	Cash Distribtion	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
2022	13,078,366	4,900,000	5.09%	4.15%	139,283,537	1.78

### Trading activity on the bank's stock in the Palestine Stock Exchange:

	2022	2021
Shares issued by the bank	100,000,000	100,000,000
Subscribed & Listed Shares	96,219,252	91,719,252
opening price \$	1.78	1.58
Maximum Price \$	1.95	1.88
Minimum Price \$	1.70	1.53
Closing Price \$	1.78	1.8
Share Trading Sessions	155	163
Number of shareholders	1232	1210
Traded Shares value " USD	1,527,050	2,665,340
Traded Shares Number " share"	846,528	1,566,311
Executed transactions	500	601

## Ownership of members of the Board of Directors and the executive management of securities

### A. Ownership of the Board's Legal Members

Name of the Member "representative"	Position	Representative's Nationality	Number of shares as of December 31, 2022.	Number of shares as of December 31, 2021.
Palestine Investment Fund Board's Vice Chairman Dr. Mohammad Mahmoud Nasr	member	Palestinian	9,133,097	8,705,959
Bank of Palestine- Represented by: Mr. Rushdi Mahmoud Ghalayini Mr. Saqer Mahmoud Suleiman Jundia Mr. Wael Abdel Latif Khalil Al Sourani. Mr. Abdullah Qais Thunayan Al-Ghanim 4 Members	4 members	Palestinian	50,093,872	47,751,073
ASWAQ Investment Company – represented by: Mr. Shady Adnan Ahmed Al-Khatib Mr. Mohammad Awni Abu Ramadan Two Members	two members	Palestinian	24,604,578	23,453,867

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

Name of the Member "representative"	Name of the member company	Position	Number of shares as of, 2022 December 31	Number of shares as of, 2022 December 31
Dr. Mohammad Mahmoud Nasr	Palestine Investment Fund	Board's Vice Chairman	31,641	30,162
Mr. Sam Bahour	Independent	Member	13,467	12,838
Ms. Samar Zuhdi Nakhleh	Small shareholders	Member	11,329	10,800
Dr. Safaa Taha Nasir El Din	Independent	Member	7,929	7,559
Mr. Saeb Ibrahim Mohamed Samour	Independent	Member	7,362	7,018
Mr. Saqer Mahmoud Suleiman Jundia	Bank of Palestine	Member	2500	0

### C: Ownership of the Executive Management

Name of the Person	Position	Nationality	Number of shares as of 2022/12/31	Number of shares as of 2021/12/31
Mr. Ghassan "Mohammed Hashem" Jabr	Deputy General Manager	Palestinian	1,281	1,222
Mr. Saed Miqdad Miqdadi	Risk Management Manager & Board's Secretary	Palestinian	6,438	6,137
Mr. Rateb Abdullah Atyan	Human Resources and Training Department Manager	Palestinian	15,392	14,673

### D. Ownership of relatives of board members and executive management (spouse and minor children only).

Name of the Perso	Kinship degree to the Board & executive management	Nationality	Number of shares as of 31/12/2022	Number of shares as of 31/12/2021
Suzan Jamal Nasr	Wife of the Board's Vice Chairman	Palestinian	2,178	2,077

### Funds ownership for bank employees:

Fund Name	Nationality	Number of shares as of 31/12/2022	Number of shares as of 31/12/2021
AIB Employees Provident Fund	Palestinian	209,812	200,000

There are no companies controlled by the executive management.

## The form and mechanism of conveying information to the shareholders

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



## Consolidated Fatwa and Shari'a Supervisory Board

The Arab Islamic Bank established the Consolidated Fatwa and Shari'a Supervisory Board, which contains three members who hold a PhD in Islamic Sharia jurisprudence and have expertise working with Islamic financial organizations, as follows:



### 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 since 2013 to 2018.
- He has been a member of Palestine Higher Fatwa Council since 2012 to the present.
- Dean of the Faculty of Sharia at An-Najah National University since 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.
- Lecturer at the Department of Banking and Financial Sciences at the College of Business and Economics at Palestine Technical University-Kadoorie since 2018
- Lecturer at the Faculty of Graduate Studies, Financial Economics Program, Palestine Technical University/Khadoori.
- Ph.D. and MA in Islamic Economics and Banking, Yarmouk University, Jordan, with an excellent grade.
- Bachelor's degree in jurisprudence and legislation, Al-Quds University - Abu Dis.
- Certified Shariah monitor and auditor accredited by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
- He has been hosted by universities and research centers in Malaysia, Britain, and Turkey to give lectures on Islamic economics and finance."
- Published many peer-reviewed scientific researches in specialized journals.
- Participated in presenting scientific research at many local and international conferences about the economy and Islamic banking.



### Dr. Mohammad Wajeeh Hanani - 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 Authority in the PMA since 2018 to 2020.
- A visiting colleague at the University of Cambridge in the UK in 2018-2019 to conduct research and activities in Islamic finance.
- 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.
- Published a set of peer-reviewed scientific research in specialized issues in Islamic finance and economics
- Participated in presenting scientific papers in many local and international conferences on Islamic economics and banking.

## Consolidated Fatwa and Shari'a Supervisory Board The Work Mechanism of the Consolidated Fatwa and Shari'a Supervisory Board

1. The Fatwa Board shall meet upon the chairman's call, a resolution of the bank's board of directors, or at the request of a majority of its members..
2. The chairman of the Fatwa Board has the authority to hold extraordinary meetings when necessary.
3. The Fatwa Board has complete and unconditional access to all records, transactions, and information, including bank personnel and consultants
4. Preparing periodic reports to be submitted to management and reports to shareholder.

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

- Supervising the bank's business and activities to ensure conformity with Islamic transaction jurisprudence, as well as reviewing operations to ensure they are free of any legal impediments.
- Establishing and expressing an opinion on the bank's commitment to Islamic financial transaction 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.
- 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.
- 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.
- 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 carrying out the annual Shari'a supervision program, which includes monitoring all of the bank's activities in accordance with a specific annual plan.
- Determining the disbursement aspects and authorizing the illicit gains Fund's disbursement operations.
- Approving contracts, agreements, policies, products, transactions, and financial statements required for the Bank's business and activities
- Examining and guiding the resident Shari'a Controller's reports and comments on the performance of the executive management's daily work and its compatibility with Shari'a requirements.
- Providing all bank employees with guidance, counseling, training, education and awareness about Shari'a provisions and relevant fatwas.
- Adopting a profit-distributing policy and charging losses to investment accounts
- 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.

## The Resident Sharia Observer:



### Tarek Ismail Al-Sayed Ahmed / the Resident Sharia Observer and Secretary of the Fatwa Board

- The Sharia Observer and Secretariat of the Consolidated Fatwa and Shari'a Supervisory Board at the AIB since 2016 until now.
- Participated in presenting scientific papers in many local and international conferences on Islamic economics and banking.
- Published many peer-reviewed scientific researches in specialized journals
- Member of the Jordanian Association for Islamic Finance - Amman.
- Holds an Executive Master's degree in Islamic Finance from Bahrain.
- Holds a number of international professional fellowships specialized in Islamic finance CSAA, CIFE, CIB, CIAE.

A resident Shari'a Controller position has been established, with technical subordination to the Consolidated Fatwa and Shari'a Supervisory Authority. 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:

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

## Duties and Powers of the Resident Shari'a Supervisor:

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 Authority 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. Developing 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 Authority
8. Developing a quarterly report for the Consolidated Fatwa and Shari'a Supervisory Authority. 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.

## The Fatwa Board and the Duties of the Sharia Observer

### Report of the Consolidated Fatwa and Shari'a Supervisory board for the period ending on December 31, 2022.

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: 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:

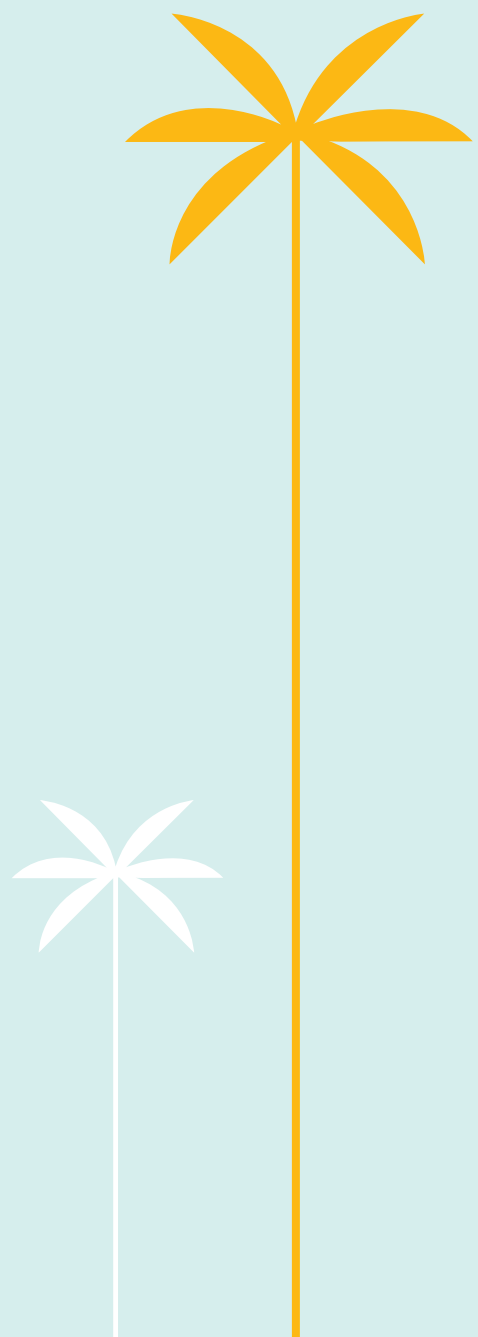
- The contracts, operations, and transactions entered into and performed by the company between January 1st, 2022 and December 31st, 2022 that we reviewed are not, for the most part, in controversy with the principles and provisions of Islamic Shari'a, and revenues earned from non-Shari'a transactions 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,

Location and time: Ramallah – AIB HQ: 23/ Rajab/1444 Hijri, corresponding to FEB 14st,2023

Mr. Jamal Kilani  
Chairman of Fatwa and Shari'a supervisory Authority  
Dr. Anas Zaher Al-Masry  
Member & Rapporteur  
Dr. Mohammad Wajeih Hanini  
Member



# Financial statements 2022

December 31, 2022



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, 2022, 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, 2022, 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 International Standards on Auditing (ISAs). 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, 2022. 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>Provision for Expected Credit Losses "ECL": The process of estimating expected credit losses for customers' receivables and financing in accordance with Islamic Financial Reporting Standard for Islamic Financial Institutions (AAOIFI) 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 total balance of Direct Islamic financing amounted to U.S. \$ 1,049,729,402 and the balance of the expected credit loss provision amounted to U.S. \$ 20,113,536 as at December 31, 2022.</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, 6, 25 and 46) in the accompanying financial statements.</p>	<p>Our audit procedures included an understanding of the nature of the portfolios of customer receivables and financings, as well as an assessment of the internal control system used in the grant and recording process, credit control, and an evaluation of the effectiveness of the main procedures used in the granting and recording process. As part of the control testing procedures, we assessed whether the key controls in the above processes were designed, implemented and operated effectively, as well as procedures for assessing the following:</p> <ul style="list-style-type: none"> <li>– The Bank's policy regarding the provision for expected credit losses in accordance with the Islamic Financial Reporting Standard No. (30).</li> <li>– 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.</li> <li>– 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.</li> <li>– The appropriateness of the classification stages.</li> <li>– 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.</li> <li>– The appropriateness of the probability of default, the credit exposure at default and the percentage of loss assuming default for the different stages.</li> <li>– The appropriateness and objectivity of the internal evaluation of funds.</li> <li>– The correctness and appropriateness of the process of calculating expected credit losses.</li> </ul>

	<ul style="list-style-type: none"> <li>– For exposures moved between stages, we have checked the appropriateness of the Bank's determination of significant increase in credit risk in terms of timing, in addition to any deterioration in credit quality.</li> <li>– 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.</li> <li>– Legal agreements and attachments related to them to ensure the existence of guarantees and the existence of the legal right related to them.</li> <li>– 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.</li> </ul>
--	---

#### Other information included in the Bank's 2022 Annual Report

Other information consists of the information included in the Bank's 2022 Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2022 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 the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (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 ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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.



