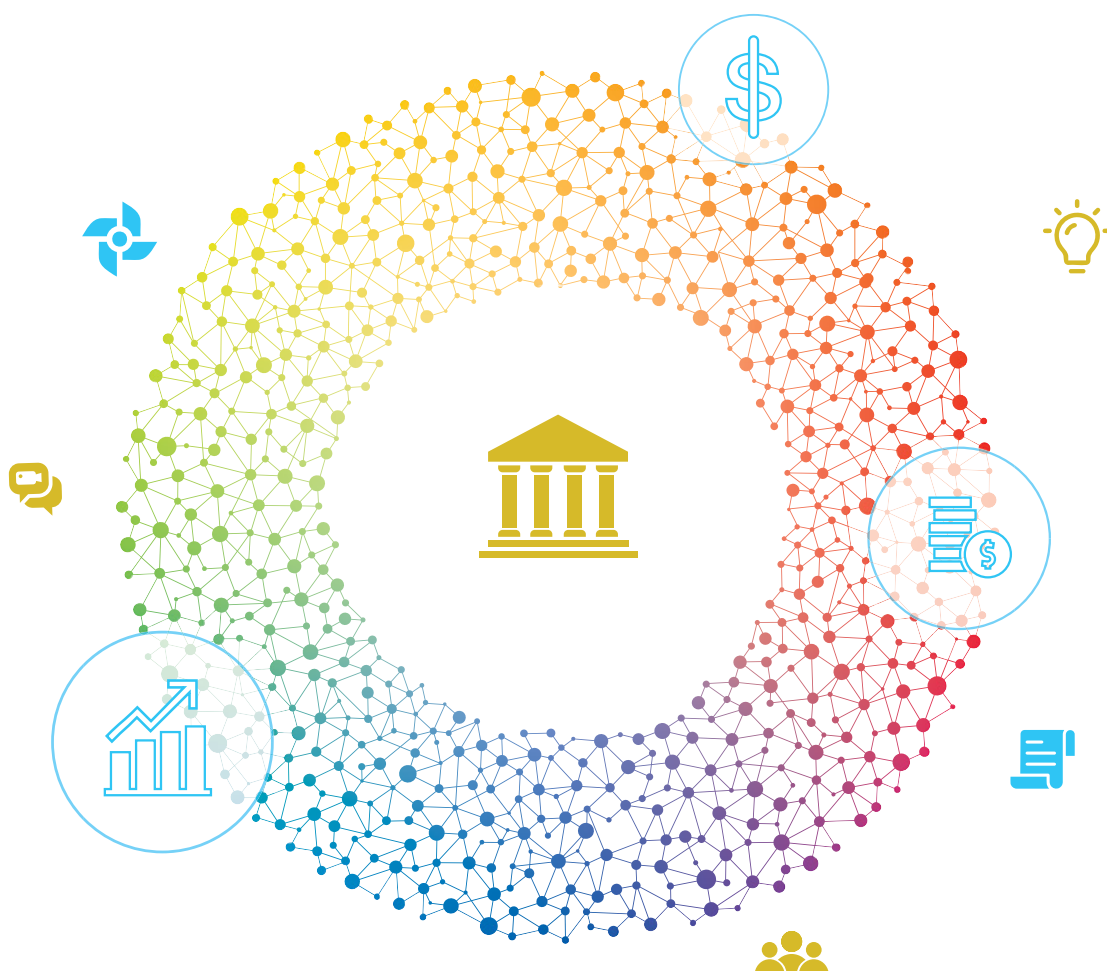




البنك الإسلامي العربي
ARAB ISLAMIC BANK

Annual Report 2025



Growth... Digitalization... Sustainable Value

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

O you who believe! Be afraid of Allâh and give up what remains (due to you) from Ribâ (usury) (from now onward), if you are (really) believers. And if you do not do it, then take a notice of war from Allâh and His Messenger; but if you repent, you shall have your capital sums. Deal not unjustly (by asking more than your capital sums), and you shall not be dealt with unjustly (by receiving less than your capital sums).

(Al-Bakara, 278-279).

■ About the Bank	6
■ Chairman's Letter	8
■ The General Manager's Letter	10
■ Board of Directors Members	14
■ Executive Management	20
■ Islamic Banking	24
■ Performance Indicators of The Bank	26
■ Branches and ATMs network	28
■ Key Achievements and Activities	32
■ Banking Products and Services	36
■ Global Awards	46
■ Sustainability, Social Responsibility and Illicit Gains	50
■ Human Resources & Training	60
■ Organizational Structure	70
■ Bank Governance	72
■ Board of Directors Role and Responsibilities	79
■ Board of Directors Committees	82
■ Concessions & Bonuses	90
■ General Assembly's Meeting	92
■ Shareholders' Relations Management	93
■ Shari'a Supervisory Board & Shari'a Controller	96
■ Report of the Shari'a Supervisory Board	99
■ Independent Auditor's Report	103
■ Financial Statements	

About Arab Islamic Bank

The Establishment

The Arab Islamic Bank was established in 1995 as a public shareholding company, holding licensed operator number “563201011”. 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-Bi-reh, as well as its branches throughout Palestine. In addition to the Representative Office in the United Arab Emirates (Emirate of Dubai) bringing the total number of its branches and offices to thirty, including the mobile branch “Mobi Bank,” in addition to 62 ATMs distributed across all governorates of the country. As of December 31, 2025, the bank has no subsidiaries.

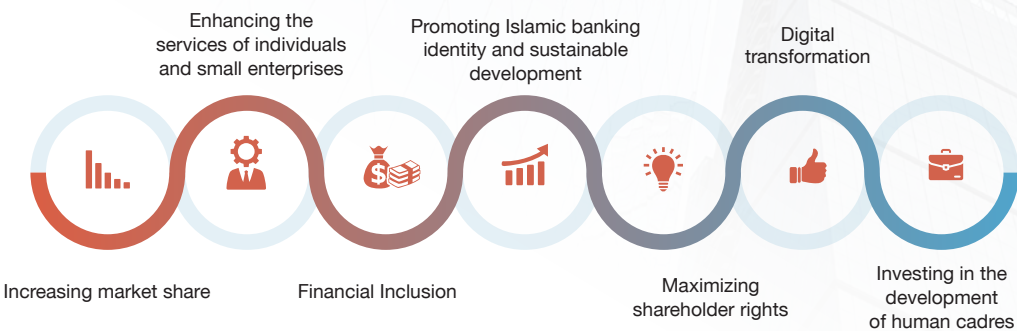
Our Vision

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 customers wherever they are, in a secure manner.

Our Mission

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 achieving.

Our Strategic Goals





Chairman of the Board of Directors Letter

Rushdi Al-Ghalayini

Our dear Shareholders,
Assalamu Alaikum wa Rehmatullah wa Barakatahu.

On my own behalf and on behalf of my fellow members of the Board of Directors, I am pleased to present to you the Annual Report of the Arab Islamic Bank for the year 2025, which outlines the Bank's performance and audited financial statements for the year ended December 31, 2025, amid an economic and financial environment that continues to be characterized by challenges and the increasing responsibilities imposed on the banking sector, the national economy, and society.

The year 2025 represented a continuation of a phase that required a high degree of resilience and wisdom in decision-making. By the grace of Allah, and thanks to your support and the confidence of its customers, the Bank continued to achieve results that reflect the strength of its operating model, its ability to adapt, and its firm commitment to a sustainable growth strategy compliant with the principles of Islamic Sharia, thereby maintaining its position as one of the largest banks in the Palestinian banking sector.

With respect to the financial indicators at the end of 2025, the Bank maintained a strong asset base, as total assets increased by approximately USD 234 million to reach nearly USD 2 billion, representing a growth rate of 13.7%. Direct financing facilities amounted to approximately USD 1.1 billion, while customer deposits increased by approximately USD 135.7 million to reach around USD 1.5 billion, reflecting a growth rate of 10%, which demonstrates the growing confidence of customers in the Bank.

In terms of profitability, the Bank achieved a net profit of USD 5.5 million, compared to USD 1.1 million in the previous year, representing a growth rate of 380%. The Bank also continued to adopt a prudent and advanced precautionary approach through recording credit provisions exceeding USD 28 million, thereby strengthening the Bank's financial position and enhancing its ability to confidently and steadily confront potential risks.

The Board of Directors also remained committed to overseeing the enhancement of the governance and risk management framework, ensuring compliance with regulatory requirements, and maintaining adequate liquidity and capital adequacy levels in line with international best practices. The Bank completed a number of qualitative projects that contributed to enhancing operational and regulatory efficiency and raising the level of institutional readiness in addressing technical and operational risks.

Within the framework of digital transformation, the Bank proceeded with implementing strategic projects aimed at devel-

oping technological infrastructure, improving customer experience, enhancing financial inclusion, and expanding electronic payment services and digital transfers, thereby contributing to reducing reliance on cash and supporting the digital economy.

In line with the Bank's strategic direction toward developing banking products and strengthening competitiveness, the Bank attaches special importance to expanding and developing Islamic credit cards to meet customer needs in a modern manner that complies with Islamic Sharia principles. During 2025, the strategic, regulatory, and technical aspects related to these cards were completed through the development of an Islamic credit card system based on clear Sharia-compliant financing structures and supported by advanced digital services. This contributes to facilitating local and international payment transactions and enhancing customer experience and financial inclusion. These cards were launched at the beginning of 2026 as part of the Bank's commitment to providing innovative and secure banking solutions that support sustainable growth and strengthen its position in the Palestinian banking market.

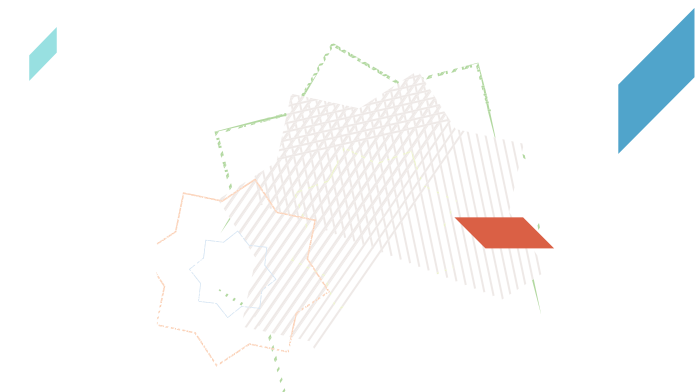
Out of our belief in our social responsibility, the Bank maintained its commitment to sustainability and social responsibility, with total community and sustainability contributions exceeding half a million US dollars. These contributions were directed toward vital sectors including education, healthcare, and support for the most vulnerable groups, reflecting the Bank's commitment to creating a positive and sustainable impact within Palestinian society.

The prestigious international awards and certifications obtained by the Bank during 2025 embody external recognition of its performance standards, service quality, and commitment to information security and governance standards. The Bank was awarded the titles of "Best Islamic Corporate Bank" and "Best Islamic Bank for Digital Services in Palestine" by Islamic Banking News Magazine. In addition, the Bank obtained, for the second consecutive year, certification of compliance with information security and electronic payment data standards, which is considered one of the most important global certifications in the field of protecting banking card data and enhancing the security of electronic financial transactions, as well as the international ISO certification for Information Security Management Systems. These achievements further strengthen the confidence of shareholders and stakeholders and confirm the robustness of the Bank's strategic direction. In conclusion, I extend my sincere thanks and appreciation to the Palestine Monetary Authority, the Palestinian Capital Market Authority, the Companies Controller, the Palestine Exchange, and the Sharia Supervisory Board for their continued cooperation and support. I also express my gratitude to the executive management and all Bank employees for their dedication and efforts, and I renew my thanks to our valued customers and shareholders for their continued trust.

With the help of Allah, the Arab Islamic Bank will remain committed to its role as an active partner in supporting the resilience of the national economy, achieving sustainable development, and serving our society in a manner consistent with our values and principles.

Assalamu Alaikum wa Rehmatullah wa Barakatahu.

Rushdi Al-Ghalayini
Chairman of the Board of Directors





**General Manager’s
Message**
Hani Nasser

General Manager’s Message
Hani Nasser
Dear shareholders,

Assalamu Alaikum wa Rehmatullah wa Barakatahu.

I am pleased to present to you the performance results of the Arab Islamic Bank for the year 2025, which was truly a year of execution and achievement. It represented a continuation of ongoing efforts through which the executive management focused on transforming strategic directions into tangible projects and accomplishments that enhance operational efficiency, improve customer experience, and support financial inclusion, despite the continued economic challenges and exceptional surrounding circumstances.

On the financial front, the Bank achieved net profits after tax and provisions amounting to approximately USD 5.4 million, while continuing to adopt a prudent and comprehensive provisioning policy to address any potential credit risks. This reflects the Bank’s commitment to sound risk management and maintaining the strength of its financial performance. The Bank also maintained stable market shares, with market shares reaching 7% in assets, 9% in direct financing facilities, and 7% in customer deposits.

During the year, the Bank also pursued the implementation of a wide range of technological and operational projects aimed at improving operational efficiency and strengthening information security. Advanced systems were introduced in the areas of compliance, international payment standards, data protection, and cybersecurity, thereby reinforcing a secure and reliable operating environment.

In the area of banking channels and services, the Bank focused on improving ease of access to services through the launch and development of digital banking services, including cardless cash withdrawal solutions, enhancing the readi-

ness and performance of ATMs, and implementing advanced monitoring systems to ensure service continuity and quality. The Bank also paid special attention to internal digital transformation through the automation of a number of administrative and operational processes, including complaints management systems, electronic archiving, outgoing transfers, and case and request management systems. This positively impacted the speed of execution, service quality, and the efficiency of decision-making. In terms of banking systems, the Bank implemented a project to reclassify customer segments within the core banking system, enabling the Bank to provide offers and services that are better tailored to customer needs. In addition to the above, the Bank further expanded its strategic partnerships and implementing qualitative initiatives to support productive and educational sectors, alongside launching and executing marketing and awareness campaigns aimed at encouraging savings, promoting the use of electronic payment methods, and protecting customers from the risks of digital fraud.

The Bank also sustained its investment in human capital through professional and technical development programs that strengthen a culture of performance and innovation and enhance the readiness of staff to keep pace with future developments.

Looking ahead, we will continue implementing our strategy with confidence, focusing on innovation, the continuous development of our products and services, improving operational efficiency, strengthening compliance with Islamic Sharia principles, and creating sustainable added value for our shareholders, customers, and community.

In conclusion, I extend my sincere thanks and appreciation to the Board of Directors for their guidance and support, to our esteemed shareholders for their trust, and to all Bank employees for their efforts and dedication. We reaffirm our commitment to continuing our work in a spirit of teamwork to build a more stable and prosperous future.

Assalamu Alaikum wa Rehmatullah wa Barakatahu.

Hani Nasser
General Manager





Board of Directors Members



Rushdi Mahmoud Al-Ghalayini

Chairman
Representative of Bank of Palestine Group

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

Memberships

Chairman of the Board of Directors, Arab Islamic Bank (2021 – Present).
Chairman of the Board of Directors, North Industrial International Company.
Member of the Board of Directors, Palestinian Capital Market Authority (2024 – Present).
Member of the Board of Directors, Pal Pay for Electronic Payment Company (2017 – Present).
Member of the Board of Directors, The Palestinian Company for Cash and Valuables Transportation (2014 – Present).
Member of the Board of Directors, Invest Bank, Hashemite Kingdom of Jordan (2014 – 2025).
Member of the Board of Directors, Arab Islamic Bank (2017 – 2020).
Member of the Board of Directors, Association of Banks in Palestine (2017 – 2020).
Member of the Board of Directors, Palestinian Banking Institute (2017 – 2020).
Member of the Board of Directors, Union of Arab Banks (2018 – 2020).
Member of the Board of Directors, Education for Employment Foundation (2015 – 2018).



Dr. Mohamed Mahmoud 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 Faculty 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, Palestine Investment Fund (2012 – Present).
Member of the Board of Directors, Sanad Construction Resources Company (2016 – Present).
Member of the Board of Trustees, Palestine Technical University – Kadoorie (2025 – Present).
Member of the Board of Trustees, Palestine Economic Policy Research Institute (MAS) (2015 – 2024).
Chairman of the Board of Trustees, Palestine Economic Policy Research Institute (MAS) (2018 – 2021).
Chairman of the Board of Directors, Annmar Real Estate Group Company (2015 – 2019).
Chairman of the Board of Directors, Grand Park Hotel (2017 – 2019).
Vice Chairman of the Board of Directors, Jericho Industrial Company (2012 – 2017).
Chairman of the Board of Directors, Palestinian Capital Market Authority (2014 – 2015).
Chairman of the Board of Directors, Palestinian Governance Institute (2011 – 2015).
Member of the National Anti-Money Laundering Committee, 2008-2012



Mr. Saqr Mahmoud Jundiya

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

Educational Qualifications:

Ph.D. Preparatory Studies in Administrative Sciences, Preliminary and Complementary Studies, Sadat Academy for Administrative Sciences, Cairo, 1993.
MA Degree in Economics, Faculty of Commerce, Zagazig University, 1990.

Date of Birth: 01/02/1949
Membership Date: 2021

Experience

Advisor to the Board of Directors of the Bank of Palestine Group, 2020 – 2025
Head of Compliance Monitoring Department, Bank of Palestine, 2009 – 2020
General Manager, Palestinian Banking Institute, 2007 – 2009
Executive Director, 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 in Rome and Hebron University, 1996 – 1999
General Manager, Team Palestine Company
Expert at Arab Experts Company in Engineering and Management (TEAM), Egypt, 1987 – 1996
Lecturer at Al-Azhar University, the Islamic University, and Al-Quds Open University in Gaza

Memberships

Member of the General Union of Palestinian Writers and Journalists
Founding Member of the Palestine Forum for Democracy
Former President of the Association for Combating Industrial Pollution
Former Board Member and Secretary of the Popular Association for Peace and Social Solidarity
Member of the Drafting Committee and the Scientific Committee for the Evaluation of Papers and Research at the Annual Conference on Training and Administrative Development in the Arab World, Cairo, 1989 – 1995
Member of Professional Committees at the Palestinian Monetary Authority and Bank of Palestine
Member of the Central Elections Commission (2008 – 2011).



Mr. Wael Abdel Latif Al-Sourani

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

Educational Qualifications:

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

Date of Birth: 07/02/1967
Membership Date: 2021

Experience

Bank of Palestine (1995 – 2020):
Gaza Business Manager – 2020
Assistant General Manager
Branch Supervisor, Al-Rimal Branch (2000 – 2002)
Branch Supervisor, Khan Younis Branch (1999 – 2000)
Palestinian Red Crescent Society – June 1988 to 1989

Board of Directors Members



Abdallah Qais Al-Ghanim
Member of the Board of Directors
Representative of the 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 the Bank of Palestine
Member of the Board of Directors of Securities Brokerage
Board Member of Gamiphy.co



Fawaz Mahmoud Najjar
Member of the Board of Directors
Representative of Aswaq for Investment Portfolios Company

Educational Qualifications
Master's Degree in Business Administration – Birzeit University
BA Degree in Accounting – Birzeit University

Date of Birth: 12/5/1980
Membership Date: 2024

Experience
Acting CEO of Aswaq for Investment Portfolios Company
Portfolio Manager at Aswaq Investment Company
Former Portfolio Manager at Ammar Company
Worked at SNC Lavalin in Saudi Arabia

Board Memberships:
Vice Chairman of the Board of Directors, Asala for Development and Lending Company.
Vice Chairman of the Board of Directors, Jericho Industrial City Company.
Member of the Board of Directors, Palestine Development Foundation.
Member of the Board of Directors, National Aluminum Manufacturing Company – NAPCO.
Member of the Board of Directors, Palestinian Investment Promotion and Industrial Cities Agency.
Former Member of the Board of Directors, Grand Park Hotels Company and Arab Hotels Company.



Mr. Mohammad Awni Abu Ramadan
Member of the Board of Directors
Representative of Aswaq for Investment Portfolios Company

Educational Qualifications:
BA Degree in Business Administration – Syracuse University, United States of America

Date of Birth: 24/07/1953
Membership Date: 2017

Experience
Chairman of the Board, Ooredoo – 2016 to 2025

Memberships:
Chairman of the Water Sector Regulatory Council
Minister of Planning – Palestinian National Authority (2012 – 2014)
Board Member, Palestine Investment Fund
Former Board Member, Palestinian Capital Market Authority



Dr. Walid Fawzi Al-Barghouthi
Board Member
Independent Member

Academic Qualifications
Higher Certification in Obstetrics and Gynecology – Royal College of Obstetricians and Gynaecologists, United Kingdom (1992).
Bachelor's Degree in Medicine and Surgery.

Date of Birth: 22/02/1958
Membership Date: 2025

Professional Experience
Director of the Obstetrics Department, Al Ahli Hospital – Qatar (2015 – 2017).
Physician and General Manager, Al-Mustaqbal Hospital – Al-Bireh (1999 – 2015).
Physician and General Manager, Palestine Red Crescent Hospital – Al-Bireh (1993 – 1999).

Board of Directors Members



Samar Sawalhi Nakhleh
Member of the Board of Directors
A representative of Minority Shareholders

Educational Qualification
MBA, Birzeit University, Palestine, 2007
BA in Accounting, Birzeit University, Palestine 2001
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
Lecture 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 Samour
Member of the Board of Directors
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



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 honors, 1994

Date of Birth: 05/05/1969
Membership date: 2019

Experiences
Head of the Computer Engineering Department, Najjad Zeenni Faculty of Engineering, Al-Quds University, 2024 – Present.
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 to 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 – 2022
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

Executive Management



Mr. Hani Salah Nasser
General Manager

- MA and BA in Public Administration and Law
- Marie Curie University, Poland 1993
- Date of Birth:12/2/1967
- Date of appointment:16/1/2018



Dr. Muawiah Fahed Al-Qawasmi
Chief Corporate Investment Banking Officer

- Ph.D. in Digital Transformation in Islamic Banks, Istanbul Sabahattin Zaim University – Turkey, 2024
- Master of Business Administration (MBA), Birzeit University, 2005
- Date of Birth:16/10/1971
- Date of appointment:1/2/2023



Mr. Maysara Hatem Salameh
Chief Financial Officer

- MBA , BA in Accounting and Finance Birzeit University 2005
- CPA, CMA, ACPA, PCPA, CBCA, MBA
- Date of Birth:15/1/1981
- Date of appointment : 10/3/2013



Mr. Amjad Ghazi Al-Jabari
Chief Operations Officer

- MA International Management, University of Glasgow, Scotland / UK 1995
- BA of Business Administration, Abbas Farhat University, Algeria
- Date of Birht:18/8/1967
- Date of Appointment :11/10/1997



Mr. Ibrahim Ismail Abu Abdo
Chief of Internal Audit Officer

- MA of Business Administration, Udaipur University India 1993
- BA in Accounting Lucknow University India
- Date of Birht:1/5/1968
- Date of Appointment :22/7/2009



Mr. Hassan Essam Sabry
Chief Credit Officer

- MA of Management and Accounting Sciences, An-Najah National University 1999
- BA of Finance and Banking Sciences, Yarmouk University
- Date of Birth:17/10/1966
- Date of appointment:11/10/2009



Mr. Hatem Fawzy Sobh
Chief of Financing Control Officer

- MA in Management and Marketing, University of Jordan 1995
- BA in Finance and Banking, Yarmouk University 1993
- Date of Birth:28/12/1970
- Date of appointment:20/12/2009



Mr. Rateb Abdallah Atyani
Chief Human Resources and Training Officer

- MBA Birzeit University 2005
- BA in Computer Science - An-Najah National University 1996
- Date of Birth:15/11/1969
- Date of appointment:12/5/2010



Mr. Saed Miqdad Miqdadi
Chief Risk Officer

- BA in Business Administration
- Eastern Mediterranean University, Cyprus 1996
- Date of Birth:29/4/1973
- Date of appointment:22/5/2010



Mrs. Fayrouz Fathi Thabaleh
Chief Compliance Officer

- BA of Law
- Al-Ahliyya Amman University, Jordan 1996
- Date of Birth:24/9/1974
- Date of appointment:18/8/2010



Mr. Nitham Ali Alzamel
Chief Retail Banking Officer

- BA in Business Administration
- An-Najah National University
- Date of Birth:20/8/1967
- Date of appointment:19/7/2011

Growth



Islamic Banks

Definition:

Islamic banks are financial institutions that offer banking services in accordance with the principles of Islamic Sharia, avoiding interest (riba) both in giving and receiving, as well as steering clear of transactions involving excessive uncertainty (gharar) or prohibited activities. These banks rely on various financing methods such as Murabaha (cost-plus financing), Musharakah (partnership), Mudarabah (profit-sharing), and Ijarah (leasing), with the aim of ensuring fairness in transactions and preventing the exploitation of individuals or institutions. Islamic banks are based on the principle of sharing risks and returns, with a strong commitment to transparency and the protection of customer rights. They also aim to promote economic and social justice and support sustainable development by financing projects that align with Islamic ethical values.

Islamic banks strive to offer financial solutions that meet the needs of individuals and businesses while adhering to moral and Sharia principles. They also provide many of the conventional banking services offered by commercial banks, such as letters of credit and guarantees, but these services are carried out in accordance with Islamic law.

It is worth noting that Islamic banking has introduced new mechanisms to the market that differ significantly from conventional banking, especially in terms of mobilizing savings and attracting investments.

Origins:

The Islamic banking industry began nearly six decades ago, with the first attempts to offer banking services that aligned with Islamic Sharia principles, which prohibit interest (riba) and non-transparent transactions. Initially, the industry adopted financing models based on profit and loss sharing as an alternative to the conventional interest-based system, and it quickly evolved into a comprehensive financial system.

Islamic banking witnessed significant development in the following decades, offering innovative financial solutions based on Sharia-compliant contracts. As demand for these services increased, Islamic banking transitioned from an experimental concept to a global phenomenon, supported by growing awareness among customers and investors of its importance as part of the banking system. Over the years, regulatory and legislative bodies played a key role in unifying Sharia standards and developing oversight tools to ensure compliance with Islamic principles—such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), established in 1991. These efforts strengthened investor and customer confidence in the sector's ability to deliver efficient financial services in line with Sharia.

The total assets of the Islamic financial industry reached approximately USD 3.9 trillion by the end of 2024, with Islamic banks accounting for nearly 72% of the industry's total assets, according to the Islamic Financial Services Board (IFSB) report. The industry is expected to grow to USD 5.2 trillion by 2028, driven by increasing demand for Islamic banking services in both emerging and developed markets. Today, Islamic banking has become an integral part of the global financial system, providing Sharia-compliant financial solutions for individuals and institutions, and playing an important role in achieving sustainable development.



The Emergence of Islamic Banking in Palestine:

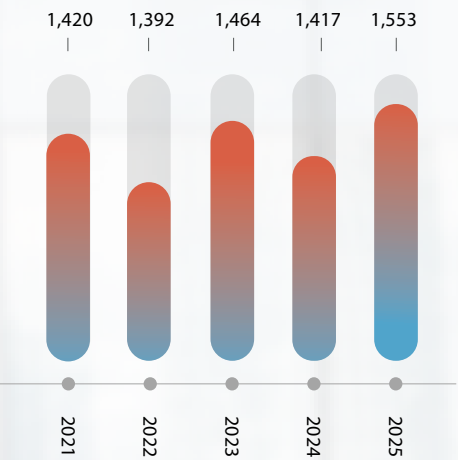
Islamic banking in Palestine began with the establishment of the Arab Islamic Bank in 1995. Since then, it has become an important component of the local banking sector. Currently, three Islamic banks operate out of the thirteen banks in Palestine, and they have succeeded in establishing their presence within the banking system and increasing their market share.

Over the years, Islamic banks have continued to grow, with their share reaching approximately 17% of the total assets of the Palestinian banking sector by the end of 2025. Studies suggest this share could rise to 25% in the future, reflecting promising opportunities for Islamic banking in Palestine to expand its presence and impact in the market.

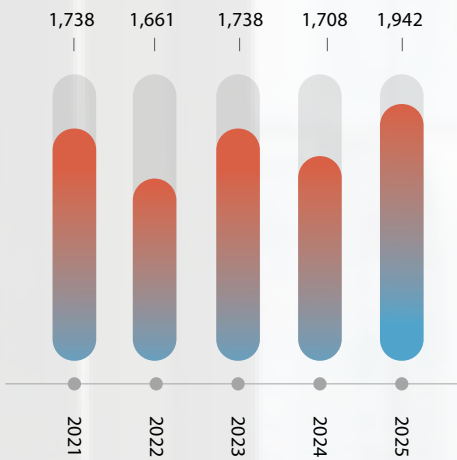
Performance Indicators

Compared to the previous year, the Bank's total assets increased by approximately USD 234 million, representing a growth rate of 13.70%. Direct financing also increased by approximately USD 15 million, or 1.36%, while customer deposits rose by approximately USD 136 million, or 9.60%. The Bank also achieved a net profit of USD 5.38 million in 2025, compared to USD 1.12 million in 2024.

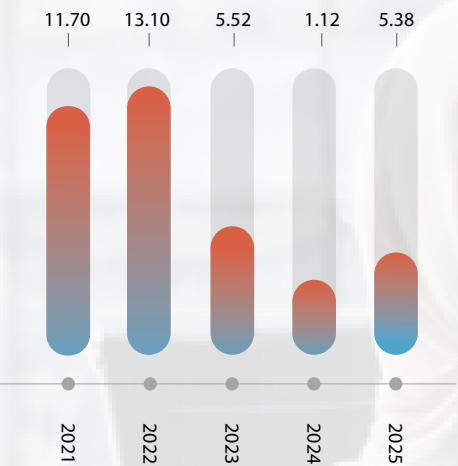
Client deposits



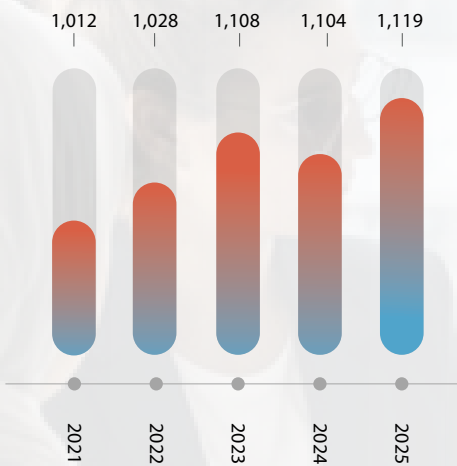
Assets



Net profits



Net Direct Financing



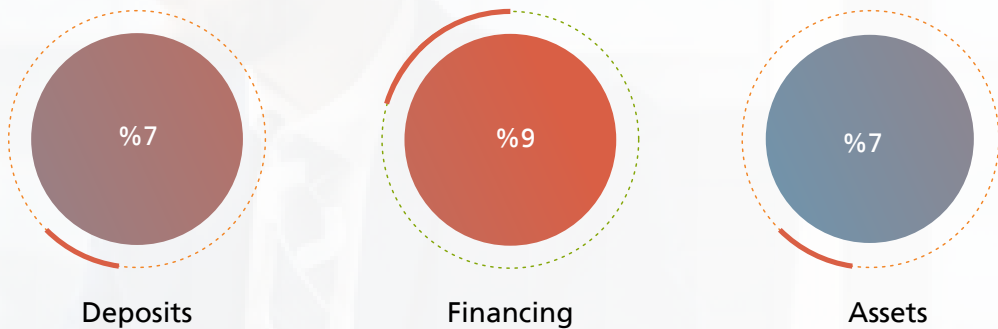
Amounts in millions of US dollars

Performance indicators for the Arab Islamic Bank:

	2025	2024
Capital Structure Indicators		
The Liabilities and rights of owners of absolute investment accounts / Assets	%92.28	%91.64
Direct Financing/Equity	%746.45	%772.46
Retained Earnings/Equity	%10.55	%7.67
Liquidity Indicators		
Customer Deposits/Assets	%79.98	%82.97
Direct Financing / Assets	%57.60	%64.61
Direct Financing / Customer Deposits	%72.02	%77.87
Profitability Indicators		
Finance And Investment Revenue/Total Revenue	%81.99	%83.93
Return on Assets	%0.29	%0.07
Return on Equity	%3.68	%0.79
Volume Indicators		
Assets per branch	88,270,905	77,654,676
Customer deposit rate for each branch	70,601,807	64,431,282
Direct financing rate for each branch	50,848,348	50,172,857

AIB Market Share

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 7%, while its market share in direct financing reached about 9 %. As for customer deposits, the bank's market share reached around 7 %.