Building a better  
working world

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, 2022 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young – Middle East  
License # 206/2012

Saeed Abdallah

Ernst + Young

Sa'ed Abdallah  
License # 105/2003

Ramallah - Palestine  
March 19, 2023



	Notes	2022 U.S. \$	2021 U.S. \$
<b>Assets</b>			
Cash and balances with Palestine Monetary Authority	3	421,945,158	516,345,938
Balances at banks and financial institutions	4	94,009,823	86,947,263
Investments at Islamic banks	5	5,997,515	3,265,453
Direct Islamic financing	6	1,028,339,808	1,012,397,444
Financial assets at fair value through other comprehensive income	7	4,649,976	3,426,088
Financial assets at amortized cost	8	38,151,225	33,709,792
Investment properties	9	22,930,742	25,962,178
Property and equipment	10	20,620,587	22,280,308
Projects in progress	11	346,288	307,407
Right of use assets	12	6,033,023	6,822,166
Deferred tax assets	13	5,012,089	4,252,402
Intangible assets	14	1,366,517	1,692,743
Other assets	15	11,322,984	19,296,823
<b>Total assets</b>		<b>1,660,725,735</b>	<b>1,736,706,005</b>
<b>Liabilities, unrestricted investment accounts and equity</b>			
<b>Liabilities</b>			
Istidama loans from Palestine Monetary Authority	16	8,201,758	6,488,216
Palestine Monetary Authority's deposits	17	35,593,985	93,472,818
Banks and financial institutions' deposits	18	41,964,114	42,777,964
Customers' deposits	19	394,988,407	382,445,006
Cash margins	20	93,603,661	90,915,025
Sundry provisions	21	9,681,011	7,611,857
Tax provisions	22	6,948,648	8,086,661
Deferred tax liabilities	23	2,587,652	2,849,573
Lease liabilities	24	6,429,482	7,243,380
Other liabilities	25	17,986,785	17,694,298
<b>Total Liabilities</b>		<b>617,985,503</b>	<b>659,584,798</b>
Unrestricted investment accounts	26	903,456,695	946,142,702
<b>Equity</b>			
Paid-in share capital	1	96,219,252	91,719,252
Statutory reserve	27	9,816,101	8,508,264
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	7,088,707	7,806,223
Cumulative change in fair value reserve	7	(1,299,351)	(1,243,533)
Retained earnings		14,970,785	11,700,256
<b>Net equity</b>		<b>139,283,537</b>	<b>130,978,505</b>
<b>Total liabilities, unrestricted investment accounts and equity</b>		<b>1,660,725,735</b>	<b>1,736,706,005</b>



## قائمة الدخل الشامل

للسنة المنتهية في 31 كانون الأول 2022

### ARAB ISLAMIC BANK

#### INCOME STATEMENT

For the year ended December 31, 2022

	Notes	2022 U.S. \$	2021 U.S. \$
<b>Revenues</b>			
Financing and investment revenues	28	64,010,292	59,521,517
Less: Return on unrestricted investment accounts	29	(8,697,519)	(12,605,978)
Bank's share of income from financing and investment		55,312,773	46,915,539
Net commission revenues	30	7,586,793	6,357,113
Foreign currencies exchange gain		5,750,419	5,080,958
Gain from financial assets	31	5,073	284,288
Gain from sale of investment properties	9	1,362,713	-
Other revenues	32	490,562	614,978
Total revenues		<u>70,508,333</u>	<u>59,252,876</u>
<b>Expenses</b>			
Personnel expenses	33	(19,729,008)	(16,993,754)
Other operating expenses	34	(14,412,687)	(12,655,132)
Palestine Monetary Authority fines	35	(25,000)	-
Depreciation and amortization	36	(4,744,130)	(4,700,589)
Impairment loss, net	37	(9,679,192)	(6,326,572)
Total expenses		<u>(48,590,017)</u>	<u>(40,676,047)</u>
Profit before taxes		21,918,316	18,576,829
Taxes expense	22	(8,839,950)	(6,887,655)
Profit for the year		<u>13,078,366</u>	<u>11,689,174</u>
Basic and diluted earnings per share	41	<u>0.136</u>	<u>0.121</u>

## قائمة المتغيرات في حقوق الملكية

للسنة المنتهية في 31 كانون الأول 2022

### ARAB ISLAMIC BANK

#### STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2022

	Notes	2022 U.S. \$	2021 U.S. \$
Profit for the year		<u>13,078,366</u>	<u>11,689,174</u>
Items not to be reclassified in the income statement in subsequent periods:			
Change in fair value of financial assets	7	(55,818)	1,059,096
Gains from revaluation of investment properties	9	633,147	755,243
Deferred taxes	23	(169,316)	(203,738)
Other comprehensive income		<u>408,013</u>	<u>1,610,601</u>
Total comprehensive income for the year		<u>13,486,379</u>	<u>13,299,775</u>

## قائمة التدفقات النقدية

للسنة المنتهية في 31 كانون الأول 2022

ARAB ISLAMIC BANK

### STATEMENT OF CHANGES IN EQUITY For the year ended December 31, 2022

	Reserves					Cumulative change in fair value	Retained earnings	Net equity
	Paid-in share capital	Statutory	General banking risk	Pro-cyclicality	Investment properties			
December 31, 2022	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	91,719,252	8,508,264	8,374,674	4,113,369	7,806,223	(1,243,533)	11,700,256	130,978,505
Profit for the year	-	-	-	-	-	(55,818)	13,078,366	13,078,366
Other comprehensive income	-	-	-	-	463,831	(55,818)	13,078,366	408,013
Total comprehensive income for the year	-	-	-	-	463,831	(55,818)	-	13,486,379
Gain from sale of investment properties	-	-	-	-	(1,181,347)	-	-	(1,181,347)
Transfers to reserves	4,500,000	1,307,837	-	-	-	-	(1,307,837)	-
Distributed stock dividends (note 43)	-	-	-	-	-	-	(4,500,000)	-
Distributed cash dividends (note 43)	-	-	-	-	-	-	(4,000,000)	(4,000,000)
Balance, end of year	96,219,252	9,816,101	8,374,674	4,113,369	7,088,707	(1,299,351)	14,970,785	139,283,537

	Reserves					Cumulative change in fair value	Retained earnings	Net equity
	Paid-in share capital	Statutory	General banking risk	Pro-cyclicality	Investment properties			
December 31, 2021	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
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	11,689,174	1,610,601
Total comprehensive income for the year	-	-	-	-	551,505	1,059,096	-	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	3,250,000	1,168,916	-	-	-	-	(1,168,916)	-
Distributed stock dividends (note 43)	-	-	-	-	-	-	(3,250,000)	-
Distributed cash dividends (note 43)	-	-	-	-	-	-	(2,565,000)	(2,565,000)
Balance, end of year	91,719,252	8,508,264	8,374,674	4,113,369	7,806,223	(1,243,533)	11,700,256	130,978,505

## قائمة مصادر واستخدامات المكاسب غير الشرعية

للسنة المنتهية في 31 كانون الأول 2022

	Notes	2022	2021
		U.S. \$	U.S. \$
<b>Operating activities</b>			
Profit before taxes		21,918,316	18,576,829
Adjustments for:			
Sundry provisions		2,489,326	1,153,206
Depreciation and amortization		4,744,130	4,700,589
Impairment Loss		9,679,192	6,326,572
Loss from revaluation of investment properties		(1,362,713)	-
Gain from financial assets		(5,073)	(284,288)
Losses from disposal of property and equipment		-	67,584
Gain from disposal of right of use assets		(2,003)	(1,600)
Finance costs on lease liabilities		122,103	245,063
		<u>37,583,278</u>	<u>30,783,955</u>
Changes in assets and liabilities:			
Statutory cash reserve		2,408,562	(17,772,483)
Direct Islamic financing		(23,330,191)	(71,498,509)
Balances at banks and financial institutions maturing after three months		2,581,219	(12,454,280)
Investments at Islamic banks maturing after three months		(3,000,000)	1,062,368
Banks and financial institutions' deposits maturing after three months		(8,170,121)	(7,896,686)
Other assets		8,273,839	(65,254)
Customers' deposits		12,543,401	56,478,941
Cash margins		2,688,636	17,172,404
Other liabilities		132,422	(4,632,277)
Net cash flows from (used in) operating activities before taxes and provisions		31,711,045	(8,821,821)
Taxes paid		(10,737,650)	(2,813,884)
Sundry provisions paid		(420,172)	(272,032)
Net cash flows from (used in) operating activities		<u>20,553,223</u>	<u>(11,907,737)</u>
<b>Investing activities</b>			
Purchase of financial assets at fair value through other comprehensive income		(1,279,706)	(123,151)
Proceeds from sale of financial assets at fair value through other comprehensive income		-	4,584,736
Matured financial assets at amortized cost		6,640,100	8,000,000
Purchase of financial assets at amortized cost		(12,400,000)	(13,400,000)
Purchase of investment properties		(492,288)	-
Proceeds from sale of investment properties		3,071,000	-
Purchase of property and equipment		(1,350,851)	(1,244,085)
Projects in progress		(397,482)	(629,102)
Proceeds from sale of property and equipment		50,614	66,258
Purchase of intangible assets		(80,906)	(733,720)
Cash dividends Received		5,073	284,288
Net cash flows used in investing activities		<u>(6,234,446)</u>	<u>(3,194,776)</u>
<b>Financing activities</b>			
Cash dividends distributions		(4,000,000)	(2,565,000)
Lease liabilities paid		(1,236,827)	(1,203,058)
Istidama loans from PMA		1,713,542	3,301,906
Increase in unrestricted investment accounts		(42,686,007)	49,632,587
Net cash flows (used in) from financing activities		<u>(46,209,292)</u>	<u>49,166,435</u>
(Decrease) increase in cash and cash equivalents		<u>(31,890,515)</u>	<u>34,063,922</u>
Cash and cash equivalents, beginning of the year		356,350,360	322,286,438
Cash and cash equivalents, end of year	40	<u>324,459,845</u>	<u>356,350,360</u>

## إيضاحات حول القوائم المالية

31 كانون الأول 2022

	2022	2021
	U.S. \$	U.S. \$
Balance of earnings and disbursement prohibited by Shari'a, beginning of the year	193,719	-
<u>Sources of earnings prohibited by Shari'a</u>		
Banking interest	463,249	307,971
Profit from direct Islamic financing	9,707	125,875
Total earnings prohibited by Shari'a	472,956	433,846
Gross earnings prohibited by Shari'a	666,675	433,846
<u>Disbursements</u>		
Donations	(488,487)	(240,127)
Total disbursements	(488,487)	(240,127)
Balance of earnings and disbursement prohibited by Shari'a, end of year	178,188	193,719

### 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, 7 offices, representative office in Dubai and mobile branch.

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 consolidated 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, during its meeting held on April 2, 2017, decided to increase the Bank's capital to U.S. \$ 75,000,000 through secondary subscription to shareholders on that date. During the year 2017, an amount of U.S. \$ 25,000,000 was subscribed, as the Bank's the authorized and paid-up capital of the Bank as at December 31, 2017 amounted to U.S. \$ 75,000,000, with a nominal value of U.S. \$ 1 par value for each share. The Extraordinary General Assembly decided in its meeting held on March 25, 2019 to capitalize the amount of U.S. \$ 9,919,252 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 U.S. \$ 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 April 17, 2022, to capitalize the amount of U.S. \$ 4,500,000 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, 2022 amounted to U.S. \$ 96,219,252.

The total number of the Bank's staff reached (685) and (668) as at December 31, 2022 and 2021, respectively.

The financial statements were approved by the Bank's Shari'a Supervisory Board during their meeting number (16/2023) held on February 9, 2023 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 (01/2023) held on February 13, 2023.



## 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 Bank's adhere to the laws in Palestine 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 of the International Accounting Standards Board are applied in case of the absence of accounting standards issued by the Accounting and Auditing Organizations for Islamic Financial Institutions, until AAOIFI issues new relevant standards.

### 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 2021.

#### New standards, interpretations and amendments issued and not yet in effective

The new standards, interpretations and amendments issued and not yet effective as of the date of the financial statements are listed below, and the Bank will apply these amendments from the mandatory implementation date:

#### Financial Accounting Standard No. 1 - Amended 2022 (Public Presentation and Disclosure in Financial Statements)

Financial Accounting Standard 1 – Revised 2022 “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 2022 is in line with the amendments to the AAOIFI Financial Reporting Conceptual Framework (Revised 2021) (Conceptual Framework). Revised Financial Accounting Standard 1 – 2022 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 January 1, 2023, 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.

### 2.4 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 financing.

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 in 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 removes 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 (FVTOCI).

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 on these investments in equity instruments are recognized when the Bank's right to receive the dividends is 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 FVTOCI when they meet the definition of equity not held for trading. Such classification is determined on an instrument-by-instrument basis.

FVOCI instruments are initially measured at fair value considering acquisition costs, FVTOCI 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 FVTOCI 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 (PMA) 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 Losses (ECL) 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 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 financing, 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-off

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 financings 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	The 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 finance contracts 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 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 investment properties. Investment 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 completed 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 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.

#### 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 prevailing 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.
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. Customers 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 the future macroeconomic scenarios for future years.

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.

- **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 financing 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:

	2022	2021
	U.S. \$	U.S. \$
Cash on hand	272,477,604	287,109,017
Balances with PMA:		
Current and demand accounts	5,807,209	25,123,235
Swap deposits maturing within 3 months or less	17,277,856	75,246,827
Statutory cash reserve	126,922,614	129,331,176
	422,485,283	516,810,255
Provision for expected credit losses	(540,125)	(464,317)
	<u>421,945,158</u>	<u>516,345,938</u>

– According to PMA circular number (10/2022) the Bank shall maintain statutory cash reserves with PMA at 9% of deposits included in the mandatory reserve, in addition to 100% of the stagnant balances. 20% of this reserve is allocated to offset the results of clearing and settlements under the name of "settlement reserve". The Bank may not dispose of the mandatory reserve with PMA, except for the settlement reserve, which the Bank is allowed to utilize in accordance with the instructions in force. PMA does not pay any interest on mandatory reserve balances.

– 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:

	2022			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	229,701,238	-	-	229,701,238
Net change during the year	(79,693,559)	-	-	(79,693,559)
Balance, end of year	<u>150,007,679</u>	<u>-</u>	<u>-</u>	<u>150,007,679</u>
	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 year	<u>229,701,238</u>	<u>-</u>	<u>-</u>	<u>229,701,238</u>

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

	2022			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	464,317	-	-	464,317
Net re-measurement of expected credit losses during the year	75,808	-	-	75,808
Balance, end of year	<u>540,125</u>	<u>-</u>	<u>-</u>	<u>540,125</u>

	2021			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	-	-	-	-
Net re-measurement of expected credit losses during the year	464,317	-	-	464,317
Balance, end of year	464,317	-	-	464,317

#### 4. Balances at banks and financial institutions

This item represents the following:

	2022	2021
	U.S. \$	U.S. \$
Local banks and financial institutions		
Deposits maturing within 3 months or less	8,603,667	10,014,104
	8,603,667	10,014,104
Foreign banks and financial institutions		
Current and demand accounts	42,265,401	45,456,003
Deposits maturing within less than 3 months	10,000,000	10,000,000
Deposits maturing within 3 months	14,104,372	-
Deposits maturing after 3 months	19,040,903	21,622,122
	94,014,343	87,092,229
ECL provision	(4,520)	(144,966)
	94,009,823	86,947,263

– Non-profit bearing balances at banks and financial institutions amounted to U.S. \$ 60,869,068 and U.S. \$ 65,470,107 as at December 31, 2022 and 2021, respectively.

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

	2022			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	87,092,229	-	-	87,092,229
Net change during the year	6,922,114	-	-	6,922,114
Balance, end of year	94,014,343	-	-	94,014,343
	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 year	87,092,229	-	-	87,092,229

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

	2022			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	144,966	-	-	144,966
Net re-measurement of expected credit losses during the year	(140,446)	-	-	(140,446)
Balance, end of year	4,520	-	-	4,520

	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 re-measurement of expected credit losses during the year	(466,261)	-	-	(466,261)
Transferred to stage 1	107,253	(107,253)	-	-
Balance, end of year	144,966	-	-	144,966

#### 5. Investments at Islamic banks

This item represents the following:

	2022	2021
	U.S. \$	U.S. \$
Investments maturing within 3 months	3,108,626	3,108,626
Investments maturing after 3 months	6,000,000	3,000,000
	9,108,626	6,108,626
Provision for expected credit losses	(3,111,111)	(2,843,173)
	5,997,515	3,265,453

The movement of Investments at Islamic banks is as follows:

	2022			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	3,000,000	-	3,108,626	6,108,626
Net change during the year	3,000,000	-	-	3,000,000
Balance, end of year	6,000,000	-	3,108,626	9,108,626
	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 year	3,000,000	-	3,108,626	6,108,626



The movement of the provision for expected credit losses on investments at Islamic banks is as follows:

	2022			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	531	-	2,842,642	2,843,173
Net re-measurement of expected credit losses during the year	1,954	-	265,984	267,938
Balance, end of year	<u>2,485</u>	<u>-</u>	<u>3,108,626</u>	<u>3,111,111</u>

	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 re-measurement of expected credit losses during the year	(27,505)	-	542,642	515,137
Balance, end of year	<u>531</u>	<u>-</u>	<u>2,842,642</u>	<u>2,843,173</u>

#### 6. Direct Islamic financing

This item represents the following:

	2022	2021
	U.S. \$	U.S. \$
Murabaha receivables	775,365,837	690,265,394
Tawarooq	124,618,896	190,292,300
Ijara muntahia bittamleek	95,271,487	88,004,339
Istisna'a financing	35,250,818	30,709,692
Mudaraba financing	16,808,497	21,107,779
Current overdraft accounts	2,413,867	5,378,452
	<u>1,049,729,402</u>	<u>1,025,757,956</u>
Suspended profits	(1,276,058)	(1,183,379)
Provision for expected credit losses	(20,113,536)	(12,177,133)
	<u>1,028,339,808</u>	<u>1,012,397,444</u>

- Direct Islamic financing is presented net of unearned profits which amounted to U.S. \$ 91,694,422 and U.S. \$ 96,181,501 as at December 31, 2022 and 2021, respectively.
- Downgraded direct Islamic financing net of suspended profits according to PMA regulations amounted to U.S. \$ 55,678,764 representing (%5.30) of gross Islamic financing and U.S. \$ 30,595,758 representing (%2.98) of gross direct Islamic financing as at December 31, 2022 and 2021, respectively.
- Defaulted direct Islamic financing net of suspended profits according to PMA regulations amounted to U.S. \$ 43,004,838 representing (%4.10) of gross Islamic financing and U.S. \$ 21,201,801 representing (%2.07) of gross direct Islamic financing as at December 31, 2022 and 2021, respectively.
- Direct Islamic financing granted to Palestinian National Authority and by its guarantee amounted to U.S. \$ 174,559,455 representing (%16.63) of gross Islamic financing and U.S. \$ 192,200,653 representing (%18.74) of gross Islamic financing as at December 31, 2022 and 2021, respectively.

- Fair value of customers' collaterals against direct Islamic financing according to PMA regulations amounted to U.S. \$ 618,425,338 and U.S. \$ 606,784,632 as at December 31, 2022 and 2021, respectively.
- Islamic financing granted to non-residents amounted to U.S. \$ 2,906,923 and U.S. \$ 2,828,432 as at December 31, 2022 and 2021, 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. \$ 593,837 and U.S. \$ 639,937 as at December 31, 2022 and 2021, respectively.
- The balance of the provision and the suspended profits for defaulted accounts as on December 31, 2022 and 2021 amounted to U.S. \$ 13,905,188 and U.S. \$ 5,786,141, respectively.

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

	2022			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	681,886,745	321,486,031	22,385,180	1,025,757,956
Net change during the year				
Transferred to stage 1	32,581,111	1,913,619	(10,495,310)	23,999,420
Transferred to stage 2	38,241,749	(35,695,539)	(2,546,210)	-
Transferred to stage 3	(156,523,086)	159,829,841	(3,306,755)	-
Written-off	(1,663,764)	(36,608,201)	38,271,965	-
	-	-	(27,974)	(27,974)
Balance, end of year	<u>594,522,755</u>	<u>410,925,751</u>	<u>44,280,896</u>	<u>1,049,729,402</u>

	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				
Transferred to stage 1	99,830,032	(30,091,282)	1,941,736	71,680,486
Transferred to stage 2	164,315,798	(164,122,733)	(193,065)	-
Transferred to stage 3	(90,801,229)	95,960,469	(5,159,240)	-
Written-off	(3,035,451)	(7,759,285)	10,794,736	-
	-	-	(33,426)	(33,426)
Balance, end of year	<u>681,886,745</u>	<u>321,486,031</u>	<u>22,385,180</u>	<u>1,025,757,956</u>

Movement on the provision for expected credit losses on Islamic financing during the year was as follows:

	2022			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	4,620,253	2,954,118	4,602,762	12,177,133
Transferred to stage 1	357,765	(204,587)	(153,178)	-
Transferred to stage 2	(2,008,515)	3,169,742	(1,161,227)	-
Transferred to stage 3	(1,977)	(206,596)	208,573	-
Net remeasurement of provision for expected credit losses	948,744	(2,144,541)	9,132,200	7,936,403
Recovery of impaired Islamic financing	-	-	73,459	73,459
Excluding defaults for more than 6 years	-	-	(27,360)	(27,360)
Foreign currencies differences	-	-	(46,099)	(46,099)
Balance, end of year	<u>3,916,270</u>	<u>3,568,136</u>	<u>12,629,130</u>	<u>20,113,536</u>

	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	-
Net remeasurement of provision for expected credit losses	758,976	800,976	2,227,979	3,787,931
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>

The movement on suspended profits was as follows:

	2022	2021
	U.S. \$	U.S. \$
Balance, beginning of the year	1,183,379	671,828
Suspended profits during the year	338,254	652,060
Suspended profits transferred to revenues	(247,190)	(142,008)
Suspended profits written off for Islamic financing in default for more than 6 years	(614)	(568)
Foreign currencies differences	2,229	2,067
Balance, end of year	<u>1,276,058</u>	<u>1,183,379</u>

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

	2022	2021
	U.S. \$	U.S. \$
Balance, beginning of the year	639,936	609,534
Provision during the year	27,360	32,858
Recovery during the year	(73,459)	(2,456)
Balance, end of year	<u>593,837</u>	<u>639,936</u>

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

	2022			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	115,551,025	150,716,437	6,775,689	273,043,151
Net change during the year	96,432,875	14,116,995	2,740,545	113,290,415
Transferred to stage 1	14,400,632	(12,146,917)	(2,253,715)	-
Transferred to stage 2	(30,436,442)	31,116,930	(680,488)	-
Transferred to stage 3	(551,989)	(2,592,269)	3,144,258	-
Excluding defaults for more than 6 years	-	-	(21,479)	(21,479)
Balance, end of year	<u>195,396,101</u>	<u>181,211,176</u>	<u>9,704,810</u>	<u>386,312,087</u>

	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 year	<u>115,551,025</u>	<u>150,716,437</u>	<u>6,775,689</u>	<u>273,043,151</u>

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

	2022			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	1,013,511	856,699	1,144,229	3,014,439
Transferred to stage 1	122,593	(71,234)	(51,359)	-
Transferred to stage 2	(56,446)	104,099	(47,653)	-
Transferred to stage 3	(736)	(11,157)	11,893	-
Net remeasurement of provision for expected credit losses	(576,318)	86,044	(15,964)	(506,238)
Excluding defaulted Islamic financing for more than 6 years	-	-	(20,865)	(20,865)
Recovery of impaired Islamic financing	-	-	-	-
Foreign currencies differences	-	-	(4,436)	(4,436)
Balance, end of year	<u>502,604</u>	<u>964,451</u>	<u>1,015,845</u>	<u>2,482,900</u>

	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	-
Net remeasurement of provision for expected credit losses	454,684	80,100	(516,276)	18,508
Excluding defaulted Islamic financing 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 year	<u>1,013,511</u>	<u>856,699</u>	<u>1,144,229</u>	<u>3,014,439</u>

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

	2022			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	86,810,760	35,555,625	4,302,942	126,669,327
Net change during the year	4,346,926	5,409,126	(4,638,122)	5,117,930
Transferred to stage 1	4,487,477	(4,444,154)	(43,323)	-
Transferred to stage 2	(13,561,921)	13,798,392	(236,471)	-
Transferred to stage 3	(357,845)	(2,234,280)	2,592,125	-
Balance, end of year	<u>81,725,397</u>	<u>48,084,709</u>	<u>1,977,151</u>	<u>131,787,257</u>

	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 year	<u>86,810,760</u>	<u>35,555,625</u>	<u>4,302,942</u>	<u>126,669,327</u>

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

	2022			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	493,696	323,043	447,014	1,263,753
Transferred to stage 1	35,588	(35,460)	(128)	-
Transferred to stage 2	(58,488)	58,488	-	-
Transferred to stage 3	(1,028)	(92,944)	93,972	-
Net remeasurement of provision for expected credit losses	(175,136)	276,740	9,283	110,887
Foreign currencies differences	-	-	(5,145)	(5,145)
Balance, end of year	<u>294,632</u>	<u>529,867</u>	<u>544,996</u>	<u>1,369,495</u>

	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	-
Net remeasurement of provision for expected credit losses	(415,091)	(537,372)	254,550	(697,913)
Excluding defaulted Islamic financing 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 year	<u>493,696</u>	<u>323,043</u>	<u>447,014</u>	<u>1,263,753</u>

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

	2022			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	287,324,307	135,213,969	11,306,549	433,844,825
Net change during the year	(50,557,492)	(17,612,502)	(8,597,733)	(76,767,727)
Transferred to stage 1	19,353,640	(19,104,468)	(249,172)	-
Transferred to stage 2	(112,524,723)	114,914,519	(2,389,796)	-
Transferred to stage 3	(753,930)	(31,781,652)	32,535,582	-
Written-off	-	-	(6,495)	(6,495)
Balance, end of year	<u>142,841,802</u>	<u>181,629,866</u>	<u>32,598,935</u>	<u>357,070,603</u>

	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 year	<u>287,324,307</u>	<u>135,213,969</u>	<u>11,306,549</u>	<u>433,844,825</u>



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

	2022			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	1,170,716	1,774,376	3,011,519	5,956,611
Transferred to stage 1	199,584	(97,893)	(101,691)	-
Transferred to stage 2	(1,893,581)	3,007,155	(1,113,574)	-
Transferred to stage 3	(213)	(102,495)	102,708	-
Net remeasurement of provision for expected credit losses	1,466,120	(2,507,325)	9,138,881	8,097,676
Excluding defaulted Islamic financing for more than 6 years	-	-	(6,495)	(6,495)
Recovery of impaired Islamic financing	-	-	73,459	73,459
Foreign currencies differences	-	-	(36,518)	(36,518)
Balance, end of year	<u>942,626</u>	<u>2,073,818</u>	<u>11,068,289</u>	<u>14,084,733</u>

	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	-
Net remeasurement of provision for expected credit losses	(338,239)	1,258,248	2,489,705	3,409,714
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 year	<u>1,170,716</u>	<u>1,774,376</u>	<u>3,011,519</u>	<u>5,956,611</u>

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

	2022			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	192,200,653	-	-	192,200,653
Net change during the year	(17,641,198)	-	-	(17,641,198)
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Balance, end of year	<u>174,559,455</u>	<u>-</u>	<u>-</u>	<u>174,559,455</u>

	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 year	<u>192,200,653</u>	<u>-</u>	<u>-</u>	<u>192,200,653</u>

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:

	2022			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	1,942,330	-	-	1,942,330
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
ECL during the year	234,078	-	-	234,078
Balance, end of year	<u>2,176,408</u>	<u>-</u>	<u>-</u>	<u>2,176,408</u>

	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 year	<u>1,942,330</u>	<u>-</u>	<u>-</u>	<u>1,942,330</u>

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

	2022	2021
	U.S. \$	U.S. \$
Wholesale and Retail	197,382,652	188,986,851
Real Estate	190,461,357	163,216,091
Consumers' Financing	181,183,453	189,463,260
Public Sector	174,559,455	192,200,653
Land	170,589,276	166,274,905
Services Sector	73,024,453	58,844,455
Manufacturing and Agricultural	61,252,698	65,588,362
	<u>1,048,453,344</u>	<u>1,024,574,577</u>

## 7. Financial assets at fair value through other comprehensive income

Financial assets at fair value include the following:

	Domestic	Foreign	Total
	U.S. \$	U.S. \$	U.S. \$
<b>December 31, 2022</b>			
Quoted shares	-	1,398,873	1,398,873
Unquoted shares	3,048,179	202,924	3,251,103
	<u>3,048,179</u>	<u>1,601,797</u>	<u>4,649,976</u>
<b>December 31, 2021</b>			
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>

Some of the Bank investments in unquoted shares as at December 31, 2022 and December 31, 2021 are shown at their fair value with an amount of U.S. \$ 202,924 and U.S. \$ 319,559, respectively. An amount of U.S. \$ 116,635 was recorded as a revaluation of foreign companies shares to reflect its market value. The 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:

	2022	2021
	U.S. \$	U.S. \$
Balance, beginning of the year	(1,243,533)	(2,243,628)
Change in fair value	(55,818)	1,059,096
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 year	<u>(1,299,351)</u>	<u>(1,243,533)</u>

## 8. Financial assets at amortized cost

This item represents the Bank's investment in Islamic Sukuk at an expected rate of return range from %3.23 to %8.78, for a period of 3 months to 9 years.