Expansion

Branches and ATMs Network

The bank worked on expanding its network of branches and ATMs during 2025. As a result, the Arab Islamic Bank's branches and offices, including a representative office in the United Arab Emirates (Emirate of Dubai) and the mobile branch "Mobi Bank," reached a total of 30 branches and offices. Additionally, there are 62 ATMs spread across all gov-ernorates of the country



Hebron

- Hebron branch
- Alharas branch
- Dora Branch
- Yatta Branch
- Wadi El Haria office

Gaza Strip

- Gaza branch
- Khan Yunis Branch
- Nuseirat branch
- Alrimal branch

UAE

- Representative office – Dubai

Mobile Branch

- Mobile Bank

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

Jenin

- Jenin Branch
- Arab American University office
- Jenin office

Tulkarm

- Tulkarm Branch
- Attil Branch

Qalqilya

- Qalqilya branch

Nablus

- Sufyan Street Branch
- Faisal Street Branch



62



30

Digitalization



Achievements and Activities

Summary of Key Achievements and Activities Undertaken by the Bank During 2025

First: Projects and Products

As part of the Bank's commitment to enhancing digital transformation, improving operational efficiency, strengthening information security, and ensuring compliance, the Bank completed a number of key initiatives during 2025.

Information Security and Compliance

- Implementation of the SWIFT Digital Hub system, making the Bank the first bank in Palestine to comply with the global ISO 20022 standard.
- Deployment of an advanced Endpoint Detection and Response (EDR) cybersecurity solution using "SentinelOne".
- Upgrade of the SafeWatch V5 security monitoring system.
- Implementation of a Data Classification System.
- Deployment of a Data Loss Prevention (DLP) system.
- Implementation of digital Brand Protection solutions.
- Enhancement of the Authorization, Authentication, and Accounting (AAA) access control and permissions management system.
- Development of security controls for Cloud Service Providers (CSP Security).

Banking Channels and Services

- Launch of the Cardless ATM Withdrawal Service.
- Development of an ATM Technical Support System.
- Implementation of an ATM Monitoring System.

Internal Operational and Administrative Systems / Internal Digital Transformation

- Launch and development of the Customer Certificates and Branch Requests System.
- Implementation of the Technical Support System.
- Launch of the Complaints Management System.
- Implementation of the Provisions Management System.
- Implementation of the Outgoing Transfers Management System.
- Deployment of the Electronic Archiving System.
- Launch of the Courts and Judicial Seizures Management System.

Governance and Committees

- Implementation of the Electronic Committees and Meetings Minutes System, along with the Task Management System.

Banking Systems

- Execution of the Customer Segmentation Reclassification project within the Bank's R14 Core Banking System.

Second: Sponsorships

- Sponsorship of the "Artificial Intelligence Horizons" Conference, in support of digital transformation in education and the labor market.
- Sponsorship of the Second Green Buildings Conference under the slogan "Resilience and Strength".
- Sponsorship of the International Smart Education Conference 2025.
- Sponsorship of the Jerusalem Digital Forum in the city of Jerusalem.
- Sponsorship of the International Day of Persons with Disabilities event at Palestine Ahliya University.
- Sponsorship of Souq Ebal National Market in Nablus, in support of entrepreneurs and startups in Palestine

Third: Events and Activities

- The Bank participated in the activities of the 2025 Sibos Conference, one of the world's leading conferences in the banking and financial services sector, which was held in Frankfurt, Germany.
- Signing of a Memorandum of Understanding with the Ministry of Education to strengthen cooperation in the fields of education and sustainable development.
- Signing of an agreement with Kadoorie University to finance education.
- Signing of a Memorandum of Understanding with the General Union of Persons with Disabilities to enhance their economic and social empowerment.
- Signing of an agreement with Ammar Al-Ard Foundation to join the "My Bank is Environmentally Friendly" program, making the Bank the first Palestinian bank to adopt this initiative.
- The Bank participated in the European Union-Palestine Investment Platform events held in Jericho and Bethlehem.
- The Bank concluded a specialized training program titled "Pioneers in Islamic Banking" for a group of students from the Faculty of Business and Communication at An-Najah National University.
- Honoring a group of distinguished teachers in cooperation with the Palestinian Ministry of Education and the Teachers' Union.
- The Bank participated in 15 banking-related events for university students at An-Najah National University, Birzeit University, the Arab American University, Al-Quds University – Abu Dis, Al-Quds Open University, Palestine Ahliya University, Palestine Polytechnic University, Hisham Hijjawi College, and Palestine Technical University – Kadoorie.
- In cooperation with the Ministry of Education, the Bank organized activities for children at Badia Al-Quds School on the occasion of Universal Children's Day.
- The Bank organized breast cancer awareness activities during Breast Cancer Awareness Month, including internal awareness workshops for female employees, an event at the Cancer Advisory Center, and an event at Ramallah Hospital.
- The Bank organized diabetes awareness activities on the occasion of World Diabetes Day, including internal employee activities, a special event for Birzeit University students, and an event for the Bank's customers.
- Distribution of food parcels to needy families in the governorates of Tulkarm and Jenin.
- Distribution of school bags to a number of students in schools across Hebron Governorate.

Fourth: Awards and Certifications

- The Bank was awarded the title of "Best Islamic Bank in Palestine" by EMEA Finance Magazine.
- The Bank received the "Best Islamic Corporate Bank in Palestine" award from Islamic Finance News (IFN).
- The Bank also received the "Best Islamic Bank for Digital Services in Palestine" award from Islamic Finance News (IFN).
- The Bank obtained the Payment Card Industry Data Security Standard (PCI-DSS) certification for the second consecutive year, which is considered one of the most important global certifications in the field of banking card data protection and enhancing the security of electronic financial transactions.
- The Bank obtained the international ISO 27001 certification for the Information Security Management System.

Fifth: Campaigns

- "Cash Back" Campaign: "Make Your Payments Electronic and Win 100% Cashback," aimed at encouraging the use of electronic payment methods.
- Launch of several customer awareness campaigns regarding data protection and fraud prevention, in addition to campaigns promoting digital transformation and the use of electronic services.



**Make your
Payments
Electronic**

Bank Memberships

The Bank is committed to strengthening its leading role in the banking sector through membership in a number of relevant institutions and organizations that reinforce its commitment to Islamic Sharia principles and contribute to achieving sustainable development goals. Some of the Bank's prominent memberships include:

Union of Arab Banks (UAB)

A regional organization that aims to develop the Arab banking sector and strengthen cooperation among banks.

Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)

An institution that aims to establish standards and guidelines for Islamic financial institutions to ensure that financial reporting complies with the principles and provisions of Islamic Sharia.

General Council for Islamic Banks and Financial Institutions (CIBAFI)

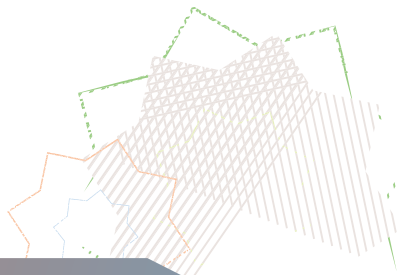
The Council serves as a global umbrella for the Islamic financial industry and aims to support, develop, and protect the Islamic financial services industry, while enhancing cooperation among members and related institutions.

Palestine Deposit Insurance Corporation (PDIC)

An institution that aims to protect customer deposits and promote financial stability in Palestine.

United Nations Women's Empowerment Principles (UN Women Empowerment Principles)

A set of principles that provide guidance on promoting the role of women and empowering them economically.



Banking Services and Products

Arab Islamic Bank is committed to meeting the needs of its clients by providing distinguished and diverse services that align with their aspirations and daily requirements. These services are offered in compliance with the principles of Islamic Sharia and adhere to the highest standards of integrity and transparency. The bank leverages the latest digital solutions to enhance the customer experience and facilitate access to banking services, while also developing existing products and introducing new features. This contributes to increased customer satisfaction and loyalty, attracting new clients and promoting financial inclusion.

Through performance excellence and continuous development, the bank strives to build trust with its clients and establish itself as their preferred choice in the banking market. Additionally, the bank places sustainability at the forefront of its priorities, supporting community development and contributing to the strengthening of the national economy. Below are the main products and services the bank offers:

Digital Services

The bank has kept pace with the evolution of digital financial services, recognizing this area as a key part of its strategy to deliver an exceptional banking experience. Digital transformation is one of the bank's strategic goals, pursued through the use of modern technologies in this field. A wide range of new digital banking services have been launched, including:

Internet Banking and Mobile Banking

These services allow clients to access their banking services from anywhere, at any time, without the need to visit a branch. Through the bank's internet banking portal or mobile banking app, customers can manage their accounts and conduct a variety of transactions such as checking account and card balances, transferring funds between accounts, requesting to open a new account or apply for financing, receiving special exchange rates, paying bills, and accessing many other valuable services.



ATM Services

The bank provides modern ATM services through a wide network of machines located across various regions. These ATMs enable clients to withdraw cash, make instant deposits (cash and checks), check balances, obtain mini state-ments, and change their card PINs easily and securely—24/7.

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 the 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.



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.)



Soft POS Application

The Soft POS (Point of Sale) application is a digital point-of-sale solution that transforms a smartphone or tablet (running Android 11.0 or higher) into a fully functional POS system without the need for any additional hardware. This service is designed to meet the needs of small and medium-sized businesses, including shop owners, artisans, delivery companies, and transportation services, enabling them to accept payments easily and securely. Payments can be received through NFC (contactless) technology or QR code scanning, anytime and from anywhere, as long as an internet connection is available.



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.



E-Sadad Platform for Paying Bills, Fees, and Installments

E-Sadad is a comprehensive digital platform managed by the Palestine Monetary Authority. It allows customers to view and pay bills, fees, and installments for a wide range of services provided by private sector companies, government departments, local municipalities, and universities. Payments can be made easily through the mobile banking app and internet banking.



IBURAQ Electronic Payment System

IBURAQ is a centralized payment system supervised by the Palestine Monetary Authority. It enables customers to send and receive money transfers and payments instantly through the bank’s internet and mobile banking services. This system ensures an advanced and user-friendly digital experience, helping customers save time and effort.



Digital Services Center

The Digital Services Center provides comprehensive banking services dedicated to customer communication around the clock. It handles problem-solving, responding to inquiries, receiving complaints, and offering services at any time and from any location. Communication is made easy through the most popular social media platforms used by the public, such as WhatsApp and Messenger, in addition to traditional phone calls and email services.



Bank Cards:

The bank offers a variety of cards, including: Visa Debit Card, which allows cash withdrawals from millions of ATMs locally and globally, as well as purchases at local and international points of sale. Shopping Card, a prepaid card that enables purchases at points of sale and online shopping. Easy Life Installment Cards, which allow customers to install purchases at local points of sale for up to 36 months.



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. 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.



Bank Accounts

The bank offers a variety of bank accounts to meet the diverse needs of its customers, including:

Savings Accounts: Designed to help customers save and grow their money securely in accordance with Islamic Sharia principles. These accounts also offer many additional benefits, such as participation in savings account prize campaigns, account management via online banking and the mobile banking app, and more.

Current Accounts: A bank account tailored to meet customers' daily financial transaction needs. It allows for easy and flexible deposits and withdrawals, as well as check issuance and access to digital banking services for fast and secure transactions. This type of account is suitable for both individuals and businesses, providing a practical tool for managing funds.

Fixed Deposits: Banking accounts offered to customers who wish to invest their money for specific periods in exchange for attractive returns, based on the Mudarabah contract and in compliance with Islamic Sharia principles.

Financial Inclusion Accounts: Accounts aimed at providing basic banking services to underserved segments of the population, in line with Islamic Sharia principles. These accounts help promote financial and social inclusion and improve individuals' economic capabilities.



Personal Financing Programs

The Bank offers several 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.



• Gold-Guaranteed Loans:

The Arab Islamic Bank Gold-Guaranteed Loan program provides customers with Murabaha financing simply and easily, 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.



• Istisna'a Financing:

The Arab Islamic Bank finances the construction of houses or manufacturing of goods that customers choose according to their 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.



• Commodity Finance:

The commodity finance program offers a wide range of solutions to the bank's customers 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.



• Financing Program Utilities and Services:

Financing Program Utilities and Services: The bank is committed to providing innovative and advanced banking solutions that meet the needs of a wide segment of society in accordance with the provisions of Islamic law. To enable customers to meet their needs, the Arab Islamic Bank has launched a program for leasing services based on legitimate Islamic investment formulas to finance the services sector, such as education, health, and travel.

Education Services: The service can be utilized starting from the school education stage in private schools, through university studies, and up to postgraduate programs. Additionally, institutions and training institutes that provide trainees with qualifying and professional courses are included.

Health Services: The needs of some individuals who require financing for their medical treatment and healthcare are met through direct contracting with hospitals and healthcare centers that provide these services. The bank leases health services for a known amount to then subleases them to those in need.

Tourism Services and Flight Ticket Purchases: This service aims to alleviate the financial burden on the client by facilitating installment payments for travel costs over convenient periods. The Arab Islamic Bank directly contracts with tourism and travel companies for this purpose.



• Small and Medium Enterprise SMEs Financing:

The bank views the small and medium-sized enterprises (SMEs) sector as one of the most promising economic sectors in Palestine, with great potential and a significant ability to contribute to the overall development of the Palestinian economy by generating job opportunities and enhancing economic growth. Therefore, we have developed a wide range of diverse and comprehensive financing products and banking services to meet the needs of this sector and promote its development. We also have dedicated departments and divisions within the bank specialized in each sector, providing the necessary financing opportunities and appropriate consultations for this wide segment through offering banking and financing services that adhere to Islamic teachings and are characterized by the flexibility to serve various fields of operation for these projects.



• Energy Financing Program SunRef:

This program aims to finance and support environmentally friendly projects that enable individuals, project owners, and companies to obtain funding for energy conservation projects and renewable energy projects. This aligns with global trends in utilizing renewable energy to reduce the risks associated with fossil fuels on both humans and the environment, to reduce associated costs, and to promote sustainability goals and principles. This program is funded by the European Union for the Palestinian people through the French organization Barbarku Association.



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 strong returns by investing in the capital markets, which was reflected in the bank's performance in achieving excellent growth rates.

Digital Development and Transformation:

Digital transformation is currently leading the banking sector, as it provides a unique and exceptional experience for customers by leveraging modern technology to enhance operational processes, develop products and services, and achieve instant transaction completion. Customers can access banking services and products anytime, anywhere through various digital platforms. These platforms offer a diverse range of services, including account opening, loan application, ATM card issuance, payment and purchase transactions, bill payments, online money transfers via the Internet and mobile phones, among other banking services. Expectations are moving towards further integration in digital banking services to align with customer needs, add value to stakeholders, create more advanced and progressive business models and services, and achieve sustainability and prosperity for society.

In this context, the Arab Islamic Bank is at the forefront of banks that are keen on keeping up with technological and banking developments and enhancing digital transformation in its operations and services. Digital transformation is one of the most important objectives of the bank's strategic plan, aiming to develop its infrastructure by relying on banking solutions and systems that are in line with global standards and incorporate the latest technological tools to meet the changing and growing market requirements. This serves the bank in meeting the needs of its clients amidst the increasing trend towards smart banking services.

The Arab Islamic Bank currently offers various electronic banking services through several channels, aiming to enhance and expand them concurrently with enhancing its electronic service platform with higher levels of speed, efficiency, and security. Some of these channels include:



Banking services through social media channels and chatbot



Banking services through call centers



ATM banking services

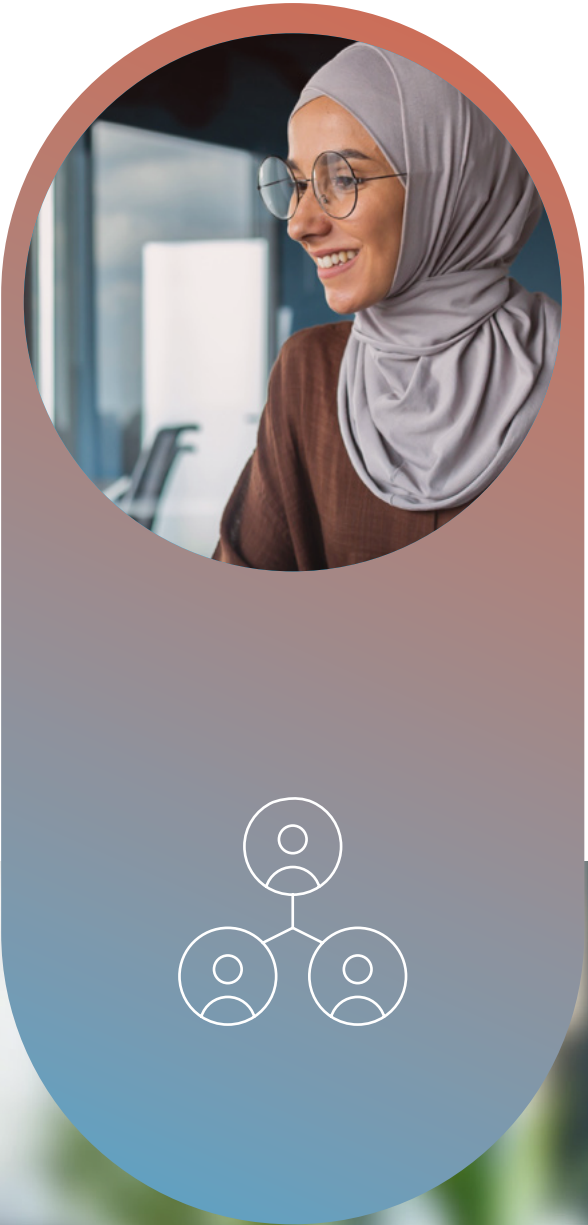


Banking services through smartphone applications



Online banking services

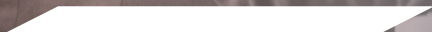
- Through its strategic plan and digital transformation program, the bank seeks to enhance and introduce many digital services that will enhance the banking customer experience at the bank. Some of these projects include:
- Utilizing artificial intelligence in various customer communication channels.
 - Developing internet banking services for companies and preparing a dedicated banking app for them, which will provide many electronic banking services without the need to visit bank branches.
 - Enhancing personal internet banking services by expanding the range of services offered.
 - Upgrading ATM services to include contactless withdrawals and cardless withdrawal options, along with many other features.
 - Enhancing the Digital Service Center by adding new services to make it a fully integrated digital branch.
 - Adding Apple Pay and Google Pay services.
 - Automating internal bank operations, which will increase efficiency and effectiveness while improving the quality of service provided to customers.



Global Awards



The bank has received numerous awards, granted based on its performance and excellence in providing Islamic banking services. The most notable of these awards include:



2025	Award for Best Islamic Bank in Palestine, EMEA FINANCE Magazine.
2024	Best Islamic Corporate Bank in Palestine – Islamic Finance News (IFN). Best Islamic Bank for Digital Services in Palestine – Islamic Finance News (IFN).
2023	Award for Best Islamic Bank in Palestine, EMEA FINANCE Magazine.
2022	Best Islamic Bank in Palestine awarded by Palestine Financial Technology Summit Conference
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

A photograph of two wind turbines on a mountain ridge. The turbine on the left is partially obscured by a large, semi-transparent red circle. The turbine on the right is fully visible. The background shows a vast landscape with rolling hills and a clear blue sky. The foreground is a rocky, forested slope.

Sustainability

Sustainability

Sustainability lies at the core of the Arab Islamic Bank’s strategic direction, reflecting a deeply rooted commitment to Islamic values and principles that emphasize justice, moderation, preservation of resources, and responsibility toward society and future generations. Sustainability represents a comprehensive framework that connects social responsibility, sound governance, environmental protection, and support for sustainable economic development, ensuring that present needs are met without compromising the ability of future generations to meet their own needs. It also reflects the Bank’s vision of serving society and enhancing well-being in accordance with firmly established ethical and professional principles.

The Bank is committed to integrating sustainability into all aspects of its operations through the adoption of responsible practices, efficient resource management, and the provision of sustainable financing for projects that create a tangible positive impact on society and the economy. These efforts also strengthen the ability of institutions and individuals to grow in a balanced and inclusive manner. In addition, the Bank seeks to promote a culture of sustainability internally among its employees and to encourage voluntary and community initiatives that reflect the Bank’s values and principles, thereby contributing to building a more aware and sustainable society.

At the institutional level, commitment to sustainability forms an integral part of the Bank’s long-term strategies and serves as a continuous driver for innovation in products and services, enhancement of institutional performance, and promotion of transparency and accountability. This strengthens trust between the Bank and its customers, partners, and the wider community, positioning the Bank as a leader among financial institutions in adopting best sustainable practices.

Our Strategy Toward Sustainability

At the Arab Islamic Bank, sustainability goes beyond being merely an objective; it has become an integrated framework that guides every decision and initiative. Recognizing the importance of balancing economic performance, social responsibility, and environmental preservation, sustainability has been embedded at the heart of the Bank’s overall strategic plan. This reflects the Bank’s ongoing commitment to environmental, social, and governance (ESG) values and standards, in alignment with the principles of Islamic Sharia and the Sustainable Development Goals (SDGs). It further reinforces the Bank’s position as a responsible institution that adopts sustainability as a practical standard governing all of its steps and decisions.

Our Strategy Toward Sustainability:



Formation of a Sustainability Committee



Adoption of a Sustainability Charter



Developing a Sustainability Policy



Establishment of a Sustainability Unit



Conducting specialized training programs for various Bank departments to strengthen the integration of sustainability into operational activities.



Launching the Bank employees' corporate volunteering program, "Together Through Goodness We Grow."



Launching a special program to support the education sector, "Learn... So We May Rise."



Continuing to support various segments of society, with the Bank's community contributions reaching USD 419,159 during 2025.



Launch of a Sustainability Ambassadors Program



Signing of the UN Principles for Responsible Banking



Signing an agreement for the "Noor Orphans Program" to sponsor Gaza orphans in partnership with .Taawon Foundation



Achievements and Initiatives

Building on the strategic pillars adopted by the Bank to promote sustainable development, and as part of our continued efforts to align financial performance with social and environmental responsibility, the Bank succeeded in achieving tangible progress in implementing its sustainability objectives during 2025. The Bank effectively integrated social and environmental responsibility into its decisions and daily operations. This approach was reflected in positive outcomes that contributed to supporting society and protecting the environment while maintaining balanced financial growth, reaffirming the Bank's commitment to its role as a key partner in building a sustainable and stable future for all. Below is an overview of the most significant achievements and initiatives accomplished during the year:

Environmental Pillar: Resource Efficiency and Climate Action

- Recycling 255 kilograms of paper as a first phase under the “My Bank is Environmentally Friendly” program, through signing an agreement with Ammar Al-Ard Recycling and Environmental Services Company, making the Bank the first bank in Palestine to join this initiative.
- Reducing paper consumption by 19.5% through the implementation of rationalization and consumption reduction policies, contributing to a 33.6% reduction in paper-related costs over the past two years.
- Adopting initial steps toward establishing an internal system to measure the environmental and social impact of facilities and financing, with recommendations submitted to senior management to commence implementation.
- Sponsoring the Second Green Buildings Conference in support of sustainable reconstruction efforts in Gaza and to build partnerships in the field of green banking solutions.
- Participating in the 2025 Local Conference of Youth (LCOY) and highlighting the role of the banking sector in supporting climate action as part of preparations for the United Nations Climate Change Conference (COP).
- Representing the Bank in drafting the National Energy Efficiency Plan (2025–2030) in cooperation with the Energy Authority and the Belgian Agency for Development Cooperation, with the aim of strengthening green practices.
- Participating in international workshops with the IFC and EBRD to deepen understanding of climate risks and integrate Environmental, Social, and Governance (ESG) standards into institutional strategies.
- Participating in the “Green Forward” Conference to exchange expertise on the circular economy and sustainable solutions that promote responsible growth.

Social Pillar: Investing in People and Community Development

First: Financial Inclusion and Youth Awareness

- Raising awareness among 2,090 eighth-grade students across 26 schools regarding the principles of Islamic banking and financial literacy, in cooperation with the Palestine Monetary Authority during Banking Week.
- Training 63 students from the business faculties of An-Najah National University and Birzeit University through the “Pioneers in Islamic Banking” program, consisting of 36 training hours.
- Enhancing financial awareness among university students in six governorates through participation in banking awareness days organized by the Palestine Monetary Authority in Jenin, Nablus, Jericho, Hebron, Tulkarm, and Ramallah.
- Bridging academic learning with practical application for Birzeit University students by delivering specialized lectures in the Islamic Finance course by members of the Bank's staff.
- Promoting the economic and social inclusion of persons with disabilities through signing a strategic Memorandum of Understanding with the Palestinian General Union of Persons with Disabilities, aimed at providing a suitable work environment and equal opportunities aligned with their qualifications and the needs of the Bank's branches.
- Providing psychological support to approximately 40 persons with disabilities through sponsoring the International Day of Persons with Disabilities event at Palestine Ahliya University in Bethlehem Governorate, in support of their integration into university life and society.
- Enhancing banking awareness among youth over a three-day period through active participation in guidance and awareness days held at the Arab American University.
- Supporting athletic talent and strengthening the institutional identity of Tulkarm Club by providing the necessary support to the club's teams, thereby promoting team spirit and sports affiliation among young people.
- Sponsoring the first Private Schools League, which brought together 12 schools from Ramallah and Al-Bireh Governorate, contributing to the creation of an interactive environment aimed at promoting physical activity and teamwork among hundreds of participating students.

Second: Supporting the Education Sector and the Academic Journey

- Launching the “Learn... So We May Rise” program in cooperation with the Palestinian Ministry of Education to provide modern educational equipment, support extracurricular activities, and enhance financial awareness and volunteerism within schools.
- Motivating and honoring a number of distinguished teachers across various governorates in recognition of their efforts in building future generations and promoting a spirit of giving within the education sector.
- Distributing approximately 300 school bags to students in seven “Schools of Challenge” in Hebron Governorate in support of them at the beginning of the academic year.

- Providing four schools in different governorates with electronic devices, display screens, and computers to enhance teaching methods and encourage interactive learning.
- Supporting the participation of 13 male and female students in the “Arab Reading Challenge” competition in the United Arab Emirates to represent Palestine at the Arab world level.
- Enabling a number of university students to continue their academic journey through covering their outstanding university tuition fees.
- Supporting 70 students at Badia Al-Quds School (Jaba'), one of the “Schools of Challenge,” as part of Universal Children's Day activities.
- Training 18 male and female teachers from 12 non-governmental schools on STEAM-based education methodologies, and guiding graduation projects to connect educational concepts with sustainability and climate change issues.
- Ensuring a sustainable educational impact for future generations.
- Enhancing the educational environment by equipping two classrooms in two public schools with technological tools and modern laboratories, benefiting 60 students and supporting a more advanced educational experience.
- Supporting a digital and innovative educational future in Palestine, and in support of the academic leadership led by the University Smart College, the Bank sponsored the International Conference on Smart Education 2025 (IEEE SCME) in the city of Hebron.
- Supporting the sustainability of the educational journey at Al-Istiqlal University by providing the necessary resources to strengthen the academic and training environment.
- Sponsoring the “Artificial Intelligence Horizons Forum,” which brought together more than 450 participants to shape the future of digital transformation and strengthen the presence of smart solutions in the banking and community sectors.

Third: Healthcare Sector and Medical Awareness

- Conducting medical examinations and consultations for approximately 1,200 individuals for diabetes screening in cooperation with the mobile clinic of Agusta Victoria Hospital at Birzeit University, Qalqilya Branch, and Bethlehem Branch.
- Raising awareness among approximately 500 individuals at the Ramallah Medical Complex regarding the importance of early cancer detection through educational and entertainment activities organized in cooperation with Mariam Foundation and the Palestinian Ministry of Health.
- Collecting approximately 50 blood units to support the Central Blood Bank through a blood donation campaign involving 84 employees from the General Administration and Ramallah area branches, coinciding with World Blood Donor Day. Targeting 70 female employees through breast cancer awareness workshops and providing them with free medical screenings in cooperation with the Cancer Advisory Center during Pink October.
- Providing medical and psychological support to 40 elderly individuals in Jalazone Camp in cooperation with the Friends of the Elderly Society and the Cancer Advisory Center on the occasion of the International Day of Older Persons.
- Organizing interactive and recreational workshops for approximately 20 patients and members of the medical staff at the Cancer Advisory Center to provide psychological support throughout the treatment journey.
- Raising health awareness among 200 male and female employees through early diabetes screening examinations at the General Administration, central region branches, and the Qalqilya and Bethlehem branches, in cooperation with Agusta Victoria Hospital.

Fourth: Relief, Social Integration, and Orphan Sponsorship

- Distribution of 550 relief parcels to affected families in the governorates of Jenin and Tulkarm, in cooperation with the Ministry of Social Development, to help ease living burdens.
- Provision of 1,400 iftar meals for needy families during the Holy Month of Ramadan as part of the Bank's contribution to the “Break Your Fast with Your Neighbor” campaign.
- Provision of a number of food parcels for orphans and underprivileged families in Nablus Governorate.
- Sponsorship and support of the “Noor Orphans” program and participation in national fundraising efforts, alongside establishing a comprehensive orphan care system in cooperation with Taawon Foundation.
- Sponsorship of a Ramadan iftar banquet for employees of the Hebron Municipality in appreciation of their efforts in serving the city.
- Contribution to the construction of the new headquarters of the Military Retirees Association in Jericho Governorate, which has become a platform for communication among hundreds of retirees.

Fifth: Women's Empowerment and Entrepreneurial Projects

- Participation in specialized workshops aimed at reducing the gender gap in the financial sector.
- Strengthening women's leadership within the Bank through the participation of female staff in specialized training programs on institutional diversity, in cooperation with the Palestine Monetary Authority.
- Sponsorship of Souq Eibal as an economic platform to empower women-owned small and micro enterprises across various governorates.

Sixth: Volunteering

- Launching the corporate volunteering program “Through Goodness We Grow,” aimed at strengthening values of solidarity and community cooperation, and reinforcing the Bank's role in supporting sustainable development and social responsibility.
- Benefiting more than 1,000 individuals from the “Through Goodness We Grow” volunteering program, implemented by approximately 25 employee volunteers through five diverse field activities.

Governance and Institutional Sustainability

The first bank in Palestine to comply with the globally adopted Native ISO 20022 standard, following the successful deployment and operation of the SWIFT Digital Hub system in the live environment, which enhanced data accuracy and improved the efficiency of processing cross-border transfers.

The Bank obtained the ISO 27001 certification for its Information Security Management System, ensuring the implementation of the highest standards of cybersecurity and business continuity in accordance with the requirements of both international and Palestinian monetary authorities.

Strengthening the technological protection framework through the PCI DSS certification for payment card data security, ensuring the readiness of the technological infrastructure and the protection of customer data within digital transformation processes.

A total of 51 employees completed specialized training programs aimed at strengthening the role of sustainability ambassadors. The training covered responsible banking practices and the impacts of climate change on the Palestinian context, culminating in recommendations to activate their role in the field.

Issuance and publication of the 2024 Annual Sustainability Report, enabling stakeholders to review the Bank’s performance and achievements in the field of sustainability, while enhancing institutional disclosure and transparency.

The Arab Islamic Bank provides various donations and contributions that are divided into two main categories:

1. Sustainability and Social Responsibility

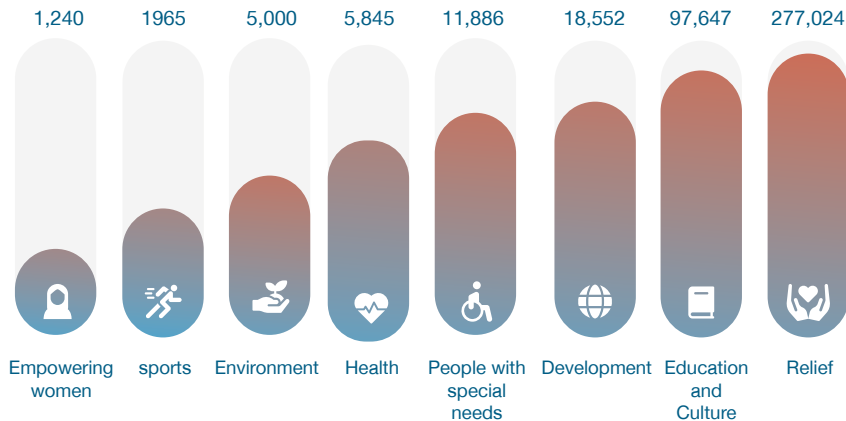
In 2025, community contributions directed toward supporting relief efforts, education, and assisting persons with disabilities accounted for the largest share of the Bank’s total contributions, reflecting its firm commitment to supporting the local community, promoting the concepts of social responsibility and sustainability, and addressing the needs of the sectors and groups most in need of support and assistance.

The Bank’s total contributions in the areas of sustainability and social responsibility amounted to approximately USD 419,159.

The table below outlines the details of the Arab Islamic Bank’s contributions in the field of sustainability and social responsibility for the year 2025.

Sector	Amount
Relief	277,024
Education	97,647
Development	18,552
People with special needs	11,886
Health	5,845
Environment	5,000
Sports	1965
Woman empowerment	1240
Total	419,159

► The above amounts include financial contributions in the West Bank and the Gaza Strip.



The bank follows an approved policy for managing sustainability and social responsibility requests, starting from the recipient of the request to the final approval by senior management. This is to ensure the highest standards of transparency and to cover as many assistance requests as possible. The management mechanism for sustainability and social responsibility requests operates as follows:

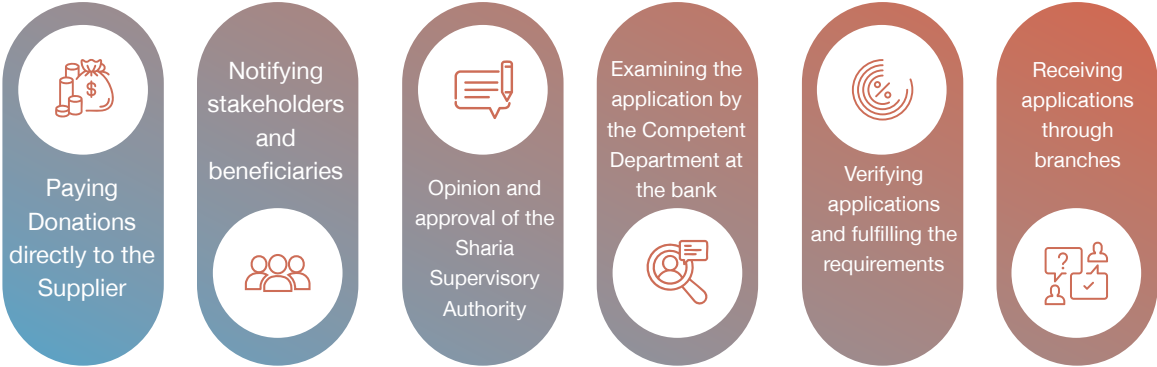
- Receiving applications through branches, the main administration, or by proactively searching for sustainability requests or activities to support.
- Review of the application by the Sustainability Unit.
- Submission to the Administrative Committee for a full review, starting with verifying the fulfillment of conditions and alignment with the bank’s sustainability policy. The committee will then make a recommendation to approve or reject the request based on majority voting and decide on disbursement from the sustainability budget.
- The Sustainability Unit notifies the concerned parties and beneficiaries of either approval or rejection.
- Payment of the contribution or support for approved requests is made after the project is implemented and upon submission of a financial claim and fulfillment of all requirements by the applicant organization or entity.

Illicit Gains:

These are all gains obtained from sources or methods prohibited by the provisions and principles of Islamic Sharia, or those resulting from certain errors in implementation as determined by the Sharia Supervisory Board of the bank. The specialized committee studies each request and makes appropriate recommendations and decisions to present to the General Manager, and then to the Sharia Supervisory Board, for disbursement to those in need through payments to suppliers.

Item	Amount	Number of partnerships
Education	60,662	34
Poverty mitigation	12,650	8
Health	7245	6
Relief	7203	3
Sports	285	1
Total	88,045	52

The bank follows an approved policy for managing social responsibility to ensure the highest standards of transparency and to cover as many assistance requests as possible. The mechanism for managing the disbursement of illicit gains involves several steps, which are:



► For more information, you can view the separate Sustainability Report through the bank’s official website: www.aib.ps

The Arab Islamic Bank activities



Obtaining the PCI Certification



Signing an agreement with the Ministry of Education in the field of education



Sponsorship of the World Day for Persons with Disabilities



Sponsorship of the International Smart Education Conference



Signing an agreement with the General Union of Persons with Disabilities



Participation in the Sibos Conference / Berlin



Jerusalem Desert School event on Universal Children's Day



World Day for Persons with Disabilities event



Sponsorship of the Artificial Intelligence Conference



Signing an agreement for the "Ammar Al-Ard" environmentally friendly package



Diabetes Day event at Birzeit University



Honoring a group of distinguished teachers

The Arab Islamic Bank activities



Banking activities with Palestinian universities



Distribution of food parcels in Tulkarm and Jenin



Breast cancer awareness event for the Bank's female employees



Sponsorship of the Green Buildings Conference



Breast cancer awareness event at Al-Istishari Hospital



International Day of Older Persons event



Sponsorship of the Horizons of Intelligence Conference



Pioneers in Islamic Banking



Sponsorship of the Eibal National Market



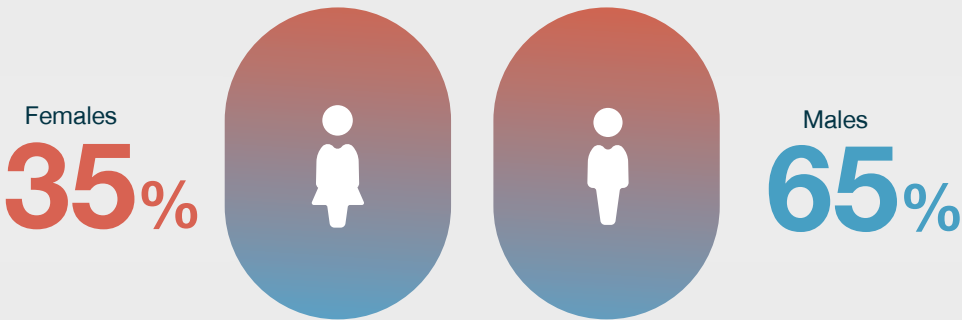
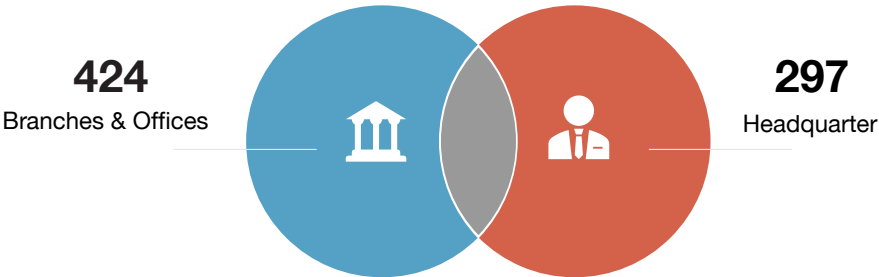
Sponsorship of the 2025 Private Schools League

Human Resources & Training:

The Arab Islamic Bank places great importance on its human capital, considering it one of the Bank’s most valuable as-sets and a key pillar in achieving its objectives. The Bank is distinguished by its highly qualified and competent banking professionals, who are carefully recruited and selected through effective planning, recruitment, training, motivation, eval-uation, and the provision of a suitable work environment.

During 2025, the Bank continued its approach of attracting highly qualified talents with specialized expertise and skills, contributing to strengthening various work teams with the human resources needed to support the achievement of the Bank’s strategic objectives. A total of 36 new male and female employees joined different teams across branches and departments. The Bank takes pride in its efficiency in attracting suitable candidates with the required qualifications and competencies for vacant positions. The retention rate of new hires, employees who remained with the Bank for more than one year, reached 92% of total appointments in 2025, while the average retention rate over the past five years stood at 80%.

The Arab Islamic Bank also enjoys distinguished procedures and a strong reputation in recruitment and attracting top talents, whether among university graduates or experienced professionals. The following table shows that the number of employees holding academic qualifications (Bachelor’s degree and above) reached 629 employees by the end of 2025, compared to 628 employees at the end of 2024, indicating stability in the level of employee competencies during 2025.



The table below illustrates a comparison of employee distribution between the General Administration and branches for the years 2024 and 2025. The number of employees reached 722 by the end of 2024, compared to 721 employees by the end of 2025. These figures are relatively close, with only slight differences reflecting overall stability in indicators during the two periods. The Bank’s efforts continue to focus on maintaining employee growth rates in line with its strategic ob-jectives.

In addition, the Bank is genuinely committed to promoting women’s empowerment across various job levels and provid-ing equal opportunities for all employees. It is also worth noting that the Bank provides equal employment opportunities for persons with disabilities in various positions, reflecting its belief in the importance of integrating this group into socie-ty and recognizing their developmental and productive role in the labor market. This positively contributes to enhancing the work environment and strengthening the institution’s position as a leading employer in the Palestinian banking sector. During 2025, 13 female employees were appointed out of a total of 39 appointments, representing 37%, which is consist-ent with the overall proportion of female employees (35%) within the Bank’s workforce — excluding the non-classified employee category, which consists of 69 employees. The Bank’s employees are distributed between the General Admin-istration and branches as follows:

Table No. (1): Distribution of Employees between the General Administration and Branches

	Number of Employees In 2024	Number of Employees In 2025
Headquarter	290	297
Branches & Offices	432	424
Grand Total	722	721

Table No. (2): Distribution of Employees According to Academic Qualifications:

Educational Qualification	Number of Employees 2024	Number of Employees 2025
Postgraduate	50	57
BA	578	572
Diploma	25	24
High School or less	69	68
Total Employees	722	721



Arab Islamic Bank takes pride in its workforce, characterized by its youthfulness, with the age groups of employees concentrated in the young stages (20-40 years) making up approximately 81% of the total number of employees, according to the following distribution:

Table (3): Distribution of employees by age groups:

Age Group	Number of Employees 2024	Number of Employees 2025
years old 20-30	333	302
years old 31-40	265	285
years old 41-50	86	95
years old 51-60	38	39
Total Employees	722	721

The distribution by job category within the Bank reflects balanced representation across all administrative levels, in line with the nature of the Bank as a financially regulated institution with hierarchical supervisory levels designed to ensure the smooth and secure flow of operations and tasks, supported by oversight departments while maintaining the Bank’s sustainability.

Table (4): Distribution of Employees by Job Category:

Job Category	Executive Management	Heads of Branches and Departments	Supervisors in Branches, Departments, and Units	Employees
Number of Employees	11	41	157	512

Career Development Opportunities

Based on our belief in the competence of our human resources and our commitment to empowering employees through promising and motivating career paths within career development and succession planning programs, we continued throughout 2025 to enhance progress in career advancement paths. During the year, 14 supervisory employees were promoted and placed in higher leadership and supervisory positions, representing 2% of the total workforce. Moreover, the total number of promotions to leadership and supervisory positions over the past five years reached 160 employees, with an annual promotion rate ranging between 2% and 3%. The highest promotion rates were recorded in 2023, coinciding with the development of the Bank’s overall organizational structure and the update of the job grading scale, reflecting our commitment to sustainable institutional development and strengthening leadership readiness.

Strengthening Cooperation with Universities to Attract Top Graduate Talent

Based on the Bank management’s belief that cooperation with Palestinian universities contributes to attracting distinguished young talents qualified in line with the Bank’s needs, the Bank actively participated in most activities and career fairs organized by Palestinian universities to engage with students and academics. This cooperation contributes to the sustainability of human capital by providing the Bank with highly qualified graduate candidates, enhancing alignment between educational outcomes and labor market requirements, and supporting workforce stability and the achievement of the Bank’s strategic objectives. During these events, interviews were conducted with students to get to know them and introduce them to the Arab Islamic Bank, the Bank’s social environment, and the available and future employment opportunities.



The Social Climate within the Bank

The social climate within the Bank is characterized by a spirit of mutual respect and constructive cooperation, where trust prevails among employees and professional relationships are managed with a high degree of transparency and responsibility. This positive environment contributes to strengthening institutional belonging, enhancing job satisfaction, and supporting performance in a manner that achieves the Bank’s objectives efficiently and sustainably. Both the Employee Regulations and the Code of Professional Conduct define the rights and responsibilities of each employee. The Code serves as a formal framework guiding behaviors within the Bank, thereby promoting integrity, accountability, and transparency across all operations. The work environment is distinguished by professional relationships based on teamwork, mutual respect, and cooperation regardless of differences in positions or opinions. The employee performance evaluation policy addresses accountability for these values and competencies to ensure they become an integral part of the Bank’s institutional culture. Furthermore, the rewards and incentives policy ensures fairness and transparency in evaluating and recognizing employee performance based on clear and specific criteria. The work environment is also characterized by clear formal communication channels that facilitate the exchange of information and the clarification of directions and decisions, alongside notable attention to recognizing efforts and outstanding achievements. Professional disputes are managed within clear institutional frameworks that reinforce a culture of respect and cooperation within the workplace.



Benefits and Incentives Provided to Employees

The Bank is committed to providing an integrated package of financial and non-financial benefits to its employees, recognizing the importance of investing in human capital and enhancing sustainable performance. These benefits reflect the Bank’s commitment to creating an attractive and motivating work environment that supports job stability, encourages professional development, and contributes to achieving institutional excellence.

- Employee Savings Fund.
- Payment of four additional salaries to employees throughout the year.
- Provision of regular cash gifts during holidays and periodic gifts.
- Educational scholarships for outstanding employees’ children under special conditions.
- Provision of uniforms for branch employees and an annual clothing allowance for administration employees.
- Special financing policies for Arab Islamic Bank employees with preferential terms and rates.
- Motivational training and development policies and systems, alongside a transparent employee performance evaluation system.
- A social committee fund jointly contributed to by employees and the Bank to finance interactive and social activities for employees.
- Health insurance for employees and their families, with full exemption from insurance premium contributions and treatment co-payments.
- Life insurance (Takaful insurance), cancer insurance, and work injury insurance for all employees.

During the past two years, the Bank introduced additional benefits through the approval of:

Extending health insurance coverage to include the families of female employees, equal to the coverage provided for male employees’ families. Annual leave days are calculated based on actual working days, whereby Fridays and Saturdays are not deducted from the annual leave balance.

Human Resources Management Achievements in 2025

Organizational Development

Updating policies and procedures is considered a fundamental organizational practice to ensure that operational processes remain aligned with changes in the work environment, regulatory requirements, digital transformation, and evolving technological systems. This update aims to reduce operational risks, improve performance quality, and enhance institutional transparency and accountability. In 2025, the Employee Training System was introduced, along with updates to key human resources policies and procedures, regulatory processes, the recruitment policy, and the Employee Handbook for new hires. These updates contribute to aligning operational practices with best standards and achieving the Bank’s objectives in an integrated manner.

As part of enhancing organizational efficiency and achieving role integration, organizational structures and job descriptions were updated across various departments and units to ensure clarity of responsibilities and improved performance. This included units such as the Special Assets Management Department, Projects Management Department, and the Branch Support and Follow-up Unit. These updates were coordinated with the Process Engineering, Procedures, and Quality Department and officially approved by the Work Procedures Committee. This contributes to alignment with strategic directions and strengthens the Bank’s institutional effectiveness.

Enhancing Employee Efficiency, Motivation, and Belonging
Onboarding and Induction of New Employees

The “My Experience” program was launched to onboard new employees and enhance their integration into the work environment from the pre-employment stage until the completion of their first year. The program aims to strengthen job stability, empower employees, and increase job satisfaction, which positively reflects on the overall employee experience. Employee progress is monitored through surveys and feedback mechanisms to address challenges and continuously improve practices. The program includes introducing employees to the Bank’s corporate culture, policies, and regulations, and equipping them with the necessary skills and knowledge to perform their duties effectively and professionally.

Employee Health and Well-being

The Bank aims to establish a balanced work environment that supports employees’ physical and mental well-being and enhances their organizational engagement and productivity. Its policy is based on investing in employees’ physical and psychological health and building strong professional relationships, reflecting a solid and continuously evolving institutional culture. As part of the Bank’s commitment to promoting these practices, a series of awareness initiatives were implemented, focusing on enhancing health awareness, promoting prevention culture, early disease detection, and supporting psychological and social health aspects. These initiatives included diverse educational and awareness activities aimed at empowering employees with proper health knowledge and encouraging healthy lifestyles, thereby positively impacting their quality of life and the overall work environment.

The Bank’s future vision focuses on expanding these initiatives to include all employees across different locations and integrating health and well-being into daily practices, thereby strengthening employee engagement and increasing loyalty.

The following table highlights the main social and health activities for 2025 as an example of implementing these policies:

Objective	Activity / Initiative	Number of Participants
Preventive awareness and early screening	Diabetes Awareness Events	200
Supporting women’s health awareness and prevention	Pink October Initiative	75
Enhancing engagement and job connection	(Sports Days (Central & North	61
Encouraging healthy lifestyle habits	Group Walking Activity	34
Total Activities		370

Automation of Human Resources Processes

In line with strategic directions toward digital transformation and improved operational efficiency, the Human Resources Department has developed its operational mechanisms through the automation of processes using advanced information systems. This initiative aims to improve HR efficiency, enhance service quality for employees, and strengthen transparency and accountability in administrative practices. It also contributes to documentation of processes and facilitates the preparation of reports and performance indicators to support overall departmental performance improvement.

The following initiatives were implemented:

- As part of digital transformation and HR process automation, the “Mena Mobile” application was launched in early 2025 as a mobile version of the MenaMe system. It provides employees with easy access to their accounts from anywhere, enhancing service efficiency and saving time and effort. It allows employees to view their job and financial data and complete routine tasks such as leave requests, absences, and balance tracking easily and quickly.
- Employee data updates were automated through self-service systems (MenaMe and MenaMobile), ensuring periodic documentation in accordance with established procedures. The system allows employees to update their personal information directly under a dual-control framework with the HR Department.
- Employee onboarding screens were developed and activated as part of automating the hiring process, ensuring proper documentation and verification of all procedures related to new employee appointments, including document submission and initial job training.
- Employee movements were automated electronically through structured request forms based on an approved sequence of authorizations, strengthening the principle of dual control. This contributed to faster processing and accurate documentation of requests, as well as improved reporting accuracy. Automation also included training procedures, financial claims, disclosure of financial liabilities for managers, and per diem payment forms.

Employees of Gaza Branches

In light of the difficult conditions and the ongoing war in the Gaza Strip, the Bank has continued to fulfill its responsibilities toward employees of its Gaza branches, supporting them in managing their needs by continuing to pay their salaries and providing increases and bonuses, in line with their counterparts in West Bank branches. In addition, the Bank maintained daily communication with them, checked on their well-being, and provided necessary support. Following the ceasefire and resumption of branch operations in Gaza, the Bank took into consideration on-the-ground conditions, including employee displacement, and implemented a shift system based on employees’ proximity to the branches. Operations were resumed in two branches located in Gaza and Al-Nuseirat, taking into account the challenging circumstances.

Training and Development

The management of Arab Islamic Bank believes that training and development represent one of the most important strategies in human resource management, as investing in human capital constitutes a fundamental pillar for the Bank's excellence and the achievement of its strategic objectives. This is achieved through building and developing employees' capabilities and performance in line with the Bank's vision of being at the forefront of banking institutions in Palestine—pioneering Islamic banking, providing the highest quality services, and being driven by digitalization, modernity, and banking sustainability.

Continuing its approach to sustainable human resource development as a key element of the Bank's success, and despite the challenges and difficult circumstances faced by our society, the Human Resources and Training Department implemented a set of training programs and activities during 2025 that addressed employees' needs. These included internal workshops and training programs, as well as participation in international conferences, seminars, and specialized courses. These initiatives focused on enhancing professional competence, improving job performance, and fostering a positive work environment that encourages innovation and continuous learning, in line with best practices adopted in the banking sector.

Training and development efforts in 2025 focused on several key areas that supported the achievement of the Bank's strategic objectives, including the development of technical and managerial skills and enhancing employees' readiness to face market challenges and continuous changes in the banking environment.

1. Investment in Professional Certifications

As part of the Bank's strategic commitment to enhancing human capital competencies and improving employees' professional standards, 2025 focused on investing in specialized professional certifications as a key pillar of career development planning. This included several fields such as internal auditing, compliance, anti-money laundering, cybersecurity, information technology, and Islamic finance and banking. These efforts align with regulatory and professional requirements and enhance institutional competitiveness and service quality.

This approach resulted in a significant achievement, with 27 employees obtaining accredited professional certifications, including:

- Certified Internal Auditor (CIA).
- Certified Anti-Money Laundering Specialist (CAMS).
- Specialized certifications in Islamic finance and banking (CIBAFI).
- ISO 27001, CDTE, and CISM certifications in information technology and cybersecurity.
- Other certifications in management and financial compliance.

This achievement reflects the Bank's commitment to long-term investment in human resource development and linking employees' career paths with continuous training programs, contributing to the development of specialized professionals capable of addressing institutional challenges and improving financial service quality, while promoting a culture of continuous learning and professional development.

2. Employee Awareness and Educational Programs Supporting Compliance with Internal and External Regulatory Requirements

As part of enhancing risk management awareness and reducing operational and technological risks, and in continuation of ongoing awareness efforts, several specialized workshops on information security and cybersecurity were conducted, with the participation of 204 employees. These workshops focused on raising awareness of cyber risks in banking operations, protecting sensitive data and systems, and strengthening adherence to approved policies and procedures. They also addressed best practices in dealing with cyber threats, prevention mechanisms, and incident response procedures, contributing to strengthening the resilience of the technical infrastructure and supporting business continuity in accordance with governance and risk management requirements.

Within the Audit Department, and in the context of enhancing internal audit procedures and improving the control environment in branches, a series of specialized training workshops were conducted. These focused on improving the control environment and following up on audit reports for branch employees, aiming to guide staff, raise awareness of compliance and control requirements, and enhance mechanisms for monitoring observations and addressing audit findings. This contributes to improved performance and reduced risks.

The Audit Department also supported professional development by enabling employees to obtain the Certified Internal Auditor (CIA) qualification, in addition to participating in specialized training courses in internal audit reporting and follow-up, treasury auditing and review, and the CARE Web system for Governance, Risk, and Compliance (GRC). These efforts enhanced auditors' efficiency, improved audit quality, and strengthened the Audit Department's role in ensuring compliance and performance improvement within the Bank.

In strengthening the culture of banking compliance and ensuring adherence to banking policies and regulations, the Compliance Department conducted a series of training workshops for branch employees on Palestine Monetary Authority instructions, data updates, and customer complaint handling. These aimed to improve employees' ability to implement compliance requirements and strengthen branch adherence to regulatory standards. The Bank also invested in developing staff capabilities through participation in specialized training programs in compliance and banking supervision, supporting institutional performance and adherence to professional standards.

In the area of ongoing awareness of anti-money laundering and counter-terrorism financing, awareness sessions were conducted for employees to enhance understanding of financial risks related to financial crimes. Professional development was also strengthened by awarding specialized certifications, including the Certified Anti-Money Laundering Specialist (CAMS) and the Palestinian Anti-Money Laundering Specialist (PAMLA). Employees also participated in external seminars to stay updated on international developments and best practices, enhancing their readiness to effectively manage financial risks within the framework of international banking compliance. In Islamic banking, numerous awareness workshops were conducted on Sharia violations in financing operations and their risks, alongside intensified training on Islamic financing modes applied by the Bank to ensure higher compliance with Sharia principles. The Bank also supported employees in obtaining specialized Sharia-related professional certifications and participating in international Islamic conferences to stay informed on global developments in Islamic banking.

Among the Islamic professional certifications successfully obtained by employees through the General Council for Islamic Banks and Financial Institutions (CIBAFI) in Bahrain were:

Certified Islamic Professional Banker

Certified Islamic Specialist in Financial Markets

Certified Specialist in Islamic Financial Product Development

Certified Islamic Specialist in Sustainability Management in Islamic Finance

3. Targeted Training to Support Customer Service in Branches and Enhance Service Quality

As part of the commitment to ensuring continuous performance development across branches and improving staff efficiency, a series of specialized training courses were conducted for branch employees. These programs focused on supporting them in carrying out daily operational tasks efficiently and in accordance with best practices, under the supervision of a specialized external trainer. The aim was to build a modern framework of concepts for applying best practices in behavior development, particularly in customer interaction, work ethics, and banking etiquette, as well as promoting positive workplace behaviors. The training also addressed understanding workplace pressure in the banking environment and how to effectively manage it.

In addition, employees participated in various banking-related training courses designed to strengthen their ability to meet customers' needs efficiently and professionally. This approach falls within the framework of continuous improvement of service quality in branches, enhancing employees' readiness to handle daily customer requirements with competence and professionalism, and ensuring compliance with the instructions of the Palestine Monetary Authority.

4. Training and Development in Banking Technology and Information Security

To enhance employees' capabilities in banking technology and information security, the Bank implemented specialized training programs focused on developing technical and supervisory skills, enabling staff to efficiently manage data and systems while ensuring the quality of technical operations. These programs also aimed to raise awareness of digital risks, threat analysis, and risk management related to digital financial transactions, while providing practical training and advanced professional certifications such as the Certified Information Security Manager (CISM). These training initiatives contributed to strengthening employees' readiness to deal with technical challenges and cyber risks, and supported the Bank's ability to provide secure and reliable banking services in accordance with the highest international standards.

5. Investment in Credit Programs and Development of Financial and Banking Products

During 2025, the Bank focused on enhancing the financial, accounting, and banking capabilities of employees across departments and branches through integrated training programs and diverse workshops. These included professional diplomas in credit and finance, applied courses, specialized conferences, and professional certifications. The topics covered included small and medium enterprise (SME) financing and management, strategies for attracting and investing deposits, green financing and sustainable banking products, and the application of International Financial Reporting Standards (IFRS), particularly IFRS 9. In addition, working sessions were held with local and international financial institutions to strengthen partnerships and explore new financing opportunities. These initiatives contributed to improving performance levels, supporting strategic financial decision-making, and enhancing sustainability and innovation in the financial sector.

to corporate governance principles and implementing best practices in the work environment.

6. Investment in Sustainability and Corporate Governance

A series of training programs and workshops were implemented to enhance employees' awareness of the importance of sustainability and corporate governance, as well as understanding the impact of climate change on banking operations.

and supporting environmental and social practices. These programs also focused on raising awareness of the inclusion of persons with disabilities, promoting diversity and female leadership concepts, and adopting best practices in institutional safety and security. Furthermore, the capabilities of the sustainability team were developed in preparing sustainability reports in line with international standards, and employees obtained a certified professional qualification in Sustainable Islamic Finance from CIBAFI. These initiatives contributed to strengthening the culture of sustainability within the Bank, enhancing employees’ readiness to actively contribute to achieving sustainable development goals, while adhering to corporate governance principles and implementing best practices in the work environment.

7. Investment in Digital Transformation and Technological Innovation in Banking Operations

During the year, a wide range of training programs and workshops were implemented to enhance employees’ capabilities in digital transformation and technological innovation within the Bank. These initiatives focused on developing digital skills in systems management, data analysis, designing complex reports, and applying modern technologies such as artificial intelligence, contributing to improved service quality and customer experience. The programs also included practical training on the Bank’s digital platform (Appian) and the development of mobile applications for both individuals and corporate clients, in addition to exposure to global trends in financial services through specialized conferences and workshops. These efforts contributed to improving institutional performance efficiency, strengthening a culture of innovation, and supporting sustainable digital transformation across all banking operations, ensuring the Bank’s readiness to keep pace with technological advancements and modern market requirements.

8. Investment in Developing New Employees’ Performance

A comprehensive onboarding program was implemented for new employees, totaling 83 training hours, aimed at equipping them with essential knowledge and skills in banking operations. The program focused on introducing the Bank’s policies and procedures, banking operations, internal systems, and best professional practices, ensuring the rapid integration of new employees into the work environment and enhancing their readiness to perform their duties efficiently and professionally.

9. Programs for Developing Managerial and Leadership Skills and Enhancing Institutional Performance

As part of improving institutional performance and strengthening managerial and leadership competencies, the Bank implemented a series of training programs and workshops targeting the development of administrative and supervisory skills for employees at different levels. These initiatives supported succession planning and the development of future leaders. The programs focused on equipping participants with the necessary knowledge and skills in team management, effective organization, and addressing operational challenges, thereby contributing to improved work environments and enhanced institutional efficiency. retention strategies, and reskilling to meet modern requirements. These efforts contributed to enhancing employees’ readiness for future leadership roles and supporting the achievement of the Bank’s objectives with high efficiency and professionalism, in line with its vision of building an integrated organizational environment capable of adapting to developments and enhancing institutional performance at the highest professional standards.

The training also included specialized programs in leadership and supervision, project management, work ethics, and institutional security, as well as human resources development programs focused on performance indicators, employee retention strategies, and reskilling to meet modern requirements. These efforts contributed to enhancing employees’ readiness for future leadership roles and supporting the achievement of the Bank’s objectives with high efficiency and professionalism, in line with its vision of building an integrated organizational environment capable of adapting to developments and enhancing institutional performance at the highest professional standards.