	2022	2021
	U.S. \$	U.S. \$
Financial assets at amortized cost	41,673,325	35,913,425
Provision for expected credit losses of financial assets at amortized cost	(3,522,100)	(2,203,633)
	<u>38,151,225</u>	<u>33,709,792</u>

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

	2022			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	25,750,000	6,500,000	3,663,425	35,913,425
Net change during the year	6,500,000	(500,000)	(240,100)	5,759,900
Balance, end of year	<u>32,250,000</u>	<u>6,000,000</u>	<u>3,423,325</u>	<u>41,673,325</u>

	2021			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	23,000,000	6,250,000	1,263,425	30,513,425
Net change during the year	5,300,000	-	100,000	5,400,000
Transferred to stage 2	(250,000)	250,000	-	-
Transferred to stage 3	(2,300,000)	-	2,300,000	-
Balance, end of year	<u>25,750,000</u>	<u>6,500,000</u>	<u>3,663,425</u>	<u>35,913,425</u>

The movement of the provision for iexpected credit losses of financial assets at amortized cost is as follows:

	2022			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	735	137,603	2,065,295	2,203,633
Net ECL for the year	2,408	(41,971)	1,358,030	1,318,467
Balance, end of year	<u>3,143</u>	<u>95,632</u>	<u>3,423,325</u>	<u>3,522,100</u>

	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 re-measurement of expected credit losses during 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 year	<u>735</u>	<u>137,603</u>	<u>2,065,295</u>	<u>2,203,633</u>

## 9. Investment properties

Following is the movement of Investment properties:

	2022	2021
	U.S. \$	U.S. \$
Balance, beginning of the year	25,962,178	25,884,919
Additions during the year	418,755	363,000
Transfer to project in progress (Note 11)	73,533	-
Transfer to Islamic financing	(436,000)	-
Investment properties impairment loss	(400,000)	(1,040,984)
Sale of investment properties	(3,320,871)	-
Change in fair value during the year	633,147	755,243
Balance, end of year	<u>22,930,742</u>	<u>25,962,178</u>

Profits on sale of investment properties recorded in the income statement amounted to USD 1,362,713 as at 31 December 2022, (None, 2021)

Following is the movement on investment properties reserve:

	2022	2021
	U.S. \$	U.S. \$
Balance, beginning of the year	7,806,223	7,254,718
Unrealized gains on revaluation	633,147	755,243
Sale of investment properties	(1,181,347)	-
Deferred tax liabilities	(169,316)	(203,738)
Balance, end of year	<u>7,088,707</u>	<u>7,806,223</u>

10. Property and equipment  
This item represents the following:

	Buildings		Furniture, equipment and leasehold improvements		Motor vehicles		Computers		Total	
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<u>December 31, 2022</u>										
Cost:										
Balance, beginning of the year	6,583,699	27,487,340	1,294,962	9,429,688	44,795,689					
Additions and transfers from project in progress	-	832,931	286,218	362,095	1,481,244					
Disposals	-	-	(95,000)	-	(95,000)					
Balance, end of year	6,583,699	28,320,271	1,486,180	9,791,783	46,181,933					
Accumulated depreciation:										
Balance, beginning of the year	541,143	14,221,340	453,190	7,299,708	22,515,381					
Depreciation for the year	115,804	1,857,818	143,094	973,635	3,090,351					
Disposals	-	-	(44,386)	-	(44,386)					
Balance, end of year	656,947	16,079,158	551,898	8,273,343	25,561,346					
Net book value	5,926,752	12,241,113	934,282	1,518,440	20,620,587					
<u>December 31, 2021</u>										
Cost:										
Balance, beginning of the year	6,583,699	25,785,235	1,377,702	9,085,462	42,832,098					
Additions and transfers from project in progress	-	1,796,971	74,750	398,793	2,270,514					
Disposals	-	(94,866)	(157,490)	(54,567)	(306,923)					
Balance, end of 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 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					

Property and equipment, include fully depreciated assets with an amount of U.S. \$ 17,921,215 and U.S. \$ 15,729,036 that still used in the operations of the Bank as of December 31, 2022 and December 31, 2021, respectively.

11. Project in progress

This item represents the balance of branches and offices under construction as at 31 December 2022 and 2021. The value of the expansion and leasehold improvements of the Bank's headquarters and branches. The expected estimated cost of completion of the projects is progress is U.S. \$ 1,684,293. These projects are expected to be completed in 2023.

Movement on project in progress is as follows:

	2022	2021
	U.S. \$	U.S. \$
Balance, beginning of the year	307,407	704,734
Additions	397,482	629,102
Transferred to property and equipments	(130,393)	(1,026,429)
Transfer to intangible assets (Note 14)	(154,675)	-
Transfer to investment properties (Note 9)	(73,533)	-
Balance, end of year	346,288	307,407

12. Right of use assets

Following is the movement of right of use:

	2022	2021
	U.S. \$	U.S. \$
Balance, beginning of the year	6,822,166	7,936,131
Additions	328,429	64,822
Disposals	(25,600)	(114,791)
Depreciation for the year	(1,091,972)	(1,063,996)
Balance, end of year	6,033,023	6,822,166

13. Deferred tax assets

The movement on the deferred tax assets was as follows:

	2022	2021
	U.S. \$	U.S. \$
Balance, beginning of the year	4,252,402	3,647,117
Additions	871,974	677,983
Amortization	(112,287)	(72,698)
Balance, end of year	5,012,089	4,252,402

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:

	2022	2021
	U.S. \$	U.S. \$
Cost		
Balance, beginning of the year	6,712,733	5,979,013
Additions	80,906	733,720
Transfer to project in progress (Note 11)	154,675	-
Balance, end of year	<u>6,948,314</u>	<u>6,712,733</u>
Amortization		
Balance, beginning of the year	5,019,990	4,530,779
Amortization for the year	561,807	489,211
Balance, end of year	<u>5,581,797</u>	<u>5,019,990</u>
Net book value	<u>1,366,517</u>	<u>1,692,743</u>

#### 15. Other assets

This item represents the following:

	2022	2021
	U.S. \$	U.S. \$
Account receivable, advances and temporary expenses	4,170,119	6,726,215
Clearing checks	2,953,460	10,003,474
Assets obtained by the Bank in debts*	1,455,572	-
Accrued revenues not received	1,317,214	1,395,417
Prepaid expenses	1,147,405	914,920
Stationery and printings	279,214	256,797
	<u>11,322,984</u>	<u>19,296,823</u>

\* Fair value of assets in debt was U.S. \$ 1,650,265 as at December 31, 2022.

#### 16. Istdama loans from PMA

This item represents the value of PMA's deposits in accordance with the instructions of PMA No. (22/2020) and (8/2021) with the aim of mitigating the economic effects of the Coronavirus (Covid 19) crisis on economic activities and projects, especially small and medium enterprises, so that PMA 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 U.S. \$ 8,201,758 and U.S. \$ 6,488,216 as of December 31, 2022 and 2021, respectively.

#### 17. Palestine Monetary Authority deposits

	2022	2021
	U.S. \$	U.S. \$
Swap deposits maturing within 3 months	15,593,985	73,472,818
Motivational deposits maturing more than 3 months*	20,000,000	20,000,000
	<u>35,593,985</u>	<u>93,472,818</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 on September 27, 2023, and PMA collects a return of 0.5% on it.

#### 18. Banks and financial institutions' deposits

	2022	2021
	U.S. \$	U.S. \$
Banks and financial institutions inside Palestine:		
Current and demand accounts	2,704,289	1,010,601
Swap deposits maturing within 3 months	8,724,700	10,000,000
Banks deposits and financial institutions maturing within 3 months or less	4,965,486	3,275,202
Banks deposits and financial institutions maturing after than 3 months	8,373,209	16,543,330
	<u>24,767,684</u>	<u>30,829,133</u>
Banks and financial institutions outside Palestine:		
Current and demand accounts	1,875,430	1,948,831
Deposits maturing within 3 months or less	5,321,000	-
Swap deposits maturing within 3 months	10,000,000	10,000,000
	<u>17,196,430</u>	<u>11,948,831</u>
	<u>41,964,114</u>	<u>42,777,964</u>

#### 19. Customers' deposits

	2022	2021
	U.S. \$	U.S. \$
Current and demand accounts	<u>394,988,407</u>	<u>382,445,006</u>

- Total deposits comprise of customers' deposits (Note 19), cash margins (Note 20) and unrestricted investment accounts (Note 26) which amounted to U.S. \$ 1,392,048,763 and U.S. \$ 1,419,502,733 as at December 31, 2022 and 2021, respectively.
- Restricted deposits amounted to U.S. \$ 67,453,032 and U.S. \$ 99,544,760 representing %4.85 and %7.01 of the total deposits as at December 31, 2022 and 2021, respectively.
- Government deposits amounted to U.S. \$ 9,689,611 and U.S. \$ 13,458,079 representing %0.70 and %0.95 of the total deposits as at December 31, 2022 and 2021, respectively.
- Quasi-governmental deposits amounted to U.S. \$ 5,278,283 and U.S. \$ 7,008,753 representing %0.38 and %0.49 of the total deposits as at December 31, 2022 and 2021, respectively.
- Dormant deposits amounted to U.S. \$ 15,992,997 and U.S. \$ 7,163,061 representing %1.15 and %0.5 of the total deposits as at December 31, 2022 and 2021, respectively.
- Non-profit bearing deposits amounted to U.S. \$ 394,988,407 and U.S. \$ 382,445,006 representing %28.37 and %26.94 of the total deposits as at December 31, 2022 and December 31, 2021, respectively.

#### 20. Cash margins

	2022	2021
	U.S. \$	U.S. \$
Direct Islamic financing	70,679,870	69,210,613
Indirect Islamic financing	14,815,680	13,803,494
Other margins	8,108,111	7,900,918
	<u>93,603,661</u>	<u>90,915,025</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	Additions for the year	Used during the Year	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>December 31, 2022</b>				
Provision for employees' indemnity	7,589,394	2,489,326	(420,172)	9,658,548
Provision for legal cases	22,463	-	-	22,463
	<u>7,611,857</u>	<u>2,489,326</u>	<u>(420,172)</u>	<u>9,681,011</u>
<b>December 31, 2021</b>				
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>

## 22. Tax provisions

The movement on tax provisions during the years ended December 31, 2022 and 2021 was as follows:

	2022	2021
	U.S. \$	U.S. \$
Balance, beginning of the year	8,086,661	3,207,605
Provision for the year	9,599,637	6,788,364
Provision for previous years	-	704,576
Payments during the year	(7,614,731)	(704,576)
Advance payments	(3,122,919)	(1,909,308)
Balance, end of year	<u>6,948,648</u>	<u>8,086,661</u>

Income tax expense reported in income statement represents the following:

	2022	2021
	U.S. \$	U.S. \$
Provision for the year	9,599,637	7,492,940
Deferred tax assets additions	(871,974)	(677,983)
Deferred tax assets amortization	112,287	72,698
Balance, end of year	<u>8,839,950</u>	<u>6,887,655</u>

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

	2022	2021
	U.S. \$	U.S. \$
Bank's accounting profit before tax	21,918,316	18,576,829
Profit subject to Value Added Tax (VAT)	39,292,713	21,223,633
VAT on income	4,937,166	3,020,308
Taxable income	24,485,933	16,231,664
Income tax	4,152,259	2,487,250
Total taxes for the year	<u>9,089,425</u>	<u>5,507,558</u>
Provision for the year	<u>9,599,637</u>	<u>6,788,364</u>
Effective tax rate	<u>%44</u>	<u>%37</u>

During the year, the Bank reached a final settlement with the tax departments on the results of its business until 2021.