10. Investment in Cooperative Training with Local Community Institutions

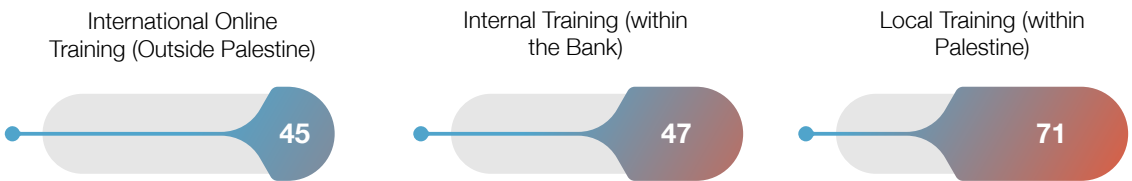
As part of Arab Islamic Bank’s commitment to academic empowerment, community engagement, and preparing university students for the labor market, the Bank implemented a series of training initiatives in 2025 in cooperation with several Palestinian universities. These initiatives included the “Pioneers in Islamic Banking” program in collaboration with An-Najah National University and Birzeit University, targeting 63 students from faculties of economics and business. The program aimed to introduce students to Islamic banking principles and equip them with practical skills required for the sector. The Bank also continued its partnership under the dual studies program through a new cooperation agreement with Palestine Polytechnic University in Hebron, in addition to continuing implementation with Al-Quds University. A total of 8 students benefited from training across various Bank departments and branches. Furthermore, the Bank supported practical training courses for university students by hosting and training approximately 81 students from banking-related disciplines, contributing to bridging the gap between academic learning and practical application and enhancing students’ readiness for the labor market. Total training hours: 2,407 Total number of trained employees (including repetition): 1,265 Number of training programs: 163

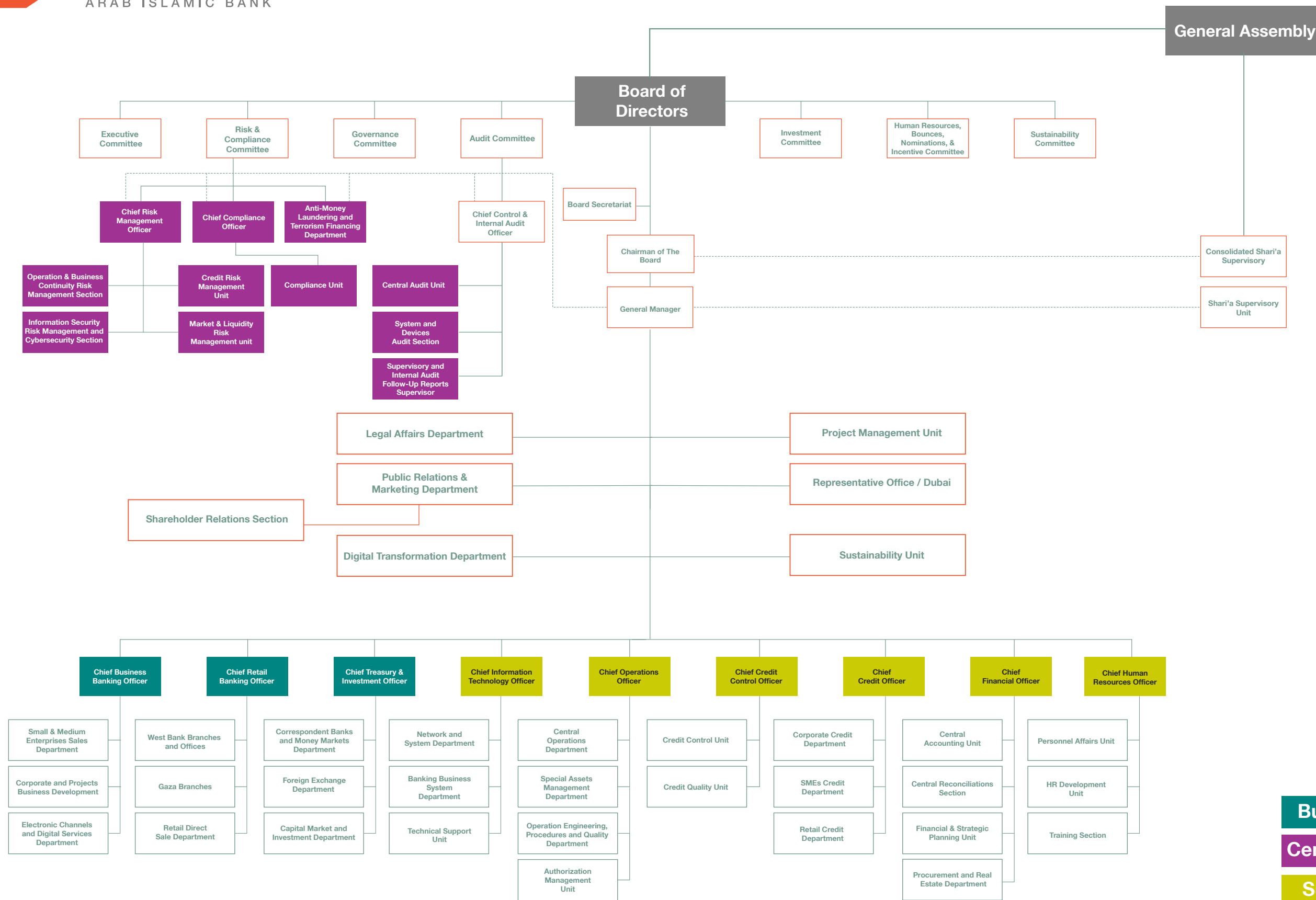
Distribution of Training Programs by Training Fields

Training Field	Number of /courses workshops	Percentage of the total training	The number of employees/ trainees with repetition	Percentage of total workforce (721)
Training and development in the field of risk management and internal auditing	20	%12.27	303	%42.02
Training and development in the field of banking compliance, anti-money laundering, and counter-terrorism financing	12	% 7.36	58	% 8.04
Training and development in the field of Sharia competency in Islamic banking	10	% 6.13	95	% 13.18
Training directed toward supporting customer service in branches and enhancing service quality and efficiency	21	% 12.88	264	% 36.62
Training and development in the field of banking technology and information security	14	% 8.59	55	% 7.63
Training and development in the fields of finance and banking credit	19	%11.66	67	%9.29
Awareness and educational programs in the field of sustainability and corporate governance	12	% 7.36	108	% 14.98
Training in the field of digital transformation and technological innovation in banking operations	14	% 8.59	188	% 26.07
Investment in developing the performance of new employees	20	% 12.28	21	% 2.91
Training directed toward enhancing managerial and leadership capabilities and supporting career development	21	% 12.88	106	% 14.70
Total	163	% 100.00	1265	% 175.44

Distribution of Training by training providers

Training Provider	Number of Activities
(Local Training (within Palestine	71
(Internal Training (within the Bank	47
(International Online Training (Outside Palestine	45
Total	163





Business
Censorship
Support

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:

• **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 Sharia Supervision Board at the general assembly meeting. Any inquiries they may have been 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.

• **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.

• **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 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.

Risk Management:

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:



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.
- Protecting the bank from incidents that could affect its reputation and the trust of its clients.



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, 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.

Moreover, regulatory controls and procedures have been established, and a detailed plan has been prepared in collaboration with the relevant departments to manage the financial operations of the bank's clients in the Gaza Strip, ensuring that banking services are provided easily, efficiently, and effectively.

Governance and Administrative Structure

Anti-Money Laundering and Terrorism Financing

All external and internal policies and regulations related to combating money laundering and terrorism financing are implemented at the Arab Islamic Bank in coordination with all administrative levels. The bank closely follows developments in the field of anti-money laundering to protect itself from the risk of processing suspicious transactions that could lead to financial losses or negatively impact its relationships with other parties. This is achieved by raising general awareness and educating employees on the importance of anti-money laundering management through training courses and guidance bulletins, and by ensuring that departments comply with the Anti-Money Laundering Law and related instructions. The bank also applies the “Know Your Customer” (KYC) principle at all required levels and according to its various requirements.

Know Your Customer (KYC) Policy and Principle

The “Know Your Customer” policy is considered a key component of the bank’s anti-money laundering and terrorism financing policy. It includes understanding the customer’s activity, which is one of the most important methods for identifying suspicious activities and preventing any potential attempts by clients to misuse the bank and its products for illegal purposes. Therefore, it is essential to have procedures in place that provide the bank with a clear, accurate, and comprehensive understanding of its customers and their various activities.

The KYC policy must be applied in all branches and offices of the bank, both domestic and international, without exception for any category of clients.

Some of the main objectives of the KYC policy include:



• Banking Confidentiality:

In accordance with the provisions of the Code of Conduct and the Information Security Policy Manual for employees of the Arab Islamic Bank, members of the Board of Directors and all employees are committed to maintaining the strict confidentiality of all documents related to the bank’s clients. They are also obligated not to disclose any information or details regarding clients, their accounts, or their transactions to any party inside or outside Palestine unless ordered by a Palestinian court or with the client’s written consent.

• Compliance

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 comply with the instructions 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.
- Monitoring internal reports by bank employees about observed violations to maintain the internal environment and address the risks of fraud and deceit, while providing adequate protection for whistleblowing employees.

• 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.

Adequacy of Internal Control and Oversight Systems:

The framework followed by the executive management to assess the effectiveness of internal control and oversight systems involves three independent departments that report directly to the Audit and Review Committee and the Governance and Compliance Committee, both of which are derived from the Board of Directors, as per the instructions of the Palestinian Monetary Authority and other regulatory bodies. These departments are responsible for implementing and evaluating internal control systems across various bank operations. They include the Risk Management Department, the Internal Audit Department, and the Compliance Monitoring Department. The Risk Management Department establishes control procedures to manage anticipated risks in various banking and non-banking operations, including credit, market, operational risks, and others. The Internal Audit Department examines the adherence of all bank departments and branches to the internal control systems, providing recommendations to address any gaps through periodic inspections. The Compliance Monitoring Department ensures the bank's compliance with the instructions of the Palestinian Monetary Authority and other external regulatory bodies concerning governance and transparency rules. It is noteworthy that the reports from these departments are directly submitted to the relevant committees, which, in turn, report to the Board of Directors.

External auditors also examine the effectiveness of internal control and oversight systems periodically through their regular visits to the bank's departments and branches, submitting their reports and recommendations. Additionally, they prepare an annual report that coincides with the disclosure of financial statements, which assesses the control systems and the extent of the executive management's adherence to the bank's general policies, internal control regulations, risk controls, work procedures, and internal administrative regulations. This report is presented to the Audit Committee, which in turn submits it to the Board of Directors along with its recommendations, while also sending a copy to the bank's executive management.

It is important to note that the Arab Islamic Bank always strives to avoid any significant gaps or weaknesses in its internal control and oversight systems through regular monitoring and evaluation, as well as adjusting and developing these systems to ensure staying on the right path and keeping pace with changes and developments related to sound Islamic banking practices.

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 on time.

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 hat 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.

Shareholder Voting Matters

No matters were raised or referred for voting by any shareholders

Potential Risks

The bank's management anticipates the beginning of political and economic stability, particularly following the cessation of the war in the Gaza Strip. Therefore, no material risks are expected in the upcoming fiscal year that could significantly impact the bank.

Subsidiaries and Affiliates

The bank has no subsidiaries or affiliated companies.

External Auditors

Ernst & Young was appointed as the external auditor for the bank's accounts for the year 2025.

Differences Between Preliminary and Final Disclosed Financials

There are no differences between the previously disclosed preliminary financial statements and the final financial statements.

Non-Recurring Transactions

There were no financial effects from non-recurring transactions during the fiscal year, and no such activities occurred outside the bank's core operations.

International Quality Standards

The bank adheres to Basel II guidelines and best practices in corporate governance, in addition to all regulations issued by the Palestine Monetary Authority to comprehensively manage risk.

Privileges

The bank and its products are not granted any governmental protections or privileges under laws, regulations, or otherwise. Additionally, the bank holds no patents or exclusive rights.

Legal Proceedings

The number of lawsuits filed against the Bank amounted to 38 and 32 cases as of December 31, 2025 and 2024, respectively, arising within the normal course of the Bank's business activities. The total value of the lawsuits filed against the Bank amounted to USD 2,944,211 and USD 1,973,824 as of December 31, 2025 and 2024, respectively. According to the assessment of the Bank's management and legal counsel, no obligations are expected to arise against the Bank other than the provisions already allocated to cover such cases, amounting to USD 22,463.

Foreign Investments

The volume of external investments in Sukuk, investments with Islamic banks, funds, certificates of deposit, banking syndications, current accounts, and shares amounted to USD 143,628,437 as of 31/12/2025, compared to approximately USD 132,479,707 as of 31/12/2024.

Capital Investment

The Bank's net capital investment amounted to USD 1,628,713 at the end of December 2025, compared to USD 2,181,280 at the end of December 2024.

Decisions with Material Impact

There were no decisions issued by executive, judicial, or legislative authorities, international organizations, the occupa-

tion authorities, or any other entities that had a material impact on the Bank's operations, products, competitive capabilities, or its ability to continue operations.

Dependence on Major Suppliers and Customers

The Arab Islamic Bank deals with numerous local and external suppliers to meet its various procurement needs. There are two companies with which the Bank conducts business, where the value of purchases from each represents 10% or more of the Bank's total purchases:

- NatHealth, from which the Bank's purchases accounted for 20.0%.
- Palestinian Takaful Insurance Company, from which the Bank's purchases accounted for 17.51%.



Board of Directors' Role and Responsibilities:

- Setting objectives, developing policies and strategies, monitoring the bank's developments, overall performance, and the various activities and operational plans of the executive management.
- Assessing key risks and the management's steps to monitor and control these risks.
- Determining and developing the risk appetite framework and its level of tolerance in the bank, ensuring the existence of a risk culture.
- Supervising the integrity 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.
- Reviewing and approving major transactions, investment and financing decisions of the bank, capital allocations, capital expenditures, and others.
- Enhancing the principles of effective governance and sound practices for granting financial rewards, and ensuring that reward and incentive policies are reviewed annually through the relevant sub-committees.
- Establishing performance evaluation standards for senior management that align with the bank's long-term goals and the strategy for maintaining the soundness of its financial position, and monitoring senior management's performance in applying these standards.
- Transparently disclosing its governance to shareholders, depositors, and other related parties, and clarifying the extent to which the bank applies governance principles.
- Conducting an annual self-assessment of the overall performance of the Board and the effectiveness of its members, as well as the performance of all sub-committees, in order to identify ways to enhance overall effectiveness, and informing shareholders during general assembly meetings.
- Preparing agendas for shareholder meetings in accordance with applicable laws and regulations, and providing them with all necessary or requested information to enable their effective participation in the general assembly meetings. Additionally, disclosing all essential facts regarding matters to be voted on prior to the voting process.

Meetings of the Board of Directors and its committees

In 2025, the AIB’s Board of Directors and its committees held periodic meetings to discuss, examine, and approve all matters relating to the bank’s status, each in its own concern. The number of meetings is shown below, noting that all meetings of the Board of Directors reached a full quorum. Furthermore, the Board of Directors, its committees, members, and senior managers have been evaluated; the Board constantly follows up on the results of the evaluation; and there are no disputes between the Board of Directors and the Audit Committee.

Entity	Number of Meetings in 2025
Board of Directors	7
Risk and Compliance Committee	8
Investment Committee	6
Revision and Audit Committee	8
Executive Committee	19
Human Resources, Nomination, Bonuses and Incentives Committee	7
Governance Committee	5
Sustainability Committee	6

Board of Directors Meeting Attendance Record

Name	Number of attendances of (7) meetings	Attendance percentage of (7) meetings
Mr. Rushdi Mahmoud Al-Ghalayini	7	%100
Dr. Mohamed Mahmoud Nasr	7	%100
Mr. Fawaz Mahmoud Al-Najjar	7	%100
Dr. Safaa Naser Al-Din	7	%100
Mr. Saeb Ibrahim Samour	7	%100
Mr. Saqer Mahmoud Jandia	7	%100
Mr. Wael Abdel Latif Al-Sourani	7	%100
Ms. Samar Nakhleh	6	%86
Mr. Abdallah Qais Al-Ghanim	6	%86
Dr. Waleed Fawzi Al-Barghouthi	6	*
Mr. Mohammad Awni Abu Ramadan	5	**
Dr. Ola Farah Shakhsheer	1	***
Mr. Sam Sami Bahour	1	****

- Dr. Walid Fawzi Barghouthi: Independent member of the Board of Directors effective from the appointment date of the new Board cycle on 20/05/2025. He attended all meetings held since the date of his appointment.
- The late Mohammad Awni Abu Ramadan, representative of Aswaq Investment Portfolios Company, passed away on 06/10/2025. He attended all meetings held up to the date of his passing.
- Dr. Ola Farah Shakhsheer, representative of Aswaq Investment Portfolios Company, effective from 12/11/2025, attended all meetings held after her appointment.
- Mr. Sam Sami Bahour: Resigned from Board membership upon the end of his term on 20/05/2025. He attended all meetings held prior to his resignation from the Board.



Board Of Director's Committees



The Executive Committee - a permanent committee

Members & Rapporteurs:

- Mr. Rushdi Al-Ghalayini – Board's Chairman / Committee Chairman
- Mr. Wael Al-Sourani – Board's Member/ Member
- Mr. Fawwaz Al-Najjar – Board's Member/ Member
- Mr. Abdallah Al-Ghanem - Board's Member/ Member
- Mr. Hatem Suboh- Chief of Finance Control Officer/ 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 General Assembly's Meeting every year.



The Review and Audit Committee - a permanent committee

Members & Rapporteurs:

- Mr. Saeb Samour - Board's member/ Committee's Chairman
- Mr. Saqer Jundia- Board's member/ member
- Mr. Mohammad Abu Ramadan - Board's member/ member
- Ms. Samar Sawalhi Nakhleh - Board's member/ member
- Mr. Ibrahim Abu Abdo- Chief of Internal Audit Officer/ 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 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 General Assembly's Meeting every year.



The Risk Management and Compliance Committee - a Permanent Committee

Members & Rapporteurs:

- Dr. Waleed Al-Barghouthi - 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 – Chief Risk Officer / Committee Secretary

The Committee's Tasks and Authorities:

- Supervising the development and adequacy of internal control measures, and ensuring the existence of an effective risk management framework that complies with regulatory and legal requirements, and reviewing and approving it annually.
- 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.
- 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 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
- Dr. Waleed Al-Barghouthi -Board's member/ member
- Mr. Mohammad Abu Ramadan - Board's member/ member
- Mr. Saqer Jundia - Board's member/ member
- Ms. Samar Sawalhi Nakhleh - Board's member/ member
- Mr. Mohammad Hanini- Chairman of Shari'a Supervisory Board
- Ms. Fayrouz Thabaleh - Chief Compliance Officer/ Committee Secretary

The Committee's Tasks and Authorities

- Supervising the governance policy framework's execution, collaborating with management, the Audit Committee, and the 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 – Board's Member/ Committee Chairman
- Mr. Fawwaz Al-Najjar - Board's Member / Member
- Mr. Wael Al Sourani- Board's Member / Member
- Mr. Rushdi Al-Ghalayini - Board's chairman / member
- Mr. Suleiman Arar - Capital Markets and Correspondents Banking Department Manager/ 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 Human Resources, Nomination, Bonuses and Incentives– 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. Mohammad Abu Ramadan - Board's member/ member
- Mr. Rateb Atyani –Head of Human Resources & Training / Committee secretary.

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:

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.

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.

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.



The Sustainability Committee

Members & Rapporteurs:

- Samar Sawalhi Nakhleh– Board’s Member/ Committee Chairman
- Dr. Mohammed Nasr – Board’s Vice Chairman/ Committee Member
- Dr. Safaa Nasir El Din- Board’s Member/ Committee Member
- Khadija Alshareef – Sustainability Unit Head/ Committee Secretary

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.
- Encouraging and supervising women participation in different positions at the bank.

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.



Concessions and Bonuses

The Chairman's and Board of Directors' Concessions and Bonuses were granted in accordance with the Board of Directors' bonuses system, which was approved in Board of Directors meeting No. 06/2023 on 05/10/2023.

- The total travel expenses of the Board of Directors' members for attending board meetings and its sub-committees amounted to **\$338,450**.
- The bonuses and expenses of the Board's members during 2025:

Name	مكافأة أعضاء مجلس الإدارة
Dr. Mohamad Mahmoud Naser	18,730
Mr. Mohamed Awni Abu Ramadan	13,378
Mr. Rushdi Mahmud Rashid Alghalaini	18,730
Mr. Sam Sami Bahur	2,675
Dr. Safaa Nasir El Din	18,730
Ms. Samar Sawalhi Nakhleh	16,054
Mr. Saqer Mahmoud Jandia	18,730
Mr. Abdallah Qais Al-Ghanem	16,054
Mr. Wael Abdel Latif Al Sourani	18,730
Mr. Saeb Ibrahim Samour	18,730
Mr. Fawwaz Mohammad Al-Najjar	18,730
Dr. Waleed Fawzi Barghouthi	16,054
Ola Farah Shaksheer	2,675
Total	\$ 198,000

◀ The reward shown above is stated as a net amount after deducting income tax. The total reward is (220,000 US dollars).

Policy of the Bank for determining attendance of Board of Directors meetings and its committees:

Policy of the Bank for determining attendance of Board of Directors meetings and its committees:

The system of rewards and attendance allowances for the Chairman and members of the Board of Directors, as approved in Board meeting No. 2023/06, states the following:

• **Board membership:** The Chairman of the Board is paid 2,850 US dollars per month, and each Board member is paid 1,550 US dollars per month as an allowance for attending Board meetings. A deduction is made from the stated amount equivalent to the percentage of meetings not attended by the member in relation to the total number of meetings in that month.

• Meetings of committees emanating from the Board:

Each member of the Executive Committee is paid 1,000 US dollars per month as an allowance for attending meetings. A deduction is made from the stated amount equivalent to the percentage of meetings not attended by the member in relation to the total number of meetings in that month. As for other committees, an amount of 500 US dollars is paid to each member per attended meeting of the regular committee meetings.

• **Annual bonus:** The Chairman and members of the Board of Directors are paid 3% of the profits allocated for distribution to shareholders, with a minimum of 20,000 US dollars per member, subject to approval by the Palestine Monetary Authority and the Ordinary General Assembly.

All the above rewards and allowances are subject to the Income Tax Law.



General Assembly Meeting

Agenda of the Ordinary General Assembly Meeting of 2025

- Reading the minutes of the session held on 20/05/2025.
- Reading and discussing the Board of Directors' report on the Bank's activities during the year 2025 and its future plans, and approving it.
- Hearing the Sharia Supervisory Board's report for the year 2025 on the Bank's financial statements and final accounts.
- Hearing the external auditors' report for the year 2025 on the Bank's financial statements and final accounts.
- Discussing and approving the financial statements for the fiscal year 2025.
- Approving the payment of an amount of \$220,000 (two hundred and twenty thousand US dollars) as a bonus to the members of the Board of Directors for the year 2025.
- Discharging the members of the Board of Directors from liability for the year ending on 31/12/2025, in accordance with the law.
- Electing the Bank's auditors for the year 2025 and authorizing the Board of Directors to determine their fees.



Voting by a Category of Securities:

During the Ordinary General Assembly meeting for the year 2024, held on 20/05/2025, the shareholders voted to approve the financial statements and discharge the members of the Board of Directors from liability for the financial year ending on 31 December 2024.

The General Assembly unanimously approved the payment of an amount of (USD 220,000) two hundred and twenty thousand US dollars for the Bank's business results for the year 2024, as stated in the annual report.

A new Board of Directors was elected after the resignation of the previous Board. The Chairman of the meeting announced the opening of nominations for membership of the Board of Directors and the commencement of elections. Shareholders eligible to nominate themselves in accordance with the Company's Articles of Association and the law were invited to submit their candidacies. The following persons nominated themselves:

- 1-Mr. Rushdi Mahmoud Al-Ghalayini – Representative of Bank of Palestine Company
- 2- Mr. Saqr Mahmoud Suleiman Jundiya – Representative of Bank of Palestine Company
- 3- Mr. Abdullah Qais Thunayan Al-Ghanim – Representative of Bank of Palestine Company
- 4- Mr. Wael Abdul Latif Khalil Al-Sourani – Representative of Bank of Palestine Company
- 5- Mr. Fawaz Mahmoud Al-Najjar – Representative of Aswaq Investment Portfolios Company
- 6- Mr. Mohammad Awni Abu Ramadan – Representative of Aswaq Investment Portfolios Company
- 7- Dr. Mohammad Mahmoud Nasr – Representative of the Palestine Investment Fund
- 8- Dr. Safaa Naser Al-Din – Independent Member
- 9- Mr. Saeb Ibrahim Mohammad Samour – Independent Member
- 10- Ms. Samar Zuhdi Sawalhi Nakhleh – Representative of Minority Shareholders
- 11- Mr. Walid Fawzi Al-Barghouthi – Independent Member

Ernst & Young was also elected as the Bank's external auditor for the year 2025, and the General Assembly authorized the Board of Directors to determine its fees.

The meeting concluded and the voting on the resolutions was completed without any objection from stakeholders.

Shareholder Relations Management

The number of shareholders of the Arab Islamic Bank reached 1,316 shareholders by the end of 2025. The authorized, paid-up, and listed capital of the Arab Islamic Bank on the Palestine Exchange amounted to 101,119,252 shares as of 31/12/2025.

The following table shows investors owning 5% or more of the paid-up capital as of that date:

Name of Shareholder	Number of shares as of December 31, 2025	Percentage %	Number of shares as of December 31, 2024	Percentage %
Bank of Palestine	52,644,920	%52.06	52,644,920	%52.06
ASWAQ Investment Company	22,157,574	%21.91	22,157,574	%21.91
Palestine Investment Fund	9,598,203	%9.49	9,598,203	%9.49
Rozan Specialized Medical Center for Infertility Treatment and IVF	6,942,327	%6.86	6,942,327	%6.86

Control of the Company

Name of Shareholder	Number of shares as of December 31, 2025	Percentage %
Bank of Palestine	52,644,920	%52.06

Companies affiliated to the Palestine Investment Fund Company

Name of Shareholder	Number of shares as of December 31, 2025	Percentage %
ASWAQ Investment Company	22,157,574	%21.91
Palestine Investment Fund	9,598,203	%9.49
Total	31,755,777	%31.40

Profits and losses with shareholders' equity and securities prices:

Budget	Profit/ Loss after Tax	Distributing Bonus Shares	Distribution shares percentage	Cash Distribution	Shareholders' Net right at the end of the year	Share Closing Price at the end of the year
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
2023	5,519,706	-	-	-	141,003,898	1.60
2024	1,121,736	-	-	-	142,893,969	1.09
2025	5,382,228	-	-	-	149,865,359	1.18

Trading activity on the bank’s stock in the Palestine Stock Exchange

	2025	2024
Shares issued by the bank	101,119,252	101,119,252
Subscribed & Listed Shares	101,119,252	101,119,252
opening price \$	1.09	1.60
Maximum Price \$	1.29	1.68
Minimum Price \$	1.02	1.02
Closing Price \$	1.18	1.09
Share Trading Sessions	143	136
Number of shareholders	1316	1272
Traded Shares value « USD»	1,088,515	2,871,425
Traded Shares Number « share»	931,035	2,124,290
Executed transactions	551	713

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

Ownership of the Board's Legal Members

Name of the Member	Position	Representative's Nationality	Number of shares as of 2025/12/31	Number of shares as of 2024/12/31
Palestine Investment Fund				
Represented by	Member	Palestinian	9,598,203	9,598,203
Dr. Mohammad Mahmoud Nasr				
Bank of Palestine- Represented by:				
Mr. Rushdi Mahmoud Ghalayini				
Mr. Saqer Mahmoud Jundia	4 Members	Palestinian	52,644,920	52,644,920
Mr. Wael Abdel Latif Al Sourani.				
Mr. Abdullah Qais Al-Ghanim				
ASWAQ Investment Company – represented by:				
Mr. Fawwaz Mohammad Al-Najjar	Two Members	Palestinian	22,157,574	22,157,574
Mr. Mohammad Awni Abu Ramadan				

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 December 31, 2025	Number of shares as of December 31, 2024
Dr. Mohammad Mahmoud Nasr	Palestine Investment Fund	Board's Vice Chairman	35,000	35,000
Ms. Samar Sawalhi Nakhleh	Small shareholders	Member	11,905	11,905
Dr. Safaa Nasir El Din	Independent	Member	8,332	8,332
Mr. Saeb Ibrahim Samour	Independent	Member	7,736	7,736
Mr. Saqer Mahmoud Jundia	Bank of Palestine	Member	2,627	2,627
Dr. Waleed Fawzi Al-Barghouthi	Independent	Member	7,000	0

Ownership of the Executive Management

Name of the Person	Position	Nationality	Number of shares as of December 31, 2025	Number of shares as of December 31, 2024
Mr. Hani Salah Naser	General Manager	Palestinian	50,000	50,000
Mr. Saed Miqdad Miqdadi	Chief Risk Officer & Board’s Secretary	Palestinian	6,765	6,765
Mr. Rateb Abdullah Atyani	Chief Human Resources and Training Officer	Palestinian	16,175	16,175
Mr. Muawiah Fahed ALQawasmi	Chief Corporate Investment Banking Officer	Palestinian	25,790	25,790
Hassan Issam Sabri	Credit Management Director	Palestinian	2,101	2,101

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

Name of the Person	Kinship degree to the Board & executive management	Nationality	Number of shares as of December 31, 2025	Number of shares as of December 31, 2024
Suzan Jamal Nasr	Wife of the Board’s Vice Chairman	Palestinian	2,288	2,288
Thabet Hassan Issam Sabri	Son of Credit Management Director	Palestinian	137	137

Funds ownership for bank employees:

Fund Name	الجنسية	Number of shares as of December 31, 2025	Number of shares as of December 31, 2024
AIB Employees Provident Fund	Palestinian	256,196	256,996

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.



Shari'a Supervisory Board

The Arab Islamic Bank established the 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:

Dr. Mohammad Wajeeh Hanini
Chairman of the Shari'a Supervisory Board since 2024 until now.

- *PhD in Islamic Banks and Financial Markets from the Arab Academy for Banking and Financial Sciences, Jordan.
- *Vice-Chairman of the Supreme Shari'a Supervisory Authority in the PMA since 2018 to 2020.
- *Member of the Shari'a Supervisory Board at the AIB since 2020 until 2023.



Mr. Dr. Jamal Zaid Kilani
Member of the Shari'a Supervisory Board since 2024 until now.

- *Ph.D. in Comparative Islamic Jurisprudence – Contemporary Islamic Financial Transactions
- *Chairman of the Sharia Supervisory Board at the Arab Islamic Bank (2018–2023)
- *Member of the Sharia Supervisory Board at the Arab Islamic Bank (2013–2018)
- *Member of the Higher Fatwa Council in Palestine (2012–Present)
- *Dean of the Faculty of Sharia at An-Najah National University (2010–Present).



Dr. Anas Zaher Al-Masry
member and Rapporteur of the Shari'a Supervisory Board since 2018 until now.

- * Ph.D. and Master's degree in Islamic Economics and Banking from Yarmouk University – Jordan, with Excellent distinction
- * Certified Sharia Auditor and Supervisor by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)



The Work Mechanism of the Shari'a Supervisory Board

- The Shari'a Supervisory 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. The chairman of the Shari'a Supervisory Board has the authority to hold extraordinary meetings when necessary.
- The Shari'a Supervisory Board has completed and unconditional access to all records, transactions, and information, including bank personnel and consultants.
- Preparing periodic reports to be submitted to management and reports to shareholders.

Duties and Powers of the 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 Shari'a Supervisory 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
- Work on identifying Sharia-compliant alternatives for the systems, regulations, contracts, and applications presented, rather than merely approving or rejecting their compliance with the rulings of Islamic financial jurisprudence. The aim is to proactively offer suitable initiatives and proposals for new products to the bank's executive management.



Sharia Compliance Unit

A resident Shari'a Controller position has been established, with technical subordination to the 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.
- Holder of the Specialized Professional Fellowship (Certified Shari'a Auditor and Advisor – CSAA).
- Provided with practical experience and appropriate training on Shari'a supervision tasks.

Duties and Powers of the Resident Shari'a Supervisor:

- Verifying, examining, and assessing the adequacy and effectiveness of the Bank management's compliance with the fatwas issued by the Sharia Supervisory Board in all daily operations.
- Providing guidance, advice, and training to all bank employees concerning relevant Sharia rulings and fatwas.
- Disseminating knowledge by printing the fatwas, guidelines, and instructions issued by the Sharia Supervisory Board regarding the bank's products and services. The Sharia Compliance Manual shall be updated at least once every five years. The Board of Directors and the Sharia Supervisory Board are the two authorized bodies to approve any amendments, based on recommendations from the Risk Committee and the Governance and Compliance Committee.
- Preparing a dedicated internal Sharia audit manual that outlines objectives, authorities, and responsibilities, subject to approval by the Sharia Supervisory Board.
- Preparing a quarterly (at minimum) report addressed to the Sharia Supervisory Board, with copies sent to the Board of Directors and the Internal Audit Committee derived from the Board. The report shall outline the purpose, scope, and results of the internal Sharia audit activities, along with its opinion on future improvements and corrective actions, to be reviewed regarding the findings or recommendations.

Report of the Shari'a Supervisory board for the period ending on December 31, 2025.

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:

1. The contracts, operations, and transactions entered into and performed by the company between January 1st, 2025 and December 31st, 2025 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.
2. The distribution of profits and losses on the investment account is consistent with our methodology and does not violate Islamic Shari'a principles.
3. 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.
4. Each shareholder is responsible for paying the due Zakat in accordance with Islamic Shari'a principles and provisions.
5. 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,

Dr. Mohammad Wajeih Hanini

Dr. Anas Zaher Al-Masry

Mr. Jamal Kilani

Chairman of Shari'a Supervisory Authority

Member & Rapporteur

Member

Location and time: Ramallah – AIB HQ: 20/ Ramadan/1447 Hijri, corresponding to 9/3/2026

A person in a white shirt is working at a desk. Their hands are visible, one holding a pen and the other resting on a calculator. The desk is covered with financial documents, including a line graph and a bar chart. A semi-transparent orange and blue oval is overlaid on the left side of the image, containing the text "Financial statements 31 December 2025".

Financial statements 31 December 2025



**ERNST & YOUNG – MIDDLE EAST
(PALESTINE BRANCH)**
P.O. Box 1373
PADICO House Building, 7th Floor
Al-Masyoun, Ramallah
State of Palestine

Tel: +972 2 242 1011
Fax: +972 2 242 2324
ramallah.office@ps.ey.com
<https://www.ey.com>
C.R. No. 562201038

**Independent Auditor's Report
To the Shareholders of Arab Islamic Bank P.L.C.**

Qualified Opinion

We have audited the financial statements of Arab Islamic Bank (the Bank), which comprise the statement of financial position as at December 31, 2025, income statement, statement of comprehensive income, statement of income and attribution related to quasi-equity accounts, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, except for the potential effects of the matters described in the paragraph of the basis for the qualified opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Basis for the Qualified Opinion

The Bank disclosed its gross exposures in Gaza Strip and related impairment provisions and the net book value of these exposures in note (53) to the accompanying financial statements. These provisions have been calculated by management of the Bank according to its best estimates which is based on the latest available information in light of the state of uncertainty beyond management's control due to the consequences of the war on Gaza Strip. As a result, we were unable to perform the necessary audit procedures on the provisions recorded against the bank's assets in Gaza Strip as of December 31, 2025. Consequently, we were unable to determine whether it was necessary to make any adjustments to the statement of financial position as of December 31, 2025 as well as the income statement for the year then ended. The audit report on the financial statements for the year ended December 31, 2024, was qualified for the same reason.

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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) (including International Independence Standards), as applicable to audits of financial statements of public interest entities and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

In addition to the matters described in the basis for the qualified opinion paragraph, we have identified the following issues as the key audit matters to be disclosed in our report. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our qualified 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 qualified audit opinion on the financial statements.

ARAB ISLAMIC BANK P.L.C.

FINANCIAL STATEMENTS

DECEMBER 31, 2025

Key Audit Matter	Audit Procedures
Provision for Expected Credit Losses “ECL” on Direct Islamic Financing: The process of estimating expected credit losses for direct islamic financing in accordance with Islamic Financial Accounting Standard for Islamic Financial Institutions No. (30) is important, complex and requires significant judgment. Financial Accounting 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 default date. Due to the importance of the judgements applied in Financial Accounting Standard No. (30) and credit exposures that form major portion of the Bank’s assets, ECL was considered as Key Audit Matter. The total balance of direct islamic financing amounted to U.S. \$ 1,206,889,193 and the balance of the expected credit loss provision amounted to U.S. \$ 80,352,913 as at December 31, 2025. Accounting policies, estimates and significant accounting judgments, disclosure of provision for expected credit losses, and credit risk management are detailed in notes (2, 6, 46 and 53) in the accompanying financial statements.	Our audit procedures included an understanding of the nature of the financing portfolio, 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: – The Bank’s policy regarding the provision for expected credit losses in accordance with Financial Accounting Standard No. (30). – Studying and understanding the expected credit loss model used in calculating provisions and its compatibility with the requirements of Financial Accounting Standard No. (30) and the relevant regulatory guidelines and directives. – Key assumptions and judgments relating to significant increase in credit risk, definition of default, and use of macroeconomic inputs to verify that reported expected credit losses amounts reflect the underlying credit quality and macroeconomic trends. – The appropriateness of the classification stages. – The appropriateness of the process of determining credit exposure in the event of default, including consideration of the cash flows resulting from repayment and the resulting calculations. – The appropriateness of the probability of default, the credit exposure at default and the percentage of loss assuming default for the different stages. – The appropriateness and objectivity of the internal evaluation of funds. – The correctness and appropriateness of the process of calculating expected credit losses. – 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. – The process of calculating the expected credit losses for financing individually in addition to understanding the latest developments in financing in terms of cash flows and if there is any scheduling or structuring. – Legal agreements and attachments related to them to ensure the existence of guarantees and the existence of the legal right related to them. – We also assessed whether the disclosures of the financial statements appropriately reflect the requirements of the accounting standards for Islamic financial institutions issued by the Accounting and Auditing Organization for Islamic Financial Institutions.

Other information included in the Bank’s 2025 Annual Report

Other information consists of the information included in the Bank’s 2025 annual report other than the financial statements and our auditor’s report thereon. Management is responsible for the other information. The Bank’s 2025 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 whether due to fraud or errors.

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 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.



Shape the future
with confidence

- 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguard applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements as at December 31, 2025 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young – Middle East
License # 206/2012

Abdelkarim M. Mahmoud
Ernst & Young

Abdelkarim Mahmoud
License # 101/2017

March 29, 2026
Ramallah - Palestine

ARAB ISLAMIC BANK P.L.C.

STATEMENT OF FINANCIAL POSITION

As at December 31, 2025

	Notes	2025 U.S. \$	2024 U.S. \$
Assets			
Cash and balances with Palestine Monetary Authority	3	567,573,996	379,018,388
Balances at banks and financial institutions	4	113,343,895	93,132,163
Investments at Islamic banks	5	5,999,858	5,999,713
Direct Islamic financing	6	1,118,663,645	1,103,802,851
Financial assets at fair value through other comprehensive income	7	11,690,416	10,166,762
Financial assets at amortized cost	8	44,473,132	35,989,346
Investment properties	9	25,679,506	24,883,215
Property and equipment	10	15,950,090	17,591,940
Projects in progress	11	1,505,729	1,294,016
Right of use assets	12	3,842,743	4,970,360
Deferred tax assets	13	17,040,779	11,644,575
Intangible assets	14	1,266,467	1,704,858
Other assets	15	14,929,643	18,204,688
Total assets		<u>1,941,959,899</u>	<u>1,708,402,875</u>
Liabilities, quasi-equity and equity			
Liabilities			
Istidama loans from Palestine Monetary Authority	16	14,985,172	15,643,037
Palestine Monetary Authority's deposits	17	40,870,730	12,344,355
Banks and financial institutions' deposits	18	121,897,424	78,169,820
Customers' current accounts	19	491,395,187	434,148,259
Cash margins	20	121,736,418	100,294,831
Sundry provisions	21	11,900,693	11,946,931
Tax provisions	22	6,743,858	246,365
Deferred tax liabilities	23	3,043,463	2,830,662
Lease liabilities	24	4,135,664	5,312,528
Other liabilities	25	35,277,775	21,527,009
Total Liabilities		<u>851,986,384</u>	<u>682,463,797</u>
Quasi-equity			
Participatory investment accounts	26	<u>940,108,156</u>	<u>883,045,109</u>
		<u>940,108,156</u>	<u>883,045,109</u>
Equity			
Paid-in share capital	1	101,119,252	101,119,252
Statutory reserve	27	11,018,471	10,480,248
General banking risk reserve	27	8,374,674	8,374,674
Pro-cyclicality reserve	27	5,200,696	5,200,696
Investment properties reserve	9	8,338,520	7,755,030
Cumulative change in fair value reserve	7	8,988	(996,684)
Retained earnings		<u>15,804,758</u>	<u>10,960,753</u>
Net equity		<u>149,865,359</u>	<u>142,893,969</u>
Total liabilities, quasi-equity and equity		<u>1,941,959,899</u>	<u>1,708,402,875</u>
Contingent liabilities and commitments	40	<u>211,506,083</u>	<u>239,049,628</u>

The accompanying notes from 1 to 54 are part of these financial statements

ARAB ISLAMIC BANK P.L.C.

INCOME STATEMENT

For the year ended December 31, 2025

	Notes	2025 U.S. \$	2024 U.S. \$
Revenues			
Financing revenues	28	68,384,448	66,204,889
Investment revenues	29	5,551,190	5,145,222
Net commission revenues	31	5,664,595	6,138,769
Foreign currency exchange gain		6,806,050	5,770,496
Gain from financial assets	32	2,159,617	439,829
Other revenues	33	1,615,504	1,313,955
Total revenues		<u>90,181,404</u>	<u>85,013,160</u>
Expenses			
Personnel expenses	34	(19,143,387)	(21,925,166)
Other operating expenses	35	(18,853,517)	(17,361,544)
Palestine Monetary Authority fines	36	(22,693)	-
Depreciation and amortization	37	(4,624,858)	(4,710,122)
Impairment losses, net	38	(28,095,609)	(32,179,868)
Total expenses		<u>(70,740,064)</u>	<u>(76,176,700)</u>
Net profit for the year before tax and attribution to quasi-equity		19,441,340	8,836,460
Less: Net profit attributable to quasi-equity holders	30	(11,349,390)	(9,761,353)
Profit (loss) before taxes		8,091,950	(924,893)
Taxes (expense) recovery	22	(2,709,722)	2,046,629
Profit for the year		<u>5,382,228</u>	<u>1,121,736</u>
Basic and diluted earnings per share	42	0.053	0.011

The accompanying notes from 1 to 54 are part of these financial statements

ARAB ISLAMIC BANK P.L.C.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2025

	Notes	2025 U.S. \$	2024 U.S. \$
Profit for the year		<u>5,382,228</u>	<u>1,121,736</u>
Other comprehensive income items:			
Items not to be reclassified in the income statement in subsequent periods:			
Change in fair value of financial assets	7	1,005,672	373,176
Gains from revaluation of investment properties	9	796,291	539,275
Deferred taxes	23	(212,801)	(144,116)
Total other comprehensive income items		<u>1,589,162</u>	<u>768,335</u>
Total comprehensive income for the year		<u>6,971,390</u>	<u>1,890,071</u>

The accompanying notes from 1 to 54 are part of these financial statements

STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2025

	Paid-in share capital	Statutory	General banking risk	Pro- cyclicality	Investment properties	Cumulative change in fair value	Retained earnings	Net equity
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
December 31, 2025								
Balance, beginning of the year	101,119,252	10,480,248	8,374,674	5,200,696	7,755,030	(996,684)	10,960,753	142,893,969
Profit for the year	-	-	-	-	-	-	5,382,228	5,382,228
Other comprehensive income items	-	-	-	-	583,490	1,005,672	-	1,589,162
Total comprehensive income for the year	-	-	-	-	583,490	1,005,672	5,382,228	6,971,390
Transfers to reserves	-	538,223	-	-	-	-	(538,223)	-
Balance, end of year	101,119,252	11,018,471	8,374,674	5,200,696	8,338,520	8,988	15,804,758	149,865,359

	Paid-in share capital	Statutory	General banking risk	Pro- cyclicality	Investment properties	Cumulative change in fair value	Retained earnings	Net equity
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
December 31, 2024								
Balance, beginning of the year	101,119,252	10,368,072	8,374,674	5,200,696	7,359,871	(1,369,860)	9,951,193	141,003,898
Profit for the year	-	-	-	-	-	-	1,121,736	1,121,736
Other comprehensive income items	-	-	-	-	395,159	373,176	-	768,335
Total comprehensive income for the year	-	-	-	-	395,159	373,176	1,121,736	1,890,071
Transfers to reserves	-	112,176	-	-	-	-	(112,176)	-
Balance, end of year	101,119,252	10,480,248	8,374,674	5,200,696	7,755,030	(996,684)	10,960,753	142,893,969

The accompanying notes from 1 to 54 are part of these financial statements

ARAB ISLAMIC BANK P.L.C.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2025

	Notes	2025 U.S. \$	2024 U.S. \$
Operating activities			
Profit (loss) before taxes		8,091,950	(924,893)
Adjustments for:			
Sundry provisions	21	341,920	2,139,580
Depreciation and amortization	37	4,624,858	4,710,122
Impairment losses		24,747,116	13,403,252
Gains from revaluation of investment properties	9	583,490	-
Cash dividends	32	(700,295)	-
Gains from sale of financial assets	32	(1,459,322)	(439,829)
Gains from disposal of property and equipment		-	(575)
Finance costs on lease liabilities	24	105,288	127,685
Other non-cash items		96,112	(321,165)
		<u>36,431,117</u>	<u>18,694,177</u>
Changes in assets and liabilities:			
Statutory cash reserve		(17,080,897)	1,645,329
Direct Islamic financing		(40,267,310)	(8,955,844)
Other assets		3,149,630	10,397,066
Customers' current accounts		57,246,928	(45,893,464)
Cash margins		21,441,587	(8,184,642)
Other liabilities		13,677,545	6,630,982
Net cash flows from (used in) operating activities before taxes and provisions		74,598,600	(25,666,396)
Taxes paid	22	(1,704,545)	(7,748,006)
Sundry provisions paid		(388,158)	(640,392)
Net cash flows from (used in) operating activities		<u>72,505,897</u>	<u>(34,054,794)</u>
Investing activities			
Sale of financial assets at fair value through other comprehensive income		5,561,132	-
Purchase of financial assets at fair value through other comprehensive income		(4,619,792)	(292,528)
Matured financial assets at amortized cost		10,903,593	13,461,556
Purchase of financial assets at amortized cost		(19,094,242)	(8,809,351)
Purchase of property and equipment	10	(1,043,483)	(442,267)
Projects in progress additions	11	(429,957)	(1,105,145)
Proceeds from sale of property and equipment		-	7,568
Balances at banks and financial institutions maturing after three months		(25,325,394)	9,167,841
PMA deposits maturing after three months		1,500,000	-
Banks and financial institutions' deposits maturing after three months		63,869,048	(1,289,987)
Purchase of intangible assets	14	(155,273)	(633,868)
Dividends received from financial assets		700,295	439,829
Net cash flows from investing activities		<u>31,865,927</u>	<u>10,503,648</u>
Financing activities			
Lease liabilities paid	24	(1,282,152)	(1,282,152)
Istidama loans from Palestine Monetary Authority		(657,865)	10,123,350
Change in participatory investment accounts		57,063,047	7,336,402
Net cash flows from financing activities		<u>55,123,030</u>	<u>16,177,600</u>
Increase (decrease) in cash and cash equivalents		<u>159,494,854</u>	<u>(7,373,546)</u>
Cash and cash equivalents, beginning of the year		236,035,564	243,409,110
Cash and cash equivalents, end of year	41	<u>395,530,418</u>	<u>236,035,564</u>

The accompanying notes from 1 to 54 are part of these financial statements

STATEMENT OF INCOME AND ATTRIBUTION RELATED TO QUASI-EQUITY ACCOUNTS

For the year ended December 31, 2025

	2025	2024
	U.S. \$	U.S. \$
Net profit for the year before tax and net profit attributable to quasi-equity	19,441,340	8,836,460
Less: Income not attributable to quasi-equity	(16,245,766)	(13,663,049)
Add: Expenses not attributable to quasi-equity	42,644,455	43,996,832
Net profit for the year before net profit attributable to quasi-equity before the bank's Mudaraba income	45,840,029	39,170,243
Less: Mudarib's share	(43,548,028)	(37,211,731)
Add: Support provided by the bank	9,057,389	7,802,841
Net profit attributable to quasi-equity accounts	11,349,390	9,761,353

The accompanying notes from 1 to 54 are part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

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 the directives of the Islamic Shari'a Rules through its headquarters in Al-Bireh and its twenty-two branches, seven 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 number of branches of Arab Islamic Bank is (22) branches and (6) offices, in addition to one external representative office in Dubai, and a mobile branch.

The total number of the Bank's staff reached (722) as at December 31, 2025 and 2024, respectively.

The financial statements were approved by the Bank's Shari'a Supervisory Board during their meeting number (21/2026) held on March 5, 2026 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 (01/2026) held on February 15, 2026.

2. Basis of preparation and changes in 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. In the absence of standards issued by AAOIFI relating to specific financial statement items, International Financial Reporting Standards (IFRS) and their interpretations are applied in a manner consistent with Sharia principles until relevant Islamic standards are issued.

The Bank adheres to the principles and rules of Sharia as specified in paragraph 165 of Financial Accounting Standard No. (1) "Presentation and Disclosure of Financial Statements". The Bank adheres 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 comprehensive income 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.

2.2 Changes in accounting policies

The accounting policies adopted in the preparation of the Bank's financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2024, except for the adoption of the following amendments effective starting from January 1, 2025. The adoption of these amendments has no material impact on the Bank's financial statements. The Bank did not apply early adoption to any standards, amendments and interpretations issued but are not yet effective.

Financial Accounting Standard No. (42) "Presentation and Disclosures in the Financial Statements of Takaful Institutions"

The Accounting and Auditing Organization for Islamic Financial Institutions issued Financial Accounting Standard No. (42) in 2022. This standard replaces Financial Accounting Standard No. (12) "General Presentation and Disclosures in the Financial Statements of Islamic Insurance Companies". This standard specifies the requirements for the presentation of financial statements and related disclosures for Takaful institutions. This standard aims to improve the presentation of financial statements of Takaful institutions by introducing additional disclosure requirements aimed at enhancing transparency.

This standard has no effect on the Bank's financial statements as this standard does not apply to the Bank.

Financial Accounting Standard No. (43) "Accounting for Takaful: Recognition and Measurement"

The Accounting and Auditing Organization for Islamic Financial Institutions issued Financial Accounting Standard No. (43) in 2022. This standard replaces Financial Accounting Standard No. (13) "Disclosure of the Basis for Determining and Allocation of Surplus or Deficit in Islamic Insurance Companies". This standard addresses the principles of recognition and measurement of Takaful arrangements and related transactions. The standard should be read in conjunction with Financial Accounting Standard No. (42) "Presentation and Disclosures in the Financial Statements of Takaful Institutions"

This standard has no effect on the Bank's financial statements as this standard does not apply to the Bank.

New standards, amendments and interpretations issued and not yet effective

The accounting standards, new interpretations and amendments issued and not yet effective up to the date of the financial statements are listed below, and the Bank will apply these standards when they become effective:

Financial Accounting Standard No. (45) – Quasi-Equity (Including Investment Accounts)
The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) issued FAS 45 in 2023. This standard describes the principles of financial reporting related to the participatory investment instruments (including investment accounts) in which an Islamic financial institution controls the underlying assets (mostly, as a working partner), on behalf of the stakeholders other than the owners' equity. Such instruments (including, in particular, the unrestricted investment accounts) normally qualify for on-balance-sheet accounting and are reported as quasi-equity. This standard also provides the overall criteria for on-balance-sheet accounting for participatory investment instruments and quasi-equity, as well as aggregation, recognition, derecognition, measurement, presentation and disclosure of quasi-equity. It further addresses financial reporting related to other quasi-equity instruments and certain specific issues. The concept of quasi-equity has been introduced in FAS 1 "General Presentation and Disclosures in the Financial Statements" (Revised 2021).

This standard shall be effective for the financial reporting periods beginning on or after January 1, 2026. The standard will be implemented from 1 January 2026 and is not expected to have a material impact on the Bank when implemented.

Financial Accounting Standard No. (46) – Off-Balance-Sheet Assets Under Management
The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) issued FAS 46 in 2023. This standard describes the criteria for characterization of off-balance sheet assets under management, and the related principles of financial reporting in line with the "AAOIFI Conceptual Framework for Financial Reporting". The standard encompasses the aspects of recognition, derecognition, measurement, selection and adoption of accounting policies, related to off-balance sheet assets under management, as well as certain specific aspects of financial reporting such as impairment and onerous commitments by the Bank. The standard also includes the presentation and disclosure requirements particularly aligning the same with the requirements of the revised FAS (1) "General Presentation and Disclosures in the Financial Statements" in respect of the statement of the changes in off-balance sheet assets under management.

This standard shall be effective for the financial periods beginning on or after 1 January 2026 and shall be adopted at the same time of adoption of FAS (45) – Quasi-Equity (Including Investment Accounts). The standard will be implemented from 1 January 2026 and is not expected to have a material impact on the Bank when implemented.

Financial Accounting Standard No. (47) – Transfer of Assets between Investment Pools
The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) issued FAS (47) in 2023 and replaces FAS (21) "Disclosure of Transfer of Assets". This standard describes the financial reporting principles and disclosure requirements applicable to all transfers between investments pools related to (and their establishment was permanent, between ownership by equity, equity and quasi-equity and off-balance sheet assets under management of an institution). It requires adoption and consistent application of accounting policies for such transfers in line with Shari'ah principles and rules and describes general disclosure requirements in this respect.

This standard shall be effective for the financial periods beginning or after 1 January 2026. The standard will be implemented from 1 January 2026 and is not expected to have a material impact on the Bank when implemented.

Financial Accounting Standard No. (48) – Promotional Gifts and Prizes

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) issued FAS 48 in 2024. This standard aims to set out the accounting and financial reporting principles for recognition, measurement, presentation and disclosures applicable to promotional gifts and prizes awarded by the Islamic financial institutions to their customers, including quasi-equity and other investment accountholders.

This standard shall be effective on the financial statements for the annual financial reporting period beginning on or after 1 January 2026.

The standard will be effective from 1 January 2026 and is not expected to have a material impact on the bank when implemented.

Financial Accounting Standard No. (49) – Financial Reporting for Institutions Operating in Hyperinflationary Economies

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) issued FAS 49 in 2024. The standard sets out the principles of financial reporting for entities that apply financial accounting standards and operate in hyperinflationary economies, taking into account Shariah principles, provisions and their business model. The Accounting Board of AAOIFI recognizes that the economic environment in many countries operating under hyperinflationary conditions sometimes makes financial statements prepared under AAOIFI standard less relevant and not comparable over multiple reporting periods. Accordingly, the Board recognized the need for institutions following AAOIFI standard in such economic environments to apply specific financial reporting requirements that make their financial statements more relevant and comparable. The Board also recognized that some financial reporting requirements under GAAP may not be appropriate for institutions following AAOIFI standard, given the requirements of relevant Sharia principles and rules and their business models. Accordingly, the Board decided to develop a specific standard on this subject.

This standard is effective for financial reporting periods beginning on or after 1 January 2026. It is recommended that all institutions operating in hyperinflationary economies apply this standard from the date of its issuance to ensure comparability of their results. The standard will be effective from 1 January 2026 and is not expected to have a material impact on the bank when implemented.

Financial Accounting Standard No. (50) – Financial Reporting for Islamic Investment Institutions (Including Investment Funds)

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) issued FAS 50 in 2024 and replaces FAS (14) "Investment Funds". This standard outlines financial reporting principles applicable to the Islamic investment institutions and focuses specifically on achieving consistency and providing a unified basis for the format and content of financial statements for Islamic Investment Institutions. This standard prescribes the overall requirements for the presentation, minimum contents and recommended structure of their financial statements in a manner that facilitates truthful and fair presentation in line with Shari'ah principles and rules.

This standard shall be effective for the annual financial statements of Islamic Investment Institutions beginning on or after 1 January 2027. The standard will be effective from 1 January 2027 and is not expected to have a material impact on the bank when implemented.

Financial Accounting Standard No. (51) - Participatory Ventures

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) issued Financial Accounting Standard No. (51), which supersedes Financial Accounting Standard No. (4) "Musharakah Financing" and Financial Accounting Standard No. (3) "Mudarabah Financing." This standard establishes the accounting principles and financial reporting requirements for participatory venture. It applies to the accounting and financial reporting by investors, managing partners, as well as the participatory venture themselves, in respect of all participatory venture arrangements falling within its scope, including those involving equity or quasi-equity interests.

The standard will become effective on 1 January 2027, and it is not expected to have a material impact on the Bank when implemented.

Financial Accounting Standard No. (52) - Deferred Delivery Sales - Salam and Istisna
The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) issued Financial Accounting Standard No. (52). This standard establishes the accounting principles and financial reporting requirements relating to deferred delivery sales transactions, including Salam and Istisna arrangements, covering recognition, measurement, presentation, and disclosure. This standard applies to the accounting and financial reporting of deferred delivery sales transactions executed in accordance with the rules and principles of Shariah, by Islamic financial institutions and other entities applying the Financial Accounting Standards issued by AAOIFI. It applies to both sellers and purchasers, except for Istisna transactions that are specifically excluded from the scope of application under the provisions of this standard.

The standard will become effective on 1 January 2027, and it is not expected to have a material impact on the Bank when implemented.

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 Material accounting policy information

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 are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

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

At initial recognition the Bank can irreversibly classify the instrument that fulfilled the conditions mentioned above as a financial asset at fair value through profit or loss if this 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 comprehensive income (FVTCI).

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 items (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 earning 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".

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 only when there is a legally enforceable 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 participatory investment accounts

Returns are distributed to participatory 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	Participatory 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 participatory 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 participatory 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 participatory 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 investments 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.

Projects in progress

The projects in progress represent the costs of establishing, finishing, expanding and improving the Bank new branches and other projects that have not 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.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable 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.

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.

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.

Going concern assumption

These financial statements have been prepared on the basis of a going concern assumption. During the preparation of the financial statements for the year ended December 31, 2025, the Bank's management assessed the Bank's ability to continue its operational activities in the future, taking into account the ongoing war in Gaza, which has caused significant negative impacts on the economy as a whole and on the Bank's customers, as described in Note (53).

The Bank's management has evaluated the Bank's ability to continue its operations in the future on the basis of the principle of continuity in business for the next twelve months based on the following assumptions:

- The Bank's customer accounts (especially current and participatory investment accounts), the Bank expects their value to grow sufficiently to ensure that the Bank continues to provide its financing services taking into account the increase in the value of the statutory cash reserves as a result.
- The Bank expects its projected financing to show no material growth or decline trends.
- Based on the different expected scenarios for the bank's liquidity ratios, the cash liquidity ratios, the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) are not expected to fall below the ratios set by the Palestine Monetary Authority (note 46).
- Based on the different scenarios expected for the bank's capital adequacy ratio, this ratio is not expected to fall below the ratio set by the Palestine Monetary Authority.

The basic assumptions of the Bank's management assessments for business continuity do not take into account external factors that may change in the future, namely: impacts on other macroeconomic factors that were not included in the Bank's estimates, geopolitical changes, significant changes in legislation, including those specific to banks, as well as other changes that may occur in the future that the Bank has no impact on.

The Bank's management believes that in the next twelve months, the Bank will meet all its obligations on time and in full, taking into account the expected credit losses due to the consequences of the war on the Gaza Strip, and the dynamics of macroeconomic factors that may adversely affect the revaluation of the Bank's financial instruments.

The Bank's management, based on the Bank's liquidity and capital adequacy forecasts and the amount of expected credit losses, believes that there are sufficient grounds to prepare these financial statements on the assumption that the Bank will continue to operate for at least the next twelve months.

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:

- 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.

- 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.
- The Bank assumes a significant increase in financial instruments that have defaulted and matured for 30 days during the previous measurement period.
- 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.
- 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.
- The Bank assumes a significant increase for clients whose economic sectors the management considers to be of high risk.
- 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.
- The Bank assumes a substantial increase for customers who breach debt covenants.
- 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.
- A two-grade drop in the credit rating of financial assets.
- 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). 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 financings 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:

	2025	2024
	U.S. \$	U.S. \$
Cash on hand*	386,059,903	236,198,173
Balances at Palestine Monetary Authority:		
Current and demand accounts	13,680,139	13,709,889
Statutory cash reserve	146,441,206	129,360,309
Swap deposits maturing within a period of three months	21,720,733	-
	567,901,981	379,268,371
Provision for expected credit losses	(327,985)	(249,983)
	567,573,996	379,018,388

* This item is presented net of realized cash losses and impairment loss provisions. The Bank recorded an amount of U.S. \$ 18,776,616 as realized cash losses resulting from the war on the Gaza Strip during 2024. Additionally, the Bank recognized further impairment provisions for cash held in the Gaza Strip amounting to U.S. \$ 3,270,491 during 2025.

* As detailed in Note (46), the Palestinian banking sector, including the Bank, faces operational challenges due to the accumulation of significant cash balances in Israeli Shekel currency. The cash balance held in treasury in Israeli Shekels amounted to the equivalent of U.S. \$ 335,825,535, representing 87% of the Bank's total cash as of December 31, 2025.

- 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.
- The PMA does not pay any returns on statutory cash reserves and current and demand accounts.
- Statutory reserve balances are considered restricted from withdrawal.

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

	2025			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	143,070,198	-	-	143,070,198
Net change during the year	38,771,880	-	-	38,771,880
Balance, end of year	181,842,078	-	-	181,842,078

	2024			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	133,995,130	-	-	133,995,130
Net change during the year	9,075,068	-	-	9,075,068
Balance, end of year	143,070,198	-	-	143,070,198

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

	2025			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	249,983	-	-	249,983
Net re-measurement of expected credit losses during the year	78,002	-	-	78,002
Balance, end of year	327,985	-	-	327,985

	2024			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	540,125	-	-	540,125
Net re-measurement of expected credit losses during the year	(290,142)	-	-	(290,142)
Balance, end of year	249,983	-	-	249,983

4. Balances at banks and financial institutions

This item represents the following:

	2025 U.S. \$	2024 U.S. \$
Local banks and financial institutions:		
Current and demand accounts	2,434,070	-
Swap deposits maturing within a period of three months	26,396,615	12,808,274
	28,830,685	12,808,274
Foreign banks and financial institutions:		
Current and demand accounts	40,838,191	56,018,148
Swap deposits maturing within a period of three months	-	6,000,000
Deposits maturing within a period of more than three months	43,723,554	18,335,685
	113,392,430	93,162,107
Provision for expected credit losses	(48,535)	(29,944)
	113,343,895	93,132,163

– Non-profit bearing balances at banks and financial institutions amounted to U.S. \$ 69,668,876 and U.S. \$ 74,826,422 as at December 31, 2025 and 2024, respectively.

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

	2025			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	54,300,760	38,861,347	-	93,162,107
Net change during the year	19,239,808	990,515	-	20,230,323
Balance, end of year	73,540,568	39,851,862	-	113,392,430

	2024			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	72,831,505	36,710,936	-	109,542,441
Net change during the year	(18,530,745)	2,150,411	-	(16,380,334)
Balance, end of year	54,300,760	38,861,347	-	93,162,107

The following is a summary of the movement in the provision for expected credit losses on balances at banks and financial institutions:

	2025			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	24,507	5,437	-	29,944
Net re-measurement of expected credit losses during the year	774	17,817	-	18,591
Balance, end of year	25,281	23,254	-	48,535

	2024			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	232,566	19,210	-	251,776
Net re-measurement of expected credit losses during the year	(208,059)	(13,773)	-	(221,832)
Balance, end of year	24,507	5,437	-	29,944

5. Investments at Islamic banks

This item represents the following:

	2025 U.S. \$	2024 U.S. \$
Investments maturing within a period of three months	1,799,873	1,815,255
Investments maturing within a period of more than three months	6,000,000	6,000,000
	7,799,873	7,815,255
Provision for expected credit losses	(1,800,015)	(1,815,542)
	5,999,858	5,999,713

The movement of Investments at islamic banks is as follows:

	2025			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	6,000,000	-	1,815,255	7,815,255
Net change during the year	-	-	(15,382)	(15,382)
Balance, end of year	6,000,000	-	1,799,873	7,799,873

	2024			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	6,000,000	-	2,689,727	8,689,727
Net change during the year	-	-	(74,472)	(74,472)
Write-off	-	-	(800,000)	(800,000)
Balance, end of year	6,000,000	-	1,815,255	7,815,255

The following is a summary of the movement in the provision for expected credit losses on investments at Islamic banks:

	2025			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	287	-	1,815,255	1,815,542
Net re-measurement of expected credit losses during the year	(145)	-	(15,382)	(15,527)
Balance, end of year	142	-	1,799,873	1,800,015

	2024			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	1,557	-	2,689,727	2,691,284
Net re-measurement of expected credit losses during the year	(1,270)	-	(74,472)	(75,742)
Write-off	-	-	(800,000)	(800,000)
Balance, end of year	287	-	1,815,255	1,815,542

6. Direct Islamic financing

This item represents the following:

	2025	2024
	U.S. \$	U.S. \$
Murabaha receivables	743,290,883	754,775,896
Tawarooq	280,663,936	225,715,630
Ijara muntahia bittamleek	106,498,007	100,831,925
Istisna'a financing	56,083,064	54,566,715
Mudaraba financing	15,674,248	27,521,120
Current overdraft accounts	4,679,055	2,784,687
	1,206,889,193	1,166,195,973
Suspended profits	(7,872,635)	(6,016,690)
Provision for expected credit losses	(80,352,913)	(56,376,432)
	1,118,663,645	1,103,802,851

- Direct Islamic financing is presented net of profits paid in advance which amounted to U.S. \$ 114,036,051 and U.S. \$ 114,993,313 as at December 31, 2025 and 2024, respectively.
- Non-performing and downgraded direct Islamic financing net of suspended profits according to PMA regulations amounted to U.S. \$ 93,074,477 representing 7.71% of gross direct Islamic financing and U.S. \$ 79,504,798 representing 6.82% of gross direct Islamic financing as at December 31, 2025 and 2024, respectively.
- Defaulted direct Islamic financing net of suspended profits according to PMA regulations amounted to U.S. \$ 71,030,806 representing 5.88% of gross direct Islamic financing and U.S. \$ 66,329,511 representing 5.69% of gross direct Islamic financing as at December 31, 2025 and 2024, respectively.
- Direct Islamic financing granted to Palestinian National Authority and by its guarantee amounted to U.S. \$ 163,746,638 representing 13.57% of gross direct Islamic financing and U.S. \$ 167,360,638 representing 14.35% of gross direct Islamic financing as at December 31, 2025 and 2024, respectively.