The legal rate of income tax was 15%, and the legal rate of value-added tax was 16%, as on December 31, 2022 and 2021. 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:

	2022	2021
	U.S. \$	U.S. \$
Balance, beginning of the year	2,849,573	2,645,835
Additions	169,316	203,738
Disposals	(431,237)	-
Balance, end of year	<u>2,587,652</u>	<u>2,849,573</u>

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:

	2022	2021
	U.S. \$	U.S. \$
Balance, beginning of the year	7,243,380	8,252,944
Additions	328,429	64,822
Disposals	(27,603)	(116,391)
Payments	(1,236,827)	(1,203,058)
Cost of lease liabilities during the year (Note 34)	122,103	245,063
Balance, ending of year	<u>6,429,482</u>	<u>7,243,380</u>

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 lease contracts are deducted using 3.4% discount rate as of December 31, 2022, total rent liabilities amount is U.S. \$ 13,238,908 as of December 31, 2022.

	2022	2021
	U.S. \$	U.S. \$
Short term liabilities	1,206,876	1,062,786
Long term liabilities	5,222,606	6,180,594
	<u>6,429,482</u>	<u>7,243,380</u>

## 25. Other liabilities

This item represents the following:

	2022	2021
	U.S. \$	U.S. \$
Certified checks	6,434,495	8,557,053
Temporary accounts and intermediary accounts	5,509,461	2,407,286
Trade payables	2,547,068	2,509,516
Return on unrestricted investment accounts	2,162,771	2,767,005
Accrued taxes	588,554	823,588
Board of Directors remuneration	272,000	250,000
Provision for commitments and contingencies (Note 39)	243,686	122,664
Earnings prohibited by shari'a	178,188	193,719
Other credit balances	50,562	63,467
	<u>17,986,785</u>	<u>17,694,298</u>

## 26. Unrestricted investment accounts

This item represents the following:

	2022	2021
	U.S. \$	U.S. \$
Time deposits	301,717,287	376,558,646
Saving deposits	601,739,408	569,584,056
	<u>903,456,695</u>	<u>946,142,702</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 financing 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 financing granted to small and medium sized companies amounted to U.S.\$ 20,579,326 as at December 31, 2022 and an amount of U.S. \$ 14,937,362 as at December 31, 2021. 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 instructions number (2/2018).

The reserve is not to be utilized or reduced without PMA's prior approval.

### 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.

During 2022, PMA issued Instructions No. (8/2022) regarding the anti-cyclical capital buffer, so that the percentage is 0.5% of risk-weighted assets, and the commitment to form the buffer within a maximum period of March 31, 2023, and disclosure within the interim and annual financial statements as of June 2023. The Bank is also prohibited from disposing of the amounts allocated in the periodic fluctuations reserve item, except for capitalization, after obtaining the prior written PMA's approval.

## 28. Financing and investment revenues

This item represents revenues from the following:

	2022	2021
	U.S. \$	U.S. \$
Murabaha investments	47,128,863	42,945,859
Tawarooq Revenue	6,905,528	8,316,210
Ijara muntahia bittamleek	3,562,313	3,659,321
Istisna'a financing	2,544,650	1,727,337
Income from investments in Islamic Sukuk	1,631,690	1,737,126
Income from investments in Islamic institutions		
banks	1,438,032	455,592
Mudaraba	799,216	680,072
	<u>64,010,292</u>	<u>59,521,517</u>

## 29. Return on unrestricted investment accounts

This item represents revenues as following:

	2022	2021
	U.S. \$	U.S. \$
Time deposits	7,569,714	11,664,662
Cash margins	618,808	499,419
Saving deposits	508,997	441,897
	<u>8,697,519</u>	<u>12,605,978</u>

## 30. Net commissions

This item represents the following:

	2022	2021
	U.S. \$	U.S. \$
Commissions received on:		
Accounts' management, cash withdrawals and deposits and outgoing transfers	3,943,834	3,309,873
Checks under collection, post-dated checks and checkbooks	1,590,234	1,255,820
ATMs and VISA cards	1,272,025	1,127,653
Indirect Islamic financing	865,097	476,673
Dormant accounts	243,379	198,001
Other	859,571	944,642
	<u>8,774,140</u>	<u>7,312,662</u>
Commissions paid	(1,187,347)	(955,549)
	<u>7,586,793</u>	<u>6,357,113</u>

## 31. Financial assets gain

This item represents the proceeds from the distribution of financial assets amounting to U.S. \$ 5,073 and U.S. \$ 284,288 as at December 31, 2022 and 2021.

## 32. Other revenues

This item represents revenues from the following:

	2022	2021
	U.S. \$	U.S. \$
Rental income from investment properties	230,000	230,000
Others	260,562	384,978
	<u>490,562</u>	<u>614,978</u>

## 33. Personnel expenses

This item represents the following:

	2022	2021
	U.S. \$	U.S. \$
Salaries and related benefits	13,155,919	12,323,279
Provision for employees' indemnity	2,489,326	1,153,206
VAT on salaries	2,104,947	1,971,660
Medical expenses	949,686	784,883
The Bank's contribution in the provident fund*	595,335	518,249
Training expenses	298,994	93,213
Travel, accommodation and transportation	134,801	149,264
	<u>19,729,008</u>	<u>16,993,754</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:

	2022	2021
	U.S. \$	U.S. \$
Deposit Insurance Corporation fees*	2,584,218	1,299,793
Maintenance and cleaning	1,849,766	1,679,451
Telephone, fax and postage	1,612,984	1,524,537
Cash shipping costs	1,257,429	1,153,833
Fees, license and subscriptions	841,282	1,471,591
Insurance	802,112	633,143
Utilities	667,523	635,969
Stationery, printings and supplies	617,556	517,842
Board of Directors' remuneration	595,604	547,907
Savings accounts gift box	389,296	204,083
Vehicles and transportation	382,381	382,484
Professional and consultancy fees	326,727	245,992
Advertisements and marketing	230,499	170,688
Paid banks' profits	185,170	140,320
Social responsibility (donations)**	155,081	274,965
Hospitality	140,655	110,012
Cost of lease liabilities	122,103	245,063
Guarding	67,609	62,203
VAT on leased properties	31,724	31,724
Sundry	1,552,968	1,323,532
	<u>14,412,687</u>	<u>12,655,132</u>

\* The Palestine Deposit Insurance Corporation (the Corporation) was established by virtue of Law by Decree No. (7) of 2013, whereby banks were required to calculate an annual subscription fee starting from 2014 for the account of the Corporation at the rate of 0.3% of the total deposit balance determined under this law. On December 1, 2019, a circular was issued by the Corporation 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 %1.18 and %2.35 of net income as at December 31, 2022 and 2021, respectively.

#### 35. Palestine Monetary Authority fines

This item represents fines imposed by the Palestine Monetary Authority on the Bank for violating some of the relevant instructions of the Palestinian Monetary Authority.

#### 36. Depreciation and amortization

This item represents depreciation and amortization of the following:

	2022	2021
	U.S. \$	U.S. \$
Property and equipment	3,090,351	3,147,382
Right of use assets	1,091,972	1,063,996
Intangible assets	561,807	489,211
	<u>4,744,130</u>	<u>4,700,589</u>

#### 37. Impairment loss, Net

This item represents impairment loss as of 31 December 2022, 2021:

	2022	2021
	U.S. \$	U.S. \$
Net revaluation of expected credit loss of balances at banks and financial institutions (Note 4)	(140,446)	(466,261)
Net revaluation of expected credit loss of investments at islamic banks (Note 5)	267,938	515,137
Net revaluation of expected credit loss of investment at Palestine Monetary Authority (Note 3)	75,808	464,317
Net revaluation of expected credit loss of direct Islamic financing (Note 6)	7,936,403	3,787,931
Net revaluation of expected credit loss of financial assets at amortized cost (Note 8)	1,318,467	738,612
Net revaluation of expected credit loss of indirect Islamic financing (Note 39)	121,022	(54,148)
Investment properties impairment loss (Note 9)	400,000	1,040,984
(Recovery) Expected credit loss provision for accounts receivable	(300,000)	300,000
	<u>9,679,192</u>	<u>6,326,572</u>

#### 38. 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 2022 amounted to U.S. \$ . 0.02378 (2021 amounted to U.S. \$ 0.02082).

#### 39. Commitments and contingencies

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

	2022	2021
	U.S. \$	U.S. \$
Unutilized limits of direct Islamic financing	98,575,733	92,232,758
Letter of guarantees	52,987,493	44,639,221
Letter of credits	5,943,615	10,045,446
Savings accounts gift box	196,950	322,700
Acceptances	48,563	68,280
	<u>157,752,354</u>	<u>147,308,405</u>

The movement on expected credit loss as following:

	2022			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balanc, beginning of the year	54,303	68,361	-	122,664
Net credit loss for the year end	56,311	64,711	-	121,022
Balance, end of year	110,614	133,072	-	243,686

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

#### 40. Cash and cash equivalents

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

	2022	2021
	U.S. \$	U.S. \$
Cash and balances with PMA	422,485,283	516,810,255
Add: Balances at banks and financial institutions maturing within 3 months	74,973,440	65,470,107
Investments at Islamic banks maturing within 3 months	3,108,626	3,108,626
Less: PMA deposits maturing within 3 months	(15,593,985)	(73,472,818)
Banks and financial institutions' deposits maturing within 3 months	(33,590,905)	(26,234,634)
Statutory cash reserve	(126,922,614)	(129,331,176)
	<u>324,459,845</u>	<u>356,350,360</u>

#### 41. Basic and diluted earnings per share

This item represents the following:

	2022	2021
	U.S. \$	U.S. \$
Profit for the year	13,078,366	11,689,174
	Shares	
Weighted average number of subscribed shares	96,219,252	96,219,252
	U.S. \$	
Basic and diluted earnings per share	0.136	0.121

#### 42. Sources of financing of Bank's assets and investments

This item represents the following:

	2022		2021	
	Joint financing	Self-financing	Joint financing	Self-financing
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Cash and balances with PMA	421,945,158	-	516,345,938	-
Balances at banks and financial institutions	94,009,823	-	86,947,263	-
Investments at Islamic banks	5,997,515	-	3,265,453	-
Direct Islamic financing	1,028,339,808	-	1,012,397,444	-
Financial assets at fair value through other comprehensive income	-	4,649,976	-	3,426,088
Financial assets at amortized cost	-	38,151,225	-	33,709,792
Investment properties	-	22,930,742	-	25,962,178
Property and equipment	-	20,620,587	-	22,280,308
Right of use assets	-	346,288	-	6,822,166
Project in progress	-	6,033,023	-	307,407
Deferred tax assets	-	5,012,089	-	4,252,402
Intangible assets	-	1,366,517	-	1,692,743
Other assets	2,953,460	8,369,524	10,003,474	9,293,349
	<u>1,553,245,764</u>	<u>107,479,971</u>	<u>1,628,959,572</u>	<u>107,746,433</u>
				<u>1,736,706,005</u>

#### 43. Cash and stock dividends

The General Assembly of the Bank approved, in its meeting held on April 17, 2022, the distribution of cash dividends to shareholders of 4.9% of the nominal value of the share, with a total amount of U.S. \$ 4,500,000, and the distribution of free shares to shareholders at a rate of 4.36% of the nominal value of the share, with a total amount of U.S. \$ 4,000,000 on the Bank's business results for the year 2021.