- Direct Islamic financing granted to employees of the Palestinian National Authority amounted to U.S. \$ 66,138,056 and U.S. \$ 60,299,587 as at December 31, 2025 and 2024, respectively, representing 5.48% and 5.17% of gross direct Islamic financing as at December 31, 2025 and 2024, respectively.
- Direct Islamic financing granted to the green line Palestinian workers amounted U.S. \$ 23,849,303 and U.S. \$ 26,094,614, respectively, representing 1.98% and 2.24% of gross direct Islamic financing as at December 31, 2025 and 2024, respectively.
- Fair value of customers' collaterals against direct Islamic financing according to PMA regulations amounted to U.S. \$ 607,600,742 and U.S. \$ 578,667,373 as at December 31, 2025 and 2024, respectively.
- Islamic financing granted to non-residents amounted to U.S. \$ 3,316,024 and U.S. \$ 4,403,165 as at December 31, 2025 and 2024, 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 after deducting suspended profits amounted to U.S. \$ 2,652,789 and U.S. \$ 1,477,378 as at December 31, 2025 and 2024, respectively.
- The balance of the provision and the suspended profits for defaulted accounts as on December 31, 2025 and 2024 amounted to U.S. \$ 41,417,720 and U.S. \$ 35,160,427, respectively.

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

	2025			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	521,776,334	573,733,138	70,686,501	1,166,195,973
Net change during the year	74,470,411	(33,990,240)	1,347,394	41,827,565
Transferred to stage 1	126,833,568	(125,656,966)	(1,176,602)	-
Transferred to stage 2	(227,263,272)	236,741,868	(9,478,596)	-
Transferred to stage 3	(1,896,461)	(19,141,913)	21,038,374	-
Write off for defaulted Islamic financing for more than 6 years	-	-	(1,134,345)	(1,134,345)
Balance, end of year	493,920,580	631,685,887	81,282,726	1,206,889,193

	2024			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	796,597,011	302,784,849	55,807,980	1,155,189,840
Net change during the year	51,803,588	(40,152,561)	(244,245)	11,406,782
Transferred to stage 1	23,424,085	(22,561,141)	(862,944)	-
Transferred to stage 2	(342,324,021)	345,844,557	(3,520,536)	-
Transferred to stage 3	(7,724,329)	(12,182,566)	19,906,895	-
Write off for defaulted Islamic financing for more than 6 years	-	-	(400,649)	(400,649)
Balance, end of year	521,776,334	573,733,138	70,686,501	1,166,195,973

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

	2025			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	4,949,229	22,283,467	29,143,736	56,376,432
Transferred to stage 1	1,429,222	(1,159,852)	(269,370)	-
Transferred to stage 2	(2,804,965)	5,220,476	(2,415,511)	-
Transferred to stage 3	(5,746)	(60,142)	65,888	-
Net re-measurement of expected credit losses during the year	1,230,391	15,725,748	7,882,414	24,838,553
Recovery of written off Islamic financing	-	-	70,879	70,879
Write off for defaulted Islamic financing for more than 6 years	-	-	(957,822)	(957,822)
Foreign currency exchange differences	-	-	24,871	24,871
Balance, end of year	<u>4,798,131</u>	<u>42,009,697</u>	<u>33,545,085</u>	<u>80,352,913</u>

	2024			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	3,736,079	17,355,673	22,366,867	43,458,619
Transferred to stage 1	459,404	(169,959)	(289,445)	-
Transferred to stage 2	(947,627)	1,815,951	(868,324)	-
Transferred to stage 3	(53,925)	(131,604)	185,529	-
Net re-measurement of expected credit losses during the year	1,755,298	3,413,406	7,855,069	13,023,773
Recovery of written off Islamic financing	-	-	137,577	137,577
Write off for defaulted Islamic financing for more than 6 years	-	-	(318,062)	(318,062)
Foreign currency exchange differences	-	-	74,525	74,525
Balance, end of year	<u>4,949,229</u>	<u>22,283,467</u>	<u>29,143,736</u>	<u>56,376,432</u>

e movement on suspended profits was as follows:

	2025	2024
	U.S. \$	U.S. \$
Balance, beginning of the year	6,016,690	2,980,967
Suspended profits during the year	2,868,597	3,414,477
Suspended profits transferred to revenues during the year	(857,664)	(393,938)
Write off for suspended profits for defaulted Islamic financing for more than 6 years	(176,523)	(82,587)
Foreign currency exchange differences	21,535	97,771
Balance, end of year	<u>7,872,635</u>	<u>6,016,690</u>

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

	2025	2024
	U.S. \$	U.S. \$
Balance, beginning of the year	1,098,841	918,356
Additions during the year	957,822	318,062
Recovery during the year	(70,879)	(137,577)
Balance, end of year	<u>1,985,784</u>	<u>1,098,841</u>

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

	2025			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	122,740,090	160,772,578	11,002,763	294,515,431
Net change during the year	26,716,393	(2,954,952)	(370,139)	23,391,302
Transferred to stage 1	9,947,709	(9,568,093)	(379,616)	-
Transferred to stage 2	(17,134,949)	19,262,391	(2,127,442)	-
Transferred to stage 3	(419,358)	(8,497,170)	8,916,528	-
Balance, end of year	<u>141,849,885</u>	<u>159,014,754</u>	<u>17,042,094</u>	<u>317,906,733</u>

	2024			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	153,911,627	138,849,864	11,891,174	304,652,665
Net change during the year	(18,795,145)	13,008,685	(4,350,774)	(10,137,234)
Transferred to stage 1	15,068,768	(14,302,985)	(765,783)	-
Transferred to stage 2	(26,247,665)	28,161,932	(1,914,267)	-
Transferred to stage 3	(1,197,495)	(4,944,918)	6,142,413	-
Balance, end of year	<u>122,740,090</u>	<u>160,772,578</u>	<u>11,002,763</u>	<u>294,515,431</u>

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

	2025			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	417,330	6,260,073	3,305,801	9,983,204
Transferred to stage 1	163,051	(62,540)	(100,511)	-
Transferred to stage 2	(54,160)	497,398	(443,238)	-
Transferred to stage 3	(1,312)	(41,339)	42,651	-
Net re-measurement of expected credit losses during the year	561,401	488,131	1,220,637	2,270,169
Balance, end of year	<u>1,086,310</u>	<u>7,141,723</u>	<u>4,025,340</u>	<u>12,253,373</u>

	2024			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	475,213	4,308,119	3,328,980	8,112,312
Transferred to stage 1	354,878	(78,624)	(276,254)	-
Transferred to stage 2	(84,908)	697,207	(612,299)	-
Transferred to stage 3	(4,782)	(39,385)	44,167	-
Net re-measurement of expected credit losses during the year	(323,071)	1,372,756	821,207	1,870,892
Balance, end of year	<u>417,330</u>	<u>6,260,073</u>	<u>3,305,801</u>	<u>9,983,204</u>

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

2025				
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	34,129,658	71,489,879	10,711,128	116,330,665
Net change during the year	2,253,913	(7,206,943)	2,048,631	(2,904,399)
Transferred to stage 1	14,040,162	(13,924,693)	(115,469)	-
Transferred to stage 2	(15,299,016)	16,970,319	(1,671,303)	-
Transferred to stage 3	(370,029)	(2,196,776)	2,566,805	-
Balance, end of year	<u>34,754,688</u>	<u>65,131,786</u>	<u>13,539,792</u>	<u>113,426,266</u>

2024				
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	76,211,348	44,223,822	8,599,431	129,034,601
Net change during the year	(3,504,869)	(9,194,616)	(4,451)	(12,703,936)
Transferred to stage 1	3,230,814	(3,230,814)	-	-
Transferred to stage 2	(40,994,644)	41,613,969	(619,325)	-
Transferred to stage 3	(812,991)	(1,922,482)	2,735,473	-
Balance, end of year	<u>34,129,658</u>	<u>71,489,879</u>	<u>10,711,128</u>	<u>116,330,665</u>

Following is a summary of the movement in the provision for expected credit losses on direct credit financing to SMEs is as follows:

2025				
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	323,685	4,878,163	3,491,469	8,693,317
Transferred to stage 1	180,079	(146,115)	(33,964)	-
Transferred to stage 2	(118,502)	586,521	(468,019)	-
Transferred to stage 3	-	(6,429)	6,429	-
Net re-measurement of expected credit losses during the year	165,394	2,819,620	371,405	3,356,419
Balance, end of year	<u>550,656</u>	<u>8,131,760</u>	<u>3,367,320</u>	<u>12,049,736</u>

2024				
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	332,320	4,773,241	2,315,598	7,421,159
Transferred to stage 1	49,554	(49,554)	-	-
Transferred to stage 2	(222,367)	343,749	(121,382)	-
Transferred to stage 3	(8,374)	(47,767)	56,141	-
Net re-measurement of expected credit losses during the year	172,552	(141,506)	1,241,112	1,272,158
Balance, end of year	<u>323,685</u>	<u>4,878,163</u>	<u>3,491,469</u>	<u>8,693,317</u>

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

2025				
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	197,545,948	341,470,681	48,972,610	587,989,239
Net change during the year	48,909,285	(23,623,525)	(331,098)	24,954,662
Transferred to stage 1	102,845,697	(102,164,180)	(681,517)	-
Transferred to stage 2	(55,510,710)	61,190,561	(5,679,851)	-
Transferred to stage 3	(1,107,074)	(8,447,967)	9,555,041	-
Written-off	-	-	(1,134,345)	(1,134,345)
Balance, end of year	<u>292,683,146</u>	<u>268,425,570</u>	<u>50,700,840</u>	<u>611,809,556</u>

2024				
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	402,687,380	119,711,163	35,317,375	557,715,918
Net change during the year	70,529,620	(43,966,630)	4,110,980	30,673,970
Transferred to stage 1	5,124,503	(5,027,342)	(97,161)	-
Transferred to stage 2	(275,081,712)	276,068,656	(986,944)	-
Transferred to stage 3	(5,713,843)	(5,315,166)	11,029,009	-
Written-off	-	-	(400,649)	(400,649)
Balance, end of year	<u>197,545,948</u>	<u>341,470,681</u>	<u>48,972,610</u>	<u>587,989,239</u>

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

2025				
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	1,402,963	11,145,231	22,346,466	34,894,660
Transferred to stage 1	1,086,092	(951,197)	(134,895)	-
Transferred to stage 2	(230,786)	1,735,040	(1,504,254)	-
Transferred to stage 3	(4,434)	(12,374)	16,808	-
Net re-measurement of expected credit losses during the year	463,487	3,248,459	6,290,372	10,002,318
Excluding defaulted Islamic financing for more than 6 years	-	-	(957,822)	(957,822)
Recovery of impaired Islamic financing	-	-	70,879	70,879
Foreign currency exchange differences	-	-	24,871	24,871
Balance, end of year	<u>2,717,322</u>	<u>15,165,159</u>	<u>26,152,425</u>	<u>44,034,906</u>

	2024			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	623,295	8,274,313	16,722,289	25,619,897
Transferred to stage 1	54,972	(41,781)	(13,191)	-
Transferred to stage 2	(640,352)	774,995	(134,643)	-
Transferred to stage 3	(40,769)	(44,452)	85,221	-
Net re-measurement of expected credit losses during the year	1,405,817	2,182,156	5,792,750	9,380,723
Excluding defaulted Islamic financing for more than 6 years	-	-	(318,062)	(318,062)
Recovery of impaired Islamic financing	-	-	137,577	137,577
Foreign currency exchange differences	-	-	74,525	74,525
Balance, end of year	<u>1,402,963</u>	<u>11,145,231</u>	<u>22,346,466</u>	<u>34,894,660</u>

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

	2025			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	167,360,638	-	-	167,360,638
Net change during the year	(3,409,180)	(204,820)	-	(3,614,000)
Transferred to stage 2	(139,318,597)	139,318,597	-	-
Balance, end of year	<u>24,632,861</u>	<u>139,113,777</u>	<u>-</u>	<u>163,746,638</u>

	2024			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	163,786,656	-	-	163,786,656
Net change during the year	3,573,982	-	-	3,573,982
Balance, end of year	<u>167,360,638</u>	<u>-</u>	<u>-</u>	<u>167,360,638</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:

	2025			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	2,805,251	-	-	2,805,251
Transferred to stage 2	(2,401,517)	2,401,517	-	-
Expected credit losses during the year	40,109	9,169,538	-	9,209,647
Balance, end of year	<u>443,843</u>	<u>11,571,055</u>	<u>-</u>	<u>12,014,898</u>

	2024			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	2,305,251	-	-	2,305,251
Expected credit losses during the year	500,000	-	-	500,000
Balance, end of year	<u>2,805,251</u>	<u>-</u>	<u>-</u>	<u>2,805,251</u>

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

	2025	2024
	U.S. \$	U.S. \$
Public Sector		
Palestinian National Authority	163,746,638	167,360,638
Manufacturing and Agricultural		
Manufacturing sector	56,350,345	53,582,954
Agricultural sector	3,268,263	3,297,721
Livestock	37,965,521	38,755,907
	<u>97,584,129</u>	<u>95,636,582</u>
Services Sector	23,589,039	20,883,688
Wholesale and Retail	266,057,564	250,234,211
Real Estate		
Constructions	12,563,592	8,953,352
Commercial and investment properties	213,335,580	205,840,944
	<u>225,899,172</u>	<u>214,794,296</u>
Land	181,081,623	185,690,002
Consumers' Financing		
Vehicles' financing	153,817,410	148,471,986
Consumable goods financing	10,215,630	1,837,022
	<u>164,033,040</u>	<u>150,309,008</u>
Others	77,025,353	75,270,858
	<u>1,199,016,558</u>	<u>1,160,179,283</u>

7. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise of the following:

	Local	Foreign	Total
	U.S. \$	U.S. \$	U.S. \$
December 31, 2025			
Quoted shares	-	8,344,444	8,344,444
Unquoted shares	3,048,179	297,793	3,345,972
	<u>3,048,179</u>	<u>8,642,237</u>	<u>11,690,416</u>
December 31, 2024			
Quoted shares	-	6,884,257	6,884,257
Unquoted shares	3,048,179	234,326	3,282,505
	<u>3,048,179</u>	<u>7,118,583</u>	<u>10,166,762</u>

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

	2025	2024
	U.S. \$	U.S. \$
Balance, beginning of the year	(996,684)	(1,369,860)
Change in fair value	1,005,672	373,176
Balance, end of year	8,988	(996,684)

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 ranging from 2 months to 7 years.

	2025	2024
	U.S. \$	U.S. \$
Financial assets at amortized cost – listed on global markets	47,024,147	38,833,498
Provision for expected credit losses of financial assets at amortized cost	(2,551,015)	(2,844,152)
	44,473,132	35,989,346

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

	2025			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	30,309,351	6,000,000	2,524,147	38,833,498
Net change during the year	8,190,649	-	-	8,190,649
Transferred to stage 1	5,000,000	(5,000,000)	-	-
Balance, end of year	43,500,000	1,000,000	2,524,147	47,024,147

	2024			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	36,961,556	4,000,000	2,524,147	43,485,703
Net change during the year	(5,652,205)	1,000,000	-	(4,652,205)
Write offs	(1,000,000)	1,000,000	-	-
Balance, end of year	30,309,351	6,000,000	2,524,147	38,833,498

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

	2025			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	51,079	268,926	2,524,147	2,844,152
Net re-measurement of expected credit losses during the year	(294,197)	1,060	-	(293,137)
Transferred to stage 1	268,537	(268,537)	-	-
Balance, end of year	25,419	1,449	2,524,147	2,551,015

	2024			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	132,783	37,656	2,524,147	2,694,586
Net re-measurement of expected credit losses during the year	(66,875)	216,441	-	149,566
Write offs	(14,829)	14,829	-	-
Balance, end of year	51,079	268,926	2,524,147	2,844,152

9. Investment properties

Following is the movement of Investment properties:

	2025	2024
	U.S. \$	U.S. \$
Balance, beginning of the year	24,883,215	24,776,440
Additions during the year	-	6,500
Transferred to Islamic financing	-	(439,000)
Change in fair value during the year	796,291	539,275
Balance, end of year	25,679,506	24,883,215

Following is the movement on investment properties reserve:

	2025	2024
	U.S. \$	U.S. \$
Balance, beginning of the year	7,755,030	7,359,871
Unrealized gains on revaluation	796,291	539,275
Deferred tax liabilities	(212,801)	(144,116)
Balance, end of year	8,338,520	7,755,030

10. Property and equipment

This item represents the following:

	Buildings U.S. \$	Furniture, equipment and leasehold improvements U.S. \$	Motor vehicles U.S. \$	Computers U.S. \$	Total U.S. \$
<u>December 31, 2025</u>					
<u>Cost:</u>					
Balance, beginning of the year	6,583,699	29,684,540	1,531,158	10,619,175	48,418,572
Additions and transfers from projects in progress	-	94,104	-	1,103,759	1,197,863
Disposals	-	-	-	(113,140)	(113,140)
Balance, end of year	6,583,699	29,778,644	1,531,158	11,609,794	49,503,295
<u>Accumulated depreciation:</u>					
Balance, beginning of the year	888,555	20,030,177	835,255	9,072,645	30,826,632
Depreciation for the year	115,806	1,903,120	134,511	686,276	2,839,713
Impairment of property and equipment	-	-	-	-	-
Disposals	-	-	-	(113,140)	(113,140)
Balance, end of year	1,004,361	21,933,297	969,766	9,645,781	33,553,205
Net book value as at December 31, 2025	5,579,338	7,845,347	561,392	1,964,013	15,950,090

	Buildings U.S. \$	Furniture, equipment and leasehold improvements U.S. \$	Motor vehicles U.S. \$	Computers U.S. \$	Total U.S. \$
<u>December 31, 2024</u>					
<u>Cost:</u>					
Balance, beginning of the year	6,583,699	29,246,770	1,561,183	9,939,178	47,330,830
Additions and transfers from projects in progress	-	450,585	-	681,060	1,131,645
Disposals	-	(12,815)	(30,025)	(1,063)	(43,903)
Balance, end of year	6,583,699	29,684,540	1,531,158	10,619,175	48,418,572
<u>Accumulated depreciation:</u>					
Balance, beginning of the year	772,751	17,831,460	710,999	8,314,032	27,629,242
Depreciation for the year	115,804	1,941,484	147,312	729,700	2,934,300
Impairment of property and equipment	-	270,000	-	30,000	300,000
Disposals	-	(12,767)	(23,056)	(1,087)	(36,910)
Balance, end of year	888,555	20,030,177	835,255	9,072,645	30,826,632
Net book value as at December 31, 2024	5,695,144	9,654,363	695,903	1,546,530	17,591,940

Property and equipment, include fully depreciated assets with an amount of U.S. \$ 17,986,109 and U.S. \$ 17,783,549 that are still used in the operations of the Bank as of December 31, 2025 and December 31, 2024, respectively.

11. Project in progress

This item represents the balance of branches and offices under construction as at 31 December 2025 and 2024, as well as 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. \$ 858,617 These projects are expected to be completed during the year 2026. Movement on project in progress during the year is as follows:

	2025 U.S. \$	2024 U.S. \$
Balance, beginning of the year	1,294,016	1,052,091
Additions	429,957	1,105,145
Transferred to property and equipments	(154,380)	(689,378)
Transfer to intangible assets (note 14)	(63,864)	(173,842)
Balance, end of year	1,505,729	1,294,016

12. Right of use assets

Following is the movement of right of use assets:

	2025 U.S. \$	2024 U.S. \$
Balance, beginning of the year	4,970,360	5,293,641
Additions	-	804,336
Depreciation for the year	(1,127,617)	(1,127,617)
Balance, end of year	3,842,743	4,970,360

13. Deferred tax assets

The movement on the deferred tax assets was as follows:

	2025 U.S. \$	2024 U.S. \$
Balance, beginning of the year	11,644,575	9,570,383
Additions	5,661,380	2,411,433
Amortization	(265,176)	(337,241)
Balance, end of year	17,040,779	11,644,575

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

14. Intangible assets

Intangible assets comprise computer software and programs. Following are the details of the movement on intangible assets:

	2025 U.S. \$	2024 U.S. \$
Cost		
Balance, beginning of the year	8,439,434	7,631,724
Additions during the year	155,273	633,868
Transferred from project in progress (Note 11)	63,864	173,842
Balance, end of year	8,658,571	8,439,434
Amortization		
Balance, beginning of the year	6,734,576	6,086,371
Amortization for the year	657,528	648,205
Balance, end of year	7,392,104	6,734,576
Net book value	1,266,467	1,704,858

15. Other assets

This item represents the following:

	2025 U.S. \$	2024 U.S. \$
Clearing checks	8,415,861	9,039,590
Accrued revenues not received	2,134,805	330,598
Account receivable, advances and temporary expenses	2,029,522	6,932,593
Prepaid expenses	1,079,792	742,544
Assets obtained by the Bank as payment of debts	905,241	905,241
Stationery and printings	364,422	254,122
	14,929,643	18,204,688

16. Istidama loans from Palestine Monetary Authority

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. PMA charges an interest of 0.5% on the loan granted, and the Bank is committed to collecting a reducing return of a maximum of 3% from the borrowers.

This item also includes PMA deposits granted to the Bank in accordance with Instruction No. (15/2023) regarding Istidama Fund (+), with the aim of providing liquidity to the Palestinian economy for financing projects and contributing to the revival of the national economy, in line with the objectives of achieving sustainable economic development.

The balance of sustainability loans amounted to U.S. \$ 14,985,172 and U.S. \$ 15,643,037 as of December 31, 2025, and 2024, respectively.

17. Palestine Monetary Authority deposits

	2025 U.S. \$	2024 U.S. \$
Swap deposits maturing within a period of three months	21,387,940	-
Deposits maturing within 3 months	17,982,790	12,344,355
Subsidized deposits maturing in more than three months*	1,500,000	-
	40,870,730	12,344,355

* This item represents subsidized deposit placed by the Palestine Monetary Authority on May during the current year. This deposit was provided to support the liquidity of the Bank and to assist it in bearing the financial impact resulting from its adherence to Instructions No. (01/2025) related to the handling of loans maturity dates, issued pursuant to Decision-Law No. (3) of 2025, regarding the deferral of loan maturities, installments, and finance lease payments.

18. Banks and financial institutions' deposits

	2025 U.S. \$	2024 U.S. \$
Local banks and financial institutions:		
Current and demand accounts	21,958,574	6,214,571
Swap deposits maturing within a period of three months	26,314,141	12,681,025
Banks and financial institutions deposits maturing within a period of three months	3,137,940	50,231,792
Banks and financial institutions deposits maturing in more than three months	63,869,048	-
	115,279,703	69,127,388
Foreign banks and financial institutions:		
Current and demand accounts	6,617,721	3,042,432
Swap deposits maturing within a period of three months	-	6,000,000
	6,617,721	9,042,432
	121,897,424	78,169,820

19. Customers' current accounts

	2025 U.S. \$	2024 U.S. \$
Current and demand accounts	491,395,187	434,148,259

- Total deposits comprise of customers' current accounts (note 19), cash margins (Note 20) and participatory investment accounts (note 26) which amounted to U.S. \$ 1,553,239,761 and U.S. \$ 1,417,488,199 as at December 31, 2025 and 2024, respectively.
- Restricted deposits amounted to U.S. \$ 127,224,911 and U.S. \$ 161,710,109 representing 8.19% and 11.41% of the total deposits as at December 31, 2025 and 2024, respectively.
- Government deposits amounted to U.S. \$ 11,882,542 and U.S. \$ 10,725,572 representing 0.77% and 0.76% of the total deposits as at December 31, 2025 and 2024, respectively.
- Quasi-governmental deposits amounted to U.S. \$ 5,790,865 and U.S. \$ 5,791,586 representing 0.37% and 0.41% of the total deposits as at December 31, 2025 and 2024, respectively.
- Dormant deposits amounted to U.S. \$ 125,992,450 and U.S. \$ 82,356,780 representing 8.11% and 5.81% of the total deposits as at December 31, 2025 and 2024, respectively.
- Non-profit bearing deposits amounted to U.S. \$ 491,395,187 and U.S. \$ 434,148,259 representing 31.64% and 30.63% of the total deposits as at December 31, 2025 and December 31, 2024, respectively.

20. Cash margins

	2025	2024
	U.S. \$	U.S. \$
Cash margins against direct Islamic financing	81,887,600	72,020,713
Cash margins against indirect Islamic financing	27,629,584	19,949,111
Other margins	12,219,234	8,325,007
	<u>121,736,418</u>	<u>100,294,831</u>

All cash margins are cash margins that participate in profits.

21. Sundry provisions

This item represents the following provisions:

	Balance, beginning of the year	Additions during the year	Used during the Year	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<u>December 31, 2025</u>				
Provision for employees' indemnity	11,924,468	341,920	(388,158)	11,878,230
Provision for legal cases	22,463	-	-	22,463
	<u>11,946,931</u>	<u>341,920</u>	<u>(388,158)</u>	<u>11,900,693</u>
<u>December 31, 2024</u>				
Provision for employees' indemnity	10,425,280	2,139,580	(640,392)	11,924,468
Provision for legal cases	22,463	-	-	22,463
	<u>10,447,743</u>	<u>2,139,580</u>	<u>(640,392)</u>	<u>11,946,931</u>

22. Tax provisions

The movement on tax provisions during the years ended December 31, 2025, and 2024 was as follows:

	2025	2024
	U.S. \$	U.S. \$
Balance, beginning of the year	246,365	8,287,973
Provision for the year	8,105,926	2,687,793
Recoveries	-	(2,660,230)
Payments during the year	-	(5,315,574)
Advance payments	(1,704,545)	(2,432,432)
Currency variance	96,112	(321,165)
Balance, end of year	<u>6,743,858</u>	<u>246,365</u>

Income tax expense reported in income statement represents the following:

	2025	2024
	U.S. \$	U.S. \$
Provision for the year	8,105,926	2,687,793
Deferred tax assets additions	(5,661,380)	(2,411,433)
Deferred tax assets amortization	265,176	337,241
Tax settlement refunds	-	(2,660,230)
Tax expense (recovery) for the year	<u>2,709,722</u>	<u>(2,046,629)</u>

Following is the reconciliation between accounting income and taxable income is as follows:

	2025	2024
	U.S. \$	U.S. \$
Bank's accounting profit before taxes	8,091,950	(924,893)
Non-taxable profits	(805,020)	(7,485,393)
Non-deductible tax expenses	21,852,760	11,351,125
Profit subject to Value Added Tax (VAT)	29,139,690	2,940,839
Legal Value Added Tax (VAT)	4,019,268	2,855,343
Profit subject to VAT	25,120,422	85,496
Income tax	3,768,063	1,021,109
Taxes payable for the year	7,787,331	1,426,742
Taxes provisions for the year	<u>8,105,926</u>	<u>2,687,793</u>
Effective tax rate	<u>33%</u>	<u>-</u>

During the year 2024, the Bank reached a final settlement with the tax departments on the results of its business for the years 2023 and 2022. These settlements resulted in a tax refund of U.S. \$ 2,660,230.

The income tax rates, and value added tax rates were 15% and 16% as of December 31, 2025 and 2024. According to Law No. (4) for the year 2014 concerning the amendment of Law No. (8) for the year 2011 related to income taxes; income tax rate on profits resulted from financing small and medium enterprises equals to 10%

23. Deferred tax liabilities

The movement on the deferred tax liabilities is as follows:

	2025	2024
	U.S. \$	U.S. \$
Balance, beginning of the year	2,830,662	2,686,546
Additions	212,801	144,116
Balance, end of year	<u>3,043,463</u>	<u>2,830,662</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:

	2025	2024
	U.S. \$	U.S. \$
Balance, beginning of the year	5,312,528	5,662,659
Additions	-	804,336
Payments	(1,282,152)	(1,282,152)
Cost of lease liabilities during the year (note 35)	105,288	127,685
Balance, ending of year	<u>4,135,664</u>	<u>5,312,528</u>

Lease liabilities consist of the following:

	2025	2024
	U.S. \$	U.S. \$
Short term liabilities	1,192,490	1,176,864
Long term liabilities	2,943,174	4,135,664
	<u>4,135,664</u>	<u>5,312,528</u>

25. Other liabilities

This item represents the following:

	2025	2024
	U.S. \$	U.S. \$
Certified checks	19,148,833	8,082,125
Temporary accounts and other credit accounts	8,403,915	5,645,900
Return on participatory investment accounts	4,258,978	3,179,814
Trade payables	1,740,772	2,942,453
Provision for contingent liabilities and commitments (note 40)	672,573	599,352
Accrued taxes	519,511	508,741
Dividends payable	261,895	266,960
Board of Directors' bonuses	220,000	220,000
Earnings prohibited by shari'a	-	31,708
Others	51,298	49,956
	<u>35,277,775</u>	<u>21,527,009</u>

26. Participatory investment accounts

This item represents the following:

	2025	2024
	U.S. \$	U.S. \$
Saving deposits	625,270,954	586,104,424
Time deposits	314,837,202	296,940,685
	<u>940,108,156</u>	<u>883,045,109</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 Palestine Monetary Authority.

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. \$ 15,200,331 as at December 31, 2025 and an amount of U.S. \$ 19,722,862 as at December 31, 2024. 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 revenues

This item represents revenues from the following:

	2025	2024
	U.S. \$	U.S. \$
Murabaha investments revenues	43,490,417	43,427,115
Tawarooq revenues	14,426,883	13,486,654
Ijara muntahia bittamleek revenues	5,753,838	4,786,751
Istisna'a financing revenues	3,628,168	3,275,782
Mudaraba revenues	1,085,142	1,228,587
	<u>68,384,448</u>	<u>66,204,889</u>

29. Investment revenues

This item represents the following:

	2025	2024
	U.S. \$	U.S. \$
Income from investments at Islamic banks	3,120,799	3,275,553
Income from investments in Islamic Sukuk	2,430,391	1,869,669
	<u>5,551,190</u>	<u>5,145,222</u>

30. Net profit attributable to quasi-equity holders

This item represents the following:

	2025	2024
	U.S. \$	U.S. \$
Time deposits	9,728,733	8,585,456
Cash margins	875,982	563,668
Saving deposits	744,675	612,229
	<u>11,349,390</u>	<u>9,761,353</u>

31. Net commissions

This item represents the following:

	2025	2024
	U.S. \$	U.S. \$
Commissions received on:		
Accounts management, cash withdrawals and deposits and outgoing transfers	2,956,106	2,860,269
ATMs and VISA cards	1,802,468	1,762,568
Checks under collection, post-dated checks and checkbooks	1,271,165	1,745,999
Indirect Islamic financing	554,780	681,175
Dormant accounts	216,565	158,629
Other	236,664	195,935
	<u>7,037,748</u>	<u>7,404,575</u>
Commissions paid	(1,373,153)	(1,265,806)
	<u>5,664,595</u>	<u>6,138,769</u>

32. Financial assets gain

This item represents the following:

	2025	2024
	U.S. \$	U.S. \$
Proceeds from the sale of financial assets	1,459,322	-
Proceeds from the distribution of financial assets	700,295	439,829
	<u>2,159,617</u>	<u>439,829</u>

33. Other revenues

This item represents the following:

	2025	2024
	U.S. \$	U.S. \$
Rental income from investment properties	230,000	230,000
Recovery of provisions no longer needed	599,512	465,807
Others	785,992	618,148
	<u>1,615,504</u>	<u>1,313,955</u>

34. Personnel expenses

This item represents the following:

	2025	2024
	U.S. \$	U.S. \$
Salaries and related benefits	14,086,163	15,167,518
VAT on salaries	2,264,394	2,449,710
Medical expenses	1,299,883	1,138,489
Provision for employees' indemnity	341,920	2,139,580
The Bank's contribution in the provident fund*	727,750	719,530
Training expenses	300,221	182,776
Travel, accommodation and transportation	123,056	127,563
	<u>19,143,387</u>	<u>21,925,166</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.