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

#### 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	2022 U.S. \$	2021 U.S. \$
<u>Statement of financial position items:</u>			
Direct Islamic financing	Board of Directors and executive management	45,418,975	40,661,901
Deposits	Board of Directors and executive management	29,341,474	35,552,167
Board of Directors' accrued remuneration	Board of Directors	272,000	250,000
<u>Statement of financial position items</u>			
Indirect Islamic financing	Board of Directors and executive management	17,094,854	9,505,161
<u>Income statement items:</u>			
Profits received	Board of Directors and executive management	2,315,723	2,328,536
Profits paid	Board of Directors and executive management	300,575	624,814

- Direct Islamic financing granted to related parties as at December 31, 2022 and 2021 represent %4.42 and %4.02 of the net Islamic financing, respectively.
- Direct Islamic financing granted to related parties as at December 31, 2022 and 2021 represent %34.12 and 32.78 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:

	2022 U.S. \$	2021 U.S. \$
Board of Directors' remuneration *	272,000	250,000
Board of Directors' travel and transportation expenses*	280,083	261,004
Executives' management salaries and related benefits	996,341	853,931
Executives' management end of service indemnity	73,069	61,448

\* Following are the details of the Board of Directors' bonuses and travel expenses for the years 2022 and 2021:

	Representing	2022 U.S. \$	2021 U.S. \$
Rushdi Al-Ghalayeni	Bank of Palestine	64,229	58,489
Mohammad Nasser	Palestine Investment Fund	48,729	41,989
Shadi Al-Khateeb	Aswaq Investment Portfolio	52,229	49,489
Sam Buhour	Individual	51,230	46,989
Maher Farah	Bank of Palestine	-	5,874
Salman Qumaileh	Bank of Palestine	-	10,247
Mohammad			
AbuRamadan	Aswaq Investment Portfolio	45,730	42,989
Safa Nasser Eldeen	Individual	47,230	41,989
Samar Nakhleh	Small Shareholder	49,230	43,489
Saeb Samour	Individual	51,730	39,615
Saqer Jundiyyah	Bank of Palestine	53,730	40,115
Abdallah AlGhanem	Bank of Palestine	36,286	32,868
Wail AISourani	Bank of Palestine	51,730	41,615
Atef Alawneh	Bank of Palestine	-	15,747
		552,083	511,504

#### 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 bounses 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. \$
<b>December 31, 2022</b>					
Cash and balances with PMA	421,945,158	-	-	-	421,945,158
Balances at banks and financial institutions	8,603,667	43,043,083	12,789,506	29,573,567	94,009,823
Investments at Islamic banks	-	-	-	5,997,515	5,997,515
Direct Islamic financing	1,025,432,885	2,906,923	-	-	1,028,339,808
Financial assets at fair value through other comprehensive income	3,048,179	1,398,873	-	202,924	4,649,976
Financial assets at amortized cost	-	-	-	38,151,225	38,151,225
Investment properties	22,930,742	-	-	-	22,930,742
Property and equipment	20,620,587	-	-	-	20,620,587
Projects in progress	346,288	-	-	-	346,288
Right of use assets	6,033,023	-	-	-	6,033,023
Deferred tax assets	5,012,089	-	-	-	5,012,089
Intangible assets	1,366,517	-	-	-	1,366,517
Other assets	11,322,984	-	-	-	11,322,984
<b>Total assets</b>	<b>1,526,662,119</b>	<b>47,348,879</b>	<b>12,789,506</b>	<b>73,925,231</b>	<b>1,660,725,735</b>
<b>Commitments and Contingencies</b>					
Unutilized Islamic financing limits	98,575,733	-	-	-	98,575,733
Letter of credit	52,987,493	-	-	-	52,987,493
Letter of guarantees	5,943,615	-	-	-	5,943,615
Savings accounts gifts box	196,950	-	-	-	196,950
Acceptances	48,563	-	-	-	48,563
	<b>157,752,354</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>157,752,354</b>

	Palestine	Jordan	Israel	Others	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>December 31, 2021</b>					
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
<b>Total assets</b>	<b>1,619,488,087</b>	<b>40,742,599</b>	<b>11,828,685</b>	<b>64,646,634</b>	<b>1,736,706,005</b>
<b>Commitments and Contingencies</b>					
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
	<b>147,308,405</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>147,308,405</b>

According to segment	2022			2021		
	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	381,587,334	546,565,702	342,100	274,212,246	1,303,273,548	342,100
Corporate	516,162,006	741,140,518	137,468,662	617,078,991	238,835,720	130,527,902
Small and medium co.	130,417,762	186,474,233	19,941,592	121,106,207	8,371,970	16,438,403
Treasury	564,753,695	142,738,998	-	643,694,534	142,738,998	-
Others	67,804,938	43,806,284	-	80,614,027	43,485,769	-
<b>Total</b>	<b>1,660,725,735</b>	<b>1,660,725,735</b>	<b>157,752,354</b>	<b>1,736,706,005</b>	<b>1,736,706,005</b>	<b>147,308,405</b>

#### 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):

	2022	2021
	U.S. \$	U.S. \$
<b>Statement of financial position Items:</b>		
Balances with Palestine Monetary Authority	149,467,554	229,236,921
Balances at banks and financial institutions	94,009,823	86,947,263
Investments at Islamic banks	5,997,515	3,265,453
Direct Islamic financing	1,028,339,808	1,012,397,444
Financial assets at amortized cost	38,151,225	33,709,792
Other assets	8,440,793	18,125,106
<b>Total statement of financial position items</b>	<b>1,324,406,718</b>	<b>1,383,681,979</b>
<b>Commitments and contingencies:</b>		
Unutilized Islamic financing limits	98,575,733	92,232,758
Letter of guarantee	52,987,493	44,639,221
Letter of credit	5,943,615	10,045,446
Savings accounts gift box	196,950	322,700
Acceptances	48,563	68,280
<b>Total commitments and contingencies</b>	<b>157,752,354</b>	<b>147,308,405</b>

2022	Total exposure			ECL			Collaterias 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	150,007,679	-	-	540,125	-	-	%0,36	%0,00	%0,00
Balances at banks and financial institutions	94,014,343	-	-	4,520	-	-	%0,00	%0,00	%0,00
Direct Islamic financing	6,000,000	-	3,108,626	2,485	-	3,108,626	%0,04	%0,00	%100
Individuals	195,396,101	181,211,176	9,704,810	502,604	964,451	1,015,845	%0,26	%0,53	%10,47
Small and medium size business	81,725,397	48,084,709	1,977,151	294,632	529,867	544,996	%0,36	%1,10	%27,56
Large corporate	142,841,802	181,629,866	32,598,935	942,626	2,073,818	11,068,289	%0,66	%1,14	%33,95
Public sector	174,559,455	-	-	2,176,408	-	-	%1,23	%0,00	%0,00
Financial assets at amortized cost	32,250,000	6,000,000	3,423,325	3,143	95,632	3,423,325	%0,01	%1,59	%100
Other assets	8,440,793	-	-	-	-	-	-	-	-
<b>Total</b>	<b>885,235,570</b>	<b>416,925,751</b>	<b>50,812,847</b>	<b>4,466,543</b>	<b>3,663,768</b>	<b>19,161,081</b>	<b>%0,50</b>	<b>%0,88</b>	<b>%37,71</b>
Credit exposure related to off-balance sheet items:	141,267,985	16,287,419	-	110,614	133,072	-	%0,08	%0,82	%0,00

2021	Total exposure			ECL			Collaterias 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
Investments at Islamic banks	6,000,000	-	3,108,626	531	-	2,842,642	%0,01	%0,00	%93,44
Direct Islamic financing:									
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
<b>Total</b>	<b>1,048,555,318</b>	<b>327,986,031</b>	<b>29,457,231</b>	<b>5,230,802</b>	<b>3,091,721</b>	<b>9,810,699</b>	<b>%0,50</b>	<b>%0,94</b>	<b>%33,30</b>
Credit exposure related to off-balance sheet items:	118,044,219	28,873,206	-	54,303	68,361	-	%0,05	%0,24	-

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

2022	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	181,211,176	9,704,810	190,915,986	69,911,091	8,227,953	78,139,044	111,300,085	1,476,857	112,776,942
Small and medium size business	48,084,709	1,977,151	50,061,860	13,807,487	1,186,872	14,994,359	34,277,222	790,279	35,067,501
Large corporate	181,629,866	32,598,935	214,228,801	74,525,872	17,114,000	91,639,872	107,103,994	15,484,935	122,588,929
Total	410,925,751	44,280,896	455,206,647	158,244,450	26,528,825	184,773,275	252,681,301	17,752,071	270,433,372
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

A. Distribution of exposures by classification stages in accordance with Islamic Financial reporting standards (30) and IFRS (9) as of 31 December 2022:

	Stage 1	Stage 2	Stage 3	2022	2021
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balances with PMA	149,467,554	-	-	149,467,554	229,236,921
Balances at banks and financial institutions	94,009,823	-	-	94,009,823	86,947,263
Investments at Islamic banks	5,997,515	-	-	5,997,515	3,265,453
Public sector	172,383,047	-	-	172,383,047	190,258,323
Manufacturing and agricultural	24,221,237	36,960,954	9,757	61,191,948	63,915,148
Service sector	25,277,969	30,121,753	4,295,450	59,695,172	57,606,644
Wholesale and retail trade	94,511,791	82,157,384	20,519,474	197,188,649	187,364,905
Real estate	95,447,261	91,387,930	385,342	187,220,533	160,206,645
Land	75,642,708	89,930,539	4,422,712	169,995,959	164,752,783
Consumption financing	103,122,472	76,799,055	742,973	180,664,500	188,292,996
Financial assets at amortized cost	32,246,857	5,904,368	-	38,151,225	33,709,792
Other financial assets	8,440,793	-	-	8,440,793	18,125,106
Total	880,769,027	413,261,983	30,375,708	1,324,406,718	1,383,681,979

B. Distribution of exposures by classification stages in accordance with Islamic Financial reporting standards (30) and IFRS (9) as of 31 December 2022:

	Stage 1	Stage 2	Stage 3	2022	2021
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Palestine	770,554,264	391,996,393	29,394,240	1,191,944,897	1,257,210,378
Jordan	34,853,590	11,096,418	-	45,950,008	39,080,122
Israel	12,789,506	-	-	12,789,506	14,452,055
Other	62,571,667	10,169,172	981,468	73,722,307	72,939,424
Total	880,769,027	413,261,983	30,375,708	1,324,406,718	1,383,681,979



## C. Collaterals Fair value for net credit exposures

	Fair value of collaterals									
	Total exposure U.S. \$	Cash margins U.S. \$	Accepted bank guarantees U.S. \$	Real Estate U.S. \$	Quoted stocks U.S. \$	Vehicles and equipment U.S. \$	Others U.S. \$	Total collaterals U.S. \$	Net Exposure U.S. \$	ECL U.S. \$
<u>December 31, 2022</u>										
Credit exposures relating to items on statement of financial position:										
Cash and balances at Palestine Monetary Authority	150,007,679	-	-	-	-	-	-	-	150,007,679	540,125
Balances at banks and financial institutions	94,014,343	-	-	-	-	-	-	-	94,014,343	4,520
Investments at Islamic banks	9,108,626	-	-	-	-	-	-	-	9,108,626	3,111,111
Direct Islamic financing:										
Individuals	386,312,087	18,735,195	377,503	143,774,610	-	67,642,216	23,891,186	254,420,710	131,891,377	2,482,900
Small and medium size business	131,787,257	10,836,330	2,318,991	63,452,286	146,817	15,848,168	15,060,249	107,662,841	24,124,416	1,369,495
Large corporate	357,070,603	41,108,347	6,306,312	149,445,876	21,959,541	13,713,438	23,907,273	256,440,787	100,629,816	14,084,733
Public sector	174,559,455	-	-	-	-	-	-	-	174,559,455	2,176,408
Financial assets at amortized cost	41,673,325	-	-	-	-	-	-	-	41,673,325	3,522,100
Total	1,344,533,375	70,679,872	9,002,806	356,672,772	22,106,358	97,203,822	62,858,708	618,524,338	726,009,037	27,291,392
Letters of credit	5,992,178	110,428	-	-	-	-	-	110,428	5,881,750	3,028
Letters of guarantee	52,987,493	2,366,824	-	-	-	-	-	2,366,824	50,620,669	217,849
Other exposures	98,772,683	14,050,723	-	-	-	-	-	14,050,723	84,721,960	22,809

	Fair value of collaterals									
	Total exposure U.S. \$	Cash margins U.S. \$	Accepted bank guarantees U.S. \$	Real Estate U.S. \$	Quoted stocks U.S. \$	Vehicles and equipment U.S. \$	Others U.S. \$	Total collaterals U.S. \$	Net Exposure U.S. \$	ECL U.S. \$
<u>December 31, 2021</u>										
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

D. Fair value of collaterals obtained against Stage 3 credit exposures is as follows:

December 31, 2022	Total exposure U.S. \$	Fair value of collaterals					Net Exposure U.S. \$	ECL U.S. \$
		Cash margins U.S. \$	Real estate U.S. \$	Quoted stocks U.S. \$	Vehicles and equipment U.S. \$	Others U.S. \$		
Credit exposures relating to items on statement of financial position: Direct Islamic financing:								
Individuals Small and medium size business	9,704,810	1,456,140	5,374,808	-	1,331,907	65,134	1,476,857	1,015,845
Large corporate Total	1,977,151	676,278	429,275	-	77,528	3,791	790,279	544,996
	32,598,935	455,786	15,427,563	-	1,080,029	150,622	15,484,935	11,068,289
	44,280,896	2,588,204	21,231,646	-	2,489,464	219,547	17,752,071	12,629,130
December 31, 2021								
Credit exposures relating to items on statement of financial position: Direct Islamic financing:								
Individuals Small and medium size business	6,775,689	724,216	2,603,674	-	1,706,492	18,787	1,722,520	1,144,229
Large corporate Total	4,302,942	417,966	1,205,506	-	933,074	-	1,746,396	447,014
	11,306,549	225,642	6,955,609	-	1,016,683	-	3,108,615	3,011,519
	22,385,180	1,367,824	10,764,789	-	3,656,249	18,787	6,577,531	4,602,762

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	2022	2021
	U.S. \$	U.S. \$
A- to AAA	17,996,857	16,999,129
B- to BBB+	19,654,368	15,112,533
Unrated	500,000	1,598,130
Total	38,151,225	33,709,792

### 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 Coronavirus (COVID 19), 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, 2022:

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
<u>Gross domestic product</u>	Base scenario	50	6.00	4.10	2.40	2.05	2.05	2.05
	Best scenario	0	14.31	12.41	10.71	10.31	10.31	10.31
	Worst scenario	50	(2.31)	(4.21)	(5.91)	(6.31)	(6.31)	(6.31)
<u>Unemployment rates</u>	Base scenario	50	25.30	25.20	25.10	25.10	25.00	23.99
	Best scenario	0	20.95	20.85	20.75	20.75	20.75	20.95
	Worst scenario	50	29.65	29.55	29.45	29.45	29.45	29.65

Following is the macroeconomic factors impact on the forward-looking information based on multiple scenarios as of December 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
<u>Gross domestic product</u>	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)
<u>Unemployment rates</u>	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

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:

2022	PMA U.S. \$	Balances at banks and financial institutions				Public sector U.S. \$	Indirect credit facilities and financing U.S. \$	Total U.S. \$
		Retail U.S. \$	SMEs U.S. \$	corporate U.S. \$	U.S. \$			
Base scenario (50%)	649	425,591	168,128	4,954,427	97,382	92,867	6,217,508	
Best scenario (0%)	-	-	-	-	-	-	-	
Worst scenario (50%)	3,871	943,904	371,997	9,130,306	2,079,026	150,819	14,684,359	
Total	4,520	1,369,495	540,125	14,084,733	2,176,408	243,686	20,901,867	
2021	PMA U.S. \$	Balances at banks and financial institutions				Public sector U.S. \$	Indirect credit facilities and financing U.S. \$	Total U.S. \$
Base scenario (50%)	151,886	1,242,424	596,248	2,803,954	639,466	49,771	5,519,945	
Best scenario (0%)	-	-	-	-	-	-	-	
Worst scenario (50%)	312,430	1,772,015	667,505	3,152,658	1,302,863	72,892	7,389,134	
Total	464,316	3,014,439	1,263,753	5,956,612	1,942,329	122,663	12,909,079	



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

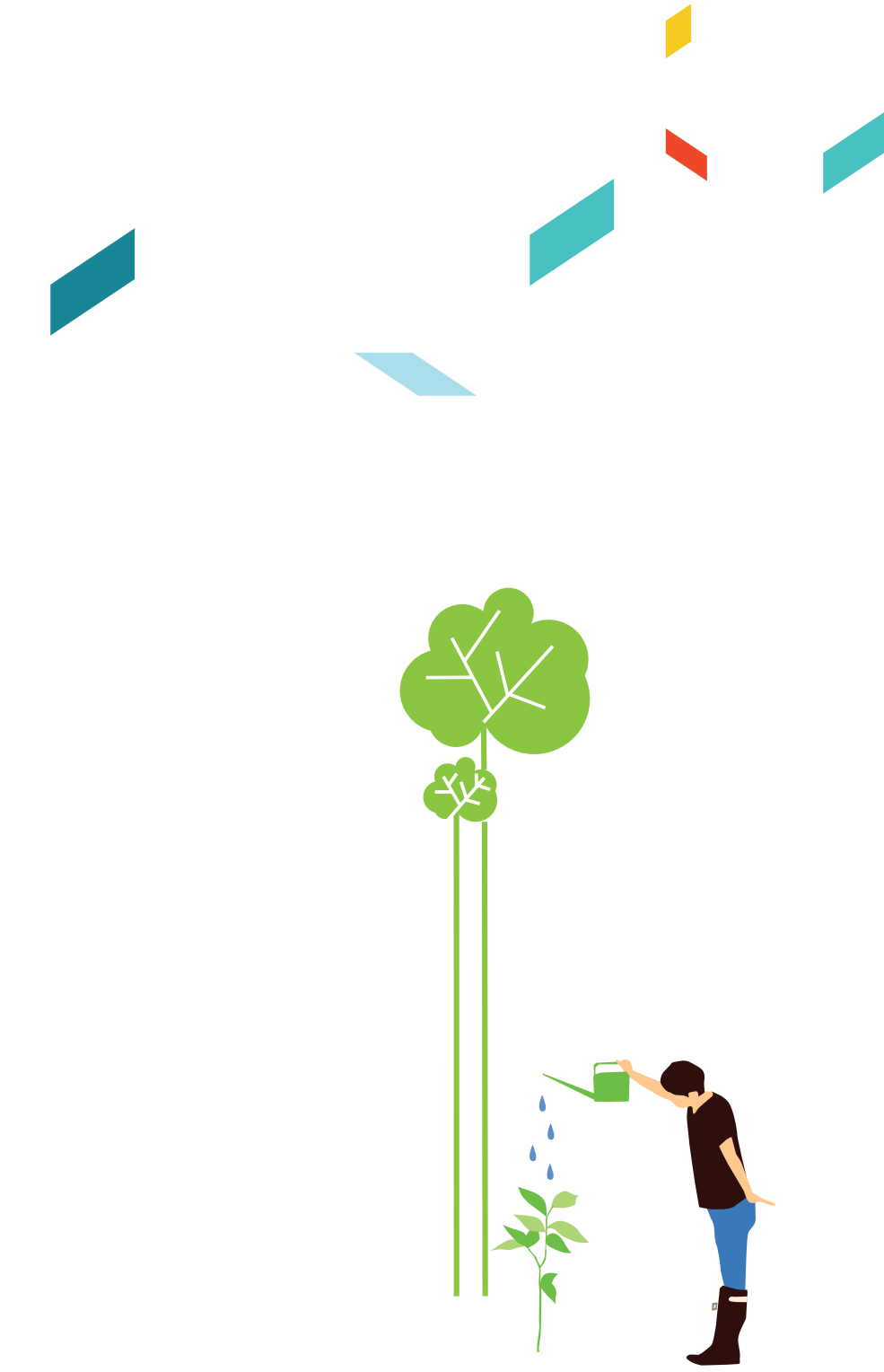
2022	Balances at banks and financial institutions		SMEs	corporate	Public sector	Indirect credit facilities and financing	Total
	PMA	Retail					
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Base scenario	336,256	956,928	851,182	9,908,854	194,764	185,734	12,435,016
Best scenario	136,656	503,139	485,492	3,754,129	165,549	100,616	5,145,833
Worst scenario	743,994	4,008,872	1,887,808	18,260,612	4,158,052	301,638	29,368,718

2021	Balances at banks and financial institutions		SMEs	corporate	Public sector	Indirect credit facilities and financing	Total
	PMA	Retail					
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Base scenario	303,773	2,484,847	1,192,496	5,607,907	1,278,933	99,453	11,039,800
Best scenario	135,790	1,731,923	1,079,384	3,266,749	574,573	97,249	6,905,926
Worst scenario	624,861	3,544,030	1,335,009	6,305,315	2,605,727	145,785	14,778,268

## 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:

Market	2022		2021	
	Increase in index	Effect on income statement	Increase in index	Effect on income statement
Amman Stock Exchange	%	U.S. \$	%	U.S. \$
	10	-	10	-
		139,887		16,152



### III. Foreign Currency risks

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 Jordanian Dinar (JOD) exchange rate is pegged to the U.S. Dollars, so foreign currency risk of JOD is not material on the Bank's financial statements.

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

Currency	2022			2021		
	Increase in currency rate	Effect on income statement	Effect on equity	Increase in currenc y rate	Effect on income statement	Effect on equity
	%	U.S. \$	U.S. \$	%	U.S. \$	U.S. \$
ILS	10	(94,269)	-	10	(71,352)	-
Other currencies	10	(5,706)	-	10	41,219	-

Foreign currency position of the Bank is as follows:

	Equivalent to U.S. \$			
	JOD	ILS	Other currencies	Total
<b>December 31, 2022</b>				
<b>Assets</b>				
Cash and balances with PMA	68,890,534	243,305,900	1,833,395	314,029,829
Balances at banks and financial institutions	63,785,721	11,828,667	10,203,513	85,817,901
Direct Islamic financing	113,458,875	442,916,365	13,900,169	570,275,409
Financial assets at fair value through equity	1,398,873	-	202,924	1,601,797
Investments properties	1,609,305	-	-	1,609,305
Other assets	915,813	5,809,865	7,524	6,733,202
<b>Total assets</b>	<b>250,059,121</b>	<b>703,860,797</b>	<b>26,147,525</b>	<b>980,067,443</b>
<b>Liabilities</b>				
PMA deposits	-	15,593,985	-	15,593,985
Banks and financial institutions' deposits	-	11,213,458	3,724,700	14,938,158
Customers' deposits	34,839,897	234,771,366	10,639,066	280,250,329
Cash margin accounts	7,216,309	32,694,455	1,950,553	41,861,317
Other liabilities	3,005,125	7,334,949	61,516	10,401,590
<b>Total liabilities</b>	<b>45,061,331</b>	<b>301,608,213</b>	<b>16,375,835</b>	<b>363,045,379</b>
Unrestricted investment accounts	205,271,991	403,195,631	9,554,554	618,022,176
<b>Total liabilities and unrestricted investment account</b>	<b>250,333,322</b>	<b>704,803,844</b>	<b>25,930,389</b>	<b>981,067,555</b>
Statement of financial position concentration	(274,201)	(943,047)	217,136	(1,000,112)
Commitments and contingencies	25,078,045	39,865,005	(2,401,494)	62,541,556
<b>December 31, 2021</b>				
<b>Total assets</b>	<b>293,983,632</b>	<b>745,840,390</b>	<b>29,885,513</b>	<b>1,069,709,535</b>
<b>Total liabilities</b>	<b>71,588,065</b>	<b>464,620,704</b>	<b>18,225,974</b>	<b>554,434,743</b>
<b>Unrestricted investment accounts</b>	<b>222,674,182</b>	<b>281,933,206</b>	<b>11,247,351</b>	<b>515,854,739</b>
Statement of financial position concentration	(278,615)	(713,520)	412,188	(579,947)
Commitments and contingencies	25,931,894	25,164,545	9,124,236	60,220,675

### 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, 2022 and 2021:

	December 31, 2022					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. \$	Total U.S. \$	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. \$	Total U.S. \$
<b>Assets</b>												
Cash and balances with PMA	278,284,812	16,737,732	-	-	-	421,945,158	278,284,812	16,737,732	-	-	-	421,945,158
Balances at banks and financial institutions	42,265,403	32,708,037	19,036,383	-	-	94,009,823	42,265,403	32,708,037	19,036,383	-	-	94,009,823
Investment at Islamic banks	-	-	5,997,515	-	-	5,997,515	-	-	5,997,515	-	-	5,997,515
Direct Islamic financing	39,957,098	87,320,331	64,520,357	176,678,236	466,238,758	1,028,339,808	39,957,098	87,320,331	64,520,357	466,238,758	1,028,339,808	
Financial assets at fair value through Equity	-	-	-	-	-	4,649,976	-	-	-	-	-	4,649,976
Financial assets at amortized cost	3,586,067	2,000,000	3,500,000	1,785,984	11,369,274	38,151,225	3,586,067	2,000,000	1,785,984	11,369,274	38,151,225	
Investment properties	-	-	-	-	-	22,930,742	-	-	-	-	-	22,930,742
Property and equipment	-	-	-	-	-	20,620,587	-	-	-	-	-	20,620,587
Right of use assets	-	-	-	-	-	6,033,023	-	-	-	-	-	6,033,023
Projects in progress	-	-	-	-	-	346,288	-	-	-	-	-	346,288
Deferred tax assets	-	-	-	-	-	5,012,089	-	-	-	-	-	5,012,089
Intangible assets	-	-	-	-	-	1,366,517	-	-	-	-	-	1,366,517
Other assets	4,286,772	2,781,498	2,900,461	1,354,253	-	11,322,984	4,286,772	2,781,498	2,900,461	1,354,253	11,322,984	
<b>Total assets</b>	<b>368,380,152</b>	<b>141,547,598</b>	<b>95,954,716</b>	<b>179,818,473</b>	<b>477,608,032</b>	<b>1,660,725,735</b>	<b>368,380,152</b>	<b>141,547,598</b>	<b>95,954,716</b>	<b>477,608,032</b>	<b>1,660,725,735</b>	
<b>Liabilities, unrestricted investment accounts and equity</b>												
<b>Liabilities</b>												
Isidama loans from the Palestinian Monetary Authority	-	-	-	-	-	8,201,758	-	-	-	-	-	8,201,758
PMA deposits	-	15,593,985	-	-	-	20,000,000	-	-	-	-	-	35,593,985
Banks and financial institutions' deposits	30,426,269	3,164,637	2,147,991	4,380,723	-	39,919,620	30,426,269	3,164,637	2,147,991	-	39,919,620	
Customers' deposits	394,988,407	10,036,307	29,531,878	33,407,279	473,423	93,603,661	394,988,407	10,036,307	29,531,878	473,423	93,603,661	
Cash margin	-	-	-	9,681,011	-	9,681,011	-	-	-	-	-	9,681,011
Sundry provisions	-	-	-	6,948,648	-	6,948,648	-	-	-	-	-	6,948,648
Tax provisions	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	917,356	278,468	9,531,457	7,102,152	-	25,929,473	917,356	278,468	9,531,457	7,102,152	25,929,473	
<b>Total liabilities</b>	<b>426,332,032</b>	<b>29,073,397</b>	<b>41,211,326</b>	<b>61,519,813</b>	<b>473,423</b>	<b>617,985,503</b>	<b>426,332,032</b>	<b>29,073,397</b>	<b>41,211,326</b>	<b>473,423</b>	<b>617,985,503</b>	
Unrestricted investment accounts	181,206,304	199,019,910	232,165,460	285,858,591	-	903,456,695	181,206,304	199,019,910	232,165,460	-	903,456,695	
Equity	-	-	-	-	-	14,282,737	-	-	-	-	-	14,282,737
Paid-in share capital	-	-	-	-	-	96,219,252	-	-	-	-	-	96,219,252
Statutory reserve	-	-	-	-	-	9,816,101	-	-	-	-	-	9,816,101
General banking risk reserve	-	-	-	-	-	8,374,674	-	-	-	-	-	8,374,674
Pro-cyclicality reserve	-	-	-	-	-	4,113,369	-	-	-	-	-	4,113,369
Investment properties reserve	-	-	-	-	-	7,088,707	-	-	-	-	-	7,088,707
Cumulative change in fair value	-	-	-	-	-	(1,299,351)	-	-	-	-	-	(1,299,351)
Retained earnings	-	-	-	-	-	14,970,785	-	-	-	-	-	14,970,785
<b>Total equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>139,283,537</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>139,283,537</b>
<b>Total liabilities, unrestricted investment accounts and equity</b>	<b>607,538,936</b>	<b>228,093,307</b>	<b>273,376,786</b>	<b>347,378,404</b>	<b>55,406,856</b>	<b>1,660,725,735</b>	<b>607,538,936</b>	<b>228,093,307</b>	<b>273,376,786</b>	<b>55,406,856</b>	<b>1,660,725,735</b>	
Maturity gap	(239,158,784)	(86,545,709)	(177,422,070)	(154,128,072)	473,423	-	(239,158,784)	(86,545,709)	(177,422,070)	473,423	-	-
Cumulative maturity gap	(239,158,784)	(325,704,493)	(503,126,563)	(670,686,494)	(39,423,813)	-	(239,158,784)	(325,704,493)	(503,126,563)	(39,423,813)	-	-