35. Other operating expenses

This item represents the following:

	2025	2024
	U.S. \$	U.S. \$
Paid banks' profits	2,603,642	1,493,568
Deposit Insurance Corporation fees*	2,224,800	2,441,167
Maintenance and cleaning	1,998,145	2,312,484
Telephone, fax and postage	1,921,995	1,711,420
Fees, license and subscriptions	1,676,227	1,191,466
Insurance	1,306,277	1,378,275
Visa expenses	1,179,268	944,644
Cash shipping costs	965,502	1,042,657
Board of Directors' remuneration	647,802	646,880
Utilities	643,894	750,490
Vehicles and transportation	502,270	420,518
Stationery, printings and supplies	407,777	456,191
Social responsibility (donations)**	333,564	337,380
Professional and consultancy fees	303,027	266,898
Advertisements and marketing	264,001	336,134
Hospitality	166,314	134,389
Guarding	141,112	88,550
Cost of lease liabilities	105,288	127,685
VAT on leased properties	99,194	31,724
Savings accounts gift box	56,002	201,252
Sundry	1,307,416	1,047,772
	<u>18,853,517</u>	<u>17,361,544</u>

* The Palestinian Deposit Insurance Corporation (the Corporation) was established by Decree-Law No. (7) of 2013. Banks are required to calculate and pay annual subscription fees to the Corporation starting from 2014, based on a specified percentage of the total deposit balances as defined by this law. On November 9, 2021, the Corporation issued Circular No. (2021/2) regarding the increase of the fixed subscription fee rate to 0.2% of the average total covered deposits, effective from 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 6.20% and 30.08% of net income as at December 31, 2025 and 2024, respectively.

36. 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.

37. Depreciation and amortization

This item represents depreciation and amortization of the following:

	2025	2024
	U.S. \$	U.S. \$
Property and equipment	2,839,713	2,934,300
Right of use assets	1,127,617	1,127,617
Intangible assets	657,528	648,205
	<u>4,624,858</u>	<u>4,710,122</u>

38. Impairment losses, Net

This item represents impairment losses as December 31, 2025 and 2024:

	2025	2024
	U.S. \$	U.S. \$
Net revaluation of expected credit losses of balances at banks and financial institutions (note 4)	18,591	(221,832)
Net revaluation of expected credit losses of investments at Islamic banks (note 5)	(15,527)	(75,742)
Net revaluation of expected credit losses of investment at Palestine Monetary Authority (note 3)	78,002	(290,142)
Net revaluation of expected credit losses of direct Islamic financing (note 6)	24,838,553	13,023,773
Net revaluation of expected credit losses of financial assets at amortized cost (note 8)	(293,137)	149,566
Net revaluation of expected credit losses of indirect Islamic financing (note 40)	73,221	460,516
Realized cash losses	3,270,491	18,776,616
Impairment of property and equipment (note 10)	-	300,000
Expected credit losses provision for accounts receivable	125,415	57,113
	<u>28,095,609</u>	<u>32,179,868</u>

39. 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 2025 amounted to U.S. \$ 0.0186 and U.S. \$ 0.01871 for the year 2024.

40. Contingent liabilities and commitments

The Bank's outstanding contingent liabilities and commitments as at the financial statements date are as follows:

	2025	2024
	U.S. \$	U.S. \$
Unutilized limits of direct Islamic financing	135,449,781	174,145,040
Letter of guarantees	66,488,638	55,895,087
Letter of credits	9,428,264	8,858,101
Savings accounts gift box	139,400	151,400
	<u>211,506,083</u>	<u>239,049,628</u>
Provision for expected credit losses (note 25)	(672,573)	(599,352)
	<u>210,833,510</u>	<u>238,450,276</u>

The summary of the movement in total contingent liabilities and commitments is as follows:

	2025			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	128,831,239	110,218,389	-	239,049,628
Net credit loss for the year end	21,333,643	(48,877,188)	-	(27,543,545)
Balance, end of year	<u>150,164,882</u>	<u>61,341,201</u>	<u>-</u>	<u>211,506,083</u>

A summary of the movement on provision for expected credit losses on contingent liabilities and commitments is as follows:

	2025			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	410,084	189,268	-	599,352
Net credit loss for the year end	164,924	(91,703)	-	73,221
Balance, end of year	<u>575,008</u>	<u>97,565</u>	<u>-</u>	<u>672,573</u>

41. Cash and cash equivalents

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

	2025	2024
	U.S. \$	U.S. \$
Cash and balances with Palestine Monetary Authority	567,901,981	379,268,371
Add: Balances at banks and financial institutions maturing within a period of three months	69,668,876	74,826,422
Investments at Islamic banks maturing within a period of three months	1,799,873	1,815,255
Less: PMA deposits maturing within a period of three months	(39,370,730)	(12,344,355)
Banks and financial institutions' deposits maturing within a period of three months	(58,028,376)	(78,169,820)
Statutory cash reserve	<u>(146,441,206)</u>	<u>(129,360,309)</u>
	<u>395,530,418</u>	<u>236,035,564</u>

42. Basic and diluted earnings per share

This item represents the following:

	2025	2024
	U.S. \$	
Profit for the year	<u>5,382,228</u>	<u>1,121,736</u>
	Shares	
Weighted average number of subscribed shares	<u>101,119,252</u>	<u>101,119,252</u>
	U.S. \$	
Basic and diluted earnings per share	<u>0.053</u>	<u>0.011</u>

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

This item represents the following:

	2025			2024		
	Joint financing U.S. \$	Self-financing U.S. \$	Total U.S. \$	Joint financing U.S. \$	Self-financing U.S. \$	Total U.S. \$
Cash and balances with Palestine Monetary Authority	567,573,996	-	567,573,996	379,018,388	-	379,018,388
Balances at banks and financial institutions	113,343,895	-	113,343,895	93,132,163	-	93,132,163
Investments at Islamic banks	5,999,858	-	5,999,858	5,999,713	-	5,999,713
Direct Islamic financing	1,118,663,645	-	1,118,663,645	1,103,802,851	-	1,103,802,851
Financial assets at fair value through other comprehensive income	-	11,690,416	11,690,416	-	10,166,762	10,166,762
Financial assets at amortized cost	-	44,473,132	44,473,132	-	35,989,346	35,989,346
Investment properties	-	25,679,506	25,679,506	-	24,883,215	24,883,215
Property and equipment	-	15,950,090	15,950,090	-	17,591,940	17,591,940
Project in progress	-	1,505,729	1,505,729	-	1,294,016	1,294,016
Right of use assets	-	3,842,743	3,842,743	-	4,970,360	4,970,360
Deferred tax assets	-	17,040,779	17,040,779	-	11,644,575	11,644,575
Intangible assets	-	1,266,467	1,266,467	-	1,704,858	1,704,858
Other assets	-	14,929,643	14,929,643	-	18,204,688	18,204,688
	<u>1,805,581,394</u>	<u>136,378,505</u>	<u>1,941,959,899</u>	<u>1,581,953,115</u>	<u>126,449,760</u>	<u>1,708,402,875</u>

44. Related parties

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:

		2025	2024
	Nature of relationship	U.S. \$	U.S. \$
<u>Statement of financial position items:</u>			
Direct Islamic financing	Board of Directors and executive management	61,396,158	59,698,420
Deposits	Board of Directors and executive management	127,949,210	75,358,204
Board of Directors' accrued remuneration	Board of Directors	220,000	220,000
<u>Off statement of financial position items:</u>			
Indirect Islamic financing	Board of Directors and executive management	6,499,796	7,347,334
<u>Income statement items:</u>			
		2025	2024
		U.S. \$	U.S. \$
Profits received	Board of Directors and executive management	3,325,499	3,403,699
Profits paid	Board of Directors and executive management	2,870,489	1,659,408

- Direct Islamic financing granted to related parties as at December 31, 2025 and 2024 represent %5.49 and %5.41 of the net Islamic financing, respectively.
- Direct Islamic financing granted to related parties as at December 31, 2025 and 2025 represent %4.1.20 and %4.2.24 of the Bank's regulatory capital respectively.
- Average profit on Islamic financing in U.S. \$ granted to related parties in 2025 ranges between %2 to %6.

The top management remuneration (salaries, bonuses and other benefits) are as follows:

	2025	2024
	U.S. \$	U.S. \$
Board of Directors' remuneration *	220,000	220,000
Board of Directors' travel and transportation expenses*	338,450	391,680
Executives' management salaries and related benefits	1,351,264	1,053,022
Executives' management end of service indemnity	112,605	72,065

* Following are the details of the Board of Directors' bonuses and travel expenses for the years 2025 and 2024:

	Representing	2025	2024
		U.S. \$	U.S. \$
Rushdi Al-Ghalayeni	Bank of Palestine	18,730	18,635
Mohammad Nasser	Palestine Investment Fund	18,730	18,635
Safa Nasser Eldeen	Individual	18,730	18,635
Saeb Samour	Individual	18,730	18,635
Saqer Jundiyah	Bank of Palestine	18,730	18,635
Wail AlSourani	Bank of Palestine	18,730	18,635
Fawaz Al-Najjar	Palestine Investment Fund	18,730	2,333
Samar Nakhleh	Small Shareholder	16,054	18,635
Abdallah Al-Ghanim	Bank of Palestine	16,054	13,976
Waleed Barghouthi	Individual	16,054	-
Mohammad			
AbuRamadan	Aswaq Investment Portfolio	13,378	18,635
Ola Shakhshir	Aswaq Investment Portfolio	2,675	-
Sam Buhour	Individual	2,675	18,635
Shadi Al-Khateeb	Aswaq Investment Portfolio	-	13,976
		198,000	198,000

Policy of remuneration and bonuses

The Bank has clear governing rules of practice of remuneration and bonuses, where the aim of this policy is to establish governance, control, fair and equitable distribution of 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 Palestine Monetary Authority 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:

	Palestine	Jordan	Israel	Others	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
December 31, 2025					
Cash and balances with Palestine Monetary Authority	567,573,996	-	-	-	567,573,996
Balances at banks and financial institutions	28,830,685	56,597,146	3,053,670	24,862,394	113,343,895
Investments at Islamic banks	-	-	-	5,999,858	5,999,858
Direct Islamic financing	1,115,347,621	3,316,024	-	-	1,118,663,645
Financial assets at fair value through other comprehensive income	3,048,179	8,344,444	-	297,793	11,690,416
Financial assets at amortized cost	-	-	-	44,473,132	44,473,132
Investment properties	25,679,506	-	-	-	25,679,506
Property and equipment	15,950,090	-	-	-	15,950,090
Projects in progress	1,505,729	-	-	-	1,505,729
Right of use assets	3,842,743	-	-	-	3,842,743
Deferred tax assets	17,040,779	-	-	-	17,040,779
Intangible assets	1,266,467	-	-	-	1,266,467
Other assets	14,929,643	-	-	-	14,929,643
Total assets	1,795,015,438	68,257,614	3,053,670	75,633,177	1,941,959,899
Off statement of financial position items					
Unutilized Islamic financing limits	135,449,781	-	-	-	135,449,781
Letter of guarantees	66,488,638	-	-	-	66,488,638
Letter of credit	9,428,264	-	-	-	9,428,264
Savings accounts gifts box	139,400	-	-	-	139,400
	211,506,083	-	-	-	211,506,083
December 31, 2024					
Cash and balances with Palestine Monetary Authority	379,018,388	-	-	-	379,018,388
Balances at banks and financial institutions	12,808,274	57,878,489	3,120,043	19,325,357	93,132,163
Investments at Islamic banks	-	-	-	5,999,713	5,999,713
Direct Islamic financing	1,099,399,686	4,403,165	-	-	1,103,802,851
Financial assets at fair value through other comprehensive income	3,048,179	6,884,257	-	234,326	10,166,762
Financial assets at amortized cost	-	-	-	35,989,346	35,989,346
Investment properties	24,883,215	-	-	-	24,883,215
Property and equipment	17,591,940	-	-	-	17,591,940
Projects in progress	1,294,016	-	-	-	1,294,016
Right of use assets	4,970,360	-	-	-	4,970,360
Deferred tax assets	11,644,575	-	-	-	11,644,575
Intangible assets	1,704,858	-	-	-	1,704,858
Other assets	18,204,688	-	-	-	18,204,688
Total assets	1,574,568,179	69,165,911	3,120,043	61,548,742	1,708,402,875
Off statement of financial position items:					
Unutilized Islamic financing limits	174,145,040	-	-	-	174,145,040
Letter of guarantees	55,895,087	-	-	-	55,895,087
Letter of credit	8,858,101	-	-	-	8,858,101
Savings accounts gifts box	151,400	-	-	-	151,400
	239,049,628	-	-	-	239,049,628

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

	2025			2024		
	Assets	Liabilities and unrestricted investment accounts and equity	Contingent liabilities and commitments	Assets	Liabilities and unrestricted investment accounts and equity	Commitment and contingencies
According to segment	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Retail	299,571,147	1,245,806,115	139,400	282,935,458	1,075,349,086	151,400
Corporate	706,674,991	399,965,964	196,798,210	713,915,010	429,293,071	217,827,520
SMEs	112,417,507	57,332,929	14,568,473	106,952,383	54,740,004	21,070,708
Treasury	768,760,803	177,753,326	-	549,189,587	106,157,212	-
Others	54,535,451	61,101,565	-	55,410,437	42,863,502	-
Total	1,941,959,899	1,941,959,899	211,506,083	1,708,402,875	1,708,402,875	239,049,628

46. Risk management

Palestinian Government and its' employees' exposures

The credit exposures to the Palestinian government and its employees are assessed within a challenging financial and economic environment marked by ongoing difficulties. The reduction and suspension of clearance revenue transfers by the Israeli government have exerted significant liquidity pressures, as these revenues constitute a vital part of the government's income. This situation materially affects the government's ability to manage its budget and available liquidity, increasing its reliance on external financing to cover liquidity deficits. Consequently, public sector employee salary arrears have accumulated, and payments to the private sector have been delayed. With the end of the Gaza war, some opportunities for economic recovery may arise; however, sustained economic activity and liquidity improvement remain contingent on political stability, the resumption of withheld clearance revenue transfers by Israel, and donor support. This exposes Palestinian banks to risks related to the government's potential inability to meet its obligations.

Credit facilities granted to the Palestinian government amounted to U.S. \$ 163,746,638, representing 13.57% of the total direct credit facilities balance as of December 31, 2025, compared to U.S. \$ 167,360,638 or 14.35% as of December 31, 2024.

Credit facilities granted to public sector employees amounted to U.S. \$ 66,138,056, representing 5.48% of total direct credit facilities as of December 31, 2025, compared to U.S. \$ 60,299,587 or 5.17% as of December 31, 2024.

The financings granted to the Palestinian government through the Palestinian Ministry of Finance and the General Petroleum Corporation is as follows

Ministry of Finance Financings:

- At the end of 2023, concurrently with syndicated loan granted by commercial banks operating in Palestine, the Bank provided financings to the Palestinian government through the Ministry of Finance amounting to 347 million Israeli Shekels and U.S. \$ 53 million. These financings included a six-month grace period, with repayments starting in June 2024. The first installment was paid on time, and monthly payments continued as scheduled until November 2024.
- Subsequently, during the year, the Bank granted the Ministry of Finance additional financings amounting to 45 million Israeli Shekels and U.S. \$ 6 million, also including a six-month grace period to cover installments due on the original financings until May 2025. Thereafter, the Ministry of Finance repaid the original financings installments from its own resources until September 2025.
- Subsequent to financial statements date, the Bank granted the Ministry of Finance further financings of 57.1 million Israeli Shekels and U.S. \$ 7.76 million, including a six-month grace period to cover installments due on the original financings.

The outstanding balance of financings granted to the Ministry of Finance amounted to U.S. \$ 139,113,777 as of December 31, 2025, compared to U.S. \$ 139,928,806 as of December 31, 2024.

General Petroleum Corporation Financings:

This item represents two Murabaha financings in Israeli Shekels granted to the General Petroleum Corporation in 2025 totaling 90 million Israeli Shekels. No modifications or restructurings have been made to these financings; they are secured by commercial checks from fuel stations collected through local banking channels, with stable performance and no delays or breaches of contractual terms. Despite macroeconomic challenges, repayments remain regular with no indications of increased credit risk.

The outstanding balance of financings granted to the General Petroleum Corporation amounted to U.S. \$ 24,632,861 as of December 31, 2025, compared to U.S. \$ 27,431,832 as of December 31, 2024.

Bank's Assessment of Palestinian Government Exposures:

The Bank measures credit risk and expected credit loss (ECL) for various government exposures individually at the financial instrument level, based on the Bank's policy for identifying common characteristics and in accordance with IFRS 9 and IAS 30 requirements.

According to IFRS 9 and IAS 30, if contractual cash flows of a financial asset are renegotiated or modified without derecognition, the entity must assess whether there has been a significant increase in credit risk by comparing:

- A) The risk of default at the reporting date (based on modified contractual terms),
- B) The risk of default at initial recognition (based on original, unmodified contractual terms).

The standard also requires considering reasonable and supportable information based on evidence to determine changes in default risk over the expected life of the financial instruments.

The Bank estimates the Probability of Default (PD) for the Palestinian government using an alternative rating methodology, given the absence of an official credit rating from international rating agencies. This estimate is based on a reference methodology consistent with practices in the Palestinian banking sector since IFRS 9 implementation, with quantitative adjustments reflecting relevant political risk levels. Lifetime PDs (TTC PDs) are derived from historical studies published by global rating agencies covering economic cycles of recovery and recession, then converted to point-in-time PDs (PIT PDs) using a statistical model based on future economic forecasts, including World Bank reports, particularly economic growth projections updated by the Bank during the year.

Due to the geopolitical conditions and resulting financial difficulties, the Bank classified some Ministry of Finance exposures as high risk within Stage 2 for ECL provisioning purposes. This resulted in additional provisions based on management estimates during final ECL calculation for all Ministry of Finance exposures, including assigning greater weight to the worst-case scenario and increasing the PD. The Bank will continue monitoring these exposures and updating ECL inputs accordingly.

Relationship with Israeli Correspondent Banks and Shekel Currency Restrictions:

The Bank operates in an environment where the Israeli Shekel is a primary currency due to the absence of a Palestinian national currency. Shekel clearing is conducted through banks operating in Palestine that maintain correspondent banking relationships with Israeli banks, which are subject to regulatory controls imposed by Israeli authorities. Israeli banks represent the sole channel for Shekel clearing and transfers, including check clearing, worker and trader remittances, payments to Israel for fuel, water, electricity, medical transfers, and clearance revenue transfers collected by the Israeli government on behalf of the Palestinian government. These arrangements are renewed annually with Israeli government approval, exposing Palestinian banks to additional risks related to potential non-renewal, which would disrupt Shekel clearing and transfer channels.

Historically, the Israeli Ministry of Finance provided guarantee letters to Israeli banks involved in correspondent banking with Palestinian banks, offering protection from certain legal and regulatory liabilities arising from transactions with Palestinian institutions.

Currently, there is uncertainty regarding the Israeli government's intention to renew the existing guarantee letters, which are set to expire on May 31, 2026. Israeli correspondent banks have informed their Palestinian bank clients that renewal will not occur unless a guarantee letter is obtained from the Israeli Ministry of Finance as per usual practice.

Suspension or termination of Israeli correspondent banking services could materially impact Palestinian banks' ability to:

- Process payments and settlements timely,
- Manage liquidity, including access to short-term funding and operational cash flows,
- Conduct normal banking operations efficiently,
- Manage operational, legal, and reputational risks.

The Bank's management has assessed the impact of this risk on its operations and financial position. While the Bank currently expects to continue its operations, the uncertainty regarding renewal of correspondent banking relationships represents a material risk considered in assessments of going concern, liquidity risk, and other operational risks. Measures taken by the Bank to address this anticipated risk include:

- Engaging with Israeli correspondent banks and regulatory authorities to clarify operational continuity
- Enhancing internal controls and compliance processes to address increased risks related to anti-money laundering and counter-terrorism financing
- Increasing liquidity reserves to mitigate potential payment settlement disruptions
- Exploring alternative banking arrangements and diversifying exposure to the Israeli Shekel currency where feasible

Restrictions imposed by Israeli authorities in recent years have slowed or limited acceptance of Israeli Shekel cash deposits by Palestinian banks. Consequently, the Bank has accumulated large amounts of Shekel cash, alongside a shortage of electronic Shekel balances to support its operational activities, including delays or refusals in clearing checks and electronic transfers, as well as increased security and storage risks.

These factors affect banks' ability to manage liquidity efficiently, complete customer transactions, and maintain customer confidence, potentially impacting financial performance and stability. The cash balance held in treasury in Israeli Shekels amounted to the equivalent of U.S. \$ 335,825,535 (2024: U.S. \$ 200,097,166), representing 87% (2024: 84.72%) of total cash in treasury as of December 31, 2025.

The Bank continues to cooperate with relevant parties to address these challenges and explore alternative mechanisms to mitigate associated risks. The Bank's management, in line with the banking sector, has implemented several measures to alleviate the impact of these restrictions, including:

- Establishing a Business Continuity Committee to monitor the Shekel crisis regularly and work with all relevant parties to mitigate its effects and ensure continuous delivery of optimal customer services,
- Conducting multiple swaps with the Palestinian Monetary Authority and some local banks to ease the crisis and ensure availability of Israeli Shekel balances,
- Continuously monitoring and analyzing cash flows to meet all financial obligations arising from the Bank's operational activities,

- Closely following up on shipments and coordinating with relevant parties to transfer excess amounts within the Bank's quarterly allocated quotas
- Directing customers to utilize all available electronic payment methods for settling their obligations as part of the digital transaction strategy to reduce cash circulation,
- Setting individual customer limits in accordance with Palestinian Monetary Authority instructions and applying due diligence,
- Regulating acceptance of cash deposits to ensure customers' ability to meet their obligations continuously.

The Bank's exposure to the Israeli Shekel currency is disclosed under the currency risk section.

The Bank will continue monitoring the situation, reflecting any material impact on the financial position and income statement in future reporting periods, while maintaining cooperation with relevant parties to address these challenges and explore alternative risk mitigation mechanisms.

The Bank discloses information to assist financial statement users in assessing the nature and extent of risks arising from financial instruments as of the reporting date as follows:

I. Credit risks

Credit risks are those risks resulting from the default of counterparties to the financial instrument to repay their liabilities 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):

	2025 U.S. \$	2024 U.S. \$
<u>Statement of financial position Items:</u>		
Balances with Palestine Monetary Authority	181,514,093	142,820,215
Balances at banks and financial institutions	113,343,895	93,132,163
Investments at Islamic banks	5,999,858	5,999,713
Direct Islamic financing	1,118,663,645	1,103,802,851
Financial assets at amortized cost	44,473,132	35,989,346
Other assets	12,580,188	16,302,781
Total statement of financial position items	<u>1,476,574,811</u>	<u>1,398,047,069</u>
<u>Contingent liabilities and commitments:</u>		
Unutilized Islamic financing limits	135,449,781	174,145,040
Letter of guarantee	66,488,638	55,895,087
Letter of credit	9,428,264	8,858,101
Savings accounts gift box	139,400	151,400
Total contingent liabilities and commitments	<u>211,506,083</u>	<u>239,049,628</u>

2025	Total exposure			ECL		Collateral coverage percentage		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Cash and balances with Palestine Monetary Authority	181,842,078	-	-	327,985	-	0.18%	0.00%	0.00%
Balances at banks and financial institutions	73,540,568	39,851,862	-	25,281	23,254	0.03%	0.06%	0.00%
Investments at Islamic banks	6,000,000	-	1,799,873	142	-	0.00%	0.00%	100%
Direct Islamic financing:								
Retail	141,849,885	159,014,754	17,042,094	1,086,310	7,141,723	0.77%	4.49%	23.62%
Small and medium companies	34,754,688	65,131,786	13,539,792	550,656	8,131,760	%1.58	12.49%	24.87%
Corporate	292,683,146	268,425,570	50,700,840	2,717,322	15,165,159	0.93%	5.65%	51.58%
Public sector	24,632,861	139,113,777	-	443,843	11,571,055	1.80%	8.32%	0.00%
Financial assets at amortized cost	43,500,000	1,000,000	2,524,147	25,419	1,449	0.06%	0.14%	100%
Other financial assets	12,580,188	-	-	-	-	0.00%	0.00%	0.00%
Total	811,383,414	672,537,749	85,606,746	5,176,958	42,034,400	0.64%	6.25%	44.24%
Credit exposure related to off-balance sheet items:	150,164,882	61,341,201	-	575,008	97,565	0.38%	0.16%	0.00%

~

2024	Total exposure			ECL		Collateral coverage percentage		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Cash and balances with Palestine Monetary Authority	143,070,198	-	-	249,983	-	0.17%	0.00%	0.00%
Balances at banks and financial institutions	54,300,760	38,861,347	-	24,507	5,437	0.05%	0.01%	0.00%
Investments at Islamic banks	6,000,000	-	1,815,255	287	-	0.00%	0.00%	100.00%
Direct Islamic financing:								
Retail	122,740,090	160,772,578	11,002,763	417,330	6,260,073	0.34%	3.89%	30.05%
Small and medium companies	34,129,658	71,489,879	10,711,128	323,685	4,878,163	0.95%	6.82%	32.60%
Corporate	197,545,948	341,470,681	48,972,610	1,402,963	11,145,231	0.71%	3.26%	45.63%
Public sector	167,360,638	-	-	2,805,251	-	1.68%	0.00%	0.00%
Financial assets at amortized cost	30,309,351	6,000,000	2,524,147	51,079	268,926	0.17%	4.48%	100.00%
Other assets	16,302,781	-	-	-	-	0.00%	0.00%	0.00%
Total	771,759,424	618,594,485	75,025,903	5,275,085	22,557,830	0.68%	3.65%	44.63%
Credit exposure related to off-balance sheet items:	128,831,239	110,218,389	-	410,084	189,268	0.32%	0.17%	0.00%

168 Annual Report 2025

168 Annual Report 2025

169 Annual Report 2025

169 Annual Report 2025

C. Collaterals Fair value for total credit exposures

December 31, 2025	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. \$	Net Exposure U.S. \$
Credit exposures relating to items on statement of financial position:							
Balances at Palestine Monetary Authority	181,842,078	-	-	-	-	-	181,842,078
Balances at banks and financial institutions	113,392,430	-	-	-	-	-	113,392,430
Investments at Islamic banks	7,799,873	-	-	-	-	-	7,799,873
Direct Islamic financing:							
Retail	317,906,733	26,576,456	1,154,746	161,044,505	-	12,147,067	113,791,076
Small and medium companies	113,426,266	17,215,877	5,857,221	50,262,275	5,295,752	2,058,788	30,747,172
Corporate	611,809,556	60,563,444	14,514,257	153,519,383	21,077,061	67,812,647	291,003,565
Public sector	163,746,638	-	-	-	-	-	163,746,638
Financial assets at amortized cost	47,024,147	-	-	-	-	-	47,024,147
Total	1,556,947,721	104,355,777	21,526,224	364,826,163	26,372,813	82,018,502	949,346,979
Letters of credit	9,428,264	966,897	-	-	-	-	8,461,367
Letters of guarantee	66,488,638	20,632,273	-	-	-	-	45,856,365
Other exposures	135,589,181	9,124,219	-	-	-	-	126,464,962

December 31, 2024	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. \$	Net Exposure U.S. \$
Credit exposures relating to items on statement of financial position:							
Balances at Palestine Monetary Authority	143,070,198	-	-	-	-	-	143,070,198
Balances at banks and financial institutions	93,162,107	-	-	-	-	-	93,162,107
Investments at Islamic banks	7,815,255	-	-	-	-	-	7,815,255
Direct Islamic financing:							
Retail	294,515,431	19,576,456	654,746	175,044,759	-	8,647,067	86,747,033
Small and medium companies	116,330,665	10,215,877	3,857,221	50,762,275	145,752	1,552,988	47,302,921
Corporate	587,989,239	41,902,356	10,655,394	163,042,902	21,800,220	60,123,074	286,118,008
Public sector	167,360,638	-	-	-	-	-	167,360,638
Financial assets at amortized cost	38,833,498	-	-	-	-	-	38,833,498
Total	1,449,077,031	71,694,689	15,167,361	388,849,936	21,945,972	70,323,129	870,409,658
Letters of credit	8,858,101	1,019,002	-	-	-	-	7,839,099
Letters of guarantee	55,895,087	2,755,124	-	-	-	-	53,139,963
Other exposures	174,296,440	16,355,876	-	-	-	-	157,940,564

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

December 31, 2025	Total exposure U.S. \$	Fair value of collaterals					Net Exposure U.S. \$	EQL U.S. \$	
		Cash margins U.S. \$	Real estate U.S. \$	Quoted stocks U.S. \$	Vehicles and equipment U.S. \$	Others			Total collaterals U.S. \$
						U.S. \$			
Credit exposures relating to items on statement of financial position:									
Direct islamic financing:									
Retail	17,042,094	736,228	3,800,203	-	5,984,240	-	10,520,671	6,521,423	4,025,340
Small and medium									
companies	13,539,792	1,515,188	8,341,575	-	238,792	-	10,095,555	3,444,237	3,367,320
Corporate	50,700,840	1,755,786	32,848,164	183,673	473,986	-	35,261,609	15,439,231	26,152,425
Total	81,282,726	4,007,202	44,989,942	183,673	6,697,018	-	55,877,835	25,404,891	33,545,085

December 31, 2024	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. \$			Total collaterals U.S. \$
Credit exposures relating to items on statement of financial position:									
Direct islamic financing:									
Retail	11,002,763	730,148	8,071,296	-	-	-	2,201,319	3,305,801	
Small and medium companies	10,711,128	1,060,508	8,816,586	-	-	-	834,034	3,491,469	
Corporate	48,972,610	1,058,765	30,260,342	-	-	-	17,653,503	22,346,466	
Total	70,686,501	2,849,421	47,148,224	-	-	-	20,688,856	29,143,736	

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	2025	2024
	U.S. \$	U.S. \$
A- to AAA	27,208,208	16,000,000
B- to BBB+	18,656,039	20,309,351
Unrated	1,159,900	2,524,147
Total	47,024,147	38,833,498

Macroeconomic Factors, Forward Looking Information and Multiple Scenarios

When estimating the expected credit losses, 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 2025, due to the impact of the war on Gaza and PMA instructions, 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 December 31, 2025:

Macroeconomic factors	Scenario used	Weight weighted for each scenario (%)	2025 (%)	2026 (%)	2027 (%)	2028 (%)	2029 (%)	2030 (%)
Growth rate (Contraction) of Gross domestic product	Base scenario	40	(9.71)	4.35	14.37	4.64	3.63	4.02
	Best scenario	-	-	-	-	-	-	-
	Worst scenario	60	(9.71)	0.57	7.95	5.82	3.63	4.02
Unemployment rates	Base scenario	40	8.32	-	(4.14)	(6.91)	(7.42)	(8.02)
	Best scenario	-	-	-	-	-	-	-
	Worst scenario	60	(7.42)	3.21	(3.88)	(6.46)	(6.91)	(7.42)

Except for what was stated in the table above, 100%weight was given to the Bank's customers in the Gaza Strip.

Following is the macroeconomic factors impact on the forward-looking information based on multiple scenarios as of December 31, 2024:

Macroeconomic factors	Scenario used	Weight weighted for each scenario (%)	2024 (%)	2025 (%)	2026 (%)	2027 (%)	2028 (%)	2029 (%)
Growth rate (Contraction) of Gross domestic product	Base scenario	40	(11.68)	(0.24)	4.30	1.98	(0.30)	(0.28)
	Best scenario	-	-	-	-	-	-	-
	Worst scenario	60	(17.52)	(0.36)	6.46	2.98	(0.45)	(0.42)
Unemployment rates	Base scenario	40	14.00	12.80	10.85	9.65	8.88	8.39
	Best scenario	-	-	-	-	-	-	-
	Worst scenario	60	21.00	19.20	16.28	14.47	13.32	12.58

Except for what was stated in the table above, 100%weight was given to the Bank's customers in the Gaza Strip.

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:

2025	Palestine Monetary Authority U.S. \$	Balances at banks and financial institutions U.S. \$	Public sector				Indirect credit facilities and financing		Total U.S. \$
			Corporate U.S. \$	SMEs U.S. \$	Retailers U.S. \$	U.S. \$	U.S. \$	U.S. \$	
Base scenario (40%)	131,194	19,414	4,901,349	4,819,894	17,613,962	4,805,959	269,029	32,560,801	
Best scenario (0%)	-	-	-	-	-	-	-	-	
Worst scenario (60%)	196,791	29,121	7,352,024	7,229,842	26,420,944	7,208,939	403,544	48,841,205	
Total	327,985	48,535	12,253,373	12,049,736	44,034,906	12,014,898	672,573	81,402,006	

2024	Palestine Monetary Authority U.S. \$	Balances at banks and financial institutions U.S. \$	Public sector				Indirect credit facilities and financing		Total U.S. \$
			Corporate U.S. \$	SMEs U.S. \$	Retailers U.S. \$	U.S. \$	U.S. \$	U.S. \$	
Base scenario (40%)	99,993	7,691	3,562,446	3,477,326	12,883,958	1,122,100	80,212	21,233,726	
Best scenario (0%)	-	-	-	-	-	-	-	-	
Worst scenario (60%)	149,990	22,253	6,420,758	5,215,991	22,010,702	1,683,151	519,140	36,021,985	
Total	249,983	29,944	9,983,204	8,693,317	34,894,660	2,805,251	599,352	57,255,711	

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

2025	Palestine Monetary Authority U.S. \$	Balances at banks and financial institutions U.S. \$	Retailers U.S. \$	SMEs U.S. \$	corporate U.S. \$	Public sector U.S. \$	Indirect credit facilities and financing U.S. \$	Total U.S. \$
Base scenario	107,791	27,430	7,465,229	4,154,796	29,002,433	1,641,202	170,393	42,569,274
Best scenario	16,563	15,196	5,914,078	3,371,115	26,063,476	255,439	18,883	35,654,750
Worst scenario	474,782	62,606	10,094,649	5,812,949	39,031,981	6,869,704	1,007,359	63,354,030

2024	Palestine Monetary Authority U.S. \$	Balances at banks and financial institutions U.S. \$	Retailers U.S. \$	SMEs U.S. \$	corporate U.S. \$	Public sector U.S. \$	Indirect credit facilities and financing U.S. \$	Total U.S. \$
Base scenario	1,064,929	19,227	4,810,622	3,472,606	23,552,965	2,081,419	200,538	35,202,306
Best scenario	161,358	11,495	3,872,703	3,054,745	22,423,720	320,673	30,362	29,875,056
Worst scenario	4,681,334	37,089	10,701,243	9,003,294	35,802,001	8,570,232	865,252	69,660,445

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:

	2025		2024	
	Increase (Decrease) in index	Effect on income statement	Increase (Decrease) in index	Effect on income statement
Market	%	U.S. \$	%	U.S. \$
Amman Stock Exchange	10	-	10	-
		834,444		688,426

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	2025		2024	
	Increase in currency	Effect on income statement	Increase in currency	Effect on income statement
	(%)	U.S. \$	(%)	U.S. \$
New Israeli Shekel (ILS)	10	(130,131)	10	80,630
Euro	10	(13,044)	10	-
Other currencies	10	(6,800)	10	(13,852)

Foreign currency position of the Bank is as follows:

December 31, 2025	JOD	Euro	ILS	Other currencies	Total
Assets					
Cash in vaults	16,313,925	35,561	335,825,535	-	352,175,021
Balances with Palestine Monetary Authority					
Current and demand accounts	28,518,229	3,453,228	2,643,279	-	34,614,736
Statutory cash reserve	22,810,557	1,497,459	59,923,384	-	84,231,400
Balances at banks and financial institutions	79,115,543	8,398,814	5,893,669	2,474,267	95,882,293
Direct Islamic financing	93,902,367	7,414,160	602,006,385	1,274	703,324,186
Financial assets at fair value through comprehensive income	8,344,444	-	-	105,315	8,449,759
Investments properties	2,322,306	-	-	-	2,322,306
Other assets	2,337,353	2,858	8,501,495	-	10,841,706
Total assets	253,664,724	20,802,080	1,014,793,747	2,580,856	1,291,841,407
Liabilities					
Palestine Monetary Authority's deposits	-	-	24,387,788	-	24,387,788
Banks and financial institutions' deposits	-	974,821	52,744,406	1,592,054	55,311,281
Customers' current accounts	64,928,306	-	246,386,161	-	311,314,467
Cash margin	5,137,323	-	71,936,808	-	77,074,131
Other liabilities	6,450,545	3,576,653	10,941,152	-	20,968,350
Total liabilities	76,516,174	4,551,474	406,396,315	1,592,054	489,056,017
Unrestricted investment accounts	178,133,542	16,381,042	315,824,832	1,056,799	511,396,215
Total liabilities and participatory investment accounts	254,649,716	20,932,516	722,221,147	2,648,853	1,000,452,232
Net statement of financial position concentration	(984,992)	(130,436)	292,572,600	(67,997)	291,389,175
Off-balance sheet potential commitments	-	-	293,873,914	-	293,873,914
Net position	(984,992)	(130,436)	(1,301,314)	(67,997)	(2,484,739)
December 31, 2024	JOD	Euro	ILS	Other currencies	Total
Total assets	228,149,792	-	777,049,263	18,051,315	1,023,250,370
Total liabilities	60,517,123	-	380,812,479	10,786,748	452,116,350
Participatory investment accounts	165,567,324	-	358,835,348	7,403,089	531,805,761
Total liabilities and participatory investment accounts	226,084,447	-	739,647,827	18,189,837	983,922,111
Net statement of financial position concentration	2,065,345	-	37,401,436	(138,522)	39,328,259
Off-balance sheet potential commitments	500,000	-	36,595,132	-	37,095,132
Net position	1,565,345	-	806,304	(138,522)	2,233,127

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, 2025 and 2024:

December 31, 2025	Less than 1 month U.S. \$	More than 1 month up to 3 months U.S. \$	More than 3 months up to 6 months U.S. \$	More than 6 months up to 1 year U.S. \$	More than 1 year up to 3 years U.S. \$	More than 3 years U.S. \$	Without maturity U.S. \$	Total U.S. \$
Assets								
Cash and balances with Palestine Monetary Authority	421,132,791	-	-	-	-	-	146,441,205	567,573,996
Balances at banks and financial institutions	39,620,341	41,283,498	-	32,440,056	-	-	-	113,343,895
Investment at Islamic banks	-	999,858	-	-	5,000,000	-	-	5,999,858
Direct Islamic financing	56,059,917	168,179,752	210,492,988	179,391,737	246,663,637	257,875,614	-	1,118,663,645
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	11,690,416	11,690,416
Financial assets at amortized cost	-	2,000,000	-	3,000,000	11,000,000	23,473,132	-	44,473,132
Investment properties	-	-	-	-	-	-	25,679,506	25,679,506
Property and equipment	-	-	-	-	-	-	15,950,090	15,950,090
Projects in progress	-	-	-	-	1,505,729	-	-	1,505,729
Right of use assets	-	960,686	-	960,685	-	-	-	3,842,743
Deferred tax assets	960,686	-	-	-	-	-	-	17,040,779
Intangible assets	-	-	-	-	-	-	1,266,467	1,266,467
Other assets	3,732,411	2,239,447	2,985,929	2,985,928	2,985,928	-	-	14,929,643
Total assets	521,506,146	215,663,241	219,439,603	218,778,406	267,155,294	281,348,746	218,068,463	1,941,959,899
Liabilities, participatory investment accounts and equity								
Liabilities								
Isidama loans from the Palestinian Monetary Authority	1,498,517	1,948,072	2,697,331	3,596,442	3,746,293	1,498,517	-	14,985,172
Palestinian Monetary Authority deposits	21,387,940	17,982,790	-	1,500,000	-	-	-	40,870,730
Banks and financial institutions' deposits	81,693,231	13,890,052	26,314,141	58,967,409	58,967,409	103,192,965	-	121,897,424
Customers' current accounts	171,988,388	49,139,508	49,139,508	24,347,283	30,434,106	-	-	491,395,187
Cash margin	18,260,462	12,173,642	36,520,925	-	-	-	11,900,693	121,736,418
Sundry provisions	-	-	-	6,743,858	-	-	-	11,900,693
Tax provisions	-	-	-	-	-	-	-	6,743,858
Deferred tax liabilities	-	-	-	-	-	-	3,043,463	3,043,463
Lease liabilities	1,033,916	1,033,916	1,033,916	5,972,721	7,326,288	5,494,717	-	4,135,664
Other liabilities	9,157,759	3,663,145	3,663,145	5,972,721	7,326,288	-	-	35,277,775
Total liabilities	305,020,213	99,831,125	119,368,966	102,161,629	100,474,096	110,186,199	14,944,156	851,986,384
Participatory investment accounts	188,021,631	94,010,816	94,010,816	103,411,897	188,021,631	272,631,365	-	940,108,156
Equity	-	-	-	-	-	-	-	-
Paid-in share capital	-	-	-	-	-	-	101,119,252	101,119,252
Statutory reserve	-	-	-	-	-	-	11,018,471	11,018,471
General banking risk reserve	-	-	-	-	-	-	8,374,674	8,374,674
Pro-cyclicality reserve	-	-	-	-	-	-	5,200,696	5,200,696
Investment properties reserve	-	-	-	-	-	-	8,338,520	8,338,520
Cumulative change in fair value	-	-	-	-	-	-	8,988	8,988
Retained earnings	-	-	-	-	-	-	15,804,758	15,804,758
Total equity	-	-	-	-	-	-	149,865,359	149,865,359
Total liabilities, participatory investment accounts and equity	493,041,844	193,841,941	213,379,782	205,573,526	288,495,727	382,817,564	164,809,515	1,941,959,899
equity	28,464,302	21,821,300	6,059,821	13,204,880	(21,340,433)	(101,468,818)	53,258,948	-
Maturity gap	28,464,302	50,285,602	56,345,423	69,550,303	48,209,870	(53,258,948)	-	-
Cumulative maturity gap								

December 31, 2024	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
Assets	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Cash and balances with Palestine Monetary Authority	249,658,082	-	-	-	-	-	129,360,306	379,018,388
Balances at banks and financial institutions	56,018,148	34,293,140	2,820,875	-	-	-	-	93,132,163
Investment at Islamic banks	-	-	5,999,713	-	-	-	-	5,999,713
Direct Islamic financing	62,352,261	81,960,511	72,345,233	180,738,901	215,780,344	490,625,601	-	1,103,802,851
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Financial assets at amortized cost	1,846,152	2,970,103	1,017,052	1,000,000	17,000,000	12,156,039	10,166,762	10,166,762
Investment properties	-	-	-	-	-	-	-	35,989,346
Property and equipment	-	-	-	-	-	-	24,883,215	24,883,215
Projects in progress	-	-	-	-	-	-	17,591,940	17,591,940
Right of use assets	-	-	-	-	-	-	1,294,016	1,294,016
Deferred tax assets	-	-	-	-	-	-	4,970,360	4,970,360
Intangible assets	-	-	-	-	-	-	11,644,575	11,644,575
Other assets	7,039,591	2,587,718	6,932,594	1,644,785	-	-	1,704,858	18,204,688
Total assets	376,914,234	121,811,472	89,115,467	183,383,686	232,780,344	502,781,640	201,616,032	1,708,402,875
Liabilities, participatory investment accounts and equity								
Liabilities								
Istidama loans from the Palestinian Monetary Authority	-	12,344,355	-	-	15,643,037	-	-	15,643,037
Palestinian Monetary Authority deposits	-	18,681,025	-	-	-	-	-	12,344,355
Banks and financial institutions' deposits	9,251,449	-	50,237,346	-	-	-	-	78,169,820
Customers' current accounts	434,148,259	-	-	-	-	-	-	434,148,259
Cash margin	3,054,588	11,232,501	30,745,233	25,701,275	29,561,234	-	-	100,294,831
Sundry provisions	-	-	-	-	-	-	11,946,931	11,946,931
Tax provisions	-	-	-	246,365	-	-	-	246,365
Deferred tax liabilities	-	-	-	-	-	-	2,830,662	2,830,662
Lease liabilities	-	-	-	-	-	-	5,312,528	5,312,528
Other liabilities	-	-	-	-	-	-	-	-
Total liabilities	4,320,498	5,962,244	8,064,456	3,179,811	45,204,271	-	20,090,121	21,527,009
Participatory investment accounts	450,774,794	48,220,125	89,047,035	29,127,451	-	-	-	682,463,797
Equity	180,036,789	179,034,261	250,678,910	273,275,149	-	-	-	883,045,109
Paid-in share capital	-	-	-	-	-	-	101,119,252	101,119,252
Statutory reserve	-	-	-	-	-	-	10,480,248	10,480,248
General banking risk reserve	-	-	-	-	-	-	8,374,674	8,374,674
Pro-cyclicality reserve	-	-	-	-	-	-	5,200,696	5,200,696
Investment properties reserve	-	-	-	-	-	-	7,755,030	7,755,030
Cumulative change in fair value	-	-	-	-	-	-	(996,684)	(996,684)
Retained earnings	-	-	-	-	-	-	10,960,753	10,960,753
Total equity	630,831,583	227,254,386	339,725,945	302,402,600	45,204,271	-	142,893,969	142,893,969
Total liabilities, participatory investment accounts and equity	(253,917,349)	(105,442,914)	(250,610,478)	(119,018,914)	187,576,073	-	162,984,090	1,708,402,875
Maturity gap	(253,917,349)	(359,360,263)	(609,970,741)	(728,989,655)	(541,413,582)	(38,631,942)	-	-
Cumulative maturity gap	-	-	-	-	-	-	-	-

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 Liquidity Coverage Ratio (LCR) aims to enhance the Bank's ability to face liquidity risks in the short term by ensuring the availability of sufficient stock of high-quality liquid assets to meet liquidity needs that may arise according to the stress scenario for a period of 30 days, and for the purpose of continuing the Bank to provide its services during the mentioned period from the beginning of the stress date and until the Bank takes action to resolve the problem in an orderly manner.

The table below shows the calculation of the mentioned ratio as of December 31, 2025:

Description	Amount before discount rates / Average flows U.S. \$	Amount after discount rates / Average flows U.S. \$
High quality liquid assets	575,909,160	572,741,578
Retail deposits including small and medium corporates:		
A- Less stable deposits	953,149,770	102,422,670
B- Term deposits with a maturity of more than 30 days	294,739,316	-
Other deposits and other unguaranteed financing for companies:		
A- Operational deposits	287,677,154	71,919,289
B- non-operational deposits	-	-
Guaranteed financing and deposits	287,677,154	71,919,289
Governmental Deposits	11,882,542	4,753,017
Palestine Monetary Authority Deposits	55,855,902	22,342,360
Bank Deposits	121,897,434	121,897,434
Other financial institutions deposits	5,790,865	2,316,346
Guaranteed financing and deposits	483,103,897	223,228,446
Non-cancelled credit lines and required liquidity within 30 days	9,962,789	498,139
Binding credit and liquidity facilities provided to other companies	41,069,699	41,069,699
Long Term	208,748,186	10,437,409
Gross cash outflows	1,990,773,657	377,656,363
Guaranteed Islamic financing	36,760,036	18,380,018
Gross cash inflow	36,760,036	18,380,018
Net cash outflow after adjustments		359,276,345
Total high-quality liquid assets after adjustments		572,741,578
Net cash outflow after adjustment		359,276,345
Liquidity coverage ratio (%)		159%

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

Description	Amount before discount rates / Average flows U.S. \$	Amount after discount rates / Average flows U.S. \$
High quality liquid assets	441,172,322	383,731,187
Retail deposits including small and medium corporates:		
C- Less stable deposits	892,812,977	92,685,072
D- Term deposits with a maturity of more than 30 days	263,145,204	-
Other deposits and other unguaranteed financing for companies:		
C- Operational deposits	245,012,856	61,253,215
D- non-operational deposits	-	-
Guaranteed financing and deposits	245,012,856	61,253,215
Governmental Deposits	10,725,572	4,290,229
Palestine Monetary Authority Deposits	27,987,391	11,194,957
Bank Deposits	78,169,822	78,169,822
Other financial institutions deposits	5,791,586	2,316,634
Guaranteed financing and deposits		
Non-cancelled credit lines and required liquidity within 30 days	367,687,227	157,224,857
Binding credit and liquidity facilities provided to other companies	65,136,940	51,598,602
Long Term	239,049,628	11,952,481
Gross cash outflows	1,827,831,976	313,461,012
Guaranteed Islamic financing	57,441,135	28,720,568
Gross cash inflow	57,441,135	28,720,568
Net cash outflow after adjustments		284,740,444
Total high-quality liquid assets after adjustments		383,731,187
Net cash outflow after adjustment		284,740,444
Liquidity coverage ratio (%)		135%

Net Stable Funding Ratio (NSFR)

During 2018, PMA issued instructions No. (5/2018) in regard of applying Net Stable Funding Ratio (NSFR) (Banks are required to maintain this ratio at a minimum of 100% on a continuous basis). The table below shows the calculation of the mentioned ratio as of December 31, 2025:

Description	2025 U.S. \$	2024 U.S. \$
Regulatory capital	149,018,184	141,334,300
Less stable retail deposits	1,123,329,464	1,040,483,959
Guaranteed and unguaranteed financing	152,675,280	130,765,007
Gross funding available	1,425,022,928	1,312,583,266
Level 1 unrestricted high liquidity assets	100,000	100,000
Level 2 unrestricted high liquidity assets	-	-
Level 3 unrestricted high liquidity assets	3,167,583	2,712,797
Islamic Financing	459,793,960	383,462,688
Housing loans	162,667,877	215,070,742
Deposits in other financial institutions	28,513,700	15,279,796
Financial assets issued or guaranteed by banks and financial institutions	-	-
Non-performing Islamic Financing	4,158,785	2,300,189
Other assets	342,091,433	351,825,115
Non-cancellable credit financing and line of credits	6,772,489	8,707,252
Future obligations	471,413	442,905
Other non contractual obligations	3,324,432	2,794,754
Off balance sheet exposures that are included in prior years	6,970	7,570
Gross funding required	1,011,068,642	982,703,808
Net Stable Funding Ratio (NSFR)	141%	134%

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	1,948,271,128
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.	9,604,987
Amendments related to derivatives exposures	49,461,618
Total Leverage Exposure Scale	1,889,204,523
First tranche of capital net capital	131,885,699
Leverage Ratio	6.98%

47. Fair value measurement

The fair value measurement hierarchy of the Bank's assets and liabilities as at December 31, 2025:

			Fair value measurement using		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level2)	Significant unobservable inputs (Level3)
	Date of measurment	Total			
		U.S. \$	U.S. \$	U.S. \$	U.S. \$
<u>Assets measured at fair value:</u>					
Financial assets at fair value					
through other comprehensive					
income (note 7):					
Quoted	December 31, 2025	8,344,444	8,344,444	-	-
Unquoted	December 31, 2025	3,345,972	-	-	3,345,972
Financial assets at amortized					
cost disclosed (note 8)					
	December 31, 2025	44,388,570	44,388,570	-	-
Investment properties (note 9)					
	December 31, 2025	25,679,506	-	-	25,679,506

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

		Fair value measurement using			
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level2)	Significant unobservable inputs (Level3)
Date of measurment	U.S. \$	U.S. \$	U.S. \$	U.S. \$	
<u>Assets measured at fair value:</u>					
Financial assets at fair value through equity (note 7):					
Quoted	December 31, 2024	6,884,257	6,884,257	-	-
Unquoted	December 31, 2024	3,282,505	-	-	3,282,505
Financial assets at amortized cost disclosed (note 8)					
	December 31, 2024	36,839,808	36,839,808	-	-
Investment properties (note 9)	December 31, 2024	24,883,215	-	-	24,883,215

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, 2024 and 2023:

	Carrying amount		Fair value	
	2025	2024	2025	2024
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Financial assets				
Cash and balances with Palestine Monetary Authority	567,573,996	379,018,388	567,573,996	379,018,388
Balances at banks and financial institutions	113,343,895	93,132,163	113,343,895	93,132,163
Investment at Islamic banks	5,999,858	5,999,713	5,999,858	5,999,713
Direct Islamic financing	1,118,663,645	1,103,802,851	1,118,663,645	1,103,802,851
Financial assets at fair value through other comprehensive income:				
Quoted shares	8,344,444	6,884,257	8,344,444	6,884,257
Unquoted shares	3,345,972	3,282,505	3,345,972	3,282,505
Financial assets at amortized cost	44,473,132	35,989,346	44,388,570	36,839,808
Other financial assets	12,580,188	16,302,781	12,580,188	16,302,781
Total assets	1,874,325,130	1,644,412,004	1,874,240,568	1,645,262,466
Financial liabilities				
Istidama loans from Palestine Monetary Authority	14,985,172	15,643,037	14,985,172	15,643,037
Palestine Monetary Authority's deposits	40,870,730	12,344,355	40,870,730	12,344,355
Banks and financial institutions' deposits	121,897,424	78,169,820	121,897,424	78,169,820
Customers' Current accounts	491,395,187	434,148,259	491,395,187	434,148,259
Cash margins	121,736,418	100,294,831	121,736,418	100,294,831
Lease liabilities	4,135,664	5,312,528	4,135,664	5,312,528
Other financial liabilities	34,605,202	20,895,949	34,605,202	20,895,949
Total liabilities	829,625,797	666,808,779	829,625,797	666,808,779
Participatory investment accounts	940,108,156	883,045,109	940,108,156	883,045,109

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, 2025.

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	2025
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Gross revenues	29,499,978	45,622,703	14,809,496	908,017	90,840,194
Impairment losses	(2,270,169)	(22,568,384)	(3,058,420)	(198,636)	(28,095,609)
Segment results					62,744,585
Unallocated expenses					(54,652,635)
Profit before taxes					8,091,950
Tax expense					(2,709,722)
Profit for the year					5,382,228
Capital expenditures					1,628,713
Depreciation and amortization					4,624,858
Other information					
Total segment assets	299,571,142	819,092,503	768,760,803	54,535,451	1,941,959,899
Total segment liabilities and participatory investment accounts	1,230,819,693	322,420,068	177,753,326	61,101,453	1,792,094,540
	Retail	Corporate	Treasury	Others	2024
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Gross revenue	26,243,059	46,104,526	12,613,798	1,313,955	86,275,338
Impairment losses	(1,870,892)	(11,152,881)	(18,338,466)	(817,629)	(32,179,868)
Segment results					54,095,470
Unallocated expenses					(55,020,363)
Loss before taxes					(924,893)
Taxes recovery					2,046,629
Profit for the year					1,121,736
Capital expenditures					2,181,280
Depreciation and amortization					4,710,122
Other information					
Total segment assets	282,935,458	820,867,393	549,189,587	55,410,437	1,708,402,875
Total segment liabilities and participatory investment accounts	1,061,059,689	356,428,510	106,157,212	41,863,495	1,565,508,906

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 expenditure according to geographical sector:

	Local		Foreign		Total	
	2025	2024	2025	2024	2025	2024
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Total revenues	83,129,386	81,130,116	7,710,808	5,145,222	90,840,194	86,275,338
		1,574,540,625	143,606,520	133,862,250	1,941,959,899	1,708,402,875
Total assets	1,798,353,379	5	0	0	9	
Capital expenditures	1,628,713	2,181,280	-	-	1,628,713	2,181,280

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.

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

	2025			2024		
	Amount	Percentage to assets	Percentage to risk – weighted assets	Amount	Percentage to assets	Percentage to risk – weighted assets
	U.S. \$	%	%	U.S. \$	%	%
Regulatory capital	149,018,181	7.67	14.00	141,330,151	8.27	13.82
Basic capital	131,885,699	6.79	12.39	125,059,404	7.32	12.23

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 2025 is computed in accordance with PMA instructions No. (8/2018) derived from Basel III international regulations, as shown in the following table:

	December 31, 2025 U.S. \$
Net common stocks (CET 1)	131,885,699
The first bracket of capital	131,885,699
The second bracket of capital	17,132,482
Capital base	149,018,181
Credit risk	926,683,101
Market risk	-
Operational risk	137,896,479
Total risk weighted assets	1,064,579,580
Percentage of common stocks (CET 1) to risk weighted assets	12.39%
Percentage of the first bracket of capital to risk weighted assets	12.39%
Percentage of the second bracket of capital to risk weighted assets	1.61%
Percentage of the first bracket to assets	6.79%
Percentage of regulatory capital to assets	7.67%
Capital adequacy ratio	14.00%

51. Legal cases against the Bank

In the normal course of business, the number of litigations filed against the Bank was (38) and (32) as at December 31, 2025 and 2024, respectively. The litigations filed against the Bank amounted to U.S. \$ 2,944,211 and U.S. \$ 1,973,824 as at December 31, 2025 and 2024, respectively. The Bank's management and lawyer believe that the provision for legal cases is sufficient against these litigations.

52. Concentration of risk in geographical area

The Bank carries out its activities in Palestine. The political and economic destabilization in the area increases the risk of carrying out business and could adversely affect performance.

53. War on Gaza Strip

At the beginning of October 2023, Gaza Strip was exposed to a war, which significantly affected all economic activities in Gaza Strip, in addition to destruction of many entities and properties. The economic activity in the West Bank was also affected due to closures and restrictions on the movement of individuals and goods between the cities of the West Bank and between the West Bank and abroad, preventing tens of thousands of Palestinian workers from reaching their workplaces.

These events have negatively affected economic activities in Palestine and led to a decrease in revenues from the private sector, Palestinian workers, government revenues from taxes and local fees, clearance revenues compared to the situation before war and consequently, the ability of customers to meet their obligations on time. The Bank's exposure to credit financing granted to the government, its employees and green line workers are disclosed in (note 6).

Bank exposures in the Gaza Strip

The net book value of the Bank's assets in the Gaza Strip as at December 31, 2025 amounted to U.S. \$ 40,389,862 and U.S. \$ 54,880,476 as at December 31, 2024 after deducting impairment provisions in the amount of U.S. \$ 66,449,108 and U.S. \$ 57,679,713. These provisions were calculated by management according to its best estimate and based on available information in light of the state of uncertainty that is beyond management's control due to the consequences of the war on Gaza Strip.

Below are the details of the Bank's exposures in Gaza Strip and the impairment provisions against them:

December 31, 2025	U.S. \$		
	Exposure	Impairment losses/provision	Net book value
Cash in vaults (A)	22,684,482	22,047,107	637,375
Direct Islamic financing (B)	81,403,380	42,879,519	38,523,861
Non-financial assets (C)	2,751,108	1,522,482	1,228,626
	106,838,970	66,449,108	40,389,862
December 31, 2024	U.S. \$		
	Exposure	Impairment losses/provision	Net book value
Cash in vaults (A)	23,687,154	18,776,616	4,910,538
Direct Islamic financing (B)	85,874,388	37,380,615	48,493,773
Non-financial assets (C)	2,998,647	1,522,482	1,476,165
	112,560,189	57,679,713	54,880,476

A- Cash in vaults:

The net cash in treasury held at the Bank's branches in the Gaza Strip amounted to U.S. \$ 637,375 as of December 31, 2025, after deducting impairment provisions of U.S. \$ 22,047,107. The Bank's management became aware of severe breaches and attacks on its branches in Gaza, where the management was unable to fully assess the damage to all branches, including cash balances, due to limited accurate information on the situation and exposures within Gaza strip due to the war's consequences. The Bank continues its diligent efforts to monitor any developments and will take necessary actions in accordance with applicable accounting standards.

B- Direct islamic financing:

The Bank conducted a study on sectors affected by the war. The net direct credit facilities in Gaza amounted to U.S. \$ 38,523,861 as of December 31, 2025, compared to U.S. \$ 48,493,773 as of December 31, 2024, after deducting expected credit loss provisions of U.S. \$ 42,879,519 and U.S. \$ 37,380,615, respectively. This amount includes islamic financings granted to Palestinian Authority employees, Bank employees, and individuals from international institutions with financial solvency and it is expected that these parties will continue to meet their obligations. The expected impairment losses on these financings primarily depend on developments in the Gaza Strip, which are currently unpredictable.

C. Non-financial assets:

Net non-financial assets in Gaza amounted to U.S. \$ 1,228,626 as of December 31, 2025, after deducting expected credit loss provisions of U.S. \$ 1,522,482. These assets include properties, machinery, equipment, investment properties, and other assets. During 2024, Bank's management became aware of severe breaches and attacks on its branches in Gaza, which prevented a full assessment of damage and delayed the Bank's ability to estimate the value of investment properties, particularly lands, due to the war's consequences. Potential impairment losses largely depend on developments in Gaza, which are currently unpredictable.

Liquidity:

Management reviewed current and projected liquidity ratios, continuity plans, and stress tests under changing conditions. The Bank regularly monitors liquidity to ensure sufficient levels to meet expected needs and continue operations. The liquidity coverage ratio was (159%) and the net stable funding ratio was (141%) as of December 31, 2025, both exceeding the 100% minimum set by the Palestinian Monetary Authority, as detailed in Note (46).

Operational risks:

Since the onset of events on October 7, 2023, most Bank branches in Gaza remain closed. Branches in the central and southern regions opened to the public during the first and second temporary ceasefires. Later in the year, following the ceasefire in Gaza, the Palestinian Monetary Authority instructed banks operating in Gaza to gradually resume banking services starting October 16, 2025. Currently, the Bank provides services through the Al-Nuseirat and Al-Rimal branches.

As a result, the impact of this war on the Bank remains unclear and unpredictable at this time. Management continues to monitor the situation and assess its effect on the Bank's financial position. Management believes there is no material doubt about the Bank's ability to continue as a going concern.

Palestinian Monetary Authority Instructions:

The President of the State of Palestine issued Decree-Law No. (3) of 2025 regulating loan terms and installments, granting the Palestinian Monetary Authority the right, under specified conditions, to issue binding instructions to banks to modify loan terms and installments by extending repayment periods, restructuring debts and installments, or capping profit rates not to exceed interbank lending rates. Accordingly, the Palestinian Monetary Authority issued Instruction No. (1) of 2025 concerning the treatment of loan maturities for individual borrowers in Gaza and public sector employees in the West Bank. This instruction mandates rescheduling all installments for borrowers in Gaza from October 1, 2023, to July 1, 2025, and for public sector employees in the West Bank from October 1, 2023, to December 31, 2024, by granting customers Tawarruq financing to enable installment payments. The Bank charges profit on this financing at a rate not exceeding the interbank lending rate (6 Months SOFR). Additionally, Instruction No. (11) of 2025 dated July 13, 2025, extends the rescheduling of installments for Gaza borrowers until the end of the current year, with an option for discounts under certain conditions.

According to financial accounting standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), based on the above instructions, the agreed profit distribution with the customer must be allocated over the new or expected financing period based on the value and timing of expected cash flows using the effective profit method. This adjustment had no material impact on the Bank's financial statements, as the Bank ceased recognizing most revenues earned in Gaza.

To compensate for related costs expected to be borne by the Bank due to Instruction No. (1/2025) regarding loan maturity deferrals under Decree-Law No. (3) of 2025, the Bank received an incentive deposit from the Palestinian Monetary Authority on May 28, 2025. Management, based on correspondence from the Palestinian Monetary Authority, considers these non-interest-bearing deposits primarily intended to compensate for losses arising from adjustments related to installment deferrals.

54. Subsequent events:

At the beginning of 2026, the Middle East region experienced a military escalation, which led to a state of instability and increased security tensions. This has led to air and maritime traffic disruptions in the region and market volatilities which may affect the Bank's operations in the future. In accordance with International Accounting Standard (IAS) No. (10) "Events after the Reporting Period", these events are considered non-adjusting subsequent events and do not require any adjustments to the financial statements.

Management will continue to closely monitor developments and assess the impact of these conditions on the bank's operational activities and future financial results.