	December 31, 2021	Less than 1 month	More than 1 month up to 3 months	More than 3 months up to 6 months	More than 6 months up to 1 year	More than 1 year up to 3 years	More than 3 years	Without maturity	Total
<b>Assets</b>									
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	21,622,122	21,622,122	-	-	-	-	-	86,947,263
Investment at Islamic banks	265,453	3,000,000	3,000,000	-	-	-	-	-	3,265,453
Direct Islamic financing	96,649,193	128,701,369	126,826,978	168,247,049	199,103,837	199,103,837	-	3,426,088	3,426,088
Financial assets at fair value through Equity	-	-	-	-	-	-	-	-	-
Financial assets at amortized cost	-	4,859,792	500,000	-	11,950,000	16,400,000	-	25,962,178	33,709,792
Investment properties	-	-	-	-	-	-	-	22,280,308	25,962,178
Property and equipment	-	-	-	-	-	-	-	307,407	307,407
Right of use assets	-	-	-	-	-	-	-	6,822,166	6,822,166
Projects in progress	-	-	-	-	-	-	-	4,252,402	4,252,402
Deferred tax assets	-	-	-	-	-	-	-	1,692,743	1,692,743
Intangible assets	7,177,139	4,676,273	4,876,273	2,567,138	-	-	-	-	19,296,823
Other assets	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>461,170,756</b>	<b>233,498,366</b>	<b>156,825,373</b>	<b>170,814,187</b>	<b>304,819,018</b>	<b>215,503,837</b>	<b>194,074,468</b>	<b>1,736,706,005</b>	<b>1,736,706,005</b>
<b>Liabilities, unrestricted investment accounts and equity</b>									
<b>Liabilities</b>									
Istidama loans from the Palestinian Monetary Authority	-	-	-	-	-	6,488,216	-	-	6,488,216
PMA deposits	4,871,274	73,472,818	20,000,000	-	-	-	-	-	93,472,818
Banks and financial institutions' deposits	382,445,006	21,363,358	2,060,173	4,206,867	-	-	-	-	42,777,964
Customers' deposits	-	9,748,027	28,683,616	32,447,701	19,575,856	459,825	-	-	382,445,006
Cash margin	-	-	-	-	-	-	-	7,611,857	90,915,025
Sundry provisions	-	-	-	8,086,661	-	-	-	-	8,086,661
Tax provisions	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-
Total liabilities	388,139,853	250,000	8,557,053	7,941,008	19,575,856	459,825	-	-	2,849,573
Unrestricted investment accounts	189,768,453	104,834,203	39,300,842	52,682,237	56,340,364	459,825	-	-	7,243,380
Equity	-	208,423,089	243,134,685	299,364,679	5,451,796	-	-	-	17,694,298
Paid-in share capital	-	-	-	-	-	-	-	-	659,584,798
Statutory reserve	-	-	-	-	-	-	-	-	946,142,702
General banking risk reserve	-	-	-	-	-	-	-	-	91,719,252
Pro-cyclicality reserve	-	-	-	-	-	-	-	-	8,508,264
Investment properties reserve	-	-	-	-	-	-	-	-	8,374,674
Cumulative change in fair value	-	-	-	-	-	-	-	-	4,113,369
Retained earnings	-	-	-	-	-	-	-	-	4,113,369
Total equity	-	823,573	250,000	7,941,008	19,575,856	459,825	-	-	7,806,223
Total liabilities, unrestricted investment accounts and equity	577,908,306	313,257,292	282,435,527	352,046,916	61,792,160	459,825	-	-	(1,243,533)
Maturity gap	(116,737,550)	(79,758,926)	(125,610,154)	(181,232,729)	243,026,858	215,044,012	-	-	11,700,256
Cumulative maturity gap	(116,737,550)	(196,496,476)	(322,106,630)	(503,339,359)	(260,312,501)	(45,268,489)	-	-	130,978,505

### 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, 2022:

	Amount before discount rates / Average flows	Amount after discount rates / Average flows
	U.S. \$	U.S. \$
High quality liquid assets	503,354,295	485,821,578
Retail deposits including small and medium corporates:		
A- Less stable deposits	1,185,420,79	3
B- Term deposits with a maturity of more than 30 days	-	-
Other deposits and other unguaranteed financing for companies:		
A- Operational deposits	138,174,719	3,839,591
B- non-operational deposits	48,207,071	41,964,115
Guaranteed financing and deposits	186,381,790	137,905,422
Governmental Deposits	9,689,611	3,875,844
PMA Deposits	43,795,743	17,518,297
Bank Deposits	41,964,114	41,964,114
Other financial institutions deposits	5,278,283	2,111,313
Guaranteed financing and deposits	287,109,541	203,374,990
Non-cancelled credit lines and required liquidity within 30 days	42,039,680	30,799,166
Long Term	165,198,251	11,082,738
Gross cash outflows	494,347,472	245,256,894
Guaranteed Islamic financing	61,388,519	30,694,260
Gross cash inflow	61,388,519	30,694,260
Net cash outflow after adjustments		214,562,634
Total high-quality liquid assets after adjustments		485,821,578
Net cash outflow after adjustment		214,562,634
Liquidity coverage ratio (%)		%226



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:		
C- Less stable deposits	783,595,285	78,359,528
D- Term deposits with a maturity of more than 30 days	406,260,853	10,257,027
Other deposits and other unguaranteed financing for companies:		
C- Operational deposits	208,810,507	52,202,627
D- non-operational 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%

#### 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, 2022:

Description	2022	2021
	U.S. \$	U.S. \$
Regulatory capital	133,189,248	128,040,166
Less stable retail deposits	1,067,370,646	1,071,706,420
Guaranteed and unguaranteed financing	103,313,983	114,638,670
Gross funding available	1,303,873,877	1,314,385,256
Level 1 unrestricted high liquidity assets	100,000	189,299
Level 2 unrestricted high liquidity assets	31,461,126	49,409,135
Level 3 unrestricted high liquidity assets	31,987,809	25,217,556
Islamic Financing	405,148,899	436,374,232
Home Loans	170,446,790	159,906,059
Deposits in other financial institutions	20,825,769	17,089,780
Financial assets issued or guaranteed by banks and financial institutions	-	3,264,565
Non-performing Islamic Financing	2,167,614	5,131,055
Other assets	67,632,229	77,992,906
Non-cancellable credit financing and line of credits	4,928,787	4,611,638
Future obligations	299,609	508,475
Other non contractual obligations	2,649,375	2,231,961
Off balance sheet exposures that are included in prior years	9,846	17,105
Gross funding required	737,657,853	781,943,766
Net Stable Funding Ratio (NSFR)	%177	%168

#### Leverage Ratio

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

	financial leverage ratio U.S. \$
Total Exposure Scale	1,662,967,587
Regulatory amendments related to investments in banks, financial institutions, insurance companies and commercial entities grouped for accounting purposes, but outside the scope of regulatory aggregation.	(8,455,224)
Amendments related to derivatives exposures	(37,861,784)
Total Leverage Exposure Scale	1,616,650,579
First tranche of capital net capital	119,245,984
Leverage Ratio	%7.36

#### 47. Fair value measurement

The fair value measurement hierarchy of the Bank's assets and liabilities as at December 31, 2022:

	Date of measurement	Fair value measurement using			
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level2)	Significant unobservable inputs (Level3)
		U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Assets measured at fair value:</b>					
<b>Financial asset at fair value through equity (Note 7):</b>					
Quoted	December 31, 2022	1,398,873	1,398,873	-	-
Unquoted	December 31, 2022	3,251,103	-	-	3,251,103
<b>Financial assets at amortized cost disclosed (Note 8)</b>					
Investment properties (Note 9)	December 31, 2022	38,136,875	38,136,875	-	-
	December 31, 2022	22,930,742	-	-	22,930,742

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

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

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, 2022 and 2021:

	Carrying amount		Fair value	
	2022	2021	2022	2021
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Financial assets</b>				
Cash and balances with PMA	421,945,158	516,345,938	421,945,158	516,345,938
Balances at banks and financial institutions	94,009,823	86,947,263	94,009,823	86,947,263
Investment at Islamic banks	5,997,515	3,265,453	5,997,515	3,265,453
Direct Islamic financing	1,028,339,808	1,012,397,444	1,028,339,808	1,012,397,444
<b>Financial assets at fair value through equity:</b>				
Quoted shares	1,398,873	161,523	1,398,873	161,523
Unquoted shares	3,251,103	3,264,565	3,251,103	3,264,565
Financial assets at amortized cost	38,151,225	33,709,792	38,136,875	31,433,986
Other assets	8,440,793	18,125,106	8,440,793	18,125,106
<b>Total assets</b>	<b>1,601,534,298</b>	<b>1,674,217,084</b>	<b>1,601,519,948</b>	<b>1,671,941,278</b>
<b>Financial liabilities</b>				
Sustainability loan	8,201,758	6,488,216	8,201,758	6,488,216
PMA deposits	35,593,985	93,472,818	35,593,985	93,472,818
<b>Banks and financial institutions' deposits</b>				
Customers' deposits	41,964,114	42,777,964	41,964,114	42,777,964
Cash margin accounts	394,988,407	382,445,006	394,988,407	382,445,006
Leasehold obligations	93,603,661	90,915,025	93,603,661	90,915,025
Other liabilities	6,429,482	7,243,380	6,429,482	7,243,380
Total liabilities	17,743,099	17,571,634	17,743,099	17,571,634
<b>Total liabilities</b>	<b>598,524,506</b>	<b>640,914,043</b>	<b>598,524,506</b>	<b>640,914,043</b>
Unrestricted investment accounts	903,456,695	946,142,702	903,456,695	946,142,702

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, 2022.

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	2022
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Gross revenue	25,553,375	44,161,336	8,825,213	1,853,275	80,393,199
ECL allowance on Islamic financing	506,239	(8,563,663)	(1,521,768)	(100,000)	(9,679,192)
Segment results					70,714,007
Unallocated expenses					(48,795,691)
Profit before taxes					21,918,316
Taxes expense					(8,839,950)
Profit for the year					13,078,366
<b>Other information</b>					
Total segment assets	383,371,474	644,968,334	564,753,697	67,632,230	1,660,725,735
Total segment liabilities and unrestricted investment accounts	1,027,028,249	365,020,514	85,759,857	43,361,578	1,521,170,198
Capital expenditures					2,321,527
Depreciation and amortization					4,744,130
	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)	(2,770,193)	(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
<b>Other information</b>					
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	1,605,727,500
Capital expenditures					2,606,907
Depreciation and amortization					4,700,589

#### 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	
	2022	2021	2022	2021	2022	2021
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Total revenues	77,323,928	70,621,686	3,069,271	2,192,717	80,393,199	72,814,403
Total assets	1,526,662,119	1,619,488,087	134,063,616	117,217,918	1,660,725,735	1,736,706,005
Capital expenditures	2,321,527	2,606,907	-	-	2,321,527	2,606,907

#### 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. \$ 4,500,000 during 2022, and U.S. \$ 3,250,000 during 2021.

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

	2022			2021		
	Amount	Percentage to assets	Percentage to risk – weighted assets	Amount	Percentage to assets	Percentage to risk – weighted assets
	U.S. \$	%	%	U.S. \$	%	%
Regulatory capital	133,189,248	8.02	14.42	124,046,961	7.14	13.57
Basic capital	118,453,640	7.14	12.82	109,104,865	6.28	11.93



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, 2022
	U.S. \$
Net common stocks (CET 1)	96,219,252
The first bracket of capital	118,453,640
The second bracket of capital	14,735,608
Capital base	133,189,248
Credit risk	817,239,075
Market risk	-
Operational risk	106,416,063
Total risk weighted assets	923,655,138
	%
Percentage of common stocks (CET 1) to risk weighted assets	10.42
Percentage of the first bracket of capital to risk weighted assets	12.82
Percentage of the second bracket of capital to risk weighted assets	1.60
Percentage of the first bracket to assets	7.14
Percentage of regulatory capital to assets	8.02
Capital adequacy ratio	14.42

#### 51. Legal cases against the Bank

In the normal course of business, the number of litigations filed against the Bank was (33) and (31) as at December 31, 2022 and 2021, respectively. The litigations filed against the Bank amounted to U.S. \$ 371,900 and U.S. \$ 570,586 as at December 31, 2022 and 2021, 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.











info@aib.ps ■      
W W W . A I B . P S